Washington State Auditor's Office
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Performance Audit

New Freedom Consumer-Directed Services

It benefits long-term care clients but presents operational challenges

December 29, 2014

Washington spends almost $1.4 billion annually providing long-term care services to 60,000 low-income adults with disabilities and elderly adults with nursing home level of care needs. We evaluated the effectiveness and costs of New Freedom Consumer Directed Services, a pilot program offered in King and Pierce counties, that serves this population. Comparing New Freedom to the statewide Community Options Program Entry System (COPES), we found that New Freedom participants take advantage of the program's unique benefits, and are very satisfied with the program and the services they receive. New Freedom and COPES clients experience comparable health outcomes, for the same cost to the state. New Freedom's individual budget model is not suitable for all long-term care clients, and creates some administrative challenges.

With the state's adoption of the Medicaid option Community First Choice, Washington has an opportunity to apply lessons learned from the implementation of New Freedom to the state's new long-term care program.

Audit Number: 1012955

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Executive Summary

Washington spends about $1.4 billion annually on long-term care for 60,000 low-income elderly adults and adults with disabilities. The state has long emphasized providing services and support to people in their homes and communities to reduce reliance on nursing facilities. Washington champions increased consumer direction in long-term care, which gives people greater control over the services they receive by expanding their responsibilities in managing their own services.

This performance audit evaluates the effectiveness and cost of New Freedom Consumer Directed Services, a pilot program offering increased consumer direction, and compares it to the mainstream Community Options Program Entry System (COPES). Both are administered by the Department of Social and Health Services (DSHS). Facing a growing aging population and limited financial resources, the state must evaluate which long-term care models will provide the highest quality and most cost-effective services. We asked:

- Are New Freedom participants satisfied with the program?
- How does New Freedom compare to the COPES in-home program in terms of participant health outcomes and costs to the state?
- What lessons have we learned from the pilot implementation of New Freedom?
- What challenges exist in expanding New Freedom and/or other consumer-directed long-term care programs?

We found that New Freedom participants take advantage of the program's unique benefits, and are very satisfied with the program and the services they receive. New Freedom and COPES clients experience comparable health outcomes, for the same cost to the state. New Freedom's individual budget model is not suitable for all long-term care clients, and creates some organizational challenges to administering the program. With the state's adoption of the new Medicaid option Community First Choice, Washington has an opportunity to apply lessons learned from the implementation of New Freedom to the state's new long-term care program.

New Freedom participants take advantage of the program's benefits and give the program high marks

New Freedom participants primarily purchase personal care services (accounting for almost 95 percent of their spending) but they also take advantage of the program's flexibility and distinctive service offerings to purchase services and devices not available through COPES and to save for big-ticket items.

New Freedom participants report high satisfaction with the services they receive and the way the program is run. In our survey of 102 randomly-selected program participants, 91 percent reported feeling satisfied or very satisfied with New Freedom overall. When asked about their specific services and aspects of the program's administration, such as the support they receive from their case manager, respondents reported satisfaction levels that ranged between 75 percent and 93 percent satisfied.

New Freedom and COPES in-home services produce comparable participant health outcomes at a similar cost

To be eligible for either of these programs, clients must have nursing home level of care needs. Both New Freedom and COPES in-home services allow them to receive care in their own homes, reducing the need for nursing home admissions. Key to keeping clients safe and well in their homes is maintaining their ability to do routine activities of daily living, such as eating, dressing and general mobility. We found no material differences between New Freedom participants and COPES in-home clients with similar characteristics on three health outcomes:

- Change in their ability to do activities of daily living
- Use of nursing homes
- Mortality

We also compared both programs' average per-member per-month spending on Medicaid acute medical and long-term care services. As with health outcomes, we found no significant difference between the costs associated with New Freedom participants and COPES in-home clients with similar characteristics.

However, New Freedom's participant-directed service budget model does not suit everyone

The very qualities that make New Freedom appealing to many people – notably its flexibility and participant-directed focus – also limit its suitability. Those elderly adults and adults with disabilities who are capable of and willing to manage budgets and choose care services and products to meet their needs (or have a caregiver to do so) are likely to thrive in the program. However, not everyone will find meeting the additional responsibilities appealing or possible.

Declining enrollments in King County jeopardize New Freedom's long-term viability

Following steady growth from its earliest enrollments, New Freedom monthly caseloads in King County have since dropped at an annual rate of 16 percent between July 2012 and March 2014. King County has relied primarily on referrals of new long-term care clients to New Freedom, but referrals of such clients have declined significantly. Meanwhile, New Freedom caseloads have grown steadily in Pierce County, where program managers emphasize converting long-term care clients from other programs to New Freedom. By comparing the experience of King and Pierce counties, we identified two strategies critical to increasing enrollments:

- Informing new long-term care clients about New Freedom
- Converting long-term care clients from other programs to New Freedom

DSHS has an opportunity to put into practice the lessons learned from New Freedom

In 2014 the Legislature directed DSHS to refinance Medicaid personal care services under the federal Community First Choice option. Community First Choice encourages states to design a consumer-directed care program that, if approved, will increase the federal Medicaid matching funds rate from 50 percent to 56 percent.

Recommendations

Based on our evaluation of New Freedom, we recommend DSHS:

1. Build flexibility into the Community First Choice program by allowing clients to use some personal care hours each month to purchase eligible services, training, and devices to assist with activities of daily living.
2. Because it offers a greater variety of services than the Community First Choice option will, continue efforts to increase New Freedom enrollments in King and Pierce counties until the Community First Choice consumer-directed care program is evaluated. Determine if the demand for services unique to New Freedom and New Freedom enrollment levels warrant continuing the program.
3. To increase New Freedom enrollments in King and Pierce counties:
   - Focus efforts on informing new long-term care clients about New Freedom benefits and participant responsibilities
   - Share successful practices for identifying and converting clients in other programs who can benefit from New Freedom.
4. Use New Freedom care consultants' experience with consumer-directed care to train case managers statewide on how to help clients take advantage of the increased flexibility under Community First Choice.

Introduction

Washington has a growing need for robust and affordable care services for low-income seniors and adults with disabilities

Washington's population is aging. In 2013, those aged 65 and older made up 14 percent of the state's population – about 937,000 people. The Office of Financial Management predicts their numbers will rise to 1.67 million – 20 percent of the state's population – by 2030.

At one time, the only care option for adults who were older or disabled might have been a nursing home, but Washington champions providing care services to clients in home-like settings. Doing so allows clients to maintain their independence and a high quality of life, continue living in their homes and communities, and avoid or delay using costly nursing homes or inpatient facility care. The Department of Social and Health Services (DSHS) reports that caring for someone in a nursing home is three times more expensive than serving that person in a home or community setting.

In fiscal year 2013, Washington spent about $1.4 billion in state and federal dollars to provide long-term care services for roughly 60,000 elderly adults and adults with disabilities. Facing a growing aging population and limited financial resources, the state must evaluate which long-term care models will provide the highest quality and most cost-effective care services.

Increasing consumer direction in long-term care

In recent years, state and federal policy makers, as well as advocacy groups such as AARP, have shown increasing support for consumer-directed approaches to home and community-based long-term care services. As the name suggests, consumer-directed programs give people who can make informed decisions about purchasing services that best meet their needs and overseeing their delivery greater control in directing their own supportive care.

Comparing two consumer-directed programs: New Freedom and COPES

Both COPES in-home services and New Freedom incorporate elements of consumer direction, but differ in the way services are administered. COPES in-home clients choose who provides their services, and receive more traditional case management support in service selection and delivery. New Freedom participants receive an individual monthly budget, which permits them to select the services they prefer, how they receive them, and who provides them. However, participants or their representatives must be able and willing to take on additional responsibilities, such as working with the program's fiscal agent to track their spending. Agency staff serve as care consultants rather than case managers.

COPES in-home operates statewide, and has been in existence since 1983. New Freedom has been available to long-term care clients in King County since 2007 and in Pierce County since 2011.

In fiscal year 2013...

Community Options Program Entry System (COPES) served 41,000 people in their homes and in community-based settings, at a cost of $547 million annually.

New Freedom, a pilot program, served almost 900 people exclusively in their homes, at an annual cost of $12.2 million.

Community First Choice option: An opportunity to implement lessons learned from New Freedom

The federal Affordable Care Act established a new, voluntary Medicaid State Plan to provide home- and community-based long-term care for adults with nursing home level of care needs. The Community First Choice option allows states to develop their own program model within certain guidelines and it requires consumer-directed care options. It offers a 56 percent federal funding match, more than the current Medicaid match of 50 percent. In 2014, the state Legislature passed HB 2746 requiring DSHS to refinance Medicaid personal care under Community First Choice.

DSHS is currently designing the state's Community First Choice program, which must be implemented by August 30, 2015. Lessons learned from New Freedom can directly inform Community First Choice program planning and implementation.

Implementing **Community First Choice** would save the state 6 percent on Medicaid spending, valued at $111 million annually.

With service expenditure increases of $36 million, Washington can anticipate **a net savings of $75 million annually** under current projections.

Audit objectives

The purpose of this audit is to provide policymakers with information on the performance of consumer-directed long-term in-home care programs in Washington. As we evaluated the effectiveness of New Freedom as an alternative to the COPES in-home model, we asked these four questions:

- Are New Freedom participants satisfied with the program?
- How does New Freedom compare to the COPES in-home program in terms of participant health outcomes and costs to the state?
- What lessons have we learned from the pilot implementation of New Freedom?
- What challenges exist in expanding New Freedom and/or other consumer-directed long-term care programs?

Background

Washington has long been a leader in developing consumer-directed care models. According to the Washington State Plan on Aging Report, in the 1991-1993 biennium, 80 percent of all long-term care clients received care services in nursing homes due to limited alternatives. In 1983, DSHS established the COPES waiver program as an alternative service delivery model for elderly people and adults with disabilities who wished to remain in the community rather than enter a nursing home. In 1993, the Legislature authorized HB 2098 to reduce nursing home use and increase community-based care options. Since that time, Washington has successfully transformed its model for delivering care to adults who are elderly or disabled. In fiscal year 2013, 82 percent of clients received care at home or in a community setting.

The contrast in per-person costs between nursing home care and in-home care is striking. **Exhibit 1** shows that in fiscal year 2013, clients in nursing homes accounted for only 18 percent of all long-term care recipients, but 40 percent of all expenditures. In fact, almost 36,000 clients are served in their own homes at about the same cost as serving a third of that number in nursing homes. This report compares two in-home services programs: New Freedom and COPES. New Freedom provides only in-home services. COPES also serves people in community-based settings, but those enrolled in COPES-residential were excluded from our analyses.

Exhibit 1: Washington's long-term care cases and costs

Fiscal year 2013

	Number and percent of clients served		Total cost in state & federal dollars	
All long-term care	**59,288 ***		**$1.39 billion**	
Nursing home care	10,231	18%	$551 million	40%
Community-based residential care (adult family homes, assisted living facilities, etc.)	12,338	21%	$211 million	15%
In-home care	**35,851**	**61%**	**$628 million**	**45%**
	Source: Caseload Forecast Council		Source: DSHS-RDA	

** This total includes 868 managed care clients that are not included in the three care setting counts.*

Exhibit 1 shows the client caseload counts and total expenditures for all long-term care services provided by the state in fiscal year 2013. The table includes programs in addition to the COPES and New Freedom programs.

The state is committed to increasing the number of people served in their own homes. The 2010-2014 Washington State Plan on Aging makes explicit the state's goal to expand consumer-directed models of support as a way to enable older adults to remain in their homes and maintain a high quality of life.

An overview of Washington's two consumer-directed, long-term care program models

DSHS's Aging and Long-Term Support Administration, Home and Community Services Division (DSHS-HCS) currently administers Washington's two consumer-directed, long-term, in-home care programs for low-income seniors and adults with disabilities. COPES, by far the larger of the two, serves about 41,000 clients statewide in both home- and community-based settings at a cost of about $547 million annually. A seven-year-old pilot program in King and Pierce counties, New Freedom Consumer Directed Services served 882 people exclusively in their homes, at an annual cost of $12.2 million in fiscal year 2013. Average monthly cost for each New Freedom participant was $1,668.

COPES in-home and New Freedom have the same eligibility requirements. Both programs provide services based on the level of need identified during a Comprehensive Assessment Reporting Evaluation (called a CARE assessment), which is conducted at intake by a DSHS-HCS social worker, and updated annually or on an as-needed basis by a social worker from the local Area Agency on Aging (AAA). However, the programs offer the client quite a different experience.

COPES in-home clients are allotted service hours that can be applied to defined service areas, such as personal care or home modifications including wheelchair ramps. The client and case manager develop a care plan together, the case manager arranges services through a contracted agency, and the state disburses money to providers as services are used.

In contrast, New Freedom participants receive a monthly monetary allowance – their "individual budget" – determined by a formula based on the number of care hours the participant would have received if served in COPES. New Freedom allows greater flexibility in the range of services and goods that can be purchased. The individual budget can be used to purchase any approved product or service, or can be saved up to buy a more expensive item, such as vehicle modifications or hearing aids. In New Freedom, participants or their designated caregiver, rather than a case manager, take on primary responsibility of managing services and working with the fiscal agent to ensure payments are made and the monthly budget is correct.

Administration of the programs

Administrator: COPES and New Freedom are administered by DSHS-HCS, the state Medicaid agency that:

- Approves a person's application for long-term care services
- Assesses service and support needs via the CARE assessment
- Determines and informs applicants of their program options
- Refers applicants to the appropriate service providers

Administrator

DSHS Aging & Long-Term Support Administration

Home & Community Services Division (DSHS-HCS)

- Approves a person's application for long-term care services
- Conducts initial CARE assessment
- Determines and informs applicants of their program options
- Refers applicants to the appropriate service providers
- Responsible for "front door" enrollments

Operator

Local designated AAAs

King: Aging and Disability Services

Pierce: Aging and Disability Resources

- COPES: Provides case management services to clients
- NEW FREEDOM: Provides care consulting services to participants
- Works with clients to develop care plan, identify services to meet needs; approves goods/ services
- Conducts annual and as-needed CARE assessments
- Responsible for "conversion" enrollments

Fiscal Agent (New Freedom only)

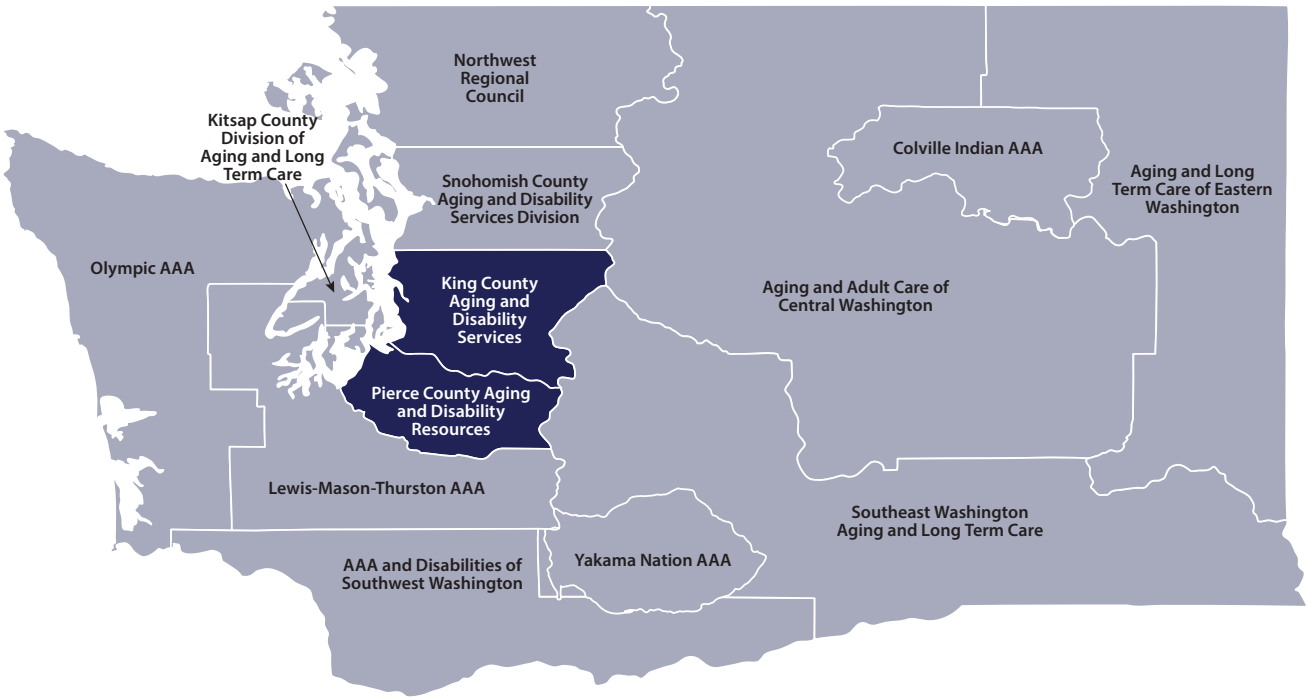
PCG Public Partnerships, LLC

- Accesses participants' budget allowance from DSHS
- Contracts with approved vendors to deliver services
- Disburses vendor payments
- Provides on-going financial management services to participants

Operator: The state's 13 Area Agencies on Aging (AAAs) organizations operate the long-term care programs in their regions, including King and Pierce counties. The map in **Exhibit 2** shows the regional boundaries of the AAAs, as each usually serves more than one county.

Exhibit 2 – Two of Washington's 13 local Area Agencies on Aging provide New Freedom as a service option

Aging and Disability Services serves King County; Aging and Disability Resources serves Pierce County



New Freedom originated in King County in 2007. Case management and financial management services were provided by Sunrise Services. Asian Counseling and Referral Services provided on-going CARE assessments. In 2012 King County's local AAA, Aging and Disability Services, assumed operation of New Freedom. In Pierce County, the local AAA, Aging and Disability Resources, has been the sole operator of New Freedom since the program began there in 2011.

Fiscal agent: COPES does not have a third party fiscal agent; rather, DSHS manages all payments. The third party fiscal agent for New Freedom pays vendors, tracks participants' spending, and provides financial management customer service to participants. The fiscal agent for New Freedom in both counties is now PCG Public Partnerships, LLC, after replacing Sunrise Services in King County in December 2010.

Enrollment processes: Similar to clients enrolling in COPES, participants are enrolled in New Freedom in one of two ways.

1. People who have not previously been enrolled in a long-term care program can enter New Freedom through a "front door" enrollment. DSHS-HCS, tasked with assessing and informing new long-term care clients of their program options, is responsible for front door enrollments.
2. People who already receive in-home services through COPES or Medicaid Personal Care may transfer to New Freedom as a "conversion" enrollment. The local AAA, providers of on-going case management and annual re-evaluation services, are responsible for New Freedom enrollment by conversion.

Program eligibility

The eligibility requirements are the same for COPES in-home and New Freedom. Participants must:

- Be 65 years or older OR be 18 years or older and blind or have a physical disability
- Be eligible for Medicaid
- Live in their own home (as renter or owner)
- Require nursing home level of care

Participants who have met eligibility requirements are assessed using the CARE evaluation. By definition, COPES in-home and New Freedom participants require substantial assistance with activities of daily living, which include eating, dressing, toileting, personal hygiene, bed mobility, transfers, and general mobility. The client may opt to waive his or her entitlement to a bed in a nursing home and instead enter a Medicaid-approved home- or community-based care program.

Client characteristics

While eligibility requirements for the two programs are the same and all participants have documented nursing home level of care needs, the profile of the average client in each program differs, as **Exhibit 3** illustrates.

Exhibit 3 – Compared to typical COPES in-home clients in King and Pierce counties, New Freedom participants tend to…

	New Freedom	COPES in-home	Based on their…
• Be younger	58.4	64.8	Average age
• Be more capable	9.5	11.3	Average ADL score, on scale of 0 (high functioning) to 28 (low functioning)
• Need less support	72.5	86.0	Average total in-home hours per month
• Be more cognitively capable	1.13	1.54	Average cognitive performance score (lower is better) based on ability to communicate, decide, and recall
• Have fewer or less severe behavioral conditions	0.68	1.33	Average behavior point score (lower is better) for behaviors requiring caregiver intervention
• Be less likely to have a complex medical condition	31.7%	46.0%	Percent of population with certain medical conditions that increase complexity of care

Source: FY 2013 CARE assessment data.

Program services

Both programs offer an array of services to help people maintain independence and a high quality of life while living at home. Both programs cover personal care services as well as ancillary services and support to help people perform activities of daily living and ensure their safety and health. However, New Freedom offers a wider selection of products and services than COPES.

Exhibit 4 lists the services offered in each program.

Exhibit 4 – Services covered in COPES in-home and New Freedom programs

Services available in *both* COPES in-home and New Freedom	Additional services available *only* in New Freedom
• Personal care services • Skilled nursing care • Specialized medical equipment • Personal emergency response unit • Home delivered meals • Transportation assistance • Adult day care / day health care • Transition services from institutional to home setting • Client support training (chronic disease and medication management, nutrition, etc.) • Environmental modifications: Grab bars, wheelchair ramps, etc.	• Eye glasses and vision care • Dentures and dental care* • Hearing aids and audiology • Herbal and over-the-counter remedies • Hygiene and sanitary supplies • Special diets, including weight loss support • Vehicular modifications • Physical therapy, therapeutic exercise, and gym membership • Alternative medicine treatments (acupuncture, massage, etc.) • Additional goods or services authorized on a case-by-case basis

** Dental care was removed from New Freedom benefit package in January 2014 when it was restored to the Medicaid State Plan.*

Participants in both programs may choose their personal care provider, either a home-care agency employee or an Individual Provider (who can be a family member), as long as the provider is appropriately certified and passes a background check.

COPES in-home clients receive an allowance of care service hours based on the level of need identified during the CARE assessment. Each service hour can be used to purchase services within any of the defined service areas (personal care, home delivered meals, etc.), but hours cannot be transferred between service areas. For example, the client cannot use money from unused personal care service hours to purchase additional environmental modifications, such as grab bars.

New Freedom clients also receive an allowance of service hours but, unlike COPES, the hours are not earmarked for specific service areas. Instead, service hours are converted into a monthly dollar lump sum, called the individual budget, which the client uses to purchase services as needed, in accordance with the client's care plan. New Freedom participants also have the option to bank unspent funds for later use and to save up for purchases and services that would otherwise exceed their budget in any single month.

Case manager and client responsibilities

In the COPES in-home model, a social worker provides traditional case management to in-home clients. The case manager and client develop a care plan together, but the case manager is responsible for making sure vendors are paid appropriately.

In the New Freedom program, a social worker acts as a care consultant for participants – a resource rather than a case manager. Participants are responsible for managing their own care services. The New Freedom participant (or their designated representative) works with a care consultant to prepare a Participant Centered Spending Plan based on the individual's unique budget allowance, needs, abilities and preferences. The care consultant approves any services or purchases.

At the participant's direction, the fiscal agent contracts with approved vendors to deliver services. The fiscal agent is responsible for all associated tasks, such as tracking the budget allowance on behalf of the participant, verifying qualifications and credentials of providers/service vendors, and disbursing payments.

Participant savings

One reason why a fiscal agent is necessary with the New Freedom program is that participants can save a portion of their monthly budget. Participants can spend their savings on additional goods or services in a later month, or save up for more expensive items. The Washington State Administrative Code (WAC 388-106-1455) covering New Freedom participants' savings was revised in October 2013, capping participant savings accounts at $3,500.

Community First Choice provides an opportunity to implement lessons from New Freedom

The Affordable Care Act established the Community First Choice option, a new Medicaid entitlement state plan option for home- and community-based long-term care services.

Community First Choice offers a 56 percent federal funding match, higher than the current Medicaid match of 50 percent. This on-going enhanced match offers the state a net cost savings of roughly $75 million annually at current funding levels. The six percentage point federal increase is about $111 million a year, offset by $36 million in new state expenditures for additional required services.

In 2014, the Legislature passed SHB 2746 requiring DSHS to refinance Medicaid personal care under Community First Choice. The Legislature stipulated that a portion of the cost savings must be re-invested in home- and community-based long-term care services, in anticipation of increasing caseloads. Another portion of the cost savings is dedicated to services for people with developmental disabilities who are currently underserved, while the remaining funds will revert to the state general fund.

Community First Choice allows states to select one of three consumer-directed care models:

- An agency-provider model, similar to the COPES program
- A self-directed model with service budget, similar to New Freedom
- A third model customized by the state

DSHS, with guidance from the Community First Choice Design and Planning Work Group and the Joint Legislative and Executive Committee on Aging and Disability, is designing the third state option care model. The design process will determine the program's package of benefits, including the amount, duration, and scope of required and optional services offered, and level of choice and flexibility in supports and service selection.

Due to restrictions in federal guidelines, services available in Community First Choice cannot and will not be as varied as services available in New Freedom. Eligible services are limited to assistance with activities of daily living through hands-on assistance and supervision; skills acquisition training for activities of daily living; training on how to manage personal care attendants; and electronic devices to ensure continuity of services (such as personal emergency response units).

Audit Scope and Methodology

We used five different approaches to address the audit objectives. **Appendix B** contains more details on each approach, including the sources of our data.

We identified the types of in-home services that New Freedom participants used, and evaluated the impact of October 2013 rule changes to the New Freedom program on service use. To describe the types and extent of services New Freedom participants used, we tallied participants' spending by service and calculated the percent of participants' budgets spent each month. To better understand the impact of recent program rule changes, we compared the service use of individual clients before and after the rule change.

We conducted surveys of participants to better understand their experiences. We conducted two separate telephone surveys of New Freedom participants and COPES in-home enrollees. The random sample survey of New Freedom participants gauged client satisfaction as well as the effectiveness of program administration from the client perspective. The seven-week survey of all new COPES in-home clients in King and Pierce counties helped us gauge their familiarity with the New Freedom program.

We evaluated whether the in-home services provided by New Freedom or COPES resulted in better client health outcomes. To determine whether participation in New Freedom or COPES in-home results in better client outcomes, we matched New Freedom participants with COPES in-home clients with similar characteristics, such as age, sex, race, ability to perform activities of daily living, cognitive functioning, as well as others (see Appendix B). We compared the effect of the program on clients'

- Change in ability to do activities of daily living
- Nursing home use
- Mortality

We ran a statistical analysis for each of these three participant health outcome measures.

We evaluated whether New Freedom or COPES in-home resulted in lower Medicaid costs. To determine whether New Freedom or COPES in-home participation resulted in lower Medicaid acute-medical and long-term care costs, we compared differences in client per member per month costs of New Freedom and COPES in-home clients with similar characteristics.

We identified lessons learned from the New Freedom program as well as challenges to expanding the individual-budget model. To gain a better understanding of the agency-led and individual-budget models, we conducted a literature review of long-term care in Washington and other states. We reviewed the laws and regulations of the COPES and New Freedom programs, and identified the state and federal policy initiatives that shape the current debate on long-term care in Washington.

To understand how New Freedom operates and to identify challenges in implementing the New Freedom program, we reviewed program documents and interviewed employees and managers at the DSHS central office, DSHS-HCS field offices, AAA offices in Pierce and King counties, and at PCG Public Partnerships, LLC, the New Freedom fiscal agent.

Audit performed to standards

We conducted this performance audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with Generally Accepted Government Auditing standards (December 2011 revision) issued by the U.S. Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. See **Appendix A**, which addresses the I-900 areas covered in the audit. Appendix B contains more information about our methodology.

Next steps

Our performance audits of state programs and services are reviewed by the Joint Legislative Audit and Review Committee (JLARC) and/or by other legislative committees whose members wish to consider findings and recommendations on specific topics. Representatives of the State Auditor's Office will review this audit with JLARC's Initiative 900 Subcommittee in Olympia. The public will have the opportunity to comment at this hearing. Please check the JLARC website for the exact date, time, and location (www.leg.wa.gov/JLARC). The State Auditor's Office conducts periodic follow-up evaluations to assess the status of recommendations and may conduct follow-up audits at its discretion.

Audit Results

Results in brief

While both COPES in-home and New Freedom provide similar core services, a key benefit of New Freedom is the personal choice and flexibility it offers its participants. We found that New Freedom participants take advantage of the program's flexibility, buying services and assistive devices not available in COPES or through the Medicaid State Plan. New Freedom participants typically save a portion of their monthly budget for expensive purchases identified in their care plan. They report high satisfaction with the services they receive, and are generally very satisfied with program administration, although some respondents in our survey expressed some frustration with the program. We found New Freedom participants had health outcomes that are comparable to similar people receiving COPES in-home services. The cost to provide services for a New Freedom participant is about the same as it is to provide services to a similar person in COPES in-home.

However, New Freedom's flexible care model presents two challenges: some people are better suited for the program than others, while the program's complexity creates administrative challenges. Because participants must be capable of choosing and managing services, the program will not suit everyone. The program's processes for authorizing purchases, tracking spending, and reconciling individual budgets are necessarily more complex than administrative processes for COPES in-home services, for both participants and care consultants. We found areas that could improve the participants' experience with New Freedom, including teaching them how to navigate the process more successfully.

We also found that successfully growing participation in New Freedom – or any consumer-directed care program, such as Community First Choice – depends on DSHS Home and Community Services Division (DSHS-HCS) CARE assessors and AAA case managers doing two things. First, they must inform new long-term care clients about all their options, and second, recognize which clients in other programs are suited to a participant-directed program.

New Freedom participants take advantage of the program's flexibility

Participant choice and flexibility define New Freedom. New Freedom participants can buy services and assistive devices that are not available in COPES or the Medicaid State Plan, and they choose who provides these services. In addition, participants may save a portion of their monthly budgets to purchase additional goods or services, or an expensive service or assistive device in the future. When asked their reason(s) for choosing New Freedom, 38 percent of the people we surveyed answered that the program's flexibility was a deciding factor. (Additional results of our survey begin on the following page.)

To learn what participants purchased, we analyzed service transaction data from the state's Social Service Payment System and data provided by New Freedom's fiscal agent. We included people who received services through New Freedom between January 2011 and March 2014. We found that New Freedom participants mostly purchase personal care services, which accounted for almost 95 percent of their spending.

In addition, as **Exhibit 5** illustrates, participants purchased a wide variety of services and assistive devices, many of which are not available in other state long-term care programs, including COPES in-home. Examples include eyeglasses, herbal and over-the-counter remedies, some types of treatment and health services, and therapeutic exercise programs. We also found that saving a portion of their budget each month is common. Before the October 2013 rule change that lowered the cap on how much people can save, participants on average spent 83 percent of their monthly budget.

When we reviewed the six months of spending after the rule change, we saw that participants, on average, spent about 111 percent of their monthly budgets as they spent their accrued savings. Participants were given six months to spend down to the new cap amount of $3,500. Once the savings were reduced to the new cap, our analysis suggests that spending patterns returned to normal. People who enrolled within six months before the rule change spent, on average, the same amount before and after the change: about 75 percent of their individual budgets each month.

Exhibit 5 – Services used by New Freedom participants, January 2011 – March 2014

Services purchased	Percent of participants
Services also available in COPES	
Personal care services	99.2%
Assistive technology / equipment	23.4%
PERS Unit (Lifeline button)	18.0%
Transportation	8.5%
Home delivered meals	5.9%
Services ONLY available in New Freedom	
Goods, services, supports (other)	18.2%
Eye glasses	10.2%
Herbal / OTC remedies	8.2%
Dental care*	5.6%
Hygiene / sanitary supplies	5.4%
Treatment & health services	5.9%
Therapeutic exercise	5.0%

**Restored as a benefit in the Medicaid State Plan January 2014*

Source: SAO analysis of New Freedom service transactions.

Our survey results show that New Freedom participants like the program

In order to understand participants' opinions of the program, we surveyed 102 randomly selected New Freedom participants who had been in the program for at least six months. We asked survey respondents to rate their level of satisfaction with the services they receive and several aspects of the program's administration. Survey respondents reported a very high level of satisfaction with New Freedom across the board. When we asked respondents to rate their overall satisfaction with the program, 91 percent reported feeling satisfied or very satisfied with New Freedom.

Participants are very satisfied with program services

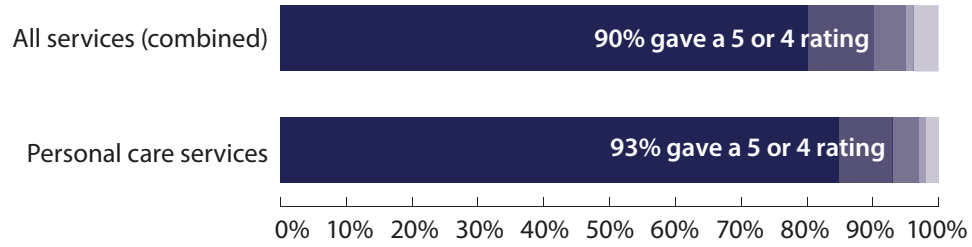
Nearly all New Freedom participants use personal care services, and they reported being strongly satisfied with these services. Eighty-five percent of survey respondents reported being very satisfied with the personal care services they receive, and an additional 8 percent reported being satisfied. We asked participants about other services they receive through New Freedom, such as home-delivered meals, home or vehicle modifications, dental and vision care, and physical therapy.

"This program is a blessing for our family."

– Spouse of a New Freedom participant

Across all responses for all services (participants may have rated more than one service), 90 percent were rated as satisfied or very satisfied. **Exhibit 6** illustrates survey respondents' satisfaction ratings with program services.

Exhibit 6 – More than 90% of participants or their caregivers said they were satisfied with New Freedom services



Source: SAO analysis of survey data.

Our survey used a simple five-point scale, in which

1 indicated very dissatisfied and

5 indicated very satisfied

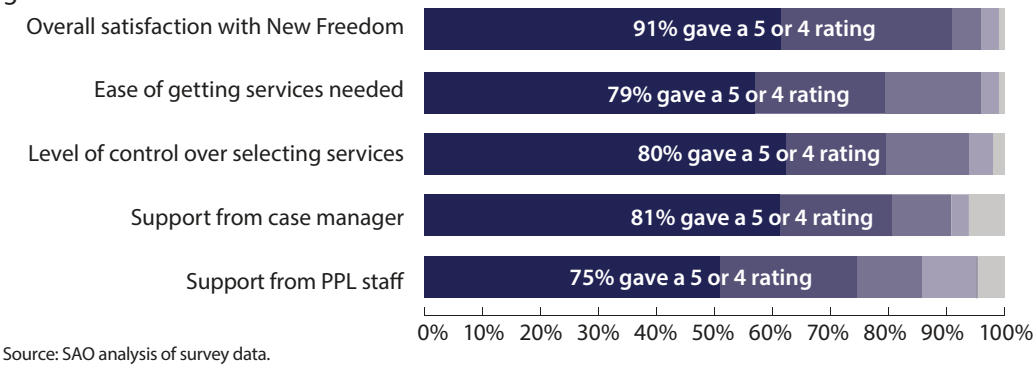
Participants are also satisfied with program administration

New Freedom participants also approved of the way the program operates. We asked them to rate their level of satisfaction with the ease and control they felt in selecting services, and the support they received from their care consultant and fiscal agent. As **Exhibit 7** shows, the majority of respondents reported being very satisfied with each aspect of the program administration, and between 75 percent and 81 percent of respondents were satisfied (gave a score of four or higher) with each aspect of the program's administration. Many survey respondents expressed effusive gratitude for the support and services they receive through New Freedom.

"I am very, very happy with the program! Please thank everybody [program administrators] for the program and all their help."

– New Freedom participant

Exhibit 7 – Participants or their caregivers also gave New Freedom administration good marks overall



Source: SAO analysis of survey data.

However, some participants expressed frustration or confusion about program operations

While participant satisfaction with New Freedom is high, a significant number of survey respondents also reported frustrations with the program. Twenty-two percent expressed confusion with the way New Freedom operates, citing excessive paperwork, cumbersome ordering processes, and confusion regarding their own responsibilities. Thirty-eight percent expressed a desire for a personal budget increase, or greater flexibility in their purchasing abilities.

Finally, 14 percent of respondents indicated interpersonal frustrations with their care providers or care consultants, whom they felt were inconsistent, difficult to work with, or difficult to get in touch with. It is important to note that most of the survey respondents who expressed frustrations also reported being satisfied with many aspects of New Freedom; that is, despite their frustrations with the program, they still generally like it.

New Freedom and COPES in-home services produce comparable participant health outcomes

Services provided in the home or community setting enable clients to live in their own homes and reduce the need for care in nursing homes. Key to keeping clients well in their homes is maintaining their ability to do routine activities of daily living, such as eating, dressing, and personal mobility.

We compared New Freedom participants to clients with similar characteristics receiving COPES in-home services on three health outcomes:

- Change in their ability to do activities of daily living (ADL)
- Use of nursing homes
- Mortality

The people we included in our analyses entered their program after January 2010 and were enrolled for at least 12 months. Our data for these clients extended through September 2013, the period prior to the October 2013 rule changes. For a comparison, we matched each New Freedom participant with a COPES in-home participant. Within each matched pair, the people had similar demographic characteristics, mental and behavioral functioning, and ability to do activities of daily living. We used information from the CARE assessments each long-term care client receives before entering either program.

For each of these health outcomes, we found no statistically significant differences between the two groups. The following pages provide more detail on our findings.

Change in ability to do activities of daily living

DSHS-HCS social workers assess the needs of long-term care clients before they receive services for the first time. Local AAA case managers conduct follow-up assessments at least annually thereafter, or if a significant change in circumstance occurs. As a part of these evaluations, assessors score clients on their overall ability to do activities of daily living, referred to as their total ADL score, illustrated in **Exhibit 8**.

We compared each person's last total ADL score before entering his or her program to the most recently available total ADL score. Typically, as time progresses, long-term care clients' total ADL score will increase, indicating their greater dependence on supportive care to do those activities.

Exhibit 8 – Scoring activities of daily living

Activity	Score range
Personal hygiene	0-4
Bed mobility	0-4
Transfers	0-4
Eating	0-4
Toilet use	0-4
Dressing	0-4
Mobility in room Mobility outside room Walk in room	0-4
Possible total score	**0-28**
Scoring key	
Independent = 0	
Needs supervision = 1	
Needs limited assistance = 2	
Needs extensive assistance = 3	
Total dependence = 4	

Our analysis adjusts for the number of months between the initial and final follow up ADL score. As **Exhibit 9** shows, we found no material difference in the average change in total ADL scores between New Freedom and COPES in-home clients.

Use of nursing homes

Long-term care clients receiving in-home care services will occasionally require a nursing home stay to recover from a hospital stay. Using data from the state's Social Service Payment System on Medicaid nursing home spending and data DSHS has on Medicare nursing home spending, we compared New Freedom and COPES in-home clients on the percentage of Medicaid-eligible months for which a client had nursing home spending.

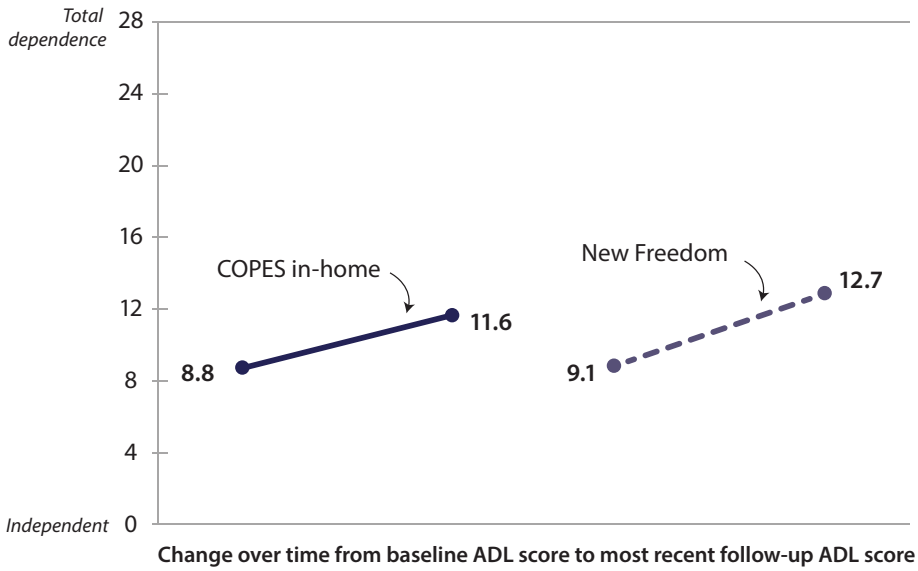
As **Exhibit 10** shows, the rate of nursing home use was less than one percent of the months after New Freedom and COPES in-home clients entered their program. There is no significant difference in participant use of nursing home facilities between the two programs.

Mortality

We found no differences when we compared the risk of dying for New Freedom participants to COPES in-home clients. **Exhibit 11** shows the cumulative proportion of people surviving as a function of the number of months since they entered their program. The two survival curves are essentially identical. The cumulative percentage of people alive after 44 months in their respective programs was about 90 percent.

Exhibit 9 – Change in ability to do Activities of Daily Living (ADL)

Activities of Daily Living include: eating, bathing, dressing, toileting, bed mobility, transfers, walking



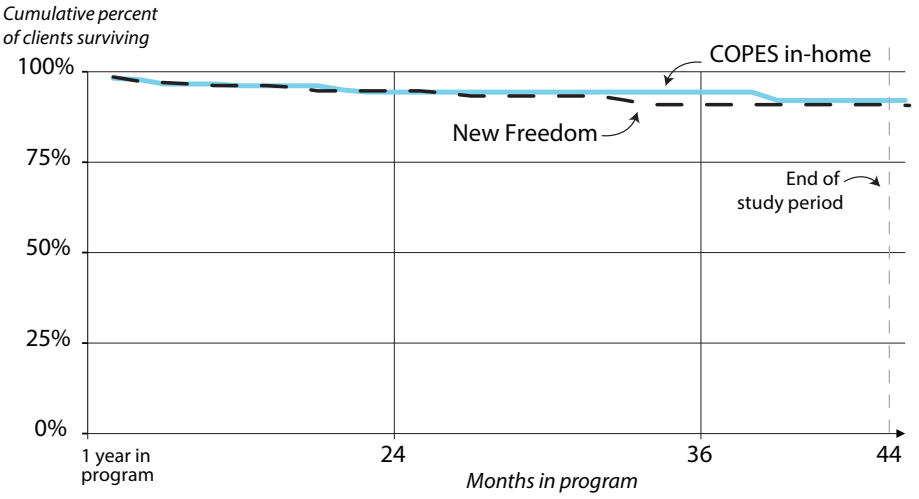
Source: SAO analysis of data.

Exhibit 10 – Nursing home usage was similar in both programs

	New Freedom	COPES in-home
Percent of months with nursing home expenditures	0.61%	0.69%

Source: SAO analysis of service transactions.

Exhibit 11 - The differences in COPES in home and New Freedom mortality rates are statistically insignificant



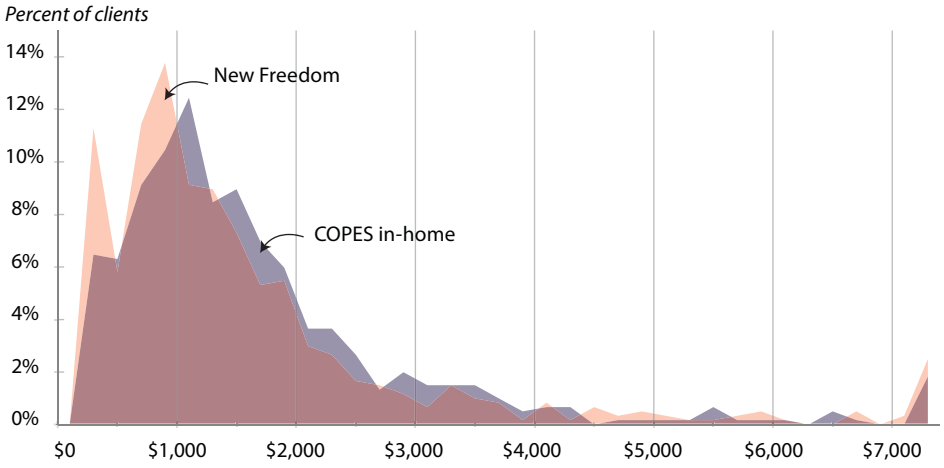
Source: SAO analysis of mortality data.

Costs for New Freedom participants are about the same as clients receiving COPES in-home services

After we compared health outcomes and found no material differences, we examined total spending on Medicaid acute-medical and long-term care services, not just spending for New Freedom and COPES in-home services. Using 33 months of service transactions from the Social Services Payment System and New Freedom service transactions from its fiscal agent, we calculated per member per month costs for New Freedom participants and COPES in-home services clients. As **Exhibit 12** shows, the distribution of costs was similar.

Exhibit 12 - Participant monthly expenditures

Total client expenditures during program participation divided by months of Medicaid eligibility



Source: SAO analysis of service transactions.

Note: Analysis based on 603 clients per program.

We found New Freedom's per member per month costs are very similar to COPES in-home services despite offering a greater number of services. Two reasons account for this:

- Flexibility in New Freedom services is governed by a budget that is capped by the number of personal care hours determined by an individual's care assessment.
- New Freedom's participant-directed care results in similar use of acute-medical services available in the Medicaid State Plan or other long-term care services, including nursing homes.

The changes in New Freedom's rules in October 2013 are unlikely to increase costs over the long term. Our analysis indicated an increase in per member per month spending for services eligible under New Freedom as participants spent down their accrued savings in the six month grace period after October 2013. Spending for new participants (for example, in the program six months or less) was similar before and after the rule change.

New Freedom's participant-directed service budget model is not suitable for everyone

The very qualities that make New Freedom appealing to many people – notably its flexibility and participant-directed focus – also limit its suitability. Those people who are able and willing to manage budgets and choose care services and products to meet their needs (or have a caregiver to do so) are likely to thrive in the program. However, not everyone will find this possible or appealing.

In COPES in-home, participants develop a service plan with a case manager, who works closely to ensure purchasing, service delivery, and payments are made correctly. In New Freedom, once their service plan is developed, participants take on responsibility for identifying vendors, requesting authorization for services, and following up with vendors and the program's fiscal agent to make sure services are delivered. The combination of participant direction, administrative complexity, and participants' own physical and cognitive abilities makes New Freedom well suited for some but not all long-term care service recipients.

Teaching participants – as well as care consultants – to navigate the process

Our survey of New Freedom participants revealed that they sometimes had difficulty navigating the process, or were unsure whom to contact with questions or problems. During our site visits with supervisors and New Freedom care consultants in both King and Pierce counties, they told us that New Freedom participants generally required more case management time than clients in other programs. When participants had difficulty purchasing services, experienced delays in getting what they purchased, or had questions about their monthly budget, they typically contacted their care consultant instead of the fiscal agent's customer service representatives. Care consultants themselves told us they acted more like "customer service representatives" than social workers.

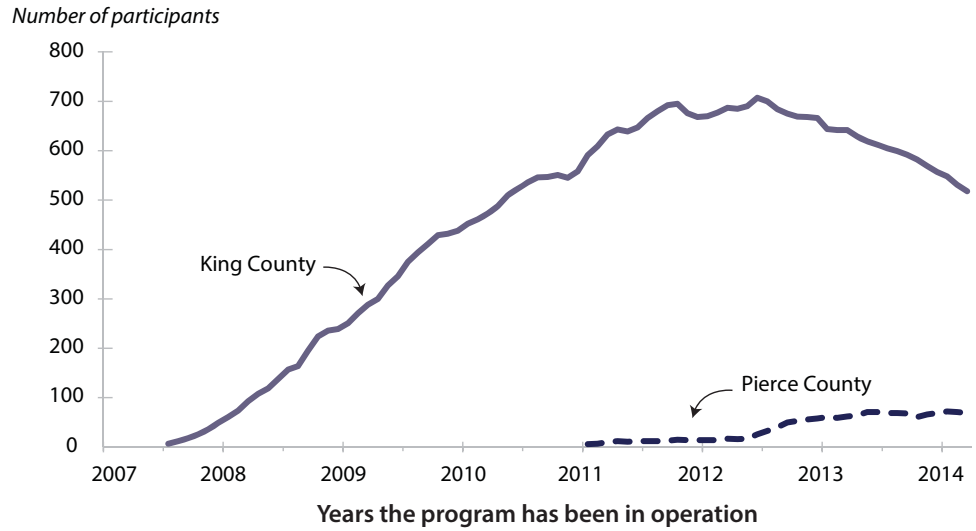
As care consultants and program managers have gained experience with New Freedom, their understanding of their role has improved. DSHS program managers have provided additional training and guidance on the differences between being a care consultant and a case manager, as well as identifying suitable clients for New Freedom. The training emphasized that in a consumer-directed program, the guiding principle must be to teach people to manage their own care – not to step in and do it for them. New participants may require additional support time as they enter the program, but it should diminish as they gain familiarity with their responsibilities. If it does not, a sensible next step is to reassess the individual's ability to be part of the program.

Successfully operating and growing programs like New Freedom presents unique challenges

We also examined the program operations in both counties by speaking with care consultants and program supervisors at the locally designated AAAs, King County's Aging and Disability Services and Pierce County's Aging and Disability Resources. In addition we interviewed DSHS-HCS social workers responsible for conducting the initial assessment of clients' needs in both counties, and studied enrollment trends.

We found that program managers have used different strategies to enroll people in New Freedom in Pierce and King Counties, with differing results. **Exhibit 13** shows the results reflected in monthly counts of participants. Pierce County has maintained steady growth in enrollments, while King County enrollments have declined after strong initial growth.

Exhibit 13 - King and Pierce counties have had different experiences with New Freedom program enrollment



Source: SAO analysis of service transactions.

By comparing the experiences in King and Pierce counties, we identified two areas in which program managers need to focus their efforts to operate a successful participant-directed service budget care model:

- Informing new long-term care clients about New Freedom
- Converting long-term care clients to New Freedom

Informing new long-term care clients about New Freedom

People cannot make a choice without information. Three entities – DSHS Aging and Long-Term Support Administration program managers, DSHS-HCS social workers, and local program operators (AAAs) – share the responsibility for informing new long-term care clients about their care service program options.

However, the role of the DSHS-HCS social worker responsible for clients' initial CARE assessment is essential to front door enrollments in New Freedom. The CARE assessor knows about all programs available to the client, and learns about the client's unique needs, abilities, and preferences during the assessment process;

informing clients of their full set of options is critical for the client's ability to make an informed decision. DSHS-HCS CARE assessors were instrumental in growing New Freedom through front-door enrollments during the first five years of the program in King County.

DSHS-HCS CARE assessors we interviewed in King and Pierce counties were knowledgeable about New Freedom, and told us they are trained to present all available options for which the client is eligible. They said they provide additional details about programs that are the most relevant to the client. Information provided by DSHS indicates a few referrals each month continue to come from the DSHS-HCS social workers.

Given the decline in enrollments in King County, we wanted to know if clients learned about New Freedom in their initial CARE assessments as they should, according to DSHS's Aging and Long Term Support Administration's policy. Over seven weeks, we attempted to contact all new COPES in-home enrollees in King and Pierce counties shortly after their initial assessment.

We were able to reach 36 of 63 newly enrolled people about two weeks after their initial assessment, none of whom were familiar with New Freedom. One reason for this may be that, by the time we contacted them, they could not clearly recall the discussion about service options with their DSHS-HCS social worker.

It is not possible to say whether any or all of these people were in fact well-suited to New Freedom, in which case the CARE assessor may have reasonably not emphasized New Freedom during the discussion of care options. However, this suggests that the DSHS-HCS CARE assessors may be making decisions about the appropriateness of New Freedom for clients and – given the limited time they have to assess and inform clients – may not be fully informing people about the program. Program managers will need to bear in mind the importance of the assessment meeting as an opportunity to provide information as they develop guidance and training for assessors in the future.

Converting long-term care clients to New Freedom

In Pierce County, most of the people enrolled in New Freedom have transferred into it from other long-term care programs; very few have entered as referrals from DSHS-HCS CARE assessors. From the beginning of its program, staff at Pierce County Aging and Disability Resources emphasized converting clients from other long-term care programs, mainly COPES, to New Freedom. Case managers were integral to this process because of their understanding of each client's needs, abilities, and preferences.

Case managers who became New Freedom care consultants continued managing clients in other programs as well. This meant they maintained contact with clients who may be appropriate for New Freedom. This strategy has resulted in a small but growing New Freedom case load. Last year, the program's monthly case load grew by 11 percent, paralleling the growth in the COPES in-home case load.

Two things contributed to the successful growth of the New Freedom program in Pierce County:

- Staff at the local AAA emphasized converting clients to New Freedom
- Case managers who became New Freedom care consultants also had clients in other programs, allowing them to maintain contact with possible transferrees

King County's New Freedom enrollees have mostly been identified and referred by DSHS-HCS CARE assessors. There are several reasons for this.

Originally, King County's AAA, Aging and Disability Services, the operator of the state's other long-term care programs, declined to take on case management for New Freedom. Case management and financial management for New Freedom were taken on by two other local agencies, Asian Counseling and Referral Services and Sunrise Services. This arrangement created an organizational barrier to identifying potential conversions: these care consultants never met potential enrollees in other programs.

Then, in 2012, Aging and Disability Services opted to take over case management services for New Freedom in King County from Asian Counseling and Referral Services and Sunrise Services. However, the agency assigned the New Freedom case load to care consultants primarily specializing in that program, with the result that the social workers had limited contact with clients in other programs who might benefit from New Freedom. Again, the opportunity to discover clients for conversion met an organizational barrier.

This left DSHS-HCS CARE assessors as the critical element to increasing New Freedom enrollments. Managers encouraged CARE assessors to refer new long-term care clients to New Freedom until 2012, when DSHS-HCS discontinued its push to refer clients to New Freedom.

The result has been a steady decline in enrollments since 2012. Between July 2012 and March 2014, New Freedom monthly caseloads in King County dropped at an annual rate of 16 percent, from about 700 to about 500 total participants. During the same period, COPES in-home services grew at an annual rate of 11 percent. According to data provided by DSHS, referrals to New Freedom from DSHS-HCS CARE assessors dropped from 30 people a month in June 2012, to an average of two people a month for the period from October 2013 to March 2014. Conversions of clients from other programs has averaged about two a month since June 2012.

As demonstrated in Pierce County, identifying appropriate clients for converting to New Freedom is a viable strategy for growing the program. Case managers who serve other long-term care programs have the advantage of knowing their clients' needs and abilities. This strategy is an appropriate response to the declining enrollments in King County.

Recommendations

The great majority of New Freedom participants report high satisfaction with the services they receive, as well as with how the program operates. We found that the care participants received results in comparable health outcomes as similar clients receiving COPES in-home services. In addition, for about the same cost as COPES, New Freedom provides benefits to its participants that are not available through COPES or the Medicaid State Plan, and will not be available through the Community First Choice program – benefits such as hearing aids, eye glasses and dentures. Key to offering additional services without increased costs is a service budget based on hours of personal care determined by a person-centered assessment.

However, declining New Freedom enrollments in King County jeopardize New Freedom's long-term viability because lower enrollments with fixed administrative costs reduce the program's operational efficiency.

DSHS has an opportunity to put into practice the lessons from New Freedom. In 2014 the Legislature directed the Department to refinance Medicaid personal care services under the federal Community First Choice option. This program encourages states to design a consumer directed care program that, if approved, will increase the federal Medicaid matching funds rate by six percentage points.

We recommend the Department:

1. Build flexibility into the Community First Choice program by allowing clients to use some personal care hours each month to purchase eligible services, training, and devices to assist with activities of daily living.
2. Because it offers a greater variety of services than the Community First Choice option will, continue efforts to increase New Freedom enrollments in King and Pierce counties until the Community First Choice consumer-directed care program is evaluated. Determine if the demand for services unique to New Freedom and New Freedom enrollment levels warrant continuing the program.
3. To increase New Freedom enrollments in King and Pierce counties:
   - Focus efforts on informing new long-term care clients about New Freedom benefits and participant responsibilities
   - Share successful practices for identifying and converting clients in other programs who can benefit from New Freedom
4. Use New Freedom care consultants' experience with consumer-directed care to train case managers statewide on how to help clients take advantage of the increased flexibility under Community First Choice.

Agency Response

STATE OF WASHINGTON

December 24, 2014

The Honorable Troy Kelley
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor Kelley:

Thank you for the opportunity to review and respond to the State Auditor's Office (SAO) performance audit report, "*New Freedom Consumer-Directed Services*." The Office of Financial Management worked with the Department of Social and Health Services (DSHS) to provide this joint response.

We appreciate your thorough review and analysis of the New Freedom Consumer-Directed Services waiver. The SAO team explored a wide breadth of aspects related to the New Freedom program, resulting in actionable and insightful recommendations. The data related to consumer satisfaction and comparison of health outcomes and costs is especially helpful as DSHS develops and implements the Medicaid Community First Choice Option (CFCO) program.

Moving forward, DSHS will apply the lessons learned from New Freedom to implementation of the CFCO program. We will continue to offer New Freedom in King and Pierce counties while implementing CFCO in state fiscal year 2016. This will allow us to act on recommendations to increase enrollment, and leverage New Freedom care consultants' experience with client-directed services.

The Department views the New Freedom program as an important option because it offers a broader range of services and the flexibility to decide how those services can be purchased and used to best meet eligible clients' individual needs.

DSHS policy is that New Freedom is a choice for anyone eligible and interested in this model. All clients newly enrolled in the Community Options Program Entry System (COPES) waiver must sign an acknowledgement of services form that lists both COPES and New Freedom as potential service options. DSHS staff strive to fully inform individuals of all service options when they are initially determined eligible for services and also at annual reassessments.

We acknowledge that individuals accessing services for the first time receive a high volume of information and material; however, that is, quite frankly, the result of the great work Washington State has done in procuring so many different types of services from which to choose. As

mentioned in our audit response, we will continue to ensure that New Freedom is clearly explained and offered to eligible clients in an effort to increase program enrollment. We will also promote best practices and continue to use New Freedom care consultants to train case managers statewide on how to help clients take advantage of the flexibility afforded by the CFCO program.

Sincerely,

David Schumacher, Director
Office of Financial Management

Kevin W. Quigley, Secretary
Department of Social & Health Services

cc: Joby Shimomura, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Miguel Pérez-Gibson, Executive Director of Legislative Affairs, Office of the Governor
Matt Steuerwalt, Director, Executive Policy Office
Tracy Guerin, Deputy Director, Office of Financial Management
Wendy Korthuis-Smith, Director, Results Washington, Office of the Governor
Tammy Firkins, Performance Audit Liaison, Results Washington, Office of the Governor

Official State Cabinet Agency Response to the Performance Audit on New Freedom Consumer-Directed Services – It benefits long-term care clients but presents operational challenges – December 24, 2014

This coordinated management response to the State Auditor's Office (SAO) performance audit report received on December 8, 2014, is provided by the Office of Financial Management and the Department of Social and Health Services (DSHS).

SAO Performance Audit Objectives:

The SAO sought to provide policymakers and DSHS with information on the performance of consumer-directed long-term in-home care programs in Washington. They evaluated the effectiveness of the New Freedom pilot program as an alternative to the Community Options Program Entry System (COPES) in-home model by asking these questions:

1. Are New Freedom participants satisfied with the program?
2. How does New Freedom compare to the COPES in-home program in terms of participant health outcomes and costs to the state?
3. What lessons have we learned from the pilot implementation of New Freedom?
4. What challenges exist in expanding New Freedom and/or other consumer-directed long-term care programs?

SAO Finding 1: New Freedom participants take advantage of the program's benefits, and give the program high marks.

SAO Finding 2: New Freedom and COPES in-home services produce comparable participant health outcomes at a similar cost.

SAO Finding 3: New Freedom's participant-directed service budget model is not suitable for all long-term care clients and creates unique operational challenges.

SAO Finding 4: DSHS has an opportunity to put into practice the lessons learned from New Freedom.

SAO Recommendation 1: Build flexibility into the Community First Choice Option (CFCO) program by allowing clients to use some personal care hours each month to purchase eligible services, training, and devices to assist with activities of daily living.

STATE RESPONSE: The State is consulting with the federal Centers for Medicare and Medicaid Services (CMS) to build a flexible Community First Choice Option (CFCO) program model that will allow clients to use some personal care hours each month to purchase eligible services, training, and devices to assist with activities of daily living.

Action Steps and Time Frame

- Conclude design consultations with CMS. *By January 31, 2015.*
- Complete the CFCO State Plan Amendment and submit to CMS. *By February 15, 2015.*
- Complete responses to CMS inquiries and requests for revisions. *By April 30, 2015.*

SAO Recommendation 2: Continue efforts to increase New Freedom enrollments in King and Pierce counties until the Community First Choice Option (CFCO) consumer-directed care program is evaluated. Determine if the demand for services unique to New Freedom and New Freedom enrollment levels warrant continuing the program.

STATE RESPONSE: Efforts to increase enrollment in the waiver were in place at the time of the audit. DSHS will continue to offer the New Freedom waiver as a service option to all eligible clients during their initial assessment and annual reassessments. The New Freedom waiver was recently submitted to CMS for an additional five-year renewal period and evaluation of the program and program enrollment is ongoing.

Action Steps and Time Frame

- Meet with field staff to discuss the audit results and emphasize strengthening efforts to increase waiver enrollment. *By February 15, 2015.*
- Track and trend enrollment numbers at the end of each New Freedom waiver year, which occurs each February. *Ongoing.*
- Track and analyze data on the purchase of goods and services that are not available in COPES or CFCO and determine their significance to program outcomes. *By September 2016.*
- Determine whether program data warrants continuation of New Freedom waiver. *By January 2017.*

SAO Recommendation 3: To increase New Freedom enrollments in King and Pierce counties:

- Focus efforts on informing new long-term care clients about New Freedom benefits and participant responsibilities.
- Share successful practices for identifying and converting clients in other programs who can benefit from New Freedom.

STATE RESPONSE: Efforts to provide information to all new and current long-term care clients about New Freedom benefits and participant responsibilities were in place at the time of the audit and will continue. DSHS will develop a mechanism to share best practices for promoting enrollment in the New Freedom waiver.

Action Steps and Time Frame

- Gather and compile successful practices from DSHS' Home and Community Services Division (HCS) and Area Agency on Aging staff. *By March 31, 2015.*
- Disseminate information to field staff through training. *By August 31, 2015.*

SAO Recommendation 4: Use New Freedom care consultants' experience with consumer-directed care to train case managers statewide on how to help clients take advantage of the increased flexibility under Community First Choice Option (CFCO).

STATE RESPONSE: DSHS will incorporate the knowledge gained by New Freedom care consultants into training for case managers on how best to support clients with the flexibility of the CFC program.

Action Steps and Time Frame

- Develop CFC training curriculum. *By March 31, 2015.*
- Deliver CFC training to field staff. *By June 30, 2015.*

Appendix A: Initiative 900

Initiative 900, approved by Washington voters in 2005 and enacted into state law in 2006, authorized the State Auditor's Office to conduct independent, comprehensive performance audits of state and local governments.

Specifically, the law directs the Auditor's Office to "review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts." Performance audits are to be conducted according to U.S. General Accountability Office government auditing standards.

In addition, the law identifies nine elements that are to be considered within the scope of each performance audit. The State Auditor's Office evaluates the relevance of all nine elements to each audit. The table below indicates which elements are addressed in the audit. Specific issues are discussed in the Results and Recommendations section of this report.

I-900 element	Addressed in the audit
1. Identification of cost savings	**No.** We found that the New Freedom program provides additional services and flexibility to program participants without increased costs.
2. Identification of services that can be reduced or eliminated	**No.** While we did evaluate service provision, we did not identify need for reduction or elimination.
3. Identification of programs or services that can be transferred to the private sector	**No.** Long-term care programs are Medicaid-based programs that already utilize private sector service providers.
4. Analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps	**Yes.** We identified two service gaps that inhibit long-term care clients from participating in New Freedom and recommended focusing on fully informing new clients about New Freedom and identifying clients in other long-term care programs who can benefit from New Freedom.
5. Feasibility of pooling information technology systems within the department	**No.** The audit scope did not include review of information technology systems.
6. Analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions	**No.** The audit scope did not include analysis of the roles and functions of the department.
7. Recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions	**No.** Our program evaluation did not reveal any need for statutory or regulatory changes.
8. Analysis of departmental performance, data performance measures, and self-assessment systems	**No.** The audit scope did not include analysis of departmental performance measures or data.
9. Identification of best practices	**Yes.** We identified several aspects of the New Freedom program that could be beneficial for informing development of Community First Choice.

Appendix B: Methodology

Washington provides long-term care Medicaid services for elderly adults and adults with disabilities primarily through Community Options Program Entry System (COPES); most COPES clients receive in-home care services, but some receive care in residential settings such as assisted living facilities. We excluded COPES residential clients from our analyses because residential services are not easily comparable to New Freedom in-home-only services.

New Freedom is an alternative in-home service program to COPES in-home that is available to people in King and Pierce counties. We evaluated the cost and effectiveness of the New Freedom program by comparing the experiences and outcomes of COPES in-home and New Freedom program participants. The table of contents below sets out our actions and the page with more detail about them.

Data sources and time frames studied

Our evaluation required access to multiple data sets. The DSHS Research and Data Analysis Division (DSHS-RDA) was our primary source for client health outcomes and cost data. DSHS-RDA provided demographic information, health assessment information, risk scores, and client cost data. New Freedom service expenditure data was provided by the fiscal agent PCG Public Partnerships, LLC.

The datasets we used in our evaluation included the following:

- Client demographics data contained basic client characteristics including county of residence, age, sex, race, etc.
- CARE assessment data from completed CARE assessments that evaluated each client's ability to do activities of daily living, mental functioning, and behavior conditions
- Risk scores data from Medicaid cost risk scores, based on pharmacy claims
- Medicaid medical data included medical costs for services paid from the Medicaid State Plan
- SSPS data included payment details for long-term care services for each client from the state's Social Service Payment System
- PCG Public Partnerships, LLC data consisted of New Freedom client service expenditures
- Medicare nursing home spending for skilled nursing facilities (nursing homes)

The time windows that we used in our analyses varied because of the availability of certain data. **Figure 1** below shows the study populations and time windows for each of our analyses.

Figure 1: Study populations and time windows used in health outcomes and cost analyses

	Service use	Costs	Health outcomes
Sample	***New Freedom service use*** N = 1107 ***Impact of rule changes*** N = 623	***Per member per month*** N = 1206 (603 matched pairs)	***Activities of daily living*** N = 504 (252 matched pairs) ***Nursing home care*** N = 638 (319 matched pairs) ***Mortality*** N = 592 (296 matched pairs)
Study population	New Freedom participants who were enrolled both before and after October 1, 2013, the day that WSR 13-17-125 changed rules governing the New Freedom program.	New Freedom and COPES in-home long-term care service recipients that started their program participation within the study time window.	New Freedom and COPES in-home long-term care service recipients that started their program participation within the study window, and were in their program for at least 12 months.
Study time window	January 1, 2011 – March 21, 2014 (39 Months)	January 1, 2011 – September 30, 2013 (33 Months)	January 1, 2010 – September 30, 2013 (44 Months)

Survey of New Freedom and COPES in-home clients

We conducted two separate surveys of New Freedom and COPES in-home clients. The DSHS Aging and Long-Term Support Administration Reporting and Data Analysis Section provided client names, contact information, and demographic and health information, which helped us identify and access our target populations.

New Freedom participants survey

We conducted a random sample telephone survey of New Freedom participants during a six-week period in summer 2014 to gauge client satisfaction and the effectiveness of program administration. We called 181 New Freedom participants who had been in the program six months or longer. When appropriate, we used an on-staff native speaker or contracted interpretation services to administer the survey to clients in their preferred language. One hundred surveys were fully completed and two surveys were partially completed, for an overall response rate of 56 percent.

We conducted a bias analysis and found that our survey sample was representative of the population along the following key variables: age, sex, county of residence, ADL score, total monthly in-home service hours, and the overall ratio of English-speaking clients to clients with limited English proficiency.

COPES in-home clients survey

We conducted a telephone survey of recently enrolled COPES in-home clients during a seven-week period in summer 2014. The survey helped us gauge the familiarity of new COPES in-home clients with the New Freedom program. We called every person who enrolled in the COPES in-home program in King or Pierce counties during our seven-week study period, 63 people in total. Thirty-six surveys were fully completed and the response rate was 57 percent.

New Freedom in-home service use

To identify the types of services that New Freedom participants used, we calculated their spending on each of the available program services, the average percentage of monthly budget spent, and per member per month spending for New Freedom services. We also calculated the percentage of people purchasing each type of New Freedom service.

Impact of rule changes

On October 1, 2013, DSHS made changes to the administrative rules that govern the New Freedom program (WAC 388-106-1455). To understand the effect of these rule changes on New Freedom, we looked at the service use of participants who received services both between January 2011 – September 2013 (before the rule change) and between October 2013 – March 2014 (the six month grace period after the rule change during which participants were able to spend down accrued savings to the new savings limit). We compared individual clients' service use before and after the rule changes. We calculated the percent of costs spent on personal care, per member per month spending for New Freedom services, average percentage of monthly budget spent, and the percentage spent on New Freedom services not available in COPES in-home.

Client health outcomes and costs

Selection of comparison group

For our analyses of participant health outcomes and costs, we compared New Freedom participants to COPES in-home clients with similar demographic and health characteristics. We used statistical tools to find comparable clients in each program, and created comparison groups by matching individual New Freedom participants with individual COPES in-home clients using propensity score matching. This technique used logistic regression to estimate the probability of a person participating in the New Freedom program based on characteristics from available data. We matched people with similar estimated probabilities and compared their health outcomes and costs.

We used measurable characteristics thought to have an influence on client health outcomes and costs. These characteristics are listed in **Figure 2** below, which compares the overall similarity of New Freedom participants to the comparison group of matched COPES in-home clients.

Figure 2 – New Freedom participants are similar to their matched COPES in-home comparison group

Variables	New Freedom	COPES in-home
Percent personal care service provided by individual provider during reference month	16%	16%
Average age	58.64	58.91
Percent Hispanic	6%	6%
Percent race = White	62%	63%
Percent race = Black	30%	31%
Percent race = Indian	6%	6%
Percent race = Asian/Pacific Islander	16%	15%
Percent Race = Other	17%	16%
Percent male	37%	38%
Average ADL score	9.37	9.26
Average behavior points	.67	.66
Average CPS score	1.15	1.15
Percent clinically complex	32%	32%
Average in-home hours	71.17	69.84
Average Medicaid cost risk score	7.0	7.1
Average months of Medicaid eligibility during reference year	9.79	9.83
Percent Care Classification Group A	33%	33%
Percent Care Classification Group B	35%	35%
Percent Care Classification Group C	28%	29%
Percent Care Classification Group D	1%	1%
Percent Care Classification Group E	2%	2%

Source: SAO analysis of long-term client demographics and CARE assessment data.

Note: Reported race is based on self-identification, and participants could self-identify in more than one race category

Once we established our comparison groups of 833 people in COPES in-home and 833 in New Freedom, we performed a series of analyses in which we compared outcomes for four topics: Medicaid medical and long-term care costs, change in functional status, use of nursing home care, and survival.

Medicaid medical and long-term care costs (PMPM analysis)

In our analysis of Medicaid costs we calculated the per member per month (PMPM) costs of New Freedom and COPES in-home participants. We calculated PMPM for each participant by adding their total monthly long-term care and medical costs and then dividing by the number of months of Medicaid eligibility. The number of months of eligibility for each participant included the first month a client was in the program (reference month) through their last month within our study time window. Costs in the analysis included Medicaid and state funded costs from the Social Service Payment System, Provider One (Medicaid medical costs), and New Freedom's fiscal agent data on New Freedom service expenditures. We also added $75 per month per New Freedom client, which is an administrative service cost charged for client care, but which was not captured in the data we were provided.

Once we finalized our comparison group, we calculated the PMPM values for each participant within the study window. We then ran a paired sample independent t-test to determine whether there was a statistically significant difference between the PMPM averages of our New Freedom and COPES in-home groups.

Change in functional status (ADL analysis)

COPES in-home and New Freedom Participants are given a comprehensive CARE assessment when they enter either program and at intervals throughout their continued participation. The assessments determine functional status by scoring participants (on a scale from zero to four) on their ability to complete tasks within seven different activity categories. In our analysis, we refer to these assessment scores as Activities of Daily Living (ADL) scores. Participant baseline ADL scores, changes in ADL scores, and the number of months in-between these changes formed the basis of our ADL analysis.

We calculated the difference between each participant's baseline ADL score and their final ADL score within the study time window. We then ran a paired sample t-test to compare total average change in ADL scores between COPES in-home and New Freedom participants. Because we used the most recent follow up assessment ADL score for each client, the number of months between the assessments was not the same for each client. To compensate for this, we used OLS regression, regressing the difference in the change in ADL scores on the difference in the number of months between assessments for the New Freedom/COPES in-home matched pairs.

Nursing home care analysis

We ran a paired sample t-test to assess differences between COPES in-home and New Freedom participants in their percentage of months with nursing home expenditures. We used Medicare and Medicaid spending data to identify months with nursing home spending.

Survival analysis

For each person we calculated the number of months from when they entered New Freedom or COPES in-home to either the end of the study window or their exit from the program by death or by choice. We used the Kaplan-Meier statistical technique to compare the survival rate of New Freedom and COPES in-home clients over the study period.