

## **RATE SYSTEM OVERVIEW**

The Department of Developmental Services has worked with the private sector in the planning, development and evaluation of the transition to a Fee-for-Service system since 2005. The Waiver Work Group, which is a collaborative effort with the private sector, has been instrumental in the research of other state's waiver implementation, reviewing the rate methodology, analyzing the effects of the Level of Need and the rates on current services, and establishing a transition timeline. Through the effort of the Waiver Work Group, the original rate methodology was revised numerous times, a staffing modifier was implemented to address those individuals who require intensive supports, and an additional transportation rate was developed for non-ambulatory individuals.

Our reasons for adopting a rate-based methodology are to assure fairness and equity in the distribution of public resources to consumers, allow consumers freedom of choice among providers without financial penalty, maximize the resources available to the department and to address the disparity of rates in the private sector. Rates and utilization-based billing is an approach that has been used for many years for procuring services. This approach is consistent with the general direction of services nationally that are funded through the Home and Community Based Services (HCBS) waiver.

DDS is moving towards an attendance based reimbursement system for all supports provided to our consumers. This has been instituted for all new graduate and age out service authorization since 2005. Under our current contract model, the DDS billing unit uses attendance data to ensure our bills for the HCBS Waiver included only days of services provided. The supports provided through the master contract are scheduled to be transitioned to this new payment system in July 2009.

It has been determined that there is a direct relationship between providers, the fiscal intermediaries and the State under the Fee for Service reimbursement system. Most of the requirements outlined in the contract would continue. Additionally retaining the contract would provide more flexibility to provide one-time support and implement new initiatives such as the extra training opportunities for job developers and job coaches. Therefore, DDS, in consultation with the Provider Council, has decided to maintain the contract system for providers with funding allocations over \$100,000. The contract will establish the procurement framework and provide a maximum amount a provider can be reimbursed. Regions will authorize services to people based on established rates. Consumers will choose the provider who can best meets their support needs and the region will issue an authorization for services to the provider. The maximum financial amount of the contract will exceed the provider's annualized reimbursement by a set percentage to allow for additional services over the year and to minimize the number of amendments. While we continue to work on the details, this framework should be simpler to implement for both the provider community and DDS.

For **Group Day programs**, the Department will establish per diem rates. The rates are designed in a series of equal steps. Each step is based on estimated staffing ratios. The level of need tool will determine a rate based on the staff supports required to meet the individual's needs. The graduated steps were developed to correspond to the increased staffing ratios. This approach eliminates the staffing modifier as a separate calculation and billing requirement.

Transportation will utilize the same step values. The number of miles will determine how many additional steps will be added to the rate determined by the Level of Need. This approach eliminates transportation as a separate calculation and billing requirement. It creates a per diem rate that will be inclusive of the staff modifier, and transportation costs. The rate will be based on seven hours of day service staffing used to provide a program of at least 6 hours. Transportation is exclusive of the day program time. Reimbursement will be based on a per diem rate.

For people who receive less than six hours a day of day service program they will be paid on an hourly rate that is prorated based on the per diem rates.

DSO and Group Supported Employment will have the same rates. Although the group supported employment rates are based on historically lower costs, the Department has lowered the attendance factor to provide five vacation days. This attendance calculation creates a mandatory one week vacation for our group supported workers. This approach eliminates any financial incentive to provide non-work programs and will make it easier for people to change services since the funding would not change.

**Supported Employment to Individuals** will be paid based on the standard per hour rate based on 15 minute increments. If transportation is provided it will be billed separately on a per mile basis.

We are still working on connecting the funding to an individual's **Level of Need**. Discussions with the waiver work group and other stakeholders will continue to refine the process of connecting the Level of Need tool with the rate levels. The data from the revised LON is currently being analyzed so that specific rates can be assigned to people and providers can fully review the impact. Sample data for over 1,400 people has been shared with the providers and by May 1 all the data should be available.

There will be a **transition period** when provider payments will take into account historical funding levels so as not to create a precipitous change in funding. On July 1, 2009 all day providers will be reimbursed based on actual attendance. Utilizing the new web based attendance program, DDS will calculate the monthly amount and reimburse providers through the normal electronic fund transfers or check process. In order to maintain a positive cash flow and enable the provider to adequately plan for future expenditures, the first payment will be based on the normal 1/12 contract amount. Thereafter, reimbursement will be based on the previous month's attendance. For example, the August 2009 payment for July expenses will be based on the normal 1/12

contract amount. The September payment will be adjusted based on July attendance. A settlement process will occur whenever an individual leaves the agency. A **Transition Floor** will provide added protection for providers who are below the rates if their utilization is below 90%. In an analogous manner, a **Transition Ceiling** will provide a limit on the payments to providers who are being allowed a transition payment above the rates and have utilization over 90%

One of the questions that have come up is how **cost settlement** will occur. There is no cost settlement for providers paid at or below the fee for service rates. For providers with a surplus who are paid at or above the established Fee for Service rates, excess funds will be recouped. If the surplus is larger than the difference between the established Fee for Service rates and provider reimbursement, only the amount above the rates will be recouped. Contract language is being drafted to detail these changes.

This approach will be a major step in equalizing DDS' treatment of providers. If there are unanticipated saving from these changes they will be used to bring low rate providers up toward the rates helping to address historical disparities.

For **Individualized Home Supports (formerly SL)** a subgroup of the waiver workgroup is looking at methodology changes to address some of the issues that providers have raised with the single standard rate. We anticipate there may be some additional rates established to take into account some of the service variations that exist. The rates will be paid based on 15 minute increments.