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DPHHS Rates Commission
2008 Report to the Legislature

Abstract:
The commission was established during the 2005 Legislative Session under MCA 53-10-201 through 53-10-204 and 53-10-211 and 53-10-212. The report provides an overview of the meetings, the Commission's Principles for Reimbursement, and recommendations to the 2009 Legislature.

Summary of Meetings:
The Commission convened ten meetings from September 2006 through June 2008 that began with a presentation from Kevin Quinn, Director of Payment Method Development for ACS Government Healthcare Solutions, describing a framework for setting health care payment rates. *(This discussion resulted in the development of the Principles for Reimbursement that were adopted by the Commission, and described subsequently in this report).* The remainder of the meetings included a review of therapeutic group home care, therapeutic foster care, foster care (both group home and family care), programs for the developmentally disabled, vocational rehabilitation services, and the targeted case management services. Comments and opinions were solicited from Division Administrators, providers, and consumers involved with these services. Time was allotted at two meetings for conference calls with the Oregon Alliance for Child Advocacy and the Wyoming Department of Health, both of whom recently conducted a cost study of children's services and children's mental health services respectively. Issues addressed, and those requiring further consideration, review, and monitoring by the Commission are noted below.

- Vocational Rehabilitation developed, adopted, and implemented a three-tiered reimbursement for services.
- The Developmental Disabilities Division continues to refine their fee based payment methodology and intends to incorporate regions 4 and 5 into this reimbursement system.
- The Department is developing a standardized rate methodology for the six Targeted Case Management programs as mandated by The Center for Medicaid Services (CMS).
- The Department will be conducting a cost of care study for therapeutic group homes. The results may alter the allocation of Medicaid funding (approximately 80% of the payment at this time), increasing the general fund appropriation to finance the room and board costs. Pending Medicaid rule changes, both these services could be *unbundled* removing the daily per-diem rate and entirely altering the existing payment methodology. (* *unbundling is described below.)*

* The term *unbundling* denotes the Center for Medicaid Services (CMS) efforts to revise the current funding allocation and methodology for therapeutic group and foster care. CMS intends to redefine "treatment" activities for these services that would likely significantly limit costs that are eligible for Medicaid reimbursement. Any reduction in Medicaid funding would require proportionally increasing the general fund appropriation for "room and board" activities if the State wishes to adequately fund and retain these services. CMS could also replace the current daily per-diem reimbursement with a more stringent methodology that pays for specific and individual "treatment" services provided, creating undue reporting and documentation requirements for providers.

Reimbursement Philosophy: After a great deal of discussion regarding the lack of a current and consistent process and methodology for rate setting for community based human services, Chairman Christine Kaufmann appointed a work group to develop a reimbursement philosophy starting with children's mental health and child welfare services. The subcommittee utilized resources from the Child Welfare League of American, the Children's Mental Health Bureau, the Child and Family Services Division and the Montana Public Health Care Redesign Project. Based on the recommendations of the work group *the Commission adopted the following statement to guide the development of rates not only for Children's Mental Health & Child Welfare Services but community based human services across the board.*

A committee of the Commission presented these Principles for Reimbursement to the Children, Families, Health and Human Services Interim Committee. The Commission discussed whether to request that the Interim Committee approve a bill incorporating these principles for payments to entities that contract with the Department. The Commission postponed action on this matter given scheduling constraints of the Interim Committee, and further review and discussion of the Bill's specific language by the Commission.

REIMBURSEMENT FOR SERVICES

It is the consensus of the DPHHS Rate Commission that rates for children's mental health and child welfare services should be objective, unbiased and developed in a scientific and predictable methodology to create a balanced and equitable system including:

- Client access
- Quality services & provider network
- Equitable reimbursement for services
- Good stewardship for taxpayers

PRINCIPLES FOR REIMBURSEMENT

The DPHHS Rate Commission has adopted the following reimbursement principles that go to the heart of the relationship between government and private agencies providing services to children in community based settings and children at risk of out of home placement.

The highest priority for public funding must be the care and safety of our most vulnerable populations including at risk children and their families.

- Reimbursement policy must be driven by outcomes and quality practice.
- Government must clearly articulate the regulations and the standards by which services should be governed.
- Government must fully fund the cost of meeting all regulations.
- Government should treat its procurement of services for children with the same respect and sense of equity they have for other goods and services.

The rate methodology itself must include all direct and indirect costs of providing quality care and services in establishing adequate reimbursement rates.

Direct costs including detailed information regarding:

- Basic needs
- Care and supervision
- Education (if provided in level of care)
- Treatment and
- Family and community integration

Indirect and external costs including detailed information regarding:

- Case management
- Accreditation
- Licensing
- Professional development
- Certification,
- Development and
- Maintenance of human resources,
- Insurance,
- Utilities,
- Maintenance etc.

IMPLEMENTING A COMMON SET OF PRINCIPLES

The following information was taken from the Montana Pubic Health Care Redesign Project and modified to include not just Medicaid services but those paid for by state general funds and special revenue funds.

1. Establish a common database of information for all children's service providers and populations served by the Department's programs in the Child and Family Services Division and the Children's Mental Health Bureau and to provide accurate, consistent and timely budget information, each program should conduct the following activities:
   a. Gather, analyze and compare all data currently available regarding the actual and reasonable cost of providing Medicaid, general fund and special revenue services.
   b. Require providers of any service type to submit audited data on the actual cost of providing that service.
   c. Conduct cost-of-care analysis for all services types.
   d. Gather, analyze and compare the rates paid by other purchasers of the same or similar services to those paid by general fund, federal or special revenue funds.
   e. Establish an objective definition of reasonable access to care.
      i. Client choice
      ii. Provider choice
   f. Gather information related to access of care, trends in care and any other pertinent information.
   g. Assess the impact of changes in reimbursement on the utilization of services and quality of care.
   h. Develop and implement a feedback loop for accountability, performance and communication purposes.
   i. Gather and analyze data on the percentage of total service provider revenue that is derived from state, federal and special revenue services.

2. Identify other options as alternatives or enhancements to specific dollar increases in reimbursement rates:
   a. Paying higher reimbursement rates to providers who serve a high number of Medicaid recipients;
   b. Simplifying and expediting the Medicaid billing and payment systems and requirements; and
   c. Streamlining and simplifying administrative requirements, rules and regulations where possible while continuing to protect the health, safety and welfare of children in care.

3. A common set of criteria should be established to insure a rational and objective process that is equitably applied to all of the provider groups.
   a. The actual and reasonable costs of providing each service at the level of quality provided by law and/or regulation;
   b. The reimbursement rates paid by other public and private purchasers of the same services;
   c. The impact of the reimbursement rates on children's access to care;
   d. The degree to which the reimbursement rates encourage the use of the most appropriate medically necessary services;

e. The impact of the reimbursement rates on the quality of care delivered to recipients;
f. The degree to which the providers of care are dependant on Medicaid revenue for this service; and
g. The level of funding, and any specific directions provided by the Legislature;
h. Incentives; and
i. Management of access to services, to balance conflicting interests.

Following is the Montana statue regarding funding principles for services resulting from the Montana Pubic Health Care Redesign Project.

MCA 53-6-101 (2) The Department and the legislature shall consider the following funding principles when considering changes in Medicaid policy that either increase or reduce services:

(a) protecting those persons who are most vulnerable and most in need, as defined by a combination of economic, social and medical circumstances;
(b) giving preference to the elimination or restoration of an entire Medicaid program or service, rather than sacrifice or augment the quality of care for several programs or services though dilution of funding; and
(c) giving priority to services that employ the science of prevention to reduce disability and illness, services that treat life-threatening conditions, and services that support independent or assisted living, including pain management, to reduce the need for acute inpatient or residential care.

Recommendations to the Department: The Commission unanimously approved by formal motion the following recommendations during the past twenty-one months.

1. That the Department include in it's budget request to the Governor for the 2011 biennium, funding to attain the Minimum Adequate Rates for Children (MARC) for foster families/parents. The estimated cost to the general fund is approximately $2,800,000.
2. That the Department in its cost study of therapeutic group homes include and consider the following elements: occupancy rates, a wage and salary study of comparable positions in State Government and the private sector, and convene a committee of providers and the Department to analyze the cost study report data and formulate recommendations for adjusted rates.
3. That the Department should review and refine outcome measures for foster care that comply with federal guidelines and standards. Eventually do likewise for children's mental health providers.
4. That Mental Health and all social service providers should receive ongoing cost-of-living increases corresponding to the inflationary index.

Recommendations to the 61st Montana State Legislature: The Commission unanimously approved by formal motion the following recommendations during the past twenty-one months.

1. That the Legislature appropriate funding for the 2011 biennium, funding to attain the Minimum Adequate Rates for Children (MARC) for foster families/parents. The estimated cost to the general fund is approximately $2,800,000.
2. That Mental Health and all social services providers should receive ongoing cost-of-living increases corresponding to the inflationary index.
3. That the Legislature passes a bill establishing principles (as embodied in the reimbursement philosophy statement adopted by the Commission), for payments to entities that contract with the Department to offer community-based services.