

State of Nevada
Department of Administration
Division of Internal Audits

Audit Report

**Department of Health and Human Services
Division of
Health Care Financing and Policy
Medicaid Personal Care Services**

Report No. 11-04
June 2011

EXECUTIVE SUMMARY
Division of Health Care Financing and Policy

Introductionpage 1

**Objective: Should the State Evaluate Lowering the Rate
for Providing Personal Care Services?**

**Evaluate lowering the rate paid to agencies providing
Medicaid personal care services**.....page 4

Paying a rate to personal care service providers commensurate with comparable states could save almost \$4 million annually (\$1.7 million, State General Fund; \$2.2 million, federal funds). Providers (private agencies) supply almost all the personal care services to recipients, which include persons with developmental or physical disabilities and the frail elderly. Services for eligible recipients may include bathing, dressing, grooming, meal preparation, laundry, and light housekeeping. Nevada pays providers \$17 an hour for personal care services. We surveyed 13 other states and found the average rate for personal care services to be \$14.59 an hour.

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Division of Health Care Financing and Policy Response

INTRODUCTION

At the direction of the Executive Branch Audit Committee, we conducted an audit of the Division of Health Care Financing and Policy (Division). Our audit addressed the following four questions:

- ✓ What is the Division's role?
- ✓ What services must the Division provide?
- ✓ Is the State the proper level of government to provide these services?
- ✓ If State government is the appropriate level of government, is the Division carrying out its duties efficiently and effectively?

Our audit focused on the rate paid to provide personal care services to qualified Medicaid recipients.

Division's Role and Public Purpose

The Division of Health Care Financing and Policy is within the Department of Health and Human Services. The Division administers two major federal health coverage programs: Medicaid and the Children's Health Insurance Program, which is called Nevada Check Up. Both programs fund medically necessary health care to eligible Nevadans.

The largest program is Medicaid, which funds health care to low-income families, as well as aged, blind, and disabled individuals. Medicaid plans include two types of covered services: required and optional. Required services include inpatient and outpatient hospital services, physician services, and nursing facility care. Optional services include pharmacy, dental, optometry, and personal care services. States determine what optional services their Medicaid plan will cover.

Nevada Medicaid offers personal care services that include assisting individuals with daily living activities. Personal care services allow Medicaid recipients to continue to live in their homes, thereby reducing overall health care costs. For example, it costs about \$10,000 less annually to support a person with physical disabilities in their home than in an institution, according to the Division.

In 2011, the Division has 7.25 authorized positions managing personal care services. The Division's budget for personal care services is approximately \$53

million. Of this amount, \$22.4 million is State General Fund and \$30.6 million federal funds.¹

The State is the appropriate level of government to administer these programs as provided for in Title XIX of the Social Security Act (Act). The Act designates the states as partners with the federal government to implement and jointly fund Medicaid programs.

Scope and Objective

We began the audit in July 2010. Our audit addressed whether the State can increase savings by lowering the rate paid for providing personal care services to Medicaid recipients. During the audit, we reviewed and discussed the agency's procedures with management and staff, and the Division's primary contractor. We also surveyed other states to determine best practices. We concluded field work and testing in January 2011.

Our audit focused on the following objective:

- ✓ Should the State evaluate lowering the rate for providing personal care services?

The Division of Internal Audits expresses appreciation to the Division's management and staff for their cooperation and assistance throughout the audit.

Contributor to this report:

Warren Lowman
Executive Branch Auditor

¹ The federal government matched state Medicaid funds at two rates during fiscal year 2011 – approximately 64 percent for the first and second quarters of the fiscal year and 52 percent during the third and fourth quarters.

Division of Health Care Financing and Policy Response

We provided draft copies of this report to Division officials for their review and comments. Their comments have been considered in the preparation of this report and are included in Appendix A. In its response, the Division did not accept the recommendation.

The following report contains our findings, conclusions, and recommendation.

Should the State Evaluate Lowering the Rate for Providing Personal Care Services?

The State should evaluate lowering the rate it pays providers for Medicaid personal care services. A lower rate commensurate with comparable states could save almost \$4 million annually (\$1.7 million, State General Fund; \$2.2 million, federal funds).

Personal care services help eligible Medicaid recipients live independently in their homes. These services include assisting in activities of daily living, such as bathing, dressing, and grooming. Other services may include meal preparation, laundry, and light housekeeping.

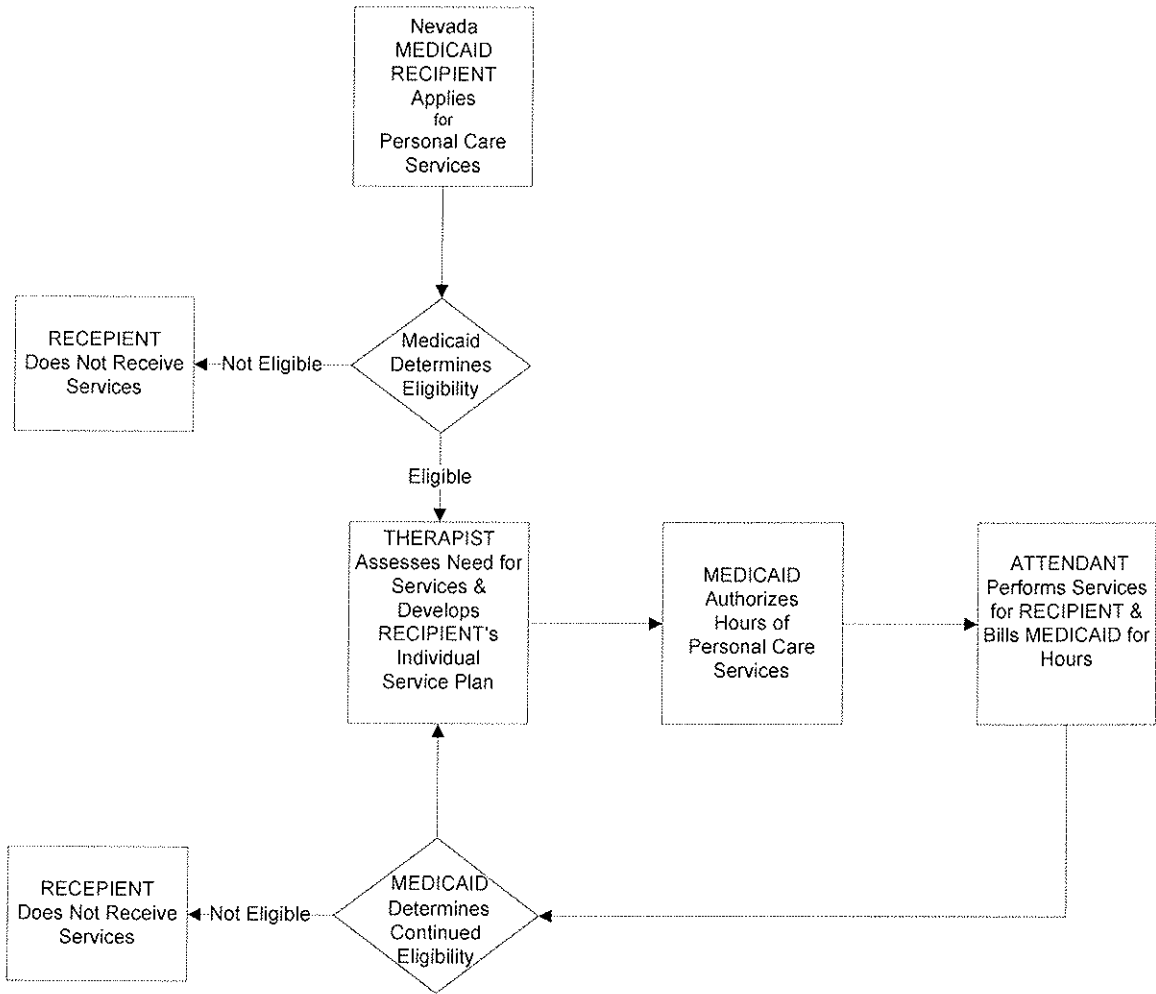
Medicaid funds personal care services to recipients, who include persons with developmental or physical disabilities and the frail elderly. About three percent of recipients who are on Medicaid receive personal care services, approximately 6,000 recipients.

The Division of Health Care Financing and Policy (Division) contracts with private agencies (providers). Providers supply almost all the personal care services through personal care attendants. A personal care attendant is an individual who provides assistance with activities of daily living and other services for recipients.

Medicaid initially screens recipients to determine their eligibility for personal care services. If eligible, a physical or occupational therapist assesses the extent of the recipient's need for services. The therapist develops an Individual Service Plan that translates the recipient's assessed need into authorized hours of service. To implement the Individual Service Plan, the Division contracts with a provider. The provider bills the Division for the hours of personal care services the attendant provides. A recipient's continued eligibility for services is determined at least annually. See Exhibit I.

Exhibit I

Personal Care Services Process



Nevada Pays a Higher Rate to Providers than Other States

Nevada pays providers \$17 an hour for personal care services. We surveyed 13 other states² and found the average rate for personal care services to be \$14.59 an hour. Our survey primarily included western and other randomly selected states. To ensure the cost of living did not impact the rate paid for services, we compared Nevada's cost of living³ to the selected states. For fiscal 2010, Nevada's cost of living is slightly lower (101.39) than the other states we sampled (103.80).

Lowering the rate paid to providers to the average of other states we sampled would save almost \$4 million annually. See Exhibit II.

Exhibit II

Annual Savings Estimate

Funds	Savings if Nevada's rate is lowered to \$14.59 hour
State General Funds	\$ 1.7 million
Federal Funds ^a	\$ 2.2 million
Total ^b	\$ 3.9 million

^a Savings estimate derived using federal match average of approximately 56 percent over the 2012 – 2013 biennium.

^b Savings calculated as the percent difference between Nevada's rate of \$17 an hour and the average state rate of \$14.59 (14 percent), applied to the Governor's Recommended budget for personal care services of \$55 million, divided by 2 for an annual estimate.

Recommendation

1. Evaluate lowering the rate paid to agencies providing Medicaid personal care services.

² We surveyed the following states: Arizona, California, Colorado, Idaho, Maryland, Massachusetts, Montana, New Mexico, Ohio, Texas, Utah, Virginia, and Wyoming.

³ The cost of living index is a measure computed by the U.S. Bureau of Labor Statistics to determine the cost of maintaining a standard of living that can be compared to other states. Costs analyzed include grocery items, housing, and health care.

Appendix A

Division of Health Care Financing and Policy Response



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH CARE FINANCING AND POLICY
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MICHAEL J. WILLDEN
Director

CHARLES DUARTE
Administrator

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APR 21 2011

DIVISION OF INTERNAL AUDITS

April 19, 2011

William Chisel, CPA, Chief
Nevada Division of Internal Audits
3427 Goni Rd., Suite 103
Carson City, NV 89706

Dear Mr. Chisel:

This is follow up to your letter of April 5, 2011 requesting a response to the audit recently completed by the Division of Internal Audits: Should the State Evaluate Lowering the Rate for Providing Person Care Services. The Division of Health Care Financing and Policy's (DHCFPs) appreciates the effort that went into examining this topic and the information provided will be beneficial to the agency. The agency will not be implementing the recommendation at the present time. A rate reduction for personal care services was discussed as an option for the Governor Recommends Budget for SFY 2012-2013. However, it was not included in the budget for the upcoming biennium as this provider type had rates reduced during the 2009 Legislative Session. The DHCFP will continue to monitor the personal care services program, including the rates paid to providers and will utilize the information supplied in the audit if, at a future date, it appears a rate reduction would be appropriate. If you have any questions, please contact, Elizabeth Aiello, Deputy Administrator, at (775) 684-3679 or elaiello@dhcfnv.gov.

Sincerely,

A handwritten signature in blue ink that reads "Charles Duarte".

Charles Duarte
Administrator

Cc: Michael J. Willden, Director, Department of Health and Human Services
Elizabeth Aiello, Deputy Administrator
Connie Anderson, Continuum of Care Chief
Nova Murray, Nevada Check Up Chief
Patty Thompson, Audit Unit Chief