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Joint Committee on Finance

Paper #339

Long-Term Care -- Contracted Services (Health Services -- Medicaid Services Administration)

[LFB 2017-19 Budget Summary: Page 223, #6]

CURRENT LAW

The Department of Health Services (DHS) purchases contracted services from several private vendors to assist in the administration and operation of the state's medical assistance (MA) -supported, long-term care programs. Accounting for 41.5 FTE positions, these contracts provide a variety of services for the state's long-term care programs, including quality assurance, program coordination, nurse consultations, training and technical assistance, and information technology functions. The contracted positions are primarily located in the Department's Madison central office.

GOVERNOR

Reduce funding for contracted services by \$4,193,500 (-\$1,956,500 GPR and -\$2,237,000 FED) in 2017-18 and by \$5,591,300 (-\$2,608,700 GPR and -\$2,982,600 FED) in 2018-19. In place of these eliminated contracted positions, create 41.50 positions (20.20 GPR positions and 21.30 FED positions), beginning in 2017-18, and provide \$2,651,200 (\$1,205,700 GPR and \$1,445,500 FED) in 2017-18 and \$3,534,900 (\$1,607,600 GPR and \$1,927,300 FED) to conduct these services with state staff.

DISCUSSION POINTS

1. The net effect of this item would be to reduce funding by \$1,542,300 (-\$750,800 GPR and -\$791,500 FED) in 2017-18 and by \$2,056,400 (-\$1,001,100 GPR and -\$1,055,300 FED) in 2018-19 to reflect the administration's estimates of savings that would be realized by using state staff to perform a variety of functions for the long-term care programs currently performed by

contracted staff.

2. Wisconsin's long-term care programs include services provided under the standard Medicaid state plan, as well as services provided through waiver agreements with the federal government under section 1915(c) of the Social Security Act. Serving MA-eligible elderly adults as well as children and adults who have developmental disabilities, physical disabilities, or severe emotional disturbances, these state plan options and waiver programs are designed to allow individuals who may otherwise be considered for placement in institutional settings, such as hospitals and nursing homes, to be cared for in their homes and other community-based settings.

3. Enrollment in Wisconsin's long-term care and support programs has greatly increased over the past decade, largely due to the expansion of Family Care and the creation of the IRIS program. Enrollment in Family Care has increased from approximately 9,900 participants in 2006 to approximately 44,400 (as of January 1, 2017), while IRIS enrollment has grown to approximately 14,500 (as of April 1, 2017) after its creation in 2009. In order to meet workload associated with this program growth without resorting to requesting additional position authority, DHS has contracted with several different vendors to provide services related to the day-to-day administration and operation of these long-term care programs. Most of the functions identified in the bill have been performed by contracted staff for over a decade. Given the expected continuation of growth of the state's long-term care programs, and the day-to-day administrative nature of the services provided through these contracts, the activities of these positions are not expected to be temporary or short-term.

4. In administering these 1915(c) waiver programs, DHS must adhere to assurances specified by the federal Centers for Medicare and Medicaid Services (CMS). These assurances require the state to create and track several performance measures for its waiver programs. The measures account for level of care, provider qualification, and participants' health and welfare, among other metrics. The monitoring and reporting requirements related to these assurances are a major part of the work addressed in these contracts.

5. The Management Group (TMG) had been the primary internal staffing vendor providing services in the long-term care programs since 2007. TMG's last contract for internal staffing ended on June 30, 2016, and has subsequently been replaced with a few different contracts. Currently operated by Spherion and encompassing 26 positions, the largest of these contracts provides quality service and review activities for several of Wisconsin long-term support programs. This contract began on May 26, 2016 and runs through June 30, 2017, with three optional one-year extensions. Staff working under this contract work alongside current state staff, and perform many of same functions as state staff. Among the state's long-term care programs overseen by staff under this contract are the: (a) Children's Long-Term Support (CLTS) program; (b) Family Care program; (c) Include, Respect, I Self-Direct (IRIS) program; (d) Aging and Disability Resource Centers (ADRCs); (e) Money Follows the Person (MFP); (f) Katie Beckett program. The contract includes staff in several different bureaus within DHS.

6. In the Bureau of Children's Services, Spherion staff include a data specialist who provides guidance and data analysis to support the children's program's monitoring and audit functions; program and policy analysts who conduct research, program planning, program

evaluation and related financial activities; children's services specialists responsible for the development, coordination, and quality assurance for programs for children with long-term support needs; communications specialists responsible for reviewing and editing correspondence, along with other public relations functions; quality assurance assistants responsible for routine office operations; a nurse consultant responsible for determining Medicaid eligibility and consultation for children with long-term support needs; a provider network administrator, responsible for managing provider data; and a participation specialist responsible for identifying and tracking participation in the MFP Demonstration program.

7. Contract staff in the Bureau of Managed Care include quality specialists, who ensure that the Department addresses all federal assurances and state statutory and policy requirements associated with Medicaid waiver programs; community living specialists who provide professional consultation to providers regarding behavioral support services and health-related services; contract coordinator member care quality specialist, responsible for provides program and administrative support to managed care organization; a communications specialist who provides technical program support; a mental health and substance abuse specialist, responsible for overseeing and advising MCO's on the delivery of services related to mental health and substance abuse; and a quality assistant responsible for routine office tasks.

8. In the Bureau of Long-Term Care Financing, there is a fiscal operations specialist that provides administrative and technical project support to all Bureau programs, projects, and staff; an administrative assistant for the IRIS program; an contract specialist, responsible for fulfilling reporting requirements in the IRIS program; and a quality assurance specialist responsible for developing a quality management program for the IRIS program.

9. As part of this contract, Spherion assumed the responsibility for recruiting qualified staff. The Department acknowledges that the vendor has been exceptionally proficient in this regard, and discontinuing the contract would also mean losing the vendor's recruitment expertise. Any additional overhead cost related to recruitment of qualified state staff is not accounted for in the administration's estimate, but would be absorbed by DHS.

10. In addition to Spherion, there are four other vendors providing long-term care services whose contracts would be replaced with state staff under the bill. These vendors are: (a) Tapfin, which provides system analysts supporting Wisconsin's Self Directed IT System (WISITS), the case management software system designed for the IRIS program, as well as other IT support and services for the long-term care program. This contract is a DOA mandatory use contract, which has been in place since 2011 and ends on August 22, 2017; (b) Metastar, which provides managed care quality review services, in compliance with federal regulations. This is a five-year contract that began on July 1, 2012 and ends on June 30, 2017; (c) DCX, formerly known as Hewlett Packard Enterprise, which provides business analysts as well as program managers and policy analysts for the children's long-term care program as well as the Bureau on Aging and Disability Resources. These services were previously provided under the contract with TMG; and (d) The University of Wisconsin- Center for Health Systems Research and Analysis (CHSRA), which provides one information technology (IT) project manager position in the Bureau of Children's Services.

11. Most of the contract and staff expenses identified under this item are subject to a 50

percent matching rate from the federal government. The only exception is the cost of the three Tapfin contract staff working on the WISIT system, which is eligible for 90 percent federal matching funds. These federal matching percentages that apply to these activities is the same, regardless of whether the services are provided by contract or state staff.

12. The following table provides the names of the vendors with whom the Department has contracted, the position classifications for an equivalent state employee, the total annual cost for current contract staff, and the estimated annual cost for state employees in these position classifications. The total annual costs include fringe benefits and supplies and services:

<u>Position Title</u>	<u>Number of Positions</u>	<u>Annual Cost of Current Contract</u>	<u>Annual Cost of State Employee</u>
Spherion			
Area Quality Specialist	1.0	\$126,289	\$81,853
Communications Specialist	1.0	126,289	54,569
Community Services Specialist	4.0	486,190	278,907
Contracts Specialist - Advanced	1.0	126,289	90,948
Human Services Program Coordinator-Senior	8.0	1,014,071	727,684
Human Services Program Coordinator	2.0	252,579	139,454
Nursing Consultant	1.0	153,300	84,885
Program and Policy Analyst	3.0	384,637	209,180
Program Assistant	5.0	630,066	272,844
Tapfin			
IT Management Consultant	1.5	195,530	190,991
IS Business Automation Specialist	2.0	178,880	218,275
IS Business Automation - Senior	1.0	113,880	93,980
Metastar			
Quality Assurance Program Specialist-Senior	2.0	253,760	181,896
HP			
Program and Policy Analyst - Advanced	5.0	858,936	454,740
IS Business Automation Specialist	3.0	479,981	327,413
UW-CHSRA			
IT Management Consultant	1.0	<u>210,662</u>	<u>127,327</u>
Total		\$5,591,339	\$3,534,946

13. In estimating the total cost of contracted services, the administration multiplied the hourly wage paid to the vendor for each of the contracted positions by the total number of contracted hours to obtain a total annual salary. This was then added to the vendors' fixed overhead expenses to obtain a total cost estimate per position.

14. For the estimate of state staff costs, the administration used data from the Wisconsin Office of State Employment Relations (OSER) to determine the average hourly wage paid to state

employees with the same position classifications as those proposed in the bill. These hourly wages were then used to determine an annual salary. Fringe benefits were estimated using the Department's standard fringe rate of 42.75% of annual salary, and supplies and services budgeted at a standard 3% of annual salary. Salaries, fringe, and supplies and services were combined to get an estimate of total costs per position.

15. The primary argument for converting these contracted positions to state positions is to reduce costs. Averaged over the 41.5 positions, DHS pays the contract vendors at an hourly rate of \$64.77, including fixed overhead. Conversely, the average hourly rate that would be paid to comparable state staff, including fringe benefits and supplies and services, is \$40.95. This represents a savings of approximately 37%, compared to current costs.

16. The Department also notes that because these contract positions are currently treated as hourly employees, any overtime worked by these employees must be approved, and the vendors must be paid at a higher rate for any such overtime. As state staff, most of these positions would be classified as "overtime exempt," meaning they would not incur extra costs from working overtime hours. This could allow for some additional productivity and potential savings not accounted for in the estimate.

17. Under the current contracts, vacation and sick time are paid for contracted staff as they would be for state employees, so the administration's estimate assumes the same amount of total productive hours from both state and contract staff.

18. Some have argued that since state employees would receive more generous retirement benefits than employees under the current contract, the analysis may not adequately take those future costs into consideration. However, the state's employer share of the pension contribution is included in the fringe benefit rate calculation. Since the state's pension system is fully funded and actuarially sound, all future costs associated with employee benefits are captured as a part of the fringe benefit rate.

19. If the Committee chooses to adopt the Governor's recommendation, a funding change is necessary to reconcile this item with another item in the bill that would transfer funding and positions from the former Division of Long-Term Care to the Division of Public Health (Item #3 on page 246 of the LFB Summary of the Governor's budget recommendations). The bill should be modified to transfer \$232,000 (\$116,000 GPR and \$116,000 FED) in 2017-18 and \$309,200 (\$154,600 GPR and \$154,600 FED) in 2018-19 and 3.00 positions (1.50 GPR positions and 1.50 FED positions), beginning in 2017-18, from the Division of Medicaid Services to the Division of Public Health. This change is incorporated into Alternative 1.

ALTERNATIVES

1. Adopt the Governor's recommendation. In addition, transfer funding and positions, as described in Discussion Point 19, from the Division of Medicaid Services to the Division of Public Health, to reconcile this item with another item in the bill relating to funding and position transfers relating to a recent reorganization of the Division of Medicaid Services.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	- \$1,751,900	20.20	\$0	0.00
FED	<u>- 1,846,800</u>	<u>21.30</u>	<u>0</u>	<u>0.00</u>
Total	- \$3,598,700	41.50	\$0	0.00

2. Delete provision.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$0	0.00	\$1,751,900	- 20.20
FED	<u>0</u>	<u>0.00</u>	<u>1,846,800</u>	<u>- 21.30</u>
Total	\$0	0.00	\$3,598,700	- 41.50

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