VISITOR'S REGISTER

HOUSE Human Services 506 COMMITTEE

BILL 447 DATE 2-14-83

SPONSOR

| NAME | RESIDENCE | REPRESENTING | SUPPORT | OPPOSE |
|---|---|---|---|---|
| Glenda Jabe | Helena | Women's Lobbyist Fund | Medicaid budget | |
| Frank J Klevis | Great Falls | Mt. St. Pharm. Assn. | ✓ | |
| Melody Braun | Helena | MNA | | |
| Wanda Lange | Mala | Family | ✓ | |
| Julaine Monson | Mala | Summit I.L.C. | ✓ | |
| Gayle Shirley | Helena | Mont. Elder | | |
| Rose Skoog | Helena | MT. HEALTH CARE ASSN. | Medicaid Budget | |
| Verl Buechley | Wibaux | MONTANA | Medicaid Budget | |
| Lyn Badura | Missoula | Self | – | |
| Joyce Holmes | Missoula | Self | ✓ | |
| [illegible] | Helena | SPD | | |
| Rora Weeps | " | OBPP | | |
| [illegible] Lavney | " | SRS | | |
| Charles Brett | " | Governor's Ofc. | | |
| Susan Bertram MD | Missoula | Self | | |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FORM CS-33

MINUTES OF THE MEETING OF THE JOINT APPROPRIATIONS SUBCOMMITTEE ON HUMAN SERVICES
February 14, 1983

Begin Tape 40 Side 1

The meeting was called to order by Vice-Chairman Pete Story at 8:15 a.m. All subcommittee members were present.

Also present were: Peggy Williams and Larry Finch from the Legislative Fiscal Analyst's office; John LaFaver, Gary Walsh Ben Johns and Jack Lowney from the Department of Social and Rehabilitative Services; Ron Weiss from the Budget Office and many others whose names were not registered.

MEDICAL ASSISTANCE

Gary Walsh, from the Department of SRS, made a presentation on medical assistance payments: The purpose of the medicaid program is to pay medical bills for low income people who cannot afford health care. There are a number of different types of services. They can be categorized into nursing home services and non-nursing homes or other services. The services provided in the "other service" category are: out-patient hospital services, physician's services, pharmacy services, physical, occupational and speech therapy, in-patient hospital services and medications. Medicaid also pays for dental care and other services such as transportation and supplies.

Nursing home services includes skilled nursing care and intermediate care, both for institutions, nursing homes and non-department nursing homes. The target population of the medi-aid program is the recipients of AFDC, SSI, Children in Foster Care, and the medically needy, those who meet the eligibility criteria except for income level. This is presently 133% of the AFDC payment standard.

Mr. Walsh outlines cost containment measures currently in effect. The first is co-payments by the recipient. Currently, there are co-payments requirements on drugs. These require recipients to pay 50 cents per subscription after the first two prescriptions each month. A proposal has been made to require recipients to make a co-payment on other medicaid services which would range from 50 cents to $2 per unit of service, Mr. Walsh estimates this could reduce medicaid expenses by $1.3 million for the biennium.

Another cost-containment measure is a limitation on out-patient services, for example, physical and speech therapy which are limited to 200 visits per client per year. Another example is limitations on psychological services of 22 nourly visits per year.

Another cost containment measure is the new nursing home reimbursement rule. Under the old rule, reimbursement was based upon actual costs incurred. The new rule, put into effect on July 1,

1982, provides for a three-year phase-in of a flat rate system in which routine skills of intermediate care are reimbursed at one rate for all levels of service. The only incentive to a provider is to keep the cost down. The rate under the new rule is computed in two components: operating and property. The operating portion of the rate is based upon a number of factors such as the number of beds in the facility, patient assesment of the difficulty of care required, the local wage rate, and the occupancy rate. The property portion of the rate is based upon type of construction, age of the facility, and average cost of constructing a new nursing home.

Another measure being proposed is the waiver for home and community-based services. The purpose for the waiver is to use medicaid money for in-home care for persons in a non-institutional setting. It could include homemaker services, case management services, and provide for personal care, attendants, respite care, and adult day care services. For the physically handicapped, it would provide for independent living skills training and for the developmentally disabled. Medical alert, Meals on Wheels and transportation might also be provided for under the waiver. The target population for this waiver would include the elderly, DD and the physically handicapped. Such clients must be medicaid eligible and must also otherwise require a level of care that would be provided in an institution. The cost of placement in a non-institutional setting must be 80% or less than the cost of a nursing home setting.

Mr. Walsh explained the process used to determine the current level in regards to the medicaid program. For non-nursing home services, the current level was developed by noting expenditures of July 1979 through September of 1982, then redistributing the data based upon date of service instead of the traditional date of payment. This resulted in a more accurate picture of utilization of the medical payments program. The data available for each month includes expenditures, number of recipients and services provided. Analyzing the data, they found that the new claims processing program, implemented in October 1981, resulted in some claims being categorized differently from the old system. The factors considered in determining projections for nursing homes cost include the number of nursing home beds available, percentage of beds occupied by medicaid payments, and occupancy rate in those facilities. The department then took the number of days in each year and considered the unit price.

According to Mr. Walsh, one of the major issues in the budget is the federal match rate. The Omibus Reconciliation Act reduced the federal match rate 3% in FY83 and 5% in FY84. Mr. Walsh felt that the analysts presumed that when the provisions of the act

terminate in FY84, the level of federal participation would increase. The department contends that the determination of level of participation in the medicaid program will remain constant. Another major difference relates to the benefit level. There is a difference regarding the expected level of medical benefits between the executive and the LFA recommendations.

The department used July, 1982 as the base month, then multiplied this times 12 to approximate the utilization for FY83. They then carried that forward and compared it with FY84 and FY85 projections when comparing the executive with the LFA budget. In making their analysis, they categorized services according to the other category: the non-nursing homes, the Department of Institutions nursing home services, and the non-department of Institutions. In comparing this to the executive budget for FY84, they show an increase of 4.6% compared to the LFA budget of a 1.5% decrease. For the "other services" category, the increase is approximately the same for both budgets or about 8% increase. In nursing home care, the executive budget shows a 5.9% increase and the LFA a decrease of 1%. Comparing FY85, the executive budget shows a 5% increase and the LFA a 6% increase. Under the department on Institutions nursing homes, comparing with the base of FY83 for FY84 in the executive budget, there is a 11.4% increase and an 18% decrease in the LFA's budget. For FY85 there is a 6% increase in executive budget and a 25% increase in the LFA budget. In terms of dollars for other services, there is a $12.2 million difference between the executive and LFA budget. Mr. Walsh believes one must consider the amount of the variance between the executive and the LFA budget. There is a difference of $3 million in the matching rate between the federal government. The other two factors that need to be considered are that, for both FY84 and FY85, there is money in the executive budget for mental health amounting to $1,197,000 for the biennium and an additional million dollars for the training program in the Billings treatment center. The total amount of difference in benefits, matching rate, (including the mental health) and the Billings facility amounts to a difference of $17.4 million.

John LaFaver added, in response to a question posed by Sen. Regan, that the $18 million initial figure was general fund only and there is a $17 million spending problem in the medicaid program, exclusive of the added AFDC caseload. Including all moneys, the total difference they project is that they would be in excess of the analysts original recommendation of general fund by $25 million in spending. Then at least $10 million must be added to this in the medicaid area. This would make in the neighborhood of $35 million difference, according to Mr. LaFaver.

Mr. Walsh finished his presentation by stating that if their projections hold true regarding utilization of the services,

and the committee would adopt the LFA budget, they would have to reduce medicaid expenditures by exercising the available options of: not implementing the waiver, eliminating optional services under the medicaid program, and eliminating the medically needy program.

Rep. Winslow asked Mr. Walsh what the price tag on the medical waiver was. He was told that the $2 million is for a bill which would fund alternatives to nursing homes in home health care but for non-medicaid eligible people. The proposal in the executive budget would serve to shift money that is to be appropriated to nursing homes to in-home services. There would be no net increase in service dollars because there is some start-up money and some SSI money, but the bulk will be a shift from the nursing homes to in-home services.

Sen. Aklestad asked how much of the $25 million difference was to be distributed to new programs or to increased services in existing programs. Mr. LaFaver responded that $2.3 million is due to programs of one type or another which are not necessarily new programs but new elements in existing programs. The largest single portion of this relates to the administrative cost and the SSI costs of the medicaid waiver. The $7.4 million for the increased AFDC caseload is the largest single amount. In foster care, they are looking at a 3 1/2% annual hike in caseloads. Other than this, they are looking at an inflation of 6% annual increase to make up this $25 million. Some of the remaining $15 million are transfer items from other budgets such as the Billings treatment center, mental health money, and the annualization of the DD caseload at $800,000.

Sen. Regan was concerned about taking the 1983 as being actually spent or a base, then adding a 6% increase in inflation. If so, we will have an inflated figure.

Sen. Aklestad inquired about the guaranteed occupancy rate of nursing homes. Mr. LaFaver told him the entire structure assumes a 9% vacancy occurring so that the average cost of the beds are slightly higher than they would be if you had 100% occupancy. They pay so much per ped whether they have one bed full or whether they are 100% full. The average in the state at the time generated the 91% rate. Sen. Aklestad asked what the eligibility criteria was to be in the nursing home and receive medicaid. The department agreed to furnish those figures.

Sen. Aklestad also wanted it clarified that the department is not anticipating a decline in federal funds. Mr. LaFaver said there is a difference in the way the LFA is figuring the match rate from what the government rate will be. He said he believed that the overall spending package the SRS has proposed, even with increased caseloads, is less than 10%, and the overall spending increase the LFA is presenting is 2.7%. He added further that he could not think

of a single incidence where they are asking to come off an 83 spending level that is inappropriately inflated. There are actually coming off an 82 actual spending level budget, updating it to July of 1982. He feels it is as reasonable a projection of actual costs as they have been and can be established.

Rep. Winslow asked Mr. LaFaver about the 91% occupancy rate and whether the month of July was a typical month. Mr. LaFaver responded that the average rate established assumed that nursing home occupancy would remain at 91%. Rep. Winslow then asked about the reference to cutbacks required in the programs and if these were included in the budget proposal. Mr. Walsh answered that what the executive budget has in it will maintain current level. Cutbacks in benefits would be options if the funding fell short. There are some mandatory services under medicaid such as hospital care, nursing home care, physician services, but there are optional services such as physical and occupational therapy, dental care, prothetic devices, etc. If cuts were required, Rep. Winslow wanted to know where the department would prioritize. Mr. Walsh said they would have to look at the total amount of the reduction and what the implications were before they began to prioritize.

Sen. Aklestad asked how much of the $15 million increase was personal services. Mr. La Faver replied, none, that this was all benefit oriented.

Rep. Menahan asked what the department would do if they did not get the increase. Mr. LaFaver replied they just wouldn't get the level of service that they ought to.
End of Tape 40 Side one Begin Side two Tape 40

Rep. Winslow asked the total number of patient days in nursing homes for the last year. Mr. Jack Lowney responded that, for the non-department nursing homes, it was 1,259,875. Mr. Lowney told the committee his projections were based on; 1) a constant number of nursing home beds of 5,900 at any one time for both '84 and '85, and 2) based upon the history of how many of those beds are filled by medicaid patients.

Peggy Williams then gave the LFA presentation on the Medical Assistance program. see exhibit 1 Medicaid is only a part of the medical assistance program. Other parts include "buy-in" which picks up the cost of medicaid premiums for those unable to pay the premiums, Department of Health surveys of nursing homes, the renal disease program which picks up costs for renal disease not paid for by medicaid and Indian health, where federal funds flow through SRS to tribes for administration of health services programs.

The difference between the LFA and executive figures for medicaid for nursing homes are $1.9 million in FY84 and $1.7 million in FY85. The difference is due to two reasons: the number of care days in FY82 and the executive increased the care days by 35,388 in FY84 and 31,852 in FY85. LFA took the number of available beds times the percent of beds that medicaid pays for times the overall occupancy rate times the number of days in the year. The LFA is concerned with the occupancy rate as actual average rate was 87.3%. Ms. Williams expressed the feeling that when considering the number of care days, there is a tendency to overstate or increase the amount of money needed for the year.

Regarding cost per day, LFA increased the cost per day by 10% for 1983, 6% for 1984 and 6% for 1985. The executive had used the formula and increased the cost per day by 9% and assumed 90% occupancy.

The LFA believes a problem exists regarding the 90% occupancy and cost per day. The executive assumed 96.67% occupancy for the number of care days, but only 90% for the cost per day. A lower occupancy rate and a fixed cost increases costs per day. LFA feels the numbers should be consistent. In this case, the department is getting a high occupancy rate for the number of care days, therefore more money. A low occupancy rate for cost per day implies a high cost per day and therefore more money.

The second concern in cost per day for the LFA is due to the department's method of figuring which does not appear as accurate. SRS used a new rate structure which went into effect the beginning of FY83 while some nursing homes had been grandfathered in at the old rates. SRS had let the LFA use their computer system to figure costs in January, but by then the book had already been published. When they ran their numbers through with the 6% increase for inflation they came up with a lower number than they had first figured. (These numbers were summarized on page 3 of the exhibit.) Part A shows the executive days, which is a little higher inflated at 9%. The second line shows the executive days inflated at 6% and there is a $1.2 million dollar difference in 1982 and $2.2 million in FY85. Part B showed the executive request of the number of days inflated at 9% and what the LFA assumed would be the number of days at 6%. The $37.8 and the $38.9 would have been the LFA's request had they had access to the formula when putting together the budget.

On medicaid reimbursements to institutions, the difference between the executive and LFA is $2,752,797 in FY84 and $2,745,390 in FY85. LFA calculated the average cost per day in FY82 and inflating it to FY83 levels for inflationary growth as appropriated by the 1981 legislature and inflating it at 6% annually for FY84 and '85, then adjusting the cost per days for other sources of reimbursement to the institutions. After making these adjustments, they came up with a total figure of $7.8 million in '84 and $9.8 million in '85. The executive had inflated the 1983 appropriation at 9% annually.

In the category of other services in medicaid (which would be doctor's expenses and hospital services) the difference is $2.8 million in FY84 and $3.4 million in FY85. LFA used the average cost for service in FY83 and inflated it at 8% while the executive used a regression analysis on each category of service.

On medicaid funding in administration, both the executive and LFA assumed the base rate would be 50/50 federal/state. They made adjustments for federal reduction as stated on the Omibus Reconciliation Act. The executive assumed there would be a 5% federal reduction both years while LFA assumed a 4.5% federal reduction in FFY84 and no reduction in FFY85. At the present time, the federal budget assumes a 3% reduction in FFY85, but this may be changed. Neither budget considered that some of the expenses may be reimbursed at 75% federal and 25% general fund. This would change the federal funding percentages to 65.98 in FY84 and 68.23% in FY85. The bill introduced in Congress last session to eliminate the special match rate died, but it is still a possibility that funding would be available.

In the area of benefits, the LFA started with a 64.1% federal funding and applied a federal reduction. The executive had assumed a 5% federal reduction of both years and the LFA assumed a 4.5% federal reduction in FFY84 and no reduction in FFY85.

Sen. Aklestad asked why they used different figures for care days and cost per day. Mr. LaFaver replied that you have to look at the increased numbers of people in this age group that will be looking for long term care and overlay the medicaid waiver plan.

All of the costs of caring for people at home under the waiver has to come out of whatever money is appropriated here. They hope that they can look at a $2 million or more per year program by FY85. If this comes about, it will serve to lower the occupancy rate in the nursing homes. So, while they are projecting increased numbers that require long term care, if the waiver is approved, incurred savings would go to the alternative long term care.

According to Mr. LaFaver, if the waiver is approved, SRS intends to move money from this budget into the other so there is no overall cost hike, but only a reallocation of costs from one service structure to another. Peggy Williams clarified the LFA position that assumed that all clients would remain where they were, further that, if the waiver is approved and people are moved into the community, it will not increase the overall cost. She feels we should therefore use the same percentages. Sen. Aklestad stated that the figure should decline if the costs of being treated in a home were cheaper. Mr. LaFaver reminded the committee of his belief that there would be an increase in the number of people who will need this service. He also stressed to the committee that it should not cut back on a reasonable nursing home estimate in the absence of the waiver, then expect the waiver to work because it won't.

Mr. Lowney added that the 90% rate used for establishing nursing home rule was for all nursing home populations and the fiscal analyst's 96% is for the medicaid population only.

Sen. Story asked if the waiver would induce a new segment of the population to use medicaid. Mr. LaFaver felt there was a danger this could happen, which is the reason they have moved very slowly. The waiver is structured, however, and Mr. LaFaver assumes that they will have to be able to show there are cost savings accruing in the nursing homes. If there are none, then the financial resources won't be there to provide the services.

Sen. Story asked if Mr. LaFaver remembered that two years ago the department had been given a set of instructions for curtailment and where cutbacks should occur. Mr. LaFaver could recall no such list of instructions from the last legislative session. He stated that the same services are in place today as were in place prior to last session.

Sen. Regan asked about the implementation of the 5 county plan. She said the department had changed the schedule when they found out who the members of the committee were.

Sen. Aklestad asked if taxes would have to be increased to raise the revenue if the committee were to get the $30 million increase. Mr. LaFaver stated that the Governor's budget, as amended, fully funds the needed increase. He feels that the SRS budget increase of $30 million is covered under the revenue they anticipate. He stated that the executive budget, as presented, is a balanced one and does not anticipate general tax hikes. If the legislature feels that added revenue is needed because added spending is needed over and above the executive proposal, Mr. LaFaver believes this is something for the committee to consider.

Rep. Winslow asked if the Governor's amended budget covers the amended AFDC caseload. Mr. LaFaver said that it does and that, likewise, there is an increase anticipated in medicaid reimbursement as a part of the SRS spending package. Money appropriated will match up with federal dollars and will come back to the general fund. There is at least $7 million of increased revenue that they can anticipate as a result of this. Rep. Bardanouve wanted to know where this $7 million was coming from. Mr. Ron Weiss of OBPP was also asked to respond to this. As of last week, according to Mr. Weiss, they estimated enough revenue generated by the medicaid reimbursement of institutions to cover the projected $7.4 million necessary to meet the AFDC request. Mr. LaFaver also explained how the revenue is generated. Rep. Bardanouve wanted a clarification of Mr. LaFaver's statement about $4 million for which we are eligible to be reimbursed for medicaid. Rep. Bardanouve also wanted to know if the additional cost of the institutions will bring about this additional reimbursement.

Mr. LaFaver stated that the starting point in the LFA's numbers are too low and that they aren't looking at the actual reimburseable spending package for 1983 because some of the cost reports have not been negotiated out. For example, they are anticipating about a million dollars reimbursement for the children's center in Billings.

Peggy Williams told the committee that one of the reasons the executive believe they were going to have extra money was as follows: originally SRS said it was going to need $10.6 million to pay institutions. They then showed less than $9 million under medicaid income. The executive apparently didn't have their numbers together.

Mr. LaFaver stated that both the executive and the LFA revenue estimators had underestimated. He further stated that, if cost savings need to be made, they would certainly agree they could make the cuts in this program.

The meeting was adjourned at 10 a.m. Tomorrow, February 15, will be devoted to an overview of the social services block grant fund.
End of Tape 40, Side two

John Shontz, Chairman

Carol Duval, Secretary

LHA p832
exhibit 1
2/14/83

# Medical Assistance Program

A Medicaid
1. Nursing Homes
2. Institutions
3. Other

B. Buy In

C. DHES surveys

D. Renal Disease

E Indian Health

2-14-83

# Medicaid – Nursing Homes

| | 84 | 85 |
|---|---|---|
| Exec | 40,069,825 | 42,090,020 |
| LFA | 38,130,779 | 40,409,310 |
| difference | 1,939,046 | 1,680,710 |

## Difference due to

### 1. Number of Care days

LFA used number of care days in FY82

Exec increased care days by
35,388 in FY84
31,852 in FY85

formula:
(# beds) × (% medicaid) × (overall occ. rate) × (# days)
(5900) × (.62) × (.9667) × 365

### 2. Cost per day

LFA increased cost per day by
10.3%, 6%, 6% for FY 83–85

Exec increased cost per day by
9%, assumed 90% occupancy

## Note

Exec assumed 96.67 % occupancy for # care days
90% occupancy for cost per day

# Summary — Nursing Homes

| A. | Fiscal 1984 | Fiscal 1985 |
|---|---|---|
| Executive Days at 9% | $40,069,825 | $42,090,020 |
| Executive Days at 6% | 38,866,177 | 39,870,001 |
| Difference | $ 1,203,648 | $ 2,220,019 |
| Care Days | 1,294,254 | 1,290,709 |

| B. | | |
|---|---|---|
| Executive Days at 9% | $40,069,825 | $42,090,020 |
| 1,258,857 Constant Days @ 6% | 37,803,476 | 38,886,093 |
| Difference | $ 2,266,349 | $ 3,203,927 |

The "A" above shows the comparison of using executive days at 9 percent or 6 percent. The 6 percent is 3.4 million less.

"B" above shows the executive days at 9 percent in comparison to constant days at 6 percent. The cost difference is $5.5 million.

SRS:cm:j8

# Medicaid - Institutions

| | 84 | 85 |
|---|---|---|
| Exec | 10,596,594 | 12,566,288 |
| LFA | 7,843,797 | 9,820,898 |
| difference | 2,752,797 | 2,745,390 |

## Difference due to

LFA - used average cost per day in FY82, inflated to FY83 for inflationary growth appropriated by 1981 Leg., inflated at 6% annually for FY84 + FY85, adjusted for other reimbursement

Exec - inflated the 1983 appropriation at 9% annually

# Medicaid – Other

| | 84 | 85 |
|---|---|---|
| Exec | 36,501,753 | 39,847,732 |
| LFA | 33,719,634 | 36,464,930 |
| difference | 2,782,119 | 3,382,802 |

## Difference due to

LFA used average cost per service in FY83 and inflated at 8%

Exec. used regression analysis on each category of service

## Problem with regression analysis

1. used FY80 and FY81; did not use FY82 and FY83
2. doesn't consider reclassification of services

# Medicaid - Funding

## Administration

| | FY84 | | FY85 | |
|---|---|---|---|---|
| | Exec | LFA | Exec | LFA |
| General Fund | 52.5 | 52.19 | 52.5 | 50.56 |
| Federal Funds | 47.5 | 47.81 | 47.5 | 49.44 |

Exec - assumes 5% federal reduction both years

LFA - assumes 4.5% federal reduction in FFY 84, no reduction in FFY 85 (based on Omnibus Reconcilliation Act)

## Benefits

| | FY84 | | FY85 | |
|---|---|---|---|---|
| | Exec | LFA | Exec | LFA |
| General Fund | .3881 | .3818 | .3881 | .3631 |
| Federal Funds | .6119 | .6182 | .6119 | .6369 |

Exec - assumes 5% federal reduction both years

LFA - assumes 4.5% federal reduction in FFY 84, no reduction in FFY 85