

Long-Term Care Interim Committee Testimony
Representative Kreidt, Chairman
March 10, 2010

Chairman Kreidt and members of the Long-Term Care Interim Committee, I am John Bole, Director of the Developmental Disabilities Division (DD) with the Department of Human Services (DHS). I am here today to provide a status report of the DHS study mandated by HB 1556. Specifically the study was to examine the methodology and calculations for the rate setting structure used to reimburse public and private licensed developmental disability ICF/MR and home and community-based services providers serving medically fragile and/or behaviorally challenged individuals. The individuals qualifying as medically fragile and/or behaviorally challenged were determined based on the definitions established by the Oregon scoring criteria used to assess levels of medical and behavioral severity in children and adults.

In accordance with the legislation, the study was to address the adequacy of reimbursement rates, their equity and fairness, and the extent to which the rates reflect the level of medical and supportive services (including varying levels) required by providers to adequately serve individuals in those categories.

The legislation provided further that in obtaining data and arriving at outcomes and recommendations, the study must include consultations with those providers furnishing services to such individuals. The final report of the study will present the outcomes and recommendations to the legislative council. General fund and federal funds were appropriated for the study totaling \$200,000.

The Division formed a workgroup in June of 2009 comprised of providers, the North Dakota Association of Community Providers (NDACP) and key department staff to develop and implement the requirements of this legislation. Consistent with the requirements of the legislation, DHS released a Request for Proposal (RFP) on July 10, 2009 for professional consultation services. The RFP specified that the interim report is due by June 1, 2010. The final report is due no later than September 1, 2010.

Proposals from prospective vendors were received by July 31, 2009. In total 6 proposals were received. After the proposals were reviewed by a subgroup of the workgroup, the contract award was made to Burns & Associates, Inc. (B & A) and their subcontractor, Human Services Research Institute (HSRI) based on careful analysis and evaluation of the submitted proposals.

B & A, Inc.'s proposal to conduct the study included eight Deliverables. See Attachment A.

Progress to Date

To initiate the project, B & A and HSRI provided an extensive data request to DD and conducted a series of conference calls during October 2009. During these sessions DD staff provided detailed explanations of the current reimbursement system, the assessments used [Oregon Medical Score, Oregon Behavioral Score, and the Progress Assessment Report (PAR)] as well as the information systems support for each element of the reimbursement system. In addition, the sessions reviewed cost reporting, interim rate setting, and the audit process. These preparatory calls culminated in a three-day site visit in November,

2009. During the site visit, B & A conducted a full-day discussion with state staff and two days of stakeholder/focus group meetings, including time with the Advisory Committee, Financial Provider Group and Program Managers. Attachment B provides the list of participants in the stakeholder meetings.

In addition to the focus groups, B & A authored a questionnaire with 18 open-ended questions requesting feedback on the effectiveness of DD's assessment tools, administrative operations and burdens associated with the current processes, the adequacy of funding for medically fragile individuals and those with behavioral challenges, and suggestions for improvements. B & A received ten completed questionnaires from providers.

In February, DD received the third Deliverable from B & A and HSRI which evaluates the current reimbursement system and assessments used in North Dakota. This deliverable is based on:

- A desk review of documentation regarding the processes and procedures involved in performing needs assessments, setting interim rates, cost reporting, auditing and setting of final rates, and the purpose and determination of bucket payments
- Stakeholder feedback resulting from on-site meetings and written comments submitted addressing the successes and shortcomings of the current assessment and reimbursement system
- A statistical analysis of the payments and assessment data provided by the Division, including correlation analysis between payments and assessments and a series of multiple regression models to locate assessment variables that may be strong predictors of resource consumption

- An operational and administrative analysis of the reimbursement and assessment system, including a comparison to other types of reimbursement methodologies in use and a review of challenges facing the system

B & A and HSRI's preliminary conclusions, pending further work, are:

- North Dakota's current reimbursement system mixes a cost based reimbursement structure with additional compensation specifically related to individuals who are medically fragile and/or behaviorally challenged. *There is an inherent disconnect between tying payments to certain assessed needs on the one hand and cost settlement on the other.*
- Within the current reimbursement system, the State uses three assessment tools to accomplish its goals. These assessment tools, coupled with the interim rate setting and budgeting process, audit and cost settlement, make operation of North Dakota's current reimbursement system very complex and resource intensive. *When compared to other rate setting designs used by States, North Dakota's system is one of the most, if not the most, difficult to administer.*
- In North Dakota, determining the appropriate payment for medically fragile and/or behaviorally challenging individuals is difficult for several reasons. First, costs associated with medically fragile and behaviorally challenged individuals cannot be separately identified within the current reporting structure. Even if the cost reporting structure were altered to request individual-specific cost data, the consultants' experience in other States is that providers are usually unable to provide this data. This is particularly problematic for residential settings where all residents regardless of need are paid the same rate. Second, the current internal budget adjustment process accounts for some of the same underlying costs of high need clients that targeted appropriations (referred to as buckets) address. Both state agency staff and providers acknowledge this overlap. There is a significant correlation

between total payment per day and supplemental payments tied to individuals identified as medically fragile and/or behaviorally challenged.

- Based on B & A's and HSRI's analyses, *use of three assessments is duplicative and unnecessary*. The PAR, with minor modifications, can achieve the same purpose designed for the Oregon tools. The Oregon tools do not perform as well as selected measures included on the PAR.
- North Dakota DD can improve the PAR through minor adjustments to questions and implementation of a formal training, testing, and quality control process to add confidence in the assessment among stakeholders
- The Department must determine whether payments should be need-based or cost-based and avoid mixing these methodologies.

Next Steps

This week, DD received the first draft of Deliverable 4 from B & A and HSRI which identifies specific assessment and payment options for North Dakota based on best practices in other states.

These options will be reviewed with stakeholders in meetings March 30 and 31st. The contractors will proceed to provide cost estimates for selected options after these meetings.

I'd be happy to answer any questions.

Attachment A

Deliverable 1	Final Data Request	Complete
Deliverable 2	Three Day On-Site Visit and Materials	Complete
Deliverable 3	Evaluation of the Current Reimbursement, Appropriation, Assessment and Change Request System	Complete
Deliverable 4	Options for Assessment Scales, Resource Allocation Models, Other States Use of Scales, Options for Rate Adjustments Based on Changing Client Needs and Implementation Considerations	March 8, 2010
Deliverable 5	Preliminary Cost Estimates	April 15, 2010
Deliverable 6	Refined and Final Cost Estimates	May 15, 2010
Deliverable 7	Interim Report	June 15, 2010
Deliverable 8	Final Report	Aug 15, 2010

Attachment B: Stakeholder Interview and Group Participants

Advisory Committee Group Participants

Deb Balsdon, DD

Tina Bay, DD

John Bole, DD

Donna Byzewski, Catholic Charities ND

Wanda Carlson, DD

Robbin Hendrickson, DD

Paul Kolstoe, Developmental Center

Teresa Larsen, Protection & Advocacy

John Larson, Enable, Inc.

Mike Marum, DD

Jim Moench, ND Disability
Advocacy Consortium

Vicci Pederson, DD

Don Wald, Support Systems, Inc.

Provider Group Participants

Tina Bay, DD

Borgi Beeler, Minot Vocational
Adjustment Workshop

John Bole, DD

Wanda Carlson, DD

Robbin Hendrickson, DD

JoAnne Hoesel, DHS

Lawrence Hopkins, Fiscal Administration

Eric Monson, Anne Carlsen Center

Barb Murry, NDACP

Tom Newberger, Red River Human
Services Foundation

Vicci Pederson, DD

Colette Perkins, DD

Program Manager Interviews

Jim Fisher, DD

Kristen VanderVorst, DD