**ISSUE:** Set aside rate cuts for Medi-Cal Intermediate Care Facilities Serving Persons with Intellectual and Developmental Disabilities

**ASK THE LEGISLATURE…**

**To protect services for vulnerable people with intellectual and developmental disabilities who require nursing and other comprehensive 24 hour care and services by reversing the retroactive rate cut to Medi-Cal funding for Intermediate Care Facilities for Persons with Developmental Disabilities**

**Key Facts**

* Number of DD facilities (serving 6 people) = 1,175
* Service Capacity = 7,000
* **Facility closure cannot easily be “fixed” as it takes an average of two years to develop just one of these specialized homes**
* Number of California jobs produced = 15,000
* Wages and benefits paid = $342,000,000
* Total Medi-Cal revenue to these facilities - $477,000,000
* **Will result in reductions of up to $19.00 per client day for some facilities making them unsustainable.**
* Labor (direct and indirect care) comprises close to 70% of a DD facility’s operating costs; these are the areas where costs cannot be reduced.
* Total economic impact of DD facility cut on other sectors of the economy is estimated to be an additional $26 million in state economic activity.1

**RECOMMENDATION: Rescind in the May Revision or restore in the July 1, budget, the rate reductions** imposed onMedi-Cal Intermediate Care Facilities for Persons with Developmental Disabilities (ICFs/DD); ICFs/DD-H (Habilitative) and ICFs/DD-N (Nursing) and ICFs/DD-CNC ( Continuous Nursing Care)

**Discussion:** ICFs/DD, DD-H and DD-N provide community-based 24-hour care and services for persons with significant habilitative, behavioral and nursing needs. 99% of persons served in these settings are Medi-Cal beneficiaries. Because of this, providers of services have no other source of revenue or ability to shift un-reimbursed costs to other payers.

AB 97 imposed rate reductions on rates that have been “frozen” since 2008. This severely underfunds care; it also undermines the viability of these facilities. Further reduction in already frozen rates is unworkable because:

* **ICFs/D DD-H and DD-N are already struggling to absorb the permanent rate freeze imposed by the legislature in 2009.** Medi-Cal rates are already below provider costs and providers are still trying to cope with the permanent rate freeze adopted in the 2009 budget in the face of increased operating costs. Since 2009, utility and fuel costs have increased an average of 25%. Worker’s compensation and food costs also continue to rise.1
* **ICFs/DD, DD-H and DD-N have no way to reduce or shift costs**- Current rates reflect embedded spending that facilities are unable to cut or shift to other payers (the 24 hour care is not elective, regulations strictly govern direct support and professional staffing levels, service delivery, therapies and other operational requirements, and Medi-Cal is the only payer in ICF/DD, DD-H and DD-N settings).
* **The frozen rates fail to recognize or reimburse for true costs of services.** The rate structure for these facilities is capped at the 65th percentile of allowable costs. In addition, because of the frozen rates, true costs are inadequately reflected in cost reporting as providers struggle to minimize labor costs by freezing staff salaries and reducing health and other benefits.
* **Greater capacity is needed in the community for these services.** The Developmental Center Task Force convened by HHS Secretary Diana Dooley emphasized in their 2014 report that ICF/DD-N and CNC are a needed part of the care continuum for persons with enduring and complex medical needs who will be transitioning from high cost (more than $ **400,000 annually** per person) Developmental Centers (DC) to these economical small homes in the community where cost of annual care in a DD-N is $ **78,000** per person. Failure to preserve existing facilities and provide funding that is adequate to support the development of new facilities will further weaken the fragile community-based provider network and negatively impact DD closure efforts.

1<http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Forecasts.htm>