

July 14, 2010

To: Senator Kathleen Vinehout, Co-Chair
Representative Peter Barca, Co-Chair
Members, Joint Committee on Audit

From: John Sauer, Executive Director
Tom Ramsey, Director of Government Relations

Subject: *Support for the Proposed Audit of the Family Care Program*

The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership organization of 171 not-for-profit corporations principally serving the frail elderly and persons with a disability. WAHSA members own, operate and/or sponsor 170 not-for-profit nursing homes, including 40 county-operated facilities, 9 facilities for the developmentally disabled (FDD), 73 community-based residential facilities (CBRF), 64 residential care apartment complexes (RCAC), 2 adult family homes, 19 HUD Section 202 Supportive Housing for the Elderly projects, and 113 apartment complexes for independent seniors, as well as over 300 community service programs ranging from hospice, Alzheimer's support, homecare, and child and adult daycare to Meals on Wheels. WAHSA members employ over 38,000 dedicated staff which provide care and services to over 48,000 residents, tenants and clients.

As we did six months ago yesterday, WAHSA members today urge members of the Joint Committee on Audit to support the proposed audit of the Family Care program. The request for such an audit should not be construed as an indictment of the program; rather, it is a suggested time-out in the whirlwind expansion of the Family Care program to ensure through an audit conducted by the Legislative Audit Bureau (LAB) that the program is headed in the direction it was intended. The Family Care questions we raised in our January 13, 2010 testimony before the Joint Audit Committee remain relevant today:

- Is Family Care generating the savings to the Medicaid program that were projected by the Department of Health Services (DHS) when the program began its dramatic expansion in 2007? It has become almost a mantra that Family Care saves the Medicaid program \$452 per enrollee per month. That projection arose from a 2004 analysis of the 5 original Family Care pilot counties: does it ring true today now that Family Care has expanded to 2/3 of the State? What is the true cost of the Family Care program, both now and in the future?



- The anticipated decline in nursing home utilization was projected to be a primary source of Medicaid savings generated by the Family Care program. These savings were expected to permit a budget-neutral expansion of Family Care. Has nursing home utilization declined sufficiently to fund a statewide expansion of Family Care AND to eliminate over 11,000 people on waiting lists without increasing the Medicaid budget? And, if so, why are a number of Family Care managed care organizations (MCO) in financial distress?
- Virtually no assisted living providers (i.e., CBRF, RCAC and adult family home) with Family Care contracts have received a rate increase in the past 2 years: if the Family Care program is generating savings, are some of these savings being borne on the backs of Family Care caregivers? How long will it be before insufficient funding either drives these providers from the Family Care program or forces them out of business trying to serve the Family Care population?
- Are the capitated rates being paid MCOs sufficient enough both to maintain their solvency and to pay reimbursement rates to providers that will permit them to recruit and retain quality caregivers?
- Can efficiencies to the program be gained by eliminating areas of service duplication?
- Is the Family Care Partnership Program, which adds acute and primary care to the Family Care long-term care benefit, a more efficient and effective way to manage long-term care dollars than the Family Care program?
- Is enrollee choice being trumped by Family Care cost containment strategies?
- A global perspective: Many economists believe that the state-federal Medicaid program as it is currently constructed is financially unsustainable in light of the on-coming demographic “Silver Tsunami,” with Medicaid long-term care costs expected to double by 2025, increase 5-fold by 2045, and ultimately outpace States’ ability to pay. Is Family Care, a program which helps *manage* long-term care costs but does not help *finance* those costs, fiscally sustainable in the face of the Baby Boomer demographic?

We believe all these questions are ripe for investigation by the LAB and we urge committee members to give the Bureau that direction. Our hope is that a Family Care audit will identify the program’s shortcomings and recommend ways to ensure its viability both financially and programmatically. **Once again, we urge your support for an LAB audit of the Family Care program.**