Appendix J: Cost Neutrality Demonstration

J-1: Composite Overview and Demonstration of Cost-Neutrality Formula

Composite Overview. Complete the fields in Cols. 3, 5 and 6 in the following table for each waiver year. The fields in Cols. 4, 7 and 8 are auto-calculated based on entries in Cols 3, 5, and 6. The fields in Col. 2 are auto-calculated using the Factor D data from the J-2d Estimate of Factor D tables. Col. 2 fields will be populated ONLY when the Estimate of Factor D tables in J-2d have been completed.

Level(s) of Care: Nursing Facility

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Year	Factor D	Factor D'	Total: D+D'	Factor G	Factor G'	Total: G+G'	Difference (Col 7 less Column4)
1	19334.31	37360.00	56694.31	135415.00	164803.00	300218.00	243523.69
2	19764.31	38182.00	57946.31	138394.00	168429.00	306823.00	248876.69
3	20203.20	39022.00	59225.20	141439.00	172134.00	313573.00	254347.80
4	20644.68	39880.00	60524.68	144551.00	175922.00	320473.00	259948.32
5	21519.62	40757.00	62276.62	147731.00	179792.00	327523.00	265246.38

Appendix J: Cost Neutrality Demonstration

J-2: Derivation of Estimates (1 of 9)

a. **Number Of Unduplicated Participants Served.** Enter the total number of unduplicated participants from Item B-3-a who will be served each year that the waiver is in operation. When the waiver serves individuals under more than one level of care, specify the number of unduplicated participants for each level of care:

Table: J-2-a: Unduplicated Participants

Waiver Year	Total Number Unduplicated Number of Participants (from Item B-3-a)	Distribution of Unduplicated Participants by Level of Care (if applicable)
		Level of Care:
		Nursing Facility
Year 1	1605	1605
Year 2	1655	1655
Year 3	1705	1705
Year 4 (renewal only)	1755	1755
Year 5 (renewal only)	1805	1805

Appendix J: Cost Neutrality Demonstration

J-2: Derivation of Estimates (2 of 9)

b. **Average Length of Stay.** Describe the basis of the estimate of the average length of stay on the waiver by participants in item J-2-a.

293 days is the average length of stay, which is based on Alaska's most current HCFA 372 report.

Appendix J: Cost Neutrality Demonstration

J-2: Derivation of Estimates (3 of 9)

c. **Derivation of Estimates for Each Factor.** Provide a narrative description for the derivation of the estimates of the following factors.

i. **Factor D Derivation.** The estimates of Factor D for each waiver year are located in Item J-2-d. The basis for these estimates is as follows:

Factor D is consists of all HCB waiver services which are provided only to HCB Waiver recipients enrolled in this waiver. The costs, frequency and utilization rates are as documented in Alaska's CMS 372 reports for July 1, 2004-June 30, 2005 by MMIS reports, with increased unit costs as documented by historical usage. For this waiver, the annual service costs of FY05 were increased by 2.2%, the medical index increase recommended by the Lewin Group Report.

Because of rounding errors, the computations in this document do not match the computations in the paper version approved by CMS in 2006. The total amount of the variance between the paper approved version and the on-line version is less than 1% of the total budget. The discrepancies are known, and accepted by CMS and the State of Alaska.

ii. **Factor D' Derivation.** The estimates of Factor D' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

Factor D' consists of all regular Medicaid Services which are used by enrolled HCB Waiver recipients. These are actual costs documented by MMIS reports for the same time periods through the CMS 372 reports. For the first year, and each year thereafter, the D' annual service costs are increased by 2.2%, the medical index increase recommended by the Lewin Group Report.

iii. **Factor G Derivation.** The estimates of Factor G for each waiver year are included in Item J-1. The basis of these estimates is as follows:

This is the actual average cost of a nursing home bed in Alaska (March, 2006) = $371 per day.

iv. **Factor G' Derivation.** The estimates of Factor G' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

Factor G' reflects the actual non-institution Medicaid expenses (such as home health services, Medicare premiums and co-payments), as documented through MMIS reports for G' year one of the renewal. Thereafter, this is increased by 2.2%, the medical index increase recommended by the Lewin Group Report.

Appendix J: Cost Neutrality Demonstration

J-2: Derivation of Estimates (4 of 9)

Component management for waiver services. If the service(s) below includes two or more discrete services that are reimbursed separately, or is a bundled service, each component of the service must be listed. Select "*manage components*" to add these components.

Waiver Services
Adult Day Services
Care Coordination
Day Habilitation
Residential Habilitation
Respite
Supported Employment
Chore
Environmental Modifications
Intensive Active Treatment
Meals
Residential Supported Living Services

Specialized Medical Equipment
Specialized Private Duty Nursing
Transportation