

# DDS VENDOR RATE PROPOSAL

**WHAT IS IT?**

**WHAT ARE THE IMPLICATIONS?**

**ALAMEDA DD COUNCIL MEETING**

**WEDNESDAY, APRIL 10, 2019**

# PURPOSE...

- HOW DID WE ARRIVE HERE?
- WHAT LED TO THIS VENDOR RATE/SERVICE CODE PROPOSAL?
- TIMELINE
- PROJECT PRINCIPLES

# THE RATE PROPOSAL - WHAT IS IT?

- Began with AB2X1- Legislation from 2017
  - ABX2-1 also added §4519.8 to the Welfare and Institutions Code, requiring a rate study
    - Consult with stakeholders through the DS Task Force
    - Consider sustainability, quality, and transparency of services
    - Assessment of the effectiveness of rate-setting methods
    - Adequacy of provider network/ choice of providers for consumers
    - Fiscal impact
    - Incentivizing outcomes for consumers
    - Evaluate number and type of service codes

# THE RATE PROPOSAL- HOW DID WE GET HERE?

- DDS searched for 3<sup>rd</sup> party vendors to conduct the study- Burns and Associates(B&A) was contracted June 2017 (2 submissions, 1 chosen)
- Burns and Associates have conducted I/DD rate studies in Arizona, Georgia, Hawaii, Maine, Mississippi, New Mexico, Oregon, Rhode Island, Vermont, and Virginia



## WHY IS THIS IMPORTANT?

- Long Term, System- Wide Viability of Service System
- Third Party Evaluation of the system is healthy
- Need for transparency and more openness about how rates are constructed
- Need to streamline and reorganize service codes
- Aim to look at future needs and provide more opportunities for choice driven decision making by participants and students
- HCBS compliance

# TIMELINE

- Developed over past 18 months
  - Review of DDS rate structure
  - Provider Survey- Aug. 2018
  - Individual and Family Survey- Oct. 2018
  - B &A released Vendor Rate Survey Data- Dec. 2018
  - Rate Proposal released to public on February 26, 2019- approx. 2100 pages
  - Fiscal Impact Report and Proposal submitted to the CA Legislature on Mar. 15, 2019
  - Public Comment and Challenges or Feedback submitted on April 5, 2019.

# ALSO REVIEWED BY B & A

- Current Rate Structure
  - Some Set in Statute
  - Negotiated Rates
  - Rates set by Cost Statement
  - ARM
  - Usual and Customary
- Service Codes
- Billing Units
- Overall Effectiveness of Rate Setting Practices

# PROJECT PRINCIPLES

- Support Programmatic Principles
  - Compliance with applicable requirements- HCBS Final Rule, Federal Fair Labor Standards Act
  - Service Quality
  - Provider Network
- Streamline Operations
  - Efficient Payment Structures
  - Simplified Service System
- *INCREASE Standardization- Service Code Usage, Service Requirements, Billing Units and Rates*

**RATES BY THEMSELVES CANNOT ACHIEVE  
THESE GOALS, BUT ARE AN INTEGRAL  
COMPONENT**



## PROJECT PRINCIPLES- PART II

- Utilize Independent Rate Setting Approach
  - Constructed in consideration of **COSTS** Providers face in delivering a particular service consistent with the State's requirements
- Data collected from a variety of sources rather than any single source
  - State policies, rules, and standards
  - Provider and Stakeholder Input (e.g. Surveys)
  - Published sources (e.g. Bureau of Labor Statistics, IRS mileage rates)
  - Special Studies (e.g. analysis of Regional Variations)
- Rate Models are developed INDEPENDENT of Budgetary Considerations

# RATE MODELS

- **COMPONENTS: WHAT IS IN THE RATE MODELS?**
- **ADVANTAGES OF INDEPENDENT RATE MODELS**
- **WHERE DID THE DATA COME FROM?**

# COMPONENTS- WHAT IS IN THE RATE MODELS?

- 5 FACTORS in all HCBS Rates

1. Direct Care Worker Wages
2. Direct Care Worker Benefits
3. Direct Care Worker Productivity
4. Program Support
5. Administration

- Factors that vary by Service

1. Transportation Related Costs
2. Attendance/Occupancy
3. Staffing Ratios
4. Rent for program facilities
5. Others as appropriate

# INDEPENDENT RATE MODELS

- A single service may have different rates due to a variety of factors
  - Individual level of need
  - Group Size
  - Service Setting (facility vs. community based)
  - Service Duration (short vs. long encounters, part day vs. full day)
  - Staff Qualifications and Training
  - Geography (e.g. urban, rural, etc.)



# INDEPENDENT RATE MODELS- ADVANTAGES

- **EQUITY**- Providers of Service would receive the same rate for delivering the same service (vs. historical cost/negotiated rate models, or start date of service)
- **TRANSPARENCY**- Models specify the factors, values, and calculations that produce the overall rate. B&A has a goal that stakeholders should understand the rate models, even if there is disagreement about the assumptions
- **EFFICIENCY**- Models could be adjusted to update specific cost factors based on new data (subject to available funding)
- **ABILITY TO ADVANCE POLICY GOALS/OBJECTIVES**- (i.e. improving wages/benefits, staff training, lowering ratios, incentivizing HCBS compliant services)

## B & A- DATA GATHERING

- Review of Published Materials
  - Statutes and Regulations- those that govern DDS services
    - Welfare and Institutions Code/ Lanterman Act, California Code of Regulations
    - Regional Center Policy Manuals, Previous Studies related to Rates
- Analysis of Purchase of Service, Consumer, and Rate Data
  - Billing Units, Average Rates, and Utilization Patterns

# B & A- DATA GATHERING- PROVIDER SURVEY

- Provider Survey was designed to gather data related to service delivery and costs
  - Wage and Benefit Costs
  - Staff Productivity
  - Costs of Facilities- rent, maintenance, utilities, etc.
  - Staffing Ratios
  - Mileage of Travel
- Over 1,100 Organizations covering 4,600 vendor id numbers participated or 20% of all organizations across the state.
- OVERALL RESPONSE RATE- 52% of POS claims for covered service (FY 2016-2017)

## B & A- DATA GATHERING- OTHER SOURCES

- **Federal and State Laws** governing labor requirements, including minimum wage levels and sick time requirements
- **Wages-** Bureau of Labor Statistics (BLS) National Compensation Survey
- **Benefits-** BLS Employee Benefits Survey; US Dept of HHS Medical Expenditure Panel Survey
- **Travel Costs-** IRS mileage rate (\$0.58/mile); geo spatial analysis of time and distance between providers and participants
- **Commercial Real Estate Costs-** Loopnet (CoStar Group), and Collier International Lease Cost Reports



# WHAT DOES THIS ALL MEAN?

- SERVICE PROVIDERS
- REGIONAL CENTERS
- DDS
- PEOPLE BEING SERVED

# NOTHING! YET?

- BE MINDFUL- THIS IS A PROPOSAL! NOTHING IS HAPPENING YET!
- Further General Public Comment concluded on Friday, April 5, 2019, and Feedback was formally submitted from Service Providers on that date.
- Legislative Analyst's Office- Sonja Petek, and DDS are REQUIRED to submit some recommendations to the Legislature on Monday, April 22.
- THERE IS NO GUARANTEE THAT ANY/ALL/SOME/MOST of the Recommendations will be agreed to by the California State Legislature
- No significant changes are imminent, but DDS believes that something actionable may begin this upcoming Fiscal Year 2019-2020.

# IMPLICATIONS OF RATE MODELS DDS AND REGIONAL CENTERS

- Department of Social Services
  - Rate Models and the adoption of such could represent an ENORMOUS change to the ENTIRE System as currently constructed
  - Massive Infrastructure Alterations for Billing, Funding, and Operations
  - Could lead toward constructive ways to address underfunding with better maintenance of rate structure and future alterations.
- B & A and DDS Fiscal Impact Report
  - NOTED SEVERE UNDERFUNDING of IDD system- \$1.1 Billion- CA General Fund, and \$1.8 Billion including Federal Matching needed to fund the Rate Proposal.
- 8% Rate Increase by IDD community being currently considered by the Legislature- \$290M CA General Fund, and \$210M Federal Matching Funds.
  - Assembly and State Senate Support is present at the moment.

# IMPLICATIONS OF RATE MODELS SERVICE PROVIDERS

- Service Providers
  - Rate Models and the adoption of such could represent an ENORMOUS change to the ENTIRE System as currently constructed
  - Massive Infrastructure Alterations for Billing, Funding, and Operations
    - Operational Stressors and Administrative Cost Increases
    - Potential Improvement of Wages for Direct Support Professionals
    - Altered Program Designs and development of alternative or innovative Programming Options
    - Some Current Programs may be impacted negatively
      - The Rate Proposal does NOT increase Rates for ALL services- it provides a FRAMEWORK for which Rates can be determined.



# IMPLICATIONS OF RATE MODELS PEOPLE BEING SERVED

- Individual Program Plans (IPPs) will still be honored
- Current Programming Options and the Landscape of Service Availability may/will change- in some cases slowly, in other cases more quickly
- Potential alignment with Participant Choice, Self- Determination, and Future Braided or Interdisciplinary Services opportunities for those being served
- Potential improvement in DSP Wages which should improve the staff turnover rate
- Potentially improve access to staff training and the professionalization of the field
- Many unforeseen and unintended consequences

# WHAT IS NEXT?

- Wait and See Game
  - April 22 Letter from DDS and LAO Office
  - CA State Budget- May Revise
- **ADVOCATE FOR THE 8% ASK- The DOWN PAYMENT to the IDD system**
  - Contact your local CA Legislators- Assembly and State Senate- DO IT TODAY!
- If Actionable Items are agreed to by the powers that be, then **STAKEHOLDER ENGAGEMENT** will be **CRITICAL**, especially for anything that will require implementation.
- **STAY TUNED!**

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Citation: <http://www.burnshealthpolicy.com/wp-content/uploads/2019/02/Rate-Study-Recommendations.pdf>