



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #387

CIP II Relocations and Nursing Home Reimbursement (part) (DHFS -- Medical Assistance -- Long-Term Care)

[LFB 2005-07 Budget Summary: Page 252, #2 (part) and Page 253, #4]

CURRENT LAW

The Department of Health and Family Services (DHFS) operates seven MA waiver programs that are intended to reduce the number of individuals who would receive long-term care services in nursing homes or institutions. Individuals who are elderly or physically disabled are served under the community options waiver program (COP-W) and the community integration program (CIP II) program. Individuals with developmental disabilities who are relocated from the state centers for the developmentally disabled or other intermediate care facilities for the mentally-retarded (ICFs-MR) receive services under CIP IA and CIP IB. Individuals with a brain injury receive services under the brain injury waiver (BIW), and children's long-term care (CLTC) and intensive autism programs.

Under CIP II, a "slot" may only be created after a nursing facility bed is permanently delicensed or when the Legislature provides funding to support additional slots (without the closure of a nursing home bed). The Legislature may create additional slots without the closure of a nursing home as long as the total number of relocations that occur under CIP II does not exceed the total number of nursing home beds that have been delicensed.

The maximum state reimbursement rate, on average, for regular CIP II slots is \$41.86 per day in 2004-05. However, the 2003-05 biennial budget act included a provision that authorized DHFS to provide counties with an enhanced reimbursement rate for CIP II services if the nursing home bed that was used by the individual is delicensed after an individual is relocated. DHFS is limited by the amount of funding budgeted for CIP II services.

GOVERNOR

CIP II Relocations. Reduce funding by \$1,950,700 (-\$822,800 GPR and -\$1,127,900 FED) in 2005-06 and by \$9,016,000 (-\$3,840,800 GPR and -\$5,175,200 FED) in 2006-07 to reflect the administration's estimates of the projected savings in the MA benefits costs that would result from relocating nursing home residents to the community under the CIP II waiver. Authorize DHFS to pay counties an enhanced rate for services provided to individuals relocated under CIP II, provided that the number of individuals relocated under this provision does not exceed the number of nursing home beds that are delicensed as part of plans submitted by nursing homes and approved by DHFS. Define "delicensed" as deducted from the number of beds stated on a facility's license.

The funding reductions for this item represent the net effect of the following: (a) the cost of providing community-based services to CIP II participants (\$1,471,500 GPR and \$2,017,000 FED in 2005-06 and \$7,388,500 GPR and \$9,955,400 FED in 2006-07); (b) the cost of providing MA card services to CIP II participants (\$981,600 GPR and \$1,345,600 FED in 2005-06 and \$4,928,900 GPR and \$6,641,300 FED in 2006-07); and (c) a reduction in the costs of supporting nursing home care for MA-eligible individuals (-\$3,275,900 GPR and -\$4,490,500 FED in 2005-06 and -\$16,158,200 GPR and -\$21,771,900 FED in 2006-07). The estimated savings assumes that 81,795 patient days of care in 2005-06 and 371,028 patient days of care in 2006-07 would be transferred from nursing homes to the community under CIP II, with an average savings to the MA program of approximately \$24 per person per day (\$95 per day for nursing home care minus \$71 per day for community-based care).

Nursing Home Reimbursement Methods (Acuity-Based Rate Adjustments). Provide \$759,100 GPR and \$1,022,900 FED in 2006-07 to fund acuity-based rate adjustments to nursing home reimbursement rates.

DISCUSSION POINTS

1. On April 7, 2005, the Governor announced the details behind the administration's plans to reduce the nursing home resident population by 25% (or by approximately 5,600 residents) over eight years. This includes supporting the CIP II relocations, the nursing home reimbursement methods acuity-based adjustments, the DHFS regional HMO inquiries, and the benefit specialists items in AB 100. The Committee deleted the regional HMO inquiries provision as policy and has already addressed the elderly benefit specialists item.

2. Under the CIP II relocations item, DHFS estimates that approximately 1,440 individuals could be relocated from nursing homes to the community in 2005-07 (540 in 2005-06 and 900 in 2006-07). DHFS estimated the total number of individuals who could be relocated to the community by first identifying the number of nursing home residents without a developmental disability. DHFS then reduced these numbers to exclude individuals who would: (a) require assistance with 11 or more activities of daily living (ADLs); (b) be identified as having a mental illness through a pre-admission screening; (c) be identified as having certain conditions or care

requirements that would demand a high level of nursing care; and (d) be expected to leave the nursing home before DHFS implements this provision. In total, DHFS anticipates that 60 individuals per month beginning in October, 2005, and 75 individuals per month in 2005-06 would be relocated from nursing homes to the community.

3. DHFS projects that the average cost of providing care to this population in a nursing home will be \$95 per day in 2005-06 and \$102 per day in 2006-07. In comparison, DHFS projects that the cost of providing care to this population in the community under CIP II will be \$71 per day in 2005-06 and \$78 per day in 2006-07. Based on these projections, on average, MA benefit expenditures would be reduced by \$24 per day for every relocation from a nursing home to the community. DHFS based these cost comparisons on actual MA waiver and Family Care costs, as adjusted for relative acuity, based on a sample of 6,045 individuals who DHFS determined could be relocated to the community.

4. Under the bill, a nursing home bed would not need to be closed in order for a CIP II slot to be created. However, the administration's savings estimates are based on the assumption that 90% of nursing home beds vacated as a result of CIP II placements would be permanently closed. This assumption is important because it has an effect on projected nursing home licensed bed assessment revenues. For every nursing home bed that is delicensed, bed assessment revenues will be reduced by \$75 per month (under current law) or by \$125 per month (under AB 100). Consequently, any decrease in projected segregated revenues must be matched with a corresponding decrease in segregated expenditures. In addition, GPR funding would need to be increased to fund a portion of the nursing home rate increase that could no longer be supported by segregated revenues.

5. The projected CIP II relocations to the community would also affect nursing home intergovernmental transfer (IGT) revenues. Beginning in 2005-06, DHFS will make IGT claims based on the certified MA losses of nursing homes. If nursing facilities, in general, are reimbursed less than the actual cost of providing care to MA-eligible residents, then the relocation of MA-supported residents to the community should reduce nursing homes' total MA operating deficits. A reduction in certified MA losses in nursing homes means that DHFS will be able to claim less in federal IGT revenues.

6. The number of individuals who would be relocated to the community and the cost savings generated by the relocations under this item are based on assumptions about who can functionally be relocated to a less restrictive setting, who can be provided services in the community at a cost that is less than or equal to the cost of providing care in an institution, and who would like to be relocated to the community. Individuals would not be required to relocate to the community without their consent or, for some residents, their guardian's consent.

7. A review of the daily cost of nursing home care for MA recipients and the daily costs of community-based care for MA recipients, including MA card costs, and as adjusted for level of care, indicates that, in general, community-based care is less costly than institutional care. The following table compares the actual average public daily cost of care in each setting from 1998 through 2003, as adjusted for level of care and published by DHFS.

**Average Daily Nursing Home and Community-Based Costs of Care for MA Recipients
Calendar Years 1998 thru 2003**

<u>Year</u>	<u>Nursing Home Costs</u>	<u>Community Costs</u>	<u>Difference</u>
1998	\$81.80	\$54.25	\$27.55
1999	85.84	59.09	26.75
2000	79.80	64.16	15.64
2001	84.14	67.20	16.94
2002	91.43	74.76	16.67
2003	110.44	73.16	37.28

Source: Community Options Program Waiver Report to the Legislature for calendar years 1998 thru 2003.

8. Based on the actual and projected nursing home and community-based costs, it would be reasonable to assume that, on average, MA benefit expenditures would be reduced by \$22 per day in 2005-06 and in 2006-07 for every relocation from a nursing home to the community. This is lower than the administration's estimated savings per relocation of \$24 per day.

9. The administration also assumes that 60 individuals per month in 2005-06 and 75 individuals in 2006-07 could be relocated to the community under CIP II and that \$9,016,000 (\$3,840,800 GPR and \$5,175,200 FED) would be saved in MA benefits costs in the first full year of implementation. When a similar bill, AB 920 (commonly referred to as the "Life Lease" bill), was introduced in 2003, DHFS prepared a fiscal estimate that indicated that 15 individuals per month could be relocated to the community under the bill. The annual savings projected by DHFS under AB 920 was \$1,844,600 (\$762,400 GPR and \$1,082,200 FED).

10. The main difference between 2003 AB 920 and the CIP II relocations item in AB 100 is that, under AB 920, funding would "follow the individual" so that when an individual no longer participates in CIP II, the funding would revert to the state. Under AB 100, funding would be allocated to a county when a relocation occurs and would be retained by the county to serve additional individuals if the individual who was relocated under CIP II no longer participates in the program. DHFS argues that counties have a greater incentive to participate in the CIP II relocations initiative. However, it is unlikely that this county incentive would result in such a significant increase in the estimated number of individuals who would be relocated from nursing homes (from 15 individuals under AB 920 per month, to 60 to 75 individuals per month under AB 100).

11. Individuals would not be required to relocate under the CIP II relocations initiative. At the end of calendar year 2004, there were 10,783 individuals on the COP and MA waiver waiting list. Approximately 3,400 (31%) of these individuals were elderly, while 3,200 (30%) were physically disabled. In total, 604 individuals residing in institutional facilities were on this MA waiver waiting list, including 318 elderly individuals and 185 physically disabled individuals. It

would be reasonable to use the number of elderly or physically disabled individuals residing in institutional facilities and on MA waiver waiting list as a proxy for the number of individuals who have expressed an interest in relocating to the community.

12. DHFS argues that the waiting list figures underestimate the number of individuals who are interested in relocating to the community because staff believe many institutional residents do not bother to place their names on an MA waiver waiting list because the waiting list is so long. However, there is no evidence to support the assumption that there are significantly more individuals in nursing homes that would like to be relocated to the community than those who have already expressed an interest in doing so by placing their name on a waiting list for community placement.

13. If it is assumed that all of the individuals on the MA waiver waiting list who meet the eligibility requirements for participation in CIP II were to be relocated to the community in 2005-07, then approximately 24 individuals per month, beginning in October, 2005, would be relocated to the community under this CIP II initiative. Attachment I identifies the number of individuals on waiver waiting lists who are elderly or physically disabled by county, as of December 30, 2004. The breakdown of the waiting list numbers by county does not necessarily represent the number of CIP II relocations that would actually occur in each county in 2005-07. Furthermore, the individuals who would be relocated to the community would not necessarily be individuals who are currently on a waiting list.

14. Based on a reestimate of the difference between the projected average (total) MA costs of care for individuals who reside in nursing homes and individuals who receive home- and community-based services under the MA waiver programs, and the number of individuals who would be relocated under this initiative, it is estimated that CIP II relocations initiative would reduce MA costs by approximately \$766,400 (-\$260,800 GPR, -\$72,900 SEG, and -\$432,700 FED) in 2005-06 and by \$2,578,500 (-\$837,500 GPR, -\$301,300 SEG, and -\$1,439,700 FED) in 2006-07. This represents a reduction in the savings assumed under the Governor's estimates of \$1,184,300 (\$562,000 GPR, -\$72,900 SEG and \$695,200 FED) in 2005-06 and \$4,655,500 (\$2,244,200 GPR, -\$301,300 SEG, and \$2,712,600 FED) in 2006-07.

15. The funding reductions to the base for this item represent the net effect of the following: (a) the cost of providing community-based services to CIP II participants (\$1,434,100 in 2005-06 and \$5,994,100 in 2006-07); (b) the cost of providing MA card services to CIP II participants (\$1,066,900 in 2005-06 and \$4,459,300 in 2006-07); (c) a reduction in the costs of supporting nursing home care for MA-eligible individuals (-\$3,218,800 in 2005-06 and -\$13,453,900 in 2006-07); (d) the effect on nursing home rate increase and payback expenditures (-\$48,500 in 2005-06 and -\$207,700 in 2006-07); and (e) the costs of providing an acuity-based rate adjustment to reflect the relocation of individuals with lower level of care needs to the community (-\$623,700 in 2006-07).

16. The savings projections would be significantly reduced if community-based services under CIP II are provided to individuals who are currently residing in the community and on MA waiver waiting lists. If an individual is on a waiting list and resides in the community, that

individual is only entitled to MA card services. There is some concern that individuals in the community who are currently on waiting lists for CIP II services could enter a nursing home with the knowledge that they would immediately be permitted to receive a CIP II relocation slot.

17. In order to address this concern, the Wisconsin Council on Long-Term Care Reform recommends that CIP II relocation funding only be available to nursing home residents who have resided in a nursing home for at least 100 consecutive days. The assumption is that this residency requirement would deter individuals in the community from entering a nursing home solely to obtain a CIP II placement. If the Committee adopts the Governor's recommendations, either with the funding changes recommended by the Governor (Alternative 1) or as reestimated (Alternative 2), it could also include this provision (Alternative 3).

18. If the Committee adopts Alternative 1 or 2, DHFS would not be prohibited from relocating more or fewer individuals than the number of individuals assumed in these estimates. The limitations that would be placed on the number of relocations that could occur would apply to both the administration's estimates and the reestimates presented in this paper and would include: (a) waiver cost neutrality requirements; (b) residents' interest in relocating to the community; (c) residents' functional ability to have their care needs met in the community; and (d) if adopted, the requirement that individuals reside in a nursing home for a minimum of 100 consecutive days prior to receiving a CIP II relocations placement.

19. The Committee may wish to support the administration's projections of the savings that would be generated as a result of the CIP II relocations initiative (Alternative 1). However, since the MA program is funded by a sum certain appropriation, this option poses the risk of creating a deficit in the MA program.

20. Although the reestimate assumes that less savings would be generated under this item than what was assumed by the administration, DHFS could generate the savings that the administration assumes under this item. Any savings generated above those amounts assumed in the reestimate would reduce total MA benefits expenditures in the 2005-07 biennium.

ALTERNATIVES

1. Approve the Governor's recommendations.

2. Modify the Governor's recommendation by increasing funding in the bill by \$1,184,300 (\$562,000 GPR, -\$72,900 SEG, and \$695,200 FED) in 2005-06 and by \$4,655,500 (\$2,244,200 GPR, -\$301,300 SEG, and \$2,712,600 FED) in 2006-07 to reflect a reestimate of the projected savings in MA benefits costs that would result from relocating nursing home residents to the community under CIP II. In addition, reduce projected bed assessment revenues by \$72,900 in 2005-06 and by \$301,300 in 2006-07 to reflect the projected impact of these provisions on the number of licensed nursing home beds.

<u>Alternative 2</u>	<u>GPR</u>	<u>SEG</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$2,806,200	- \$374,200	\$3,407,800	\$5,839,800

3. In addition to Alternative 1 or Alternative 2, specify that CIP II relocation funding provided under this initiative only be used to support MA-eligible individuals who have resided in a nursing home for a minimum of 100 consecutive days.

4. Delete provision.

<u>Alternative 4</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$3,904,500	\$5,280,200	\$9,184,700

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Attachment

ATTACHMENT

Institutional Elderly and Physically Disabled Individuals on MA Waiver Waiting Lists by County

<u>County</u>	<u>Elderly</u>	<u>PD</u>	<u>Total</u>
Adams	3	1	4
Ashland	2	0	2
Barron	10	3	13
Brown	30	15	45
Burnett	0	1	1
Clark	0	1	1
Columbia	2	4	6
Crawford	1	1	2
Dane	8	11	19
Dodge	9	1	10
Door	3	1	4
Douglas	0	1	1
Dunn	1	0	1
Eau Claire	1	1	2
Grant	7	0	7
Green	9	12	21
Green Lake	4	2	6
Iowa	2	0	2
Iron	0	2	2
Jefferson	8	3	11
Juneau	7	4	11
Kenosha	35	12	47
Lafayette	1	2	3
Manitowoc	8	0	8
Marathon	12	2	14
Marinette	7	8	15
Marquette	5	1	6
Milwaukee	0	43	43
Oconto	5	1	6
Outagamie	10	8	18
Ozaukee	2	0	2
Price	7	1	8
Racine	5	3	8
St. Croix	8	1	9
Sauk	8	2	10
Sawyer	7	2	9
Shawano	4	0	4
Taylor	2	0	2
Trempealeau	10	2	12
Vernon	1	1	2
Washburn	1	4	5
Washington	0	3	3
Waukesha	10	6	16
Waupaca	16	10	26
Waushara	1	1	2
Winnebago	26	2	28
Wood	<u>20</u>	<u>6</u>	<u>26</u>
TOTAL	318	185	503