

Proposed Reductions and Access to Adult Day Health Care Services

Background

Adult Day Health Care (ADHC) is a set of community-based services received through organized day programs which include therapeutic, social and skilled nursing. ADHC services are not generally covered by commercial health plans, but have been an optional benefit under Medi-Cal since 1978. The goal of Medi-Cal's ADHC services is to maintain self-care to frail elderly and adults with disability so they can remain in their homes and in the community, and to delay or prevent institutionalization in a long-term care facility. Persons may receive ADHC services under Medi-Cal if they:

- Are at least 18 years of age
- Have one or more chronic or post-acute medical, cognitive, or mental health conditions
- Are referred by a health care provider
- Have functional impairments in two or more activities of daily living (such as personal hygiene and grooming)
- Have functional impairments in two or more instrumental activities of daily living (such as taking medications or managing money)
- Require assistance or supervision in performing these activities.

In 2010, the average monthly eligibles receiving ADHC services under Medi-Cal was 34,722. ADHC service recipients are predominantly female, over age 65. Approximately 80% of ADHC recipients are eligible for both Medi-Cal and Medicare coverage.

There are roughly 300 certified ADHC centers throughout California, a majority of which are facilities concentrated in Los Angeles County, San Diego County, and the Bay Area.

Proposed Reduction

California Assembly Bill (AB) 97, Chapter 2, Statutes of 2011 requires DHCS to implement a 10% provider payment reduction, which requires federal approval prior to implementation. In addition, AB 97 calls for the elimination of ADHC services as a Medi-Cal plan benefit. Federal approval to eliminate ADHC benefits was obtained through a Medicaid State Plan Amendment (SPA), and will become effective on December 1, 2011. Federal approval of the rate reduction SPAs have not yet been obtained. In addition, AB 1183 implemented a 5 percent reduction on ADHC services from March 1, 2009 to May 31, 2011. While the reduction has been under

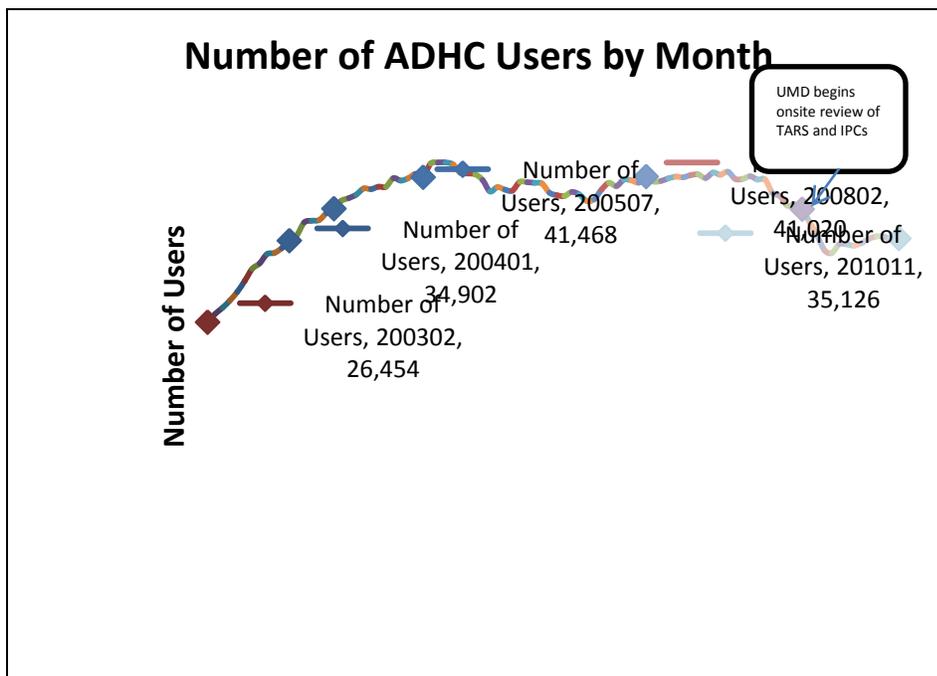
injunction since March 9, 2009, the Department proposes to implement this 5 percent reduction on all ADHC providers from March 1- March 8 2009 and March 1, 2011 to May 31, 2011.

In light of the provider rate reductions to ADHC services proposed under AB 97, DHCS has undertaken an analysis of these services. In this analysis, DHCS focuses on access to ADHC service, with emphasis on two key areas: the number of Medi-Cal beneficiaries receiving ADHC services, and the geographic distribution of ADHC providers throughout the state.

Users of Medi-Cal funded ADHC Services

Over the period January 2003 through October 2005, the average monthly ADHC users grew from 26,454 to 35,126, and peaked in October 2005 at 42,995. ADHC users grew at a compound monthly growth rate of 1.5% (Figure 1). A number of program policies and administrative actions influenced these trends, the most significant of which occurred in 2009 as DHCS increased its audit activities and began performing onsite review of treatment authorization requests (TAR) and individual plans of care (IPC).

Figure 1. Trends in ADHC Users, 2003-2007.



ADHC Utilization and Expenditures 2005 vs, 2010

While the number of unduplicated users declined between 2005 and 2010, this decline was primarily the result of specific utilization controls and DHCS audit activities. Between 2005 and 2010, the annual cost-per-user rose by 22%, or at a compound annual growth rate of 5.10%. In addition, the average days-per-week per recipient increased by 3% and the cost-per-day rose by 11% (Table 1).

Table 1: Utilization and Payments For ADHC Services 2005 Vs. 2005

Year	Number of Unduplicated Users	Number of Unique Providers	Expenditures	Annual Cost Per User	Expenditures Per Provider	Ave. Days Per Week	Weighted ² Cost Per Day
2005	58,382	354	\$397,886,775	\$6,815	\$1,123,974	2.77	\$72.58
2010	46,995	303	\$390,861,585	\$8,317	\$1,289,972	2.85	\$80.24
CAGR ¹	-5.30%	-3.80%	-0.40%	5.10%	3.50%	0.71%	2.50%
% Change	-20%	-14%	-2%	22%	15%	3%	11%

Distribution of ADHC Users By Geographic Region

In 2010, the average monthly eligibles receiving ADHC services under Medi-Cal was 34,722. ADHC service recipients were concentrated in one of three areas of the state: Los Angeles area, San Diego area, and the San Francisco Bay Area. In December 2010, 35,153 unique beneficiaries received ADHC services, 64% of whom resided in Los Angeles County area (Figure 2). Figure 2 displays users by medical study service areas (MSSA). The figure 2 display was designed to convey the concentration of ADHC providers and in some cases, the three areas denoted may incorporate regions within more than one county.

Figure 2. ADHC Recipients by MSSA, December 2010.

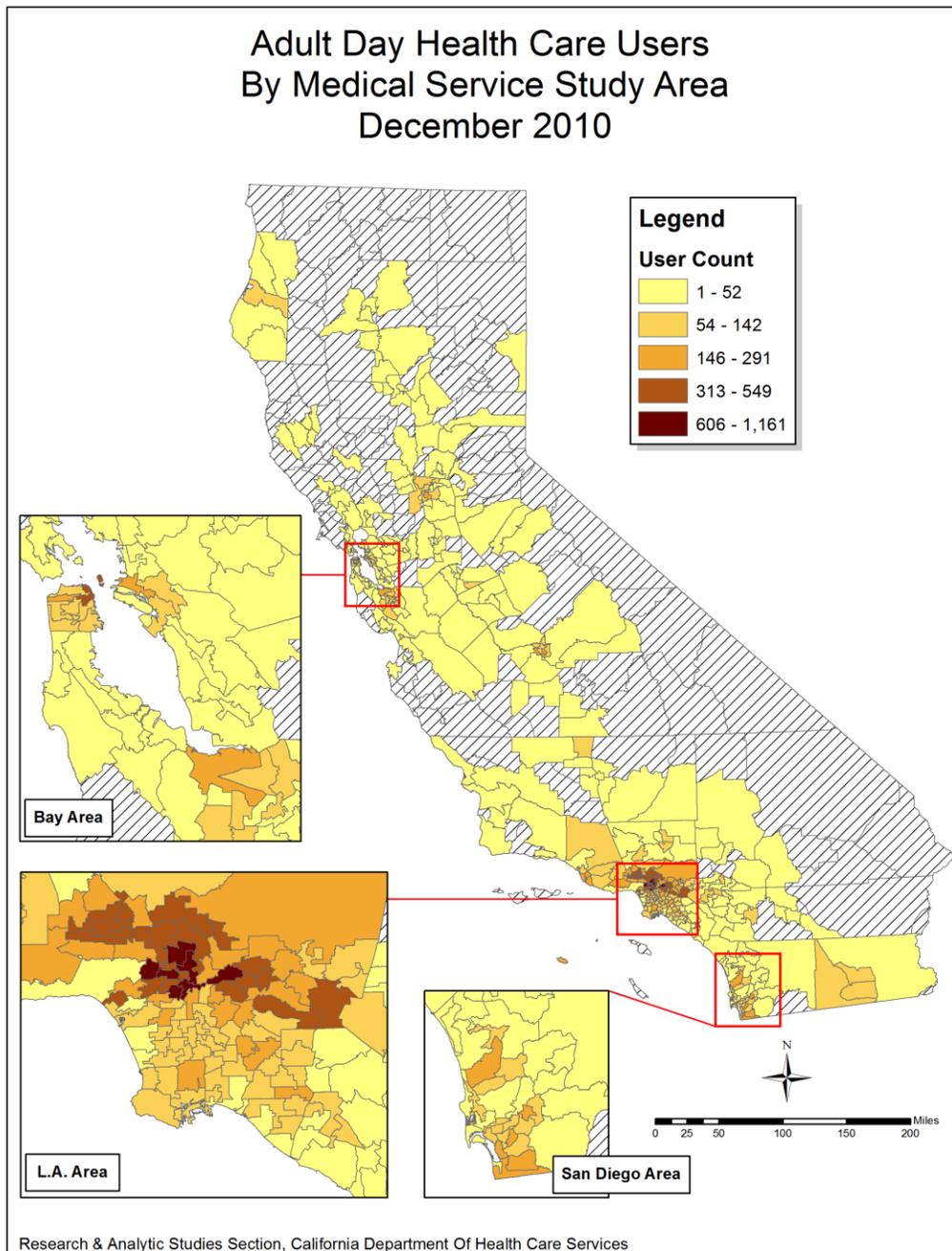


Table 2 present the distribution ADHC utilization by county. The top 10 counties account for 93% of all ADHC utilization.

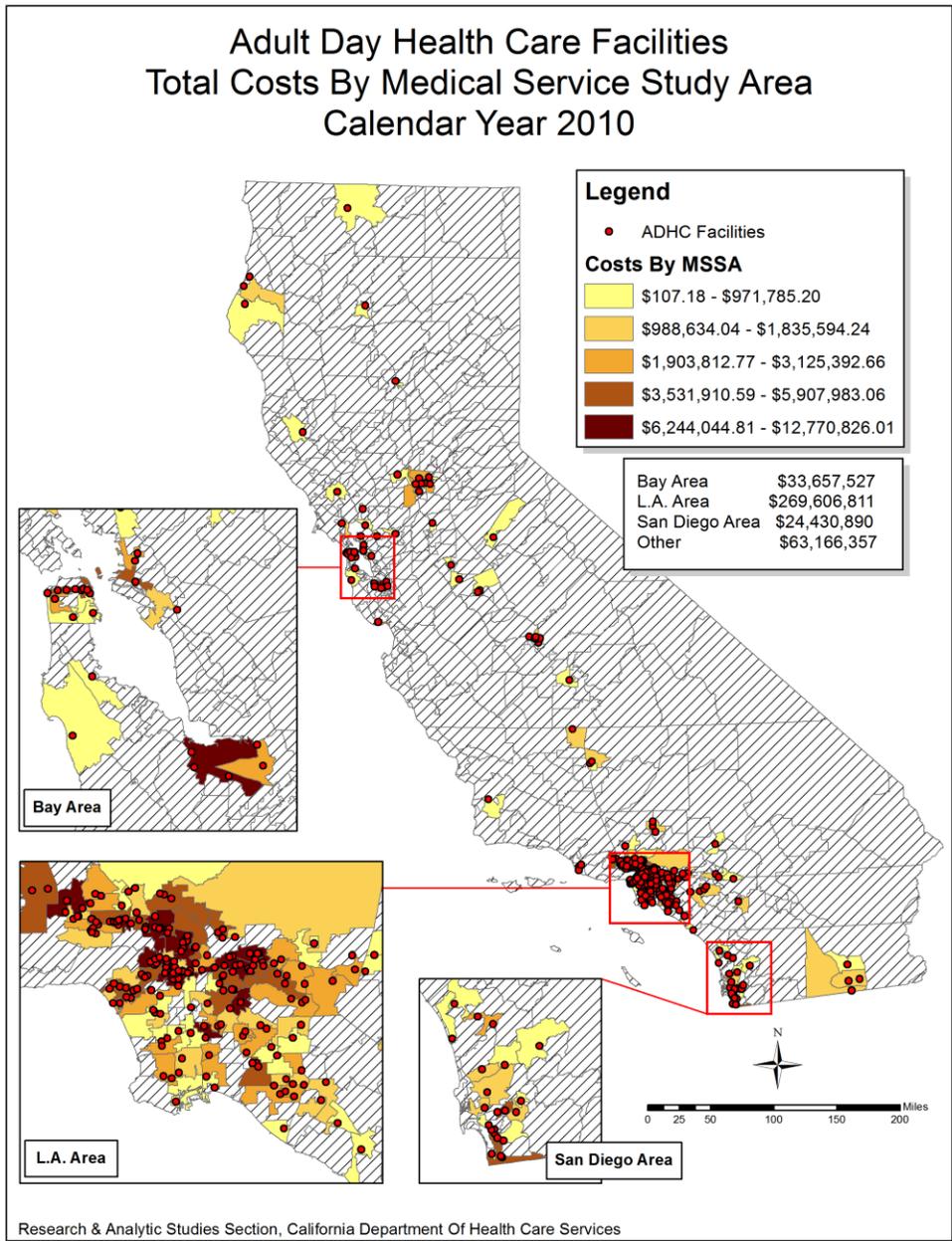
Table 2. ADHC Utilization By County

County	% of Total Utilization
LOS ANGELES	64%
ORANGE	6%
SAN DIEGO	6%
SAN FRANCISCO	5%
FRESNO	3%
VENTURA	3%
RIVERSIDE	2%
SACRAMENTO	2%
SANTA CLARA	2%
ALAMEDA	1%
21 Other Counties All < 1% of Total Payments and Utilization	7%
Total	100%

ADHC Providers in the Medi-Cal Program

ADHC service providers are concentrated in three geographic areas of the state: (1) the San Francisco Bay area, (2) the Los Angeles area, and (3) the San Diego area. The Los Angeles area has the highest concentration of ADHC providers. This area of the state accounted for 69% of all ADHC expenditures incurred during CY 2010 (\$269.6 million). The bay area and San Diego areas accounted for roughly 9% and 6% of all expenditures respectively. Each of these areas contained multiple ADHC providers and provides ADHC users more than one option for care. Most other geographic regions of the state afford Medi-Cal beneficiaries only a few, or in some cases, only one service site location (Figure 3). As previously stated, the geographic distribution presented in Figure 3 is displayed by MSSA. The three areas that are exploded on the map may include geographic regions that incorporate multiple counties. The display is designed to convey the concentration of providers, and in this case, their expenditures. Table 2 above provides detail by county boundary.

Figure 3. Distribution of ADHC Facilities and Total Costs, 2010.



Findings

ADHC services do not represent a benefit that is generally covered by private insurance. These services are either funded by Medi-Cal or in some cases private pay patients. Therefore, there are no comparable statistics that can be used to evaluate access or evaluate whether Medi-Cal beneficiaries have “equal access.” DHCS’ evaluation, therefore, incorporated an analysis of what has occurred over the five year period between 2005 and 2010 within the Medi-Cal program only.

Based on DHCS’ review of ADHC utilization between 2005 and 2010, it does not appear that significant access issues have occurred. While the number of ADHC users has declined since 2009, most of this reduction in users was associated with utilization control activities and or audit activities. Between 2005 and 2010, the annual cost-per-user rose by 22% and expenditures per provider rose by 15%. In addition, the cost-per-day also experienced an increase over this time frame, rising by 11% due to rate increases.

As previously noted, Medi-Cal’s ADHC provider network is concentrated among three geographic regions of the state: (1) the San Francisco bay area, (2) the Los Angeles area, and (3) the San Diego area. While roughly 33% of the Medi-Cal population resides in Los Angeles county, 64% of the total ADHC users reside in Los Angeles area. This is consistent with the fact that provider availability is greatest in this area of the state. While these three areas of the state have the highest concentrations of ADHC providers, there are geographic regions of the state that afford Medi-Cal beneficiaries either a few, or in some cases, only one ADHC provider site. These areas such as the central valley, the northern part of the state, etc, provide few ADHC options and therefore, access to ADHC services in these regions may be greatly impacted by the proposed rate reduction. As a result, DHCS is proposing that these areas of the state be exempted from the 10% provider reduction. In addition, they will be exempted from the AB 1183 5 percent reduction from March 1, 2011 to May 31, 2011 but not from March 1- March 8 2009 as no access to services ever occurred.