
HMA

HEALTH MANAGEMENT ASSOCIATES

*Cost Effectiveness of Michigan's
Single Point of Entry or
Long Term Care Connection Demonstration*

PRESENTED TO

OFFICE OF LONG TERM CARE SUPPORTS AND SERVICES

MICHIGAN DEPARTMENT OF COMMUNITY HEALTH

SUMMARY REPORT – APRIL 30, 2009

*Research and Consulting in the Fields of Health and Human Services Policy, Health Economics
and Finance, Program Evaluation, Data Analysis, and Health System Restructuring*

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EXECUTIVE SUMMARY

Michigan's Single Point of Entry (SPE) or Long Term Care Connections (LTCC) pilot is currently operating in 34 Michigan counties plus a major portion of Wayne County, including Detroit. The goals of the initiative include providing assistance to individuals seeking long term care services (and their families) to enable them to receive unbiased information and find appropriate services that meet their care needs. An expected result of the initiative is that individuals will receive services that better meet their needs and also that Medicaid-funded long term care services will be used more effectively and efficiently. One expectation is that Medicaid expenditures for long term care services will decrease or will increase at a slower rate.

Health Management Associates (HMA) was contracted by the state to assess the cost effectiveness of the LTCC pilot. This cost effectiveness evaluation is based on data collected when the LTCCs had relatively recently assumed their full role in the long term care services process. Therefore the results of this analysis are only early indicators of potential cost effectiveness. Some of the early results of the cost effectiveness analysis include the following:

- Through fiscal year 2009, long term care costs for LTCC regions are not lower than for non-LTCC regions. There is a slight difference for LTCC regions outside of Detroit, but even in these areas the reduction from trend in long term care costs is less than the cost of the LTCC initiative.
- In the fourth quarter of fiscal year 2008, the reduction in Medicaid-financed NF days is 1.37% greater in the LTCC counties than in the non-LTCC counties.
- In fiscal year 2008 there was a net decrease in the number of MI Choice (home and community-based services waiver) days in the LTCC counties while there was an increase in the number of waiver days in the non-LTCC counties.
- The adult home help component of long term care increased more in the LTCC regions than in other counties and leads to a higher overall cost of long term care services in the LTCC regions.
- The LTCCs are more likely to find that individuals seeking nursing facility (NF) care do not meet the required minimum level of care threshold. Based on the level of care determinations performed in the first half of fiscal year 2009, the expected future savings are about \$6 million per year.
- When compared with results for the non-LTCC counties, the LTCC regions were very successful in assisting individuals in transitioning out of nursing facilities to the MI Choice waiver or to the community with non-waiver supports in the last quarter of data provided for this analysis. The additional transitions accomplished in FY 2008 by the LTCCs beyond the level accomplished in other areas should result in an annual savings of \$11.3 million in total long term care costs.

There are early indications that by the end of FY 2008 the LTCCs had a positive impact on reducing long term care costs outside of Detroit, but not sufficient to cover the costs of the LTCC initiative. As the LTCCs are serving as “gatekeepers” through the Level of Care Determination (LOCD) process, there will be future savings as the number of individuals entering nursing facilities with Medicaid support declines. In addition the LTCCs have been very successful in transitioning more Medicaid nursing facility residents back to the community than occurs in other areas. These transitions will continue to produce savings for the Medicaid program. These data on transitions and LOCDs are more recent than the cost data used in this analysis by six months. While the transitions and LOCD data indicate that there should be net savings in fiscal year 2009, the long term financial impact of the LTCC agencies requires review at a point when additional data are available for longer time periods after the LTCCs were fully operational.

BACKGROUND

The general evaluation of the LTCC pilot has been undertaken by the Michigan Public Health Institute (MPHI). This cost effectiveness assessment is a companion to the general evaluation and therefore does not include information on all of the impacts, outcomes and data for the LTCC.

LTCC Implementation Schedule

Several milestones in the LTCC implementation are important to the evaluation of the LTCC demonstration, as follows:

October 2006: The new LTCC entities began to provide information and referral services.

January to April 2007: Between January and April of 2007 the four sites began to provide Options Counseling to individuals seeking long term care services.

November 2007: As of November 2007 the LTCCs took on the role of the sole agency within each LTCC region to assess a Medicaid beneficiary’s functional/medical eligibility via the Michigan Medicaid Nursing Facility Level of Care Determination (LOCD) for Medicaid-reimbursed care in nursing facilities and the MI Choice Waiver program.

EVALUATION MODEL

The LTCC is being implemented in an extremely dynamic environment. As a result of the many external variables that could impact results, HMA chose to track parallel data on the non-LTCC counties for comparative purposes.

Evaluation Scope

The HMA cost effectiveness analysis is designed to determine whether, as a result of the operation of the LTCC demonstration, the Michigan Medicaid program experiences reductions in long term care costs that equal or exceed the amounts paid to the LTCC agencies for the Single Point of Entry work.

Mitigating Factors

A key factor that impedes a robust cost effectiveness analysis is the short timeframe between full implementation of the LTCC functions and the date for the evaluation report. Since the cost effectiveness analysis is occurring so soon after the full implementation of the LTCC pilot program, the full impact of LTCC on LTC costs could not be determined. For example, while the LTCCs began doing level of care determinations only in November 2007, the data on long term care days and costs end with September 2008. This allows limited opportunity to measure any LTCC impact on the appropriate use of these services.

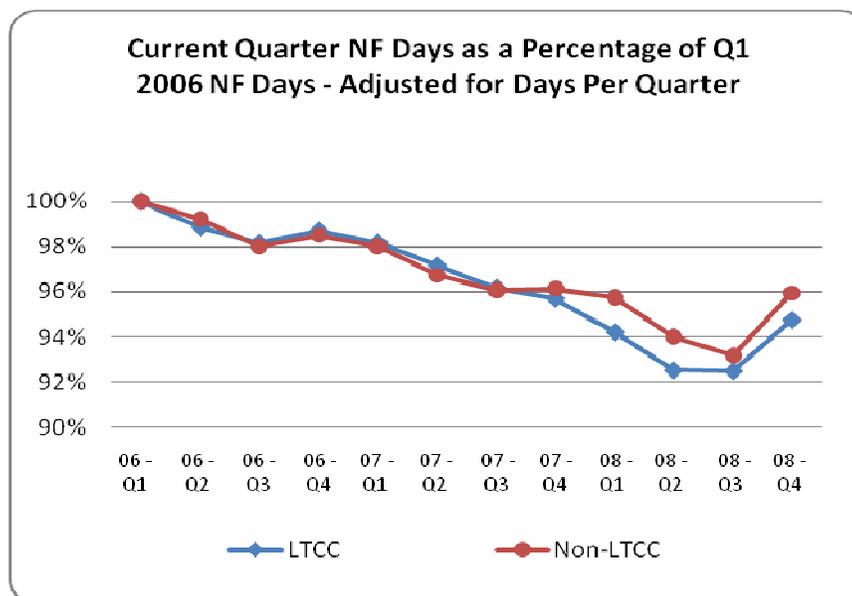
HYPOTHESES AND INITIAL RESULTS

The primary hypotheses of the cost effectiveness evaluation are that in LTCC regions there will be changes in the site of long term care (LTC) services, a reduction in Medicaid-funded LTC expenditure trends, and use of Medicaid-funded LTC services by those that truly need these services.

Hypothesis 1a: Movement from institutional to non-institutional Long Term Care

The expectation is that Options Counselors will provide consumers with information and assistance in understanding and accessing community-based services, which will result in a decrease in Medicaid-reimbursed nursing facility days. We chose to look at the *percentage change* in the number of nursing facility (NF) days from the first quarter of fiscal 2006 (October 2005 to December 2005) to subsequent quarters separately for the LTCC and Non-LTCC regions, as reflected in Figure 1. (The quarterly data are adjusted for the variation in the number of days in a quarter).

Figure 1



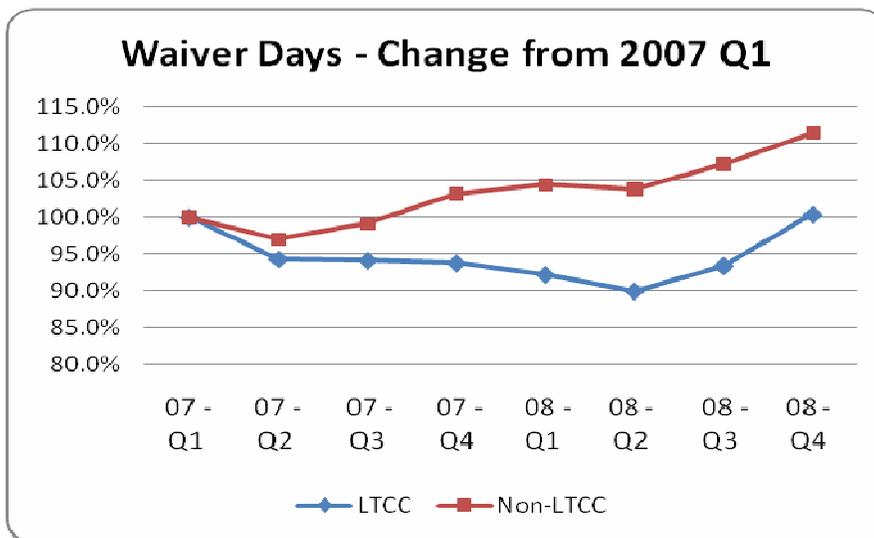
The data for NF days show that a downward trend in the use of Medicaid-funded nursing facilities existed prior to the implementation of the LTCC pilot (which began in the second quarter of fiscal 2007). That prior downward trend was nearly identical between the non-LTCC counties and the LTCC pilot areas.

Beginning with the fourth quarter of fiscal year 2007 the reduction in NF days is consistently greater in LTCC counties than in non-LTCC regions.¹ In the fourth quarter of fiscal year 2008 there is a 1.37% difference in the reduction in NF days between the LTCC regions and the non-LTCC regions. *The data support the hypothesis of a reduction in NF days in the LTCC regions beyond the trend that otherwise exists.* While the reduction in NF days offers promise of savings, there are expected offsetting cost increases in other components of long term care services, such as the MI Choice waiver and Adult Home Help.

MI Choice Waiver Days

The hypothesis states that there might be an increase in MI Choice waiver enrollment in the LTCC regions if there was room within a waiver ceiling to expand enrollment. In addition, if the LTCCs were successful in increasing the number of individuals transitioned from NFs, there would be an increase in the funding for and use of waiver services. (Michigan allows an increase in waiver funding if individuals are transitioned from NFs.) The nursing facility transitions are evaluated separately below as part of hypothesis 1b. Since the LTCC agencies began options counseling in the second quarter of fiscal year 2007, the first quarter of fiscal year 2007 is the baseline to assess the impact of the LTCC initiative. As shown in Figure 2, the number of days of waiver services has actually declined in the LTCC regions.

Figure 2



¹ The data show an increase in NF days for the 4th quarter of fiscal year 2008. HMA believes that this may be attributable to use of “completion factors” that overstate the number of NF days of care that had not yet been compensated as of April 1, 2009.

Adult Home Help

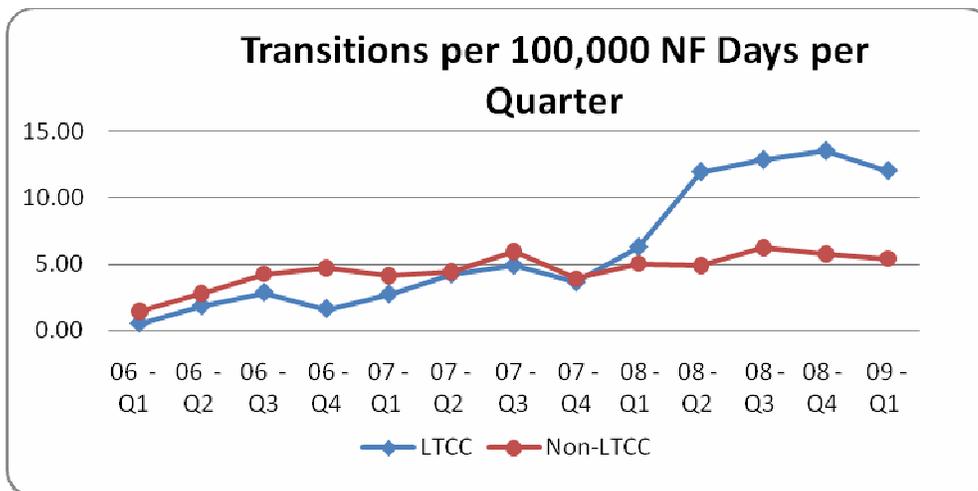
The evaluation hypothesis stated above also predicts an increase in the use of adult home help (AHH) services in the LTCC regions. The increase is nearly identical for the LTCC and non-LTCC areas in the aggregate, which is contrary to the initial evaluation hypothesis. However the Detroit LTCC had a lower rate of increase in Adult Home Help utilization than any other area, while the non-Detroit LTCCs show a higher rate of growth in Adult Home Help days of service.

Hypothesis 1b: Increased NF transitions

A specific way in which the LTCC programs can affect long term care costs is to increase the rate at which Medicaid residents that are already in nursing facilities are transitioned either to the MI Choice home and community based services waiver, or to the community with non-waiver supports. Since the non-LTCC regions have more nursing facility beds than the LTCC regions, we chose the number of transitions per 100,000 nursing facility days as a unit of comparison.

In the aggregate there has been a great increase in the number of NF transitions over the past three years, in both the LTCC and non-LTCC regions of the state. The data included NF transitions through the October-December 2008 quarter (Q1 of fiscal year 2009). As shown in Figure 3, the LTCC areas have had a consistently higher rate of transitions than the LTCC regions beginning with the period January to March 2008, which is the 2nd quarter of fiscal year 2008.

Figure 3



There are significant future savings attributable to the higher level of transitions. If transitions in the LTCC areas had occurred at the same rate as the non-LTCC areas, there would have been about 290 fewer transitions during calendar 2008. The 290 additional transitions would be expected to reduce costs by \$11.3 million from what would otherwise have occurred.

Hypothesis 2: Impact on costs of LTC services

Hypothesis 2 states that changes in utilization will result in more persons served for the same or fewer dollars and that there would be a net savings even when the changes from trend in the costs of long term care services were offset by cost of LTCC system.

Cost of the LTCC System

The amount appropriated for the four LTCC pilot sites both in FY 2008 and in FY 2009 is \$14,724,200. Actual spending has been lower than this amount. HMA received detailed expenditure data for all four LTCC sites from October 2006 through June 2008 and summary data through March 2009. The initial data included information about staffing levels for the LTCC sites. While there were some one-time expenditures related to acquisition of equipment in some of the early quarters, the data indicate that the staffing levels for the LTCCs, particularly the number of direct service workers, was still increasing in the April to June 2008 quarter. The total cost for the four sites for the October to December 2007 quarter was \$1.94 million, or an annual rate of spending of approximately \$7.75 million. LTCC spending for the October to December 2008 quarter was \$2.74 million, or an annual rate of spending of \$10.95 million. Quarterly spending seems to have leveled off in early FY 2009.

Trends in Total Long Term Care Spending

For this analysis the term “total long term care spending” includes these components: nursing facilities, Adult Home Help, MI Choice waiver services, PACE, home health agencies, AFC stipends, and case management fees for DHS and the AAAs. (This is a change from the preliminary analysis performed by HMA.) MDCH staff provided payment data for all of these services. They also either provided or applied historical “completion factors” by provider type that we used to estimate the dollar value of claims for reimbursement that would not have been yet paid when the claims data were pulled for this analysis. Because there are annual rate increases for NFs and there have been other rate increases, LTC spending would be expected to increase even if utilization decreased. Data for nursing facilities are adjusted based on the number of days in each quarter. As Figure 4 shows, long term care spending has actually increased at a greater rate in the LTCC regions than in the non-LTCC regions.

Figure 4

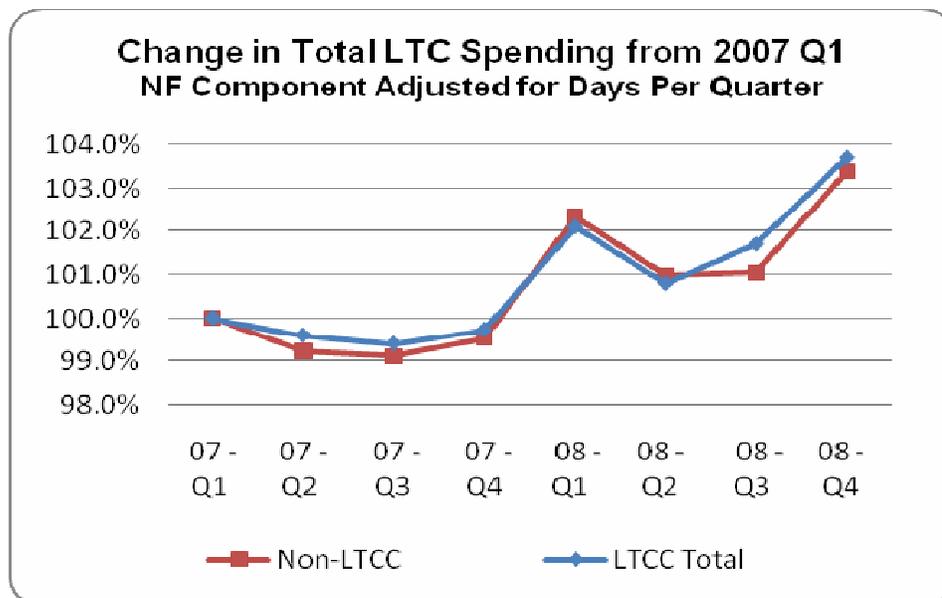
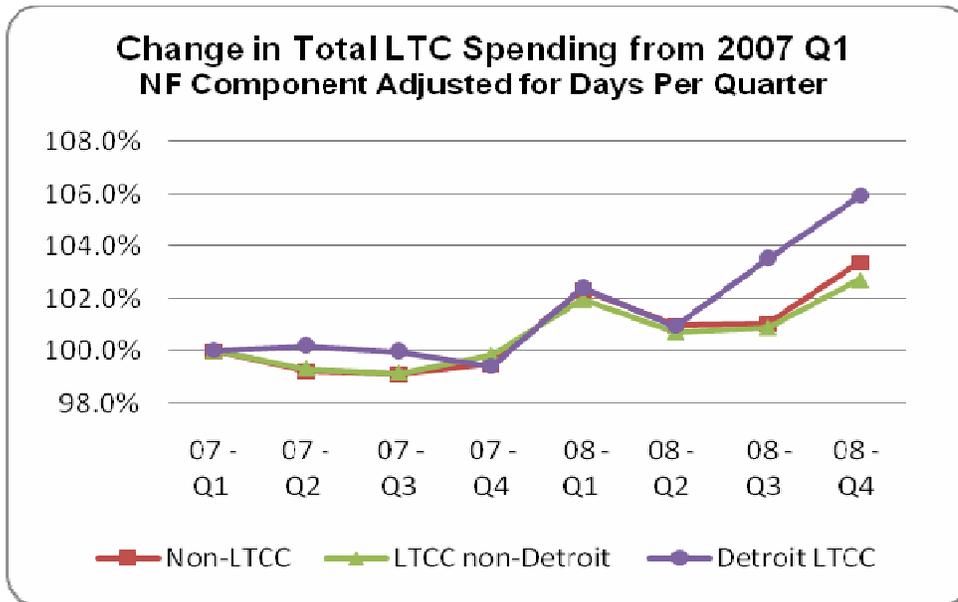


Figure 5 shows that the recent trends are very different in the Detroit LTCC area than in the other LTCC regions.

Figure 5



Net Savings – LTCC pilot costs versus reduced LTC spending

For an analysis of the cost effectiveness of the LTCCs the appropriate baseline is the first quarter of state fiscal year 2007, which is October to December 2006. While the LTCCs began to provide information and referral services during that quarter, they didn’t begin options counseling until between January and April of 2007 and became responsible for LOCDs in November 2007. When October to December 2006 (2007 Q1) is used as the base period, the LTCC regions have a change from base period costs to cost in the July to September 2008 quarter (2008 Q4) that is 0.3% greater than the change for the non-LTCC regions for the same time period. However for the LTCC regions other than Detroit the trend is favorable – the increase in costs in the LTCC regions is 0.7% lower than in the non-LTCC regions. (See Figure 5 above.)

Long term care spending for the non-Detroit LTCC regions for fiscal year 2008 totals \$558 million. If the impact of the LTCC initiative is a reduction in spending for long term care services of 0.7% below trend (the July to September 2008 result), the annualized savings in service costs would be \$3.9 million dollars (0.7% of \$558 million).

Hypothesis 3: Increased number of “adverse actions”

As previously noted, LTCCs became responsible for level of care determinations (LOCDs) as of November 1, 2007. These LOCDs are required when an individual seeks Medicaid funding for NF services or MIChoice waiver services, when an individual is transferred, or when there is a change in condition. Adverse actions represent clients denied access to long term care services, either NF or waiver, when the LOCD indicates that they do not meet the nursing facility level of care criteria. The evaluation hypothesis was that there would be an increase in the proportion of adverse actions in the LTCC counties, as the LTCCs would more strictly assess whether applicants for nursing facility or waiver services need NF level of care. An increase in adverse actions

would keep people out of nursing facilities or the MIChoice waiver that never should have been admitted to these programs. The resultant savings would accumulate over successive quarters.

The data in Table 1 display the adverse actions from October 2008 through March 2009 for LTCC regions and non-LTCC regions. Table 1 indicates in this time period the LTCC areas have a more than triple rate of adverse actions for individuals potentially entering nursing facilities than did the nursing facilities that perform the LOCD function in the non-LTCC areas (1.04% in the LTCC areas versus 0.29% in the non-LTCC regions). For waiver programs, the LTCC regions also had a higher rate of adverse actions than the non-LTCC regions, at 7.39% versus 4.78%.

Table 1

Level of Care Determinations, Oct. 2008 to March 2009			
	Eligible	Not Eligible	Percent Not Eligible
Non-LTCC Regions			
Nursing Facilities	10,170	29	0.29%
Waiver	2,764	132	4.78%
Total	12,934	161	1.24%
LTCC Regions			
Nursing Facilities	6,465	67	1.04%
Waiver	2,624	194	7.39%
Total	9,089	261	2.87%

If the LTCC regions had the same results as the non-LTCC regions for the proportion of individuals seeking nursing facility found not eligible, there would have been 49 additional NF admissions. On an annual basis there would be 98 additional individuals admitted to NFs in these counties. The cost of Medicaid NF services for an additional 98 individuals would be about \$6 million. It will take time for these savings to appear in the NF spending data.

CONCLUSION

The methodology for this cost effectiveness analysis is not designed to produce any conclusions that the LTCC initiative had a direct effect on long term care spending. The analysis does, however, allow a review of changes in spending trend that might be *correlated* with LTCC activities.

Based on information from the most recent quarter for which reliable long term care service spending data were available, July to September 2008, the Long Term Care Connections pilot is correlated with an increase in the rate of growth of total long term care spending relative to the trend for non-LTCC areas. However for the LTCC regions other than the Detroit region, the growth in long term care spending was 0.7% lower than in the non-LTCC regions. Long term care spending for the non-Detroit LTCC regions for fiscal year 2008 totals \$558 million. If the impact of the LTCC initiative is a reduction in spending for long term care services of 0.7% below trend (the July to September 2008 result), the annualized savings in service costs would be \$3.9

million dollars (0.7% of \$558 million). This is significantly lower than the \$6.04 million spent on the LTCC program in these regions in FY 2008. As of September 2008 the LTCC initiative is not generating savings that offset the cost of the program, even in the most favorable regions.

However there are other factors that should be considered in estimating the future success of the initiative. Promising trends include an increasing use of non-institutional long term care, a recent increase in the rate of transitions from nursing facility care in the LTCC regions, and a higher rate of adverse actions (denials) of Medicaid-funded nursing facility services, based on level of care determinations in the LTCC regions.

The LTCC agencies are more likely to find that individuals seeking nursing facility or MI Choice waiver services do not need nursing facility level of care. However the level of savings from this gatekeeper function is difficult to assess. The mere presence of the LTCC agency may result in a higher number of individuals being screened for NF or waiver services.

More promising is the higher rate of transitions of individuals out of nursing facilities to either the MI Choice waiver or to the community with adult home help services or even without Medicaid supports. Based on the difference in the rate of transitions in the LTCC regions and in other counties, the transitions accomplished by the LTCCs can be expected to generate a net savings in long term care costs of more than \$11 million per year. This component of savings by itself is sufficient to cover the costs of the LTCC agencies at the current rate of spending. When some net impact from the LOCD gatekeeper function is added to the equation, the LTCCs can be expected to generate sufficient savings in long term care costs to fully support their operations. The net result is not only a (small) cost savings to the state budget but also a better continuum of care for elderly and disabled individuals that need some degree of long term care supports and services.

APPENDIX – METHODOLOGY & DATA SOURCES

Data were collected from Michigan Department of Community Health (MDCH) in September of 2008. Data consisted of three populated files: 1) Data on “Days” for NF, Waiver, and Home Help. 2) “Dollars” representing spent amount in the areas of NF, Waiver, Home Help, Hospice and other long term care services. 3) Transitions file listing each transition by date and indicating transition to waiver or to community without waiver supports. Excluding the transition file, each data source included quarterly data representing timeframes from Oct 2005 (Q1 2006) through December 2008 (Q1 2009), the county of residence, and the age band of the recipient. The beginning of fiscal year 2006 was chosen as the starting point so that we would have one full year of data before the beginning of any Long Term Care Connections activities.

In addition we received files with detailed information on expenditures from each of the LTCC sites and a file with information on the number and proportion of adverse actions resulting from LOCDs, files with information about NF and AHH rate increases. Data files for transitions and LTCC pilot expenditures included more recent data through April-June (Q3 2008) that were used within the analysis.

Data were analyzed to split days and dollars in quarters represent above, by age band, and by county. Counties were rolled into LTCC location. The analysis was build upon the changes in days and dollars within the LTCC regions and non-LTCC regions. To account for lags between the date of service and the data of payment, MDCH provided and applied completion factors that were specific to the various types of long term care services. However HMA would note that the lag factors were from claims cycles from FY 2004 and earlier. To the extent that the lags have changed, the data for the most recent quarters may be inaccurate. Also lags in submission of claims may vary geographically. This analysis used statewide lag factors which may distort geographic comparisons if the lags vary by region.

As described above, in many instances the analysis split the LTCC region with and without Detroit. The rationale for this is that the Detroit/Wayne LTCC may deal with a greater proportion of clients that lack or have reduced levels of the informal community supports that facilitate transitions from nursing facilities or allow them to remain outside of nursing facilities.