

## **Community Based Alternatives Program Medical Necessity Determination and Resource Utilization Group Value Calculation Explanation**

The Department of Aging and Disability Services (DADS) provides community services through the Community Based Alternatives (CBA) program that allows services to be provided in the community rather than through the Medicaid nursing facility program. In CBA, each individual has a program cost limit for the individual's program year. The total cost of services provided to the individual within CBA cannot exceed the cost limit.

Medical necessity (MN) is a prerequisite for an individual to participate in the CBA waiver program. The Centers for Medicare and Medicaid Services (CMS) requires a method of assessment to determine MN and the associated cost limit for an applicant's or individual's participation in the CBA waiver program. The Medical Necessity and Level of Care (MN/LOC) Assessment is the tool Texas uses for this purpose. The assessment is very comprehensive and detailed; it is completed by a registered nurse from a home and community support services agency or from DADS.

### **MN Determination**

MN is determined using the information entered by the registered nurse on the MN/LOC Assessment. MN is the determination that an individual requires the services (supervision, assessment, planning and intervention) of a licensed nurse on a regular basis (40 Texas Administrative Code §19.2401). Nurses at Texas Medicaid & Healthcare Partnership (TMHP) review submitted MN/LOC Assessments to determine if the individual meets MN. If the TMHP nurse cannot determine any licensed nursing need, the MN/LOC Assessment is reviewed by the TMHP physician for an MN determination; only the TMHP physician can deny MN. If MN is denied, the submitting nurse and the individual's attending physician may supply TMHP with additional information clarifying nursing needs, medical needs, or both. Depending on the additional information submitted, MN could be approved. An individual's need for assistance with activities of daily living does not constitute MN.

### **Resource Utilization Group (RUG) Value Calculation**

A RUG is the measure of the care needs of the individual. TMHP's automated system uses a mathematical algorithm established by CMS to calculate the RUG value. This algorithm is used in all cases to automatically generate a RUG value based on the information on the MN/LOC Assessment. The state of Texas uses this systematic approach in CBA to categorize the care needs of the individual, establish the service plan cost limit, and to identify provider reimbursement rates. The calculation of the RUG value is objective, neither DADS nor the TMHP nurse reviewing the MN/LOC Assessment calculates the RUG value.

Each RUG value has a corresponding service plan cost limit. The RUG value determines an individual's daily nursing facility rate and is also the basis to determine

each individual's service plan cost limit in CBA. The CBA cost limit is a percentage of the reimbursement rate that would have been paid for that same individual to receive nursing facility services for a year.

In CBA, the cost limit is based on 200% of the annual nursing facility cost. For example, if the RUG value is determined to be one associated with \$100 per day nursing facility rate, the total for the year would be \$36,500 for nursing facility care. The CBA waiver cost limit is 200% of the total nursing facility cost for the year; therefore, the waiver cost limit would be \$73,000 for the waiver year. The DADS case manager uses the CBA handbook appendix for cost limits to look for the cost limit assigned to the RUG value and applies it to the service plan.