



Reinventing Medicaid: FY2016 Initiatives

This memo lists the fiscal year 2016 proposals under consideration to recommend to the Governor for savings in FY2016.

We identified four “work streams” through which members of the working group discussed and developed proposals to reinvent Medicaid in Rhode Island.¹ After reviewing the proposals and developing initial estimates of FY2016 savings, the initiatives were grouped by theme:

Payment and Delivery System Reforms: initiatives related to transforming Rhode Island Medicaid into one which pays for quality and value, rather than volume, and which promotes quality of care and patient experience.

Targeting Fraud, Waste, and Abuse: initiatives related to ensuring that Medicaid programs operate in compliance with state and federal law and regulation, and rooting out wasteful, unnecessary, or fraudulent spending and utilization.

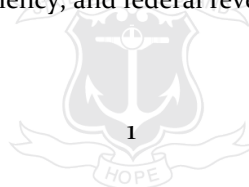
Administrative and Operational Efficiencies: initiatives related to streamlining and improving state oversight of the Medicaid program.

As of this writing, we have identified \$85.5 million in state savings (\$158.6 million from all funds). The table below maps the three themes described above to the work streams:

	Payment and Delivery System Reforms	Targeting Fraud, Waste, and Abuse	Administrative and Operational Efficiencies	Total
Behavioral Health	\$4.5	-	\$0.4	\$4.9
Delivery System Reform	\$31.9	-	-	\$31.9
High Utilizers	\$5.1	-	-	\$5.1
Long Term Care	\$14.4	\$1.6	\$3.9	\$19.9
Internal	-	\$2.3	\$21.3	\$23.6
Total	\$55.9	\$3.8	\$25.7	\$85.5

\$ millions (state funds)

¹ EOHHS staff also engaged in a fifth “internal” work stream focused on issues related to program integrity (fraud, waste, and abuse), operational efficiency, and federal revenue maximization.



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Payment and Delivery System Reform Initiatives

D002. Implement an incentive program to reduce unnecessary hospital utilization, funded by a 5% decrease in hospital payment rates

This initiative would eliminate the FY2016 rate increase for hospital services and reduce hospital rates by a further 5% across both fee for service and managed care. Achievement of savings in the managed care products (RIt Care, Rhody Health Partners and Rhody Health Options) will be accomplished through modifications to the capitation rate.

Workstream:	Delivery System Reform
General revenue savings:	\$15.7 million
All funds savings:	\$31.2 million

The \$31 million saved would be re-invested in a hospital incentive program. Hospitals would have the opportunity to earn back a portion of the \$31 million based on achieving performance goals around reduction of unnecessary utilization, reduction of avoidable readmissions, and improved coordination of care. The incentive payments earned would be paid in September 2016.

D003. Increase hospital license fee to fund the inpatient and outpatient UPL supplemental payments

Hospitals currently receive supplemental payments based on their Medicaid inpatient and outpatient volume known as Upper Payment Limit (UPL) payments. These payments supplement some of the difference between Medicaid and Medicare hospital rates. This initiative would fund these supplemental payments through an increase in the license fee.

Workstream:	Delivery System Reform
General revenue savings:	\$11.2 million
All funds savings:	\$22.6 million

C001. Implement an incentive program to reduce long stays in nursing homes, funded by a 3% decrease in nursing home payment rates

This initiative, which would impact both fee-for-service and managed care services, involves two components: a 3.0% reduction in rates and the elimination of an inflation related rate increase. Approximately half of the savings are associated with Rhody Health Options, and will be achieved through a reduction in capitation rates.

Workstream:	Long Term Care
General revenue savings:	\$8.9 million
All funds savings:	\$17.9 million

The \$17.9 million saved would be re-invested in a nursing home incentive program designed to avoid long stays. The program would measure discharges to the community and re-hospitalizations, and offer incentive payments to facilities that achieve high ratings on both scores.

C102. Maximize federal matching funds for nursing homes by increasing the bed tax

This initiative will increase the nursing home provider assessment from 5.5% to 6.0% of revenue, which is the federal maximum level.

Workstream:	Long Term Care
General revenue savings:	\$4 million
All funds savings:	\$4 million

E120. Coordinate care management for those with severe and persistent mental illness (SPMI)

This initiative would create a population-based health home approach for persons living with a serious mental illness. The program will reduce medical, pharmacy and behavioral health expenses for the population by better coordinating their care. All members will be attributed to an accountable health home. Providers will be paid a capitated rate for care coordination, and be incentivized for outcome measures and utilization.

Workstream:	Behavioral Health
General revenue savings:	\$3 million
All funds savings:	\$6 million

A120. Home stabilization initiatives for targeted populations

The purpose of the state's Health Begins with a Home Initiative (HBHI) is to make an organized set of Medicaid-funded health and home-stabilization services available to members of certain subpopulations. This innovative home and health stabilization program targets Medicaid beneficiaries who have complex medical or behavioral health conditions and are either homeless or at risk for homelessness or transitioning from high-cost intensive care settings back into the community.

Workstream:	High Utilizers
General revenue savings:	\$2 million
All funds savings:	\$4 million

The HBHI focuses on the following Medicaid beneficiaries:

Target Group #1: Medicaid-eligible children and youth with behavioral health needs in the custody of the RI Department of Children, Youth, and Families (DCYF) who are at risk for or transitioning from institutionally based or residential treatment facilities, or congregate care; and the parent(s)/caretaker(s) of these children living in the community.

Target Group #2: Medicaid-eligible adults between the ages of 19 and 64 with serious behavioral health or physical conditions who are homeless or at risk of homelessness subsequent to military service, health treatment, or incarceration.

Target Group #3: Persons with disabilities, elders, and those who are transitioning from institutionally-based care who have a history of homelessness, would otherwise be homeless, if not for the nursing home stay or would benefit from service upon transition due to length of stay in the institution.

D105. Reduce the NICU policy adjuster to DRG rate

The state determines Medicaid payments rates based on patient diagnoses. When the state moved to the current payment system, it boosted the rates associated with certain services through multipliers called policy adjusters. This initiative would reduce the Neonatal Intensive Care Unit (NICU) policy adjuster from 1.45 to 1.32.

Workstream:	Delivery System Reform
General revenue savings:	\$1.9 million
All funds savings:	\$3.8 million

B106. Refine FQHC incentive programs

This initiative would change the current Federally Qualified Health Center (FQHC) incentive program at Neighborhood Health Plan of Rhode Island to a shared savings model. In so doing, savings would accrue to the State either in the form of reduced utilization by FQHC members, or from reductions in the incentive paid to the FQHC.

Workstream:	Delivery System Reform
General revenue savings:	\$1.7 million
All funds savings:	\$3.5 million

B142. Redesign CEDARR services program, transition to community health team approach

In keeping with the principles of paying for value in the Medicaid delivery system and reducing waste, this initiative will redesign the Comprehensive, Evaluation, Diagnosis, Assessment, Referral, Re-Evaluation (CEDARR) Family Center package. This redesign will include a discontinuation of the Family Care Plan Review, reduce the amount of Health Needs Coordination services, as well as transfer Direct Service Review functions of the CEDARR Family Centers to state staff.

Workstream:	High Utilizers
General revenue savings:	\$1 million
All funds savings:	\$2 million

B001. Move out-of-plan services for children with special healthcare needs into managed care

In an effort to increase efficiency of care and coverage for high-utilizing populations, this initiative will integrate services for children with special health

Workstream:	High Utilizers
General revenue savings:	\$1 million
All funds savings:	\$2 million

care needs into the continuum of care of the Medicaid Managed Care Organizations (MCOs). Services that have been out of plan for this population and will now be integrated into the MCO scope include Home Based Therapeutic Services (HBTS), Personal Services and Supports (PASS), and Respite care. Through the integration of these and like services, this initiative will provide flexibility to the MCOs to provide more evidence-based, clinically appropriate, lower-cost services to children and adolescents.

A101. Identify alternate settings for appropriate Eleanor Slater Hospital residents

This initiative will establish community-based settings with an enhanced Medicaid group home rate to serve high-risk populations that do not require hospital

Workstream:	High Utilizers
General revenue savings:	\$1 million
All funds savings:	\$2 million

services. These settings may then be used as an Eleanor Slater Hospital (ESH) step-down or diversion program, freeing up beds for patients who have been waiting for admission to ESH for long periods. Currently, there are sixteen individuals awaiting admission to psychiatric beds at ESH. All but one of these patients is currently in an acute care hospital. In addition, there are thirteen psychiatric patients in acute care beds at present who are candidates for discharge; yet due to lack of clinically appropriate community settings, these patients remain in the hospital.

A103. Scale up community health teams

Community health teams (CHT) work as an extension of a primary care office to meet the social and behavioral needs of patients. They are a group of providers such as social workers, community health

Workstream:	High Utilizers
General revenue savings:	\$1 million
All funds savings:	\$2 million

workers, nurse managers, and others who can directly address social, behavioral, and environmental factors affecting health and health behaviors. The CHT is modeled after similar highly successful programs in Vermont, Maine, North Carolina, and other states.

The RI Care Transformation Collaborative, an all-payer Medical Home initiative, is currently piloting two community health teams: one in South County and one in Pawtucket. Each community health team works collaboratively with CTC practices in that service area and health plans to identify high-risk patients. A number of other sites, including at least one Federally Qualified Health Center (FQHC), have developed their own Community Health Team with separate funding.

This initiative would quickly scale up the CHT and develop an organized, Medicaid-wide approach to CHT implementation. CHTs are provided lists of high-utilizer patients by the MCOs and collaborate with the Medical Home to address unmet needs. The result is improved utilization patterns, better health outcomes, and lower costs.

C126. Change payment structure to support expansion of assisted living

This initiative will support the use of assisted living by increasing the room and board cap through modifications to the state SSI supplement, and adopting an acuity-based payment strategy for assisted

Workstream:	Long Term Care
General revenue savings:	\$1 million
All funds savings:	\$2 million

living services. The Integrated Care Initiative (ICI) will help divert Long-Term Services and Supports beneficiaries from nursing facilities to assisted living residences. A relatively modest

number of beneficiaries are targeted to account for an October start date. The base rate will be enhanced at each level to account for additional hours of personal or nursing care as well as behavioral health services.

D001. Eliminate automatic GME funding

In 2014, the State established a pool to support graduate medical education at academic medical centers with level I trauma centers. This initiative would eliminate that pool of funds.

Workstream:	Delivery System Reform
General revenue savings:	\$1 million
All funds savings:	\$1 million

C143. Institute a level-of-care requirement for Adult Day services, and increase the rate paid to adult day providers

Medicaid-funded adult day health services provide a variety of health, social, and related support services to elders and persons with disabilities. This initiative will institute Medicaid certification

Workstream:	Long Term Care
General revenue savings:	\$500,000
All funds savings:	\$1 million

standards, tie payment levels to acuity, scope of services, quality and outcomes related to beneficiary level of need for LTSS, and institute program oversight. Note that this initiative does not include day services for individuals with developmental disabilities.

E134. Fund STOP program for chronic inebriation

This initiative will create a new Sobering Treatment Opportunity Program (STOP) in the upper level of Emmanuel House.

Workstream:	High Utilizers
General revenue savings:	\$500,000
All funds savings:	\$1 million

The program will be an alternative to emergency room care for alcohol-dependent individuals who are frequent emergency room visitors. The cost savings would be realized in reduced ER visits in the short-term, and long-term recovery for beneficiaries who use the ER and other acute care services.

E101. Reduce or eliminate hospital behavioral health policy adjuster for FFS hospital payments

The state determines Medicaid payments rates based on patient diagnoses. When the state moved to the current payment system, it boosted the rates associated

Workstream:	Delivery System Reform
General revenue savings:	\$250,000
All funds savings:	\$500,000

with certain services through multipliers called policy adjusters. This initiative would reduce the behavioral health policy adjuster from 1.45 to 1.32.

Additional initiatives with savings in future years

The initiatives above all target state savings in FY2016. The proposals in the table below are intended to yield savings through longer-term transformation of the Medicaid program.

ID	Description	Workstream
B201	Align with federal and commercial value-based purchasing targets: 80% by 2018	Delivery System Reform
C121	Encourage use of MOLST form at onset of Medicaid LTC eligibility	Long Term Care
C214	Evaluate the current Fair Rental Value System	Long Term Care
D202	Develop a bundled payment model for maternity and childbirth, including NICU	Delivery System Reform
C207	Develop a state policy around telehealth services under Medicaid	Delivery System Reform
C146, C203, C226	Engage a consultant to evaluate structural barriers to HCBS in our eligibility rules and other state policies	Long Term Care
C191	Increase participation in the PACE program	Long Term Care

Targeting Waste, Fraud, and Abuse

F001. Electronic Visit Verification

Electronic Visit Verification (EVV) is a technical approach for verifying visits at the point of care. This initiative would apply EVV to personal care services to ensure that the state does not pay for services which are not actually delivered.

Workstream:	Long Term Care
General revenue savings:	\$1.6 million
All funds savings:	\$3.2 million

F002. Enhanced Medicare identification

This initiative would improve timeliness and quality of communication between Medicaid and Medicare coverage to ensure that beneficiaries access Medicare coverage when available. For certain populations, the federal government pays some of the costs of health care services through Medicare, but the state is still responsible for identifying and appropriately billing Medicare.

Workstream:	Internal
General revenue savings:	\$1.0 million
All funds savings:	\$2.0 million

F006. Predictive modeling

This initiative develops a system to prevent waste, fraud and abuse through prospective predictive analytics in addition to existing retrospective verifications. In particular, the initiative would examine provider payment reimbursement policies and inconsistencies as well as errors within the claims processing and related systems.

Workstream:	Internal
General revenue savings:	\$1.0 million
All funds savings:	\$2.0 million

F003. Enhanced residency verifications

Only Rhode Island residents are eligible to receive Medicaid-funded services paid for by the state. This initiative enhances existing residency verification processes, to the full extent allowed under federal and state law by expanding the frequency and thoroughness of residency checks.

Workstream:	Internal
General revenue savings:	\$0.3 million
All funds savings:	\$0.6 million

F152. Empower the Office of Program Integrity to issue subpoenas to support its investigations into fraud, waste, and abuse

The Office of Program Integrity needs the authority to issue administrative subpoenas when providers are reluctant to provide timely documents as part of a Medicaid fraud, waste, and abuse investigation. Time is of the essence when dealing with financial

Workstream:	Internal
General revenue savings:	\$0.1 million
All funds savings:	\$0.3 million

documents and records. A recent investigation that resulted in a criminal case underscores the need for this subpoena power: the state was able to recover a significant amount of Medicaid money based upon records it already had obtained, but that amount would have increased had it been able to subpoena more records.

Additional initiatives with savings in future years

The initiatives above all target state savings in FY2016. The proposals in the table below are intended to yield savings through longer-term transformation of the Medicaid program.

ID	Description	Workstream
F126	Enhanced Fraud Prevention by contracting with additional vendor to screen eligibility (RFI)	Other

Administrative and Operational Efficiency

F140. Increase Children's Health Account attachment point

This proposal will raise the amount raised by the Children's Health Account each year. The Children's Health Account (established by RIGL § 42-12-29) is an

Workstream:	Internal
General revenue savings:	\$5.5 million
All funds savings:	\$5.5 million

assessment that the state levies on commercial health insurance carriers that write premiums in Rhode Island. The assessment is designed to fund services provided to children who are covered by commercial insurance but are Medicaid eligible and require services that are not offered by commercial insurance.

F280. Operational efficiencies and administrative simplification

EOHHS will look for opportunities to streamline, consolidate, and simplify internal operations for Medicaid-funded programs across all agencies within the Secretariat.

Workstream:	Internal
General revenue savings:	\$3.0 million
All funds savings:	\$6.0 million

B002. Managed care trend reduction

The majority of Medicaid beneficiaries receive health coverage through managed care delivery systems such as RItE Care, Rhody Health Partners, PACE, Connect

Workstream:	Internal
General revenue savings:	\$2.7 million
All funds savings:	\$5.4 million

Care Choice, and Rhody Health Options programs. This initiative will align risk-based managed care contracts with the core guiding principles for Reinventing Medicaid. Contract requirements will incorporate changes to promote contracting arrangements with providers that focus on paying for value, coordinate healthcare delivery across providers with a focus on high utilizers, work to align with other payers, and achieve further efficiencies in core administrative operations.

F159. Reduce Hospice Payments to 95% of Nursing Home Room and Board

The payment rate for hospice services provided in a nursing home is currently 95% of the full nursing home per diem rate. In addition to this reimbursement

Workstream:	Internal
General revenue savings:	\$2.4 million
All funds savings:	\$4.8 million

from Medicaid, hospice providers also receive payment from Medicare. This initiative would reduce Medicaid's fee-for-service hospice rate to 95% of what the state pays for nursing home room and board.

C130. Convert RICLAS homes to private providers

This initiative will convert the publicly-operated group homes for individuals with developmental disabilities to privately run facilities. The savings numbers assume a January 1, 2016 implementation date.

Workstream:	Internal
General revenue savings:	\$2.0 million
All funds savings:	\$4.0 million

B104. Modify risk share arrangement with MCOs

In line with the principle of aligning Medicaid payment and purchasing strategies with other payers, this initiative modifies the risk/gain-share arrangement with the managed care payers to allow the payers to hold more of the risk. This key change will bring Rhode Island's Medicaid MCO payment strategy in line with the policies in place in neighboring states.

Workstream:	Internal
General revenue savings:	\$1.7 million
All funds savings:	\$3.2 million

B103. Align Hospital and Community-based Laboratory Rates

Currently, the fee schedule for laboratory tests performed by a hospital is significantly higher than the community-based laboratory fee schedule. This initiative would align the payment rates for outpatient laboratory tests for community and hospital-based laboratories.

Workstream:	Internal
General revenue savings:	\$1.7 million
All funds savings:	\$3.2 million

C142. Evaluate and reform LTSS financial eligibility policies

This initiative will review Long-Term Services and Supports (LTSS) eligibility criteria and estate planning to bring rules in line with neighboring states.

Workstream:	Long Term Care
General revenue savings:	\$1 million
All funds savings:	\$2 million

F110. Align commercial insurance mandates

The Affordable Care Act prohibited dollar limits on health benefits. Rhode Island has two commercial insurance mandates that insulate insurers from risk by limiting two benefits to a maximum dollar value: early intervention services carry a maximum limit of \$5,000 per child per year and autism services, specifically ABA, is capped at \$32,000 per child per year. This initiative will eliminate the maximum cost ceiling on these services allowing insurers to reimburse for medically necessary services in the amount and duration that the child requires.

Workstream:	Internal
General revenue savings:	\$1.0 million
All funds savings:	\$1.9 million

B105. Reduction to MCO admin rate

Rhode Island currently pays the Medicaid managed care providers through two fees: a medical fee and an administrative fee. The medical fee covers health care costs for members, while the administrative fee covers overhead and internal management costs. With the Affordable Care Act's expansion of Medicaid, Rhode Island's Medicaid MCOs cover significantly more lives than in the past. This initiative will reduce the administrative portion of the MCO fee, recognizing the MCO's new economies of scale.

Workstream:	Internal
General revenue savings:	\$0.9 million
All funds savings:	\$1.9 million

F005. Modify FQHC Reporting to Maximize CHIP Revenue

The state has historically been unable to claim the enhanced Children's Health Insurance Program (CHIP) match for eligible encounters at Federally Qualified Health Centers (FQHC) because specific, member-level information was not readily available. With planned enhancements to the submissions filed by each FQHC, the state will be in a position to identify—at the patient level—which services are eligible for enhanced CHIP match beginning with dates of service on or after July 1, 2015.

Workstream:	Internal
General revenue savings:	\$0.8 million
All funds savings:	\$0.8 million

F147. Streamlined eligibility to maximize federal funding

This proposal recommends that the state streamline the eligibility process by prioritizing the adult expansion group for new Medicaid applicants to avoid complicated age, disability, and asset criteria. This change may require systems, procedural, and/or rule changes.

Workstream:	Internal
General revenue savings:	\$0.6 million
All funds savings:	\$0.6 million

C148. Align "Highest Need" level of care for LTSS eligibility with neighboring states

This initiative seeks to align the "Highest Need" level of care for clinical eligibility for Nursing Home admission eligibility to align with the criteria used in Connecticut and Massachusetts. To do so, it would expand the current Highest Level of Care determination to require 3 Activities of Daily Living (ADLs), with extensive assistance, total dependence with at least one (1) ADL and assistance with two (2) additional ADLs. In addition it would require that client has one (1) or more unstable medical, behavioral, psychiatric conditions or chronic / reoccurring conditions requiring nursing assessment and assistance on a daily basis.

Workstream:	Internal
General revenue savings:	\$0.5 million
All funds savings:	\$1.0 million

F111. Redesign 4CP program

This initiative would simplify the administration of Connect Care Choice Community Partners (CCCCP). The state currently pays 17 separate primary care

practices a monthly fee for enhanced care coordination; this proposal would move that coordination into managed care. Additionally, the state would re-deploy the CCCCCP's care coordination entity—which is responsible for tracking member utilization and offering support—and align it with the overall Medicaid-wide community health team strategy.

Workstream:	Internal
General revenue savings:	\$0.5 million
All funds savings:	\$1.0 million

F201. Ensure Medicaid purchases "best price" drugs (including potentially a single PDL)

The Executive Office of Health and Human Services is analyzing the financial impact of requiring the Medicaid contracted managed care organizations to participate in a single pharmacy "Preferred Drug List" (PDL) in order for the state to obtain a pharmacy "best price" with supplemental rebates.

Workstream:	Internal
General revenue savings:	\$0.5 million
All funds savings:	\$1.0 million

F148. Coordination of care for veterans

There are a significant number of veterans in Rhode Island who are eligible for VA Health Care. By formally recognizing VA Health Care (VAHC) as third-party

coverage, Rhode Island could ensure care is delivered through the VA where appropriate.

Likewise, the state will continue to ensure that financial eligibility criteria for long-term care are aligned with VA policy. The state is committed to ensuring continue Medicaid health coverage to eligible persons who are veterans and, for whatever reason, are unable to access to the services they need through the VAHC system.

Workstream:	Internal
General revenue savings:	\$0.5 million
All funds savings:	\$0.9 million

E151. Closure of two group homes

This initiative will close two group homes and transfer residents into other existing group homes. The state will be able to maintain more efficient staffing and

reduce the overall overtime by combining redundant group homes. Additionally, the state will additionally receive one-time income from the sale of the group home.

Workstream:	Behavioral Health
General revenue savings:	\$0.5 million
All funds savings:	\$0.9 million

F004. Improve Personal Choice Program Administration

The Personal Choice Program is a participant-directed program designed to provide in-home services and supports to

Workstream:	Long Term Care
General revenue savings:	\$0.2 million
All funds savings:	\$0.4 million

adults with disabilities and elders. This model gives participants the opportunity to manage a flexible budget to meet their needs. The budget can be used for personal care needs or in combination with other goods and services that will assist an individual in living independently in the community. This initiative will change payment for service agencies from a flat monthly rate for case management to an hourly rate.

F225. Consolidate food services between ACI and ESH

This is a collaboration between BHDDH and DOC. This initiative will look at menu changes, consolidate purchases (bulk food, produce), and other potential efficiencies to achieve savings.

Workstream:	Internal
General revenue savings:	\$0.2 million
All funds savings:	\$0.3 million

F153. Consolidate of laundry services between ACI and ESH

A second collaboration between BHDDH and DOC, this initiative will seek to consolidate laundry services to find and realize potential efficiencies to achieve savings.

Workstream:	Internal
General revenue savings:	\$0.2 million
All funds savings:	\$0.3 million

Additional initiatives with savings in future years

The initiatives above all target state savings in FY2016. The proposals in the table below are intended to yield savings through longer-term transformation of the Medicaid program.

ID	Description	Workstream
A151	Redesign the Medically Needy program to reduce churn and improve care coordination	Internal
C145, E150	Enhancement and automation of patient share collection (HCBS and DD)	Internal
F108	Ensure agency-wide consistency in payment rates and eligibility determination for certain high cost services (home care services, CEDARR direct services, residential services)	Internal
C144	Enhanced verification of payment for HCBS	Long Term Care