

Family Care Residential Rate Setting Methodology Project

September 16, 2010



Introduction

- Early 2010, DHS initiated residential rate setting project for the Family Care program.
 - Purpose of project: establish a uniform methodology for determining all-inclusive rates for services provided by community-based residential programs that reflect the reasonable costs of services in relation to the acuity of members served.
- DHS has held four stakeholder meetings since April to gather input and keep stakeholders apprised of approach under development.

Introduction

- Purpose of today's meeting: provide an update on the status of the project, discuss preliminary impact analysis, and gather input.
- Agenda
 - General background
 - Refinements of preliminary model
 - Review of Room and Board methodology
 - Presentation of preliminary impact analysis
 - Stakeholder comments and Discussion
 - Next Steps

Residential Rate-Setting Team Members

- Fredi Bove, DLTC Deputy Administrator
- Tom Lawless, Director, DLTC Bureau of Financial Management
- Rebecca Hotynski, DLTC Bureau of Financial Management
- Monica Deignan, Director, Managed Care Section
- Charlie Jones, Managed Care Section
- Deb Rathermel, Managed Care Section
- Dana Raue, Project Manager
- Jim Robinson, Director, UW Center for Health Systems and Research Analysis (CHSRA)

Conceptual Framework for Residential Services Rate Setting Model

- Key characteristics
 - Incorporate client acuity
 - Incorporate provider facility characteristics
 - Incorporate provider cost data and/or proxy data
 - Link provider cost/proxy data to client acuity data on an individualized basis and to provider characteristic data
 - Reflect policy objectives regarding best practice service and business models

Development of Model: Key Steps

- Development of Model
 - Regression analysis of encounter data as cost proxy on acuity and provider characteristics to identify likely acuity and provider characteristics that are cost drivers
 - Clinical review of cost drivers
 - Use of provider cost data to determine cost components
 - Stakeholder comment on cost drivers/preliminary model
 - Refinement of preliminary regression model based on clinical, policy, provider cost data, and stakeholder input
 - Impact analysis
 - Policy review of cost drivers
 - Identify outliers and mechanism for addressing them

Development of Model: Key Steps

- Develop implementation strategy, including transition mechanism(s)
- Determine timing and process for periodic updates

Status of Project

- Refined preliminary regression model based on further data analysis and clinical, policy, provider cost data, and stakeholder input
- Completed preliminary impact analysis
- Seeking stakeholder feedback on preliminary analysis

Residential Services Rate-Setting Model

- First stage regression: Determination of a member's acuity index (CMI)
 - 170 items on LTCFS considered as possible cost drivers
 - Based on regression analysis, 98 items were determined to be significant cost factors
 - DHS also examined whether certain combinations of characteristics were additional cost drivers (e.g., dual diagnosis of DD and mental illness)
 - An individual's acuity index (CMI) is the product of his/her specific acuity factors
- Acuity index for each member is calculated before consideration of residential setting

Residential Services Rate-Setting Model

- Key refinements in first stage preliminary regression model
 - Adjusted treatment of medication IADL variable to improve accuracy
 - Included fuller range of encounter data for corporate adult family homes; specifically, included high cost cases that had been excluded from preliminary model
- Detailed chart shows weights for each acuity factor and prevalence of the factor in each type of residential setting

Residential Services Rate-Setting Model

- Second stage regression: Determination of provider rate
- Separate regression for each residential setting
 - Owner-occupied AFH
 - Corporate AFH
 - 5-20 bed CBRF
 - Over 20 bed CBRF
 - RCAC

Residential Services Rate-setting Model

- Factors used in second stage regression
 - Member's acuity index
 - Member's target population (DD, PD, FE)
 - Demographic information about member (sex, age)
 - Whether member receives a significant amount of his/her daily services outside the residential setting and/or from other providers

Residential Services Rate-setting Model

- Key refinements in preliminary second stage regression
 - Incorporated provider cost data submitted by providers, to generate updated wage, fringe, transportation and other cost factors. (NOTE: Provider cost data has not yet been fully reviewed for accuracy and completeness)
 - Incorporated risk loading factor into base value
 - Corrected and expanded the adjustment for offsetting services

Residential Services Rate-setting Model

- Detailed Charts show rate calculation for two examples
 - Female elder in 21+ bed CBRF in LaCrosse
 - 30-year old male with DD in corporate AFH in Portage
- These represent examples; different rates would be generated for members who have different characteristics, are in different residential settings and/or are in different geographical locations

Room and Board Methodology

- Developed through a collaborative Department/MCO workgroup last year, with input from stakeholders
- Goal of consistent room and board methodology: create a methodology for establishing a reasonable level of room and board in community substitute care that can be supported by publicly funded programs
- Methodology uses national Housing and Urban Development (HUD) data on fair market rental rates (FMR); published annually by county; Family Care settings matched to HUD settings as follows
 - Owner occupied Adult Family Homes—efficiency rent amount
 - Corporate Adult Family homes and CBRFs—1 bedroom rent amount
 - RCAC—2 bedroom rent amount

Room and Board Methodology

- Cost of room for non-Milwaukee counties
 - Set at 40th percentile of HUD FMR data
- Identifying modified approach for room cost used in Milwaukee, to reflect unique features in Milwaukee
 - Larger supply of providers, resulting in more competitive market
 - Higher incidence of poverty
 - Old housing stock
 - Expect to set at a lower HUD benchmark
- Board cost assumption: \$200/person/month

Preliminary Impact Analysis

- Impact analysis compared 2010 actual payment to residential provider to payment generated under the residential services rate model and HUD room and board methodology
 - Compared actual 2010 residential services payment to residential services rate generated under the model
 - Compared actual 2010 room and board payment to rate generated under the HUD methodology
 - Compared total of actual 2010 residential services and room and board payment with total of residential services rate generated under the model and room and board rate generated under the HUD methodology

Preliminary Impact Analysis

- Charts show: (a) impact by MCO; and (b) impact by facility type
- Impact Analysis is PRELIMINARY. Data and analyses have not yet been fully reviewed for accuracy and policy decisions have not yet been incorporated.
- Note that chart shows average rate payments and average changes in rates. Actual rate level and amount of change will vary for each provider, depending on acuity of clients, current payments, and location of facility.

Preliminary Impact Analysis

- Under the preliminary impact analysis there is no significant net change in funding in the aggregate. The same level of funding is maintained in the system, but is aligned more closely with acuity.
- The average percentage change of the total of residential services and room and board payments generally ranges from 0-10% (in either direction) for each MCO in the aggregate and each provider type in the aggregate

Preliminary Impact Analysis

- With the assistance of the MCOs, DHS will be doing more refined analysis of the effects at the specific provider level
- DHS will be developing strategies to minimize disruptions to clients and providers, including development of an “outlier” policy to address cases that significantly deviate from the projected rate
- The data presented today represents the changes at full implementation. DHS will be developing an implementation strategy to achieve a smooth transition to full implementation over time

Next Steps

- Based on more detailed review, refine impact analysis
- Complete policy review, including treatment of bedhold, enhanced services, etc.
- Identify outliers and mechanisms for addressing them
- Develop implementation strategy, including transition mechanism(s)
- Determine timing and process for periodic updates

Next Steps

- We welcome questions and comments
- DHS will continue to provide updates and opportunities for stakeholder comment as we proceed with the residential rate project. We expect to provide next update in late September/early October.
- Information on the project is available at DHS website: <http://www.dhs.wisconsin.gov/LTCare/ProgramOps/ResidentialRate>