



1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
Tel +1 206 504 5548
Fax +1 206 682 1295
Email: justin.birrell@milliman.com

October 11, 2012

Becky McAninch-Dake
Program Manager
Washington State Health Care Authority
Division of Healthcare Services
Office of Quality and Care Management
Olympia, WA 98504

Re: Health Home Care Coordination Rate Development

Dear Becky:

As requested, we have developed a rate structure and payment rates for the Health Home Care Coordination program proposed to begin April 2013.

The rates vary by three stages of care coordination (CC), and are as follows:

Stage of Care Coordination	Total Rate	Rate Net of Withhold	Total Admin.	Withhold Portion of Admin.	Admin. Net Withhold
<u>Outreach, Engagement, and Health Action Plan</u> Per Participant	\$252.93	\$252.93	\$25.29	N/A	\$25.29
<u>Intensive Health Home Care Coordination</u> Per Participant per Month	\$172.61	\$169.16	\$17.26	\$3.45	\$13.81
<u>Low-Level Health Home Care Coordination</u> Per Month with an Encounter	\$67.50	\$66.15	\$6.75	\$1.35	\$5.40

Methodology and Assumptions

Staff Salary and Distribution by Staffing Level

The assumed average distribution of staff time varies by stage of care coordination. Salaries by staffing level were obtained from the 2012 Occupational Employment Statistics survey. Some adjustments were applied to the results of the survey. Specifically the following:

- Salaries were based on average statewide salaries.
- Based on feedback from the state that the survey may undervalue actual costs of current salaries for registered nurses. We adjusted the average rate to be consistent with those reported in the Seattle/Bellevue/Everett region which was one of the highest salary regions in the state.
- We did not find a “Supervisor” category that was consistent with the expectations of this program. Assuming that supervisors are nurses with additional responsibilities we set supervisor salaries at nurse levels plus \$10,000.

Based on reviews of similar programs and feedback from the state we have developed the average staffing distribution of time by care coordination state. The distribution and assumed salary levels are shown below.

Table 2: Staff Mix and Salaries				
Staff Levels	Intensive CC		Low-Level CC	
	Distribution	Salary	Distribution	Salary
Case Managers	38.0%	\$ 52,700	38.0%	\$ 52,700
Case Aides	10.0%	\$ 41,366	25.0%	\$ 41,366
Nursing Services	50.0%	\$ 79,384	35.0%	\$ 79,384
Supervisor	2.0%	\$ 89,384	2.0%	\$ 89,384
Total	100.0%	\$ 65,642	100.0%	\$ 59,940

We have assumed that health assessments and development of the health action plan are all done by nurses.

Salaries are then loaded by 42% to account for other costs of each employee. The breakdown of the loads includes 24% for employee benefits, 15% for other staff expenses, and 3% for administration.

Care Coordination Stage 1: Outreach, Engagement, and Health Action Plan

This first CC stage encompasses three primary responsibilities: outreach and engagement of eligible participants, health assessments and development of a health action plan for those who elect to participate.

We assume that outreach may be by a variety of methods including mail, phone, or home/doctor visit. Outreach continues until the eligible member either declines participation or enrolls in the program. The average cost of outreach is assumed to be \$25 per eligible member, we assume this outreach can be done at a much lower cost than staffing levels provided above. We have assumed that 50% of those members will elect to participate in the program and take an assessment. The \$25 per outreach effort is only paid at the time of a successful enrollment and subsequent assessment. The corresponding cost per assessed member is $\$25 / 50\% = \50.00 .

Assessments will be performed by registered nurses. The nurses' \$79,384 annual salary is loaded for benefits and other expenses, which results in a \$112,725 annual cost. This translates to a \$59.96 hourly rate, assuming 1,880 working hours per year. The assessment is assumed to take 2 hours and 45 minutes, which includes time for preparation, planning, and execution. It is also assumed that the assessment will require an average of 25 miles of travel at the State of Washington mileage reimbursement rate of \$0.51 per mile. The corresponding cost per assessment is $2.75 * \$59.96 + 25 * \$0.51 = \$177.64$.

The combined cost per assessed member is $\$50.00 + \$177.64 = \$227.64$. That cost is loaded for 10% program administration to arrive at the final cost of \$252.93. There is no withhold for this component of CC.

Note in our calculations below numbers presented in the letter may not show all digits of accuracy used on the calculations.

Care Coordination Stage 2: Intensive Health Home Care Coordination

The second CC stage is performed by the staff mix detailed under Intensive CC of Table 2, with an average salary of \$65,642. When loaded for benefits and other expenses, the annual cost is \$93,212 per employee.

It is assumed that for each full-time employee (FTE), 50 clients can be supported. The annual cost per client is $\$93,212 / 50 = \$1,864$. The monthly cost per client is $\$1,864 / 12 = \155.35 . That cost is loaded for 10% program administration to arrive at the final cost of \$172.61. The state intends to include a pay for performance component to this program funded by a withhold of 2% or \$3.45, leaving the per client per month cost of \$169.16. We do not have the specifics of performance metrics or payout schedule for that program.

Care Coordination Stage 3: Low-Level Health Home Care Coordination

The third CC stage is performed by the staff mix detailed under Low-Level CC of Table 2, with an average salary of \$59,940. When loaded for benefits and other expenses, the annual cost is \$85,114 per employee. This translates to a \$45.27 hourly rate, again based on an 1,880 hour work year.

Low-level payment will be paid on a monthly basis, and payment is made only for months in which an encounter occurred. An encounter is represented as either a phone call or a home visit.

Phone calls are assumed to last an average of 45 minutes, and the corresponding cost per phone call is $0.75 * \$45.27 = \33.95 . Home visits are assumed to take 2 hours and 15 minutes. It is also assumed that home visits will require 25 miles of travel at the State of Washington mileage reimbursement rate of \$0.51 per mile. Visits include time for preparation, planning, and execution. The corresponding cost per home visit = $2.25 * \$45.27 + 25 * \$0.51 = \$114.34$

It is assumed that for months in which an encounter occurs, $2/3$ will involve a phone call and $1/3$ involve a home visit. The average cost per encounter is $2/3 * \$33.95 + 1/3 * \$114.34 = \$60.75$. That cost is loaded for 10% program administration to arrive at the final cost of \$67.50. A performance withhold of 2% or \$1.35, is withheld leaving \$66.15 as the monthly payment for months with an encounter.

Limitations

This analysis is intended for the use of the Washington Health Care Authority in support of rate development of the Health Home Care Coordination program. We understand that this information will be shared with other parties. To the extent that the information contained in this letter is provided to third parties, the document should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and health care modeling so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this report to third parties. Similarly, third parties are instructed that they are to place no reliance upon this report prepared for HCA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

Actual costs for the program will vary from our projections for many reasons, including the actual cost to obtain necessary care coordination staff. Experience should continue to be monitored on a regular basis, with modifications to rates or to the program as necessary.

Becky McAninch-Dake

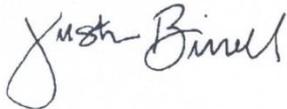
October 11, 2012

Page 5

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and meet the qualification standards for performing the analysis in this letter.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Justin C. Birrell". The signature is written in a cursive style with a large, looped initial "J".

Justin C. Birrell, FSA, MAAA
Consulting Actuary

Cc: Barbara Lantz (HCA)
Bea-Alise Rector (ADSA)
Tyler Biggs (Milliman)