plante moran

audit • tax • consulting • wealth management

OPRA Finance Committee Meeting

October 4, 2016

Director Martin's downsizing goals and waiver conversion started in 2012

What we said at the time:

DODD released its updated whitepaper titled "The Future of the ICF-IID Program" on Thursday August 2, 2012.

There are two overall themes that are covered in the document which include:

Smaller: The program will have fewer beds and the facilities in which the services are provided will be smaller.

More targeted: Services will be targeted to those needing the ICF/IID bundle of care.

Rebalancing the system will be targeted through downsizing large facilities and conversion of ICF-IID's to home and community based waiver services.

The level of care rule will be revised to assist with placement.

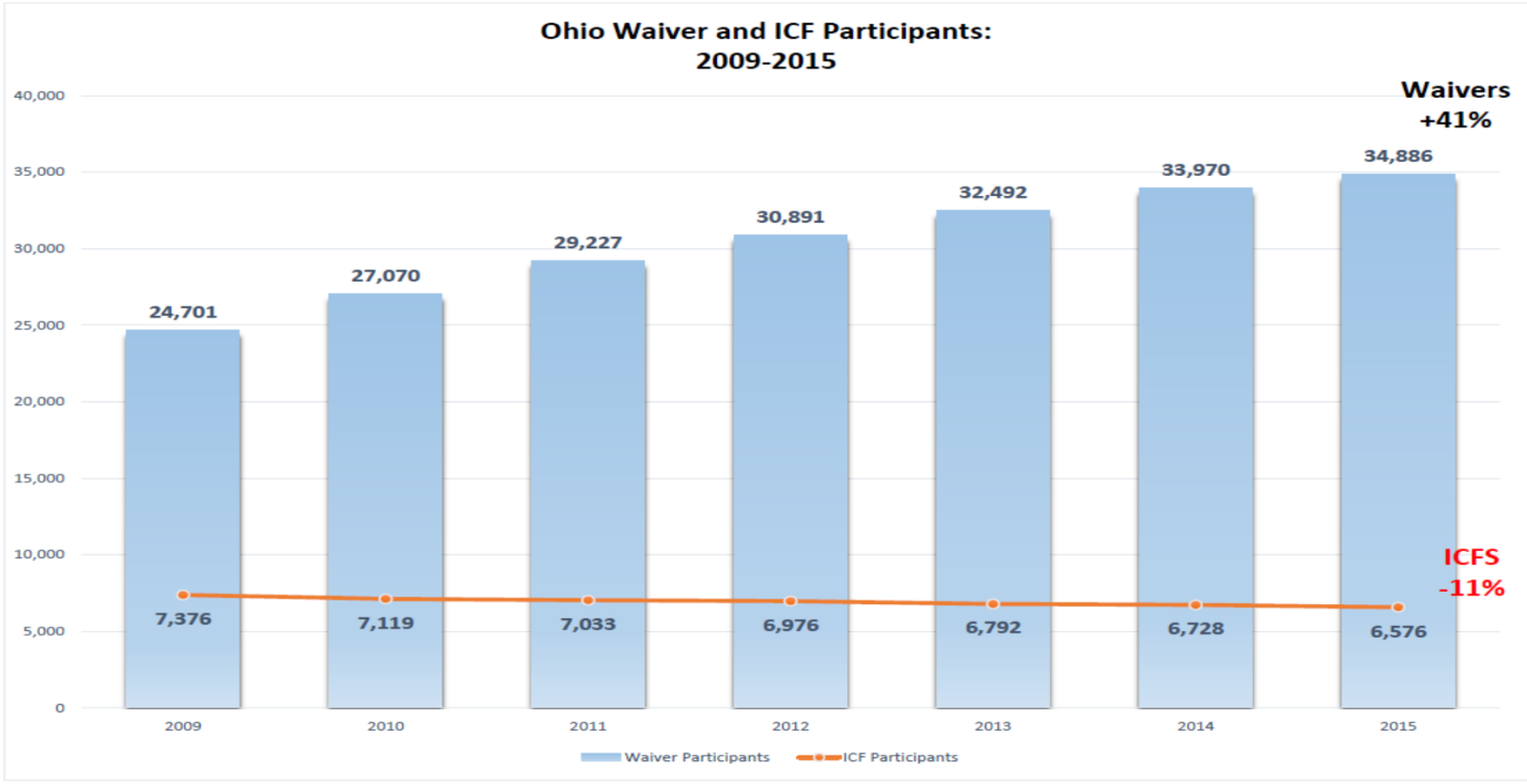
Status of ICF downsizing and conversions

	ICF Downsizing	ICF Conversion to Waiver
Goal	500-600	500-600
Approved plans	597	531
Completed as of 9/22/16	131	230

*As part of the 2013 Grand Bargain these are to be completed by June 30, 2018

Providers are able to convert a submitted downsizing plan to a waiver conversion with DODD approval.

Overall waiver and dept stats



*DODD: Budget and Analytics
*2009-2013 data compiled from Braddock et al. http://www.stateofthestates.org/documents/UnitedStates.pdf
*2014-2015 data is compiled from preliminary data received from Braddock et al. on August 12, 2016

New Waivers

1,800 new state-funded waivers for budget year ‘16-17 are designated for people on waiting list. FY2016 shows 305 enrolled/assigned Self – waivers and 315 IO waivers.

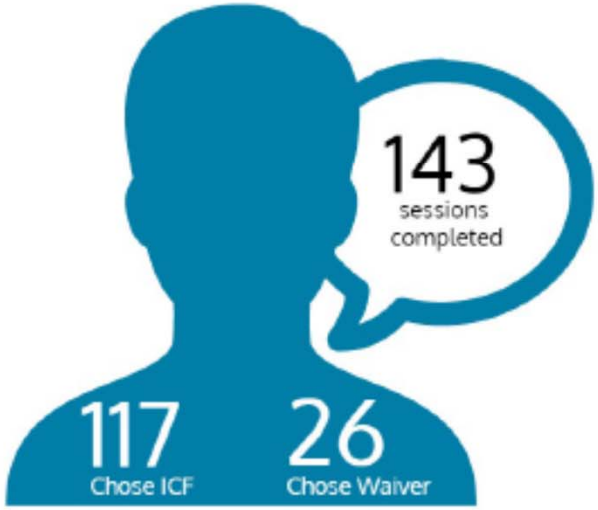
1,136 waivers available for diversion waivers and exit waivers (leaving an ICF).

Rent subsidy to assist someone leaving ICF to waiver; 43 individuals totaling $38,844 for FY2016.

Pre-admission Counseling

Pre-Admissions Counseling

Pre-admissions counseling takes place when a person applies for admission to a large ICF (with 9 or more beds). The goal of pre-admissions counseling is to ensure that people are aware of their options for support both through a waiver or at an ICF.



In FY 2016, 143 people seeking admissions into a large ICF completed a pre-admission counseling session with staff from their local County Board.

Of those, 117 chose to move forward with the ICF for admission.

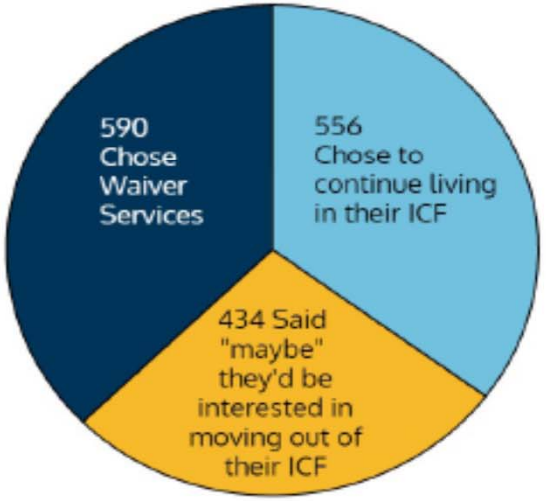
26 chose to forgo ICF admission and applied for a waiver.

Options Counseling

Options Counseling

Options Counseling is available for people thinking about moving out of an ICF who are interested in learning more about available waiver services.

Of 1,580 Participatants in Options Counseling



Downsizing considerations

- Size of facility
- Lending restrictions, bed license, lease arrangement, etc.
- Detailed financial analysis (new ICF and base facility)
- Max per room requirements, showers, etc. may cause you to evaluate downsizing/waiver conversion
- Vacancies – recent trend

Waiver considerations

- Evaluate situation; lost ICF revenue, room requirement, vacancies, facility size, etc.
- Waiver conversion does not guarantee you will be provider of services
- Rent subsidies
- See appendix for steps to take for voluntary ICF to waiver conversion
- Reminder of one year $.52 per unit rate for conversion waivers
- Semi-annual assessment for bed tax
- Contact DODD with questions
- Challenges – finding housing and staffing

Evaluating a downsizing

- Individuals moving – impacts staffing and your projected Medicaid rate
- Capital costs; new vehicle; new furniture, appliances, etc. not included in construction cost. Consider NER for base facility (this will be removed in future reimbursement system)
- Lease/Rent or Mortgage – evaluate to ensure capital reimbursement will be adequate
- Selecting site – Locating land or home to renovate may be a challenge
- DODD approval – overall plan including location and 6 bed vs. 8 bed financial analysis

High level overview of downsizing process

- Recommend that you create internal team to meet on regular basis
- Education for family/staff may be needed
- Create internal checklist in addition to DODD checklist
- Plan for start-up operating cash; typically delays in certification approval process
- File downsizing cost report

DODD checklist

Please see Appendix section for the DODD ICF Opening Checklist to use as a resource.

Update on proposed reimbursement system changes

Peer Groups

Peer Group Options	
2 Peer Groups	**1**: 9+ beds **2**: 4 - 8 beds
4 Peer Groups	**1**: 17+ beds **2**: 9 - 16 beds **3**: 8 beds **4**: 4 - 7 beds

PCG Recommendation: 4 Peer Groups

Allows for more control to provide specific incentives.

More appropriately rewards smaller facilities of 8 or less.

8 bed facilities are a unique subpopulation of providers that make up a significant portion of the system.

Recognizes differences in cost reporting structure for large facilities and better compensates these costs.

Encourages 9-16 bed homes to improve efficiency and potentially downsize to 8 beds or lower.

Improves viability of 4-7 bed facilities, while maintaining 8-bed homes as “best deal.”

IAF to ODDP

Acuity Measurement Tool

IAF changing to the ODDP assessment. Initial discussion was that DODD staff would complete this for each individual residing in an ICF by March 2017. If you are not familiar with the ODDP your team review this and become familiar with the questions. Please see the following website for more information:
http://dodd.ohio.gov/CountyBoards/Eligibility/Pages/AssessmentTools.aspx

TimeStudy

PCG did perform a time study on 58 providers as part of the random sample. The following is from PCGs calculations, we have requested the raw data but this needs to be scrubbed before they can share the data.

- Due to the change in proportion of individuals in lower and higher acuity levels, most facilities experienced a reduction in overall case mix score.
- In the sample, the old RAC group average was 1.66. The new average is 1.27.
- A few homes saw major swings in their acuity scores, most likely reflecting differences in DDP cumulative scoring vs. IAF triggers.

  Reductions in the average acuity score generally increases the Cost per Case Mix Unit (CPCMU), which results in a higher median.

Acuity Adjustments

PCG is proposing three revisions to the direct care reimbursement methodology that together have a significant impact on the calculation of the direct care cost ceilings.

Changing acuity adjustment levels

Implementing new peer groups

Revising method for identifying median costs

Reductions in the average acuity score generally increases the Cost per Case Mix Unit (CPCMU), which results in a higher median.

Score	Average Acuity	Average Per Diem Cost	CPCMU
IAF	1.66	$186	$112
DDP	1.27	$186	$149

Effects on Direct Care Cost Ceilings

When distinguishing the cost profiles of multiple peer groups, the medians appear to be more reflective of differences in economy of scale.

Based on the CPCMU for the facilities in the sample, the following median CPCMU were calculated:

Peer Group 1: $134.65

Peer Group 2: $162.60

Peer Group 3: $144.01

Peer Group 4: $153.66

Because the medians are already adjusted for the relatively higher or lower costs of different sizes of facility, the need is diminished for setting high percentages to prevent significant penalties to outliers.

This trend is reinforced by the changes in the acuity score, which also increase the medians for each peer group.

Capital Cost Recommendations

PCG recommends transitioning to a Fair Rental Value methodology.

Recommended ceiling for square footage is 1,000 square feet per bed

PCG continues to recommend an equipment value estimate of $4,000 per bed.

- Cost reports will be modified to track actual equipment costs in case this estimate needs to be revalued in the future.

Depreciation rate recommended to be set at 1.5%.

PCG recommends a rental rate of 9%.

Capital Cost Recommendations

PCG recommends use of RS Means Ohio Assisted Living values to determine value per square foot.

Values will be modified per region, with the following counties determining regional values for counties without a published RS Means regional value.

5 Region Model	Modifier	Regional rural county proxy
Northwest	0.94	Prices pegged to Allen
Northeast	0.95	Prices pegged to Stark
Central	0.92	Prices pegged to Richland
Southeast	0.92	Prices pegged to Muskingum
Southwest	0.92	Prices pegged to Butler

Implentation Timeline

PCG recommends the following timeline for implementation of each of our recommended changes to the reimbursement methodology.

Year	Rate Component
FY 2018	4 Peer Groups
	DDP Acuity System
	Direct Care Cost Component
	Indirect Care Cost Component
FY 2019	Fair Rental Value Capital Cost Component
	Quality Incentive Pay for Reporting
FY 2020	Quality Incentive P4P

Implementation of New Reporting

PCG recommends the following timeline for implementation of necessary changes to reporting requirements to support rate setting.

Year	Reporting Component
CY 2016	Cost Report Attachment 8 Cost Report Attachment 9
CY 2017	Cost Reporting for Day Programming Schedule D1 for Equipment
CY 2018	Begin full participation in Quality Incentive program

Other Transition Requirements

Stop-Loss/Stop-Gain

In order to facilitate transition, PCG recommends a graduated stop-loss/stop-gain mechanism that will assist providers in absorbing losses over time without threatening overall budget neutrality.

In the first year of transition, FY 2018, providers would be guaranteed a decrease of no more than 3.5% of their previous year's rate.

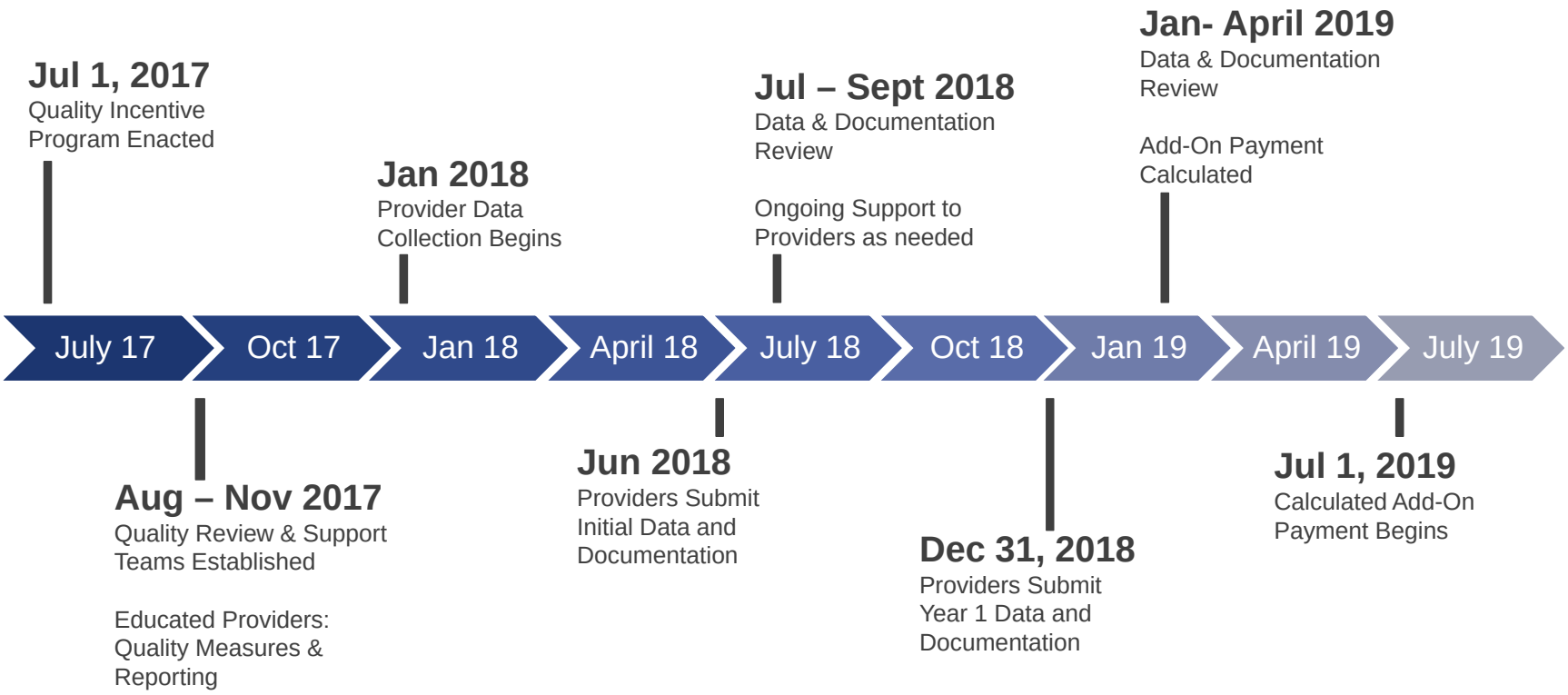
In order to balance the stop-loss, providers benefiting from the new rate structure would only be allowed an increase of 3.5% of the previous year's rate.

In the second year of transition, FY 2019, the stop-loss/stop-gain percentage would be increased to 7%.

The third year of transition, FY 2020, would see full-implementation of the rate structure with no stop-loss/stop-gain mechanisms.

- Concern with budget neutral system.
- Potential to have roll-back.
- None of PCG's data and calculations have been provided for analysis, etc. to the provider associations.
- We will not know the final calculation details until the Governor's budget is released in January.

Quality Incentive Implementation Timeline



Contact Information

Denise A. Gadomski, CPA
Partner
Plante Moran
1111 Superior Avenue, Suite 1250
Cleveland, OH 44114
216.274.6514
Denise.Gadomski@plantemoran.com