



Office of the Director -

Kate Brown, Governor

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October 31, 2018

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

NATURE OF REQUEST

The Oregon Health Authority (OHA), in response to the budget note included in House Bill 5026 (2017), and to report on the related designated special purpose appropriations funding in HB 5201 (February 2018 session), requests acknowledgement of this report, which includes:

- An update on the special purpose appropriation and transition of adult mental health residential providers in the lowest quartile of rates to a standardized rate methodology.
- Update on the standardized rate methodology for all adult mental health residential and implementation.
- Possible budget implications as the new rate methodology is implemented.

HB 5026 (2017) Budget Note:

The Oregon Health Authority shall conduct a rate analysis, including but not limited to provider costs as well as expected revenues from billing for rehabilitative services. The agency shall report to the Interim Joint Committee on Ways and Means by November 30, 2017 with a proposed plan for a standard rate or set of rates, a proposed schedule to move all providers to these rates, an analysis of the cost, and plans for funding both the Medicaid and non-Medicaid components. The plan should prioritize increasing rates for providers with the greatest disparity in rates, that is, providers who receive the lowest rates compare to more recent providers who typically receive higher rates. Contingent on available funding, the agency will implement at least the first phase of the plan beginning January 1, 2018. If the agency is unable to fully fund the plan within their existing budget, they should request additional funding during the 2018 legislative session.

HB 5201 (2018) Budget Note:

A special purpose appropriation was established for the Emergency Board of \$2 million to be available for rate increases for certain residential mental health service providers, if needed. Another \$152,500 General Fund was provided to OHA for actuarial services and to provide technical assistance to providers with data collection and billing.

AGENCY ACTION

Historically, OHA negotiated provider rates on an individual basis, based upon provider-submitted costs, with little connection to resident acuity. In 2007, a partial rate standardization effort resulted in two groups of providers, each paid according to a different rate methodology. Neither rate methodology is risk-adjusted nor tied to patient acuity.

Past Legislative Reports

OHA reported to the Joint Ways and Means Committee on October 16, 2017, related to an initial plan and proposed schedule to collect provider cost allocation plan (“CAP”) data, KEPRO individual assessments of consumers, community-based care rate reports and provider operating budgets.

OHA provided an update to the Joint Ways and Means Committee on January 12, 2018. During the three-month intervening period, October 2017-January 2018, OHA engaged the actuarial vendor Optumas to analyze collected cost allocation plans from cooperating providers, claims, and client assessment data for data analysis and rate development. OHA reported at that time on the initial trends identified by Optumas but found that additional data collection would be necessary. OHA requested additional funding to review for interim rate adjustment for providers with the lowest and most disparate rates, and funding for additional technical assistance with rate analyses.

Implementation

To provide additional provider revenue while OHA proceeded with the rate standardization analysis, OHA provided training and assistance related to Medicaid billing for rehabilitation services on a per diem basis. Eighty percent of mental health residential providers can now perform and bill for rehabilitation services.

OHA has continued working with Optumas on data collection and analysis since the January report. The lack of correlation between acuity of residents and provider cost presented a barrier to building a rate methodology based on initial data.

As a result, the vendor proceeded with an analysis of all general ledger data from providers. Data collection for the interim provider group and the overall standard rate analysis included provider engagement and interviews to clarify general ledger and budget submissions.

Additionally, independent assessments of residents' level of service needs had not been conducted in mental health residential settings until February 2018. That process began at that time and continues.

The development of the rate methodology continued through Optumas during the data collection and analysis of the lowest rates, such that OHA is recommending that the provider group with the lowest rates proceed with an early adoption of standardized rates, subject to State Plan Amendment approval by CMS.

Rate Methodology

The rate methodology has been developed with the overarching goal of consistent, equitable rates based upon client acuity and level of care needs. The tiered rate structure based upon client acuity includes adjustments for demographic or geographic variation to address wage, housing, and transportation pressures. OHA has also requested an add-on for clients with complex medical needs which significantly impact treatment and self-care.

Tying the rate structure to level of care needs determined through an independent process will allow the system to maximize personal choice, incentivize providers that serve individuals with complex needs, and incentivize positive outcomes like transitions to community-based treatment.

Additionally, the use of actuarially sound rates will facilitate future transition of residential services to CCOs.

Ten Lowest Rate Providers: Initial Transition to New Rates

During October 2018, OHA worked with Optumas on the projected fiscal impact of the new rate methodology on the ten providers. The impact of the standard rate on an individual provider's budget will vary based upon the clients' acuity levels. Based on our current understanding of resident acuity, level of care needs, regional rate adjustments and provider costs, the majority of the ten providers will receive an increase in funding.

Before implementing the rates for these ten providers, OHA must:

- Complete tribal consultation (initiated 9/19/18) on the draft State Plan Amendments (SPAs) for the standardized rate methodology; the SPA cannot be effective prior to January 1, 2019.
- Publish draft rates for SPA submission; and
- Assess feasibility of MMIS, vendor, county and contract changes.

The rate standardization, including implementation with the first ten providers, will include OHA discontinuing the General Fund dollars to the counties for OHP eligible clients and shifting Medicaid allowable program operations dollars currently paid through the General Fund county contract passthroughs to the Medicaid standardized rate. General Fund county contracts will continue to cover Non-OHP eligible residents who are served under the OHA Behavioral Health safety net.

The estimated 2017-19 budget impact to implement the new rate methodology for the ten providers effective January 1, 2019, is:

Low Estimate: \$1,813,626 Total Funds (\$132,876 General Fund and \$1,680,750 Federal Funds)

High Estimate: \$2,440,752 Total Funds (\$322,913 General Fund and \$2,117,839 Federal Funds)

Because of this relatively small General Fund impact, OHA is not requesting funds from the special purpose appropriation.

Application to All Residential Providers

The independent qualified agent is completing an annual review cycle of independent client assessments. As this data is collected, OHA is working with the actuarial vendor and Budget to refine a lower and upper bound range for the system wide rate standardization 19-21 cost. OHA will maximize allowable Medicaid match for the standard rates and will transition from the rehabilitation services per diem back to the individual procedure code billing.

In addition to continued rate analysis, OHA will continue to engage in collaborative implementation planning with county CMHPs and residential providers, including:

- Rate structure overview with vendors;
- Rate simulation with providers;
- Review of related draft rule changes and discussions how to improve client outcomes and support providers supporting clients with more complex behavioral issues as well as medical complexities for an aging population; and
- Provider training, webinars and technical assistance on billing and rate changes.

OHA will continue to update the Legislative Fiscal Office and Department of Administrative Services on its progress.

ACTION REQUESTED

Acknowledge the receipt of OHA's report.

LEGISLATION AFFECTED

None.

Sincerely,



Patrick Allen
Director

CC: Linda Ames, Legislative Fiscal Office
Ken Rocco, Legislative Fiscal Office
Tom MacDonald, Department of Administrative Services
George Naughton, Department of Administrative Services