

DDS VENDOR RATE STUDY and RATE MODELS

Residential Services

March 26, 9:30am – 11:00am

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 hours of training and demonstrates competency in additional 4 areas
 - **Level 3 (Specialist)** – Level 2 requirements plus 40 hours 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

CCF-Staff Operated – 915 & 920

- Services provided to adults & children by shift staff.
- Assumes current rate distinction between 4 residents and 5+ continues, but adds a new distinction between homes with 5-6 and 7 or more.
- No rate adjustment for homes with 7+ residents.
- Proposes to collapse current ARM structure into 5 levels

Proposed New Levels

- Current ARM Level

- 2
- 3/4A/4B
- 4C/4D/4E
- 4F/4G/4H
- 4I

- Proposed Level

- 2
- 3
- 4
- 5
- 6

Proposed New Levels Cont.

- Staffing hrs 4/less beds
- 2 – 168 hrs
- 3 – 180 hrs
- 4- - 220 hrs
- 5 – 260 hrs
- 6 – 300 hrs
- Staffing hrs 5 or 6 beds
- 2 – 168 hrs
- 3 – 220 hrs
- 4 – 280 hrs
- 5 – 340 hrs
- 6 – 400 hrs

Staffing Assumptions

- The first 168 hours reflect coverage, but staff do not have to be on-site if no resident is home.
- Staff work 8 hour shifts.
- 8 hours day for a higher 'lead DSP' wage.
- Overnight staff allowed to sleep in level 2 and 3 homes only if all client's IPPs state they don't need awake staff.
- Overnight hours for level 2, 3, 4 are funded at minimum wage
- 5% of work hours for line staff are paid at overtime wage

Staffing Assumptions Cont.

- Room and board portion of rate (SSI) does not change.
- Creates a customizable rate model that would be used to determine the rate.
- Example – cost per staff hour is fixed in the rate model but the number of staff hours are customized for a specific home, the costs are calculated for the home overall and divided equally among the residents.

CCF – Staff – Rate Model

- Overview of rate model:
 - Billing unit = month
 - Geography-based rates
 - Non-English stipend
 - Level of need
 - Home size and number of placements.

CCF Owner-Operated – 905 & 910

- Provide services to adults & children in licensed homes in which the homeowner resides.
- Assumes current rate distinction between 4 residents and 5+ continues, but adds a new distinction between homes with 5-6 and 7 or more.
- No rate adjustment for homes with 7+ residents.
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 - Non-English stipend
 - Level of need
 - Home size and number of placements.

Specialized Residential - 113

- All current homes under service code 113 that are NOT ARFPSHNs will be transitioned to a CCF code.

Supported Living – Multiple Sites - 896

- Provides supports for a number of people living in their own home.
- Assist with daily living activities, household activities, transportation, choosing roommates, etc.
- Two modalities depending on whether staffing is provided 24-hours and whether staff are dedicated to a single housing unit or multiple units. (if worker is only responsible for one person, it will be in the personal supports section)

SLS – 896 Cont.

- Overview of rate models
 - Billing unit – monthly
 - Geographically-based
 - Non-English stipend (if individual supported has access to staff that speaks their language at all times)

Family Home Agency - 904

- Provides for the recruitment, training and monitoring of family home providers.
- FHAs must pay at least 45% of the total rate to the home provider.
- Overview of rate models
 - Billing unit – monthly
 - Geographically-based
 - Non-English stipend (applies to home provider)
 - Level of need as determined by Regional Center

Residential Program Support - 109

- Provides time-limited supplemental staffing in residential programs.
- Program operations funding and administrative expenses are funded at one-half of the standard rate.
- Overview of rate model:
 - Billing unit = hourly
 - Geography-based rates

Sample Rates Staff – 3-4 Beds

- Current

- L2- \$4035
- L3-4B - \$4195-\$5140
- L4C-4E -\$5429-\$6165
- L4F-4G -\$6550-\$7488
- L4I- \$8170
- 113 - \$8288-\$15886

- Rate Study

- L2 - \$ 5630
- L3 - \$ 6060
- L4 - \$ 7243
- L5 - \$ 9522
- L6 - \$10660

Sample Rates Owner – 3-4Beds

- Current

- L2 - \$3,674

- L3 - \$3,725

- Rate Study

- L2 - \$5,062

- L3 - \$5,493

Sample Rates Staff – 5-6 Beds

- Current

- L2 - \$2846
- L3-4B - \$3377-\$4159
- L4C-4E -\$4428-\$5102
- L4F-4H -\$5461-\$6320
- L4I- \$6953
- 113 - \$10346-\$18288

- Rate Study

- L2 - \$ 4478
- L3 - \$ 5649
- L4 - \$ 6934
- L5 - \$ 9015
- L6 - \$10256