Provider Rate Setting Overview

June 15, 2017

DSS
Strong Families - South Dakota's Foundation and Our Future

South Dakota DHS

SB147 Provider Groups

- Nursing homes
- Assisted living
- In-home services (homemaker/nursing)
- Group care
- Psychiatric residential treatment
- Behavioral Health - substance abuse and mental health
- Community support providers

Overview

- The goal of any effective rate setting methodology is to include all allowable and reasonable costs and allow the provider to cover the cost incurred for the provision of the service while incentivizing quality care.
- Not all programs and services for which rates are set are the same, therefore there is no single methodology or formula to establish rates.
- Federally, not all costs are allowable for Medicaid or other federal fund reimbursement. Some examples include advertising, bad debt and fund raising.
- Medicaid funded services cannot be reimbursed at rates greater than private pay.
- Federal Medicare Upper Payment Limits apply – i.e. comparison of Medicaid to Medicare.

Overview

- Based on the approach and service type, rates may be uniform for a specific service for all providers or may be unique to each provider for the same service.
- Federal requirements can be very specific, or provide a general framework and states have more flexibility in establishing reimbursement methods.
- For Medicaid and other grants, various federal regulations and guidance outline allowable costs and cost allocation methods used to report costs.

  - OMB Circular A-87
  - CMS Publications 15-1 & 15-2 Provider Reimbursement Manual
  - South Dakota's Medicaid State Plan

Overview

- Reimbursement rates are set using primary sources:
  - Based on other payer fee schedules (private pay, Medicare, etc.)
  - Costs reported through annual cost reports
  - Provider specific surveys – both state specific and national
- Rate setting cannot be done in isolation. A collaborative approach using financial workgroups is used when possible to develop rate setting models.
- Most providers submit annual cost reports consistent with the their operating year-end.
- Not all costs are allowable for Medicaid reimbursement based on federal requirements.

Rate Setting Methodologies

- Once cost report data is validated, it can be used to develop prospective reimbursement rates.
- Various methodologies are used depending on provider type. Models can include various components to minimize the impact that outliers could have on rates and offer a tool to manage costs.
- The annual cost report data can be used to measure how well the model performed and if adjustments need to be made.
- Periodic adjustments to recognize more recent cost report data may also be incorporated into the model.

Payment Methodology

- Prospective rate based on historical cost.
- Providers submit an annual cost report subject to audit. The cost report includes revenue, expense, and units of service provided during the reporting period.
- Because of the time lag between submission of the cost report and use of the information for rate setting, costs can be inflated.
- Several categories of providers in this group have adopted a uniform timeframe for the cost report period so that all provider cost data is from the same time period.

Payment Methodology

- Input from providers is gathered and used in methodology development.
  - How the service is delivered, staffing patterns.
  - Documentation and other training or certification requirements.
- Review and analysis of the raw cost report data is completed to identify outliers and establish ranges and mean values for various components of the model.
  - Per unit cost information by provider
  - Average salary and benefits
  - Relationship of personnel costs to operating
- If outliers exist, they can be excluded from use in model development by use of standard deviation calculations.

Payment Methodology

- In addition to cost report data, additional information may be collected through surveys or other tools for use in model development.
- Survey data could include time spent updating care plans, travel time for home based services, average leave days used, etc.

Payment Methodology
Behavioral Health

- CMHCs and accredited substance use disorder providers
- Annual Expenditures: $46.9 million
- Fund sources: Medicaid, Substance Use Disorder and Mental Health Block Grants, General funds
- Annual Unduplicated Number Served: 32,826
- Number of Providers: 54
- Majority of rates uniform – i.e. all providers paid the same rate

Payment Methodology
Behavioral Health

- Substance Use Disorder – methodology development for majority of services in 2006/2007.
  - Partial methodology/updates to halfway house services in 2010
  - Long Term Residential to recognize federal psychiatric residential treatment (PRTF) requirements in 2011
  - CJI-CBISA – 2014
  - Analysis conducted annually to compare most recent cost reports to methodology
- Mental Health – history of rate setting methodology timeframes
  - CARE – 2009
  - SED – 2010
  - IMPACT- 2013
  - Outpatient psychiatric – Partial methodology review with 2016 salary/cost survey, majority of other outpatient services 2008/2009
  - JJRI- FFT – 2016
  - Analysis conducted annually to compare most recent cost reports to methodology

- Complete list of fees and fee schedule can be found here at: http://dss.sd.gov/medicaid/providers/feeschedules/dss/

Payment Methodology Example
Behavioral Health – CD Counselor

LOCAL/GROUP COUNSELING

	Avg Salary
AVERAGE COUNSELOR STAFF SALARY	$24,950
TOTAL COUNSELOR SALARY	$24,950
TOTAL BENEFITS AND TAXES	$4,758
TOTAL COUNSELOR SALARY COST (B&T)	$29,708
TOTAL SALARY COST (B&T)	$29,708
(+) TOTAL OPERATING COSTS	$10,100
(=) TOTAL COST	$39,708
TOTAL COST	$39,808
AVG BILLABLE HOURS	1,768
RATE PER HOUR	$22.52
RATE	$22.52per hour
	$5.44per 15 min

Payment Methodology
Residential Treatment for Youth

- Annual Expenditures: $29.8 million
- Fund Sources:
  - Group Care – General funds and Title IV-E
  - PRTF- Medicaid
  - Independent Living - General, Chafee grant funds
- Average Monthly Number Served: 329
  - DSS and DOC
- Number of Providers: 11

Payment Methodology
Residential Treatment for Youth

- Currently each facility paid a unique daily rate – FY2017 rates range from $122.35 to $226.38
- Moving to more standardized rates.
- Group care - rate setting methodology developed by SDAYCP in 2014. Cost report data used to compare to rate modeling. Utilized this information for purposes of rate methodology target for Governor's 3 year plan.
- When PRTF federal requirements were implemented in 2007, rate methodology was adjusted. SDDSS currently working with SDAYCP on review of methodology.
- Independent Living – Case Management and Housing supports
- Analysis conducted annually to compare most recent cost reports to methodology.

Payment Methodology
In Home Services – Homemaker/Nursing

- Annual Expenditures: $20.6 million (DSS/DHS)
- Fund Sources: Medicaid, state general funds, Social Services Block Grant
- Average Monthly Number Served: 6,431
- Number of Providers: 72 sites
- Multiple agencies and programs purchase this service.
- ADLS and HCBS waivers in Long Term Care Services and Supports and Medical Services State Plan utilize this reimbursement method and rates.

Payment Methodology
In Home Services – Homemaker/Nursing

- All providers paid the same hourly rate. SFY2017 rates:

  - Nursing - $49.60

  - Homemaker/personal care aide - $25.16

HCBS waivers have historically paid one rate for nursing services – whether provided by an RN or LPN. State Plan pays rates unique to LPN.

- Initial rate methodology completed in 2007/2008.
- Updated in 2010 and again in 2015 to accommodate changes in travel time, documentation and training requirements, and market factors for salary and wages.
- Home based service includes wide variability in travel time for service provider.
- Analysis conducted annually to compare most recent cost reports to methodology.

Payment Methodology Example
In Home Services – Homemaker/Nursing

HOMEMAKER/PERSONAL CARE AID RATE METHODOLOGY (2015 data)

	Salary	% FTE	Total Cost
DIRECT STAFF	$22,000	1.00	$22,000
TOTAL DIRECT SALARIES			$22,000
TOTAL DIRECT BENEFITS & TAXES			$7,788
TOTAL DIRECT SALARY COST (B&T)			$29,788
TOTAL SALARY COST + B&T			$29,788
(+) TOTAL OPERATING COSTS			$10,100
(=) TOTAL COST			$39,888
TOTAL COST			$39,888
BILLABLE HOURS			1,425
RATE PER HOUR			$27.99

Payment Methodology
Assisted Living

Annual Expenditures: $9.0 million

Fund Source: Medicaid (Waiver)

Average Monthly Number Served: 652

Number of Providers: 123

SFY2017 daily rate: $40.50 per day (Waiver services only- does not include room and board which is paid by the resident).

- Rate was originally based relationally to nursing home rate until 2007 (one-half nursing home rate based on certain RUG groups)
- Financial workgroup formed in 2007-obtained cost report data from representative sample of providers. Workgroup recommended priority for cost reporting those who serve 25% or greater Medicaid. Rate methodology adjustments made in 2008 and 2009 to reflect updated cost data.
- FY2015 sample of providers cost report data, national and state survey data, and nursing home rate utilized to develop rate methodology.
- Analysis conducted annually to compare most recent cost reports to methodology.

Payment Methodology
Nursing Facility

Annual Expenditures: $141.5 million

Fund Source: Medicaid

Average Monthly Number Served: 3,156

Number of Providers: 107

- Prospective rate based on historical costs
- Medicaid pays for approximately 55% of nursing facility residents in South Dakota
- SFY 2016 Average facility rate $132.22 (case mix not included)
- Long Term Care Study completed in 2007. Task force evaluated reimbursement methodology and industry did not recommend any changes – did recommend changes to methodology for facilities designated as Access Critical.

Payment Methodology
Nursing Facility

- South Dakota's reimbursement method pays a daily rate unique to each resident. Rates for residents with special or heavy care needs are higher while those with less needs are lower. This methodology is referred to as a "case mix methodology".
- The majority of states (38) utilize this type of methodology.
- A resident's care needs are identified through an assessment called the Minimum Data Set (MDS). The MDS is used to collect data regarding the individual's functional capacity including basic self care activities such as health, bathing, dressing, toileting, eating, and transferring. The assessments are completed by the nursing home staff and monitored by state staff.
- Each level of care from the MDS is assigned a Case Mix Weight.

Payment Methodology
Nursing Facility

- When facilities are reimbursed for services, the direct care component of the rate is multiplied by the resident's case mix score resulting in an individualized rate for each resident based on their specific care needs.

  The total rate is calculated by:

  Facility Direct Care Rate X Resident Case Mix + Facility Non Direct Care Rate = Total Rate per day

- Specialized populations - for example, wound care, challenging behaviors, and traumatic brain injury, include additional cost of providing specialized services not captured through the case mix methodology.

Payment Methodology
Nursing Facility

Example 1: higher care needs

Sally's care requirements put her in the Extensive Category for reimbursement. Sally needs the assistance of 2 staff for multiple assistive daily living categories (bathing, dressing, assistance with feeding) along with a diagnosis of Multiple Sclerosis, IV Medication, and oxygen therapy.

Before Case Mix Adjustment:
DC rate $54.78
NDC rate $77.44
Total rate $132.22
Case Mix weight 2.67

After Case Mix Adjustment:
$54.78 * 2.67 = $146.26 + $77.44 = Total Daily Rate $223.70

Payment Methodology
Nursing Facility

Example 2: lower care needs

Sue requires minimal assistance with assistive daily living activities, has mild cognitive decline and requires restorative therapy 3 days per week.

Before Case Mix Adjustment
DC rate $54.78
NDC rate $77.44
Total rate $132.22
Case Mix weight .59

After Case Mix Adjustment
$54.78 * .59 = $32.32 + $77.44 = Total Daily Rate $109.76

Current Methodology for Payment

DHS Community Based Providers – Direct Support

(Residential Habilitation, Day Habilitation, Prevocational, Supported Employment, Nursing, Other Medical)

FY16 Expenditures: $114,436,192 Providers: 20

Payment Methodology: Service Based Rates (SBR) System

- Statistical model used to fairly and equitably distribute existing resources within the system based upon the care level and mix of services of the person supported
- Establishes a daily rate for every person supported – those with higher needs receive a higher rate
- Sources of data used in SBR system
  - Provider cost reports
  - Activity logging (time study) data
  - Services received by individual supported
  - Adaptive behavior assessment tool
  - Economic measures

Current Methodology for Payment

DHS Community Based Providers – Direct Support

	A	B	C	D	E	F	G
1							
2	***Name***	***CID***		***Agency***			
3	*Joe Average*	*AJ770707*		*CSP*			
4							
5	**Predictor Measures**	**Parameter**		**Variable**		**Column**	
6		**Estimate**		**Value**		**B x D**	
7	*Intercept ("Base")*	*13,219.64*		*1*		*13,219.64000*	
8							
9	**Economic Measures**						
10	2001 County Per-capita Income	0.30612		25,139		*7,695.55068*	
11	Special Child Program?	10,331.56		0		0.00000	
12							
13	**ICAP Measures**						
14	Service Score	-94.59654		63		*-5,959.58202*	
15	Swallows soft foods (D.3.1)	-1,689.63069		3		*-5,068.89207*	
16	Age	-310.82602		40		*-12,433.04080*	
17	Age Squared	2.28362		*1600*		*3,653.79200*	
18	Need for MD/Nursing Care (C6)	646.22257		1		*646.22257*	
19	No Current Medications (C7-1)?	-1,388.79301		0		*0.00000*	
20	Number of Rx Drugs (C7-2 - C7-4)	975.29342		1		*975.29342*	
21	Mobility Limits (C9)	1,730.81091		1		*1,730.81091*	
22	Occasional Mobility Assistance (C10-3)?	2,090.43457		0		*0.00000*	
23	Always Needs Mobility Assistance (C10-4)?	5,016.88429		0		*0.00000*	
24							
25	**Residential Services/Supports**						
26	Lives w. Family ?	1,773.74283		0		*0.00000*	
27	*Adult Foster Care ?*	*5,868.23727*		*0*		*0.00000*	
28	*Monitored Apartment ?*	*5,868.23727*		*0*		*0.00000*	
29	Supervised Apartment ?	22,837.67727		0		*0.00000*	
30	Group Residence ?	28,601.85727		1		*28,601.85727*	
31	Child Foster Care ?	31,288.81727		0		*0.00000*	
32	Home Size (Service Record)	-419.77488		7		*-2,938.42416*	

Current Methodology for Payment

34	Daytime Hours (Service Record)			
36	Day/PreVoc Hours	180.96302	21	3,800.22342
38	Supported Employment Hours	200.00000	6	1,200.00000
40	*Subtotal*			$35,123
43	*Medical Services*	Agency Rate		
44	Speech, Hearing & Language?	$0	1	$0
45	Medical Equipment & Drugs?	$272	1	$272
46	Other Medical Services (therapies, etc.)?	$292	1	$292
49	*Individual Reimbursement Amount*			$35,688
51	*Inflation Adjustment*	1.311		$46,787
52	*(+3%+2.2%+2.9%+2.4%+3%+2.4%+1.5%+0.8%+3.3%+2.5%+3.42%)*			
53	*Agency Adjustment (± 0%) Gain/Loss*	0.95000	Annual Reimbursement:	$44,448
54			Daily Reimbursement:	$121.77
55	Update: 04/2016		FY17 Rate:	$119.38

South Dakota DHS DEPARTMENT OF HUMAN SERVICES

Current Methodology for Payment

DHS Community Based Providers – Direct Support

- 40 payment categories & enhanced rates
  - Low: $2.65
  - High: $529.39
  - Mode: $145.88
  - Median: $132.63
  - Mean: $128.99
- Payment categories can be located at the DSS website at:

http://dss.sd.gov/medicaid/providers/feeschedules/dhs/

Current Methodology for Payment

DHS Community Based Providers – Case Mgmt.

FY16 Expenditures: N/A Providers: 4

Payment Methodology: Fee-for-service delivery system

- Complies with CMS Final Rule regarding conflict-free case management
- 15-minute unit established for the delivery of case management services
- $12.08 per unit rate initially calculated
  - Base data used from CSP cost reports included salaries, benefits and taxes, operating overhead and staff time for existing case managers
  - Department of Labor wage statistics were reviewed to validate base data
- **$12.49** per unit rate after applying 3.42% inflation effective for services provided on or after June 1, 2016

Current Methodology for Payment

DHS Community Based Providers – Case Mgmt.

- Budget neutral
- Approximately 50% of CSP case management budget remained with CSP
- $1,550 reduced from each individual's SBR calculation –
  - Less than 5% reduced from total CSP budget

Current Methodology for Payment

DHS Community Based Providers – Family Support

(Case Mgmt., Companion Care, Respite, Personal Care, Home/Vehicle Modification, Supported Employment)

FY16 Expenditures: $5,134,274 Providers: 33 programs

Payment Methodology: Fee-for-service, actual cost, negotiated

- Fee-for-service 15-minute unit rate is used for the payment of case management services and based on provider cost reports and time study data
- Supplies/Vendor services provided at market/retail rates
- Rates for Personal Care, Respite, Companion Care and Supported Employment are negotiated by the participant with their provider
  - Participants must follow Fair Labor Standards Act including state and federal minimum wage requirements

Current Methodology for Payment

DHS Community Based Providers – Family Support

Current Codes	*Duration of Current Units*	*Current Description*	*FY17 Rate*	*FY18 Rate*	*Monthly Limits*
T1016	15 minutes	Service Coordination	$16.82	$16.87	n/a
T1020		Companion Care, adult; per 15 minutes	Billed Charges	Billed Charges	$2,500
T1005	15 minutes	Respite Care Services	Billed Charges	Billed Charges	$2,000
A9900		Specialized Medical Equipment, not otherwise specified, waiver	Billed Charges	Billed Charges	$7,500
T1019	15 minutes	Personal Care Services	Billed Charges	Billed Charges	$2,500
G0154	15 minutes	Personal Care 2 Services	Billed Charges	Billed Charges	$750
S5165		Home Modifications, per service	Billed Charges	Billed Charges	$10,000
B4222		Medical foods for inborn errors of metabolism	Billed Charges	Billed Charges	$1,000
T2018	15 minutes	Habilitation, supported employment, waiver; per 15 minutes	Billed Charges	Billed Charges	$750
T2039		Vehicle modifications, waiver; per service	Billed Charges	Billed Charges	$15,000

http://dss.sd.gov/medicaid/providers/feeschedules/dhs/