KENTUCKY CABINET FOR
HEALTH AND FAMILY SERVICES

Rate Study Work Group Kickoff Meeting

February 28, 2022

Agenda

1. Welcome and Introductions
2. Rate Study Work Group Overview
3. Overview of Rate Build Up Approach
4. Cost and Wage Survey Approach
5. Topics for Upcoming Meetings

Welcome and Introductions

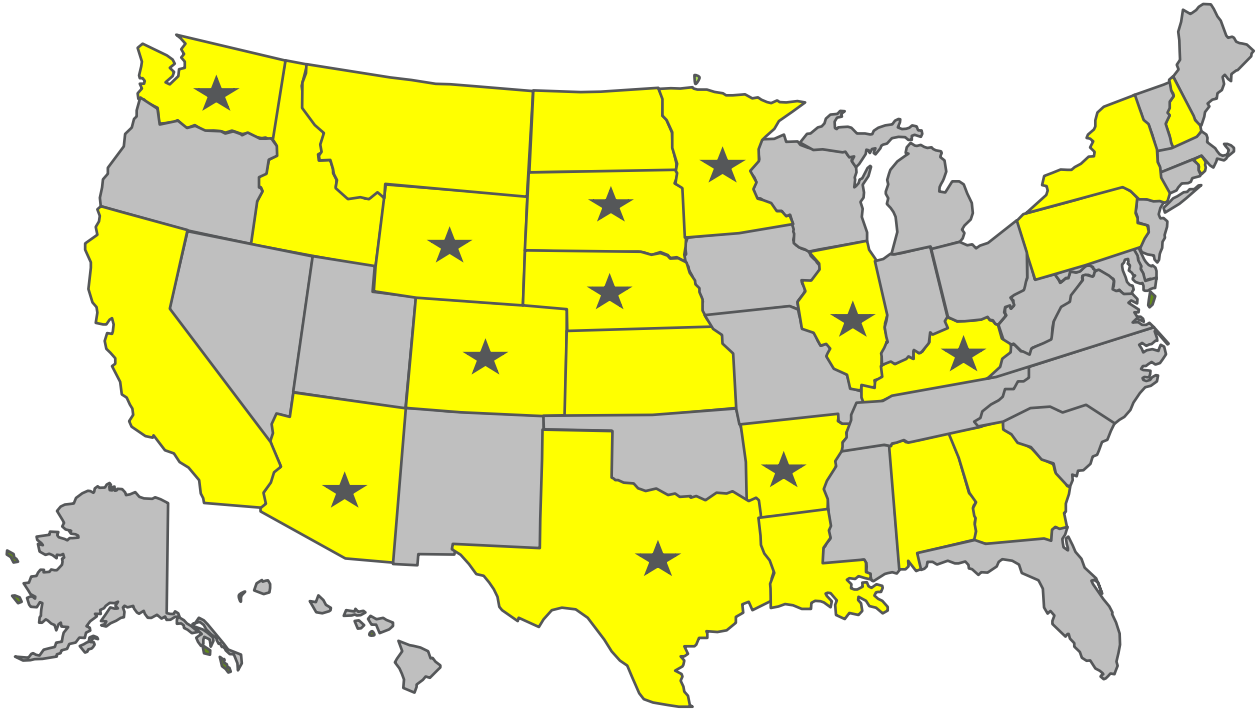
Welcome to the kickoff meeting for the Rate Study Workgroup!

Stakeholder Introductions

- Brief introduction
- Overview of the organization you represent
- Your role within the organization
- How long you've been with the organization

KY Department for Medicaid Services (DMS) and Guidehouse Introductions

Guidehouse Experience with HCBS Programs and HCBS Rates



Yellow highlighting demonstrates states where we have assisted with programs that provide Home and Community Based Services.

Stars represent states where Guidehouse has assisted with rate development.

RATE STUDY WORK GROUP OVERVIEW

Why Are We Here?

Rate Study Work Group Overview

1. DMS has contracted with *Guidehouse to provide recommendations and considerations* for a home and community-based waiver rate study across all waivers, as well as additional American Rescue Plan Act (ARPA) HCBS support activities.

2. DMS must *develop a sound payment and rate-setting methodology, informed by a study of the reasonable and necessary costs incurred by providers* to serve waiver participants in line with CMS guidance. Beyond waiver requirements, Section 9817 of ARPA requires a sound rate methodology to incorporate rate increases to waiver programs.

3. DMS is convening this rate study work group of stakeholders that will *provide subject-matter expertise, advice and offer input throughout the study*. The feedback you provide will be vital to the development of rates consistent with the efficiency, accessibility, and quality of care standards that are federally required.

4. After your invitation letter, *DMS provided a charter* that provides information and guidelines for this work group.

5. This is the first meeting, and *we anticipate monthly meetings* moving forward.

Work Group Composition and Roles

Rate Study Work Group Overview

Rate Study Workgroup Composition

- Small, medium and large providers and associations
- Case management organizations
- HCBS waiver participant advocacy groups
- Diverse geographic representation
- Representation across all waivers
- Legislators
- DMS, DAIL, DBHDID

Role in Rate Study

- Provide input on survey approach and development of pilot and final survey
- Provide subject mater expertise and feedback on specific topics related to the HCBS rate methodology and rate setting process
- Reinforce the value of completing the cost and wage survey

Note: State agency staff will attend each rate study workgroup meeting but will act in an advisory role to help facilitate the discussion and provide input on behalf of the Commonwealth.

Rate Study Decision Making Process

Rate Study Work Group Overview

DMS and Guidehouse develop survey and present material to Workgroup

Rate Study Work Group provides feedback and subject matter expertise on the provider survey and on topics and issues related to the rate methodology

DMS makes final decisions regarding rate methodology

CMS and Legislative Approval on Proposed Rates

Guidehouse Guidance & Technical Expertise

Services Included in the Study

Rate Study Work Group Overview

Current Rate Methodologies for Waiver Services Included in Rate Study[1]:

- Adult Day Health Care
- Attendant Care
- Behavioral Supports
- Case Management / Support Broker
- Community Access – Individual/Group
- Community Guide
- Community Living Supports
- Companion
- Counseling – Individual/Group
- Day Training
- Dietary Services
- Financial Management Services
- Home Delivered Meals
- Homemaking
- Non-Specialized Respite
- Nursing Supports (ABI LTC)
- Personal Assistance
- Person Centered Coaching
- Psychological Services
- Shared Living
- Skilled Services – RN/LPN/RT (Model II Waiver)
- Specialized Respite
- Supervised Residential (all levels)
- Supported Employment
- Technology Assisted Residential
- Transportation Services

Excluded Services

- Community Transition
- Environmental Modifications
- Family Training
- Goods and Services
- Natural Support Training
- Occupational Therapy
- Physical Therapy
- Specialized Medical Equipment
- Speech Therapy
- Vehicle Adaptation

The rate study covers all existing HCBS waivers.

(1) Rate study will also consider newly incorporated services and/or phased out.

Key Tasks and Estimated Timeframe

Rate Study Work Group Overview

Pre-Planning

- Conduct background research
- Develop survey approach
- Determination of services included in rate study
- Updating Appendix K for additional short-term provider relief

March

- Plan and implement stakeholder engagement activities
- Review draft provider cost and wage survey with workgroup
- Finalize provider cost and wage survey

April - June

- Issue provider cost and wage survey
- Analyze and present provider survey results

July - August

- Rate development process
- DMS approval of draft rates

September - November

- Obtain DMS and legislative approval on rates
- Finalize rate documentation
- Public comment process

December

- Submit waiver amendment to CMS (begin CMS 90-day review period)

OVERVIEW OF RATE BUILD UP APPROACH

Federal Requirements for HCBS Rate Development

Overview of Rate Build Up Approach

Rate Determination Methods

- Payments for waiver services must be consistent with:
  - 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 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"*
  - 42 CFR 447.200 – 205
    - *"Plan must describe the policy and the methods used in setting payment rates for each type of service…"*
- Rate-setting methodology must be reviewed (and updated if appropriate) **every 5 years** in accordance with the renewal cycle

Room and Board Funding Cannot be Claimed by States

Overview of Rate Build Up Approach

According to pages 6 and 266 of the 1915(c) Technical Guide, states cannot claim room and board payment expenses of waiver participants under a 1915(c) waiver.

> *"42 CFR §441.310(a)(2) prohibits making Medicaid payments for room and board (i.e., housing, food, and utility costs)"*

- States must be able to demonstrate that **payment rates do not pay for room and board**
- States must report their methodology for excluding room and board payments for applicable residential settings to CMS
- The Department of Health and Human Services (HHS) Office of Inspector General (OIG) Work Plan for FY 2017 includes a review of unallowable room-and-board costs in state claims for Federal reimbursement and has issued three detailed reports based on their audit results.

Rate Setting Process Objectives

Overview of Rate Build Up Approach

Objectives of a typical state rate setting process include:

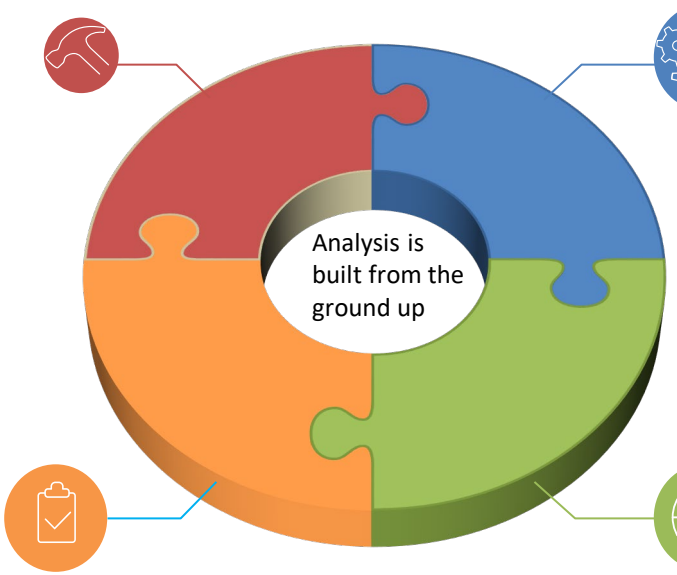
- Reflect Individual Participant Needs
- Facilitate Regular Updates
- Increase Transparency for Providers and Participants
- Consider Reasonable and Necessary Costs of Providers
- Provide Fiscal Stability for Providers, Participants and the Commonwealth
- Create Rate Parity Across Waivers for Like Services
- Balance Efficiency and Economy with Appropriate Access to Quality Care

General Features of HCBS Independent Model Approach

Overview of Rate Build Up Approach

Relies on feedback from providers to develop underlying inputs of:

- Wages
- Types of employees
- Staffing ratios
- Employee benefits
- Other provider costs



Recognizes the costs of services with service-specific variations

Independent Model Approach – An approach using state-specific data sources to develop the estimates for each cost component for each HCBS waiver service.

Consideration of participant's specific needs (acuity level, dependent on available assessment data)

Supporting information can be derived from state, national or industry standard data

Independent Rate Model Build Up Approach

Overview of Rate Build Up Approach

Direct Care Cost

Cost for Professional Delivering Service

- Wages
- Benefits
- Productivity
- Training and PTO

Adjusted by staffing ratios, as applicable

Supervisory Direct Care Cost

- Wages
- Benefits
- Productivity
- Training and PTO

Adjusted for supervisory span of control

Non-Direct Care Cost

Admin Cost

Program Support Cost

Rate

Common Rate Model Components

Overview of Rate Build Up Approach

Factor Type	Name	Description
Direct Care Components	Staff wages	Hourly wages for program (direct care) employees
	Program employee full-time equivalent (FTE) factor	Costs associated with payroll hours to cover program employee paid time off (e.g., vacation and sick days), training time, etc.
	Average staffing patterns	Average number of clients receiving services from one staff person
	Productivity adjustments (sometimes referred to as "program plan support")	Time that program staff must spend on non-reimbursable activities
Non-Direct Care Components	Employee benefits factor	Ratio of total employee taxes and insurance (health, dental and retirement benefits) to total employee salaries and wages
	Administration factor	Ratio of administration expenses to program employee salaries, wages and benefits
	Program support factor	Ratio of program support expenses to program employee salaries, wages and benefits. Can include non-room and board facility costs, transportation and supplies.

Data Sources for Rate Development

Overview of Rate Build Up Approach

HCBS provider cost and wage survey data	Inflation factors	Medical Expenditure Panel Survey – Insurance Component (MEPS-IC)
Other state and national benchmarks	Bureau of Labor Statistics (BLS) wage data (state-specific)	BLS data regarding benefits

COST AND WAGE SURVEY STRATEGY

Pros and Cons of Deploying an Abbreviated Survey

Cost and Wage Survey Strategy

- Improves **transparency** into the rate setting process and allows providers the opportunity to submit **self-reported data**

- Allows providers to update cost data to **reflect COVID-19 cost** considerations and experience

- Abbreviated survey **reduces administrative burden** by focusing on cost centers that have changed significantly

- Survey process can be **time-consuming** and administratively demanding for providers with **tight turnaround times**

- Appendix K operating constraints will influence administrative and transportation costs, and these allowances may not remain in place upon the expiration of Appendix K policies post-PHE

Proposed Condensed Survey Approach

Cost and Wage Survey Strategy

Data Collected in New Survey	Wages	✓
	Benefits	✓
	Supervisor Costs	✓
	Other	✓
Rely on Data from Previous Survey	Productivity (Billable vs. Unbillable Time)	✗
	Administrative Costs	✗
	Program Support Costs (Occupancy, Transportation, Equipment, Supplies, Facility Costs)	✗

The proposed survey approach allows providers to report on cost centers where change is anticipated from past survey data, while minimizing preventable administrative burden to collect updated information that has limited new value.

Survey Topics

Cost and Wage Survey Strategy

Survey Component	Description
Provider Information	General identifying information about the provider, including locations, service area and total staffing
Services	HCBS services delivered
Costs	Total Fiscal Year (FY) costs incurred, including employee salaries and wages
Wages	Total direct care employee wages, broken down by employee type
Turnover	Total full and part-time employees and unfilled positions
Health Insurance Benefits	Health insurance benefits costs and details

Survey Timelines

Cost and Wage Survey Strategy

Abbreviated Cost and Wage Survey

→

Estimated release date April 1, 2022 (Available to all HCBS providers)

→

Anticipated due date April 30, 2022

Survey completion will be strongly encouraged but is not required.

Next Steps

Cost and Wage Survey Strategy

Rate Study Work Group reviews draft survey and discusses outreach approach – **March**

Guidehouse and DMS update survey - **March**

DMS distributes survey and conducts training – **April 1** (tentative)

Survey due – **April 30** (tentative)

Guidehouse reviews and analyzes results and shares with the workgroup – **May/June**

Topics for Upcoming Meetings

MAR

Survey Review and Provider Communication Approach

- Review draft rate survey and provide input
- Additional education on external data use vs. new data needs
- Communication approach

APR

Discuss Model Assumptions

- Review and update key model assumptions from previous rate study
- Model assumptions may include program support cost factors, administrative overhead, productivity and staffing patterns, etc.

MAY

Review Survey Results

- Key takeaways from survey
- Review wages and benefit model

JUN

Discuss Model Assumptions (continued)

- Review and update key model assumptions from previous rate study
- Model assumptions may include program support cost factors, administrative overhead, productivity and staffing patterns, etc.

JUL

Discuss Model Assumptions (continued)

- Review and update key model assumptions from previous rate study
- Model assumptions may include program support cost factors, administrative overhead, productivity and staffing patterns, etc.

AUG

Share Proposed Rate Models and Fiscal Impact

- Final model results
- Overall fiscal impact and key takeaways
- Next steps for 1915(c) waiver amendments and public comment

Note: Meeting topics are tentative and subject to change

QUESTIONS OR COMMENTS?

Please contact **CHFS.RateStudyWorkGroup@ky.gov** with any questions or additional feedback from today's discussion.

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