

REVIEW OF CASE MANAGEMENT PROVIDER RATES FOR THE
COMMUNITY INTEGRATION AND HABILITATION WAIVER AND
FAMILY SUPPORT WAIVER

FINAL REPORT

— PREPARED FOR —

BUREAU OF DEVELOPMENTAL DISABILITIES SERVICES
INDIANA FAMILY AND SOCIAL SERVICES ADMINISTRATION

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EXECUTIVE SUMMARY

House Enrolled Act No. 1317 of the Second Regular Session of the 120th General Assembly (Public Law 209) required that the Indiana Family and Social Services Administration (FSSA) undertake a study of payment rates for case management services provided through the Community Integration and Habilitation Waiver and the Family Supports Waiver overseen by the Bureau of Developmental Disabilities Services (BDDS). As permitted by the legislation, FSSA chose to contract with a consultant to assist with the rate study, selecting the national consulting firm Burns & Associates, Inc. (B&A).

In order to review the appropriateness of the existing payment rates and to make recommendations for potential changes, B&A designed a rate study comprised of the following tasks:

- A detailed review of service requirements, billing rules, and BDDS' policy objectives
- Multiple meetings with the case management companies to discuss the project approach, their perspective on the needs of the system, and key findings and recommendations
- Development and administration of a provider survey that was completed by all case management companies in operation for at least one year
- Identification and research of other available data to inform the development of a rate model, including cross-industry wage and benefit standards
- Construction of a proposed rate model that includes specific assumptions related to the costs associated with providing case management services, including case managers' wages and benefits, their caseloads, travel, and agency overhead
- Facilitation of a comment process wherein case management companies were given several weeks to consider the proposed rate model and submit written feedback
- Finalization of the rate model and estimation of the fiscal impact of implementing the recommended rates

Based upon this work, the rate study produced a monthly payment rate for case management of \$154.90, an 18 percent increase compared to the current rate of \$131.25. The recommended payment for the annual completion of a person-centered individualized support plan is \$162.90, nine percent greater than the current \$150.00 rate.

The overall rate increase is driven by a number of factors: an assumption of somewhat higher wages for case managers intended to positively impact recruitment, retention, and quality; a modest reduction in caseload size in order to allow case managers to spend more time on each case; and an increase in support and administrative funding in order to permit necessary investment in infrastructure.

Fully implementing the recommended rates would increase annual spending by \$9.2 million in total funds; the non-federal share of the cost would be approximately \$3.2 million.

This report is being submitted for the budget committee's consideration as required by the legislation.

BACKGROUND

Indiana provides a variety of home and community-based services (HCBS) to individuals with intellectual and developmental disabilities (I/DD) through two Section 1915(c) waivers: a comprehensive waiver that includes residential services (the Community Integration and Habilitation Waiver) and a supports waiver (the Family Supports Waiver).

Case management services are provided by eight case management companies that are paid a monthly rate – currently \$131.25 – for each individual they serve. In addition, earlier this year BDDS instituted a \$150.00 payment for the completion of the annual person-centered individualized service plan, bringing the effective monthly rate to \$143.75.

House Enrolled Act No. 1317 of the Second Regular Session of the 120th General Assembly (Public Law 209) required that FSSA undertake a study of these rates. The legislation places a particular emphasis on accounting for the various activities that case managers perform and lists several categories of costs that must be considered, including training for case managers, on-call requirements, employing or contracting with a registered nurse, accreditation, quality assurance, and supervision and support. The study must also consider the rates paid for similar services both within Indiana and in other states.

The legislation permitted FSSA to contract with a consultant to assist with the rate study and FSSA chose to hire Burns & Associates, Inc. (B&A), a national health policy consulting firm. B&A has conducted or is in the process of conducting comprehensive rate studies for HCBS in I/DD waiver programs in ten states, employing an ‘independent’ rate model approach. Rather than depending on any single source of data (such as provider cost statements), B&A considers data from a variety of sources in order to construct a market-based rate.

BDDS and B&A worked closely with case management companies throughout the rate study. This report has been prepared to summarize the tasks completed for the study and the resultant recommendations.

PROCESS

B&A employed its standard approach to studying rates for home and community-based services. This approach incorporates the following tasks:

- A detailed review of service requirements, billing rules, and BDDS’ policy objectives
- Multiple meetings with BDDS staff and the case management companies
- Development and administration of a provider survey
- Identification and research of other available data to inform the development of the rate models
- Construction of a proposed rate model that included specific assumptions related to the costs associated with providing case management services
- Facilitation of a comment process
- Finalization of the rate model and estimation of the cost of implementing the recommended rates
- Benchmarking the recommended rate against rates for similar services to ensure reasonableness

The remainder of this section summarizes the work and findings associated with each of these tasks.

Review of Service Requirements

Home and community-based services differ from most Medicaid-funded services in that they generally lack the degree of standardization that is typical for, for example, hospital treatments. States have wide latitude to define HCBS requirements, including case management. As a result, states vary widely in the maximum caseloads they will permit, the required number and frequency of overall and face-to-face contacts, case manager qualifications, and other factors influencing the cost of service delivery. For this reason, an HCBS rate study first requires an in-depth review of a state's requirements and expectations.

In order to develop this understanding, B&A reviewed the State's CIH and FSW waiver applications and policy manuals as well as the legislative requirements for the rate study. From this review, B&A compiled a detailed discussion outline to guide a meeting with BDDS staff covering existing requirements and any issues that required clarification. More generally, B&A sought BDDS' insights into the current state of case management. A similar meeting was held with the case management companies to gain their perspectives on what is working effectively in regards to case management and what could be improved.

These discussions were also used to discuss potential changes to the approach to paying for case management services. Options that were discussed included:

- Billing for 15-minute services increments rather than monthly units
- Eliminating the annual payment for person-centered individualized support plan development and incorporating these costs in the monthly case rate
- Establishing 'tiered' rates and/or an 'exceptions' process to pay higher amounts for supporting individuals with more significant needs
- Creating geography-based rates to pay higher or lower amounts based on the region of the State in which the individual lives.

Each of these options was ultimately rejected as they represented significant systemic changes to the case management structure, which was beyond the scope of the rate study. Thus, the rate study largely aimed to update the existing rates – maintaining the status quo from a billing perspective – recognizing that service expectations continue to evolve and that payments should reflect these changes.

Provider survey

Consistent with the requirements of the legislation requiring the rate study, B&A developed an Excel based provider survey to collect information about the responsibilities of case managers and case management companies as well as the costs associated with service delivery. In particular, the survey included the following sections:

- Wage and salary levels, turnover rates, and training requirements for case managers
- Information regarding the benefits offered to case managers, including eligibility guidelines, participation rates, and costs

- Case managers' caseloads, the number of contacts they have with the individuals they serve, and the amount of time they spend on various activities
- Wage and benefit costs for staff providing administrative and program support functions
- Administrative and program support costs other than staffing

A draft of the survey was shared with the case management companies and revisions were made based on their feedback. The survey was emailed to the case management companies on August 31. BDDS made participation in the survey mandatory for all companies in operation for at least year. Providers were given one month to complete the survey although surveys were submitted and accepted after the deadline. Ultimately, each case management company submitted a survey as required, although not all companies completed all sections of the survey.

B&A provided technical assistance throughout the survey period. The survey was accompanied by written instructions and B&A recorded a webinar to walk-through the survey line-by-line. B&A provided contact information for a staff person to whom any questions could be directed. Finally, as surveys were submitted, B&A conducted a desk review and followed-up with providers to seek any necessary clarification.

B&A aggregated the individual surveys and analyzed the results. In general, B&A reported average values with and without outliers (defined as more than two standard deviations from the mean) and median values. These results were presented to the case management companies to identify any potential errors in the reporting. In general, the companies believed that the results accurately reflected current service delivery and costs.

Other Data Sources

Recognizing that the cost data collected through the provider survey is, to a significant degree, a function of current rates, B&A identified other sources of data to inform the development of market-based rates. 'Independent' data sources considered or incorporated in the rate model include:

- Wage data from the Bureau of Labor Statistics '(BLS) Occupational Employment Statistics program, used to set the wage assumption for case managers
- Ten-year average wage growth from the Bureau of Economic Analysis to inflate BLS wage data
- Health insurance cost data from the BLS' National Compensation Survey and the U.S. Department of Health and Human Services' Medical Expenditure Panel Survey, used to inform the cost of health insurance built into the assumed benefits package for case managers
- The Internal Revenue Service's standard mileage rate to set the cost associated with case manager travel
- Various reports about typical cellular phone plan prices to account for the cost for case managers to have a mobile device

Rate Model Development

Using data collected both from the provider survey and from various independent, market-based sources, B&A developed draft rate models for monthly case management and the annual development of a person centered individualized support plan. The rate models detail the specific assumptions made and data sources used in order to develop the total rate. Specifically, the rate model includes assumptions regarding:

- The average caseload carried by a case manager and the number of hours required to complete the annual person-centered individualized support plan
- The wage earned by the case manager
- The benefits package provided to the case manager, with specific assumptions detailing the cost of Social Security and Medicare payroll taxes, federal and state unemployment insurance, workers' compensation, health insurance, and other benefits
- The number of miles driven by a case manager
- The cost of furnishing case managers with a laptop and cellular telephone
- Program support and administrative expenses

The assumptions are necessary to construct a total rate, but are not intended to prescribe case management companies' business practices. For example, the rate model assumes that a case manager earns \$21.85 per hour (not including potential payments for the completion of annual plans), but there is no requirement that a case management company pay this specific wage to an individual case manager. Rather, this assumption – and all other assumptions – are intended to transparently reflect the 'typical' assumed cost of providing the service. Stakeholders may disagree with a given assumption, but this approach ensures a common understanding of 'how' the rate was developed and allows adjustments to be made over time. For example, if BDDS wishes to mandate lower caseloads, it could adjust this specific assumption to increase the rate without the need for another comprehensive rate study.

The proposed rate model was presented to the case management companies on November 16. B&A explained the assumptions included in the proposed rate model and answered technical questions. This meeting represented the commencement of the comment process.

Comment Process

After the presentation of the proposed rate model, case management companies were given three weeks – until December 7 – to submit written comments to B&A. Six organizations submitted comments. Comments centered around four issues:

1. The proposed limit on caseload size
2. The assumed wage for case managers
3. The amount of funding assumed for administrative and program support costs
4. The need for ongoing inflationary adjustments to ensure the continued adequacy of the rates

Although BDDS did not agree with all suggested changes, the comments were thoughtfully written and constructive. BDDS did make a couple of substantive changes in response to the comments. First, BDDS agreed to enforce the proposed caseload size limitation on a company-wide basis rather than for every individual case manager, and to allow for a phase-in period for the implementation of the limit. Second, BDDS agreed to add an inflationary adjustment to the case manager wage assumption, adding three percent annual growth for 26 months to bring the wage from May 2017 levels (the most recent dataset from the Bureau of Labor Statistics) to July 2019.

Rate Model Finalization and Fiscal Impact Analysis

B&A updated the rate model to inflate the case manager wage assumption based on the recommendation from the comment process and incorporated the IRS’ standard mileage rate for 2019. This increased the recommended monthly rate from \$146.64 to \$154.90 and the annual person-centered individualized support plan rate from \$154.02 to \$162.90.

In order to estimate the fiscal impact, B&A reviewed the estimated utilization levels reported in Appendix J of the State’s current waiver applications (with August 1, 2018 effective dates). Figure 1 summarizes the analysis.

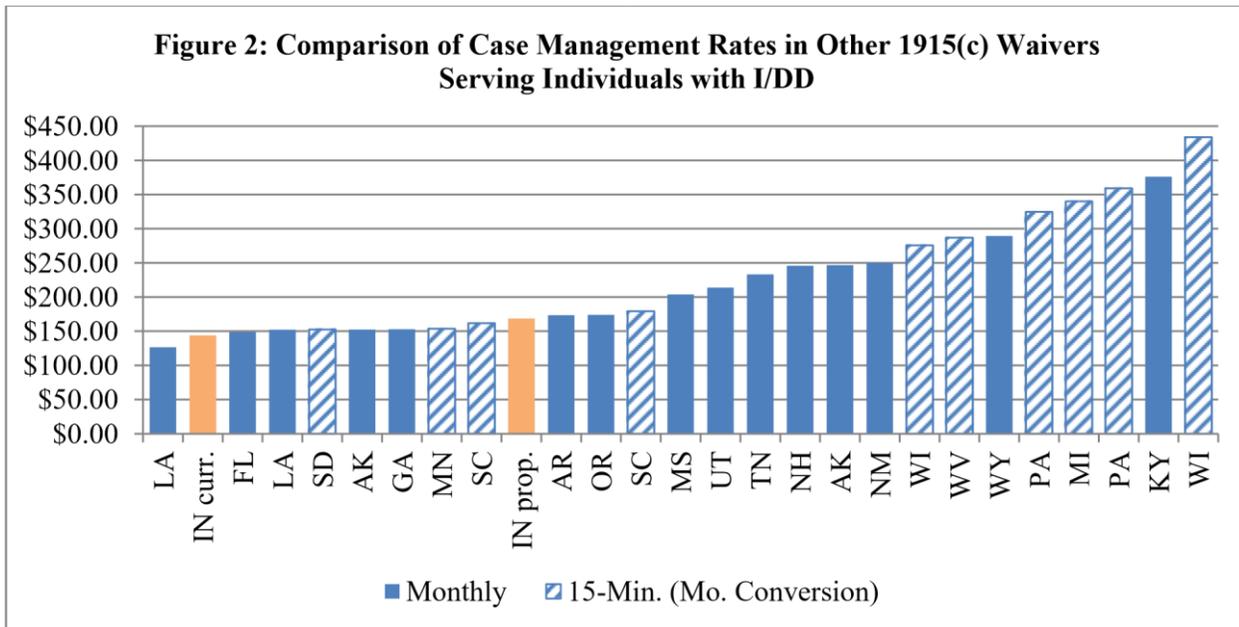
Figure 1: Estimated Fiscal Impact of Recommended Rate Model								
Waiver	Individuals		Units/ Person		Rate Change		Total	
Monthly Case Management								
CIH	22,953	x	11	x	\$23.65	=	\$5,971,223	
FSW	10,901	x	11	x	\$23.65	=	<u>\$2,835,895</u>	
Subtotal							\$8,807,118	
Annual Person-Centered Individualized Support Plan								
CIH	22,076	x	1	x	\$12.90	=	\$284,780	
FSW	10,751	x	1	x	\$12.90	=	<u>\$138,688</u>	
Subtotal							<u>\$423,468</u>	
Grand Total								\$9,230,586

Based on the State’s federal medical assistance percentage (FMAP) for federal fiscal year 2020,¹ the nonfederal share of costs would be 34.16 percent, or about \$3.2 million.

Benchmarking

As noted earlier, service requirements can vary significantly from one state to the next, meaning that a comparison of payment rates is of limited utility. Nevertheless, such a comparison can help ensure the overall reasonableness of the rate developed through this rate study; that is, if the resulting rate is markedly lower or higher than rates paid elsewhere, further consideration would be warranted.

To conduct this comparison, B&A reviewed 1915(c) waivers for individuals with intellectual and developmental disabilities currently in operation across the country and identified those that provide case management as a waiver service. In instances in which the service is billed in 15-minute increments, B&A developed a monthly equivalent based on the average number of units of service provided to each waiver enrollee reported in Appendix J of the waiver. The range of rates is illustrated in Figure 2. Although B&A conducted a cursory review and documented service requirements in the other states, no efforts were made to adjust the rates (for example, rates were not adjusted to account for differing caseload limits).



The chart demonstrates that, of the 26 other programs identified, Indiana’s current rate is the second lowest, even after accounting for the recent establishment of the annual person-centered individualized

¹ Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children’s Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2019 Through September 30, 2020. 83 Fed. Reg. 61157 (Nov. 28, 2018).

service plan rate.² The rate recommended as a result of this study would still place Indiana in the bottom third of the other programs, ranking 18th out of the 26 programs.

In addition to case management rates in other states' 1915(c) waivers for persons with I/DD, B&A also considered the rates for case management in other waiver programs in Indiana. The Aged and Disabled Waiver pays \$150.00 per month and the Traumatic Brain Injury Waiver pays \$100.00. As with the comparison to the rates paid in other states, however, differences in service requirements and expectations in these programs makes it difficult to equate the rates.

Overall, B&A believes that these comparisons demonstrate that the State is receiving significant value for its case management spending and that the recommended rate increase is reasonable.

NEXT STEPS

This report is being submitted for the budget committee's consideration as required by the legislation.

² Some states are listed multiple times because they have multiple 1915(c) waivers for persons with I/DD that have different case management rates.