

Developmental Services Payment Reform

**Presentation of Proposed Fee Schedule**

– prepared for Dept. of Disabilities, Aging, and Independent Living –

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**TOPICS**

- Project Background
- Rate Model Components
- Proposed Rate Models
- Next Steps

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**PURPOSE OF TODAY'S MEETING**

- Presentation of proposed rate models
  - Ensure that providers and other stakeholders understand the rate models and related assumptions so that they can evaluate them and offer feedback
    - Comments will be accepted through July 19, 2019
    - DDS will review comments and the draft rate models may be modified as appropriate

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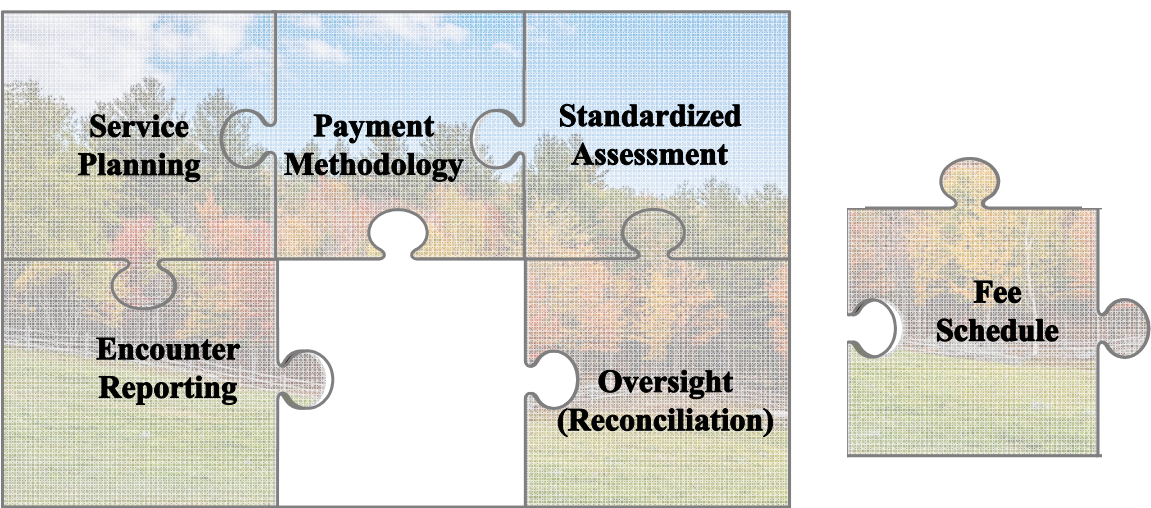
**PROJECT BACKGROUND**

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**WHY IS PAYMENT REFORM HAPPENING?**

- Tie payments to services actually provided
  - 2014 report from the State Auditor: “DAIL... cannot ensure that clients are receiving the planned services and that the payments being made reflect the services being performed”
  
- Ensure that Medicaid funds are being used for allowable services
  
- Align access to services with individual needs
  
- Accurately account for the cost of providing services

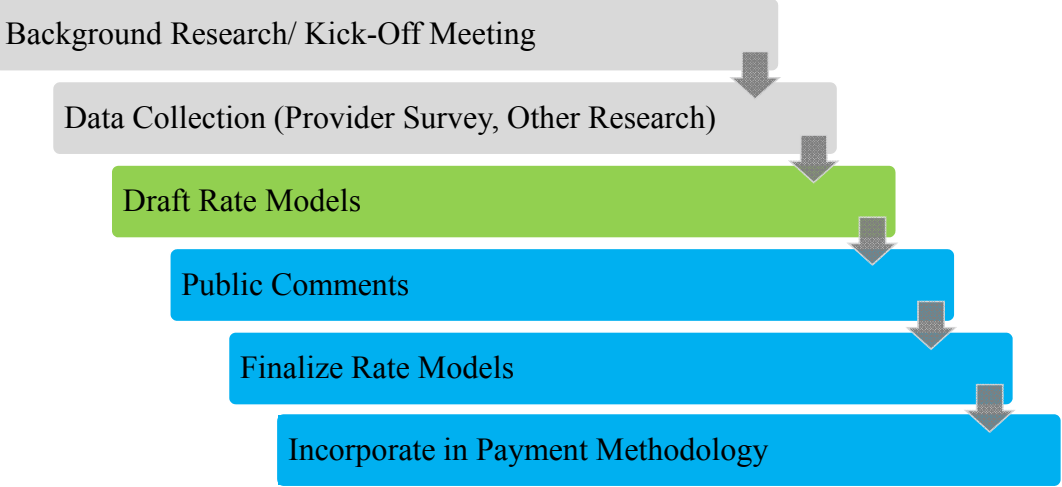
**ELEMENTS OF PAYMENT REFORM**



### HOW THE FEE SCHEDULE FITS INTO PAYMENT REFORM

- Fee schedule will *only* be implemented as part of broader payment reform
  - Payment methodology has not been decided
  - But, fee schedule will be used to assign a cost to services included in any individual budget and to value encounters
  
- The fee schedule is *not* intended to impact service planning

### RATE STUDY PROCESS



RATE MODEL COMPONENTS

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RATE MODEL STRUCTURE

	DSP Wages	
+	DSP Benefits	Rate model assumptions are not mandatory for service providers
+	DSP 'Productivity' (billable hours)	
+	Program-Specific Factors (e.g., staffing ratio, facility, mileage)	
+	Program Support (e.g., supervision, quality assurance)	
+	Administration	
=	<b>Total Fee</b>	

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### WAGE ASSUMPTIONS

- Uses BLS wage data
  - *Comprehensive.* Wage levels are published for more than 800 occupations based on data from 1.2 million establishments representing 57% of the employment in the United States
  - *Cross-industry.* It is not limited to a single industry so estimates for a given occupation are representative of the overall labor market
  - *Regularly updated.* Released once per year – in late March for the previous May (so most recent data published in March 2019 reflects May 2018 survey data)
  - *State- (and local-) specific.* Data is published for individual states and sub-state regions ('metropolitan statistical areas')
- Each BLS wage value received the larger of two adjustments
  - All wage values less than \$14 per hour were revised to \$14
  - Added inflation since BLS dataset reflects May 2018
- See Appendix A of the rate model packet

### WAGE ASSUMPTIONS (CONT.)

- Most HCBS do not have one-to-one match with BLS occupations
  - Rate model wage assumptions reflect a weighted mix of BLS occupations based on comparison of service requirements and BLS occupational descriptions
    - Example: Direct Support Professional

BLS Standard Occupational Classification	Weighting	Median Wage (Adjusted)
39-9021 Personal Care Aide	40%	\$14.00
31-1011 Home Health Aide	20%	\$14.00
31-1013 Psychiatric Aide	20%	\$17.73
39-9032 Recreation Worker	20%	\$14.00
<b>Weighted Avg. (Rate Model Assumption)</b>		<b>\$14.75</b>

### PAYROLL TAX AND FRINGE BENEFIT ASSUMPTIONS

- Benefits vary for full-time and part-time staff
- Benefit assumptions for direct care staff
  - Annual paid days off (holiday, vacation, and sick leave) – FT: 35 / PT: 14
  - Health insurance – FT: \$400.00 per month (based on an assumed employer cost of \$500.00 for an employee-only plan with an 80% take-up rate) / PT: \$0
  - Other benefits (e.g., retirement, dental, etc.) – FT: \$200.00 per month / PT: \$50.00 per month
- Payroll taxes
  - Social Security and Medicare payroll
  - Unemployment Insurance
    - Federal tax at 0.60% on first \$7,000 in wages
    - State tax at 1.00% (new employer rate in 2019) on first \$17,600 in wages
  - Workers' compensation: 2.00% of wages
- See Appendix B of the rate model packet

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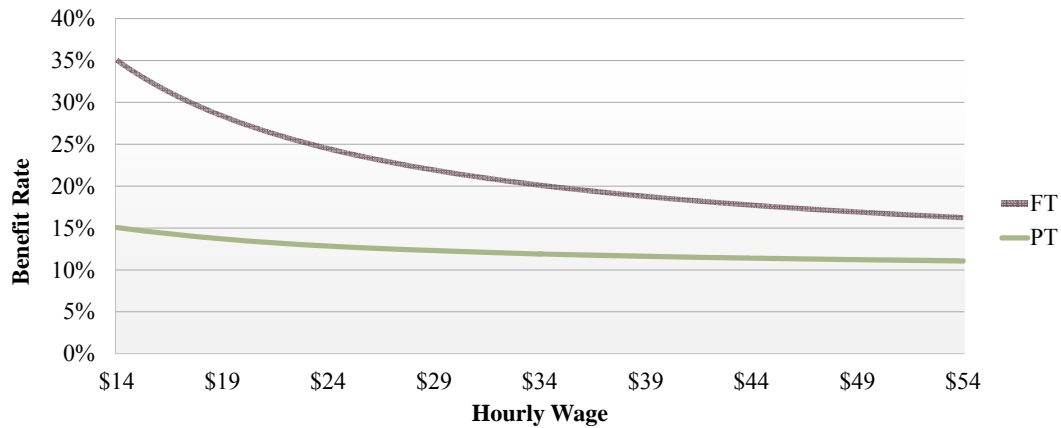
### PAYROLL TAX AND BENEFIT ASSUMPTIONS (CONT.)

- Benefit assumptions are translated to benefit rates by wage level
  - Rate models include the same benefit assumptions for all direct care staff
  - Weighted by full-time / part-time status
    - Paraprofessional staff assumed to be 80 percent are full-time; professional staff assumed to be 100 percent full-time
  - Paid time off is treated as a productivity adjustment (reduction in billable hours) rather than calculated as part of the benefit rate
  - Since certain benefit assumptions are fixed the benefit rate declines as the wage increases
    - For example, the \$400.00 assumed for health insurance represents a larger percentage of the wage of someone making \$15 per hour than for someone earning \$50 per hour

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### PAYROLL TAX AND BENEFIT ASSUMPTIONS (CONT.)

- Benefit rate assumed in rate models, by wage level (excludes paid time off)



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### PRODUCTIVITY ASSUMPTIONS

- See Appendix C of the rate model packet
- 'Productivity adjustments' are intended to recognize costs associated with direct care workers' non-billable responsibilities
  - Non-billable activities include training, travel, documentation, employer time (e.g., staff meetings), etc.
  - Example
    - An employee earning \$15 per hour (wages and benefits) and working 40 hours per week is paid \$600 per week
    - However, if the employer can only bill for 30 hours per week, a productivity adjustment of 1.33 is required (work hours divided by billable hours)
    - Thus, the agency must be able to bill \$20 per service hour (\$15 multiplied by 1.33) to cover the cost of the wages and benefits

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### PRODUCTIVITY ASSUMPTIONS (CONT.)

- Assumptions vary by service and are detailed both in Appendix C and the rate models themselves
- General standards
  - All services include 280 annual hours for paid time off for full-time staff and 112 hours for part-time staff (based on the 35 / 14 days noted in the benefits assumptions section)
  - DSP-type services generally include 48 annual hours for training
  - All services include 1.00 hour per week for supervision and other employer time
- Other assumptions are more variable across services

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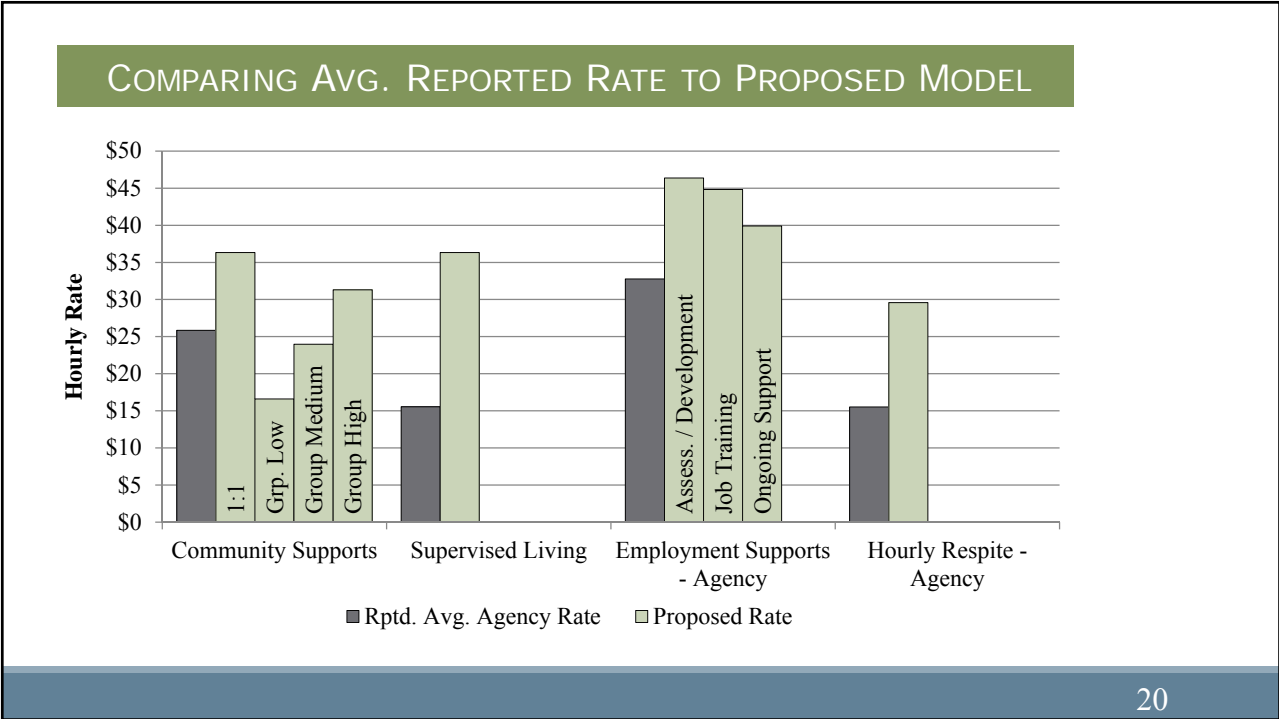
### ADMINISTRATION AND PROGRAM OPERATIONS

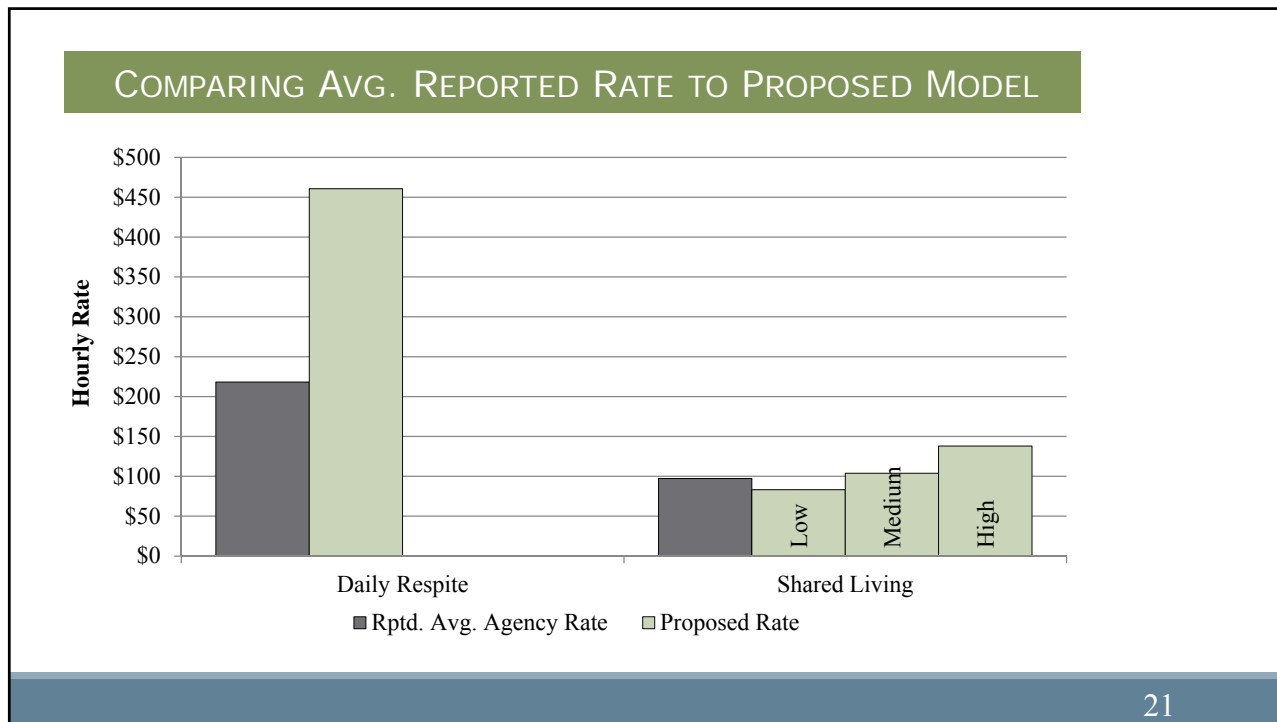
- Rate models include funding for agency administration and program operations expenses
  - Administration funds activities that are not program-specific
    - Examples include executive management, accounting, human resources
    - Funded at 10 percent of total rate
  - Program operations funds activities that are program-specific, but not billable
    - Examples include supervision, training, and program development
    - Funded at 10 percent of total rate

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PROPOSED RATE MODELS

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- ### SELECT FEATURES OF PROPOSED RATE MODELS
- Some services have ‘multi-staff’ or ‘multi-person’ rates
    - Multi-staff rates include a small discount to account for efficiencies
    - Multi-person rates Includes a small premium to recognize additional costs
  - Consumer-directed rate models
    - As applicable, model values will be used in constructing budgets in any payment methodology
    - Individuals will continue to negotiate their own rates
    - Any reconciliation would be based on actual rates
  - Tiered rates will be based on standardized assessment
    - Group community supports and shared living
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**SELECT FEATURES OF PROPOSED RATE MODELS (CONT.)**

- Service coordination
  - Monthly rate
    - One option with a 15-person caseload assumption based on mix of individuals with varying levels of need
    - Another option with ‘tiered’ rates with higher rates for persons with greater needs
  - Encounters will be reported on a 15-minute basis
- Employment supports
  - Rates vary for different activities based on differing wage and/or productivity assumptions

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**SELECT FEATURES OF PROPOSED RATE MODELS (CONT.)**

- Staffed living and group living
  - Hourly rate model
  - Number of hours will be negotiated on a home-by-home basis
  - Total cost (number of hours x hourly rate) will be equally divided across residents of the home and billed on a per diem (daily) basis
- Clinical services
  - Rates vary based on staff qualifications
- Crisis services
  - Rate models to be developed after additional discussion and analysis

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NEXT STEPS

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**PUBLIC COMMENTS**

- Comments on the fee schedule and draft models are being accepted through July 19
- Email [DSPaymentReform@burnshealthpolicy.com](mailto:DSPaymentReform@burnshealthpolicy.com)
- Commenters are encouraged to be specific and may provide supporting documentation

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## IMPLEMENTATION

- Rate models will only be implemented as part of overall payment reform
  - Used to value services in any budget in the payment methodology
  - Used to value encounters when performing any reconciliation

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## CONTACT INFORMATION

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