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 then 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