DDS VENDOR RATE
STUDY and RATE MODELS

Day, Employment & Transportation Services

March 22, 2:30pm – 4:00pm
Purpose of the Rate Study

• ABX2-1 required DDS to submit a rate study to the Legislature by March 1, 2019.
  • Presented on March 15, 2019

• The study needed to address community-based services in terms of:
  • Sustainability
  • Quality
  • Transparency
Who Participated

• Sent to more than 5,500 entities

• More than 1,100 responded (20%)
  • Represented 4,600 vendor numbers
  • Accounted for 52% of 2017 POS claims
Burns & Associates (B&A)

• Employs an “independent rate model” approach to develop HCBS rates (not dependent on a single source of information)
• Reviewed CA laws that impact providers’ costs
• Consider reasonable costs providers incur to deliver services
• Constructed the rate models in accordance w/ DDS policies and requirements
Assumptions

- Wages, benefits and productivity of the direct care worker
- The agency’s program operation costs
- The agency’s administrative costs
- Staffing ratios and staffing levels
- Participant attendance/absence factors
- Travel-related expenses
- Facility costs
- Program supplies
Rate Study Also Considered

• Number and type of service codes

• Quality of services

• Client outcomes

• Compliance with HCBS
Notes from B&A

• Recognize that provider costs are related to the rates they are paid

• Independent sources, such as Bureau of Labor Statistics, were used to consider wage data

• To see the detailed report, go to dds.ca.gov and click on ‘rate study’.
HCBS Rate Setting Methodologies

• **Fee schedule**
  • Fixed, pre-determined rate for a single service for a designated unit of time. Do not vary by client or provider.

• **Negotiated market rate**
  • Rate based upon negotiation. Typically involves a range of permissible rates by reviewing prices for other providers of similar services
HCBS Methodologies Cont.

• **Cost reconciliation**
  • Provider files cost reports created by State, to be reimbursed for true-cost of service.

• **Tiered rate**
  • Payment based on a rate that varies by characteristics of the individual, the provider or a combination of both

• **Bundled rate**
  • Rate encompasses two or more discrete services with distinct purposes that are not closely related
DDS Rate Setting Methodologies

- **Set by DDS**
  - Provider cost statements, fee schedules, regulation or statute.
  - ARM, day programs, WAP, infant development, ILS, in-home respite

- **Schedule of Maximum Allowance (SMA)**
  - Rates set by DHCS for medical service providers: nurse, home health aides and therapists
**DDS Methodologies Cont.**

- **Usual and Customary (U&C)**
  - Same rate others pay as long as 30% of the provider’s customers are not regional center clients.

- **Set by DSS**
  - Applies to out-of-home respite

- **Negotiated (includes Median)**
  - Rate can’t exceed the applicable median rate
Direct Care Worker Wages

- Used data from Bureau of Labor Statistics
- Considers rising minimum wage
- Considers impact on workers who already earn the new minimum wage
- Considers impact on supervisors who must earn twice minimum wage in CA
- Used multiple BLS occupations to construct rate model wage assumptions
Direct Care Staff Benefits

- Rate models assume that all employees providing direct care receive the same benefits
  - Social Security – 6.20% of total wages
  - Medicare – 1.45% of total wages
  - Fed Unemployment Ins – 0.60% on first $7,000
  - State Unemployment Ins – 3.40% on first $7,000
  - State Employer Training Tax – 0.10% on first $7,000
Direct Care Benefits Cont.

- Workers Compensation - $4.53 per $100 in wages
- Health Insurance - $360/month
- 25 paid days off (vacation, holidays, sick)
- $100/month other benefits (ie dental, life insurance)
Direct Care Staff Productivity

- This accounts for time the direct care staff are working but not with the client
  - Travel time between individuals
  - Program set-up & clean up – 1.25 hours/week (15 min/day) for each worker
  - Networking and general development activities for Job Developers – 5 hours/week
  - Recordkeeping and Reporting – varies by service
Direct Care Productivity Cont.

• Supervision and other employer time – i.e.: attending staff meetings

• Missed appointments – assumes some portion of a missed session spent doing paperwork, for example

• Collateral contacts – non-billable activities performed on behalf of the client. Applied to Job Coaching and Infant Development services
Tiered DSP Levels

• Propose 3 levels with DSP certification:
  • Level 1 – 100 hrs training, commitment to code of ethics, demonstrates competency in 4 specified areas, letter of support from recipient/guardian/family member.
  • Level 2 – Level 1 requirements plus another 100 hrs of training and demonstrates competency in additional 4 areas.
  • Level 3 (Specialist) – Level 2 requirements plus 40 hrs of specialized instruction and demonstrates competency in specialty area (health, inclusion, employment, positive behavior support, aging)
Tiered DSP Cont.

• Higher rates for these DSP levels would include additional funding for higher wages and greater training requirements

• Note – the projected cost is not part of the estimated fiscal impact.
Program Operation Expenses

Note -of the 1,100 surveys submitted, only 416 included complete data for operating expenses.

Program operations expenses include:

- Supervision
- Quality oversight
- Training curriculum development
- Program specific activities
Administrative Expenses

• Costs affiliated with these functions:
  • General management
  • Finance and accounting
  • Information technology
  • Human resources
  • Professional services

• Calculated at 12% (Note – lower than 16.9% reported, but dollar amount is the same since it’s applied to a higher cost base)
Accounting for Regional Differences

• The study includes a separate rate model for each Regional Center to recognize geographical cost differences for:

  • Direct care wages
  • Travel distances and time
  • Real estate

Classified as A, B or C – see maps in handouts
Community-Based Day Programs

- Services are generally provided in the community in a group setting.
- Assistance with developing and maintaining self-help and self-care skills.
- Develop ability to interact with others, make one’s needs known, respond to instructions and manage one’s behaviors.
- Develop employment and community integration skills.
- Develop social and recreational skills.
Community-Based Day Prgs Cont.

- Study assumes the following service codes would be combined into one code:
  - Socialization & Training (028)
  - Community Integration Training (055)
  - Community Activities Support Services (063)
  - Activity Center (505)
  - Adult Development Center (510)
  - Behavior Management Program (515)
  - Social Recreation Program (525)
Community-Based Day Prgs Cont.

• Day programs would have a specific focus
  • Medical programs staffed by certified nursing assistants
  • Behavior programs staffed by registered behavior technicians
  • Non-medical, non-behavioral
Community-Based Day Prg Cont.

- Overview of rate model:
  - Billing unit = hourly
  - Service location (center or community or both)
  - Service type (medical, behavioral, neither, both)
  - Staffing ratio (1:2-1:10 center and 1:2 or 1:3 community)
  - Geography-based rate
  - Non-English stipend
Supported Employment - Individual - 952

- Provides supports to assist individuals on a 1:1 basis to obtain and maintain paid work in a community setting.
- Employment services currently provided under service code 055 or 063 would move to service code 952.
- Would require statutory change to allow for-profits to provide SE-I.
- Assumes separate rate model for Job Coaching & Job Development. Limits Job Development to 40 hours per participant per year.
SE-I Cont.

- Overview of rate model:
  - Billing unit = hourly
  - Geography-based rates
  - Non-English stipend
  - Service type (Job coaching or job development)

- Note – no billing for travel time since that’s built into staff productivity.
Supported Employment – Group - 950

• Provides support to a group of individuals in paid work in a community setting.
• Assumes that SE-G services currently provided under service 055 or 063 would move to 950

• Overview of rate model:
  • Billing unit = hourly
  • Geography-based rates
  • Non-English stipend
  • Group services allowed at 1:2 to 1:8
Work Activity Program - 954

- Service includes paid work, work adjustment training (money management, developing good work safety practices, good work habits, etc).
- Services are provided in a sheltered workshop.

- Overview of rate model:
  - Billing unit = hourly
  - Geography-based rates
  - Non-English stipend
  - Group services allowed at 1:4 to 1:35
Transportation – 875 & 880

• Service provides regularly scheduled transportation for individuals to/from their day activity.

• Assumes 875 and 880 would be consolidated under one service code

• Overview of rate model:
  • Billing unit = one-way trip
  • Geography-based rates
  • Ambulation (enhanced rate for wheelchair users)
Supplemental Program Staffing - 110

• Time-limited supplemental staffing in day programs for individuals needing additional staffing within the program.

• Overview of rate model:
  • Billing unit = hourly
  • Geography-based rates

Note: program and administrative expenses are funded at one-half the standard rate