

CHCS

Center for
Health Care Strategies, Inc.

Care Management Entity Quality Collaborative Technical Assistance Webinar Series



Determining CME Costs to Inform Financing

June 20, 2011, 2:00 – 3:30 p.m., ET

For audio and to participate, dial: **(866) 699-3239**

Meeting/Event Number: **716 761 871**

In case of technical difficulties, call **(609) 528-8400**



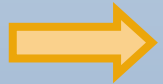
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CHCS Priorities

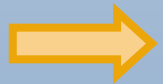
Our work with state and federal agencies, Medicaid health plans, providers, and consumers focuses on:



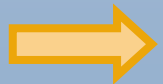
Enhancing Access to Coverage and Services



**Improving Quality and
Reducing Racial and Ethnic Disparities**



**Integrating Care for People with
Complex and Special Needs**



Building Medicaid Leadership and Capacity

Maryland, Georgia and Wyoming Collaborative CHIPRA Grant Project

- Goal: Improving the health and social outcomes for children with serious behavioral health needs.
- Implement and/or expand a Care Management Entity (CME) provider model to improve the quality - and better control the cost - of care for children with serious behavioral health challenges who are enrolled in Medicaid or the Children's Health Insurance Program.

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*Care Management Entity Quality Collaborative
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Determining CME Costs to Inform Financing



CME Costs

Shannon Van Deman

Knute Rotto

Choices, Inc.

- Built as a Care Management Organization in 1997 – 14 years ago. (non profit, non provider)
- Started in Indianapolis, Marion County – now in 23 counties across Indiana
- Ohio (8 yrs); Maryland (5 yrs) and Washington DC (3 yrs).
- Manage the clinical and fiscal process for high cost, highly complex youth in counties and states

Choices Operations

- **Systems of Care Principles (clinical)**
 - Family Centered Involvement
 - Wraparound Process
 - Multi-system Coordinated Care
- **Care Management technologies (fiscal)**
 - Capitated or Case Rates
 - Outcome Based
 - **Flexible Funding**
- **Technology blending clinical & fiscal**
 - Real Time Data
 - Data driven decision making

Care Management Operations

- Clinical operations:
 - 1 Supervisor to 6-7 Care Coordinators
 - 1 Care Coordinator to 10 clients
 - Scalable up – this forms a “team” within the organization
 - 120 clients are needed to scale operations
 - 1 Clinical Director
 - 1 Provider Network Director
- Administrative operations:
 - Program Director
 - Finance Director
 - IT/HR/Outcomes & Evaluation

If you've seen one CME, then
you've seen one CME.

If you've seen one case rate,
then you've seen one case rate.

CME “Buckets” of Cost

Start-Up

- One time
- Initial or with Expansion

Administration

- Not involved with direct care
- IT, HR, Fin, O&E...

Care Coordination

- Care Coordination
- Clinical Supervision

Services

- All other service costs
- RTC, therapy...

Estimating Start-Up Cost

Start-Up

- Office remodeling, wiring, painting, etc.
- Training (outside certifications?)
- Equipment (servers, firewalls, phones, laptops, desktops, printers...)
- Office furniture (desks, chairs, filing cabinets, cubes, book shelves, tables...)
- Software (MS Office licensing, information management system...)
- Initial “unproductive” staff time

Defining Functions of a CME

Administration

- Finance & Accounting
 - Cost modeling, claims adjudication, contracting
- Information Technology
 - Info management system, networking, programming
- Communications and Social Marketing
 - Website, reports
- Outcomes and Evaluation
 - Training, QA, outcome reporting
- Human Resources
 - Hire, retain, and support staff

Estimating Administration Costs

Administration

- Identify personnel needed to fill functions
 - Salaries, fringe, & recruiting costs
- Consultation?
- Travel
- Facility (rent, utilities, housekeeping)
- Office supplies
- Equipment leases
- Telecommunications, internet, cell service
- Hardware & software
- Insurance (general and professional liability)

Estimating Care Coordination Costs

Care Coordination

- Youth to CC ratio and CC to supervisor ratio
 - Salary, fringe, & recruiting costs
- Travel
- Facility (rent, utilities, housekeeping)
- Office supplies
- Equipment leases
- Telecommunications, internet, cell service
- Hardware & software
- Insurance (general and professional liability)

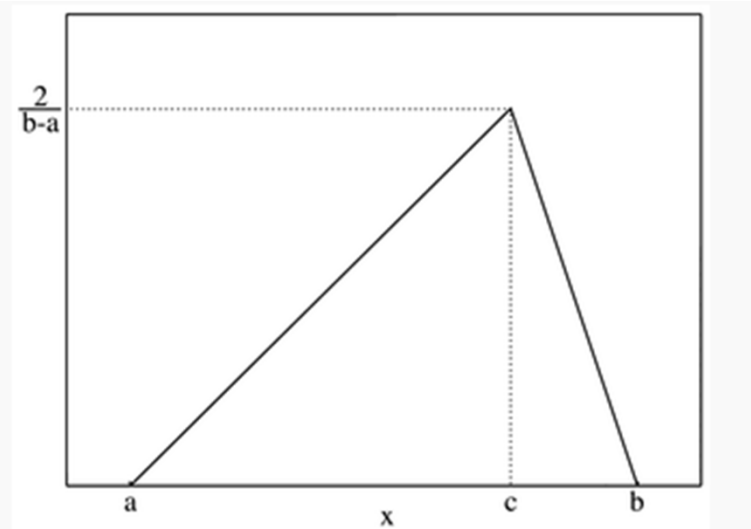
Estimating Service Costs

Services

- First Who?
- Then What?
- Then How Much?
 - How many youth will use services?
 - How many units of service will each youth use?
 - How much does one unit of service cost?

How many youth will use services?

Service	Min	Mode	Max
Mentoring	5%	14%	23%
Service 2	.	.	.
.	.	.	.



How many youth will use services?

Service	Min	Mode	Max
Mentoring	5%	14%	23%
Service 2	.	.	.
.	.	.	.

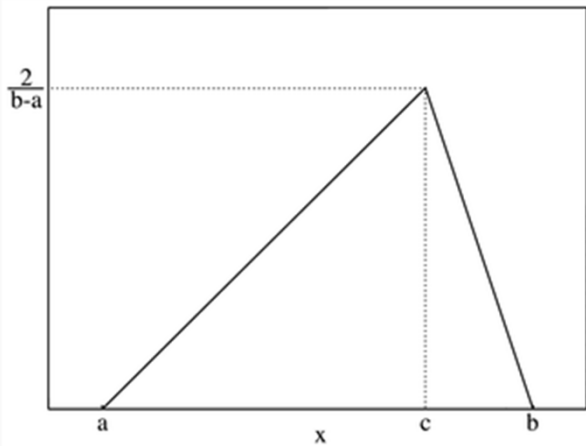
How many units of service will each youth use?

Service	Min	Mode	Max
Mentoring	49	73	97
Service 2	.	.	.
.	.	.	.

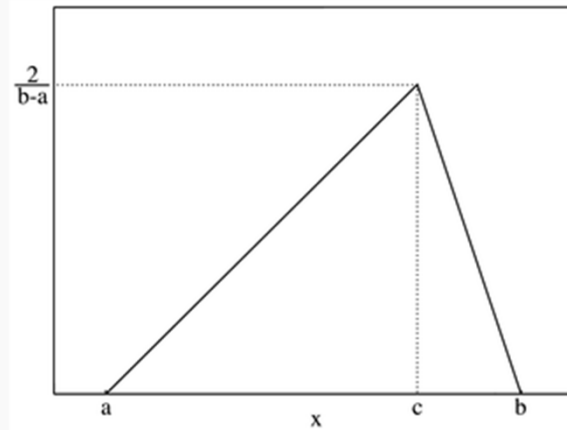
How much does one unit of service cost?

Service	Min	Mode	Max
Mentoring	\$20	\$35	\$50
Service 2	.	.	.
.	.	.	.

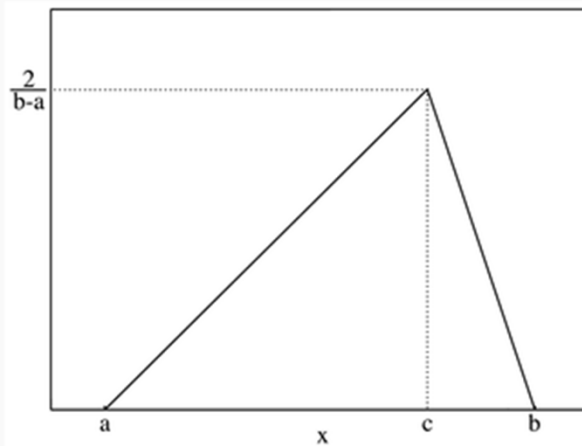
How many youth will use services?



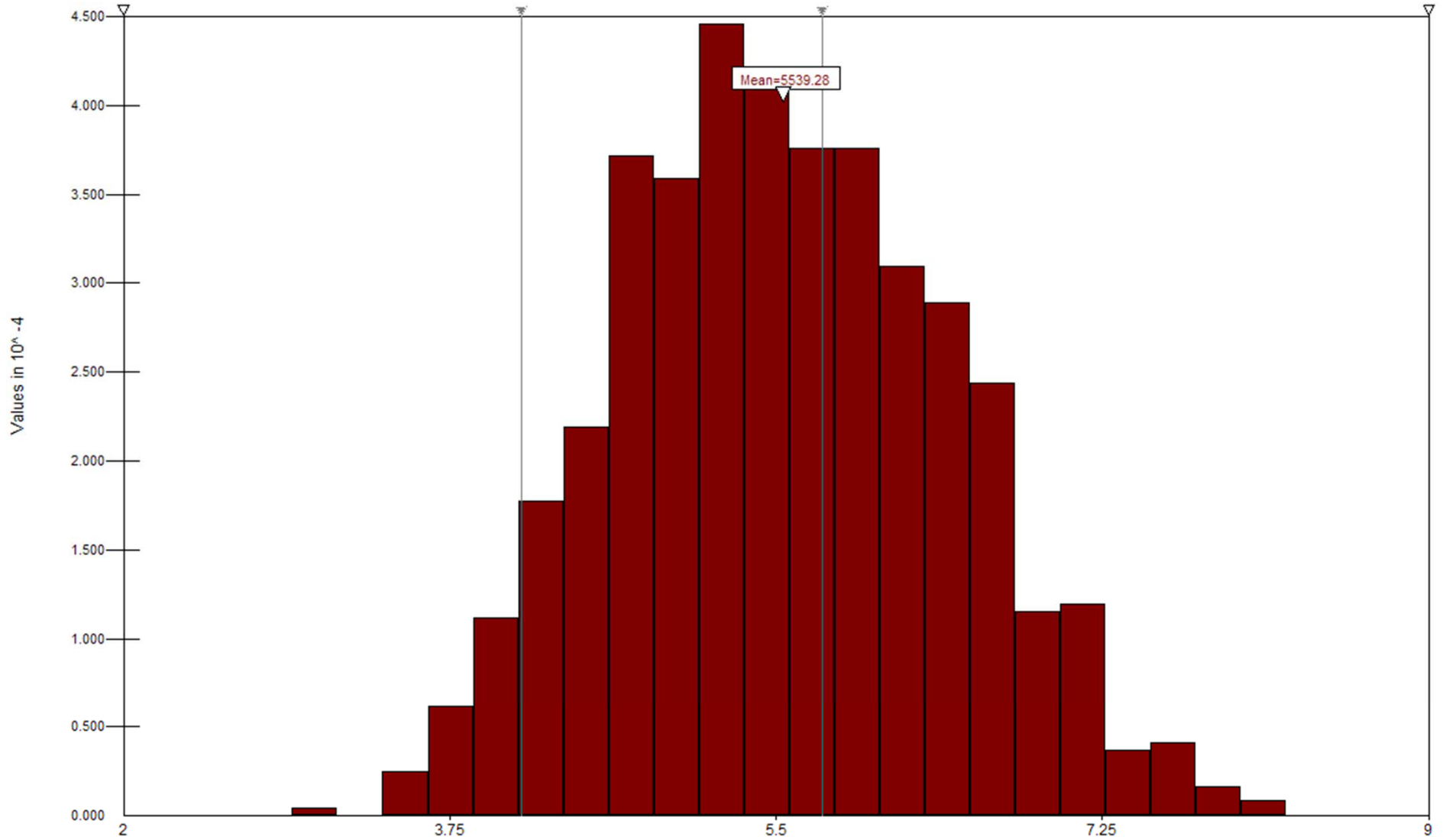
How many units of services will each youth use?



How much does one unit of service cost?



Distribution for OFC in residential Average Month Cost/17



Values in Thousands



Combining Costs to Develop Different Financial Models

Start-Up

Administration

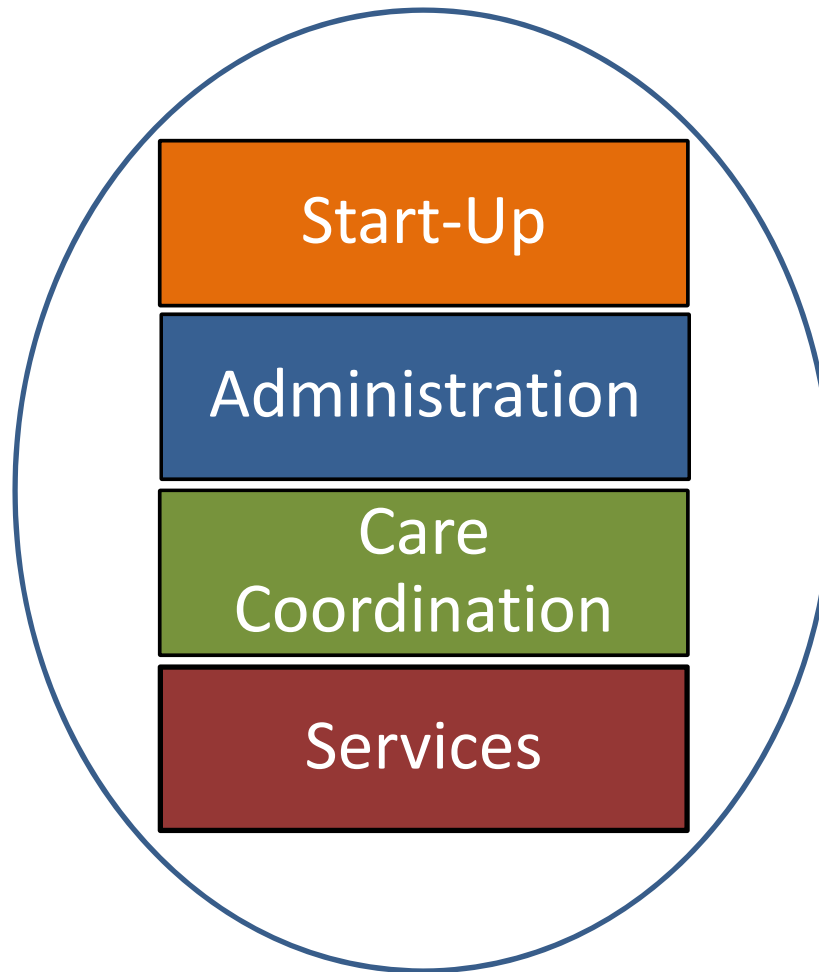
Care
Coordination

Services

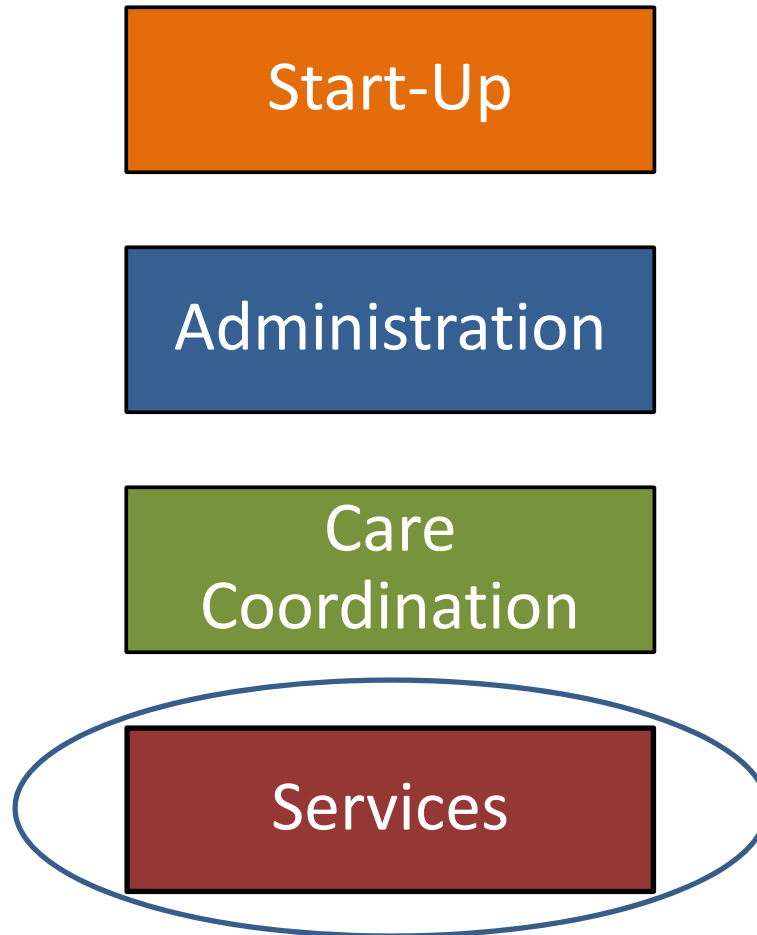
What financial model should be used to fund the CME?

- Fixed Annualized Budgets
- Case Rates
- Cost Reimbursement
- Fee For Service

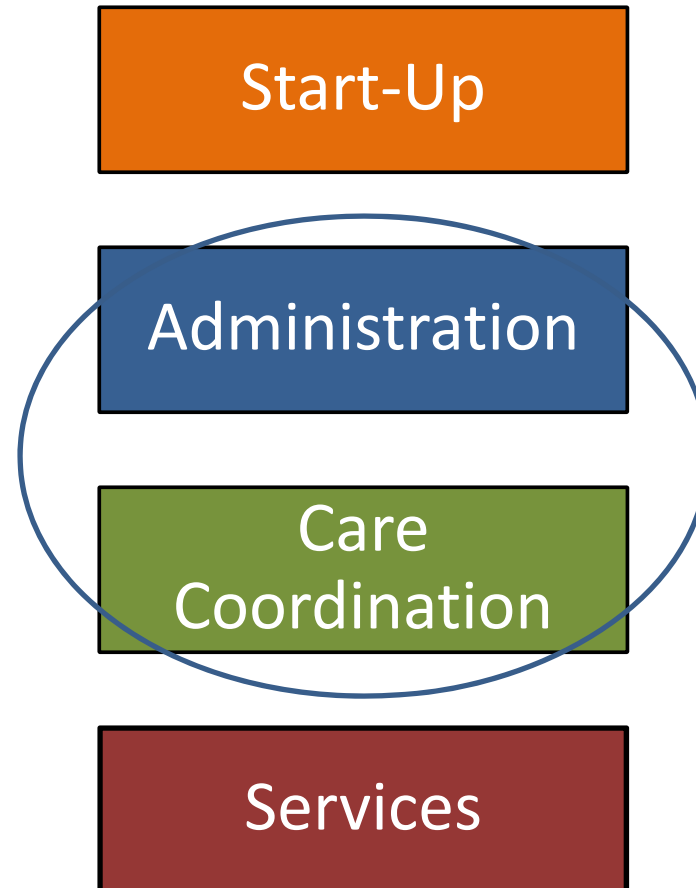
All Inclusive Case Rate



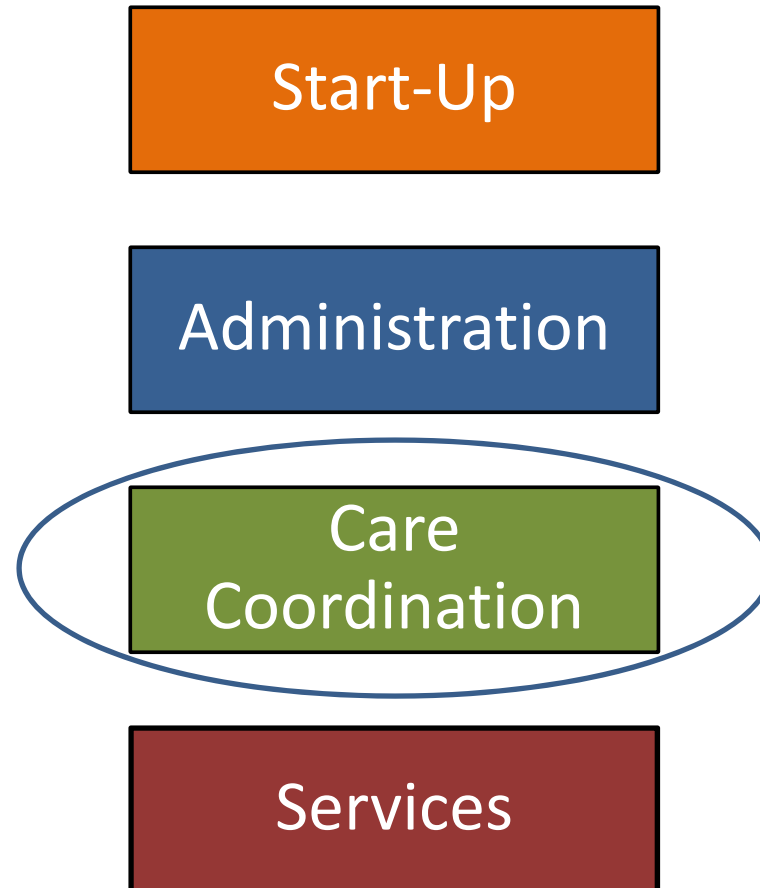
Fixed Budgets and Services Case Rate



Fixed Budget, Admin & CC Case Rate, & Cost Reimbursed Services



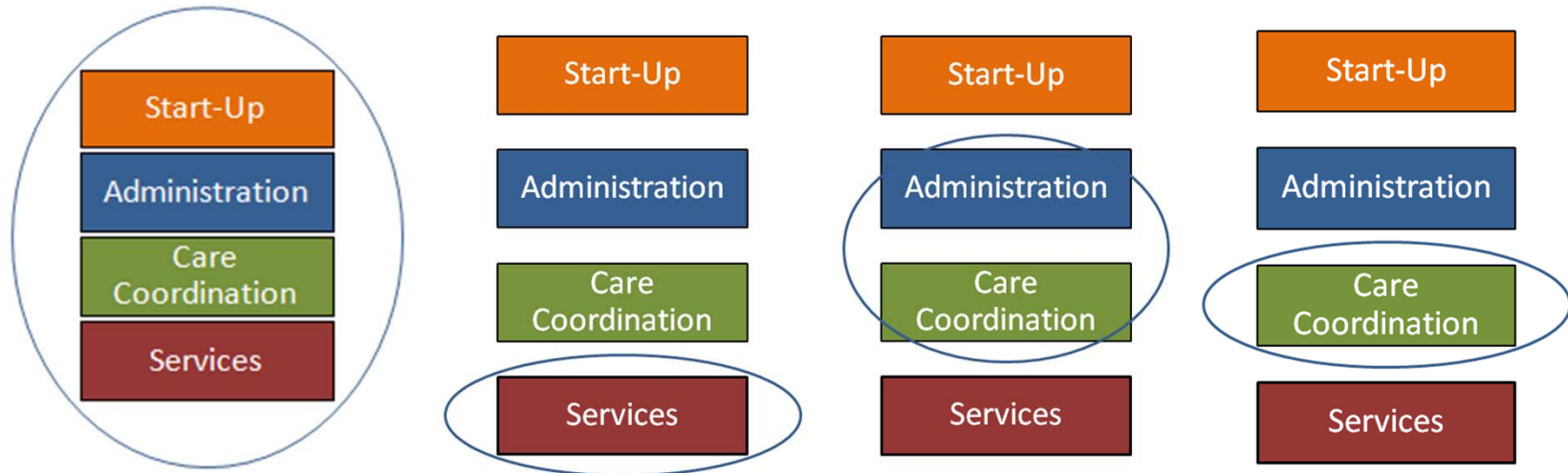
Fixed Budgets, CC Case Rate, & Cost Reimbursed Services



Financial Risk

CME risk high ←————→ CME risk low

Funder risk low ←————→ Funder risk high



Comparing Risk Structures

	<p style="text-align: center;">CME risk high ←————→ CME risk low</p>		
	<p style="text-align: center;">Funder risk low ←————→ Funder risk high</p>		
Financial Model	All Inclusive Case Rate	Fixed Budgets & Services Case Rate	Fixed Budgets, Admin and CC Case Rate, & Services Reimbursed
Pros / Cons	<ul style="list-style-type: none"> •Funder has fixed costs •Flexibility to scale up and down •Incentivize CME to have low admin, CC, and service costs •Unstable census can be difficult to manage •Cost shifting can occur •Large gains & losses experienced by CME 	<ul style="list-style-type: none"> •Funder has fixed costs •Little ability to scale up and down •Incentivize CME to have low service costs •Incentivize funder to maintain census •Fixed admin budget helps with planning •Cost shifting can occur •Moderate gains & losses experienced by CME 	<ul style="list-style-type: none"> •CME has fixed costs •Flexibility to scale up and down •Incentivize CME to have low admin & CC costs •Incentivize funder to have low service costs •Not much opportunity for cost shifting •Large gains & losses experienced by funder

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Wraparound Milwaukee: Determining Costs, Calculations, Case Rates, Capitation and Other Strategies

Presented By:

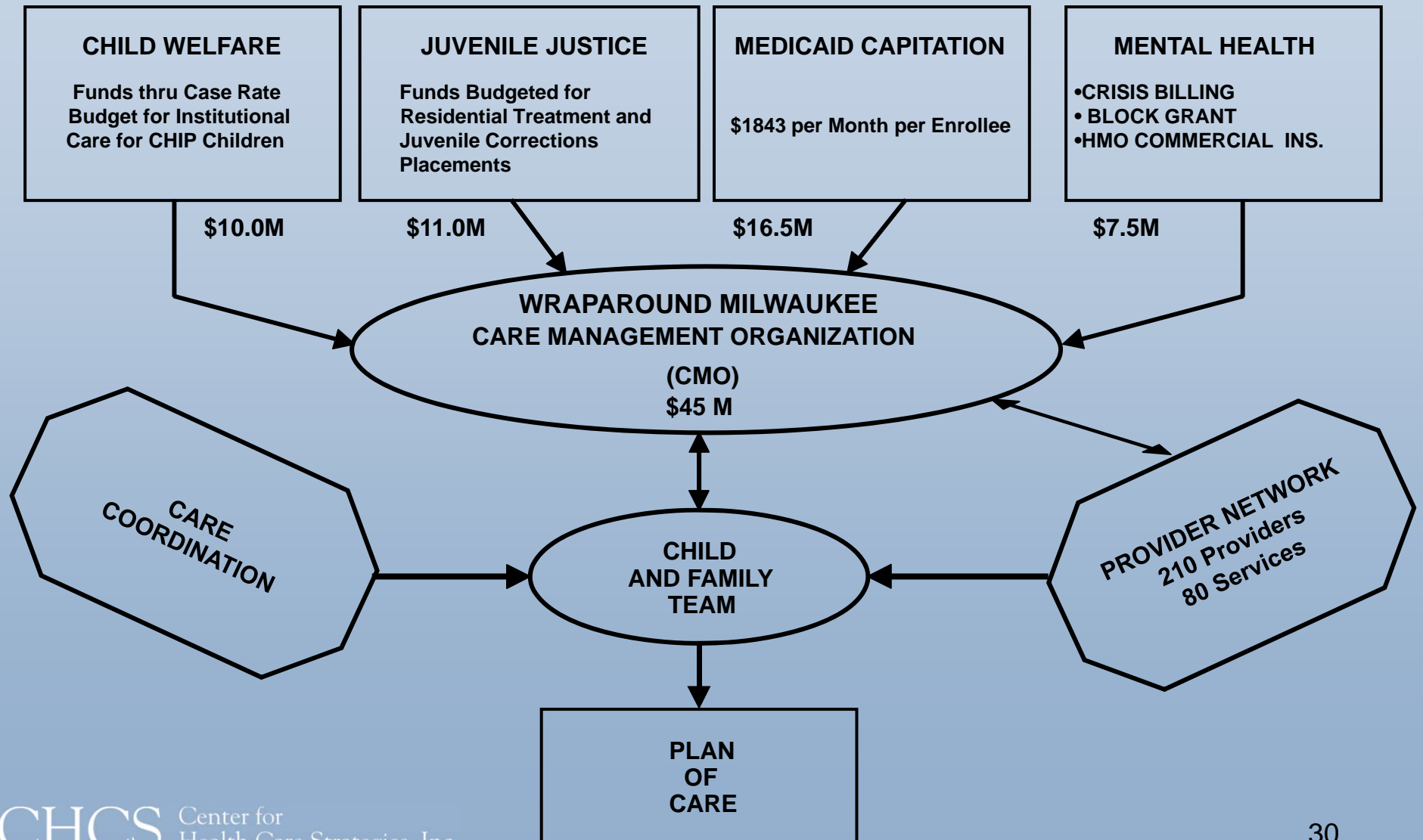
Bruce Kamradt, MSW, Director
Wraparound Milwaukee



Mechanisms for Blending, Braiding or Pooling Funds Across Systems

- Case Rates
- Capitation
- Fixed Allocations
- Fee-for-Service
- Expense Based Contracting

What are Pooled Funds?



Funding Sources for Wraparound Milwaukee

- Child Welfare:
 - case rate
 - direct funding for dedicated crisis team
- Delinquency and Court Services:
 - fixed funding
 - case rate for FOCUS youth (alternative to corrections commitment)
- Medicaid:
 - capitation
 - fee-for-service for crisis services
- Milwaukee Public School System:
 - fixed funding for dedicated crisis team
 - Safe-Schools funding

Child Welfare Case Rates

Background:

- Put in place at the beginning of Wraparound Milwaukee (1995)
- Identified Child Welfare population who were at risk of or currently in residential treatment center
- Created list of all projected services that youth in Child Welfare in the target population would need (e.g. out-of-home services, mental health & AODA services and support services i.e., mentors, parent aides, employment, etc.)
- Calculated average number of youth per month projected to use each service
- Unit cost of rate was attached to each service with projected utilization patterns per month (based on current program usage and some speculative)
- Once overall annual cost was established for each service for the Child Welfare population, a per child per month (pcpm) amount was calculated by dividing the total projected expenditure by the average monthly enrollment and dividing that by 12 months

Child Welfare Case Rates (cont.)

Example of Projecting Rate Across Benefit Plan:

Projected average enrollment = 300 youth (or 3600 annual enrollment months)

Service Calculation:

- Individual Therapy =
 - 100 youth per month x \$65/hr x 5 hours/month of utilization x 12 months = \$390,000
 - $\$390,000 \div 12\text{months} \div 300 \text{ enrollees} = \mathbf{\$108.33 \text{ (pcpm)}}$
- Mentors =
 - 60 mentors x \$25/hr x 32 hrs/mo x 12 months = \$576,000
 - $\$576,000 \div 12 \text{ months} \div 300 \text{ enrollees} = \mathbf{\$160.00 \text{ (pcpm)}}$
- Residential Treatment =
 - 50 youth/mo x \$7500/mo x 12 months = \$4,500,000
 - $\$4,500,000 \div 300 \text{ enrollees} \div 12 \text{ months} = \mathbf{\$1,250,000 \text{ (pcpm)}}$

Child Welfare Case Rates (cont.)

- Original case rate negotiated with Child Welfare (1995) = \$3300 pcpm for minimum of 12 months or until child was disenrolled
- Current case rate (2011) = \$3,984.58 pcpm
 - 21% increase over 15 years or 1.4% per year
- Wraparound Milwaukee currently serves 240 youth in Child Welfare
- In addition to case rate, Child Welfare provides \$725,000 per year for dedicated mobile crisis services through an expense-based contract
- Child Welfare reduces case rate by 50% per month for youth with dual delinquency and dependency petitions

Delinquency and Court Services

Background for Fixed Funding:

- Wraparound Milwaukee receives one twelfth of \$8.4m fixed funding amount each month
- Fixed funding amount was established based on the total \$ Delinquency Services spent on residential treatment placement in 1996
- Wraparound Milwaukee agrees to serve all delinquent youth who meet program eligibility as determined by Wraparound Milwaukee screening/assessment unit.
- Eligibility Criteria includes:
 - DSM-IV Diagnosis
 - Psychiatric condition and/or impairment at home, school or in the community
 - A condition that has persisted for at least six months and is likely to persist for a year or more
 - Involvement in 2 or more service systems i.e., mental health, Child Welfare, or special education
 - At immediate risk of residential treatment, juvenile correctional or psychiatric inpatient placement
- Wraparound Milwaukee can decline to accept any delinquent youth who doesn't meet enrollment criteria or when the program capacity does not permit additional enrollment

Delinquency and Court Services – cont'd

Background for Case Rate:

- Milwaukee County pays for placements of delinquent youth committed; 75% of youth have a DSM-IV diagnosis and meet SED eligibility criteria
- Wraparound Milwaukee and Delinquency Services established FOCUS six years ago as an alternative to State Juvenile Corrections placement:
- Juvenile is committed to the Dept. of Corrections but the Judge “stays the orders” and orders them to Wraparound FOCUS program – program serves up to 42 youth
- In 2005 Delinquency Services & Wraparound Milwaukee established case rate of \$3500 per month (50% of the monthly cost of a correctional placement)
- Wraparound Milwaukee “pulls down” Medicaid capitated rate of \$1842 per month as eligibility & custody stay in the community
- If child needs crisis intervention or a crisis stabilizer, that is billed on a fee-for-service basis
- Wraparound Milwaukee:
 - assumes all the service & administrative costs for the program
 - currently serves about 420 delinquent youth among 3 programs

Medicaid Capitation – Pricing

- Wraparound Milwaukee submits:
 - Utilization data (services paid) to the WI Dept of Health – Medicaid annually
 - Enrollment data to Medicaid monthly, Medicaid verifies eligibility and pays capitated rate x the number of Medicaid enrollees (averages 94% of total population)
- Medicaid:
 - Reviews the service codes to determine what is covered service versus what is not
 - Uses a measurement conversion and adjusts the cost of services covered, for each service code, by the relevant WI maximum allowable fee rates
 - Develops a final rate and Wraparound Milwaukee receives 95% of Medicaid cost (allowable residential treatment cost under is calculated through an established formula with the current proration being 59.96% Medicaid allowable. A separate calculation is used for treatment foster care)
- Rates:
 - Must be approved by CME each year – July 1 of each year for the new capitation rate
 - Have been adjusted over the past 15 years and have gone from \$1300 pcpm to the current \$1843 pcpm

Other Lessons Learned About Rates and the CME Model

- Not every service that is authorized is actually utilized:
 - Authorized to paid services runs approx.80%
- The cost for each target population of SED youth served may vary significantly:
 - Costs for delinquent youth are about 1/3 less than average monthly cost for youth in Child Welfare, and length of stay is 6 months less on average

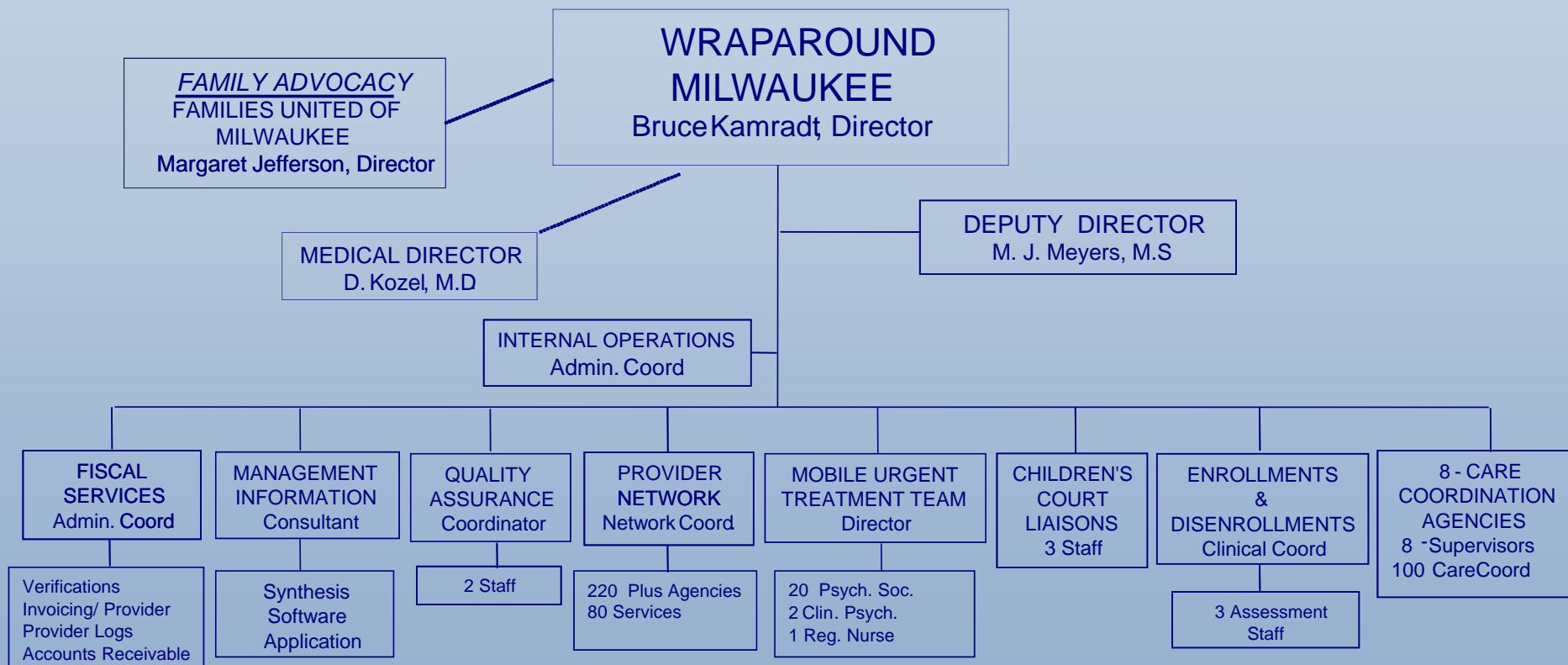
Managing Costs

- Develop a good business flow model to understand revenues and expenditures
- Utilization Management is important in tracking:
 - Average cost per month per participant
 - Service utilization trends
 - Capitation or case rate payments received
 - Authorizations versus payments (about 80% of what is authorized is delivered)
- Administrative costs for Wraparound Milwaukee which include some direct service staff (i.e. Mobile Crisis staff and 1.5 psychiatry staff), equals about 10% of our entire budget

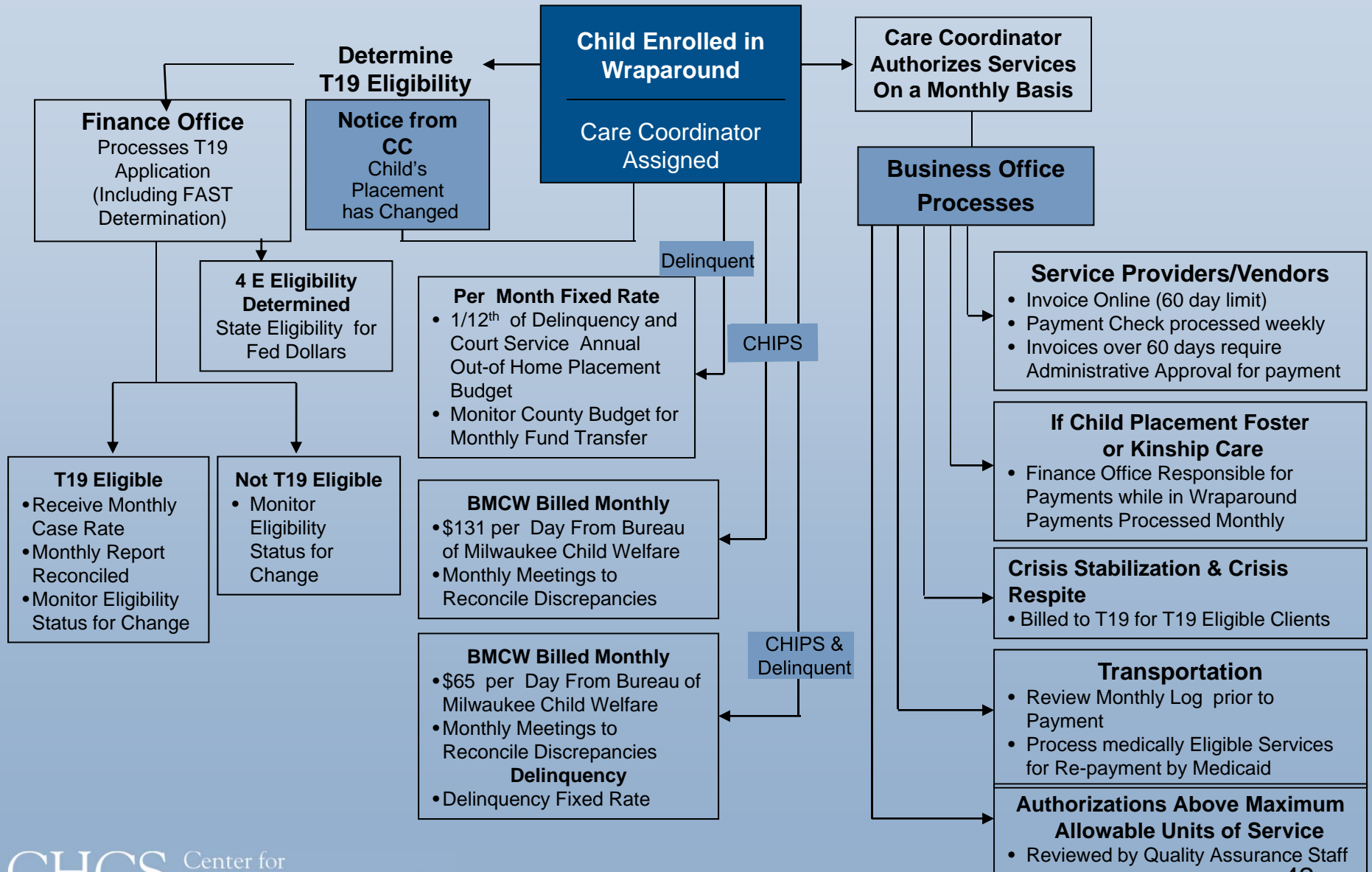
Managing and Tracking Costs

- On-going **utilization management**:
 - IT system (Synthesis) tracks costs on a per child per month basis (pcpm)
- Use of **prior authorization** for high cost services like residential treatment or psychiatric hospitalization
- **Risk pool techniques** are followed and savings can be retained from year to year
- **Contracts/MOU's** that identify the financing arrangements were developed with child serving systems
- **Flexible court orders** allow WM to more easily move children between out-of-home resources and their own home and community which reduces unnecessary and inappropriate institutional care
- **Good communication** maintained through our Partnership Council:
 - frequent meetings of administrators
 - written conflict resolution procedures
 - shared reports

Wraparound Milwaukee Organizational Chart



Wraparound Milwaukee – Business Office Flow Chart



Service Utilization Trends



Service Utilization Trends

(2011 Service Data is Reflective of payments for January and February services only)

Service Group	Total paid in 2011	Total paid in 2010	2011 % of Total	2010 % of Total	Per Child Per Month 2011	Per Child Per Month 2010	2011 # of Youth	2010 # of Youth	2011 % of Total Enrollees	2010 % of Total Enrollees
AODA Svcs	14,118	90,904	0.2%	0.2%	7.78	8.45	62	195	6.5%	13.1%
Care Coordination	1,374,628	7,840,642	22.6%	21.1%	757.37	728.41	961	1,487	100.0%	100.0%
Child Care/Recreation	10,419	168,445	0.2%	0.5%	5.74	15.65	18	119	1.9%	8.0%
Crisis	560,124	3,039,341	9.2%	8.2%	308.61	282.36	577	1,022	60.0%	68.7%
Day Treatment	30,720	138,001	0.5%	0.4%	16.93	12.82	9	34	0.9%	2.3%
Discretion/Flex Fund	20,692	192,697	0.3%	0.5%	11.40	17.90	144	659	15.0%	44.3%
Fam/Parent Support Svcs	30,300	248,203	0.5%	0.7%	16.69	23.06	69	204	7.2%	13.7%
Foster Care	574,817	3,889,734	9.5%	10.5%	316.70	361.37	121	221	12.6%	14.9%
Group Home	754,551	4,623,192	12.4%	12.4%	415.73	429.51	112	295	11.7%	19.8%
In-Home	260,387	1,837,187	4.3%	4.9%	143.46	170.68	376	816	39.1%	54.9%
Inpatient	95,691	636,995	1.6%	1.7%	52.72	59.18	36	168	3.7%	11.3%
Life Skills	69,183	710,016	1.1%	1.9%	38.12	65.96	92	281	9.6%	18.9%
Med. Mgmt/Nursing	32,330	187,540	0.5%	0.5%	17.81	17.42	141	361	14.7%	24.3%
Outpatient	127,472	720,578	2.1%	1.9%	70.23	66.94	344	623	35.8%	41.9%
Psychological Assmts	10,180	44,180	0.2%	0.1%	5.61	4.10	20	86	2.1%	5.8%
Residential Treatmt	1,984,967	11,952,446	32.7%	32.1%	1,093.65	1,110.41	163	379	17.0%	25.5%
Respite	16,560	143,905	0.3%	0.4%	9.12	13.37	19	97	2.0%	6.5%
Transportation	70,621	433,648	1.2%	1.2%	38.91	40.29	314	713	32.7%	47.9%
Youth Support Svcs	39,961	291,109	0.7%	0.8%	22.02	27.04	108	316	11.2%	21.3%
Total	\$6,077,721	\$37,188,763	100.0%	100.0%	3,348.61	3,454.92	961	1,487		



Authorizations and Payments



<i>Service Month</i>	<i># Clients Auth</i>	<i>Total Auth</i>	<i>Avg Auth</i>	<i># Clients Paid</i>	<i>Total Paid</i>	<i>Avg Paid</i>
2009						
January, 2009	854	\$4,156,432	\$4,867	850	\$3,290,224	\$3,871
February, 2009	871	\$4,032,812	\$4,630	866	\$3,138,856	\$3,625
March, 2009	894	\$4,408,614	\$4,931	888	\$3,486,582	\$3,926
April, 2009	891	\$4,351,891	\$4,884	881	\$3,430,773	\$3,894
May, 2009	855	\$4,254,856	\$4,976	852	\$3,386,107	\$3,974
June, 2009	853	\$4,228,507	\$4,957	846	\$3,212,993	\$3,798
July, 2009	849	\$4,273,009	\$5,033	846	\$3,365,221	\$3,978
August, 2009	850	\$4,201,820	\$4,943	843	\$3,212,794	\$3,811
September, 2009	859	\$3,843,661	\$4,475	853	\$2,956,647	\$3,466
October, 2009	863	\$3,990,842	\$4,624	858	\$3,151,722	\$3,673
November, 2009	870	\$4,034,274	\$4,637	865	\$3,174,066	\$3,669
December, 2009	869	\$4,062,487	\$4,675	866	\$3,297,708	\$3,808
						3,791.16
2010						
January, 2010	891	\$4,057,630	\$4,554	887	\$3,347,425	\$3,774
February, 2010	888	\$3,811,056	\$4,292	881	\$3,030,883	\$3,440
March, 2010	891	\$4,074,177	\$4,573	883	\$3,305,612	\$3,744
April, 2010	875	\$4,058,601	\$4,638	870	\$3,193,886	\$3,671
May, 2010	898	\$4,194,526	\$4,671	896	\$3,333,573	\$3,721
June, 2010	903	\$4,260,557	\$4,718	898	\$3,276,060	\$3,648
July, 2010	918	\$4,277,261	\$4,659	912	\$3,368,738	\$3,694
August, 2010	904	\$4,267,392	\$4,721	895	\$3,337,443	\$3,729
September, 2010	913	\$4,062,158	\$4,449	908	\$3,221,365	\$3,548
October, 2010	919	\$4,253,876	\$4,629	914	\$3,359,057	\$3,675
November, 2010	925	\$4,170,512	\$4,509	922	\$3,286,527	\$3,565
December, 2010	923	\$4,453,568	\$4,825	919	\$3,543,139	\$3,855
						3,671.94
2011						
January, 2011	928	\$4,266,216	\$4,597	924	\$3,464,673	\$3,750
February, 2011	911	\$3,929,877	\$4,314	906	\$3,070,316	\$3,389
March, 2011	915	\$4,257,307	\$4,653	909	\$3,410,920	\$3,752
April, 2011	890	\$4,124,748	\$4,635	885	\$3,202,066	\$3,618
						3,627.26

Medicaid Capitation Payments Received

	<i>Total Enrollees</i>	<i>B/Med Amt</i>	<i># Enrollees Paid</i>	<i>Total Paid</i>	<i>Pct Paid</i>
June, 2011					
REACH	3	\$5,531			
Wraparound	17	\$31,343			
Totals/Avg:	20	\$36,874			
May, 2011					
REACH	217	\$390,906	200	\$367,088	92.2%
Wraparound	688	\$1,249,782	545	\$1,002,323	79.2%
Totals/Avg:	905	\$1,640,688	745	\$1,369,411	\$2.3%
April, 2011					
REACH	214	\$384,677	205	\$368,083	95.8%
Wraparound	700	\$1,268,845	600	\$1,087,372	85.7%
Totals/Avg:	914	\$1,653,521	805	\$1,455,455	\$8.1%
March, 2011					
REACH	220	\$379,733	213	\$366,766	96.8%
Wraparound	714	\$1,285,691	625	\$1,118,993	87.5%
Totals/Avg:	934	\$1,665,424	838	\$1,485,759	\$8.7%
February, 2011					
REACH	207	\$371,068	203	\$363,693	98.1%
Wraparound	723	\$1,302,335	670	\$1,203,198	92.7%
Totals/Avg:	930	\$1,673,403	873	\$1,566,892	93.9%
January, 2011					
REACH	216	\$376,777	214	\$373,090	99.1%
Wraparound	731	\$1,327,879	677	\$1,228,318	92.6%
Totals/Avg:	947	\$1,704,656	891	\$1,601,408	94.1%
December, 2010					
REACH	202	\$367,552	201	\$365,684	99.5%
Wraparound	736	\$1,335,952	687	\$1,244,565	93.3%
Totals/Avg:	938	\$1,703,504	888	\$1,610,248	94.7%
November, 2010					
REACH	214	\$382,990	212	\$379,302	99.1%
Wraparound	737	\$1,358,468	691	\$1,230,417	93.8%
Totals/Avg:	951	\$1,741,457	903	\$1,609,719	95.0%
October, 2010					
REACH	213	\$375,201	212	\$373,332	99.5%
Wraparound	719	\$1,275,059	683	\$1,210,650	95.0%
Totals/Avg:	932	\$1,650,260	895	\$1,583,982	96.0%
September, 2010					
REACH	216	\$378,297	216	\$378,297	100.0%
Wraparound	708	\$1,266,654	673	\$1,206,250	95.1%
Totals/Avg:	924	\$1,644,951	889	\$1,584,547	96.2%

Financial Outcomes

- Cost:
 - Wraparound Milwaukee = about \$3700/mo
 - Residential placement = \$10,000/mo
 - Correctional placement = \$8500/mo
- Inpatient psychiatric care (\$1500/day) was reduced from 5000 to 500 days/year
- Juvenile correctional placements (70% of youth with DSM-IV diagnosis) was reduced by 50%
- Growth of residential costs has been brought under control since new Wraparound model was implemented:
 - Child Welfare and Juvenile Justice expenditures:
 - On residential treatment care for 375 youth (1995) = \$18.4m
 - Contributions to Wraparound Milwaukee for nearly 700 youth at risk of residential treatment under a court order (2010) = about \$19 million