Strategy template: Disabilityservices_425_Residentialcosts

Priority strategy title: Curb Residential Costs in Disability Waivers

Strategy Catalogue unique identifier(s): 425
Original submitting organization(s)/agency(ies): DHS
Drafting organization/agency: DHS
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1) This priority strategy addresses the following aspect of the Commission’s charge (select only the one that represents the best fit):

☐ Transform the health and human services system.
☐ Increase administrative efficiencies and improve program simplification within health and human services public programs.
☒ Identify evidence-based strategies for addressing the significant cost drivers of State spending on health and human services.
☐ Reduce waste in administrative and service spending in health and human services.
☐ Advance health equity across geographies, racial and ethnic groups

2) Please describe the populations impacted by this strategy:

This strategy affects people who receive, and providers that render, residential services through the Developmental Disabilities (DD), Community Access for Disability Inclusion (CADI), Community Alternative Care (CAC), and Brain Injury (BI) waivers.

3) Problem statement
   a) What is the primary problem the strategy is expected to mitigate or resolve relative to the focus area?

   Spending on the DD, CADI, CAC, and BI waivers (collectively “disability waivers”) has increased significantly in recent years and is anticipated to continue increasing in the foreseeable future. One of the primary cost drivers in these programs is spending on residential services, specifically supports provided to people with disabilities in a corporate foster care and customized living setting.

   In Fiscal Year 2021, the total projected spending on the disability waivers is $3.4 billion (both state and federal share). Of that amount, 43% or about $1.4 billion is expected to be spent on corporate foster care and corporate supportive living services.

   In addition to residential services, the disability waivers offer services provided to people in their own home, workplace, and the community. There are differences in costs between
people who receive residential services and those who do not. The following table illustrates the cost differences found in FY2019:

<table>
<thead>
<tr>
<th>Waiver</th>
<th>Average daily cost for people receiving residential services</th>
<th>Average daily cost for people not receiving residential services</th>
</tr>
</thead>
<tbody>
<tr>
<td>CADI</td>
<td>$228.49</td>
<td>$48.71</td>
</tr>
<tr>
<td>DD</td>
<td>$304.35</td>
<td>$116.07</td>
</tr>
</tbody>
</table>

While these numbers are not adjusted for level of need, this table illustrates the average current cost differences between the two groups. This strategy seeks to reduce spending on corporate residential services and facilitate the use of other support options available on the disability waivers.

b) What is the secondary problem(s) the strategy is expected to mitigate or resolve relative to the focus area and/or other focus areas?

This proposal also promotes strategies that facilitate access to services that support what each person needs and wants in their life. Many in the disability community believe the human services system should transition away from use of corporate foster care and customized living settings, sometimes referred to as “group homes” or “assisted living,” to services that support people in their own home, family home, or apartment. These settings would provide a person more options about the services they receive and the providers that provide them.

Through the Blue Ribbon Commission’s strategy submission process, there were several strategies submitted that identified the goals of enhancing access to individual supports and supports that promote community inclusion. This proposal seeks to identify strategies to promote that goal.

4) Priority Strategy description

a) What is the strategy?

This strategy includes multiple sub-strategies to reduce use and curb the growth of residential services in the disability waiver programs. These sub-strategies include:

**Aligning Corporate Residential Billing with Rate Framework**

This sub-strategy would place limits on the number of billable days for Corporate Foster Care and Supportive Living Services to align with the absence factor in the rate methodology.

Corporate foster care and supportive living services have rates determined by the Disability Waiver Rate System (DWRS). DWRS establishes service rates through a formula comprised of cost components such as staff wages, employee benefits, program costs and administrative costs. The absence and utilization factor (referred to as the “absence factor”) is a cost component in the DWRS frameworks intended to cover the costs incurred by the provider when the person is gone from the home and the provider cannot bill for services as planned. This factor accounts for approximately 14 absence days per year.

While the rate methodology increases the daily rate to account for these absent days, a provider is able to bill the increased rate regardless of how many absent days actually occur. If a person is in the home 365 days a year, the provider can bill every day even though they receive compensation for assumed absences. This sub-strategy would ensure that if a person
was in the home for more than 351 days in a year, the provider could only bill 351 days to be consistent with the rate methodology.

Fiscal Impact: This sub-strategy would reduce spending within one year by reducing the amount of units paid.

**Curbing Customized Living Services Rate Growth**

Customized living, available on the CADI and BI waivers, is an individualized package of regularly scheduled, health-related and supportive services provided to an adult who resides in a qualified, registered housing-with-services establishment. Daily rates are determined through the “customized living tool” where the cost of discrete units of service are added together to determine a daily rate. Rates have noticeably increased in recent years and the increase is driven by more units of service being entered in the tool.

There are currently no standardized rules related to the number of appropriate units in the calculation of the customized living rates for CADI and BI. This sub-strategy would place limits on the number of discrete units allowable to determine the daily rate to prevent future rate growth from occurring.

Fiscal Impact: This sub-strategy would reduce spending by reducing some rates paid for customized living services.

**Support Planning for People who want to Move**

This sub-strategy would provide additional support planning assistance to people receiving disability waiver services who indicate that they prefer to move out of corporate foster care and customized living settings. The state would assist lead agencies and people in accessing services that meet their needs in alternative settings.

Support planning strategies could be modeled after Moving Home Minnesota, which creates opportunities for people to move from institutional settings to their own homes in the community. In comparison, this work would focus on moving people who have expressed an interest in moving from corporate foster care, supportive living services, and customized living.

Fiscal Impact: This sub-strategy could produce cost savings by reducing use of higher cost residential settings. Savings are likely to be achieved over time, rather than an immediate impact seen in rate or billing based strategies.

**Bed Closure Targets & Rate Reform for Corporate Foster Care**

This sub-strategy would require DHS to achieve a defined cost savings target by reducing current corporate foster care capacity and the statewide corporate foster care moratorium maximum.

Under current law, the rate methodology for corporate foster care considers the number of people in the home when determining the rate. In order to achieve cost savings when beds are reduced, an entire corporate foster care home must close. This sub-strategy would update rates statute to derive cost savings from individual bed closures.

Fiscal Impact: This sub-strategy would produce cost savings by reducing corporate foster care rates and utilization. This sub-strategy would require significant coordination among the state, lead agencies, and service providers.
b) What steps are required to implement the strategy?

Each of these would need legislative approval to implement. Some strategies would then require federal approval prior to implementation. Finally, system changes would be required to implement these strategies.

i. Who will need to take them?

These steps would be taken by the legislature, the federal Centers for Medicare and Medicaid Services (CMS), DHS, and MNIT.

ii. When will they need to be taken?

The legislature may begin this process during any legislative session.

iii. How long will implementation take?

For the first two strategies, federal approval would take at least six months and systems changes could be made within a year. For the last two sub-strategies, additional administrative resources and engagement with lead agencies and people receiving services would be required. These changes may take up to 4 years to achieve fiscal impact on the aggregate.

iv. What will be the associated systems impacts?

Changes to MMIS and the MnCHOICES Support Plan would be required.

v. What will be the associated resource requirements?

Required resources vary by strategy. The first two sub-strategies require no administrative resources beyond systems changes. The last two sub-strategies will require additional DHS administrative resources, in addition to potential systems changes.

vi. What will be the implementation challenges? Does the strategy create an administrative burden or additional costs for the State or for any external stakeholder(s)?

These strategies will require increased state technical assistance to lead agencies and providers, which will require administrative support.

The third strategy may provide additional support to lead agencies as they administer support plans for people who want to move.

The fourth strategy could require significant coordination with lead agencies and providers.

c) How will the strategy mitigate or resolve the primary problem it is addressing?

This strategy provides multiple options that will reduce cost and may lead to lower utilization of corporate foster care and customized living settings under the disability waiver programs.

d) What are possible unintended consequences this strategy could have?

These strategies will reduce revenue for residential service providers. This could raise concerns about provider sustainability due to reduced revenue and additional hurdles to accepting new referrals and maintaining existing capacity. Additionally, this could create disincentives related to temporary vacancies in group residential settings.

5) Expected results and supporting evidence

a) What are the expected results, and when will their impact be experienced?

These strategies could result in increased access to services that are alternatives to corporate foster care and customized living that encourage greater community inclusion. In the short
term, these strategies could begin reducing residential service costs in the disabilities waiver programs. Long-term, a strong support planning infrastructure and proper fiscal incentives could reduce utilization of these services.

i. What is the anticipated fiscal impact to the State in the next biennium? (select one)

☐ New costs
☐ Budget neutral
☒ Cost savings

ii. If costs or savings are anticipated, what is the scope of the impact? (select one)

☐ Small: $1 to $999,999
☐ Medium: $1 million to $9,999,999
☒ Large: Greater than $10 million

iii. Will any state investment be required?

Additional state administrative and system resources would be required.

iv. What will be the programmatic and population impacts?

This strategy would affect people receiving corporate foster care, supportive living services, and customized living through the disability waivers, as well as providers of those services.

There are differences in costs between people who receive residential services and people who do not. The 10,234 people who received residential services through the CADI Waiver in fiscal year 2019 had an average daily waiver services cost of $228.49. In comparison, the 21,845 people who did not receive residential services had an average daily waiver service cost of 48.71. On the DD Waiver, 10,176 people received residential services during fiscal year 2019 at an average daily waiver service cost of $304.35. The 11,007 people who did not receive residential services during the same period of time had an average daily waiver services cost of $116.07.

v. What are the key results of the equity review evaluation?

- How does this strategy meet current and growing demand for care and services and support for low-income residents in facilities that receive disability waiver programs?
- Establish an equitable lens in the customized living tool
- How will cost savings be defined?
- Embed equitable process to curb residential costs
- Does the strategy make provisions for accountability?
- Does the strategy pose a potential impact in access to disability waiver program recipients?

Further equity considerations:

- What is the impact to the state for individuals that become homeless when a residential service facility closes?
- How are data sets for various underrepresented groups being integrated in the assessment process?
• Reducing the number of units billed and/or reducing the total daily rate will result in reduced costs on the disability waivers.

• Effectiveness of the foster care moratorium and other strategies to reduce the use of corporate foster care are documented in the Corporate Foster Care Needs Determination Report.

• Moving Home Minnesota is an initiative started in 2013 to help people move from nursing facilities or other institutions to their own homes in the community. It is Minnesota’s effort under the federal Money Follows the Person Rebalancing Demonstration, which is a strategy for reducing reliance on institutional care and developing opportunities for people with disabilities and older adults to fully participate in their communities. In SFY 2018, Moving Home Minnesota helped 158 people move out of institutions and into the community.

• The alignment of billing limitations with absence assumptions in rate methodologies is a strategy used by other states’ waiver programs to support program integrity.