Iowa Department of Human Services

Terry E. Branstad
Governor

Kim Reynolds
Lt. Governor

Charles M. Palmer
Director

December 14, 2012

Michael Marshall
Secretary of the Senate
State Capitol Building
L O C A L

Carmine Boal
Chief Clerk of the House
State Capitol Building
L O C A L

Dear Mr. Marshall and Ms. Boal:

Enclosed please find the Third Party Coverage Sources for Adults with a Developmental Disability and Adults with a Brain Injury report.

This report was prepared pursuant to 2012 Iowa Acts, SF2315, Section 22 (2).

This report is also available on the Department of Human Services website at http://www.dhs.iowa.gov/Partners/Reports/LegislativeReports/LegisReports.html.

Sincerely,

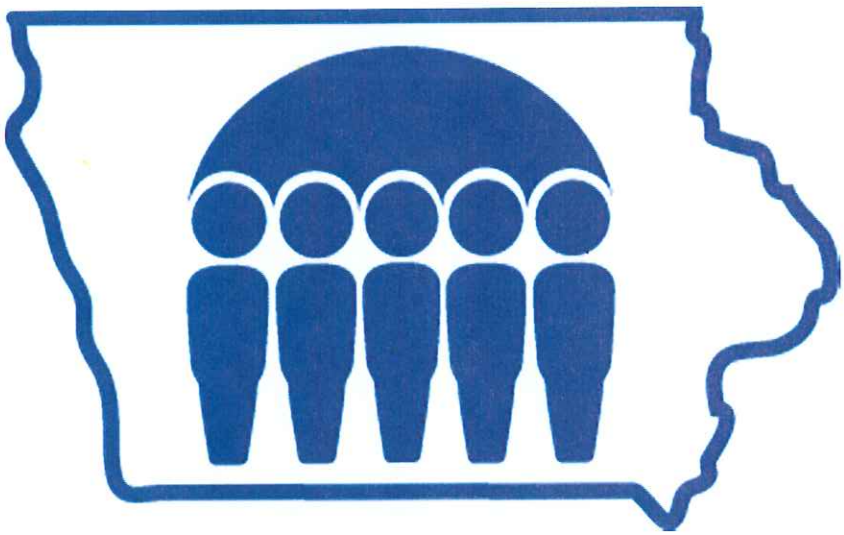
Jennifer Davis Harbison (dy)

Jennifer Davis Harbison
Policy Advisor

Enclosure

cc: Governor Terry E. Branstad
Senator Jack Hatch
Senator David Johnson
Representative David Heaton
Representative Lisa Heddens
Legislative Services Agency
Kris Bell, Senate Majority Staff
Josh Bronsink, Senate Minority Staff
Carrie Kobrinetz, House Majority Staff
Zeke Furlong, House Minority Staff

Iowa Department of Human Services



Third Party Coverage Sources for Adults with a Developmental Disability and Adults with a Brain Injury Report

December 14, 2012

Introduction

Senate File (SF) 2315 requires the Department of Human Services (Department) to identify third party coverage sources and develop estimates and financing options for maximizing third party coverage sources in adding eligibility for core services under the mental health and disability services (MHDS) system for adults with a developmental disability other than an intellectual disability and for adults with a brain injury.

Definition

The Centers for Medicare and Medicaid Services (CMS) defines third party liability as the responsibility that insurers or programs have to pay for medical costs incurred by an individual eligible for Medicaid prior to payment made by Medicaid. Medicaid is the payor of last resort. If Medicaid determines a third party exists, they must ensure the provider bills the third party first and if Medicaid discovers there is a liable third party after making payment they must attempt to recover the money. Third party sources include private health insurance, Medicare, employer-sponsored health insurance, and other parties that are legally responsible for payment of a claim for a health care item or service.

Third Party Coverage

Individuals diagnosed with a developmental disability or brain injury may receive third party coverage for regular and ongoing health care needs and other health care related to their disability and for rehabilitative services. For the most part, third party coverage does not cover home and community-based services (HCBS), long-term care and supports, and intensive rehabilitation and recovery services and support.

If an individual with a brain injury or developmental disability has third party coverage, the intensive care required immediately after the injury may be covered but the long-term care and supports for ongoing rehabilitation are generally not covered and are limited in scope and duration. Services not covered or those that are limited in scope include, but are not limited to, occupational and physical therapies, supported community living, supported employment, crisis response, family and peer support, case management and facilitation, respite, specialized medical equipment and medical monitoring and treatment.

There has been recent interest in seeking third party coverage to cover one critical service to a subgroup of persons with a developmental disability. Applied behavioral analysis (ABA) therapy[1] has been shown to be a highly effective service for individuals with autism, one of many developmental disabilities. In 2010, Iowa expanded its employee health insurance coverage to include ABA for individuals with autism.

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[1] Applied Behavioral analysis means the design, implementation, and evaluation of environmental modifications, using behavioral stimuli and consequences, to produce socially significant improvement in human behavior or to prevent loss of attained skill or function, including the use of direct observation, measurement and functional analysis of the relations between environment and behavior.

National studies have shown that increasing this coverage in the private market costs between $.09 and $.30 per insured member per month.

Home and Community-Based Services for Persons with a Brain Injury

If Iowa were to expand eligibility and availability of current core services to individuals diagnosed with a brain injury, expansion of the brain injury waiver and an increase in neurobehavioral rehabilitation services[2] should be considered.

The 2012 Iowa legislature appropriated funding for the HCBS waiver waiting lists. One of the HCBS waivers is the HCBS waiver for persons with a brain injury. As of October 31, 2012, the HCBS brain injury waiver had 428 individuals waiting for funding to be served. The average annual cost of serving persons on the HCBS brain injury waiver is $22,929 per year. Assuming 50 percent of these individuals qualify for HCBS brain injury waiver services, the total cost would be approximately $4.9 million in total funding with about $2 million of the total being state funding.

Neurobehavioral rehabilitation services for individuals diagnosed with a brain injury costs approximately $687 per person per day. To serve 50 individuals, it would cost approximately $12.5 million with about $5.2 million of the total being state funds.

Estimate of Expanding the Home and Community-based Services Waiver for Individuals with an Intellectual Disability

Introduction

The Department has been asked to provide an estimate of what it might cost to expand the Medicaid funded home and community-based services (HCBS) waiver for individuals with an intellectual disability (ID) to an HCBS waiver that also serves individuals with a developmental disability (DD) that is not an intellectual disability. This estimate is very difficult to make without making a number of critical assumptions regarding prevalence, numbers of persons who will be served and what the cost would be to serve more individuals through an expanded HCBS DD waiver. This section attempts to provide a high level order of magnitude estimate based on a number of assumptions.

Background

Developmental disabilities are defined as severe chronic disabilities that can be cognitive or physical or both. The disabilities appear before the age of 22 and are expected to be lifelong.

[2] Neurobehavioral rehabilitation services are a multi-disciplinary team of health and support staff trained to deliver services designed to address cognitive, medical, behavioral, and psychosocial challenges, as well as physical manifestations of acquired brain injury.

Developmental disabilities is an umbrella term that includes intellectual disability but also includes other disabilities that are acknowledged during early childhood. Some developmental disabilities are largely physical issues, such as cerebral palsy or epilepsy. Some individuals may have a condition that includes a physical and intellectual disability, for example Down syndrome or fetal alcohol syndrome.

Intellectual disability is a disability characterized by significantly sub-average general intellectual functioning (e.g., reasoning, learning, problem solving) and significant limitations in adaptive functioning that originates before 18 years of age.

Prevalence

In May 2001, the *American Journal on Mental Retardation* published an article by Sheryl Larson and Charlie Lakin titled "Prevalence of Mental Retardation and Developmental Disabilities." The following chart uses these prevalence estimates reported in this study and applies them to Iowa:

DISABILITY	PREVELANCE	NUMBER OF IOWANS
Intellectual Disability	0.78%	23,461
Developmental Disability not an Intellectual Disability	1.13%	33,989

Assumptions

Iowa provides Medicaid funding for community-based services for persons with an ID through the HCBS ID waiver. In state fiscal year (SFY) 2013, the Department is projected to expend $388.4 million in total funds for the HCBS ID waiver of which $156.2 million is state funding. On average, the HCBS ID waiver is projected to serve 10,812 individuals per month. This equates to an annual average cost of about $35,924 per individual served.

Based on these projections, the HCBS ID waiver serves about 46 percent of all Iowan's with an ID. If that percentage of persons served is applied to the estimated 33,989 Iowans that have a DD, but not an ID, as many as 15,664 additional Iowans could be served by a new expanded HCBS DD waiver. However, another HCBS waiver, the III and Handicapped Waiver, already serves about 2,240 individuals with a developmental disability that do not have an intellectual disability. If the 2,240 individuals served by the III and Handicapped Waiver are subtracted from the estimated 15,664 individuals who could be served from an expanded DD waiver, the total number of additional individuals would be estimated to be about 13,420.

No solid data exists for determining the average annual cost of serving individuals with a developmental disability that are not an intellectual disability. Until such data exists, cost estimates can only be made based on information currently available. The Department based its estimate on the average annual per person cost of the HCBS ID waiver.

In addition the estimates also assume the following:

- A newly expanded HCBS DD waiver would be managed without a waiting list as is currently the case with the HCBS ID waiver.
- The estimates are intended to provide the ultimate annual cost for a newly expanded HCBS DD waiver expansion. The estimates include the full cost of serving all of the estimated number of individuals for a full year. It will take some time to process eligibility and applications for added new people and to build capacity to serve them. This could take several years.
- It is assumed that all additional individuals served by a new expanded HCBS DD waiver would meet level of care criteria.
- Because it is not possible to determine how many new additional individuals will not meet the level of care criteria, no costs to counties for expanding services to persons with developmental disabilities who may not be Medicaid eligible is included in the estimate.
- Some individuals who become eligible for HCBS waivers were not previously Medicaid eligible. When these individuals are added to an HCBS waiver they incur additional non-waiver Medicaid costs. Children make up 23% of the individuals on the HCBS ID waiver. It is assumed that children will make up most of those not already eligible for Medicaid in the expanded DD waiver. The non-waiver Medicaid cost estimates are based on the non-waiver costs for both adults and children under the ID waiver. This averages $11,500 per year.

Cost Estimates

Based on the assumptions listed above, the total increased costs of serving an additional 13,420 individuals through a newly expanded HCBS DD waiver would be approximately $482.1 million with about $200.8 million of the total being state funds.

Additional non-waiver Medicaid costs for individuals added to a newly expanded HCBS DD waiver that were not previously Medicaid eligible would be approximately $35.5 million with about $14.8 million of the total being state funds.

The actual costs may be lower than this if experience shows that persons with a DD and not an ID have less complex needs.

One possible approach to managing the significant increased costs associated with fully expanding the HCBS ID waiver to all persons with a DD would be to potentially focus on adding a smaller subgroup of persons with a DD that do not have an ID such as persons with autism.