

# Florida Medicaid Private Duty Nursing Variable Rate Analysis

## Purpose of the Report

During the 2024 Florida Legislative Session, the Agency for Health Care Administration (Agency) was directed to identify a redesign of the reimbursement methodology for private duty nursing (PDN) services for children under the age of 21 in Florida Medicaid, and submit a proposed model to the Executive Office of the Governor's Office of Policy and Budget, the chair of the Senate Committee on Appropriations, and the chair of the House of Representatives Appropriations Committee by August 1, 2024. The goal of any new methodology designed would be to reimburse providers on a scale that reflects differences in acuity and other circumstances affecting the availability of private duty nurses, which could include the severity of condition, the duration and timing of private duty nursing hours required, or other appropriate factors. The Agency engaged Milliman, Inc. (Milliman) to conduct the evaluation.

Also of note, during the 2024 Florida Legislative session the Legislature appropriated an additional \$29 million (\$38.4 million once annualized) to provide a Medicaid reimbursement rate increase for private duty nursing services provided by Licensed Practical Nurses (LPNs) and Registered Nurses (RNs) effective October 1, 2024.

## Current Situation

Florida Medicaid PDN services provide medically necessary skilled nursing to recipients under the age of 21 whose medical condition, illness, or injury allows the care to be delivered in their home or in the community. PDN services can be provided by home health agencies, LPNs, and RNs. The provider may render PDN services as a licensed home health agency or as an independent RN or LPN when there is no home health agency provider available in the area to furnish the care. Florida Medicaid reimburses for a minimum of two hours per day (up to 24 hours) if the PDN services are medically necessary and do not duplicate another service.

Over 99.9% of Florida's Medicaid covered PDN services are paid for by the Statewide Medicaid Managed Care (SMMC) program as compared to the fee-for-service program. Under the fee-for-service (FFS) program for which the Florida Medicaid program establishes a fee schedule, PDN services are reimbursed at either \$26.25 or \$30.07 per hour, depending on whether the service is provided by an LPN or an RN, with additional adjustments for group services. The SMMC program has been operating for 10 years and currently has 11 Managed Care Organizations (capitated plans) in the state and will be moving to five capitated plans in 2025. The capitated plans' PDN contracted rates have increased over time and reflect market-driven payment variations for different providers and recipients. On average, the SMMC program pays more than the current Florida PDN fee schedule; however, the capitated plans can pay more or less than the Agency's fee schedule based on market demands. On average, capitated plans' State Fiscal Year (SFY) 2022-23 average unit cost for services rendered by an RN were 49% higher than the fee schedule. For services rendered by an LPN the capitated plans' average SFY 2022-23 unit cost was 67% higher than the fee schedule. The average actual hourly rate paid for PDN services, utilizing the FFS

claims and actual payment amounts reflected in the health plan submitted encounter data, was \$44.68 per hour.

## Methodology and Preliminary Findings

Milliman identified a range of PDN payment rate adjustment options through:

- Review of stakeholder feedback collected via surveys of both PDN service providers and SMMC health plans;
- Review of 13 other states' payment rate adjustments for similar services, which included factors that varied across the surveyed states, such as complexity or acuity, geographic adjustment, staff licensure, provider type, time of day, weekends and holidays; and
- Trends analyzed in Florida's SFY 2022-23 Medicaid FFS claims and SMMC encounter data.

The capitated plan and PDN provider surveys showed that both entities supported rate adjustments related to higher acuity (complexity) patients as well as for more rural and harder to serve areas. Trends analyzed in Florida's Medicaid claims and encounter data showed variation in rates based only on complexity (high complexity seemed to indicate a higher-than-average per unit payment) and age (average per unit payments were slightly higher for recipients below the age of 2).

In consideration of the time allotted for completion of this report, three core potential tiered rate approaches were selected for further investigation focusing on the use of complexity/acuity and geographic location to select the payment tier. All three approaches maintained the staff licensure component (whether the service is provided by an RN or an LPN) to further tier the payment. The three potential rate adjustment approaches considered are:

1. Complexity Adjustment Only - The creation of a two-tiered approach using complexity/acuity to select the payment tier;
2. Geographical Adjustment Only - The creation of a nine-tiered approach utilizing the SMMC Regions; and
3. Combined Complexity and Geographical Adjustments - The creation of an 18-tiered approach using a combination of complexity/acuity and regional location to select the payment tier.

The three resulting models adjust the FFS fee schedule rates to more closely align with the market-driven rates being paid by the SMMC health plans that reflect adjustments for higher complexity/acuity and geographic location and were identified as high priority by providers of PDN services.

It should be noted that as an initial analysis of survey information did not reflect a significant difference in payment rates based on weekday/weekend dates of service, this factor was not explored further in this report. Similarly, since inclusion of a time of day is not currently required in the FFS or SMMC program for reimbursement of PDN services, and integration of this information into the claims data would require further investigation, this was not explored further in this report.

State Fiscal Year 2022-23 utilization data, the base rate of \$44.68 per hour, and the total annualized fee increase of \$38.4 million were used to determine the total funds available to include in the budget neutral models included in this report.

# Development of Modeled Adjusted Payment Rates

Milliman modeled adjusted payment rates for the three selected approaches on a budget neutral basis, assuming a baseline expenditure level of SFY 2022-23 managed care and FFS PDN claims and then applied an increase of \$38.4 million to the overall expenditure level.

## Summary of Modeled Approaches

Approach	Basis For Developing Payment Rate Adjustments
<b><i>Approach 1: Complexity adjustment only</i></b>	<ul style="list-style-type: none"> <li>Members with diagnosis codes used by other states and reported by Florida Medicaid capitated plans through the survey to identify high complexity PDN needs</li> <li>Members that are under 2 years old</li> </ul>
<b><i>Approach 2: Geographical adjustment only</i></b>	<ul style="list-style-type: none"> <li>Anticipated calendar year 2024 PDN contracting rate adjustments as reported by capitated plans</li> <li>Established at the capitated plan region level</li> <li>Region is attributed to the recipient’s address and not the provider’s</li> </ul>
<b><i>Approach 3: Combined complexity and geographical adjustments</i></b>	<ul style="list-style-type: none"> <li>Combination of Approaches 1 and 2</li> </ul>

Of the three approaches modeled, the Agency believes that Approach 3 (utilizing both complexity/acuity and geographic region to select the payment tier) most fully addresses the needs identified through stakeholder input and program information and data. The Agency would need to develop and publish a formal definition of high complexity to implement this approach.

## Modeled Adjusted Payment Rates - Approach 3: Combined Complexity and Geographical Adjustments

Region - Modeled Adjusted Payment Rate (Per Hour)									
Service Description	A	B	C	D	E	F	G	H	I
Private duty nursing rendered by an RN	\$57.15	\$53.86	\$48.95	\$48.02	\$49.53	\$50.31	\$44.42	\$44.24	\$44.72
Private duty nursing rendered by an RN (high complexity adjustment)	\$65.44	\$61.67	\$56.05	\$54.98	\$56.72	\$57.60	\$50.86	\$50.66	\$51.21
Private duty nursing rendered by an LPN	\$50.65	\$47.73	\$43.38	\$42.56	\$43.90	\$44.59	\$39.36	\$39.21	\$39.64
Private duty nursing rendered by an LPN (high complexity adjustment)	\$58.00	\$54.65	\$49.68	\$48.73	\$50.27	\$51.05	\$45.07	\$44.90	\$45.38

## Next Steps

If any of these rate approaches are to be implemented, the following will require consideration:

- Development of corresponding policy or regulatory changes (e.g., developing a definition of high complexity).
- Communications, including posting materials to the Agency's website, for providers and capitated plans conveying the updated rates, policy changes (if applicable), and any other relevant technical assistance.
- Determination of any updates to the managed care capitation rates and inclusion of a new rate certification for CMS approval, if necessary.
- Monitoring of service utilization and payment amounts to understand the impact of the new rate methodology adjustment(s).

*See Milliman's report for additional notes on data, methodology, and important caveats and limitations.*

MILLIMAN REPORT

# Florida Private Duty Nursing Rate Analysis

Florida Agency for Health Care Administration

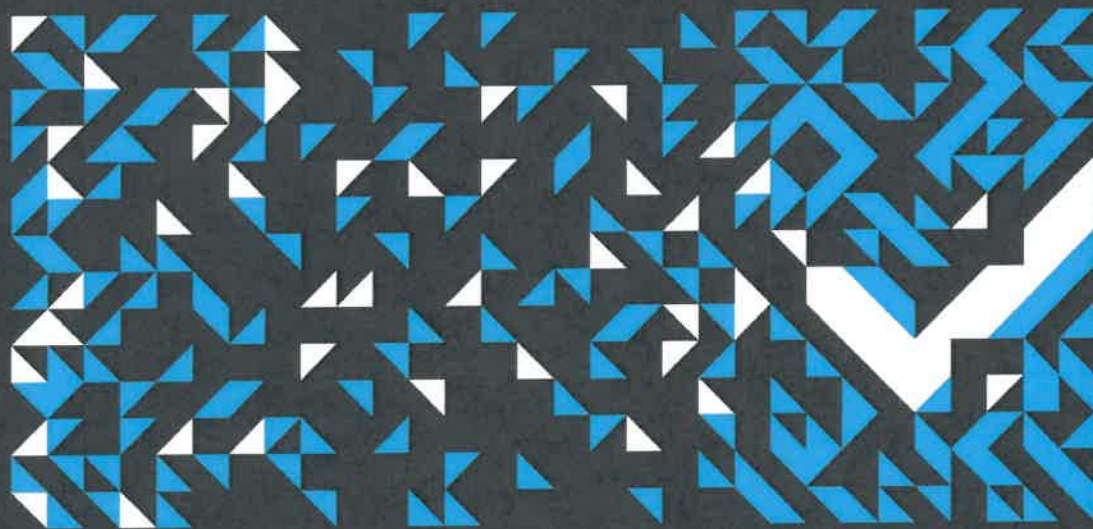
July 30, 2024

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## Executive Summary

The Florida Agency for Health Care Administration (Agency) engaged Milliman, Inc. (Milliman) to identify approaches to varying payment rates for private duty nursing (PDN) services for children under the age of 21. This analysis is being completed under Chapter 2024-231, Laws of Florida, which specifically directs the Agency to:

*“...redesign the reimbursement methodology for private duty nursing services. The revised methodology shall be budget neutral and designed to appropriately reimburse providers on a scale that reflects differences in acuity and other circumstances affecting the availability of private duty nurses, including the severity of condition, the duration and timing of private duty nursing hours required, and other appropriate factors. The agency shall submit the proposed reimbursement model to the Executive Office of the Governor’s Office of Policy and Budget, the chair of the Senate Committee on Appropriations, and the chair of the House of Representatives Appropriations Committee by August 1, 2024.”*

Based on gathered stakeholder feedback and a review of PDN reimbursement approaches used by other state Medicaid programs, the Agency’s program and policy experts selected three payment rate adjustment approaches for further consideration:

- Complexity adjustment: adjusting payment rates for increased costs – such as increased staff training and time rendering services – related to delivering services to recipients with greater medical needs.
- Geographic adjustment: adjusting payment rates for locations harder to staff and that typically have less access to service providers.
- Combined complexity and geographic adjustments.

The combined complexity and geographic adjustment approach provides the most potential for tailoring payments to the specific needs and location of individuals receiving services. Milliman is not advocating for, recommending, or endorsing any specific adjusted payment rate approach. All final decisions regarding the design, modeling methodologies, parameters, and assumptions, and other aspects of the adjusted payment rate approach are the responsibility of the Agency.

The following tables provide the modeled adjusted payment rates for each of the three approaches. These approaches do not involve any changes to the Agency’s current fee schedule methodology of paying for more than one recipient in the same setting (50 percent of the payment rate for the second recipient and 25 percent for each additional recipient). In addition, the modeled adjusted payment rates maintain the current fee schedule approach to varying rates for licensed registered nurses (RNs) and licensed practical nurses (LPNs) and continue to vary payment using the current policy for services delivered to multiple recipients.

**TABLE 1: MODELED ADJUSTED PAYMENT RATES - APPROACH 1: COMPLEXITY ADJUSTMENT ONLY**

SERVICE DESCRIPTION	MODELED ADJUSTED PAYMENT RATE (PER HOUR)
Private duty nursing rendered by an RN	\$48.43
Private duty nursing rendered by an RN (high complexity adjustment)	\$55.45
Private duty nursing rendered by an LPN	\$42.92
Private duty nursing rendered by an LPN (high complexity adjustment)	\$49.14

**TABLE 2: MODELED ADJUSTED PAYMENT RATES - APPROACH 2: GEOGRAPHICAL ADJUSTMENT ONLY<sup>1</sup>**

SERVICE DESCRIPTION	MODELED ADJUSTED PAYMENT RATE (PER HOUR) - BY REGION								
	A	B	C	D	E	F	G	H	I
Private duty nursing rendered by an RN	\$61.48	\$57.93	\$52.66	\$51.65	\$53.28	\$54.11	\$47.78	\$47.59	\$48.10
Private duty nursing rendered by an LPN	\$54.49	\$51.34	\$46.67	\$45.78	\$47.22	\$47.96	\$42.34	\$42.18	\$42.63

<sup>1</sup> See Appendix A for a list of Statewide Medicaid Managed Care regional county definitions.

**TABLE 3: MODELED ADJUSTED PAYMENT RATES - APPROACH 3: COMBINED COMPLEXITY AND GEOGRAPHICAL ADJUSTMENTS**

SERVICE DESCRIPTION	MODELED ADJUSTED PAYMENT RATE (PER HOUR) - BY REGION								
	A	B	C	D	E	F	G	H	I
Private duty nursing rendered by an RN	\$57.15	\$53.86	\$48.95	\$48.02	\$49.53	\$50.31	\$44.42	\$44.24	\$44.72
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**ESTIMATED EFFECT OF MODELED ADJUSTED PAYMENT RATES**

We modeled the potential adjusted payment rates for each approach on a budget neutral basis, assuming a baseline expenditure level of state fiscal year (SFY) 22/23 managed care and fee-for-service PDN claims and then applied an increase of \$38.4 million to the overall expenditure level due to Chapter 2024-15, Laws of Florida (Live Healthy Appropriation), which provided increased funding for PDN services. The estimated effect of modeled adjusted payment rates for Approach 3, which adjusts PDN rates for complexity and geographical differences, is reflected in Table 4 below.

We have not included the estimated effect of modeled adjusted payment rates for Approaches 1 and 2 because neither approach fully captures the regional and high-complexity variations included in current reimbursement by the capitated plans as reflected in the data reviewed for this report.

**TABLE 4: ESTIMATED EFFECT OF MODELED ADJUSTMENT PAYMENT RATES BY REGION FOR APPROACH 3: COMBINED COMPLEXITY AND GEOGRAPHICAL ADJUSTMENTS**

DESCRIPTION	ESTIMATED EFFECT OF MODELED ADJUSTED PAYMENT RATES BY REGION (VALUES REFLECT MILLIONS OF DOLLARS)								
	A	B	C	D	E	F	G	H	I
Total projected expenditures	\$27.4	\$82.0	\$26.6	\$75.8	\$104.4	\$46.2	\$51.9	\$62.9	\$66.4
Total SFY 22/23 expenditures	\$19.9	\$77.3	\$24.7	\$73.1	\$99.1	\$42.7	\$49.1	\$55.9	\$63.4
<b>Projected change</b>	<b>\$7.5</b>	<b>\$4.7</b>	<b>\$1.9</b>	<b>\$2.7</b>	<b>\$5.3</b>	<b>\$3.5</b>	<b>\$2.8</b>	<b>\$7.0</b>	<b>\$3.0</b>
<b>Projected % change</b>	<b>37.9%</b>	<b>6.1%</b>	<b>7.8%</b>	<b>3.6%</b>	<b>5.4%</b>	<b>8.2%</b>	<b>5.6%</b>	<b>12.5%</b>	<b>4.8%</b>



## Introduction

The Florida Agency for Health Care Administration (Agency) engaged Milliman Inc. (Milliman) to identify approaches to varying payment rates for private duty nursing (PDN) services for children under the age of 21. This analysis is being completed under Chapter 2024-231, Laws of Florida, which specifically directs the Agency to:

*“...redesign the reimbursement methodology for private duty nursing services. The revised methodology shall be budget neutral and designed to appropriately reimburse providers on a scale that reflects differences in acuity and other circumstances affecting the availability of private duty nurses, including the severity of condition, the duration and timing of private duty nursing hours required, and other appropriate factors. The agency shall submit the proposed reimbursement model to the Executive Office of the Governor’s Office of Policy and Budget, the chair of the Senate Committee on Appropriations, and the chair of the House of Representatives Appropriations Committee by August 1, 2024.”*

Florida’s Medicaid program covers medically necessary skilled nursing provided to children whose medical condition, illness, or injury requires the care to be delivered in their home or in the community.<sup>2</sup> A provider rendering PDN services under this program must be a licensed practical nurse (LPN) or a registered nurse (RN). PDN services may be provided by a licensed home health agency or, when no home health agency provider is available in the area to furnish care, an independent RN or LPN. Florida Medicaid reimburses for a minimum of 2 hours per day (up to 24 hours) under the condition that PDN services are medically necessary and do not duplicate another service.

Over 99.9 percent of Florida’s Medicaid covered PDN services are paid for by the Statewide Medicaid Managed Care (SMMC) program (rather than the fee-for-service program). The rates that capitated plans pay for PDN services under their contracts with home health agencies and independent providers have increased over time and reflect market-driven payment variations for different providers and recipients. On average, the SMMC program pays more than the current Florida PDN fee schedule (in SFY22/23 the capitated plans’ average unit cost for PDN services rendered by an RN were 61 percent higher than the fee schedule); however, the capitated plans have the ability to pay more or less than the Agency’s fee schedule based on market demands.<sup>3</sup>

Table 5 below provides the 2024 Florida PDN fee schedule.

**TABLE 5: FLORIDA 2024 PRIVATE DUTY NURSING FEE SCHEDULE**

PROCEDURE CODE	MODIFIER(S)	DESCRIPTION	MAXIMUM FEE (HOURLY)
S9123		Private duty nursing rendered by an RN	\$30.07
S9123	TT	Private duty nursing rendered by an RN provided to more than one recipient in the same setting.	\$30.07 – 1st recipient \$15.04 – 2nd recipient \$7.52 – each additional recipient
S9123	UF	Private duty nursing rendered by an RN provided by more than one provider in the same setting	\$30.07
S9123	TT UF	Private duty nursing rendered by an RN provided to more than one recipient by more than one provider in the same setting	\$30.07 – 1st recipient \$15.04 – 2nd recipient \$7.52 – each additional recipient
S9124		Private duty nursing rendered by an LPN	\$26.25
S9124	TT	Private duty nursing rendered by an LPN provided to more than one recipient in the same setting.	\$26.25 – 1st recipient \$13.13 – 2nd recipient \$6.56 – each additional recipient

<sup>2</sup> Florida Agency for Health Care Administration (November 2016) Private Duty Nursing Services Coverage Policy. Retrieved March, 28 2024 from [https://ahca.myflorida.com/content/download/7036/file/59G-4-261\\_Private\\_Duty\\_Nursing\\_Services\\_Coverage\\_Policy.pdf](https://ahca.myflorida.com/content/download/7036/file/59G-4-261_Private_Duty_Nursing_Services_Coverage_Policy.pdf)

<sup>3</sup> SMMC payment amounts are reported by the capitated plans through the Florida Medicaid Management Information System (FMMS) encounter reporting system.

PROCEDURE CODE	MODIFIER(S)	DESCRIPTION	MAXIMUM FEE (HOURLY)
S9124	UF	Private duty nursing rendered by an LPN provided by more than one provider in the same setting	\$26.25
S9124	TT UF	Private duty nursing rendered by an LPN provided to more than one recipient by more than one provider in the same setting	\$26.25 – 1st recipient* \$13.13 – 2nd recipient* \$6.56 – each additional recipient* * Per provider

The remainder of this report describes the identification of PDN payment rate adjustment options, feedback from PDN providers and capitated plans, selection of three approaches for the Agency’s consideration, and the related modeled adjusted payment rates and estimated effect of modeled adjusted payment rates by region.

## Identification of PDN Payment Rate Adjustment Options

We identified a range of PDN payment rate adjustment options through a review of stakeholder feedback collected via surveys of both PDN service providers and capitated plans, other states’ payment rate adjustments for similar services, and trends analyzed in Florida’s state fiscal year (SFY) 22/23 Medicaid claims and encounter data.

### STAKEHOLDER FEEDBACK

We collected stakeholder feedback on payment rate adjustment options through surveys distributed to PDN providers and capitated plans. Both PDN providers and capitated plans indicated in their survey responses that they support rate adjustments related to geographical differences as well as higher complexity recipients. Figures 2 and 3 below summarize the survey approaches and related observations, respectively.

**FIGURE 2: CAPITATED PLAN AND PROVIDER SURVEY APPROACH**

SURVEY	DESCRIPTION AND APPROACH
Provider Survey	<p>Developed in consultation with the Agency, using a web-based tool to collect:</p> <ul style="list-style-type: none"> <li>Contact information (optional)</li> <li>Ranking of potential payment rate adjustments related to weekends/holidays, nights, high-complexity (acuity) adjustments, overtime</li> <li>Other budget neutral approaches to vary PDN payment rates</li> <li>Other feedback related to Florida’s PDN payment rates</li> </ul> <p>Distributed via a provider alert to over 2,500 registered home health agencies and posted to the Medicaid website on May 22, 2024 with a due date of May 29, 2024; 103 completed surveys were received.<sup>4</sup></p>
Capitated Plan Survey	<p>Developed in consultation with the Agency, using an Excel-based tool to collect:</p> <ul style="list-style-type: none"> <li>Average payment rates</li> <li>Service distribution by the Florida PDN fee schedule, days/nights/weekends, and complexity adjustments.</li> <li>Recommendations on potential approaches to adjustment PDN rates</li> <li>Additional space for notes to support the responses</li> </ul> <p>Sent via email to the 11 capitated plans on May 10, 2024 with a due date of May 24, 2024; 9 surveys were received by the survey due date.</p>

<sup>4</sup> Some providers started the survey, but exited the survey and did not complete it; those responses are not reflected in the 103 surveys. In addition, some providers may have submitted multiple surveys, and those duplicates would be included in the 103 completed surveys.

**FIGURE 3: CAPITATED PLAN AND PROVIDER SURVEY RESPONSES**

SURVEY	HIGHLIGHTS FROM SURVEY RESPONSES
Provider Survey	<p>Ranking of preferences for payment rate adjustments (highest rank represents the most support and lowest rank represents the least support – only includes completed survey responses and excludes home health providers that do not deliver PDN services):</p> <ol style="list-style-type: none"> <li>1. Higher complexity - ventilator care</li> <li>2. Higher complexity - tracheostomy</li> <li>3. Higher complexity - 24-hour care</li> <li>4. Nights</li> <li>5. Weekends/Holidays</li> <li>6. Overtime</li> </ol> <p>Feedback on approaches to adjust PDN payment rates beyond the above options varied, including:</p> <ul style="list-style-type: none"> <li>• Geographical adjustments, including both the potential for increasing rates for rural/underserved areas with access to less nurses and for high cost of living areas</li> <li>• Composite RN and LPN rate, instead of two different rates</li> </ul>
Capitated Plan Survey	<p>Feedback on potential alternative payment rate approaches</p> <ul style="list-style-type: none"> <li>• General support for high-complexity rate adjustments with specific feedback on using diagnosis codes, member's needs (e.g., ventilator care, tracheostomy, or gastrostomy tube), age (specifically members under the age of 2), or authorized hours threshold</li> <li>• Specific comments regarding the potential for using geographical adjustments for excessive travel or locations where providers are hard to find</li> </ul> <p>Payment rate variation</p> <ul style="list-style-type: none"> <li>• All capitated plans reported average payments above the 2024 Florida PDN Fee Schedule for PDN services</li> <li>• High-complexity payment rates were generally higher than reported average payment amounts; however, other payment rate variations were inconsistent across capitated plans</li> <li>• Note: the definition of "high complexity" for payment rate reporting purposes varied by plan.</li> </ul>

**OTHER STATE APPROACHES TO VARYING PAYMENTS FOR PDN SERVICES**

Milliman conducted a review of PDN services payment rate adjustments used by 13 other state Medicaid programs.<sup>5</sup> States were selected based on their geographical proximity to Florida, comparable Medicaid populations, and historically creative “Medicaid payment models. We reviewed publicly available information, including State Plan Amendments (SPAs), administrative code and coverage policies, and fee schedules (Appendix B provides a listing of sources used).

Overall, we found that the number of approaches for fee-for-service (FFS) payment rates varies widely across states. For example, North Carolina has a single uniform payment rate for all PDN services, while Massachusetts has more than twenty payment rate variations based on numerous factors (e.g., number of recipients concurrently receiving services, services delivered at night, etc.). We used the results of this review to inform the development of the provider and capitated plan surveys and reviewed the range of payment rate adjustments with Agency policy and program staff.

Figure 4 below provides a summary of PDN payment rate adjustment approaches identified through our research.

**FIGURE 4: SUMMARY OF OTHER STATES’ PDN FFS PAYMENT RATE ADJUSTMENT APPROACHES**

PDN REIMBURSEMENT METHODOLOGY ADJUSTMENT	OTHER STATE APPROACHES
Staff Licensure	<ul style="list-style-type: none"> <li>• The majority of analyzed states varied payment rates based on staff licensure (e.g., separate RN and LPN rates) instead of a combined RN/LPN payment rate</li> <li>• North Carolina and South Carolina used consolidated payment rates for PDN services provided by RNs and LPNs, instead of separate rates for each staff type</li> </ul>

<sup>5</sup> We included Alabama, Georgia, Louisiana, Mississippi, Texas, North Carolina, South Carolina, Massachusetts, California, New York, Washington, Minnesota, and Oregon in this rate review. For the purposes of this rate review, we included both private duty nursing and skilled nursing programs.

**PDN REIMBURSEMENT  
METHODOLOGY ADJUSTMENT**

**OTHER STATE APPROACHES**

Provider Type	<ul style="list-style-type: none"> <li>• The majority of analyzed states did not specify the use of rate adjustments based on provider type (e.g., home health agency or an independent provider)</li> <li>• California, Massachusetts, Oregon, and Texas used payment rate adjustments based on provider type (e.g., Home Health Agency or Individual Practitioner/Provider) and pay a higher rate to Home Health Agency providers, while independent providers have a lower rate</li> </ul>
Time of Day	<ul style="list-style-type: none"> <li>• Most analyzed states did not specify the use of rate adjustments based on the time of day that PDN services are provided (e.g., daytime or nighttime)</li> <li>• Massachusetts and Louisiana used payment rate adjustments for the delivery of PDN services rendered during the night               <ul style="list-style-type: none"> <li>○ Massachusetts defined evening/night services as services provided from 6:00 PM – 5:59 AM</li> <li>○ Louisiana defined evening/night services as services provided from 3:00 PM – 7:00 AM</li> </ul> </li> </ul>
Weekends and Holidays	<ul style="list-style-type: none"> <li>• Most analyzed states did not specify the use of payment rate adjustments based on services provided on weekends or holidays</li> <li>• Louisiana, Massachusetts, and Washington specified payment rate adjustments for services provided on weekends or holidays               <ul style="list-style-type: none"> <li>○ Massachusetts aligned the weekend rate adjustment with the nighttime adjustment, while the services provided on holidays received a further adjustment</li> <li>○ Washington used an enhanced rate for services provided on holidays, but did not use rate adjustments for weekend services</li> <li>○ Louisiana used a consolidated enhanced rate for weekend and holiday services</li> </ul> </li> </ul>
Geographical Adjustments	<ul style="list-style-type: none"> <li>• Most analyzed states did not use payment rate adjustments based on geographic differences</li> <li>• Louisiana and New York applied payment rate adjustments for geographical areas considered to be more rural</li> </ul>
Complexity (Acuity)	<ul style="list-style-type: none"> <li>• Seven of the 13 analyzed states did not use payment rate adjustments based on the recipients' complexity (acuity)</li> <li>• Louisiana, Minnesota, Mississippi, New York, South Carolina, and Texas used payment rate adjustments for high-complexity recipients               <ul style="list-style-type: none"> <li>○ South Carolina applied a \$3.00 add-on to the base PDN hourly rate</li> <li>○ The remaining four states applied an adjustment specific to high-complexity recipients</li> </ul> </li> <li>• Examples of defining high-complexity services included: Diagnosis codes, ventilator life support care, repeated seizures requiring treatment, intervention or both, and children who are intubated or dependent on parenteral feeding</li> </ul>
Multiple Recipients Served Concurrently	<ul style="list-style-type: none"> <li>• Seven of the 13 analyzed states used payment rate adjustments for services provided to multiple recipients served at the same time in the same setting.               <ul style="list-style-type: none"> <li>○ Most states limited the number of recipients served at one time to a maximum of 2; however, Massachusetts allowed for a maximum of 3 recipients, while Louisiana did not specify a maximum</li> </ul> </li> <li>• Alabama, Georgia, New York, Oregon, South Carolina, and Texas did not use rate adjustments for multiple recipients served concurrently in the same setting</li> </ul>

**SUMMARY OF CURRENT VARIATION IN PDN PAYMENT**

Milliman analyzed trends in Florida's state fiscal year (SFY) 22/23 Medicaid claims data to review current PDN payment rate variation. In performing this analysis, we summarized total payments and total hours for PDN services. Fee-for-service claims were included in the analysis; however, these claims represented a small proportion of the data as most PDN services are paid under the SMMC program. Therefore, much of the rate variation observed in the analysis can be attributed to differences in the capitated plans' negotiated rates. Key takeaways included:

- **Staff Licensure:** Average per unit payments did not vary significantly based on staff licensure (e.g., RN and LPN rendered services).
- **Time of Day:** Average per unit payments did not vary significantly for services rendered during the night.

- **Weekend/Weekdays:** Average per unit payments did not vary significantly for services rendered on weekends versus weekdays.
- **Complexity:** Diagnosis codes associated with high complexity seemed to indicate a higher-than-average per unit payment.
- **Age:** Average per unit payments were slightly higher for recipients below the age of 2.

## Selection of Payment Rate Adjustment Approaches

We discussed the range of options identified through stakeholder feedback, other state approaches, and analysis of Medicaid claims and encounter data with Agency program and policy experts who selected three approaches for further consideration – complexity adjustment, geographic adjustment, and combined complexity and geographic adjustments. These approaches were selected based on their ability to (1) address provider and capitated plan feedback regarding payment rates, (2) utilize contracting rate data provided by the capitated plans (used for the purposes of developing managed medical assistance (MMA) capitation rates) to reflect and incorporate the impact of market driven capitated plan payments into the FFS rates, and (3) leverage diagnoses and a recipient’s age data, which is already being collected by the Agency through claims processing. All three approaches maintain the Agency’s current PDN fee schedule distinctions for RN and LPN services and continue to vary payment using the current policy for services delivered to multiple recipients.

The combined complexity and geographic adjustment approach provides the most potential for tailoring payments to the specific needs and location of individuals receiving services. Milliman is not advocating for, recommending, or endorsing any specific adjusted payment rate approach. All final decisions regarding the design, modeling methodologies, parameters, and assumptions, and other aspects of the adjusted payment rate approach are the responsibility of the Agency.

Figure 5 provides a summary of all approaches considered and the rationales for their inclusion or exclusion as a potential payment rate adjustment approach.

**FIGURE 5: RATIONALE FOR POTENTIAL RATE ADJUSTMENT APPROACHES**

RATE ADJUSTMENT APPROACH	DESCRIPTION	SELECTED AS A POTENTIAL RATE ADJUSTMENT APPROACH	RATIONALE
Geographical	Payment rate variation that accounts for areas that are harder to staff (e.g., rural)	Yes	Supported by provider and capitated plan survey results; use of regions aligns with current managed care capitation rate setting approach; aligns with Agency’s goal of increasing access to services in rural and hard to serve areas
Complexity	Payment rate variation for recipients with complex needs	Yes	Supported by provider and capitated plan survey results; common approach implemented in other states; aligns with Agency’s goal and requirement in Chapter 2024-231, Laws of Florida, to address the “the severity of condition”
Provider Type	Payment rate variation for independent and home health agency providers	No	Limited or no stakeholder feedback to support this adjustment; would require adjustments to provider enrollment and additional assessment of the differences between agency and independent provider costs
Time of Day	Payment rate variation dependent upon the time of day a service is delivered (e.g., daytime and nighttime)	No	Billing requirements and data collection do not currently provide this level of detail; would require additional billing requirements and related administrative burden for providers, capitated plans, and the Agency
Weekends and Holidays	Payment rate variation that accounts for harder to staff days of the week (e.g., weekends and holidays)	No	Limited stakeholder feedback to support this adjustment; would require additional claims processing logic to implement and monitor

**DEVELOPMENT OF MODELED ADJUSTED PAYMENT RATES**

We modeled adjusted payment rates for the three selected approaches on a budget neutral basis, assuming a baseline expenditure level of SFY 22/23 managed care and fee-for-service PDN claims and then applied an increase of \$38.4 million to the overall expenditure level due to Chapter 2024-15, Laws of Florida (Live Healthy Appropriation).

Figure 6 provides a description of the three approaches.

**FIGURE 6: SUMMARY OF MODELED APPROACHES**

APPROACH	BASIS FOR DEVELOPING PAYMENT RATE ADJUSTMENTS
<b>Approach 1: Complexity adjustment only</b>	<ul style="list-style-type: none"> <li>Members with diagnosis codes used by other states and reported by Florida Medicaid capitated plans through the survey to identify high complexity PDN needs<sup>6</sup></li> <li>Members that are under 2 years old</li> </ul> <p><i>Note: The Agency would need to develop and publish a formal definition of high complexity to implement this approach.</i></p>
<b>Approach 2: Geographical adjustment only</b>	<ul style="list-style-type: none"> <li>Anticipated calendar year 2024 PDN contracting rate adjustments as reported by capitated plans</li> <li>Established at the Statewide Medicaid Managed Care region level<sup>7</sup></li> <li>Region is attributed to the recipient's address and not the provider's</li> </ul>
<b>Approach 3: Combined complexity and geographical adjustments</b>	<ul style="list-style-type: none"> <li>Combination of Approach 1 and 2</li> </ul> <p><i>Note: The Agency would need to develop and publish a formal definition of high complexity to implement this approach.</i></p>

The following tables provide the modeled adjusted payment rates for each of the above approaches. These approaches do not involve any changes to the Agency's current fee schedule methodology of paying for more than one recipient in the same setting (50 percent of the payment rate for the second recipient and 25 percent for each additional recipient). In addition, the modeled adjusted payment rates maintain the current fee schedule approach to varying rates for licensed RNs and LPNs.

In all cases, the modeled adjusted payment rates exceed the Agency's 2024 PDN fee schedule payment rates, reflecting increases ranging from 47 percent to over 100 percent, depending on the approach, region, and if a RN or LPN delivers the service. This is driven by the actual reimbursements rates (or "contracting level") paid by the capitated plans under the SMMC program for a significant proportion of PDN claims. On average, capitated plans' SFY 22/23 average unit cost for services rendered by an RN was 61 percent higher than the fee schedule. For services rendered by an LPN, the capitated plans' average SFY 22/23 unit cost was 84 percent higher than the fee schedule.

**TABLE 6: MODELED ADJUSTED PAYMENT RATES - APPROACH 1: COMPLEXITY ADJUSTMENT ONLY**

SERVICE DESCRIPTION	MODELED ADJUSTED PAYMENT RATE (PER HOUR)
Private duty nursing rendered by an RN	\$48.43
Private duty nursing rendered by an RN (high complexity adjustment)	\$55.45
Private duty nursing rendered by an LPN	\$42.92
Private duty nursing rendered by an LPN (high complexity adjustment)	\$49.14

<sup>6</sup> Diagnosis codes used to identify high complexity include Z431, Z930, Z931, Z9911, G809, P942, K912, G120, E7081, G800, K219, J9610, and J9600. See Appendix C for a description of each diagnosis code.

<sup>7</sup> Florida Agency for Health Care Administration New SMMC Regions. Retrieved April 25, 2024 from <https://ahca.myflorida.com/medicaid/statewide-medicaid-managed-care/new-smmc-regions>. See Appendix A for a list of SMMC regional county definitions.

**TABLE 7: MODELED ADJUSTED PAYMENT RATES - APPROACH 2: GEOGRAPHICAL ADJUSTMENT ONLY**

SERVICE DESCRIPTION	REGION - MODELED ADJUSTED PAYMENT RATE (PER HOUR)								
	A	B	C	D	E	F	G	H	I
Private duty nursing rendered by an RN	\$61.48	\$57.93	\$52.66	\$51.65	\$53.28	\$54.11	\$47.78	\$47.59	\$48.10
Private duty nursing rendered by an LPN	\$54.49	\$51.34	\$46.67	\$45.78	\$47.22	\$47.96	\$42.34	\$42.18	\$42.63

**TABLE 8: MODELED ADJUSTED PAYMENT RATES - APPROACH 3: COMBINED COMPLEXITY AND GEOGRAPHICAL ADJUSTMENTS**

SERVICE DESCRIPTION	REGION - MODELED ADJUSTED PAYMENT RATE (PER HOUR)								
	A	B	C	D	E	F	G	H	I
Private duty nursing rendered by an RN	\$57.15	\$53.86	\$48.95	\$48.02	\$49.53	\$50.31	\$44.42	\$44.24	\$44.72
Private duty nursing rendered by an RN (high complexity adjustment)	\$65.44	\$61.67	\$56.05	\$54.98	\$56.72	\$57.60	\$50.86	\$50.66	\$51.21
Private duty nursing rendered by an LPN	\$50.65	\$47.73	\$43.38	\$42.56	\$43.90	\$44.59	\$39.36	\$39.21	\$39.64
Private duty nursing rendered by an LPN (high complexity adjustment)	\$58.00	\$54.65	\$49.68	\$48.73	\$50.27	\$51.05	\$45.07	\$44.90	\$45.38

**ESTIMATED EFFECT OF MODELED ADJUSTED PAYMENT RATES**

**Actual provider payments made by capitated plans will differ from the estimated payments in this modeling. Reasons for differences include, but are not limited to, future changes in enrollment, utilization, service mix, negotiated rates between capitated plans and providers, use of paid family caregivers providing PDN services, state funding, and other factors.**

Table 9 below includes the estimated effect of modeled adjusted payment rates for Approach 3, which adjusts PDN rates for complexity and geographical differences. The estimated effect of modeled adjusted payment rates ranges by region from a 3.6 percent to a 37.9 percent increase in PDN expenditures compared to the baseline of SFY 22/23 historical PDN expenditures, inclusive of the 7.6 percent Live Healthy Funding Adjustment. The historical PDN expenditures are notably influenced by the hourly rates paid by capitated plans based on market demands as compared to Florida’s PDN fee schedule. The main drivers of differences by region are due to:

- Differences in plan-specific contracted amounts by region between SFY 22/23 and CY 2024. Regions with larger reported contracting changes (i.e., increases or decreases in reimbursement levels) between SFY 22/23 and CY 2024 will have larger estimated change in funds since the geographic adjustment applies differences in CY 2024 contracting by region to the SFY 22/23 baseline data.
- Differences in the capitated-plan-reported SFY 22/23 contracting surveys and the actual average payment per unit in each region for SFY 22/23. The estimated effect of modeled adjusted payment rates is impacted by the extent that capitated plans’ reported SFY 22/23 contracting levels do not align with the actual average payment per unit in the claims data.

**TABLE 9: ESTIMATED EFFECT OF MODELED ADJUSTED PAYMENT RATES BY REGION FOR APPROACH 3: COMBINED COMPLEXITY AND GEOGRAPHICAL ADJUSTMENTS**

DESCRIPTION	ESTIMATED EFFECT OF MODELED ADJUSTED PAYMENT RATES BY REGION (VALUES REFLECT MILLIONS OF DOLLARS)								
	A	B	C	D	E	F	G	H	I
Total projected expenditures	\$27.4	\$82.0	\$26.6	\$75.8	\$104.4	\$46.2	\$51.9	\$62.9	\$66.4
Total SFY 22/23 expenditures	\$19.9	\$77.3	\$24.7	\$73.1	\$99.1	\$42.7	\$49.1	\$55.9	\$63.4
Projected change	\$7.5	\$4.7	\$1.9	\$2.7	\$5.3	\$3.5	\$2.8	\$7.0	\$3.0
Projected % change	37.9%	6.1%	7.8%	3.6%	5.4%	8.2%	5.6%	12.5%	4.8%

We have not included estimated effect of modeled adjusted payment rates for Approaches 1 and 2 because neither approach fully captures the regional and high-complexity variations included in current reimbursement by the capitated plans as reflected in the data reviewed for this report.

### IMPLEMENTATION CONSIDERATIONS

If the Agency decides to implement any of these rate approaches, they will need to consider various implementation considerations, including:

- Development of corresponding policy or regulatory changes (e.g., developing a definition of high complexity).
- Communications, including posting materials to the Agency's website, for providers and capitated plans conveying the updated rates, policy changes (if applicable), and any other relevant technical assistance.
- Determination of any updates to the managed care capitation rates and inclusion of a new rate certification for CMS approval, if necessary.
- Monitoring of service utilization and payment amounts to understand the impact of the new rate methodology adjustment(s).
- Potential operational changes such as additional claims processing logic

## Methodology and Data Relied Upon

For purposes of illustrating potential PDN payment rate adjustments, Milliman modeled three payment rate adjustment approaches using Florida's SFY 22/23 Medicaid PDN claims data. Key background information about our approach includes:

1. We calculated an average statewide hourly payment of \$44.68 using SFY 22/23 FFS and capitated plan claims data, by dividing the total paid dollars (\$505,151,067) by the number of service units (11,306,879), assuming a single unit is an hour of service. This serves as the starting point for the modeled adjusted payment rates.
2. The aggregate total paid dollars includes all PDN claims – i.e., we did not differentiate by procedure code, licensure type (e.g., RN or LPN), complexity, region, etc.
3. We reconciled the differences between the average statewide hourly payment and the hourly unit for each procedure code, complexity level, and region by using total service hours as the basis for weighting and distributing the adjustment factors in each approach.

This methodology is designed to be budget neutral under the assumption there are no changes in utilization, enrollment, service mix, state funding, how capitated plans negotiate future rates, and other factors.

### STAFF LICENSURE

We completed an analysis of the PDN claims data that showed that the average hourly payment for PDN services did not vary significantly based on the licensure of the rendering provider. However, to address additional costs associated with RN services (e.g., wage differences), and to be consistent with current variation in the Agency's fee schedule, we adjusted the rates by the differential published in the 2024 Florida PDN fee schedule (shown below):

- \$30.07 – Private Duty Nursing rendered by RN
- \$26.65 – Private Duty Nursing rendered by LPN
- 12.83% – Calculated rate differential between the RN and LPN rates

We applied the 12.83 percent rate differential to each of the staff licensure types while solving for budget-neutral adjustment factors. Because LPN rendered services accounted for over two thirds of the total service hours, the adjustment factor for LPN rendered services is a decrease of 4.0 percent from the overall average reimbursement rate and the adjustment factor for RN rendered services is an increase of 8.4 percent from the overall average reimbursement rate.



### COMPLEXITY ADJUSTMENT APPROACH

The current published fee schedule does not vary payment rates based on the recipient's complexity level – i.e., paying more for highly-complex recipients. We leveraged capitated plan survey responses and other state research to support rate differential assumptions for high-complexity recipients. For purposes of our analysis, high complexity is defined by a list of diagnosis codes: Z431, Z930, Z931, Z9911, G809, P942, K912, G120, E7081, G800, K219, J9610, and J9600 or recipients under the age of two (see Appendix C for a description of each listed diagnosis code). Survey responses from nine capitated plans indicated a median payment rate adjustment factor of 14.5 percent for high-complexity recipients. A review of other states showed that seven states adjusted payment rates for high-complexity recipients. Of these seven states, a median adjustment factor of 13.9 percent was observed. Given these data points, we are applying an increase of 14.5 percent for payments for high-complexity members, which aligns with the reported median value from the capitated plans.

### GEOGRAPHICAL ADJUSTMENT APPROACH

We developed a geographical adjustment factor based on calendar year 2024 contracting rate adjustments reported by the capitated plans. We selected this source as the basis for adjusting payment rates as the regional data reflects upward adjustments for harder to serve and more rural areas (i.e., areas that are typically harder to access services). To calculate regional adjustment factors, we divided the relative contracting level in each region by the aggregate contracting level across the entire state for PDN services. The regional approach aligns with the managed care capitation rate setting methodology, and while it does not require a policy adjustment, it will require technical assistance to support implementation due to the high number of published rates.

## Caveats and Limitations

*The information contained in this analysis has been prepared for the State of Florida Medicaid Agency for Health Care Administration (the Agency).*

*It is important that readers of this analysis be aware of its limitations:*

- *Actual provider payments made by capitated plans will differ from the estimated payments in this modeling. Reasons for differences include, but are not limited to, future changes in enrollment, utilization, service mix, negotiated rates between capitated plans and providers, use of paid family caregivers providing PDN services, state funding, and other factors.*
- *Modeled adjusted payment rates described in this analysis represent average rate adjustments based upon the SFY 22/23 Florida PDN service utilization and are subject to change and refinement based on feedback from the Agency or other stakeholders, including capitated plans, providers, and the Florida legislature.*
- *Modeled adjusted payment rates were based on SFY 22/23 Medicaid managed care encounter data and fee-for-service claims for PDN services.*
- *Actual future expenditures for Medicaid PDN services may vary significantly from the estimated effect of modeled adjusted payment rates included in this report due to the changes in the utilization of PDN services compared to data relied upon, changes in enrollment due to Medicaid eligibility redeterminations, the impact of the COVID-19 pandemic and the PHE unwinding, negotiated rates between PDN service providers and capitated plans, the use of paid family caregivers providing PDN services (associated with House Bill 391), and other payment policy decisions by the Agency and the State Legislature, and the CMS approval process.*
- *The estimated effect of modeled adjusted payment rates is calculated on a total computable basis, inclusive of a \$38,405,788 increase in expenditures due to the Live Healthy funding adjustment. Actual state share of payments will be impacted by future federal match rates and Medicaid population mix. In addition, the estimated effect of modeled adjusted payment rates is impacted by the extent that capitated plans' reported SFY 22/23 contracting levels do not align with the actual average payment per unit in the claims data.*
- *Modeled adjusted payment rates were based off total SFY 22/23 Florida PDN Medicaid managed care encounter data and fee-for-service claims for PDN services by applying adjustments to the calculated unit cost to account*

*for complexity and geographical adjustments. We did not audit these values but did review them for reasonableness.*

*This analysis is intended to facilitate discussions with the Agency regarding PDN payment rate variations and service delivery and is not considered complete without oral comment. This analysis should not be used for any other purpose. The contents of this analysis are not intended to represent a legal or professional opinion or interpretation on any matters.*

*We understand this report will be shared publicly with the Florida State Legislature. To the extent that information contained in this report is provided to any approved third parties, the report should be distributed in its entirety. Any user of the data must possess a certain level of expertise to not misinterpret the information presented.*

*In preparing this analysis, we relied on historical information provided by the Agency, environmental scan research for context, managed care claims information, and managed care plan survey results, the current Florida PDN fee schedule, and contracting survey results. We did not audit any of this information, but we did assess the information for reasonableness. If the information used is inadequate or incomplete, this analysis may be likewise inadequate or incomplete.*

*Milliman has developed certain models to estimate the values included in this communication. The intent of the models was to facilitate discussions with the Agency regarding PDN payment rate variations. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs). The models, including all input, calculations, and output, may not be appropriate for any other purpose.*

*Milliman makes no representations or warranties regarding the contents of this analysis to third parties. Similarly, third parties are instructed that they are to place no reliance upon this information prepared for the Agency by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.*

*The results of this report are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.*

*Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Jill Bruckert and Alex Geanous are Actuaries at Milliman and are members of the American Academy of Actuaries, and they meet the Qualifications Standards of the Academy to render the actuarial communication contained herein. To the best of their knowledge and belief, this communication is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.*

## Appendix A

### STATEWIDE MEDICAID MANAGED CARE (SMMC) REGION DEFINITIONS

<b>REGION</b>	<b>COUNTIES</b>
A	Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Jefferson, Leon, Liberty, Madison, Okaloosa, Santa Rosa, Taylor, Walton, Wakulla, and Washington
B	Alachua, Baker, Clay, Citrus, Columbia, Dixie, Duval, Flagler, Gilchrist, Hamilton, Hernando, Lafayette, Lake, Levy, Marion, Nassau, Putnam, St. Johns, Sumter, Suwannee, Union, and Volusia
C	Pasco and Pinellas
D	Hardee, Highlands, Hillsborough, Manatee and Polk
E	Brevard, Orange, Osceola and Seminole
F	Charlotte, Collier, DeSoto, Glades, Hendry, Lee, and Sarasota
G	Indian River, Martin, Okeechobee, Palm Beach, and St. Lucie
H	Broward
I	Miami-Dade and Monroe

## Appendix B

### REFERENCES: OTHER STATE RESEARCH

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## Appendix C

### DEFINITIONS OF HIGH-COMPLEXITY DIAGNOSIS CODES

<b>DIAGOSIS CODE</b>	<b>DESCRIPTION</b>
E7081	Aromatic L-amino acid decarboxylase deficiency
G120	Infantile spinal muscular atrophy, type I
G800	Spastic quadriplegic cerebral palsy
G809	Cerebral palsy, unspecified
J9600	Acute respiratory failure, unspecified whether with hypoxia or hypercapnia
J9610	Chronic respiratory failure, unspecified whether with hypoxia or hypercapnia
K219	Gastro-esophageal reflux disease without esophagitis
K912	Postsurgical malabsorption, not elsewhere classified
P942	Congenital hypotonia
Z431	Encounter for attention to gastrostomy
Z930	Tracheostomy status
Z931	Gastrostomy status
Z9911	Dependence on respirator [ventilator] status



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