



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #388

Management of Care and Nursing Services (DHFS -- Medical Assistance -- Long-Term Care)

[LFB 2005-07 Budget Summary: Page 254, #5]

CURRENT LAW

The state's medical assistance (MA) program currently funds federally-mandated home care services, as well as personal care and private duty nursing services the state provides at its option, for MA recipients who have complex medical conditions.

Home health services provided by home health agencies include skilled nursing services, home health aide services provided by certified nursing assistants, and home health medical supplies. Private duty nursing services are services provided to recipients that require more individual and continuous care than can be provided on a part-time or intermittent basis.

Personal care services include direct and indirect services that assist individuals with activities of daily living necessary to maintain them in their place of residence in the community. These services include, but are not limited to toileting, assistance with bathing, and assistance with eating. Counties or agencies that subcontract with counties, home health agencies, and independent living centers employ personal care workers. A recipient may only receive personal care services under a written order of a physician. Providers must obtain prior authorization before providing a recipient more than 50 hours of personal care services in a calendar year. All MA-covered personal care services must be authorized in a written plan of care, and must be provided under the supervision of a registered nurse. The MA program pays personal care providers an hourly rate for direct care activities, indirect services such as housekeeping, and travel time.

In 2003-04, MA fee-for-service payments totaled \$157.6 million (all funds) for personal care services (\$123.0 million), home health services (\$16.9 million) and private-duty nursing

services (\$17.7 million).

GOVERNOR

Reduce MA benefits funding by \$2,047,400 (-\$607,400 GPR and -\$1,440,000 FED) in 2005-06 and by \$8,009,000 (-\$2,392,600 GPR and -\$5,616,400 FED) in 2006-07 to reflect the administration's estimates of savings that would result by reducing home health care, personal care, and private duty nursing services for MA recipients.

Authorize DHFS, upon the request of a county board, to provide assistance in recruiting and training people to provide personal care services. Define "personal care services" as medically oriented activities related to assisting a person with activities of daily living to maintain the person in his or her place of residence in the community.

DISCUSSION POINTS

1. The Governor's MA benefits funding reduction represents a savings target DHFS could achieve by implementing changes in personal care, home health and private duty nursing services, rather than an estimate of the cost savings of implementing one or more specific proposals. DHFS has not yet determined what changes the agency would make to these MA-covered services to achieve these savings. However, DHFS staff are considering several changes to the personal care benefit that could yield savings. Additional savings could be achieved in the home health services and private duty nursing service categories.

2. For example, DHFS staff are considering changes to the housekeeping component of the personal care benefits. By rule, no more than one-third of the total weekly time spent by a personal care worker may be spent performing housekeeping activities. All housekeeping activities paid by the MA program must be incidental to medically-oriented covered tasks or activities for daily living. Examples of housekeeping activities include changing the recipient's bed, cleaning medical equipment, laundering of the recipient's bed linens and personal clothing, light cleaning in essential areas of the home used during personal care services, purchasing food, preparing the recipient's meals, and washing the recipient's dishes. Personal care agencies may not bill the MA program for housekeeping activities that are provided for the benefit of any other member of the household, even if some of the one-third time allotment remains.

3. The current method of authorizing personal care hours allows personal care workers to use up to one-third of the total authorized hours for housekeeping services. A physician determines how many hours of personal care are necessary for the individual recipient and then housekeeping hours are added so that housekeeping services equal one-third of the total authorized hours, regardless of living situation. Consequently, the number of hours authorized for housekeeping increases with the number of hours authorized for personal care. For example, a person with three hours of personal care authorized per day (21 hours a week) is authorized seven hours of housekeeping per week, while a person with 15 hours of personal care authorized per day (105 hours per week) is authorized 35 hours of housekeeping per week. In other words, the current

methodology automatically increases the total number of hours authorized for direct care by 50% to support housekeeping services.

4. DHFS could reduce the number of housekeeping hours the MA program currently authorizes so that the number of hours is not simply calculated as one-half of the authorized total direct care hours. DHFS staff believe that it is possible to reduce the number of hours authorized for housekeeping services and still meet MA recipients' housekeeping needs. However, unless this change resulted in a reduction of the total number of personal care hours billed by personal care agencies, no savings would be achieved.

5. In addition, DHFS staff is considering revising the way travel time is reimbursed for personal care providers by including travel time in the personal care provider's rate, which is currently the policy for other home care services. Wisconsin's MA program reimburses for the time it takes a personal care worker to go to and from the recipient's home for groceries and supplies. The time spent for this is considered a personal care service, not travel time, for prior authorization and billing purposes. Currently, only 63% of personal care providers claim travel reimbursement, and claims from three agencies account for almost 36% of all travel time paid. Agencies are not required to pass the travel time payment they receive on to their employees.

6. If DHFS decides to eliminate travel time from billable personal care hours, it would use most of the savings to increase direct care rates for all personal care providers, but a portion of the savings could be used to meet the administration's savings target. If implemented, this change could reduce agencies' administrative costs, since agencies would no longer have to record their employees' travel time.

7. The Department is currently developing a functional screening tool that would be used to determine personal care hours. A similar functional screening tool is currently used to determine the level of care needed for individuals who participate in the MA home- and community-based waiver programs. Currently 70% of recipients receiving personal care are waiver clients. The functional screen will incorporate cross-checks between answers to check for consistency of responses throughout the screen. Once data is entered it will not allow changes to be made, thus eliminating the opportunity for manipulating results to gain more hours of personal care than are necessary. The screen will also incorporate some changes to the logic for assigning personal care hours. In addition, all screeners will receive similar training in how to implement the screen. This revised version of the screening tool for assigning personal care hours is likely to result in savings due to a decrease in personal care hours allotted per recipient.

8. If the Committee adopts the Governor's proposal, it should adjust the federal funding reduction to correctly reflect the reduction in federal MA matching funds related to this item, since the Governor's budget deletes too much federal MA benefits funding. Based on projected FFP rates of 57.82% in 2005-06 and 57.48% in 2006-07, federal MA benefits funding in AB 100 should be increased by \$607,500 in 2005-06 and \$2,386,300.

9. Under the MA base reestimate, fee-for-service expenditures for personal care services are expected to be \$160.1 million (\$67.5 million GPR and \$92.6 million FED) in 2005-06 and \$176.6 million (\$75.1 million GPR and \$61.5 million FED) in 2006-07. The Governor's

proposed savings of \$3.0 million in the biennium represents approximately 2.0% of the total GPR that would otherwise be expended for these services. While it appears that DHFS could, by policy, make changes to ensure that the Governor's savings targets are realized, the Committee could increase these savings targets to further reduce MA costs, since there appear to be opportunities to reduce payments for personal care services that DHFS is currently considering.

10. For example, the Committee could delete an additional \$1,919,900 (-\$1,066,100 GPR and -\$853,800 FED) in 2005-06 and increase funding in the bill by \$143,200 (-\$954,500 GPR and \$1,097,700 FED) in 2006-07 to establish a target that DHFS reduce estimated GPR costs that would be budgeted for personal care services by 3.5 % in 2005-07 biennium. Alternatively, the Committee could delete an additional \$3,620,100 (-\$1,783,300 GPR and -\$1,836,800 FED) in 2005-06 and \$3,227,700 (-\$2,388,900 GPR and -\$838,800 FED) in 2006-07 to establish a target that DHFS reduce estimated GPR costs that would be budgeted for personal care services by 5.0% in the 2005-07 biennium.

11. An argument could be offered that funding the Governor deleted from the MA benefits appropriation should be restored so that DHFS would not be required to seek ways to reduce MA costs for personal care, home health and private duty nursing services to generate the savings assumed in the bill. In order to realize savings, the MA program would need to reduce the amount of total MA payments it makes to agencies that provide these services, either by reducing the units of service MA recipients receive, or making changes to the rate structure. Because DHFS has not yet determined what changes it would make to the program, it is not known how agencies and MA recipients would be affected by this funding reduction.

12. Finally, the bill would authorize DHFS, upon the request of a county board, to provide assistance in recruiting and training people to provide personal care services. The intent of this provision is not clear. However, it has been suggested that this statutory directive may have been included in the bill for the purpose of authorizing DHFS to exercise management authority over home care workers. It has been argued that this authority could be interpreted as making DHFS an "employer" of home care workers under state and federal labor laws. A drafter's note to an early draft of the statutory change included in AB 100 includes a reference to a "personal care worker commission" created by DHFS and specifies that employees of the commission would not be considered employees of either the state or the county. Part of this draft, summarized on page 170, Item #1 ("Intergovernmental Cooperation Commissions"), was determined by the Co-Chairs to be nonfiscal policy, and thus, deleted from the bill. The Committee may wish to delete the provision that would authorize DHFS to provide assistance in recruiting and training people to provide personal care services for the same reason.

ALTERNATIVES

A. Funding

1. Approve the Governor's recommendation, but increase MA benefits funding by \$607,500 FED in 2005-06 and by \$2,386,300 FED in 2006-07 to correctly reflect the reduction of federal MA matching funds that would occur under the Governor's recommendation.

<u>Alternative A1</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$2,993,800

2. Modify the Governor's recommendation by deleting an additional \$1,919,900 (-\$1,066,100 GPR and -\$853,800 FED) in 2005-06 and increasing funding by \$143,200 (-\$954,500 GPR and \$1,097,700 FED) in 2006-07 to: (a) establish a savings target equal to 3.5% of the projected personal care benefits costs in the 2005-07 biennium; and (b) reflect the projected federal financial participation rates in 2005-06 and 2006-07.

<u>Alternative A2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	-\$2,020,600	-\$243,900	-\$1,776,700

3. Modify the Governor's recommendation by deleting an additional \$3,620,100 (-\$1,783,300 GPR and -\$1,836,800 FED) in 2005-06 by \$3,227,700 (-\$2,388,900 GPR and -\$838,800 FED) in 2006-07 to: (a) establish a savings target equal to 5% of the projected personal care benefits costs in the 2005-07 biennium; and (b) reflect the projected federal financial participation rates in 2005-06 and 2006-07.

<u>Alternative A3</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	-\$4,172,200	-\$2,675,600	-\$6,847,800

4. Delete provision.

<u>Alternative A4</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	\$3,000,000	\$7,056,400	\$10,056,400

B. Statutory Change

1. Adopt the Governor's recommendations to authorize DHFS, upon the request of a county, to provide assistance in recruiting and training people to provide personal care services and to statutorily define "personal care services."

2. Delete provision.

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