Long Term Services and Supports Rate Setting

2019 National HCBS Conference
Wednesday, August 28th
LTSS Rate Development

- Jessica Bax, Missouri State Unit on Aging Director
- Angela Brenner, Director of Federal Programs, Missouri Department of Mental Health
- Kevin Hancock, Deputy Secretary, Pennsylvania Department of Human Services
LTSS Rate Development

• Fee For Service (FFS)
  • Missouri Adults with Disabilities and Older Adults
    • State Plan Personal Care
    • Five 1915 c Waivers
  • Missouri Adults with Intellectual and/or Developmental Disabilities
    • Four 1915 c Waivers

• Managed Care
  • Pennsylvania
    • MLTSS transition rolled out in 3 phases beginning in 2018
LTSS Rate Development

• Rate Development Methodology
• Stakeholder Engagement
• Communication with and approval from CMS
• Challenges
• Best Practices
Missouri FFS LTSS Rate Setting
Federal Guidance and Requirements

1902(a)(30)(A) of the Social Security Act

“Payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that services under the plan are available to beneficiaries at least to the extent that those services are available to the general population”
Missouri FFS LTSS Rate Setting
Federal Guidance and Requirements


• CFR 447.201 - must describe the policy and the methods used in setting payment rates for each type of service.

• 42 CFR 447.202 - must assure appropriate audit of records if payment is based on costs of services or on a fee plus cost of materials.
CMS Technical Guidance

• Details of the rate methodology must include inputs (e.g., wages, administrative costs, etc.), cost assumptions, and other projections that were used to establish the rate.

• No matter what your rate methodology is, Appendix I-2-a description should:
  • Rule 1: Be Specific – Describe the method of rate setting for each service. For each service, also include the rate setting methodology for different methods of service delivery, such as participant direction.
  • Rule 2: Describe how and how often the rate methodology is reviewed and rates are updated.
  • Rule 3: Describe the public comment process.
  • Rule 4: Describe how the individual rates are available to the public.
CMS Technical Guidance

• Detail the rate methodology specific to each service. Services can be grouped when the methodology is uniform for those services.

• Specify the data sources and variables that comprise the rate (wages, productivity, benefits, administrative and program support costs, inflation, etc.)

• Explain which entity is responsible for rate setting and oversight.

• Clearly document the related state codes and regulations. Caveat: Copying and pasting the state’s provider reimbursement regulation will generally not describe the method of rate development.
Missouri FFS LTSS Rate Setting
Missouri Journey

Environment

• State Plan Personal Care
• Adult Day Care Waiver
• AIDS Waiver
• Aged and Disabled Waiver
• Independent Living Waiver
• Medically Fragile Adult Waiver
• Population: 60,000 +
• Providers: 1,515 Personal Care, 124 Adult Day Cares,
Missouri FFS LTSS Rate Setting
Missouri Journey: Background and Environment

• Fee Schedule

• Regulatory Language: The fee per unit of service will be based on the determination by the state agency of the reasonable cost of providing the covered services on a statewide basis and within the mandatory maximum payment limitations

• Original Rate Development (1984-2002)
Appendix I Language:

The reimbursement rates for services provided through the Adult Day Care Waiver are subject to and determined by the State Legislature, through the State of MO annual budgeting/appropriation process. Participants and business entities are able to testify at annual appropriation hearings conducted by the State House of Representatives and State Senate appropriation committees to provide input on reimbursement rates. The rates established by the MO Legislature are statewide rates; it does not vary by provider. Current reimbursement rates can be found on MO HealthNet’s website.
Missouri FFS LTSS Rate Setting
Missouri Journey: Questions from CMS

2015 Adult Day Care Waiver Renewal

• **CMS:** The state has not adequately documented the rate setting methods for each waiver service. Please revise.

• **CMS:** The waiver does not provide information regarding the process undertaken to set the rate or the inputs that comprise the rates.

• **Missouri:** The state legislature works independently with legislative budgetary staff and the input of the Missouri Adult Day Services Associations, Adult Day care participants, as well as independent Adult Day Care providers to develop rate changes. Inputs utilized in the past during this process have included gas prices, minimum wage, and the cost of care and operation. The state legislature has the opportunity to ask questions from state agencies during the budgetary process.
2015 Adult Day Care Waiver Renewal

• **CMS:** How does the state legislature determine the inputs that comprise the rate (BLS, wage info, inflation data, productivity modifiers, cost surveys, rate type, etc.)?

• **Missouri:** The state legislature works independently with legislative budgetary staff and the input of the Missouri Adult Day Services Associations, Adult Day care participants, as well as independent Adult Day Care providers to develop rate changes. Inputs utilized in the past during this process have included gas prices, minimum wage, and the cost of care and operation. The state legislature has the opportunity to ask questions from state agencies during the budgetary process.
Missouri FFS LTSS Rate Setting
Missouri Journey: Questions from CMS

2015 Adult Day Care Waiver Renewal

• **CMS**: How does the legislature determine the final rates given the inputs? What is the calculation?

• **Missouri**: The state legislature works independently with legislative budgetary staff and the input of the Missouri Adult Day Services Associations as well as independent Adult Day Care providers to develop rate changes. The state legislature has the opportunity to ask questions from state agencies during the budgetary process.

• **CMS**: Are rates updated each time the budget changes? What are the processes and timeline for updating rates?

• **Missouri**: Rates are reviewed during each budgetary period (annually) by the state legislature. The legislature makes the decision regarding any updates at this time.
2015 Adult Day Care Waiver Renewal

- **CMS:** The rate changes from a unit cost of $2.26 in 2014 to a unit cost of $2.32 in 2015, increasing by 6 cents each year. What is the basis of this increase and how was it determined?

- **Missouri:** This rate was determined by the legislature through information gathered in an independent process. The state agency was consulted during this process only to determine fiscal impact.
2015 Adult Day Care Waiver Renewal

- **CMS:** While the waiver specifies that the state legislature is responsible for rate determination, it does not mention oversight or entities responsible for oversight of the rate determination process. Please provide information regarding rate determination oversight. Who within the legislature (what committee/person) is responsible for rate determination? Who is responsible for conducting rate determination oversight?

- **Missouri:** The Missouri State Legislature employs research staff who work in coordination with industry representatives to determine inputs for development of rates. The Missouri House of Representatives (MO HoR) has a standing Appropriations Committee for Health, Mental Health and Social Services. This committee develops initial recommendations for rates and this information is sent to the standing Select Committee on Budget for final decisions regarding rates being sent for a vote decision before the MO HoR. In the Missouri Senate, there is a standing Appropriations Committee which reviews information gathered by its members to determine rates, which then go before the Senate for vote.
Missouri FFS LTSS Rate Setting
Missouri Journey: Questions from CMS

2015 Adult Day Care Waiver Renewal

• **CMS:** What rate oversight processes and procedures are currently in place? How do such processes and procedures adequately monitor the proper development of rates? How often does oversight occur? Is data validation part of this oversight?

• **Missouri:** Rate oversight processes are described above. There is no oversight beyond this process.
March 2018 Aged and Disabled Waiver Renewal

**CMS:** The state currently does not have a rate methodology as they did not maintain the data used to initially set the rates but have continued to use those initial rates as a baseline for updates. We continue to recommend that the state provide both a timeline and develop new rate setting methodology for each of the waiver services that clearly documents the process and specific data sources and elements used to establish waiver service payment rates. This recommendation was also provided during the review of the AIDS waiver in 2017 and we believe the state should begin this process as soon as possible.

**Missouri:** The state will discuss this recommendation internally with the administration as well externally with stakeholders.
Beginning with the April 2014 renewal of the Independent Living Waiver (ILW), the State separated the administrative function regarding assisting the ILW participant with ensuring the employability of an attendant; the collection and processing of timesheets for attendants; payroll processing; and the withholding, filing, and payment of applicable federal, state, and local employment related taxes and insurance of the attendant from the personal care service in the ILW.

The personal care service rate was based on the following factors: the attendant’s wages, applicable employer taxes, and the personal care service rate according to the Missouri Department of Labor and Industrial Relations Calendar Year (CY) 12 average wage for Personal Care and Service Workers plus all employer related taxes associated with the wage.

Annually thereafter, the Missouri Legislature reviews current rates and builds upon those rates.
Missouri FFS LTSS Rate Setting

Missouri Journey: Questions from CMS

December 2018 Independent Living Waiver Renewal

CMS: This section seems to clarify that the rates might have been recalculated in 2014 and that the state has been trending the information forward for current rates. Is this correct?

Missouri: Yes. Rates in the waiver application approved in 2014 were new established rates. With the renewal of each waiver application, current rates are always used to establish Appendix J of the waiver application. Current rates are used to trend forward.
Missouri FFS LTSS Rate Setting
Missouri Journey: Questions from CMS

December 2018 Independent Living Waiver Renewal

**CMS:** Additionally, how does the state ensure that this rate remains sufficient to attract qualified Independent Living Waiver providers?

**Missouri:** The language is the waiver application is simply the basis for how rates were established. CMS has repeatedly asked the State to provide the history of how rates were established and the rate methodology with previous waiver renewals. The State has simply included the basis for the establishments of the rates for historical data when these rates were developed. The projections for rates in Appendix J of the waiver application is based upon current rates.

Additionally, the State has added the following language to the renewal application. The State is currently employing a contractor to conduct a rate study to ensure the rates are actuarially sound as it relates to quality access to service for all participants. The results of that rate study will be available later this year and guide the state in making future rate adjustments.
Missouri FFS LTSS Rate Setting
Missouri Journey: Rate Study

• Mercer
• 2018-2019
• Draft Results
• Stakeholder Meetings
• Future Outlook
Missouri FFS LTSS Developmental Disabilities Rate Setting
Missouri Journey

• Four Waivers
  • 1988 – Comprehensive Waiver
  • 1995 – Missouri Children with Developmental Disabilities
  • 2003 – Community Support Waiver
  • 2010 – Partnership for Hope Waiver
Missouri FFS LTSS Developmental Disabilities Rate Setting
Missouri Journey: Original Rate Methodologies

• Typically provider negotiated rates
  • Providers provided detailed projected costs
  • Regional Office staff review for reasonability
  • Agreed upon rate
Missouri FFS LTSS Developmental Disabilities Rate Setting

Missouri Journey: Challenges

- Provider negotiated rates from the 1980’s/90’s did not keep up with actual market
  - Rate decreases
  - Minimal COLAs
- Inconsistency across regions
- Provider concerns that contract requirements were not included in their original rates
- Detailed level of CMS questions
- OIG Audits
• **CMS Question:** Please describe the rate differences due to geographic location. How is the state able to determine whether a maximum allowable rate is sufficient in one area in the state vs. another? Describe the adjustment process for instances in which the rate is found not to be sufficient.

• **Response:** The State determines whether a maximum allowable rate is sufficient based on ability to recruit providers statewide. We have not experienced issues in provider capacity due to geographical differences. If a maximum rate is determined to not be sufficient, it would be changed for all providers based on market factors and stakeholder input.
Missouri FFS LTSS Developmental Disabilities Rate Setting
Missouri Journey: CMS Questions

• **CMS Question:** Please provide the maximum allowable cost for each service. How does the state calculate the maximum allowable costs for each service? Does this also vary by location? If not, how does the state ensure that those in areas with a higher cost per unit are receiving adequate services?

• **Response:** The Medicaid maximum allowable cost spreadsheet is attached. Many of the Medicaid maximum allowable rates for each service are based on historical rates which have been adjusted over the years for COLA funding appropriated by the General Assembly. Individual rates may be adjusted for market or programmatic changes. For example, the Day Habilitation Medical service rate was adjusted to revise to reflect current market salaries for a Certified Nurse Assistant (CNA), which was a change in the service definition. The Medicaid Maximum allowable rates are set statewide. Individuals in all areas of the state receive services based on their needs as indicated in the individual support plan (person-centered service plan), regardless of the cost per unit.
**CMS Question:** Please describe how the state calculated the rate for Day Habilitation Behavioral. What average salary was used for the licensed behavior technician, and what source suggests this is appropriate? Please also describe the utilization factor used to account for non-billable hours.

**Response:** The Day Habilitation Behavioral rate was calculated dividing the total compensation package annual billable hours. The total compensation package was calculated by adding the following amounts:

- The average salary ($31,200 or $15/hour) for a RBT is commensurate with a rate set for behavioral personal assistance (discontinued with this waiver renewal). The education and experience required for behavioral personal assistance is similar to that required for the RBT.
- 27% Fringe Benefits based on the cost of the Missouri health exchange Gold plan, 7.65% FICA and IO leave days.
- Agency overhead equal to 15% of base salary for consideration of physical plant and administration.
- Direct staff cost for LBA oversight based on estimated 8 units per week of oversight.

The utilization factor accounts for non-billable hours, or 15%, based on provider historical experience of approximately one hour downtime before and after day program billable time.
Missouri FFS LTSS Developmental Disabilities Rate Setting
Missouri Journey: Rate Study

- Given the years passed since rates were initially developed, we wanted to understand if the fee schedule rates being paid to providers today were reasonable and appropriate given current market conditions and recent guidance from CMS.
- We engaged the state’s contracted actuary, Mercer, to conduct market rate studies and streamline waiver rate determination language.
Market Studies have not all been finalized, but it has helped us gain an understanding of the rates that would be competitive in today's economy and job market.

Key cost components include:
- Direct Care and other program staff wages using BLS data
- Employee Related Expenses (e.g. health insurance, other benefits, employer taxes)
- Productivity such as paid time off
- Other service-related costs such as training, transportation, supplies, and administration/overhead
Missouri FFS LTSS Developmental Disabilities Rate Setting
Missouri Journey: Rate Methodologies

• Over the years, we have also moved from Provider negotiated rates. Waiver services consist of 5 different FFS rate methodologies
  
  • Fee Schedule Methodology – key cost components: Staff wages, employee benefits and employee related expenses, productivity, other service related expenses, administrative expenses
  
  • Negotiated Market Price Methodology – bids or cost estimates obtained from 2 or more providers. Review quotes for reasonability and chose lowest and best
  
  • Appropriated Fee Schedule – rates are based on actual historical state costs which have been adjusted by appropriation passed by general assembly to raise the lowest rates to a minimum fee schedule across all providers to stabilize capacity. Rates are adjusted as cost of living funds appropriated.
  
  • Self-directed methodology – employers given a budget based on necessary hours determined and the statewide average rates. The employer sets the actual wage.
  
  • Professional Service comparable to similar state plan services – based on the expertise required of the professional and the comparable service requirements
Missouri FFS LTSS Developmental Disabilities Rate Setting

Missouri Journey: Next Steps

- Address Appendix I and J Challenges
  - In previous renewals for our larger waivers, we were required to use the most current approved 372 report actual figures for WY1 of the renewal, which lost 2 years of trending immediately.
  - All 4 waivers include same services with the same rate methodologies. At each renewal, we receive about a rate methodology in one waiver but not the other, or a request to change one and not the other. It is difficult to keep our waiver language consistent with the different review teams or time periods.
    - 372 questions about why the projections are off
    - Created an Excel Template that mirrors Appendix J portal
    - Most recent waiver renewals, we were able to incorporate the 2 years of trending.
    - Continue conversations with CMS and their contractors.
Missouri FFS LTSS Developmental Disabilities Rate Setting
Missouri Journey: Next Steps

• Continue engagement with Mercer
• Continue engagement with CMS
• Stakeholder Meetings
• Future Outlook