

# **Developmental Services Payment Reform**

**Follow-Up to  
May 1 Presentation and  
Provider Feedback Session**

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**Revised July 22, 2024**

**BURNS & ASSOCIATES**

A DIVISION OF  
HEALTH MANAGEMENT ASSOCIATES

# PURPOSE OF TODAY'S MEETING

- Present additional detail to supplement May 1 and June 23 presentations
  - Reconciliation process
  - Crisis services
- Offer forum for provider feedback and questions
  - Highlight feedback to date
- Presentation does not cover draft rate models
  - Updates will be presented at August 6 meeting

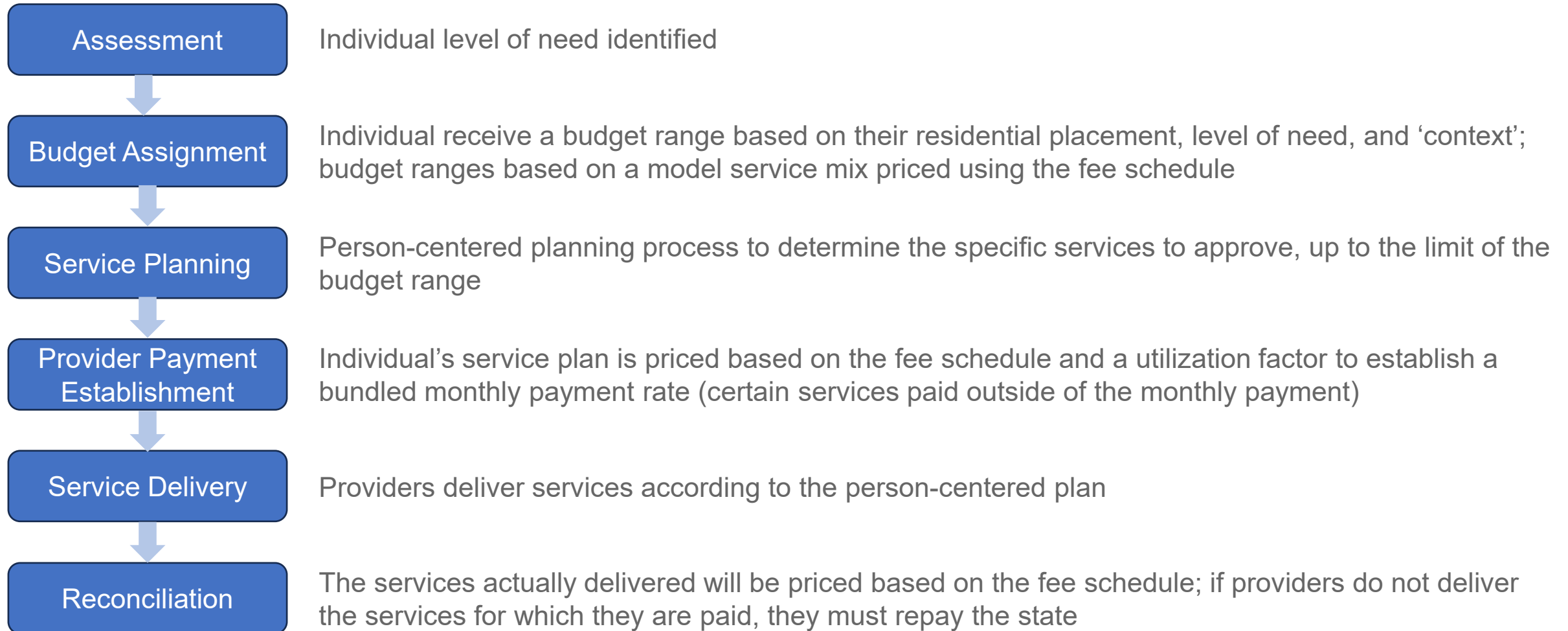
# ANALYSIS UPDATE

- HMA-Burns continues to evaluate encounter data, but has identified a number of reporting gaps
  - Example (Shared Living for a provider [showing six individuals, but pattern was true for all])

| Indiv. | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1      | -   | -   | 30  | -   | -   | -   | -   | -   | 7   | 30  | 31  | 30  |
| 2      | -   | -   | 30  | -   | -   | -   | -   | -   | 7   | 30  | 31  | 30  |
| 3      | -   | -   | 30  | -   | -   | -   | -   | -   | 7   | 30  | 31  | 30  |
| 4      | -   | -   | 30  | -   | -   | -   | -   | -   | 7   | 30  | 31  | 30  |
| 5      | -   | -   | 30  | -   | -   | -   | -   | -   | 7   | 30  | 31  | 30  |
| 6      | -   | -   | 30  | -   | -   | -   | -   | -   | 7   | 30  | 31  | 30  |

- HMA-Burns will impute encounters to fill these gaps (and will track these adjustments)
  - Affects analysis of overhead funding, utilization rates, and fiscal impacts

# PAYMENT REFORM COMPONENTS



# RECONCILIATION PROCESS

# PROVIDER PAYMENT: BUNDLED MONTHLY PAYMENT

- Providers will receive a monthly bundled payment covering most services for an individual based on that individual's service plan
  - Sum of services subject to the individual budget range plus Communication and planned Crisis services included in an individual's service plan priced based on the fee schedule
  - Annual total divided by 12 to establish monthly amount
- The bundled payment rate will be specific to each individual based on their service plan (that is, monthly payments will not be averaged across an organization)
- Providers must encounter one unit of service in a month to bill the bundled payment for that month
  - Once transitioned to the new payment model, providers will no longer need to suspend services when there is a gap in service usage

# PROVIDER PAYMENT: BUNDLED MONTHLY PAYMENT

- Because few individuals use their entire budget, a utilization factor will be applied
  - Intended both to ensure that providers are not faced with large paybacks every year and to facilitate responsible management of the program's budget
  - Providers can deliver services up to the amounts included in the service plan and will receive 'credit' for all encounters during reconciliation (***the utilization factor does not cap services***)
  - Currently assuming an 80 percent utilization factor, but may revise based on further analysis and stakeholder input
    - So, if the value of the approved service plan is \$60,000 (\$5,000 per month), the monthly payment will be \$4,000 (80 percent of \$5,000)
- The bundled payments will add a three percent 'flexibility factor' to provide resources to meet individuals' needs, to account for unexpected costs, and to support program investment
  - Funds will be automatically credited in addition to encountered services
  - Separate from risk corridor

# PROVIDER PAYMENT: BUNDLED MONTHLY PAYMENT – FEEDBACK

- Comment – Utilization factor should be 100 percent for residential services and 80 percent for other services
  - DAIL recognizes utilization of residential services will, overall, be higher than other services and is open to applying separate utilization factors for residential and non-residential services
    - Result would be different average utilization factors for each individual (based on the ratio of residential to non-residential services in each individual's service plan)
    - Evaluating the administrative processes that would be required
    - Considering appropriate non-residential factor and whether that may vary by provider
- Comment – Flexibility factor should be 10 percent given the number of services currently in the waiver that do not have an encounter code
  - DAIL continues to evaluate the appropriate flexibility factor, but does not anticipate a 10 percent factor
  - DAIL requests detail regarding covered services that providers believe lack an encounter code



# PROVIDER PAYMENT: SERVICES OUTSIDE THE BUNDLED PAYMENT

- Self-directed services will not be part of an agency's bundled payment
  - Services will be directly claimed by and paid to the fiscal/employer agent
- Professional services will be reimbursed on a fee-for-service basis
- Home modifications and vehicle modifications will be paid based on approved cost

# PROVIDER PAYMENT: SERVICES OUTSIDE BUNDLED PAYMENT - FEEDBACK

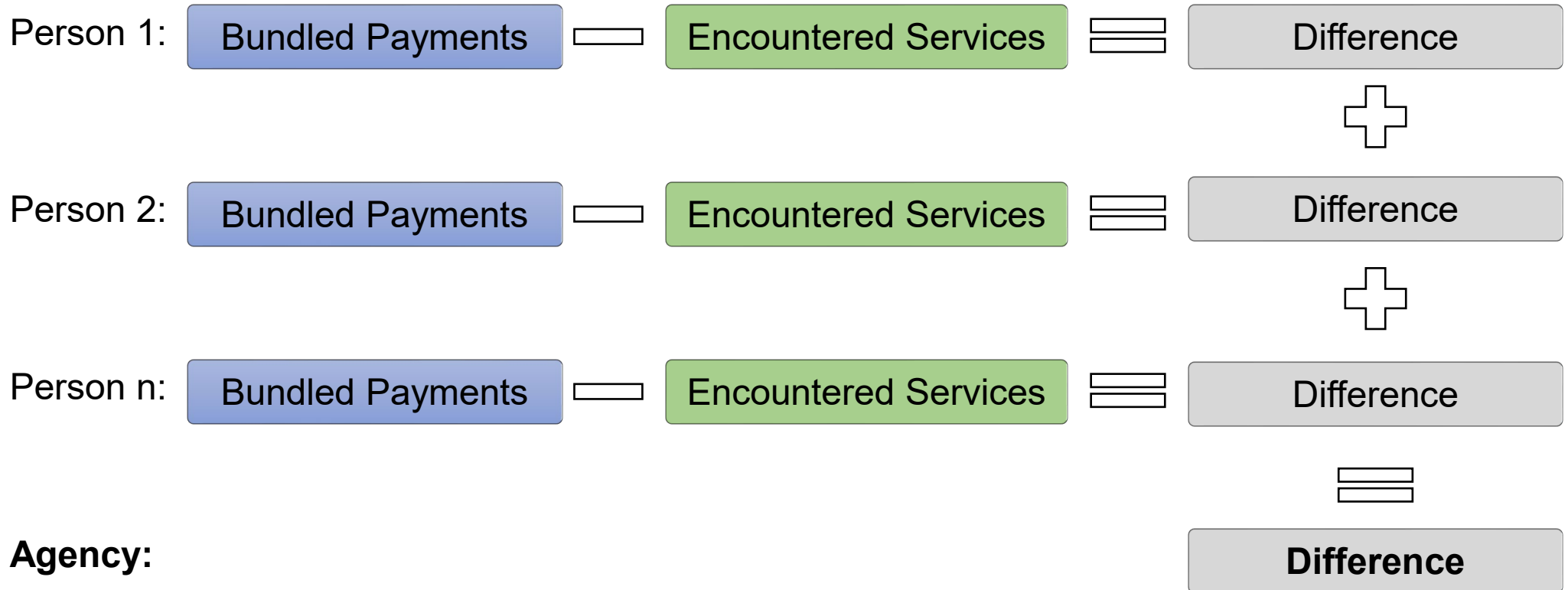
- Comment – Self-directed services should continue to be paid through DAs and SSAs, including when agencies provides training or oversight to a non-agency employee
  - DAIL will work with providers to create policies that would allow agencies to pause or discontinue services when there is a health or safety concern
- Comment – Service coordination should be a stand-alone, encounterable service rather than bundled into the rates for other services
  - DAIL continues to evaluate how best to account for costs associated with providers' current service coordination functions that will not transition to new case management agencies

## PROVIDER PAYMENT: EXAMPLE

|   | Example        |
|---|----------------|
| Services Subject to Individual Budget Range                                     | \$55,000       |
| Other Services in Bundle (Communication and Crisis)                             | \$5,000        |
| All Services Included in Bundled Payment  | \$60,000       |
| <b>Monthly Bundled Payment Before Utilization Factor</b>                        | <b>\$5,000</b> |
| Utilization Factor Adjustment   | 80%            |
| <b>Monthly Bundled Payment Before Flexibility Factor</b>                        | <b>\$4,000</b> |
| Flexibility Factor  | 3%             |
| <b>Total Monthly Bundled Payment</b>  | <b>\$4,150</b> |
| <b>Authorizations Outside Bundled Payment<br/>(Professional/ Modifications)</b> | <b>\$0</b>     |

# RECONCILIATION: SUMMARY

- Annual process to compare the services that were funded in the bundled payment rate to the services that were actually delivered



# RECONCILIATION: ENCOUNTERS

- Reconciliation period will be the state fiscal year
  - Encounters will be pulled 90 days after the end of the year
- Encounters considered in the reconciliation
  - Only services subject to the individual budget range (for example, professional services are not part of the reconciliation)
  - Must be part of an individual's service plan (that is, services that are not in the plan or that are not part of the plan will not be counted)
- Encounters will be priced based on the standardized fee schedule

# RECONCILIATION: ENCOUNTERS – FEEDBACK

- Comment – All encounters should be counted in the reconciliation, even if they are not part of an individual's service plan
  - Only services that are included in an individual's plan will be counted (no change)
    - If an individual's needs change during their plan year, they will need to work with their case manager to update their plan (policies and procedures to be developed)

# RECONCILIATION: SETTLEMENT

- Settlement will be determined at the agency level (based on the sum of the reconciliation for all individuals served)
- Settlement determination will include a two percent, ~~two-sided~~ risk corridor
  - If value of encounters are within the corridor (~~plus-or-minus~~) there is no reconciliation payment
    - For example, if a provider received bundled payments of \$4,000,000, there would be no payment owed ~~or made~~ if encounters total at least \$3,920,000 ~~and \$4,080,000~~
  - Separate from the flexibility factor, which is automatically credited and is not reconciled
- Settlements
  - If a provider delivers less service than funded through the bundled payments (after accounting for the two percent risk corridor), they must repay the state
  - If the provider delivers more service than funded through the bundled payments (~~after accounting for the two percent risk corridor~~) – meaning that services exceeded the utilization factor applied to the bundled payments) – the state will make a supplemental payment
  - Expect that any value-based payment will be part of the reconciliation

# RECONCILIATION: SETTLEMENT – FEEDBACK

- Comment – Risk corridor should not be two-sided (that is, providers should be credited for all services delivered)
  - DAIL agrees to this change
- Comment – Risk corridor should be 10 percent
  - Risk corridor is intended to account for some (minimal) encounter gaps and eliminate need for repayments when providers deliver close to the amount of approved services, not to pay for undelivered services
  - DAIL continues to evaluate the appropriate (one-sided) risk corridor, but does not anticipate a 10 percent allowance
- Comment – Vermont’s value-based models include a payment withhold, which means providers may not be fully paid
  - Any VBP model would be determined as part of the provider agreement process



# RECONCILIATION: MONITORING

- Reconciliation will occur annually, but the state and providers have a shared interest in monitoring payment and encounters throughout the year to avoid unforeseen reconciliation issues
- DAIL intends to develop a quarterly report to share with providers comparing their to-date payments and encounters
  - Goals is to supplement budget monitoring that providers should already be doing
  - If significant gaps are identified, payment adjustments may be necessary

# RECONCILIATION: EXAMPLE (WITH AMOUNT OWED TO STATE)

|   | Example 1         | Example 2       | Agency           |
|---|-------------------|-----------------|------------------|
| Services Subject to Individual Budget Range         | \$55,000          | \$55,000        | \$110,000        |
| Other Services in Bundle (Communication and Crisis) | \$5,000           | \$5,000         | \$10,000         |
| All Services Included in Bundled Payment            | \$60,000          | \$60,000        | \$120,000        |
| Utilization Factor Adjustment                       | 80%               | 80%             |                  |
| Flexibility Factor                                  | 3%                | 3%              |                  |
| <b>Total Bundled Payment</b>                        | <b>\$49,800</b>   | <b>\$49,800</b> | <b>\$99,600</b>  |
| <b>Encountered Services</b>                         | <b>\$35,000</b>   | <b>\$55,000</b> | <b>\$90,000</b>  |
| <b>Difference</b>                                   | <b>(\$14,800)</b> | <b>\$5,200</b>  | <b>(\$9,600)</b> |
| Flexibility Factor Add-Back                         |                   |                 | \$3,600          |
| Risk Corridor (up to 2% of Total Bundled Payments)  |                   |                 | \$1,992          |
| <b>Amount Due From (Owed to) State</b>              |                   |                 | <b>(\$4,008)</b> |

# RECONCILIATION: EXAMPLE (WITH AMOUNT DUE FROM STATE)

|   | Example 1        | Example 2       | Agency               |
|---|------------------|-----------------|----------------------|
| Services Subject to Individual Budget Range                   | \$55,000         | \$55,000        | \$110,000            |
| Other Services in Bundle (Communication and Crisis)           | \$5,000          | \$5,000         | \$10,000             |
| All Services Included in Bundled Payment                      | \$60,000         | \$60,000        | \$120,000            |
| Utilization Factor Adjustment                                 | 80%              | 80%             |                      |
| Flexibility Factor  | 3%               | 3%              |                      |
| <b>Total Bundled Payment</b>                                  | <b>\$49,800</b>  | <b>\$49,800</b> | <b>\$99,600</b>      |
| <b>Encountered Services</b>                                   | <b>\$47,800</b>  | <b>\$55,000</b> | <b>\$102,800</b>     |
| <b>Difference</b>   | <b>(\$2,000)</b> | <b>\$5,200</b>  | <b>\$3,200</b>       |
| Flexibility Factor Add-Back                                   |                  |                 | \$3,600              |
| <del>Risk Corridor (up to 2% of Total Bundled Payments)</del> |                  |                 | <del>(\$1,992)</del> |
| <b>Amount Due From (Owed to) State</b>                        |                  |                 | <b>\$6,800</b>       |

# MANAGEMENT OF PROGRAM BUDGET

- DAIL and HMA-Burns continue to estimate the fiscal impact of the payment reform proposals
  - If the current budget is inadequate to pay for estimated costs, DAIL will communicate the shortfall to policymakers
- If there is an estimated shortfall in the program's budget, the rates in the fee schedule will be prorated to remain within budget
  - For example, if the program budget is \$300.0 million, but projected spending is \$312.5 million, the fee schedule will be set at 96 percent of the rate models
  - Applies to calculation of bundled monthly rates and pricing of encounters during reconciliation
  - Only (unacceptable) alternative would be to reduce services

# MANAGEMENT OF PROGRAM BUDGET – FEEDBACK

- Comment – If the program's budget is inadequate to pay for estimated service levels and recommended rates, services to individuals should be reduced rather than scaling back payment rates
  - Fiscal estimates are still being developed and will be shared when complete
  - Next steps will then be evaluated

# CRISIS SERVICES

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- Statewide crisis
  - DAIL does not intend to change current approach
  - Funding will be added to individuals' budgets and credited during the reconciliation process without encounters
- Individual crisis
  - Rate models will be developed for emergency/ crisis beds (H0046) and emergency crisis/ crisis assessment, support, and referral (H2011)
- Local crisis
  - *Discussion: Are there costs that should be separate from the encounterable rates?*

**FEEDBACK AND QUESTIONS**