

Appendix J: Cost Neutrality Demonstration

Appendix J-1: Composite Overview and Demonstration of Cost-Neutrality Formula

Composite Overview. Complete the following table for each year of the waiver.

Level(s) of Care (<i>specify</i>):			Nursing Facility				
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Year	Factor D	Factor D'	Total: D+D'	Factor G	Factor G'	Total: G+G'	Difference (Column 7 less Column 4)
1	\$20,165.29	\$8,746.81	\$28,912.10	\$66,247.62	\$3,666.87	\$69,914.49	\$41,002.39
2	\$20,165.29	\$9,143.47	\$29,308.76	\$66,247.62	\$3,833.16	\$70,080.78	\$40,772.02
3	\$20,165.29	\$9,540.13	\$29,705.42	\$66,247.62	\$3,999.45	\$70,247.07	\$40,541.65
4	\$20,165.29	\$9,936.78	\$30,102.07	\$66,247.62	\$4,165.73	\$70,413.35	\$40,311.28
5	\$20,165.29	\$10,333.44	\$30,498.73	\$66,247.62	\$4,332.02	\$70,579.64	\$40,080.91

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Appendix J-2 - Derivation of Estimates

- a. Number Of Unduplicated Participants Served.** Enter the total number of unduplicated participants from Item B-3-a who will be served each year that the waiver is in operation. When the waiver serves individuals under more than one level of care, specify the number of unduplicated participants for each level of care:

Table J-2-a: Unduplicated Participants			
Waiver Year	Total Unduplicated Number of Participants (From Item B-3-a)	Distribution of Unduplicated Participants by Level of Care (if applicable)	
		Level of Care:	Level of Care:
Year 1	10,700		10,700
Year 2	12,112		12,112
Year 3	12,892		12,892
Year 4	13,671		13,671
Year 5	14,451		14,451

- b. Average Length of Stay.** Describe the basis of the estimate of the average length of stay on the waiver by participants in Item J-2-d.

Historically, the average length of stay for this waiver demonstrates an unpredictable pattern from year to year as demonstrated by submitted CMS 372's. In order to make a best estimate of the average length of stay for this renewal, OLTL reviewed the 372 reports for state fiscal years 2006-2007 through 2010-2011 and then projected forward through the five year waiver renewal period utilizing a computerized forecasting tool. This projected average length of stay for the five year period was then averaged and this average is stated in each table below. The length of stay data projection was calculated utilizing data from both DPW's MMIS system, PROMISe and Client Information System (CIS). Specifically, paid claims with a last date of service were obtained from PROMISe and waiver eligibility segments were obtained from CIS for the 5 year period as noted above. This same data is used calculate and report the actual average length of stay on the CMS 372's.

- c. Derivation of Estimates for Each Factor.** Provide a narrative description for the derivation of the estimates of the following factors.

- i. Factor D Derivation.** The estimates of Factor D for each waiver year are located in Item J-2-d. The basis for these estimates is as follows:

In order to calculate the Factor D Derivation, paid claims data from DPW's MMIS system, PROMISe, from SFY 2010-2011 was analyzed. This is the same data source that is used for submission of the CMS 372.

Column 1 (Unit) and Column 4 (Average Cost per Unit), in the estimate of Factor D below are based on rates set as specified in the rate setting methodology described in Appendix I and published in the Pennsylvania Bulletin. Column 4 (Average Cost per Unit) is an average of the four regional rates. Since these rates have been in place less than 1 year, sufficient historical data is not available to weight these averages based on utilization by region. The schedules below do not reflect any changes to the average rates over the course of the five year renewal. OLTL will review these rates in relation to quality and access and make any necessary changes in the future utilizing our rate setting methodologies as specified in Appendix I.

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Column 2 (Users) was determined by calculating the percentage of actual users for each service for the period of SFY 2010/2011 from paid claims in the PROMISE system and then multiplying by the number of unduplicated users in Table J-2-a. OLTL has made significant changes to offered services within the past year either per our regulations as found in Chapter 52 or per the corrective action plan in place for this waiver. For former services that have been removed or combined, the actual users were modified based on remaining or new services that are most similar. As further data becomes available, OLTL may need to make modifications in the users.

Column 3 (Average Units) were determined by dividing the number of total units by the number of actual users for each service. This calculation was derived by utilizing data from paid claims retrieved from the PROMISE system for SFY 2010/2011. As stated above, OLTL has made significant changes to both our services offered and to the units for many services. In the case where services have been removed or modified, units for this renewal were modified based on remaining or new services that are most similar. As further data becomes available, OLTL may need to make modifications in the average units.

Additionally, due to lack of historical data of average units based on revised the changes made to service definitions, units and rates the Factor D Derivation remains flat in all respects over the five year renewal period.

- ii. **Factor D' Derivation.** The estimates of Factor D' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The Factor D' was estimated by reviewing paid claims data for the five year period of SFY 2006-2007 through SFY 2010-2011 obtained from DPW's MMIS system, PROMISE for waiver participants that also had acute care paid claims. The data from the five year period specified above was then projected forward for the renewal period by dividing acute care costs by unduplicated participants and utilizing a computerized forecasting tool.

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- iii. **Factor G Derivation.** The estimates of Factor G for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The G factor was formulated based on data from DPW's MMIS system, PROMISE. Paid claims to nursing facilities for the period of SFY 2010-11 for individual's ages 18 years or older but not yet age 60 were pulled from PROMISE and analyzed to determine an average daily rate. This rate was then annualized to determine the G factor. For the five year period prior to this SFY, nursing facility rates had remained relatively flat and it is anticipated that this will continue over the five year renewal period due to both transitioning initiatives and economic drivers.

- iv. **Factor G' Derivation.** The estimates of Factor G' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

G' factor was formulated by reviewing paid claims data for SFY 2010-2011 obtained from DPW's MMIS system, PROMISE, for persons over the age of 18 utilizing nursing facility services who also had acute care paid claims including the deduction of Medicare Part D drug costs. The date was then projected forward for the renewal period by dividing acute care costs by unduplicated nursing facility residents and utilizing a computerized forecasting tool.

- d. **Estimate of Factor D.** *Select one:* Note: Selection below is new.

<input checked="" type="radio"/>	The waiver does not operate concurrently with a §1915(b) waiver. Complete Item J-2-d-i
<input type="radio"/>	The waiver operates concurrently with a §1915(b) waiver. Complete Item J-2-d-ii

- . **Estimate of Factor D – Non-Concurrent Waiver.** Complete the following table for each waiver year

Waiver Year: Year 1 through 5					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Personal Assistance Services Total:					
Personal Assistance Services Agency	15 Min	2,766	3,362	\$4.58	\$42,590,757.36
Personal Assistance Services Participant Directed	15 Min	7,529	5,031	\$3.49	\$132,195,612.51
Service Coordination Total					
Service Coordination	15 Min	10,000	144	\$18.15	\$26,136,000.00
Participant-Directed Community Supports Total:					
Participant-Directed Community Supports	Per Purchase	5	18	\$1,236.88	\$11,318.87
Participant-Directed Goods and Services Total:					
Participant-Directed Goods and Services	Per Purchase	3	2	\$2,002.34	\$12,014.04
Community Transition Services Total:					
Community Transition Services	One Time	9	1.00	\$2950.77	\$29,507.70
Personal Emergency Response System (PERS)					

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Waiver Year: Year 1 through 5					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Total:					
Personal Emergency Response System (PERS)	Per Purchase	2,092	9	\$30.68	\$577,643.04
GRAND TOTAL:					\$201,652,853.52
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					10,000
FACTOR D (Divide grand total by number of participants)					\$20,165.2949
AVERAGE LENGTH OF STAY ON THE WAIVER					278

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