HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB HCC 07-11 Model Fixed Payment Service Delivery System
SPONSOR(S): Healthcare Council and Representative Galvano
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.: Healthcare Council	15 Y, 0 N	Schoolfield	Gormley
1)			
2)			
3)			
4)			
5)			

SUMMARY ANALYSIS

The bill directs the Agency for Health Care Administration (AHCA) to consult with the Agency for Persons with Disabilities (APD) to create a model fixed-payment service delivery system for persons with developmental disabilities by December 1, 2007. The model program is to provide a coordinated system of services that stabilizes the rate of increase in Medicaid expenditures and increases cost predictability. The program will include funds and participants from the Developmental Disabilities Medicaid waiver. AHCA will consider the feasibility of including the Family and Supported Living Medicaid waiver and the Consumer Directed Care Plus Medicaid waiver programs administered by the Agency for Persons with Disabilities in the model system. The state only funds to be included are payments for participants supported living and room and board subsidies.

The model program is to be implemented at APD Area 1, and at another site to be chosen by AHCA in consultation with APD. The participation at pilot sites will be mandatory for APD consumers in the Medicaid waiver program.

The bill directs the Agency for Health Care Administration to take lead in creation of the model program, seek federal approval, procure qualified managed care entities and conduct rate setting for the program. Upon completion of the development phase of the program, AHCA is to delegate administration and monitoring of the contracts for the pilot program to the Agency for Persons with Disabilities.

The bill requires a competitive procurement process to select Community Service Networks that meet specific bid standards defined by AHCA in consultation with APD. The standards include financial solvency, quality of care, program standards and others. The bill also requires the model program to include the use of a standardized assessment process, service provider credentialing, and a quality assurance system. The plan contractors are encouraged to contract with qualified existing providers of the Agency for Persons with Disabilities.

The bill requires AHCA to ensure that capitated rates used in the program are actuarially sound to provide quality care. In addition, AHCA may choose to limit financial risk for managed care entities related to high or catastrophic care cost. AHCA is directed to seek federal Medicaid waivers or state plan amendments to implement the program and adopt rules as needed. An evaluation and report to the Governor and Legislature must be completed by June 2010.

The agency will need $750,000 in nonrecurring General Revenue funds and $750,000 in Administrative Trust Fund to begin implementation in Fiscal Year 2007-2008. The agency will incur costs associated with providing choice counseling and enrollment broker services with this implementation, but not until Fiscal Year 2008/2009. The amount is indeterminate at this time.

The act takes effect on July 1, 2007.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government—The bill reduces the role of government in determining the long-term care options available to recipients of the program.

Promote Personal Responsibility—The bill will allow Medicaid recipients greater choice of long-term care service delivery plans.

B. EFFECT OF PROPOSED CHANGES:

Background

Agency for Health Care Administration (AHCA)
The Agency for Health Care Administration (AHCA) has primary responsibility for administering the State Medicaid program for 2.1 million eligible individuals. AHCA administers this program through 11 Area Offices and purchases services from approximately 80,000 fee for service providers and 18 Managed Care Plans. Other state agencies also assist with Medicaid program responsibilities. For example, the Department of Children and Families determines eligibility and the Department of Legal Affairs Medicaid Fraud Control Unit prosecutes Medicaid Fraud. In addition, AHCA operates some of the Medicaid waiver programs for home and community based services through memorandums of agreement with state agencies. The Agency for Persons with Disabilities is under agreement with AHCA to administer three of the Medicaid waiver programs.

The Agency for Persons with Disabilities (APD)
In 2004, the Developmental Disabilities program in the Department of Children and Family Services (DCF or department) was transferred to the newly-created Agency for Persons with Disabilities (APD or agency).[1] The agency is responsible for providing services for persons with developmental disabilities in Florida. The stated agency mission is to support persons with developmental disabilities in living, learning, and working in all aspects of community life.[2]

A developmental disability is defined as "a disorder or syndrome that is attributable to retardation, cerebral palsy, autism, spina bifida, or Prader-Willi syndrome and that constitutes a substantial handicap that can reasonably be expected to continue indefinitely."[3] An individual is eligible for services if their domicile is in Florida, they have a developmental disability, and are three years of age or older.[4] Children who are at high risk of having a developmental disability and are between the ages of 3 and 5 are also eligible for services.[5]

APD Services: During FY 2005-2006, APD served more than 48,000 persons with developmental disabilities.[6] Services provided by the agency include an array of community services and supports, as well as a limited institutional program, and include employment and training services, environmental adaptive equipment, personal or family supports, residential habilitation, support coordination, therapeutic supports, and wellness management. There may be eligibility requirements specific to a particular service or support in addition to the general eligibility criteria for services from APD. The majority of services provided to clients of the agency are funded by Medicaid and authorized through a

[1] Chapter 2004-267, L.O.F.
[2] Agency for Persons with Disabilities, briefing materials, October 18, 2005.
[3] s. 393.063(10), F.S.
[4] Children from birth to three years of age with developmental disabilities are served by Children's Medical Services in the Department of Health, s. 393.064, F.S.
[5] "High-risk child" is defined in s. 393.063(23) F.S.
[6] Presentation to Senate Children and Families Committee, January 24, 2007.

federal waiver. As of September 2006, there were 12,501 people on the APD waitlist for Medicaid waiver services.[7]

The Developmental Disabilities Home and Community-Based Services (DD-HCBS) waiver program is a Medicaid funded program and the largest source of funding for APD services. The funding appropriated for this program during Fiscal Year 2006-2007 is $776,837,838. Services provided through the DD-HCBS waiver program enable children and adults to live in a family setting in their own home or in a licensed residential setting, thereby avoiding institutionalization. Clients receiving services through this program are also eligible for all services in the Medicaid state plan. As of December 2006, APD has 25,418 people enrolled in this program.[8]

The Family and Supported Living (FSL) waiver makes services available to children and adults who live with their family or in their own home. This waiver is capped at $14,282/person each year. The funding appropriated for this program during Fiscal Year 2006-2007 is $74,711,734. Although fewer DD services are available under this waiver, clients are also eligible for all services in the Medicaid state plan. As of December 2006, APD has 6,071 people enrolled in this waiver program.[9]

The Consumer-Directed Care Plus program is the third Medicaid waiver operated by APD. This waiver offers clients great flexibility and choice in the selection of services and providers and the determination of rates of payment. Service providers are often family members or friends. As of June 2006, APD was serving 1,031 individuals in this program with expenditures exceeding $32,500,000.[10]

The agency also provides fiscal and programmatic management of four developmental disabilities institutions serving approximately 1,100 residents. APD also provides community-based services from state only funds for individuals not on Medicaid waivers. The Individual and Family Supports and Contracted Services appropriations are the primary resources used for these services.

In recent years, the Legislature has significantly increased funding to the Medicaid waiver programs allowing the agency to increase the number of clients served, while reducing the waiting list for services. In addition, APD has instituted a number of fiscal and programmatic management controls intended to address escalating costs and growing waiting lists for services. These include a standardized rate structure, prior service authorization, and pre-payment billing reviews. In spite of the management controls employed by APD, the cost of serving people in the APD Medicaid waiver programs is projected to exceed appropriations in FY 2006-2007 by $46,905,017 in state matching funds. The agency reports that the increased use of services by program participants (utilization increase) and caseload are the attributing factors to the projected deficit. Since 2003 the number of services received per participant has increased by 102.14 percent. APD indicated in a January 2007, presentation to the Senate Health and Human Services Appropriation Committee that possible long-term options to address escalating cost include transition to a capitated service model and amending current Medicaid waivers. [11]

Effect of Proposed Legislation:

Model Fixed Payment Service Delivery System: The bill directs the Agency for Healthcare Administration (AHCA) in consultation with the Agency for Persons with Disabilities (APD) to create a model fixed payment service delivery system for persons with developmental disabilities who receive services from Medicaid waiver programs operated by APD. The Developmental Disabilities Home and Community Based Services Medicaid waiver is to be included in the model system. AHCA is directed to consider the feasibility of including the Family and Supported Living Medicaid waiver and the

[7] Agency for Persons with Disabilities Resource Notebook, November 2006.
[8] Agency for Persons with Disabilities Quarterly Report, Second Quarter 2006-2007, February 2007.
[9] Ibid
[10] APD waiver cost by Area FY 2005-2006, L. Mabile March 13, 2007 email.
[11] Presentation to Senate Health and Human Services Appropriation Committee, January 25, 2007, Agency for Persons with Disabilities.

Consumer Directed Care Plus Medicaid waiver programs into the system. This bill provides legislative intent for the model program, including:

- Increasing cost predictability.
- Stabilizing rate of increase in Medicaid waiver expenditures in the pilot areas.
- Providing recipients a coordinated system of services.

The model fixed-payment service delivery program must also ensure: consumer choice, opportunities for consumer directed services, access to medically necessary services, coordination of community based services and reduction in unnecessary services utilization.

AHCA and APD must create this model program by December 31, 2007, and AHCA has authority to seek Medicaid waivers or amendments necessary to begin implementation of the program.

Pilot Projects: The model fixed-payment service delivery program is to be demonstrated in two pilot areas of the state. One pilot site is designated as Area 1 which includes Okaloosa, Walton, Escambia and Santa Rosa counties. The other area may be selected by AHCA in consultation with APD and determined to be an appropriate pilot site. The participation of Medicaid waiver recipients in both pilot areas is mandatory. The pilot program will be the only waiver program available to participants in the Developmental Disabilities Medicaid waiver unless AHCA recommends including the Family and Supported Living and/or the Consumer Directed Care Plus waivers.

Medicaid waiver Participants and Expenditures in APD Area One Pilot Site[12]

Medicaid Waiver	*Recipients*	*Estimated Expenditures*
Developmental Disabilities HCBS waiver	1,202	$26,073,890
Family and Supported Living waiver	260	$997,233
Consumer Directed Care Plus waiver	38	$827,177
Total	1500	$27,898,300

Project Administration: AHCA has the primary responsibility for creation of the model service delivery program. AHCA is responsible for obtaining any necessary federal Medicaid waivers and/or state plan amendments to implement the model. In addition, AHCA will be responsible for the procurement of qualified entities to operate as managed care organizations for the pilot program at both pilot sites. AHCA will also set the rates that will be paid to the managed care entities. After the "development phase" of the fixed-payment model service delivery program, AHCA is directed to delegate administration of the pilots to APD. The bill calls for APD to administer the contract(s) with the managed care entities, provide quality assurance, monitoring oversight and other duties necessary for the implementation and completion of the pilot programs.

Plan Contractors: The bill requires a competitive procurement process to select Community Service Networks to serve as the managed care plan contractors in the pilot areas. The Community Service Networks are not required to be licensed under chapter 641 F.S., but would need to meet standards set by AHCA, demonstrate financial solvency and have the ability to accept financial risk for managing the care of the participants in the pilot areas. An example of a Community Services Network could include but is not limited to existing APD provider organizations that align themselves into a network to provide services under the pilot project. The agency is directed to endeavor to provide a choice of contractors/plans to participants in the pilots.

AHCA is also directed to ensure that plans include the following:

- Standardized needs assessment process: The needs assessment process typically includes a psycho/social assessment instrument to identify the needs of an individual so that appropriate service can be authorized. The assessment used by a plan provider must be approved by AHCA.

[12] APD waiver cost by Area FY 2005-2006, L. Mabile email March 13, 2007.

- Provider choice: Enrollees in the pilot programs will be allowed to choose from among all the providers under contract to the managed care organization as long as the provider chosen is appropriate to meet the need of the individual.
- Subcontracts: The plan contractor is required to make a good faith effort to contract with existing providers of service to the Agency for Persons with Disabilities.
- Subcontract Provider Qualifications: The plan contractor must set subcontractor qualification and quality of care standards. The plans must also exclude, where feasible, poor performing subcontractors. These standards must be approved by AHCA.
- Quality Assurance: Plan contractors must demonstrate a quality assurance system and performance improvement system which is approved by AHCA.

Capitated Rates: The fixed-payment model service delivery system will use capitated rates that have been determined to be actuarially sound and capable of providing quality care. Capitated rates are rates per person per month paid to managed care plans in advance of service delivery. This is the most common method of payment to managed care organizations for providing services.[13] Managed care is defined as an arrangement where the state Medicaid Program contracts with an organization to provide a package of long-term care benefits on a risk basis.[14] Managed care organizations are considered "at risk" since they receive a fixed payment (capitated rate) for an enrolled participant and then must provide all of the services that are medically necessary for the individual. In other words, they are at risk to ensure that all service needs are met with the funds received. Medical necessity is defined by AHCA in the Florida Administrative Code 59G-1.01(166) (a). This bill allows AHCA to limit the financial risk of the plan contractors to cover high-cost recipients or catastrophic care needs. The bill does not specify how AHCA must address this. However, methods could include the continuation of fee for service payments or offering reinsurance programs for high-cost or catastrophic care individuals in the pilot areas.

Residential Care: The bill requires the plan contractor to allow a participant to continue to live in their licensed residence (home) even if the residence is not a subcontractor with the plan. However, the residential facility must accept either the plan subcontract rate or the Medicaid waiver rates authorized by chapter 409.919, Florida Statutes. The licensed residences that are included in this provision include, Group Homes, Foster Homes, and Residential Habilitation Facilities licensed under chapter 393, Florida Statutes or Assisted Living Facilities and Adult Family Care Homes licensed under chapter 429, Florida Statutes.

Evaluation: The Agency for Health Care Administration is required to procure a comprehensive evaluation of the pilot programs within 24 months of implementation and provide a final report by June 30, 2010. The evaluation will include an assessment of cost savings, cost effectiveness, recipient outcomes, choice, access to services, coordination of care, and quality of care. The evaluation also requires a description of legal and administrative barriers and a recommendation regarding expansion of the program statewide.

C. SECTION DIRECTORY:

Section 1. Creates subsection 53 of s. 409.912, F.S., providing direction and authorization to the Agency for Health Care Administration to create a model fixed payment service delivery system for people with developmental disabilities, provides pilot sites, contracting and quality requirements for managed care plans. This section gives authority to the Agency for Health Care Administration to procure an evaluation, seek federal waivers, and adopt rules.

Section 2. Provides an effective date of July 1, 2007

[13] Capitation Rate Development Guide for States Implementing Medicaid Managed Care Programs, National Association of State Medicaid Directors, 1999.
[14] Capitated Payment of Medicaid Long-Term Care for older Americans: An Analysis of Current Methods, Kronick and Dreyfus, AARP Public Policy Institute, 2001-03, March 2001.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	FY 2007-08	FY 2008-09
Title XIX (Medicaid Administration)	$750,000	

2. Expenditures:

	FY 2007-08	FY 2008-09
Actuarial analysis, Waiver assistance, Benefit design, Project management Baseline evaluation		
General Revenue	$750,000	
Administrative Trust Fund	$750,000	

The agency will incur costs associated with providing choice counseling and enrollment broker services with this implementation, but not until Fiscal Year 2008-2009. This amount is indeterminate at this time.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Entities providing choice counseling services will be able to contract with the agency.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require counties or municipalities to take an action requiring the expenditure of funds, reduce the authority that counties or municipalities have to raise revenue in the aggregate, nor reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None

B. RULE-MAKING AUTHORITY:

The bill provides the agency with rule-making authority as necessary to implement the pilot program for the model fixed-payment service delivery system.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

None.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

At its March 20, 2007, meeting the Council on Healthcare adopted a strike-all amendment to PCB HCC 07-11a.

The strike-all amends the bill as filed in the following ways:

- The pilot projects will include the Developmental Disabilities waiver program at both sites. The Agency for Healthcare Administration was given authority to consider the feasibility of including the Family and Supported Living waiver or the Consumer Directed Care plus waiver programs in the pilots.
- The identification of the state only funded services that would be included in the pilot was provided to include room and board payments and supported living payments.
- The Agency for Health Care Administration in consultation with the Agency for Persons with Disabilities shall select the second pilot site.
- Mandatory enrollment of Medicaid waiver recipients is required at both pilot sites.
- The amendment deleted references to licensure under chapter 641, Florida Statutes, for entities that participate in the pilots and left language for Community Services Networks.
- Minimum bid requirements for entities to participate as community service networks was added.

The bill was reported favorably as amended.