

**HF2824 - 1A - "Reimbursement Rates Intermediate Care Fac"**

Chief Author: **John Considine, Jr**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **04/10/2018**  
 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
<b>General Fund</b>	-	-	25,481	102,967	115,824	
<b>Total</b>	-	-	<b>25,481</b>	<b>102,967</b>	<b>115,824</b>	
<b>Biennial Total</b>			<b>25,481</b>		<b>218,791</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	3	3	3
<b>Total</b>	-	-	<b>3</b>	<b>3</b>	<b>3</b>

**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.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
General Fund	-	-	25,481	102,967	115,824	
<b>Total</b>	-	-	<b>25,481</b>	<b>102,967</b>	<b>115,824</b>	
			<b>Biennial Total</b>		<b>218,791</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	25,481	102,967	115,824	
<b>Total</b>	-	-	<b>25,481</b>	<b>102,967</b>	<b>115,824</b>	
			<b>Biennial Total</b>		<b>218,791</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	
			<b>Biennial Total</b>		-	

### Bill Description

Section 1 amends 256B.0915 to specify that rates affecting the Elderly Waiver, Alternative Care, and Essential Community Supports program will be based on 20% of the rate framework and 80% of the rate methodology in effect as of June 30, 2017. This section is effective January 1, 2019 or upon federal approval, whichever is later.

Section 2 defines “direct care staff” for the purposes of 256B.4914.

Section 3 creates a competitive workforce factor of \$0.75 to be applied to the base wage index in Disability Waiver Rate System (DWRS) frameworks. It also requires providers who receive this adjustment to use the additional funds on wage increases and to submit a distribution plan to the Department of Human Services (DHS). It also requires providers to submit labor market data to DHS, which will be used to publish reports beginning January 1, 2020. Historical (banded) rates are increased by 4.9 percent. This section is effective January 1, 2019 or upon federal approval, whichever is later.

Section 4 increases rates by the following percentages and requires providers to distribute the additional revenue as compensation increases and post a distribution plan:

- 4.9 percent for other disability waiver services that are not governed by DWRS frameworks
- 4.3 percent for the following services:
  - Elderly Waiver, Alternative Care, and Essential Community Supports that are not affected by section 1 of this bill
  - State plan home care rates, including personal care, home care nursing, home health agency services, and community first services and supports
  - Certain grant programs administered by the Disability Services, Aging and Adult Services, and Deaf and Hard of Hearing Divisions
  - Day Training & Habilitation (DT&H)

Section 5 increase Intermediate Care Facility (ICF/DD) rates by 4.3 percent and requires providers to distribute the additional revenue as compensation increases and post a distribution plan.

### Assumptions

**Section 1: Rate increases affecting Elderly Waiver, Alternative Care, and Essential Community Supports Rate Change**

**Programs and Services Impacted:** This bill modifies the rate methodology for some services available on the Elderly Waiver, Alternative Care (AC), and Essential Community Supports (ECS) programs. This rate methodology impacts about 87% of spending in the Elderly Waiver program, 26% of spending in AC, and 80% of spending under ECS. Since the rates for customized living under the Community Access Disability Inclusion (CADI) and Brain Injury (BI) waivers are determined using the same methodology as the Elderly Waiver, this section also affects those programs. Customized living makes up about 6% of BI and 12% of CADI waiver spending.

**Rate impact:** Under current law, the affected rates will be calculated as the sum of 10% of the rate methodology in 256B.0915, and 90% of the rate in effect on June 30, 2017. This bill changes the mix to 20% of the rate methodology and 80% of the historic rates.  
Changing this increases rates.

**Federal Approval:** This bill is effective January 1, 2019 or upon federal approval, whichever is later. This analysis assumes federal approval will be received by January 1, 2019.  
**Implementation:** For customized living and foster care services, the new rate methodology will be implemented on a rolling basis as service agreements renew. For other services governed by the new rate methodology, the new rates will be effective January 1, 2019. An additional 30 day payment delay has been incorporated to account for the fact that medical assistance pays claims retrospectively.

**State Share:** the state share of MA for these programs is 50%, with the exception of Essential Community Supports, in which the state share is 100%.

**Sections 2 & 3: Rate Changes for Rates Subject to Disability Waiver Rate System (DWRS) and Historic Rates**

**Programs Impacted:** This bill impacts services with rates determined by DWRS provided under the CAC, CADI, BI, and DD waivers.

**Services Impacted:** Services with rates determined by DWRS account for approximately 80% of spending in these waiver programs. This change impacts rates for all services subject to the Disability Waiver Rate System (DWRS).

Customized living is subject to 256B.4914, however the rates are determined using the customized living tool. The rates in the customized living tool are determined by the formula set under 256B.0915. Therefore, the framework rates calculated for customized living services provided under the BI and CADI waivers is impacted by section 1 of this bill, not section 3.

**Competitive Workforce Factor:** This change applies a \$0.75 increase to all wage components in the rate calculations. This results in a 4.9% average effective rate increase across DWRS services who are not subject to rate stabilization (banding).

**Adjustment to Historic Rates:** This change applies a 4.9% increase to the historic rate used for banding calculations upon implementation of the Competitive Workforce Factor. This change will result in a rate increase of 4.9% to DWRS services that are subject to rate stabilization (banding). It is assumed that this percentage is applied to all historic rates for all services subject to the Disability Waiver Rate System. This includes the historic rates for customized living services provided under the BI and CADI waivers.

**Distribution Plan and Workforce Data:** This bill requires providers with rates determined under DWRS to provide a distribution plan for the funds by December 31, 2019. They are also required to annually submit labor market data beginning January 1, 2019. It also requires DHS to publish annual reports on provider and state level findings, beginning January 15, 2020. One FTE will be necessary starting in State Fiscal Year 2019 to receive, review, analyze, and publish this data and findings. A three month delay has been included in the first year to account for the time it takes to fill a new position.

**Systems Impact:** Workforce data reports will build on existing updates to the cost reporting initiative underway. Therefore, no additional costs are included in this fiscal note.

**Implementation Timeline:** Rate changes will be implemented beginning January 1, 2019 on a rolling basis as service agreements renew. An additional 30 day payment delay has been incorporated to account for the fact that medical

assistance pays claims retrospectively.

**Federal Approval:** This bill is effective January 1, 2019 or upon federal approval, whichever is later. This analysis assumes federal approval will be received by January 1, 2019.

**Sections 4 & 5: Rate increases to Home and Community-based Services and Grants, and Intermediate Care Facilities (ICF/DD)**

**Effective Date:** January 1, 2019

**Programs Affected:**

1) Subdivision 2, Paragraph (a) provides a 4.9% rate increase to services under the DD, CADI, CAC, and BI waivers that do not have rates determined under DWRS. This includes consumer-directed community supports (CDCS).

2) Subdivision 2, Paragraph (b) provides a 4.3% rate increase to:

Services provided under the Elderly Waiver not subject to the rate methodology under section 256B.0915

State plan services, including home care nursing, home health services, personal care assistance, community first services and supports (CFSS). The February 2018 forecast assumes CFSS will be implemented February 2019.

Alternative Care. 256B.0913, Subd. 5(a) establishes that the services and standards in Alternative Care will be the same as those under the Elderly Waiver. Therefore, the rates paid for services in Alternative Care are determined using the same methodology laid out in 256B.0915. It is assumed that this 4.3% rate increase only applies to those rates not subject to that methodology. The language should be clarified to ensure that this relationship is clear. If this bill intends to provide an additional 4.3% increase on top of the one resulting from section 1 of this bill, that would be an additional cost not included in this fiscal note.

Essential Community Supports (ECS). 256B.0922 specifies that the services available under ECS are those approved in the elderly waiver plan. Therefore, the ECS rates are subject to the same methodology as the Elderly Waiver and it is assumed that the 4.3% rate increase only applies to those rates not determined under 256B.0915. The language should be clarified to ensure that this relationship is clear. If this bill intends to provide an additional 4.3% increase on top of the one resulting from section 1 of this bill, that would be an additional cost not included in this fiscal note.

Consumer Support Grant, grants supporting the transition initiative, Disability grants, Aging grants, and Deaf and Hard of Hearing grants that provide direct services and require additional funding for the rate change

3) Section 5 provides a 4.3% Rate increase to ICF/DD

**Administrative Impacts:** Administrative funding is needed in SFY 2019 to assist providers with the provisions requiring an employee compensation distribution plan, respond to inquiries related to plan implementation, amend grant contracts, and monitor provider compliance as necessary. This is expected to have a total cost of \$60,000 and a net cost of \$39,000.

Additionally, lines 11.27 through 11.27 require managed care organizations to pass rate increases on to providers. This is considered a directed payment under federal regulations. Medicaid managed care regulations finalized in 2016 restrict states from directing managed care expenditures under the contract unless certain conditions are met and approval is obtained by the Centers for Medicare and Medicaid Services (CMS). States are permitted to require certain payment rates for managed care organizations to support State practices critical to ensuring timely access to high quality care. Pursuant to this requirement, DHS is required to identify and incorporate quality metrics for home and community-based services into the state's comprehensive quality strategy, and conduct ongoing evaluation, analysis, and documentation to demonstrate that the payment is meeting the identified objectives. This type of ongoing evaluation and reporting is expected to require two FTE; one in the Health Care Administration and one in the Continuing Care for Older Adults Administration. The FTE costs assume a two month hiring delay in the first year.

**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; DT&H Grants - 90 days; Managed Care 30 days, 30 days in all other fiscal years.

**State Share:** State share of MA is 50%, except for parts of CFSS and personal care for the MA expansion population, which both have higher federal match rates. For the Alternative Care program, the state share is 50% of the total program costs. For all Essential Community Supports and state grant programs not eligible for Medical Assistance, the state share

of the change is 100% of the costs. For services to residents residing in larger ICFs/DD, the state share is 90% of the non-federal share.

**Service Cost Base:** For programs that are included in the DHS Feb. 2018 Forecast, the cash estimates for those programs are used as the base for rate change calculations. For ICFs/DD, the aggregate MA charges, which accounts for recipient contributions, are 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.

**Expenditure and/or Revenue Formula**

State Costs (000's)		2019	2020	2021
Section 1: Adjusting Elderly Waiver Rate Framework to 80%/20% Implementation	Cost of Adjustments for Customized Living and Foster Care	793	8,971	10,568
	Cost of Adjustments to EW, AC, and ECS Rate Framework	711	2,150	2,120
Section 2 & 3: Rate Changes for Disability Waiver Rate System (DWRS) Services	Cost of \$0.75 Wage Component	1,250	13,019	23,770
	Cost of 4.9% Rate Increase for Rates Banded to the Historic Value	3,256	32,711	34,324
	1 FTE for Compensation Requirement and Reporting	139	127	127
	Admin FFP	-49	-45	-45
Section 4 & 5: Rate Changes for HCBS Programs, Grants, and ICFs/DD	4.9% increase for non-DWRS rates in the Disability Waivers	4,092	10,041	10,560
	4.3% rate increase for home and community-based services, grants, and ICFs/DD	15,071	35,830	34,235
	Implementing distribution plan requirement	60		
	2 FTE for managed care quality monitoring	278	254	254
	Admin FFP	-118	-89	-89
<b>Net State Cost</b>		<b>25,482</b>	<b>102,967</b>	<b>115,824</b>

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2018	FY2019	FY2020	FY2021
GF	33	MA LTC Waivers and Home Care		16,990	79,656	93,119
GF	33	MA LTC Facilities		2,632	3,132	3,089

GF	33	MA Basic Health Care E&D		4,033	16,209	15,494
GF	33	MA Basic Health Care F&C		2	5	5
GF	33	MA Basic Adults w/o Kids		3	38	89
GF	34	Alternative Care Grants (incl. ECS)		342	878	989
GF	57	Adult Mental Health Grants		31	74	74
GF	55	Disability Grants		300	713	702
GF	55	DT&H County Grants		251	602	602
GF	54	Deaf and Hard of Hearing Grants		48	115	115
GF	53	Aging and Adult Services Grants		540	1,298	1,299
GF	13	Health Care Administration		278	254	254
GF	14	Continuing Care for Older Adults- FTE		139	127	127
GF	14	Continuing Care for Older Adults		60		
GF	REV1	Admin FFP		(167)	(134)	(134)
		<b>Total Net Fiscal Impact</b>		<b>25,482</b>	<b>102,967</b>	<b>115,824</b>
		<b>Full Time Equivalents</b>		<b>3.0</b>	<b>3.0</b>	<b>3.0</b>

**Long-Term Fiscal Considerations**

This bill costs \$116 million in SFY 2021 and is expected to have an ongoing cost.

**Local Fiscal Impact**

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 payers when the MA Day training and habilitation rate is increased.

**References/Sources**

Feb. 2018 Forecast  
2017 State Grant Base

**Agency Contact:**

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