COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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October 1, 2017

MEMORANDUM

TO: The Honorable Terence R. McAuliffe
Governor

The Honorable Thomas K. Norment, Jr.
Co-Chairman, Senate Finance Committee

The Honorable Emmett W. Hanger, Jr.
Co-Chairman, Senate Finance Committee

The Honorable S. Chris Jones
Chairman, House Appropriations Committee

FROM: Cynthia B. Jones
Director, Virginia Department of Medical Assistance Services

SUBJECT: Report on the Effects of Changes in DD Waiver Reimbursement Rates on Sponsored Residential Homes across the Commonwealth

The 2017 Appropriation Act – Item 306 CCCC.3 states, "The Department of Medical Assistance Services and the Department of Behavioral Health and Developmental Services shall, in collaboration with sponsored residential providers, the Virginia Network of Private Providers, the Virginia Association of Community Services Boards, the Virginia Sponsored Residential Provider Group, and family home providers, collect information and feedback related to payments to family homes and the extent to which changes in rates have impacted payments to the family homes statewide, and the increase or decrease in the capacity in each of the five geographic regions. The Department of Medical Assistance Services, in cooperation with the Department of Behavioral Health and Developmental Services, shall report the findings of this analysis to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2017."

Should you have any questions or need additional information about this report, please feel free to contact me at (804) 786-8099.

CBJ/

Enclosure

pc: The Honorable William A. Hazel, Jr., MD, Secretary of Health and Human Resources

The Effects of Changes in DD Waiver Reimbursement Rates on Sponsored Residential Homes across the Commonwealth

A Report to the General Assembly *October 1, 2017*

Report Mandate:

The 2017 Appropriation Act – Item 306 CCCC.3. The Department of Medical Assistance Services and the Department of Behavioral Health and Developmental Services shall, in collaboration with sponsored residential providers, the Virginia Network of Private Providers, the Virginia Association of Community Services Boards, the Virginia Sponsored Residential Provider Group, and family home providers, collect information and feedback related to payments to family homes and the extent to which changes in rates have impacted payments to the family homes statewide, and the increase or decrease in the capacity in each of the five geographic regions. The Department of Medical Assistance Services, in cooperation with the Department of Behavioral Health and Developmental Services, shall report the findings of this analysis to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2017.

Background

Over the course of several years, Virginia partnered with stakeholders and national experts to transform the state's Medicaid 1915(c) Intellectual and Developmental Disability (I/DD) waivers and service system. On September 1, 2016 the Commonwealth implemented the Center for Medicare and Medicaid Services (CMS) approved redesigned Developmental Disability (DD) waivers.

The Department of Medical Assistance Services (DMAS) based the rate methodology within the DD waivers, including sponsored residential, on reasonable costs developed from national cost data, other states, a provider survey, and the recommendations of subject matter experts consistent with the requirements for licensing and the waiver. DMAS expected overall reimbursement for sponsored residential services to be virtually the same (a -0.4percent reduction) after the rate restructuring, but that reimbursement would be more appropriately targeted to those with higher needs.

The redesigned Intellectual Disability waiver is renamed the Community Living (CL) waiver. Two significant changes to the CL waiver affected the reimbursement structure for the providers of sponsored residential (SR) services. First, under the CL waiver, DMAS reimburses for the SR service according to a "tier" rate structure. This reimbursement method is based on levels of needed supports as assessment information predicts, particularly an individual's results on the Supports Intensity Scale (SIS)® (an industry standard needs assessment tool).

About DMAS and Medicaid

DMAS' mission is to ensure Virginia's Medicaid enrollees receive high quality and cost effective health care.

Medicaid plays a critical role in the lives of over a million Virginians, providing health care for those most in need. Medicaid enrollees include children, pregnant women, parents and care takers, older adults and individuals with disabilities. Virginians must meet income thresholds and other eligibility criteria before qualifying to receive Medicaid benefits.

Medicaid covers primary health care services, inpatient and outpatient services that support individuals in need of behavioral health support including addiction and recovery treatment. Medicaid is also covers long term supports and services, making it possible for thousands of Virginians to remain in their homes or to access residential and nursing home care.

Quick Medicaid facts:

- Covers 1 in 8 Virginians
- Covers 1 in 3 births and 33% of children
- Supports 2 in 3 nursing facility residents

Virginia Medicaid and Children's Health Insurance Program (CHIP) are administered by the Department of Medical Assistance Services (DMAS) and is jointly funded by Virginia and the federal government under the Title XIX and Title XXI of the Social Security Act. Virginia generally receives $1 of federal matching funds for every $1 Virginia spends on Medicaid.

The tiered reimbursement structure aligns the reimbursement level with an individual's level of support need (e.g., a higher reimbursement level for those with greater needs). Second, the reimbursement structure changed from an hourly rate to a daily rate basis.

SR services are a Department of Behavioral Health and Developmental Services (DBHDS) licensed service. A licensed provider agency contracts with individuals or couples to provide Medicaid home and community based waiver services in their own homes for up to two individuals with I/DD. The licensed provider agency screens these sponsors and provides them with required training and ongoing oversight. The licensed agency bills Medicaid for waiver services and pays the sponsors. In other states, this is commonly known as a "host home" model. It is distinct from a foster home or group home

DBHDS pulled data from its electronic Waiver Management System (WaMS) and surveyed sponsors regarding financial impact and challenges to supporting individuals in their homes. In addition, DBHDS and DMAS reviewed the data with a group of stakeholders and obtained further feedback. Input received from both sources indicated shifts in individual assignments that resulted in increases and decreases in revenue for providers and, therefore, some sponsors.

Statewide and Regional Impact of Reimbursement Structure Changes

The reimbursement changes for SR services took effect January 1, 2017. There was no change in the number of licensed SR providers after the implementation of the change in reimbursement structure. The number remained constant at 59 provider agencies. The total number of individuals receiving SR services increased by 65 from November 2016 (prior to the reimbursement changes) to June 2017. All five regions of the state experienced increases.

Table 1: Number of Individuals Authorized for SR Services and their Providers by Developmental Services Region

As of Date	Number of Individuals Authorized for Sponsored Residential						
	Central DS Region	Eastern DS Region	Northern DS Region	Southwestern DS Region	Western DS Region	Total Number of Individuals Authorized	Total Number of Providers
11/30/2016	184	417	161	387	384	1,533	59
3/31/2017	203	417	162	388	388	1,558	59
6/30/2017	205	445	166	394	388	1,598	59

**Unique Authorized Providers determined using NPI*

Results of Provider Survey

Supports Needs Levels of Individuals Receiving Sponsored Residential Services

DMAS distributed an 11-question survey to SR providers for dissemination to their affiliated sponsors and received 288 responses. As sponsors support either one or two individuals, the data reported reflects a total number of 349 individuals receiving services from the 288 sponsors. Since not all sponsors answered all questions or reported data in the form requested, some of the charts that follow do not include responses from all participants.

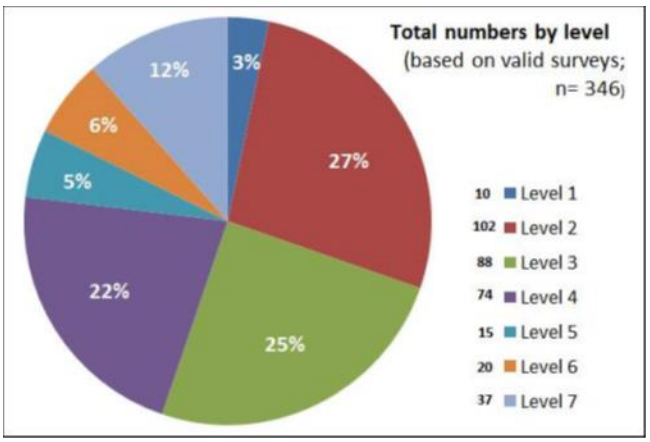
DBHDS determines support need levels for each individual on the DD waivers through a combination of the results of an internationally used assessment called the Supports Intensity Scale®, the Virginia Supplemental Questions, and a verification process as needed.

The data from valid and completed surveys shows that the majority of individuals receiving SR services are in:

1. **Supports Level 2**, defined as minimal moderate support needs and little to no support needs for medical and behavioral challenges (102 persons or 27 percent).
2. **Supports Level 3**, defined as low to moderate support needs, along with increased support needs due to behavioral challenges (88 persons or 25 percent).
3. **Supports Level 4**, defined as moderate to high support needs and some medical support needs (74 persons or 22 percent).

Fewer individuals receiving SR services have either the lowest (Level 1 = 10 persons or 3 percent) or the highest (Levels 6–7 = 57 persons or 18 percent) support needs.

Chart 1: Number of Individuals Reported by Supports Need Level



Revenue Comparison: Pre- and Post-Rate Restructuring

The survey asked sponsors about their monthly revenue for November 2016 (prior to the rate changes) and March 2017 (after the rate changes). As Table 2 illustrates, for November 2016 the largest percentage of respondents (72 percent) had revenue in the $4,000 to < $7,000 per month range. Total Reimbursements for November 2016 are broken down in Chart 2 within Appendix A.

Table 2: Sample of Revenue Prior to Rate Changes

Monthly Revenue	November 2016 Percent of Respondents
$4,000 to <$5,000	29%
$5,000 to < $6,000	25%
$6,000 to < $7,000	18%

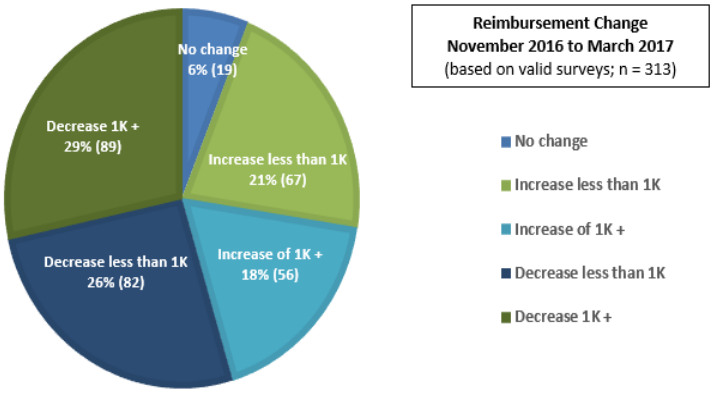
Table 3 demonstrates that for March 2017, after the rate restructuring, the majority of respondents (71 percent) still had revenue in the $4,000 to <$7,000 per month range. Total Reimbursements for March 2017 are broken down in Chart 3 within Appendix A.

Table 3: Sample of Revenue After Rate Restructuring

Monthly Revenue	March 2017 Percent of Respondents
$4,000 to <$5,000	29%
$5,000 to < $6,000	26%
$6,000 to < $7,000	15%

Chart 4 illustrates the changes in monthly reimbursement for the sponsors who completed the survey. While 55 percent of sponsors experienced a decrease in revenue following the implementation of the new rate structure, half of those were decreases of less than $1,000 per month. Also, 44 percent received an increase in revenue and 6 percent did not experience a change.

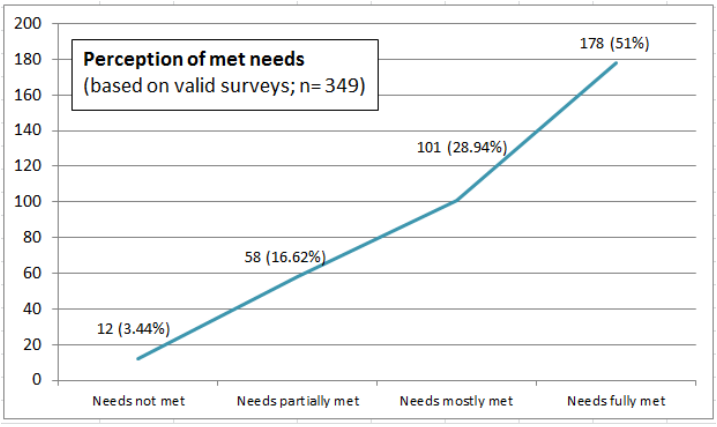
Chart 4: Reported Changes in Reimbursement when Comparing November 2016 and March 2017



Sponsors' Reports of Met/Unmet Needs

The survey also asked sponsors to indicate their perception of the extent to which the needs of the individual(s) they support are being met. The overwhelming percentage of sponsors reported that individuals' needs are being fully to mostly met, as illustrated in Chart 5 on the following page.

Chart 5: Sponsor Perception of Met Needs



Finally, survey respondents had the opportunity to suggest improvements to the waiver that would, in their view, increase their ability to more fully meet the needs of the individuals they support. The responses, in order of prevalence, are as follows:

1. Increased funding
    - A number of sponsors reported that since the rate restructuring, they are no longer able to pay for "relief staff" to afford them a needed break from caregiving responsibilities, to provide back-up assistance for those individuals with challenging medical or behavioral issues, or to permit individuals who need/desire 1:1 time away from the others in the home to have that opportunity.
    - Others stated that the revenue they receive is inadequate for hiring well-qualified relief/back-up workers, particularly if the individual receiving support has complex medical or behavioral needs.
    - Sponsors also reported that the rate restructuring has resulted in a decrease in participation in community activities/events for individuals that they support because they now have fewer funds to pay for travel or related fees/expenses.
2. Reassessment of an individual to more accurately capture his/her supports need level
3. Specialty equipment and home modification related to an individual's physical disability
4. Additional behavioral supports to help manage individuals' challenging behaviors
5. Dental coverage

Some sponsors reported being able to do more for the individuals they support because they received an increase in revenue, or that, in spite of rate changes, the individual is still engaged in community activities to the same extent as before.

Stakeholder Meeting and Input

DMAS and DBHDS staff met with stakeholders on June 16, 2017 to review the above information. The group consisted of representatives from The Virginia Network of Private Providers, Virginia Association of Community Services Boards, Virginia Sponsored Residential Provider Group, and sponsors supporting waiver individuals from each region of the state and ranging the full spectrum of supports needs. Participants noted the issues included above under "increased funding" as concerns.

Concerning the issue of hiring well-qualified support staff for individuals with complex medical needs, the group requested a report on the numbers of individuals receiving SR services who are also receiving either Skilled Nursing (SN) or Private Duty Nursing (PDN) services under the CL waiver. DBHDS gathered that information as of June 30, 2017 and it appears below.

Results indicate that more individuals who have complex medical needs residing in SR homes (which represented 6 percent of the individuals receiving support from survey respondents) could benefit from the addition of nursing services to their overall service composition. There are 371 individuals in the CL waiver receiving either SN or PDN. Table 4 shows that only 19 individuals receive both SR services and either SN or PDN.

Table 4: Individuals Authorized for Sponsored Residential and Also for Skilled Nursing or Private Duty Nursing

As Of Date	Spons.Res.	Nursing	Both
6/30/2017	1,598	371	19

Summary

The SR model is a valuable means of supporting an individual with disabilities in a home-based setting. In most instances it provides a community environment for the individual, who becomes another member of the family, participating in family events such as vacations, holiday traditions, and day-to-day chores. Some have expressed concern that recent changes in reimbursement structure for this CL waiver service had resulted in significant revenue decreases for sponsors, potentially affecting service provision. Several of the concerns that surveyed respondents raised, such as access to dental services, have been partially addressed through the new Commonwealth Coordinated Care Plus program and enhanced services options under the redesigned waiver.

Service authorization data does not demonstrate the stated concern that the reimbursement change would result in a reduction in the use of this service. Survey data from 288 sponsors indicated that, while the a few individuals in the high range of monthly reimbursement experienced changes in reimbursement, most respondents did not experience a change in revenue. DMAS received anecdotal reports through the survey, and confirmed via stakeholder group members, that indicated a decrease in the ability to fund relief and additional staff, as well as some funding-related reductions in participation in community activities for individuals.

Appendix A.

Chart 2: Total November 2016 Reimbursement to Sponsors Who Completed the Survey

(in dollars)

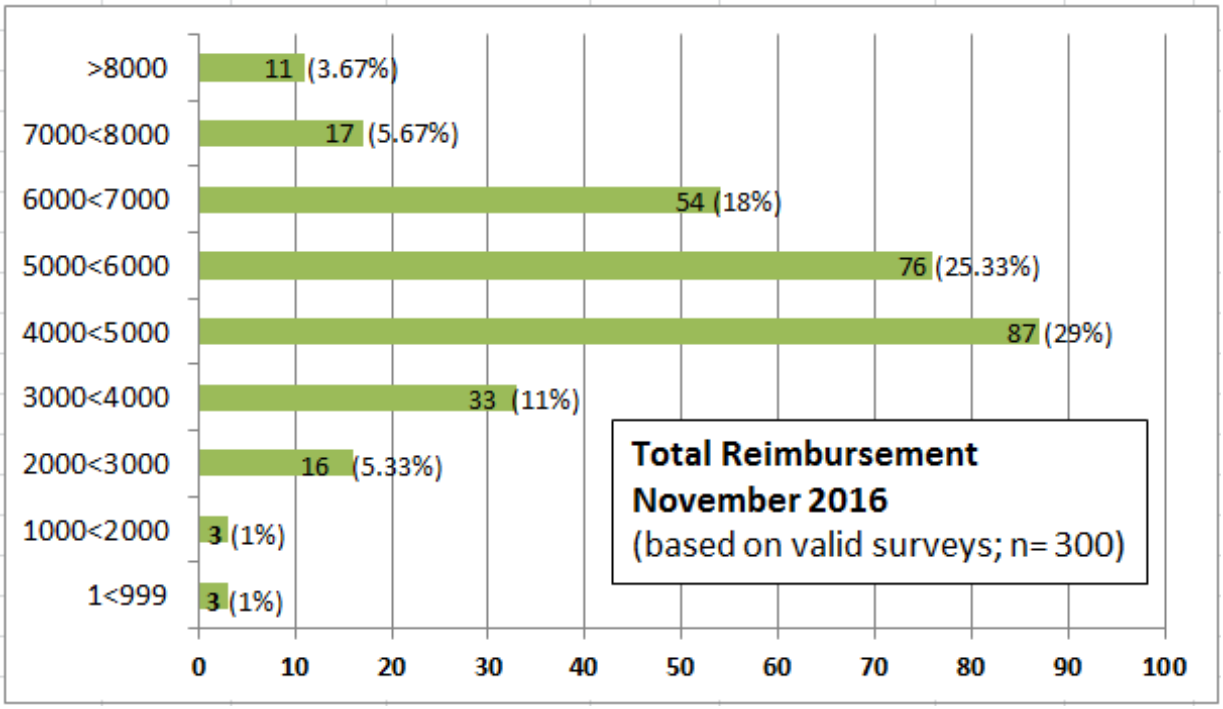


Chart 3: Total March 2017 Reimbursement to Sponsors Who Completed the Survey

(in dollars)