Developmental Services Payment Reform

Updates to Proposed Fee Schedule and Bundled Payment Model in Response to Comments

August 6, 2024

BURNS & ASSOCIATES
A DIVISION OF
HEALTH MANAGEMENT ASSOCIATES

PURPOSE OF TODAY'S MEETING

- Present changes to initial recommendations made in response to stakeholder feedback
  - Updates to bundled payment model
  - Updates to fee schedule rate models
  - Initial fiscal impact modeling
- Feedback Process
  - Draft fee schedule rate models and payment model presented to providers on May 1
    - Feedback sessions held on June 3 and July 22
  - Information shared with other stakeholders
  - Feedback sent to DAIL and/or HMA-Burns
- Stakeholders will have an additional opportunity to comment on the final recommendations as part of the standard Public Comment process to update Medicaid standards

PAYMENT REFORM BACKGROUND
[MAY 1 PRESENTATION]

- DS Payment Reform project began in January 2018
- Goals
  - Equity (in terms of access to services, payment rates, etc.)
  - Accountability (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”)
  - Flexibility
  - Transparency
- Key elements
  - Use of standardized assessment
  - Use of a standard fee schedule
  - Person-centered planning
  - Submission of claims or encounters

PAYMENT REFORM COMPONENTS
[MAY 1 PRESENTATION]

Assessment	Individual level of need identified
Budget Assignment	Individual receive a budget range based on their residential placement, level of need, and 'context'; budget ranges based on a model service mix priced using the fee schedule
Service Planning	Person-centered planning process to determine the specific services to approve, up to the limit of the budget range
Provider Payment Establishment	Individual's service plan is priced based on the fee schedule and a utilization factor to establish a bundled monthly payment rate (certain services paid outside of the monthly payment)
Service Delivery	Providers deliver services according to the person-centered plan
Reconciliation	The services actually delivered will be priced based on the fee schedule; if providers do not deliver the services for which they are paid, they must repay the state

UPDATES TO BUNDLED PAYMENT MODELS

BUNDLED MONTHLY PAYMENT
[JUNE 3 PRESENTATION]

- Providers will receive a monthly bundled payment covering most services for an individual based on that individual's service plan (that is, the payment will be specific to the individual)
  - 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

BUNDLED MONTHLY PAYMENT: UTILIZATION FACTOR
[JULY 22 PRESENTATION]

- Proposal: 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 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 encountered services covered by the service plan during reconciliation (***the utilization factor does not cap services***)
- Feedback: Factor should be 100 percent for residential services and 80 percent for other services
- Updates:
  - DAIL 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

BUNDLED MONTHLY PAYMENT: UTILIZATION FACTOR (CONT.)

- Additional analysis and discussion needed to determine appropriate utilization factor for non-residential services
  - Current utilization of budgeted non-residential services is about 50 percent
    - Example: 60,000 hours delivered / 120,000 hours authorized = 50 percent utilization
  - Delivery of 50 percent of budgeted services is likely not the desired target
- If either budgeted services or delivered services change, utilization factor would change
  - If services are over-budgeted, tighter authorizations would reduce excess hours
    - Example: 60,000 hours delivered / 80,000 hours authorized = 75 percent utilization
  - If services are under-delivered, increasing services would reduce undelivered supports
    - Example: 84,000 hours delivered / 120,000 hours authorized = 70 percent utilization

SELF AND/OR SURROGATE MANAGED SERVICES

- Proposal: Funds associated with self and/or surrogate managed services will not flow through the agencies, but will be billed directly by the F/EA (as in other programs)
- Feedback: Agencies stated they need to continue to manage these funds due to their responsibilities for overseeing these staff
- Updates:
  - Funds associated with self and/or surrogate managed services will be included in the bundled payment to agencies
  - Self and/or surrogate managed services will be valued at actual cost in the reconciliation
  - If individuals need assistance with managing these services, they can choose to receive Supports Broker services from their agency
  - Service coordination activities that are not Supports Broker can be encountered and will be part of the evaluation of service coordination funding (discussed later in this presentation)

FLEXIBILITY FACTOR

- Proposal: Bundled payments will include an added three percent ‘flexibility factor’
  - Intended to provide resources to meet individuals’ needs, to account for unexpected costs, and to support program investment
  - Automatically credited as part of the reconciliation and is not reconciled
- Feedback: Add-on amount should be larger
- Updates:
  - Flexibility factor increased to five percent of total budgeted services
  - In combination with the risk corridor, up to eight percent of payments to providers will not be tied to any service delivery

RISK CORRIDOR

- Proposal: Annual settlement will include a two percent, two-sided risk corridor (so there would be no reconciliation payment if value of encounters are within two percent of bundled payments)
  - Intended to account for some (minimal) encounter gaps and eliminate need for repayments when providers deliver close to the amount of approved services
- Feedback: Risk corridor should not be two-sided (providers should be credited for all services delivered), the percentage should be larger, and the percentage should be calculated based on the full budget rather than the paid amount
- Updates:
  - Risk corridor to be one-sided (no downside risk for provider, as shared in July 22 meeting)
  - Risk corridor increased to three percent
  - Risk corridor amount to be calculated based on individuals' total budgets rather than the bundled payments

RECONCILIATION: ENCOUNTERS
[MAY 1 PRESENTATION]

- Providers will be asked to submit final encounters within 90 days of 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 exceed the plan will not be counted)
- Encounters will be priced based on the standardized fee schedule

RECONCILIATION: ENCOUNTERS – FEEDBACK
[JULY 22 PRESENTATION]

- Feedback: All encounters should be counted in the reconciliation, even if they are not part of an individual's service plan

- Updates: 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: 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	5%	5%	
Total Bundled Payment	**$51,000**	**$51,000**	**$102,000**
Encountered Services	**$35,000**	**$55,000**	**$90,000**
Difference	**($16,000)**	**$4,000**	**($12,000)**
Risk Corridor (up to 3% of Total Budgeted Services)			$3,600
Flexibility Factor Add-Back			$6,000
Amount Due From (Owed to) State			**($2,400)**

* Factor shown for illustrative purposes, residential and non-residential utilization factors still to be determined

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	5%	5%	
Total Bundled Payment	**$51,000**	**$51,000**	**$102,000**
Encountered Services	**$47,800**	**$55,000**	**$102,800**
Difference	**($3,200)**	**$4,000**	**$800**
Risk Corridor (up to 3% of Total Budgeted Services)			-
Flexibility Factor Add-Back			$6,000
Amount Due From (Owed to) State			**$6,800**

* Factor shown for illustrative purposes, residential and non-residential utilization factors still to be determined

RECONCILIATION: MONITORING
[MAY 1 PRESENTATION]

- Reconciliation will occur annually, but the state and providers have a shared interest in monitoring payments 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

UPDATES TO FEE SCHEDULE RATE MODELS

ROLE OF FEE SCHEDULE WITHIN PAYMENT REFORM
[MAY 1 PRESENTATION]

- In general, providers will *not* be paid on a fee-for-service basis

- Uses of the fee schedule
  - Price service plans to determine individual budgets
  - Price encounters as part of the reconciliation process

- Fee schedule will *only* be implemented as part of broader payment reform

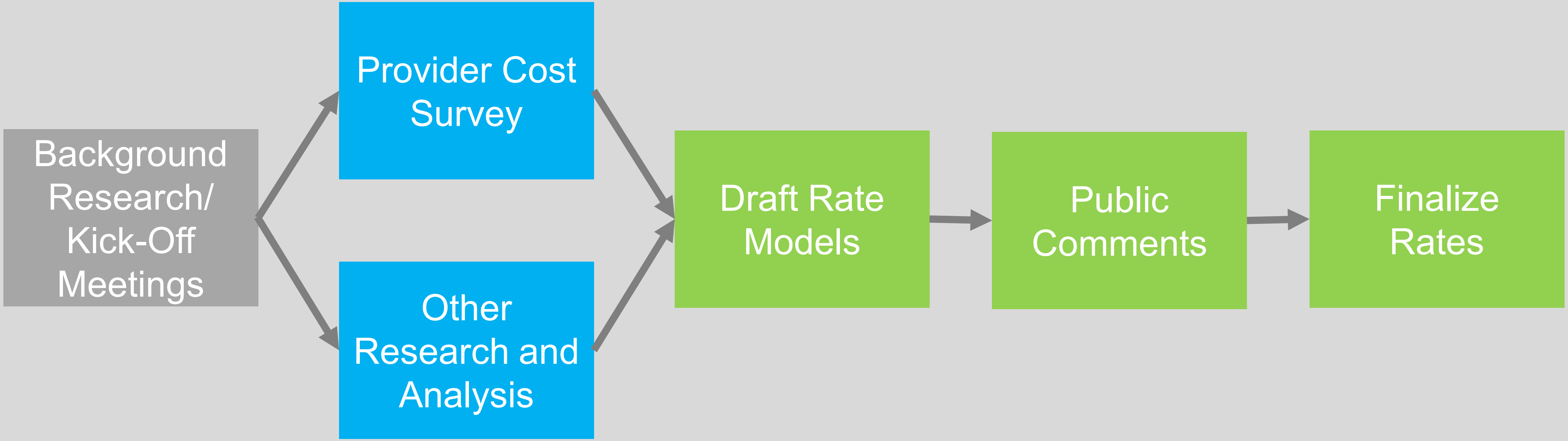
RATE STUDY PRINCIPLES
[MAY 1 PRESENTATION]

- Principles in payment reform project charter
  - Data-based
  - Collaborative
  - Transparent, understandable, accountable
  - Scalable, administrable, sustainable
  - Support access to quality services

RATE STUDY PRINCIPLES (CONT.)
[MAY 1 PRESENTATION]

- Use ‘independent’ rate-setting process
  - Looking at data from multiple sources (i.e., not dependent on any single source of information)
- Develop rates that reflect the reasonable costs providers incur to deliver services consistent with the state’s requirements and individuals’ service plans
- Build on work previously completed
  - Developed draft rates in late 2019, but work was suspended due to the pandemic and enough time has passed that the work must be redone
- Review rates without regard to budgetary considerations
  - Available funding will need to be considered as part of implementation planning
  - Changes that would increase overall spending would require additional funding
- Exceptions will be required in some cases

RATE STUDY PROCESS
[MAY 1 PRESENTATION]



RATE MODEL STRUCTURE

DSP Wages

\+ DSP Benefits

\+ DSP 'Productivity' (billable hours)

\+ Program-Specific Factors (e.g., staffing ratio, facility, mileage)

\+ Program Support (e.g., supervision, quality assurance)

\+ Administration

= **Total Fee**

Rate model assumptions are *not* mandatory for service providers (e.g., providers do not need to pay the exact wage assumed in a rate model)

SERVICE COORDINATION

- Proposal: With the transition to conflict-free case management, costs of coordination activities unrelated to case management are incorporated in the rates for all other services
  - Assumes 60 percent of current service coordination work is unrelated to case management
- Feedback: Service coordination funding should not be tied to direct services and less time should be assumed to be associated with case management functions
- Updates:
  - No change to inclusion of service coordination costs in the rate models for other services
  - Providers will continue to submit encounters for service coordination based on a new definition that excludes case management tasks
    - Service coordination will not be part of reconciliation since costs are part of rates for other services
    - The value of service coordination encounters (based on existing rate) will be compared to the amounts assumed in payments for other services (i.e., five percent of other rates)
    - DAIL will consider prospective adjustments after the first annual reconciliation

SERVICE COORDINATION (CONT.)

- Example of measuring adequacy of service coordination funding
  - Provider encounters $10.0 million of services for which the applicable rate models include the five percent service coordination factor
    - Equates to $500,000 in "funded" service coordination ($10.0 million x 5 percent)
  - Provider encounters 32,000 units (8,000 hours) of service coordination
    - Equates to $476,560 in "delivered" service coordination services (32,000 x $14.89)
  - Funded service coordination will be compared to encountered services
    - Does not affect reconciliation (no upward/ downward adjustments will be made if encountered service coordination exceeds/ falls short of funded amount)
    - If there are significant differences in funded and delivered service coordination, DAIL will consider adjusting the amount assumed in the rate models for service coordination (i.e., the five percent assumption may be increased or decreased)

DIRECT SUPPORT STAFF: WAGE FLOOR

- Proposal: Providers will be required to pay staff at least $18 per hour

- Feedback: $18 per hour is not an adequate wage for direct support professionals

- Updates: No change, the rate models assume an average DSP wage of $22.81
  - The recommendation intends to establish a minimum threshold for DSP wages while maintaining flexibility for providers
  - The wage floor does not require providers to start staff at $18 per hour

DIRECT SUPPORT STAFF: OVERTIME

- Proposal: Rate models did not include any provision for overtime hours
- Feedback: Rate models should account for overtime worked by direct support staff
- Updates: Overtime has been added to direct support rate models
  - Models assume five percent of full-time staff work hours are in overtime status (after accounting for part-time staff, models assume that 4.4 percent of all direct support work hours are in overtime status)

PAYROLL TAX AND FRINGE BENEFITS ASSUMPTIONS
[MAY 1 PRESENTATION]

- See Appendix B of the rate model packet
- Payroll taxes
  - Social Security and Medicare – 7.65 percent of wages
  - Unemployment Insurance
    - Federal – 0.60 percent on first $7,000 in wages
    - State – 1.00 percent (new employer rate in 2024) on first $14,300 in wages
  - Workers' compensation – 3.01 percent of wages
- Fringe benefits
  - Annual paid days off (holiday, vacation, and sick leave) – FT: 30 / PT: 2.5 (sick leave only)
  - Health insurance – FT only: $575 per employee per month (based on an assumed 65.4 percent take-up rate across a mix of plan types and an assumed employer cost of $880 per participating employee)
  - Other benefits (e.g., retirement, dental, etc.) – FT: $250 per month / PT: $50 per month

PAYROLL TAX AND FRINGE BENEFITS ASSUMPTIONS (CONT.)

- Feedback: Assumptions should be increased for health insurance, other benefits, and paid time off; child care tax should be added
- Updates:
  - Child care tax added to benefit costs at 0.44 percent of wages (no assumed employee contribution)
  - Updated health insurance assumptions – incorporated newer Medical Expenditure Panel Survey data, increased assumed cost growth, and reduced implicit employee contribution
    - Increases assumption to $745 per employee per month for all staff, including non-participating employees (assumed cost per participating employee is $1,117)
  - Increased paid holidays from 10 to 12
  - No changes to other benefits as assumptions in-line with data reported by providers

ADMINISTRATION COST ASSUMPTIONS

- Proposal: Rate models include a total of 12 percent of the total rate for administration
- Feedback: Rate models should include more administrative funding to account for rising costs
- Updates: Administrative rate increased to 15 percent

INITIAL FISCAL IMPACT MODELING

INITIAL FISCAL IMPACT ESTIMATES

- A review of encounter data suggests gaps in reporting (e.g., providers missing entire months of reporting for some services)
  - Analysis has imputed approximately $19 million in unreported services
  - Likely an underestimate

- Based on fiscal year 2023 service levels, proposed payment model would modestly increase overall spending (plus-or-minus five percent)
  - Analysis continues, particularly related to potential impacts on service utilization (which may further increase the estimated cost)

FEEDBACK AND QUESTIONS