Report on Group Home Funding Sustainability

Session Law 2017-57

Section 11F.18 A.(e)

August 31, 2018

Report to

Joint Legislative Oversight Committee
on Health and Human Services

and

Fiscal Research Division

North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and
Substance Abuse Services

BACKGROUND

Legislative

Session Law 2017-57, Section 11F.18.A. appropriated to the Department of Health and Human Services (DHHS), Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS), the sum of five million dollars ($5,000,000) in nonrecurring supplemental short-term assistance funds for individuals living in group homes for each year of the 2017–2019 fiscal biennium. The funds are used to provide temporary short-term financial assistance in the form of monthly payments to group homes on behalf of each resident who meets all the criteria stated in Section 11F.18.A. of the law. The requirements of this law were implemented on November 22, 2017, via allocation letters issued by the DMH/DD/SAS Budget and Finance Office to the Directors of each Local Management Entity/Managed Care Organization (LME-MCO).

SECTION 11F.18A.(e) of this law requires that: *"By September 1, 2018, the Department of Health and Human Services shall submit the following to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division:*

> *(1) A list of funding sources for each group home that receives assistance authorized by this section, based on the information provided to the Department pursuant to subdivision (7) of subsection (c) of this section.*
>
> *(2) A plan for sustained funding beyond the 2017-2019 fiscal biennium for group homes that provide services to individuals diagnosed with mental illness or intellectual or developmental disabilities. The plan must be based on an assessment of the number and size of these group homes, their geographic location, current sources of funding for each group home, and any other aspects determined by the Department to affect their viability."*

Session Law 2018-97, Section 11H.9A, on *Study Increasing Group Home Services*, requires a comprehensive plan for increased utilization of 1915(b)(3) services and "in-lieu-of" services as the foundation for sustained operation of licensed supervised living facilities as defined under 10A NCAC 27G .5601(c)(1) and 10A NCAC 27G .5601(c)(3), to be submitted to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division by January 9, 2019. Therefore, this report is an overview and assessment of Group Homes, as further recommendations will be forthcoming.

Group Home History (Adapted from Session Law 2014-100 Legislative Report)

The 10A NCAC 27G .5600(a) and 10A NCAC 27G .5600(c) licensed group homes provide a critical residential option for many adults with mental health (MH) and/or intellectual and other developmental disabilities (IDD) across the state of North Carolina (NC). These homes continue to be a part of the continuum of service for people with disabilities in NC.

In the 1990s, the NC General Assembly approved the then NC Department of Human Resources (DHR) legislative proposal that separated the personal care services costs from the room and board costs and allowed DHR to submit a state plan amendment allowing group homes and adult care homes to bill personal care services for individuals residing in the homes. At the same time, rates for Special Assistance (SA) were reduced for these programs.

Over the past 20 years, funding sources have continued to shift, and .5600 licensure rules have remained virtually unchanged. This has resulted in an antiquated system with a patchwork of funding streams that do not accurately reflect the true needs of individuals or the costs to support them. While this funding reality significantly impacts both .5600(a) and .5600(c) group homes, group home expenses vary slightly by size of group homes. Any revenue decrease and/or the economic impact of providing services below capacity disproportionately impacts smaller group homes. The .5600(a) homes experience higher costs associated with occupancy rates and maintenance-related staff time, building maintenance, and furnishings replacement. Further, it is noted that the implementation of the federally required Home and Community Based Services (HCBS) Rule changes along with changes through the employer mandate of the Affordable Care Act potentially impact the costs for food, transportation, staff, and training.

Our system is further complicated by the lack of uniformity of supplemental funding for support services inside the group homes. It is noted that not all group homes are contracted to provide services through the LME/MCOs. Many rely on Social Security Income (SSI) funding to meet the needs of each individual. Some homes receive additional funding through contracts with LME/MCOs through either state appropriated funds or Innovations Waiver funds (the latter of which are only available for people with IDD). However, the reimbursement rate to support state funded support services paid for with state dollars is generally less than the reimbursement rate for traditional Medicaid or Innovations services.

All adult mental health and IDD licensed group homes (there are 237MH and1180 IDD across the state) and licensed Alternative Family Living (AFL) homes are monitored by the Division of Health Service Regulation (DHSR) in accordance with state licensure rules. However, DHSR has no purview over unlicensed AFLs, Division of Social Services (DSS) licensed homes, or private living arrangements. Additionally, the Division of Health Benefits (NC Medicaid) contracts with the LME/MCOs to monitor those group homes with which they have a contract. The LME/MCOs are also contracted and responsible for monitoring the health and safety of individuals who receive services through the LME/MCO.

DHSR does perform complaint resolution, annual reviews and inspections of each group home, which can result in license suspensions and revocations following serious licensure violations. The licensure rules require that these homes shall maintain a client ratio of at least one staff ratio per six individuals to enable staff to respond to individualized client needs. While the rule allows for flexible staffing above the minimum

required, without an LME/MCO contract there is no funding stream to pay for the additional staffing when needed for a specific client. This may result in group homes choosing to serve individuals with less severe needs to avoid the costs of caring for individuals with higher support needs. It is also noted that licensure requires 24-hour staffing for group homes, regardless of individualized person-centered plan needs.

The reduction of Personal Care Services (PCS) funding for individuals with MH and/or IDD in small group home settings has further narrowed the financial margin for many group home providers. The reduction in this funding is attributed to the criteria becoming more stringent, which has resulted in many individuals not being able to obtain the service. (See attached document, Appendix A-NC Division of Medical Assistance, State Plan Personal Care Services (PCS), Clinical Coverage Policy No: 3L). For a time, accessing PCS in a group home or adult care setting was different than it was in an individual's home. Following litigation that claimed this created an institutional placement bias, the two sets of eligibility criteria were returned to same level. However, in doing so the state increased the restrictiveness of accessing PCS in group homes to match the more stringent criteria for accessing PCS in a person's home.

The criteria are noted as follows:

- The individual receiving Medicaid PCS has a medical condition, disability, or cognitive impairment that demonstrates unmet needs for, at a minimum:
    - Three of five qualifying activities of daily living (ADLs) with limited hands-on-assistance;
    - Two ADLs, one of which requires extensive assistance; or
    - Two ADLs, one of which requires assistance at the full dependence level.

Activities of Daily Living (ADLs) include bathing, dressing, mobility, toileting and eating. Medicaid also covers PCS needs occurring at a minimum of once per week that pertain to the following:

- Set-up, supervision, cueing, prompting, and guiding as a part of the hands-on assistance with qualifying ADLs;
- Assistance with home management Instrumentals of Daily living directly related to qualifying ADLs and essential to the beneficiary's care;
- Assistance with medication when linked to a documented medical condition or physical or cognitive impairment;
- Assistance with adaptive or assistive devices when linked to qualifying AFLs;
- Assistance with the use of durable medical equipment when linked to qualifying ADLs; or
- Assistance with special assistance (support requiring a Nurse Aide II) and delegated medical monitoring tasks.

An individual's ability to meet these criteria may shift each day depending upon varying factors (sickness, sleep, medical concerns, temperament, etc.). However, these criteria

are determined on the day of assessment by a nurse assessor from an Independent Assessment Entity.

Process to Identify Potential Solutions

A Housing Stakeholder Workgroup was convened by The Arc of NC. The Housing Workgroup had members from developmental disabilities and mental health provider agencies, Benchmarks, and representation from NC Medicaid and the DMH/DD/SAS. Mental health providers who support individuals with IDD were also represented. The purpose of the workgroup October 2017 and through the date of this report, was to provide input to DHHS regarding long-term solutions for group homes with .5600(a) and .5600(b) licensure designations. From the work of this group, there were three sub-committees that looked at funding, policy, and service definitions.

Recommendations

Service Definitions

- Although the state has a Therapeutic Leave Service Definition for state-funded services, all LME-MCOs do not authorize this service, or have limited funds to support its long-term use. In review of the service payment unit, special consideration should be made in either adjusting the rate to accommodate this potential or incorporating therapeutic leave into the service definition. When an individual is out of the home, it creates a hardship for group homes to be able to ensure staffing is in place for their return. The Housing Stakeholder Workgroup reported that incorporating this into the service definition would encourage more interaction with the individual's family as well.
- The use of assistive technology should be considered within all residential service definitions.
- There are some disparities in licensing rules, verses service definition standards and individual needs for services that may not require as much onsite supervision. It is recommended that the licensing rules and service definitions be reviewed to address disparities.
    - It is also noted that staffing may be required in the facility, even if all individuals are off-site receiving other services or engaged in a community activity.
- It was noted that since LME-MCOs have rate setting capacity, is it possible for the state to establish a floor that LME-MCOs could not fall beneath when establishing rates. Payment for services under the service definition may not ensure adequate housing to meet the service needs of the individual receiving services.

Additional Considerations:

- Staff training requirements need further elaboration in several state-funded service definitions.
- State-funded service definitions do not clearly outline the role of the individual within the process, but lean more on the relationship between the provider, recipient, and family in the home environment. Further clarification regarding the individual's role would prove beneficial.
- In some definitions, there are disparities between the "guidelines" provided and the "provider requirement and supervision." Further review to streamline each service definition is recommended.
- It is noted that 122C-22.(a)(12) states *"A home in which up to three adults, two or more having a disability, co-own or co-rent a home in which the persons with disabilities are receiving three or more hours of day services in the home or up to 24 hours of residential services in the home [are not required to obtain licensure]. The individuals who have disabilities cannot be required to move if the individuals change services, change service providers, or discontinue services."* This information needs to be reflected in state-funded service definitions as well.

Funding

- North Carolina DHHS will research what other states are doing to support group homes and supported living types of services with similar demographics.
- LME/MCO State Fund Allocations received a reduction in funding for State Fiscal Year (SFY) 2019. This will likely affect periodic service definitions but has the potential to effect residential services as well. Each LME-MCO will determine processes to adjust to this reduction. Consideration regarding restoration of state funded allocations would prove beneficial so rates are not adversely affected by this reduction.
- Special consideration to carryforward unexpended funds from the above noted legislation should be made.
- A review of a Residential Waiver specifically for individuals living in a group home should be considered. Group homes are currently on a continuum of services offered by the state of NC. In turn, ensuring their future is vital to NC's system of care.
- Intermediate Care Facilities (ICF) rates range from $652.36 to $1,108.36 per diem at the Developmental Centers. (Refer to Appendix B-Memorandum from NC Department of Health and Human Services, Office of the Controller, on Approved Institution Rates Dated March 29, 2019).
    - It is noted that Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF-IID) rates are all-inclusive rates that provide durable medical equipment (DME), supplements, supplies, etc. Such items are not included in Medicaid or state-funded residential support rates.

- Group home rates are significantly lower for Innovations services and state-funded services per day.
    - Excluding outliers that may be a specialized rate request for one provider, current residential service rates (typically provided in a group home) vary from $21.73 to $442.00 per day (See Appendix C-Rates Paid by LME/MCOs for State/Block Grant Funded Services (State Fiscal Year 2018)).
        - Noted services include, but are not limited to Group Living, Supervised Living and Residential Supports. This also includes outliers of rate requests for specific providers.
        - Innovations Waiver residential services vary from $100.71 to $175.46 per day. However, it is noted that Mercer demonstrated Cost Neutrality at the average rate of $155.87 for NC Innovations' Residential rate. Specific LME-MCO rates are referenced in the table below.
- State Service Rates for residential services should be aligned to match that for Medicaid and Innovation services. Increasing the rate, which may mean a need for an increase in single stream funds to LME-MCOs would alleviate the need for supplemental group home assistance or personal assistance per provider report. Further, the state's establishment of a floor for residential rates across the state would alleviate disparities across the state. This may result in contract language changes with the LME-MCOs.
- The following table denotes Innovations Residential Supports Rates which most closely resemble the state-funded service array used by group homes.

Innovations Service & Level per LME-MCO	Alliance	Cardinal	East-pointe	Partners	Sandhills	Trillium	Vaya
Residential I	$99.03	$99.03	$99.03	$84.78	$113.88	$103.98	$105.25
Residential-AFL I	$94.26	$99.03	$99.03	$89.78	$ -	$103.98	$110.25
Residential II	$126.53	$126.53	$135.43	$122.46	$156.31	$135.43	$126.29
Residential-AFL II	$133.86	$126.53	$135.43	$127.46	$ -	$135.43	$131.44
Residential III	$148.54	$148.54	$155.45	$141.31	$151.40	$155.45	$145.73
Residential-AFL-III	$153.67	$148.54	$155.45	$146.31	$ -	$155.45	$150.88
Residential IV	$170.54	$170.54	$175.46	$160.14	$197.32	$175.46	$ 165.15
Residential-AFL IV	$173.46	$170.54	$175.46	$165.14	$ -	$175.46	$170.30

Innovations Service & Level per LME-MCO	Average Rate
Residential I	$100.71
Residential-AFL I	$107.12
Residential II	$132.71
Residential-AFL II	$133.44
Residential III	$149.49
Residential-AFL-III	$153.17
Residential IV	$173.52
Residential-AFL IV	$172.88

It is assumed that Sandhills Center utilizes the same rate for AFL per residential supports level.

State-funded rates are detailed in the following table per data pulled from the Quality Management Team from NC TRACKS:

Service Name	Max Rate	Min. Rate Mode (for Svc/LME)	Max. Rate Mode (for Svc/LME)
Family Living - Low	$116.00	$21.73	$116.00
Family Living - Mod	$117.42	$30.76	$117.42
Family Living - High	$150.00	$100.00	$100.00
Group Living - Low	$168.48	$28.92	$168.48
Group Living - Mod	$268.99	$36.29	$268.99
Group Living - Hi	$442.00	$66.11	$442.00
Residential Supports	$96.25	$75.09	$96.25
Supervised Living - 1 Resident	$380.00	$114.84	$380.00
Supervised Living - 2 Resident	$266.09	$116.15	$161.99
Supervised Living - 3 Resident	$133.50	$98.79	$133.50
Supervised Living - 4 Resident	$93.17	$93.17	$93.17
Supervised Living - 5 Resident	$77.67	$77.67	$77.67
Supervised Living - 6 Resident	$68.83	$68.83	$68.83

Supervised Living - Low	$40.00	$17.68	$28.92
Supervised Living - Mod.	$180.23	$29.00	$180.23

The services of specific interest of being reviewed for a floor rate are in bold font above. The bold services more closely resemble the Innovation Waiver Services per service definition. It is noted that there may be significant variances in rates due to LME-MCOs ability to set rates, as well as, approved rate requests for providers in the catchment area. The following table breaks down state-funded service rates paid most frequently by the LME-MCOs:

Service Name	ALLIANCE	CARDINAL	EAST-POINTE	PARTNERS	SANDHILLS	TRILLIUM	VAYA
Family Living - Low	$50.00	$50.00	$116.00	$70.47		$56.50	$90.00
Family Living - Mod		$30.76	$117.42	$100.00		$46.83	$100.00
Family Living - High				$100.00			$100.00
Group Living - Low	$55.29	$168.48	$151.08	$55.29	$135.16	$55.29	$95.32
Group Living - Mod	$147.65	$268.99	$175.00	$75.48	$157.00	$157.00	$75.48
Group Living - Hi	$184.02	$188.00	$288.00	$422.00	$141.51	$141.51	$187.35
Residential Supports		$96.25					
Supervised Living - 1 Resident	$380.00	$305.00	$139.71	$274.92			
Supervised Living - 2 Resident	$161.99	$116.15			$161.99		$161.99
Supervised Living - 3 Resident	$116.15	$116.15		$116.15	$116.15		$116.15
Supervised Living - 4 Resident		$93.17			$93.17		$93.17
Supervised Living - 6 Resident							$68.83
Supervised Living - Low	$28.92	$28.92	$28.92	$28.92	$28.92	$28.92	$28.92
Supervised Living - Mod.	$180.23	$75.48		$55.11		$37.36	$55.11

Blank cells indicate where the LME-MCO has chosen not to include this service in its service array. Also, the $422.90 reflects a higher rate request approval for one provider in Partner's catchment area.

Service Name	Average Mode
Family Living - Low	$72.16
Family Living - Mod	$79.00
Family Living - High	$100.00
Group Living - Low	$102.27
Group Living - Mod	$150.94
Group Living - Hi	$221.77
Residential Supports	$96.25
Supervised Living - 1 Resident	$274.91
Supervised Living - 2 Resident	$150.53
Supervised Living - 3 Resident	$116.15
Supervised Living - 4 Resident	$93.17
Supervised Living - 6 Resident	$68.83
Supervised Living - Low	$28.92
Supervised Living - Mod.	$80.66
Average State-Funded Service Rate	$116.83

In comparing the overall average of Innovations Residential Services of $155.87 to the overall average of state-funded residential services of $116.83, there is a $39.04 difference per day. A review of a 30-day month, shows a difference of $1171.20.

In sum, establishing a base rate for state-funded services and increasing the state-funded residential rate to resemble that of Innovations could support the viability of group homes within North Carolina.

Reported Bridge Funding Expenditures

The legislative mandate regarding these funds limited the access of funding to a limited group of individuals living in group homes. Specifically, individual who previous were authorized for Medicaid State Plan Personal Care services prior January 1, 2013 and continuously resided in a licensed group home without interruption after January 1, 2013. As such, the entire allocation of $5 million dollars was unable to be expended. Below details expenditures per LME-MCO per their most recent reporting:

LME-MCO	Reported Expenditures
Alliance	$338,010
Cardinal	$1,095,469
Eastpointe	$92,860
Partners	$200,888
Sandhills	$236,329
Trillium	$175,389
Vaya	$223,793
TOTAL	**$2,362,738**

It is noted that due to the low amount of final and projected expenditures reported in January 2018, allowances were made to pay providers who submitted their invoices after the January 31st deadline for payments dated back to July 2017 as deemed appropriate based on eligibility.

Reported Funding Sources

The following table below details data obtained from providers regarding funding received by residents in the perspective group home, regardless of eligibility for this funding. This information includes all funding for all individuals living in the home.

	Special Assistance	SSI	State-Funded	Innovations	Enhanced Mental Health	Private Funds	3rd Party Insurance	Medicaid PCS	Other
SFY 2016-2017	162	154	118	86	0	43	0	92	52
SFY 2015-2016	160	158	119	84	0	41	0	98	44

The *Other* category includes the following: Social Security (parental SSI), HB 1030, Division of Aging, Provider agency, Veterans Administration (VA), Rental Payments, United Way, LME-MCO non-Medicaid funds, Hyde County DSS, Railroad, and previous bridge funding. It is noted that several providers noted SSA, SSI and disability as other. However, these would fall under SSI. Therefore, many in the *Other* category are likely SSI related.

For a more detailed summary of the funding sources, refer to Appendix D- Short Term Group Home Funding Sources (State Fiscal Year 2018). It is noted the majority of funding is from Special Assistance, followed by SSI, State-funded services, Medicaid Personal Care Services (PSC), Innovations and Private funds. No funding has been noted as received for enhanced mental health or 3rd party insurance in either year.

Conclusion

Group homes serve a vital role in providing housing options for individuals who receive services under the umbrella of DHHS. Because of the more stringent criteria to access PCS, whether in-home or at a group home, and relatively low state reimbursement rates, group homes are struggling to pay staff competitive wages to support residents, as well as support with providing a meaningful day. Further, a lack of stable housing for individuals receiving services could have adverse effects on individuals receiving services, as well as service delivery. Creating sustainability through restructuring the current funding streams, revising service definitions, paying close attention to incorporating the use of assistive technology into service definitions, and permitting DMH/DD/SAS to have rate setting abilities to minimally establish a floor for state-funded services, would support sustainability for group homes. Further, aligning reimbursement rates for state-funded services which would require additional state funding to more closely mimic rates set for Medicaid and Innovations waiver services would also prove beneficial to sustainability.

The DHHS will address additional options in its report due to the General Assembly in January of 2019.