

Community-Based **Developmental Disabilities** Services Fee for Services Conversion



Barbara Flynn Currie
Majority Leader

Illinois House of Representatives
93rd General Assembly

July 2004

**Community Based Developmental Disabilities Services
Fee for Services Conversion**

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING, is entered into this 2nd day of July, 2004 by and between the Illinois Department of Human Services Division of Developmental Disabilities Services (hereinafter “the Department”), the Governor’s Office of Management and Budget, Mattie Hunter, Vice-Chairperson of the Senate Health & Human Services Committee, Dale Righter, Republican Spokesperson for the Senate Health & Human Services Committee, Rosemary Mulligan, Republican Spokesperson for the House Special Committee on Fee-For-Service Initiatives and Barbara Flynn Currie, Chairperson of the House Special Committee on Fee-For-Service Initiatives, and hereinafter referred to as “the parties.”

WITNESSETH

WHEREAS, the State of Illinois has an obligation to provide for the health, safety, and welfare of its citizens;

WHEREAS, the Department provides support for individuals with disabilities to achieve as much independence as possible including living in their home communities with family and friends;

WHEREAS, the Department intends to convert from a grant-based payment structure to a fee-for-service payment structure as the methodology for payment for community services in order to increase administrative efficiency; to generate additional federal Medicaid revenue; to improve the choice of services for individuals with disabilities and the portability of the funding involved; and to ensure a more efficient means of tracking consumer utilization;

WHEREAS, this Memorandum of Understanding represents the commitments made by the Department and the Governor’s Office of Management and Budget, in regard to the conversion of grants for Developmental Disabilities Community Integrated Living Arrangement Services and Developmental Disabilities Developmental Training to a fee-for-service system;

WHEREAS, it is the agreement of the parties that this Memorandum of Understanding is entered into in order to make a smooth transition to a fee-for-service methodology; but it is not intended to expand entitlement programs beyond those that already exist, or may in the future be enacted, under federal or state law.

The Parties Agree to these Good Faith provisions:

1. Movement to a fee-for-service payment methodology does not necessarily require the use of a post-payment timeframe for payments, although it is acknowledged that almost all other fee-for-service payments are “post-payment”. The affected services include:

Developmental Disabilities Community Integrated Living Arrangement (CILA) Services, and Developmental Disabilities Developmental Training Services (grant-funded portion);

2. The Department will continue to provide supports and services to people who are not eligible for Medicaid as well as those who are eligible using the same service eligibility standards and definition of need;
3. The Department's fee-for-service rates must take into consideration and be based upon the need for treatment on an individualized basis as determined by the provider in accordance with Department standards and procedures;
4. The Department will invest portions of the new federal revenue generated through this payment methodology conversion to expand resources to serve persons with disabilities;
5. The fee-for-service methodology will promote provider sustainability, based upon equitable reimbursement for quality services provided in response to demonstrated need;
6. The strategies used to convert grant-funded services to a fee-for-service payment mechanism will provide long-term solutions achieved through transition steps, which will include periodic reviews of the quality of services provided and the viability of the fiscal mechanisms that are used;
7. The Department will ensure that the funded services provided to an individual are available and portable, should the individual decide to choose a different provider agency;
8. Each provider's rights and obligations with respect to the Department are set forth in its annual award agreement with the Department, and nothing in this memorandum shall impose any contractual obligations upon the providers or grant to the providers any rights as a third-party beneficiary or any related rights with regard to the fee-for-service conversion;

The Parties Agree to these Requirements:

9. The Department will make periodic progress reports to the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any), the Senate Health & Human Services Committee and the Governor over the next several months, specifically including reports in September, October, November, and December of 2004;
10. The Department will continue to pay equal rates for the same service, regardless of the source of funding (Medicaid or non-Medicaid);
11. The Department will process billing information and vouchers for payment to providers in a timely and efficient manner. Beginning January 1, 2005, the Department will identify providers who experience severe financial hardship as a result of the conversion to a fee-for-service payment methodology pursuant to criteria and procedures established for that purpose. The Department will request the assistance of the Illinois Office of the

Comptroller, as necessary, to give providers experiencing severe financial hardship priority payments in accordance with established inter-agency policies and practices;

CILA Services – Mechanics of Conversion

12. The Department will transition the Community Integrated Living Arrangements (CILA) program to a new fee-for-service payment process and starting on July 1, 2004 the Department will meet the following guidelines as a part of this transition:
 - a. The Department will advance all CILA providers each month's payment, based on a fee-for-service calculation of utilization levels recorded during Fiscal Year 2004 (using the approved CILA payment levels);
 - b. The Department will require all CILA providers to submit appropriate documentation for each month of service delivery in accordance with timeframes and detail described in current Department policy;
 - c. The Department will provide ongoing technical assistance for all providers who need to develop the capacity to bill efficiently;
 - d. The Department will identify appropriate responses to any provider that does not regularly provide timely, accurate and usable documentation of service delivery;
 - e. The Department will continue to advance, on a monthly basis, the same payment level, or an appropriate payment level, that is determined through reconciliation of previous advance payments against documented units of service delivery, including any necessary adjustments to the advance payment needed to accommodate the enrollment of new consumers into the CILA program;
 - f. The Department will continue this advance-and-reconciliation payment as an ongoing process throughout Fiscal Year 2005, and until such time as an evaluation and stakeholder-involved decision-making process determines that complete conversion to a post-payment system can be accomplished within the context of the core principles of this initiative;

Developmental Training Services – Mechanics of Conversion

13. The Department will transition the Developmental Training Services program to a new fee-for-service payment methodology and starting on July 1, 2004 the Department will meet the following guidelines as a part of this transition:
 - a. Grants for providers based on a per person funding level that averages more than \$10,824 will be converted into two types of payments. The first payment will be a reimbursed fee-for-service payment based on the existing \$10,824 annual total payment for each person that is documented as receiving the service. This payment will be made in accordance with existing Division policy and procedure for reimbursed fee-for-service Developmental Training;

A second payment will be made to each provider that falls in this group. This payment will be based on the amount of the existing Developmental Training grant that is in excess of the amount that is equal to \$10,824 times the documented recipients of the service. This amount will be paid as a transition grant in monthly installments for a period of one year. During that year, the Department will work with each provider in this group to determine how this funding can be transitioned to a fee-for-service payment (for the included or other services) in keeping with the core principles of this initiative;

- b. The Department proposes that all grants based on a per person funding level that averages \$9,000 to \$10,824 will be converted to reimbursed fee-for-service payments that are the equivalent of \$10,824. This payment would be made in accordance with existing Department policy and procedure for reimbursed fee-for-service Developmental Training;
- c. All grants based on a per person funding level that averages less than \$9,000 be continued in Fiscal Year 2005 as grants at their existing level of funding. The Department will evaluate each grant to determine whether the services provided through these grants meet the definition of Developmental Training that is associated with the \$10,824 payment. Based on that evaluation, a transition plan for Fiscal Year 2006 will be developed for each grant;

Part Time Attendance of Developmental Training Programs

- 14. The Department will continue to use calculations of the Full Time Equivalent (FTE) to determine which provider grants fall into each category. These calculations are as follows: $\frac{1}{4}$ FTE (less than 40 hours/month), $\frac{1}{2}$ FTE (40-59 hours/month), $\frac{3}{4}$ FTE (60-79 hours/month), 1 FTE (80 or more hours/month). These calculations were used to determine the funding in transition grants with per person funding that averaged more than \$10,824.
- 15. The Department will create a monthly advance and reconciliation process for all grants with per-person funding averaging greater than \$9,000;
- 16. The Department will expect all Developmental Training services delivered by providers with per-person funding averaging greater than \$9,000 to meet the performance expectations of Developmental Training as defined by the Division;
- 17. The Department will immediately begin working with each provider that receives a transition grant in Fiscal Year 2005 to help determine how that grant would be translated into fee-for-service payments effective July 1, 2005;
- 18. The Department will continue to advance, on a monthly basis, the same payment level or an appropriate payment level that is determined through reconciliation of previous advance payments against documented units of service delivery;
- 19. The Department will expect all new Developmental Training enrollments made by providers (including those that compensate for the replacement of consumers who were

documented to be in service on July 1, 2004) to be funded through a post-payment fee-for-service. During the evaluation of this transition process any impact of this new enrollee-post-payment exclusion will be considered and implemented before final transition occurs;

20. The Department will continue this advance and reconciliation payment as an ongoing process throughout Fiscal Year 2005 and until such time as an evaluation and stakeholder-involved decision-making process determines that conversion to a post-payment system can be accomplished within the context of the core principles of this initiative;

Evaluation of the Conversions

21. The Department will analyze, after at least six months experience but not more than nine months experience, and at regular intervals thereafter, the efficiency of this process and identify the benefits, if any, of conversion to a post-payment schedule of payment. This analysis will be detailed in a written report that is to be delivered to all of the members of the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any), the Senate Health & Human Services Committee and the Governor upon completion of the analysis;
22. If movement to a post-payment process is recommended by the evaluation, the Department will collaborate with the provider community and other appropriate stakeholders, including the House Special Committee on Fee-For-Service Initiatives and the Senate Health & Human Services Committee. The fiscal mechanisms that will be used to achieve the purposes of the fee-for-service conversion as set forth in this Memorandum of Understanding during the transition to a fee-for-service methodology will be determined at least one quarter of a fiscal year prior to the actual transition taking place. The Department will report on this fiscal mechanism to the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any), the Senate Health & Human Services Committee and the Governor;
23. Evaluations of the conversions must be based on the following issues:
 - A consumer's ability to choose CILA and/or Developmental Training providers;
 - Quality of the services funded;
 - Fiscal suitability of the involved provider agency;
 - Impact on the conversion initiatives primary objectives;
 - Assess the benefits and viability of moving either of these converted programs to post-payment process, including how this might be achieved within the context of the core principles;
 - Assess each individual provider to ascertain the viability of excluding new Developmental Training consumers from the advance payment, with a commitment from the Department to remove this exclusion in the event the assessment reveals that the current plan can not be universally applied;

Review of Rate Methodologies and Payment Levels

24. The Department will employ an independent 3rd party consultant to undertake an analysis of the historical costs of all community services provided through the Division of Developmental Disabilities. This analysis will evaluate historical costs within the system against other publicly funded programs including other states' programs and other private sector programs and existing fiscal policy and articulate the relationship between expenditures, individual need and quality. An extensive status report must be completed and reported to all members of the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any), the Senate Health & Human Services Committee and the Governor in writing by March 31, 2005, and a final analysis by April 30, 2005;

Investing new Federal Medicaid Revenue and/or General Fund Savings

25. The Governor's Office of Management and Budget will propose an allocation of \$3.5 million (annualized) as an addition to the existing Fiscal Year 2005 Governor's budget appropriation amount in recognition of the new revenue generated by the conversion project. This would be for enhancements to the community system supported by the Division of Developmental Disabilities;
26. Should the increased federal Medicaid revenue claimed as a result of this conversion project in Fiscal Year 2005 exceed \$16.7 million the Governor's Office of Management and Budget will propose an appropriations increase to the Developmental Disability community based providers equal to one-third (1/3) of the excess as an increase to the base appropriation carried forward into Fiscal Year 2006. This allocation will be deposited into the newly created Community Developmental Disabilities Medicaid Trust Fund;
27. The Governor's Office of Management and Budget will propose to allocate to the providers a minimum of one-third of any additional new revenues beyond the \$16.7 million in Fiscal Years 2006 and 2007 with the consideration of increasing this amount if documented need within the system is established;
28. If the Governor's Office of Management and Budget imposes a general reserve requirement across most or all State agencies, this reserve will not be imposed upon Developmental Disability Community providers or intermediate care facilities for the developmentally disabled;
29. Any written report agreed to be provided by a party to this Memorandum of Understanding must also be provided to the Speaker of the House, the House Minority Leader, the President of the Senate, and the Senate Minority Leader.

IN WITNESS WHEREOF, the Parties have caused this Memorandum of Understanding to be executed by their authorized representatives on the 2nd day of July, 2004.

For the Governor's Office of Management and Budget:



John Filan, Director

For the Department of Human Services:



Carol L. Adams, Secretary



Barbara Flynn Currie, Chairperson
House Special Committee on Fee-For-Service Initiatives



Rosemary Mulligan, Republican Spokesperson
House Special Committee on Fee-For-Service Initiatives



Mattie Hunter, Vice-Chairperson
Senate Health & Human Services Committee



Dale Righter, Republican Spokesperson
Senate Health & Human Services Committee