Comparative Analysis of Private Intermediate Care Facilities for Individuals with Mental Retardation (ICF/MR)
And State Owned ICF/MRs (State Resource Centers)

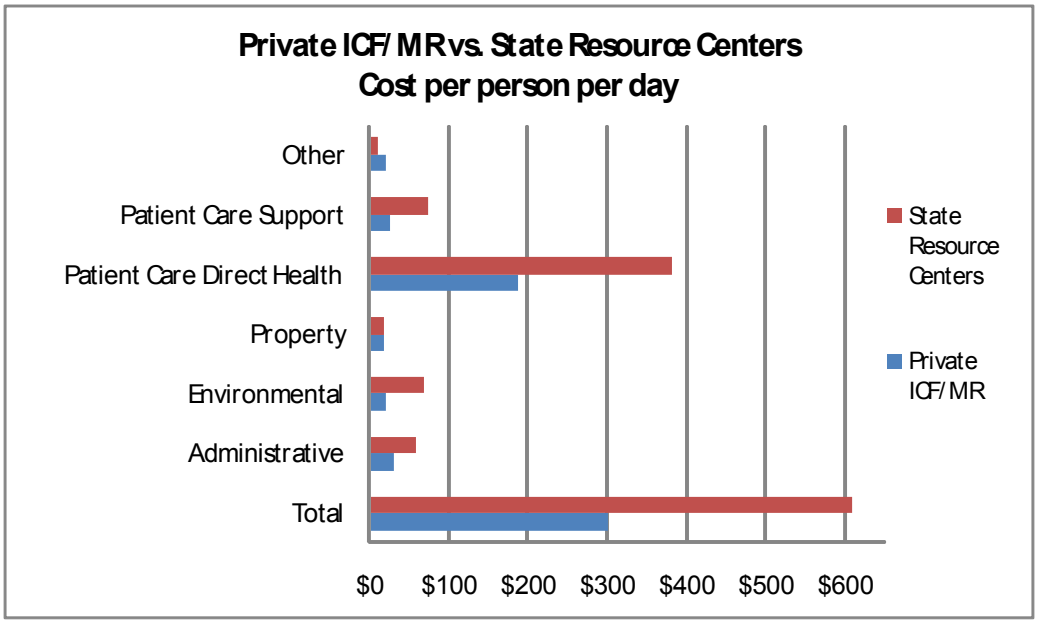
I. Summary

Key Considerations in comparing rate setting for private ICF/MR and State Resource Centers (SRC):

- The rate setting method is similar, apart from the rate cap on private ICF/MRs that is not applicable to the SRC.
- The amount of the rates are quite different, but for some key reasons:
    - Department of Justice. The DOJ consent decree has resulted in very significant resources in staffing of health care professionals to address the needs of the population. For example, SRCs have on staff full time Psychologists (1 per 26 clients), Speech Pathologists (1 per 34 clients), Occupational Therapists (1 per 41 clients), Physical Therapists (1 per 51 clients), Physicians (1 per 125 clients), and Psychiatrists (1 per 200 clients). Since the majority of private ICF/MRs are small (less than 15 beds), they would not have the volume to have this level of professional staffing in their costs. Also Resource Centers have infirmary on campus staffed with nurses and physicians (physician on-call during overnight hours) 24 hours to care for non-acute medical needs.
    - Salaries are higher at the SRC because of the influence of union contracts.
    - 74% of the difference between private and SRC ICF/MR rates is due to the amount spent on direct care (both direct health and support). This is due <u>both</u> to the number and type of health professionals, as well as salaries.
    - The SRC have been decreasing the census over the last 3 years, which results in spreading cost over a lower number of people.
    - While private ICF/MRs also serve 'difficult', 'expensive', and 'medically fragile' persons, the SRC often receive the individuals that have 'burned out' or exhausted the resources of other private ICF/MR placements.

The Charts below summarize the key differences between the rates of each type of facility.

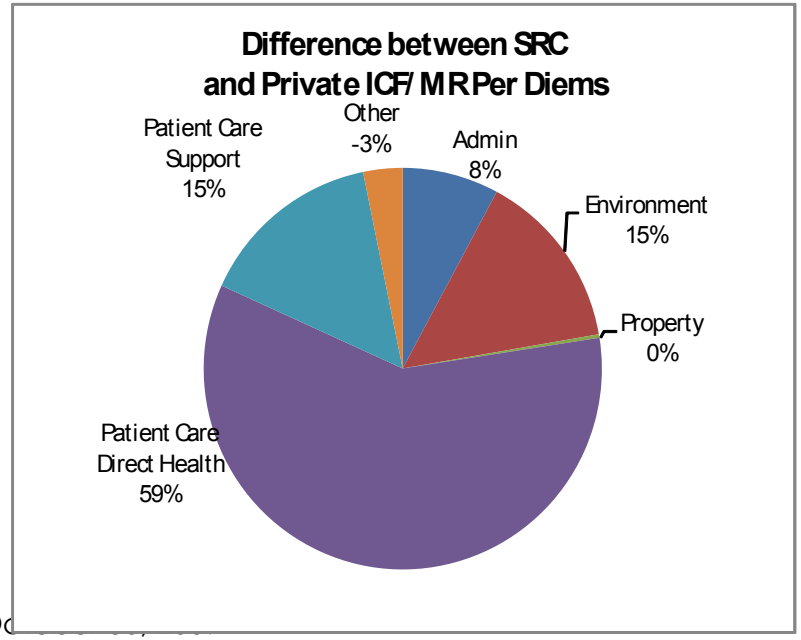
- The SRC rate is about twice that of the Private ICF/MR rate.
- The major difference between the two types of rates is the amount of expenditures for Health Care services (Patient Care Direct Health), which would include nursing staff, therapists, psychologists, and physicians, and for Patient Care Support, which would include the direct care workers' costs.

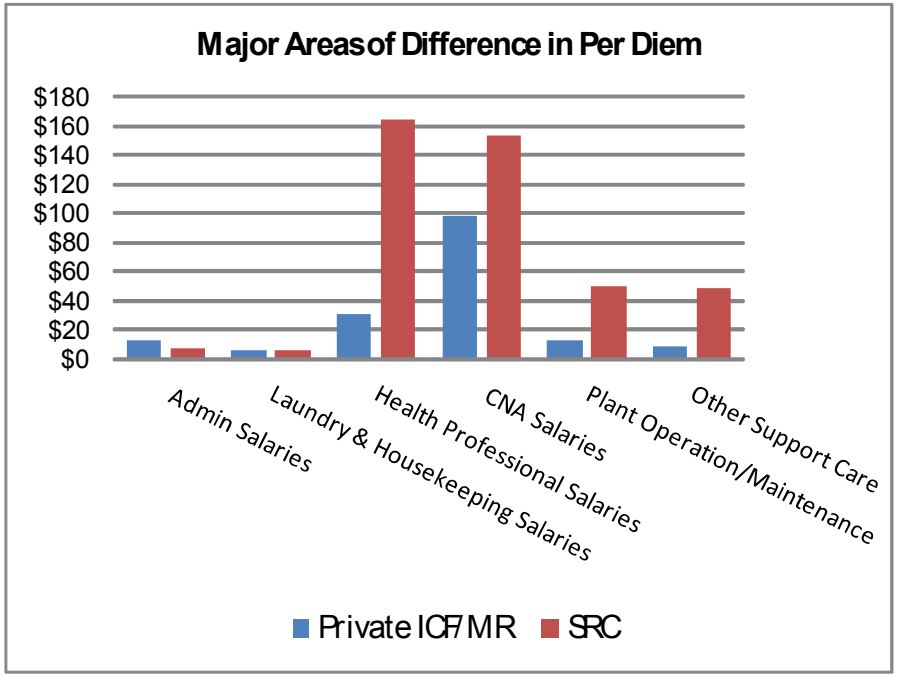


Administrative Costs = administrative salaries
Environmental Costs = laundry and linen, housekeeping and plant operations
Property expenses = depreciation, taxes, rent and interest
Patient Care - Direct Health = nursing and CAN salaries, CAN training, contracted nursing services, Physical Therapy, Occupational Therapy, and Recreational Therapy
Patient Care – Support Care = dietary other than food, food

Rate Comparison continued:

- Two categories (Patient Care Direct Health and Patient Care Support) account for 74% of the difference in rates. As noted above this is due to a much larger number of full-time health care professionals on staff at the Resource Centers (Therapists, Psychologists, Physicians, and nursing) than at the Private ICF/MRs. This is due both to the population served by the SRCs, and also due to large increases to comply with the DOJ Consent Decree.
- Also, Environmental costs are higher, likely due to the higher physical plant costs of the large and aging SRC buildings and grounds.
- Administrative due to the cost of the billing and recovery activity with the counties, which private ICF/MRs do not have to do.
- In all cases, salaries at the SRCs are higher due to the increased rates of pay and benefits resulting from State Employee Union contracts, which are not applicable for private ICF/MRs.
- If we look deeper at the cost differences we see in the right hand table that the amount spent on salaries is a key factor. This graph does not compare average salaries, but shows the amount spent on salaries. The differences would be due to <u>both</u> the number of health care professionals as well as the salary amounts.





II. Detailed Comparison of Rate Setting

	Private ICF/MR	State Resource Centers	Comments
Cost Reporting	• Use Financial and Statistical Report 470-0030 • Submitted no later than September 30 each year for the reporting period July 01 to June 30.	• Use Financial and Statistical Report 470-0030 • The rate is calculated twice annually based on actual costs of operation that occurred during the previous six months based on a financial and statistical report inflated by the percentage change in the CPIU.	Same Cost Report form. Costs are submitted more frequently for the Resource Centers.
Revenue Sources	• 99.23% through Medicaid payment. • Federal Medicaid funding at approximately 60% o Non-Federal Share – State Appropriation is approximately 6% o Non-federal share-Counties at approximately 26% o Non-federal share-client participation and other revenues at approximately 8%	• Financial revenues for SRC-99.80% through Medicaid payment. o Federal Medicaid funding approximately 60% o Non-federal share-State Appropriation at approximately 20% o Non-federal share-Counties at 10%-The amount of the non-federal share that Counties can be billed is prescribed by Iowa Code.	Both are almost 100% financed by Medicaid. Resource Centers are 'at risk' for collecting the part of the State match that is owed by the counties. IME does that task for the private ICF/MRs. The State match for the Medicaid payment is appropriated to the Resource Centers directly and then it is transferred to Medicaid.

		• The State appropriation request is calculated each year to cover the portion of the nonfederal share that is not covered by Counties and those costs associated with State Cases and other things such as beauty and barber, fines, and the portion of central office costs allocated to the facilities. (The difference between the county cap and the actual non-federal share, the full non-federal share for children, and the non-federal share for adults who do not have a county of legal settlement).	
Payment Rate	• Per Diem amounts for the Private ICF/MR Totals are calculated by taking the sum of costs for each individual line and dividing by the sum of the minimum occupancy level (the greater of actual patient days or 80% of bed days for each individual	• Per Diem amounts for the State Resource Centers Totals are calculated by taking the sum of costs for each individual line and dividing by the sum of the actual patient days reported. • No rate caps.	Private ICF/MR increases in the 80% cap: FY 09-0.73% FY 08 1.09% FY 07 (0.47)% State Resource Center Increase 17.66% for SFY 2009 13.39% for SFY 2008

	Community ICF/MR facility). • Rate caps at 80th percentile.		12.15% SFY 2007 Note: The census of the Resource Centers has been declining, so the cost per patient per day increases due to fixed costs. The private ICF/MR census has remained stable.
Client Participation	• The amount of client participation is calculated off of the amount paid to the ICF/MR.	• The amount of client participation is calculated off of the amount paid to the ICF/MR.	Same
Cost Comparisons – Clinical/Direct Care Staff	• 45% of all costs are spent on Nursing, Certified Nursing Assistants (CNA) and benefits	• 64% of all costs are spent on Nursing, Certified Nursing Assistants (CNA) and benefits • Nursing, Certified Nursing Assistants (CNA) and benefits are almost 250% more than community ICF's/MR.	• A greater proportion of SRC costs goes to clinical direct care staff such as nursing. • Employees at the State Resource Centers are State employees and are eligible for union negotiated salary and benefits, which the State has to pay 100%, while many of the Community ICF/MR's do not have to pay these types of benefits. • A significant contributor to the per diem increase in the last few

			years is the addition of departments and staff required to comply with the Department of Justice Consent Decree.
Cost Comparison - Administrative	• 11% of the cost is spent on administration. • 7% of the costs are spent on environmental upkeep. • These are settings that include 4 person homes in the community up to smaller campus settings.	• 9.5% of the cost is spent on administration. • 11.5% of the costs are spent on environmental upkeep. • There are higher costs associated with billing and collections from counties at the State Resource Centers, which increases the administrative costs. Medicaid only remits the federal share of payment rates and leaves the State Resource Centers to collect the federal share from counties. IME handles the county share collection for community ICF's/MR. • The State Resource Centers have a large campus setting. • The Resource Centers staff and maintain an on-campus infirmary	• A greater proportion of costs at the SRC is spent for environmental costs. This may be because the SRCs have large campuses, large, older buildings that are more expensive to maintain than the private ICF/MRs, which are typically much smaller. • There is not enough detailed accounting information to make a complete comparison of what these costs. For all of the private facilities these differences even out over the entire population, but with only two State Resource Centers, we cannot make any general observations from that small sample size.

		(hospital).	• Repairs and maintenance in the environmental cost center for the State Resource Centers may include items that private, public and not-for-profit companies account for differently than governmental entities.
Average Per diem Cost paid to ICF/MR	• **Average Total Daily Per Diem: $ 281.70** • Administrative Cost Per Diem: $31.16 • Environmental Cost Per Diem: $20.70 • Property Cost Per Diem: $18.84 • Patient Care Direct Health Per Diem: $186.60 • Patient Care, Support Care Per Diem: $24.41 Note: For Community ICF/MR the greater of Actual or 80% of total bed days were used to calculate the per diem cost	• **Average Total Daily Per Diem: $600.31** • Administrative Cost Per Diem: $56.93 • Environmental Cost Per Diem: $68.53 • Property Cost Per Diem: $17.88 • Patient Care Direct Health Per Diem: $382.88 • Patient Care, Support Care Per Diem: $74.11 Note: For State Resource Centers actual bed days were used to calculate the per diem cost	

Additional payments by Medicaid to other providers for services provided to members in ICF/MR – per member per day	• Average total daily per diem: $19.37	• Average total daily per diem: $8.86	• Additional Payments made on behalf of ICF/MR members paid to providers outside of the ICF/MR includes: inpatient, outpatient, physician services, clinic services, Lab X-ray, ambulance, prescribed drugs, family planning services, Iowa Plan, EPSDT screening, medical supplies, Other practitioners, dental, optometrist, chiropractic services, podiatry, psychiatric services, and MEP services.
Census	• Community ICF's/MR are licensed for approximately 1600 plus beds and are at approximately 98% occupancy for the last 3 State fiscal years.	• These facilities are licensed for a total of 1490 beds and are at approximately 40% occupancy for the last 3 State fiscal years. • For State FY 2009 occupancy dropped 10.6% from the State FY 2007.	• Downsizing of State institutions continues. As the population decreases, the fixed cost of operating the SRVC is spread across a smaller population, causing an increase in the per diem cost.
Services	• Private ICF/MRs bill for medical services (including OT, PT, speech,	• SRC include medical care (except for hospitalization) in the per diem. This	• The SRC rates have more costs 'built in' to the per diem rates, that

	dental vision, dietary, psychiatric, psychology, counseling, adaptive equipment, and audiology) for individuals living in community ICF's/MR. (37 out of 140 facilities have included OT, PT in their costs and utilize emergency rooms, urgent care, medical hospitalizations, and psychiatric hospitalizations that are paid for by other 3rd parties and not included in their per diem.)	includes psychiatric services, 24 hour nursing and physicians, and a medical center thereby significantly reducing inpatient medical and psychiatric hospitalization costs. • Pharmacy costs for non-Medicare part D members are included in the per diem.	private ICF/MRs bill separate from per diem rates or are provided by other providers.
Population served	• Individuals in need of continuous active treatment who have a intellectual disability or related condition.	• Individuals in need of continuous active treatment who have an intellectual disability or related condition. • Time limited assessments are part of the services provided. This assessment may be from 30-60 days. • Many individuals have an additional mental health diagnosis complicating continuous active treatment and behavioral intervention.	• Individuals who have difficulties receiving services in the community (ICF/MR of HCBS) or have severe behavioral issues and medical complexities are referred to the State facilities. Also, Woodward has a program that serves individuals who have been court ordered including sexual perpetrators. • Community providers

			(ICF/MR and HCBS) rely on the expertise of the State Resource Centers for consultation and training to work with individuals with maladaptive behaviors and symptoms of a mental health diagnosis. The expertise of service an individual with co-occurring diagnoses (MR and MI) is very limited in Iowa.