State of New York
Office of the State Comptroller
Division of Management Audit

DEPARTMENTS OF SOCIAL SERVICES AND HEALTH

LONG TERM HOME HEALTH CARE PROGRAM

REPORT 95-S-136

H. Carl McCall

Comptroller

State of New York
Office of the State Comptroller

Division of Management Audit

Report 95-S-136

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Barbara A. DeBuono, M.D.
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Dear Mr. Wing and Dr. DeBuono:

The following is our report on the practices of the Department of Social Services and the Department of Health to monitor the costs of the Long Term Home Health Care Program.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit

February 19, 1997

Executive Summary

Departments Of Social Services And Health Long Term Home Health Care Program

Scope of Audit

In 1978, the Federal Health Care Financing Administration (HCFA) granted the Department of Social Services (Social Services) and the Department of Health (Health) a waiver to create and operate the Long Term Home Health Care (LTHHC) program. Under the LTHHC waiver, physically and mentally impaired Medicaid recipients can obtain health and related social support services in their own homes, rather than in more costly nursing homes.

The Social Services Law (Law) and Social Services and Health regulations require that the cost of care for LTHHC program recipients, with the exception of AIDS recipients, be less than the cost of nursing home care at a level that meets an individual's specific care needs. Social Services administers the LTHHC program through local social services districts (districts). Districts are responsible for assessing the care needs of LTHHC applicants and for determining that the cost of care for LTHHC recipients does not exceed the cost of nursing home care, the regulatory cost limit. Health is responsible for developing medical standards, monitoring the quality of care provided and setting reimbursement rates for the LTHHC program. Social Services reports that the LTHHC program is less costly, on average, than nursing home care. For the Federal fiscal year ended September 30, 1995, Medicaid paid LTHHC providers almost $300 million for services to 21,568 recipients.

Our audit addressed the following questions about the practices of Social Services and Health to oversee the cost of the LTHHC program for the period October 1, 1992 through July 11, 1996:

- Is Social Services effective in controlling LTHHC program costs?
- Do Social Services and Health adequately monitor the LTHHC program to ensure that recipients' cost of care is less than the cost of nursing home care?

Audit Observations and Conclusions

According to Social Services and Health officials, the LTHHC program has enabled many recipients to obtain home care services that are less expensive than nursing home services. However, we found that Social Services has no mechanism to monitor expenses for LTHHC recipients, and that the cost of services for a significant number of LTHHC recipients exceeded the regulatory limit. Thus, Health and Social Services are not ensuring that the LTHHC program meets its legislative intent of providing home care services at a lower cost than nursing home care.

According to the Law and regulations, total annual expenditures for an LTHHC recipient must not exceed 75 percent of the cost of care in the appropriate level nursing facility. There are two exceptions to the cost limits: (1) the cost for recipients with special needs may exceed 75 percent, but not 100 percent of nursing home costs; (2) the cost for AIDS recipients is not

subject to the limit. Using computer assisted audit techniques, we examined all 11.4 million Medicaid claims, valued at a total cost of $861 million, for services provided to LTHHC recipients during a 24-month period ended September 30, 1995. After we excluded recipients with AIDS, we found that if recipients needed a lower level of care, the cost of LTHHC services exceeded the cost of nursing home care by at least $34.9 million, and by as much as $72.4 million. If recipients needed a higher level of care, LTHHC costs exceeded nursing home care by at least $14.6 million, and by as much as $29.2 million. We recommend that Social Services perform regular monitoring of LTHHC to ensure compliance with regulatory cost limits. (See pp. 5-7)

We also found that the LTHHC program differs from other home care programs in a number of ways.

- Under the Federal waiver, LTHHC recipients can receive 11 additional services for which Medicaid does not normally pay. We found that LTHHC recipients use only two of the 11 "waiver" services regularly, at a cost of about $19 million annually. Recipients in other home care programs also receive some of these services, but their services are paid for by other funding sources.

- Social Services reports that LTHHC provider rates are about 47 percent higher than provider rates for similar services in other home care programs.

- Participants in the LTHHC program can qualify for Medicaid using more lenient nursing home financial criteria than used by participants in other home care programs. As a result, LTHHC participants are allowed to retain more assets and receive a higher monthly income than recipients in other home care programs.

With the development of other home care programs in New York State, Health needs to assess whether the LTHHC program is providing the most essential home care services to Medicaid recipients in the most cost effective manner. We also recommend that Health officials examine the continued need for waiver services, the reasons for the higher rates paid to LTHHC providers and the disparities in Medicaid qualifying criteria among home care programs. (See pp. 7-9)

Comments of Officials

Health officials stated they place a high priority on monitoring the cost effectiveness of the LTHHC program. Health officials indicate that they anticipate that recommendations contained in the Task Force on Long Term Care Financing Report as well as the issues presented in this audit report will be incorporated in the legislative negotiations for the 1997-98 State fiscal year. Social Services officials stated their intentions to continue to monitor the LTHHC program and conduct LTHHC audits as necessary.

Contents

Introduction

Background

The Department of Social Services (Social Services) administers the State's Medical Assistance Plan (Medicaid), which was established in accordance with Title XIX of the Federal Social Security Act to provide medical assistance to needy people. In New York, the Federal, State and local governments jointly fund the Medicaid program. Social Services contracts with a fiscal agent to process Medicaid claims and make payments to service providers. The fiscal agent processes Medicaid claims and pays providers for services rendered to eligible Medicaid recipients through the Medicaid Management Information System (MMIS), a computerized payment and information reporting system.[1]

In 1978, the Federal Health Care Financing Administration (HCFA) granted Social Services and the Department of Health (Health) a waiver to create and operate the Long Term Home Health Care (LTHHC) program. Under the LTHHC waiver, physically and mentally impaired Medicaid recipients can receive health and related social support services in their own homes, rather than in more costly nursing homes. Health care providers who deliver LTHHC home care services perform health-essential household tasks; monitor the recipient's medical condition; and provide nursing, physical therapy, occupational therapy, speech pathology and audiology services. The cost of care for recipients in the LTHHC program also includes ancillary services; such as, physician, medical equipment, pharmacy, inpatient, transportation, labs and x-ray services. Further, the waiver allows LTHHC providers to receive Medicaid reimbursement for 11 additional services (or "waiver" services), like nutritional counseling, for which Medicaid does not normally pay.

Social Services and Health believe that their operation of the LTHHC program has enabled many recipients to obtain home care services that are less expensive than nursing home services. When the LTHHC program was initiated in 1978, home care services were not widely available to Medicaid recipients. However, since the mid-1980s, Social Services and Health have developed and operated at least 14 other home care programs, including the Certified Home Health Agency program and the Licensed Home Care Service Agency program.

Health is responsible for developing medical standards and monitoring the quality of care provided to all patients. Health also sets reimbursement rates

[1] During our audit period, Social Services administered Medicaid and MMIS through its fiscal agent, Computer Sciences Corporation. After October 1, 1996, the Department of Health became responsible for administering Medicaid and MMIS.

for the LTHHC program. Social Services administers the LTHHC program through the local social services districts (districts). The districts' responsibilities include assessing the care needs of the LTHHC applicants and determining whether the LTHHC program provides essential home care services at a cost that is less than the cost of nursing home care.

The Law and regulations require that the cost of care for LTHHC program recipients, with the exception of AIDS recipients, be less than the cost of nursing home care at a level that meets an individual's specific care needs. Social Services reports that LTHHC program is less costly on average than nursing home care. For the Federal fiscal year ended September 30, 1995, Medicaid paid LTHHC providers almost $300 million for services to 21,568 recipients.

Audit Scope, Objectives and Methodology

We audited the practices of Social Services and Health that relate to overseeing the costs associated with the LTHHC program for the period October 1, 1992 through July 11, 1996. The objectives of our performance audit were to assess whether Social Services is effectively monitoring and controlling the costs of the LTHHC program, and whether Social Services and Health are providing oversight adequate to ensure that LTHHC program costs are lower than those of nursing home care.

To accomplish our audit objectives, we interviewed officials from Social Services and Health, surveyed local social services district practices, and reviewed applicable Medicaid payment policies, procedures, rules and regulations that pertain to the LTHHC program. We developed computer programs to extract and analyze Medicaid claims information for Medicaid recipients in the LTHHC program to evaluate claims payment controls and compare LTHHC costs to nursing home cost limits. The claims we compared and analyzed for the 24-month period ended September 30, 1995 related to home care services and ancillary care services. Since there is no limit to the cost of care for AIDS recipients, we eliminated these recipients from our cost comparison by using a recipient file provided by Social Services to identify LTHHC recipients with AIDS.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess the operations of the agencies that are included in our audit scope. Further, these standards require that we understand these agencies' internal control structures and their compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made

by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Response of Social Services and Health Officials to Audit

Draft copies of this report were provided to Social Services and Health officials for their review and comment. Their comments have been considered in preparing this report and are included as Appendix B and Appendix C, respectively.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioners of Social Services and Health shall report to the Governor, the State Comptroller and leaders of the Legislature and fiscal committees, advising what steps were taken to implement recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Total Cost of the Long Term Home Health Care Program

Our analysis found that, for a significant number of recipients, the total cost of LTHHC home care services is higher than the cost of nursing home care, the regulatory cost limit. In examining the cost of various LTHHC services, we found that Medicaid reimbursement for waiver services may contribute to the higher cost of care; moreover, funding for such services may be available from other sources. We also found that Health needs to determine why home care services delivered by LTHHC providers cost 47 percent more than similar services from other home care providers.

The Program's Overall Cost vs. the Regulatory Limit

According to the Law and Social Services and Health regulations, the LTHHC program's total annual expenditures for an LTHHC recipient must not exceed 75 percent of the cost of skilled nursing home services (SNF) or health related services (HRF), whichever level of care is appropriate for the individual. An SNF-level recipient has one or more clinically determined illnesses or conditions which require medical nursing care and other rehabilitative services. An HRF-level recipient has a clinically determined illness or condition, but does not require the higher level of care provided by an SNF.

There are two exceptions to the cost limits set forth in the regulations: for certain recipients with special needs, the cost of care can exceed the 75 percent limit, but must not exceed 100 percent of the cost of nursing home care; for recipients with AIDS, there is no regulatory limit to the cost of care.

Social Services reports that, on average, the LTHHC program is approximately 50 percent less costly than nursing home care. However, in examining the LTHHC costs for each individual in the LTHHC program, we determined that the cost of care for many LTHHC recipients exceeded the nursing home regulatory cost limits. We believe this occurred because Social Services had no procedures in place to monitor or control the expenses providers bill Medicaid for services to LTHHC recipients.

We analyzed all Medicaid claims paid for LTHHC recipients during the 24-month service period ended September 30, 1995. We examined 11.4 million claims for home care and ancillary services provided to 49,137 recipients at a total cost of $861 million. We compared each LTHHC recipient's total cost of care with the cost of nursing home care and determined that the total cost of care for many recipients exceeded the regulatory limits, depending on the level of care received. If recipients were provided with HRF care, we determined that the cost of care for 6,100 recipients exceeded the 75 percent limit by $72.4 million, and that the cost of care for 2,221 recipients exceeded

the 100 percent limit by $34.9 million. If recipients were provided with SNF care, we determined that the cost of care for 1,712 recipients exceeded the 75 percent limit by $29.2 million, and that the cost of care for 583 recipients exceeded the 100 percent limit by $14.6 million.

We recognize that these amounts do not necessarily represent inappropriate payments. However, they do reveal that the LTHHC program, in a significant number of cases, is not meeting its legal and regulatory requirement to provide home care at a cost that is less than or equal to nursing home care. The following tables show five recipients whose cost of care exceeded the nursing home regulatory cost limits during the service period we examined.

TOTAL LTHHC AND ANCILLARY EXPENSES COMPARED WITH HRF COST LIMITS

Recipient	County	Year	Total Cost of LTHHC Care	HRF 75% Cost Limit	Excess Over HRF 75% Limit	HRF 100% Cost Limit	Excess Over HRF 100% Limit
#1	Nassau	1994	$74,309	$28,452	$45,857	$37,944	$36,365
		1995	$95,081	$29,016	$66,065	$38,688	$56,393
#2	Nassau	1994	$91,139	$28,452	$62,687	$37,944	$53,195
		1995	$72,624	$29,016	$43,608	$38,688	$33,936
#3	Westchester	1994	$77,635	$29,460	$48,175	$39,288	$38,347
		1995	$60,622	$30,024	$30,598	$40,032	$20,590
#4	Westchester	1994	$77,973	$29,460	$48,513	$39,288	$38,685
		1995	$63,744	$30,024	$33,720	$40,032	$23,712
#5	NYC	1994	$89,862	$32,124	$57,738	$42,840	$47,022
		1995	$74,570	$32,904	$41,666	$43,872	$30,698

TOTAL LTHHC AND ANCILLARY EXPENSES COMPARED WITH SNF COST LIMITS							
Recipient	**County**	**Year**	**Total Cost of LTHHC Care**	**SNF 75% Cost Limit**	**Excess Over SNF 75% Limit**	**SNF 100% Cost Limit**	**Excess Over SNF 100% Limit**
#1	Nassau	1994	$74,309	$43,056	$31,253	$57,408	$16,901
		1995	$95,081	$44,100	$50,981	$58,800	$36,281
#2	Nassau	1994	$91,139	$43,056	$48,083	$57,408	$33,731
		1995	$72,624	$44,100	$28,524	$58,800	$13,824
#3	Westchester	1994	$77,635	$40,572	$37,063	$54,096	$23,539
		1995	$60,622	$41,412	$19,210	$55,224	$5,398
#4	Westchester	1994	$77,973	$40,572	$37,401	$54,096	$23,877
		1995	$63,744	$41,412	$22,332	$55,224	$8,520
#5	NYC	1994	$89,862	$46,752	$43,110	$62,352	$27,510
		1995	$74,570	$46,616	$27,954	$63,480	$11,090

We believe it is very unlikely that any of these five cases involve AIDS recipients, for whom the cost of the LTHHC program services is not limited to the cost of nursing home care. We performed numerous computer matches expressly to exclude such recipients from our analysis. Further, we gave this information to Social Services and Health officials, and requested that they omit any AIDS recipients found to be included in our analysis. Agency officials did not omit any of the five cases.

The Cost of Program Services

The LTHHC program offers recipients additional services that are not available through the other 14 home care programs operating in the State. The Federal waiver allows Medicaid reimbursement for 11 "waiver" services, in addition to home care services, for which Medicaid would not normally pay. These services include medical social services, nutritional counseling, home delivered meals, social day care, social transportation, respiratory therapy, housing improvements, respite care, moving assistance, home maintenance tasks, and the personal emergency response system (PERS). The waiver services cost about $19 million annually and represent about 7 percent of the LTHHC program's annual cost of almost $300 million.

Our review of waiver services for the period January 1, 1993 through December 31, 1994 found that, from among the services available, LTHHC

recipients use only PERS and medical social services on a regular basis. Further, Social Services officials stated that recipients in other home care programs also receive some of these services, but not at Medicaid expense. In other home care programs, such as the Certified Home Health Agency and Licensed Home Health Care programs, payment for additional services is obtained through local districts or through community and civic groups. Since other sources are available to pay for the few waiver-type services LTHHC recipients regularly use, Medicaid may not need to continue to pay for these services for its LTHHC recipients.

Social Services also reported that the cost of LTHHC provider rates are 47 percent higher than provider rates for similar services in other home care programs. From our review of the LTHHC program, we were unable to determine whether the higher payment rates were justified. Social Services and Health attribute the higher costs of the LTHHC program to "case management," or providers' efforts to coordinate and deliver home care services. However, case management is not a function unique to LTHHC providers; all home care providers coordinate services for their clients. LTHHC providers also state that providing waiver services causes them to incur higher case management costs. However, since Medicaid pays for waiver and home care services separately, and since recipients' use of waiver services appears relatively low, we question how much the delivery of waiver services impacts providers' overall case management cost.

We also found that Health's financial reporting requirements do not specify that providers must identify and report case management costs as a separate category of expense, even though providers contend that case management is a significant business cost. As a result, Health officials, who calculate providers Medicaid reimbursement rates, do not know what constitutes providers' case management expense.

Further, we noted that the financial requirements to qualify for Medicaid under the LTHHC program are generally more lenient than the requirements to qualify for Medicaid under other home care programs, even though all the recipients receive home care services. For the year ended September 30, 1995, 21,568 LTHHC recipients had qualified for Medicaid according to the more lenient financial criteria for nursing home care, even though they were not in nursing homes. On the other hand, 196,000 recipients in other home care programs had to meet more stringent Medicaid eligibility criteria. The following table depicts the impact of the disparities in Medicaid financial eligibility for home care services:

COUPLE APPLYING FOR HOME CARE	ALLOWABLE MONTHLY INCOME	MAXIMUM ALLOWED RESOURCES	CASH IN BANK AT MEDICAID APPLICATION	MEDICAID ELIGIBILITY APPROVED
HOME CARE	$ 809	$ 4,850	$80,000	NO
LTHHC	$1,969	$80,000	$80,000	YES

The couple applying for home care services would be denied Medicaid eligibility until they had depleted their resources to the level of $4,850. Comparatively, the LTHHC couple would be immediately eligible for Medicaid, even though they had resources of as much as $80,000 and a monthly income more than twice as great as that allowed the couple receiving other home care services.

With the development of other home care programs in New York State, Health needs to assess whether the LTHHC program is providing the most essential home care services to Medicaid recipients, and whether it is providing these services in the most cost effective manner.

Recommendations

Social Services

1. Perform regular monitoring of the cost of program services for each LTHHC recipient to ensure compliance with the program's regulatory cost limits.

(Social Services officials stated they have performed audits of long term home health care service costs, which were labor intensive and yielded no significant findings in the areas of cost reporting or lack of compliance with Health regulations. Although Social Services completed three audits of LTHHC providers during the period covered by our audit, the purpose of these audits was to validate the costs and associated information reported on the providers' financial reports. The scope of these audits provided no assurance that recipients' LTHHC costs were in compliance with the LTHHC regulatory cost limits. While Social Services indicates its intentions to continue to monitor the LTHHC program and conduct LTHHC audits as necessary, it is important that the scope of these audits address recipients' compliance with the regulatory cost limits.)

Recommendations (continued)

Health

2. Research alternatives that can provide the most essential home care services in the most cost effective manner and address the following issues:

   - **!** the need for Medicaid to continue to pay for waiver services;
   - **!** the reasons LTHHC providers receive higher payment than providers in other programs for delivering similar home care services; and
   - **!** the disparities in Medicaid financial eligibility for home care services.

(Health officials stated that they place a high priority on monitoring the cost effectiveness of the LTHHC program and constantly seek to improve that process. According to Health officials, past attempts to limit rates or change the delivery of services under the LTHHC program through the Executive Budget process have not been adopted by the Legislature. Prospectively, Health officials note that they anticipate that the recommendations contained in the Task Force on Long Term Care Financing Report, such as those to develop cost effective service delivery approaches that appeal to the private sector and allow for Medicaid to participate in an inherently cost effective manner, as well as the issues presented in this audit report, will be incorporated in the legislative negotiations for the 1997-98 State fiscal year.)

3. Modify current financial reports to require providers to identify case management as a separate category of expense.

(Health officials do not support this recommendation. While Health officials acknowledge that case management may be one variable that is increasing the cost of the LTHHC program, they also note that such costs represent only one component of the array of costs that may contribute to higher LTHHC costs. The officials indicate that over the course of time needed to collect case management data, changes in the delivery of home health care services will be made at a more global level, such as focusing on delivering long term care services through long term managed care programs.)

Regulatory Audits of LTHHC Providers' Cost Reports

In recent years, the Federal government has studied the home care industry and concluded that it is particularly susceptible to fraud, abuse and illegal acts. As a result of these findings, the Federal government has initiated "Operation Restore Trust" to combat deficiencies in the home care industry. In June 1995, the Federal Office of Inspector General (OIG) issued a fraud alert which identified illegal practices occurring in the home care services field with regard to Medicare and Medicaid billings. The OIG has audited home health providers' cost reports to determine if providers are reporting only allowable expenses. Although New York State providers were not included in this audit, the OIG's audit results determined that home care providers sometimes claim inappropriate expenses as costs of doing business.

In 1995, there were 108 LTHHC providers in New York State. Health's regulations require all LTHHC providers to submit annual financial reports which document that costs are reasonable, necessary and properly chargeable to patient care. Health calculates MMIS payment rates based on the information contained in these reports. According to Health's regulations, these reports are subject to audit for a period of six years subsequent to filing. However, we found that Social Services, which is responsible for auditing these providers, is not performing regular audits to ensure that providers' costs meet Health's requirements of being reasonable, necessary and chargeable to patient care. During the audit period, Social Services audited only three of the 108 LTHHC providers, and did not have a schedule to regularly perform such audits.

According to Social Services, LTHHC audits have not received a high priority because Social Services' resources are devoted to more productive audits. However, we believe that Social Services needs to perform compliance audits to monitor providers and to ensure that they comply with Health's regulations concerning LTHHC allowable costs. Without such monitoring, LTHHC providers could be claiming costs that cause overstated MMIS reimbursement rates, and result in inappropriate payments to providers.

Recommendation

Social Services

4. Audit LTHHC providers' financial data to ensure compliance with Health's regulations. When instances of noncompliance are identified, develop measures to adjust rates and recover inappropriate MMIS payments.

(Social Services officials stated their intentions to continue to monitor the LTHHC program and conduct LTHHC audits as necessary. Social Services officials stated they have performed audits of long term home health care service costs, which were labor intensive and yielded no significant findings in the areas of cost reporting or lack of compliance with Health regulations. Hence, they decided not to proceed with these audits to all providers. The officials also stated that our audit produced no findings in this area. However, the objectives of our audit were to assess whether Social Services is effectively monitoring and controlling the costs of LTHHC program and whether Social Services and Health are providing oversight adequate to ensure that LTHHC program costs are lower than nursing home costs. We did not audit LTHHC providers' financial data to ensure regulatory compliance and therefore had no findings to report to Social Services. Recent audits of home care providers conducted by the Federal government have uncovered several instances of illegal acts among health care providers. Therefore, we encourage Social Services to continue to monitor this program through the audit process.)

Major Contributors to This Report

Jerry Barber
Frank Houston
Kevin McClune
Lee Eggleston
Don Paupini
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BRIAN J. WING
Acting Commissioner

DAVID P. AVENIUS
Deputy Commissioner
Management Support and
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December 19, 1996

Mr. Kevin M. McClune
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A.E. Smith State Office Building
Albany, New York 12236

Re: OSC Draft Report: Monitoring Costs of the Long Term Home Health Care Program 95-S-136 (96-030)

Dear Mr. McClune:

This is our response to the two recommendations in the referenced report that pertain to this Department.

Recommendation: Perform regular monitoring of the cost of program services for each LTHHC recipient to ensure compliance with the program's regulatory cost limits.

Recommendation: Audit LTHHC providers' financial data to ensure compliance with Health's regulations. When instances of noncompliance are identified, develop measures to adjust rates and recover inappropriate MMIS payments.

Response: The Department's Office of Quality Assurance & Audit (QA&A) has performed audits of long term home health care service costs. The audits which were conducted for the 1995 rate year proved to be extremely labor intensive, and yielded no significant findings in the areas of cost reporting or lack of compliance with DOH regulations. The Department's decision not to proceed with these audits to all providers was made because it would not be cost beneficial to do so. Furthermore, when OSC was questioned about any possible findings that their review may have uncovered, none were provided. Nevertheless, the Department had planned on and will periodically continue to monitor this program and conduct LTHHC audits as necessary.

Thank you for sharing this report with us.

Sincerely,

David P. Avenius

STATE OF NEW YORK
DEPARTMENT OF HEALTH

Corning Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Barbara A. DeBuono, M.D., M.P.H.
Commissioner of Health

Dennis P. Whalen
Executive Deputy Commissioner

January 24, 1997

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Alfred E. Smith Office Building
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Dear Mr. McClune:

Enclosed are revised comments to the Comptroller's draft audit 95-S-136 concerning the Long Term Home Health Care Program.

Based on our discussions with Don Paupini of your staff, revisions have been made to the department's comments submitted by Doctor DeBuono on January 17, 1997 as follows:

- the second paragraph in Response #2 has been deleted.

Thank you for the opportunity to comment.

Very truly yours,

Robert W. Reed
Director
Fiscal Management Group

enclosure
cc: Dr. DeBuono
Dr. Barhydt
Mr. Cahill
Mr. Daniels
Mr. Dembrosky
Mr. Doherty
Ms. Farlow
Ms. Gill
Dr. Guy
Mr. Howe
Ms. Kohler
Mr. Miller
Mr. Norton
Mr. Osten
Mr. Taylor
Mr. VanDeCarr
Mr. Van Guysling

Department of Health
Comments on the
Office of the State Comptroller's
Draft Audit Report 95-S-136 Entitled
"Long Term Home Health Care Program"

The following is in response to the draft audit report issued by the Office of the State Comptroller (OSC) regarding the Cost Effectiveness of the Long Term Home Health Care (LTHHC) Program. The department has no comment on recommendations 1 and 4, since they pertain to the Department of Social Services.

Recommendation #2:

Research alternatives that can provide the most essential home care services in the most cost effective manner and address the following issues:

- the need for Medicaid to continue to pay for waiver services;
- the reasons LTHHC providers receive higher payment than providers in other programs for delivering similar home care services; and
- the disparities in Medicaid financial eligibility for home care services.

Response #2:

The department places a high priority on monitoring the cost effectiveness of the LTHHC program, and constantly seeks to improve that process. The results of these efforts are demonstrated to the Health Care Financing Administration on an annual basis. The basic decision making for the approval of home care plans is at the provider and local district level, and we believe that local districts have taken a more active role in the approval of care plans in the last two years.

In the past attempts to limit rates or change the delivery of services under the LTHHCP through the Executive Budget process have not been adopted by the Legislature. For example, in SFY 92/93 a cap on administrative and general costs was imposed on both CHHA and LTHHCP. In SFY 95/96, the cap was eliminated from the LTHHCP but extended for the CHHA. In the initial 96/97 SFY budget, large scale changes were proposed for the delivery of home care services through block grants to the counties. However, this approach was not passed by the Legislature.

For the future, the Task Force on Long Term Care Financing Report issued earlier this year put forth several recommendations regarding long term care in New York State. One of these recommendations was to develop cost effective service delivery approaches that appeal to the private sector and allow for Medicaid to participate in an inherently cost effective manner. Another was to increase personal responsibility in paying for long term care services, while preserving Medicaid as a safety net for the poor and those who have fulfilled their obligations by providing the appropriate amount of private funding. This would include tightening the rules by which individuals become eligible for Medicaid long term care in New York. It is anticipated that the Task Force Report will play a significant role in the upcoming legislative negotiations for the 1997/98 state fiscal year. It is expected that issues presented in the OSC audit report will be discussed as part of the negotiations.

Recommendation #3

Modify current financial reports to require providers to identify case management as a separate category of expense.

Response #3

Case management may be one variable that is increasing the cost of the LTHHCP; however, it represents only one component of a vast array of costs that may contribute to higher LTHHCP rates. To focus on this one component and evaluate the impact of case management costs on home care, it would be necessary to collect data from all home care providers, not just the LTHHCP. This places an additional reporting burden on all home care providers in the state.

Furthermore, changing all financial reports to include case management as a separate cost center requires prior notification that these costs and statistics are now required to be maintained by the program. Based on that, the earliest this financial data would be available for use in adjusting rates would by SFY 2000/2001.

Having the data which may support the theory that LTHHCPs incur higher case management costs will not by itself result in lower rates. An evaluation would be needed to determine the reasonableness of these costs and regulatory or statutory changes implemented.

Considering the length of time to collect the data, evaluate it and institute any regulatory or legislative changes and the uncertainty as to whether collecting this data will produce the desired answers, the department does not support this recommendation. Over the course of time necessary to obtain this data, the department anticipates that changes in the delivery of home health care services will be made at a more global level, such as focusing on delivering long term care services through long term managed care programs.