

BILL SUMMARY
1st Session of the 53rd Legislature

Bill No.:	HB 1363
Version:	Committee Substitute
Request Number:	6825
Author:	Rep. Peters
Date:	2/28/2011
Impact:	Cost Savings of \$103,662 in FY-11

Research Analysis

The CS for HB 1363 creates the Oklahoma Choices for Long-Term Care Act, which requires the Oklahoma Health Care Authority (OHCA) to create a system of presumptive eligibility for the Advantage Waiver Program based on a physician's order that an individual requires nursing facility-level of care. The Advantage Program allows Medicaid-eligible individuals who require nursing facility-level of care to receive services in their homes as an alternative to nursing home placement.

Additionally, the CS designates the Long-Term Care Management Authority (LTCA) as the lead entity for the administration of the Advantage Waiver Program and delineates responsibilities of LTCA, including the development of a performance improvement plan and monthly reports to the Legislature on the progress of the Advantage Waiver Program administration.

Prepared By: Marcia Goff

Fiscal Analysis

The Proposed Committee Substitute for HB 1363 would require the Oklahoma Health Care Authority to seek an amendment that allows presumptive eligibility for persons to receive Advantage Waiver. A person eligible for long-term Medicaid care is eligible for either placement in a nursing home at (\$103.39 per day rate) or for home-care services (Advantage at a \$33.10 per day rate). Given a preference depending on the severity of their individual situation, most clients prefer to remain in a home-care environment which is also better from a cost perspective to the state.

Under the bill, the Long-Term Care Management Authority (LTCA) is directed to lead the state's efforts to address the long-term supports and services needs of its citizens. The LTCA is directed to assume administrative agent responsibilities for the Advantage Waiver Program and to provide certain information to the Legislature on a monthly basis regarding the progress of Advantage Wavier Program administration.

In SFY 2010 Oklahoma Department of Human Services (OKDHS) reports a cumulative total of 4,259 ADvantage clients entered the program (ADvantage Program Cumulative Monthly Report July 1, 2009 – June 30, 2010, Member Activity by DHS Area pg. 1). If 8% is applied to the number of clients who would enter (SFY2010 4,259) the calculation would be 341 members.

According to a report by the National Academy for State Health Policy, Expediting Medicaid Financial Eligibility, Robert L. Mollica, July 2005 Grant No. P-91512/2 from the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services of the eight states evaluated the estimated maximum error rate reported by one state for presumptive

clients was 8% and five states reported less than 2% error rate. Since OKDHS has not provided data to reflect the number of members who apply for ADvantage and then enter Nursing Facility prior to eligibility being determined, the LTCA is basing its projections on the experience of other states, most of which had an error rate below 2%. To err on the safe side we are using a high error rate of 8%.

OKDH has stated that average amount of time required to process and determine eligibility is 29 days. The Average Cost per Day to the State of Oklahoma for Nursing Facility placement is \$36.18 while the cost per day is significantly lower for ADvantage, \$10.81. *With these assumptions, the fiscal impact to the State could be \$106,900; however, the overall savings to the State could be \$250,884.*

According to the LTCA, its monthly budget requirements to prepare for and assume administrative responsibilities for the ADvantage Waiver Program are \$49,074 or a total of \$147,222 for 3 months. LTCA's budget assumptions related to assuming administrative responsibilities include the following:

1. OKDHS currently has a functional facility for administration of the program and any lease, telecom or other contractual agreements can be transferred to LTCA for future administration of the program - there is not expected to be any expenditures prior to July 2011;
2. OKDHS currently has the necessary functional equipment in place for the administration of the waiver and all equipment will be transferred to LTCA upon transition - there is not expected to be any expenditures prior to July 2011

If the total projected cost savings to the state by LTCA are used (\$250,884) minus LTCA's expenses during the same three-month period (\$147,222), the cost savings in FY-11 would be \$103,662.

Prepared By: David Ligon

Other Considerations

Presumptive eligibility has the possibility of allowing clients and their families to make better informed decisions about their choice of long-term care. Based on recent trends, when given that decision clients and their families depending on the severity of the client's health tend to choose the Advantage or home-care option which, in turn, saves the state significantly on a per day cost in comparison to the nursing home option. In FY-09, \$516 million was used to serve 20,533 eligible Medicaid persons in nursing homes. In comparison during the same time frame (FY-09), the \$213 million was used to serve 24,165 eligible Medicaid persons through home-care (Advantage). *Stated another way in FY-09, Advantage served 3,632 persons at a cost savings to the \$303 million compared to nursing home care. The figures above best show the magnitude of potential future cost-savings to the state and federal government if through presumptive eligibility future eligible Medicaid clients with less severe health problems can be kept in a home setting rather than be placed in a nursing home setting.*