Medicaid Rate-Setting Methods for Community Services in Selected States

November 12, 2009
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Maryland Long-Term Care Payment Advisory Committee Meeting
Goals

- Compare rate-setting methods and rates for community services in Maryland and other states

- Community services
  - Personal Care
  - Adult Day Care
  - Assisted Living

- Sample of states
  - Nearby states plus others from across the country
Background: Community Services in Maryland

- Personal Care & Attendant Care (state plan, 2 waivers)
  - $91 million in FY 2008

- Adult Day Care (7 waivers)
  - $83 million in FY 2008

- Assisted Living (1 waiver)
  - $24 million in FY 2008
Community Services in Maryland continued

- Personal Care (state plan, 2 waivers)
  - Living at Home Waiver
  - Older Adults Waiver

- Adult Day Care (7 waivers)
  - Living at Home Waiver
  - Older Adults Waiver
  - Medical Day Care Services Waiver
  - Waiver for Adults with Traumatic Brain Injury
  - Model Waiver for Disabled Children
  - New Directions Waiver
  - Community Pathways Waiver

- Assisted Living (1 waiver)
  - Older Adults Waiver
Preview of Findings

- All states in sample offer all services with exception of assisted living (available in 10 of the 11 states)

- Wide variety of methods used for rates
  - In how rates work (how many categories, what adjustments if any)
  - In how rate amounts determined

- Maryland rate methods similar in some ways to other states, but some elements are unique or uncommon in the sample of states
Outline of Presentation

- Information sources, sample of states
- Rate methods and rates for each service:
  - Personal Care
  - Adult Day Care
  - Assisted Living
- Methods used to establish and update rates (all services)
- Conclusion
Information Sources
Data and Methods

- Limited information available in existing reports
  - Exception is assisted living; all-state report (Oct 2009)

- Contacted Medicaid staff in 22 states seeking interviews
  - Conducted interviews with Medicaid staff in 11 states; sent questions in advance

- Topics covered
  - Payment methods
  - Methods used to establish rates
  - Methods used to update rates
  - Level of rates (current and in recent years)
Data and Methods continued

- Sources for our analysis
  - Written replies to questions
  - Information obtained in interviews
  - Relevant documents (such as rate schedules)
States in Our Sample

- Nearby
  - Delaware, District of Columbia, Maryland, Pennsylvania, Virginia

- Others across the country
  - Arizona, Florida, Illinois, Minnesota, Texas, Washington
Personal Care
Personal Care: Number and Types of Programs

- All states offer personal care in more than one program
  - 2 programs (2 states)
  - 3 programs (2, including Maryland)
  - 4 or more (7)

- Type of programs
  - State plan and waivers (6 states)
  - Waivers only (5)
Personal Care: Limits on Utilization

Some states limit utilization by:

- Caps on Service Hours
  (5 states, DE, DC, FL, MD, WA)
- Limits on Service Expenditures
  (2 states, IL, MN)
Personal Care: Rates Across Programs

- Most states use the same rates for all or most programs

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same rates across all programs</td>
<td>5</td>
</tr>
<tr>
<td>Same rates in most programs (In IL, exception DD waivers; in VA, exception AIDS waiver)</td>
<td>2</td>
</tr>
<tr>
<td>Different rates in different programs</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(incl. MD)</td>
</tr>
</tbody>
</table>
Personal Care: Payment Methods

- Programs vary in the number of rates
  - Provider-specific (1 state, PA)
  - Participant- & provider-specific (individually negotiated) (1 program in 1 state)
  - One uniform rate, no adjustments (2 states)
  - Various rate categories or adjustments (9, including MD)
# Personal Care: Rate Categories or Adjustments

<table>
<thead>
<tr>
<th>Description</th>
<th>States/Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Different rates in different geographic areas</td>
<td>2 states</td>
</tr>
<tr>
<td>Lower rates for independent providers compared with agency providers</td>
<td>5, including MD</td>
</tr>
<tr>
<td>Lower rate if more than one recipient living in same house or apartment</td>
<td>2, MN and DC</td>
</tr>
<tr>
<td>Increase rate if agency provides health insurance for workers</td>
<td>1, IL</td>
</tr>
<tr>
<td>Higher rate if includes assistance with medications</td>
<td>1, MD Older Adults Waiver</td>
</tr>
<tr>
<td>Acuity adjustment</td>
<td>1, MD state plan</td>
</tr>
<tr>
<td>“Rate enhancement” option for providers, which providers must use to increase wages of direct care workers</td>
<td>1, Texas</td>
</tr>
</tbody>
</table>
Unit of Payment

- 15-minute unit (5 states)
- Hour (7, including MD waivers)
- Day (1, MD state plan)

<table>
<thead>
<tr>
<th>Level of Care</th>
<th>Rate per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1 (usually 1-2 hours)</td>
<td>$12.74</td>
</tr>
<tr>
<td>Level 2 (usually 2-4 hours)</td>
<td>$25.48</td>
</tr>
<tr>
<td>Level 2B (usually 6+ hours or both AM &amp; PM care)</td>
<td>$38.23</td>
</tr>
<tr>
<td>Level 3 (care available 24 hours)</td>
<td>$55.21</td>
</tr>
</tbody>
</table>
Personal Care: Rates per Hour

Note: Current rates as of October 1, 2009. Only waiver rates are included for MD.
## Personal Care: Rates per Hour continued

### Range of Rates in Each State

<table>
<thead>
<tr>
<th></th>
<th>MD</th>
<th>TX</th>
<th>VA</th>
<th>WA</th>
<th>IL</th>
<th>MN</th>
<th>DC</th>
<th>FL</th>
<th>AZ</th>
<th>DE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min</td>
<td>$9.97</td>
<td>$11.66</td>
<td>$8.86</td>
<td>$10.03</td>
<td>$10.45</td>
<td>$15.84</td>
<td>$16.30</td>
<td>$10.00</td>
<td>$12.20</td>
<td>$26.00</td>
</tr>
<tr>
<td>Max</td>
<td>$16.69</td>
<td>$12.66</td>
<td>$16.35</td>
<td>$17.38</td>
<td>$17.69</td>
<td>$15.84</td>
<td>$16.30</td>
<td>$24.00</td>
<td>$23.40</td>
<td>$26.00</td>
</tr>
</tbody>
</table>

Note: Current rates as of October 1, 2009. Only waiver rates are included for MD.
# Personal Care: Rates per Hour in Maryland and Nearby States

![Bar Chart](chart.png)

<table>
<thead>
<tr>
<th>State</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>MD Waivers</td>
<td>$9.97</td>
<td>$16.69</td>
</tr>
<tr>
<td>VA</td>
<td>$8.86</td>
<td>$16.35</td>
</tr>
<tr>
<td>DC</td>
<td>$16.30</td>
<td>$16.30</td>
</tr>
<tr>
<td>DE</td>
<td></td>
<td>$26.00</td>
</tr>
</tbody>
</table>

Note: Current rates as of October 1, 2009.
Adult Day Care
Adult Day Care: Number and Types of Programs

- All programs offered social and medical (rehabilitative) services

- Number of programs
  - 1 (4 states)
  - 2 (1)
  - 3 or more (6, including MD)

- Types of programs
  - State plan only (2 states)
  - Waiver(s) only (9, including MD)
Adult Day Care: Rates Across Programs

- Same rates across all programs
  - 8 states, including Maryland

- Different rates in different programs
  - 3 states
Adult Day Care: Payment Methods

- Programs vary in number of different rates

<table>
<thead>
<tr>
<th>Payment Method</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniform statewide, no adjustments</td>
<td>5, including MD</td>
</tr>
<tr>
<td>Uniform within geographic areas, no other adjustments</td>
<td>2</td>
</tr>
<tr>
<td>Uniform with “rate enhancement” option for providers</td>
<td>1 (TX)</td>
</tr>
<tr>
<td>Provider-specific</td>
<td>3</td>
</tr>
<tr>
<td>Participant- &amp; provider-specific (individually negotiated)</td>
<td>1 (some waivers in MN)</td>
</tr>
</tbody>
</table>
Adult Day Care: Payment Methods continued

- Transportation included in rate?
  - Yes (3, MD, DE, TX)
  - No (6)
  - Varies by provider (1, PA)
  - Varies by waiver (1, IL)

- Different rate categories or adjustments
  - Provider-specific rates (3)
  - Different rates in different programs (3)
  - Enhanced level of care (1, DE)
  - “Rate enhancement” (1, TX)
# Adult Day Care: Units of Payment

<table>
<thead>
<tr>
<th>Unit</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-minute unit</td>
<td>1 state</td>
</tr>
<tr>
<td>hour</td>
<td>1</td>
</tr>
<tr>
<td>half-day</td>
<td>1</td>
</tr>
<tr>
<td>day</td>
<td>3 (incl. MD)</td>
</tr>
<tr>
<td>15-minute unit and day</td>
<td>1</td>
</tr>
<tr>
<td>hour and day</td>
<td>2</td>
</tr>
<tr>
<td>half-day and day</td>
<td>2</td>
</tr>
<tr>
<td>15-minute unit, half-day, and day</td>
<td>1</td>
</tr>
</tbody>
</table>
Adult Day Care: Units of Payment continued

- Definition of half-day
  - Less than 4 hours (1 state)
  - 4 or fewer hours (1)
  - 3 to 5 hours (1)

- Definition of day
  - More than 4 hours (3)
  - 5 or more hours (1, MD)
  - 6 or more hours (1)
  - No set number of hours (1)
Adult Day Care: Rates per Day

Note: Current rates as of October 1, 2009.
Adult Day Care: Rates in Maryland and Nearby States

Note: Current rates per day as of October 1, 2009.
Adult Day Care: States with Transportation in the Rate

Note: Current rates per day as of October 1, 2009.
Assisted Living
Assisted Living: Number and Types of Programs

- Number of programs
  - 0 (1, PA)
  - 1 (6)
  - 2 or more (4)

- Types of programs
  - State plan only (1)
  - State plan & 2 waivers (1)
  - 1 waiver only (6)
  - 2 or more waivers (2)

- Same rates across programs?
  - Yes (9 states)
  - In AZ, managed care organizations negotiate rates (state does not produce benchmark rates)
## Assisted Living: Rate Categories and Adjustments

<table>
<thead>
<tr>
<th>Rate Category</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>One uniform rate, no adjustments</td>
<td>3</td>
</tr>
<tr>
<td>- DC, FL, VA</td>
<td></td>
</tr>
<tr>
<td>Uniform within geographic areas</td>
<td>1</td>
</tr>
<tr>
<td>- IL (7 geo areas)</td>
<td></td>
</tr>
<tr>
<td>Different rates for different acuity levels</td>
<td>3</td>
</tr>
<tr>
<td>- DE (9 levels), MN (11 levels), TX (6 levels)</td>
<td></td>
</tr>
<tr>
<td>Geographic areas and acuity levels</td>
<td>1</td>
</tr>
<tr>
<td>- WA (3 geo areas and 17 acuity levels)</td>
<td></td>
</tr>
<tr>
<td>Acuity levels (2) and whether or not recipient is also receiving medical day care</td>
<td>MD</td>
</tr>
<tr>
<td>Managed care organizations determine rates</td>
<td>1</td>
</tr>
<tr>
<td>- AZ (no state benchmarks)</td>
<td></td>
</tr>
</tbody>
</table>
Assisted Living: Rates per Day

Note: Current rates as of October 1, 2009.
Assisted Living: Rates in Maryland and Nearby States

Note: Current rates per day as of October 1, 2009.
All Services
All Services: Variety of Methods Used to Establish Rates

- Cost models
- Personal Care rates negotiated with union (SEIU local) (WA and IL)
- Assisted Living rates based on percentage of average nursing home rates in geographic area (IL)
- Combine variety of information: rates for state plan services, other waiver program rates, provider input
- Historic (unknown or based on fee-for-service amounts or limits when converted to current system)
- Provider survey
- Negotiated with providers or provider groups
Community Services: Methods for Updating Rates

- Regularly-scheduled updates for inflation
  - AZ, MD, TX
  - IL (Assisted Living only)

- Requires legislative action (most states)

- Regularly-scheduled rebasing
  - AZ (every 5 years)
  - TX (every 2 years)
Community Services: Recent Rate Changes

<table>
<thead>
<tr>
<th>Rate Change Between Last Year and Now</th>
<th>Personal Care</th>
<th>Adult Day Care</th>
<th>Assisted Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Change</td>
<td>6 states</td>
<td>3 states</td>
<td>5 states</td>
</tr>
<tr>
<td>Decrease</td>
<td>4 (incl. MD)</td>
<td>3 (incl. MD)</td>
<td>1 (incl. MD)</td>
</tr>
<tr>
<td>Increase</td>
<td>1</td>
<td>1 (in one waiver)</td>
<td>1</td>
</tr>
</tbody>
</table>
## Maryland Community Services: A Summary

<table>
<thead>
<tr>
<th></th>
<th>Personal Care</th>
<th>Adult Day Care</th>
<th>Assisted Living</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rates across programs</strong></td>
<td>Different rates across 3 programs</td>
<td>Same rates</td>
<td>1 waiver</td>
</tr>
<tr>
<td><strong>Adjustments</strong></td>
<td>Acuity; agency vs. indep. providers; medication assist</td>
<td>none</td>
<td>▪ Two acuity levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ With and without medical day</td>
</tr>
<tr>
<td><strong>Units of service</strong></td>
<td>Hour, day</td>
<td>Day (5+ hours)</td>
<td>Day</td>
</tr>
<tr>
<td><strong>How rates determined</strong></td>
<td>Historic rates, updated over time</td>
<td>Initially based on limits in previous cost-up-to-limit system; updated over time</td>
<td>Initially based on provider survey; updated over time</td>
</tr>
</tbody>
</table>
## Maryland Community Services: A Summary continued

<table>
<thead>
<tr>
<th>Annual rate updates</th>
<th>Personal Care</th>
<th>Adult Day Care</th>
<th>Assisted Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ State plan: increase in CPI, all items component, for Baltimore-DC</td>
<td></td>
<td>Increase in CPI, medical care component, for Baltimore-DC, up to cap of 5%</td>
<td>Increase by lesser of 2.5% or increase in CPI, medical care component, Baltimore-DC</td>
</tr>
<tr>
<td>▪ Waivers: Lesser of 2.5% or increase in CPI, medical care component, Baltimore-DC</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
New Developments in States

A few states are in the process of planning changes in methods

- PA (currently working to establish standardized rate-setting process for all Medicaid waivers by July 2012)
- DC in process of developing new strategic plan for chronic and long-term care
Final Thoughts

Approaches to Integrating Rate Setting for Community and Institutional Services

- Linking community rates to nursing facility rates (IL—Assisted Living)
- Using the same rebasing schedule (AZ, TX)
- Using the same inflation indices
- Global budgeting
About The Hilltop Institute

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