

Appendix J: Cost Neutrality Demonstration

Appendix J-1: Composite Overview and Demonstration of Cost-Neutrality Formula

Composite Overview. Complete the fields in Cols. 3, 5 and 6 in the following table for each waiver year. The fields in Cols. 4, 7 and 8 are auto-calculated based on entries in Cols 3, 5, and 6. The fields in Col. 2 are auto-calculated using the Factor D data from the J-2d Estimate of Factor D tables. Col. 2 fields will be populated ONLY when the Estimate of Factor D tables in J-2d have been completed.

Level(s) of Care (<i>specify</i>):							
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Year	Factor D	Factor D'	Total: D+D'	Factor G	Factor G'	Total: G+G'	Difference (Column 7 less Column 4)
1	\$19,429.81	\$2,103.00	\$21,532.81	\$58,835.74	\$1,704.83	\$60,540.57	\$39,007.76
2	\$19,842.90	\$1,977.00	\$21,819.90	\$44,916.00	\$2,275.00	\$47,191.00	\$25,371.10
3	\$20,890.59	\$2,143.74	\$23,034.33	\$58,835.74	\$1,737.85	\$60,573.59	\$39,683.00
4	\$21,308.40	\$2,164.11	\$23,472.51	\$58,835.74	\$1,754.36	\$60,590.10	\$39,281.70
5	\$21,735.57	\$2,184.47	\$23,919.04	\$58,835.74	\$1,770.87	\$60,606.61	\$38,872.04

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Appendix J-2: Derivation of Estimates

- a. Number Of Unduplicated Participants Served.** Enter the total number of unduplicated participants from Item B-3-a who will be served each year that the waiver is in operation. When the waiver serves individuals under more than one level of care, specify the number of unduplicated participants for each level of care:

Table J-2-a: Unduplicated Participants			
Waiver Year	Total Unduplicated Number of Participants (from Item B-3-a)	Distribution of Unduplicated Participants by Level of Care (if applicable)	
		Level of Care:	Level of Care:
Year 3	30363		30363
Year 4	35806		35806
Year 5	36421		36421
	38891		38891
	41361		41361

- b. Average Length of Stay.** Describe the basis of the estimate of the average length of stay on the waiver by participants in Item J-2-a.

Historically, the average length of stay for this waiver demonstrates an unpredictable pattern from year to year as demonstrated by submitted CMS 372's. In order to make a best estimate of the average length of stay for this renewal, OLTL reviewed the 372 reports for state fiscal years 2008-2009 through 2012-2013 and then projected forward through the five year waiver renewal period utilizing a computerized (regression trend) forecast. This projected average length of stay for the five year period is stated in each table below. The length of stay data projection was calculated utilizing data from DPW's MMIS system, PROMISE and Client Information System (CIS). Specifically, paid claims with a last date of service were obtained from PROMISE and waiver eligibility segments were obtained from CIS for the 5 year period as noted above. This same data is used to calculate and report the actual average length of stay on the CMS 372's.

The unduplicated participants in Year 3 appear to increase by at least 30 percent compared to Year 2 and increases by at least 6% in Years 4 and 5. This increase is at least 19 percent more than the most recent CMS 372 report. Please explain how the state generated this estimate and why the numbers of unduplicated participants were increased.

Historical 372 reports submitted during a time most relevant to OLTL's current waiver program policy were analyzed to determine the average change that occurred in the count of unduplicated waiver recipients from SFY08/09 through SFY13/14. This recipient rate of change (count) was then added to the previous year's count of recipients to project unduplicated recipient counts for future years. The data reflects an increase. Please note only years 3, 4, and 5 were updated. Year 2 was not updated to reflect increases from what was originally submitted hence an increase of 30% is reflected.

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c. **Derivation of Estimates for Each Factor.** Provide a narrative description for the derivation of the estimates of the following factors.

i. **Factor D Derivation.** The estimates of Factor D for each waiver year are located in Item J-2-d. The basis for these estimates is as follows:

Factor D is calculated as follows:

Column 1 (Unit) – defines the unit of service for each service.

Column 2 (# Users) – Previously submitted 372 reports from Fiscal Years 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 were analyzed in combination with more recent Enterprise Data Warehouse (EDW) claim data pulled from July 1st 2013 through January 31st 2015. EDW claim data mirrors source data used for submitting OLTL’s past CMS 372 reports.

EDW pulled claim data were parsed for State Fiscal Year (SFY) 2013/14 (between July 1st 2013 and June 30th 2014) and queried to obtain 372 reporting information. (Total Expenditures and Unduplicated Recipient Count). An average cost per user (Factor D) was then derived for SFY 2013/14. Note: Total Units and Average Total Units were also obtained.

Additionally, EDW claim data pulled between July 1st 2014 and January 31st 2015 were used to project total waiver expenditures for SFY 2014/15. i.e. – Total expenditures were divided by count of months to date (7) then multiplied by total number of months in a year (12).

The previously mentioned 372 reports were analyzed to determine the average change that occurred from SFY to SFY in the count of unduplicated waiver recipients. This recipient rate of change count was then added to the previous year’s count of recipients to project unduplicated recipient counts for future years.

Column 3 (Avg. Units Per User) – EDW claims data pulled for SFY 2013-14 includes the number of units used in association with each paid claim. Using SFY 2013/14 data, an average units per person was calculated by dividing the total number of units by the number of unduplicated recipients for each service category associated with OLTL’s renewed (or amended) waiver application. The average unit per person by service category derived from SFY13/14 data was then multiplied by the projected number of unduplicated users for each service category to obtain the units (per service category) for each estimated year. Note: A percent of users serviced ratio for each service category derived from SFY 2013/14 data was applied to the future years to obtain proportionate unduplicated users counts for each service category.

Column 5 (Component Cost) – An aggregate level cost is derived by multiplying the previous year’s average cost per person by the estimated users previously described for Column 2 (above). At the service category level a weighted average of service category expenditures against the total waiver expenditures is applied.

Column 4 (Avg. Cost/Unit) – Is derived by dividing the estimated units (Column 1) by

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the total cost (Column 5) for each service category.

- ii. **Factor D' Derivation.** The estimates of Factor D' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

In calculating Factor D' - Derivation previously submitted 372 reports from SFY 2008/09 through SFY 2012/13 were analyzed. The Acute Care data while in a Home and Community Based Setting from the five year period specified above was then projected forward for the renewal period by dividing acute care costs by unduplicated participants and utilizing a computerized forecasting tool. For Factor D' a great deal of consideration was giving to future policy and programmatic changes resulting in a flattening of our projections.

- iii. **Factor G Derivation.** The estimates of Factor G for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The G factor was formulated based on date from DPW's MMIS system, PROMISe. Paid claims to nursing facilities for the period of SFY 2010-11 for individuals age 60 and above were pulled from PROMISe and analyzed to determine an average daily rate. This rate was then annualized to determine the G factor. For the five year period prior to this SFY, nursing facility rates had remained relatively flat and it is anticipated that this will continue over the five year renewal period due to both transitioning initiatives and economic drivers.

OLTL cannot find the back-up calculations for this waiver, and the staff person responsible for these calculations retired a couple years ago. OLTL believes that five years is a typical sample size for trend analysis, but welcomes recommendations from CMS on a more reliable forecasting model.

Unfortunately, OLTL can't describe how the experience from the 372 reports was used to develop the number of users and average units per user for each of the waiver service/components for each of the waiver years.

OLTL plans to submit another addendum next year for appendix J. Currently, OLTL cannot use actual experience as reported via the CMS-372(s) as a trend baseline because in the past estimates, not actuals were submitted (disclosed in comments) and approved by CMS for Factor G and G'. CMS instructed OLTL (Spring 2013) for SFY 2011-12 reporting to stop using estimates and use actual data for G and G'. Regrettably, our estimates for G & G' for SFY 2010-11 and earlier proved to be significantly askew.

- iv. **Factor G' Derivation.** The estimates of Factor G' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

G' factor was formulated by reviewing paid claims data for SFY 2010-2011 obtained from PROMISe, DPW's MMIS system, for persons age 60 and older utilizing nursing facility services who also had acute care paid claims including the deduction of Medicare Part D drug costs. This estimate was then projected forward for the renewal period by dividing acute care costs by unduplicated nursing facility residents and utilizing a

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computerized forecasting tool.

Component management for waiver services. If the service(s) below includes two or more discrete services that are reimbursed separately, or is a bundled service, each component of the service must be listed. Select “*manage components*” to add these components.

Waiver Services	
Adult Daily Living Services	<u>manage components</u>
Personal Assistance Services	<u>manage components</u>
Respite	<u>manage components</u>
Service Coordination	<u>manage components</u>
Home Health Services	<u>manage components</u>
Accessibility Adaptations, Equipment, Technology and Medical Supplies	<u>manage components</u>
Assistive Technology	
Community Transition Services	
Home Adaptations	
Home Delivered Meals	
Non-Medical Transportation	
Participant-Directed Community Supports	
Participant-Directed Goods and Services	
Personal Emergency Response Service (PERS)	
Specialized Medical Equipment and Supplies	
TeleCare	
Therapeutic and Counseling Services	

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