

## Cost Estimation for APM II Payments to LCMs in Health Neighborhoods

### Estimated APM II Severity Levels, Rates, and Ratios

**Take Up Rate<sup>1</sup>** 100%

**Estimated Participants** 20,000

Severity Level <sup>2</sup>	Target % of APM II Population	Estimated # Patients by Level	Estimated Care Coordinator Caseload by Level	Estimated Full Enrollment CCs Needed	Estimated Staffing Cost per CC (Year 1) <sup>3</sup>	Estimated Full Enrollment CC Costs (Year 1)	Estimated Staffing Cost Trend	Estimated Costs (Year 2)	PMPM Year 1	PMPM Year 2
<b>Level 1</b>	5%	1,000	50	20	\$ 97,000	\$ 1,940,000	102%	\$ 1,978,800	\$ 161.67	164.90
<b>Level 2</b>	10%	2,000	70	29	\$ 93,000	\$ 2,657,143	102%	\$ 2,710,286	\$ 110.71	112.93
<b>Level 3</b>	15%	3,000	100	30	\$ 85,000	\$ 2,550,000	102%	\$ 2,601,000	\$ 70.83	72.25
<b>Level 4</b>	20%	4,000	150	27	\$ 75,000	\$ 2,000,000	102%	\$ 2,040,000	\$ 41.67	42.50
<b>Level 5</b>	50%	10,000	250	40	\$ 73,000	\$ 2,920,000	102%	\$ 2,978,400	\$ 24.33	24.82
<b>Total</b>	<b>100%</b>	<b>20,000</b>		<b>145</b>		<b>\$ 12,067,143</b>		<b>\$ 12,308,486</b>		

<sup>1</sup> For cost estimation purposes, all passively enrolled individuals are assumed to stay enrolled for the life of the Demonstration. Actual program participation will not yield 100% take up.

<sup>2</sup> Severity levels are based on preliminary analysis by CHNCT and are for cost estimation purposes only. The actuarial rate setting process may reveal varying percentages of need.

<sup>3</sup> Staffing costs are based on 2012 data from the BLS Salary Data for CT Health Professionals

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The assumptions above will generate varying levels of PMPM compensation for LCMs providing APM II services to enrollees in HNs. These assumptions will be refined upon engaging in a full actuarial analysis. During the rate setting process, actual data will be used to develop the proxies for the stratification of enrollees.

For purposes of this grant application, we provide a cost estimation of the APM II payments LCMs will receive to provide comprehensive care coordination services to MMEs enrolled in HNs. It is assumed that all potential enrollees will be enrolled in the Demonstration. In order to develop an estimate of the 2014 and 2015 costs for APM II payments, the following assumptions were applied:

- 2012 Salary Cost for Registered Nurses of \$73,860
- 2012 Salary Cost for Licensed Practical and Vocational Nurses at \$53,280
- Benefits load of 30% to develop employment related costs
- Salary inflation of 2% per year

In developing the acuity groupings that will drive the PMPM payment made to LCMs the following methodology will be applied:

- The 5% highest acuity members comprise Level 1 – Very High; for these members 90% of the care will be provided by RNs and 10% by LPNs with a staffing ratio of 50 clients per RN/LPN.
- The next 10% of high acuity members comprise Level 2 - High; for these members 75% of the care will be provided by RNs and 25% by LPNs with a staffing ratio of 70 clients per RN/LPN.
- The next 15% of members comprise Level 3 - Medium; for these members 45% of the care will be provided by RNs and 55% by LPNs with a staffing ratio of 100 clients per RN/LPN.
- The next 20% of members comprise Level 4 - Low; for these members 10% of the care will be provided by RNs and 90% by LPNs with a staffing ratio of 150 clients per RN/LPN.
- The remaining 50% of members comprise Level 5 – Very Low; for these members 5% of the care will be provided by RNs and 95% by LPNs with a staffing ratio of 250 clients per RN/LPN.