

HF9049 - 0 - "Dev Disable Intermediate Care Reimburse"

Chief Author: **Unknown Author**
 Committee: **Health and Human Services Finance**
 Date Completed: **03/14/2016**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	95,428	113,412	119,323	
Total	-	-	95,428	113,412	119,323	
Biennial Total			95,428		232,735	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	95,428	113,412	119,323
Total	-	-	95,428	113,412	119,323
Biennial Total			95,428		232,735
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	95,493	113,465	119,349
Total	-	-	95,493	113,465	119,349
Biennial Total			95,493		232,814
2 - Revenues, Transfers In*					
General Fund	-	-	65	53	26
Total	-	-	65	53	26
Biennial Total			65		79

Bill Description

Section 1 specifies that the historical rates in the Disability Waiver Reimbursement System (DWRS) must be adjusted for each rate increase effective on or after July 1, 2016. It specifies that the rates for Residential support services, Day programs, Unit-based services with programming, and Unit-based services without programming should be adjusted.

Section 2 includes a five percent (5%) rate increase for Intermediate Care Facilities for Persons with Developmental Disabilities (ICF/DD) on July 1, 2016. The 5% increase consists of a 3% workforce component, 1% quality component, and 1% person-centered component. It also specifies that to retain the full rate increase: 1) 90% of the workforce component must be used to increase wages or other compensation-related costs and a distribution plan developed identifying how the money is spent; 2) a quality improvement project must be submitted; 3) a person-centered project must be submitted.

Section 3 includes a five percent (5%) rate increase for home and community-based services and state grant programs that serve people with disabilities, older adults, and people who are deaf and hard of hearing on July 1, 2016. This includes the MA disability waivers, Elderly Waiver, Alternative Care, Essential Community Supports, Consumer Support Grants, state plan home care programs, and the disability, aging, and deaf and hard of hearing grants. The 5% increase consists of a 3% workforce component, 1% quality component, and 1% person-centered component. It also specifies that to retain the full rate increase: 1) 90% of the workforce component must be used to increase wages or other compensation-related costs and a distribution plan developed identifying how the money is spent; 2) a quality improvement project must be submitted; 3) a person-centered project must be submitted.

Assumptions

Amount of Rate Change: 5%

Effective Date of the Rate Change: July 1, 2016. This proposal requires the full 5% to be allocated prior to receiving evidence of compliance with other requirements in the language.

Service Cost Base: For programs that are included in the DHS Forecast, the cash estimates for those programs are used as the base for rate change calculations. For ICFs/DDs, the aggregate MA charges, which account for recipient contributions, are used as a basis for rate change calculations. For state grants, the grant base in the states accounting system is used for rate change calculations.

Forecast version: This analysis is based on the February 2016 forecast.

Payment delays: The analysis is calculated on a cash basis. Since Medicaid pays service claims retrospectively, the following payment delays have been included: For MA Services - 30 days; State Grants - 30 days; Social Service Grants - 90 days; Managed Care 30 days.

The following services are included in this bill: The following HCBS programs: DD Waiver, Elderly Waiver, CADI Waiver, CAC Waiver, BI Waiver, Home Health Agencies, Personal Care - Fee for Service, Home Care Nursing, Community First Services and Supports - Fee for Service, Elderly Waiver - Managed Care, Personal Care -Managed Care, Community First Services and Supports - Managed Care, Alternative Care, Essential Community Supports, Consumer Support Grants, Semi-independent Living, Social Service Grants - Day Training, Epilepsy Grants; The following institutional programs: ICFs/DD and Day Training and Habilitation for ICF/DD residents; - Disability Grants that provide direct services and require additional funding for the rate change; Aging Grants that provide direct services and require additional funding for the rate change; Deaf and Hard of Hearing Grants that provide direct services and require additional funding for the rate change.

Services Not Included in rate increase: Nursing facilities, childrens mental health CTSS & day treatment, adult mental health, chemical dependency treatment services, therapies not offered under home health, Aging and Adult Service grants that do not provide direct services, HIV insurance and case management grants that have sufficient non-state revenues for a rate increase, HCBS Incentive Pool, and PCA representation grants not included in the language.

The 5% rate increase consists of three components:

- 3% related to a Workforce Compensation Requirement
- 1% related to a Quality Improvement Requirement
- 1% related to a Person-centered Improvement requirement

Recoveries: All affected providers will receive the 5% rate increase on July 1, 2016. If a provider fails to fulfill any of the requirements stated in this proposal, funds subject to the requirement may be may be recovered retroactively.

Workforce Compensation Requirement: Facilities and providers that receive a rate increase under this bill are required to use 90% of the 3% additional revenue to increase compensation-related costs for eligible employees. They must prepare and post a distribution plan that specifies how the money will be used to increase compensation for employees. Plans must be submitted to commissioner on request.

- Eligible employees include employees directly employed by the provider on or after the effective date of the rate change. Persons who have an ownership interest in the program or exercise control over it and persons paid under a management contract are not eligible for the increase.
- There are a variety of allowable increases that providers may use to meet this requirement, including:
 - Wages and salaries
 - The employers share of FICA taxes, Medicare taxes, state and federal unemployment taxes, workers compensation, and mileage reimbursement,
 - The employers share of health and dental insurance, life insurance, disability insurance, long-term care insurance, uniform allowance, pensions, and contributions to employee retirement accounts
 - Other benefits provided and workforce needs, including recruiting and training of employees

Quality Requirement: Facilities and providers that receive a rate increase under this bill are required to submit documentation of a quality improvement project. This can be a continuation or enhancement of projects developed from previous requirement. Projects must be implemented by June 30, 2017 and address one of the following goals:

- Improve quality of life of home and community-based service recipients in a meaningful way
- Improve quality of services in a measurable way
- Deliver good quality services more efficiently while using savings to enhance services for the participants served

Person-centered Requirement: Facilities and providers that receive a rate increase under this bill are required to submit documentation of a community integration improvement project. For Elderly Waiver and Alternative Care providers this requirement can be fulfilled by the quality improvement plan. Projects must:

- Be implemented by June 30, 2017
- Incorporate person-centered thinking into the provision of services
- Advance one or more of the goals adopted in the states Olmstead Plan

Providers exempt from quality improvement and person-centered requirements: Subd 14 exempts the following providers from the quality improvement and person-centered requirements. Home Health Agencies, Personal Care Assistance, CFSS, Home Care Nursing, Essential Community Supports, Disability Grants, Aging Grants, Deaf and Hard of Hearing Grants; Home-delivered meals and congregated dining services. Although these providers are not required to submit quality improvement and person-centered projects, it is assumed that they will still receive the full 5% rate increase. This assumption is consistent with the implementation of the 2014 5% rate increase when Personal Care Assistance and grant programs were exempt from the quality improvement project requirement.

Implementation within DWRS: This analysis assumes that Section 1 is consistent with current implementation of rate changes in the Disability Waiver Rate System (DWRS) and assures that all rates, including those that are banded, get the 5% increase effective July 1, 2016.

State Share of Medical Assistance: State share of MA is 50%, except for the following instances:

- Community Services and Supports provided through the 1915(k). For this program, the state share is 44% of the total program cost.
- For services to residents residing in larger ICFs/DD, the state share is 90% of the non-federal share.
- For the Alternative care program, the state state is 50% of the total program costs.
- For all state grant programs not eligible for Medical Assistance, the state share of the change is 100% of the costs.

Administrative Impacts: This proposal will require administrative efforts for development of two submission instruments, provider communication and technical assistance, operationalizing the approval and monitoring process of provider submissions, and follow through in the event of non-compliance. In addition, it will be necessary to provide training on quality improvement and person-centered topics to providers. It is assumed that the bulk of this activity will be accomplished through professional / technical contracts. Actuarial work will also be necessary to adjust contracts mid-year for managed care organizations as required by this language.

Local Impacts: Counties share in the cost of rate changes for certain services. These services include:

- Intermediate Care for Persons with Developmental Disabilities provided in larger (7+beds) facilities (10% of the non-federal share);
- Semi-Independent Living Services where local agencies pay 30% of the total cost.

Social service funding for the rate increase to day training and habilitation services has been included in this analysis. This increase has been funded as part of this proposal since day training and habilitation rates are increased for all payors when the MA Day training and habilitation rate is increased.

Expenditure and/or Revenue Formula

July 1 Implementation	(State dollars in thousands)			
Summary by budget activity	FY2016	FY2017	FY2018	FY2019
33 MA LTC Waivers and Home Care	\$0	\$75,023	\$87,313	\$93,166

July 1 Implementation		(State dollars in thousands)		
33 MA LTC Facilities	\$0	\$3,950	\$4,290	\$4,266
33 MA Basic Health Care E&D	\$0	\$12,796	\$17,576	\$17,544
33 MA Basic Health Care F&C	\$0	\$10	\$11	\$11
33 MA Basic Adults w/o Kids	\$0	\$15	\$37	\$46
34 Alternative Care Grants(with ECS)	\$0	\$785	\$985	\$1,138
25 Group Residential Housing	\$0	\$0	\$0	\$0
57 Adult Mental Health Grants	\$0	\$0	\$0	\$0
58 Children's Mental Health Grants	\$0	\$0	\$0	\$0
55 Other Continuing Care Grants	\$0	\$851	\$929	\$929
55 DT&H County Grants	\$0	\$513	\$684	\$684
54 Deaf and Hard of Hearing Grants	\$0	\$85	\$94	\$94
53 Aging and Adult Services Grants	\$0	\$1,280	\$1,396	\$1,396
35 State share of CD Tier I	\$0	\$0	\$0	\$0
14 Admin - CCOA	\$0	\$150	\$150	\$75
13 Admin - HC actuarial costs	\$0	\$35	\$0	\$0
REV (35%)	\$0	-\$65	-\$53	-\$26
TOTAL GENERAL FUND ABOVE	\$0	\$95,428	\$113,412	\$119,323
31 TOTAL HCAF (Therapies)	\$0	\$0	\$0	\$0

Fiscal Summary (\$000s)

Description	Fund	BACT	FY2016	FY2017	FY2018	FY2019
MA LTC Waivers and Home Care	GF	33	0	75,023	87,313	93,166
MA LTC Facilities	GF	33	0	3,950	4,290	4,266
MA Basic Health Care E&D	GF	33	0	12,796	17,576	17,544
MA Basic Health Care F&C	GF	33	0	10	11	11
MA Basic Adults w/o Kids	GF	33	0	15	37	46
Alternative Care Grants(with ECS)	GF	34	0	785	985	1,138
Other Continuing Care Grants	GF	55	0	851	929	929
DT&H County Grants	GF	55	0	513	684	684
Deaf and Hard of Hearing Grants	GF	54	0	85	94	94
Aging and Adult Services Grants	GF	53	0	1,280	1,396	1,396
Admin - CCOA	GF	14	0	150	150	75

Fiscal Summary (\$000s)						
Admin - HC actuarial costs	GF	13	0	35	0	0
REV (35%)	GF	REV1	0	(65)	(53)	(26)
Total Net Fiscal Impact			0	95,428	113,412	119,323
Full Time Equivalents			0	0	0	0

Long-Term Fiscal Considerations

This bill is estimated to cost \$119,323,000 in SFY 2019 and will have an ongoing impact.

Local Fiscal Impact

Counties share in the cost of rate changes for certain services included in this estimate. These services include:

- Intermediate care for persons with developmental disabilities provided in larger(7+beds) facilities (10% of the non-federal share) ;
- Semi-independent living services where local agencies pay 30% of the total cost.

Social service funding for the rate increase to day training and habilitation services has been included in this analysis. This increase has been funded as part of this proposal since day training and habilitation rates are increased for all payors when the MA Day training and habilitation rate is increased.

References/Sources

February 2016 Forecast

DHS Research and Analysis

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