



COMMISSIONER
Adelaide Horn

February 6, 2009

To: Home and Community-based Services (HCS) Providers

Subject: Information Letter No. 09-21
Communication to all Foster/Companion Care Providers Regarding the Redistribution of the HCS Monthly Administration and Operations Fee

The purpose of this letter is to require HCS Program providers to distribute copies of the attached letter from the Health and Human Services Commission (HHSC) to all foster/companion care providers contracting with or employed by the program provider so that foster/companion care providers are accurately informed of the upcoming changes to HCS rates. The letter must be distributed to foster/companion care providers by February 13, 2009.

HCS Program providers must comply with this information letter in accordance with *Section II, BB*, of the HCS Program Provider Agreement, which requires providers to "*comply with all HCS policy letters promulgated by DADS that are received by the program provider after the effective date of [the] agreement.*"

If you have any questions about this information letter, please contact the HCS Policy Specialist at (512) 438-3015.

Sincerely,

[signature on file]

Michelle Dionne-Vahalik
Director
Community Services

MDV:ss

Attachment



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

February 6, 2009

ALBERT HAWKINS
EXECUTIVE COMMISSIONER

Dear Foster/Companion Care Provider:

The Health and Human Services Commission (HHSC) will be presenting a proposed rule amendment to the Reimbursement Methodology for Home and Community-Based Services (HCS) to the Medical Care Advisory Committee (MCAC) on March 12, 2009, and to the Texas Department of Aging and Disability Services (DADS) Council on March 18, 2009.

This proposed rule will eliminate the monthly Administration and Operations Fee paid to HCS providers and replace it with a revised set of individual service rates that redistribute (allocate) the funding from the current Administration and Operations Fee across all HCS services. The end result of this rule proposal will be to develop new rates that include the reimbursement of administration and operation costs in each of the individual HCS service rates along with the reimbursement of the direct service costs. This change is being mandated by the federal Centers for Medicare and Medicaid Services (CMS) for the state of Texas to continue to receive federal Medicaid matching funding for the HCS program.

The proposed rule will have no impact on the direct service portion of the rates for any HCS service including the direct service portion of the rate for foster/companion care. Monies paid to HCS providers for the purpose of reimbursing foster/companion care providers and paying the expenses associated with foster/companion care coordination will not change as a result of this rule proposal.

Background

Under the current HCS reimbursement methodology, a monthly Administration and Operations Fee is used to pay HCS providers for certain administration and operation expenses related to various HCS services. The fee is currently \$938.62 per consumer per month or approximately \$11,263 per year. In 2008, a waiver renewal application was submitted to the federal CMS for the HCS waiver program which was set to expire August 31, 2008. During the renewal process, CMS informed HHSC that the monthly reimbursement paid to providers for administration and operations costs was not allowable under the Medicaid program. As a condition of the waiver approval, CMS instructed HHSC to develop and implement a new payment methodology that would not reimburse for administration and operations expenses as a separate monthly payment

but would incorporate those costs into the individual HCS rates. CMS instructed HHSC to have this new payment methodology in place by September 1, 2009.

HHSC assembled a workgroup of advocates and providers to collect data and explore options for redistributing the monthly fee. During the workgroup discussions, some providers raised concerns that a redistribution of this fee would be detrimental to their business practices and would possibly create a disincentive to provide certain types of care. In response to these concerns HHSC submitted a letter to CMS in October 2008, requesting that CMS reconsider their directive to redistribute the monthly fee. CMS responded in January 2009, reaffirming their direction and requiring HHSC to submit a corrective action plan describing action steps and timelines on a plan to discontinue reimbursing for administration and operations expenses as a separate monthly payment and instead incorporate the reimbursement for those costs into the individual HCS rates. CMS has indicated that this change is necessary in order for the State of Texas to continue receiving federal funding for the HCS waiver program.

Proposed Methodology

The proposed methodology considers data collected from the workgroup, data collected from additional foster/companion care providers, cost report data, and comments from interested parties. Under this proposal, administration and operations expenses will be redistributed across all waiver services based on weighted units of service. Monies paid to HCS providers for the purpose of reimbursing foster/companion care providers and paying the expenses associated with foster/companion care coordination will not change as a result of this amendment. The only change will be to the monies paid to the HCS provider for their administration and operations overhead expenses associated with the different services they oversee.

This means that the current non-administration and operations rates for foster/companion care presented below will NOT change as a result of this proposal.

	Intermittent	Limited	Extensive	Pervasive	Pervasive+
Foster/Companion Care, per day ¹	\$44.79	\$48.25	\$65.60	\$89.88	\$117.62

The total rate paid to HCS providers for a day of foster/companion care will change under this proposal, because the total rate will now contain both a component that includes the non-administration and operations rates from above along with a component that is a daily amount for administration and operations costs. The end result will be a new total daily rate paid to HCS

¹ The non-administration and operations rates for foster/companion care include funds for foster/companion care and the expenses associated with foster/companion care coordination and respite. Each of the foster/companion Care rates presented in this table includes \$7.36 for respite and \$6.21 for foster/companion care coordination.

providers for foster/companion care services. HHSC has informed HCS providers of this change and the resulting impact to them by a separate letter that is being provided to all HCS providers.

Implementation Timeline

The current proposed timeline for implementation of a new rate methodology is as follows:

March 12, 2009	Present the proposed rate methodology rule to the MCAC.
March 18, 2009	Present the proposed rate methodology rule to the DADS Council.
April 2009	Publish proposed rate methodology rule in the <i>Texas Register</i> for public comment. The public comment period is 30-days.
April 22, 2009	Public hearing is held on the proposed rate methodology rule.
June 2009	Publication of the adopted rate methodology rule in the <i>Texas Register</i> . Publication in the <i>Texas Register</i> of the notice of the public rate hearing to receive comments on rates developed under a new rate methodology rule.
July 2009	Public rate hearing to receive comments on rates developed under a new rate methodology rule.
September 1, 2009	Effective date of new rates developed under a new rate methodology rule.

Public Comment

Public comment on the proposed rule will be taken at the MCAC and DADS Council meetings, during the 30-day public comment period and during the public rule hearing. The public hearing on the proposed rule is scheduled for April 22, 2009, at 9:30 a.m. in the Lone Star Conference Room of the Health and Human Services Commission, Braker Center, Building H, located at 11209 Metric Boulevard, Austin, Texas, 78758.

A public rate hearing will be scheduled sometime this summer and will be announced in the *Texas Register* once the date and time has been determined.

If you have comments on this proposal, please submit them through one of public comment opportunities listed above. If you have questions about the proposal, please e-mail them to me at pam.mcdonald@hhsc.state.tx.us.

Sincerely,

[signature on file]

Pam McDonald
Director
Rate Analysis for Long Term Care