

**Department of Disabilities, Aging, and Independent Living
and
Department of Vermont Health Access**

Adult Day Program; Rate Report

In accordance with H.494 of 2023

**Act 78, Sec. E.306.3. 33 V.S.A. §1134(c): An act relating to making appropriations
for the support of government**

Submitted to: House Committee on Human Services
House Committee on Appropriations
Senate Committee on Health and Welfare
Senate Committee on Appropriations

Submitted by: Megan Tierney-Ward, Acting Commissioner
Department of Disabilities, Aging, and Independent Living

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Report Date: February 15, 2024

EXECUTIVE SUMMARY

This report provides an analysis of payment methodologies that could be leveraged for Adult Day provider reimbursement and recommendations based on findings from that analysis and feedback from the Adult Day provider network. After analyzing several options for payment methodologies and gathering feedback from Adult Day providers, DAIL and DVHA recommend continuing with the current fee-for-service payment structure for Adult Day services and exploring the addition of value-based incentive payments designed to incentivize increased enrollment and attendance.

STATUTORY CHARGE AND INTRODUCTION

STATUTORY LANGUAGE

Act 78 of 2023, Sec. E.306.3 ADULT DAY PROGRAM; RATE REPORT

(a) On or before February 15, 2024, the Department of Vermont Health Access, in collaboration with the Department of Disabilities, Aging, and Independent Living, and the Vermont Association of Adult Day Services shall report to the House Committees on Appropriations and on Human Services and to the Senate Committees on Appropriations and on Health and Welfare on recommended payment methodologies that encourage increased enrollment or attendance or both and provide predictable funding levels for adult day programs.

INTRODUCTION

There are 11 Adult Day providers in Vermont that are geographically dispersed throughout the state. Adult Day providers offer community-based non-residential supports to assist adults with physical and/or cognitive impairments to remain as active in their communities as possible. Adult Day centers provide a safe, supportive environment where people can go during the day and receive a range of professional health, social and therapeutic services, as well as nutritious meals and valuable social interaction. Adult Day providers also offer respite, support and education to family members and caregivers.

Due to a variety of factors, there is a significant amount of variability in the volume of services provided through Adult Day programming. Some of these factors affect enrollment and include workforce challenges and perceived stigma around the services provided. Other factors affect the volume of service utilization and include barriers to accessing services (such as lack of transportation), the lingering effects of the COVID-19 pandemic, Adult Day program closures in 2020 and 2021, and the nature of the population served by Adult Day providers in general. Because Adult Day providers are currently paid by DAIL for Medicaid members through a fee-for-service reimbursement methodology, where payment is rendered for each service after it is delivered and billed for, this variability in service volume has also led to more variability in the volume of Medicaid payments for Adult Day services. This report evaluates multiple payment methodologies with a focus on the feasibility of implementation and whether those methodologies would ultimately increase Medicaid member enrollment and/or attendance at Adult Day providers.

ANALYSIS OF PAYMENT METHODOLOGIES

ADULT DAY PROVIDER ENGAGEMENT

DAIL and DVHA staff engaged with Adult Day providers throughout the process of developing recommendations related to potential payment methodologies for increasing Adult Day enrollment and attendance. DAIL and DVHA jointly held stakeholder collaboration meetings with Adult Day providers on October 17, 2023, and October 27, 2023, to give an overview of and solicit feedback on payment methodology options that could provide more predictable revenue and potentially increase enrollment and attendance of Adult Day services by Medicaid members. DAIL and DVHA used the feedback and discussion from these meetings, as well as written feedback (see Appendix 1) submitted by the Vermont Association of Adult Day Services (VAADS) to draft its recommendations, which were presented to the Adult Day provider community on December 8, 2023, for their final review and input.

SUMMARY OF POTENTIAL METHODOLOGIES AND PROVIDER FEEDBACK

DAIL and DVHA explored three payment model options in detail with Adult Day providers, all of which have been implemented in other payment reform efforts across the Agency of Human Services (AHS), and evaluated each model on feasibility to implement, the likely implications for Adult Day providers' operations if implemented, and whether the model had the potential to increase enrollment and/or attendance and provide predictable funding for Adult Day programs. See Appendix 2 for a more detailed table of these methodologies and feedback.

OPTION 1: FEE-FOR-SERVICE

Adult Day providers are currently paid on a fee-for-service basis, where they are paid for each service, they provide. Payments are issued after services are rendered and billed. Medicaid fee-for-service rates for Adult Day programming pay \$6.25 per 15-minute increment (\$25 per hour) as of July 2023. The payment structure of this model could remain as is, or it could be modified to pay a set amount for either a full-day or half-day of service.¹ For any fee-for-service option pursued, DAIL and DVHA determined that value-based incentive payment(s) that reward providers who perform well in measures of increased enrollment and attendance could be designed and added to the existing reimbursement structure.

One additional factor considered in payment model evaluation is the financial stability of the Adult Day providers and their ability to assume any level of financial risk. In some alternative to fee-for-service payment models, providers are paid up front in exchange for delivering a target level of services to their covered population. If that target is not met, providers may need to return a portion of those funds, thus often requiring a different approach to managing their finances. This ability to assume financial risk was identified as a concern of the Adult Day providers due to unpredictable trends in utilization and insufficient administrative staffing required to monitor these trends. Adult Day providers also noted familiarity with the fee-for-service reimbursement model and did not express concerns that it would increase their administrative burden. A value-based incentive payment component could help reward providers for meeting the identified goals and potentially support the Adult Day workforce if providers are able to use these bonus payments to offer higher compensation to staff. Additionally, incentive

¹ This would require developing a definition of the time threshold for both half and full-day rates.

payments could also allow providers to maintain program spaces for new members who are transitioning into the program and may utilize services sporadically at first. This additional flexibility and support could in turn incentivize new providers to open additional Adult Day programs in the state.

While a fee-for-service payment model mitigates the exposure to financial risk, the variability in cash flow of a fee-for-service payment methodology can make it difficult to plan for and meet the budget needs of Adult Day providers, as the volume of services (and therefore payments) can be unpredictable. It is likely that a value-based incentive payment structure would need to calculate the number of days each Medicaid member is served, as this is a key goal. Current Adult Day billing practices are such that this information cannot be calculated from claims data, and this would need to change if value-based payment were pursued.

OPTION 2: BUNDLED PAYMENTS

A second payment methodology explored for Adult Day providers is bundled payments (sometimes referred to as per-member-per-month (PMPM), per-member-per-week (PMPW) or case-rate payments), where providers are paid a fixed amount to cover the needs of the people they serve. These payments can be issued to cover a week or a month of service delivery for a specified period of time. They can be prepaid, assuming that a target number of people will be served (usually requiring a year-end reconciliation) or can be billed and paid once it is certain that the provider has met the service delivery expectations the payment requires. Bundled payment rates are often set based on various factors such as the anticipated level of service need across the expected population, as well as the providers' cost to support this anticipated level of need. A value-based incentive payment similar to that described in the fee-for-service section above could be implemented as a component of this payment methodology.

When providers know when and how much they will be paid for a given period of time, such as in this bundled payment methodology, it often stabilizes their cash flow and can increase their flexibility to make decisions about how they utilize these funds. Examples include the ability to increase investments in their workforce recruitment and retention, as well as other innovations in how they approach their day-to-day operations. DAIL and DVHA view this as a potential strength of bundled payment models, especially those paid on a prospective basis for an agreed upon target population. Additionally, the establishment of a value-based incentive payment could allow the state the opportunity to establish a unified quality measurement framework for the Adult Day program and potentially reward high performing providers, though providers expressed concern about the potential for increased reporting requirements to operationalize value-based payment measures. As previously mentioned, Adult Day providers also expressed concern with accepting any level of financial risk where they may be subject to return funds if they do not meet agreed upon service delivery targets. A bundled payment where the rate is not billed and paid until it is certain that the service delivery expectations have been met would offset this risk, however providers expressed uncertainty about the establishment of utilization thresholds for triggering payments, given the variable nature of the volume of services they provide in a given time period. However, further flexibility and predictability in payment could encourage new providers to open additional Adult Day programs in the state.

Though this bundled payment model could result in more stable and predictable cash flow, it does not have a clear incentive to increase service delivery in the way fee-for-service does. Further, though the model could incorporate an incentive payment for increased enrollment and attendance, it is unlikely to be a clear driver of increased enrollment and attendance and its benefits may be outweighed by the uncertainty around service volume and financial reconciliation.

OPTION 3: HYBRID FEE-FOR-SERVICE/PROSPECTIVE PAYMENTS

A third payment methodology option explored with Adult Day providers is a hybrid fee-for-service/prospective payment model, where payments to providers would be split between a monthly prospective payment and a proportionally reduced fee-for-service claim level payment, the combined total of which would be equivalent to 100% of current fee-for-service billing (essentially a combination of Options 1 and 2 above) In this model, a target number of people and services would need to be met to retain the full monthly prospective payment component of the model, but there would be no cap on the volume of fee-for-service billing that could occur. As an illustrative example, if the current reimbursement rate is \$25 per hour, the fee-for-service claim level reimbursement could be reduced to \$15 per hour and paid out without a utilization cap as services are rendered and billed, and a lump sum payment of \$10 per member per hour could be issued to the provider at the beginning of each month based on an authorized number of hours, and a target threshold could be set at 75% of authorized hours (for example) to retain the full monthly payment. A value-based incentive payment similar to that described in the fee-for-service section above could be implemented as a component of this payment methodology.

Due to the hybrid nature of this payment methodology, it could accommodate the variability of service provision for Adult Day providers through its fee-for-service component while guaranteeing a stable form of cash flow through its prospective monthly payment component. It could also potentially pay providers more than 100% of their current fee-for-service rates since providers would be guaranteed a fixed prospective payment in addition to a variable fee-for-service component with no utilization floor or ceiling. This has the potential to incentivize more service provision, though it does not necessarily mean that enrollment and attendance would increase. Similar to other options, this model could also incentivize new providers to open additional Adult Day programs in the state.

Though providers expressed interest in this model conceptually, they raised concerns about feasibility of implementation, given the introduction of risk (providers may need to pay money back if they don't meet their service delivery target) and factors such as absenteeism and variability of demand impacting their ability to be successful under this model, as well as shifts in administrative responsibilities such as financial monitoring and reporting requirements.

As in Option 2, though this model could incorporate an incentive payment for increased enrollment and attendance, its benefits may be outweighed by the uncertainty around service volume and financial reconciliation.

RECOMMENDATION

Based on an analysis of available payment methodologies and feedback and input from the Adult Day provider community, DAIL and DVHA recommend continuing with the current fee-for-service payment structure for Adult Day services. DAIL and DVHA also recommend further exploring the feasibility of incorporating two potential value-based incentive payments designed to reward increased enrollment and attendance. The two potential incentive payments would be a one-time value-based incentive payment to providers for newly enrolled Medicaid members or re-engaged Medicaid members who meet a certain threshold of days served by Adult Day services, and an annual payment made to providers for Medicaid members utilizing Adult Day services for an extended period. These potential payments would incentivize both increased enrollment and continued attendance and engagement. Implementing any future potential incentive payments would require further utilization and fiscal analysis, as well as an identified source of funding.

Adult Day providers were interested in retaining the current fee-for-service reimbursement structure while adding value-based incentive payment components where they receive additional payment(s) if they meet certain service thresholds for clients (for example, a certain number of days per month or per year). They noted that this option has no financial risk involved and is not administratively burdensome to develop. Adult Day providers also advocated for yearly increases to Medicaid's fee-for-service reimbursement rates to account for inflation. However, any consideration of future rate increases is always subject to available revenues relative to competing needs inherent to the budget development process.

APPENDICES:

1. *Vermont Association of Adult Day Services: written feedback on payment model options*



November 14, 2023

Angela Smith-Dieng, Division Director
Vermont Department of Aging & Independent Living
Division of Adult Services
HC 2 South, 280 State Drive
Waterbury, Vermont 05671 0385

Dear Angela:

The members of the Vermont Association of Adult Day Services would like to thank DAIL and DVHA for taking the time to meet with us to discuss payment reform possibilities. These open communications between the state and our programs were very welcomed.

Our programs are still dealing with the effects of the pandemic, shutting down for fifteen months in 2020/21 and now slowly reopening. We are building our capacity back to the pre-pandemic levels, although we are still having trouble hiring staff, due to the workforce shortage. We also have been dealing with ongoing upticks in COVID cases since reopening and continue to do so.

After reviewing all of the options that you presented to us, the fee for service payment model is the best option for us at this time. We are now at a place where our funding is finally beginning to stabilize. In the previous legislative session, after years of asking, we finally received an increase to our reimbursement rate which brought us up to \$25/hour. This increase is allowing us to hire new staff at a

fair wage and increase compensation for existing staff. Given the recent increase implemented for our Adult Day rate, VAADS would like to continue its evaluation of the impact of the rate increase on the financial sustainability of our organizations.

We would also like to take this opportunity to ask you to consider three additions to our fee for service payment model -

1. Add a \$2,000 per person per year incentive bump for those who rely on Medicaid to help address some of the costs related to slot retention. One option would be to stipulate that it would apply “after 45 days of service” (similar to Massachusetts) to demonstrate the participant’s commitment to program utilization.
2. Commit to an annual rate increase *at least* consistent with the most recent Consumer Price Index.
3. Work with VAADS to help educate Vermonters on our services through a multi-media campaign.

Thank you for your consideration and we look forward to meeting with you and the staff at the Department of Vermont Health Access to discuss our feedback before any final recommendations for payment reform are presented to the Vermont Legislature.

Sincerely,

Eric Fritz, President

Vermont Association of Adult Day Services

2. Adult Day Payment Options and Recommendations Table

Option 1: Fee-for-Service			
Description	Payment Model Options	Potential Strengths (and provider feedback)	Potential Challenges (and provider feedback)
<p>Adult Day providers are paid for each service they provide. Payments are issued retrospectively, after the services are rendered.</p>	<p>FFS is currently structured for Adult Day programming to pay in 15-minute increments.</p> <p>Providers were interested in exploring moving to either a <i>full-day</i> or <i>half-day per diem rate</i>, though they would need to bill differently than they do currently.</p> <p>Providers advocated for yearly increases to FFS reimbursement rates to account for inflation, though this would be difficult to guarantee because funding is contingent upon legislative appropriations through the budgetary process.</p> <p>Providers were interested in retaining FFS reimbursement and adding a pay-for-performance component where they receive a lump sum bonus payment if they meet certain service thresholds for clients (for example, a certain number of days per month or per year). This would also require some providers to bill differently than they do currently.</p>	<p>Accommodates the variability of service provision within Adult Day programming across the state (providers cited workforce challenges and absenteeism as drivers of volatility of service provision).</p> <p>Providers are familiar with the FFS reimbursement model and did not express concerns that it would increase administrative burden for them.</p> <p>A pay-for-performance component could help with cash flow and address workforce challenges if the providers are able to offer higher compensation with these bonus payments. It could also incentivize new providers to start an Adult Day program.</p>	<p>Payments are only made if services are delivered, which does not help with enrollment or attendance issues cited by providers.</p> <p>Payments are made after services are rendered and the cash flow can vary, depending on the volume of services provided by the Adult Day program.</p> <p>Changes to the current billing structure would have a short-term impact for some Adult Day providers.</p>

Option 2: Bundled Value-Based Payments

- Opt. A: paid when services billed. (retro)
- Opt. B: paid prospectively based on target

Description	Payment Model Options	Potential Strengths (and provider feedback)	Potential Challenges (and provider feedback)
<p>Adult Day providers are paid a fixed amount based on expected costs for Adult Day services. Rates can be adjusted based on things such as the number of hours and number of people served.</p>	<p>Rates could be paid prospectively on a weekly or monthly basis based on the number of anticipated hours to cover the services under the payment. Rates could also be paid retrospectively and triggered when a set of criteria has been met that deems a client active for the month (for example, they've received a certain number of hours of service for that month).</p> <p>A pay-for-performance component similar to the bonus payment in the FFS model above could be layered on top of this bundled payment model.</p>	<p>This could increase payment predictability and flexibility in how to deliver services, in theory.</p> <p>Providers seemed more comfortable with a retrospective approach where payments were made after a utilization threshold is reached but had questions about how that threshold would be established (given service volatility, especially coming out of the pandemic).</p> <p>This kind of payment model could incentivize new providers to start an Adult Day program.</p> <p>This could give the State an opportunity to establish quality outcome measures for this program.</p>	<p>This payment model does not incentivize volume beyond the minimum needed to "earn" a payment (in the retrospective payment approach).</p> <p>Providers expressed concern about the potential financial risk that a reconciled model entails, particularly due to the absenteeism currently seen in Adult Day programs across the state.</p> <p>Providers expressed concern about the administrative burden associated with financial monitoring, tracking, and developing a quality measure framework.</p>

Option 3: Hybrid Fee-for-Service/ Prospective Payments

Description	Payment Model Options	Potential Strengths (and provider feedback)	Potential Challenges (and provider feedback)
<p>Adult Day provider payments are split between a monthly prospective payment and a proportionally reduced FFS claim level payment (and the combined total of the two equals 100% of current FFS billing). A target number of people and services would need to be met to retain the full monthly prospective payment (but there would be no cap on FFS billing).</p>	<p>Illustrative example:</p> <p><u>FFS component:</u> Reimbursement rate is \$10/hour. The FFS claim level reimbursement would be reduced to \$6/hour and paid out (without a utilization cap) as services are rendered and billed.</p> <p><u>Monthly payment component:</u> Additionally, a lump sum payment of \$4/hour would be made for each member at the beginning of each month based on an authorized number of hours. If Client A is authorized for 100 hours/month – the monthly payment for Client A would be \$400. A target threshold of (for example) 75% of authorized hours would need to be met to retain the full monthly payment.</p> <p>A pay-for-performance component similar to the bonus payment in the FFS model above could be layered on top of this payment model.</p>	<p>Some providers thought this was an interesting concept, as it would still guarantee that the variability of service provision could be somewhat accounted for with the FFS component of the model, and the PMPM would guarantee a stable form of cash flow.</p> <p>This concept would also have the potential to pay providers more than 100% of their current FFS rates, since they would be guaranteed a fixed PMPM as well as a variable FFS component with no utilization floor or ceiling. This could incentivize more service provision, though this does not necessarily mean that enrollment and attendance would increase.</p> <p>This kind of payment model could incentivize new providers to start an Adult Day program.</p> <p>This could give the State an opportunity to establish quality outcome measures for this program.</p>	<p>Providers expressed concern that a more complex payment model would be administratively burdensome, due to the reconciliation component and the need to monitor financial performance.</p> <p>Providers expressed concern about the potential financial risk that a reconciled model entails, particularly due to the absenteeism currently seen in Adult Day programs across the state.</p>