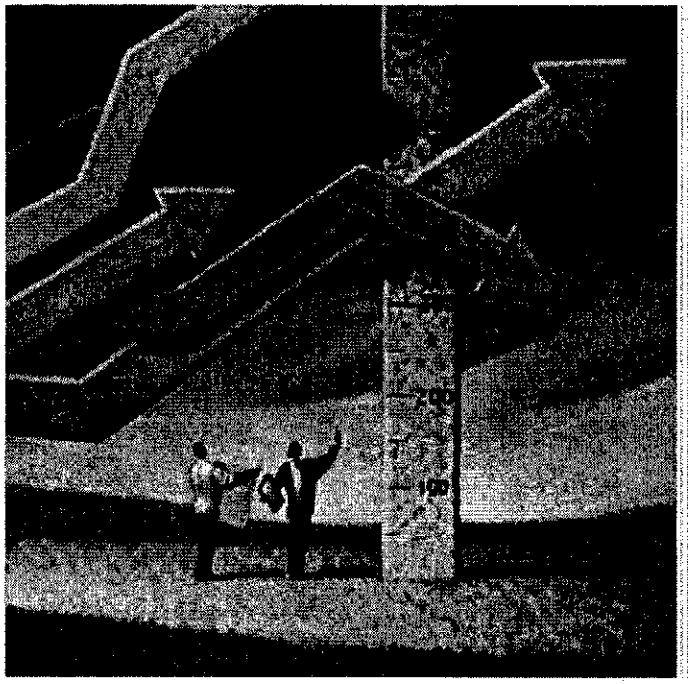
EXHIBIT #3
DATE Jan 6 2005
HB DD overview

State of Montana
Department Public Health
& Human Services
Developmental Disabilities Program



January 2005

Reimbursement Rate Reform

Joint Appropriations Subcommittee on Health and Human Services

Davis Deshaies, LLC

EXHIBIT #3
DATE Jan 6 2005
HB DDS overview

BOTTOM LINE

GOOD PEOPLE
- Talented Pool of Department staff
- Committed Case Management staff

GOOD PROVIDERS
- Well-Managed
- Good Quality

CHANGING FEDERAL & LEGAL EXPECTATIONS
- Medicaid is limiting funding & increasing accountability

NEED PREDICTABLE & STABLE FUNDING
- Balance quality, utilization, cost, and access

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Mother Theresa Meets Robin Hood

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Project Purpose

FAIRNESS & EQUITY
- Refine Individual Needs Assessment process
- Refine Provider Reimbursement rates

REDESIGN PRINCIPLES
- Person - Centered Planning
- Self - Directed Choice

PREDICTABLE AND STABLE FUNDING
- Balance quality, utilization, cost, and access

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Summary of Approach

- *Conduct Market Analysis*
- *Collect Cost Data and Service & Utilization Data*
- *Define Cost Drivers*
- *Design Individual Needs Assessment Tool*
- *Define Standardized Reimbursement Rates*
- *Integrate Self-Directed Services Tools*
- *Model & Forecast Future Program & Financial Impact*

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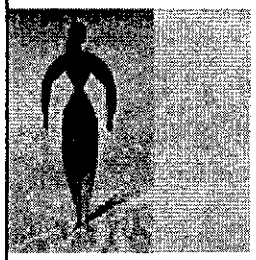

Medicaid Trends

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Medicaid Pressures

- Profitability versus Growth
- Shifts in Utilization Management
- Retreat from Risk
- Consumer Directed Supports
- Increased Drug and Staff costs

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State Trends

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Summary

STATES ARE GOING BROKE

STATES ARE GETTING OUT OF THE BUSINESS

- Cost Shifting to local government & consumers
- Outsourcing the Uncomfortable stuff
- Merging with Medicaid / Long Term Care; Insurers rather than Providers
- Rationing: Self-directed Service by any other name

MORE PEOPLE WANT MORE SERVICE FOR MORE TIME

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Estimated State Deficits for FY 2004
(Center for Budget & Policy Benefits)

Region	Projected Deficit	Percent of Total State Budget
East		
Connecticut	$ 1. 5 billion	12.9 %
Delaware	$ 300 million	12.2 %
Maryland	$ 1.2 billion	11.0 %
Massachusetts	$ 1.4 – $2.0 billion	6 % – 8.8 %
New Jersey	$ 4.0 billion	19.0 %
New York	$ 10 - $12 billion	24 % – 29 %
Pennsylvania	$ 500 million – $2.0 billion	2 % - 9 %

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Estimated State Deficits for FY 2004
(Center for Budget & Policy Benefits)

Region	Projected Deficit	Percent of Total State Budget
North		
Illinois	$ 3.6 billion	14.8 %
Indiana	$ 850 million	8.8 %
Kansas	$ 700 million	15.7 %
Michigan	$ 1.6 billion	17.5 %
Ohio	$ 2.0 billion	9.2 %
Wisconsin	$ 2.0 billion	17.6 %

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Estimated State Deficits for FY 2004
(Center for Budget & Policy Benefits)

Region	Projected Deficit	Percent of Total State Budget
West		
Arizona	$ 967 million	15.3 %
California	$ 18 - $26 billion	23 % - 34 %
Colorado	$ 900 million	13.4 %
Oregon	$ 1.0 - $1.3 billion	20 % - 27 %
Texas	$ 4.0 - $7.8 billion	13 % - 25 %
Washington	$ 1.0 - $1.3 billion	9 % - 12 %

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Estimated State Deficits for FY 2004
(Center for Budget & Policy Benefits)

Region	Projected Deficit	Percent of Total State Budget
South		
Alabama	$ 500 million	9.3 %
Florida	$ 2.0 billion	10.1 %
Georgia	$ 900 million	5.8 %
Kentucky	$ 360 million	5.1 %

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National Expenditures SFY 2004
Annual Per Capita Cost for HCBS

STATE	Per Capita Cost
Montana	**$ 30,000 / person**
Florida	$ 24,000 / person
California	$ 19,100 / person
Texas	$ 42,900 / person
Pennsylvania	$ 56,000 / person

BEWARE OF STRANGE COMPARISONS!!!

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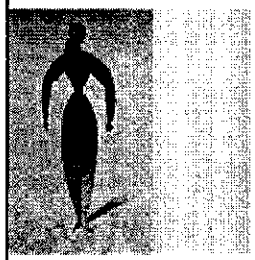

Market Analysis

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Market Analysis

- ***Expenditure & Caseload Growth***
- ***Provider Financial Viability***
- ***Geographical & Economical Factors***
- ***Comparisons with Benchmark States***
- ***Performance Outcome Best Practices***

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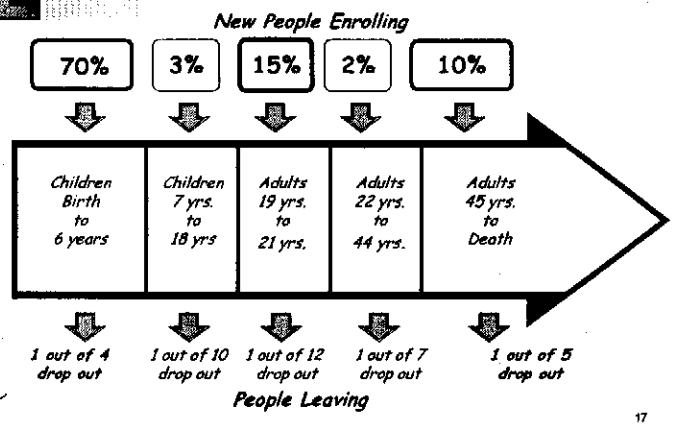
DD Enrollment Trends



(Delaware, Flor, WA st data

but ~ MT

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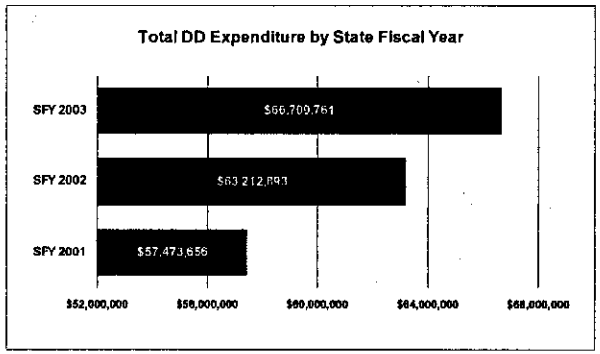
Montana Total DD Expenditure by State Fiscal Year



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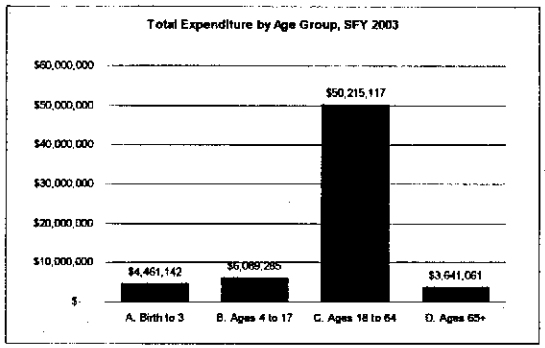
Total Expenditure by Age Group State Fiscal Year 2003



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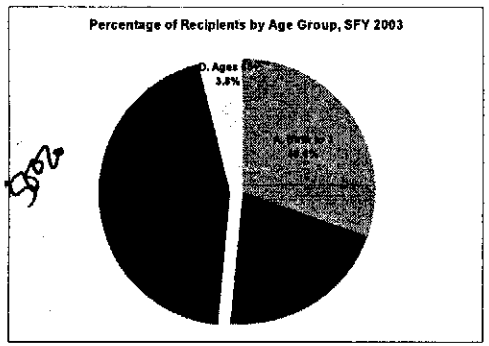
Percentage of Enrollees by Age Group



80%

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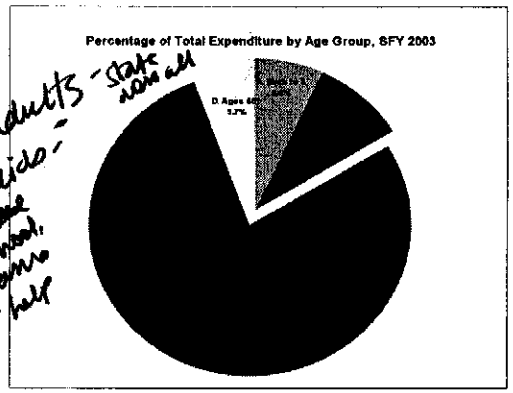
MT

Percentage of Expenditures by Age Group



80% adults - state non all
20% kids - some school, some help

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Distribution of Individual Costs (Example – Not Montana)

Florida

Annual Cost Group	Unique Consumers	% of Total Consumers	Median	Minimum	Maximum
Less than $25,000	19,400	80%	$ 7,900	$ 140	$ 24,999
$25,000 to $49,000	3,500	15%	$ 35,800	$ 25,000	$ 49,999
$50,000 to $74,000	1,200	4.0%	$ 58,600	$ 50,000	$ 74,999
$75,000 to $100,000	100	0.5%	$ 84,700	$75,000	$ 99,999
$100,000 and above	100	0.5%	$ 126,200	$ 100,000	**$ 275,000**
TOTAL	24,300	100%			

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Individual Service Guidelines

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Assumptions

- People use ***similar amounts*** of services in very ***different ways***
- Determining ***how much*** paid staff support is needed is ***more important than why*** it is needed.
- People and families are the ***best predictors*** of the amount of service needed.
- ***Historical*** costs don't always ***predict*** need.

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Individual Cost Guideline Factors

- ***Age and Family Living Situation***
- ***Geography of Residence***
- ***Personal Cost Factors***
  - Community Inclusion - transport
  - Behavior Supports - do I need someone with me because I punch, bite, kick, or I'm vulnerable
  - Health and Wellness Supports
  - Current Abilities

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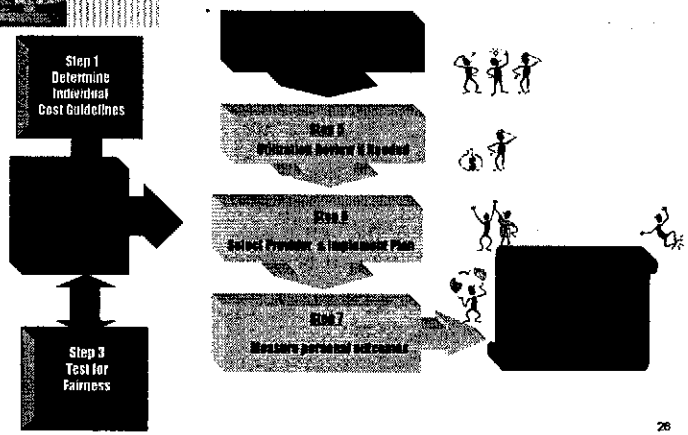
All of the Parts



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DEMONSTRATION:
MONA & Individual Cost Plan

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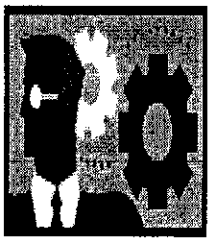

Rates: Pricing, Purchasing, & Performance

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Individual Needs-based Rate Model

Individual Needs Assessment		Standard Rate		Market Analysis		
Number of Units of Service	X		X		=	

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Print | Close Window

Calculation Worksheet for MONA Allocation Protocol
Developmental Disabilities Program (DDP)

AWACS ID: TEST101
Focus Person: Spider Man
Time Period: Annual from 9/13/2004 to 9/13/2005

Age and Living Arrangement		
Age: 40 years 0 month(s) **Current Living Arrangement:** Group Facility Care for 12 month(s) **Summary:** The recipient is 40 years old at the time of this assessment, and will live Group Facility Care for the next 12 month(s).		$19,635.24
Geographic Factors		
Where you plan to live: BILLINGS **How long you plan to stay in this community:** 2 **Summary:** The recipient will live in the BILLINGS community for the next 2 month(s) .		$0.00

Functional Domains

	Score 1	Score 2	Score 3	Score 4	Score 5		
Challenging Behaviors	1	3	1	0	0	REGULAR	$2,954.00
Health and Health Care	3	7	0	0	0	REGULAR	$3,976.00
Community Inclusion	0	7	7	0			
Current Abilities	1	5	4	0	0	MODERATE	$1,994.00
						SERVICES	$12,372.00
							$21,296.00

Specialized Equipment and/or Home Modifications	
Specialized Equipment:	$0.00
Home Modifications:	$4,000.00
Individual Additions	
The recipient requested individual additions.	$0.00
Job Training and Supported Employment	
The recipient requested 15 hours of supported employment services.	$5,972.60
Total Estimate:	
Annual: $50,904 **Monthly: $4,242**	

Instructions: ENTER RESPONSES IN THE YELLOW CELLS ONLY

1. Enter Individual MONA amount for month in Cell F3 $ 4,250
2. For services to be purchased in the Individual Service Plan, enter the number of units of service per month In Column F
3. Compare the Total with the MONA Guideline to determine whether the guideline provides sufficient funding to purchase needed services.

INDIVIDUAL COST PLAN

Service Codes	Service	Billable Unit	RATE	Individual Hours / Days / Month Needed	Individual Monthly Cost Plan	Directions	COMMENTS
	Residential Habilitation						
	Group Home	hour	$ 14.82	184	$ 2,726.88	Enter hours per month	
	Supported Living (no on call)	hour	$ 17.18		$ -	Enter hours per month	
	Supported Living (on call add-on)	hour	$ 2.55		$ -	Enter hours per month	
	Supported Living Support Coordination	month	$ 215.00		$ -	Enter hours per month	
	Intensive Supervision	hour	$ 8.60		$ -	Identify type of staff and number of hours per month	
	Day Habilitation						
	Day Activity Program	hour	$ 17.66	40	$ 706.40	Enter hours per month	
	Vocational Program - Facility / Enclave	hour	$ 17.66		$ -	Enter hours per month	
	Supported Employment - Individual Model	month	$ 895.00		$ -	Enter hours per month	
	Day Program / Supported Employment Combination	hour	$ 18.52		$ -	Enter hours per month	
	Intensive Supervision	hour	$ 8.60		$ -	Identify type of staff and number of hours per month	
	Personal Services						
	Companion	hour	$ 12.06		$ -	Enter hours per month	
	Homemaker	hour	$ 12.06		$ -	Enter hours per month	
	Personal Care Services	hour	$ 12.06		$ -	Enter hours per month	
	Respite	hour	$ 12.06		$ -	Enter hours per month	
	Therapies						
	Psychological Servcies	hour	$ 51.20		$ -	Enter hours per month	
	Private Duty Nursing (RN)	hour	$ 36.34		$ -	Enter hours per month	
	Dietitian Services	hour	$ 51.42		$ -	Enter hours per month	
	Speech Therapy	hour	$ 62.00		$ -	Enter hours per month	
	Occupational Therapy	hour	$ 62.00		$ -	Enter hours per month	
	Physical Therapy	hour	$ 61.00		$ -	Enter hours per month	
				Total	$ 3,433.28		
				MONA Guideline	$ 4,250		
				Difference	$816.72		
				Variance	19.2%		

Rate Components

- Direct Care Staff Salaries
- Employee - Related Expenses / Benefits
- Program - Related / Clinical Supervision
- General & Administrative

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Pricing Trends

- ***Wage Parity*** across all services and employer type.
- ***Employee-Related Expenses*** are reflecting actual Workers' Compensation, FICA experience, and geographical differences.
- ***Program-Related Costs*** have the highest variability.
- ***General and Administrative Costs*** will be fixed.

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MONTANA BENCHMARK: Direct Care Salaries

Hayes / Health & Hospital / Bureau of Labor Standards Compensation Studies		Percentile				
Job Classifications	Mean	10%	25%	50%	75%	90%
Supported Employment Job Coach	$15.34	$ 9.25	$ 12.89	$14.80	$ 20.50	$ 20.50
Respite Care Worker	$ 8.07	$ 6.75	$ 6.75	$ 6.75	$ 8.35	$ 11.36
Group Home & Vocational Staff	$ 9.21	$ 7.68	$ 8.29	$ 9.10	$10.13	$ 12.62

25 percentiles

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MONTANA BENCHMARK: Employee-Related Expenses

Cost Item	Agency Providers
Federal Taxes: FICA / Medicare	7.78%
State Taxes: SUTA / State Admin Tax Fund	1.37%
Workers Comp. Insurance	4.3% (13.45%)
Medical Coverage	8.1%
Paid Time-Off	5.7%
Retirement & Miscellaneous	3.2% (17.00%)
TOTAL	30.45%

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RATES BENCHMARKS: Summary

COST CENTER	Combination (Voc. & Supported Employment)	Vocational and Day Activity	Group Homes	Supported Living
Direct Care Wage	$10.25	$9.10	$8.29	$9.10
Benefits	30.45%	30.45%	30.45%	30.45%
Program Related	22.4%	27.7%	21.5%	21.5%
General & Administrative	7.0%	7.0%	7.0%	12.0%
RATE	$18.52	$17.66	$14.82	$17.18

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Counties with Geographical Factors

High Cost Counties (4%)	Medium Cost Counties (2%)
1. GALLATIN (Bozeman)	7. CASCADE (Great Falls)
2. MISSOULA (Missoula)	8. FLATHEAD (Kalispell)
3. YELLOWSTONE (Billings)	9. CARBON (Red Lodge)
4. LEWIS and CLARK (Helena)	10. HILL (Havre)
5. STILLWATER (Columbus)	11. SWEET GRASS (Big Timber)
6. JEFFERSON (Boulder)	

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Rates with Geographical Factors

Rates expressed as Direct Care Staff Hours

Service	No Geo. Factor	Mod. Geo. Factor (2%)	High Geo. Factor 4%)
Combination (SE + Vocational)	$ 18.52	$ 18.89	$ 19.26
Vocational Program	$ 17.66	$ 18.01	$ 18.37
Day Activity Program	$ 17.66	$ 18.01	$ 18.37
Group Home	$ 14.82	$ 15.11	$ 15.41
Supported Living	$ 17.18	$ 17.52	$ 17.88

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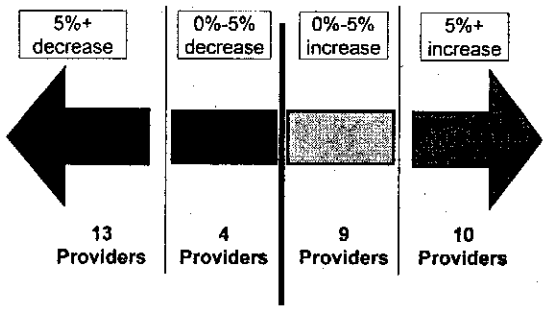
INITIAL RATES v. CURRENT SFY 2004 Contracts



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Provider Readiness Review

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Liquidity Ratios

- *Current Assets to Current Liabilities*
- *Debt to Net Assets*
- *Net Cash from Operations to Operating Expenses*
- *Cash to Operating Expenses*

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Shadowing, Piloting, and Implementation

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Next Steps (Start Dates)

- Design Development – October 2003 to August 2004
- Shadowing – Sept. 2004 to November 2004
- Initial Pilot – January 2005 to March 2005
- Expanded Pilot – March 2005 to December 2005
- Phased Implementation – Begin January 2006

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SHADOWING

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SHADOWING: Initial Results
Compensation: Direct Care Hourly Salary

Service	Range	Average (Mean)
Supported Employment	$7.72 - $13.98	$10.05
Vocational Services	$7.86 - $11.22	$9.03
Intensive Day Programs	$8.29 - $10.85	$8.90
Group Homes	$7.23 - $11.04	$8.58
Group Homes Intensive	$7.23 – 12.65	$8.66
Supported Living	$8.15 - $11.90	$9.35
Provider Average	$7.02 - $11.66	$8.94

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SHADOWING: INITIAL RESULTS
Service Hours: Hours Per Person Per Day

Service	Range	Average (Mean)
Supported Employment	0.8 to 3.8	2.0 hours
Vocational Services	1.1 to 2.8	2.0 hours
Intensive Day Programs	1.1 to 6.8	3.9 hours
Group Homes	2.1 to 7.8	5.1 hours
Group Homes Intensive	3.3 to 14.6	8.2 hours
Supported Living	0.6 to 20.8	4.7 hours

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SHADOWING: COMPARISON WITH MONA SERVICE UTILIZATION STANDARDS

Service Standards: Range of Hours Per Person Per Day

Service Hours Per Person Per Day	Initial Shadow Results	MONA Base
Day Habilitation	1.1 to 2.8	1.2 to 3.0
Group Homes	2.1 to 7.8	2.9 to 9.9
Supported Living	0.6 to 20.8	1.7 to 7.9

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SHADOWING: Comparison of Salary Benchmark to Initial Results

Compensation: Direct Care Hourly Salary

Service	MONA Base	Shadow
Supported Employment	$10.25	$10.05
Vocational Services	$9.10	$9.03
Intensive Day Programs	$9.10	$8.90
Group Homes	$8.29	$8.58
Group Homes Intensive	$8.29	$8.66
Supported Living	$9.10	$9.35

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Shadowing: Comparison of STANDARD RATES to Sept. / October Shadowing

Compensation: Direct Care Hourly Salary

Service	MONA Base (does not include Geo. Add-ons)	Sept. Shadow (all counties)	October Shadow (all counties)
Supported Employment	$10.25	$10.05	$9.59
Vocational Services	$9.10	$9.03	$8.66
Intensive Day Programs	$9.10	$8.90	$8.70
Group Homes	$8.29	$8.58	$8.08
Group Homes Intensive	$8.29	$8.66	$8.20
Supported Living	$9.10	$9.35	$9.32

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PILOTS

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Pilots

People in the Pilot:

- Receive Individual Allocations
- Using Person-Centered Planning, build an Individual Cost Plan and Key Personal Outcomes
- Receive technical assistance as needed from Pilot Team (to be selected by DDP)
- Select service and Case Manager initiates contract
- Participate in Outcome Study

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Pilots

Providers in the Pilot:

- Receive Business Development Assistance
  - Market Analysis
  - Cash Flow Management
  - Human Resource Management
  - Strategic Planning
- Receive Technical Assistance on Implementing Self-Directed Supports
  - Choice & Empowerment

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A Good Time Ahead...
Be on Your Guard

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