Controlling the Cost of Medicaid
Private Duty Nursing Services

A presentation to the Joint Legislative
Program Evaluation Oversight Committee

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Evaluation Purpose

• Evaluate the cost of alternatives to private duty nursing services currently provided under the NC Medicaid Program

• Collected data from
  – Division of Medical Assistance (DMA)
  – Other states
  – Interviews with recipients
Overview

• We are not recommending eliminating the private duty nursing benefit

• We are recommending mechanisms that would control the number of recipients and the cost of their care so the benefit is reserved for those most in need
Overview

Adult Private Duty Nursing Recipients

• Recommendation
  – Adopt cost-containment mechanisms used by other states

• Key Findings
  1. Unlike other states, North Carolina does not limit private duty nursing for adults
  2. DMA cannot make independent, objective determinations of need
  3. Number of adult recipients and cost of their care is growing
Overview

Child Private Duty Nursing Recipients

• Recommendation
  – Modify Community Alternatives Program for Children (CAP/C) to encourage use of this waiver

• Key Finding
  – DMA has less control over the number of recipients and the cost of the service when children receive continuous skilled nursing under the state plan compared to CAP/C
CMS Definition of Private Duty Nursing

• Nursing services provided by
  – registered nurse or licensed practical nurse
  – under the direction of a physician

• For recipients who require more individual and continuous care than
  – is available from a visiting nurse or
  – routinely provided by the nursing staff of a hospital or skilled nursing facility
Optional Medicaid Service for Medicaid-Eligible Adults

• If states elect to cover an **optional** Medicaid service, they must provide the service **statewide** to all beneficiaries

• States have the authority to establish **reasonable and appropriate limits** on the amount, duration, and scope of the service
Required Medicaid Service for Medicaid-Eligible Children

• Federal law requires state Medicaid programs to provide medically necessary private duty nursing to Medicaid-eligible recipients under 21 years of age

• There can be no waiting list for the service and no limits on total cost or number of hours
Choosing Private Duty Nursing

• Interviewed 10 recipients and/or family members

• Choose private duty nursing over institutional care because they believe
  – patients have a higher quality of life
  – patients receive a higher quality of care
Key Findings for Private Duty Nursing for Adults
Adult Recipients

• In FY 2007, 150 adults received private duty nursing
  – Total cost: $23.3 million
  – Average cost per recipient: $155,343
Finding 1: Unlike most other states, NC does not limit private duty nursing for adults

• 35 states cover private duty nursing for adults
  – 20 under their state Medicaid plans
    • including North Carolina
  – 15 through Medicaid waivers

• 15 states do not cover private duty nursing for adults

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Adult Private Duty Nursing
Under State Medicaid Plans

• To control costs, 18 states impose at least one of the following limits on their private duty nursing service:
  – Limit the number of service hours available
  – Require a willing and capable caregiver
  – Require dependence on medical technology
  – Require recipients need a certain number of skilled nursing hours
  – Limit how the service is reimbursed
Adult Private Duty Nursing Under Medicaid Waivers

- 15 states use waivers to limit the number of recipients of the service and their costs.

- Cover private duty nursing for at least one of the following targeted groups:
  - Technology Dependent
  - Disabled
  - Mental Retardation/Developmental Disabilities
  - Aged
  - HIV/AIDS
Finding 2: DMA cannot make independent and objective determinations of need

- Private Duty Nursing Team is dependent solely on information it receives from a recipient’s physician and home care agency.

- DMA recognizes current policy does not allow Private Duty Nursing Team to make defensible determinations of recipient need and has been working on revised policy.
Finding 3: The number of adult recipients and the cost of their care is growing

- Cost of private duty nursing has nearly doubled between FY 2004 and 2007

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of Recipients</th>
<th>Cost of Private Duty Nursing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>113</td>
<td>$12,491,066</td>
</tr>
<tr>
<td>2005</td>
<td>122</td>
<td>15,201,171</td>
</tr>
<tr>
<td>2006</td>
<td>134</td>
<td>18,773,448</td>
</tr>
<tr>
<td>2007</td>
<td>150</td>
<td>23,301,404</td>
</tr>
</tbody>
</table>
# Growth in Adult Recipients and Costs Has Outpaced Medicaid

## Average Annual Growth between FY 2004 and 2007

<table>
<thead>
<tr>
<th>Service</th>
<th>Number of Recipients</th>
<th>Cost of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Duty Nursing</td>
<td>10%</td>
<td>23%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>3%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Adult Recipients Are Expensive Population within Medicaid

• Medicaid spent an average of $155,343 on private duty nursing recipients and $24,697 on nursing facility residents in FY 2007

• Private duty nursing hourly rate
  – $38.96 per hour
  – Covers continuous skilled nursing services

• Nursing facility daily rate
  – $156.58 for non-ventilator bed; $405.97 for ventilator bed
  – Covers nursing services, room and board, equipment, supplies

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Private Duty Nursing vs. Nursing Facility Costs

Hourly Costs of Private Duty Nursing (PDN)

- 24 hrs of PDN ($935.04)
- 20 hrs of PDN ($779.20)
- 16 hrs of PDN ($623.36)
- 12 hrs of PDN ($467.52)
- 8 hrs of PDN ($311.68)

Daily Costs of Nursing Facilities

- Ventilator Bed ($405.97)
- Non-Ventilator Bed ($156.58)
Projected Growth in Adult Recipients

- By FY 2012, there may be 375 recipients at a total annual cost of $61.5 million

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Projected Monthly Growth in Adult Private Duty Nursing Recipients

- June 2007: 136 recipients
- June 2012: 375 recipients
Recommendations for Private Duty Nursing for Adults
**Recommendation for adult recipients:**
Adopt cost-containment mechanisms used by other states

- NCGA should direct DMA to present its revised policy to the NC Physician Advisory Group and adopt the revised policy by October 1, 2009

<table>
<thead>
<tr>
<th>Cost-Containment Mechanism</th>
<th>Potential Savings to NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-hour a day limit</td>
<td>$394,885</td>
</tr>
<tr>
<td>Trained caregiver</td>
<td>1,833,762</td>
</tr>
<tr>
<td>Acuity tool determines need</td>
<td>131,472</td>
</tr>
<tr>
<td>More care than is available from a visiting nurse or institution</td>
<td>DMA would have to reevaluate each recipient’s medical necessity using these mechanisms.</td>
</tr>
<tr>
<td>No equally effective, more conservative treatment available</td>
<td></td>
</tr>
<tr>
<td>Require multiple, interrelated nursing assessments</td>
<td></td>
</tr>
<tr>
<td>Require hourly nursing assessments and interventions every 2-3 hours</td>
<td></td>
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</tbody>
</table>
**Recommendation for adult recipients continued**

- **NCGA should direct DMA to formulate a waiver proposal by May 1, 2010**

- **Technology-Dependent Waiver**

<table>
<thead>
<tr>
<th>Medical Device Cost-Containment Mechanisms</th>
<th>Potential Savings to NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Must be technology dependent</td>
<td>$ 131,472</td>
</tr>
<tr>
<td>Must be tracheostomy or ventilator dependent</td>
<td>286,822</td>
</tr>
<tr>
<td>Must be ventilator dependent</td>
<td>3,477,348</td>
</tr>
</tbody>
</table>
Recommendation for adult recipients continued

• NCGA should direct DMA to determine if independent assessment of recipient need is cost effective by May 1, 2010
Key Finding for
Private Duty Nursing for Children
## Child Recipients

- In NC, children receive continuous skilled nursing in two ways:
  - Private duty nursing under the state Medicaid plan
  - Continuous skilled nursing under the Community Alternatives Program for Children (CAP/C) waiver

<table>
<thead>
<tr>
<th></th>
<th>Number of Recipients</th>
<th>Cost per Recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Plan</td>
<td>187 (under age 21)</td>
<td>$ 91,654</td>
</tr>
<tr>
<td>CAP/C</td>
<td>259 (18 and under)</td>
<td>87,399</td>
</tr>
</tbody>
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CAP/C Medicaid Waiver

• Provides home care for medically fragile children (through age 18) at risk of institutionalization

• Receive case management and eligible for nurse aide services, respite care, waiver supplies, and home modifications

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Finding: DMA has less control when children receive the service under the state plan compared to CAP/C

- Because CAP/C is a waiver, DMA has more control over the number of recipients and their costs than it does over state plan services
<table>
<thead>
<tr>
<th>CAP/C</th>
<th>Private Duty Nursing</th>
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<tbody>
<tr>
<td>Cannot exceed monthly individual budgets</td>
<td>No budget limits</td>
</tr>
<tr>
<td>Number of approved hours per day limited to</td>
<td>No limit on number of hours approved</td>
</tr>
<tr>
<td>- 18 hours for working parents</td>
<td></td>
</tr>
<tr>
<td>- 10 hours for non-working parents</td>
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</tbody>
</table>
Recommendation for Private Duty Nursing for Children
Recommendation for child recipients: Modify CAP/C by 2010 renewal to encourage use of the waiver

- Adjust individual monthly budgets
- Expedite enrollment for children enrolling from institutions
- Increase the waiver limit by 200 children
  - Increase age limit to under 21
- CAP/C waiting lists, budget limits, and limits on hours cannot be used to deny medically necessary private duty nursing to Medicaid-eligible children

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Summary

• Adult private duty nursing recipients
  – Recommend adoption of cost-containment mechanisms used by other states

• Child private duty nursing recipients
  – Recommend modifying CAP/C to encourage use of the waiver

• DMA concurs with these recommendations
Controlling the Cost of Medicaid Private Duty Nursing Services

Report Available online

www.ncleg.net/PED/Reports/Topics/Health.html

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