Oregon
Tina Kotek, Governor

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Oregon Department of Human Services

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TO: Chair Annessa Hartman, House Committee on Early Childhood & Human Services

FROM: Jane-ellen Weidanz, Deputy Director of Policy for ODHS Office of Aging and People with Disabilities

SUBJECT: HB 2560 Testimony

Dear Chair Hartman and Members of the Committee,

Thank you for the opportunity to testify in strong support of House Bill 2560, the Oregon Department of Human Services' (ODHS's) bill to modernize the rate methodology for Adult Foster Homes (AFHs) licensed by ODHS's Office of Aging and People with Disabilities (APD). This bill would allow APD to update a significantly outdated rate methodology, providing greater economic stability to AFH providers, reducing administrative burden in navigating the need for reimbursement beyond what that methodology can provide, and allowing for more streamlined discharges of hospital patients into AFH placements.

APD provides long term care to individuals 65 and older, as well as to people with physical disabilities, in a variety of settings including AFHs. For individuals who rely on Medicaid to receive those services, APD reimburses those providers according to established Medicaid reimbursement rates.

To understand the problem this bill seeks to address, it's helpful to understand the historical context of AFHs in APD's service delivery system: when the Medicaid reimbursement rate methodology was written for AFHs licensed by APD, they were generally viewed as the setting most appropriate for individuals with the lowest level of need, or lowest acuity of care. Over time, this dynamic has shifted significantly, and AFHs presently serve the highest-acuity individuals in our system (as illustrated

on slide 11 of my presentation to your committee), while still being compensated according to an outdated rate methodology that lacks both the flexibility and the scaleability that providers need to be confident that they will be adequately reimbursed.

APD determines individuals' level of need by assessing their independence in performing activities of daily living (ADLs) and instrumental activities of daily living (IADLs). It could be that a person needs what's known as a "full assist" – the highest level of need – in multiple ADLs, such as mobility, cognition, elimination (using the restroom), bathing and personal hygiene, or dressing. They may also need a "full assist" in multiple components of a single ADL: for example, cognition incorporates multiple different components, such as self-preservation, decision-making, the ability to make oneself understood, and challenging behaviors such as aggression. Individuals are reassessed at least annually, and also whenever they or their provider report a change in their condition that necessitates an updated assessment.

The way our current, outdated reimbursement rate is modeled, each AFH provider receives a "base rate" of $2,120 per month, and can receive additional "add-on payments" for three different reasons:

1. If the individual is a "full assist" in mobility, eating, or elimination.
    a. A full assist in any of these ADL categories may require significant work above and beyond what the base rate reasonably compensates.
    b. However, there is still only a single add-on payment available, even if the individual is a full assist in all six of the ADLs.
2. If the individual poses a risk to themselves or others due to behavioral issues.
    a. The severity of the individual's behavoiral challenges does not inform the size of this add-on payment; it is only available as a static amount.
3. If the individual has medical treatments that require daily observation and monitoring.
    a. Similar to the other two add-on payments, though, this is a single amount available to a provider, regardless of whether the individual has one medical treatment requiring daily observation and monitoring, or twenty. It also does not take into account the amount of work or medical specialization necessary to address this medical need.

In effect, what this means is that our rate model only allows for a maximum payment of $3,278 per month compared to $4,513 for Assisted Living Facilities. If a provider is serving an individual who they feel justifies a higher reimbursement, they must pursue what are known as exceptional payments, or "exceptions," in order to to hire

additional staff they need to meet their residents' needs. The provider must prove the level of need, the level of additional staffing and provide prove of staffing at regular intervals. Every exception request is reviewed forwarded to central office for review.

Both a provider's process in seeking an exception and APD's process in reviewing and approving the exception are administratively burdensome. Presently, more than half of the individuals who are served in APD-licensed AFHs are receiving exceptional payments…in other words, the exceptions to our rate methodology are more prevalent than the rate methodology itself. This is perhaps a clearer indicator than any that the methodology needs updating.

To understand the benefits of modernizing the methodology, we need only look at AFHs that are licensed through other programs. Both ODHS's Office of Developmental Disabilities Services (ODDS) and the Oregon Health Authority's (OHA's) Behavioral Health program license AFHs in their respective systems, and both have updated their rate methodologies within the last decade, whereas APD's has gone approximately forty years without an update. In both ODDS and OHA AFHs, there is greater flexibility for a provider to know at the outset of serving an individual how they will be compensated, without placing on them a time-consuming burden of seeking exceptional payments that may or may not ultimately be approved.

As an example, using similar acuity models, ODDS's consumers are more likely to be at a level 3 or below (43%), while APD's are more likely to be at a level 4 or 5 (75%). In a recent fiscal year, the average monthly rate for ODDS was $6,700 versus $4,800 for APD.

In short, this bill would bring APD-licensed AFHs up to comparable rates for AFHs licensed by those other programs. It is not intended simply to increase compensation for AFH providers (although that would be a much-needed benefit); that is a separate but related matter that would be better accomplished through the budget process.

The new rate for APD-licensed AFHs would be based on a points system according to where on the scale of each assessed level of need for each component of an ADL. For example, they would receive 1 point for a rating of "Independent" in personal hygiene, 2 points for a rating of "Minimal Assist" in self-preservation, 5 points for a rating of "Substantial Assist" in bathing, and 6 points for "Full Assist" in dressing. Higher point values are available for full or substantial assistance in components of the Cognition ADL, especially in the "challenging behaviors"

component – as some of the highest-actuity individuals in our system are those who need significant levels of care with cognitive and behavioral health challenges.

An individual's point total will place them in a specific service level "tier," each with its own range of reimbursement. Because of the person-centered and flexible nature of this methodology, as well as setting clear expectations of minimum staffing for each tier, the new rate methodology will improve hospital discharges of patients who need to be placed in an AFH for post-acute care. Presently, one of the significant challenges with hospital discharges is that AFH providers don't know whether they will be able to receive exceptional payments for a newly placed individual, and are therefore hesitant to accept patients from hospitals. By significantly reducing the number of exception requests in APD's AFH system, this bill will streamline discharges, which is why the Joint Task Force on Hospital Discharge Challenges listed this policy among its final recommendations to the legislature.

The bill, whose costs are included in the Governor's Recommended Budget, would require approximately $21 million in General Funds ($59 million in Total Funds), and would lead to a rate increase for approximately 95 percent of APD-licensed AFH providers in the state. Furthermore, no provider would see a decrease, and we estimate that the need for exceptional payments would be reduced by over 82 percent.

ODHS seeks your support for this bill as a vital step in improving APD's service delivery system.

Sincerely,

Jane-ellen Weidanz

Deputy Director of Policy, Aging and People with Disabilities