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May 30, 2013 Joint Committee on Finance Paper #327

Family Care Expansion to Northeast Wisconsin (DHS -- Medical Assistance and Related Programs)

CURRENT LAW

Program Description. The Family Care and IRIS (Include, Respect, I Self-Direct) programs provide long-term care services to qualifying low-income individuals who are elderly, physically disabled, or developmentally disabled and who are eligible for medical assistance (MA). These programs are currently available in 57 of the state's 72 counties. Family Care is a managed care program, under which the Department of Health Services (DHS) pays each participating managed care organization (MCO) a monthly capitated, risk-based payment for each of the MCO's enrollees. The MCOs may either contract with providers or provide the services directly to Family Care members. In IRIS, members receive a budget allocation based on the level of care they need. After an initial service plan is developed with the IRIS consultant agency (ICA), IRIS members determine who will provide their services and the amount they will pay to their service providers. The Centers for Medicare and Medicaid Services (CMS) requires that eligible individuals have a choice of enrolling in Family Care or IRIS.

In addition to meeting the MA program's income and asset eligibility requirements for elderly, blind, and disabled (EBD) long-term care services, individuals must meet functional eligibility requirements to be eligible for Family Care and IRIS. In order to be eligible for one of these programs, the individual must meet either a nursing home level of care standard, or a non-nursing home level of care standard, based on the results of a long-term care functional screen. The individual's level of care, as well as the amount of their IRIS funding allocation, is determined by the functional screen that county income maintenance workers administer to all Family Care and IRIS applicants.

Qualifying individuals in the 15 counties in which Family Care and IRIS are not offered may receive MA-funded long-term care services through the legacy home- and community-based waiver programs administered by these counties. The legacy waiver programs are the long-term care programs that Family Care and IRIS replaced in other counties. They include the GPR-funded community options program (COP-Regular), the MA-funded community options waiver program (COP-W), and the community integration programs (CIP-IA, CIP-IB, and CIP-

II). The legacy waiver programs are supported from a combination of GPR-funded contracts between DHS and the counties, and county funding, both of which are eligible for the federal MA matching funds. Wisconsin's federal medical assistance percentage (FMAP) is approximately 60%, meaning that the federal government funds 60% of state and county costs of MA-eligible services provided under the program.

The MA waiver agreements CMS approved for the legacy waiver programs permit counties to maintain waiting lists for these services. Unlike the legacy waiver programs, the Family Care and IRIS programs become an entitlement for each eligible individual 36 months after Family Care and IRIS services first become available in the county or region. When Family Care and IRIS services become available in a county, individuals in the legacy waiver programs are transitioned to Family Care or IRIS between one and six months after DHS begins offering the program. In each month of the 36 month phase-in, DHS enrolls one thirty-sixth of the county's legacy waiver waitlist. After 36 months, the county reaches entitlement status and any eligible individual can enroll in either Family Care or IRIS.

Seven of the 15 counties that do not have Family Care and IRIS are in northeast Wisconsin. These counties are Brown, Door, Kewaunee, Marinette, Menominee, Oconto, and Shawano Counties. The other eight counties that have yet to offer Family Care and IRIS are Adams, Dane, Florence, Forest, Oneida, Rock, Taylor, and Vilas Counties.

Process for Program Expansions. Under current law, if the Department proposes to contract with entities to administer the Family Care benefit in additional areas of the state, the Department must first submit to the Joint Committee on Finance the proposed contract in writing for the approval of the Committee. The submission must include the contract proposal and an estimate of the fiscal impact of the proposed addition that demonstrates that the addition will be cost neutral, including startup, transitional, and ongoing operational costs and any proposed county contribution. The submission must also include, for each county affected by the proposal, documentation that the county consents to administration of the Family Care benefit in the county, the amount of the county's payment or reduction in community aids for the county contribution, and a proposal by the county for using any savings in county expenditures on long-term care that result from administration of the Family Care benefit in the county. The Department may enter into the proposed contract only if the Committee approves the proposed contract.

Funding reallocations within the MA program to reflect future Family Care expansions have been enacted as part of previous state budget acts. For example, both 2007 Wisconsin Act 20 (the 2007-09 biennial budget act) and 2009 Wisconsin Act 28 (the 2009-11 biennial budget act) included funding adjustments to the MA benefits and Family Care benefits appropriations to reflect anticipated program expansions that were later approved under the Joint Committee on Finance approval process described above.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The administration takes no position on whether to make Family Care and IRIS services available to qualifying individuals in the seven-county northeast region of the state. Instead, it indicates that the current Joint Finance review process can be used to determine whether these programs would be offered in these and other counties. In addition, because any proposal to expand the program would not be expected to increase state costs in the biennium, the issue does not need to be addressed as part of the state budget.

2. DHS indicates that the Legislature and the Governor will decide whether to expand the program to the northeast Wisconsin counties. Current law requires DHS to initiate any proposed Family Care expansion by first submitting the proposed contract to the Committee. DHS has not indicated when it intends to advance a proposal for the Committee's consideration of expansion to the northeast counties. Prior to taking this action, it must first issue a request for proposal and receive responses from potential MCOs that may wish to provide these services. DHS could decide not to issue the RFP, or, if it issues the RFP, it could decide not to advance a proposal to the Committee for its review and approval.

3. The Committee could choose to address this matter in several ways. First, it could adopt the Governor's recommendation to not include a proposal in the budget, and permit DHS to advance the proposal under the current Joint Committee on Finance review process, when the Department sees fit to do so (Alternative 1). Second, if the Committee does not want to direct the expansion to occur as part of the budget, but wishes to ensure that it has the option to review and authorize an expansion proposal at a later date, it could require DHS to submit a proposal to the Joint Committee on Finance to offer the program to northeast counties that have complied with other statutory requirements relating to the expansion by September 1, 2013 (Alternative 2). Finally, if the Committee wishes to address this issue as part of the state budget and expand the program to the northeast counties, it could do so by selecting Alternative 3. Under this option, no subsequent review by the Committee would be necessary.

The rest of this paper discusses fiscal and other issues relating to the Family Care program and the proposal to expand the program to counties in northeast Wisconsin.

Cost Comparisons

4. DHS has completed two studies that compare the cost-effectiveness of Family Care, IRIS, and the legacy waiver programs. In both studies, DHS found that the average cost of providing long-term care services through Family Care was lower than providing long-term care services under the IRIS and legacy waiver programs. Without adjusting for differences in acuity between the three programs, on average, Family Care was $509 less expensive per member per month (PMPM) than IRIS and $632 less expensive PMPM than the legacy waiver programs.

Table 1 shows the results of the Department's most recent study, completed in February, 2013. The average PMPM costs, without adjustments for acuity, are shown in the top half of the table. The bottom half of the table shows the acuity-adjusted average PMPM costs, which are the costs in IRIS and the legacy waivers after they have been adjusted to reflect what average costs in those programs would be if the participants had long-term care needs similar to Family Care

enrollees.

TABLE 1

Average Monthly Costs and Acuity-Adjusted Average Costs in Calendar Year 2011 By Target Group

	Developmentally Disabled	Physically Disabled	Frail Elderly
Average Costs			
Family Care	$3,796	$2,896	$2,501
IRIS	4,514	3,147	2,346
Legacy Waivers	4,775	3,319	2,082
Acuity-Adjusted Average Costs			
Family Care	$3,796	$2,896	$2,501
IRIS	4,133	3,042	2,393
Legacy Waivers	4,789	3,354	2,296

5. Individuals enrolled in Family Care, IRIS, and the legacy waiver programs receive a similar set of home and community-based services. The most notable exceptions are home health care and institutional care (care provided by nursing homes and intermediate care facilities for individuals with intellectual disabilities). Family Care members receive these services through the Family Care benefit, but IRIS members receive their home health care services through their standard MA "card" services. IRIS members are disenrolled from the program once they are admitted to an institution. These differences should be considered when reviewing the average cost figures in Table 1.

6. Table 2 shows the weighted average of the Department's estimated PMPM costs for the next four calendar years for individuals that would be in the Family Care program if Family Care expanded to northeast Wisconsin on July 1, 2014. Table 2 also shows the weighted average of the Department's estimated PMPM costs for IRIS participants in northeast Wisconsin.

TABLE 2

Weighted Average of DHS Estimates of Monthly Family Care Payment Rates and IRIS Service Costs in Northeast Wisconsin, by Calendar Year

	2014	2015	2016	2017
Family Care	$3,235	$3,127	$2,906	$2,788
IRIS	2,852	2,863	2,913	2,930

7. Table 3 shows the PMPM savings the Department assumes would be generated for each legacy waiver participant transferred to Family Care or IRIS and for each individual that is enrolled into Family Care or IRIS from the waitlist. The savings estimates are shown for calendar years 2014 through 2017.

TABLE 3

DHS Estimates of PMPM Waiver and Waitlist Savings Generated by Transitioning to Family Care, by Calendar Year

	2014	2015	2016	2017
Waiver	$756	$786	$810	$834
Waitlist	262	283	291	300

8. Attachment 1 summarizes an analysis prepared by the Department that compares the MA costs of Family Care/PACE/Partnership and IRIS participants three months before and three months after the individuals enrolled in Family Care and related long-term care programs (excluding the legacy waiver programs). The analysis reviewed costs of services provided to individuals who enrolled in each month from January to May of 2011 -- a total of 3,758 individuals in Family Care and 916 individuals in IRIS. Approximately 34.9% of the Family Care enrollees and 12% of the IRIS enrollees were not in MA prior to enrolling in these long-term care programs.

The attachment shows that, for individuals who were not in nursing homes, average PMPM costs increased by an average of $2,435 after they were enrolled. For individuals who were in a nursing home before enrolling in a program, their PMPM costs decreased by $342. Similarly, the PMPM costs for individuals that were not in a nursing home before enrolling in IRIS increased by $2,644. It should be noted that these costs are only indicative of the individuals who were enrolling in these programs during this time period. As the case-mix of individuals enrolling in these programs changes, the cost differences before and after enrolling in Family Care may also change.

9. A limitation of this analysis is that it does not control for changes in the individuals' functional status, before and after enrollment in the program. It is likely that some of these individuals enrolled in these long-term care programs because their needs increased beyond what they could receive through the standard MA card services. Many examples could be provided. For instance, if an MA recipient with a developmental disability who cannot care for himself or herself is living with a family caregiver, but the caregiver passes away, the disabled MA recipient may seek services through one of the long-term care programs. Similarly, an elderly individual who falls, and as a result of the fall, can no longer live in his or her home without assistance may choose to enroll in Family Care or a related program. In both of these cases, the event that would lead to the individual enrolling in Family Care would also lead to the individual needing more services. On the other hand, these programs make additional long-term care services available to individuals whose demand for services are not met with MA card services alone. Unlike the Family Care or legacy waiver programs, the MA card only provides personal care, home health, transportation, and nursing home services.

Expansion to Northeast Wisconsin Counties

10. In 2010, all seven counties in northeast Wisconsin approved county resolutions creating the northeast Wisconsin Long-Term Care District to operate an MCO to provide, or contract for the provision of, the services that are covered under Family Care. Since 2010, these

seven counties and Northeast Wisconsin Family Care (NEWFC), the MCO created by the long-term care district, have been planning for the expansion.

11. If the Legislature and Governor authorized the expansion, each county would have to approve another resolution documenting that the counties consent to administration of the Family Care benefit, the amount of the county's payment or reduction in community aids for the county contribution, and a proposal by the county for using any savings in county expenditures on long-term care that result from administration of the Family Care benefit in the county. Under current law, DHS would have to submit these resolutions to the Committee as part of its proposal to expand into another county.

12. NEWFC indicates it would need 12 months to be ready to begin providing Family Care services in the region. If AB 40 is enacted by July 1, 2013, and NEWFC is accurate in its estimate for the amount of time it would take to begin operations, NEWFC would not begin operations until July 1, 2014.

13. Attachment 2 shows the Department's current estimates for the enrollment, costs, and savings related to expanding the Family Care and IRIS programs to northeast Wisconsin for the first three fiscal years that the programs would be offered, under Alternative 3.

14. The funding estimates in Attachment 2 are based on the assumption that 2,434 individuals are currently participating in the legacy waiver programs and 1,020 individuals are on the waitlist in the seven northeast counties. Except for participants in Brown County, individuals in the legacy waiver programs would be transitioned to Family Care or IRIS in July, 2014. Legacy waiver enrollees in Brown County would transition to Family Care or IRIS in groups of 225 individuals per month from July, 2014, through December, 2014. Approximately one thirty-sixth of the individuals on the waitlist for the legacy waiver programs in each of the seven counties would be enrolled in Family Care and IRIS each month for the 36 months until the counties reached entitlement.

15. For estimating the growth in counties after they reach entitlement, DHS uses the growth rates observed when the five original Family Care pilot counties reached entitlement. The five original pilot counties are Fond du Lac, La Crosse, Milwaukee, Portage, and Richland Counties. Enrollment in Milwaukee County was limited to individuals over age 65 until the county started providing Family Care to individuals with disabilities in November, 2009. Based on the experience in the original pilot counties, DHS assumes growth rates of 1.6% per month in the first year of entitlement, 0.95% per month in the second year, 0.73% per month in the third year, and 0.2% growth per month in the fourth year of entitlement.

The growth rates in the pilot counties, all of which reached entitlement status in 2002-03 or 2003-04, may not be relevant for estimating growth in counties that would not reach entitlement until 2016-17 for several reasons. First, when Family Care first began, individuals from other counties may have moved to the pilot counties to receive Family Care services. Since so many counties already have Family Care and IRIS, the northeast Wisconsin counties would not likely attract residents from other counties for the purpose of receiving Family Care or IRIS services. Second, IRIS did not exist when the pilot counties reached entitlement. The IRIS program's self-directed services model may attract more individuals to enroll in these programs than would be

estimated based on the experience of the five pilot counties.

16. Despite these differences, using the growth rates from the pilot counties may provide the best method of estimating program enrollment after counties reach entitlement. While it has been suggested that the size of each county's current waitlist could be used to estimate the post-entitlement growth, the waitlist is only an indicator of the number of people that believed it was worthwhile to sign up for the legacy waiver programs. The number of people on these waitlists may have deterred some people from placing their names on the lists. Further, not all individuals on these waitlists may be financially and functionally eligible for Family Care and related long-term care programs.

Similarly, it has been suggested that the experience of other counties that have more recently begun offering Family Care could be used to estimate post-entitlement growth. The number of entitled non-pilot counties grew from two in January, 2011, to 29 in April, 2012, and to 52 in April, 2013. Only counties that reached entitlement status prior to February, 2012, would have a full year of post-entitlement enrollment data. In addition, enrollment during much of this period was held lower than normal due to the enrollment cap that was in effect from July, 2011, through March, 2012, and may have affected enrollment for a number of months afterwards.

17. Enrollment in IRIS has been growing much more rapidly than enrollment in Family Care. From July, 2012, to December, 2012, IRIS enrollment increased by 16.3%, whereas Family Care enrollment increased by 5.8%. DHS indicates this is partly because enrollees understand IRIS better than they did when the program was first offered in calendar year 2010. When IRIS first became an option for individuals who qualified for Family Care, many people were probably not aware of the program and chose to enroll in Family Care. Now, after a few years of operation, more people are aware of IRIS and the information that Aging and Disability Resource Centers provide about the program has improved. DHS also indicates that individuals that are on the waitlist for the legacy waiver programs, as well as individuals that never sign up for the waitlist, are likely to be healthier than individuals in the waiver programs and are more likely to be interested in managing their own services.

18. There are two primary arguments for not approving the expansion of Family Care and IRIS to northeast Wisconsin. First, the increase in per person per month costs after an individual enters the program, as shown in Attachment 1, may suggest that more work needs to be done to adjust the level of services available to Family Care and IRIS participants at lower levels of acuity. It could be argued that these adjustments should be made prior to any expansion. Second, the net increase in the costs of the program over the first year of operation, and anticipated increases in future net costs, may be another reason not to approve the expansion to northeast Wisconsin.

19. Several arguments could be made to expand the program to these northeast counties. First, the state has approved all previous proposals to expand the program to counties that wished to have these long-term care services available to their residents. Approving this expansion would be consistent with this practice as long as the counties and MCO met all statutory requirements.

Second, the residents of these counties who would qualify for the long-term care services available under these programs do not currently have the same opportunities to receive these services as do residents in other parts of the state. As the program was phased in to additional

regions of the state over the past six years, counties and recipients likely assumed that, in time, the program would eventually be available to all state residents. The waiver agreement under which the program operates indicates that the program would ultimately be available statewide, although the agreement does not specify a date by which this must happen.

Third, one of the arguments for implementing the enrollment cap for the program was to provide DHS the opportunity to implement program changes to reduce future costs of the program. Through its long-term care sustainability initiatives, DHS has indicated that it has made program changes to address factors that may contribute to rising program costs.

Finally, it has been argued that expanding the program to the northeast counties is a matter of fairness due to the significant state cost of the program. Specifically, taxpayers in counties that do not offer Family Care to their residents are paying for publicly-funded services their residents cannot access. Family Care cost increases are funded as part of the MA "cost-to-continue" item, and will continue to grow as additional counties reach entitlement status. At the same time, counties that continue to administer the legacy long-term care waiver programs have not been provided additional funding to address rising costs or to reduce wait lists for services. Assembly Bill 40 does not provide additional funding for the legacy waiver programs for these purposes.

ALTERNATIVES

1. Take no action.

2. Direct DHS to submit a proposal to the Joint Committee on Finance by September 1, 2013, for the expansion of the Family Care program in the seven northeast counties of the state for the Committee's review, as provided under s. 46.281(1g)(b) of the statutes, provided that the affected counties and MCO have complied with all current statutory requirements.

3. Direct DHS to begin providing the Family Care and IRIS programs in Brown, Door, Kewaunee, Marinette, Menominee, Oconto, and Shawano Counties effective July 1, 2014, if all of the affected counties have complied with current statutory requirements. Increase funding in the bill by $8,611,300 (-$3,974,700 GPR, $5,546,500 FED, and $7,039,500 PR) in 2014-15. Exempt the proposal from the Joint Committee on Finance review requirements that would otherwise apply to the proposal.

ALT 3	**Change to Bill** Funding
PR-REV	$7,039,500
GPR	- $3,974,700
FED	5,546,500
PR	7,039,500
Total	$8,611,300

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Attachment

ATTACHMENT 1

DHS Analysis of Costs Before and After Enrolling in Long-Term Care Programs

Family Care/PACE/Family Care Partnership

Non-Nursing Home Enrollees	Average
Count	687
Pre-Family Care PMPM	$519
Post-Family Care Card PMPM	291
Long-term Care Program PMPM	2,663
Net Savings	$2,435

Nursing Home Enrollees	Average
Count	114
Pre-Family Care PMPM	$3,985
Post-Family Care Card PMPM	416
Long-term Care Program PMPM	3,228
Net Savings	-$341

IRIS

Non-Nursing Home Enrollees	Average
Count	153
Pre-Family Care PMPM	$1,123
Post-Family Care Card PMPM	1,196
Long-term Care Program PMPM	2,571
Net Savings	$2,644

ATTACHMENT 2

DHS Model for Expansion to Northeast Wisconsin

	2014-15	2015-16	2016-17
Average Monthly Enrollees			
Legacy Waiver Conversions	2,153	2,434	2,434
Nursing Home Relocations/Diversions/Conversions	52	109	166
Waitlist	132	416	698
Total	2,337	2,958	3,298
Legacy Waiver Members			
Expenditures - GPR Share			
Family Care	$27,285,400	$33,112,100	$31,704,000
IRIS	2,839,600	3,590,600	3,629,000
Total	$30,125,000	$36,702,700	$35,333,000
Base Funding or Revenue Offsets - GPR Share			
Waiver and COP Funding	-21,402,300	-24,484,900	-24,484,900
Medicaid Card Cost Savings for Waiver	-6,271,800	-7,692,000	-7,480,500
County Contribution Revenue	-7,039,500	-6,849,100	-5,714,600
Total	-$34,713,600	-$39,026,000	-$37,680,000
Net (Savings)/Cost for Waiver Conversions	-$4,588,600	-$2,323,300	-$2,347,000
Waitlist Individuals			
Expenditures - GPR Share			
Family Care	$905,300	$3,432,700	$5,833,200
IRIS	708,600	2,290,700	3,903,800
Total	$1,613,900	$5,723,400	$9,737,000
Base Funding or Revenue Offsets - GPR Share			
NH Relocations and Diversions	-$145,200	-$464,300	-$790,200
NH Residents Switching to Family Care	-708,600	-1,482,400	-2,253,000
Medicaid Card Cost Savings for Waitlist	-146,300	-540,400	-957,600
Total	-$1,000,100	-$2,487,100	-$4,000,800
Net (Savings)/Cost for Waitlist Individuals	$613,800	$3,236,300	$5,736,200
Total Net GPR (Savings)/Cost	-$3,974,800	$913,000	$3,389,200