

VICTOR ATIYEH
GOVERNOR



OFFICE OF THE GOVERNOR
STATE CAPITOL
SALEM, OREGON 97310

September 21, 1984

Margaret M. Heckler, Secretary
Department of Health and Human Services
Room 515F, Hubert H. Humphrey Building
200 Independence Avenue, SW
Washington, D.C. 20201

Attention: Mac Haddow
Administrative Assistant

Dear Secretary Heckler:

Governor Atiyeh was very disappointed to find out that the meeting scheduled with you, me and Leo Hegstrom, director of our Department of Human Resources, was unexpectedly cancelled. If you will recall, that meeting was scheduled at 3:15 p.m. on September 18, the day you visited Oregon.

The Governor had been very anxious for that meeting to occur -- so anxious that he would question the status of the meeting during every call he made from Japan or China. He felt very strongly that you needed to hear Leo Hegstrom's proposal.

We do appreciate the time that Claire DeReal spent listening to us. We did agree, however, that we would relay the same information to you in letter form.

Since that meeting, Mr. Hegstrom has concluded that the national concerns regarding the mentally retarded segment of our waiver seriously jeopardize timing of the approval of the nursing home segment, which expires December 22, 1984. Consequently, the state has withdrawn the mentally retarded segment of the renewal request and will submit a new application for that segment in a substantially altered form. So this letter will focus exclusively on the nursing home segment.

The attached schedule documents that the existing waiver has reduced total costs by \$12,974,007 over the three-year period of the waiver. Of that total, \$7,217,858 is in federal funds. This only speaks to the fiscal impact of the waiver. In humanitarian terms, the death rate of the beneficiaries of community based care was

5.1 per cent, compared to 17.9 per cent in nursing homes this last year. Ironically, the increase in the population served as a result of this reduced death rate is one of the reasons the renewal of the waiver is being questioned.

Under the waiver, Oregon has diverted 4,210 persons from entering nursing homes, and relocated 3,110 persons who had resided in nursing homes for up to 15 years. This has reduced the occupancy level of the nursing homes and prevented the addition of new facilities. The savings from this waiver result from the reduction in the nursing home population which is projected to continue through 1985.

Obviously, a time will be reached when the relocations diminish to the point where the intake into nursing homes will begin to exceed the discharges from nursing homes. From that point on, the nursing home caseload will begin to increase, but not to the extent it would if the placements were not proportionately directed to community alternatives. This point is projected to occur in 1986, when the cost effectiveness changes from cost reduction to cost avoidance. We will avoid \$24 million in costs in the next three years, of which nearly \$15 million is in federal funds.

It is more revealing to examine what would occur if the waiver is not renewed. The number of persons in community based care would be reduced from 6,768 in 1984 to 4,496 in 1985. The nursing home caseload would be increased by 1,162, and 1,213 would temporarily be unserved under the federal categories. But, over the three-year period, the number of unserved would be reduced to 247 by placement into nursing homes and conversion from the existing arrangements in the community to personal care and home health services, which qualify without the waiver under Title XIX. In addition, the state would immediately convert services for 4,496 persons in community based care in 1984 to personal care and home health arrangements in 1985.

The effect of discontinuing the waiver over the next three years would drive the cost of the total program from \$89.4 million in 1984 to \$113.2 million by 1987. Of this increase, \$11.1 million would be due to the effect of changing from a waived to a non-waived status. Not only would there be a significant cost in financial terms, but in human terms as well to more than 7,000 elderly persons whose living arrangements would be disrupted by the change.

There is absolutely no justification for discontinuing this waiver. If there are conditions that need to be modified, let us know specifically so we can make the necessary ones immediately. To resolve whatever problems exist warrants a "fast track" approach

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with a representative of your office who is able to negotiate an acceptable plan. In deference to the thousands of elderly persons whose living arrangements are subject to possible dislocation by the decision, we need the earliest possible resolution so we have time to make the necessary modifications prior to expiration of the waiver.

In my last conversation with the Governor from China, he requested that we get this letter to you immediately. He has expressed a strong desire for your favorable consideration and is still very hopeful that there will be an opportunity for you and him to have a conversation soon.

Sincerely,



Gerry Thompson
Executive Assistant to the Governor

GT:sm2604k

Attachment

ALL SERVICES, SNF AND ICF
COMPUTATIONS OF WAIVER COST EFFECTIVENESS

FORMULA COMPONENTS:

	1982	1983	1984	1985	1986	1987
WITH WAIVER						
A - Inst Undup Count	13,587	12,853	12,668	12,511	12,761	13,144
B - Inst Avg Annual Pmt	\$ 4,864.48	\$ 5,251.01	\$ 5,523.24	\$ 5,748.99	\$ 5,927.66	\$ 6,108.45
C - CBC Undup Count	5,254	5,195*	6,768*	7,028	7,337	7,599
D - CBC Avg Annual Pmt	\$ 1,432.07	\$ 2,291.93	\$ 2,865.49	\$ 2,667.22	\$ 2,775.70	\$ 2,864.09
WITHOUT WAIVER						
F - Inst Undup Count	13,837	14,549	15,248	13,830	14,522	15,248
G - Inst Avg Annual Pmt	\$ 5,237.92	\$ 5,642.65	\$ 6,158.33	\$ 5,733.20	\$ 5,906.84	\$ 6,084.18
H - CBC Undup Count	636	729	766	4,496	4,815	5,248
I - CBC Avg Annual Pmt	\$ 2,892.57	\$ 3,191.50	\$ 3,539.34	\$ 3,662.50	\$ 3,771.35	\$ 3,884.72

	1982	1983	1984	1985	1986	1987
TOTAL UNDUPLICATED COUNT						
With Waiver	18,841	18,048	19,436	19,539	20,098	20,743
Without Waiver - Served	14,473	15,278	16,034	18,326	19,337	20,496
Without Waiver - Not Served				1,213	761	247

COST EFFECTIVENESS CALCULATION:

	1982	1983	1984	1985	1986	1987
INST ANNUAL COST						
With Waiver	\$ 66,093,690	\$ 67,491,232	\$ 69,968,404	\$ 71,925,715	\$ 75,642,863	\$ 80,289,519
Without Waiver	\$ 72,477,099	\$ 82,094,915	\$ 93,902,216	\$ 79,290,114	\$ 85,779,074	\$ 92,771,520
CBC ANNUAL COST						
With Waiver	\$ 7,524,096	\$ 11,906,576	\$ 19,393,636	\$ 18,815,556	\$ 20,365,315	\$ 21,764,230
Without Waiver	\$ 1,839,675	\$ 2,326,604	\$ 2,711,134	\$ 16,466,610	\$ 18,159,068	\$ 20,387,106

	1982	1983	1984	1985	1986	1987
TOTAL ANNUAL COST						
With Waiver	\$ 73,617,786	\$ 79,397,808	\$ 89,362,041	\$ 90,741,271	\$ 96,008,178	\$ 102,053,749
Without Waiver	\$ 74,316,774	\$ 84,421,518	\$ 96,613,350	\$ 95,756,724	\$ 103,938,142	\$ 113,158,626
Net Savings (Loss)	\$ 698,988	\$ 5,023,710	\$ 7,251,309	\$ 5,015,453	\$ 7,929,964	\$ 11,104,877

	1982	1983	1984	1985	1986	1987
FEDERAL FUNDS PORTION:						
FFP RATE	.5281	.5388	.5712	.5823	.6154	.6154

	1982	1983	1984	1985	1986	1987
TOTAL FEDERAL FUNDS						
With Waiver	\$ 38,877,553	\$ 42,779,539	\$ 51,043,598	\$ 52,838,642	\$ 59,083,433	\$ 62,803,877
Without Waiver	\$ 39,246,688	\$ 45,486,314	\$ 55,185,546	\$ 55,759,140	\$ 63,963,533	\$ 69,637,818
Net Savings (Loss)	\$ 369,135	\$ 2,706,775	\$ 4,141,948	\$ 2,920,498	\$ 4,880,100	\$ 6,833,941

* In keeping with HCFA 371's reporting instructions, these data reflect anomalous billing cycles, resulting in some 1983 cases and costs being shifted into 1984. (6093L)