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November 12, 2014

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Family Care Expansion to Seven Northeast Wisconsin Counties -- Agenda Item II

On September 29, 2014, the Department of Health Services (DHS) notified the Committee of its intent to contract with Care Wisconsin and Lakeland Care District to administer the Family Care benefit in Brown, Door, Kewaunee, Marinette, Menominee, Oconto, and Shawano Counties, beginning March 1, 2015. DHS seeks the Committee's approval to enter into the contracts, pursuant to s. 46.281 of the statutes.

BACKGROUND

Family Care and IRIS

The Family Care and IRIS (Include, Respect, I Self-Direct) programs provide long-term care services to elderly individuals, individuals with physical disabilities, and individuals with intellectual or developmental disabilities who meet qualifying financial and functional eligibility standards. The financial eligibility standards for Family Care and IRIS are identical to those that apply to individuals who access other medical assistance (MA) supported long-term care services, including the application of spousal impoverishment protections, estate recovery, and divestment policies. Regarding functional eligibility, individuals must meet a nursing home level of care standard, as determined by a functional screen conducted by staff at an aging and disability resource center (ADRC). If they do not meet that standard, they may qualify if the screen indicates that they require assistance for activities of daily living and caring for their health. DHS operates both Family Care and IRIS under waivers of federal MA laws granted by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS).

The Family Care program provides long-term care services under a capitated, risk-based payment system. Managed care organizations (MCOs), operating in multi-county regions, provide services to Family Care enrollees, either by contracting with providers, or by providing care directly through their employees. An individual enrolled in Family Care receives services that are tailored to his or her needs and preferences, which may include the kind of services provided under the state's legacy home and community-based waiver programs, as well as certain MA long-term care "card services," such as home health, personal care, and nursing home services.

If the Family Care benefit is offered in a county, eligible individuals must also have the option to self-direct their long-term care services by enrolling in the IRIS program, rather than enrolling in Family Care. IRIS participants receive a monthly budget allocation and choose which long-term care services they receive, and which providers will render these services.

Family Care and IRIS services are currently available to residents in 57 of the state's 72 counties. The attachment to this paper identifies the counties in which qualifying residents currently may receive Family Care and IRIS services, and the multi-county regions served by each participating MCO.

In 2014-15, approximately $545.6 million GPR was budgeted for Family Care and $147.6 million GPR was budgeted for IRIS. DHS has incorporated the proposed expansion of Family Care and IRIS to the seven northeastern counties in its 2015-17 budget request.

Once Family Care and IRIS services become available to qualifying residents in a county, these programs replace the legacy MA waiver programs that are currently available in those counties. The legacy waiver programs include the GPR-funded community options program (COP), the MA-funded waiver program (COP-W), and the community integration programs (CIP IA, CIP IB, and CIP II). The legacy waiver programs are supported from a combination of GPR-funded contracts between DHS and the counties and county funding and federal MA matching funds. As with Family Care and IRIS, funding for the legacy waiver programs is budgeted as part of the MA program.

The MA waiver agreements CMS approved for the legacy waiver programs permit counties to maintain waiting lists for these services if state and local funding is insufficient to fund services for all qualifying individuals. Unlike the legacy waiver programs, the Family Care and IRIS programs become an entitlement for each eligible individual 36 months after Family Care and IRIS services first become available in the county or region.

To facilitate access to Family Care, IRIS, and other long-term care services, ADRCs provide information, assessments, functional eligibility determinations, prevention, wellness, and other services related to long-term care. These services are available to all Wisconsin residents.

The following table summarizes enrollment in Family Care and IRIS, by target group, as of July 1, 2014.

Enrollment in Family Care and IRIS, by Target Group
As of July 1, 2014

	Elderly Individuals	Individuals with Developmental/ Intellectual Disabilities	Individuals with Physical Disabilities	Total
Number of Enrollees				
Family Care	18,003	13,591	6,196	37,790
IRIS	1,711	3,956	5,025	10,692
Total	19,714	17,547	11,221	48,482
Percentage of Enrollees				
Family Care	47.6%	36.0%	16.4%	100.0%
IRIS	16.0	37.0	47.0	100.0
Total	40.7%	36.2%	23.1%	100.0%

Joint Finance Committee Review

2007 Wisconsin Act 20 authorized DHS to expand the Family Care program statewide in all counties that choose to participate in the program, but required DHS to notify the Joint Committee on Finance, under a 14-day passive review process, if DHS proposes to contract with entities to administer the Family Care benefit in "geographic areas in which resides, in the aggregate, more than 29 percent of the state population that is eligible for the Family Care benefit." Because the benefit was available to an estimated 29 percent of the state population that were eligible for it at that time, DHS has been required to submit all proposals to expand the program to new regions of the state to the Joint Committee on Finance. 2011 Wisconsin Act 127, which repealed an enrollment cap on Family Care that was approved as part of the 2011-13 biennial budget act, also repealed the Committee's authority to approve future expansions through the passive review process. Consequently, the Committee must vote to approve all proposed expansions.

DHS is required to provide the Committee certain information in conjunction with its notification, including: (a) the contract proposal; (b) a fiscal estimate of the proposed addition that illustrates that the addition will be cost-neutral, including start-up, transitional, and ongoing operational costs; (c) the amount and conditions of any proposed county contribution; (d) documentation that the county consents to the administration of the Family Care benefit in the county; and (e) a proposal by the county for using any savings in county expenditures on long-term care that may result from the administration of the Family Care benefit in the county.

ANALYSIS

In 2010, all seven counties in northeast Wisconsin approved county resolutions creating the northeast Wisconsin Long-Term Care District to operate an MCO to provide, or contract for the provision of, the services that are covered under Family Care. Since 2010, these seven counties and

Northeast Wisconsin Family Care (NEWFC), the MCO created by the long-term care district, have been planning for the expansion. As it appeared that DHS was unlikely to contract with the new MCO to provide Family Care services in the region, the NEWFC Board of Directors, representing the counties in the region, indicated support for DHS contracting with the Lakeland Care District to provide these services in a June 20, 2014 memorandum to the DHS Secretary.

In reviewing the Department's request, the Committee may wish to consider: (a) whether the proposal meets the statutory requirements for approval; (b) the anticipated effect of the proposal on MA expenditures in 2014-15 and each year of the 2015-17 biennium; and (c) arguments that could be made to support or oppose the proposal.

Statutory Conditions for Approval

The Department's submission includes the following items to meet the statutory notification requirements: (a) proposed contracts with Care Wisconsin and Lakeland Care District to administer the Family Care benefit in the seven-county region; (b) an indication of the annualized amounts each of the seven counties will contribute to support the program, beginning in 2015; and (c) letters and resolutions passed by each of the county boards approving the expansions of Family Care and indicating support for using county savings for human services and tax relief purposes.

In addition, the Department's letter referred to the December, 2013, report DHS submitted to the Committee on the long-term cost effectiveness of Family Care as evidence that the Department's submission meets the statutory cost neutrality requirement. 2013 Wisconsin Act 20 (the 2013-15 biennial budget act) directed the Department to submit a report to the Joint Committee on Finance by December 14, 2013, regarding the state's long-term care service programs, including future cost projections and comparisons of the cost efficiency of service options. The DHS report concluded that if Family Care had been available in all of the state's counties beginning in 2013, the growth in spending for services to the elderly, blind, and disabled (EBD) MA population would be reduced by $34.7 million (all funds) by 2022, and that the 1,600 people who were on waiting lists for home and community-based long-term care services in these 15 counties would receive these services. However, the results of this analysis are sensitive to the assumptions DHS used in developing these long-term projections.

Estimated Fiscal Effect for 2014-15 through 2016-17

Under the DHS request, Family Care would expand to the seven northeastern counties according to the schedule specified in the following table.

Timeline for Family Care
Expansion to Northeastern Counties

	Implementation Date	Months to Complete Phase-In
Brown	March 1, 2015	7
Kewaunee	March 1, 2015	1
Door	April 1, 2015	1
Menominee	May 1, 2015	1
Oconto	May 1, 2015	1
Marinette	June 1, 2015	3
Shawano	June 1, 2015	3

If the expansion occurs, all individuals eligible for Family Care benefits in these counties will continue to receive standard MA card services for many of their acute health care needs. However, they will also have the choice of three long-term care options: (1) receiving long-term care services from the MCO serving their county through Family Care; (2) self-directing a similar set of long-term care services through IRIS; or (3) foregoing both Family Care and IRIS and using only the more limited set of long-term care services offered as card services. These three long-term care options would replace the home and community-based waivers currently administered by the seven counties.

While all eligible individuals would have the option to enroll in Family Care and IRIS, these services would be available to different groups at different times, based on the services individuals are currently receiving. The following table shows the number of individuals currently receiving and on the waiting list for waiver services in each county.

Number of Individuals Receiving Waiver Services and
on Waiting Lists in Expansion Counties as of September, 2014

	Waiver Service Recipients	Waitlist	Total
Brown	1,510	679	2,189
Kewaunee	182	36	218
Door	173	71	244
Menominee	105	36	141
Oconto	88	183	271
Marinette	266	153	419
Shawano	367	36	403
	2,691	1,194	3,885

Current nursing home residents would be placed in their preferred program as soon as possible after Family Care is available in the county. Participants who wish to move from an institutional setting to a community-based setting could also immediately enroll in Family Care at any time. Individuals who currently receive long-term care services as part of a home and community-based waiver program would be phased-in to their preferred program during the first month that Family Care is offered. Individuals on the waitlist for waiver services would be enrolled in Family Care or IRIS during the 36-month period after the benefit first becomes available in each county. After 36 months, Family Care would become an entitlement and any eligible individual would be able to enroll in Family Care or IRIS. Accordingly, an additional 1,194 individuals would be able to receive long-term care services under Family Care or IRIS once the programs are completely phased in, as compared with the number currently receiving services under the home- and community-based waiver programs.

The following table summarizes estimates of the net GPR fiscal effect of the proposal in the current fiscal year and each year of the 2015-17 biennium.

Estimated Net GPR Effect of Proposal
Fiscal Years 2014-15 through 2016-17

	2014-15	2015-16	2016-17
New Service Costs			
Family Care Capitation Payments	$2,268,700	$30,393,500	$34,756,100
IRIS Services	893,800	12,177,900	14,992,500
Total New Service Costs	$3,162,500	$42,571,400	$49,748,600
Offsetting Savings			
Waiver Programs	-$2,391,000	-$19,135,300	-$19,686,500
Community Options Program	-763,000	-6,090,300	-6,257,000
County Contributions	-1,103,200	-7,495,900	-6,548,300
MA Card Savings	-856,200	-9,223,100	-10,512,600
Nursing Home Savings	-95,000	-1,230,800	-2,308,100
Total Offsetting Savings	-$5,208,400	-$43,175,400	-$45,312,500
Net Cost (Savings)	**-$2,045,900**	**-$604,000**	**$4,436,100**

The table shows that the administration's proposal to begin offering the Family Care benefit in the seven northeastern counties is estimated to reduce MA benefit costs by approximately $2.0 million GPR in 2014-15 and $0.6 million GPR in 2015-16, and increase MA benefit costs by approximately $4.4 million GPR in 2016-17, an increase of $1.8 million GPR for the three-year period.

The cost estimate includes new service costs related to the capitation payments made to MCOs to serve individuals enrolled in Family Care. Currently, DHS pays each MCO one of two capitation rates for each individual enrolled in the MCO. One rate applies to Family Care enrollees who require a nursing home level of care, and the other applies to Family Care enrollees who meet the functional requirements of the program, but do not require a nursing home level of care. Each rate represents an average cost calculated across all members of each respective MCO. Rates may differ between MCOs due to differences in each MCO's case mix, labor costs and administrative costs. To determine the net impact of expanding Family Care to the northeastern counties, DHS uses a blended rate to represent the capitation rates paid to MCOs, ranging from $2,749 to $4,700 in calendar year 2015, $2,809 to $3,622 in calendar year 2016, and $2,858 to $3,175 in calendar year 2017.

In addition to the monthly capitation rate paid to the MCOs for Family Care participants, the cost estimate includes monthly budget allocations for individuals that enroll in IRIS. DHS estimates that the daily per member budget allocation for IRIS participants will be approximately $84 in calendar year 2015, $86 in calendar year 2016, and $88 in calendar year 2017.

Offsetting the projected increases in costs for Family Care capitation payments and IRIS budget allocations are a number of Family Care-related savings and funding transfers. First, as individuals transition from the waiver programs and the GPR-funded COP program, funding is reallocated from the waiver programs to Family Care within the total MA budget. Second, DHS estimates that Family Care will generate savings as individuals are diverted or relocated from nursing homes to less expensive community-based settings. Third, DHS expects the Family Care program to reduce costs of MA card services, both because some MA card services will be managed as part of the Family Care benefit and because Family Care benefits will prevent the need for acute care services.

As previously indicated, counties are required to make a contribution to the state for the Family Care benefits it provides to their residents. The formula DHS uses to calculate the county contribution was established in 2007 Wisconsin Act 20. In the first year that Family Care is offered in the county, the county must contribute the same amount it spent in 2006 on long-term care services for clients that would have been eligible for Family Care at that time. If this first year amount is less than 22% of the county's basic community aids allocation (BCA), the county will continue to contribute this amount as long as it participates in Family Care. If the first year amount is more than 22% of the county's BCA, the county will lower its contribution by 25% of the difference each year for four years, until its yearly contribution is 22% of its BCA.

Brown, Door, Kewaunee, Oconto, and Shawano Counties have first-year county contributions larger than 22% of their BCAs. Brown County's contribution will decline by $2,457,099 over five years, from $4,532,084 to $2,074,985, Door County's contribution will decline by $216,207 over five years, from $466,825 to $250,618, Kewaunee County's contribution will decline by $256,275 over five years, from $450,225 to $193,950, Oconto County's contribution will decline by $1,330,864 over five years, from $1,630,558 to $299,694, and Shawano County's contribution will decline by $277,891 over five years, from $638,774 to $360,883. Marinette County will contribute $265,268 each year it participates in Family Care, and Menominee County has no reported county contribution.

Arguments for and Against the Proposal

Several arguments could be made to expand the program to these northeast counties. First, the Committee has approved all previous proposals DHS has submitted to expand the program, and approving this expansion would be consistent with this practice as long as the counties and MCOs met all statutory requirements. Further, the waiver agreement under which the program operates indicates that the program would ultimately be available statewide, although the agreement does not specify a date by which this must happen.

Additionally, it has been argued that expanding the program to the northeast counties is a matter of fairness due to the significant state cost of the program. Specifically, taxpayers in counties that do not offer Family Care to their residents are paying for publicly-funded services their residents cannot access. Family Care cost increases are funded as part of the MA "cost-to-continue" item, and will continue to grow as additional counties reach entitlement status. At the same time, counties that continue to administer the legacy long-term care waiver programs have not been provided additional funding to address rising costs or to reduce wait lists for services. For these reasons, the Committee could approve the administration's request.

Others would argue that providing an entitlement to community-based long-term care services increases demand for long-term care services, and that the current program has insufficient means of controlling program costs. Moreover, previous efforts to assess the cost-effectiveness of the program may be viewed as inconclusive. Finally, the Committee may wish to consider the proposal in the context of the entire MA budget as part of its 2015-17 biennial budget deliberations, although delaying this approval would result in delaying access to Family Care and IRIS services in these counties. For these reasons, the Committee could deny the administration's request.

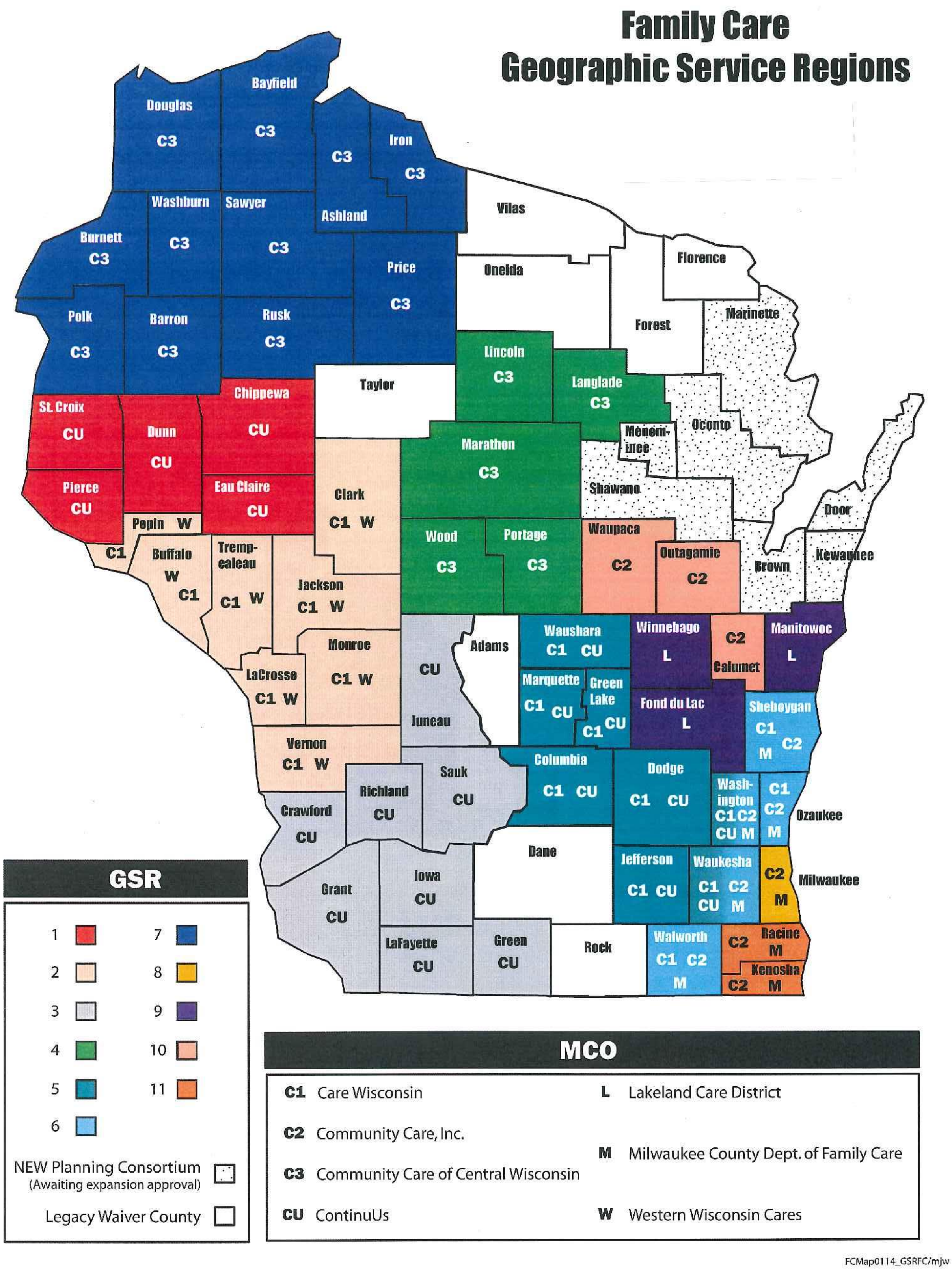
ALTERNATIVES

1. Approve the DHS request to expand the program to Brown and Kewaunee Counties, beginning March 1, 2015, Door County, beginning April 1, 2015, Menominee and Oconto Counties, beginning May 1, 2015, and Marinette and Shawano Counties, beginning June 1, 2015.

2. Deny the request.

Prepared by: Stephanie Mabrey
Attachment

ATTACHMENT



Family Care
Geographic Service Regions
Douglas C3
Bayfield C3
C3 Ashland
Iron C3
Washburn C3
Sawyer C3
Burnett C3
Price C3
Polk C3
Barron C3
Rusk C3
Vilas
Oneida
Florence
Forest
Marinette
Lincoln C3
Langlade C3
Taylor
St. Croix CU
Dunn CU
Chippewa CU
Pierce CU
Eau Claire CU
Marathon C3
Menominee
Oconto
Shawano
Door
Pepin W
C1
Buffalo W C1
Trempealeau C1 W
Clark C1 W
Jackson C1 W
Wood C3
Portage C3
Waupaca C2
Outagamie C2
Brown
Kewaunee
Monroe C1 W
LaCrosse C1 W
CU Juneau
Adams
Waushara C1 CU
Winnebago L
C2 Calumet
Manitowoc L
Marquette C1 CU
Green Lake C1 CU
Fond du Lac L
Sheboygan C1 M C2
Vernon C1 W
Sauk CU
Columbia C1 CU
Dodge C1 CU
Washington C1 C2 CU M
C1 C2 M Ozaukee
Crawford CU
Richland CU
Dane
Jefferson C1 CU
Waukesha C1 C2 CU M
C2 M Milwaukee
Grant CU
Iowa CU
LaFayette CU
Green CU
Rock
Walworth C1 C2 M
C2 Racine M
Kenosha C2 M
GSR
1
2
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NEW Planning Consortium (Awaiting expansion approval)
Legacy Waiver County
MCO
C1 Care Wisconsin
C2 Community Care, Inc.
C3 Community Care of Central Wisconsin
CU ContinuUs
L Lakeland Care District
M Milwaukee County Dept. of Family Care
W Western Wisconsin Cares
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