DDS VENDOR RATE STUDY and RATE MODELS

*Residential Services*

March 26, 9:30am – 11:00am
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
• 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
• **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.
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  • Non-English stipend
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  • 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 – 3-4 Beds

- **Current**
  - L2 - $3,674
  - L3 - $3,725

- **Rate Study**
  - L2 - $5,062
  - L3 - $5,493
## Sample Rates Staff – 5-6 Beds

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<thead>
<tr>
<th>Current</th>
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<tbody>
<tr>
<td>L2 - $2846</td>
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<tr>
<td>L3-4B - $3377-$4159</td>
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<td>L4C-4E -$4428-$5102</td>
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<td>L4F-4H -$5461-$6320</td>
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<td>L4I - $6953</td>
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<td>113 - $10346-$18288</td>
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<th>Rate Study</th>
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<tr>
<td>L2 - $4478</td>
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<td>L3 - $5649</td>
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<td>L4 - $6934</td>
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<td>L5 - $9015</td>
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<td>L6 - $10256</td>
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