HMA

DD Waiver Rate Study

Proposed Rate Models

– on behalf of –

Hawaii Dept. of Health Developmental Disabilities Division

July 18, 2024

BURNS & ASSOCIATES

A DIVISION OF

HEALTH MANAGEMENT ASSOCIATES

PURPOSE OF PRESENTATION

- Provide overview of *initial* recommendations from the rate study for services provided through Hawaii's waiver program for individuals with intellectual and developmental disabilities
  - Public comments will be considered before recommendations are finalized
- Ensure stakeholders understand the materials, data sources, calculations, and resulting recommendations so that they may review and offer comments
  - HMA-Burns will be available throughout the public comment period to respond to any technical questions that stakeholders need addressed to provide comments
- Encourage participation in the public comment process
  - Comments regarding the recommendations should be submitted in writing to allow for the consolidation and review of all feedback

AGENDA

- Project Background
- Rate Study Approach
- Rate Study Process
- Rate Study Recommendations
- Next Steps

PROJECT BACKGROUND

BACKGROUND

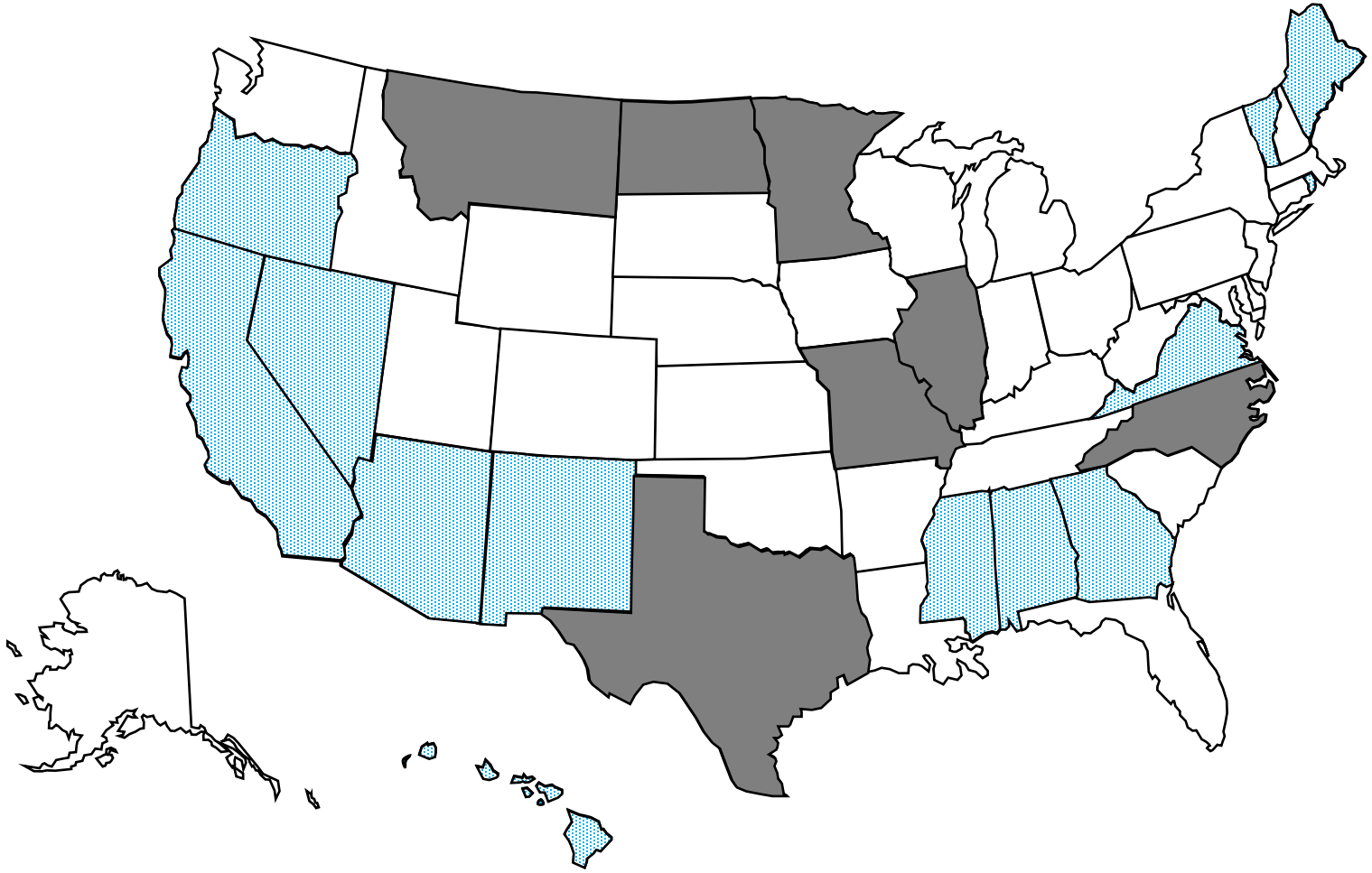
- Federal Centers for Medicare and Medicaid Services (CMS) expects states to review payment methodologies every five years
  - Previous studies conducted in 2015-2016 and 2019-2020
    - Burns & Associates assisted with these previous rate studies

- Study meant to align with the state's budgeting process (agency requests developed in fall, executive budget in January, legislative consideration in early 2025)
  - Do not expect implementation prior to July 1, 2025
    - Implementation will require additional appropriated funding
  - Additionally accounts for January 2026 increase in minimum wage to $16 per hour

OVERVIEW OF BURNS & ASSOCIATES

- Health policy consultants specializing in assisting state Medicaid agencies and related departments (developmental disabilities and behavioral health authorities)
  - Consulted in approximately 30 states since its founding in 2006
  - Acquired by Health Management Associates in September 2020
- Experience in the intellectual and developmental disabilities field
  - Policy development, including service standards and billing rules
  - Provider rate-setting
  - Using assessment instruments to inform individualized budgets
  - Program operations, including performing fiscal analyses and developing implementation approaches
- Led rate studies for Hawaii waiver provider rates in 2015-16 and 2019-20

BURNS & ASSOCIATES' I/DD EXPERIENCE



Comprehensive rate studies

Other I/DD focused work

RATE-SETTING APPROACH

PURPOSE OF INDEPENDENT RATE MODEL APPROACH

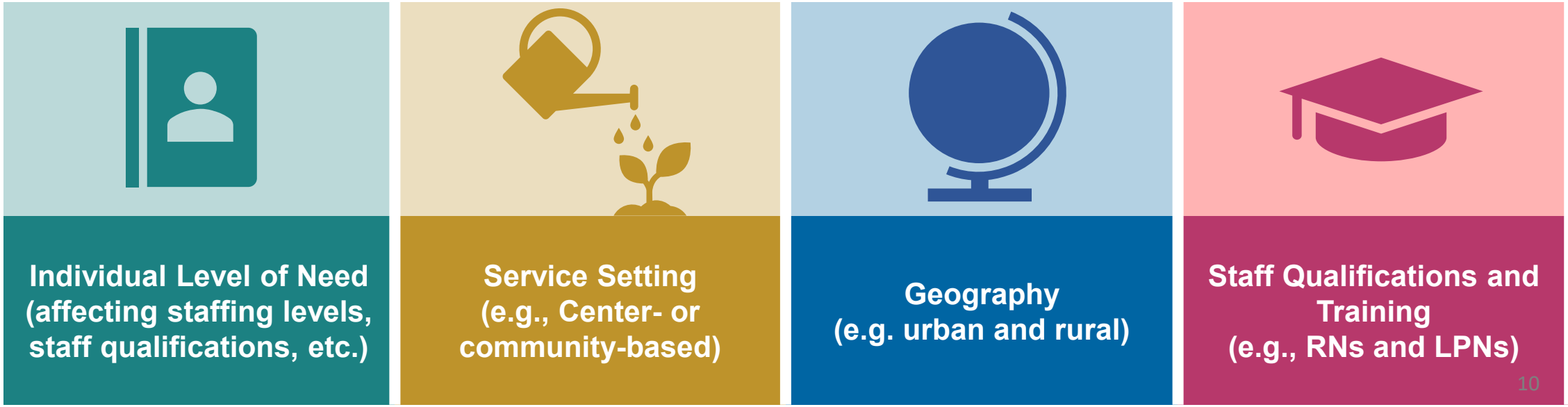
- Rate models reflect the reasonable costs providers incur to deliver services consistent with the state's requirements and individuals' service/ treatment plans

- Consider data from multiple sources rather than depending on any single source
  - Statutes, regulations, policies, and other documentation
  - Provider and stakeholder input (e.g., provider survey, public comments)
  - Published sources (e.g., BLS wage data, IRS mileage rate)
  - Special studies (e.g., rate benchmarking)

- Rate models developed independent of budgetary considerations
  - Cost impact will be considered as part of implementation planning

DEVELOPMENT OF INDEPENDENT RATE MODELS

- Specific model assumptions are detailed (e.g., staff wages and benefits, staffing levels, transportation, etc.)
  - Assumptions are not mandates (i.e., a provider does not have to pay the wage assumed in the rate)
- A single service may have multiple rates to account for service differences that impact providers' costs



DEVELOPMENT OF INDEPENDENT RATE MODELS (CONT.)

Five factors in all HCBS (non-facility) rate models:

- Direct Care Worker Wages
- \+ Direct Care Worker Benefits
- \+ Direct Care Worker Productivity (billable hours)
- \+ Program Support
- \+ Administration
- = Total Rate

Other factors vary by service

- Staffing ratios
- Attendance/ occupancy
- Transportation-related costs
- Program facilities and supplies

RATE MODEL EXAMPLE – IN-HOME SUPPORT (NOT A HAWAII MODEL)

	Unit of Service	15 Minute
Direct Support Staff Wages and Benefits	- Direct Staff Hourly Wage	$14.20
	- Employee Benefit Rate (as % of wages)	35.9%
	Hourly Staff Cost Before Productivity Adj. (wages + benefits)	$19.30
	Productivity Assumptions	
	Total Hours	40.00
	- Travel time (between members)	2.20
	- Participating in care plan meetings	0.66
	- Recordkeeping	0.88
	- Employer and one-on-one supervision time	0.88
	- Training	0.96
	- Paid Time Off	3.85
	"Billable" Hours	30.57
	Productivity Adjustment	1.31
	Staff Cost After Productivity Adjustment	**$25.28**
Mileage	- Number of Miles Traveled per Week	100
	- Amount per Mile	$0.575
	Weekly Mileage Cost	$57.50
	Mileage Cost per Billable Hour	**$1.88**
Administration and Program Support	Cost per Billable Hour Before Admin. and Support	$27.16
	- Program Support Funding per Day	$20.00
	Program Support Cost per Billable Hour	**$3.27**
	- Administration Percent	15.0%
	Administrative Cost per Billable Hour	**$5.37**
	Total Cost per Billable Hour	$35.80
	- Service Provider Tax Rate	6.0%
	Service Provider Tax Amount per Billable Hour	**$2.15**
	Rate per 15 Minutes	**$9.49**

- Direct care staff wages and benefits
  - Largest component of costs (60-80 percent) when including productivity
  - Data gathered from multiple sources
    - Review of staff qualifications and responsibilities
    - Provider survey
    - Bureau of Labor Statistics data
- Accounting for ‘productivity’
  - Rate models seek to reflect a ‘typical’ week for direct care staff by establishing productivity adjustments for non-billable time
  - Examples include training, travel, documentation, and employer time

RATE MODEL EXAMPLE – IN-HOME SUPPORT (CONT.)

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- Program support costs
  - Activities that are program specific, but not billable
  - Examples: supervision, training staff, and program development
- Administrative costs
  - Organizational costs that are not program-specific
  - Examples: executive management, accounting, and human resources
- Other costs vary by service
  - Examples: mileage, staffing ratios, program attendance rates, and program facility and supplies costs

BENEFITS OF INDEPENDENT RATE MODEL APPROACH

- Transparency
  - Models detail the factors, values, and calculations that produce the final rate
- Ability to Advance Policy Goals and Objectives
  - For example, improving direct care staff salaries or benefits, reducing staff-to-client ratios, incentivizing community-based services, etc.
- Efficiency In Maintaining Rates
  - For example, models can be adjusted for inflation, specific cost factors (e.g., IRS mileage rate), or to meet budget targets

RATE STUDY PROCESS

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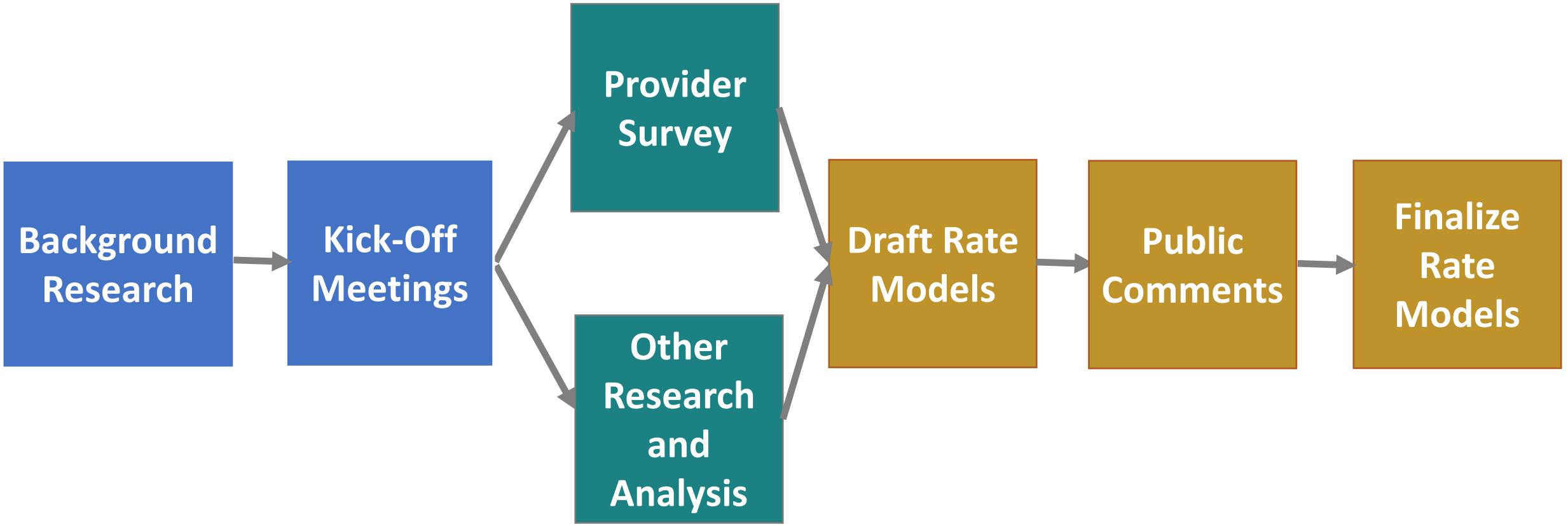


PHASE I: BACKGROUND RESEARCH AND KICK-OFF MEETINGS

- Task 1: Background Research
  - Reviewed program regulations, manuals, and other materials to document the requirements for each service
  - Compiled current rate and payment data

- Task 2: Kick-Off Meetings with DDD and Provider Representatives
  - Presentation of independent rate model approach
  - Review project workplan
  - Discuss costs associated with delivering services and issues confronting the system (e.g., what works/what doesn't)

PHASE II: DATA COLLECTION AND ANALYSIS

- Task 3: Provider Survey
  - Designed survey to collect information regarding costs and service delivery issues (e.g., direct care staff productivity, staffing ratios, and mileage)
    - Results inform, but do not dictate, rate model assumptions
  - Provided technical assistance
    - Written instructions, recorded webinar to walk-through the survey, dedicated contact for questions
  - Analyzed survey results
    - Received surveys from 20 of 59 providers that accounted for 34 percent of services delivered in fiscal year 2023
    - Reviewed submitted surveys and performed statistical analysis
    - Presented results to provider advisory group

PHASE II: DATA COLLECTION AND ANALYSIS (CONT.)

- Task 4: Other Research and Analysis
  - Collect independent data for individual cost drivers such as:
    - Hawaii-specific wage data from Bureau of Labor Statistics and wage inflation data from Bureau of Economic Analysis
    - Hawaii-specific health insurance data from the U.S. Department of Health and Human Services' Medical Expenditure Panel Survey (MEPS)
    - Internal Revenue Services' standard mileage rate
  - Review payment rates paid by other state programs for similar services

PHASE III: RATE DEVELOPMENT AND IMPLEMENTATION

- Task 5: Draft Rate Models
  - Reviewed existing rate models
    - Generally retained existing structures
    - Updated cost assumptions with current data
  - Estimated fiscal impact

PHASE III: RATE DEVELOPMENT AND IMPLEMENTATION (CONT.)

- Task 6: Public Comments
  - Post proposed rate models and supporting materials online
    - Includes recorded webinar to explain the proposals
  - Accept written comments
  - Review and summarize comments

PHASE III: RATE DEVELOPMENT AND IMPLEMENTATION (CONT.)

- Task 7: Finalize and publish rate models
  - Revise rate models based on public comments as warranted
    - Post final materials online
  - Provide implementation support as necessary
    - Estimate fiscal impact
    - Create briefing materials
    - Develop phase-in plan as needed

RECOMMENDATIONS

RECOMMENDATION HIGHLIGHTS

- Primarily building on existing rate models by updating cost assumptions
  - Modest participation in the provider survey so few other adjustments have been made
  - Public comment process provides opportunity for consideration of other issues
- Island-based rates
  - 2016 rate study established higher rates for Big Island
  - Recommend applying these rates to all islands other than Oahu to address lower enrollment
- Direct support professional wage assumptions
  - Recommend standardizing DSP wage assumptions across services
  - Rate models assume an average wage of $21.33 (and comprehensive benefits)

RECOMMENDATION HIGHLIGHTS (CONT.)

- Increasing assumed payment to Adult Foster Home providers by $10,000 per year
  - Propose to require agencies to pay providers at least 60 percent of total payment
- Evaluate potential supplemental payments to incentivize specified outcomes
  - Approval of new adult foster homes and new placements outside of Oahu
  - Successfully placing individuals in employment
  - Payments aligned with ongoing workforce development initiative
- Rate models do not yet account for potential to changes in Honolulu Department of Transportation Services' policies
- If fully implemented, draft rates would increase rates by an average of 24 percent
  - ***Implementation would require additional appropriated funding***

WAGE ASSUMPTIONS

- Appendix A of the rate model packets
- Hawaii wage data published by the Bureau of Labor Statistics used as the starting point for establishing market-based wage assumptions
  - *Comprehensive*. Wage levels are published for more than 800 occupations based on data from 1.2 million establishments representing 57% of the employment in the United States
  - *Cross-industry*. It is not limited to a single industry so estimates for a given occupation are representative of the overall labor market
  - *Regularly updated*. Released once per year – in late March for the previous May (so most recent data published in April 2024 reflects May 2023 survey data)
  - *State- (and local-) specific*. Data is published for individual states and sub-state regions (‘metropolitan statistical areas’)

WAGE ASSUMPTIONS (CONT.)

- Adjustment to BLS wage data
  - Estimated impact of minimum wage increasing to $16 per hour in January 2026
    - Rate study does not assume DSPs earn the minimum wage, but providers need to increase DSP wages as the minimum wage increases to remain competitive
    - HMA-Burns' formula estimates the impact that a rising minimum wage will have on current wages accounting for both spillover (rising minimum wage impacts extend to lower-income workers already earning more than a minimum) and compression (minimum wage impacts decline as the beginning wage increases)
  - Estimated wage growth to January 2026 based on data from the Bureau of Economic Analysis for net earnings growth in Hawaii
    - Applying ten-year average of 3.7 percent, for an overall adjustment of 9.84 percent
  - The greater of the two adjustments was applied to each BLS figure
- Rate models generally use median wages after adjustment

WAGE ASSUMPTIONS (CONT.)

- For each service, BLS occupations are chosen to represent staff qualifications
  - For some services, there is a direct match between the staff providing services and a specific BLS occupation (e.g., the BLS has a classification registered nurses)
  - For other services, there is not a one-to-one match
    - For example, the BLS combines direct support professionals with staff in other industries in the home health and personal care aide classification
    - This classification may not represent the varied roles of DSPs so the rate models construct a weighted average of multiple BLS classifications

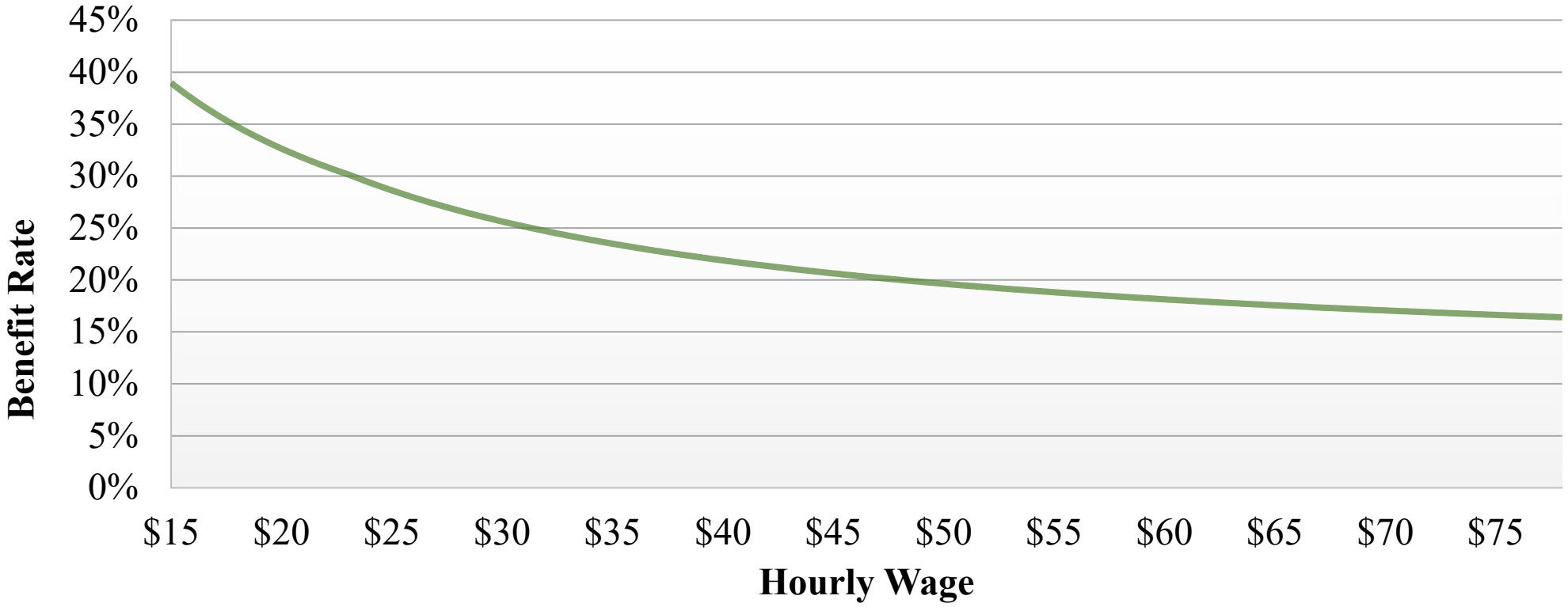
BLS Standard Occupational Classification	Weighting	Median Wage (Adjusted)
29-2053 Psychiatric Technicians	25%	$26.70
31-1120 Home Health & Personal Care Aides	60%	$19.60
39-9032 Recreation Workers	15%	$19.28
Weighted Average Wage		**$21.33**

BENEFIT ASSUMPTIONS

- Rate models provide for a comprehensive benefit package (see Appendix B of the proposed rate models)
  - FICA: 7.65 percent of wages
  - Unemployment insurance: 3.0 percent of wages for State and 0.6 percent for federal
  - Workers' compensation: 3.0 percent of wages
  - Paid time off: 23 days per year
  - Health insurance: $554.50 per month
    - Assumes overall take-up rate of 67 percent spread over a mix of plan types (employee only, employee-plus one, family)
  - Other discretionary benefits: $100 per month

BENEFIT ASSUMPTIONS (CONT.)

- Benefit assumptions are converted to a percentage of wages*



*Excludes paid time off, which is handled as a productivity adjustment

PRODUCTIVITY ASSUMPTIONS

- Productivity adjustments are intended to recognize costs associated with direct care workers' non-billable responsibilities
  - Ensures providers are compensated for activities that they cannot bill directly, such as the time direct support staff spend in training or traveling between service encounters
  - Example
    - An employee earning $20 per hour (wages and benefits) and working 40 hours per week earns $800 per week
    - However, if the employer can only bill for 32 hours per week, a productivity adjustment of 1.25 is required (work hours divided by billable hours)
    - Thus, the agency must be able to bill $25.00 per service hour ($20 multiplied by 1.25) to cover the cost of wages and benefits

PRODUCTIVITY ASSUMPTIONS (CONT.)

- Assumptions are detailed within the rate model packet (see Appendix C)
- Standard assumptions
  - All services include 184 annual hours for paid time off (23 days as noted in the benefits assumptions section, an average of 3.54 hours per week)
  - Rate models include 40 annual hours for training (0.77 hours per week)
  - Most services include 0.75 hours per week for supervision and employer time
- Other productivity adjustments included in each rate model and the assumed amount of time spent on each are more variable across services, such as:
  - Travel between service encounters / Transporting individuals to/from home
  - Individual planning meetings
  - Program set-up and clean-up
  - Recordkeeping and reporting

ADMINISTRATION AND PROGRAM SUPPORT

- Program support funds activities that are program-specific, but not billable
  - Functions include supervision, training, program development and oversight, quality monitoring, nursing/ specialized supports, and coordination of care activities
  - Costs include wages and benefits of staff performing these functions, other expenses supporting these functions (e.g., facility-related costs, travel), insurance, etc.
  - Models increase funding for program support costs from $15 per day to $20

- Cost of nursing-related supports are bundled back into payment rates
  - Accounts for supports such as delegation rather than using Training and Consultation
  - Included in rate models for Personal Assistance/ Habilitation, Residential Habilitation, Adult Day Health, Community Learning Service, and Respite

ADMINISTRATION AND PROGRAM SUPPORT (CONT.)

- Administration funds activities that are not program-specific
  - Examples include executive management, accounting, human resources
  - Costs include wages and benefits of staff performing these functions, other expenses supporting these functions (e.g., facility-related costs, travel), information technology costs, consulting expenses, etc.
  - Rate models include 10 percent of the total rate for administration

- General excise tax of 4.5 percent included in all models

TIERED RATES

- For certain services – primarily shared supports – providers are paid higher rates when supporting individuals with more significant needs to account for more intensive staffing
  - Applies to Residential Habilitation, Adult Day Health, and Community Learning Service-Group
- Individuals are assigned to a level and rate tier based on the Supports Intensity Scale assessment and supplemental questions
  - Rate study does not recommend changes to current seven-level, three-tier framework

Level	Description	Rate Tier
1	Low support needs	1
2	Moderate support needs	
3	Moderate behavioral needs	2
4	Medium-to-high support needs	
5	High support needs	3
6	Extraordinary medical needs	
7	Extraordinary behavioral needs	

PUBLIC COMMENTS

PUBLIC COMMENTS

- DDD is accepting public comments on the proposed rate models
  - Comments will be accepted through August 16, 2024
  - Submit in writing to aabdullaev@healthmanagement.com
    - Encouraged to be as detailed as possible, to make specific recommendations for changes, and to provide supportive documentation
- In addition to draft rate models, DDD is interested in feedback on:
  - Need for rates for group homes with shift staff, including specialized homes
  - Potential accountability measures (e.g., DSP wage floors)
  - Additional opportunities for outcome-based payments
- Comments will be reviewed and rate models will be revised as needed

CONTACT INFORMATION

- Stephen Pawlowski
  - (602) 466-9840
  - spawlowski@healthmanagement.com