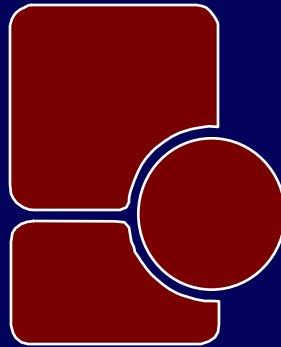


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



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

**Staff Briefing
Kimberly Sarte
November 16, 2005**

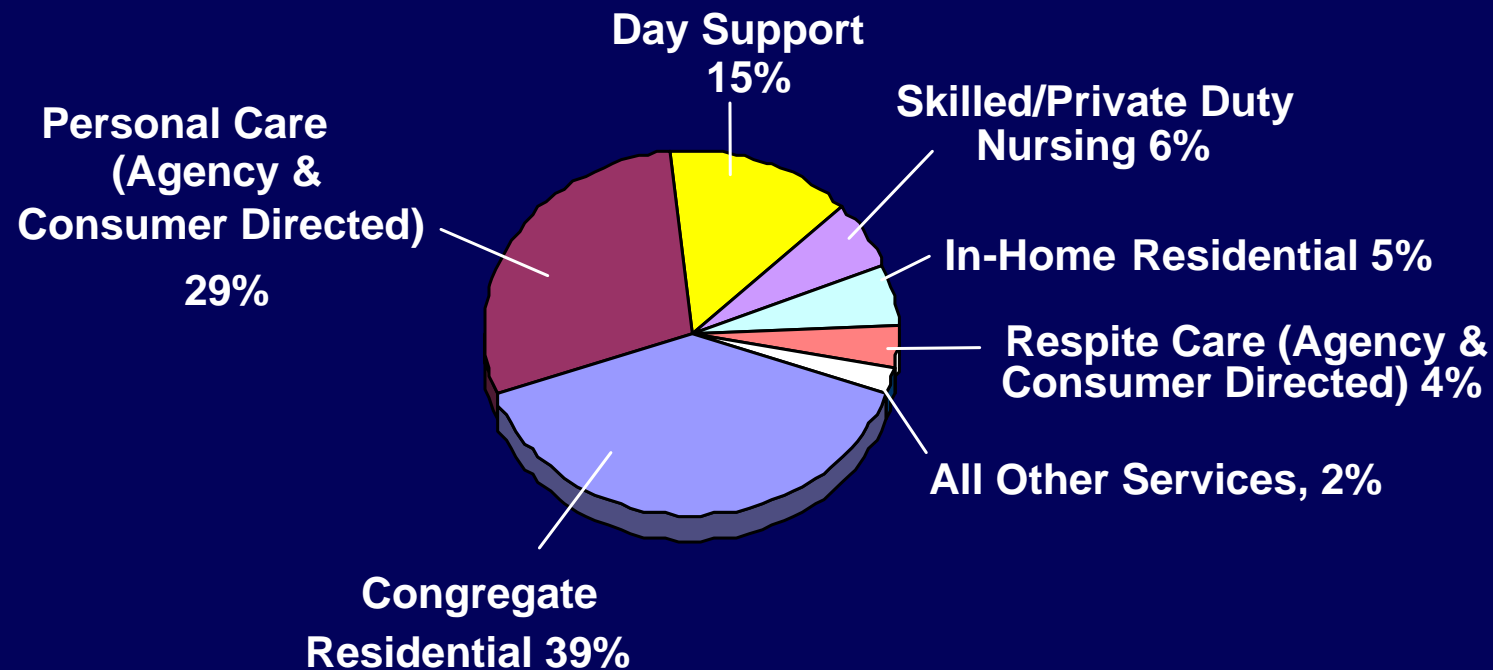
Study Mandate

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- **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**

Virginia HCB Waiver Payments by Service Type in 2004

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Total Payments = \$358 Million

HCB Waivers Covered by Medicaid in Virginia for FY 2004

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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

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

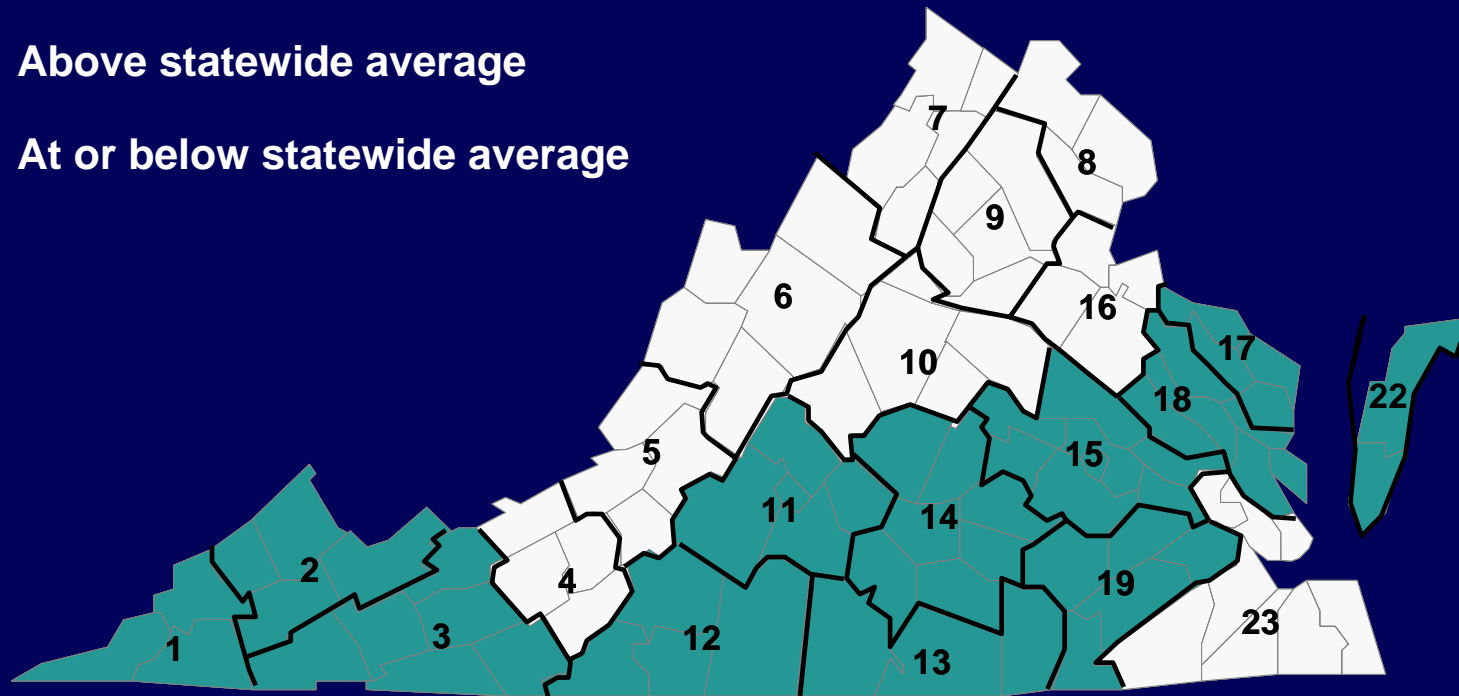
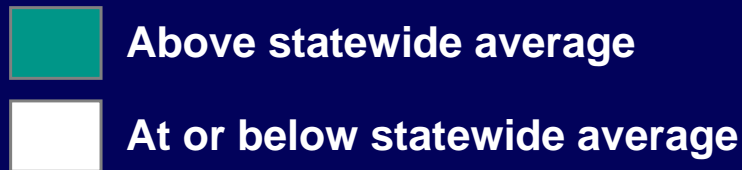
- **Resulted in concerns among providers and recipients of Medicaid HCB services that:**
 - Rates are too low, and
 - May lead to inadequate access to care in some areas

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
- Further, more providers have entered the market than left in recent years

Proportion of Local Poverty Population Receiving Personal Care Services



Key to Planning Districts

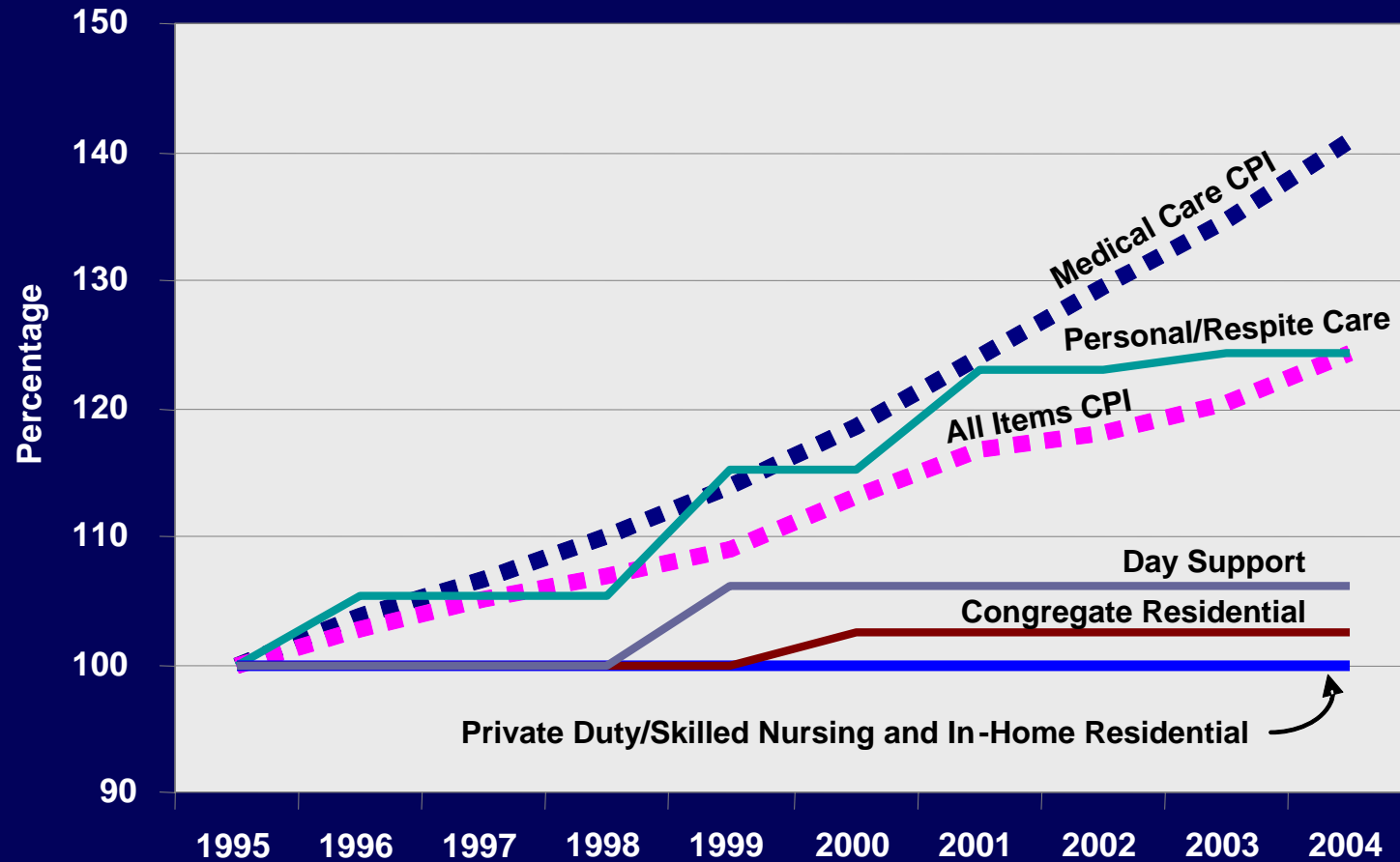
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|-----------------------|--------------------------|---------------------------|
| 1. LENOWISCO | 8. Northern Virginia | 15. Richmond Regional |
| 2. Cumberland Plateau | 9. Rappahannock -Rapidan | 16. RADCO |
| 3. Mount Rogers | 10. Thomas Jefferson | 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 |

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

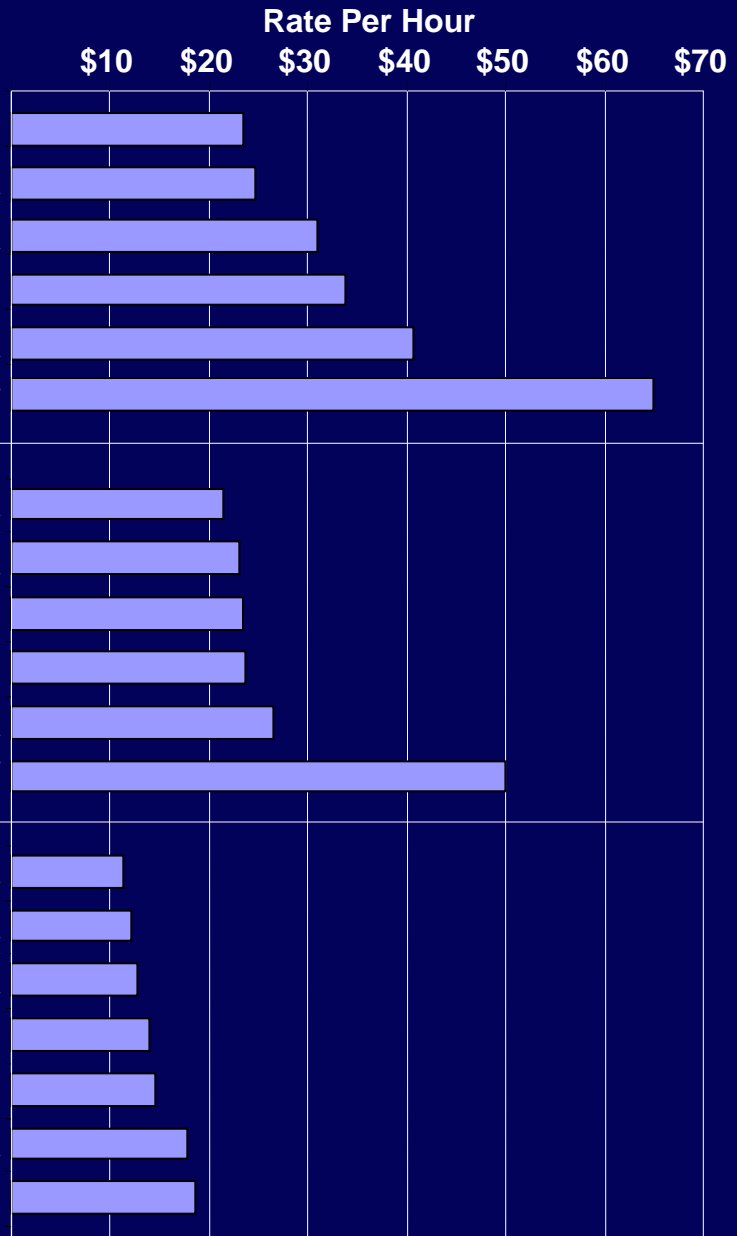
Maryland
Virginia
South Carolina
Tennessee
Florida
Georgia*

Skilled/
Private
Nursing:
LPN

Virginia
South Carolina
Maryland
Tennessee
Florida
Georgia*

Personal
Care

Virginia
Georgia
South Carolina
North Carolina
Tennessee
Florida
Kentucky



*Note: Reimbursement is provided on a per-visit basis. A typical visit could range from less than an hour to several hours.

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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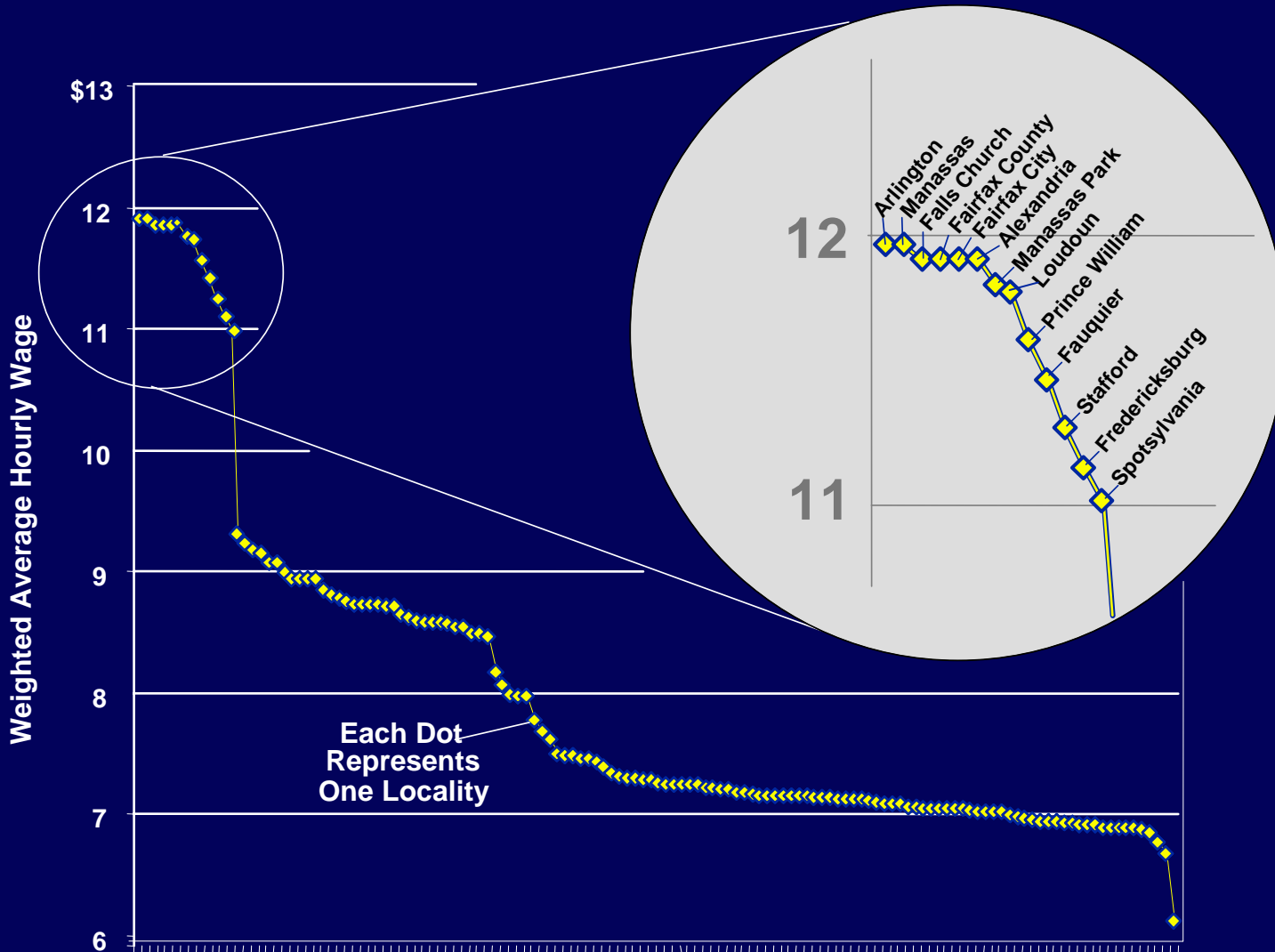
- Rebase rates using comparable position approach
 - Estimated cost is approximately \$62.8 to \$65.9 million in State general funds
- Rebase rates using living wage approach
 - Estimated cost is approximately \$23.3 to \$24.1 million in State general funds
 - No change to rates for nursing services because rates already above living wage approach
- Consider whether to mandate that any rate increase be passed on to direct care staff

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