



Session #: W32

*ICF/IID Reimbursement
System Trends and
Strategic Initiatives*



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Objectives:

- *Overview of National Trends*
- *Update on current Budget process*
- *ICF downsizing process*
- *Waiver Conversion process*

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“When the winds of change blow, some people build walls and others build windmills.”
~Chinese Proverb~



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National Trends

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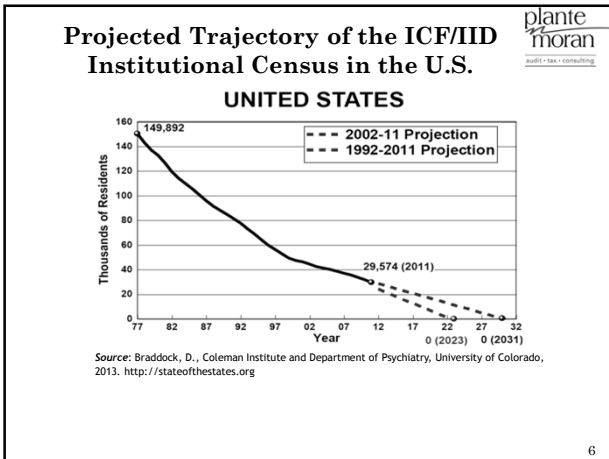
Out-of-Home Residential Placements for People with I/DD: 2011

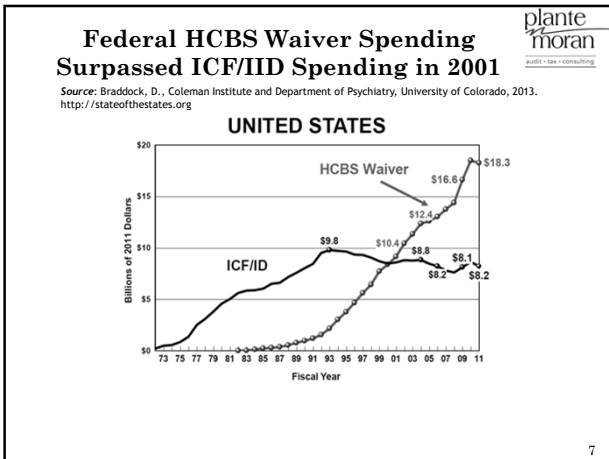
Source: Braddock, D., Coleman Institute and Department of Psychiatry, University of Colorado, 2013. <http://stateofthestates.org>

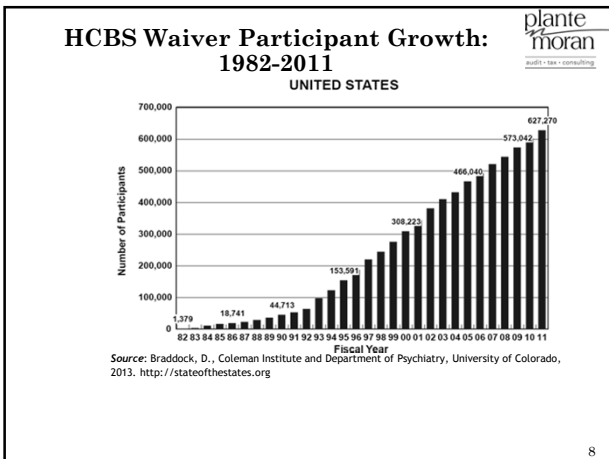
United States


Category	Percentage	Number of Persons
Supported Living	44%	272,286
Group, foster, host homes, apartments	33%	200,048
Public-Private 16+ Institutions	14%	84,432
7-15 Persons	9%	56,418
Total	77%	613,184

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Olmstead Decision

- On June 22, 1999 the U.S. Supreme Court affirmed the policy under the ADA that unjustifiable institutionalization of a person with a disability who, with proper support, can live in the community is discrimination
- DOJ under President Obama has made enforcement of Olmstead a top priority
- Budget cuts can't significantly impact community services in which institutionalization or segregation could occur


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Olmstead – What Changes are Occurring?

- The State of Ohio is very concerned about any DOJ activity and is proactively trying to work through Olmstead issues through downsizing and policy changes
 - Developmental Center downsizing – closing Youngstown and Montgomery County
 - Private ICF/IID encouraging scattered sites
 - Re-vamping IAF acuity instrument – watch proper placements as a result
- The DOJ has 80 different cases in 22 states on Olmstead related issues

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Ohio rankings – we stand out (Director Martin Statistics)

- #3 – People served in Sheltered Workshop – high DOJ risk area
- #17 – HCBS waiver recipients (was #24)
- #8 – Integrated Employment per capita – strength need to build on
- #6 – Number of ICFs (non-state)
- #2 – Number of ICFs greater than 16 beds (Iowa #1) – another DOJ focus area
- #16 – State Operated ICFs (1997=2,064; 2015= 864) 90 persons per year for last 7 years downsized

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Who is DRO?



- DRO = Disability Rights Ohio
 - A non-profit corporation
 - Mission is "...to advocate for the human, civil and legal rights of people with disabilities in Ohio." (www.disabilityrightsohio.org)
- Formed in October 2012 as a replacement to Ohio Legal Rights Service who previously served as Ohio's Protection and Advocacy System and Client Assistance Program.
- Serves as Ohio's federally mandated Protection and Advocacy System for Individuals with Mental Illness.
- DRO provides legal rights protection and advocacy to individuals with disabilities
 - These individuals include those with problems of abuse, neglect, discrimination, special education, community integration, employment, housing, access to assistive technology, voting and rights protection issues.

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Budget Process




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Negotiated Agreement



- Flat Funding for FY2016 (July 1st 2015 to June 30th 2016)
- Formula remains the same as FY2015 (current rates)
- 2% increase in FY2017 (July 1st 2016 to June 30th 2017)
- 2% will be applied equitability to all providers based on direct care cost not only those above the direct care ceiling. So everyone would share in this increase.
- 2% increase is tied to waiver conversion goals being met
- New Reimbursement system – RFP by 7/31/15

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Reimbursement FY2016

- Capital inflation factor is trending around – 1.89% per the Consumer Price Index
- Keep in mind impact of IAF exception reviews
- Final IAF scores not available until late May or early June due to exception review process

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Flat Rates

- Flat Rates effective July 1st 2015 – introduced would be for both Peer Group 1 (Large) and Peer Group 2 (Small) for RAC 5 and RAC 6. Large follows our peer group of 9 beds or more.
- Negotiated is for only Peer Group 1 – Large Providers and only for **NEW admissions** starting July 1st 2015

	RAC 5	RAC 6
Peer Group 1 (Large)	\$206.90	\$174.88
Peer Group 2 (Small)	\$212.76	\$179.23

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House Bill 64 – ICF items

As Introduced	Negotiated
Take back bed if bed is vacant for 12 months	This has been removed
Take back bed for Peer Group 1 (Large) provider if a person moves to a waiver	This has been removed
Development rule changed from 8 beds to 6 beds	Development rule will be 6 beds; <i>however department may approve plan greater than 6 if the new ICF increased capacity (8 beds) is needed in order for project to be financial viable</i>

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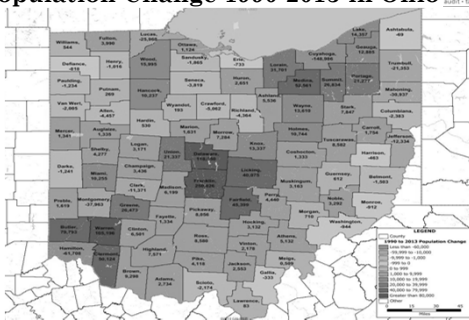
Semi-private room requirement

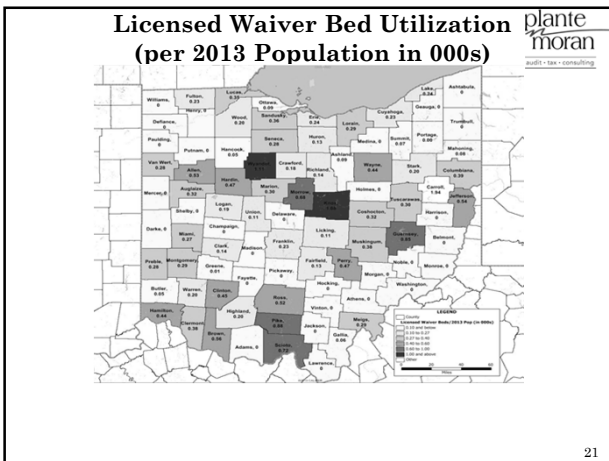
- As Introduced would require that all ICFs with wards of more than 2 beds would need to submit a downsizing plan by December. Admission restriction would start in October.
- As Negotiated would restore the grandfather clause. Allow reconfiguration/expansion of existing facility; freeze on admission only if plan is not met (10 years to meet plan and must show progress).
- Exemption for children under 18 with parents consent

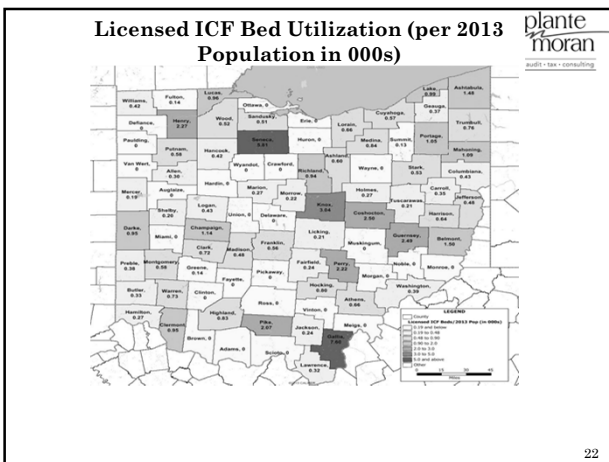
Interim Benchmarks

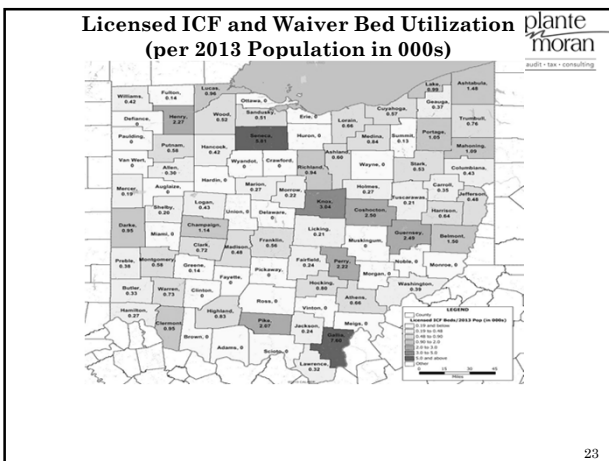
- As part of the negotiated agreement interim benchmarks will be established:
 - June 30, 2016; 225 total waiver conversions need to take place
 - June 30, 2017; 350 total waiver conversions need to have taken place
 - June 30, 2018 – 500 or more

Population Change 1990-2013 in Ohio









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Downsizing Incentives

- ICF Bed Buy Back
- Debt Forgiveness – debt related to state grants; discretionary on amount
- Three month cost report provision enhanced by adjusting for the change in IAF
- Large downsized ICF would get benefit in area of capital ceiling even if remains a Large facility. Potential to remove cost of ownership and renovation ceiling.

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ICF downsizing process

- Review Development Rule
- Perform Financial Analysis
 - Consider IAF impact
 - Staffing
- Sample cost analysis
- Submit plan to DODD
- Steps for moving forward

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Development Rule 5123:2-3-26

- Development includes a plan for modification or replacement which is to be approved by the Department
 - Significant change of ownership; including when family member is added or removed from a license held in family-owned business
 - A change in the address of some or all of the licensed beds
 - Increase or decrease in the number of licensed beds at a specific location
 - Rebuilding of a licensed residential facility at the same address

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Development Rule 5123:2-3-26

- Department shall not approve a proposal that will cause the number of licensed beds to increase
- Currently shall not exceed 8 beds but this will be changed to 6 beds
- The number of licensed beds in a residential facility that is not an ICF shall not exceed 4

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Development Rule 5123:2-3-26

- Licensed residential facilities shall not exist on adjoining property sites
- No more than one distinct and separate physical structure may be licensed on the same property

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Development Rule 5123:2-3-26

- Department shall consider:
 - Extent that proposal supports community integration
 - Objective of reducing the number of beds at a single site
 - Objective of reducing the number of beds at a single building
 - Outcome of prior licensure reviews
 - Need for services in the community

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Development Rule 5123:2-3-26

- Department shall consider:
- Need for capital improvements at the residential facility
- Compatibility with HCBS character set forth by CMS
- Providers ability to meet financial requirements
- County Board's recommendation

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Development Rule 5123:2-3-26

- The proposal shall be in writing
- Identify the owner of the license to operate
- Describe the modification or replacement
- Department shall notify in writing of approval or disapproval within sixty days of receipt of complete application
- Department shall establish specific timelines for the project

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Financial Analysis

- Considerations:
 - IAF score at new home and base facility
 - Staffing evaluate the needs of the residents
 - Large facility vs. Small for indirect staffing
 - Management team
 - Any loan or debt restrictions
 - Evaluate Medicaid rate at both new and base facility – ceiling impact
 - Family support

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Construction Costs

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ICF Group Home development options

- Financially, the first option for developing the ICF group homes is to build and own the home.
- However, given the limited capital resources, you may want to consider a lease scenario.
- This would allow the provider to allocate the appropriate resources to improve the model to ensure increased operating efficiency and create the premise for developing subsequent homes.
- Furthermore, proven track record in operating the small setting home would increase the attractiveness for financing subsequent homes through debt (i.e. bank lending).

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ICF Group Home development options

- In developing and benchmarking the project budget, all cost categories need to be taken into account.
- Typically, comprehensive project budget includes the following:
 - Site and Building Costs:
 - Site Acquisition
 - Site Development & Utilities - includes roads, drives, curbs, paving, landscaping, non-utility company costs, on-site storm drainage infrastructure, detention, public road, water, storm & sewer extensions, acceleration/deceleration lanes, traffic signals, etc. (excl. environmental mitigation or remediation, if needed).
 - Construction Hard costs - includes general conditions, all concrete, masonry, wood and metals components, fixed furnishing & equipment (i.e. built-in shelving, cabinets, millwork items, mailboxes & signage, etc.), plumbing, electrical and HVAC, fire suppression and exterior, etc.
 - Contingency: 5 -10% of site and building costs
 - Developer/Construction Manager: 5 - 6% of site and building costs
 - Architect/Engineer Fees: 6 - 8% of site and building costs
 - Project Manager: 2.5 - 3% of site and building costs
 - Loose furniture, furnishing & equipment (includes beds, appliances in units and common areas, as well as technology - security, nurse call, telephone, cable television, broad band access systems): 8-10% of site and build
 - Other costs (permits, inspection, other fees)
 - Transportation Equipment (Commercial Van, etc.)
 - Other (legal, accounting & fees, etc.)

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ICF Group Home development options

Typical average project costs for a 6-bed home (~ 4,500 square feet) are as follows (considering lower quartile construction costs and no value engineering):

Project Costs	6-bed Home
Site Acquisition	\$ 100,000
Site Development & Utilities	125,000
Building	700,000
Contingency, Developer, Architect/Engineer Fees and Costs	250,000
Furniture, Fixture & Equipment	175,000
Other (permits, inspection, other fees)	20,000
Transportation Equipment (commercial passenger van)	50,000
Other (legal, accounting & fees, etc.)	30,000
PROJECT GRAND TOTAL	\$ 1,450,000

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Timing of Reimbursement

- New 8 bed home will receive interim rate from certification date until three month (90 day) cost report is filed and rate is calculated.
- This timing could be 6-8 months
- Provider will then receive new rate based on three month (90-day) cost report
- Cash flow impact of above?
- Budget items to improve three month cost report rate:
 - Recalculation of direct care rate based on new IAF
 - Large ICF permitted to receive small ICF capital ceiling

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Operator notice of intent to continue participation

In accordance with Ohio Revised Code (ORC) 5111.67:

- “An exiting operator or owner and entering operator shall provide the department of jobs and family services written notice of a change of operator if the nursing facility or intermediate care facility for the mentally retarded participates in the Medicaid program and the entering operator seeks to continue the facility’s participation...”
- “...The written notice shall be provided to the department not later than ninety days before the effective date of the change of operator if the change of operator entails the relocation of residents. The written notice shall include all of the following.....”

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Other Items


Provider Agreement Application

- The new entity will need to apply for a new Medicaid provider agreement. This application should coincide with the 90-day notice to DODD. Typically, the notification will trigger the process and the application packet will be assigned at that time.

Three-month Cost Report


- After the first full three months of operation the “new” provider would then be required to file a three-month cost report due 90 days after the first full three months of operations. This will set your new Medicaid rate to be retroactive to the certification date.

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Waiver Conversion

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Financial Analysis

- Identify individuals and families wanted to convert to waiver
- Evaluate impact to base facility
 - How will staffing change
 - Impact to ceilings
 - Use new IAF to calculate rate

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Financial Analysis

- Look at waiver operations
- AAI form
- ODDP form
- Used to set funding levels
- Overall impact to organization
- Loan or debt restrictions
- ICF bed license

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QDDP

- Must receive training and certification to complete
- Assessment tool for individuals enrolled in the Individual Options (I/O) waiver
- Sets the funding range that your services must fall within


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Acuity Assessment Instrument (AAI)


- AAI is the standardizes instrument used by Ohio to assess relative needs of an individual compare to other adults in non-residential setting when receiving:
 - Adult Day Support
 - Vocational Habilitation
 - Supported Employment

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Acuity Assessment Instrument (AAI) 


- Scores are grouped into ranges and linked with staff intensity ratios
- These ratios result in 4 payment rates based on group size
- Separate funding cap for non-medical transportation – not based on AAI
- Information submitted electronically

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Considerations 

- Housing - availability; housing corporation
- Housing provider, service provider, both
- Look at individual resources available for rent
- How will transportation be handled

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Considerations 

- More county involvement
 - Waiver rates
 - New clients
 - Rate changes due to care change
 - ISP development
 - Each county handles the waiver conversion and downsizing process differently
- Can current ICF convert in place to waiver?

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Considerations

- Staff different than an ICF
- Become educated on waiver system through provider associations or current waiver providers willing to share their knowledge
- DODD resources
- Billing

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