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

ิงResponse 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

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HCBS Cost Survey Results

- Distribution of average rates
  - Example: Residential habilitation (daily)
HCBS Cost Survey Results

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

Distribution of Average Cost by Survey Response (2007 Cost)
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% ≈ $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

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## HCBS Rate Recommendations
### Assisted Living Homes

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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

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

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## HCBS Rate Recommendations

### HCB Agencies

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- 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)
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
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<td>DAY HABILITATION, WAIVER; PER 15 MINUTES</td>
<td>$7.46</td>
<td>$7.76</td>
<td>$7.97</td>
<td>$8.21</td>
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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)

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<tr>
<td>Personal care services</td>
<td>T1019</td>
<td>$5.57</td>
<td>$5.73</td>
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<td>Consumer-directed personal care services</td>
<td>T1019-U3</td>
<td>$5.57</td>
<td>$5.73</td>
<td>$5.90</td>
<td>$6.07</td>
<td>$6.26</td>
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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
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)

<table>
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<td>Screenings</td>
<td>T1023</td>
<td>$79.50</td>
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<td>Assessments</td>
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<td>Re-assessment</td>
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<td>Plan of care development</td>
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<td>Ongoing care coordination</td>
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<td>$212.00</td>
<td>$217.94</td>
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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
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

HCBS 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

Presented by Myers and Stauffer LC
Under Contract to
The Alaska Department of Health and Social Services
December 2008