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| LOCAL COMMISSIONERS MEMORANDUM |
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DSS-4037EL (Rev. X/XX)

Transmittal No: 95 LCM-101

Date: September 12, 1995

Division: Health and Long
Term Care

TO: Local District Commissioners

SUBJECT: Chapter 81 of the Laws of 1995: Personal Emergency Response
Services (PERS) and Shared Aide Cost Savings Targets

ATTACHMENTS: Attachment A: Example of Cost Savings Target Calculation
(Available On-Line)

The purpose of this transmittal is to advise local districts of the requirements of Section 92, Chapter 81 of the Laws of 1995 to develop a formula to allocate the State share savings targets which must be achieved through the expanded use of PERS and shared aide in personal care services (PCS).

The Statute

The total State share target specified in the statute is \$53 million. The statute requires that the Department consult with commissioners of the social services districts and their representatives concerning the methods to be employed in determining the district specific targets and the factors utilized in establishing the targets.

The statute further specifies that the target be established utilizing the following factors:

"(a) the relative size of the district's personal care program as compared to the other social services districts, having due regard for the number of recipients in the district and district's expenditures for personal care services;

(b) the potential savings to be derived by the district through appropriate and efficient use of personal emergency response systems and shared aides, having due regard for the district's geographic size, the number of personal care recipients currently using personal emergency response systems and shared aides; the relative density of personal care recipient population within the district and the number of personal care recipients who might benefit from personal response systems or shared aides; and

(c) the district's historical success in reducing total personal care services expenditures through the implementation of personal emergency response systems, and shared aide programs."

The Formula for the Allocation of the Target

To address the requirements of the statute, the elements selected were divided into three broad categories: relative program size, potential efficiency gains from expansion of PERS and shared aide and historical success in reducing PCS expenditures, for use in the allocation formula. Each of these categories is discussed in the following:

Relative Program Size

The elements of the first category were:

- a) Each district's share of the total statewide PCS expenditures for calendar year 1994. (Attachment A, Line 2.)
- b) Each district's percentage share of the total statewide number of PCS recipients for whom the expenditures in a) were paid. (Attachment A, Line 4.)

The average of these two elements represents the relative size of the PCSP of each district.

Potential Efficiency Gains

The second broad category in determining the savings allocation was the potential efficiency gain from PERS and shared aide. The following two data elements were selected based on the element's capacity to provide meaningful data related to these cost containment initiatives and the district's potential "market" for achieving savings from their expansion:

- a. The percent of district recipients that exceed 100 hours per month.
- b. The density of non-shared aide PCS recipients (i.e. potential shared aide recipients).

The percent of district recipients that exceed 100 hour per month.

The number of PCS cases that exceed 100 hours per month was obtained from MMIS SURS current (6/94) 12 month file via CD\SR system. The percent of these cases relative to the district's total caseload was then calculated from this data.

"High hours" recipients (i.e. recipients utilizing more than 100 hours per month) constitute a specific group of recipients contained within the "market" that have a high potential for savings through the expansion of PERS. A large portion of the services authorized in "high hours" recipients is dedicated to safety monitoring. PERS was specifically developed to assist districts in managing "high hours" recipients by providing a more cost efficient means of providing safety monitoring.

An element in the formula, the percent of these recipients contained within a district's program, measures how large the group of "high hour" recipients is relative to the size of a district's program. The relative size of this group is a significant indicator of the potential for savings present in a given district. A large percent of these recipients in a district's caseload would indicate that there was significant potential for achieving savings. A small percent would indicate a low potential for savings in the district program from the expansion of PERS and shared aide.

Density of Potential Shared Aide Recipients

Under the shared aide model of service delivery, a home care worker completes the authorized functions or related tasks by making short visits to each client, moving from client to client as tasks are completed. The development of shared aide programs is therefore dependent on having a high density of recipients of traditional PCS living in a given geographic area. Districts with a high density of recipients of traditional personal care services would have the greatest potential for achieving savings as they have the greatest potential for expanding the use of this efficiency.

The first step in calculating the density of potential shared aide recipients is to subtract the number of shared aide recipients in Calendar Year (CY) '94 from the total number of PCS recipients in CY '94. The result of this calculation measures the maximum number of recipients that an expansion of shared aide would tap into if they were geographically in close proximity. The final step in the development of this element introduces the concept of "density". The maximum number of potential shared aide recipients is divided by the area of the district (i.e. in square miles) producing a potential number of shared aide recipients. A high density of potential shared aide recipients would indicate a district likely to contain sites appropriate for shared aide services with an associated potential to achieve savings. Conversely a low density would indicate that the recipient population is dispersed and the potential for savings small.

Historical Success

The third broad category in determining saving allocations was the district's historical success in reducing the total PCS expenditures through the use of PERS and shared aide. The data element used is discussed below:

Change in the Average Yearly Cost per Recipient From FFY '91 to CY '94

The utilization of PERS and shared aide is designed to produce a reduction in PCS cost per recipient for recipients receiving those services. This element adjusts the potential for savings by measuring the district's proficiency in managing the program during the time that PERS and shared aide cost containment activities were implemented Statewide.

This element, as a factor in the formula, credits districts for their efforts at reducing their utilization of PCS via cost containment initiatives. It adjusts the potential for saving associated with the effects of their efforts on the market. It would also credit a district for reductions in expenditures due to other activities such as unilateral implementation of a task based care plan or strict adherence to program regulations and other changes in historical management practices over the time period from the end of FFY 1991 to the end of CY 1994.

Scoring and Weighting of Data Elements

For each of these elements, districts were ranked on a numerical scale, with each district receiving a weighted score reflecting its rank on the scale in direct proportion to the largest element present among the districts for that element. The numerical scale used is indicated in the weighting column found in Attachment A, page 2

The three elements were not equally weighted. The logic behind the assignment of the weights is based on the relative potential for service reduction and recognition of the past history. The actual numbers of 14, 7, and 1 are used to show relative potential based on information available to the Department and experience with implementation and utilization of these efficiencies across the State. For example, the number of cases receiving more than 100 hours per month indicate the potential for reduction of hours through the use of both PERS and shared aide. Since the impact of the two efficiencies is greater than the impact of density which measures potential for shared aide, the weight is twice as great. Thus the weights were used to assign a statistical value to each element's ability to achieve potential savings.

Final Calculation

A combined weighted score was developed for each district by adding the scores from each scale. The combined weighted score was multiplied by the average size of the district producing each district's factor of proportionality of the program statewide. This, in turn, was converted to a relative factor of proportionality (i.e. a percent) by dividing the district factor of proportionality by the total of all factors.

The cost savings target to be achieved is calculated for each district by multiplying the total Statewide State Share cost savings target (\$53 million) by each district's relative factor of proportionality, thus effectively dividing the total target among the districts. Gross savings are calculated by dividing the State share cost savings target by the existing State Share Reimbursement (40.6).

The methodology produced negative targets for some districts. Those with negative targets were districts that had a reduction in the average cost per recipient from 1991 - 1994 coupled with a low density of potential S/A recipients and a low percentage of 100 hours per month cases. According to the methodology these districts have utilized their current potential to produce saving through the expanded utilization of PERS and shared aide. However, such districts should continue their cost containment efforts to assure that future potential for savings is maximized.

An example of the calculation of the target is contained as Attachment A to this LCM.

District Notice and Recovery

Districts will be individually notified of their targets. Any district desiring a more detailed explanation of the allocation formula should contact Mr. John Bernarde at the number listed in the end of this transmittal.

When districts do not achieve 100% of the targeted savings through the use of shared aide and PERS only, the Department has been directed to intercept State share reimbursement for public assistance and care or any other payments made to the district in an amount equal to the difference between the savings target and the district's actual savings. Recovery of the amount of savings below a district's targeted amount will be effected as a below-the-line adjustment to the district's RF-2 State Share Settlement.

The savings target was expressed in Section 92, Chapter 81 or the Laws of 1995 in terms of the State share. Since the State pays 40.6 percent of the total, the gross cost savings which must be achieved by the local district to yield the required State share savings target is greater. This means that a district with a State share savings target of \$500,000 must have a gross savings of \$1,231,528. The notice sent to each district indicated both the State share savings targets and the gross savings necessary to achieve that target.

To ensure that the Department can determine accurately whether a district has met its target, every district must use the shared aide rate codes and rates when prior authorizing PCS. In addition, it may be necessary for districts to provide additional information to the Department for use in determining whether the savings target has been met. Districts are reminded that transmittal 92 ADM-4, "Development and Implementation of Shared Aide Programs", contained specific reporting requirements for reporting on the provision of shared aide services. Failure to use the appropriate rate codes or to provide any requested additional information may jeopardize the Department's ability to accurately determine the progress made by the district.

The determination of district savings will consider savings achieved through the use of shared aide and PERS in the PCS only. The period for calculating savings began 4/1/95. The Department will continue to meet with commissioners of social services districts and their representatives concerning the process which will be used to determine whether the savings targets have been achieved. It is expected that the Department will use, but not be limited to, current information similar to that used in determining the targets.

On or before March 1, 1996, the Department will notify districts of the progress made toward their district-specific targets. The report will include information on the amount of funds which will be intercepted when a district fails to meet the target. This will be done by the following steps:

- 1) determining the gross savings derived from the use of shared aide and PERS only;
- 2) calculating the State share of that savings; and
- 3) determining whether the State share of that savings meets or exceeds the target.

Any district which believes that the potential intercept is incorrect may request that the Commissioner review the intercept determination by filing a written request for such review with the Commissioner within ten days of receipt of the report. If the review indicates that the amount of the intercept is incorrect, a change will be made.

Questions concerning this transmittal should be directed to Mr. John Bernarde at 1-800-428-9097, extension 3-5604, or directly at (518) 473-5604. Questions concerning PERS should be directed to Mr. Donald Dwyer at 1-800-428-9097, extension 3-5616, or directly (518) 473-5616. Questions concerning shared aide services should be directed to Mr. Frederick Waite at 1-800-428-9097, extension 3-5490, or directly at (518) 473-5490.

Richard T. Cody
Deputy Commissioner
Division of Health & Long Term Care

Example of Cost Savings Target Calculation

DESCRIPTION OF THE DISTRICT

The following example uses District X which according to MMIS data, had 157 personal care recipients in calendar year (CY) 1994, utilizing 36,793 hours of service, with a total expenditure of \$445,197 for personal care services. In June of 1994, District X had 8 recipients who received more than 100 hours of personal care per month. The district had no shared aide recipients. There are 1047 square miles in District X according to the District Profiles prepared by the Department. This district had reduced their utilization of personal care services from Federal fiscal year (FFY) 91 to CY 94. This was determined by trending the FFY 91 average cost to CY 94 and calculating that there was a reduction in the average cost per recipient of \$354.

CALCULATION FOR THIS DISTRICT

Using the information from the above description, the cost savings target was calculated as follows:

Part A - Average Size of home care services program (PCS)

<u>Factors</u>	<u>Statewide</u>	<u>EXAMPLE</u>
1. Total PCS Dollars	\$1,481,933,317	\$445,197
2. % of Statewide Total PCS dollars	100%	0.03%
3. Total PCS Recipients	88,051	157
4. % of Statewide Total PCS Recipients	100%	0.18%
5. Average Size	100%	0.10%

The average size of the district's home care services program is derived by averaging the percents found in lines 2 and 4.

Part B. - Calculation of Potential Efficiency Gain.

Factors	WEIGHTING
1. % of District cases that exceed 100 hrs per month	Weighted Score of (7) (7) x District % of High Hour Cases/Highest District % of cases = Weighted Score
1a. EXAMPLE = 0.66	
2. Density of Potential S/A recipients	Weighted score of (14) (14) x Total District PCS Recips. (CY'94) minus Total District S/A Recips (CY'94) / District Square Mile Highest District Poten- tial Savings = Weighted Score
2A. EXAMPLE = 0.01	

Part C. - Calculation of Historical Success in Reducing PCS Expenditures

1. Change in Avg. Yrly cost/per recip (FFY'91 to CY'94)	Weighted Score of (1) (1) Avg. Cost per Recip. (FFY'91) Trended to FFY'94 rate minus the Cost per Recip./ Highest District Cost per Recip. = Weighted Score
1A. EXAMPLE = -0.23	

Part D. - Factor of Proportionality to Total Assessment

The factor of proportionality to total assessment is obtained by multiplying the average size of the program found in Part A, line 5 by the composite weighted score found in Part B, (1A. & 2A.) and Part c, (1A.) the computation is as follows:

$$0.10\% \times 0.45 = .00047$$

Part E. - Relative Factor of Proportionality

The relative factor of proportionality is obtained by dividing the individual district factor of proportionality by the sum of all district factors of proportionality statewide.. The sum of all district factors of proportionality statewide is 15.42594. The computation for Example is as follows:

$$.00047/15.42594 = .00317\%$$

Part F. - Cost Savings Target

The cost savings target for a district is obtained by multiplying the Statewide cost savings target by the district specific relative factor of proportionality. For EXAMPLE this computation is as follows;

$$\begin{aligned} \$53,000,000 \times -.01851\% &= \$1,679 \text{ state share} \\ \$1,679 / .406 &= \$4,160 \text{ gross} \end{aligned}$$