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November 4, 2015

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 453: Expansion of Family Care and IRIS to Rock County

Assembly Bill 453 would require the Department of Health Services (DHS) to make long-term care services under the Family Care and IRIS (Include, Respect, I Self-Direct) programs available to eligible individuals in Rock County, beginning July 1, 2016. The bill was introduced on October 23, 2015, and referred to the Joint Committee on Finance.

BACKGROUND

MA-Funded Long-Term Care Programs

The Family Care and IRIS programs provide long-term care services to qualifying low-income individuals who are elderly, physically disabled, or developmentally disabled, and who are eligible for medical assistance (MA). Family Care is a managed care program, under which DHS pays each participating managed care organization (MCO) a monthly capitated, risk-based payment for each of the MCO's enrollees. MCOs may either contract with providers or provide services directly to Family Care members. In the IRIS program, members receive a budget allocation based on their assessed level of functional need. After an initial service plan is developed with the IRIS consultant agency (ICA), IRIS members determine who will provide their services and the amount they will pay to service providers. Under the Family Care and IRIS programs, individuals may receive certain long-term care services that are not generally available to MA recipients not enrolled in an MA-supported long-term care program, such as services provided by assisted living facilities, home modifications, and supported employment. In addition, individuals enrolled in Family Care may receive certain long-term care services available to MA recipients under the state's MA plan (commonly referred to as "card" services), such as personal care and home health services, through their Family Care MCO.

To be eligible for Family Care and IRIS, an individual must meet the MA program's income and asset eligibility requirements for elderly, blind, and disabled long-term care services, as well as functional eligibility requirements. The functional eligibility criteria require that an individual meet either a nursing home level-of-care standard or a non-nursing home level-of-care standard, based on the results of a long-term care functional screen administered by a local aging and disability resource center (ADRC).

Family Care and IRIS are funded from a combination of state general purpose revenue (GPR), county contributions, and federal MA matching funds. Table 1 shows the funds budgeted for the Family Care and IRIS programs for the 2015-17 biennium, by funding source.

TABLE 1

2015-17 Family Care and IRIS Budget
($ in Millions)

	2015-16				2016-17			
	GPR	County	FED	Total	GPR	County	FED	Total
Family Care	$556.3	$43.1	$836.0	$1,435.4	$597.0	$42.7	$889.1	$1,528.8
IRIS	168.1	0.0	234.4	402.5	187.6	0.0	260.8	448.4
Total	$724.4	$43.1	$1,070.4	$1,837.9	$784.6	$42.7	$1,149.9	$1,977.2

Family Care and IRIS are currently available in 57 counties. In November, 2014, the Joint Committee on Finance authorized DHS to expand the programs to seven northeastern counties, which has occurred throughout calendar year 2015. The eight remaining counties that will not have Family Care and IRIS at the end of 2015 are Adams, Dane, Florence, Forest, Oneida, Rock, Taylor, and Vilas.

Qualifying individuals in the eight counties in which Family Care and IRIS are not offered may receive MA-funded long-term care services through the "legacy" home and community-based waiver programs administered by these counties. The legacy waiver programs are the long-term care programs that Family Care and IRIS replaced in other counties. As with Family Care and IRIS, the legacy waiver programs provide certain long-term care services not available to other MA recipients. These programs include the GPR-funded community options program (COP), the MA-funded community options waiver program (COP-W), and the community integration programs (CIP-IA, CIP-IB, and CIP-II).

The legacy waiver programs are supported from a combination of GPR-funded contracts between DHS and the counties and county funding, both of which are eligible for federal MA matching funds. Table 2 shows the calendar year 2015 allocations that Rock County received to operate its home and community based-waiver programs.

TABLE 2

2015 Home and Community-Based Waiver Allocations for Rock County

	GPR	Federal	Total
COP	$1,985,900	$0	$1,985,900
COP-W	1,157,600	1,612,400	2,770,000
CIP II	3,534,100	4,922,700	8,456,800
CIP IA*	728,700	1,015,000	1,743,700
CIP IB*	862,500	1,189,300	2,051,800
Total	$8,268,800	$8,739,400	$17,008,200

*Includes county matching funds

The MA waiver agreements for the legacy waiver programs permit counties to maintain waitlists for these services. Unlike the legacy waiver programs, the Family Care and IRIS programs become an entitlement for all eligible individuals 36 months after Family Care and IRIS services first become available in the county. Table 3 shows the most recent information available on legacy waiver enrollment and waitlists (as of March 21, 2015, for adults and April 30, 2015 for children) in the eight remaining non-Family Care counties, including Rock County.

TABLE 3

Legacy Waiver Enrollment and Waitlists As of Spring, 2015

County	Waiver	Waitlist
Adams	132	36
Dane	2,120	423
Florence	30	36
Forest	74	36
Oneida	262	36
Rock	864	244
Taylor	180	36
Vilas	166	36
Total	3,828	883

When Family Care and IRIS expansion initially occurs, all individuals eligible for Family Care and IRIS continue to receive standard MA card services for many of their primary and acute health care needs. However, they also have three options with respect to receiving long-term care services: (1) receiving long-term care services from the MCO(s) serving their county under Family Care; (2) self-directing a similar set of long-term care services through IRIS; or (3) foregoing both

Family Care and IRIS and using only the more limited set of long-term care services offered as MA card services. These three options replace the legacy waiver programs administered by the county in which the expansion occurs.

While all eligible individuals have the option to enroll in Family Care and IRIS, these services are available to different groups at different times, based on the services individuals are currently receiving. Current nursing home residents are placed in their preferred program as soon as possible after Family Care is available in a county. Participants who wish to move from an institutional setting to a community-based setting are also immediately able to enroll in Family Care or IRIS. Individuals who currently receive long-term care services under a legacy waiver program are phased-in to their preferred program, beginning the first month that Family Care is offered. Individuals on the waitlist for legacy waiver services are enrolled in Family Care or IRIS during the 36-month period after the benefit first becomes available in each county. After 36 months, Family Care and IRIS become entitlements and any eligible individual is able to enroll in the programs.

2015 Wisconsin Act 55

Under 2015 Wisconsin Act 55 (the 2015-17 biennial budget act), the Department is required to make several changes to the state's long-term care programs. First, the Department is required to expand the Family Care and IRIS programs statewide by January 1, 2017, or a date determined by the Department, whichever is later. Prior to the changes enacted in Act 55, DHS was required to submit any proposed program expansion to the Joint Committee on Finance for approval. It was anticipated that, under Act 55, the policy of statewide expansion of Family Care would no longer require approval of expansion to individual counties. Accordingly, under the Act 55 provision, it is unclear whether the Department must request the Committee's approval of future program expansions to individual counties that do not yet have the Family Care and IRIS programs.

Second, the Department is required to submit to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) proposed modifications to the waiver agreements under which Family Care and IRIS operate. The act specifies that these modifications include integrating primary, acute, and long-term care services under an integrated health agency (IHA), requiring that the IHA offer the self-directed services option currently available under the IRIS program, and increasing the size of the regions in which services would be provided. Under the act, DHS is required to submit a concept plan summarizing the proposed changes to the Committee for approval no later than April 1, 2016. Following approval of the concept plan by the Committee, the Department must submit a waiver to CMS for approval and implementation by January 1, 2017, or a date determined by DHS, whichever is later.

The following table shows the Department's current timeline for implementing the changes adopted under Act 55.

**DHS Timeline for Implementation of
Long-Term Care Changes Under 2015 Act 55**

Fall 2015	Solicit public input
First Quarter 2016	Draft concept plan
April 1, 2016	Submit concept plan to Joint Committee on Finance
Upon approval by Joint Committee on Finance	Draft waiver request
July 1, 2016	Release waiver for public comment
September 30, 2016	Submit waiver to CMS
January 1, 2017, or a later date set by DHS	Statewide implementation

The Department has indicated that it intends to implement the new program by January 1, 2017, if possible. However, under Act 55, the Department has the authority to implement the new program at a later date determined by the Department.

Previous Efforts to Expand Family Care and IRIS to Rock County

In July, 2014, the Rock County Board of Supervisors unanimously approved a resolution indicating the County's intent to implement the Family Care program. According to materials accompanying the County's resolution, the County was initially in discussions with DHS regarding a Family Care expansion in 2010, with an intended implementation date in 2011. However, the state suspended expansion of the Family Care program to any new counties in 2011, prohibiting the County from implementing the program. The County did, however, open an ADRC in March, 2013, in accordance with previous discussions with DHS regarding Family Care expansion. Following the state's removal of the limit on Family Care expansion, Rock County expressed a renewed interest in implementing the program.

The County's resolution indicates that the County is seeking expansion of the Family Care and IRIS programs to eliminate waitlists for long-term care services. Further, the resolution cites the December, 2013, DHS report highlighting the cost-effectiveness of Family Care as a model for providing long-term care services.

According to minutes from the October 14, 2015, meeting of the Rock County Developmental Disabilities Board, in September, 2015, DHS contacted the County about its intent to move forward with Family Care expansion, with a deadline of September 28, 2015 to decide whether the County wished to pursue expansion. The County determined that it would like to move forward with expansion, but, as of the date of the meeting, had not received any further communications from the Department with respect to a potential expansion.

SUMMARY OF BILL

Assembly Bill 453 would direct DHS to do the following: (a) contract with an entity to serve as an ADRC for Rock County by July 1, 2016, if ADRC services are not already available to Rock County residents at that time; (b) contract with an MCO to provide Family Care services to Rock County residents by July 1, 2016; and (c) provide services under the IRIS program to Rock County residents by July 1, 2016. Under the bill, DHS would not be required to obtain the Committee's approval to implement any of the proposed changes, nor would the Department be required to solicit bids under a competitive sealed procurement process for MCOs interested in offering the Family Care program in Rock County. (Rock County opened an ADRC in March, 2013, so this requirement has already been fulfilled.)

The Department has indicated that it has been involved in ongoing conversations with Rock County regarding a potential Family Care expansion. DHS indicated that AB 453 would enable the Department to more easily expand Family Care to the County, as compared with a potential expansion without such legislation, in that it would exempt the Department from the procurement process it is otherwise required to follow to contract with MCOs. The Department noted that the average procurement process takes approximately nine months, which could hinder its ability to transition Rock County to Family Care and IRIS prior to the implementation of the changes adopted under Act 55. If AB 453 were enacted, the Department has indicated that it would likely contract with current MCOs serving the region, as well as the ICA and fiscal employer agency (FEA), which provide care planning and fiscal support under the IRIS program, to allow those entities the opportunity to provide services in that region.

Several entities that currently provide services under the Family Care and IRIS programs, including a Family Care MCO and an IRIS FEA and ICA, have expressed interest in providing services in Rock County, suggesting that DHS would likely be able to meet the requirements of the bill within the required time period.

FISCAL EFFECT

Based on assumptions regarding the phased-in enrollment of individuals currently enrolled in the legacy waiver programs into Family Care and IRIS, estimates of costs of providing Family Care and IRIS services, and estimates of offsetting savings resulting from the reallocation of funding currently budgeted for the legacy waiver programs and MA card services, DHS estimates that enactment of the bill could reduce net GPR-funded MA benefits costs by approximately $1.92 million in 2016-17 and $0.54 million in 2017-18, and increase net benefit costs by approximately $1.43 million in 2018-19, for a net GPR fiscal effect of -$1.03 million over the three-year period. The bill would not modify funding budgeted in Act 55 to support MA benefits costs.

Table 4 summarizes the Department's estimates of the net GPR fiscal effect of the proposal in fiscal years 2016-17, 2017-18, and 2018-19.

TABLE 4

Estimated Net GPR Effect of AB 453
Fiscal Years 2016-17 Through 2018-19

	2016-17	2017-18	2018-19
New Service Costs			
Family Care Capitation Payments	$10,499,900	$15,142,500	$15,330,000
IRIS Budget Allocations	911,200	1,588,400	2,000,900
Total Costs	$11,411,100	$16,730,900	$17,330,900
Offsetting Savings			
Waiver Programs	-$5,573,200	-$7,039,800	-$7,039,800
Community Options Program	-2,554,700	-3,227,000	-3,227,000
County Contributions	-2,818,000	-3,176,400	-2,793,200
MA Card Savings	-2,068,500	-3,028,900	-1,809,500
Nursing Home Savings	-320,100	-802,300	-1,032,900
Total Offsets	-$13,334,500	-$17,274,400	-$15,902,400
Annual Net Cost (Savings)	**-$1,923,400**	**-$543,500**	**$1,428,500**

There are two primary cost increases associated with expansion of the Family Care and IRIS programs. First, the cost estimate includes new service costs related to the capitation payments made to MCOs to serve individuals enrolled in Family Care. Currently, DHS pays each MCO one of two capitation rates for each individual enrolled in the MCO. One rate applies to Family Care enrollees who require a nursing home level of care, and the other applies to Family Care enrollees who meet the functional requirements of the program, but do not require a nursing home level of care. Each rate represents an average cost calculated across all members of each respective MCO. Rates may differ between MCOs due to differences in each MCO's case mix, labor costs, and administrative costs. To determine the net impact of expanding Family Care to Rock County, a blended rate was used to represent potential capitation rates that would be paid to an MCO serving that region, ranging from $3,611 to $3,676 over the three-year period. This rate represents the capitation rates that would be paid for individuals receiving both a nursing home and non-nursing home level-of-care. In addition to the monthly capitation rate paid to the MCOs for Family Care participants, the cost estimate includes monthly budget allocations for individuals that enroll in the IRIS program. It is estimated that the daily per member budget allocation for IRIS participants would range from approximately $83 to $85 over the three-year period.

Offsetting the projected increases in costs for Family Care capitation payments and IRIS budget allocations are a number of Family Care and IRIS-related savings and funding transfers. First, as individuals transition from the legacy waiver and GPR-funded COP programs, funding is reallocated from these programs to Family Care and IRIS within the total MA budget. Second, DHS expects the Family Care and IRIS programs to reduce costs of MA card services because certain card services will be provided under the Family Care and IRIS self-directed personal care benefits. Third, DHS estimates that Family Care and IRIS will generate savings as individuals are diverted or relocated from nursing homes to less expensive community-based settings.

Finally, the Department will receive county contributions from Rock County, which would offset GPR-funded costs associated with providing services under the Family Care and IRIS programs. Under the current Family Care model, counties are required to annually contribute 22% of a county's 2006 basic county allocation to the state to support the provision of services under the Family Care program. To meet this requirement, a formula established in statute phases down county contributions over the first five years of program implementation until the county's contribution reaches the required level. For example, Rock County's required county contribution is $2,026,787 per year. Table 5 shows the phase-down of county contributions for Rock County over the first five years of program implementation, as calculated based on the formula established in statute.

TABLE 5

Rock County Family Care County Contribution Levels

Year 1	Year 2	Year 3	Year 4	Year 5
$3,559,579	$3,176,381	$2,793,183	$2,409,985	$2,026,787

As a part of the resolution indicating the County's intent to implement the Family Care program, the County committed to providing the required county contributions to DHS.

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