Medicaid Home Health and HCBS Reimbursement
Stakeholder Meeting #2

Indiana Family and Social Services Administration

July 1, 2021

Why Reform Indiana's LTSS System?

Choice: Hoosiers want to age at home

- 75% of people over 50 prefer to age in their own home – but only 45% of Hoosiers who qualify for Medicaid are aging at home*
- The risk of contracting COVID and impact of potential isolation drives an even increased desire to avoid institutional settings

Cost: Developing long-term sustainability

- Indiana has about 2% of the U.S. population, but over 3% of nursing facilities
- LTSS members are 4% of Medicaid enrollment, yet 28% of spend - only ~ 19% of LTSS spend goes to home and community-based services (HCBS)
- For next ten years, population projections show 28% increase in Hoosiers age 65+ and 45% increase in Hoosiers age 75+

Quality: Hoosiers deserve the best care

- AARP's LTSS Scorecard ranked Indiana 44th in the nation
- LTSS is uncoordinated and lacks cultural competency
- Payment for LTSS services is poorly linked to quality measures and not linked to outcomes

From 2010 to 2030 the proportion of Hoosiers over 65 will grow from 13% to 20%. Indiana's disjointed system must be reformed to meet growing demand and to ensure Choice, drive Quality and manage Cost.

Indiana's Path to Long-term Services and Supports Reform

Our Objective

1) 75% of new LTSS members will live and receive services in a home and community-based setting
2) 50% of LTSS spend will be on home- and community-based services

Key Results (KR*) to Reform LTSS

1. Ensure Hoosiers have access to home- and community-based services within 72 hours
2. Move LTSS into a managed model
3. Link provider payments to member outcomes (value-based purchasing)
4. Create an integrated LTSS data system linking individuals, providers, facilities, and the state

FSSA Reimbursement Goals

To develop community rate setting methods that comply with Centers for Medicare and Medicaid Services (CMS) rules and achieve the following:

- **Alignment** - Bring continuity and alignment across the rate methodologies, providing a consistent framework and supporting payment rates that advance FSSA goals.
- **Sustainability** - Facilitate adequate participant access to quality services, as required by CMS. Cost effective, provide for long-term workforce growth and provider stability, and affordable by the State. Reduce administrative burden. Ensure predictability.
- **Promote Person-Centeredness and Value-Based Purchasing** - Strive to align provider and participant incentives to achieve access to person-centered services, encourage services that drive healthy outcomes and participant satisfaction.
- **Reduce Disparities** – Analyze and quantify disparities in access, quality, site of care, and person-centeredness, then build payment structures to level the playing field.

These goals will be translated into evaluation criteria, to be used for evaluating the current system relative to potential options. Criteria will be established through the stakeholder process.

Agenda

- Service Delivery Overview
- Rate Setting Methodology
- Rate Setting Options
- Preliminary Research of Other States' Programs
- Next Steps

Overview of Indiana Medicaid Home Health/HCBS Services Delivery

State Authority to Provide HCBS

State Plan Services	Waivers
• Home health (***mandatory***) • Personal care • Section 1915(k) Community First Choice • Section 1915(i) State Plan HCBS • Section 1915(j) Self-directed Personal Assistant	• Section 1915(c) • Section 1115

- States have authority to provide HCBS through State Plan Services and Waivers
- All states provide home health state plan services – the only HCBS that is not optional
- States have great flexibility in designing the home health benefit to include optional therapy services, assistance with household activities, or utilization controls
- The rest of HCBS services are optional, resulting in wide variation in scope of benefits and delivery systems

Source: https://www.kff.org/medicaid/state-indicator/home-health-services-includes-nursing-services-home-health-aides-and-medical-suppliesequipment/

Indiana Home Health Services Benefit

State Plan Service

- Skilled nursing, home health aide services, and skilled therapies provided on a part-time and intermittent basis
- Requires prior authorization except for 120 hours of care or 30 units of therapy within 30 days of hospital discharge if ordered by a physician
  - Providers submit prior authorization request to IHCP Contractor (Gainwell)
- Not covered: transportation, homemaker services, chores, sitter/companion, respite
- Up to 16 hours a day allowed in special situations
- Personal care and private duty nursing are not current state plan benefits
  - Potential provision in current home health services benefit definition

Sources:
Indiana Medicaid State Plan http://provider.indianamedicaid.com/ihcp/StatePlan/Attachments_and_Supplements/Section_4/4.19b_3-3e.pdf
IHCP Home Health Services https://www.in.gov/medicaid/files/home%20health%20services.pdf

Indiana Aged and Disabled (A&D) Waiver Services

Covered Waiver Services that may be affected by Home Health Service PA

- Attendant Care
- Homemaker
- Respite
- Skilled Nursing (limited)
- Assisted Living
- Structured Family Caregiving
- Adult Day service

May be interactions between these services and state plan home health services

https://www.in.gov/medicaid/files/da%20hcbs%20waivers.pdf

LTSS Service Expenditures

Comparison Table: FFY 2018 Expenditures per State Resident

Population	Total US	Indiana	Kentucky	Ohio	Arizona	Washington
Older Adults and People with Physical or Other Disabilities	**$313.96**	**$452.17**	**$259.74**	**$472.15**	**$136.51**	**$328.39**
Nursing facilities	164.46	361.29	224.54	258.15	67.86	88.80
Personal care	35.03	-	-	37.18	33.77	4.42
Section 1915(c) waiver program: Older adults, PD, or OD	38.37	41.75	25.58	137.30	32.99	(2.34)
Home health	12.28	46.97	8.39	28.11	1.89	2.53
Private duty nursing	2.35	-	1.18	3.77	-	-
1915(j) / self-directed personal assistance	1.34	-	-	-	(0.00)	0.00
1915(i) / state plan HCBS: Older adults, PD, or OD	0.01	-	-	-	-	-
PACE	5.80	1.42	-	0.79	-	2.90
1915(k) / Community First Choice	53.19	-	-	-	-	228.72
MFP Demonstration	1.13	0.73	0.05	6.85	-	3.35

Source: https://www.medicaid.gov/medicaid/long-term-services-supports/reports-evaluations/index.html

Preliminary Observations – Service Delivery

KEY INSIGHTS	ADDITIONAL DETAIL
Benefit	• Skilled and unskilled care included • Short and long visits included • Potential overlap between state plan and HCBS services
Authorization	• Person-centered planning process for HCBS services • Home health services authorized outside of the person-centered planning process • State Plan home health services are prioritized over A&D waivers services

Rates	• Home health service rates have been established without consideration of rates paid for similar services provided through the A&D waiver
	• Rate inconsistency
	    • Not consistent with FSSA's obligation to assure program efficiency and economy
	    • May create inappropriate barriers to access to alternative service options
	• Wages and benefits for similar services may not align, even when those caregivers have the same experience, credentials and skills

Potential Responses to Observations

Benefit

- Revise current home health service benefit definition to include only short visits
- Add new services for longer visits:
  - Personal/attendant care for unskilled care services
  - Private duty nursing for long visit skilled care services

Authorization

- Define service delivery model across state plan and A&D waiver services
- Revise service authorization processes to promote coordination and person-centered planning

Rate

- Align rates across services and provider types
- Develop transparent reimbursement methodology

FSSA policy and business process decisions that impact the rate setting methodology but out of scope for this workstream

Current Landscape: Home Health Services/HCBS Rate-Setting Methodology

Indiana Home Health Services Rate-Setting Methodology

CONSIDERATION		ADDITIONAL DETAIL
	METHODOLOGY	➢ Methodology for establishing rates not described in State-Plan or Administrative Code ➢ Current fee schedule rates were effective July 1, 2017, and have not been updated ➢ Need to establish method for future rate updates ➢ Overhead has its own rate component
	DATA SOURCES	➢ Prior to 2018, rates were cost based ➢ Cost reports are no longer required ➢ Cost data is no longer available for rate-setting purposes
	NEW FUNDING	➢ $10 Million new State appropriation will increase rates ➢ Demonstrates a need to have a methodology in place for future periods

Indiana Home Health Services Rates

Home Health Service	Billing Unit	Procedure	Current Rates (Since SFY 2019)
Overhead	One unit per provider visit per member per day		$34.50
Registered Nurse	Hourly	99600TD	$43.34
Licensed Practical Nurse	Hourly	996000TE	$27.82
Home Health Aide	Hourly	99600	$18.88
Physical Therapist	15-minute increments	G0151	$18.12
Occupational Therapist	15-minute increments	G0152	$17.21
Speech Therapist	15-minute increments	G153	$18.78

Impact of Overhead Rate on Per Visit Cost

Effective Hourly Rates by Service Hours per Day

$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$-

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

RN-Respite
LPN-Respite
HH Aide-Respite
RN-HHA
LPN-HHA
HH Aide-HHA

	RN	LPN	HH Aide
1 Hour Visit	$ 77.84	$ 62.32	$ 53.38
8 Hour Visit	47.65	32.13	23.19
24 Hour Visit	44.78	29.26	20.32

Daily overhead payment skews the effective pay rates and pays significantly higher rates for shorter stays

Discussion of the Overhead Component

- **Purpose of the overhead (what it pays for)**
  - Travel time
  - Admin
  - Training
  - What else? How big are these components? Are some of these components also part of the hourly rate?

- FSSA has little insight into what types of costs comprise the overhead rate component
- Overhead rate results in higher payment per hour for shorter term visits
  - Not aligned with participant access pain points

Potential payment structure options

- For *Short* home health visits
  - Overhead rate + hourly rate
  - Base visit rate + hourly rate (with overhead integrated into base component)
  - Hourly rate (with overhead integrated)
- Long home health visits
  - Overhead structure leads to inadequate rates for long visits
  - Could provide access to longer visits through a different service entirely, such as private duty nursing, or a waiver service

HCBS Rate Alignment

- **Assisted Living rate was developed as a composite**
  - Attendant Care
  - Homemaker
  - Skilled Nursing
  - Adult Day Service
  - PERS
  - Transportation

How should the 3.9% increase for Assisted Living be distributed across services?

What is the implied wage increase?

Assisted Living Rate Composite - Level 2 starting point

Attendant Care
Labor Cost: $4.40
Administration: $1.10
Program Support: $0.26
Electronic Visit Verification: $0.05
Total: **$5.82**

Homemaker
Labor Cost: $3.66
Administration: $0.92
Program Support: $0.37
Electronic Visit Verification: $0.05
Total: **$4.99**

Respite-LPN
Labor Cost: $8.03
Administration: $2.01
Program Support: $0.48
Electronic Visit Verification: $0.05
Total: **$10.57**

Adult Day Service (Level 2)
Labor Cost: $2.16
Administration: $0.54
Program Support: $0.35
Food Cost: $0.35
Total: **$3.40**

Assisted Living (Level 2)	
Attendant Care-Agency (4.5 units)	$26.19
Homemaker-Agency (4 units)	$19.96
Skilled Nursing (1.5 units, mix of LPN and RN)	$16.41
Adult Day Service-Category 1 (4 units)	$13.60
Emergency Response (0.03 monthly units)	$1.83
Non-Medical Transportation (0.3 trips, 2 miles per trip)	$2.53
Proposed Daily Rate	**$80.52**
Proposed Monthly Rate (29.7 days)	**$2,391.44**

Preliminary Observations

- The relationship between the current rates and the reasonable and necessary costs of providing services is not known
- Without an established methodology that includes periodic rate increases
  - Revenue is not predictable
  - Workforce growth may be compromised
  - Access can be jeopardized
  - Decisions regarding rate increases (e.g., for newly appropriated legislative funding) can become more reactionary
  - Reactionary rate changes may result in misalignments and/or be inconsistent with overall program goals and objectives
  - Value-based incentives will likely not be achieved

Methodology – Consideration of Options

Prospective

Price (or Market)-Based

Retrospective

Cost-Based

Negotiated

Reference other Payer(s) Rates

Independent Rate Model

Options for Home Health Rate-Setting Methodology

OPTION	CONSIDERATIONS
NEGOTIATED	• Fully dependent on periodic negotiation, requiring good faith resolutions of differences • Could be used to maintain current payment method (i.e., per unit of service + overhead component) • Less transparency – potential disconnect between required resources and negotiated rates
REFERENCE OTHER PAYER(S) RATES	• Rates would be tied to selected other payer(s) rates and methods • Would likely also require some negotiation • Potentially dependent on parameter and funding changes of selected payer • Would likely include some element of negotiation
INDEPENDENT RATE MODEL (IRM)	• Application of an IRM framework that builds rates from the ground up • Model assumptions would be derived from independent sources (e.g., BLS) • Very transparent - provides a basis for understanding what rates should be • Relatively easy to update as appropriate • Would likely include some element of negotiation

IRM Example – Indiana's Respite Rate Methodology

Rate Component	RN	LPN	Unskilled	Note
Direct care worker wage	$31.16	$22.32	$11.80	BLS Indiana median wage for RNs and LPNs, and default wage for Unskilled rate with 4% inflation
Staffing ratio	1:1	1:1	1:1	Based on waiver requirements
Supervisor wage	$31.16	$31.16	$15.75	BLS Indiana median wage for RNs (RN and LPN rate) and Healthcare Support Workers (for Unskilled rate) with 4% inflation
Supervisor span of control	13:1	13:1	13:1	Based on provider survey
Labor cost	$10.90	$8.03	$4.23	Default 19% benefits, 6% productivity and 3% PTO
Administration	$2.72	$2.01	$1.06	Default 25% administration
Program support	$0.65	$0.48	$0.25	Default 6% program support
Electronic Visit Verification	$0.05	$0.05	$0.05	Agency cost spread over multiple personnel
Rate (15 minutes)	**$14.33**	**$10.57**	**$5.59**	

Indiana wage data from the US Bureau of Labor and Statistics (BLS)

STATE OF INDIANA BLS DATA
MEDIAN WAGES

	May-18	May-20	2-yr Change
Personal Care Aides	10.84		
Home Health Aides	11.15		
Home Health and Personal Care Aides		11.63	4.3%
Licensed Practical and Licensed Vocational Nurses	21.46	22.85	6.5%
Registered Nurses	29.96	31.25	4.3%

https://data.bls.gov/oes/#/home

Current DA waiver rates were set using 2018 BLS data with 4% inflation

EMPLOYMENT COST INDEX
NURSING CARE FACILITIES

Quarter Ending	Index	Change
Mar-20	133.1	
Jun-20	134.0	0.7%
Sep-20	134.9	0.7%
Dec-20	136.1	0.9%
Mar-21	137.7	1.2%
From March 2020 - March 2021		3.5%

https://www.bls.gov/web/eci/ecicois.txt

Preliminary Research of Other States' Programs

State Research: Home Health Benefit in Other States

- Limits on home health benefits vary across Medicaid programs:
  - No limits (CA, HI, ID, ME, MA, MN, NJ, NM, RI, UT, WA)
  - Prior authorization requirement – no limit specified (AK, AZ, DC, NV, OR, TX, VT, WY)
  - Medical necessity determination – no limit specified (DE, MD, MI)
  - No limits for 28 days, then limited to 15 days per month thereafter (PA)
  - Limit on hours per visit, per day and per week (OH)
  - Limits on number of hours per week (NE, TN)
  - Limits on number of visits per year (AL, GA, MS, MT, NC, OK)
  - Limits on number of intermittent visits per day and visits per year (FL)
  - Limits on number of hours and visits per week (CT)
  - Prior authorization when needs exceed limits (CT, FL, GA, MS, WV, WI)
  - Prior authorization with maximum per day reimbursement (CO)

Source: https://www.kff.org/medicaid/state-indicator/home-health-services-includes-nursing-services-home-health-aides-and-medical-suppliesequipment/

State Research: Home Health Rate Development

- Limited information found on how states develop their home health reimbursement methodology
  - States reviewed included: AZ, KY, MN, OH, TN, WA
- Methodologies not described in detail but included:
  - Median statewide cost reports trended forward
  - Paid claim data trended forward
  - Rate models incorporating wage data, administrative expenses, transportation costs, etc.

State Research – Washington

- Medicaid State Plan Reimbursement Methodology
  - Per visit reimbursement
  - Rate varies by type of professional
    - Nursing
    - Physical therapy
    - Occupational therapy
    - Speech, hearing and language disorders therapy
    - Home health aide
  - Rates determined using a historical base for the per-visit rates by profession, adjusted regionally using the Medicare Metropolitan Statistical Area fees.
  - Rate changes, using a Vendor Rate Increase, must be made through the legislative process
  - Frequency of rate updates not specified
  - Related equipment, supplies, and other services are reimbursed using the CMS DMEPOS Fee Schedule less a specified percentage (reduction set to be 3.5% as of April 2012)

Source:
Washington Medicaid State Plan https://www.hca.wa.gov/assets/program/SP-Att-4-Payment-for-Services.pdf

State Research – Washington

- Fee Schedule Development in HCBS Waivers
  - Personal care and respite rates are based on a per hour unit and are determined by the State legislature, based on negotiations between the Governor's Office and the union representing Individual Providers.
  - RCW 41.56.026 establishes collective bargaining rights for individual providers of personal care and respite. The collective bargaining agreement is negotiated every two years and is subject to funding by the state legislature. If changes are made within the bargaining agreement that affect the rate methodology, a waiver amendment will be submitted.
  - The bargained rate includes wages, workers' compensation, vacation pay, mileage reimbursement, comprehensive medical, training, and seniority pay. For individual providers who have completed the home care aide certification, the hourly rate also includes a certification differential payment. Due to the agency parity law [RCW 74.39A.310(1)(a)(v)] the home care agency vendor rates are equivalent to that of the individual provider rate.

Sources:
Washington COPES Waiver https://www.medicaid.gov/medicaid/section-1115-demo/demonstration-and-waiver-list/83496
Washington New Freedom Waiver https://www.medicaid.gov/medicaid/section-1115-demo/demonstration-and-waiver-list/83491

State Research – Ohio

- Base rate = amount paid for initial 35 – 60 minutes of delivered service
- Unit rate = amount paid for each 15-minute unit of service
- Maximum rate:
  - Visits < 15 minutes: 1 unit
  - Visits 16-34 minutes: 2 units
  - Visits 35-60 minutes: base rate
  - Visits greater than 1 hour: base rate + unit rate (not to exceed 4 hours)
- ODM engaged stakeholders to examine and modernize HCBS rate setting methodologies based on:
  - Labor market data
  - Education
  - Licensure status of providers
  - Service visits length of time
- The agreed upon rate modifications are based on a wage component, employee related expenses, supervisor costs, a full time and part time staffing ratio, training, productivity (travel and documentation), transportation, and administrative costs.

Code	Description	Base Rate	Unit Rate
G0151	Physical Therapy	$69.94	$4.50
G0152	Occupational Therapy	$69.94	$4.50
G0153	Speech-Language Pathology	$69.94	$4.50
G0156	Home Health Aide	$23.57	$3.92
G0299	Home Health Nursing - Registered Nurse	$47.40	$8.75
G0300	Home Health Nursing - Licensed Practical Nurse	$40.65	$7.37

Sources:
Ohio Medicaid State Plan https://medicaid.ohio.gov/static/Stakeholders%2C+Partners/MedicaidStatePlan/Sections/GPA/4_19-B-Methods.pdf
Ohio Medicaid Provider Fee Schedules: https://medicaid.ohio.gov/static/Providers/FeeScheduleRates/HomeHealth/HHS-201701013e48.pdf
Ohio Home Care Waiver https://www.medicaid.gov/medicaid/section-1115-demo/demonstration-and-waiver-list/82826

Next Steps

Community Reimbursement – Project Timelines

CY 2021										CY 2022					
Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Review of current program and research alternatives

Finalize Rates, Methods, and Simulation Results

- **Select and Evaluate Alternatives**
- **Conceptual Design, with Refinements**
- **Simulate Rates and Payments**

State and CMS approval process

Stakeholder engagement will occur throughout the process

Next Steps

- Next meetings:
  - *Preliminary results of analysis: August 5, 2021*
  - *Follow-up analysis, evaluation of options, and conceptual design: September*
- Meeting topics and agendas to be developed and sent five business days in advance of the Workstream meetings.
- If you'd like to participate, or have additional suggestions, please email backhome.Indiana@fssa.in.gov.

Questions, suggestions?

Submit them via email to:
backhome.Indiana@fssa.in.gov

…Because we are dedicated to helping Hoosiers live self-sufficient, productive lives of their choosing.

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The work for this project is still on-going. FSSA has not made any final decisions. FSSA policy decisions, which have yet to be determined, will be subject to state legislative and federal approval.