

*Teleconference  
Update on DDD's  
Rate Impact & Support Level  
Project*

Medicaid HCB-DD Comprehensive Services Waiver  
by Judy Brown, DDD on  
September 25 & 29, 2008

# Purpose of Teleconference

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- This Teleconference (two identical sessions):
  - Provide background to stakeholders who are unfamiliar with the Rate Impact project
  - Rumor control
  - Update stakeholders on progress
  - Explain purpose of recent studies
  - Opportunity for questions and input
- Next Teleconference in late October or early November
  - Findings from rate and support levels studies
  - Recommendations of Rate Impact and Support Level Workgroups

# Brief Background

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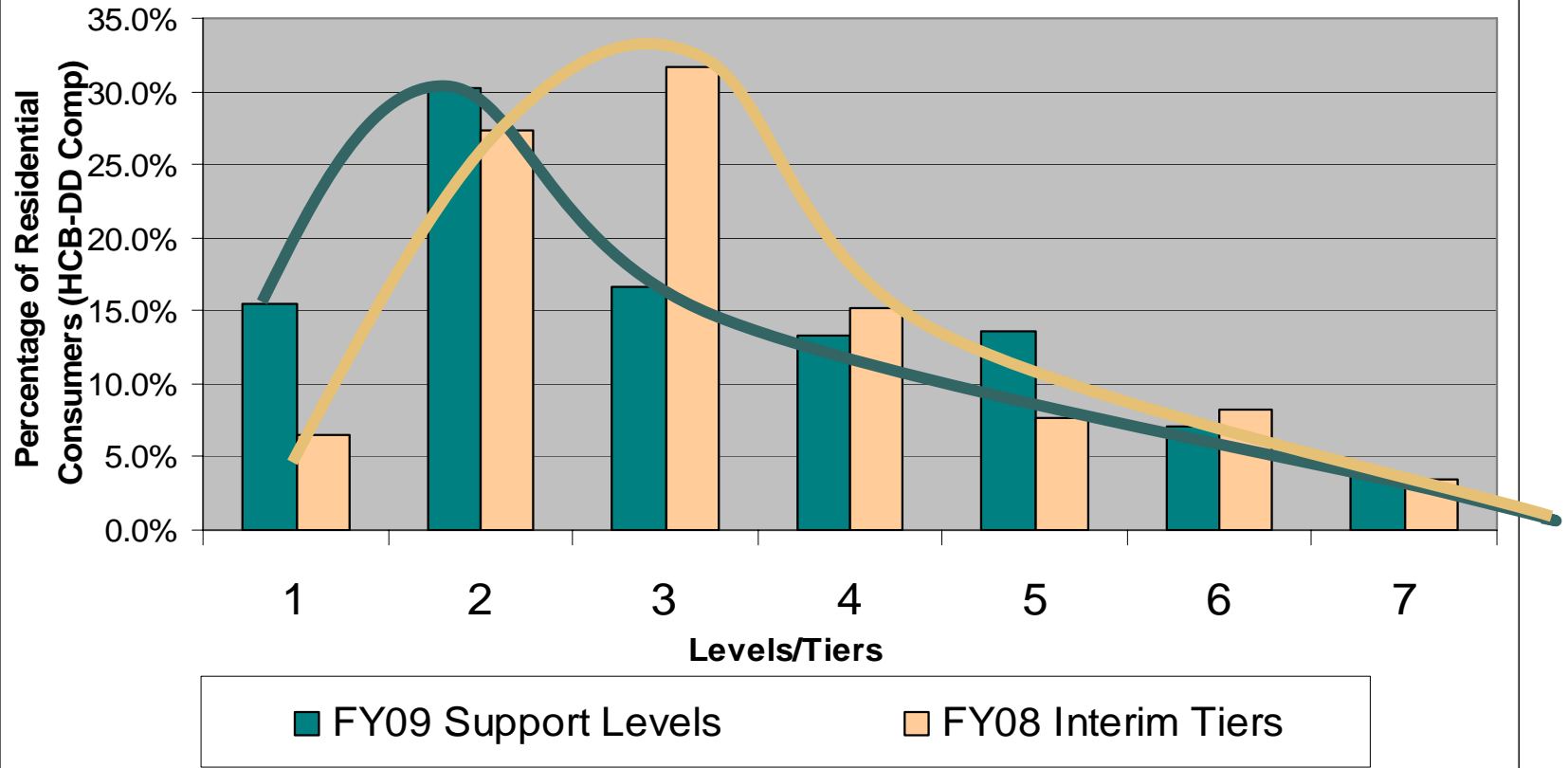
- A Uniform Rate Setting Methodology was required by a federal agency following an audit of the HCB-DD Waiver (Comprehensive Services)
  - Centers for Medicare & Medicaid Services (CMS)
- CMS also would allow rate levels based on consumer support levels if:
  - Costs differ by support needs
  - Must have a uniform & objective method for identifying consumer support levels
- Temporary (Interim) Rates were implemented July 1, 2006
  - Based on dividing current range in rates into 6 TIERS – and setting midpoint of each range as the rate.
  - Each consumer placed into a tier based on their spring 2006 rate
- CMS required a uniform method for assigning individuals to levels and setting rates across providers by July 1, 2008 (now delayed until January 1, 2009)
- DDD contracted with a consulting firm HSRI to develop recommendations regarding above
  - HSRI – Human Services Research Inc. with a sub-contractor – Navigant
- Following slides will provide:
  - Recommendations from HSRI & Navigant which resulted in 5-5-08 proposed changes
  - Why new rates/levels are being delayed until January, 2009 and what studies are being done to see if improvements to the 5-5 proposal are needed before January.

# HSRI Support Level Classification Method (Algorithm)

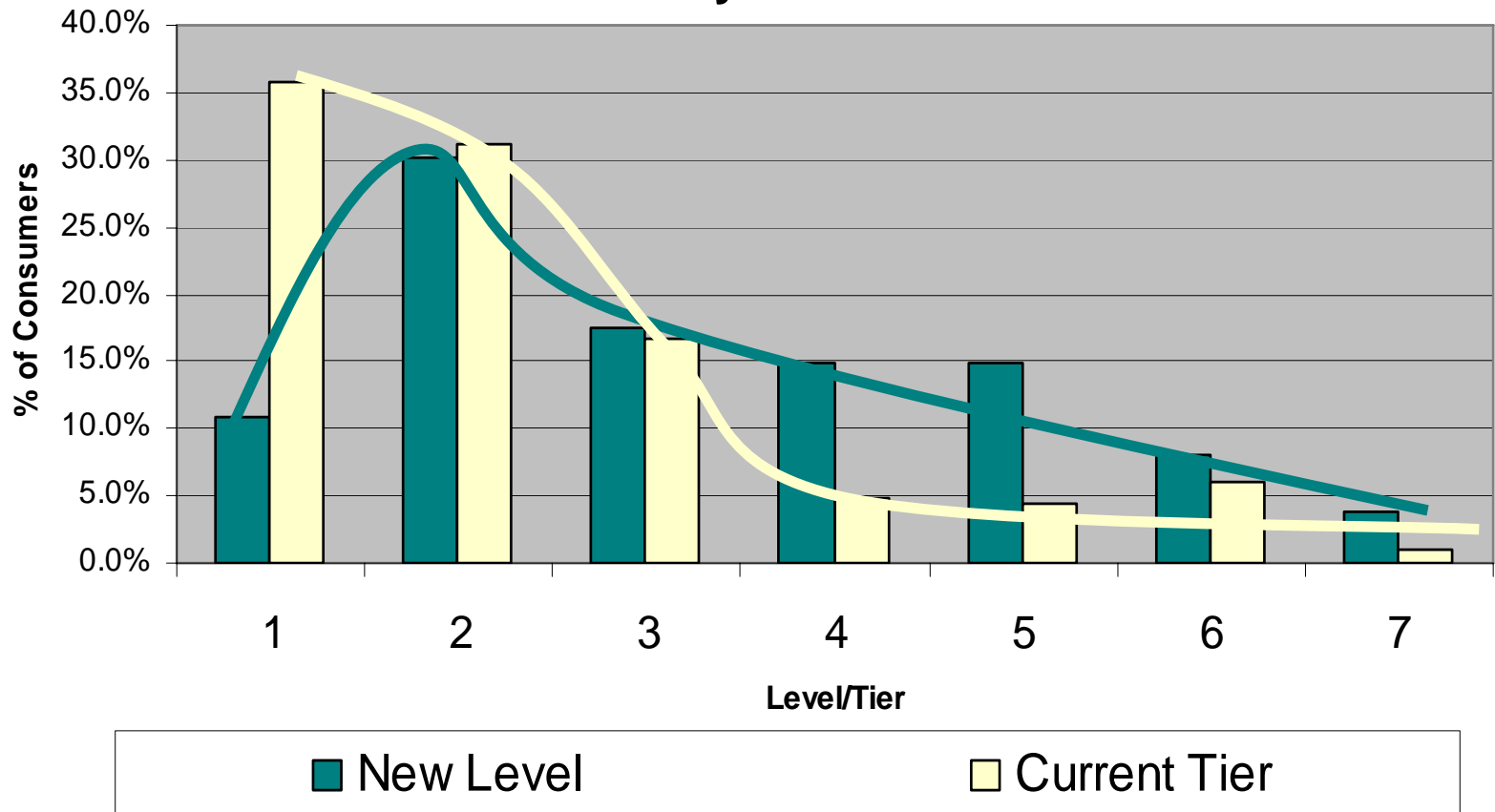
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- **HSRI developed a method (algorithm) to classify consumers into Support Levels (December, 2007)**
- **Algorithm factors:**
  - Supports Intensity Scale (SIS) Tool
    - Adaptive Daily Living skills (SIS ABE – resulted in 4 major levels of ADL)
    - Behavioral Needs (4 major levels –
    - Medicaid Needs
  - Community Safety Risk (from CCMS data system)
- **Results:**
  - 6 Support Levels based on 42 sub groups defined by HSRI Algorithm
  - Level 1 is the lowest need level
  - Level 6 is the highest need level
  - Except, Current Tier 7 continues to reflect increased costs of individuals with unique needs – Tier 7 individuals are ‘grand-fathered’ for FY09

## Comparison of HSRI Support Levels to Current Tiers for Residential Consumers



## Comparison of HSRI Support Levels to Current Tiers for Day Habilitation Consumers



# Rate Model from Navigant

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- **Navigant's Proposed Rate Model (Dec. 2008) captures underlying Cost Factors** for services, such as:
  - Salaries, wages, benefits, types of employees, staffing ratios to reflect intensity of support needs, supervisor to direct care staffing ratio, nursing costs, mileage bands for transportation, non-direct cost allocation factors (such as facility costs, overhead, etc.)
- **Values were set for each cost factor**
  - Derived from Industry standard data, survey of CCBs/providers, Technical Advisory Committee. Ex: group home direct care staff to consumers ratio was set at 1:2 for Support Level 6.
  - Some initial values for factors did not have a strong basis due to time constraints of study
- **Budget Neutrality Factor (BNF)**
  - State set requirement that rates must be affordable within budget provided by State Legislature
    - BNF is the proportion of the proposed rates that can be afforded without increasing State spending
    - Navigant's proposed rates were multiplied by current utilization level (meaning units of service being delivered) to estimate total costs
    - Estimated that new rates would overspend budget by \$67million
  - Thus, the State could only afford 76% of the original Navigant proposed rates to avoid overspending available funds
    - This didn't make sense, since current rates are affordable, so why would new rate model result in rates that were so much higher? This needed further study.

# Initial Changes to Navigant's Rate Model

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- **Rate Committee was formed last Winter/Spring**
  - Worked from January to May, 2008
  - Membership – 3 HCPF, 4 DDD, 3 CCB Business Mangers
- **Role:**
  - Review, verify and refine factors and assumptions
  - Improved utilization projections
  - More realistic Budget Neutrality Factor (BNF)
- **Rate Committee's work resulted in the 5-5-08 proposed rates:**
  - Affordable at 96.1% BNF rate within current appropriation
  - Many new proposed rates were higher than current interim rates:
    - Behavioral & Transportation – all higher than current
    - Group home rates higher than current except for levels 4 & 5
    - PCA and HH rates higher than current for level 1,2
      - Lower for levels 3-5 and similar to current at level 6
    - HH new proposed rates were 84-91% of new proposed PCA rates
- **Next 5 slides give more details about 5-5-08 proposed rates, BUT remember that this proposal may change before January 1, since:**
  - Concerns were raised about these proposed rates (and support levels).
  - Implementation has been delayed until January 1, 2009 to study the rate impact and review the validity of the underlying assumptions.
  - Those studies may result in changes before January.
  - Studies underway will be also covered later in these slides.

# Rate Committee Version (5-5-08)

## Residential Rates by Setting

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	5-5-08 Proposed Rates*			Interim Rates
	(Red notes reductions compared to Interim Rates)			
	Group Home	PCA	Host Home	All Settings (+ Nursing Services)**
Level 1	\$97.81	\$82.32	\$76.34	\$58.55
Level 2	\$106.14	\$92.92	\$86.17	\$79.57
Level 3	\$117.93	\$107.54	\$99.73	\$114.40
Level 4	\$139.48	\$132.78	\$116.98	\$142.01
Level 5	\$166.33	\$164.69	\$137.45	\$171.43
Level 6	\$242.41	\$245.52	\$204.92	\$205.07

\*These may change before January implementation date, as PCA & host home rates are under review. Rates are per Day and include a 8.7 day vacancy factor.

\*\*Average daily costs of nursing services added to Interim rates, since nursing included in proposed rates.

# Rate Committee Version (5-5-08)

## Day Hab. Rates -Facility Based

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	5-5 version of Proposed Rate <small>(Red notes reductions as compared to Interim Rates)</small>	Interim Rate	Navigant Rate
Level 1	\$2.20	\$2.08	\$1.83
Level 2	\$2.42	\$3.11	\$1.83
Level 3	\$2.69	\$4.06	\$2.23
Level 4	\$3.16	\$4.83	\$2.23
Level 5	\$3.92	\$5.82	\$3.05
Level 6	\$5.64	\$7.48	\$3.05

Rates are in 15 minute units.

# Rate Committee Version (5-5-08) Supported Employment Rates

<u>Group SE</u>	5-5-08 Proposed Rate <small>(Red notes reductions compared to Interim Rates)</small>	Interim Rate	Navigant Rate
Level 1	\$2.96	\$3.83	\$2.38
Level 2	\$3.23	\$3.83	\$2.38
Level 3	\$3.59	\$3.83	\$3.40
Level 4	\$4.15	\$3.83	\$3.40
Level 5	\$4.97	\$3.83	\$7.49
Level 6	\$6.47	\$3.83	\$7.49
<u>Indiv. SE</u>	\$12.14	\$11.29	\$9.19

Rates are in 15 minute units. Note, Current and Navigant SE Group rates only have 3 levels.

## Rate Committee Version (5-5-08) Behavior Serv. Rate Comparison

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	5-5-08 Proposed Rate	Interim Rate	Navigant Rate
Line	\$7.92	\$3.93	\$6.06
Plan Spec.	\$12.14	N/A	\$7.90
Senior	\$24.24	\$15.72	\$15.81
Lead	\$30.71	\$23.58	\$20.02

Rates are in 15 minute units.

# Rate Committee Version (5-5-08)

## Transportation Rate Comparison

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	New Proposed Mileage Bands	5-5-08 Proposed Rate	Interim Rate (Converted to trip units)
Level 1	<=10	\$6.24	\$3.83
Level 2	11-20	\$13.07	\$3.83
Level 3	21+	\$19.91	\$11.29
Bus Pass	N/A	at cost	N/A

Units are per trip (to and from day program) – two trips per day, except for Bus Pass which is proposed to be billed in \$/unit, i.e. paid at cost.

Navigant did not model the transportation rates.

# Rumors

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- There are lots of them:
- Examples:
  - False – State wants to close down host homes and open more group homes.
  - False – State is reducing rates to create funds to address the waiting list.

# Truth Re: Why New Rates & Levels are Needed

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- Required to Meet Federal Audit Compliance Issues:
  - Consistent rates across providers and by support level
    - Some rates will be higher and others lower than current.
  - Consistent method of classification of consumers into support levels
    - Some consumers will be classified higher and others lower than current
  - Unavoidable Impacts - Any standardization will result in:
    - Redistribution of consumer support levels
    - Rebalancing of revenues for providers due to rates & levels (some up, some down)
- Transparency - Increased understanding of how rates were developed and how they relate to consumer needs through a uniform statewide process
- Rate Model can be adjusted as changes occur in underlying factors
  - Serve as model for SLS
- There will be several improvements specific to service types:
  - Day Habilitation rates now higher for non-facility based versus facility based
  - Supported Employment rates variable by support level for group settings
    - New SE Job Development and Discovery
  - Mileage bands for transportation, bus passes, trip units
  - New Behavior Plan Specialist service category
- Some Providers will have increases in revenue and other will have losses.
- There will be hold harmless funds up to \$6M to provide transition time.

# State's Original Plan was Delayed

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- Original Plan was to implement the following by July 1, 2008:
  - New Supports levels
    - Based on HSRI's Algorithm with one modification:
    - This initial modification moved some individuals with higher daily living needs from Level 1 into Level 2
  - New Proposed Rates (5-5-08 version)
    - Based on Navigant's Rate Model with modifications:
    - Modifications based on Rate Committee which reviewed the rate model factors and assumptions
  - \$6 Million in hold harmless funds to reduce impact and provide transition period
    - Agencies would not need to change rates to host home direct providers as agency revenue losses would be covered (to extent hold harmless funds were sufficient)
    - Only net losses would be covered (I.e. if revenue for some consumers was increased and some were decreased, only the sum/net change would be covered)
- State Delayed New Rates & Support Levels until Jan. 1, 2009

# Reasons for Delay

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- CMS had not yet approved the HCB-DD waiver amendment, which included the new rate model, therefore:
  - There might be additional changes required by CMS prior to approval.
  - This provided an opportunity to delay implementation of the new rates and levels.
- Delay provides the opportunity to study the rate impact and review the validity of the underlying assumptions
- CCBs, providers and citizens raised many concerns - Strongest Concerns Focused On:
  - New Host home rates which would be substantially lower than current 'interim' rates
    - Provider agencies might lower payments to host home direct providers
    - Consumers might lose their host home settings
  - New Support levels did not always adequately reflect consumer need level
    - If a support level is too low, then the associated rate might also be too low
    - Consumers might lose placements if providers cannot afford to serve them
  - Concerns that hold harmless funds were not sufficient to cover the year
- A Delay means that the \$6M in hold harmless funds only need to cover ½ year & is more likely to be sufficient

# Rate Impact Study

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- HCPF and CMS approved a delay until Jan. 1, 2009, but no longer.
- They are requiring a Rate Impact Study (underway now) looking at:
  - Host Home rate model assumptions
  - Support Level algorithm
- A Rate Impact Workgroup - Scope of work was limited to
  - Host home - investigate the concern that the new host home rates do not adequately reflect the actual costs of purchasing host home services with a reasonable overhead.
  - PCA staffing - since new model builds HH rates from PCA rates
  - Members from CCBs, HH Agencies, HH Provider, HCPF, & DDD
- Support Level Workgroup – Scope of work:
  - Identify consumers who may be potential misclassified
  - Determine if additional factors are needed to improve classification algorithm
  - Recommend dispute process for potentially misclassified individuals
  - Members from CCBs, Provider, Advocacy, HCPF & DDD
- Recommendations are needed by 10/23/2008 to State Level

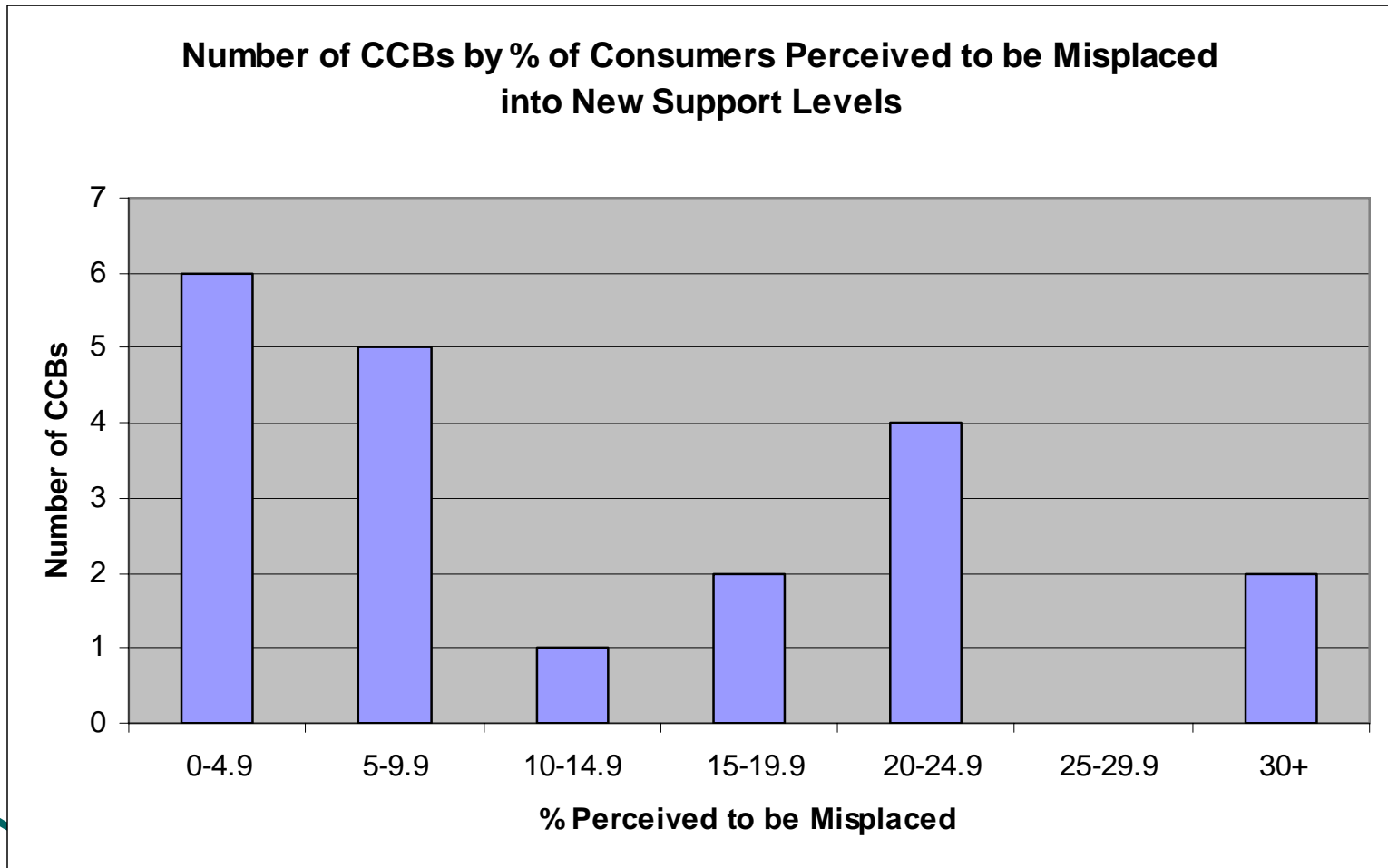
# Progress of Support Level Workgroup

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- Identify all potentially misplaced
  - Surveyed all CCBs
  - Collected what level CCBs would recommend
- Identified potential factors that might improve algorithm
  - 5 Pilot CCBs provided expanded data on those factors for their potentially misplaced consumers
- Analyses by computer statistical package
  - Looking at thresholds of existing factors
  - Looking at other SIS tool factors
  - Looking at possible new factors
  - Trying to identify if any of these can be used to better reflect CCB perceptions of support levels

# CCB Survey Results Regarding who they think is Misplaced by New Support Levels

Average is 14.6% perceived to be misplaced



# Progress of Rate Impact Workgroup

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- Designed and issued 3 surveys
- Initial Host Home Survey #1
  - HH contracts, financial statements and how Room & Board, and liability insurance are handled
- Host Home Survey #2
  - Amount paid to each host home family, backup residential services, and supervisor span of control
- PCA Survey #3
  - Time study of day and night-time staffing ratio. Also, supervisor span of control.
  - Since the Host home rates were based on PCA rates, it was critical that PCA rate factors be examined
- Analyses yet to occur for #2 and #3

# Purpose of Rate Impact Surveys

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- Verify/alter the factors that underlie the HH rates
- Determine if HH costs are similar to PCA
  - If different, by what percentage (to adjust relationship currently in the formula)
  - Determine if overhead (non-direct cost allocations) are similar between PCAs and HHs
- Verify/fix PCA factors if needed
  - This affects both PCAs and HHs
  - Verify that PCA can be used as model for developing HH rates or not.
- Develop recommendations to DDD/HCPF for improvements to the rate model & factors

# Plans for October-November, 2008

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- Analysis of Rate Impact Survey Data
  - Clarifications of host home survey #2 almost done, so that analysis can start soon
  - PCA survey was the last issued, clarifications are still underway
  - Modifications to rate model factors based on results of surveys
- Analysis of Support Level Survey Data
  - Develop recommendations for changes to algorithm thresholds &/or factors
  - What can be implemented by January 1
    - Must have data on any new factors on all consumers
    - For proposed factors where data is not available, would require further study
- Revised Proposed Rates
  - Need updated support level information by consumer
  - Need updated service utilization data (# of units by consumer by service)
  - Multiply services units by revised proposed rates
  - Apply Budget Neutrality Factor to stay within appropriation
- Make recommendations to State (HCPF and DDD top management)

# Plans for Dec. 2008 - January, 2009

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- **By Dec. - Notice of New Rates and Support Levels Issued**
- **By Early Jan. - Automated Conversions of PARs**
  - PARS - Authorization of Service Plans
  - Need to reflect new support levels
- **By January 1, 2009 - New rates**
  - For HCB-DD Comp. services delivered starting January 1
- **Jan. – June, 2009**
  - Dispute process for new support levels
  - Examine Tier 7 Rates/Consumers
- **Hold harmless funds planned for quarterly distribution**
  - Based on actual payments (HCB-DD Comp.) that quarter
  - As compared to same services/units for same consumers with interim rates
  - Only if provider has a loss after summing all gains and losses across all consumers
- **July 2009 - Similar uniform rate and support level process underway for Supported Living Services (SLS)**

# Questions?

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- We can take some during this teleconference.
- You can also email further questions and input to:
  - [Connie.Fixsen@state.co.us](mailto:Connie.Fixsen@state.co.us)
- Put “DDD Rate Impact Questions” as your email Subject
  - Your name, agency (if any) and phone number
- We will NOT answer these individually
- We WILL address major themes at next teleconference
- Date of next teleconference will be on DDD’s website under ‘What’s New’
  - <http://www.cdhs.state.co.us/ddd/WhatsNew.htm>