

# CARE MANAGEMENT ORGANIZATION – FAMILY CARE

## INTRODUCTION

One of the largest but least understood programs in Milwaukee County government is its Care Management Organization (CMO). The CMO is an integral component of the Department on Aging's Family Care program in Milwaukee County, which has been in existence for county residents age 60 and older since July 2000.

Milwaukee County's program was one of five pilot Family Care programs launched by the Wisconsin Department of Health Services beginning early in this decade (under Section 46 of the Wisconsin Statutes) with the intent of transforming Wisconsin's long-term care system for the elderly and for individuals with physical and developmental disabilities. The hope was to create a managed care approach that would better serve clients and save money by emphasizing cost-effective, comprehensive and flexible care in community-based settings when appropriate. Milwaukee's pilot program was the only one of the five pilots that was limited exclusively to adults 60 years of age and older.

Unlike other long-term care programs offered by counties, which typically maintain waiting lists for services due to fiscal constraints, the Family Care program is offered as an entitlement to all individuals certified as functionally and financially eligible. A broad array of health and long-term care services are integrated into one inclusive benefit. Participating counties receive a monthly per person payment from the state to manage and purchase care for Family Care enrollees, who may be living in their own homes, group living situations, or nursing facilities.

The Family Care model consists of two primary organizational components:

1. Aging and disability resource centers, which are designed to be a single entry point where older people and people with disabilities (and their families) can get information and guidance regarding the resources available to them in their local communities.
2. Managed care organizations that manage and deliver the Family Care benefit, which is to be tailored to each individual's needs, circumstances and preferences.

Since the Department on Aging became a Family Care pilot in 2000, it has administered both an aging resource center and the sole care management organization for the elderly in Milwaukee County. While federal requirements frown upon a single entity operating both components, state statutes have allowed for this arrangement under the condition that the two entities be kept structurally separate. The financial structures of the CMO and resource center traditionally have been distinct, with the CMO operating as a separate business enterprise within county government. The CMO became its own organizational unit in county government in 2008, though it continued to be under the purview of the Department on Aging.

The CMO is charged with developing and managing a comprehensive network of long-term care services and support. In Milwaukee County, this network has been built primarily through contracts with community-based providers. The CMO is responsible for assuring a level and

quality of care and services that is required under both state statutes and the county's contract with the state. Services offered by the CMO include long-term care, direct health care services, coordination of primary health care, daily living skills training and other supports. The emphasis is on working with clients to create an individualized care plan that will best serve their needs and provide for both independence and cost-effective care and treatment.

State statutes require the CMO to have a governing board that reflects the ethnic and economic diversity of the county and that includes representatives of client groups (or their family members) served by the CMO. Milwaukee County's CMO is governed by a 16-member board that meets those requirements. While the governing board provides oversight of the CMO, its budget and contracts are approved by county elected officials similar to other county departments.

In February 2006, the state announced plans to expand Family Care statewide and eliminate waiting lists for long-term care programs during the next five years. Milwaukee County subsequently decided to submit a proposal to the state in 2008 to expand the CMO to serve individuals with disabilities under the age of 60. That proposal was accepted by the state, though it also accepted proposals from two private entities to operate CMOs in Milwaukee County. The county also received approval from the state to expand its Disabilities Resource Center (housed in the Disabilities Services Division of the Department of Health and Human Services) to meet Family Care guidelines.

In November 2009, the CMO began serving both eligible individuals over age 60 and eligible persons with disabilities under age 60. In addition, the CMO is now a separate department in county government outside of the purview of the Department on Aging. The two resource centers – one for individuals served by the Department on Aging and one for those served by the Disabilities Services Division – will remain distinct entities within those departments. As a result of Family Care expansion, in 2010, the CMO is expected to add 791 clients under the age of 60 to the approximately 6,800 elderly individuals it currently serves. The complete conversion of eligible clients with disabilities under age 60 to Family Care is expected to take 36 months. Once completed, it is expected to double the size of the existing CMO.

The total budget for the CMO in 2009 was \$262 million, making it the largest departmental budget in Milwaukee County government. There is little property tax levy associated with the program, as virtually all expenditures are offset with revenue from the state. While most program expenditures are linked to contracts with community-based providers, the CMO also had 91 county FTEs in its 2009 budget. County positions include managerial, contract monitoring, quality assurance, clerical and fiscal positions, as well as a limited number of direct care coordinators and providers who function on county-operated care management units.

## BUDGET BREAKDOWN

**Table 14** breaks down the CMO's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted. This analysis shows that the CMO spent \$663,000 on central service charges from other county departments, \$4.9 million on its own personnel, and \$193 million on non-personnel expenditures, which primarily involved the purchase of long-term care, health care and other services from community providers.

Because of the relatively small number of county staff employed by the CMO, its legacy costs are small when compared to the overall size of its budget. **Table 14** shows that \$65,000 of the CMO's central service charges and \$905,000 of its personnel expenditures were not directly connected to the cost of providing or administering CMO services, but instead were county legacy costs distributed to the CMO by the central budget office. **This tells us that if a different entity had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have administered CMO services for about \$970,000 less if it was not responsible for the CMO's share of the county's legacy costs.**

In addition, the analysis shows that if legacy costs had been distributed to the CMO on the basis of its actual number of retirees, as opposed to its share of the existing county workforce, those costs would have totaled \$1.4 million. This \$1.4 million figure represents a more accurate depiction of the approximate annual county legacy obligation held by the CMO. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

Finally, in terms of the CMO's overall share of the county's outstanding liabilities, its share of the county's OPEB liability is \$26 million and its share of the pension fund liability (consisting of both POB debt and the unfunded liability) is \$8.2 million.

**Table 14: Breakdown of CMO 2008 Actual Expenditures and Revenues and Legacy Costs**

CMO	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using 2008 fringe allocation method*	Based on retiree history**
Administrative	\$431,597	\$389,469	\$42,128	\$40,867
Information technology	\$38,353	\$34,609	\$3,744	\$3,632
Legal counsel	\$189,668	\$171,154	\$18,514	\$17,959
Facility management	\$0	\$0	\$0	\$0
Fleet management	\$3,787	\$3,417	\$370	\$359
<b>Central charges/overhead</b>	<b>\$663,405</b>	<b>\$598,650</b>	<b>\$64,755</b>	<b>\$62,816</b>
Salary and wages	\$2,791,866	\$2,791,866	\$0	\$0
Social security	\$210,013	\$210,013	\$0	\$0
Employee healthcare	\$753,857	\$753,857	\$0	\$0
Employee pension	\$302,292	\$302,292	\$0	\$0
Retiree healthcare	\$753,857	\$0	\$753,857	\$1,128,508
Retiree pension	\$151,146	\$0	\$151,146	\$230,318
Other	(\$103,058)	(\$103,058)	\$0	\$0
<b>Personnel costs</b>	<b>\$4,859,972</b>	<b>\$3,954,970</b>	<b>\$905,003</b>	<b>\$1,358,826</b>
<b>Non-personnel expenditures</b>	<b>\$193,046,737</b>	<b>\$193,046,737</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL EXPENDITURES</b>	<b>\$198,570,114</b>	<b>\$197,600,356</b>	<b>\$969,758</b>	<b>\$1,421,642</b>
State revenue	\$0	\$0	\$0	\$0
Federal revenue	\$393,974	\$393,974	\$0	\$0
Other revenue	\$197,735,156	\$196,765,398	\$0	\$0
<b>TOTAL REVENUES</b>	<b>\$198,129,130</b>	<b>\$197,159,372</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL LEVY</b>	<b>\$440,984</b>	<b>\$440,984</b>	<b>\$969,758</b>	<b>\$1,421,642</b>
Unfunded OPEB liability ***	\$26,043,814	\$26,043,814	\$26,043,814	\$26,043,814
Unfunded pension liability***	\$8,195,739	\$8,195,739	\$8,195,739	\$8,195,739
Outstanding debt and interest	\$0	\$0	\$0	\$0
<b>TOTAL LONG-TERM DEBT</b>	<b>\$34,239,552</b>	<b>\$34,239,552</b>	<b>\$34,239,552</b>	<b>\$34,239,552</b>

\* In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.

\*\* This method distributes legacy costs according to a department's retiree history.

\*\*\* Estimated liability allocated to department is based on the department's retiree history.

## POTENTIAL ALTERNATIVE SERVICE PROVIDERS

Section 46.284 of the Wisconsin Statutes indicates that counties *may* elect to apply to operate care management organizations either within their county or on a multi-county basis, but are not required to do so. Alternatively, Section 46.284 allows counties to create long-term care districts to operate care management organizations and allows Family Care CMOs to be operated by private organizations that meet state guidelines. Consequently, if Milwaukee County government was eliminated, state policymakers could consider creating a long-term care district to administer the CMO in Milwaukee County, or they could simply contract with a private CMO operator or operators.

The provision allowing for creation of long-term care districts to operate Family Care CMOs was driven in part by a desire to allow counties to band together to create CMOs on a regional basis (which was particularly important for smaller counties who could not reach a large enough enrollment to achieve a viable managed care organization), while maintaining public sector control and employing public sector workers to do so. This provision also reflected a perceived need to allow county officials the option of moving forward with a public CMO without having county government itself take on the associated financial risks. Milwaukee County was encouraged by state officials to consider this option as part of its Family Care expansion plan, but it elected not to do so.

The following are some of the specific statutory provisions associated with the long-term care district approach:

- A long-term care district is defined as “a local unit of government, that is separate and distinct from, and independent of...the county or tribe or band that created it.” The county must adopt an enabling resolution to create the district and establish the size of the long-term care board. The board is to be appointed by the county board or, in counties with county executives, by the county executive subject to county board approval.
- The district is granted all of the powers “necessary...to carry out the purposes and provisions” of the Family Care program. It is empowered to negotiate and enter into leases or contracts and establish risk reserves, but it cannot issue bonds or levy taxes.
- The district board is empowered to hire a director and staff, establish a personnel structure and employment policies, contract for legal services and establish annual budgets. The statutes stipulate, however, that any district employee formerly employed as a long-term care worker for a county that participated in the creation of the district and covered under an existing collective bargaining agreement shall receive wages and benefits from the district per that agreement. Also, years of service accrued while at the county shall be recognized by the district.
- The district board may opt to have the long-term care district included in the Wisconsin Retirement System provided that the county that created it does not have its own retirement system. If Milwaukee County created a district, then the district’s employees would be covered under the county’s retirement system. Also, county employees who transfer to the district must be provided with health care coverage that is “similar” to what they received at the county.
- The statute protects counties from financial risk by specifying that “the obligations and debts of a long-term care district are not the obligations or debts of any county that created the district. If a long-term care district is obligated by statute or contract to provide or pay for services or benefits, no county is responsible for providing or paying for those services or benefits.”

Another option enabled under the statutes is for counties to opt out of being a Family Care CMO, and for the state instead to contract with private sector entities. This option is being utilized in other areas of the state and, beginning in late 2009, also is being utilized to some degree in Milwaukee County, where two private sector entities have established CMOs that will compete with Milwaukee County's CMO for clients. Private sector CMOs are subject to the same requirements as county or district CMOs in terms of certification by the state, establishment of risk reserves, and establishment of governing boards.

The following are some pros, cons and logistical issues that would exist for both the long-term care district and private CMO options.

### **Key pros**

- Moving the CMO outside of county government could shield it from the county's legacy costs and internal service charges, which some might argue make it more difficult for the county to compete with private sector CMOs and divert financial resources from direct care.
- Some have argued that county government is ill equipped to effectively govern a large managed care organization, which requires the type of administrative flexibility and independence that cannot be accommodated under the county governance structure.
- Entities administering Family Care CMOs must take on considerable financial risk in light of the entitlement nature of the program and the provision of a capitated funding stream that requires the CMO to make do with the dollars provided. It could be argued that an entity with the overall financial challenges of Milwaukee County government is in no position to be assuming such risk, and that moving the program out of the county therefore would be a prudent move for taxpayers.

### **Key cons**

- After experiencing severe financial difficulties earlier this decade, the Family Care program has rebounded to achieve considerable popularity among older adults and significant fiscal and programmatic success. Eliminating county government's critical role in administering this program could threaten that success.
- Some have argued that a public sector role is paramount to the success of Family Care, which depends on individuals with little or no profit motive to provide appropriate levels of care to vulnerable individuals. Turning administration of this program solely to the private sector could threaten that important principle.
- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental agencies, and creation of a new long-term care district simply would create another layer of unneeded government bureaucracy.

## Key logistical questions/obstacles

- The state would need to determine whether a new long-term care district would assume responsibility for the CMO's legacy liabilities. If, under a scenario in which county government no longer existed, a district was not created and the state relied exclusively on private sector CMOs, then the state would need to determine whether it would absorb those liabilities or assess county taxpayers for them.
- If county government was eliminated, then state statutes may need to be modified to authorize the state to establish a long-term care district in Milwaukee County, as currently only counties are permitted to do so. Also, if there was no longer a county retirement system, the existing statute would need to be amended to consider whether county workers moving over to the new authority would be able to join the state retirement system and receive health care and other benefits from the state, or whether a new benefits structure would need to be created within the district.
- The state would need to determine how to provide for resource center services in the absence of county government. If a new district was created, then the district could not be both the CMO and resource center administrator, which means that the resource center function would need to be provided either by a community-based non-profit organization or the state itself. If the private sector option was pursued for the CMO, then in addition to those options, the state could consider creating a district to administer the resource center.