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| LOCAL COMMISSIONERS MEMORANDUM |
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DSS-4037EL (Rev. 9/89)

Transmittal No: 96 LCM-79

Date: August 29, 1996

Division: Health and Long
Term Care

TO: Local District Commissioners

SUBJECT: Section 226, Chapter 474, Laws of 1996:
Home Care Services Medical Assistance State Share
Cost Savings Targets

ATTACHMENTS: Attachment A: Section 226, Chapter 474, Laws of 1996
Attachment B: Baseline Data For Target Calculations
[Attachments not on-line]

Section 226 of Chapter 474 of the Laws of 1996 directs the Department to establish, within thirty days of enactment of the statute, a home care services state share Medical Assistance savings target for each social services district. These targets, not to exceed \$40 million state share, after reducing any district specific targets of less than \$20,000 to zero, are to be achieved as a result of the district's authorization of only such services, or combination of services, as meet the Medical Assistance recipient's home care services needs in the most efficient and cost-effective means available. The department is directed to intercept payments to districts in amounts equal to the difference between the state share savings actually attained and eighty percent of the district-specific state share target. The period in which the savings are to be achieved is July 1, 1996 through March 31, 1997. The complete text of the statute is Attachment A to this transmittal.

To assist the districts in achieving savings, Section 227 of Chapter 474 of the Laws of 1996 directs the Department to establish a methodology to give administrative assistance payments, not to exceed one million in state share Medical Assistance, to districts which are subject to savings targets developed pursuant to Section 226 of this chapter. The payments, subject to the approval of the Department, may be used for activities related to achieving the targets and may include hiring professional or administrative staff and developing enhanced technical resources. Districts with targets will be separately notified of the amount of incentive funds available to them.

Home care services for purposes of this section are defined as all personal care services plus those home health services attributable to long term cases as calculated by multiplying home health expenditures and recipients by standard factors for the purpose of excluding short term stays from the calculation. A short term stay in this context is defined as a stay of 60 days or less. This coincides with the requirements for conducting fiscal assessments of CHHA clients.

Section 226(2)(a) of the statute identifies the following specific items which must be included in the calculation of the targets:

Grouping Districts are to be grouped by the same factors utilized to develop personal care rates or such combined groupings as may be necessary for comparison of home care utilization across districts.

Base Period The base period for calculating the targets is specified as July 1, 1995 through March 31, 1996.

Target Period The target period, during which savings are to be measured, is July 1, 1996 through March 31, 1997.

Expenditures per Recipient Each district's home care services expenditures per recipient in the base period are to be arrayed within groups as described above.

Standards of Efficiency The median of each group's array. No standard of efficiency shall be less than two hundred percent of the statewide median.

Unadjusted District-Specific Savings Target For those districts exceeding the standard of efficiency for their group, the difference between the district's expenditure per recipient and the standard of efficiency for their group.

Section 226(2)(b) of the statute requires that the unadjusted district-specific target that is developed using the above elements be adjusted through the application of factors which take into account:

Nursing Home Bed Utilization Savings which are attributable to the amount by which a district's utilization of Medicaid funded skilled nursing facility beds, adjusted for district population age 65 and over, is below the national average. This adjustment is limited to those savings not otherwise offset by utilization of Long Term Home Health Care Program (LTHHCP) services.

Implementation Factor To allow for time lags in the implementation of the targets, consideration is given to the rate at which cases are assessed or reassessed for services. A factor, not to exceed 0.44, is applied to the unadjusted target, as adjusted by the nursing home bed utilization factor.

As required by section 226(2)(c) of the statute, the district-specific targets as modified by the Nursing Home Bed Utilization and Implementation factors are then multiplied by a factor established by the Division of the Budget (DoB) to account for projected price and recipient changes in the target period.

On or about January 1, 1997, the Department will notify districts of progress made in attaining the targets. This notice will include aggregate data accumulated for the period July 1, 1996 through the most recent month for which data is available and will include information on the number of recipients in receipt of home care the type of home care services provided and the cost of such services.

On or before March 1, 1997, the Department will notify districts of the progress made in attaining the targets; the amount, if any, the Department projects that the district will not achieve; and the amount of payments, if any, to be intercepted pursuant to the statute. To produce this notification, the Department will:

1. calculate the state share district-specific home care expenditures per recipient for the period July 1, 1996 through the most recent full calendar month for which data is available;
2. calculate the state share district-specific home care expenditures per recipient for the base period trended forward by the factors utilized in accordance with section 226(2)(c) and referenced above;
3. calculate the district specific projected savings by subtracting item 1, above from item 2 and, where the result is a positive number, multiplying the difference by the projected number of recipients in the target period or the number of recipients in the base period trended forward to the target period, whichever is less.

On or before March 31, 1996, the Department will intercept payments for public assistance and care and any other payments to be made to districts which the Department projects will fail to meet the district specific target. In accordance with section 226(5)(b), this intercept will be in an amount equal to the difference between the projected savings and the target to a maximum of eighty percent of the target. In the event that the ratio of the number of personal care services to home care recipients is less than twenty-five percent, the maximum intercept will be twenty-five percent. The Department may, upon consultation with the DoB, waive the intercept provisions for any district with savings which the department reasonably anticipates will exceed the district's target amount by March 31, 1997.

As soon as it is practical after March 31, 1997, the Department will calculate actual state share savings attained by each district. This will be done in the same manner as used to produce the progress report except that data from the target period will be utilized.

Any intercepted amounts greater than was necessary to reimburse the Department for targets not achieved, will be returned to the district as

soon as possible but in no event later than June 30, 1997. If no intercept was made and the district failed to attain the target, or if the intercepted amount was not sufficient to reimburse the Department, additional amounts will be intercepted as soon as possible but no later than June 30, 1997.

Districts have been notified of their targets individually. This notification included a detailed description of the calculation of the target. To assist in preparations to meet the targets, Attachment B to this transmittal presents the baseline data which will be used by the Department in establishing the targets. As required by the statute, districts are grouped in the manner used to establish personal care reimbursement rates with the exception of New York City. Since New York City is its own group for rates development, it was included with the Downstate Urban group of districts. Within each group, districts are listed in order of total cost per recipient for the base period.

Attachment B, Chart 1, contains information on the components of the home care services program as well as a summary of total home care cost, total home care recipients and the cost per recipient for the base period. Recipient counts are unduplicated within the columns. The source of this information is the Management and Administrative Reporting Subsystem (MARS) of the Medicaid Management Information System (MMIS) and is based upon claims for services paid during the reporting period.

Attachment B, Chart 2, incorporates information from Chart 1 plus information developed from other sources as indicated.

Column A Home Health Services Recipients From Chart 1.

Column B Ratio of HH Only to Total HH The ratio of recipients who received only home health agency services to the total of all recipients who received home health services. This ratio was calculated from data for Calendar Year 1995 produced by the Surveillance and Utilization Review Subsystem (SURS) of the MMIS which arranges information on the basis of the time period in which the services were provided.

Column C Estimated Home Health Only Recipients The ratio in Column B times the recipient count in Column A.

Column D Short Stay Home Health Only Column C times .593. This is the estimated number of short stay CHHA recipients to be excluded from consideration in determining the individual district targets. This element was developed from information provided by CHHAs to the Department of Health on Medicare/Medicaid cost reports used to establish reimbursement rates as well as calendar year 1995 data from the Surveillance and Utilization Review Subsystem (SURS) of the MMIS. The Department determined that 59.3% of CHHA only recipients are short stay.

Column E HHA Plus PC Recips Obtained from the MARS system for the period 7/1/95 to 3/31/96.

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Column F Home Health plus Personal Care minus Short Stay Home Health
Column E minus Column D. This is the estimate of the
recipient population upon which the targets are calculated.

Column G HHA Cost From Chart 1.

Column H Personal Care Recipients From Chart 1.

Column I Personal Care Cost From Chart 1.

Column J Personal Care plus Long Stay Home Health Cost Column G time
.542 plus Column I. This factor accounts for the cost of home
health services used by long stay recipients and are subject
to the target. This element was developed from information
provided by CHHAS to the Department of Health on
Medicare/Medicaid cost reports used to establish reimbursement
rates as well as calendar year 1995 data from the SURS. The
Department determined that 45.8% of CHHA only expenditures are
short stay and 54.2% are long stay.

Column K Cost Per Recipient Column J divided by Column F. This is the
cost per home care recipient used in establishing the target
and measuring success in attaining the target.

Questions concerning this transmittal or the establishment of the targets
should be directed to Richard Alexander at (518) 473-5506.

Martin J. Conroy
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Division of Health and Long Term Care