Transitioning to a Fee for Service System

Strategies to Reduce and Phase in the Impact for Providers for Group Day Services

Connecticut DDS working with the waiver workgroup has developed several ways to lessen the impact on providers as the system moves to a rate based fee for Service system. While some states have completely implemented the change on a specific date DDS will be phasing the change in payment amounts over multiple years. This multi-year phase in will allow agencies to develop and implement strategies to reduce or increase expenditures based on their historical funding situation. At the conclusion of the transition period all services would be paid for based on the rate system.

The manner in which the payments will be managed during the transition period will be by using an individual **transition factor** for each private provider. The established rates will be the starting point for everyone regardless of historical funding. This allows a common language for discussing rates and allows DDS to develop internal systems based on the established rate system. However the transition factor will be applied when making the actual payments to providers. This transition factor will quantify the historical funding difference from the rates into a percentage above or below 100%. 100% would be payment at the rates. Providers with historically low funding would have a transition factor below 100%, while providers with historically high funding would have a transition factor above 100%. More information on the calculation of the transition factor can be found on the **Transition Factor Page.** The transition factor will be modified each year towards 100% based on the **Transition Plan.** The transition plan lays out the basic parameters for the transition to the rates. The draft pan is currently being shared with providers and discussed. When final it will be displayed on the web.

One of the concerns expressed by providers is that the change to a fee for service system will result in lower attendance and a loss of revenue. A fee for service system will impact providers who have low utilization. However DDS has been mitigated the effect in a variety of ways. The rates have been raised from the initial draft to incorporate costs for substitute staff for direct care vacation and sick time. Also the staff wage rate that is the start for the rate calculations has been raised to **$14.75**. These changes both positively affect the ultimate revenue stream for providers. Additionally the department has looked for ways to reduce the impact for providers with historically low funding. The simplest way to address the issue for those providers with historically low rates and low utilization would to take utilization into account in the transition factor. Unfortunately there are too many inconsistencies in the Annual Report attendance data to use it to set the transition factor. Therefore a more complicated approach is necessary to accomplish the same result. The **Transition Floor** calculation has been developed to protect providers who have had historical funding below the rates. The calculation is on a separate page but its effect is to protect providers with historically low funding from losses due to low utilization until they reach a payment at the level of the rates. The calculation will be completed each month so that cash flow is maintained though the final exact amount can not be calculated until the entire year is complete.

A **Transition Ceiling** is the counterpart of the floor and assures that providers with historically high funding to not benefit from both a transition factor and high utilization. These providers would have payments limited to the expected amount unless payment at the established rates would be an increase. The calculation is provided on a separate page. The table below shows the possible scenarios for a provider. The arrows on the right indicate the way the transition and floor ceiling and potentially affect providers with historically low or high funding.

Potential Scenarios under a Fee for Service System with Transition Period				
Transition factor for payments above, at or below the rates.	**Attendance above, at or below 90%**	**Transition Floor, Ceiling or Neither**	**Potential Financial Outcomes above or below the rates with transition Factor at 90% attendance.**	**Payments relationship to the rates**
Above Rates	Above 90%	Ceiling	Same or More (More if payment at the established rates without a transition factor would be better)	Above the rate or at the rate
Above Rates	At 90%	Neither	Same	Above the rate
Above Rates	Below 90%	Neither	Less due to low attendance	Above the rate
At Rates	Above 90%	Neither	More due to high attendance	At the rate
At Rates	At 90%	Neither	Same	At the rate
At Rates	Below 90%	Neither	Less due to low attendance	At the rate
Below Rates	Above 90%	Neither	More due to high attendance	Below the rate
Below Rates	At 90%	Neither	Same	Below the rate
Below Rates	Below 90%	Floor	Same or Less (Less if payment at the established rates without a transition factor would be less)	Below the rate or at the rate

The transition floor means that providers below the rates will only suffer a loss if payment at the level of the established rates leads to a loss, otherwise they will break even or do better under the fee for service system. The Transition ceiling ensures that historically high funded providers do not receive higher payments than their historical level unless it is because payments based on the established rates leads to an increase.

Through the use of these calculations DDS has eliminated the most extreme results for providers during the transition period. Once a provider is paid at the level of the rates the transition floor and ceiling have no potential applicability.