

DHS Response to Recommendations of the MR/RC CDCS Budget Methodology Workgroup

August 2, 2005

Background

The Department of Human Services (DHS) has been challenged by many competing interests in its implementation of Consumer Directed Community Supports (CDCS) within waiver programs. The expressed desires of consumers for broad flexibility coupled with equitability were early interests to which DHS attempted to respond. During the time of these discussions, DHS was dealing daily with data practices requests, communications with consumers, legislative intervention and legal challenges. The atmosphere was tense, yet good ideas came forward which led to what most perceived at that time to be important changes.

DHS had four principal concerns in framing its response:

1. Maintaining integrity within the structure of the waiver program on behalf of recipients, counties and the state
2. Addressing federal interests for appropriate use of federal Medicaid funding
3. Maintaining budget neutrality in terms of state level expenditures and
4. Maintaining adequate funding levels in counties to be able to continue to meet the combined needs of people using CDCS and people not using CDCS.

The Department responded by proposing a model which, in fact, has given broad flexibility to consumers but has contained the financial risk by establishing an upper limit on the budget amounts that are available to individual recipients. The model also more clearly defines the role of the county in authorizing a plan for the use of CDCS, and introduces new criteria for fiscal integrity and ability to address federal audit requests.

Subsequent to the initial presentation of the model, other pressures came to bear. This included significant reductions in the appropriation for the MR/RC Waiver, rebasing of county budgets, new consumer demands for additional flexibility, and new representative stakeholders working with DHS on the CDCS option. Thus, the context and the interests of all stakeholders shifted over the course of time as pressures changed.

At the time of the submission to the federal government of the current CDCS service, there were mounting concerns that too much variation existed from county to county in the implementation of not only CDCS but also the entire MR/RC Waiver. Concerns expressed included that assessed needs of individuals were not reflected in the funding allocated from state to county and from county to individual. DHS was heavily challenged during a legislative session and by a Legislative Audit report to improve on practices and to address the concerns by implementing allocation processes that were reflective of assessed needs.

DHS has felt challenged in its ability to respond to these valid and legitimate demands for improvements. It was not provided funding or new administrative support to make the changes that are desired. In fact, budgets were restricted and in some cases reduced. DHS continues to operate within a tightly controlled appropriation and with limited budget for implementing a new system.

Response to Recommendations

The work group has demonstrated amazing commitment to working in partnership with DHS to seek improvements within the limits that exist. From the state agency perspective, we are deeply appreciative and equally committed to this partnership. It has opened new avenues for much of the work that is yet to be done.

The work group made recommendations in five areas. These included:

1. Maintaining a work group to look at alternatives and improvements
2. Implementing interim steps that would assure that people likely to have budget reductions would be held harmless and be allowed to continue at their former levels
3. Implementing an exception process as an alternative to number 2 above
4. Using of alternative data approaches for future formula changes
5. Re-examining cost neutrality.

Some of the above recommendations were discussed at length in the course of the 2005 legislative session. In particular, the ability to implement a "hold harmless" clause was not possible without seeking additional funding from the legislature. There was neither department nor legislative support for adding new appropriations to the budget for this purpose. However, the discussions did result in a middle ground that allows counties to maintain some discretion in very limited circumstances. These circumstances include:

- Exception applies ONLY to those individuals who were enrolled and using CDCS on or before October 1, 2004
- Exception allows counties to authorize an individual budget above the state set limit IF certain conditions are met
- Exception by county can only be authorized up to certain spending levels
- Exception process must be approved by the federal government.

Under the above criteria, DHS did agree that no increase to the state budget for the MR/RC Waiver would be required. And while DHS has not been particularly supportive of exception processes, which are extremely hard to administer and difficult in maintaining a practice of approving only true "exceptions", it did not oppose the legislative language, and we will apply for approval as a waiver amendment.

This series of legislative and work group discussions has still left us with the question of what is next and how best to approach it. DHS feels that it must address what we perceive as a lack of trust of external stakeholders on the issue of CDCS budget methodologies. DHS also desires to have an opportunity to pursue improvements in a more neutralized context. And most importantly, there is a recognition that more needs to be learned and assumptions need to be challenged in a fashion that is respectful to the history of the program but likewise opens new avenues to pursue.

After reviewing the recommendations, DHS has agreed to publish an RFP in the fall of 2005. DHS will solicit a contractor to:

- Develop and recommend a new budget methodology for CDCS in all disability waivers including MR/RC, CADI, CAC and TBI
- Make recommendations for implementation of this new budget methodology
- Make recommendation for expansion of CDCS to others in the waiver programs
- Identify any and all costs to the state and analyze the impacts on individual county budgets for these waivers for each of the above.

The cost of such a contract has not yet been determined. However, administrative funding will be set aside for this purpose.

DHS has also agreed that the work group formed has been of great value. DHS would like to expand the work group to include other representatives that reflect the stakeholders impacted in the other disability waivers.

The current CDCS language will remain in force, with modifications reflecting legislative changes if approved by the federal government, until the work described above is complete.

In Conclusion

Consumer direction is an important philosophical cornerstone of the state's policies that we continue to support. There may be many ways to achieve a better approach to assuring it happens. DHS remains committed and will work with stakeholders to achieve improvements as we evolve in our learning about how to offer these options to service recipients and families.

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1.0 Introduction

The MR/RC CDCS Budget Methodology workgroup was created to complete an analysis of the newly developed formula for setting MR/RC CDCS budgets and if necessary develop an alternate approach using available data. The workgroup met from January 20, 2005 to April 15, 2005.

Workgroup members included: Curtis Buhman (Hennepin Co.) ; Pam Gonnella (The ARC); Karen Conrath (Dakota Co); Robert Doljanac (ICI); Anne Henry (Disability Law Center) ; Cindy Johnson (The ARC) ; Sandy Kasprazk (PICS); Joe Ritter (Humphrey Institute); and Bud Rosenfield (Disability Law Center)

DHS Staff: Peg Booth; Maggie Friend; Patti Harris; Jim Leibert; Bob Meyer; and Guy Vogt

2.0 Background

Consumer Directed Community Supports (CDCS) is a unique service option that gives persons more flexibility and responsibility for directing their services and supports, including hiring and managing direct care staff. CDCS may include services, support and/or items currently available through the Medical Assistance (MA) waivers, as well as additional allowable services that provide needed support to persons.

CDCS has a range of allowable services and supports that can be tailored to meet a person's needs. The flexibility built into CDCS allows a person to develop the services and supports in ways that are meaningful to the person.

In 2003, DHS decided to develop a standard way to identify budget amounts for people wanting to use the Consumer Directed Community Support (CDCS) Service under the MR/RC Waiver. The DD Screening Document was used as a source of data as it contained information on all current program participants and those individuals on waiting lists. As no additional funding was available, due to projected growth in CDCS participants, a 30% discount was included to ensure budget neutrality.

Beginning April 1, 2005, the CDCS service option became available as a statewide service when persons are enrolled in one of the following programs¹:

- Alternative Care (AC) Program
- Community Alternative Care (CAC) Waiver
- Community Alternatives for Disabled Individuals (CADI) Waiver

¹ More information on the CDCS service option can be found on the DHS Web Site at:
http://www.dhs.state.mn.us/main/groups/disabilities/documents/pub/DHS_id_017635.hcsp

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- Elderly Waiver (EW)
- Mental Retardation/Related Conditions (MR/RC) Waiver
- Minnesota Disabilities Health Option (MnDHO) *DHO*
- Minnesota Senior Health Option (MSHO)
- Traumatic Brain Injury (TBI) Waiver

2.1 Benefits of the CDCS Option

Minnesota's Long Term Care System is unsustainable due to increasing needs (aging population) and shrinking resources. Persons with disabilities do not choose their conditions nor their need to rely on publicly funded long term supports. However, CDCS has tremendous promise to provide for the long term stable care needs of people in a cost effective manner.

CDCS is the natural choice for most families to enable them to keep a family member at home and to build needed supports around them. When compared to other waiver services there are many qualitative differences unique to CDCS that make it more than just another service. The importance of CDCS can not be overstated. CDCS both saves money and improves the quality of life for persons with disabilities.

*Cost satisfaction
greater services
meet need.*

2.1.1 Cost Effectiveness of CDCS

CDCS saves money over formal supports by allowing more of the dollars allocated to a person to be used to provide direct support rather than for administrative costs. Cost savings comparing the costs of CDCS (including administrative costs) to traditional approaches have not been fully investigated but preliminary analysis suggests that CDCS costs less than traditional waiver services.

Those individuals with CDCS budget decreases can maintain their higher waiver budgets by leaving CDCS and reverting to the other traditional waiver service options. If this happens, existing licensed services may not be able to handle this influx as these services have neither the sites nor staffing in place to handle this possible increase in numbers. An increase in higher cost out of home placements may also result from individuals leaving CDCS.

2.1.2 Staffing

The CDCS model is empowering and results in a more highly motivated staff. CDCS also improves staff stability through the ability to pay slightly higher

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wages.

Most CDCS staff choose to work with these individuals. Many of these staff personally know the consumer or the consumer's family. This creates a work environment that achieves the highest quality of services and supports. This is due directly to the flexibility of this option. Not only does this protect the health and safety of the consumers but it also results in a cost savings, as approximately fifty percent of the staff in traditional licensed services typically resign within the first six months. This high staff turnover also results in added administrative costs to the licensed service that is not seen in the CDCS option.

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2.2 MR/RC Waiver CDCS Facts

As of February 2005:	Total Number	Percentage of Total MR/RC Waiver Recipients
Total MR/RC Waiver Recipients	14,148	
Number of persons using CDCS	2,379	16.8%
Number of families with adults (21 years or older) using CDCS	780	5.5%
Number of families with Children (under 21 years) using CDCS	1,589	11.23 %

3.0 MR/RC Waiver CDCS Budget Methodology Data Source

3.1 DD Screening Document

The information included on the DD Screening Document ² is now being used to develop individual MR/RC Waiver CDCS budgets. The DD Screening Document was originally developed as a quality assurance tool to determine:

- Eligibility for Rule 185 Case Management Services
- Eligibility for the MR/RC Waiver

3.1.1 Limitations of the DD Screening Document

Limitations of the DD Screening Document, as a data source for funding determinations, identified by the workgroup included:

- a. DD Screening Document was not designed to be used for funding determinations.
- b. The DD Screening Document is more a description of characteristics than of support needs.
- c. DD Screening Document doesn't specifically address Activities of Daily Living (ADL) or Independent Living Skills (ILS) needs or the level of support required to perform them.
- d. Data from old diagnostic reports used for screening documents may not be up to date i.e. diagnostic codes containing only three digits (299 codes and the relative order of the codes in the 4 fields, can yield up to an \$18,000 difference in one's annual budget depending how many digits are used for similar or the same individuals).
- e. County staff do not always obtain accurate information from families. (Families often have difficulty describing problems or deficits of their son or daughter in clear, unvarnished terms.)
- f. Coding practices have not been consistent across counties.
- g. Some screening questions are not linear (e.g. condition "3" may not reflect a greater need than condition "2")

Go back to previous work group findings that no need to do a different tool.

² Additional information regarding the DD Screening Document can be found on the DHS Web Site at:

http://www.dhs.state.mn.us/main/groups/county_access/documents/pub/DHS_id_008530.hcsp

4.0 Three County Model

A Three County Model was developed by this workgroup using the DD Screening Document data set from Ramsey, Dakota and Hennepin Counties. Both Ramsey and Dakota have a systematic allocation system that has been shown to be relatively reliable. Hennepin County currently has the most CDCS consumers.

The formula used in this model was developed using only data from these three counties. In addition, in contrast to the original MR/RC CDCS Budget Methodology, all ordinal data (non linear data) was dummy coded. The results of this regression were used to set budgets statewide. The result of this analysis is:

R square for the Three County Model = .667

R square for Original Model = .465

Statistically speaking, the Three County Model is an improvement, but practically it does not solve enough of the issues identified in the original model.

4.1 Strengths and Weaknesses of the Three County Model

Strengths and weaknesses of Three County Model include:

- Discount to CDCS budgets to assure cost neutrality is less (15% discount compared to the 30% discount applied to the original formula)
- Creates a slightly different set of winners and losers (Three County Model has 23 more "losers" than the original formula, but these individuals lose less on average)
- Formula starts with a positive amount (in contrast to the original methodology which started with a negative amount)
- Does a better job at covering adult day services
- Easier for recipients to understand (and DHS believes to possibly "game" if the formula is made public)

need def.

poor wording
Because the variance explained should be

which

5.0 Outlier Analysis

Statistical models can capture only a limited range of individual circumstances, and this range depends on available data. Unusual circumstances or circumstances that are not accurately captured by the DD Screening Document give rise to outliers, individuals whose costs deviate substantially from the costs predicted by the regression model. In many such cases, examination of the individual's situation reveals a shortcoming of the model. Detailed analysis of the largest outliers from Dakota, Hennepin, and Ramsey counties revealed, for example, a predominance of individuals with very high medical needs. Given the paucity of information about medical needs on the DD Screening Document, this is exactly what one would expect.

If you don't ask the qn. you don't get the data

People whose budgets do not accurately reflect their costs may be forced to leave CDCS and resume licensed services at considerable expense to the state. Therefore, on the basis of both fairness and cost savings, the workgroup strongly recommends the establishment of an exception process as an integral part of the budget methodology.

Using regression analysis, an analysis of outliers was conducted to see what characteristics differentiated one group from the next. Outlier analysis showed that:

- There appears to be a discrepancy between the actual cost per day (from the counties) and reported costs (in MMIS)
- Some aspects of individual circumstances are not picked up by the methodology
- Cost history is too erratic to be used as a predictor
- Models are not perfect - there will always be winners and losers. Therefore to create an equitable allocation system, a clear and transparent exception/appeal process must be part of any budget methodology.

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- Improve equity of CDCS
- Better direct resources toward support needs
- Be cost neutral
- Provide improved consistency state wide
- Making CDCS a viable option for those who choose it
- Be implemented by July 2006
- Be tested by looking at effects on individual budget changes before budgets are changed

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8.0 Recommendations

1. On-going Workgroup

To ensure that none of the work of the original workgroup is lost, it is important to continue the efforts without delay. It is further recommended that this workgroup or revised workgroup should include a core group with other technical consultants as needed. Since the conclusion of the workgroup, DHS now has the capacity to complete full data mining analysis that would provide additional information not previously available to the workgroup.

All current members of the MR/RC CDCS Budget Methodology Workgroup have volunteered to be considered for another similar workgroup.

2. Preferred Recommendations for Interim Solutions

To minimize any additional disruption to people lives, the workgroup recommends that DHS waits to implement any new methodology until one can be developed that better matches support needs with level of disability. Its is further recommended to: 

- a. Leave people where they are financially (whether it is a county or state set budget)
- b. Provide interim adjustments using the county methodology so individuals can maintain their current support and services to ensure:
 - Stability based on existing budgets
 - People who received increases stay where they are

2 A. Alternate Recommendation (if Preferred Recommendation above is not accepted)

An Exception Process is needed to limit disruption to families/consumers, to address individuals whose support needs cannot be met using other waiver services or for whom other waiver services would cost the same or more than current CDCS. This Exception Process:

- Needs to have identified a clear process and criteria and
- Must allow appeals

3. Considerations when Designing Future Methodologies

- a. When building a formula for the allocation of funds, it is imperative that the data used is accurate and reliable (so that the same measure is obtained every time). To this end, there is a need to verify the accuracy of assessments being completed.

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- b. The models being discussed are all locked in the past. Therefore it follows that any formula that is developed must be continually monitored and modified to reflect life changes.

4. Amend Waiver

The MR/RC Waiver should be amended to allow exceptions to ensure the health and safety while maintaining cost neutrality.

5. Re-examine Cost Neutrality within CDCS versus Cost Neutrality within the MR/RC Waiver, as a result of consumers leaving CDCS to traditional waiver services.

The workgroup group believes that while it may be possible to assure health and safety for those who make changes to other services, the costs will increase.

In the short time the workgroup investigated the methodology enough preliminary evidence was found to conclude that without modifying the current budget methodology, the counties and state will face a budget shortfall. Further work is needed with this workgroup or another similar group to allow for the opportunity to implement a methodology that will be more cost neutral.