

DDS VENDOR RATE STUDY and RATE MODELS

Group presentation name

Date/time

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

- 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 other 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 – 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

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

Specialized Therapeutic Services

115, 116, 117

- Propose eliminating these service codes and moving therapist/staff to service code corresponding to their qualifications:
 - 707 – Speech & Language Pathologist
 - 715 – Dentist
 - 742 – Licensed Vocational Nurse
 - 743 – Certified Nursing Assistant
 - 744 – Registered Nurse
 - 772 – Physical Therapist
 - 773 – Occupational Therapist
 - 780 – Psychologist
 - 785 – Clinical Psychologist

Proposed Move is to SMA

- SMA (Scheduled Maximum Allowance - aka Medi-Cal)
- Proposes that “...when a rate greater than the standard Medi-Cal rate is necessary, regional centers may authorize at 39.7% payment augmentation.”

LRC SMA Rates – ST, PT, OT

- Service Code 707 – Speech Therapy
 - \$45.24/hour
 - \$132.10/eval
- Service Code 772 – Physical Therapy
 - \$56.10/hour
 - \$267.59/eval
- Service Code 773 – Occupational Therapy
 - \$62.67/hour
 - \$267.59/eval

Note: Other LA Regional Center SMA rates are \$45.24 - \$67.87/hr for ST; \$62.67/hr for PT & OT

LRC SMA with 39.7% & Out-of-Office

- Speech Therapy
 - \$45.24 (+) \$17.96 = \$63.20 (+) \$8.27 = \$71.43/hour
- Physical Therapy
 - \$56.10 (+) \$22.28 = \$78.36 (+) \$8.27 = \$86.63/hour
- Occupational Therapy
 - \$62.67 (+) \$24.88 = \$87.55 (+) \$8.27 = \$95.82

*Note #1: If ST rate increased to \$67.87, rate would be \$103.00/hour.
If PT rate increased to \$62.67, rate would be \$95.82/hour*

Note #2: LRC median rate for all 116 services is \$97.81/hour

Service Codes 115 and 117

- Majority of current services are U&C for difficult to serve clients needing:
 - Dental services
 - IV Sedation for dental work
 - Registered Dental Hygienist
 - Registered Nurse
 - Licensed Vocational Nurse