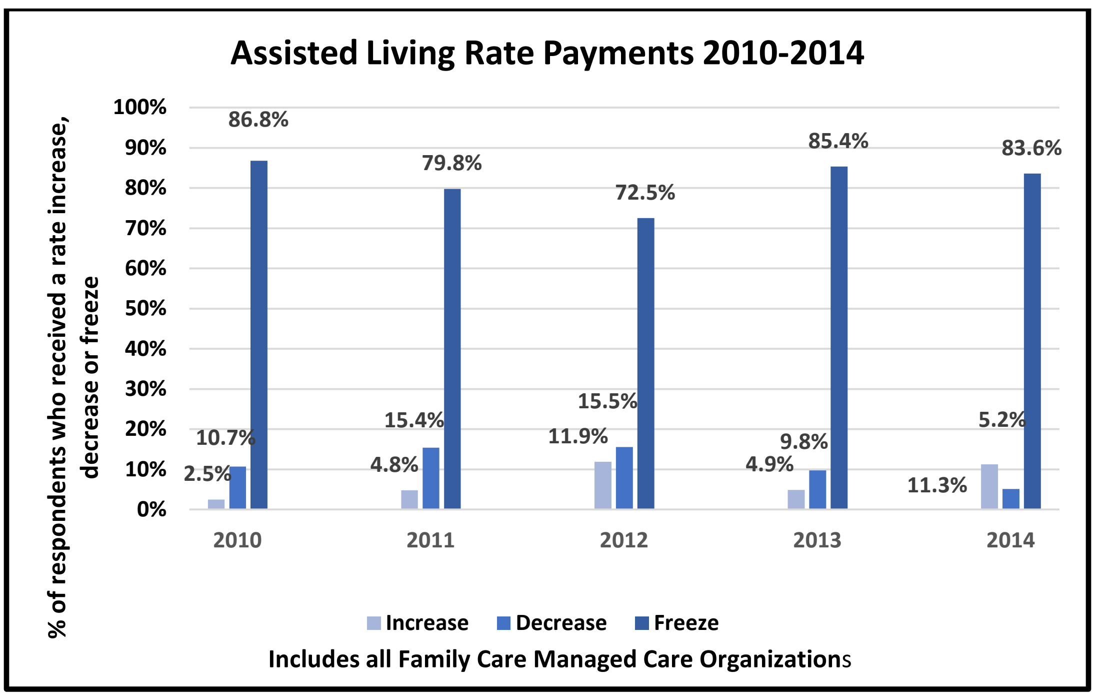
Family Care Background Information--
Adequacy and Impact of Assisted Living Payment Rates in Support of a 2015-2017 Funding Request

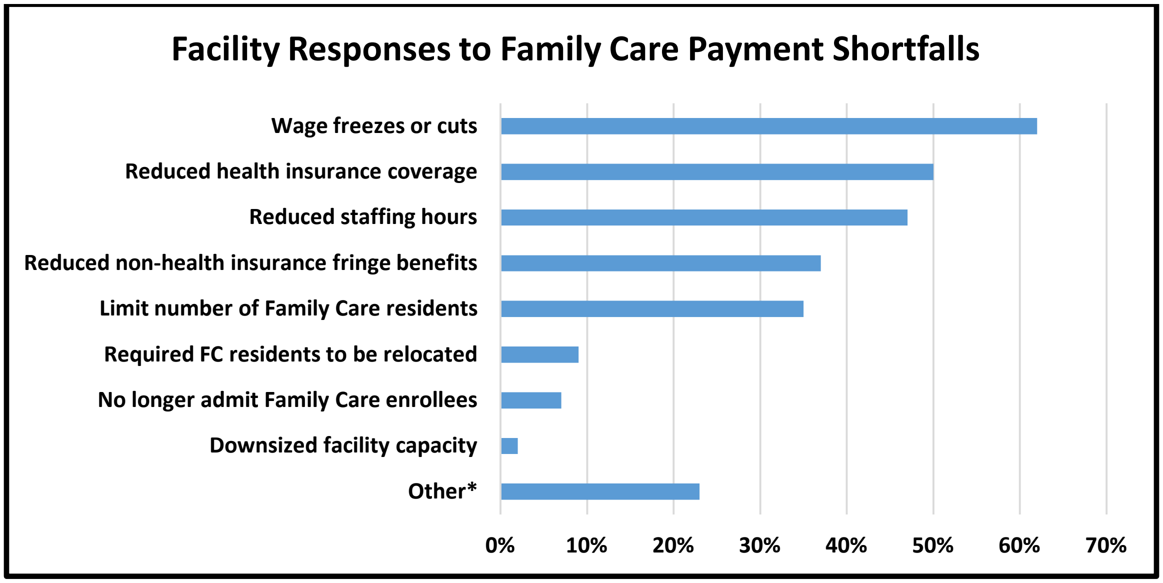
Family Care funding, enrollment and service areas have expanded significantly since 2007. Overall Family Care funding provided to the Managed Care Organizations (MCOs) has increased as well. Over the past several years, however, reimbursement rates for the organizations which actually provide the care to Family Care enrollees have been frozen or decreased.

Extensive data currently is available affording general information on funding, capitation payments, and administrative and operational expenditures relating to Family Care and its seven MCOs. However, the Department of Health Services (DHS) does not require and Family Care MCOs do not provide any information on the level, amount, or frequency of rate increases or decreases providers experience through their contracts with MCOs. In an effort to secure more specifics on such critical information, our organizations jointly conducted a sample survey of our respective CBRF, RCAC and AFH-member facilities. The findings below are based on responses from 279 such facilities located throughout Wisconsin:



As evidenced above, between 2010 and 2014, on average, 92.4% of the respondents indicated they had received either a rate freeze (81.6%) or a rate cut (11.3%) in each year over the past 5 years; only 7.1% reported an increase in rates.

In response to inadequate Family Care payment rates, 71% of the survey respondents reported they were forced to offset their losses by employing at least one of the actions noted below -- 74% of those indicated they were compelled to initiate more than one of these steps:



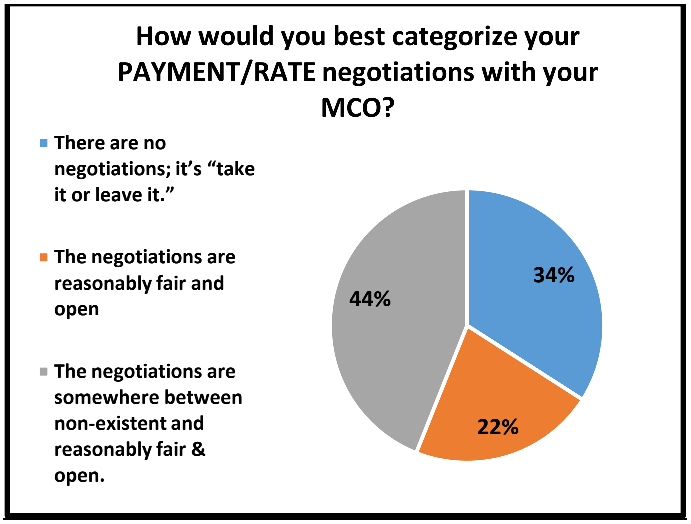
Note: Aggregate percentages exceed 100% because several facilities implemented multiple actions to offset Family Care shortfalls.

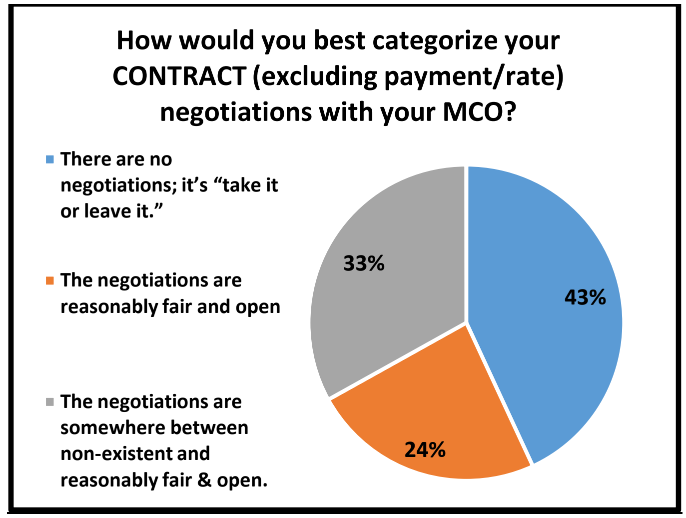
Other: e.g., private pay resident rate increase, resident activities reduced, increase in temporary staff*

Since labor comprises between 70-80% of all long-term care facility costs, it is perhaps not surprising that the most frequently reported actions taken were imposition of wage freezes or cuts (62%) or reduction of health insurance coverage (50%).

Each of our organizations has long taken exception to the lack of transparency and stability of the Family Care MCO contracting and rate setting process. Indeed, DHS does not require, nor do MCOs typically afford transparency in their rate-setting process to assure the MCO-proposed rates reflect an accurate assessment of both enrollee needs and the cost to meet those needs. In most cases, providers are unable to review the MCOs' underlying calculations for a proposed rate. In virtually all cases, they are denied the ability to contest the appropriateness and accuracy of a proposed rate.

The following survey results validate and underscore that most Family Care providers continue to be limited in their ability to fully participate in the Family Care contracting or rate-setting process:





Our organizations are jointly seeking a 5% funding increase for all health care providers that provide care and services to Family Care enrollees throughout Wisconsin. One of our key concerns in advancing this request is the current lack of a mechanism/process to assure the funding increase we seek, after being folded into capitation payments to MCOs, can be tracked and identified as having been included in rates paid to providers. To accomplish this, we recommend that the Family Care MCO capitation rate calculation include a provision to ensure that provider rate increases are factored in to the MCO capitation rate methodology. To that end, we propose Wisconsin adopt language similar to a Minnesota statutory provision described below which requires managed care capitation rates to reflect a 5% increase in provider rates:

> e) A managed care plan or county-based purchasing plan receiving state payments for the services grants and programs in paragraph (b) must include these increases in their payments to providers. To implement the rate increase in paragraph (a), capitation rates paid by the commissioner to managed care plans and county-based purchasing plans under Minnesota Statutes, section 256B.69, shall reflect a five percent increase for the services and programs specified in paragraph (b) for the period beginning July 1, 2014.

Source: **www.revisor.mn.gov/laws/?id=312&year=2014&type=0**

The assisted living provider organizations listed above stand ready to provide any available data and documents necessary for the Administration to evaluate the need and importance of our joint budget request.

December 9, 2014