



KENTUCKY CABINET FOR
HEALTH AND FAMILY SERVICES

Rate Study Work Group Meeting
April 25, 2022

Agenda

1. Review Key Tasks and Timeframes
2. Rate Model Example
3. Cost Factor: Administration
4. Cost Factor: Program Support
5. Next Steps

Key Tasks and Estimated Timeline

Pre-Planning

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

April - June

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

September - November

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

March

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

July - August

- Rate development process
- DMS approval of draft rates

December

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

Survey Status

(As of April 22, 2022)

April 7	Week 1	Week 2★	Week 3	Week 4	May 6
----------------	--------	---------	--------	--------	--------------

- ✓ 9 surveys submitted
- ✓ 10 questions received and responded to via survey inbox
- ✓ 2 provider training sessions completed
- ✓ Weekly updates to FAQ document, based on questions received in trainings and email inbox

Review Rate Model Example Attachment

Administration Factor

- For rate setting purposes, administrative costs are represented by an “administrative cost factor,” which is a multiplication factor applied to the direct care cost of the service
- Administrative costs are likely to be included within the rate model as a percentage of direct care employee’s total compensation
- Guidehouse plans to base the administrative factor on data from the 2019 survey, ***with adjustments for inflation and possible adjustments based on results of the 2022 survey***
 - Of all administrative costs, the factors included in this model account for almost all the administrative expenses reported by providers in the 2019 cost survey
 - Some administrative costs, such as advertising expenses and bad debt, are unallowable for Medicaid reimbursement

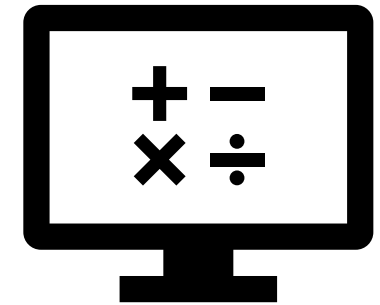
Included administrative costs:

- Wage, payroll taxes and benefit costs for staff reported as administrative
- Office equipment and furniture
- Non-capital interest expenses
- Non-payroll taxes
- Licensing, certification and accreditation fees
- Hiring expenses
- Staff training and development related to administrative processes
- Insurance (not auto or staff benefit)
- IT and office supplies
- Postage
- Dues and subscriptions
- Corporate office overhead

Administration Factor Calculation

Preliminary Formula:

Step 1: Calculate provider-specific administrative factors by dividing provider-specific total admin expenses by total waiver costs

$$\frac{\text{admin employee salary and wages} + \text{admin contractor salary and wages} + \text{admin tax and benefits} + \text{total non-payroll admin expenses}}{\text{total costs} - (\text{cost of bad debt} + \text{advertising and marketing expenses})}$$


Step 2: Identify the median admin factor across all providers

Non-payroll admin expenses include office furniture not for direct care, interest expense, non-payroll taxes, licensing/certification fees, hiring expenses, staff training and development, insurance, IT expenses, office supplies, postage, legal/accounting, travel, corporate overhead, and other costs

Administration Factor Results

- Based on 2019 survey results, a single administrative cost factor of **18.2%** appears appropriate for covering overhead costs across the system.
 - ***This value is **preliminary and unadjusted** - Guidehouse will adjust for inflation and may make other potential modifications based on results of the 2022 survey.***
- For analysis, Guidehouse used median values to mitigate influences from extremes and excluded providers with administrative costs above 40% of direct care compensation.

Provider administrative costs typically range between 15-25% of direct care compensation in similar Guidehouse home- and community-based rate setting engagements. The percentages and variation reported by Kentucky's waiver providers are typical and fall within the expected range of reported costs.

Program Support Overview

- “Program support” generally refers to costs that support direct care services and are not related to room and board, for example:
 - Facility and equipment costs
 - Transportation not separately billable (vehicle, mileage, maintenance)
 - Supplies, including food
- The approach(es) used by states to develop program support rate component(s) vary based on the type of program support needed, and the availability and reliability of provider cost data and other industry benchmarks.
- States sometimes employ a combination of multiplication factors and rate add-ons related to program support.

Common Approaches to Developing Program Support Rate Component(s)

Factor Multiplied by Direct Care Component

- Equal to the ratio of program support expenses to program employee salaries, wages and benefits (determined based on the average or median program support ratio from provider cost survey data)
- Number of factors vary by service and the different types of program support required:
 - One factor across all services
 - Different factors by service / program support type

Dollar Amount

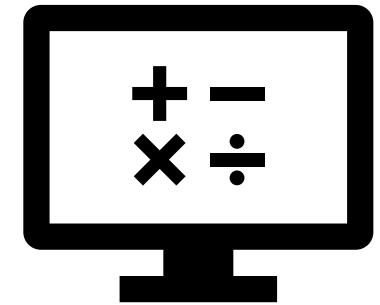
Identified using industry benchmark data, including but not limited to provider survey data

Program Support Calculation

Preliminary Formula:

Step 1: Calculate provider-specific program support factors by dividing provider-specific total program support expenses by total waiver costs

$$\frac{\text{program support employee salary and wages} + \text{program support contractor salary and wages} + \text{program support tax and benefits} + \text{total non-payroll program support expenses}}{\text{total costs} - (\text{cost of bad debt} + \text{advertising and marketing expenses})}$$



Step 2: Identify the median program support factor across all providers

Non-payroll program support expenses include program supplies, devices/technology for direct care, activity costs for direct care staff, staff training and development, and other costs

Program Support Overview

- Program support cost factors are typically included in the rate model as a percentage of direct care employee's total compensation.
- Based on 2019 survey data, Guidehouse proposes using a baseline program support cost factor of **8.2%** to cover general program support costs across the system.
 - ***This value is **preliminary and unadjusted** - Guidehouse will adjust for inflation and may make other potential modifications based on results of the 2022 survey.***
 - For analysis, Guidehouse used median values to mitigate influences from extremes and excluded providers with program support costs above 40% of direct care compensation.

Provider program support costs typically range between 5-10% of direct care compensation in similar Guidehouse rate studies for other states, when excluding special vehicle, facility, and equipment costs. Percentages and variation reported by Kentucky's waiver providers are typical and fall within expected range of reported costs.

For Discussion:

Services by Category

Home-Based Services

- Attendant Care
- Community Access - Individual / Group
- Community Guide
- Community Living Supports
- Companion
- Homemaker
- Personal Care / Personal Assistance
- Respite, Non-Specialized Respite, Specialized Respite

Day Services

- Adult Day Health
- Adult Day Training

Behavioral Services

- Behavior Programming
- Behavioral Support Services
- Positive Behavior Supports
- Person-Centered Coaching
- Counseling - Individual/Group
- Dietary Services
- Consultative, Clinical, and Therapeutic

Residential Services

- Residential Support Level I / Level II
- Supervised Residential Care I, II, III
- Shared Living
- Technology- Assisted Residential

Nursing

- Nursing Supports
- Skilled Services LPN, RN, RT

Case Management

- Case Management
- Support Broker

Financial Management

Supported Employment

Home-Delivered Meals

Transportation

For Discussion:

Sample Rate Model Components By Service

Service Category	Baseline Program Support	Occupancy Adjustment	Supplies (including non-R&B food)	Vehicle / Equipment	Facility Costs (non-R&B)	Service-Related Transportation / Mileage			
						Participant Transportation	Direct Care Worker Travel	Delivery Costs	Other Trip Adjustments
Home-Based Services	X						X		
Day Services	X	X	X		X	X			
Behavioral Services	X						X		
Nursing	X						X		
Residential Services	X						X		
Case Management	X						X		
Financial Management	X								
Supported Employment	X						X		
Home-Delivered Meals	X		X		X			X	
Transportation				X					X

Occupancy Adjustment

Also called “Attendance Adjustment”

Occupancy Adjustment: Rate component which accounts for program vacancy rate/participant attendance

Calculation:
$$\frac{\text{Average Hourly Wage} \div \left(\frac{\text{Average Days Attended}}{\text{Average Days Open}} \right) \times \# \text{ Staff Needed}}{\# \text{ Individuals Served}}$$

- Result is translated into a 15-minute unit of service
- Incorporates participant attendance, staffing ratios, and individuals served

Average Hourly Wage is adjusted for benefit costs, productivity, and supervision before this step.

Facility Costs and Supplies

Facility and Supply Costs: Rate component which accounts for facility and supply costs specific to day services

Facility Calculation: Total square footage cost per individual per day / billable hours per day

- Translated into a 15-minute unit of service
- Incorporates facility square footage, cost per square foot

Supply Calculation: Supply cost per individual per day / billable hours per day

- Translated into a 15-minute unit of service
- Incorporates total supply costs, annual number of days in service (billable days), billable hours per day, number of individuals served

Vehicle / Equipment

Vehicle / Equipment Costs: Rate component which accounts for specialized equipment / vehicle costs

Calculation incorporates cost of vehicle, maintenance, amortization, billable hours

- Translated into a 15-minute unit of service

Service-Related Transportation

Participant Transportation

Accounts for the cost of maintaining a vehicle fleet

Calculation: Daily vehicle cost per mile per individual / daily hours open

- Result is translated into a 15-minute unit of service
- Incorporates mileage, vehicle costs, billable days per year, average hours open per day, average daily attendance

Direct Care Worker Travel

Reflects mileage reimbursement for direct care worker travel

Calculation: Total mileage amount / billable hours per week

- Result is translated into a 15-minute unit of service
- Incorporates average weekly number of miles, , mileage rate, billable hours per week

Delivery Costs

Reflects costs of delivery

Calculation incorporates number of miles, mileage rate

- Result is translated into relevant unit of service (such as per unit)

Other Trip Adjustments

Adjusts for trips, passengers, etc.

Calculation incorporates daily transportation costs, possible trips per day, total cost per trip, number of average riders

- Result is translated into relevant unit of service (such as per unit)

Topics for Upcoming Meetings

MAR
<i>Survey Review and Provider Communication Approach</i> • Review draft rate survey and provide input • Additional education on external data use vs. new data needs • Communication approach

APR
<i>Discuss Model Assumptions</i> • 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
<i>Review Survey Results</i> • Initial key takeaways from survey • Review wages and benefit model

JUN
<i>Discuss Model Assumptions (continued)</i> • 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
<i>Discuss Model Assumptions (continued)</i> • 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
<i>Share Proposed Rate Models and Fiscal Impact</i> • 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 at the discretion of CHFS.

Questions or Comments?



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

Contact



KY Rate Study Work Group Mailbox

For general rate study questions

CHFS.RateStudyWorkGroup@ky.gov

Guidehouse Rate Study Mailbox

For survey-specific for technical rate study questions

KYHCBSRateStudy@guidhouse.com

Pam Smith

Director-Division of Community Alternatives, DMS

Pam.smith@ky.gov

Elizabeth Cahn

Managing Consultant, Guidehouse

elizabeth.cahn@guidhouse.com
