MINUTES

Payment Methodologies for Medicaid Providers Interim Study

Representative Jean Hunhoff, Chair
Senator Larry Tidemann, Vice Chair

Third Meeting, 2016 Interim
Tuesday, September 27, 2016

Room 414 – State Capitol
Pierre, SD

The third meeting of the Payment Methodologies for Medicaid Providers Interim Study Committee was called to order by Representative Jean Hunhoff, Chair, at 10:00 a.m. (CDT) on September 27, 2016, in Room 414 of the State Capitol, Pierre, South Dakota.

A quorum was determined by the following members answering the roll call: Representative Jean Hunhoff, Chair; Senator Larry Tidemann, Vice Chair; Senators Scott Parsley and Deb Peters; Representatives Spencer Hawley, Leslie Heinemann, Thomas Holmes, and Fred Romkema. Member excused was Senator Bruce Rampelberg.

Staff members present included Jason Simmons, Senior Fiscal Analyst; Clare Charlson, Principal Research Analyst; and Paul Giovanetti, Senior Legislative Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC web site at http://sdlegislature.gov.

Approval of the Minutes

SENATOR TIDEMANN MOVED, SECONDED BY REPRESENTATIVE HOLMES, TO APPROVE THE MINUTES FOR THE MEETING ON AUGUST 17 - 18, 2016. The motion prevailed on a voice vote.

Committee Discussion on Recommendations from the August 17 – 18 Meeting

The committee reviewed the recommendations from Allen Bergman from the August 17 – 18 meeting (Document #1).

Representative Jean Hunhoff asked if funding for psychiatry services via telehealth is allowed in our current state Medicaid plan. **Ms. Brenda Tidball-Zeltinger, Deputy Secretary, Department of Social Services,** replied that psychiatry services are covered under our state Medicaid plan and would be covered through telehealth.

Senator Scott Parsley asked if the state has an adequate number of providers to provide psychiatric care via telehealth. Ms. Tidball-Zeltinger replied it is a challenge to supply an adequate number of providers however telehealth allows patients to be better served with a limited number of providers.

Senator Parsley stated there have been concerns with the required psychiatric evaluations for individuals in the criminal justice system and asked what efforts have been made to address these concerns via telehealth. **Ms. Lynne Valenti, Secretary, Department of Social Services,** replied the Department of Health has a provider recruitment program. Nationwide there is a shortage of psychiatric providers and

telehealth has become popular to bridge the gap. To adequately face the challenge the state has with the number of providers compared to the number of patients the state has to find new ways to utilize telehealth.

Representative Leslie Heinemann asked how much funding has been appropriated to telehealth. Ms. Tidball-Zeltinger replied the information is not available at this time.

Senator Deb Peters asked if the state Medicaid plan is limiting the expansion of telehealth. Ms. Tidball-Zeltinger replied the state plan currently only covers psychiatric services. The state is exploring ways to expand telehealth to emergency departments and behavioral health providers.

Representative Hunhoff asked if telehealth was expanded would it save the state money. Secretary Valenti stated if providers can diagnose health problems and provide treatment early on then there is less chance of having to pay for chronic health issues in the long term.

Senator Peters requested a list of specific services offered through telehealth.

Senator Larry Tidemann asked if individuals in jail are Medicaid eligible and whether the department has worked with the Unified Judicial System to implement telehealth in the criminal justice system. Secretary Valenti replied that initially inmates are evaluated and screened by staff in the jail or prison for mental health issues to identify if the inmate needs a mental health assessment. The mental health assessment is then completed via telehealth with the provider and the inmate. Once an individual is incarcerated they are not Medicaid eligible.

Representative Hunhoff asked if the aging and disability resource connections (ADRC) are meeting the needs of patients. Secretary Valenti replied the current model is working by educating an individual and their family. The department recognizes there is a need for outreach within the ADRC.

Senator Peters stated the main issue is the education provided to the patients and their families about the services available. Senator Peters asked what training programs the department offers for the aging and disabled population and if there is quantifiable data showing how the information is getting to the patient. Secretary Valenti stated the data can be made available to the committee. The department's aging and disability website is robust and the department can track who is accessing the information. The department has staff dedicated to train providers, hospitals, and nursing homes on the services available to their patients.

Senator Peters requested more specific information on how the department conducts training.

Representative Spencer Hawley asked how the department plans to address the recommendation to build our home and community based services (HCBS) for the aging and disabled since South Dakota has one of the lowest number of participants in the nation. Secretary Valenti replied the state has seen an increase in HCBS, although the number is not high enough. In 2015 the department held a workgroup to address issues the state faces with HCBS. The workgroup looked at how to expand HCBS and found that more South Dakotans take care of their own family members or use informal support services. The workgroup recommended education on HCBS.

Senator Parsley stated HCBS providers have testified the distance that providers have to travel to provide the service is not covered by Medicaid and requested more information from the department on what is being done to find providers to meet the needs in rural communities.

Representative Hunhoff asked if the payment methodology for HCBS can be moved away from a fee-for-service model to a performance based model. Ms. Tidball-Zeltinger replied a movement away from a fee-for-service model to a performance based model is a nationwide initiative from Centers for Medicare and Medicaid Services (CMS). There are opportunities in our waiver programs to move in this direction.

Representative Hunhoff asked if the state can design the ability to provide support for in home care that is away from the Medicare standards. Ms. Tidball-Zeltinger replied that the department can follow up on what methodologies could be developed away from the Medicare standards.

Representative Hawley asked for an update on the information technology program for Medicaid. Ms. Tidball-Zeltinger replied the program has moved to a modular based solution. Work is underway on the pharmacy point of sale, data warehouse, and a claims adjudication components. This approach allows the department to relook at how to complete implementation.

Representative Hawley asked what is the target date for completion. Ms. Tidball-Zeltinger replied each module has a target date for completion and implementation. The modules will continue to be updated.

Senator Parsley asked if the state needs real time data from the providers. Secretary Valenti stated that the system the state has works for what they need to accomplish; however, real time data would be beneficial.

Senator Tidemann asked if this is a new 90% federal funded, 10% state funded information technology update program that Mr. Bergman recommended or the one the state is a part of currently. Ms. Tidball-Zeltinger replied this is the existing program but there have been changes made to allow states more flexibility.

Senator Peters stated that the state does not mandate any preventative health care for Medicaid participants and asked why the state cannot mandate preventative health care from our participants or encourage them to participate in preventative health care. Secretary Valenti replied that it is a federal Medicaid rule that the state cannot mandate health care to participants. However, the department does educate the participants on the benefits of preventative health care.

Representative Hawley stated that many states have ended their institutional developmental centers and asked what is our executive plan on the South Dakota Developmental Center (SDDC). Senator Tidemann replied that the Government Operations and Audit Committee (GOAC) has looked into the SDDC and moving the individuals into the community setting but wants to ensure the local community providers are able to care for the individuals.

Cost Report Data Update

Ms. Brenda Tidball-Zeltinger, Deputy Secretary, Department of Social Services presented an update on reimbursement by provider groups (Document #2). The update included the data from current cost reports, the fiscal year 2017 reimbursement rate, the rate based on methodology, and the fiscal impact to pay providers 100% of methodology rates.

Senator Parsley asked if the non-Medicare based rates are set and negotiated with the providers. Ms. Tidball-Zeltinger replied the methodologies have been developed based on industry standards and cost data.

Representative Hunhoff asked if the nutrition program has a federal match. Ms. Tidball-Zeltinger stated that there is no federal Medicaid funding but the senior meals program is a part of a federal grant that is currently capped. Any increases to that program would come out of state general funds. Representative Hunhoff requested for the amount of the federal grant.

Representative Hunhoff asked for details on who is covered under the primary care provider group. Ms. Tidball-Zeltinger explained that provider group covers all providers who provide health care evaluations and management services. The department will follow-up with the services that are covered under the primary care services.

Mr. Darryl Millner, Director of Budget and Finance, Department of Human Service, presented an update on provider reimbursement for community support providers.

Representative Hawley stated that community support providers in his district say they cannot find help and they cannot keep the staff that they have working for them because their budget is funds from State Medicaid reimbursement. Representative Hawley asked if the workforce shortage and wage discrepancy has been factored into the rate adjustment for community support providers. Mr. Millner stated the cost was not factored into the $2.2 million difference.

Representative Heinemann stated legislators see this dilemma in their districts, especially as appropriators; if you pay providers solely based on the cost report which is the money the state gave them there is no way for the provider to increase their labor force or make their labor force adaptive to the environment. Community support providers are saying they need something more than cost to give them the ability to recruit and train staff.

Representative Heinemann asked how can the state provide better support to community support providers. Mr. Millner stated the department has been working through this problem for many years and is working on an initiative to address the labor force shortage and the challenges providers face with the provider association.

Senator Parsley asked if the department has any intention to raise rates to reflect current cost before the budget cuts made in 2011. Mr. Millner replied that there are efforts to correct the discrepancies providers are facing. The Governor has a payment methodology initiative with recommendations and an implementation plan to adjust provider reimbursement.

Senator Peters asked what steps are being taken to improve provider rates. Ms. Tidball-Zeltinger answered the department has looked at the cost reports and received input from the providers. With the input from the providers the department is able to refine the methodology and build a three-year plan.

Senator Peters requested the department to present a more in depth explanation of the provider rate methodology to the Joint Committee on Appropriations at the budget hearing during session.

Representative Fred Romkema stated that within his district he sees the discrepancy in salaries for vacant positions between nursing homes and community support providers.

Senator Parsley asked if telehealth is reimbursed separately on the sending and receiving end of the telehealth program. Ms. Tidball-Zeltinger replied there are three reimbursements through telehealth; provider reimbursement, originating site fee, and the technology rate. The specifics of the rates reimbursed can be provided to the committee.

Representative Hawley asked how dental is reimbursed since it is fee-for-service and not reimbursed at the Medicare rate. Ms. Tidball-Zeltinger stated that dental is reimbursed at seventy percent of the American Dental Association's regional private commercial rate. Currently the state is reimbursing between 68-69% of the commercial rate.

Representative Hawley stated that community support providers have to travel to a dentist who takes Medicaid and the travel cost and staff wages are not factored into the reimbursement.

Representative Romkema asked if the department knew how many nursing homes are sole proprietorships. Ms. Tidball-Zeltinger replied that she did not have the information but can provide it to the committee.

Senator Tidemann asked if the department looked at building a methodology that takes into account future factors and impacts on providers. Ms. Tidball-Zeltinger replied that they plan on getting every provider on a level playing field.

Home and Community Based Services Update

Ms. Lynne Valenti, Secretary, Department of Social Services, presented the Adult Services and Aging (ASA) Home and Community-Based Services Waiver and the Money Follows the Person Program (Document #3) to the committee.

Senator Parsley asked if there is a limit to the number of days allowed for in home care. Secretary Valenti replied that each service is personalized by the provider. Each service has a threshold which is determined by the provider.

Representative Hawley asked for clarification on the Medicare certification and the Medicaid certification. Secretary Valenti stated that HCBS is funded through Medicaid so it only requires Medicaid certification.

Senator Peters stated that Medicare requires certification and asked if the state requires any additional requirements, above Medicare certification, for Medicaid and if that a separate certification. Secretary Valenti stated there are additional requirements above the Medicare certification for a provider to become certified under Medicaid; however, the requirements for Medicare transfer to Medicaid.

Representative Hunhoff asked if the expansion of assistive technology allowed in home includes units to allow patients to connect to physician offices or a home health monitoring system and if there is a cap on the cost. Secretary Valenti replied the waiver allows for assistive technology and there are caps on the cost.

Representative Hunhoff asked what services are the recipients of the money follows the person (MFP) grant receiving once they have transitioned into the home. Secretary Valenti stated the services provided through the MFP are short term but the individual should qualify for a HCBS waiver and would continue to receive services through that waiver after MFP has ended.

Representative Hawley asked for clarification on the MFP. Secretary Valenti stated that MFP is a $5.7 million federal grant that runs through 2019. CMS recognizes the importance and opportunity to fund transitional services and is looking into accomplishing this through waivers in the future.

Representative Hawley asked if the department has tracked the financial savings MFP has provided to the state by transitioning the patient. Secretary Valenti replied at this time she does not have that figure but the department can provide it to the committee.

Representative Hawley asked if any of the recipients of the MFP grant come from the SDDC. Secretary Valenti replied that twenty-five recipients have come from the SDDC.

Representative Hunhoff asked if MFP has a cap on the amount of money the person can utilize. Secretary Valenti stated that there is a cap on the program and will provide that to the committee at a later date.

Mr. Darryl Millner, Director of Budget and Finance, Department of Human Service, presented the three department of human services home and community-based services (HCBS) waiver programs; CHOICES comprehensive waiver, Family Support Waiver, and Assistive Daily Living Waiver to the committee (Document #4).

Representative Hunhoff asked at what age do the family support waiver services begin. Mr. Millner replied that there is no age requirement with the CHOICES or family support waiver services programs.

Representative Hunhoff asked if children under the family support waiver also receive services through special education. Mr. Millner replied that a child supported through the waiver receives an individualized education plan through the local school district until they reach the age of twenty-one or receive their high school diploma.

Representative Hunhoff asked if both the provider and school work together to ensure there is no duplication of services for the child. Mr. Millner replied that the child's case manager and school work closely to ensure that the individualized support plan works with the individualized education plan.

Representative Hunhoff asked if data can be shared about the individual or does there have to be two different assessments done. Mr. Millner stated that two different assessments are required because the local school district must adhere to federal requirements and the department must adhere to different federal requirements. However, there are individual education plans and individual support plans running in conjunction.

Representative Hunhoff asked if the assistive daily living waiver allows the individual patient to hire the person to provide the services instead of a provider. Mr. Millner replied the waiver is a self-directed waiver and there is not a staffing pool offered through a provider. The individual can hire and terminate the person providing the services.

Representative Hunhoff asked how an individual can become a provider under the waiver program. Mr. Millner stated if an individual is providing a service they have to have an agreement with the Medicaid program. Ms. Tidball-Zeltinger stated the requirements of a provider are set by each of the waivers and the department has different classifications of providers that are covered through Medicaid.

Representative Hawley asked if the waivers are funded out of federal grants or through Medicaid funding. Mr. Millner replied the state has a choice on what type of waiver they want to implement. There is no federal mandate requiring a state to offer a waiver. The waivers grew out of the community needs to keep individuals out of the SDDC and nursing homes. Ms. Tidball-Zeltinger stated that the waivers are funded through Medicaid funding.

Representative Hawley asked for providers who the patient can choose to hire is the rate of reimbursement set by the state. Mr. Millner replied that some services are set by the state as a fee for service and others are set at the customary and usual cost.

Senator Peters asked about the details of how to become an assisted living provider, how rates are negotiated and determined, how the needs of patients are determined, and what is holding back the providers from developing assisted living centers. Ms. Tidball-Zeltinger discussed the process to become an assisted living provider and the development of rate setting. The assisted living reimbursement rate is not based on patient needs but an average daily rate across the state and the department is working on adequate rate setting and diversion of higher cost care.

Fiscal Year 2017 General Fund Revenue Update

Mr. Jeff Mehlhaff, Fiscal Analyst, Legislative Research Council, presented an update on the fiscal year 2017 general fund revenues to the committee (Document #5).

Representative Romkema asked if the sales and use tax will continue to lag. Mr. Mehlhaff stated if the sales and use tax trend follows the FY16 trend the target will be under the FY17 target set by the Legislature.

Health Care Provider Taxes

Mr. Jason Simmons, Senior Fiscal Analyst, Legislative Research Council, presented information on health care provider taxes to the committee (Document #6).

Senator Peters asked if this tax is being assessed on intermediate care facilities and which facilities in the state are covered under that provider group. Mr. Simmons replied that the tax was applied in 2007 and the state is currently taxing the SDDC and the children's care hospital, Lifescape.

Representative Romkema asked how much money has the state garnered from the current tax on the intermediate care facilities. Mr. Simmons replied the state receives about $1.28 million per year from the tax which includes both federal and state funds.

Representative Romkema asked how much money have other states garnered from health care provider taxes. Mr. Simmons stated he does not have those figures but could provide then to the committee.

Representative Hawley asked if the tax was applied to a certain provider group would it be applied to just the services paid by Medicaid. Mr. Simmons stated the tax will cover all services in the provider group regardless of the payer source.

Representative Hunhoff asked if the state is paying sales tax on the bills from the SDDC. Mr. Simmons replied that the state is paying a tax on the revenues received by the SDDC which is deposited into the general fund.

Senator Tidemann asked for the states that use the provider tax are the funds designated specifically to go back to the Medicaid budget. Mr. Simmons stated it varies by state on how the provider tax is used. The intent is for the funds to go back to the providers in the Medicaid budget and Mr. Simmons will provide more information to the committee on how the tax is being implemented in other states.

Committee Discussion and Directives

The committee had a discussion on the direction of the next meeting. The chair requested that committee members send suggestions for possible legislation and recommendations to Jason Simmons by October 10, 2016. The suggestions and recommendations will be compiled and sent back out to committee members by October 17, 2016 for review.

Determination of Future Meeting Dates

The next meeting will be on October 25, 2016, in Pierre.

Adjournment

SENATOR PETERS MOVED, SECONDED BY REPRESENTATIVE HOLMES, TO ADJOURN. The motion prevailed unanimously on a voice vote.

The committee adjourned at 2:37 p.m. (CDT)