MEMORANDUM

Date: October 12, 2011

To: Supervisor Peggy Romo West, Chair, Committee on Health and Human Needs
Supervisor Johnny Thomas, Chair, Committee of Finance and Audit

From: Maria Ledger, Director, Department of Family Care

Subject: Potential Impact of 2012 Capitation Rate on the Milwaukee County Department of Family Care

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. The Milwaukee County Department of Family Care (MCDFC) currently serves more than 7,700 members.

Capitation Rate Overview

A Capitation Rate is a payment made to an MCO each month for each enrolled Family Care Member that month. It is established by outside independent actuarial firm and covers all services in the benefit package and administration costs of the Managed Care Organization.

The MCO's rate is blended for all target group members (i.e., Developmentally Disabled, Physically Disabled and Frail Elderly) and the payment is the same for every Member. The payment represents a projected average cost across all MCO Family Care Members. The capitation rate may not be used as an upper limit on the cost of services each person receives. Costs may exceed revenue in a given year.

The Department of Health Services (DHS) is responsible for calculating an "actuarially sound rate." An actuarially sound rate is based upon a reasonable projection of the average Per Member Per Month (PMPM) cost to provide the Family Care Benefit to the target population.

DHS currently contracts with PricewaterhouseCoopers, an independent actuarial firm, to calculate rates.

Each MCO is responsible for understanding the rate setting process and rate setting regulations and the cost of doing business, as well as developing a business plan that supports operating within the funding received. The MCO must also supply reliable and timely encounter data to the State after providing services to members and manage their care.

The State uses historical cost data from each MCO for each target group and a statistical model correlates information from two data sources. The statistical model identifies:

- A minimum amount each MCO will get for every Member
- Certain functional characteristics strongly related to costs above the minimum, and
- The level of additional cost associated with each functional characteristic – 'add-ons'
- All current data from the Long Term Care Functional Screen is considered when identifying 'add-ons'

After several months of heavy data analysis, each MCO receives one blended Per Member Per Month (PMPM) rate. An MCO's Capitated Rate is calculated as the minimum amount for all Members, plus add-on amounts for those Members with characteristics related to add-ons.

Capitation rate ranges of all the MCO's throughout Wisconsin during the past four years have been as follows:

CY 2012: $2,733 - $3,469
CY 2011: $2,668 - $3,766
CY 2010: $2,627 - $3,542
CY 2009: $2,400 – $3,489

Preliminary 2012 Capitation Rate for MCDFC

The preliminary 2012 capitation rate for the Milwaukee County Department of Family Care for 2012 is currently set at $2,733.15. This represents a 2.9% decrease from the 2011 capitation rate of $2,813.93.

As capitation rates are not finalized yet, the Department of Family Care will submit additional information to the State DHS regarding our cost experience as justification for additional refinement to this rate. We are optimistic our efforts will produce a favorable adjustment. While we are able to maintain solvency without an adjusted rate for 2012, we will advocate on behalf of this program and the members that it serves to insure that reimbursement rates are appropriate and sufficient to maintain the quality of services that are instrumental in serving our most vulnerable citizens.

As the only MCO to remain solvent during expansion and with $15,867,833 in reserves as of August 31, 2011, we are uniquely positioned to adjust operations as necessary and have already implemented several strategies in 2011 with more to follow in 2012. These strategies will insure that the program is sustainable while continuing to place the emphasis where needed, i.e. on the members we serve. We all understand that services in the community are generally more desirable to members and are also more cost effective. Our plan is to optimize this approach while striving to become more cost effective in the delivery and distribution of services to our members; thus, our overall approach is as follows:

Care Management

- 2011
  - Consolidation of provider network, particularly in the area of care management. 2011 started with 22 contracted agencies under contract.
  - All agencies with smaller caseloads were encouraged to find a way to work together to be sustainable in the face of the State's enrollment caps.
  - One CMU agency has already transitioned their members to other teams and another will complete their transition by October 31st.
- 2012
  - Revision of recommended Case load sizes for care management teams
    - Reduces labor costs of CMUs
    - Begins the transition to work towards changing the model to provide more nursing care as MCDFC moves towards an integrated model
  - Decrease in the number of contracts with care management agencies to 20 teams at a maximum.
  - Refinement of tiered payment methodology for Care Management. *Effective 1/1/2012*

Estimated cost savings: Approximately $2,600,000

Transportation

- 2011
  - Negotiated reduced contract rates with the potential savings of up to 35% with Transit Plus provider to provide Goodwill (day service) rides. Size of the savings is dependent on volume. Current volume reflects a 23% decrease in the cost per ride. *Effective October 1, 2011*
  - Renegotiate existing transportation providers who provide nonmedical rides. *Effective November 1, 2011*
  - CMU teams continue to apply utilization management to care plans resulting in ridership decrease.
- 2012
  - Revision of Residential scope of services to include transportation as part of residential services. 50 are completed and under contract. 382 to be implemented and under contract by 1/1/12.
  - Reduced ridership will occur through newly developed Day Service model within Residential facilities.

Estimated cost savings: Approximately $2,250,000

Day Center

- 2012
  - Developing a model within residential facilities to enable greater member choice and flexibility. In this model, members would not be required to

go out to a Day Center provider for their active treatment and recreation needs. The residential provider would provide some or all of these services in-house.
    - Model would produce cost efficiencies in day services and transportation that would more than offset the added costs incurred by the residential providers.

Estimated cost savings: Approximately $500,000

Transitioning Members into more appropriate cost effective settings

- 2011
    - Nursing homes: MCDFC Placement Team is currently evaluating all nursing home members, their Resource Utilization Group Scores (RUGS) and their care plans to determine if a more independent and more cost effective residential setting is appropriate and available.
    - Residential Group Homes: MCDFC CMUs, along with MCDFC Placement Team, are evaluating existing members who may have a better fit in a Supported Independent Living (SIL) apartment. This option is more integrated and more cost effective.
    - Bed Hold: New policy would have MCDFC no longer pay residential providers to hold a bed when a member is away.

Estimated cost savings: Approximately $1,200,000

Other

- 2011
    - Automation of service authorizations – *Effective November 1, 2011*
    - Reduced utilization targeting:
        - All services authorized for MCDFC internal team members
        - Supportive Home Care and Home Health services for all members
            - Previous refinements of Supportive Home Care Assessments saved the program $4,984,425 in 2010.

- 2012
    - Reductions in authorization of services outside of the Family Care benefit package
        - Guardianships
        - Companions
        - Interpreter Services
    - Rent adjustment
    - Fees charged to new providers for Adult Family Home Certifications
    - Reduction of Best Practice Team staffing through attrition
    - Consolidation of hosting of IT servers
    - Reductions in mileage charges due to consolidation of internal team members
    - Vacant positions to be held open or abolished

Estimated cost savings: Approximately $1,029,000

Summary

In summary, the preliminary 2012 capitation rate decrease has a projected impact of $7,511,570 to the 2012 budget based on current enrollment. In anticipation of this projected revenue shortfall the Department of Family Care has successfully identified several areas where cost savings can be realized to offset the shortfall.

Projected 2012 Budget Impact due to rate decrease	**($7,511,570)**

Summary of Savings

Care Management	**$2,600,000**
Transportation	**$2,250,000**
Day Center	**$ 500,000**
Member Transition	**$1,200,000**
Other	**$1,029,000**
Total Estimated Cost Savings	**$7,579,000**
Net Surplus after implementation of cost savings	**$ 67,430**

Because we have implemented some of these strategies in 2011, we expect to be well able to effectively administrate this program within our 2012 capitation rate next year.

If you have any questions, please call me at 287-7610.

Maria Ledger, Director
Milwaukee County Department of Family Care

cc: County Executive Chris Abele
Tia Torhorst
Chairman Lee Holloway
Pam Bryant
Steve Pietroske
Steven Cady
Jennifer Collins
Jodi Mapp
Jim Hodson