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*My Life, My Community*

**Overview of Rate-Setting  
for ID, DD, and Day Support Waiver Services**

– prepared for –

Senate Finance Committee  
Health and Human Resources Subcommittee

September 29, 2015

**BURNS & ASSOCIATES, INC.**

Health Policy Consultants

# Agenda

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- Background
- Process
- Implementation and Cost Impact
- Issues of Interest

# Background

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- Part of the *My Life, My Community* initiative to update the 1915(c) waiver programs serving persons with intellectual and developmental disabilities
  - The Human Services Research Institute (HSRI) and its subcontractor – Burns & Associates, Inc. – are providing assistance
- Provide a comprehensive review of reimbursement rates
  - Include most waiver services
  - Develop transparent rate models outlining specific assumptions used to develop each rate
  - Consider potential changes to reimbursement structures, including ‘tiered’ rates for certain services based on members’ assessed needs

# Process – Developing Rate ‘Tiers’

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- The cost of services for which members share supports (i.e., residential and day habilitation) varies according to intensity of need
  - Rates should recognize these differences while ensuring that members with similar needs receive similar ‘intensity’ of services (comparable to existing regular intensity and high intensity rates for day supports)
- The State is using the Supports Intensity Scale (SIS) to determine levels of need
  - Instrument was administered to a sample of 1,354 waiver enrollees
  - Based on analysis of results, a seven-level model was developed

# Process – Independent Rate Models

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- Models intended to reflect providers' costs to deliver a particular service
  - Rather than relying only on provider financial data (which is usually a function of current rates), uses data from multiple sources
  - Considers policy decisions, a provider survey, published sources (e.g. Bureau of Labor Statistics wage data), and stakeholder input
- Transparency
  - Assumptions and data sources are detailed (e.g., assumed wages, benefit packages, mileage, agency overhead, etc. are published)
    - Note: model assumptions are not mandates, providers are able to design their own programs (within the service requirements)
  - Stakeholders may not agree on the values, but they will know exactly what has been assumed and what DBHDS is 'buying'

# Process – Provider Survey

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- Voluntary survey to collect data regarding costs and service design emailed to all providers
  - Given six weeks to complete (all late surveys were accepted)
- Technical assistance provided throughout the survey
- Participation
  - Of approximately 645 providers, 82 submitted a survey (13 percent)
  - Participants accounted for 38 percent of total waiver spending
  - Largest providers were most likely to complete the survey (e.g., 42 of the 100 largest providers by revenue participated)
  - Community Service Boards had a high participation rate – 75 percent (30 of 40) compared to 9 percent of other providers

# Process – Developing Rate Models

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- Changes to billing conventions
  - Establishing four rate tiers (based on the seven levels) for residential services and day supports
  - Splitting congregate residential into distinct models – group home, supported living, and sponsored placement – billed on daily basis
  - Varying group home rates by home size, with higher rates for smaller homes
  - Billing day supports and group supported employment on an hourly basis rather than for partial-days
  - Establishing higher rates for day supports delivered in the community compared to at a center
  
- Analysis of provider survey and other data sources
  - Each rate model built ‘from the ground up’

# Process – Developing Rate Models (cont.)

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- Major assumptions
  - Direct Support Professional wages
    - Based on median wage for comparable position(s) published by the Bureau of Labor Statistics, which is a cross-industry survey of Virginia employers
  - Direct Support Professional benefits
    - In addition to mandatory benefits, provides for 30 days of paid leave, \$375 per month for health insurance, and \$100 per month for other benefits assuming an 85 percent take-up rate
  - Agency overhead included at an average of 21 percent
  - Day Supports staffing ratios
    - Range from 1:7 to 1:2 at a center and from 1:3 to 2:3 in the community based on a member's level of need (additionally, there is a 1:1 community rate that any member may access)

# Process – Public Comment Process

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- Draft rate models and related materials posted online for public review and comment
  - Notification emailed to providers and other stakeholders
  - Comment period open for one month (all late comments were considered)
  - Comments received from approximately 250 individuals
  
- Several changes made in response to comments, including:
  - Increased Tier 4 rates (the highest tier) for residential services
  - Additionally increased sponsored placement rates across all tiers
  - Reduced assumed attendance for day supports and group supported employment (increasing these rates)
  - Revised (lowered) wage assumptions for rest of State rates

# Implementation and Cost Impact

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- Implementation would be ‘phased-in’ based on SIS assessment schedule
  - Implementation of certain rates anticipated to begin July 2016
- Compared to fiscal year 2014 utilization, waiver spending would increase by about \$58.3 million (\$29.2 million in state funds), which is 8.6 percent of total spending
  - Estimate reflects annual cost at ‘full implementation’; due to phase-in schedule, there would be minimal cost in fiscal year 2016, with increases in fiscal years 2017 through 2019
  - Subject to budget approval by the General Assembly and Governor
  - Does not incorporate funding granted in the recent budget or approved for certain enhanced rates (net cost is therefore less)
  - Does not account for caseload or utilization growth, or new services

# Implementation and Cost Impact

- Average change in rate varies by service
  - Group Home + 4.9 percent (\$13.5 million)
  - Sponsored Placement - 0.4 percent ( - \$0.3 million)
  - Supported Living + 0.8 percent (\$0.1 million)
  - In-Home Residential Support + 30.5 percent (\$15.0 million)
  - Day Support + 11.3 percent (\$9.9 million)
  - Pre-Vocational Services + 8.0 percent (\$0.9 million)
  - Group Supported Employment - 3.7 percent ( - \$0.4 million)
  - Skilled Nursing + 109.7 percent (\$16.5 million)
  - Therapeutic Consultation + 58.2 percent (\$0.5 million)

# Issues of Interest – Northern Virginia Rates

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- Rate models for Northern Virginia and the rest of the State were set independently rather than using a fixed ‘premium’
  - For most rates, this approach resulted in Northern Virginia variances comparable to the current 15 percent premium
  - For some rate model factors there are significant cost differences (e.g., wages) while others have less significant differences (e.g., staff benefits, transportation)
  - Rest of State wage assumptions were reduced from the draft rate models, which increased the rate differences
- For most services, rate increases are slightly higher in Northern Virginia compared to the rest of the State

# Issues of Interest – Sponsored Placement

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- Proposed rate models would have reduced Sponsored Placement rates by 11 percent on average
  - After revisions made in response to comments, average rate would be nearly unchanged (anticipated reduction of 0.4 percent)
  - Individual rates will change by varying amounts, with some increasing and others decreasing
  - Overall, the average sponsored residential rate is expected to be greater than the average group home rate
- Rate model built based on a ‘stipend’ rather than a wage
  - Annual stipend paid to the sponsored home assumed in the rate models varies by level of need and ranges from \$30,000 to \$81,000 per member

# Issues of Interest – 344-Day Billing Policy

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- Rate models for residential services are constructed assuming a 344-day billing year
  - Estimated cost of service for a full 365-day year is calculated, \$36,500 for example
  - Rather than calculating a daily rate of \$100 (\$36,500 divided by 365 days), the cost is divided by 344, producing a rate of \$106.10.
  - This approach allows providers to be fully compensated (paid \$36,500) even if the member is occasionally absent
  - Since a provider is fully compensated after 344 billing days, they cannot bill more, even if the member is present for more days (because they have been paid for 365 days of service over the 344 billing days)

# Contact Information

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