

Recommendations for a Rate Methodology for Home and Community-Based Services

Presented by Myers and Stauffer LC

Under Contract to

The Alaska Department of
Health and Social Services

December 2008



Project Overview

Project Overview

- ◆ Summer 2007 – RFP
- ◆ November 2007 - Provider meetings

Project Overview

- ◆ December 2007 - First report
 - Overview of current DHSS rate methodologies
 - Division of Health Care Services
 - Division of Senior and Disabilities Services
 - Division of Behavioral Health
 - Office of Children's Services

Project Overview

- ◆ December 2007 - First report
 - Evaluation of recent reports on long-term care in Alaska
 - Program growth
 - Aging population
 - Program sustainability
 - Maximize opportunities for federal funding
 - Evaluation of HCBS reimbursement in other states

Project Overview

- ◆ January 2008: Second report – General recommendations
 - Overview of rate-setting methodologies
 - Provider dependent vs. provider independent
 - Price-based

Project Overview

- ◆ January 2008: Second report – General recommendations
 - Recommendation 1:
Statewide pricing methodology linked to historical cost
 - Historical cost vs. budgeted cost
 - Periodic cost survey approach

Project Overview

- ◆ January 2008: Second report – General recommendations
 - Recommendation 2:
Pricing methodology with peer groups

Project Overview

- ◆ January 2008: Second report – General recommendations
 - Recommendation 3:
Pricing methodology with regionalization of prices

Project Overview

- ◆ January 2008: Second report – General recommendations
 - Annual inflation adjusters; periodic rebasing through subsequent cost surveys
 - Future enhancements
 - Acuity adjustments
 - Quality incentives

Project Overview

- ◆ February to April 2008: Survey tool development
- ◆ May to June 2008: Cost survey pilot

Project Overview

- ◆ August to October 2008: Full survey
 - Survey distribution to all HCBS providers
 - Excel spreadsheet
 - Instructions
 - Provider training
 - Help desk
 - Reminder letters

HCBS Cost Survey Results

HCBS Cost Survey Results

- ◆ Response rate
 - HCB agencies
 - 40% of provider numbers
 - 52% of Medicaid payments

HCBS Cost Survey Results

- ◆ Response rate
 - Assisted living homes
 - 9% of provider numbers
 - 25% of Medicaid payments

HCBS Cost Survey Results

- ◆ Response rate
 - Personal care agencies
 - 38% of provider numbers
 - 56% of Medicaid payments

HCBS Cost Survey Results

- ◆ Response rate
 - Care coordinators
 - 26% of provider numbers
 - 41% of Medicaid payments

HCBS Cost Survey Results

- ◆ Review procedures
 - Verification with supporting documentation
 - Review allocation methods
 - Contacts with providers for verification
- ◆ Calculation of unit cost

HCBS Cost Survey Results

- ◆ Inconclusive cost findings:
 - Care coordinators (issues with allocations)
 - Assisted living homes (response rate)

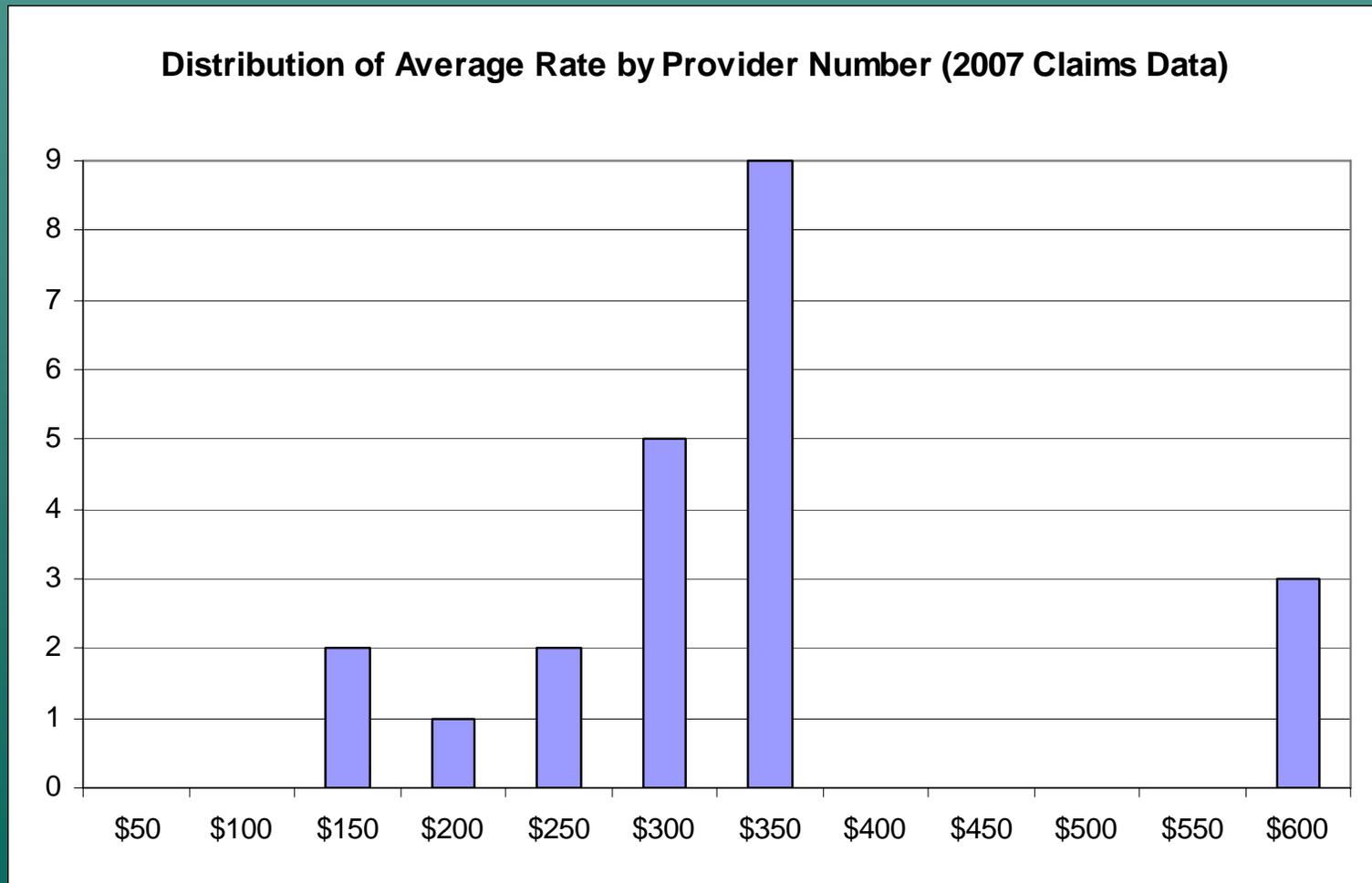
HCBS Cost Survey Results

◆ HCB agencies

Proc. Code and Modifier	Proc. Code Description	Weighted Avg. Rate CY 2007	Cost - Wgt. Mean
S5101	DAY CARE SERVICES, ADULT; PER HALF DAY	39.17	53.33
S5120	CHORE SERVICES; PER 15 MINUTES	4.23	5.66
S5140U2	FOSTER CARE, ADULT; PER DIEM (U2 = SHARED-CARE SERVICES)	177.18	128.03
S5140	FOSTER CARE, ADULT; PER DIEM (U2 = SHARED-CARE SERVICES)	138.97	101.39
S5145U2	FOSTER CARE, THERAPEUTIC, CHILD; PER DIEM (U2 = SHARED-CARE SERVICES)	181.74	188.03
S5145	FOSTER CARE, THERAPEUTIC, CHILD; PER DIEM (U2 = SHARED-CARE SERVICES)	162.63	126.82
S5150U2	UNSKILLED RESPITE CARE, NOT HOSPICE; PER 15 MINUTES (U2 = FAMILY DIRECTED)	5.15	3.57
S5150	UNSKILLED RESPITE CARE, NOT HOSPICE; PER 15 MINUTES (U2 = FAMILY DIRECTED)	5.14	5.28
S5151U2	UNSKILLED RESPITE CARE, NOT HOSPICE; PER DIEM (U2 = FAMILY DIRECTED)	172.65	171.36
S5151	UNSKILLED RESPITE CARE, NOT HOSPICE; PER DIEM (U2 = FAMILY DIRECTED)	246.08	253.44
S5170	HOME DELIVERED MEALS, INCLUDING PREPARATION; PER MEAL	10.95	18.40
T2001	NON-EMERGENCY TRANSPORTATION; PATIENT ATTENDANT/ESCORT	6.40	12.46
T2003	NON-EMERGENCY TRANSPORTATION; ENCOUNTER/TRIP	16.87	12.46
T2016	HABILITATION, RESIDENTIAL, WAIVER; PER DIEM	325.40	267.89
T2017U4	HABILITATION, RESIDENTIAL, WAIVER; 15 MINUTES (NO MODIFIER = SUPPORTED LIVING; U4 = IN-HOME)	7.70	9.02
T2017	HABILITATION, RESIDENTIAL, WAIVER; 15 MINUTES (NO MODIFIER = SUPPORTED LIVING; U4 = IN-HOME)	9.13	9.02
T2019	HABILITATION, SUPPORTED EMPLOYMENT, WAIVER; PER 15 MINUTES	7.92	10.27
T2021	DAY HABILITATION, WAIVER; PER 15 MINUTES	7.46	9.06
T2025	CONGREGANT MEALS	12.56	17.89

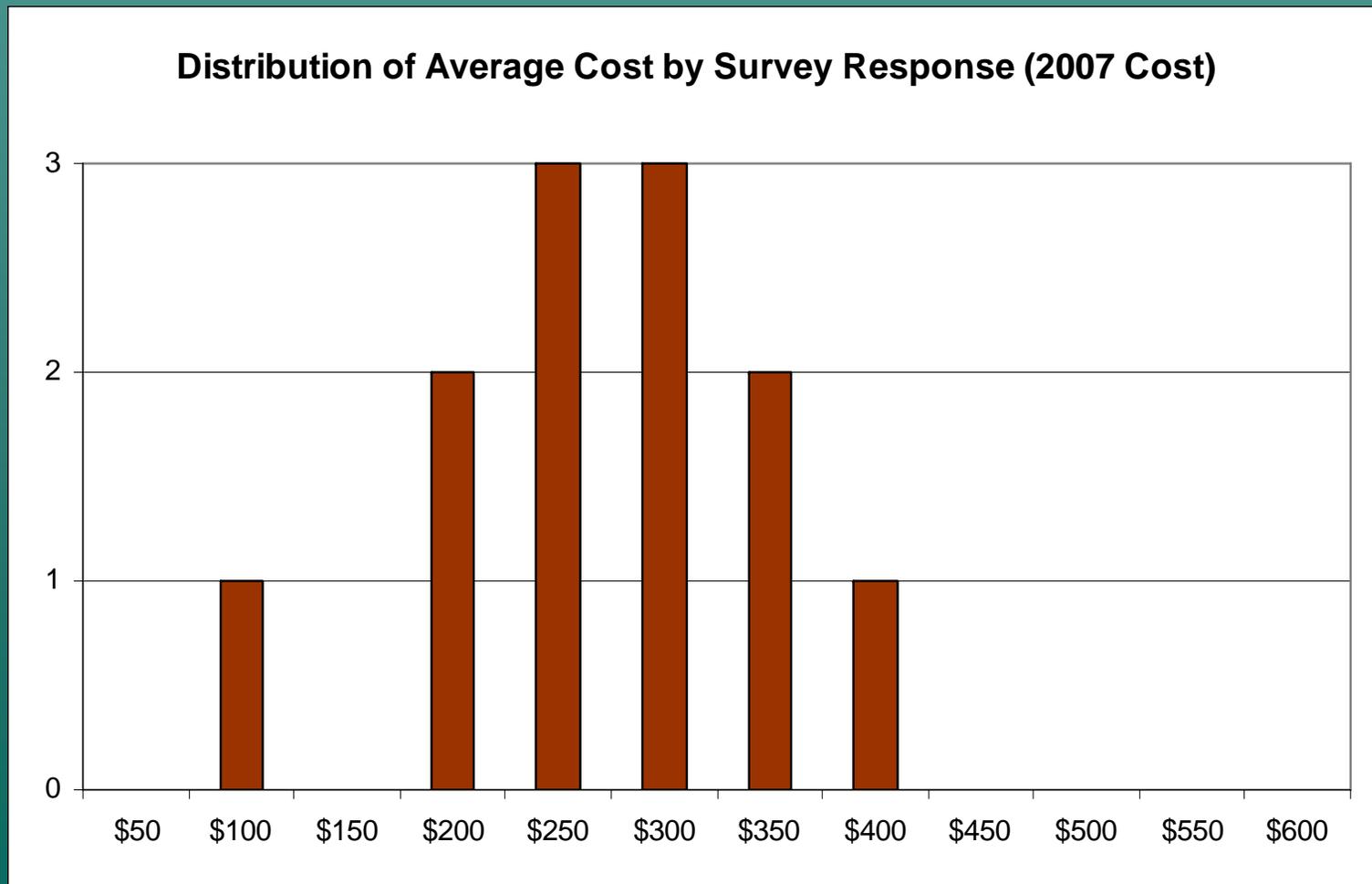
HCBS Cost Survey Results

- ◆ Distribution of average rates
 - Example: Residential habilitation (daily)



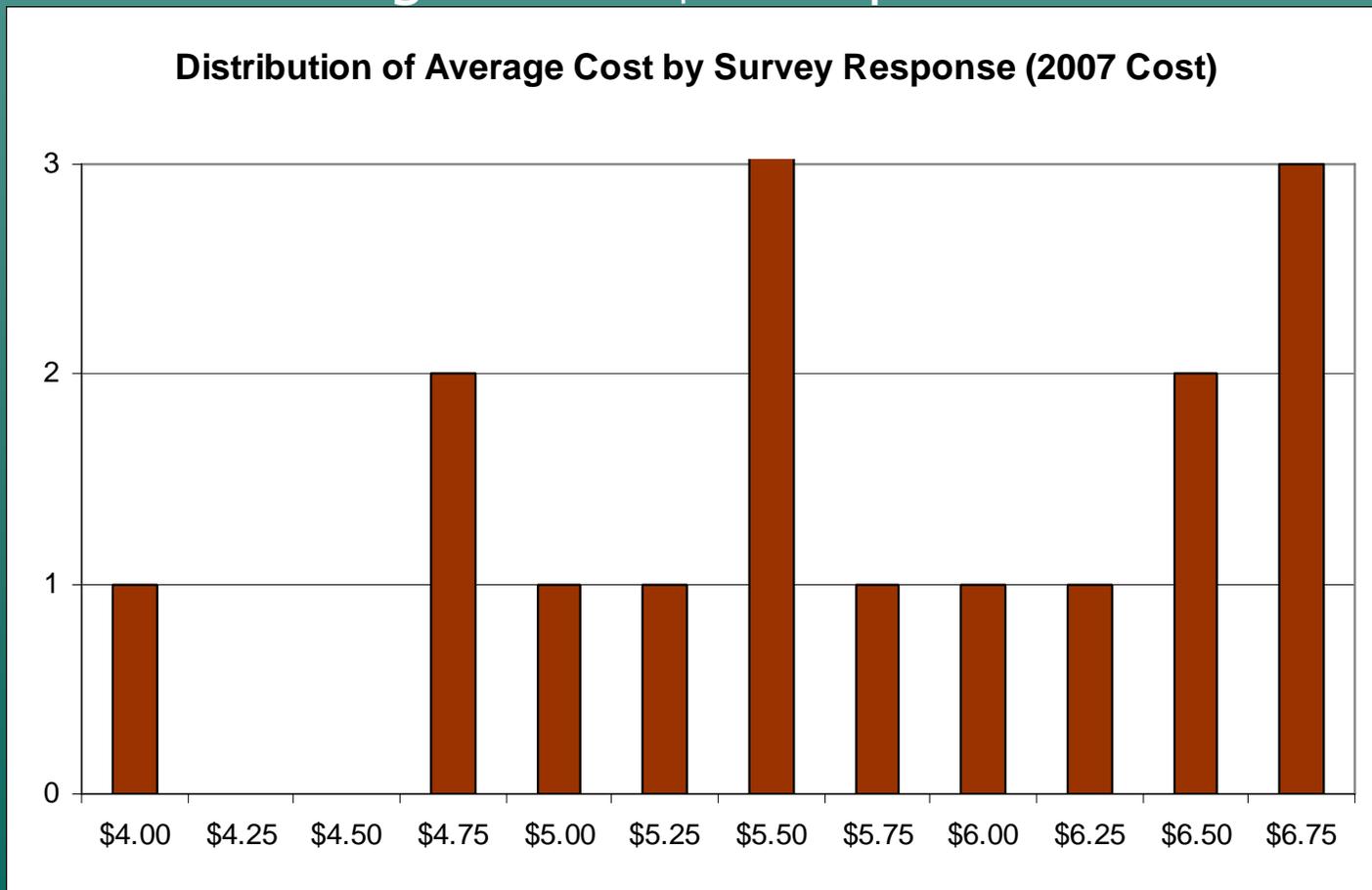
HCBS Cost Survey Results

- ◆ Distribution of average cost
 - Example: Residential habilitation (daily)



HCBS Cost Survey Results

- ◆ Personal care agencies
 - Average cost: \$5.55 per 15 minute



HCBS Rate Recommendations

Assisted Living Homes

HCBS Rate Recommendations Assisted Living Homes

- ◆ Factors for consideration:
 - General approaches to ALH rates in other states
 - Flat rates and tiered rates:
~21 states
 - Acuity based:
~5 states
 - Other:
~10 states
(includes fee for service models and cost reporting based systems)

HCBS Rate Recommendations Assisted Living Homes

- ◆ Factors for consideration:
 - Insufficient historical cost data to support current differences in rates

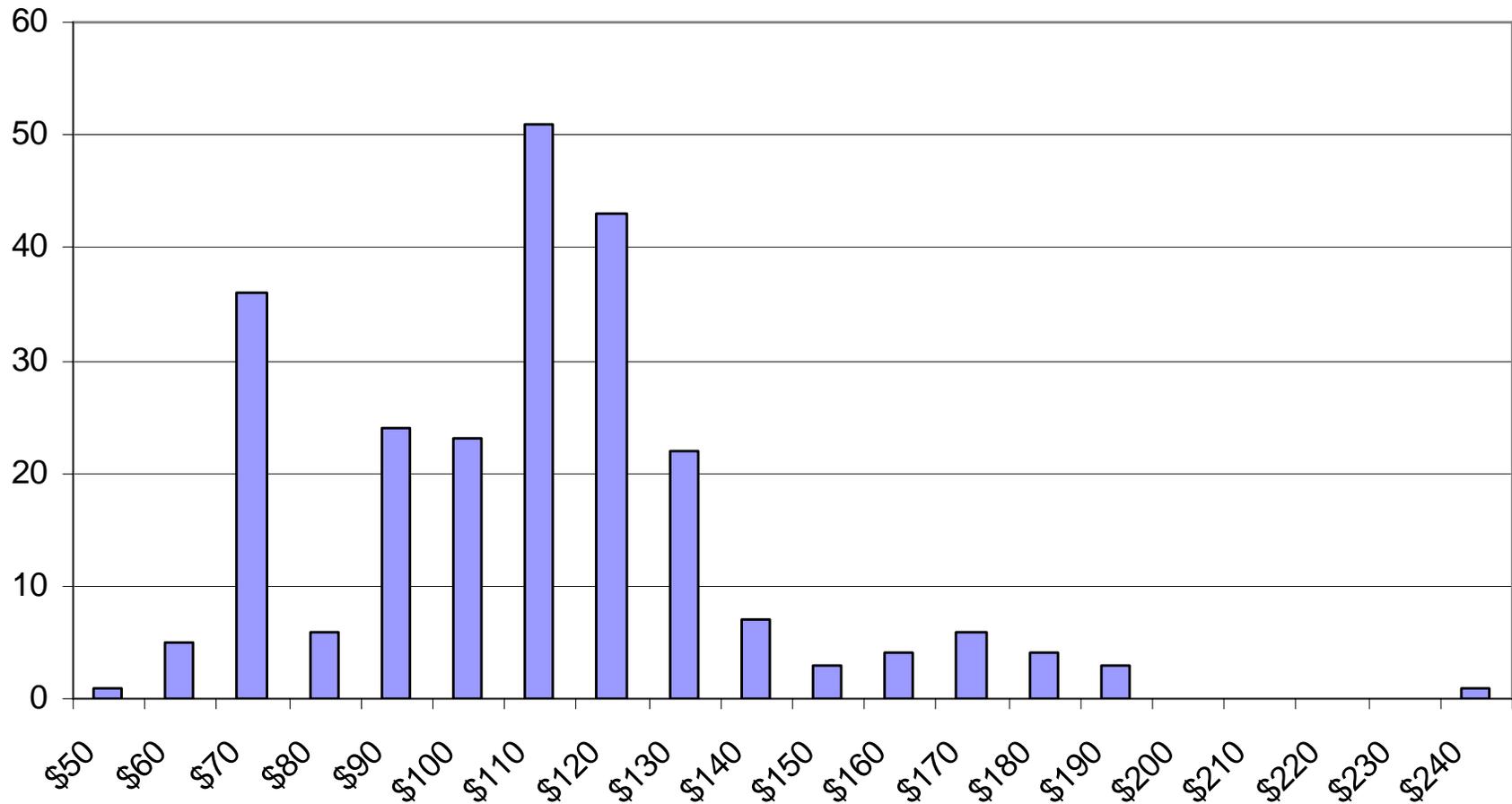
HCBS Rate Recommendations Assisted Living Homes

- ◆ Factors for consideration:
 - Current distribution of Alaska rates for assisted living homes

(chart on next slide)

HCBS Rate Recommendations Assisted Living Homes

Distribution of Average Rate by Provider Number (2007 Claims Data)



HCBS Rate Recommendations Assisted Living Homes

- ◆ Factors for consideration:
 - Setting rates as a percentage of nursing facility rates
 - South Dakota approach
 - ALH daily rate ~ \$56 / day
 - NF rate ~ \$126 / day
 - ~\$25 / day is considered room and board
 - $(\$126 - \$25) * 55\% \approx \$56$
 - Historical cost reporting is also used in South Dakota

HCBS Rate Recommendations Assisted Living Homes

- ◆ Factors for consideration:
 - Comparison to State of Washington assisted living rates

(table on next slide)

HCBS Rate Recommendations Assisted Living Homes

Care Classification	Range
A Low (1)	\$59 - \$70
A Med (2)	\$63 - \$76
A High (3)	\$77 - \$84
B Low (4)	\$59 - \$70
B Med (5)	\$69 - \$78
B High (6)	\$85 - \$92
C Low (7)	\$63 - \$76
C Med (8)	\$77 - \$84
C High (9)	\$96 - \$104
D Low (10)	\$69 - \$78
D Med (11)	\$77 - \$84
D High (12)	\$96 - \$104

HCBS Rate Recommendations Assisted Living Homes

- ◆ Factors for consideration:
 - Methodology for objective acuity adjustment not yet developed for Alaska
 - Comparison states with acuity adjustments include:
 - Washington
 - Minnesota
 - New York
 - North Carolina
 - Maine

HCBS Rate Recommendations Assisted Living Homes

Recommendation:

- Aggregation of rates to trend towards weighted average rate
- Maintain adjustments for regional location as currently defined in regulatory rate

HCBS Rate Recommendations Assisted Living Homes

Recommendation:

- Phase-in aggregated rate over a period of four years
 - New regulatory rate
 - All providers below new regulatory rate brought up to new regulatory rate
 - Providers over new regulatory rate retain percentage of difference between SFY 2009 rate and new regulatory rate

HCBS Rate Recommendations Assisted Living Homes

◆ Recommendation:

– Phase-in percentages:

- Retain percentage of difference between regionally adjusted regulatory rate and SFY 2009 higher rate
 - Year 1 / SFY 2010: 75%
 - Year 2 / SFY 2011: 50%
 - Year 3 / SFY 2012: 25%
 - Year 4 / SFY 2013: All providers to regionally adjusted regulatory rate

HCBS Rate Recommendations Assisted Living Homes

◆ Recommendation:

- Recommendation for inflation increases at the Medicare Home Health Agency Market Basket Index (HHA MBI) (subject to available appropriations from the Legislature)
- New regulatory rate will increase over the four year phase-in period; amount will depend on the phase-in percentages and the application of inflation factors

HCBS Rate Recommendations Assisted Living Homes

◆ Recommendation

- Potential base regulatory rate under proposal (assuming inflation updates at projected HHA MBI):
 - SFY 2010: \$119
 - SFY 2011: \$129
 - SFY 2012: \$136
 - SFY 2013: \$142

HCBS Rate Recommendations Assisted Living Homes

- ◆ Ongoing maintenance
 - Inflation factor updates – HHA MBI (subject to available appropriations from the Legislature)
 - Periodic cost survey
 - Participation requirements
 - Obtain accurate cost data
 - Survey tool refinement

HCBS Rate Recommendations Assisted Living Homes

◆ Future enhancements

- Refine regional adjustment factors
 - Department of Administration sponsored study of cost of living differentials – due January 2009
- Development of acuity adjustment
 - Assessment tool
 - Acuity based categories
 - Tiered rates linked to acuity

HCBS Rate Recommendations

HCB Agencies

HCBS Rate Recommendations

HCB Agencies

- ◆ Option 1: Single statewide rates based on cost
- ◆ Option 2: Single statewide rates based on average rates paid in CY 2007

HCBS Rate Recommendations

HCB Agencies

- ◆ Option 1: Cost-based rates
 - Based on CY 2007 cost data
 - Adjust to reflect inflation to SFY 2010 through SFY 2013 using Medicare Home Health Agency Market Basket Index (HHA MBI) (subject to available appropriations from the Legislature)

HCBS Rate Recommendations

HCB Agencies

- ◆ Option 1: Cost-based rates
 - Phase-in to mitigate fiscal impact
 - Provider-specific rate set to percentage of difference between inflation adjusted average rate and SFY 2009 average rate
 - Year 1 / SFY 2010: 75%
 - Year 2 / SFY 2011: 50%
 - Year 3 / SFY 2012: 25%

(table on next slide)

HCBS Rate Recommendations

HCB Agencies

Proc. Code and Modifier	Proc. Code Description	2007 Cost Wgt. Mean	SFY 2010	SFY 2011	SFY 2012	SFY 2013
S5101	DAY CARE SERVICES, ADULT; PER HALF DAY	\$53.33	\$57.51	\$59.24	\$61.02	\$62.85
S5120	CHORE SERVICES; PER 15 MINUTES	\$5.66	\$6.10	\$6.29	\$6.48	\$6.67
S5140U2	FOSTER CARE, ADULT; PER DIEM (U2 = SHARED-CARE SERVICES)	\$128.03	\$138.08	\$142.22	\$146.48	\$150.88
S5140	FOSTER CARE, ADULT; PER DIEM (U2 = SHARED-CARE SERVICES)	\$101.39	\$109.35	\$112.63	\$116.00	\$119.48
S5145U2	FOSTER CARE, THERAPEUTIC, CHILD; PER DIEM (U2 = SHARED-CARE SERVICES)	\$188.03	\$202.78	\$208.87	\$215.13	\$221.59
S5145	FOSTER CARE, THERAPEUTIC, CHILD; PER DIEM (U2 = SHARED-CARE SERVICES)	\$126.82	\$136.77	\$140.87	\$145.10	\$149.45
S5150U2	UNSKILLED RESPITE CARE, NOT HOSPICE; PER 15 MINUTES (U2 = FAMILY DIRECTED)	\$3.57	\$3.85	\$3.97	\$4.08	\$4.21
S5150	UNSKILLED RESPITE CARE, NOT HOSPICE; PER 15 MINUTES (U2 = FAMILY DIRECTED)	\$5.28	\$5.69	\$5.87	\$6.04	\$6.22
S5151U2	UNSKILLED RESPITE CARE, NOT HOSPICE; PER DIEM (U2 = FAMILY DIRECTED)	\$171.36	\$184.81	\$190.35	\$196.06	\$201.94
S5151	UNSKILLED RESPITE CARE, NOT HOSPICE; PER DIEM (U2 = FAMILY DIRECTED)	\$253.44	\$273.33	\$281.53	\$289.97	\$298.67
S5170	HOME DELIVERED MEALS, INCLUDING PREPARATION; PER MEAL	\$18.40	\$19.84	\$20.44	\$21.05	\$21.68
T2001	NON-EMERGENCY TRANSPORTATION; PATIENT ATTENDANT/ESCORT	\$12.46	\$13.44	\$13.84	\$14.26	\$14.68
T2003	NON-EMERGENCY TRANSPORTATION; ENCOUNTER/TRIP	\$12.46	\$13.44	\$13.84	\$14.26	\$14.68
T2016	HABILITATION, RESIDENTIAL, WAIVER; PER DIEM	\$267.89	\$288.91	\$297.58	\$306.50	\$315.70
T2017U4	HABILITATION, RESIDENTIAL, WAIVER; 15 MINUTES (NO MODIFIER = SUPPORTED LIVING; U4 = IN-HOME)	\$9.02	\$9.73	\$10.02	\$10.32	\$10.63
T2017	HABILITATION, RESIDENTIAL, WAIVER; 15 MINUTES (NO MODIFIER = SUPPORTED LIVING; U4 = IN-HOME)	\$9.02	\$9.73	\$10.02	\$10.32	\$10.63
T2019	HABILITATION, SUPPORTED EMPLOYMENT, WAIVER; PER 15 MINUTES	\$10.27	\$11.08	\$11.41	\$11.75	\$12.10
T2021	DAY HABILITATION, WAIVER; PER 15 MINUTES	\$9.06	\$9.77	\$10.06	\$10.37	\$10.68
T2025	CONGREGANT MEALS	\$17.89	\$19.29	\$19.87	\$20.47	\$21.08

HCBS Rate Recommendations

HCB Agencies

- ◆ Option 2: Aggregated rates
 - Based on CY 2007 claims data
 - Adjust to reflect rate increase for SFY 2009
 - Inflation adjust using HHA MBI (subject to available appropriations from the Legislature)

HCBS Rate Recommendations

HCB Agencies

- ◆ Option 2: Aggregated rates
 - Phase-in to mitigate fiscal impact
 - Provider-specific rate set to percentage of difference between inflation adjusted average rate and SFY 2009 average rate
 - Year 1 / SFY 2010: 75%
 - Year 2 / SFY 2011: 50%
 - Year 3 / SFY 2012: 25%

(table on next slide)

HCBS Rate Recommendations

HCB Agencies

Proc. Code and Modifier	Proc. Code Description	Weighted Avg. Rate CY 2007	Est. Avg. Rate SFY 2009 (w/ 4% inflation)	SFY 2010	SFY 2011	SFY 2012	SFY 2013
S5101	DAY CARE SERVICES, ADULT; PER HALF DAY	\$39.17	\$40.73	\$41.87	\$43.13	\$44.42	\$45.75
S5120	CHORE SERVICES; PER 15 MINUTES	\$4.23	\$4.40	\$4.53	\$4.66	\$4.80	\$4.95
S5140U2	FOSTER CARE, ADULT; PER DIEM (U2 = SHARED-CARE SERVICES)	\$177.18	\$184.26	\$189.42	\$195.10	\$200.96	\$206.98
S5140	FOSTER CARE, ADULT; PER DIEM (U2 = SHARED-CARE SERVICES)	\$138.97	\$144.53	\$148.58	\$153.03	\$157.63	\$162.35
S5145U2	FOSTER CARE, THERAPEUTIC, CHILD; PER DIEM (U2 = SHARED-CARE SERVICES)	\$181.74	\$189.01	\$194.31	\$200.13	\$206.14	\$212.32
S5145	FOSTER CARE, THERAPEUTIC, CHILD; PER DIEM (U2 = SHARED-CARE SERVICES)	\$162.63	\$169.13	\$173.87	\$179.08	\$184.45	\$189.99
S5150U2	UNSKILLED RESPITE CARE, NOT HOSPICE; PER 15 MINUTES (U2 = FAMILY DIRECTED)	\$5.15	\$5.36	\$5.51	\$5.67	\$5.84	\$6.02
S5150	UNSKILLED RESPITE CARE, NOT HOSPICE; PER 15 MINUTES (U2 = FAMILY DIRECTED)	\$5.14	\$5.35	\$5.50	\$5.66	\$5.83	\$6.01
S5151U2	UNSKILLED RESPITE CARE, NOT HOSPICE; PER DIEM (U2 = FAMILY DIRECTED)	\$172.65	\$179.56	\$184.59	\$190.12	\$195.83	\$201.70
S5151	UNSKILLED RESPITE CARE, NOT HOSPICE; PER DIEM (U2 = FAMILY DIRECTED)	\$246.08	\$255.93	\$263.09	\$270.97	\$279.11	\$287.48
S5170	HOME DELIVERED MEALS, INCLUDING PREPARATION; PER MEAL	\$10.95	\$11.39	\$11.71	\$12.06	\$12.42	\$12.79
T2001	NON-EMERGENCY TRANSPORTATION; PATIENT ATTENDANT/ESCORT	\$6.40	\$6.65	\$6.84	\$7.04	\$7.25	\$7.47
T2003	NON-EMERGENCY TRANSPORTATION; ENCOUNTER/TRIP	\$16.87	\$17.55	\$18.04	\$18.58	\$19.14	\$19.71
T2016	HABILITATION, RESIDENTIAL, WAIVER; PER DIEM	\$325.40	\$338.41	\$347.89	\$358.31	\$369.07	\$380.14
T2017U4	HABILITATION, RESIDENTIAL, WAIVER; 15 MINUTES (NO MODIFIER = SUPPORTED LIVING; U4 = IN-HOME)	\$7.70	\$8.01	\$8.23	\$8.48	\$8.73	\$8.99
T2017	HABILITATION, RESIDENTIAL, WAIVER; 15 MINUTES (NO MODIFIER = SUPPORTED LIVING; U4 = IN-HOME)	\$9.13	\$9.49	\$9.76	\$10.05	\$10.35	\$10.66
T2019	HABILITATION, SUPPORTED EMPLOYMENT, WAIVER; PER 15 MINUTES	\$7.92	\$8.24	\$8.47	\$8.72	\$8.98	\$9.25
T2021	DAY HABILITATION, WAIVER; PER 15 MINUTES	\$7.46	\$7.76	\$7.97	\$8.21	\$8.46	\$8.71
T2025	CONGREGANT MEALS	\$12.56	\$13.06	\$13.43	\$13.83	\$14.25	\$14.67

HCBS Rate Recommendations

HCB Agencies

- ◆ Ongoing maintenance
 - Inflation factor updates – HHA MBI (subject to available appropriations from the Legislature)
 - Periodic cost survey
 - Participation requirements
 - Obtain accurate cost data

HCBS Rate Recommendations

HCB Agencies

Future enhancements

- Add regional adjustment factors
 - Department of Administration sponsored study of cost of living differentials – due January 2009
- Consideration of acuity adjustment for residential habilitation

HCBS Rate Recommendations

Personal Care Agencies

HCBS Rate Recommendations Personal Care Agencies

- ◆ Retain single statewide rate with annual inflation updates (subject to available appropriations from the Legislature)

Service Description	Medicaid Procedure Code	SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013
Personal care services	T1019	\$5.57	\$5.73	\$5.90	\$6.07	\$6.26
Consumer-directed personal care services	T1019-U3	\$5.57	\$5.73	\$5.90	\$6.07	\$6.26

HCBS Rate Recommendations Personal Care Agencies

- ◆ Ongoing maintenance
 - Inflation factor updates – HHA MBI (subject to available appropriations from the Legislature)
 - Periodic cost survey
 - Participation requirements
 - Obtain accurate cost data

HCBS Rate Recommendations Personal Care Agencies

- ◆ Future enhancements
 - Consider need for regional adjustment factors
 - Department of Administration sponsored study of cost of living differentials – due January 2009

HCBS Rate Recommendations Care Coordinators

HCBS Rate Recommendations

Care Coordinators

- ◆ Retain single statewide rate with annual inflation updates (subject to available appropriations from the Legislature)

Service Description	Medicaid Procedure Code	SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013
Screenings	T1023	\$79.50	\$81.73	\$84.18	\$86.70	\$89.30
Assessments	T2024	\$240.00	\$246.72	\$254.12	\$261.75	\$269.60
Re-assessment	T2024-U4	\$120.00	\$123.36	\$127.06	\$130.87	\$134.80
Plan of care development	T2024-U2	\$339.20	\$348.70	\$359.16	\$369.93	\$381.03
Ongoing care coordination	T2022	\$212.00	\$217.94	\$224.47	\$231.21	\$238.14

HCBS Rate Recommendations

Care Coordinators

- ◆ Ongoing maintenance
 - Inflation factor updates – HHA MBI (subject to available appropriations from the Legislature)
 - Periodic cost survey
 - Participation requirements
 - Obtain accurate cost data
 - Survey tool refinements

HCBS Rate Recommendations Care Coordinators

Future enhancements

- Consider need for regional adjustment factors
 - Department of Administration sponsored study of cost of living differentials – due January 2009

HCBS Rate Recommendations

Special Considerations

HCBS Rate Recommendations Special Considerations for Public Providers

- ◆ Proposed federal regulations scheduled to be implemented in 2009 would limit reimbursement to actual cost
- ◆ Statewide or regional rates as interim payment
- ◆ Annual cost reporting with settlement

HCBS Rate Recommendations

Special Considerations for Public Providers

- ◆ Supplemental payment up to cost
 - Where applicable, state share of cost in excess of interim payment through certified public expenditure (CPE)
 - Federal share matched
 - Final reimbursement = Interim rate + Federal share of cost in excess of interim rate
 - 100% federal match may be available for certain providers
 - Interim supplemental payments as needed

HCBS Rate Recommendations

Recap

HCBS Rate Recommendations Recap

- ◆ Assisted living homes:
 - Aggregate rates to statewide base rate
 - Regional adjustment
 - Phase-in

HCBS Rate Recommendations

Recap

HCB agencies:

1) Phase-in to cost-based rates—

-or-

1) Phase-in to aggregated rates

HCBS Rate Recommendations

Recap

- ◆ Personal care agencies
 - Retain statewide rates

HCBS Rate Recommendations

Recap

- ◆ Care coordinators
 - Retain statewide rates

HCBS Rate Recommendations Recap

- ◆ On-going maintenance
 - Inflation Factor updates – HHA MBI (subject to available appropriations from the Legislature)
 - Periodic surveys with enhanced participation requirements and survey tool refinements

HCBS Rate Recommendations Recap

- ◆ Future enhancements
 - Consideration of acuity adjustments for residential services
 - Refinement of regional adjustments

HCBS Rate Recommendations

Recap

- ◆ Special considerations for public providers to maintain compliance with proposed federal regulations that would limit reimbursement to cost
- ◆ Supplemental payments to maximize opportunities for federal funding

Recommendations for a Rate Methodology for Home and Community-Based Services

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