

**DDS Legislative Rate Study Advisory Committee Report  
Executive Summary – January, 2011**

**Purpose of the Study**

Section 57 of Public Act 09-3(SSS) and Section 4-1a of the Conn. General Statutes was signed into law effective October 1, 2009. This Act establishes an **Advisory Committee for Services under Programs Administered by the Department of Developmental Services (DDS)**. The committee is charged with **studying the impact of the proposed shift to attendance-based, fee for service reimbursement for DDS funded programs.**

The funding structure for DDS is driven by the Federal Medicaid Home and Community Based Services (HCBS) Waiver (further referred to as the “waiver”). This federal waiver program matches state funds expended for qualified services. DDS generates 50% federal reimbursement to the General Fund, the highest available to Connecticut based on federal formulas, for these services. According to the June, 2009 Management Information Report, DDS generated \$392.37 million in revenue from waiver services.

**Conclusions of the Study**

- **The existing DDS payment system is incompatible with the federal Centers for Medicaid and Medicare (CMS) requirements for the Home and Community Based Waiver Services.** Waiver regulations require that states have: a) uniform rate setting methodology for service models; b) that states pay only for services actually delivered; and c) that states afford service recipients freedom of choice between service providers in order for the state to qualify for federal reimbursement.  
**Connecticut’s existing payment system does not meet any of these three criteria and places the state at risk of federal recoupment of funds and/or loss of future reimbursement.**
- **DDS funding history has resulted in a wide disparity and inequity in rates for the same services.**
- The report finds that **the Level of Need (LON) screening tool that is currently in use, if used correctly, is a valid tool to measure individual level of need.** Level of need should remain a major focus since it is tied directly to rates and has the most impact on funding. A longitudinal review is recommended to test system integrity over time.
- **The waiver requires that states have a utilization (attendance) based funding system.** That is, it requires that states pay only for services actually delivered. DDS initiated attendance-based payments for all funded day program contracts effective 2/1/10. Based on the limited history and data available to assess the impact of the attendance-based system, **the report finds that while a 90% attendance factor may be “reasonably attainable” it is not an indication of financial viability.** Attendance is only one factor of many to consider in the overall waiver implementation.

- **The report finds that DDS does not have Information Technology systems currently in place to effectively manage the documentation and system requirements to meet waiver assurances.** DDS has prepared an Advance Planning Document (APD) grant application to the Centers for Medicare and Medicaid requesting funding to develop the data applications of a management information system needed to meet the waiver requirements. An approved ADP will assure a 90% federal reimbursement for all IT development costs and 75% federal reimbursement for ongoing system maintenance. **However, even if approved, the new system would not be available for 3-5 years. An immediate investment is critical to help bridge the gap.**

### **Study Recommendations**

- Adopt uniform rates through a five year transition plan beginning on July 1, 2011 with DDS funded day services and continuing with DDS funded residential services the following year.
- Convene a waiver workgroup with members with subject matter expertise to focus on the key variables identified in the rate study report.
- Continue the responsibilities of the Legislative Rate Study Advisory Committee to oversee and monitor the conversion. The Rate Study Advisory Committee would be responsible to and report regularly to the legislative committees of cognizance.
- Include provisions in the transition plan to increase funding to established rates for providers below those rates.
- Ensure waiver rates are tied to and based on a measurable inflation index.
- **Ensure funding appropriations recognize the existing rate disparity. Reallocate funds realized from the naturally occurring reduction in state services to the private sector to increase rates and mitigate the impact on community providers.**
- **Invest in the IT infrastructure to create a viable, state of the art management information system that would provide comprehensive data management for the public and private sector.**
- **Ensure that the implementation of future appropriations takes into account the funding disparities and, wherever possible, mitigates them.**
- Convene a public and private workgroup to explore ways to effectively manage data over the next 3-5 years to meet requirements and to maximize federal reimbursement.

### **Study Implications**

DDS funding for services is driven by the federal Medicaid Home and Community Based Services (HCBS) Waiver. DDS currently operates under two federal waivers and has applied for a third waiver. This federal waiver program matches state funds expended for qualified services. DDS generates 50% federal reimbursement to the General Fund, the highest available to Connecticut based on federal formulas, for these services.

Currently, DDS receives nearly \$400 million in federal reimbursement. With the introduction of new waiver services there is a potential for an additional \$5.5 million in federal reimbursement funds in the near future. The existing DDS payment system is incompatible with the federal (CMS) requirements for waiver services and places the state at risk of federal recoupment of funds and/or loss of future reimbursement.

The risks of a failure to act to ensure compliance will result in a loss of millions of dollars in federal reimbursement, increase costs to the state, and jeopardize services to people with disabilities, their families, and the provider network that supports them.