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Office of Developmental Disability Services

Analysis and Recommendations for
Provider Rates and Structures for
Employment and Day Habilitation Services

Overview of Proposed Rate Models

October 29, 2015

BURNS & ASSOCIATES, INC.

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Agenda

- Background
- Process
- Proposals
- Next Steps

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Background – Project Purpose

- Respond to feedback received since the September 2014 implementation of new employment and day services rates
 - Collect current cost data to inform rate models
 - Review appropriateness of rates
- Evaluate current rate structures
 - Effectively support the State's Employment First goals
 - Comply with legal and regulatory issues including CMS regulations regarding integrated settings and guidance regarding employment rates as well as the settlement in the *Lane* case

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Background – Scope of Project

- ODDS is reviewing rates for the spectrum of employment and day services
 - Discovery
 - Job Development
 - Job Coaching
 - Small Group Employment
 - Employment Path
 - Day Support Activity
- Burns & Associates, Inc. (B&A) – through a subcontract with the Human Services Research Institute (HSRI) – is assisting ODDS

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Background – Burns & Associates, Inc.

- Health policy consultants specializing in assisting Medicaid programs and ‘sister agencies’ including developmental disabilities and behavioral health authorities in:
 - Medicaid rate-setting, including home and community based service, institution, and physician rates
 - Long term care program management and home and community based services policy
 - Financial analyses
 - Research, strategic planning, evaluation (including external quality reviews) and benchmarking, surveys, and focus groups
 - Medicaid Waiver development including design, implementation, budget neutrality demonstration, and negotiation with CMS

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Background – Burns & Associates, Inc. (cont.)

- Since its founding in 2006, B&A has consulted in more than 20 States and 1 Canadian province
- Recent focus has been partnering with the Human Services Research Institute (HSRI) to assist developmental disabilities authorities in implementing assessment-based budgeting and updating provider rate schedules
- B&A previously worked with ODDS in 2007, assisting with the development of a provider survey and service rate models

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Background – Overview of Activities to Date

- Review service definitions
 - Consider policy goals and federal requirements
- Collect input from provider community
 - Meet with Stakeholder Advisory Group to discuss project approach, review draft provider survey, present survey results
 - Survey on costs and service designs sent to every provider
- Research of benchmark data to support rate models
 - Example: Bureau of Labor Statistics wage and benefit cost data
- Develop proposed rate models and supporting documentation that detail assumptions

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Background – Remaining Activities

- Submit for approval to Oregon Health Authority (OHA)
 - Provide opportunity for public comment
 - Consider potential revisions
- Submit for approval to federal Centers for Medicare and Medicaid Services
- Implementation (see Next Steps)

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Process – Independent Rate Model

- Rate models are constructed based on the costs providers face in delivering a particular service
 - State determines service requirements (defines what it wants ‘to buy’)
 - Similar to the approach used to establish current rates
- As in the existing rate framework, a single service may have several rates due to:
 - Intensity of supports based on members’ levels of need
 - Group size (due to consumer need or other reasons)
 - Service setting (e.g., facility- or community-based)
 - Staff qualifications and training

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Process – Independent Rate Model (cont.)

- Data is collected from multiple sources rather than any single source
 - In particular, rate models do not rely only on provider financial data because these costs are usually a function of current rates
- Sources include:
 - ODDS policy decisions
 - Stakeholder input
 - Provider survey regarding costs and service design
 - Published sources
 - Special studies
 - Rates paid by other agencies for similar services

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Process – Independent Rate Model (cont.)

- Five factors included in all HCBS rates
 - Direct care worker wages
 - Direct care worker benefits
 - Direct care worker productivity
 - Program support
 - Administration
- Other factors vary by service and may include:
 - Transportation-related costs
 - Attendance/ occupancy
 - Staffing ratios
 - Program facilities and supplies costs

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Process – Advantages of the Independent Cost Model

- Transparency
 - Models contain the factors, values, and calculations that produce the final rate
 - Stakeholders may not agree on the values, but they will know exactly what has been assumed and what ODDS is buying
- Ability to include policy objectives
 - Examples may include improving direct care staff salaries or benefits, reducing staff-to-client ratios, or paying higher rates for services provided in the community than at a center
- Efficiency in maintaining rates
 - Models can be easily scaled and adjusted for inflation or specific cost factors (e.g., gasoline costs), or to meet budget targets

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Process – Rate ‘Categories’

- Cost of services often varies according to intensity of need
 - Rates should recognize these differences while ensuring that members with similar needs receive similar ‘intensity’ of services
- Proposed rate models retain the current six tiers
 - For the purposes of rates, the seven tiers are collapsed into three rate ‘categories’
 - Tier 1: Category 1
 - Tiers 2 and 3: Category 2
 - Tiers 4, 5, and 6: Category 3
 - There are also rate models for ‘exception’ rates (‘Tier 7’)
- Rate categories will be cross-walked to new assessment tool as it is adopted and implemented

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Process – Rate ‘Categories’ (cont.)

- Exception (Tier 7) rates
 - Currently set on a person-by-person basis
- Proposal includes ‘standard’ exception rates for Employment Path and Day Support Activity services
 - Rate models for one-to-one and for two-to-one services
 - Will be approved on an exception basis

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Process – Provider Survey

- Voluntary survey to collect data regarding costs and service design emailed to all providers
 - Given four-plus weeks to complete (all late surveys were accepted)
- Technical assistance provided throughout the survey
 - Conducted a webinar to explain the survey and answer questions; a recording was posted online for those unable to attend the live meeting
 - B&A responded to questions by phone and email
 - B&A reviewed submitted surveys and emailed clarifying questions as necessary

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Process – Provider Survey (cont.)

- Participation
 - Of approximately 132 providers, 32 submitted a survey (24 percent)
 - These providers represent 35 percent of spending on surveyed services
 - Largest providers were most likely to complete the survey (e.g., 10 of the 25 largest providers by revenue participated)
- Survey results were one of the considerations in the development of the proposed rate models
 - See Provider Survey Analysis packet

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Process – Developing Proposed Rate Models

- Analysis of provider survey and other data sources
 - Each rate model built ‘from the ground up’
- Rate models include specific assumptions regarding direct care staff wages and benefits, transportation costs, staffing ratios, administration and program support, etc.
 - In general, model assumptions are not mandates (for example, providers are not required to pay the wage assumed in the rate model for a given service)
 - Rather, providers are able to design their own programs consistent with service requirements

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Process – Direct Care Worker Wage Assumptions

- Federal Bureau of Labor Statistics (BLS) reports wage levels in Oregon for hundreds of job classifications, but most are not identical to the employment and day support services
 - Service requirements compared to BLS job classification descriptions to ‘construct’ a position reflective of job responsibilities
 - Used median wages for BLS job classifications
- Comparison to provider survey
 - Model assumptions exceed current wages reported by survey participants by at least 10 percent
- See Appendix A in Proposed Rate Models packet

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Process – Direct Care Worker Benefit Assumptions

- Rate models include the following for all direct care staff
 - 24 paid days off per year (holiday, sick, and vacation leave)
 - \$425 per month for health insurance (considered costs from BLS, DHHS Medical Expenditure Panel Survey, and health insurance exchange)
 - \$75 per month for other benefits
 - Mandatory benefits: FICA, unemployment insurance, workers' comp.
- Assumptions are translated to benefit rates by wage level
 - Benefit *rate* declines as wage increases
- Comparison to provider survey
 - Benefit rates are much higher than reported in provider survey
- See Appendix B in Proposed Rate Models packet

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Process – Direct Care Worker Productivity Assumptions

- Adjusting wages and benefits to account for 'productivity'
 - The rate models seek to reflect a 'typical' week for direct care staff by establishing productivity adjustments for non-billable time
 - Non-billable activities may include training, travel, employer time (e.g., meetings), documentation, and planning time
 - Example
 - An employee earning \$15 per hour (wages and benefits) and working 40 hours per week is paid \$600 per week
 - However, if the employer can only bill for 30 hours per week due to travel time, staff meetings, etc., the agency must be able to bill \$20 per service hour to cover the cost of the wages and benefits
 - Thus, a productivity adjustment of 1.33 is required (work hours divided by billable hours)
- Considered provider-reported data and service requirements
- See Appendix C in Proposed Rate Models packet

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Process – Administration/ Program Support Assumptions

- Administration funded at 20 percent of total rate
- Program Support funded as a fixed per-day amount
 - Models include \$10 per day
 - As a percentage of total costs, averages 11.5 percent across all services, but varies from service to service
- Comparison to provider survey
 - Total administration and program support rate reported in provider survey averaged 31 – 38 percent
 - Estimate excludes 12 of 29 providers that reported overhead exceeds 50 percent of their revenue (these responses were deemed to be unreliable)
 - Important to recognize that the proposed rate models are generally higher so a lower *rate* may equate to an equal or larger *amount* (that is, overhead assumptions translate to 33.5 percent of current rates)

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Proposals – Summary

- Proposal retains existing milestone and outcome payments
 - Discovery based on completion of Discovery Profile
 - Job Development based on placement and 90-day retention
 - Job Coaching based on members' work hours
 - Provides financial incentive to assist members to work at least 20 hours per week (the more the member works, the more the provider is paid)
- Assumptions regarding effort associated with each milestone (for example, number of hours to complete a Profile) are based on survey data and provider input
 - Recent federal guidance requires annual review of assumptions
 - ODDS will work with CMS to determine criteria to be applied when determining whether rates need to be changed based on review

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Proposals – Summary (cont.)

- Based on an annualization of April through June 2015 claims, total spending would increase by about \$7.6 million if fully implemented
 - Estimate is based on members' most recent tier assignments
 - Estimate does not assume any changes in caseload or utilization
 - Average increase would be 9.9 percent, but actual rate changes vary by service and individual
- Most rates are scheduled to receive a 4 percent rate increase effective January 1, 2016
 - Compared to these new rates, the estimated cost of the rate models is reduced to \$4.7 million

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Proposals – Summary (cont.)

- Due to budgetary constraints, implementation of the new rate models must be cost-neutral
- As a result, ODDS cannot fully implement the rate models
 - The rate models for individual services (Discovery, Job Development, and Job Coaching) and Small Group Employment would be fully implemented
 - However, rates for Employment Path and Day Support Activity services would be 'adopted' (set) at 93 percent of the rate model 'benchmarks'
 - If funding becomes available, the full rates for these services could be implemented

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Proposals – Job Discovery

- Continues to be reimbursed based upon completion of a Discovery profile
 - Rate models include a productivity adjustment to account for time spent on Profiles that are not completed (which cannot be billed)
- Proposed rates vary by level of need
 - Current rate is the same for all tiers
 - Proposal assumes more hours are required to complete a Profile for someone with more significant needs (and barriers to employment)

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Proposals – Job Development

- Continues to be reimbursed at two milestones: 1) successful placement in integrated employment and 2) retention of job for 90 days
 - Rate models include a productivity adjustment to account for time spent on members that do not achieve these milestones (so providers cannot bill for the associated time)
 - Models shift a larger portion of the payment to the placement milestone to reflect provider data
- Proposed rates vary by level of need
 - Current rates do vary, but by modest amounts

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Proposals – Job Coaching

- Continues to be reimbursed based upon number of hours that a member works
- Proposed rates continue to vary by level of need
 - Higher rates for individuals with more significant needs due to a higher ratio of support hours to work hours and because of the need for more ‘indirect’ support
- Proposed rates also continue to vary based on the member’s months on the job (with the addition of Maintenance rates)
 - Initial rate provides a higher rate for first six months of employment
 - Ongoing rate allows a member to be stabilized over next 18 months
 - Maintenance rate assumes less support is required after 24 months

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Proposals – Small Group Employment/ Employment Path

- Both services continue to vary by level of need, assuming individuals with more significant needs need more intensive staffing (smaller groups)
- Employment Path
 - Continues to have higher rates for community-based services
 - Addition of one-to-one community rate for individualized attention; would be limited to 60 hours per year

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Proposals – Day Support Activity

- Continues to vary by level of need, assuming individuals with more significant needs need more intensive staffing
- Continues to have higher rates for community-based services

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Next Steps – Implementation

- Rates will be submitted to OHA and included in the Medicaid amendment that will be posted for comment
 - The complete rate models and supporting documentation will be posted online at www.burnshealthpolicy.com/ODDSRates
 - B&A will conduct a webinar on November 4 to explain the rates
 - Will be recorded and posted online for those unavailable to participate
- Implementation scheduled to begin in March 2016
 - Contingent upon CMS approval
 - Approach by service (subject to change)
 - Payments for existing services will be converted to the proposed rates effective on the date of implementation
 - New services (Job Coaching – Maintenance and Employment Path – Community, One-to-One Services) and new exception rates will be available as members' planning meetings are held

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