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Assisted Living Rate Methodology Overview

Provider Finance Department

April 30, 2021

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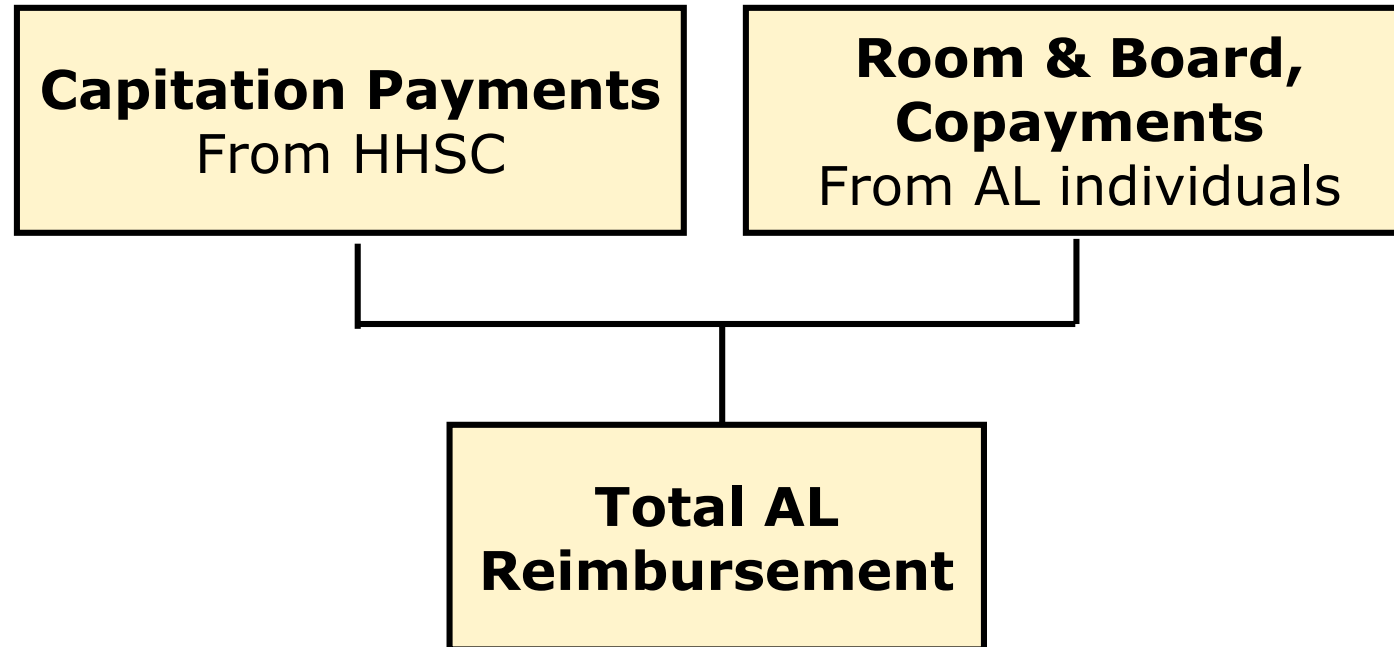
HHSC Assisted Living Program

- Assisted Living Facilities (ALFs) provide individualized health and personal care assistance in a homelike setting with an emphasis on personal dignity, autonomy, independence and privacy.
- ALFs can be large apartment-like settings or private residences.
- Settings vary between Apartment Single occupancy; Apartment Double Occupancy; and Non-Apartment



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Assisted Living Total Reimbursement



Source: STAR+PLUS HCBS Handbook Sec. 3236
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Step 1: Cost Reporting

Allowable expenses reported on AL cost reports are used to determine per diem reimbursement for the following four cost areas:

- Attendant costs
- Other direct care costs
- Facility costs
- Administration and transportation costs



Step 2: Occupancy Adjustments

- Facility, transportation (vehicle), and administration costs are lowered to reflect the expenses for a provider with an occupancy rate below the target occupancy rate.
- The target occupancy rate is the lower of:
 - 85%, or
 - The overall average occupancy rate across all providers in the cost report database.
- For providers with occupancy rates lower than the target rate, the provider's occupancy rate is divided by the target occupancy rate.



Step 3: Inflated Cost per Day

- For each cost report and each of the four cost areas, the following calculation is performed:

$$\frac{\text{Allowable expense} \times \text{Inflation factor*}}{\text{Total days of service}}$$

- For each cost area, the median among all cost reports is used and multiplied by 1.07.

Inflation factor is not multiplied by depreciation or mortgage interest Source for 1.07 Factor: 1 TAC §355.509(c)(1)(E)
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Step 4: Case-Mix Adjustment

For the attendant cost area, the amount is then multiplied by the case mix index determined for each AL level 1-6.

- The six acuity levels for each of the three facility occupancy types are based on the Nursing Facility (NF) program Resource Utilization Group (RUG-III, 34-grouper) classification system.
- The AL methodology uses data originally from a 1987 time study, which is based on the NF methodology before RUG-III, called the Texas Index for Level of Effort



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Assisted Living Acuity Payment Groups

Group	RUG
Level 1	SSC, CC1, RAD, CC2, PE2, SE3, SE1
Level 2	RAA, RAB, CB1, RAC, CB2, SE2, PD2, PE1, SSB
Level 3	CA2, PC1, BB1, IB1
Level 4	SSA, PC2, BB2, IB2 PD1
Level 5	PB1, CA1, PB2
Level 6	PA1, BA1, PA2, BA2, IA1, IA2



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Source: Appendix XVI, Long Term Services and Supports Codes and Modifiers
HHSC Provider Finance Department

Capitation Rates

- The Health and Human Services Commission (HHSC) Provider Finance Department (PFD) calculates fee-for-service (FFS) equivalent rates for the AL program.
- The FFS equivalent rates are used by HHSC Actuarial Analysis to calculate capitation rates for managed care organizations (MCOs).
- Capitation rates are established through a mathematical analysis that evaluates past experience, risk, and FFS rate modifications.



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Room & Board Payments

- Room & board is paid to the provider by the client from the client's Supplemental Security Income (SSI), less a personal needs allowance of \$85.
- When SSI amounts are increased by the Social Security Administration, HHSC decreases AL rates in amounts equal to the increases in SSI received by clients.



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Rate Enhancement

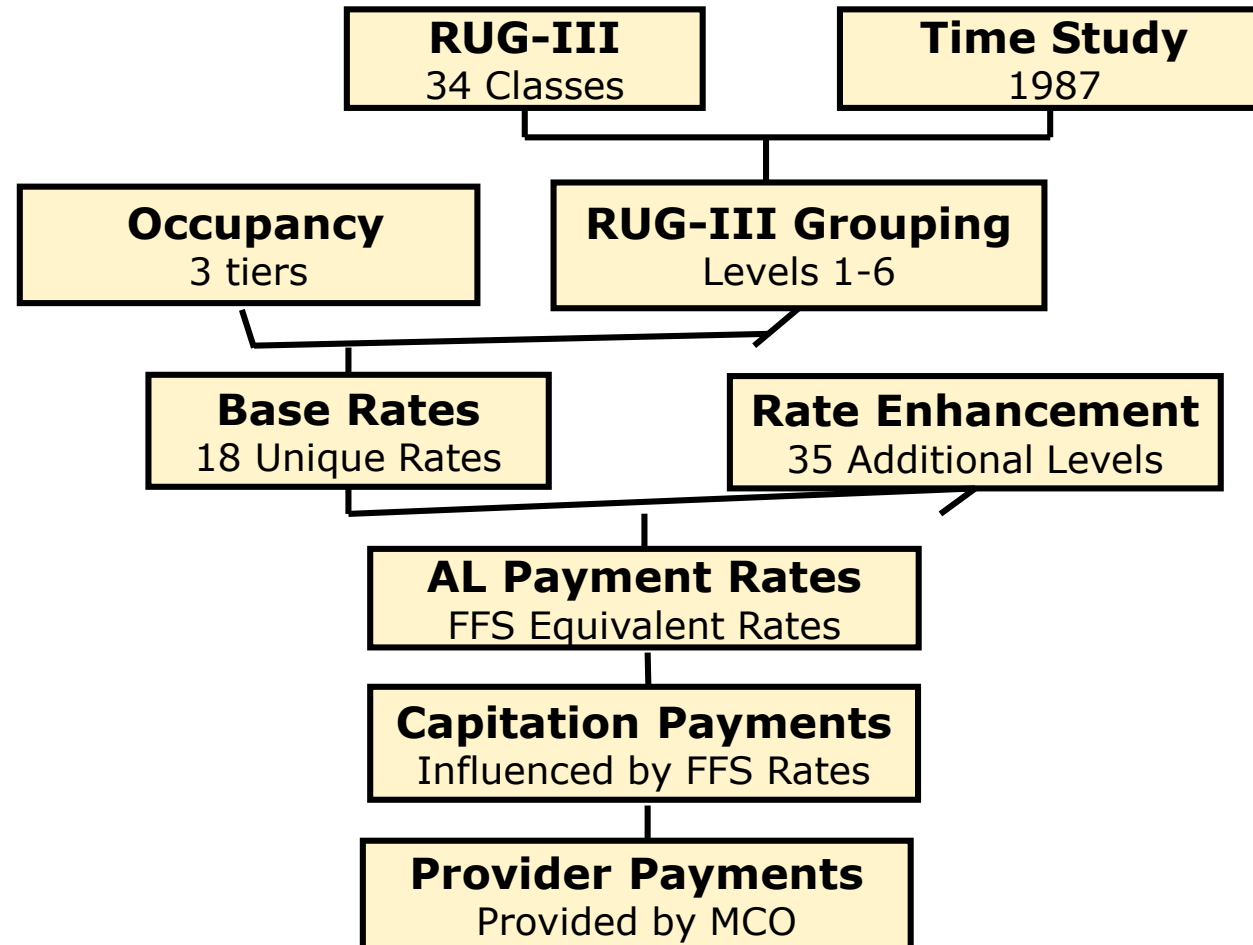
- HHSC has 35 participation levels for AL rate enhancement.
- For each level, \$0.05 is added to the rate. Level 35 is the highest level with \$1.70 added to the Participant Level 1 rate.
- All MCOs participating in the STAR+PLUS program must allow their long-term care providers to participate in the STAR+PLUS Attendant Care Enhancement Program.



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Source: STAR+PLUS Assisted Living Fee-for-Service Rates Effective February 1, 2020
HHSC Provider Finance Department

Assisted Living Rate Methodology Overview



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Rate Methodology Evaluation

- HHSC PFD has contracted with Deloitte Consulting to evaluate and propose revisions to the AL rate methodology for Texas Medicaid.
- We are currently engaged in a process to engage with stakeholders on these potential methodology changes.



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Questions

**Provider Finance
Long-Term Services and Supports
Email: PFD-LTSS@hhs.texas.gov**

References

- Appendix XVI, Long Term Services and Supports Codes and Modifiers <https://hhs.texas.gov/laws-regulations/handbooks/sph/appendices/appendix-xvi-long-term-services-supports-codes-modifiers>
- HHS Assisted Living Facilities (ALFs) <https://hhs.texas.gov/doing-business-hhs/provider-portals/long-term-care-providers/assisted-living-facilities-alf>
- STAR+PLUS Assisted Living Fee-for-Service Rates Effective February 1, 2020 (page 4-5) <https://rad.hhs.texas.gov/sites/rad/files/documents/long-term-svcs/2020/2020-02-rc-rates1.pdf>
- STAR+PLUS Handbook, Section 3000 <https://hhs.texas.gov/laws-regulations/handbooks/sph/section-3000-starplus-hcbs-program-eligibility-services>
- STAR+PLUS MRSA Contract Terms and Conditions <https://hhs.texas.gov/sites/default/files/documents/services/health/medicaid-chip/programs/contracts/starplus-mrsa-contract.pdf>
- Texas Administrative Code Title 1 Section 355.509 [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=1&pt=15&ch=355&rl=509](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=1&pt=15&ch=355&rl=509)



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