THE GUARDIANSHIP PROJECT

A Demonstration Project of the VERA INSTITUTE OF JUSTICE, INC.

MEDICAID SAVINGS ESTIMATE 2014-2015

Summary of Medicaid Cost-Savings
July 1, 2014-September 30, 2015

Savings Category	Gross Savings	Net Savings
Nursing Home Avoidance among Medicaid Clients	$2,021,216.71	$1,688,046.40
Mental Health Facility Cost Avoidance among Medicaid Clients	$372,009.36	$351,817.22
Delayed Spend-Down Medicaid Avoidance	$245,379.92	$215,091.71
Medicaid Liens Paid	$488,013.41	$326,476.29
Savings to Medicaid	**$3,126,619.40**	**$2,581,431.62**

From July 1. 2014 to September 30, 2015, The Guardianship Project served 166 living clients and maintained 90 (54.2%) in deinstitutionalized settings, such as homes in the community, adult homes, and assisted living facilities, thereby generating gross Medicaid savings of approximately $3.13 million. The Project generates Medicaid cost savings in several ways, as described below.

Any questions about this report or The Guardianship Project should be directed to John Holt, Deputy Director of Legal Services, at jnholt@nycourts.gov

Breakdown of Cost Savings among Client Groups

(1) Nursing Home and Group Home Avoidance among Medicaid Clients

The implementation of Managed Long Term Care (MLTC) system in New York State as the primary means of delivering Medicaid-funded home care has created even stronger financial incentives for the state to maintain long term care recipients in the community, rather than in an institutional setting. While previously Medicaid was paying under a fee for services model, with the amount of home care hours directly effecting the amount paid by Medicaid, under the MLTC system, Medicaid pays a single rate per enrollee, regardless of the amount of services utilized. Under the current rates, the average annual cost of New York City Medicaid-funded nursing home care was $116,617.50[1] per year while the average MLTC Medicaid home care rate in New York City was $48,011.16 per year.[2] Therefore, the yearly gross Medicaid savings for the average client living in the community with MLTC home care who otherwise would have been in a nursing facility is $68,606.34. This year in this category, we maintained 34 clients on Medicaid in the community, generating gross savings of $2,021,216.71.[3] Savings were calculated for only the actual period of time clients were served by our project during the reporting period. We assume based on our experience that all of these clients would have likely otherwise have been in a nursing home. Such placements are a common and easier route for most guardians, given the numerous challenges that must be overcome to maintain a client at home, despite the higher cost to Medicaid and the effect upon the client.

Methodology

To calculate gross savings to Medicaid for nursing home avoidance, we first determined the value of a given client's home care (HC) costs to Medicaid by determining the average per client, per day reimbursement amount paid to MLTC plans in New York City. We also calculated the average daily cost to Medicaid of maintaining a client in a nursing home (NH). We then calculated the number of days in the reporting period during which we believe our efforts kept a client out of a nursing home. For any client who was at home at the beginning of the reporting period, we set the start date for July 1, 2014; for any client who was still at home by its conclusion, we set the end date at September 30, 2015. Any client whose case we were appointed to or whom we successfully moved home from a more restrictive environment during the reporting period has a start date consistent with those dates, Any client who passed away during the year has a likewise consistent end date. As the average value of NH costs varies slightly based on a client's Medicare eligibility, we kept track of our client's

[1] The annual cost of nursing home institutionalization comes is derived from Medicaid nursing home reimbursement rate data supplied by the New York State Department of Health, accessible at http://www.health.ny.gov/facilities/long_term_care/reimbursement/nhr/2014/nursing_home_rates_jan_2014.htm. We averaged the current per diem payment rates for both dual eligible (Medicaid/Medicare) and non-dual eligible patients in the 210 nursing homes located in New York City (the counties of New York, Kings, Queens, Bronx, and Richmond) effective January 1, 2014.

[2] The annual cost of MLTC home care is derived from information provided by the New York State Department of Health in response to a Freedom of Information Law request made by The Guardianship Project. The information provided by the Department of Health contained the monthly capitation rates, effective October 1, 2014, to MLTC's in New York City. The Guardianship Project took the average of the monthly rates and from the average monthly rate extrapolated the daily and annual rates.

[3] This number does not include our mentally ill community clients on Medicaid, who figure in a different section.

ages, and assigned the appropriate expected per diem NH cost. Finally, we calculated the difference between the nursing home and MLTC home care per diem rate for each client for the number of days we maintained them at home, summed for all clients:

$$GrossNHAvoidanceSavings = \sum (NHperdiem - MLTCperdiem) \times (EndDate - StartDate)$$

(2) Mental Health Facility Cost Avoidance among Medicaid Clients

The Guardianship Project was also able to realize savings to Medicaid by maintaining clients in the community with MLTC home care who otherwise would have been in psychiatric facilities. The yearly cost of maintaining a Medicaid eligible person in a psychiatric facility in New York City ranges from $146,000 to $247,794.85, depending on the type of facility they reside in. In the reporting period The Guardianship Project was able to maintain two clients in the community with MLTC home care who we believe would otherwise have resided in a psychiatric facility. With a annual cost of MLTC home care of only $48,011.16, we calculated a gross savings of $372,009.36 during the reporting periods for clients in this category.

Methodology

Our calculations to determine Medicaid savings for psychiatric facility avoidance are similar to those for nursing home avoidance—determining the number of days a given client was in a community setting, finding the cost of their care, and comparing it with their projected cost for psychiatric and mental health services for the time period in question. The cost of a client's hypothetical placement in a psychiatric facility depends on several factors. First, age plays a determining role. State-operated facilities only serve clients under 25 and over 65 years of age; in all other cases, clients would only have access to city-operated facilities. In the case of state-operated facilities, the fee charged per diem was $1,057.00 for Medicaid clients and $1117.82 for private pay clients; however, facilities only very rarely receive that amount, instead receiving real payment of about $400.00 a day for Medicaid clients and $1,000.00 a day for private pay clients.[4] Because city psychiatric facilities are usually incorporated as dedicated units in hospitals, are generally able to collect their standard fees from Medicaid, but the recent shift to the APR-DRG reimbursement model at the end of 2010 shifted their assessment of per diem numbers. The values we were provided are estimates based on the actual per diem numbers from 2009, modified to take into account the different costs of updated technologies and adjusted for inflation.

Therefore, the final calculation for gross savings to Medicaid is the difference between a client's projected psychiatric facility per diem cost and their actual MLTC home care cost for each day they were maintained at home, summed for all clients:

$$GrossPsychSavings = \sum (PsychFacilityperdiem - MLTCperdiem) \times (EndDate - StartDate)$$

[4] Allan Fingerman, accounting department at Manhattan Psychiatric Center, telephone call with Stephen Marsh, November 22, 2013.

Delayed Spend-Down/Medicaid Avoidance

In addition to providing clients a greater measure of autonomy and dignity, moving them into community settings is also, in many cases, substantially less costly to the client than institutionalizing them. In cases where a client has some assets and, therefore, would be paying for their own care for some amount of time, our work has allowed their assets to last longer, delaying the date when they would be "spent-down" and eligible for Medicaid. In "private-pay" situations, cost savings are even more dramatic: private nursing homes cost more ($141,985.00 a year) and home care often costs less (an average of $16.33 an hour, which for 12 hours of care is $71,525.40), a difference of over $70,000 per client per year.[5]

In the reporting period, 14 of our clients were privately paying for their own home care, generating a gross savings of $245,379.92.

Methodology: Determining the Spend-down Date

To calculate gross Medicaid savings due to Medicaid avoidance, we first projected when a client, without our services, would have had their assets completely depleted, becoming "spent-down." We also determined the total amount of a client's assets at that time.

We examined client inventories and external records relating to their assets as close as was possible to the move home date. This, in combination with money in trusts and liquid assets, allowed us to find a total value for a given client's total assets that accurately simulates their finances in our absence.

Once we evaluated that number, we then subtracted the Medicaid asset limit in 2015, $14,850.00, and divided by the private pay cost of a client's projected care arrangement if they were not maintained in the community. This generated the number of days for which a client's assets would have lasted until reaching Medicaid eligibility. To that we added the date of their move home or the start of the reporting period if they were already in the community, in order to evaluate the date at which their care would have depleted their assets to the Medicaid asset limit. Therefore the spend-down date for a given client was their total assets, minus the Medicaid limit of $14,850, divided by the per diem cost of the care they would have had, added to the beginning of their stay at home, either based on their move-home date or the beginning of the reporting period:

$$SpendDownDate = \frac{(TotalClientAssets - 14{,}850)}{CostofCareperdiem} + HomeDate$$

Methodology: Calculating Gross Savings

Once the spend-down date was calculated, we then figured how many days in the reporting period a client stayed off of Medicaid. For any client alive at the end of the reporting period and still private paying, the end date was set to September 30, 2015; for any client who was actually spent

[5] Nursing home cost from New York State Department of Health, "Estimated Average New York State Nursing Home Rates," accessed October 16, 2015. The home health care cost is an average of the hourly rate The Guardianship Project pays to the three services it uses, which range from $15 an hour to $18 an hour.

down to Medicaid eligibility, passed away or was discharged prior to then, that date was set. We then subtracted the spend-down date from the end date. The number of days was then multiplied by the per diem cost of the care the client would have had. As such, the gross savings were the difference between a client's spend-down date and either the day they moved home or the beginning of the reporting period, times the projected cost of the care they had:

$$GrossMedicaidAvoidanceSavings = (EndDate - SpendDownDate) \times CostofCareperdiem$$

With the spend-down calculations incorporated,

$$GrossMASavings = [EndDate - \frac{(TotalClientAssets - 14{,}850)}{CostofCareperdiem} + HomeDate] \times CostofCareperdiem$$

(3) Recovery of Medicaid Liens

When a person has received Medicaid services, it is possible for New York State to recover the funds from the recipient, or their estate, for services provided. Typically recovery occurs where the guardian has located assets previously unknown to the Department of Social Services, the guardian sells real property, or there are funds remaining in the guardian's hands following payment of the administrative expenses related to the termination of a guardianship after death of the incapacitated person. This value, a direct payment out of client assets, was drawn from our database software SEM. In the reporting period, this value was $488,013.41.

(4) Net Savings

For any given category, we calculated net savings as well as gross savings, subtracting out our approximate operating cost per client. Currently, we assume that we spend 80% of our time in any given year on living clients, and then divide the result by the number of living clients.[6] The Guardianship Project's operating budget for fiscal year 2014-15 was approximately $1,636,000 and $1,835,740 for fiscal year 2015-2016.[7] To find the total operating cost of the reporting period, we took the 2015-2016 operating budget and divided by 12 to find the monthly budget and then multiplied this figure by three and added it to the total 2014-2015 operating budget. So,

$$OperatingCostperClient = \frac{(2{,}094{,}935 \times .80)}{166}$$

After determining this number, we subtracted it from the gross savings for each client. Therefore, the total gross savings for any section is calculated as the gross savings for all clients minus the operating cost:

$$NetSavings = \sum GrossSavingsperClient - OperatingCost$$

[6] We also maintain a docket of "discharge track" clients, for whom we continue to manage bills, property, and estate issues. As of September 30, 2015, the Project had 87 clients in this track.

[7] The Guardianship projects fiscal years run from July 1 to June 30. Therefore the reporting period covered all of fiscal year 2014-15 and three months (July-September) of fiscal year 2015-16.

Appendix

Key of Costs Cited In Summary

Service	Daily Cost	Monthly Cost	Yearly Cost
Avg. Medicaid Nursing Home, Medicare eligible	$ 319.50	$ 9,722.39	$ 116,617.50
Avg. Medicaid Nursing Home, Medicare non-eligible	$ 322.23	$ 9,805.46	$ 117,613.95
Avg. Private Nursing Home	$ 389.00	$ 11,837.27	$ 141,985.00
Avg. Medicaid State Psychiatric	$ 400.00	$ 12,172.00	$ 146,000.00
Avg. Private State Psychiatric	$ 1,000.00	$ 30,430.00	$ 365,000.00
Avg. Medicaid City Psychiatric	$ 678.89	$ 20,658.62	$ 247,794.85
Avg. MLTC Partial Capitation Rate	$ 131.54	$ 4,000.93	$ 48,011.16

Bibliography

New York State Department of Health. "April 1, 2013 Nursing Home Rates." Accessed October 15, 2015. http://www.health.ny.gov/facilities/long_term_care/reimbursement/nhr/2014/nursing_home_rates_jan_2014.htm

New York State Department of Health. "Estimated Average New York State Nursing Home Rates." Accessed October 16, 2015. http://www.health.ny.gov/facilities/nursing/estimated_average_rates.htm.