Background Data Collection Regarding the Strengths/Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

Presentation to the Legislative Oversight Committee, House of Representatives
February 1, 2018
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Today's Presentation:

- Short Refresher: Overview of the "Band" Payment System from DDSN's 10/24/2017 House Oversight Presentation

- Main Presentation: DDSN's internal background collection on the band's systems' strengths/weaknesses and direction for improvement

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

MISSION EXECUTION

Procure Service Delivery Primarily through Contracts $672.3 million current FY 17/18 budget

Contract Providers through DSN County Boards (85%) and QPLs (15%)							DDSN		
Medicaid Waivers (ID/RD; HASCI; PDD; CSW)	Community ICFs	Case Manage-ment	Early Intervention	Green-wood Genetics	Special Service Contracts	State Funded Contracts (all direct service)	Regional Centers ICFs	Autism Resident Service	DDSN General & Program Overhead
Medicaid	Medicaid	Medicaid	Medicaid	Medicaid	Medicaid	Non-Med.	Medicaid	Medicaid	Medicaid
$428 mil	$42 mil	$21.6 mil	$17 mil.	$12 mil.	$1.5 mil.	$39 mil.	$94 mil.	$2.2 mil.	$15 mil.
63.7%	6.2%	3.2%	2.5%	1.8%	0.2%	5.8%	14.0%	0.3%	2.2%
83.5%							**16.5%**		

- 83% ($561 million) of all DDSN funds paid to Boards & QPLs
- DSN Boards paid via "Band" Payment Model (85%; $476 million)
- QPLs paid via Fee-for-Service Model (15%; $85 million)

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

- The Band payment system for the local DSN Boards (Boards) originated in 1999.
- The Band payment system is a capitated model providing fixed band payments to providers based on the "average" costs in the band category.
- Individuals receiving services are assigned to one of ten specific band payments based on their individual needs.

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

- Ten band categories
  - Three are for in-home services (Bands A, B, and I)
  - Seven are for residential services (Bands C through H and R)

- From these band payments paid in advance each month, Boards are expected to pay for all consumer needs--**capitated model**

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		Funding Bands effective 7/1/17
Band A	State Funded Community Supports	14,607
Band B	At Home –IDRD Waiver	13,328
Band C	Supported Residential – SLP II	33,520
Band D	Supported Residential – SLP I	20,312
Band E	Supported Residential – CTH I	24,954
Band F	Supported Residential-Enhanced CTH I	38,870
Band G	Residential Low Needs	66,267
Band H	Residential High Needs	86,755
Band I	At Home – Community Supports Waiver	14,086
Band R	Residential Placement from Regional Centers	95,459

Boards function as the fiscal agent for individual consumers

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- There is an expectation consumers' needs will vary within each band, but will "average out" for total actual costs paid.
- DDSN has an "outlier" process, which provides additional revenue to a band if the costs for a specific consumer are inordinately high based on the needs of that individual.

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

- After the end of the fiscal year, DDSN requires Boards to submit audited annual financial statements and cost data for services provided.
- DDSN performs test of each Board's annual financial statements to ensure 98 % of band funds (95 % for non-band funds) are expended.

Background Collection Data Sources for Project re Strengths & Weaknesses

- interviews of other states' ID officials having undergone major payment system changes;
- interviews with national subject matter experts (SME) hired by these states;
- interviews and surveys of South Carolina providers; and
- analysis of the band system's "as is" state, to include DDSN employee interviews.

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

- Background data collection designed as framework/primer for a stakeholder group to start;
- Did not provide recommendations; only strength & weaknesses and direction for improvement
- Options for specific solutions need to come from stakeholders to increase “ownership;” a key element in successful major organizational change

- Input from other states and SMEs was consistent.

- Similar reviews generally started due to:
  - perception of inadequate provider payments; and
  - complexity from the aggregate rules/policies compiled over many years.

- States with system-wide dissatisfaction indicators looked for comprehensive solutions with improvements to:
  - policies;
  - consumer needs (acuity) assessments;
  - service array; and
  - payment rate methodology often incorporating consumer acuity assessments

- Only model observed: Fee for service model with some rates having multiple levels based on consumer acuity with no cost settlement.
  - This model required an initial needs (acuity) assessment of each individual to establish individual consumer budget ranges. Equitable and rationale cost controls based on needs, yet provides consumers flexibility.
  - Some SMEs offered more sophisticated actuarial based capitated payment model to providers; did not identify state using this model.

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

- The overarching principles for new systems focused on fairness, simplicity, and understandability by governing bodies and consumers.
- Fairness had the dual benefit:
  - Provider benefit: identify an "independent" cost based payment rate schedule for providers to create fairness in the system; and
  - Consumers & state benefit: clearer service expectations with corresponding increased accountability, such as direct care & supervision staffing level requirements--a key ingredient in quality consumer care.

Three survey questions provide a high level insight into the Boards' views on bands and payment system change:

- For FY 2017, did your total annual prospective band payments provide adequate funding to meet the service needs of your consumers?

37% Yes

21% No--marginally inadequate

19% No--moderately inadequate

11% No--grossly inadequate

12% Uncertain

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

- Describe your satisfaction with the current band system for providers.

11% Very Satisfied
15% Satisfied
26% Marginally Satisfied
3% Neither Satisfied/Dissatisfied or Uncertain
19% Marginally Dissatisfied
19% Dissatisfied
7% Very Dissatisfied

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

- How would you characterize the level of change, if any, needed for the current band provider payment system to perform at an effective level?

11% No change; currently operating effectively

19% Minor change

22% Moderate change

22% Substantial change

19% Total replacement with a new provider payment system

7% Uncertain

- Providers have a wide variation on their assessment of the problems and satisfaction/dissatisfaction levels with the band payment system.

- Board Survey Results: Individual issues with high dissatisfaction or problems identified by Boards through survey:

55% - inadequate direct care for Day Program

67% - inadequate direct care for residential program

67% - inadequate monthly case management rates

57% - Band Gs (low residential) costs exceed revenues

46% - ICF costs exceed revenues (53% Boards have ICFs)

71% - Band Bs (ID/RD at home) costs exceed revenues

- Board Survey Results (continued): Individual issues with high dissatisfaction or problems identified by Boards through survey:

  60% - dissatisfied band systems' impact on providers' financial management operations (cash flow; budgeting)

  56% - dissatisfied with financial manager process of billings from other providers (12% satisfied; 32% uncertain)

  70% - providers billing band consumers will increase (7% no change; 22% uncertain)

  61% - dissatisfied with band transparency

- Board Survey Results (continued): Individual issues with high dissatisfaction or problems identified by Boards through survey:

  59% - dissatisfied with DDSN financial training and support

  69% - believe band FMs operate conflict free (12% disagree; 19% uncertain); however, QPLs had a less positive view of Boards yet without a consensus (26% agree conflict free; 41% disagree; 33% neither/uncertain).

Background Data Collection Regarding the Strengths & Weaknesses of DDSN's Current Band Payment System & Direction for Improvement

Band Benefit Description	Not Beneficial	Beneficial	Very Beneficial	Uncertain
30 day residential vacancy payment	23.08%	46.15%	30.77%	0.00%
80% residential attendance allowance	3.85%	69.23%	26.92%	0.00%
80% day service attendance allowance	4.00%	52.00%	32.00%	12.00%
One-time grants	3.85%	30.77%	57.69%	7.69%
Capital for new residences	7.69%	30.77%	50.00%	11.54%
Prospective payments	7.69%	26.92%	57.69%	7.69%
DDSN bills Medicaid on behalf of providers	23.08%	26.92%	38.46%	11.54%
DDSN assumes Medicaid audit financial risk	7.69%	38.46%	38.46%	15.38%
DDSN assumes Medicaid ineligibles	0.00%	42.31%	38.46%	19.23%
Average	9.00%	40.39%	41.16%	9.45%

Comparison Between Boards & QPLs

- The band (FFS) system promotes a trusting business relationship between Boards (QPLs) and DDSN.

Scaled Response	Boards (Bands)			QPLs (FFS)	
Strongly Agree	7%	37%		7%	57%
Agree	30%			50%	
Neither Agree/Disagree or Uncertain	22%			31%	
Disagree	26%	41%		7%	12%
Strongly Disagree	15%			5%	
Total	100%			100%	

Comparison Between Boards & QPLs

- Describe your satisfaction with DDSN's current band (FFS) provider payment system used by Boards (QPLs).

Scaled Response	Boards (Bands)			QPLs (FFS)	
Very Satisfied	11%	52%		3%	68%
Satisfied	15%			47%	
Marginally Satisfied	26%			18%	
Neither Satisfied/Dissatisfied Uncertain	3%			5%	
Marginally Dissatisfied	19%	45%		11%	27%
Dissatisfied	19%			11%	
Very Dissatisfied	7%			5%	
Total	100%			100%	

- Other Key Factors

Medicaid Requirement of Direct Payment to Providers: DDSN, as an Organized Health Care Delivery System (OHCDS), is an alternative payment system, which still requires the state to make provisions for direct payment of claims by providers who choose not to use this alternative payment methodology.

- Other Key Factors

SC DHHS estimates in the next 3-5 years it will have the MMIS capabilities to effectively accommodate DDSN providers to bill direct. As a result, DDSN should factor any current payment system change decision to be postured to obtain the cost and effectiveness benefits from SC DHHS's new MMIS in 3-5 years.

- Other Key Factors

The vast majority of DDSN financial personnel are tired of the friction with providers over both the legitimate and perceived issues in the band system

- Other Key Factors

DDSN potentially could convert to a FFS model as an interim step prior to SC DHHS new MMIS.

SC DHHS Comments to House Oversight, 11/30/2017:

- Even though the Organized Health Care Delivery System is an issue of debate, SC DHHS believes it is in technical compliance with DDSN's current payment system to providers. DDSN's statutory authority plays a role in analyzing this issue.
- Emphasized the focus should be on improving the system and not on the yes/no debate on technical compliance.
- SC DHHS is not interested in receiving DDSN provider direct billing while DDSN also operates a payment system with DDSN providers; all policy, program, finances, and provider relationship should be with one entity.

SC DHHS Comments to House Oversight, 11/30/2017 (cont.):

- SC DHHS is not interested in a myriad of customized payment arrangements with providers; it is looking for a uniform system.
- SC DHHS has agreed to conduct another cost/rate study.
- Improved system should not be a binary choice between FFS or Bands; there is a wide continuum of options and components to build a system.
- Whatever payment model is developed, it will be an interim system for a period of time until such time of investigating the appropriate use of an MCO system to improve coordinated care in a "one stop shopping" service model.

SC DHHS Comments to House Oversight, 11/30/2017 (cont.):

The design of the payment system should drive the design of the billing mechanics; goals may include:

- stability/sustainability of service availability;
- cost effective delivery
- preservation of choice and beneficiary dignity
- transparent polices and reimbursement
- reasonable administrative burden for providers/beneficiaries
- accountability and auditability
- positives incentive for high quality care; avoid perverse incentives

A November 2017 South Carolina Senate report stated,

“the band system is unnecessarily complex and has proven to be divisive in the provider community…DDSN should adopt a process of provider reimbursement that is essentially a fee for service model.”

Conclusion: Inaction should no longer be considered a viable option because:

- DDSN's current band system's bands are not actuarially sound or calibrated to assure fair provider compensation;
- DDSN's current band system is not transparent;
- Compliance with Medicaid's requirement for an Organized Health Care Delivery System to also permit providers to direct bill should be a major factor in any changes to the current payment system; and
- 45% of providers are dissatisfied (52% satisfied; 3% uncertain) with the band system.

Conclusion: Inaction should no longer be considered a viable option because (cont):

- The band system needs both short-term improvements and long-term solutions inasmuch as a robust rate study and completion of the SC DHHS MMIS are many years away; and

- There seems to be too much pressure in the current system to just sit back and wait for a long-term solution.

Any Questions?

SUPPLEMENTAL SLIDES:

Bullet Point Facts & Issues for Stakeholder Group to Consider as it Starts

Background Data Collection Regarding DDSN's Current Provider Payment System Review

Band Benefits
30 day residential vacancy payment
80% residential attendance allowance
80% day service attendance allowance
One-time grants
Capital for new residences
Prospective payments
DDSN bills Medicaid on behalf of providers, to include assuming Medicaid audit & ineligible risks

- The current payment bands are not balanced, which breeds dissatisfaction and manufactures unnecessary trust issues; this is not consistent with the band model where each band, on its own, should fund, on average, the costs of consumers in that specific band.

- An ID/DD industry best practice requires providers to use funding in accordance with an established ratio of direct care expenses in relation to overhead (indirect program and general overhead). The current band system does not do this. It allows each provider to independently decide on its overhead percentages, so it is difficult to discern if operational losses are from insufficient DDSN bands or degrees of mismanagement unnecessarily absorbing direct care resources into overhead.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- The DDSN payment system does not use a best practice of first evaluating consumers' needs through standard, objective, and preferably independent evaluation process to establish consumer budget ranges. This establishes equitable and rationale cost controls based on needs, yet provides consumers flexibility in designing service plans to meet their individual needs. A front end evaluation process lessens the volume of outlier requests throughout the system, which can generate unnecessary friction in the system. There is evidence DDSN's current single rate for shared services, at least at the margins, has caused providers to avoid serving higher need consumers.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- The band systems' use of Boards as band financial managers is increasingly causing both frustration with Boards and creating unhealthy financial accountability dynamics.

- Boards serving as financial managers over fixed band resources creates a cost containment dynamic, which would not be present if this band financial management role was eliminated.

- The band payment system is based on participants' trust that band revenue in total will be sufficient to meet consumers' needs. Currently, a majority of providers have a level of distrust in this assumption.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- Compliance with Medicaid's requirement for an Organized Health Care Delivery System to also permit providers to direct bill should be a major factor in any changes to the current payment system.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- Any payment system changes should posture DDSN to be able to obtain cost and effectiveness benefits from SC DHHS's new MMIS in 3-5 years.

- It should also be noted that the FFS model still offers many opportunities to customize provider payments to account for current system policies to meet consumers' needs in South Carolina (residential/day attendance rate; vacancy allowance; provider size/metropolitan costs adjustments; capital rate components; bundled rates versus bands; and other variables in rate setting to fit the needs of South Carolina).

- The current band benefits of prospective payments and DDSN Medicaid administrative billing services are most at risk if bands are completely replaced by FFS; other band benefits can be integrated into FFS rates.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- Given DDSN's existing financial capabilities in bands and FFS, DDSN may have the **potential** capabilities to process a FFS model as an interim step to SC DHHS's MMIS, as well as potentially even a long-term niche service to providers.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- Under the current conditions where DDSN's financial intermediary role requires providing different rates to providers, DDSN must continue its annual labor intensive cost settlement process with SC DHHS. If providers access SC DHHS rates with direct billing, the opportunity to set rates without the need for a labor intensive cost settlement process.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- Case management capabilities is an operational risk to the entire ID/DD delivery system due to perceived insufficient rates, questionable capacity to meet system demands, weak criteria in establishing consumer budgets, and overall uncertainty from conflict free case management.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- The variety of timing differences in financial transactions (i.e., band payment contract modification; waiver credits; 3rd party billings to bands; cost settlements; error adjustments) negatively impacted a majority of providers, often in cash flow, planning, and unnecessary reconciling to ensure accuracy.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- A major criteria for success in other states' payment system improvement efforts was to maximize transparency and simplicity. The band system in its current state falls far short of this criteria.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- A single rate band payment appears to impact providers differently, such as urban versus rural personnel costs; providers vary in health & retirement benefits offered; operational scale (small vs. large Boards); legacy financial management liabilities; and lack of standardized indirect overhead expectations/allocations.

Background Data Collection Regarding DDSN's Current Provider Payment System Review

- There is a perception from some that DDSN has unnecessary overhead depriving both providers of higher service rates or funds to decrease the waiver waiting list. However, reality is addressing these two issues is more a function of changing DDSN policies to reprioritize funds for both needs.