Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 30, 2006

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 1110 and Senate Bill 653: Family Care Program Expansion

Assembly Bill 1110 and Senate Bill 653 would authorize the Department of Health and Family Services (DHFS) to contract with entities to administer care management organizations (CMOs) so that the Family Care benefit could be made available to more than 29% of the state's population that potentially would be eligible for Family Care benefit, provided that the Joint Committee on Finance approves a proposal for such a contract under a passive review process. Currently, Family Care is statutorily designated as a pilot project, and DHFS may not contract with an entity if the contract would result in the Family Care benefit being available, in the aggregate, to more than 29% of the total eligible population, unless the program expansion is specifically authorized by the Legislature, and if the Legislature appropriates necessary funding.

Assembly Bill 1110 was introduced on March 9, 2006, and referred to the Joint Committee on Finance. Senate Bill 653 was introduced on March 3, 2006, and recommended for passage by the Senate Committee on Health, Children, Families, Aging and Long-Term Care by a vote of 5 to 0. On March 9, the Senate passed Senate Bill 653 by a voice vote.

CURRENT LAW

The Family Care program is a comprehensive long-term care program that is intended to improve the quality of long-term care services that individuals receive, to provide individuals with more choices and greater access to services, and to reduce costs that the state and counties would otherwise incur if Family Care enrollees instead received long-term care services under other publicly-funded programs, including the medical assistance (MA) fee-for-service program and the MA home- and community-based waiver programs. Since the beginning of the program, Family Care benefits costs have been funded primarily by using funds that otherwise would have been

budgeted for MA fee-for-service benefits, the MA home- and community-based waiver programs, and community aids. Funding for Family Care capitation payments is budgeted from the same appropriations that support MA fee-for-service benefits and MA home- and community-based waiver services.

The Family Care program has two organizational components. Aging and disability resource centers ("resource centers") offer information and assistance to the public, and serve as a clearinghouse for long-term care for physicians, hospital discharge planners, and other professionals. In addition, resource centers administer the initial adult long-term care functional screen, which is an assessment tool that identifies the long-term care needs of each applicant to determine whether the applicant meets the functional eligibility requirements of Family Care. Currently, state-funded resource centers operate in nine counties--the five counties where the Family Care benefit is offered (Fond du Lac, La Crosse, Milwaukee, Portage, and Richland Counties), and four other counties (Kenosha, Jackson, Marathon, and Trempealeau Counties).

Care management organizations (CMOs) manage and deliver a wide variety of long-term care services that comprise the Family Care benefit. The state MA program pays each CMO one of two rates for each member: (a) a rate for individuals who require a comprehensive level of care, which varies by county, and, in 2006, ranges from $2,022.50 per month for enrollees in La Crosse County, to $2,410.74 per month for enrollees in Portage County; or (b) a rate for individuals who require an intermediate level of care, which, in 2006, is $691.35 per month for enrollees in all counties. The varying rates reflect differences in the historical cost of serving long-term care clients in each county.

As of March 1, 2006, there were 9,599 individuals enrolled in Family Care, including 5,768 in Milwaukee County, 1,677 in La Crosse County, 974 in Fond du Lac County, 850 in Portage County and 330 in Richland County.

Currently, DHFS may, before July 1, 2001, establish resource centers and contract with entities to provide the Family Care benefit, in geographic areas in which resides no more than 29% of the population that is eligible for the Family Care benefit. After June 30, 2001, if a local long-term care council for an area of the state not currently served by a CMO develops a plan for the provision of these services, DHFS may contract with a new CMO only if the expansion is specifically authorized by the Legislature and the Legislature appropriates necessary funding for this purpose.

Under provisions included in 2005 Wisconsin Act 25 (the 2005-07 biennial budget act), DHFS may seek legislative approval, through the Joint Committee on Finance, for future resource center expansions under a 14-day passive review process. However, DHFS may not seek approval to contract with additional CMOs to provide the Family Care benefit in additional areas of the state under the 14-day approval process.

SUMMARY OF BILL

The bill would establish a procedure by which DHFS could contract with entities so that the Family Care benefit could be available, in the aggregate, to more than 29% of the state's population that potentially would be eligible for the Family Care benefit. First, the bill would repeal the current law requirements that such an expansion be authorized by the full Legislature, and that the Legislature appropriate funding necessary to support the expansion. Instead, DHFS would be required to seek approval from the Joint Committee on Finance, under a 14-day passive review process, if it proposes to contract for services that would result in the Family Care benefit being available to more than 29% of the state's population that potentially would be eligible for Family Care.

Under the passive review process, DHFS would submit a proposal to the Committee for its review. If, within 14 working days after the Committee receives the proposal, the Co-Chairs notify DOA that the Committee wishes to meet on the request, the request could be implemented with the Committee's approval. If the Committee does not notify DOA within 14 working days that it wishes to met on the matter, the request would be considered approved.

In addition, the bill would eliminate the statutory provisions relating to contracts for the establishment of CMOs and resource centers that applied prior to July 1, 2001, and, instead, incorporate these provisions into current contract requirements. Finally, the bill would delete references to the program as a "pilot project."

FISCAL EFFECT

As the bill does not specifically authorize additional contract expansions, but rather provides for an alternative review and approval process from current law, the bill would not increase costs related to the Family Care program. However, to the extent that the passage of the bill signals legislative support for the expansion of the Family Care benefit to additional areas of the state, additional counties may pursue or accelerate current planning efforts seeking authorization for CMOs.

The administration indicates that its intent in proposing this legislation is to remove the current statutory barrier to expanding areas in which CMOs offer the Family Care benefit, while retaining some legislative oversight for the expansion of Family Care through the 14-day passive review process. While DHFS staff expressed some uncertainty about the time frame under which the statutory barrier on Family Care expansion may be reached, staff expressed concern that such uncertainty may dissuade community partners from investing time and resources in plan development for future possible expansions out of concern that the cap may be reached prior to the completion of their planning process.

To date, DHFS has awarded a total of $1,125,000 in federal funds that the state received under a comprehensive system change grant to support: (a) planning activities that newer organizations and partnerships need to complete before they can propose a specific managed care program for the state's consideration; and (b) development grants to assist established entities to implement long-term care reforms on a regional basis. One or more of the counties represented by the public-private partnerships that received grants may wish to begin providing the Family Care benefit in the current biennium. A list of these counties and their partner organizations is provided in the attachment.

One goal of the Family Care program has been to reduce the costs that the state and counties would otherwise be expected to incur if enrollees had instead received long-term care services under other publicly-funded programs, including the MA fee-for-service program and the MA home- and community-based waiver programs. To try to answer the question of whether or not a statewide expansion of Family Care would be cost-neutral, DHFS developed a model that agency staff used to compare the estimated cost of offering the Family Care benefit in all counties of the state with estimates of the current cost of providing long-term care services under other programs, including the MA fee-for-service program and the MA home- and community-based waiver programs. The Department's model attempts to estimate costs for four groups in the Family Care target population: (a) individuals who currently participate in the MA home- and community-based waiver programs, such as the community options waiver program; (b) MA recipients who did not have a history of nursing home care; (c) MA recipients who had a nursing home history; and (d) individuals who are not currently eligible or enrolled in MA.

The Department's model assumes that the benefit package provided under the newly-added providers would be the same as those offered under the current Family Care program. Expanding other programs that provide alternative options, including integrating the management of acute care (such as the Wisconsin Partnership Program (WPP) or the Program for All-Inclusive Care for the Elderly (PACE)) may alter the model's predicted outcomes. The DHFS model also assumes that the same level of cost-effectiveness achieved under the current pilot program could be achieved statewide, and that the number of individuals who will eventually enroll in Family Care statewide can be projected based on enrollments in pilot programs.

The DHFS model also assumes that, as in the pilot programs, certain county revenues currently used to support long-term care options would be redirected to support Family Care. In addition to MA card funding currently used for non-waiver services, DHFS assumes that funds now committed to waiver programs (such as the community options (COP) program) would be provided for Family Care instead. Further, DHFS estimates that 22% of the community aids funding provided by the state to the counties was used to support long-term care costs, and therefore could be made available to the Family Care program. Finally, the DHFS model assumes that all funding currently provided by the county property tax levy for long-term care support programs would be redirected to support Family Care.

Enrollment. Since approximately 10,000 individuals are currently enrolled in Family Care, and the Family Care counties currently account for approximately 20% of the total statewide target population, DHFS staff estimated that an additional 40,000 new members would be served per month, for a total enrollment of approximately 50,000 members per month once the benefit becomes available statewide. These figures are then converted to create an estimate of how many additional people would be served in a year (43,000). DHFS then divided this population into the four target populations, which are described above, and, within each target population, estimated the number of developmentally disabled, elderly, and physically disabled individuals that would be in each group.

DHFS staff made several assumptions to develop these enrollment estimates, such as the percentage of individuals who are in the MA waiver programs that would enroll in Family Care, rather than remain enrolled in the waiver programs (95%), and modest growth (1.8%) in the number of enrollees with no MA history, based on the experience of the current Family Care counties. The estimates of the nursing home population that would enroll in Family Care are based on the estimated number of nursing home relocations that were assumed to occur under the community relocation initiative included in 2005 Wisconsin Act 25 (the 2005-07 biennial budget act). The model also includes an adjustment for expected increases in enrollment due to the elimination of waiting lists, and an expectation that some individuals who may have unmet long-term care needs but had not sought care previously may chose to do so under Family Care. Since Family Care is an entitlement program, services under the program must be provided to any MA recipient that meets functional eligibility requirements who wishes to enroll.

Capitation Rates. DHFS then assigned each group an estimated per member per month cost, based on the assumption that the new enrollees would have the same primary and acute care costs as current Family Care clients. The rates used by Department staff were derived using the Family Care rate methodology, which is based on each individual's functional status. For the waiver group, rates were derived using the most current long-term care function screens for 2005 MA-eligible waiver enrollees. For the non-waiver populations, rates were derived using the most current long-term care functions screens for individuals who were on the wait lists in 2005. The capitation rate estimates reflect a 6.25% adjustment DHFS currently makes to rates to support care management organizations' administrative costs.

DHFS then compared cost estimates of the fully-implemented Family Care program, which ranged from $515 million GPR to $524 million GPR, with the estimated costs of providing long-term care services to this population in 2004 ($523 million in state funds) to draw the conclusion that the program could be expanded statewide without significantly increasing state and county costs. As previously noted, the 2004 estimates of spending on long-term care services includes approximately $125.6 million that DHFS estimates counties spent to provide long-term care services, including $47.4 million of their community aids allocations and $78.2 million from county levy property tax revenue.

The Department's model does not project future costs, nor does it establish a phase-in schedule for additional counties or regions in which the Family Care benefit would be offered. Instead, DHFS staff believe that it demonstrates, based on 2004 cost data and several assumptions, that the estimated total cost of providing the Family Care benefit statewide would have been approximately the same in 2004 as the estimated total cost the state and counties incurred to provide long-term care services in that year. Based on these estimates generated by DHFS, the administration believes that it is possible to expand Family Care, or offer similar programs that provide long-term care services to elderly and disabled individuals using a managed care approach, without increasing the total amount of funding that the state and counties currently expend on long-term care services.

An independent assessment of the Family Care program released by APS Healthcare, Inc. in October, 2005, provided data that indicated that four of the five pilot programs achieved significant cost savings (estimated at approximately $450 per member, per month), once pilot programs were fully operational. However, as newly-authorized programs may vary in both structure and populations served, depending on the counties applying to participate, outcomes observed in pilot programs may not be representative of future outcomes.

If Committee members are concerned about the cost neutrality of proposals to expand Family Care to additional areas of the state, the Committee could amend the bill to include a requirement that DHFS submit estimates of the fiscal impact of each proposed expansion, including start-up, transitional, and ongoing operational costs, demonstrating that the addition would be cost-neutral to the state. DHFS would be required to submit this information to the Committee as part of the proposal for each Family Care expansion plan it considers under the passive review process.

Prepared by: Charles Morgan and Rebecca Hotynski
Attachment

ATTACHMENT

Family Care Planning and Development Grant Recipients

Organization	Affiliates	County	Grant Amount
West Central WI Care Management Collaborative	Community Health Partnership Group Health Cooperative - Eau Claire The Management Group	Barron Chippewa Clark Dunn Eau Claire Pepin Pierce Polk St. Croix	$250,000
Community Care of Central Wisconsin		Marathon Portage Wood	250,000
Northwest Long-Term Care Options	Community Health Partnership Group Health Cooperative - Eau Claire The Management Group	Ashland Bayfield Burnett Douglas Iron Price Rusk Sawyer Washburn	100,000
Southwestern Care Management Coalition	Community Care In Action	Crawford Grant Green Iowa Lafayette	100,000

Organization	Affiliates	County	Grant Amount
Southeast Wisconsin Care Management Organization	Community Care, Inc. Lutheran Social Services The Management Group	Kenosha Racine	$100,000
Dane County	Community Living Alliance Elder Care of Wisconsin	Dane	100,000
Family Partnership Care Management Organization	Lutheran Social Services Community Care, Inc. Community Living Alliance The Management Group Elder Care of Wisconsin	Columbia Dodge Fond du Lac Green Lake Jefferson Manitowoc Marquette Sheboygan Waushara	100,000
Milwaukee County	Community Care, Inc. Independent Care Health Plan	Milwaukee	25,000
West Central Consortium for Long-Term Support and Health Care Reform	Group Health Cooperative - Eau Claire	Buffalo Jackson La Crosse Monroe Trempealeau Vernon	100,000