HF873 - 0 - "Reimbursement Rates For Intermed Care Fac"

Chief Author: **Rod Hamilton**
Commitee: **Health and Human Services Finance**
Date Completed: **03/14/2017**
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	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**
General Fund	-	70,652	165,999	192,775	250,644
Total	**-**	**70,652**	**165,999**	**192,775**	**250,644**
Biennial Total			**236,651**		**443,419**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2017	**FY2018**	**FY2019**	**FY2020**	**FY2021**
General Fund	-	3.5	3.5	2.5	2.25
Total	**-**	**3.5**	**3.5**	**2.5**	**2.25**

Executive Budget Officer's Comment

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

EBO Signature:Travis Bunch Date: 3/14/2017 1:27:06 PM
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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			Biennium		Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	70,652	165,999	192,775	250,644
Total	**-**	**70,652**	**165,999**	**192,775**	**250,644**
Biennial Total			**236,651**		**443,419**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	70,652	165,999	192,775	250,644
Total	**-**	**70,652**	**165,999**	**192,775**	**250,644**
Biennial Total			**236,651**		**443,419**
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Bill Description

This fiscal note references the language as introduced.

Section 1 specifies that rates in the Disability Waiver Reimbursement System (DWRS) must be adjusted for each rate increase effective on or after July 1, 2017, this includes any historical rates that are banded under 256B.4913 and 256B.4914 and previous cost of living increases. 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.S

Section 2 subdivision 1 defines “employee” as a person directly employed by a service provider who provides direct care to an individual. An employee does not include, direct care staff, office staff, ownership staff, contracted staff, a person employed by a provider that has less than five percent of the provider’s direct care employees providing services and a person employed by the county.S

Section 2 subdivision 1 also defines “rates” as reimbursement rates, rate limits, individual limits, grants or allocations and “services” as home and community based services and state grant programs. This includes the Medical Assistance (MA) disability waivers, Essential Community Supports (ECS), Consumer Support Grants (CSG), state plan home care programs, community first services and supports (CFSS), and housing access grants, self-advocacy grants, deaf and hard-of-hearing grants including community support services for adults with mental illness who sign as primary means of communication, employment support grants, and housing opportunities for persons with AIDS.

Section 2 subdivision 2 authorizes a four percent (4%) rate increase for the services defined in subdivision 1 on July 1, 2017 and a second four percent (4%) rate increase on July, 2018.

Section 2, subdivision 3, 4 and 5 requires that all providers must increase employee wages by an amount equal with the rate increases and submit a certification to the commissioner assuring that employee wages were increased. In addition, providers, for six weeks, must post the certification of wage increases and information on how to contact the commissioner’s representatives if an employee believes they did not receive a wage increase as specified in the certification.

Section 2 subdivision 5 & 6 requires providers receive certification from bargaining units for employees who are represented by bargaining units. Any wage increases given to public employees under collective bargaining agreements must comply with laws pertaining to public employment.

Section 2, subdivision 7-11 requires that following allocations must be adjusted to accommodate the rate increases: lead agency waiver budget allocations, state grant contracts, managed care and county-based purchasing plans, consumer-

directed community supports, and county and tribal contracts.

Section 2, subdivision 12 requires that beginning July, 1, 2019 the commissioner, annually reimburse each provider an amount equal to the provider's annualized cost to provider single health care coverage for its employees during the second most recent rate period.

Section 3 paragraph (a) authorizes a four percent (4%) rate increase for Intermediate Care Facility/Developmental Disability (ICF/DD) facilities July 1, 2017 and a second four percent (4%) rate increase on July, 2018.

Section 3 paragraph (b) indicates that the payment rate increases should be based on occupied beds. The payment rate should include 4% increases on the total ICF/DD payment rate including the variable rate but excluding the property related payment rate.

Section 3 paragraphs (c-e) requires that all providers must increase employee wages by an amount equal with the rate increases and submit a certification to the commissioner assuring that employee wages were increased. In addition, providers, for six weeks, must post the certification of wage increases and information on how to contact the commissioner's representatives if an employee believes they did not receive a wage increase as specified in the certification.

Section 3 paragraphs (f-g) requires providers receive certification from bargaining units for employees who are represented by bargaining units. Any wage increases given to public employees under collective bargaining agreements must comply with laws pertaining to public employment.

Section 3 paragraph (h) requires that state contracts be amended to reflect 4% wage increases.

Section 3 paragraph (i) requires that, beginning July 1, 2019, the commissioner, annually reimburse each provider an amount equal to the provider's annualized cost to provider single health care coverage for its employees during the second most recent rate period.

Assumptions

1) Amount of Rate Change: Four percent in SFY 2018 and Four Percent in SFY 2019 for the specified services in section 2, subdivision 2 of the bill.

2) Effective Date of the Rate Change: July 1, 2017 and July 1, 2018 respectively. Current federal waiver plans account for legislative changes in payment rates that are "rate on rate" changes.

3) Service Cost Base: For programs that are included in the DHS Forecast (February, 2017), the cash estimates for those programs are used as the base for rate change calculations. Eighty percent (80%) of the forecast for the disability waivers is governed by DWRS. For ICFs/DD's, the aggregate MA charges, which accounts for recipient contributions, is used as a basis for rate change calculations. For state grants, the grant base in the statewide accounting systems is used for rate change calculations.

The February, 2017 forecast assumes that the Bureau of Labor Standards/Consumer Price Index (BLS/CPI) framework changes effective July 1st 2017 are offset by the cost of living increases previously provided by the legislature for HCBS services. As a result, it costs money if these increases are not offsetting. With the language in section one, the costs of compounding the CPI/BLS increases with historical cost of living increases in DWRS and the interactive increase of the 4% rate increase on BLS and COLA compounding are included in this fiscal note.

4) 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; Disability Grants - 90 days; Managed Care 60 days in fiscal year 15, 30 days in all other fiscal years.

5) The following services are included in this bill:

- Developmental Disability (DD) Waiver-DWRS Payments only

- Community Access for Disability Inclusion Waiver (CADI) -DWRS Payments only
- Community Alternative Care (CAC) Waiver-DWRS Payments only
- Brain Injury (BI) Waiver-DWRS Payments only
- Home Health Agencies
- Personal Care - Fee for Service
- Private Duty Nursing
- Day Training and Habilitation
- ICFs/DD
- Essential Community Support Grants(ECS)
- Personal Care Services Managed Care
- CFSS
- Semi-independent Living grants
- Day Training
- The following Disability Grants:
    - ○Technology grants
    - ○Housing access grants
    - ○Consumer Support Grants
    - ○Self-advocacy grants
    - ○Employment Support grants
    - ○Semi-independent Living grants
- The following Deaf and Hard of Hearing Grants:
    - ○Adult Mental Health Grants

○Deaf and Hard of Hearing Grants

6) Services Not Included:

- Consumer directed Community Supports for all waivers
- Nursing Facilities
- Elderly Waiver
- Elderly Waiver Managed Care
- Alternative Care
- Certain Disability Grants including Family Support Grants Epilepsy grants, Disability Linkage Line Grants
- Aging and Adult Service Grants

7) State Share of Total Program Cost: 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 all state grant programs not eligible for Medical Assistance, the state share of the change is 100% of the costs.

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8) 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 increase for all payers when the MA Day training and habilitation rate is increased.

9) Direct care worker health Care coverage: (section 2, subd 12) This provision is not able to be implemented since it requires a cost-based rate setting methodology for over 4,000 ICF/HCBS providers, submission and auditing of cost reports, and the determination of rate changes for each provider. This assumes that each provider would have an individual rates based on their health care costs. To estimate the additional cost of converting to a cost-based reimbursement system for ICF/HCBS providers, a considerable amount of legislative direction and guidance would be needed to determine reasonable payment rates for each service, along with substantial outlays of administrative resources to receive, review and audit cost reports, determine rates, and pay for appeals.

10) Managed Care Fiscal note assumptions Under Section 2, subd. 9, the bill directs the commissioner to adjust the capitation rates paid to managed care plans and county-based purchasing plans to reflect each rate adjustment for the services eligible for rate adjustments under this section. Final federal regulations, recently published, for Medicaid managed care clarifies that states may notdirect MCOs expenditures under the contract; to "direct" a payment means to require the MCO to pay a certain amount or use funds in a certain way unless certain conditions are met and approval is obtained from the Centers for Medicare and Medicaid Services (CMS). This legislation would require DHS to direct managed care expenditures. This fiscal note includes 1.5 FTE's for the Health Care Administration to complete this work. This work would include data analytics, incorporating the work into the comprehensive quality strategy, and working with CMS and the managed care organizations. It also includes actuarial costs for the managed care plans.

11) Administrative Impacts: Due to new federal managed care regulations stated in the assumption above, this fiscal note includes one FTE in FY 18 and FY 19 and then a half time FTE ongoing for the Community Supports Administration to work in conjunction with the Health Care administration on developing metrics for inclusion into the state's comprehensive quality strategy, developing documentation required for federal approval of new directed payments, and the ongoing evaluation, analysis, and documentation required to demonstrate that the payment is meeting the identified objectives within the Community Supports Administration. The cost of this additional work is reflected in this estimate. This proposal also requires additional administrative resources to to receive and review certifications from ICF and Home Community Based Services providers and respond to calls from employees, and systems costs. This work is directed under section 2,subd.. 4 and 5 in the bill.

12) Essential Community Support Grants: Current law links service rates for ECS grants to the service rates in the federally approved waiver plan for the EW program since many of the same providers serve individuals on each program. This increase would "de-couple" that link creating differential rates for the same service. Essential Community Support grants are state share only.

Expenditure and/or Revenue Formula

Section 1	**Cost of compounding BLS/CPI Increases with Cost of Living Increases in DWRS (Historical)**				
	(State dollars in thousands)				
	Cost of not offsetting	**FY2018**	**FY2019**	**FY2020**	**FY2021**
33	MA LTC Waivers and Home Care	8,141	23,619	35,010	
	Interactive of 4% Increase on BLS & COLA compounding	**FY2018**	**FY2019**	**FY2020**	**FY2021**
33	MA LTC Waivers and Home Care	$326	$1,927	$2,857	
	Total increase due to Section 1	$8,466	$25,546	$37,867	$
Section 2, subdivision 2- rate increases, Section 3-rate increases ICF/DD					
Increase certain HCBS Rates by 4% in July 1, 2017 and on July 1, 2018					
Summary by budget activity		**FY2018**	**FY2019**	**FY2020**	**FY2021**
33	MA LTC Waivers and Home Care	$52,753	$119,878	$133,568	$1
33	MA LTC Facilities	$2,911	$6,159	$6,364	
33	MA Basic Health Care E&D	$5,287	$12,097	$12,440	$
33	MA Basic Health Care F&C	$4	$9	$9	
33	MA Basic Adults w/o Kids	$0	$12	$107	
34	Alternative Care Grants(with ECS)	$62	$139	$154	
25	Group Residential Housing	$0	$0	$0	
57	Adult Mental Health Grants	$0	$0	$0	

58	Children's Mental Health Grants	$0	$0	$0	
55	Disability Grants	$367	$783	$818	
55	DT&H County Grants	$410	$974	$1,116	
54	Deaf and Hard of Hearing Grants	$69	$147	$153	
53	Aging and Adult Services Grants	$0	$0	$0	
35	State share of CD Tier I	$0	$0	$0	
	TOTAL GENERAL FUND ABOVE	$61,864	$140,198	$154,729	$1
	Administrative Costs	**FY2018**	**FY2019**	**FY2020**	**FY202**
	Sections 2 subd 4,5,9				
	Increased Acturial Cost	30			
	Develop Measures for MC;secure CMS approval	169	149	149	1
	CSA- MC Metrics/Analysis	120	120	60	
	CSA-Provider Certifications	123	110	55	
	Total	442	379	264	2
	Total HC Admin	199	149	149	1
	Total CSA Admin	243	230	115	
	FFP	(155)	(133)	(92)	(
	Net State Admin Cost	287	246	172	1
	FTE's	3.5	3.5	2.5	
	Systems Costs	**FY2018**	**FY2019**	**FY2020**	**FY202**
1	Updating Provider Assurance/	34	7	7	
	certification system-state funds				
2	Increase Health Care Cost	Not Implementable			
	Total Net State Costs	**$70,651**	**$165,998**	**$192,774**	**$2**

Fiscal Tracking Summary ($000's)						
Fund	**BACT**	**Description**	**FY2018**	**FY2019**	**FY2020**	**FY2021**
GF	33	MA LTC Waivers and Home Care	$61,220	$145,424	$171,435	$228,479
GF	33	MA LTC Facilities	2,912	6,161	6,364	6,288
GF	33	MA Basic Health Care E&D	5,287	12.097	12,440	13,310
GF	33	MA Basic Health Care F&C	4	9	9	9
GF	33	MA Basic Adults w/o Kids	0	12	107	145

GF	34	Alternative Care Grants(with ECS)	62	139	154	165
GF	55	Disability Grants	367	783	818	818
GF	55	DT&H County Grants	410	974	1,116	1,116
GF	54	Deaf and Hard of Hearing Grants	69	147	153	153
GF	11	IT Systems	34	7	7	7
GF	15	Admin - CCOA	243	230	115	88
GF	13	Admin HC	199	149	149	149
GF	REV1	REV (35%)	(155)	(133)	(92)	(83)
		Total Net Fiscal Impact	$70,652	$165,999	$192,775	$250,644
		Full Time Equivalents	3.5	3.5	2.5	2.25

Long-Term Fiscal Considerations

This bill is estimated to cost $250,644,000 in SFY 2021 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 payers when the MA Day training and habilitation rate is increased.

References/Sources

February 2017 Forecast
DHS Research and Analysis

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