

**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**Assessment of Reimbursement Rates
for Medicaid Home and
Community-Based Services**

**Staff Briefing
Kimberly Sarte
October 11, 2005**

Introduction

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Staff for this study:

Hal Greer, Division Chief

Kimberly Sarte, Project Leader

Greg Rest, Chief Methodologist

Angela Coleman

Presentation Outline

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- Introduction and Background**
- Geographic Distribution of Medicaid Waiver Recipients and Issues of Access**
- Assessment of Medicaid Waiver Rates and Options for Adjusting Them**
- Rate Structure Issues**

Study Mandate

- **The 2005 Appropriation Act directed JLARC to report on the adequacy of Medicaid reimbursement rates for home and community-based care services**
- **The Act also directed JLARC to examine the impact of reimbursement levels on access to care for the Medicaid recipient population**

Research Activities

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- **Structured Interviews with State Agencies, Advocacy Groups, Providers, and Recipients**
- **Recipient Distribution Analysis**
- **Cost Analysis of Providing Services**
- **Comparisons with Other States**
- **Literature Review**

What Are Home and Community-Based (HCB) Services and Why Are They Preferred?

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- Long-term care services that provide an alternative to institutionalization for the elderly and disabled
- Preferred to institutionalization when possible because:
 - More cost effective – about one-third to one-half cost of institutional care
 - Individuals generally prefer to be integrated with their families and society
 - Comply with U.S. Supreme Court *Olmstead* decision

Case Example of Individual Preferring HCB Services to an Institution

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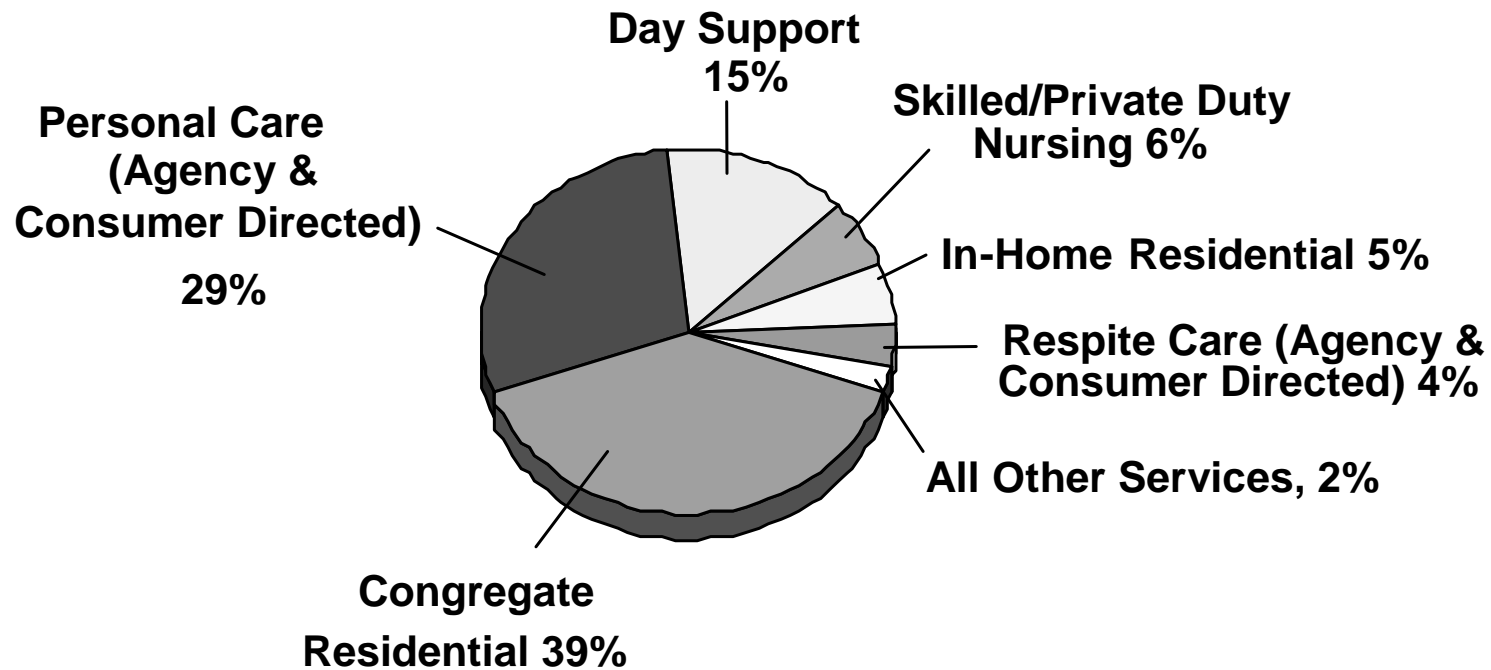
One Medicaid waiver recipient has been wheelchair-bound for over 20 years because of a spinal cord injury. She strongly prefers receiving HCB services over institutional placement. She says that staying at home and in the community provides her with a higher quality of life, allowing her to be a volunteer with a local non-profit organization and to be employed part-time.

Medicaid HCB Services Provided in Virginia

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- **Most HCB services provided through waivers to the following categories of persons:**
 - **Elderly and disabled**
 - **Individuals with mental retardation**
 - **Individuals needing medical technology assistance**
 - **Individuals with AIDS**
 - **Individuals with developmental disabilities**

Virginia HCB Waiver Payments by Service Type in 2004



Total Payments = \$358 Million

HCB Waivers Covered by Medicaid in Virginia for FY 2004

Waiver	# of Recipients	Total Waiver Costs	Most Frequently Used Services
Elderly and Disabled (E&D)	10,161	\$101,354,887	Personal/Respite Care
Consumer-Directed Personal Attendant Services (CD-PAS)	417	4,403,107	Personal/Respite Care
Mental Retardation (MR)	5,622	227,229,982	Residential Services & Day Support
Technology Assisted	339	19,648,061	Private Duty Nursing Services
AIDS	274	608,497	Personal Care & Case Management
Individual and Family Developmental Disabilities Support (DD)	270	4,737,002	Personal/Respite Care & In-home Residential Services

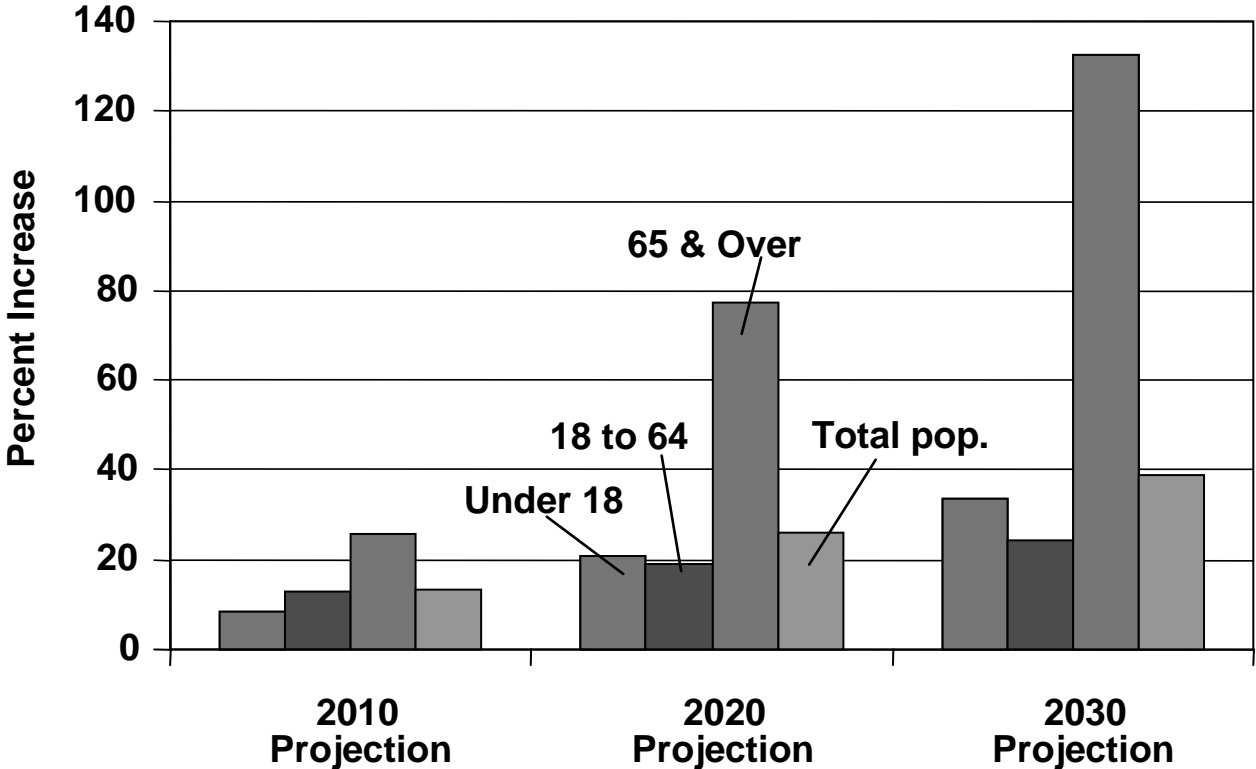
Virginia Spends Relatively Little on Medicaid HCB Services Compared to Other States

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- Virginia ranked 48th in terms of total Medicaid long-term care expenditures per capita
- Above average proportion of long-term care spending in Virginia goes to institutional services rather than HCB services

Demand for HCB Services Expected to Increase

Percentage Increases Projected in Age Groups
(Compared to 2000 Census Levels)



Note: Mentally retarded, developmentally disabled, and medically fragile individuals are also living longer and needing services for a longer period of time.

Concern Over Medicaid Rates for HCB Services

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- **Although overall spending for HCB services in Virginia has increased, rates generally have not**
 - **Many HCB services received only minor adjustments to Medicaid rates over past decade**
 - **Some services have not received any rate adjustments over this period**

- **Resulted in concerns among providers and recipients of Medicaid HCB services that:**
 - **Rates are too low, and**
 - **May lead to inadequate access to care in some areas**

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Concerns Regarding Access

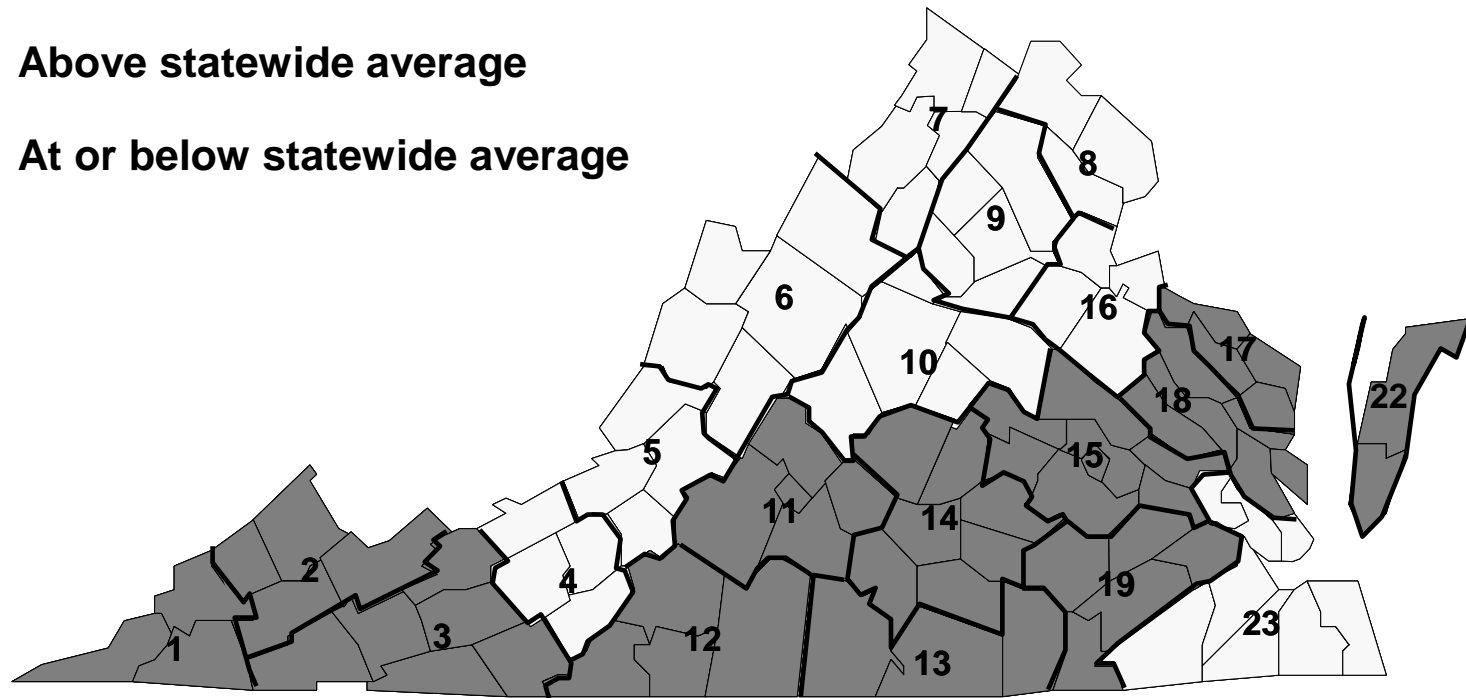
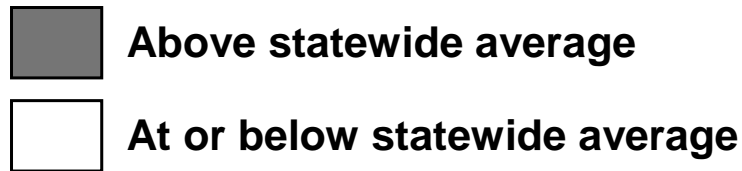
- **Two frequently voiced concerns regarding access to services:**
 - **Do Southwestern and Southside regions have lower proportions of their populations receiving HCB services? Therefore, is there less access to services in these regions?**
 - **Do rural localities have lower proportions of their populations receiving HCB services compared to urban localities? Therefore, do Medicaid recipients in rural localities have less access to services?**

Concerns Over Reduced Access to HCB Services in Certain Regions Not Warranted

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- **Data on waiver recipients did not indicate Southwestern or Southside regions of State were disproportionately underserved**
- **Data did not indicate less utilization of services in rural localities than in urban localities**

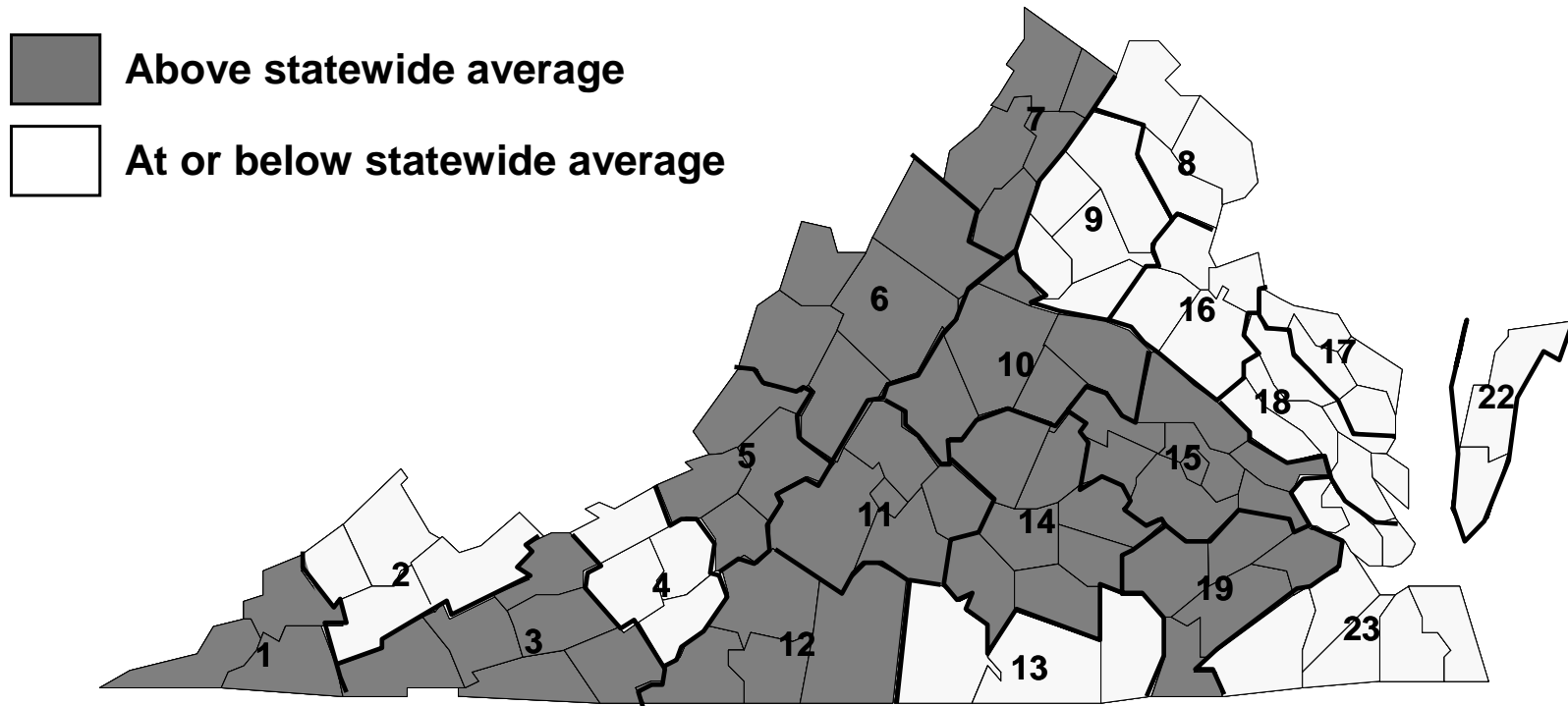
Proportion of Local Poverty Population Receiving Personal Care Services



**Key to
Planning
Districts**

- | | | |
|-----------------------|--------------------------|---------------------------|
| 1. LENOWISCO | 8. Northern Virginia | 15. Richmond Regional |
| 2. Cumberland Plateau | 9. Rappahannock -Rapidan | 16. RADCO |
| 3. Mount Rogers | 10. Thomas Jefferson | 17. Northern Neck |
| 4. New River Valley | 11. Central Virginia | 18. Middle Peninsula |
| 5. Fifth | 12. West Piedmont | 19. Crater |
| 6. Central Shenandoah | 13. Southside | 22. Accomack -Northampton |
| 7. Lord Fairfax | 14. Piedmont | 23. Hampton Roads |

Proportion of Local Population Receiving Congregate Residential Services



Key to Planning Districts

- | | | |
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Access to Services in Rural and Urban Localities

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- **Data do not show that individuals in rural localities have less access to services than those in urban localities**
- **In fact, appears to be little difference in access to services between rural and urban localities on a statewide basis**

Qualifiers Regarding Analysis

- **Geographic distribution of waiver recipients may reflect factors other than rates, such as allocation of waiver slots**
- **Does not change the fact that overall availability of services in Virginia appears low compared to other states**
- **Does not mean that individuals can always find services or that it is not more difficult to find services in certain areas**

Issues Affecting Geographic Distribution of Services

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- **Two factors help explain lower proportion of population in Northern Virginia receiving Medicaid waiver services:**
 - **Proportionally fewer people eligible due to relative affluence**
 - **More service alternatives, such as local government programs**

- **Three factors help explain geographic distribution of services overall:**
 - **Some providers cover broad geographic areas**
 - **More providers entering than leaving the market**
 - **Some providers more “mission-driven” than “profit-driven”**

Patient Pay Prevents Some Individuals from Accessing Services

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- **Virginia's personal maintenance allowance for most waivers is 100% of federal Supplemental Security Income (\$579 per month in 2005)**
- **Virginia's personal maintenance allowance is among the 10 lowest states**
- **Recent efforts to increase Virginia's personal maintenance allowance to 300% of SSI, including proposed budget amendments in 2005 Session**

Case Example Illustrating Virginia's Patient Pay

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Ms. Anderson qualifies for the Medicaid ED/CD waiver. She has a monthly income of approximately \$1,200 from a combination of Social Security and disability income from her prior job. Based on her monthly income, Ms. Anderson's monthly patient pay would be \$621 (\$1,200 minus \$579).

Ms. Anderson's monthly expenses are :

- \$440 rent*
- \$75 utilities*
- \$45 phone*

These expenses alone total \$560 a month. The personal maintenance allowance would leave her only \$19 for food, clothing, and other expenses.

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Providers Indicate Medicaid Rates Are Too Low

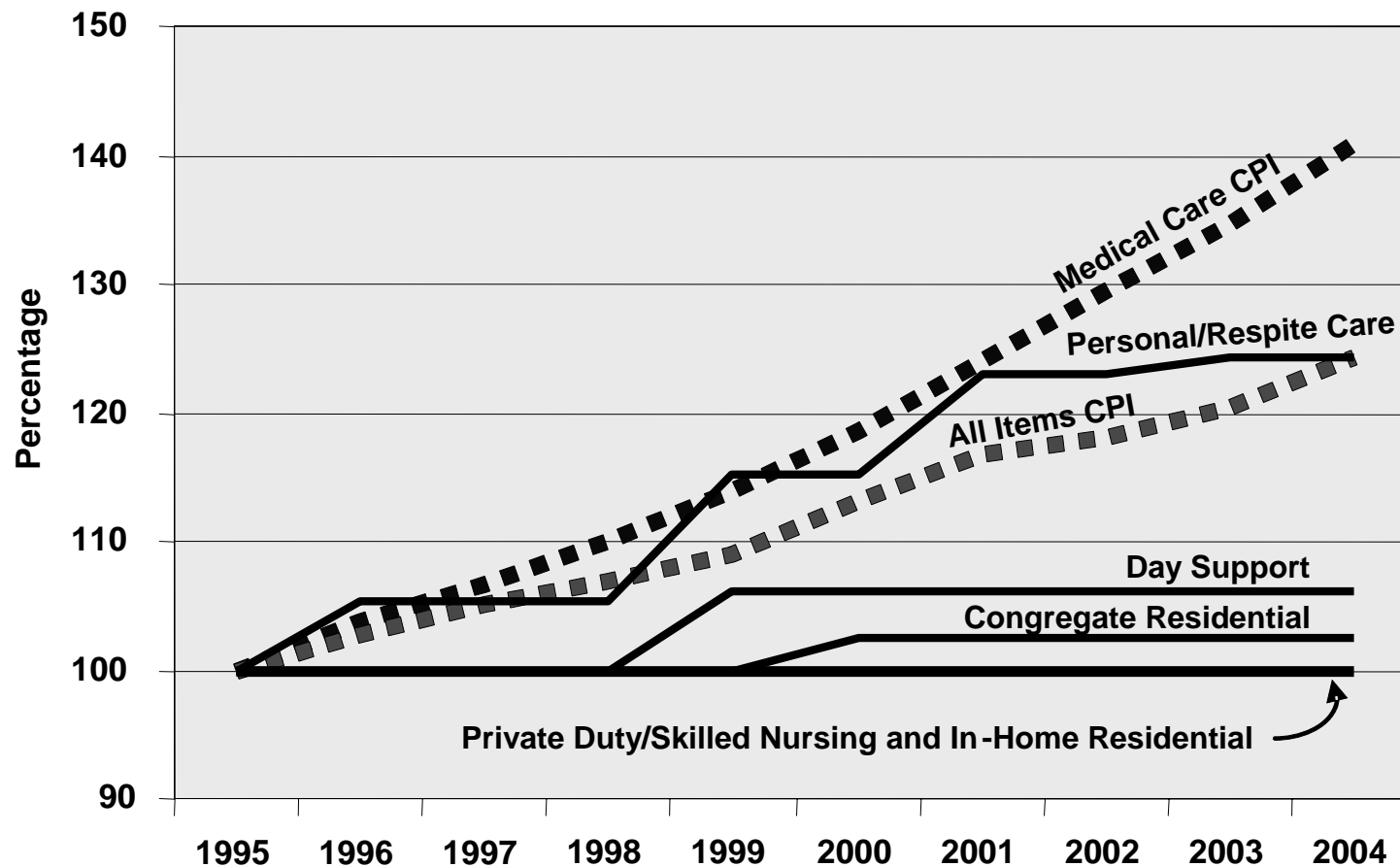
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- **Providers claim rates do not cover costs**
 - **Have dealt with low rates by containing costs (e.g., not providing salary increases to direct care staff) or raising funds to subsidize shortfall, but indicate measures are not long-term solutions**

- **Low rates can affect service reliability**
 - **When an aide did not show up on time, one ED/CD recipient could not get out of bed for hours even though it was urgent for her to be moved to relieve key pressure points**

- **Providers claim that if rates are not improved, there will be future problems with access**

Medicaid Rates Generally Have Not Risen with Inflation



Note: Graph lines were produced by applying inflation rates and any annual waiver rate increases since 1995 to a baseline value of 100.

Virginia's Rates Are Low Compared to Other States

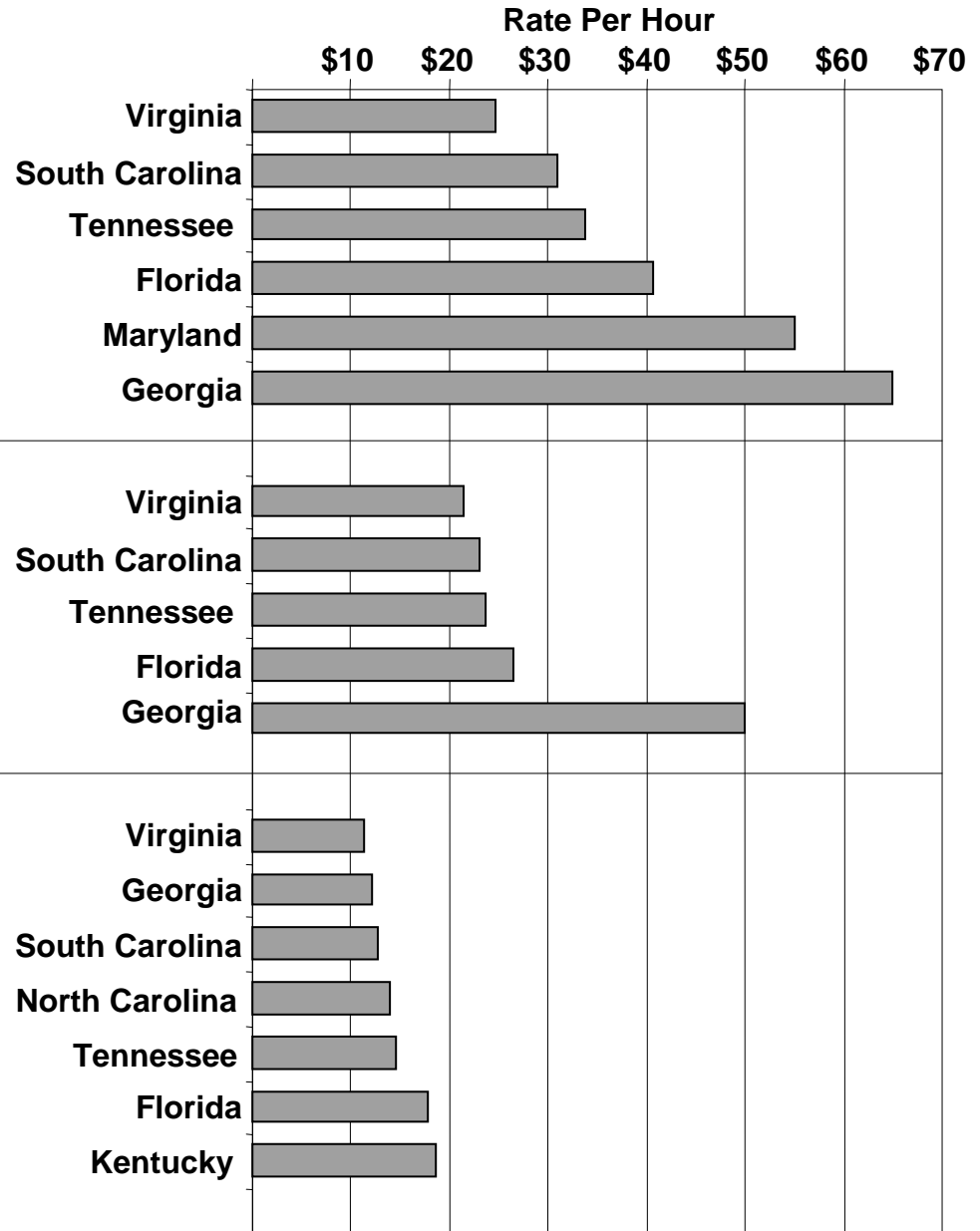
Services



Skilled/
Private
Nursing:
RN

Skilled/
Private
Nursing:
LPN

Personal
Care



Alternative Approaches for Estimating Potential Provider Costs

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■ Comparable Position Approach

- Assumes that direct care staff are paid hourly wages and fringe benefits comparable to State employees in comparable positions
- Staff providing personal care assumed to be paid wages and fringe benefits comparable to nurse aides in nursing homes

■ Living Wage Approach

- Assumes that direct care staff are paid a living wage at least high enough that they don't qualify for government assistance
- Fringe benefit assumptions consistent with current practice

■ Both approaches assume supervisory, administration, and overhead costs consistent with current practice

Rates Do Not Allow for a Competitive or Living Wage for Some Services

Service	FY 2006 Medicaid Rate	Estimated Hourly Cost Using Living Wage Approach	Estimated Hourly Cost Using Comparable Position Approach
Personal/Respite Care	\$11.93	\$15.16	\$20.65
Consumer Directed Personal/Respite Care	8.19	10.10	14.21
Private Duty Nursing – RN	24.70	n/a	44.99
Private Duty Nursing – LPN	21.45	n/a	31.41
In-Home Residential	18.90	15.46 -19.51	22.22 -27.13
Note: Medicaid rate and estimated cost are for rest of state and do not include Northern Virginia.			

Option: Provide An Annual Inflation Adjustment

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■ Adjust all rates annually using CPI

- Increasing FY04 rates to FY06 CPI-adjusted rates estimated to cost about \$10.2 million annually in State general funds, assuming constant levels of service
- General Assembly adjusted rates for most services (except private duty nursing) for inflation in FY 06. However, rates still behind inflation over the long run.

■ Adjust rates for personal care, respite care, and nursing services annually by Medical Care CPI

- Increasing FY04 rates to FY06 Medical Care CPI-adjusted rates estimated to cost about \$7.2 million annually in State general funds

Option: Rebase Rates for Services Provided on a One-on-One Basis

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- **Rebase rates using comparable position approach**
 - Estimated cost is approximately \$62.8 to \$65.9 million in State general funds

- **Rebase rates using living wage approach**
 - Estimated cost is approximately \$23.3 to \$24.1 million in State general funds
 - No change to rates for nursing services because rates already above living wage approach

- **Consider whether to mandate that any rate increase be passed on to direct care staff**

Presentation Outline

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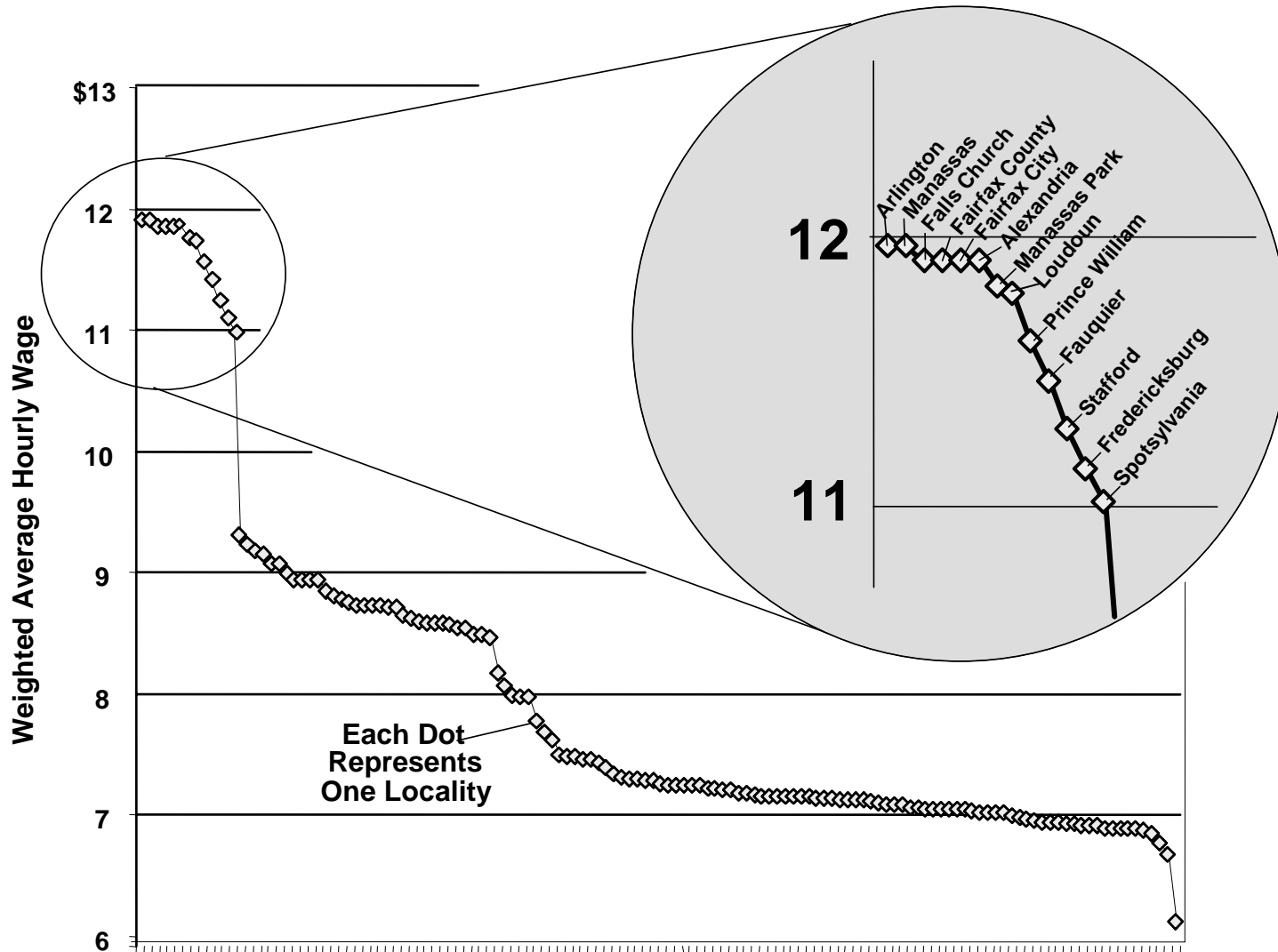
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Northern Virginia Rate Adjustment Appropriate for MR and DD Services

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- Most HCB services receive a Northern Virginia rate differential reflecting higher cost of living
- However, several services provided exclusively through the MR and DD waivers do not receive differential
- Higher cost of living affects all services, including these
- Cost of providing a 17.5% rate differential for services estimated to be \$4.6 million in State general funds

Locality Living Wage Estimates Demonstrate Need for Northern Virginia Rate Adjustment



Consider Revising Rate Structure for HCB Services Provided in Group Settings

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- **Services provided in a group setting, such as congregate residential support and day support, largely reimbursed on a constant per-recipient basis**
- **Virginia one of few states where rates do not take into account factors such as health of recipient, needs of recipient, or staff-to-client ratios**
- **Results in rates being too low, adequate, or too high, depending on situation**

Illustration of Varying Levels of Provider Reimbursement in Group Settings

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Service and Assumed Staff:Client Ratio	FY 2006 Hourly Rate Per Recipient	Hourly Provider Reimbursement Amount
Congregate Residential 1:1	\$13.45	\$13.45
Congregate Residential 1:2	13.45	26.90
Congregate Residential 1:3	13.45	40.35

Consider Including General Supervision as a Part of Congregate Residential Services

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- **“General supervision” is most often overnight supervision of group home residents**
- **According to DMAS, federal guidelines prohibit providers from billing Medicaid for these services**
- **Possible changes to federal guidelines may allow DMAS to begin reimbursing providers for these costs**
- **May be appropriate for a working group to address issues of rate structure for services in group settings, including review of general supervision**

Summary of Findings

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- **Availability of Medicaid HCB services throughout State and increase in number of providers suggest concerns about reduced access in some regions due to rates not warranted**

- **However, HCB service providers indicate rates are too low, and evidence supports their claim**
 - **Rates not routinely adjusted for inflation**
 - **Rates lower than in other states**
 - **Rates do not appear to enable providers of some one-on-one services to pay a competitive or living wage**

Summary of Findings

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- **Further, a Northern Virginia rate adjustment appears appropriate for MR and DD services**

- **Other issues with the rate structure for MR and DD waiver services warrant additional review**
 - **Review rate structure for services provided in group settings**

 - **Review whether general supervision costs can be included in congregate residential services**