

# Colorado Department of Health Care Policy and Financing

## Draft Rate Methodology for Alternative Care Facilities

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Consultants • Actuaries • Economists

# Agenda: Tiered Rate Development

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- Key Definitions
- National Landscape - Summary of Findings
  - Best Practices;
  - Assessment tools;
  - Analysis of other states using tiered rates; and
  - Analysis of how other states assess individuals for appropriate tiered services.
- Alternative Care Facility (ACF) Tier Recommendations
- ACF Assessment Tool Recommendations
- Draft New Rate Methodology

# Alternative Care Facilities (ACF)

## **Assisted Living Residences**

Assisted living residences are defined in Colorado Revised Statute (C.R.S.) 25-27-102 as a residential facility which, at a minimum, must provide personal services; protective oversight; social care due to impaired capacity to live independently; and regular supervision that shall be available on a twenty-four-hour basis, but not to the extent that regular twenty-four-hour medical or nursing care is required.

## **ACF Defined**

“Assisted living service” is the umbrella term that generally defines services provided within an assisted living residence. In Colorado, ACFs are defined as a subset of assisted living residences that provide assisted living services and are certified through Health First Colorado. HCPF estimates approximately half of Colorado’s assisted living residences are certified with Health First Colorado as ACFs.

# What is a Tiered Rate?

- State pays providers based on individuals' needs as assessed through a standardized national or state-developed assessment tool.
- Each individual is then assigned to an assessment level, cross walked to rate tiers.
- In a flat rate system, there is a single rate for a service or set of services.

# What is a Tiered Rate?

- Recognizes differences in costs incurred by providers based on an individuals' acuity level or geographic placement.
- Tiering differs from a flat rate system (incentivizes providers to serve individuals with low resource, low-cost needs).

# CMS Process for Setting Geographic Tiers

- Identification of the geographic catchment area or region in which to build tiers from;
- Anticipated utilization and costs for service provisioning in each geographic area; and
- Fluctuations in cost of living and number of providers.

# Acuity-Based Tiers

Acuity-based tiering in four steps:

1. Establish method for assessing individual needs;
2. Develop quality monitoring process;
3. Design cohorts of individuals with similar needs; and
4. Develop the process by which reimbursement is linked to acuity.

# National Landscape - Summary of Findings

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- Reimbursement rates vary for assisted living services offered through HCBS 1915(c) waivers.
- Standardized and non-standardized assessment tools are used for determining eligibility for assisted living services.
- Peer states use varying criteria, assessments, and levels of stratification to support their program.

# ACF Tiers - Findings

- CMS states “tiers may improve the relationship between the cost of providing services and the amount paid to providers, impacting [cost efficiency and provider capacity].”
- Providers are incentivized to:
  - Provide services in areas with higher cost of living, or conversely in rural or underserved areas;
  - Obtain or maintain additional qualifications above and beyond state and federal regulatory requirements; and
  - Serve individuals who have complex needs.

# ACF Assessment Findings

## Other States

- Peer states' assessments used to determine eligibility and LOC for 1915(c) waivers vary.
- Across the nation, assessment tools used for determining eligibility for assisted living services include both standardized and non-standardized tools.
- Peer states providing assisted living services within a tiered rate framework use varying criteria, assessments, and levels of stratification to support tier placement.

## Colorado Single Assessment

- The Colorado Single Assessment (CSA) was developed for use with 1915(c) waiver populations of all ages.
- Adding a checkbox with a date to the LOC Screening module of the CSA would ensure adherence with regulations.

## Current Assessment Tool in Use

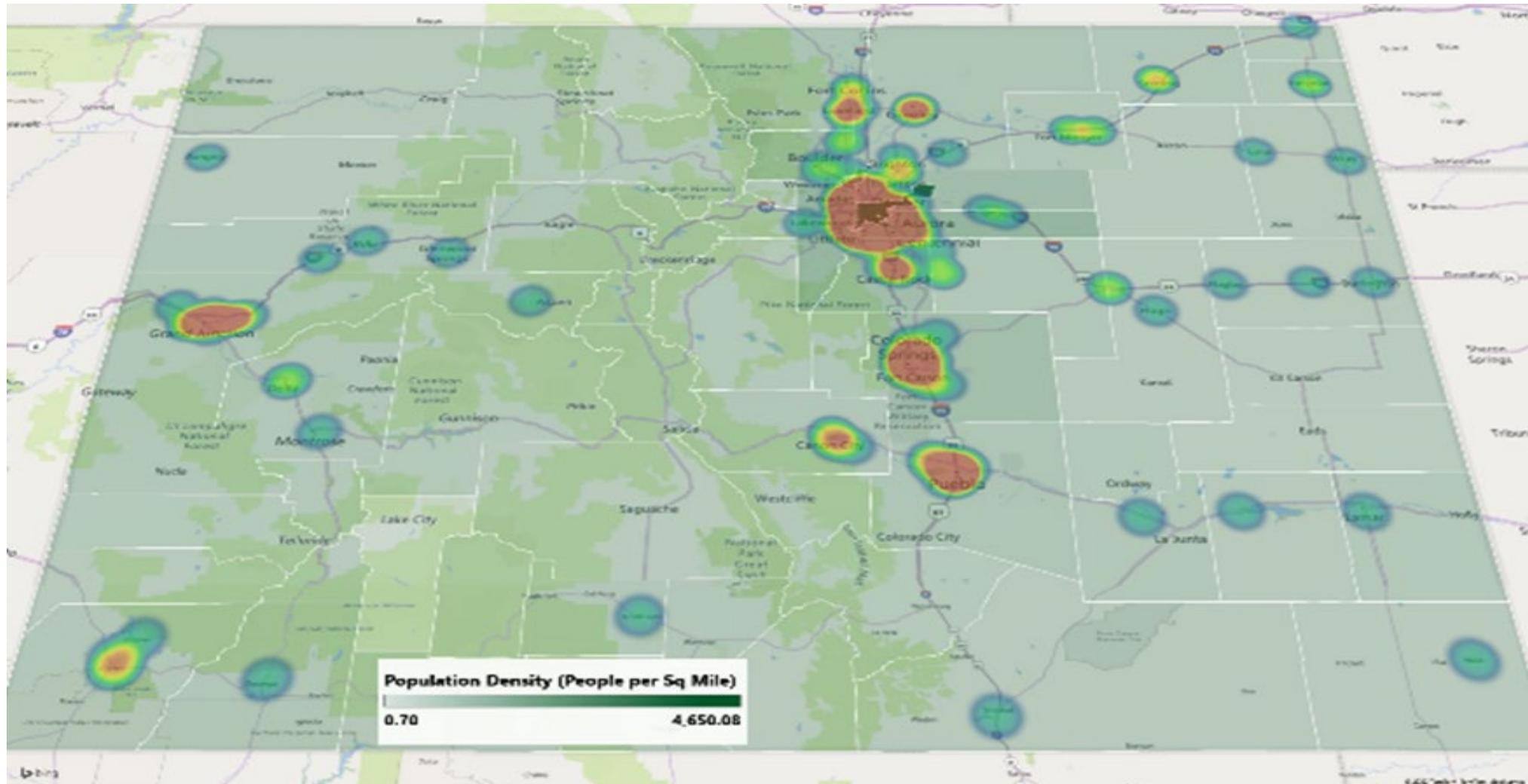
- The Uniform Long-Term Care (ULTC) 100.2 focuses primarily on deficits and not strengths or personal interests, which are necessary tenets for successful person-centered planning.
- Inconsistencies in ULTC 100.2 data elements are inadequate for meeting the CMS requirements for person-centered planning.

# Colorado Landscape

The map on the following slide illustrates:

- Current distribution and concentration of ACF providers;
- Location of ACF providers (not bed capacity or availability to serve individuals);
- Locations of facilities compared to population density, where consumers may not have access to ACF providers in their local community; and
- Justifies why Colorado would benefit from a tiered rate framework with geographically based criteria.

# ACF Location Density



# National Landscape – Recommendations

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- Implement a tiered rate methodology to assist in incentivizing and fully supporting the true costs of providing care for individuals with complex conditions.
- Consider tiering of rates based on geographical differences.
- Develop an acuity tier based on assessed medical and behavioral needs.

# National Landscape – Recommendations

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- Incorporate the presence or absence of a secured setting into a tiered rate structure to incentivize additional secured ACF providers.
- Stratify the tiered rate structure enough to account for key differences in costs to serve individuals in the population but also be simple and clear enough to avoid confusion.

# National Landscape – Recommendations

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- The tiered framework should be supported by thoughtful documentation and instructions that clarify how individuals are placed into and move between tiers.
- The Office of Community Living (OCL) should consider a blended tiering approach to incorporate geographic, acuity, and facility type differences within a rate methodology structure.

# Rate Methodology Development

For both statewide and tier rates, there may be several components of those rates, which consider factors such as:

- Wages for direct support workers;
- Employee benefits;
- Program support;
- Staffing levels and ratios; and
- Unit of service.

# CMS Advisement

CMS suggests states use statistical methods incorporating some of the following data sets for HCBS rates:

- Claims data;
- Assessment data; and
- Other data sets which project an individual's total expenditures.

# Principles of Tier Setting

- Number of tiers sufficient to explain differences between groups, but not so many as to call into question statistical credibility;
- Relationships between tiers should be reasonable to explain the differences in costs;

# Principles of Tier Setting

- Variables should be identified as statistically significant in data analysis, like a regression model; and
- The final step is developing a process by which reimbursement for tiers is linked to individual acuity.
- This will likely entail determining provider costs by analyzing paid claims. The costs can then be incorporated into a rate setting methodology to allow for adjustments to cost factors.

# Recommended Tier Structure for Colorado

Optumas recommended a tiered framework with three acuity-based levels, two geography-based levels, and two setting-based levels, ultimately resulting in a tiered framework with twelve different rate scenarios.

Colorado ACF Tiered Rates			
Region	Counties Included	Setting	LOC Classification
Urban	Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, El Paso, Gilpin, Jefferson, Larimer, Mesa, Park, Pueblo, Teller, Weld	Traditional	Level I (Low)
			Level II (Moderate)
			Level III (High)
		Secured	Level I (Low)
			Level II (Moderate)
			Level III (High)
Rural	Alamosa, Archuleta, Baca, Bent, Chaffee, Cheyenne, Conejos, Costilla, Crowley, Custer, Delta, Dolores, Eagle, Fremont, Garfield, Grand, Gunnison, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, La Plata, Las Animas, Lincoln, Logan, Mineral, Moffat, Montezuma, Montrose, Morgan, Otero, Ouray, Phillips, Pitkin, Prowers, Rio Blanco, Rio Grande, Routt, Saguache, San Juan, San Miguel, Sedgwick, Summit, Washington, Yuma	Traditional	Level I (Low)
			Level II (Moderate)
			Level III (High)
		Secured	Level I (Low)
			Level II (Moderate)
			Level III (High)

# Primary Findings – Draft New Rate Methodology

- **Direct Worker Wages:** Can be adjusted to reflect additional training or for different for geographically defined tiers.
- **Program Support:** Increased program support costs for higher tiers can enable clinical support to effectively server people with greater needs.
- **Staffing Ratios:** Additional staffing can be beneficial for serving individuals with higher or more complex needs.

By varying those three components, rates can be appropriately set for different tiers.

# Summary of Considerations

- Gather cost reports from providers.
- Critical variables from assessments to inform tiered rates should be chosen based on a combination of data, expert opinion, and stakeholder feedback.
- Including tiered rates as part of a comprehensive rate update may be more palatable to providers, as tiering rates may lead to some rates being lower than current rates.

# Budget Neutrality

- Tiered rates reallocate resources to higher-intensity cases. While directing the same total funding to providers, tiered rates provide incentives to providers for serving patients with greater assessed intensity.
- To set rates which do not impact program budgets, it would be necessary to make them budget neutral. In a budget neutral set of rates, some rates would be greater than the current rates, but some rates would also be lower.

# Budget Neutrality

- If a full cost survey exercise can be completed, HCPF can make decisions based on actual costs, leading to more reasonable rates overall.
- Updating the rates at the same time tiers are set would likely mean increases to the budget, but it may also make lower rates more palatable if the average rate is moving upwards.

# Cost Surveys

## **Cost surveys should include:**

- Wages/Salaries by position for direct care workers;
- Hours by position;
- Wages/Salaries by position for program support and administrative workers;
- Other costs associated with providing services; and
- Unallowable/non-Medicaid costs separated.

# Cost Surveys

- Cost surveys can be collected through distributed Excel files or an online survey.
- Providers should review the survey before formal distribution to allow for feedback and clarification.

# Draft New Rate Methodology

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- Though Optumas has made rate methodology recommendations, HCPF will ultimately be responsible for the creation of the final rates.
- The rate structure proposed by Optumas is industry-standard and can provide a basis for making adjustments to correspond to tiers. The tiers should be based on a set of criteria that is informed by data, expert opinion, and stakeholder feedback.

# Thank you!