

# Division of Aging

## Medicaid Home and Community-Based Services Rate Methodology Project

Indiana Family and Social Services Administration  
Office of Medicaid Policy and Planning  
April 25, 2019



# Introductions

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# Agenda

- Federal and State Approval Requirements
- Rate Framework Build-up
- Next Steps
- Questions and Answers (in-person, via chat box and via telephone)



# Federal and State Approval Requirements



# HCBS Program Federal Guidelines

- The Centers for Medicare and Medicaid Services (CMS) requires that Home and Community-Based Services (HCBS) methodologies and rates must:
  - Be reviewed (and updated if appropriate) every 5 years
  - Safeguard against unnecessary utilization
  - Be consistent with efficiency, economy, and quality of care
  - Be sufficient to enlist enough providers<sup>(1)</sup>
- States must:
  - Provide clear and transparent documentation
  - Reflect public input

(1) “Enough providers” such that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area. For detailed requirements, refer to the Social Security Act Section 1902(a)(30)(A), CFR Section 447.



# CMS Acceptable Rate Setting Methods

Commonly used approaches specified in CMS guidance for Medicaid HCBS prospective rate methodologies:

## Fee schedule

- Estimate labor, benefits, administration, program support
- Simple and transparent

Current TBI Supported Employment  
Rate: \$9.17 per 15 minutes

## Tiered rates

- Reflect variation in provider requirements or participant needs
- May be more equitable to pay more for higher intensity needs

Current A&D Assisted Living Rates:  
Level 1 - \$71.27, Level 2 - \$78.54,  
and Level 3 - \$86.68 per day

## Bundled rates

- Package of different services
- May be more convenient or better align incentives

Current A&D Case Management  
Rate: \$150.00 per month

## Negotiated rates

- For services that are individualized or hard to define

Current A&D and TBI Vehicle  
Modifications Rates



# State Approval Process

- Final rate methodologies to be determined by the FSSA Division of Aging and Office of Medicaid Policy and Planning
- Final rate methodologies must be presented to the State Budget Committee (SBC) and approved by the State Budget Agency (SBA)
- State approval process also includes the formal public comment period
  - Official 30-day public comment period
  - Followed by 30 days for FSSA to review and respond to public comment

# Rate Framework Build-up



# Prospective Payment Methodologies

- Prospective rates are fixed, pre-determined rates
- Based on the service's estimated average resource requirements
  - Direct service labor
  - Administration and program support
- Average resource requirements – sometimes more, sometimes less
  - Resource needs vary by provider, client
  - Where averaging does not appropriately reflect differences in client “acuity”, tiers may be established
- Benefits of the methodology
  - Predictable
  - Simple and transparent
  - Less burdensome; does not require retrospective cost settlement



# Proposed Primary Data Sources

- Bureau of Labor Statistics (BLS)
  - Indiana average wages by occupation code<sup>(1)</sup>
  - Consumer Price Index (CPI)
  - National benefit costs, nursing and residential care facilities<sup>(2)</sup>
- Provider survey data, including staffing, wages and cost information
- Waiver covered service definitions

## Notes:

1. BLS Occupational Employment Statistics, May 2018 State Occupational Employment and Wage Estimates Indiana

2. BLS Economic News Release, Table 14. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: private industry health care and social assistance workers, by industry and occupational group, December 2018



# Preliminary Rate Methodology Example – Fee Schedule Calculation

Example Rate Component for Hourly Unit	Example Value	Example Rate Component	Proposed Data Source
Inflated direct care worker average wage per hour	\$11.00		BLS
Staffing ratio	1 to 3		Survey/Waiver
Average hourly direct wage per client	\$3.67	\$3.67	Calculated
Productivity and paid time off (PTO) adjustment	20%	\$0.73	Survey/BLS
Supervision adjustment (cumulative)	18%	\$0.79	Survey/Waiver
Benefits adjustment (cumulative)	30%	\$1.56	BLS
Operational/program support adjustment (cumulative)	15%	\$1.01	Survey
Example total rate per hourly unit	\$7.76	\$7.76	Calculated

**Preliminary example for demonstration purposes only.  
Does not represent actual services, methodologies or rate factors.**



# Rate Component Basis – Average Wage Per Client

- Inflated direct care worker average wage per hour
  - BLS Indiana average wages by occupation code
  - BLS Consumer Price Index
  - Corroborated with **provider survey** reported average wages and BLS wages in neighboring states
- Staffing ratio
  - Waiver minimum staffing ratios or licensing requirements
  - **Provider survey** reported direct service employees and participant hours (which may indicate staffing ratios greater than waiver minimums)



# Rate Component Basis – Other Direct Service Labor Costs

- Productivity and PTO adjustment
  - **Provider survey** reported non-client facing hours and PTO hours as a percentage of total paid hours worked
  - BLS national benefit costs, nursing and residential care facilities
- Supervision adjustment
  - **Provider survey** reported direct service employees hours vs. supervisor hours
  - Waiver required supervision and accredited on-site staff
- Benefits adjustment
  - BLS national benefit costs, nursing and residential care facilities
  - Corroborated with **provider survey** reported benefits cost relative to employee salaries and wages



# Rate Component Basis – Operational/Program Support Costs

- Operational adjustment
  - Based on administrative costs related to administrative staff, accounting, human resources, offices supplies, etc.
  - **Provider survey** reported administrative costs as a percentage of direct service employee salaries, wages and benefits costs
- Program support adjustment
  - Based on program support costs such as program supplies, activities, staff training, quality assurance, etc.
  - **Provider survey** reported program support costs as a percentage of direct service employee salaries, wages and benefits costs



# Preliminary Rate Methodology Example – Tiered Rate Calculation

Example Rate Component for Hourly Unit <i>Levels Based on Assessment Tool</i>	Level 1		Level 2		Level 3	
	Example Value	Example Rate Component	Example Value	Example Rate Component	Example Value	Example Rate Component
Inflated direct care worker average wage per hour	\$11.00		\$11.00		\$11.00	
Staffing ratio	1 to 5		1 to 4		1 to 3	
Average hourly direct wage per client	\$2.20	\$2.20	\$2.75	\$2.75	\$3.67	\$3.67
Productivity and paid time off (PTO) adjustment	20%	\$0.44	20%	\$0.55	20%	\$0.73
Supervision adjustment (cumulative)	10%	\$0.26	15%	\$0.50	20%	\$0.88
Benefits adjustment (cumulative)	30%	\$0.87	30%	\$1.14	30%	\$1.58
Operational/program support adjustment (cumulative)	15%	\$0.57	15%	\$0.74	15%	\$1.03
Example total rate per hourly unit	\$4.34	\$4.34	\$5.67	\$5.67	\$7.89	\$7.89

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# Preliminary Rate Methodology Example – Bundled Rate

Daily Staffing Cost	Staffing Ratio	Monthly Wage	Rate Component
Staff type 1	1:50	\$5,000	\$100.00
Staff type 2	1:20	4,000	200.00
Staff type 3	1:50	4,000	80.00
Staff type 4	1:10	2,000	200.00
Staff type 5	1:10	2,000	200.00
Average monthly direct wage cost per client			\$780.00
Average days of service per month			28.0
Average daily direct wage cost per client			\$27.86

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# Preliminary Rate Methodology Example – Bundled Rate

Example Rate Component for Daily Unit	Example Value	Example Rate Component
Average daily direct wage cost per client	\$27.86	\$27.86
Productivity and paid time off (PTO) adjustment	20%	\$5.57
Benefits adjustment (cumulative)	30%	\$10.03
Operational/program support adjustment (cumulative)	15%	\$6.52
Example total rate per daily unit		\$49.98

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# Next Steps



# Rate Calculation Steps

Next Steps Through Next Stakeholder Meeting (Mid-June):

## Collect Provider Survey

- Extract and analyze provider survey response data

## Calculate Preliminary Rates

- Determine rate inputs
- Develop rate calculations and exhibits

## Estimate Fiscal Impact

- Apply preliminary rates to historical utilization, with trending

## Conduct Rate Sufficiency Review

- Evaluate preliminary rates using CMS acceptable approaches

# Provider Survey

- Key method for gathering input – we strongly encourage your participation
- Survey is voluntary and is not a detailed cost report
  - Should take less than an hour to complete, and is intended to be released every few years
- Survey is due **May 17, 2019**
- Survey link
  - <https://www.surveygizmo.com/s3/4917097/Indiana-FSSA-Division-of-Aging-2019-HCBS-Provider-Survey>
- Questions on survey?
  - [HCBS.ratemethodology@fssa.in.gov](mailto:HCBS.ratemethodology@fssa.in.gov)
  - Recording of the provider survey Webinar can be found on the project website:  
<https://www.in.gov/fssa/ompp/5643.htm>
- Protect confidentiality: FSSA will only share aggregated survey results, not provider-specific responses



# CMS Rate Sufficiency Review Guidance

CMS guidance includes the following acceptable approaches to conducting rate sufficiency review:

- ➔ 1. Analyze and incorporate feedback from stakeholders, including conducting a survey
- 2. Benchmark rate assumptions to available rate data from other payers
- 3. Review services delivered relative to the service plan
- 4. Review changes in provider capacity
- ➔ 5. Benchmark rate components to available public market data analysis (such as BLS data)

➔ *Proposed primary approaches*



# Scheduled Future Stakeholder Meetings

## Draft Rate Setting Meeting

Share summarized data, survey results, preliminary rate calculations, rates, and fiscal impacts  
Via in person and webinar

*Mid-June timeframe*



## Follow-Up Meeting

Provide update once CMS approves  
Share rate implementation information  
Via webinar

*January 2020 timeframe  
(subject to CMS approval)*

The Division of Aging may also conduct select provider type meetings.  
Meeting dates and times will be posted on the Project Website.



# Questions?

Submit them via email to:

[HCBS.ratemethodology@fssa.in.gov](mailto:HCBS.ratemethodology@fssa.in.gov)

Please see the HCBS rate methodology project website for additional information about this process and opportunities for stakeholders to get involved:

<https://www.in.gov/fssa/ompp/5611.htm>

Responses to questions provided during today's meeting are preliminary.

Final responses will be posted and maintained in writing in a  
Frequently Answered Questions (FAQ) document  
on the project website

