

## MEMORANDUM

**Date:** January 20, 2011  
**To:** Supervisor Peggy West, Chair, Committee on Health and Human Needs  
**From:** Maria Ledger, Interim Executive Director, Department of Family Care  
**Subject:** Status of Second Managed Care Organization in Milwaukee County

### *Program Descriptions*

The Family Care program integrates home and community-based services, institutional care services (i.e., nursing homes), Medicaid personal care, home health, and other services that were previously funded separately. Family Care does not provide acute/primary health care services such as hospital stays, emergency room visits, medications, and doctor visits. Family Care members use Medicare and Medicaid to purchase the health care services they need.

In November 2009, the Milwaukee County Department of Family Care (MCDFC) was certified by the Wisconsin Department of Health Services (DHS) to provide Family Care to persons with physical and developmental disabilities age 18 to 59 in addition to the members age 60 or older already in Family Care and served by the MCDFC.

Community Care, Inc. (CCI) was also certified in November 2009 to provide Family Care in Milwaukee County to the same target groups in need of long-term care services. Community Care also participates in the Partnership program, as does Icare, Inc.

The Partnership and PACE (Program of All Inclusive Care for the Elderly) programs integrate long-term care services and primary and acute health care services, and prescription medications. Therefore, all home and community based services, institutional care services, physician services, hospital stays, prescription medications, and all other medical care is integrated into the Partnership or PACE benefit.

### **Risk Sharing Arrangement**

In late December 2010, the State Department of Health Services (DHS) notified the MCDFC, that DHS is entering into another "risk sharing arrangement" with CCI. With this arrangement, CCI is only responsible for the first 1% of its losses. For everything beyond the first 1%, the State will share equally in the loss.

While we have no first hand knowledge of the financial challenges faced by CCI, the MCDFC has communicated numerous times to the Milwaukee County Board of Supervisors and to DHS Office of Family Care Expansion (OFCE) that CCI is, in many instances, paying higher rates to Family Care service providers than is the MCDFC.

Supervisor Peggy West Chair  
January 20, 2011  
Page 2

Supervisors and to DHS Office of Family Care Expansion (OFCE) that CCI is, in many instances, paying higher rates to Family Care service providers than is the MCDFC.

By paying more for services, CCI has been able to grow their provider network at the expense of Milwaukee County's more cost effective option, the MCDFC. In turn, some of these providers have encouraged members to disenroll from MCDFC and to enroll in CCI's program so that they (the providers) can be paid at a higher rate.

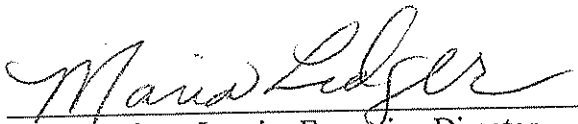
On December 31, 1020, CCI has sent a letter to its providers (see attached) stating, "Since 2007, in an effort to reduce the impact to our providers, Community Care has lost over \$13 million operating this program. Without dramatic actions, given the reduced funding in 2011, Community care would lose \$14 million. Community Care is no longer able to absorb losses."

The letter goes on to state, "To ensure a sustainable program for 2011 and beyond, we are left with no alternative but to reduce the rates we pay to providers."

The MCDFC wants to reassure the Milwaukee County Board of Supervisors that we are not implementing across the board rate reductions for our providers. We have worked diligently over that past 10 years to establish cost effective rates and to be good stewards of public dollars.

The Milwaukee County Department of Family Care has, according to DHS, "achieved operating stability while managing the expansion of services to individuals with disabilities." The quality in this program is excellent and the management team has established a positive and collaborative working relationship with DHS. The Milwaukee County Department of Family Care is the only MCO in Wisconsin that has been solvent through an expansion of Family Care services and we have done so while maintaining extremely high quality standards.

As the Board is aware, the Department submitted its expansion proposal to DHS in 2008 with the expectation that Milwaukee County would be the only MCO awarded a contract in Milwaukee County. In 2011, although the State DHS has stated they will not suspend referrals to CCI during this period of financial difficulty, MCDFC continues to have sufficient administrative and service capacity to serve any and all members who choose to enroll in Milwaukee County's MCO.

  
\_\_\_\_\_  
Maria Ledger, Interim Executive Director  
Milwaukee County Department of Family Care

Attachment

Supervisor Peggy West Chair

January 20, 2011

Page 3

Cc: County Executive Lee Holloway  
Terrence Cooley  
E. Marie Broussard  
Renee Booker  
John Ruggini  
Antionette Thomas-Bailey  
Stephen Cady  
Jennifer Collins  
Jodi Mapp  
Jim Hodson  
Linda Murphy  
Eva Williams



Familiar places. Caring faces.

December 31, 2010

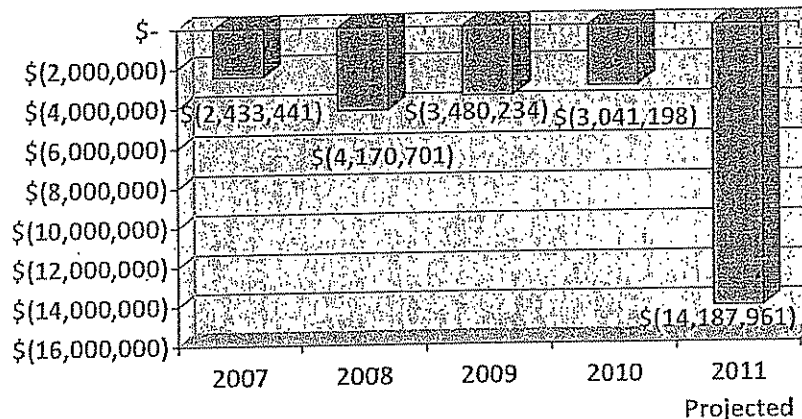
Dear Provider:

The purpose of this letter is to share the actions that Community Care is implementing in 2011 to achieve sustainability in our Family Care and Family Care Partnership Programs given the challenging economic realities we are facing. On December 20<sup>th</sup> we received confirmation of our 2011 funding for Family Care and Family Care Partnership from the State of Wisconsin, Department of Health Services. Our funding reflects the State's need to fund all Managed Care Organizations (MCOs) equitably with the dollars that are available. The impact to Community Care will be a decrease of approximately \$10 million from our 2010 funding.

Community Care began operating Family Care in Racine and Kenosha Counties in 2007 and now offers the program in 11 counties serving approximately 7,000 members. Since 2007, in an effort to reduce the impact to our providers, Community Care has lost over \$13 million operating this program. Without dramatic action, given the reduced funding in 2011, Community Care would lose an additional \$14 million (see chart below).

Community Care is no longer able to absorb losses. Since 2007, we have worked diligently to reduce our internal costs. Currently, we have the lowest administrative rate of any MCO and our care management costs are the third lowest of the nine MCOs. While we are continually working to reduce these costs further, we are not able to reduce them enough to cover the projected loss of State funding for these programs:

Community Care Operating Losses



To ensure a sustainable program for 2011 and beyond, we are left with no alternative but to reduce the rates we pay to our providers. This decision was not made lightly since we truly value the partnerships we have built with our providers.

Rate reductions may be based on a percentage decrease or may be targeted at providers who have current rates that are higher than we typically pay for the same service. Our goals are to achieve sufficient rate reductions to ensure sustainability and to improve the equity between the rates paid to providers for the same type of service.

Building a sustainable Family Care Program has not been and will not be easy but we owe it to our members to find a way to make the program work so that the services that enable them to achieve their outcomes are maintained.

We are living in very difficult economic times. Family Care is funded 100% with Medicaid funds and as the economy continues to struggle, the projected shortfall in these funds grows larger. Community Care is a nonprofit organization dependent on Medicaid funding, a source of funds that can no longer support the current level of spending. We understand that most of our providers are in the same situation and we encourage you to respond to rate reductions by finding ways to reinvent your organizations so that we can all continue to serve those who are dependent upon us.

The enclosed documents will provide you with detailed information, including effective dates, for services provided by your organization. It is imperative that we implement these changes immediately as any delay will reduce the amount of savings and require us to implement deeper cuts. All rate adjustments will become effective on February 1, 2011 for services authorized for Family Care, Family Care Partnership and PACE.

If you need additional information or would like to request technical assistance, a list of contact names with email addresses and phone numbers is enclosed. Thank you for your ongoing commitment to those we serve.

Sincerely,

Edward T. Kohl  
Family Care Program Officer