

Vendor Rate Study

# **Fiscal Impact Analysis**

Prepared for Department of Developmental  
Services

**Fiscal Impact - Statewide Summary**  
**Prepared for Department of Developmental Services<sup>1</sup>**

	<b>FY 2017 Actual Spend</b>	<b>Est. Spend at New Rates</b>	<b>\$ Increase/ (Decrease)<sup>2</sup></b>	<b>% Increase/ (Decrease)</b>
Grand Total FY2016-17 POS	\$5,041,423,233			
Out of Scope Services	(\$406,949,978)			
In-Scope Services - Fiscal Impact Not Available <sup>3</sup>	(\$168,646,502)			
<b>In-Scope Services - Rates Set</b>	<b>\$4,465,826,753</b>	<b>\$6,240,703,529</b>	<b>\$1,774,876,776</b>	<b>39.7%</b>
<b>Adjustments</b>				
Rate Adjustments for Minimum Wage Since FY2016-17 <sup>4</sup>			(\$360,000,000)	
Marginal Cost of Caseload/ Utilization Growth Since FY2016-17 <sup>5</sup>			\$408,498,526	
<b>Estimated Fiscal Impact of Recommended Rates</b>			<b>\$1,823,375,302</b>	<b>40.8%</b>

**Personal Supports and Training Services<sup>6</sup>**

025 - Tutor Services	\$576,929	\$883,736	\$306,807	53.2%
055 - Community Integration Training Program (In-Home/Community)	\$29,727,681	\$29,501,546	(\$226,135)	(0.8%)
062 - Personal Assistance	\$145,724,312	\$234,425,970	\$88,701,658	60.9%
063 - Community Activities Support Services (In-Home/Community)	\$4,744,549	\$4,757,078	\$12,529	0.3%
073 - Parent Coordinator Supported Living Prog	\$418,163	\$450,617	\$32,454	7.8%
093 - Parent-Coordinated Personal Assist Service	\$6,206,000	\$9,524,754	\$3,318,754	53.5%
108 - Parenting Support Services	\$11,312,135	\$14,731,387	\$3,419,252	30.2%
111 - Program Support Group-Other Services	\$10,721,299	\$15,992,760	\$5,271,461	49.2%
420 - Voucher Respite	\$787,906	\$1,119,331	\$331,425	42.1%
465 - Participant-Directed Respite Services	\$15,868,751	\$23,341,949	\$7,473,199	47.1%
520 - Independent Living Program	\$112,892,421	\$111,854,001	(\$1,038,420)	(0.9%)
635 - Independent Living Specialist	\$2,134,301	\$2,198,455	\$64,155	3.0%
645 - Mobility Training Services Agency	\$305,215	\$465,580	\$160,364	52.5%
650 - Mobility Training Services Specialist	\$59,925	\$93,815	\$33,890	56.6%
680 - Tutor	\$584,009	\$564,752	(\$19,257)	(3.3%)
860 - Homemaker Services	\$14,858,643	\$21,669,105	\$6,810,462	45.8%
862 - In-Home Respite Services - Agency	\$108,538,582	\$152,175,880	\$43,637,298	40.2%
862 - In-Home Respite Services - Employer of Record	\$183,860,615	\$178,151,077	(\$5,709,539)	(3.1%)
864 - In-Home Respite Worker	\$5,483	\$7,445	\$1,962	35.8%
896 - Supported Living Services	\$606,692,661	\$823,232,537	\$216,539,876	35.7%

**Residential Services**

109 - Program Support Group-Residential	\$57,708,801	\$113,060,447	\$55,351,646	95.9%
113 - DSS Licensed-Spec Residential Facility (ARFPSHN Services)	\$41,732,326			
113 - DSS Licensed-Spec Residential Facility (SRF Services)	\$326,673,756	\$510,181,040	\$183,507,284	56.2%
896 - Supported Living Services (Community)	\$6,565,075	\$8,873,206	\$2,308,131	35.2%
899 - Community Crisis Home Transitional Costs	\$0			
900 - Enhanced Behavioral Supports Home Facility Component	\$49,382			
901 - Enhanced Behavioral Supports Home	\$0			
902 - Community Crisis Home Facility Component	\$0			
903 - Community Crisis Home	\$0			
904 - Family Home Agency	\$66,747,273	\$78,007,765	\$11,260,492	16.9%
905 - Residential Facility Serving Adults-Owner Operated	\$44,148,374	\$79,636,964	\$35,488,590	80.4%
910 - Residential Facility Serving Children-Owner Operated	\$7,271,405	\$10,684,439	\$3,413,034	46.9%
915 - Residential Facility Serving Adults-Staff Operated	\$732,510,663	\$1,300,053,600	\$567,542,937	77.5%
920 - Residential Facility Serving Children-Staff Operated	\$35,945,080	\$60,118,382	\$24,173,302	67.3%

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**Day and Employment Services<sup>7</sup>**

028 - Socialization Training Program	\$31,717,594	\$35,126,425	\$3,408,831	10.7%
055 - Community Integration Training Program (Day)	\$209,004,338	\$257,521,572	\$48,517,234	23.2%
063 - Community Activities Support Services (Day)	\$40,411,628	\$50,456,316	\$10,044,688	24.9%
091 - In-Home/Mobile Day Program	\$8,064,294	\$14,398,104	\$6,333,810	78.5%
094 - Creative Arts Program	\$9,245,202	\$11,844,186	\$2,598,984	28.1%
110 - Program Support Group-Day Service	\$36,427,303	\$69,200,049	\$32,772,746	90.0%
475 - Participant-Directed Community-Based Training Svcs./ Adults	\$51,888	\$78,178	\$26,290	50.7%
505 - Activity Center	\$57,261,002	\$50,352,478	(\$6,908,524)	(12.1%)
510 - Adult Development Center	\$400,362,499	\$575,979,102	\$175,616,602	43.9%
515 - Behavior Management Program Behavior Management	\$247,121,261	\$323,482,933	\$76,361,672	30.9%
525 - Social Recreation Program	\$8,611,397	\$4,220,115	(\$4,391,282)	(51.0%)
875 - Transportation Company	\$159,238,716	\$185,242,660	\$26,003,944	16.3%
880 - Transportation-Additional Component	\$106,738,821	\$192,901,560	\$86,162,739	80.7%
882 - Transportation-Assistant	\$13,889,461	\$28,567,070	\$14,677,609	105.7%
055 - Community Integration Training Program (Employment)	\$28,165,610	\$34,726,608	\$6,560,998	23.3%
063 - Community Activities Support Services (Employment)	\$3,910,900	\$4,464,256	\$553,357	14.1%
950 - Supported Employment-Group	\$92,883,053	\$112,277,188	\$19,394,135	20.9%
952 - Supported Employment-Individual	\$24,479,908	\$26,779,341	\$2,299,432	9.4%
954 - Rehab Work Activity Program	\$48,816,190	\$41,525,241	(\$7,290,948)	(14.9%)

**Behavioral and Professional Support Services**

017 - Crisis Team - Evaluation & Behavior Modification	\$22,554,871	\$37,803,911	\$15,249,040	67.6%
048 - Client/Parent Support Behavior Intervention Trng	\$44,263,045	\$60,903,407	\$16,640,361	37.6%
103 - Specialized Health, Treatment & Training Svcs	\$9,350,137			
106 - Specialized Recreational Therapy	\$2,372,606			
115 - Specialized Therapeutic Services (Consumers 3 to 20)	\$6,162,019			
116 - Early Start Specialized Therapeutic Services	\$80,401,384			
117 - Specialized Therapeutic Services - (Consumers 21 and Older)	\$9,982,318			
605 - Adaptive Skills Trainer	\$58,618,837	\$61,435,417	\$2,816,580	4.8%
612 - Behavior Analyst	\$45,268,410	\$72,690,677	\$27,422,266	60.6%
613 - Associate Behavior Analyst	\$5,473	\$8,493	\$3,020	55.2%
615 - Behavior Management Assistant	\$20,677,468	\$22,712,031	\$2,034,563	9.8%
616 - Behavior Technician-Paraprofessional	\$393,035	\$647,055	\$254,020	64.6%
620 - Behavior Management Consultant	\$26,194,593	\$25,919,989	(\$274,604)	(1.0%)
805 - Infant Development Program	\$187,859,948	\$153,681,551	(\$34,178,397)	(18.2%)

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**Footnotes:**

<sup>1</sup> A brief summary of the assumptions and methodology used to develop this estimate follows:

- Fiscal year 2016-17 claims were 'repriced' as if the rate models had been in effect; the difference between the actual and repriced totals represent the baseline impact
- Since most service codes are not limited to a single billing unit (for example, an hour or a month), the repricing first required a unit type had to be attached to each claim in order to avoid pricing, for instance, a monthly unit according to an hourly rate. Claims do not include a field for the unit type so this process required linking claims to an approved rates file and matching the two based on five points: vendor ID, consumer, service code, service subcode, and billed rate (DDS provided fiscal year 2016-17 claims data as a monthly roll-up of claims for each client, differentiated by service code, sub-code, month of claim, and Regional Center. The billed rate is calculated as the total monthly payment for each claim divided by total billed units). Additional manual steps were undertaken to attempt to assign billing units to claims when there was not a five-point match between the claims data and rates file.
- Billing units were standardized when feasible. For example, a rate based on a 15-minute unit could easily be converted to an hourly rate by multiplying by four. Other conversions were not possible; for example, a monthly billing unit could not be converted to an hourly equivalent because there is no way to determine the number of hours of service that were actually provided during the month.
- Claims with billing units that could be translated to the unit assumed in the rate model were repriced. For example, for a service code with a rate model based on an hourly billing unit, all 15-minute, 30-minute, and 60-minute units were repriced.
- To control for the possibility of erroneous billing unit assignments for claims that could be compared to the rate models (that is, the claim had the same billing unit as the rate model), a range of feasible billed rates were established for service codes. For example, it was assumed that claimed hourly rates between \$11.00 and \$55.00 were possible for service code 062 (Personal Assistance) to account for legal minimum wage at the low end of the threshold and specialized rates at the high end. Rates falling outside of the established range were excluded from the direct repricing, and instead were assumed to change in the same proportion as the change for the directly repriced units. For example, if the claims with an hourly rate of between \$11.00 and \$55.00 were increasing by 22 percent, it was assumed that the claims outside of the threshold changed would also increase by 22 percent (the rates of change were applied at the Regional Center level when possible for both these estimates as well as those discussed in the next bullet. If a particular Regional Center had no claims that could be repriced directly (e.g., only monthly units when the draft rate model is built on an hourly unit), the Statewide rate of change was applied).
- For billing units that could not be translated to the unit type in the rate model, it was assumed that they would also change in the same proportion as the change for the convertible units. To continue the example above, if the repricing of the 15-minute, 30-minute, and 60-minute units resulted in an aggregate estimated increase of 22 percent, it was assumed that the total spending associated with the monthly units would also increase 22 percent.
- The estimated fiscal impacts for service codes that are not limited to a single 'service' and that would, therefore, be associated with different rates were not based on a repricing of units. Instead, the proportion of total spending associated with the various services was allocated based on provider survey results and the corresponding rate of change for the comparable service was applied. For example, service code 055 may be used for in-home services, for look-alike day programs, or for supported employment. All of these services have different rates, but here is no way to determine which service was provided based on the claims. The provider survey asked for providers to report revenue based on these activities and the reported proportions were applied to the claims totals in order to allow for the repricing.
- A similar process was employed for service codes that cover different activities. For example, the rate models assumed that individual supported employment will be divided into job development and job coaching rates. The claims data do not currently distinguish between these activities so the provider survey was used to estimate the amount of total current spending associated with each activity.
- Two adjustments were made to update the assumption to reflect fiscal year 2019-20 rather than 2016-17. First, the estimated fiscal impact was reduced to account for funding that has already been approved or that is part of a separate request to fund higher rates to account for the rising statewide minimum wage. Second, the estimate was increased to account for system growth that has occurred in recent years (since the rate models will apply to a larger base of services than in fiscal year 2016-17).

<sup>2</sup> Service Code-level estimates are a 'repricing' of FY2016-17 claims, and do not include the impact of rate changes since that year (e.g., minimum wage increases, rate 'creep', or the effects of changes to caseloads and utilization). Subsequent adjustments attempt to account for these issues.

<sup>3</sup> Includes \$18,596,331 in identified SSI/ SSP payments included in service codes 905, 910, 915, and 920.

<sup>4</sup> DDS has already increased system funding by approximately \$45 million since FY2016-17 to fund minimum wage increases that have taken place since that year. The fiscal year 2019-20 budget will require another \$315 million for additional increases in the minimum wage.

<sup>5</sup> DDS projects POS expenditures in FY2019-20 will be approximately be \$6.24 billion, a \$1.20 billion increase compared to FY2016-17 POS expenditures. The fiscal impact is adjusted to account for the increase in enrollments and utilization levels by first reducing projected FY2019-20 spending of \$6.24 billion by already-funded increases for minimum wage changes (resulting in an adjusted FY2019-20 expenditure estimate of \$6.20 billion), then multiplying this difference by the proportion of POS payments for which rates have been set to the overall FY2016-17 POS expenditures (88.6 percent), and finally increasing the result by the projected increase in estimated spending from implementing recommended rates.

<sup>6</sup> Costs associated with service code 894 - Supported Living Services Vendor Administration are incorporated in service code 896 - Supported Living Service.

<sup>7</sup> Costs associated with service code 883 - Transportation Broker are incorporated in service codes 875 - Transportation Company and 880 - Transportation - Additional Component.