

***Rate Setting Project Update***  
***for the***  
***Medicaid HCB-DD***  
***Comprehensive Services Waiver***

Presentation to the  
Medicaid Steering Committee  
by DDD on May 1, 2008  
Revised May 5, 2008

## Brief Background

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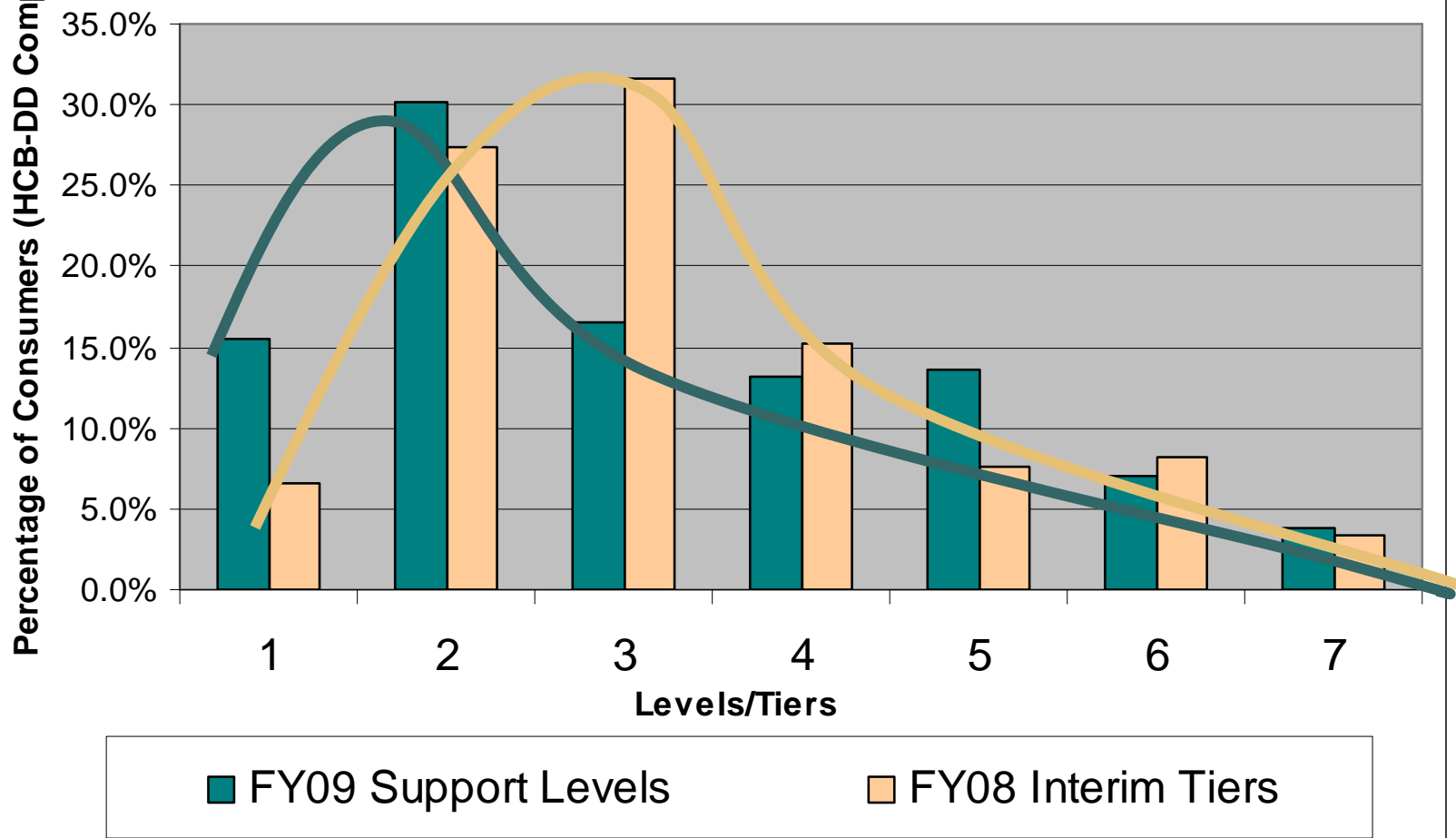
- Uniform Rate Setting Methodology was a requirement of CMS
- CMS allows rate levels based on consumer support levels if:
  - Costs differ by support needs
  - Objective method for identifying consumer support levels
- DDD contracted with HSRI (Navigant) to develop recommendations regarding above

# Summary of HSRI Outcomes

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- **HSRI developed a method to classify consumers into Support Levels using:**
  - Supports Intensity Scale (SIS)
    - Daily Living Skills, Behavioral and Medical needs
  - Community Safety Risk
  - 6 support levels based on 42 sub groups
  - As levels increase, overall support needs increase as should rates
  - Current Tier 7 continued to reflect increased costs of those with unusually high needs
- **State has accepted this approach**
  - Modification for FY09 – moved some individuals with higher daily living needs from Level 1 into Level 2
  - SIS Committee for FY10 – investigating consumers who may be misclassified to determine if additional factors are needed
    - Goal to improve classification system prior to FY10 before hold harmless funds are gone

## Change in Proportion of Individuals from Old Tiers to New Support Levels for Residential Services



# Summary of Navigant Outcomes

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- **Navigant developed a Rate Model**
  - **Cost Factors** for services, such as:
    - Salaries, wages and benefits, types of employees, staffing ratios, non-direct cost allocations, intensity of services, etc.
  - **Value of factors (assumptions)**
    - Industry standard data, survey of CCBs/providers, Technical Advisory Committee
    - Some assumptions did not have a good basis due to time constraints of study
  - **Projected Costs**
    - Would have overspent budget by \$67million
    - Would have required a 76% budget neutrality factor (BNF) to avoid overspending available funds
- **State accepted the Rate Model approach**
  - **Rate Committee** to review rate model factors and assumptions
  - **Changes for FY09 – focus of today's presentation**

# Rate Committee

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- **Membership – 3 HCPF, 4 DDD, 3 CCB Business Mangers**
- **Role:**
  - Review, verify and refine factors and assumptions
  - Consolidate rate calculation sheets and assumptions into one interlinked spreadsheet (or Rate Model)
  - Develop recommendations for:
    - Changes in factors/assumptions
    - Recalculation of proposed rates
    - Improved utilization projections
    - Recalculation of Budget Neutrality Factor (BNF)
    - Proposed rates with BNF for FY 2009
      - Note - Before they are final, all proposed rates are subject to review and approval by HCPF and CMS must approve rate setting methodology
    - Estimating hold harmless

# Changes Made to Rate Model

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- **Direct Care Wages**
  - Still based on cost survey, but with weighted average
- **Other Staff Wages**
  - Bureau of Labor & Statistics for nurses, supervisors
- **Wage Inflation** (from FY06 wages to FY09)
  - Used federal SSI inflation index (9.7% versus 11.1%)
- **Conducted Additional Surveys**
  - Staffing ratios based on new SIS levels 1 and 6, straight line between
  - Night-time staffing (added for PCA and Host Homes)
  - Direct support factor – were increased
- **Transportation –**
  - Created model based on mileage bands,
  - Units of trips instead of days, and
  - Bus pass option

# More Changes to Rate Model

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- **Residential**
  - Vacancy Factor added – 8.7 days
  - Time away from residence to attend day program
  - Nursing Services Component of Residential
    - Used actual average utilization by new SIS levels with rounding
- **Host Homes**
  - Not 'staffed', so adjusted benefit factor (help cover liability insurance, self-employment tax, health insurance, etc.)
  - Took their tax advantage into account
- **Day Hab. & Group Supported Employment**
  - Six Levels versus 3
- **SE Job Placement & Discovery – new services**

# Summary Results of Committee

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- **Projected Cost Impact of New Proposed Rates for FY09**
  - FY08 actual service usage was annualized
    - Resulted in projected # of units by service and by consumer
    - New consumer support levels matched to new rates by consumer & service
    - Units times new rates across consumers and services
  - **Estimated \$6.2 million over budget if rates not modified**
- **Budget Neutrality Factor (BNF)**
  - Costs must be affordable within FY09 budget provided by State Legislature
  - BNF is the proportion of the proposed rates that can be afforded without increasing State spending
  - **96.1% BNF needed on rates to stay within budget**
  - Some new rates excluded from BNF, if rates were just sufficient to cover costs

# Proposed Rates for FY 2009

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- HCB-DD Waiver (Comprehensive Services)
- Already at FY09 level (Inflation already part of rate model calculations)
- July 1, 2008 - New rates will go into effect for HCB-DD (Comp. Services)
  - Proposed rates presented here are not final until review/approval by HCPF & CMS approval of rate setting methodology
  - HCPF will provide official announcement
  - For all HCB-DD services delivered July 1, 2008 forward

# Group Home Rate Comparison

	New Proposed Rate with BNF	Current Interim Rate (with average Nursing Services added)	Navigant Rate with BNF
Level 1	\$97.81	\$58.55	\$90.03
Level 2	\$106.14	\$79.57	\$99.64
Level 3	\$117.93	\$114.40	\$111.18
Level 4	\$139.48	\$142.01	\$127.76
Level 5	\$166.33	\$171.43	\$155.48
Level 6	\$242.41	\$205.07	\$202.56

Rates are per Day and include a 8.7 day vacancy factor, except Navigant's.

## New Proposed Resid. Rates by Setting

	New Proposed Rates for FY 2009			Current Rates
	Group Home	PCA	Host Home	All Settings (+ Nursing Services)
Level 1	\$97.81	\$82.32	\$76.34	\$58.55
Level 2	\$106.14	\$92.92	\$86.17	\$79.57
Level 3	\$117.93	\$107.54	\$99.73	\$114.40
Level 4	\$139.48	\$132.78	\$116.98	\$142.01
Level 5	\$166.33	\$164.69	\$137.45	\$171.43
Level 6	\$242.41	\$245.52	\$204.92	\$205.07

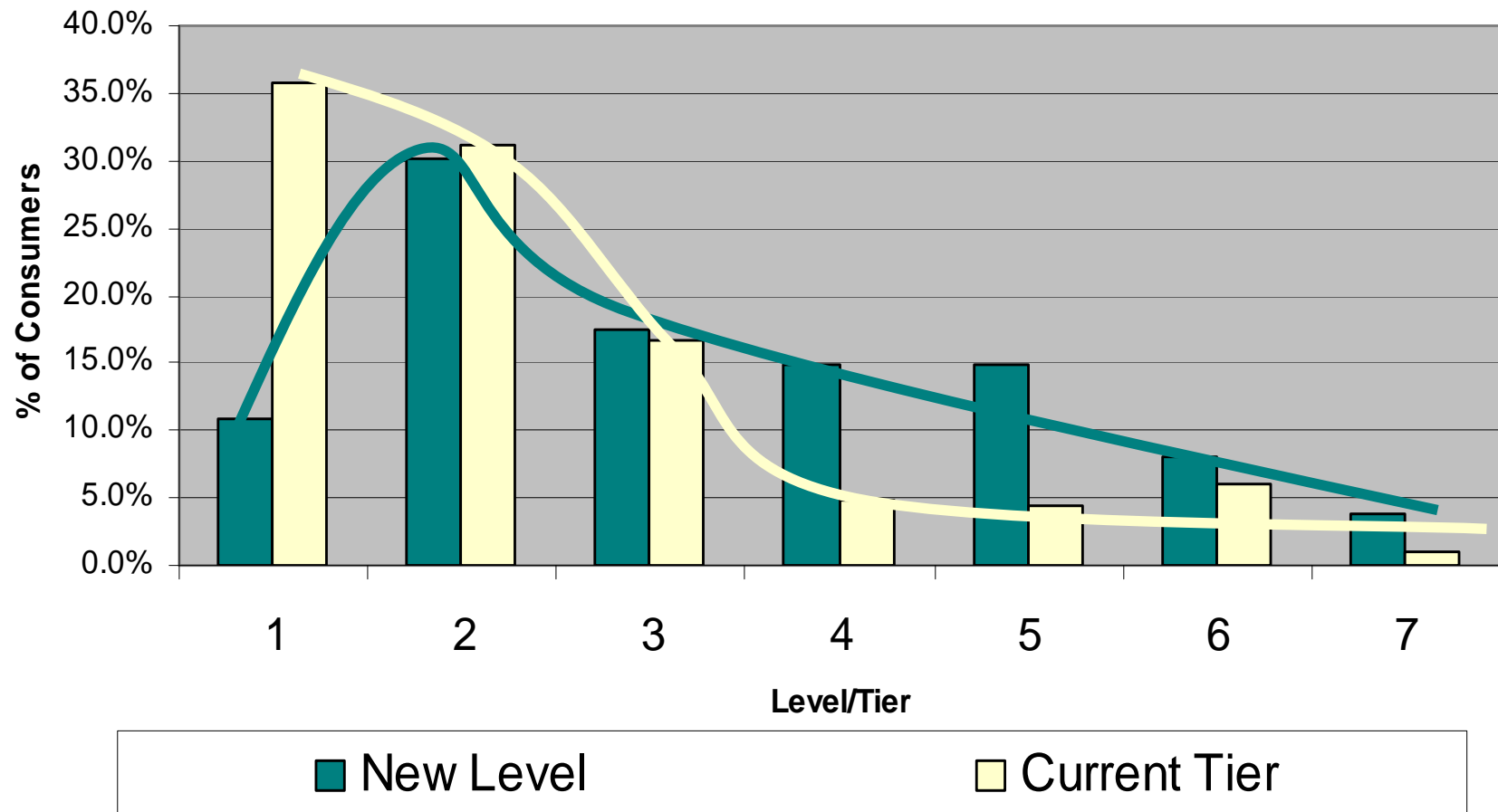
Rates are per Day and include a 8.7 day vacancy factor.

## Day Hab. Rates –Facility Based

	New Proposed Rate (BNF not applicable)	Current Interim Rate	Navigant Rate with BNF
Level 1	\$2.20	\$2.08	\$1.83
Level 2	\$2.42	\$3.11	\$1.83
Level 3	\$2.69	\$4.06	\$2.23
Level 4	\$3.16	\$4.83	\$2.23
Level 5	\$3.92	\$5.82	\$3.05
Level 6	\$5.64	\$7.48	\$3.05

Rates are in 15 minute units.

## Change in Proportion of Individuals from Old to New Rate Tiers for Day Habilitation



# Supported Employment Rates

<u>Group SE</u>	New Proposed Rate (BNF not applicable)	Current Interim Rate	Navigant Rate with BNF
Grp. Level 1	\$2.96	\$3.83	\$2.38
Grp. Level 2	\$3.23	\$3.83	\$2.38
Grp. Level 3	\$3.59	\$3.83	\$3.40
Grp. Level 4	\$4.15	\$3.83	\$3.40
Grp. Level 5	\$4.97	\$3.83	\$7.49
Grp. Level 6	\$6.47	\$3.83	\$7.49
<u>Indiv. SE</u>	\$12.14	\$11.29	\$9.19

Rates are in 15 minute units. Note, Current and Navigant SE Group rates only have 3 levels.

## **New Proposed Day Program Rates**

	DH - Facility Based	DH-Non-Fac. Based	Sup. Emp. – (SE Group, except Last row)
Level 1	\$2.20	\$2.68	\$2.96
Level 2	\$2.41	\$2.94	\$3.23
Level 3	\$2.70	\$3.30	\$3.59
Level 4	\$3.15	\$3.80	\$4.15
Level 5	\$3.92	\$4.57	\$4.97
Level 6	\$5.64	\$6.01	\$6.47
Indiv. SE	N/A	N/A	\$12.14

Rates are in 15 minute units.

## Behavior Serv. Rate Comparison

	New Proposed Rate (BNF N/A)	Current Interim Rate	Navigant Rate with BNF
Line	\$7.92	\$3.93	\$6.06
Plan Spec.	\$12.14	N/A	\$7.90
Senior	\$24.24	\$15.72	\$15.81
Lead	\$30.71	\$23.58	\$20.02

Rates are in 15 minute units.

# Transportation Rate Comparison

	New Proposed Mileage Bands	New Proposed Rate with BNF	Current Interim Rate
Level 1	<=10	\$6.24	\$3.83
Level 2	11-20	\$13.07	\$3.83
Level 3	21+	\$19.91	\$11.29
Bus Pass	N/A	at cost	N/A

Units are per trip (to and from day program) – two trips per day, except for Bus Pass which is proposed to be billed in \$/unit, i.e. paid at cost.

Navigant did not model the transportation rates.

## **Benefits of New Proposed Rates & Levels**

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- **Meet Required Federal Audit Compliance Issues:**
  - Consistent rates across providers
  - Consistent method of classification of consumers into support levels
  - Consistent rates for consumers at same support levels
- **Transparency - Increased understanding** of how rates were developed and how they relate to consumer needs
- **Rate Model can be adjusted as changes** occur in underlying factors
  - Serve as model for SLS
- **Improvements specific to service types:**
  - Residential rates reflect differences in costs by settings
  - Day Habilitation rates now higher for non-facility based versus facility based
  - Supported Employment rates variable by level for group settings
    - New SE Job Development and Discovery
  - Mileage bands for transportation, bus passes, trip units
  - New Behavior Plan Specialist service category
  - Some rates are higher
- **Some Consumers & Providers will have higher rates**

# More Controversial Aspects

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- **Proposed Rates**
  - Lowered Host Home rates relative to other settings
  - No vacancy factor in Day Programs
  - No geographic modifier by region
- **Some Consumers will have lower rates**
  - Due to support level or rates or combination of both
- **Some Providers will have NET reduction in revenues** across consumer they serve (i.e. less funds to deliver services with)
  - Hold harmless for one year
  - To the extent \$ are sufficient from Legislature
- **Unavoidable Impacts - Any standardization would have led to**
  - Redistribution of consumer support levels
  - Rebalancing of revenues for providers due to rates & levels (some up, some down)

# Hold Harmless

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- **State Legislature has made hold harmless funds available for FY 2009**
- **Purpose –**
  - Ensure stability of services for consumers during a one year transition period
  - Alleviate financial burden for providers who may lose money when new rates & support levels are implemented.
  - Provide time for provider to realign processes to stay within new projected revenues.
- Also, provides time to examine Support level classification process and to make improvements by FY 2010

## Hold Harmless & Factors in Revenue Change

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- Last estimated at \$6-12 Million (needs updating)
  - Not based on latest rates with BNF or SIS category changes
  - Lack accurate data regarding rendering provider
- Many losses due to shifts in consumer support levels
- Some losses due to reductions in rates:
  - Residential – mostly in levels 4-5 (1, 2, & 6 are higher for GH & PCA)
  - Host home
  - Day Habilitation (for all levels except level 1)
- Some losses specific to CCB regions which previously enhanced their rates through Medicaid match of local funds
  - Legislature replaced those funds, but now spread throughout the state.

# Next Steps

- **July 1, 2008 - New rates will go into effect for HCB-DD Comp.**
  - Proposed rates presented here are not final until review/approval by HCPF & CMS approval of rate setting methodology
  - HCPF will provide official announcement
- **July 1, 2008 - New Support Levels for HCB-DD Comp. Waiver**
  - SIS committee examining classification process (already underway) that might impact FY 2010
  - Tier 7 consumers being examined
- **Comp. PARs need updating** to new support levels and procedure codes
- **HCB-DD Comp. Waiver Application in for CMS approval**
- **Hold harmless funds planned for quarterly distribution**
  - Based on actual payments (HCB-DD Comp.) that quarter
  - As compared to same services/units for same consumers with old rates
  - Only if loss exists across all consumers for a given provider
- **Similar process underway for Supported Living Services (SLS)**
  - Targeted for FY 2010 for SLS
  - SIS application underway
  - Rate model applied to SLS services

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# Questions?