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Health and Human
Services Commission

Presentation to Joint Legislative Oversight on Long-Term Care

September 22, 2004

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Presentation Overview

STAR+PLUS

Long Term Care Rate Setting

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STAR+PLUS

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Presentation Overview

- STAR+PLUS Overview
  - What is STAR+PLUS?
  - STAR+PLUS Services
  - Benefits of STAR+PLUS
  - Why STAR+PLUS?
  - STAR+PLUS Funding
  - How are HMOs paid?
  - Where is STAR+PLUS?
  - STAR+PLUS Results
  - STAR PLUS Cost Savings
- STAR+PLUS Expansion Proposal

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What is STAR+PLUS?

- Medicaid managed care program
- Coordinates care for aged and for people with disabilities
- Provides both medical and community support services such as attendant care, adult day care and other services that help clients to remain in their homes

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STAR+PLUS Services

- Medical care
- Attendant care
- Medical supplies
- Home modifications
- Respite care
- Therapies
- Emergency response
- Adult day care
- Adaptive aids
- Adult foster home
- Assisted living
- Nursing services
- Home delivered meals

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Benefits of STAR+PLUS

- Medical home (primary care doctor)
- Preventive services (e.g., adult well checks)
- No limits on prescription drugs
- Flexible benefits (e.g. non-Medicaid services such as sub-acute care)
- **Care coordination:**
  - HMO nurses and social workers are available to all members
  - Care coordinators make home visits and assesses members needs:
    - Authorize community support services
    - Arrange for other services (e.g., medical care, transportation)
    - Coordinate community support (e.g., housing, utilities)

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Why STAR+PLUS?

- Legislative direction (SCR 55, 74th Regular Session)
- Improved coordination of physical health care needs with personal care needs
- Access to community based long-term care support services
- Increased cost effectiveness

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How Is STAR+PLUS Funded?

- Medicaid acute care funds are combined with the community support services funds for the client population enrolled in STAR+PLUS

- A per member per month rate is developed based on average medical and community support services expenses for this population in the previous year

- Discount of 6% applied to the rate to guarantee a savings to the state

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How Are HMO's Paid?

- Fixed payment per person (capitation)
- At risk for addressing member needs within fixed budget
- Incentive to be efficient and to keep people healthy to avoid use of expensive medical services

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Where Is STAR+PLUS?

- Implemented in Harris County, April 1998
- Over 59,000 members
- Choice of two Health Maintenance Organizations (HMOs)
- The Primary Case Management Model is an option for Supplemental Security Income (SSI) clients under age 21

STAR PLUS Results: Access to Services

- Increased use of preventive and support services
  - 32% increase in attendant care
  - 38% increase in adult day care

Source – Encounter Data Submitted by Health Plans

- Decreased use of acute medical services
  - 28% decrease in hospital admissions
- Decreased use of emergency room (ER) visits
- Members rate their HMOs on providing needed services, equipment, and assistance
  - 8.2 on 10 point scale

Source – Institute for Child Health Policy, 2003 Studies

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STAR PLUS Results: Quality

- Consumers rate STAR+PLUS quality of care as very good (Consumer Assessment of Health Survey; Institute for Child Health Policy [ICHP], Spring, 2003)
- Care coordination decreases emergency room and hospital visits for the sickest members (Care Coordination Study, 2003, ICHP)
- Care Coordinators actively assess and authorize long term care support services to members who need them (Care Coordination Study, 2001, ICHP)

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STAR PLUS Results: Quality

- Completed external review - July 2003
- Sickest STAR+PLUS members were compared to equally sick people in a non-capitated primary care case management program
- Significant cost difference ($3,226/month in STAR+PLUS vs. $13,160/month in comparison group)
- Significant reduction in inpatient and ER use, especially in HMO with larger number of care coordinators

Source: Institute for Child Health Policy, November 2003

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STAR PLUS Cost Savings

- Cost savings result from *managing care* by:
  - Identifying and treating health problems early;
  - Avoiding higher cost services and products when lower-cost, appropriate services can be rendered;
  - Coordinating care effectively and reducing duplication of services; and
  - Promoting wellness and healthy lifestyles

STAR PLUS Cost Savings: Harris County Pilot

- Estimated Savings
  - **FY03** $28.6 million (all funds)
    $11.44 million (state funds)
  - **FY04** $29.4 million (all funds)
    $11.76 million (state funds)
- 6.5% less than Medicaid fee for service for Harris County

STAR PLUS Expansion Proposal

H.B. 2292, 78th Legislature Regular Session:

- Directed HHSC to provide Medicaid services through the most cost-effective managed care model(s)
- Directed HHSC to conduct a study to determine which managed care model(s) were most cost effective for HHSC's Medicaid program

The Lewin Group found the greatest opportunity for cost savings to be the expansion of the STAR+PLUS Program

STAR+PLUS Expansion Proposal

Where

- The STAR+PLUS program will be expanded to all service areas in which the STAR HMO model will be available

Who

- **Mandatory:** non-institutionalized, aged and adults with disabilities (SSI and SSI-related)
- **Voluntary:** children with disabilities under age 21 (SSI and SSI-related)

When

- September 2005

STAR+PLUS Expansion Proposal

- **New STAR+PLUS Areas:**
  - **Bexar Service Area**: Bexar, Atascosa, Comal, Guadalupe, Kendall, Medina, Wilson
  - **Dallas Service Area**: Dallas, Collin, Ellis, Hunt, Kaufman, Navarro, Rockwall, Fannin, Grayson
  - **El Paso Service Area**: El Paso
  - **Lubbock Service Area:** Lubbock, Crosby, Floyd, Garza, Hale, Hockley, Lamb, Lynn, Terry
  - **Travis Service Area:** Travis, Bastrop, Burnet, Caldwell, Hays, Lee, Williamson
  - **Tarrant Service Area:** Tarrant, Denton, Hood, Johnson, Parker, Wise, Cooke, Erath, Palo Pinto, Somervell
  - **Nueces Service Area:** Aransas, Bee Calhoun, Jim Wells, Kleberg, Nueces, Refugio, San Patricio and Victoria

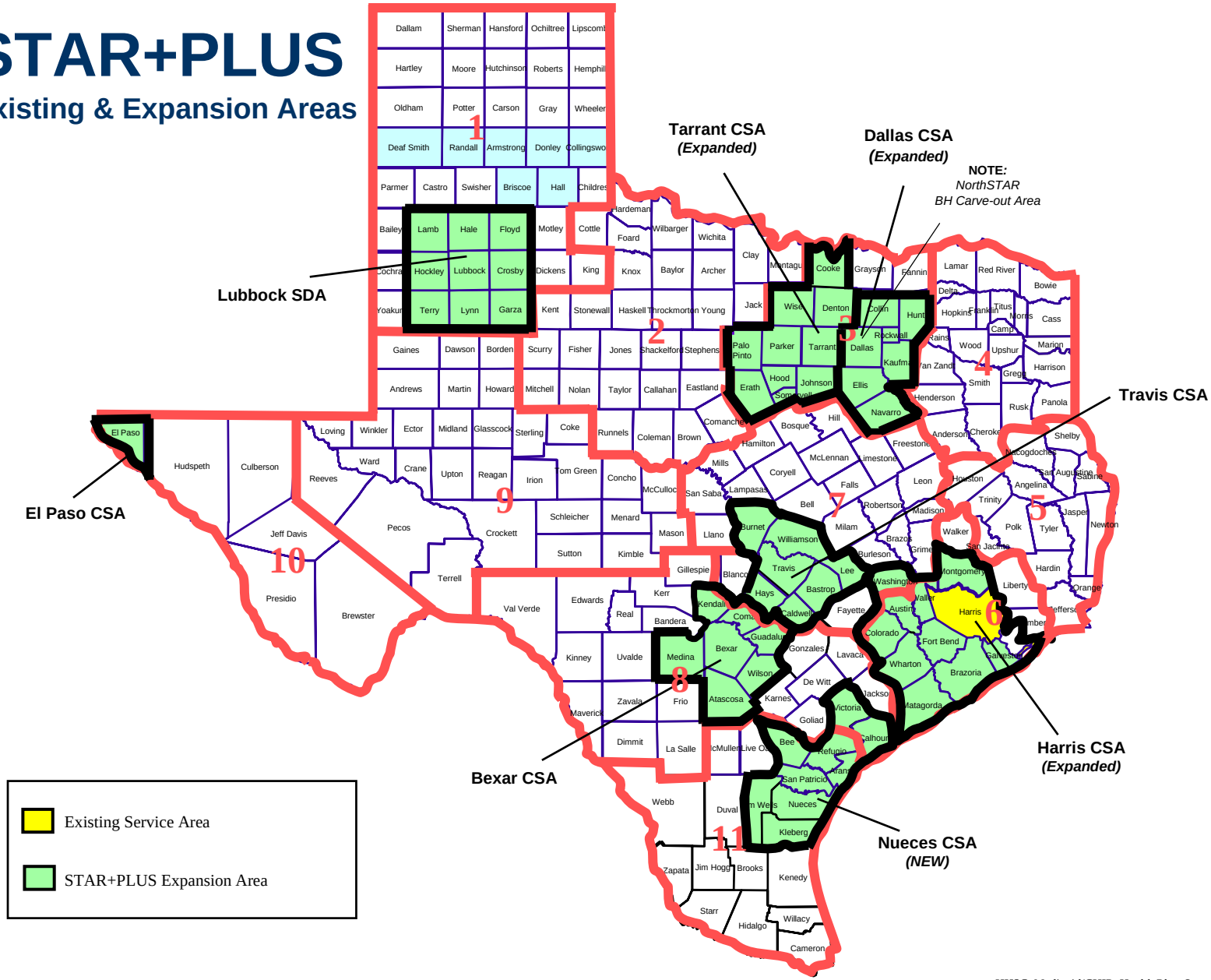
STAR+PLUS Expansion Proposal

Harris county: Expand to include the following additional counties:

- Brazoria
- Fort Bend
- Galveston
- Montgomery
- Waller
- Austin
- Colorado
- Matagorda
- Washington
- Wharton

STAR+PLUS

Existing & Expansion Areas



HHSC, Medicaid/CHIP, Health Plan Operations
February 2004

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Long Term Care Rate Setting

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Presentation Overview

- Long Term Care Rate Determination Process
- Nursing Facility Rate Determination Process
- Texas Index for Level of Effort (TILE) Case Mix Classification System
- Nursing Facility Direct Care Staff Enhancement
- Nursing Facility Statistics
- Estimated Average FY 2005 Nursing Facility Rate
- Community Based Alternatives (CBA) Rate Determination Process
- CBA Attendant Compensation Rate Enhancement
- CBA Statistics
- Estimated Average FY 2005 CBA Assisted Living Rate

Long Term Care Rate Determination Process

- Cost reports are completed by contracted providers and submitted to HHSC
  - Providers report only allowable costs; not all costs that are incurred
- Proposed rates are:
  - Calculated by staff using audited cost report data
  - Adjusted for changes in regulations and projected changes in costs
  - Provided to the public for input at a public rate hearing
- HHSC Executive Commissioner approves final rates and requests the Department of Aging and Disability Services (DADS) to implement the approved rates
  - DADS implements approved rates and notifies contracted providers

Nursing Facility Rate Determination Process

- Medicaid contracted nursing facilities are required to submit annual cost reports
  - Reports are audited and adjusted for projected changes in costs
- Rate components are based on weighted means and weighted medians derived from adjusted costs of all facilities:
  - Direct Care Nursing Staff
  - Other Resident Care
  - Dietary
  - General & Administration
  - Fixed Capital Asset Use Fee
  - Liability Insurance
- Final rates are subject to appropriated funding
- Rates are determined for the biennium

Texas Index for Level of Effort (TILE) Case Mix Classification System

- Reimbursement rates for the Direct Care Staff and Other Resident Care rate components vary according to the residents' characteristics
- Residents are grouped into eleven case-mix classes based on needs and acuity
- Eleven TILE classes were determined through a statistical analysis of resident resource utilization data collected in 1987
- These eleven classes are called Texas Index for Level of Effort, or TILE, classes:
  - **Example #1:** A typical TILE 207 resident is clinically stable but suffers from some level of incoherence/disorientation. The resident requires help in getting in and out of bed, is spoon-fed and incontinent.
  - **Example #2:** A typical TILE 201 resident is bedfast, tube fed and incontinent, she may be comatose, quadriplegic, suffering from pressure ulcers and receiving oral/nasal suctioning or tracheotomy care.

Texas Index for Level of Effort (TILE) Case Mix Classification System

- Each class is assigned an index representing the relative amount of nursing staff time (RNs, LVNs and nurse aides) required, on average, to care for residents in that class as compared to the average resident overall

- Three add-ons have been developed since the inception of the TILE system to provide extra funds for residents who are dependent upon ventilators and for children with tracheotomies

Nursing Facility Direct Care Staff Enhancement

Enhanced Staffing Rates and Accountability

- Implemented May 1, 2000, and subsequently modified to increase provider flexibility
  - Participating providers agree to maintain a certain direct care nursing staffing level in return for increased direct care staff revenues
  - Funding for enhancement levels is limited by appropriations
- Participating providers failing to meet their staffing requirement for a reporting period are required to repay all direct care staff revenues associated with unmet staffing goals to the state
  - Providers may mitigate staffing recoupments
  - Providers are subject to recoupment of unexpended funds below 85 percent of direct care staff revenues
- Recouped funds are redistributed to providers who staffed above their required staffing levels

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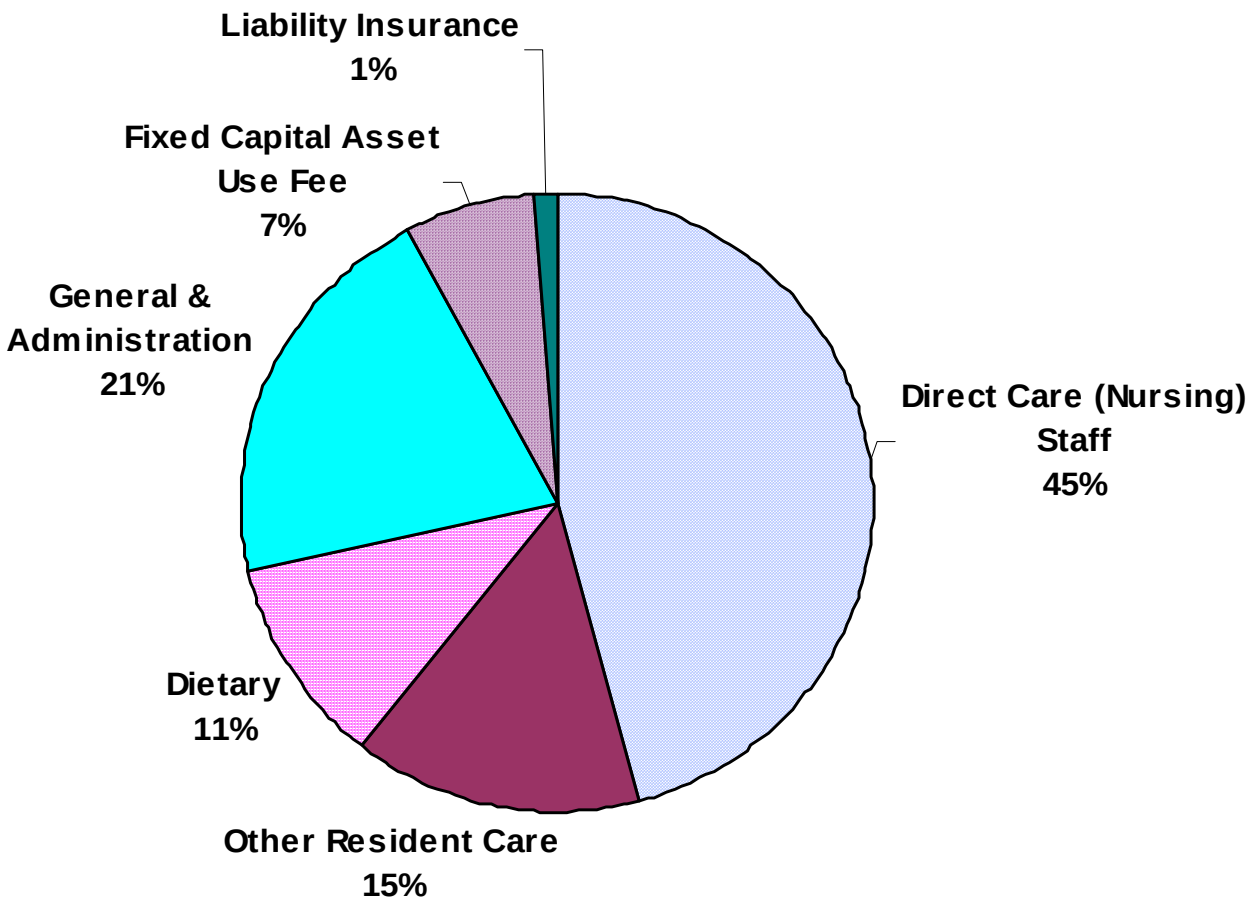
Nursing Facility Statistics

- Projected FY 2004 Statistics:
  - Average Number of Clients per Month: 59,684
  - Total Expenditures: $1,659,662,656
    - State - $619,552,181
    - Federal - $1,040,110,475
  - Number of Contracted Facilities: 1042

Estimated Average FY 2005 Nursing Facility Rate



Community Based Alternatives (CBA) Assisted Living Rate Determination Process

- Contracted providers are required to submit annual cost reports
  - Reports are are audited and adjusted for projected changes in costs
- Rate components are based on the weighted median of adjusted costs of all facilities:
  - Attendant Care Costs
  - Other Direct Care Costs
  - Facility Costs
  - Dietary Costs
  - Administration and Transportation Costs
- Final rates are subject to appropriated funding
- Rates are determined for the biennium

CBA Attendant Compensation Rate Enhancement

Enhanced Rates and Accountability

- Implemented September 1, 2000
  - Participating providers agree to spend approximately 90% of their attendant revenues including their enhanced add-on rate level on attendant compensation
  - Funding for enhancement rate add-on levels is limited by appropriations
- Participating providers failing to meet their spending requirement for the reporting period are required to repay all enhanced rate add-on revenues associated with unmet spending requirements to the state
  - A participating facility's attendant care rate after their spending recoupment cannot be less than the non-participant attendant care rate
- Recouped funds are redistributed to providers whose spending on attendant compensation was above their attendant revenues

Community Based Alternatives Statistics

- Projected FY 2004 Statistics:
  - Average Number of Clients per Month: 2,728
  - Total Expenditures: $35,452,385
    - State - $13,234,375
    - Federal - $22,218,010
  - Number of Contracted Facilities: 301

Estimated Average FY 2005 CBA Assisted Living Rate