

SJR 22: Guardianship/Alzheimer's Disease ***LCCF6a: Considerations and Decision Points***

Prepared by Sue O'Connell, Research Analyst
for the Children, Families, Health, and Human Services Interim Committee
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Background

In May, the Children, Families, Health, and Human Services Interim Committee reviewed LCCF06, a bill to appropriate money to create 100 new Medicaid home and community-based waiver slots for individuals who would otherwise receive nursing home care. The committee asked that the bill be changed to:

- phase in the new waiver slots in increments of 50 slots every six months; and
- provide higher reimbursement rates for assisted living and memory care.

This briefing paper outlines the changes made to the bill and provides cost estimates for varying levels of rate increases.

Changes in the Appropriation for Increased Waiver Slots

The initial version of LCCF06 provided an appropriation for the new waiver slots based on the formula the Department of Public Health and Human Services uses when calculating the cost of additional slots. Under that formula, the 100 slots each year broke down as follows:

- 45 “basic” slots at \$18,000 per year per slot. Basic slots pay for services provided in the home for a person who is able to remain at home with some assistance.
- 45 “adult residential” slots at \$26,500 per year per slot. These slots pay for services provided in an assisted living facility. The reimbursement does not cover room and board costs. Those costs are paid by the individual through their own sources of income.
- 10 “complex care” slots at \$63,000 per year per slot. These slots pay for intensive medical care required to allow a person to remain in his or her home. These individuals usually require heavy nursing care or major medical equipment to remain at home.

LCCF6a adds 50 slots every six months, split evenly between basic and assisted living slots. It also takes the complex care slots out of the equation. The table on the following page shows how the appropriation in subsection (1) of Section 1 of the bill changed as a result.

Federal special revenue funds pays for approximately two-thirds of the costs in all of the following tables. State general fund pays the remainder.

Costs of Phasing in New Waiver Slots

	LCCF06	LCCF6a
FY 2018 Federal	\$1,709,546	\$1,083,686
FY 2018 State	\$922,945	\$585,064
FY 2018 Total	\$2,632,500	\$1,668,750
FY 2019 Federal	\$3,419,091	\$2,528,601
FY 2019 State	\$1,845,909	\$1,365,149
FY 2019 Total	\$5,265,000	\$3,893,750
Biennium Total	\$7,897,500	\$5,562,500

Increasing Reimbursement Rates for Assisted Living

The committee received information in May from a survey of assisted living facilities showing that Medicaid reimbursement rates were below the average assisted rate paid by non-Medicaid residents and even farther below the rates for memory care. The committee agreed to consider revising LCCF06 to include money to increase rates for assisted living and memory care. The new subsection (2) in Section 1 is a placeholder for that appropriation.

The Montana Health Care Association estimated in May that the average daily Medicaid rate for assisted living care will be \$67.90 in FY 2017. The table below shows the cost of increasing rates above that estimated average by three different amounts for both existing and phased-in slots, as follows:

- The target rate is the rate identified by survey participants as the rate at which they would be willing to accept Medicaid patients.
- The low rate is above the current reimbursement rate but lower than the target rate.
- The high rate is above the target rate but lower than the amount paid by private insurance or individuals who are able to pay the full cost of care.

Estimated Costs of Increasing Assisted Living Rate

	Low: \$3,000/month	Target: \$3,200/month	High: 3,400/month
FY 2018 Federal	\$2,148,362	\$3,176,287	\$4,204,211
FY 2018 State	\$1,159,864	\$1,714,823	\$2,269,782
FY 2018 Total	\$3,308,226	\$4,891,110	\$6,473,993
FY 2019 Federal	\$2,313,494	\$3,420,429	\$4,527,363
FY 2019 State	\$1,249,016	\$1,846,631	\$2,444,247
FY 2019 Total	\$3,562,510	\$5,267,060	\$6,971,610
Biennium Total	\$6,870,736	\$10,158,169	\$13,445,602

Increased Reimbursement for Memory Care

The tables below show the funding need to put higher rates for memory care into effect for either 15 percent, 25 percent, or 50 percent of the assisted living slots. The Alzheimer's Association predicts that 27,000 Montanans 65 years of age or older will have Alzheimer's disease by 2025, or about 15 percent of the state's senior citizens. State figures indicate about half of the residents in Montana nursing homes have Alzheimer's or dementia.

	Low Enhancement: \$3,400/Month		
	15% of slots	25% of slots	50% of Slots
FY 2018 Federal	\$630,632	\$1,051,053	\$2,102,105
FY 2018 State	\$340,467	\$567,445	\$1,134,891
FY 2018 Total	\$971,099	\$1,618,498	\$3,236,996
FY 2019 Federal	\$679,104	\$1,131,841	\$2,263,682
FY 2019 State	\$366,637	\$611,062	\$1,222,123
FY 2019 Total	\$1,045,741	\$1,742,902	\$3,485,805
Biennium Total	\$2,016,840	\$3,361,401	\$6,722,801

	Target Enhancement: \$3,850/Month		
	15% of slots	25% of slots	50% of Slots
FY 2018 Federal	\$977,556	\$1,629,260	\$3,258,520
FY 2018 State	\$527,766	\$879,610	\$1,759,220
FY 2018 Total	\$1,505,322	\$2,508,870	\$5,017,740
FY 2019 Federal	\$1,052,695	\$1,754,492	\$3,508,983
FY 2019 State	\$568,332	\$947,220	\$1,894,440
FY 2019 Total	\$1,621,027	\$2,701,712	\$5,403,424
Biennium Total	\$3,126,349	\$5,210,582	\$10,421,164

	High Enhancement: \$4,300/Month		
	15% of slots	25% of slots	50% of Slots
FY 2018 Federal	\$1,324,481	\$2,207,468	\$4,414,935
FY 2018 State	\$715,065	\$1,191,774	\$2,383,548
FY 2018 Total	\$2,039,545	\$3,399,242	\$6,798,484
FY 2019 Federal	\$1,426,285	\$2,377,142	\$4,754,285
FY 2019 State	\$770,027	\$1,283,379	\$2,566,757
FY 2019 Total	\$2,196,313	\$3,660,521	\$7,321,042
Biennium Total	\$4,235,858	\$7,059,763	\$14,119,526

If the committee decides to appropriate money for a general increase for all assisted living slots and for an enhanced payment for some designated memory care slots, the final appropriation would be revised to avoid double-counting the rate increases for the slots that are receiving a memory care rate.

Across-the-Board Increase

Alternatively, the committee could provide money for a flat percentage increase, similar to the manner in which Medicaid rate increases are typically funded.

The target assisted living rate would equate to a budget of about \$19.8 million a year for the 613 existing assisted living slots, compared to the \$15 million budgeted for FY 2017 — or a rate that is about 32 percent higher than the current rate. The budget would need to be nearly 40 percent higher in FY 2018 and 51 percent higher in FY 2019 to provide an increase for the waiver slots that would be added under LCCF6a.

Providing the target memory care rate for 20 percent of the slots envisioned under LCCF6a and the target assisted living rate to the remainder would cost about \$22 million in FY 2018 and \$23.7 million in FY 2019. Those costs would be 47 percent and 58 percent higher, respectively, than the budget for FY 2017.

The table below shows the costs of increasing the current budget by various percentages.

Estimated Biennial Costs of Percentage Rate Increases

	5%	10%	20%	25%
Federal Funds	\$974,100	\$1,948,200	\$3,896,400	\$4,870,500
General Fund	\$525,900	\$1,051,800	\$2,103,600	\$2,629,500
Total	\$1,500,000	\$3,000,000	\$6,000,000	\$7,500,000

Committee Decision Points

If the committee decides to introduce LCCF6a as a committee bills, members should decide the following questions to allow for final drafting of the bill.

1. Does the committee want to appropriate money for additional waiver slots? If so:
 - a. How many total waiver slots does the committee want to fund?
 - b. Should the slots be split evenly between basic waiver slots and assisted living slots or should they be allocated differently?

2. Does the committee want to appropriate money to enhance the reimbursement rate for assisted living slots?
 - a. If so, what monthly reimbursement rate should the appropriation reflect?

3. Does the committee want to enhance the rate for memory care? If so:
 - a. What monthly reimbursement rate should the appropriation reflect?
 - b. To what percentage of the waiver slots should the reimbursement apply?

4. Does the committee want any unspent money to revert to the account from which it was appropriated?

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