5-26-16

Subject: Time for the Legislature to Change the Focus on Long-Term Care Redesign

Dear Members of the Wisconsin State Legislature:

As required by the state budget in Act 55, the Department of Health Services (DHS) submitted its Family Care/IRIS 2.0 Concept Paper to the Joint Finance Committee (JFC) on March 31. In the nearly two months since the Concept Paper was released, DHS has confirmed that there will be no long-term care savings due to Family Care/IRIS 2.0, and has delayed the proposed implementation date until 2018. Many questions and concerns have been raised by legislators and stakeholders over the past few months, and delaying the proposed start date into the next biennium gives legislators the time to reconsider this proposal and explore other options.

JFC acknowledged the need for continued legislative involvement in the redesign process when they required DHS to submit the Concept Paper to the Committee for review. We applaud the serious attention the committee members have given this very important policy issue for our state. Based on recent discussions with JFC members of both parties, and correspondence between JFC members and DHS, it is clear that there are still many unresolved questions about the DHS plan. Given that, we believe it is time to end the (over a year long) period of uncertainty for the 60,000+ people who use long-term care, their families, and the Wisconsin businesses impacted by the proposal. There has been ample time to meet the burden of proof for moving ahead with this significant overhaul, and that burden has not been met.

Throughout the budget process, long-term care stakeholders were told that the proposed changes were needed to achieve Medicaid savings, make the system more efficient, improve quality, address the "whole person", and provide services on a statewide basis. Language was included in the budget to preserve some features of IRIS and to attempt to provide a pathway for our current MCOs to participate in the new program.

We now know that there will be no long-term care cost savings as a result of Family Care/IRIS 2.0 and that any savings from the integration of acute and primary health care will be limited to the 20% of current enrollees who are "Medicaid only", not the 80% who are "dual eligible" (eligible for both Medicare and Medicaid). It is only this 20% of enrollees who could be required to participate in the integrated ("whole person") model. Wisconsin experience has shown that only a small percentage of dual eligibles will voluntarily opt for managed care. DHS acknowledged in a recent letter to Senator Darling that in counties where Partnership (Wisconsin's current integrated long-term care program) operates, dual eligibles "have traditionally chosen to receive their Medicare benefits through fee-for-service" (i.e. not via managed care). This will likely be true of the new IHAs as well: most dual eligibles will opt out of the integrated model (so they will not contribute any health care savings to the state's Medicaid budget).

Act 55 directed that the key features of the current IRIS program be continued in Family Care/IRIS 2.0. But the 13,000+ current IRIS participants are concerned that the proposed self-direction model is fundamentally different from the current program. In particular, the DHS Concept Paper contains major changes in both the way that individual IRIS budgets are calculated and the way that individual service plans are developed. IRIS participants and their families continue to ask why IRIS cannot continue as a separate program.

In addition, the legislature's good faith efforts to create a "pathway" for our current Wisconsin-based MCOs to become IHAs has been largely negated by the Concept Paper. Most, if not all, of the MCOs are concerned that they will not be able to meet the high risk reserve requirements for the large, three-region system proposed by DHS. The MCOs (and many other stakeholders) continue to question DHS' reasoning for ruling out smaller regions.

DHS stated in a *Frequently Asked Questions* document in April 2016 that current Family Care and IRIS members will need to dis-enroll from their current program and reenroll in Family Care/IRIS 2.0. DHS reversed this position this month in a response to Senator Darling. These changing answers are disconcerting for enrollees. Whether people will face disenrollment or a change in their MCO, providers, and/or doctors, is a serious issue that could result in people's lives and services being significantly disrupted. It is difficult to justify this disruption when there are more efficient ways to achieve the goals of long-term care redesign and cost savings within our current system.

Our Proposal

It is now clear that the main opportunity for LTC Redesign is to achieve health care (not LTC) savings. So we believe that this is where the new focus should be, while minimizing disruption to our current enrollees and LTC programs. In addition, we think it is important to note that of the $700 million added to Medicaid in the last budget, over 80% of that funding went to programs other than long-term care. We propose that:

1. The legislature suspend action on Family Care/IRIS 2.0 for the remainder of 2016, and give current enrollees some relief from the fear of the unknown they have been experiencing for the last year.

2. Restart the process with the 2017-2019 biennial budget, with the premise that Wisconsin will keep its existing Family Care, IRIS and Partnership models intact and focus the budget debate on refinements and expansion of those programs. Add complementary strategies and models which build on Wisconsin's current infrastructure of successful Medicaid Managed Care programs to contain health care costs. (This would allow an opportunity for DHS to work with stakeholders on these ideas between now and September when state agency budget requests are submitted.)

This is the basis of our reasoning:

-Wisconsin currently operates a fully integrated Medicaid managed care program (Partnership) in 14 counties. Expansion of Partnership to more counties (or the entire state) would provide an integrated care option to all current Family Care participants. Refinements in the Partnership model to increase similarities to the popular Medicare Advantage program could be explored.

-IRIS participants could be offered the option to simultaneously enroll in Wisconsin's SSI Managed Care program, which has already demonstrated an ability to save the state money for people receiving Medicaid-funded health care. Other health care cost containment strategies could be explored and piloted.

-We don't need Family Care/IRIS 2.0 to end waiting lists. We can do that by expanding the current Family Care, IRIS (and potentially Partnership) models to the seven legacy waiver counties. DHS previously reported to JFC that this would achieve long-term care cost-savings.

-Taxpayers are protected by our current system. Wisconsin-based MCOs have surpluses of just over 1% and administrative costs of less than 5%. The Concept Paper does not cap administrative costs and it allows for profits nearly double that of the current system. These profits could eclipse much of the savings that DHS projects.

-DHS reported to JFC in 2013 that "the average cost of physician, hospital, personal care, and other acute and primary care services for Family Care members have also declined over the last three years." In addition, the Legislative Fiscal Bureau Budget Paper on the Governor's proposed redesign said that it was "unclear what additional savings would be realized or other benefits gained from the integration of these services."

-As reported by LFB, the IRIS program has been successful in producing significant savings in LTC costs as IRIS participants are only spending 83 cents of each dollar budgeted, thereby generating a 17 cents/dollar savings to Medicaid.

The flurry of questions and issues raised in recent months about LTC Redesign has not reassured enrollees and other stakeholders of the validity of the Family Care/IRIS 2.0 proposal. Apparently it has not sufficiently reassured the legislature either. However, it has shed important light on what could be done and where we should focus our future efforts. We encourage the legislature to capitalize on this realization and set a new course for the future. We look forward to working with DHS and the legislature on this very important effort.

Sincerely,

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