

County of Los Angeles— Department of Public Health

Substance Abuse Prevention and Control Rate Study Report



Welcome



Consultants

- Selected through competitive process through Auditor-Controller's Office during July 2010
- Work Order Started October 2010
- Consultant Organizations
 - MGT of America and Subcontractor Public Consulting Group



Purpose of Presentation

- Overview of Rate Study and Rates
- Describe SAPC plan to implement the rate study recommendations



Overview of Rate Study



ADULT OUTPATIENT AND RESIDENTIAL SUBSTANCE ABUSE SERVICES RATE STUDY



PRESENTATION OF RATE STUDY REPORT JUNE 8, 2011



Agenda

- Introductions
- Scope of Study and Methodology
- Review of Comparable Fee-For-Service Models
- Standardized Service Definitions and Standards of Care
- Cost Identification and Analysis
- Rate Methodology, Schedule, and Impacts
- Recommendations
- Questions



Introductions

- Linus Li – MGT Quality Assurance Lead
- Kevin Coyle – PCG Senior Consultant
- Laura Scott – PCG Senior Consultant
- Alicia Holmes – PCG Consultant
- John Storey – MGT Comparable Models Lead
- Sean Huse – PCG Associate Manager
- Gail Hanson Mayer – PCG Clinical Subject Matter Expert



Scope of Study and Methodology

- Conduct a comprehensive study to determine the actual costs associated with providing adult outpatient and residential substance abuse program services within the County
 - SAPC provides adult outpatient and residential substance abuse services in Los Angeles County
 - Includes 480 current contracts and 180 providers
- Develop rates for adult outpatient and residential substance abuse services
 - Take into account Service Planning Areas (SPA), other cost adjustment factors that will result in different rates within the County
- Focus broadly on:
 - Developing service descriptions and rates
 - Identifying barriers, disincentives, and recommendations



Scope of Study and Methodology – Focus Groups

- As part of the information gathering, the MGT team conducted provider focus groups to gain a better understanding of service delivery system and financial reporting capabilities of SAPC providers
 - Four focus groups sessions were held in early December 2010
 - Attendance included 31 providers, representing all 8 SPAs
- Information gathered during the sessions was used for recommendations section of the final report



Scope of Study and Methodology – Web-Based Cost Reporting Tool

- As part of the information gathering, the MGT team developed a web-based cost reporting tool
 - Allowed all providers to an opportunity to:
 - Validate cost information from 2009-2010 SAPC cost reports
 - Provide additional information necessary to complete the Rate Study
- The MGT team provided training to all providers on the application
 - Four training sessions were held in early February 2011
- Information gathered from the web-based application was used for the rate recommendations section of the final report



Scope of Study and Methodology – Web-Based Cost Reporting Tool

- Limitations of SAPC Cost Reports and Web-Based Cost Reporting Tool:
 - The identification and availability of cost and utilization data for the SAPC rate analysis was a recognized challenge to this scope of work
 - Providers throughout the system do not consistently capture cost and utilization data by modality or the new standards of care definitions
 - The MGT team was able to glean some statistics from this data, such as the percent split of administrative, other direct, fixed, and direct service costs
- The goal of future rate updates needs to be 100% reporting and data collection for all providers



Review of Comparable Fee-For-Service Models

- The MGT team conducted research on comparable adult substance abuse programs using a fee-for-service structure to get a better understanding of:
 - Strengths and weaknesses of a fee-for-service approach
 - Costing approaches that comparable programs have used
- Comparable programs included:
 - King County, Washington
 - Orange County, California
 - San Diego County, California
 - Riverside County, California



Review of Comparable Fee-For-Service Models

- Key findings:
 - Employing a fee-for-service model is feasible, but many providers may be hesitant to adopt the model
 - It may be more difficult for smaller providers to make the transition
 - Establishing supportable rates will be critical to the success of a fee-for-service model
 - To ease the transition for the providers, establishing and posting some form of cost-based rates seems to work best
 - Utilizing market based approaches such as an RFP process to establish the providers of services can create efficiencies; however, it will be important to make sure the providers can deliver on the proposals



Standardized Service Definitions and Standards of Care

- The MGT team reviewed the current SAPC service modality structure and mapped them to an appropriate Healthcare Common Procedure Coding System (HCPCS) procedure code

Existing SAPC Modality	Existing SAPC Modality
Alcohol and Drug-Free Housing	Outpatient Narcotic Treatment Program (methadone detoxification)
Case Management	Residential
Community Assessment and Service Center Program	Residential/Recovery Short Term & Long Term
Day Care Rehabilitative	Residential Detoxification
Human Immunodeficiency Virus (HIV) Early Intervention Services	Hospital Inpatient Detoxification
Outpatient Drug Free Individual Counseling & Group Counseling	Satellite Housing Center
Outpatient Drug Court Treatment and Recovery Services	Training
Outpatient Narcotic Treatment Program (all types)	



Standardized Service Definitions and Standards of Care

- During the focus groups, the MGT team obtained:
 - Provider input including how services are provided, to help develop the service definitions and standards of care for use in a future fee-for-service model
 - The following procedure codes are recommended for SAPC:



Standardized Service Definitions and Standards of Care

Recommended SAPC Procedure Codes	
H0001 Assessment	H0048 Alcohol and/or Drug Testing
H0003 Laboratory Analysis	H0049 Alcohol and/or Drug Screening
H0004 Individual Counseling	H0050 Brief Intervention
H0005 Group Counseling	J2315 Naltrexone (Vivitrol)
H0006 Case Management	S0281 Medical Home Care Coordination Maintenance
H0010 Sub-Acute Detoxification (Medically Monitored)	S5190 Wellness Assessment
H0012 Sub-Acute Detoxification (Clinically Managed)	S9075 Smoking Cessation Treatment
H0015 Day Care Habilitative Treatment	S9976 Lodging
H0016 Medical Intervention in an Ambulatory Setting	T1007 Treatment Plan Development/Modification
H0017, H0018, H0019 Residential Treatment Program	T1012 Skills Development
H0020 HG, Methadone Administration	99203, 99204, 99205 Physical Evaluation/Exam
H0022 Intervention Services	X9999 Residential Room and Board



Cost Identification and Analysis

- The MGT team conducted detailed cost identification and analysis of existing and relevant data sources
- SAPC provider cost reports for the 2009-2010 cost report were the predominant data source
- Augmented those reports with information gathered by providers from the web-based cost reporting tool
 - Providers were asked to:
 - Review and validate cost report information
 - Edit cost information, if applicable, to reflect full costs of providing SAPC services
 - Review and edit job titles of staff
 - Provide additional FTE, units, and revenue information for rate setting purposes



Cost Identification and Analysis

- There are seven key cost categories that the MGT team examined from the provider information
- The table below summarizes the individual cost categories as a percentage of the total expenditures across all providers

Cost Category	Percent of Total Expenses
Salaries	41.8%
Benefits	11.1%
Facility Rent/Lease or Depreciation	7.1%
Equipment and Other Assets	0.8%
Other Direct Costs	19.8%
Equipment Depreciation	4.7%
Administrative Overhead	14.7%
TOTAL	100%



Rate Methodology, Schedule, and Impacts

- SAPC must emphasize that payments to providers adhere to four principles:
 - Efficiency
 - Economy
 - Quality of Care
 - Access
- The MGT rate setting methodology focuses on these four principles in each of the rates established
- Rates were established for:
 - Outpatient Services
 - Residential Services



Rate Methodology, Schedule and Impacts – Outpatient Services

- The MGT team developed a rate for each non-residential HCPCS code based on:
 - The direct salary and expected FTE commitment required to complete each service
 - The average administrative, overhead, facility, and other direct costs as reported on the cost report
- For those codes where the standard HCPCS definition does not define a unit of measure, the MGT team employed both Medicaid common practices and evidence based research to determine the appropriate unit of service
- The calculated rates were then compared to Medicare, Medi-Cal, and other State Medicaid rates, where applicable, to test for reasonableness



Rate Methodology, Schedule and Impacts - Outpatient Services

- Service codes for physical exams and Naltrexone (Vivitrol) injections have established rates through both Medicare and Medicaid programs
 - The MGT team defaulted to the California Medicaid rate for these codes as outlined in the table below

Service	Rate
99203 Physical Evaluation/Exam (30 min)	\$114.50
99204 Physical Evaluation/Exam (45 min)	\$174.33
99205 Physical Evaluation/Exam (60 min)	\$216.35
J2315 Naltrexone	\$6.63



Rate Methodology, Schedule and Impacts - Outpatient Services

- For behavioral codes, potential staff levels include Registered/Certified Counselors, Licensed Counselors, and Marriage and Family Therapists
 - Per the established Standards of Care, the minimum qualification for all behavioral codes is a Registered Counselor
 - Thus, the base rate for each service assumes that a Registered Counselor is the primary provider
- For medical codes, staff levels include Licensed Vocational Nurses (LVN), Registered Nurses (RN), and Physicians
 - While there are other qualified providers who may provide direct behavioral services, such as Licensed Social Workers, the staff titles were chosen to reflect the spectrum of qualified provider salaries
- The MGT team has priced each service that “could” be provided with a higher skill level as a “modified” rate and has calculated this on the fee schedule



Rate Methodology, Schedule and Impacts - Outpatient Services Calculation Methodology

Salary and Fringe divided by 1,950 Hours
(2080 total hours/yr – 130
vacation/sick/holiday hours/yr)

Full FTE for direct provider and
quarter FTE for supervisory
provider

Service	Staff	Salary	Fringe	Hourly Rate	FTE Assigned	Time per Unit of Service (Hours)	Staff Rate plus Admin/Other
H0004 Individual Counseling	Registered/ Certified Counselor	\$37,960	\$9,110	\$24.14	1	0.25	\$19.00
	Marriage and Family Therapist	\$51,792	\$12,430	\$32.93	0.25	0.25	

FY 2010 Bureau of Labor
Statistics for LA County

Actual Fringe
Based on Cost
Report detail for
Outpatient Services
(24%)

Sum (Hourly Rate * FTE * Time
per Unit)/42.6% (1 -
Administrative and Other Direct
Rate of 57.4%)



Rate Methodology, Schedule and Impacts – Residential Services - Treatment

- The MGT team developed a Residential Treatment rate based on a review of the appropriate staffing model for long term Residential Treatment across the country
 - Peer model programs were identified in Florida, Massachusetts, and Nebraska for comparison purposes
 - The MGT team also relied on the Coopers and Lybrand 1988 study of the SAPC system to identify the base staffing model for Residential Treatment services
- Our analysis of providers in LA County, Massachusetts, Nebraska, and Florida identified a clear trend in the level of staffing per occupied bed of 0.27 with a standard deviation of 0.04
- MGT used this staffing ratio to price a standard cost per day for residential treatment services



Rate Methodology, Schedule and Impacts – Residential Services – Treatment Calculation Methodology

SAPC Service Definition Standards	Program Manager (BLS)	Licensed Physician (BLS)	Licensed Psychologist/ Mental Health Therapist (BLS)	LCSW (BLS)	Substance Abuse Counselors (BLS)	Total
Standard Program FTEs per 40 Beds	0.64	0.06	0.1	0.2	9.93	10.92
Avg. Hourly Rate	\$46.68	\$82.28	\$34.29	\$23.24	\$18.25	
FTE Hours Per Year	2,080	2,080	2,080	2,080	2,080	
Salary Estimate	\$61,742	\$10,271	\$6,903	\$9,639	\$376,924	\$465,479
Licensed Days per Year (40 Beds)	14,600	14,600	14,600	14,600	14,600	14,600
Salary Cost Per Day						\$31.88
Fringe Rate From 2009-10 SAPC Residential Providers						25.90%
Salary and Fringe Cost Per Day						\$40.14



Rate Methodology, Schedule and Impacts – Residential Services - Room and Board

- The MGT team also developed a Residential Room & Board rate based on a review of provider cost report data
- Rates were established by SPA to account for geographic differences in real estate/rent costs and wages

SPA	Fixed and Other Direct Rate	Administrative Rate	Total R&B Rate
1	\$34.22	\$64.58	\$98.80
2	\$71.71	\$55.97	\$127.68
3	\$39.11	\$33.80	\$72.91
4	\$28.38	\$18.90	\$47.28
5	\$56.70	\$35.84	\$92.54
6	\$27.04	\$39.86	\$66.90
7	\$41.83	\$43.70	\$85.53
8	\$49.99	\$26.65	\$76.64



Rate Methodology, Schedule and Impacts – Modifiers

- The MGT considered the impact of several cost adjustment factors on potential rates
- The table below identifies the population modifiers that were deemed to impact the rates

Population Modifiers	Population Served
(none)	General Population
HH	Co-Occurring Mental Health Disorders
HD	Pregnant/Parenting Women
H9	Court Ordered
HL	Monolingual
HI	Homeless



Rate Methodology, Schedule and Impacts – Modifiers

- The table below identifies the staffing modifiers that were deemed to impact the rates

Staffing Modifiers	Provider
(none)	Minimum Standard
A1	Primary Service by Licensed Counselor
A2	Primary Service by Marriage and Family Therapist
A3	Primary Service by Registered Nurse
A4	Primary Service by Physician



Recommendations

- Based on the analysis, the MGT team recommends implementing the following rates for adult populations

<i>Recommended SAPC Procedure Codes</i>	<i>Base Rate</i>	<i>Staff Modified Rate</i>				<i>Population Modified Rate</i>				
		<i>A1</i>	<i>A2</i>	<i>A3</i>	<i>A4</i>	<i>HH</i>	<i>HD</i>	<i>H9</i>	<i>HL</i>	<i>HI</i>
H0001 Assessment	\$75.99	\$89.42	\$96.64			\$83.59	\$83.59	\$83.59	\$83.59	\$83.59
H0003 Laboratory Analysis	\$12.26					\$13.48	\$13.48	\$13.48	\$13.48	\$13.48
H0004 Individual Counseling	\$19.00	\$22.36	\$24.16			\$20.90	\$20.90	\$20.90	\$20.90	\$20.90
H0005 Group Counseling (Per person in group)	\$4.75	\$5.59	\$6.04			\$5.22	\$5.22	\$5.22	\$5.22	\$5.22
H0006 Case Management	\$15.92	\$19.28				\$17.51	\$17.51	\$17.51	\$17.51	\$17.51
H0010 Sub-Acute Detoxification (Medically Monitored)	negotiated									
H0012 Sub-Acute Detoxification (Clinically Managed)	negotiated									



Recommendations

<i>Recommended SAPC Procedure Codes</i>	<i>Base Rate</i>	<i>Staff Modified Rate</i>				<i>Population Modified Rate</i>				
		<i>A1</i>	<i>A2</i>	<i>A3</i>	<i>A4</i>	<i>HH</i>	<i>HD</i>	<i>H9</i>	<i>HL</i>	<i>HI</i>
H0015 Day Care Habilitative Treatment	\$83.39	\$100.18	\$109.19			\$91.73	\$91.73	\$91.73	\$91.73	\$91.73
H0016 Medical Intervention in an Ambulatory Setting	\$39.20			\$49.82		\$43.12	\$43.12	\$43.12	\$43.12	\$43.12
H0017, H0018, H0019 Residential Treatment Program	\$40.14					\$44.15	\$44.15	\$44.15	\$44.15	\$44.15
H0020 HG, Methadone Administration	\$14.58			\$21.66	\$44.93	\$16.04	\$16.04	\$16.04	\$16.04	\$16.04
H0022 Intervention Services	\$19.00	\$22.36	\$24.16			\$20.90	\$20.90	\$20.90	\$20.90	\$20.90
H0048 Alcohol and/or Drug Testing	\$18.39					\$20.23	\$20.23	\$20.23	\$20.23	\$20.23
H0049 Alcohol and/or Drug Screening	\$16.10	\$19.46	\$21.26			\$17.71	\$17.71	\$17.71	\$17.71	\$17.71
H0050 Brief Intervention	\$19.00	\$22.36	\$24.16			\$20.90	\$20.90	\$20.90	\$20.90	\$20.90
J2315 Naltrexone	\$6.63					\$7.29	\$7.29	\$7.29	\$7.29	\$7.29



Recommendations

<i>Recommended SAPC Procedure Codes</i>	<i>Base Rate</i>	<i>Staff Modified Rate</i>				<i>Population Modified Rate</i>				
		<i>A1</i>	<i>A2</i>	<i>A3</i>	<i>A4</i>	<i>HH</i>	<i>HD</i>	<i>H9</i>	<i>HL</i>	<i>HI</i>
S0281 Medical Home Care Coordination Maintenance	TBD									
S5190 Wellness Assessment	\$74.16			\$106.03	\$210.76	\$81.57	\$81.57	\$81.57	\$81.57	\$81.57
S9075 Smoking Cessation Treatment	\$15.92	\$19.28				\$17.51	\$17.51	\$17.51	\$17.51	\$17.51
S9976 Lodging	negotiated									
T1007 Treatment Plan Development/Modification	\$15.92	\$19.28				\$17.51	\$17.51	\$17.51	\$17.51	\$17.51
T1012 Skills Development	\$15.92	\$19.28				\$17.51	\$17.51	\$17.51	\$17.51	\$17.51
99203 Physical Evaluation/Exam (30min)	\$114.50					\$125.95	\$125.95	\$125.95	\$125.95	\$125.95
99204 Physical Evaluation/Exam (45min)	\$174.33					\$191.76	\$191.76	\$191.76	\$191.76	\$191.76
99205 Physical Evaluation/Exam (60min)	\$216.35					\$237.99	\$237.99	\$237.99	\$237.99	\$237.99



Recommendations

<i>Recommended SAPC Procedure Codes</i>	<i>Base Rate</i>	<i>Staff Modified Rate</i>				<i>Population Modified Rate</i>				
		<i>A1</i>	<i>A2</i>	<i>A3</i>	<i>A4</i>	<i>HH</i>	<i>HD</i>	<i>H9</i>	<i>HL</i>	<i>HI</i>
X9999 Residential Room and Board (SPA 1)	\$98.80					\$108.68	\$108.68	\$108.68	\$108.68	\$108.68
X9999 Residential Room and Board (SPA 2)	\$127.68					\$140.45	\$140.45	\$140.45	\$140.45	\$140.45
X9999 Residential Room and Board (SPA 3)	\$72.91					\$80.20	\$80.20	\$80.20	\$80.20	\$80.20
X9999 Residential Room and Board (SPA 4)	\$47.28					\$52.01	\$52.01	\$52.01	\$52.01	\$52.01
X9999 Residential Room and Board (SPA 5)	\$92.54					\$101.79	\$101.79	\$101.79	\$101.79	\$101.79
X9999 Residential Room and Board (SPA 6)	\$66.90					\$73.59	\$73.59	\$73.59	\$73.59	\$73.59
X9999 Residential Room and Board (SPA 7)	\$85.53					\$94.08	\$94.08	\$94.08	\$94.08	\$94.08
X9999 Residential Room and Board (SPA 8)	\$76.64					\$84.30	\$84.30	\$84.30	\$84.30	\$84.30



Recommendations

1. Implement a SAPC Management Information System
 - Develop the internal protocols and systems to manage and process inputs related to submission of fee-for-service claims
 - Developing a modified CMS-1500 claim form to compile the information needed to process claims, pay providers, and monitor utilization to identify trends and risk areas
 - Implement prior authorization protocols in order to attempt to mitigate over or under billing



Recommendations

2. Implement a Cost Reporting System that Supports the FFS Environment

- Streamline provider position titles on the cost report
 - Currently, there are 834 unique position titles within the cost report database
 - Institute a drop-down list of pre-determined position titles with each title providing enough detail on the staff member's qualifications to warrant an accurate rate reflection
- Specify Full Time Equivalent (FTE) for Each Service on the cost report
 - An accurate FTE count can be used to analyze both provider productivity and the efficiency of services rendered
 - Require the inclusion of FTEs as part of regular reporting practices and provide training where needed on how to accurately calculate this number



Recommendations

2. Implement a Cost Reporting System that Supports the FFS Environment *(continued)*

- Provide Greater Definition Around the Reporting of Administrative Costs
 - Discretely identify all administrative costs being charged to contracts so that appropriate comparisons and cost limitations can be established
 - Develop better definitions and instructions about the reporting of costs and cost allocation
- Document Service-Related Costs at the Level of HCPCS Definitions
 - Advise providers to begin tracking units and costs internally at a level consistent with the recommended HCPCS coding structure as soon as possible
- Document Services Provided to Special Populations
 - Instruct providers to capture costs associated with special populations so appropriate rates can be set



Recommendations

3. Develop an Appeals Process for Necessary Costs that Exceed the Established Rate by Service Code
 - SAPC will experience some providers that are adversely affected by the rate changes
 - Develop a process to manage these “hardship” providers that is fair and equitable to the entire provider network



Recommendations

4. Implement Long Term Recommendations

- The MGT team has discussed numerous methodologies that (because of complexity and scope) will require a long term strategy to implement
- These themes are pervasive throughout this study and should be considered as a part of a long term comprehensive plan:
 - Annually collecting cost and utilization data, establishing rates, and providing support for providers' FFS billing operations and rate establishment
 - Moving to a new FFS payment system that will require tighter fiscal and administrative controls not only for SAPC, but for the provider community as well
 - The reimbursement process will evolve into a true revenue cycle and will need to be proactively managed for efficiency and economy



Recommendations

4. Implement Long Term Recommendations (continued)

- SAPC should also consider developing a quality based payment method in future years
 - Quality based payment methodologies, otherwise known as “Pay for Performance (P4P)” have achieved increasing interests and support from providers and insurers in the United States health care system in recent years
 - Review national policies on quality based payment for substance abuse treatment programs and move to identify and build an action plan to build P4P measures into the system



Implementation

- Rates will help determine capitated rates in preparation for Health Care Reform
- Build SAPC and provider capabilities to implement the Rate Study's recommendations, such as billing systems, data collection system, standards of care and standard definitions within contracts, and other related topics



Next Steps

- Multiple year roll out of rates
 - Pilot rates through CalWORKs contracts
 - CASC may be next contracts
- Convene work groups with providers to discuss:
 - Cost of services such as detox
 - Actual cost of services as reflected in cost reports
 - Performance-based contracts and outcomes
 - Billing and data collection



<http://lapublichealth.org/sapc>

- Draft Standards of Care
- Draft Standardized Service Definitions



Questions?



Thank you!

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