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October 17, 2017

The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Nancy Nathanson, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Report

As requested in the budget note for House Bill 5026-A (2017 Regular Session), this report presents the Oregon Health Authority's (OHA) proposed plan for standardizing reimbursement rates for adult mental health residential services and the work completed so far to build the plan.

HB 5026-A 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 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 compared 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.*"

Agency Action

Background

Current residential reimbursement

As shown in the following chart, residential providers receive reimbursement in several ways, and the rate of funding varies across providers.

- **Medicaid** pays for personal care services to Oregon Health Plan members in adult residential settings. Under personal care rates, certified facilities may bill habilitation and personal care services. Mental health rehabilitation Medicaid services are billed separately.
- **General Fund** funds the residential program operating budgets, as well as rent subsidies for facility operations. OHA contracts with counties to coordinate residential programs that pay individual facilities for facility operations and in some counties, rent subsidies. OHA also has some direct contracts with individual facilities.

Per Person Per Month Rates

			Medicaid			General Fund					
			Personal Care Rates			Operating Costs			Rent Subsidies		
Provider Type	Total	Beds	Min.	Max.	Avg.	Min.	Max.	Avg.	Min.	Max.	Avg.
Residential Treatment Facility	44	449	$1,164	$8,563	$4,115	$0	$8,808	$1,011	$0	$1,475	$454
Residential Treatment House	57	253	$2,458	$10,240	$4,040	$0	$25,715	$6,005	$70	$1,564	$570
Residential Treatment House/Young Adult Program	4	19	$3,000	$6,696	$4,676	$0	$10,146	$4,550	N/A	N/A	N/A
Secure Residential Treatment Facility	21	205	$6,144	$20,649	$11,485	$0	$6,566	$1,378	$354	$1,060	$742

Residential entities also receive other revenue, such as room and board payments from the residents; Supplemental Security Income (SSI); and Supplemental Nutritional Assistance Program (SNAP) payments. Depending on the eligibility of their residents, providers may not receive some of these payment types.

Causes of residential rate disparities

For Medicaid-covered services, disparities exist because:

- Only certified providers are allowed to bill for rehabilitation.
- Almost half of all residential facilities are certified to also provide Medicaid-covered mental health rehabilitative services, but may not regularly access this funding, either due to lack of training on how to bill Medicaid[1] or because they do not have staff certified to provide these services.
- A few providers have personal care/habilitation rates that are bundled with rehabilitation rates, so they cannot currently bill rehabilitation separately.

Other reasons for reimbursement disparities among residential providers include:

- Individual client needs determine the service intensity. Service intensity directly affects payment rates and provider costs. This is true for both Medicaid and General Fund services.
- Some providers who can bill Medicaid for personal care/habilitation or rehabilitation do not receive GF payments for operating costs or personal care/habilitation.

Rate standardization will address the inconsistent rate methodology applied to programs as the residential system developed over time.

- Older programs that negotiated rates when the system began have lower rates than newer programs.
- In addition, older programs have bundled rates that preclude additional billing.
- Different rates between older and newer residential programs, especially if older providers have not requested a rate review in recent years. Providers without a recent review tend to have lower rates.

Rate standardization would allow OHA to further consider transitioning these services to coordinated care organizations.

[1] In October 2016, the Authority provided training on Medicaid billing to help certified facilities access additional revenue. OHA continues to provide technical assistance to individual facilities.

Status Summary

The following table shows the OHA's progress on each piece of the requested standardization plan.

Standard rate or set of rates	**Est. Nov. 2017**
Develop Cost Allocation Plan (CAP)	Complete
Collect CAP data: 87 of 125 providers submitted CAPs	Complete
Collect data from other sources	Complete
Proposed schedule to move all providers to these rates	**Est. Jan. 2018**
Analysis of the cost	**Est. Nov. 2017**
Perform preliminary data analysis	In progress
Create integrated expenditure model	In progress
Build models of rate methodology options, including fiscal impact	Est. Nov. 2017
Determine fiscal impact analysis	Est. Jan. 2018
Plans for funding both the Medicaid and non-Medicaid components	**Est. Nov. 2017**
Identify current Medicaid and non-Medicaid total expenditures	Complete
Examine Medicaid allowable expenditures	In progress
Request additional funding (if required)	Est. Feb. 2018

Collection of provider cost allocation plan (CAP) data

For the rate analysis, OHA sought to gather data about the operational expenditures of all residential providers for a common time period (*i.e.*, the most recent audited financial period).

- In June 2017, OHA developed and distributed a CAP template to residential providers to collect data about home/facilities expenses, staffing expenses, service utilization, and revenue, as well as a cost allocation time study for a week in April 2017.
- 87 of 125, or nearly 70% of provider homes/facilities submitted their CAP responses by the August 1, 2017 due date.
- OHA developed validation tests and applied them to the 87 submissions.

Data analysis to construct new rates

In order to come up with possible rate proposals, OHA is examining data from the CAPs and other sources. Other data sources include:

- Kepro, OHA's Independent and Qualified Agent responsible for authorizing 1915(i) services
- The Medicaid Management Information System
- Community Based Care Rate Reports
- Provider operating budgets

Next Steps

Developing integrated expenditure model

To test the fiscal impact of possible rate proposals, OHA is developing an expenditure model based on total Medicaid and non-Medicaid expenditures to residential providers. OHA will then compare current expenditures with projected expenditures based on possible rate proposals and scenarios. This model will ensure stability of the delivery system for both clients and providers.

Current expenditures include:

- Non-Medicaid payments: Contracted and invoiced services
- Medicaid payments: Personal Care and Habilitation; Mental Health Rehabilitation

The rate scenarios will address:

- The range of providers delivering Medicaid and non-Medicaid services
- Different levels of care due to client acuity levels

In addition, OHA plans to:

- Engage provider volunteers to similarly model preliminary rates in their operational budgets, concurrent with internal OHA modeling.
- Use the model to effectively manage residential payments and monitor rate standardization impacts on providers and the overall delivery system.

OHA is seeking help from an actuarial services contractor (Optumas) to provide independent review of:

- Rate methodology options
- High-level fiscal impact of those options
- Oregon's rate options as compared to other states

OHA will determine the fiscal impact of rate standardization efforts based on the completed analyses from OHA and Optumas. OHA expects to complete this work in time for the 2018 legislative session in order to present the fiscal impact, and request additional funding, if needed.

Phased implementation plan

Based upon simulation and validation of the proposed standardized rates, OHA will develop a phased implementation of the rates. The implementation will:

- Prioritize providers with greatest rate disparity; bundled rates; and demonstrated operational risk
- Include training providers on how to bill MMIS using the revised Medicaid rates; submit CAPs; and document allowable Medicaid expenditures.

This phased transition will require monitoring to ensure provider stability and quality client care. OHA will begin monitoring with the integrated financial model, and explore other areas to monitor as appropriate.

Action Requested

Acknowledge the receipt of OHA's report.

Legislation Affected

None.

Sincerely,

Patrick Allen
Director

CC: Linda Ames, Legislative Fiscal Office
Tom MacDonald, Department of Administrative Services