Burns & Associates, Inc.

Health Policy Consultants

3030 North Third Street
Suite 200
Phoenix, AZ 85012

Phone (602) 241-8520
Fax (602) 241-8529

MEMORANDUM

November 17, 2011

To: Beverly Rollins, Executive Director, Georgia Division of Developmental Disabilities
From: Peter Burns, President, Burns & Associates, Inc.
Re: Transmittal of Final Rate-Setting Materials

OVERVIEW

Burns & Associates, Inc. (B&A) has been assisting the Georgia Division of Developmental Disabilities (DDD) in a comprehensive review of provider rates for home and community based services covered by the Division's Comprehensive Waiver (COMP) and New Options Waiver (NOW). With this memorandum, B&A is transmitting the final rate models and supporting materials.

The memorandum is organized into three sections: a brief introduction and background on the project, discussion of the final rate models and related documents, and an overview of the process highlighting the other documents accompanying this memorandum.

BACKGROUND

It has been more than 20 years since a comprehensive review of waiver service provider rates has been conducted. Working under a subcontract with the Human Services Research Institute (HSRI), which is assisting DDD in the establishment and maintenance of individual consumer budget allocations, B&A was charged with reviewing and revising provider rates for most waiver services. These services, which account for more than 99 percent of waiver expenditures, are:

- Behavioral Supports Consultation
- Community Access
- Community Guide
- Community Living Support (CLS)
- Community Residential Alternative (CRA)
- Natural Support Training
- Nursing
- Prevocational Services
- Respite
- Support Coordination
- Supported Employment

Drawing from an examination of DDD's service definitions and standards, discussion with providers and a provider survey, and a review of a variety of data sources, B&A developed draft rate models. These models were released on February 25, 2011 and providers and other stakeholders were given approximately one month to submit comments. Additionally, in June DDD conducted six forums across the State to gather consumer and family input. Based on

input from the comment period and the forums, DDD directed B&A to resurvey providers regarding several issues. These resurveys are discussed in greater detail later in this memorandum.

Considering public comments, information collected through the resurveys, and discussion with DDD, B&A has revised the draft February rate models to establish final rate models.

The final rates will be implemented in concert with adjustments to consumers' budgets and that these budgets will not be revised until consumers have received a new Supports Intensity Scale (SIS) assessment. The process of readministering the SIS to every consumer is anticipated to begin in January 2012 and take one year to complete. Since the construction of new consumer budget allocations will require an adequate sample of new SIS assessments for analysis, it is unlikely that the new rates can be implemented for any consumer prior to July 2012. At that point, DDD may opt to begin implementation of the final rates as consumers receive a reassessment, or it may decide to wait until all reassessments are complete and implement the final rates for all consumers at the same time (which would be no earlier than the first quarter of calendar year 2013).

FINAL RATES

The final rate model packet is included behind Tab 1. The packet includes a listing of revisions to the draft February rate models, a comparison of the final rates to both current rates and the rates proposed in February, and detailed rate models for each service included in the project. Several of the more significant revisions to the February rate models are:

- Increasing the amount of funding included in the rates for administrative and program support expenses from 15 percent to 22 percent
- Changing the methodology to calculate the administrative allowance for host home agencies to further increase agency funding
- Reducing the hourly wage assumptions for direct service staff by five percent (for most services the wage assumptions remain at least 15 percent higher than the wages reported in the provider survey)
- Increasing the assumed daily payment to host homes from $66 and $88 (based on consumer need) to $85 and $90
- Reducing the number of 'Tiers' for Community Access-Group and Prevocational services and creating a single model for the two services, with the intent of simplifying the monitoring and billing of these day programs
- Eliminating Tiers for Supported Employment-Group and using a single rate

In general, the final rates are approximately three-and-a-half to four percent greater than those draft February rates.

Fiscal Impact

B&A projects that implementation of the final rates will increase waiver service costs by 6.8 percent, plus or minus three percent. Since some final rates are higher than current rates and others are lower, the fiscal impact varies by service.

Methodology

To estimate the cost of the revised provider rates, B&A determined it would be most effective to reprice fiscal year 2011 claims as if the new rates were in effect. In this way, B&A sought to isolate the impact of the rates rather than interjecting other factors that would affect an out-year forecast, such as caseload growth or utilization changes, but that are not due to rate changes. The analysis provides percentage changes by service and in total that DDD can apply to their base budget forecasts in order to determine the cost impact of the final rates.

B&A received fiscal year 2011 claims data from the DDD. Since providers have not yet billed for all services delivered in 2011, the data is incomplete. After reviewing the data, B&A believed that claims were mostly complete through March 2011. In order to annualize costs, B&A assumed that the number of units of service per month for the final three months would be equal to the average monthly number during the first nine months.

In addition to the 'simple' task of repricing fiscal year 2011 claims, special assumptions were necessary for day programs (Community Access-Group and Prevocational services) and Community Living Supports (CLS).

Day Programs

In the case of Community Access-Group and Prevocational services, the claims data does not capture all of the units of service delivered due to certain policies instituted when the NOW and COMP waiver were implemented. Prior to these waivers, consumers had a 'Day Supports' budget of $10,454 or a 'Day Habilitation' budget of $17,510. About 77 percent had the Day Supports budget. For these consumers, providers received a monthly rate for day services equal to one-twelfth of the annual budget, or $871.17. However, as part of the implementation of the NOW and COMP waivers, day programs were shifted to 15-minute unit billing. Dividing the monthly budgets by 120 hours (which assumes five days of service per week for six hours per day) would yield a 15-minute unit rate of $1.81.

However, through the issuance of two memoranda in 2009, DDD permitted providers to bill services delivered to Day Supports consumers at a $3.04 rate, which was the day program rate for the smaller group of consumers that had received a Day Habilitation budget. This provided two benefits to providers: it simplified their billing by allowing all units to be billed at the same rate and it reduced provider losses due to absences (because providers would only need to bill 71.5 hours to generate $871.17 in revenue for the consumers with a Day Supports budget). Providers could not, however, increase consumers' budgets or decrease their services. Providers, therefore, could only bill about 71.5 hours per month for consumers with a Day Supports budget. Hours in excess of 71.5 hours could not be billed.

As part of the implementation of the final rates, there will no longer be 'maximum' rates or rate-based restrictions on the number of units that can be billed. Each consumer will be eligible for a specific rate and providers will be able to bill and be paid for each unit of service delivered, consistent with consumers' service authorizations.

The challenge in the fiscal impact analysis, then, is determining the actual number of units provided, rather than the number billed. B&A considered a number of options for estimating the non-billed services and these options are compared in the fiscal impact packet. These methodologies result in estimates of non-billed units that range from 5 percent to 45 percent of the total units provided. Given that Community Access-Group and Prevocational services spending totaled an estimated $75.3 million in fiscal year 2011, this range introduces significant uncertainty in the overall fiscal impact. In its analysis, B&A based its estimate of non-billed services on information reported by providers as part of the provider survey. This data suggested that approximately 20 percent of day program units of services are not billed.

As noted, the current maximum rate is $3.04 per unit. The final rates are $2.16 for Tier 1 and $2.60 for Tier 2. These rates are 28.9 and 14.5 percent less than the current maximum rate. However, assuming that DDD will now be paying for approximately 20 percent more units that had not previously been billed reduces the impact of the reduction in the nominal unit rate such that B&A forecasts that spending for Community Access-Group will decline by only 2.6 percent and for Prevocational services by 4.2 percent.

Community Living Support

Revisions to estimates of Community Living Support units of service were also necessary. CLS has two units of service: a 15-minute unit with a $4.93 rate and a $128.52 daily rate. Current DDD policy requires that at least seven hours of service be provided in order to bill the daily rate (with some exceptions). However, DDD policy also allows the 15-minute unit rate to be billed for up to seven hours (or $138.09) per day. Since the maximum daily amount that could be earned under 15-minute unit billing exceeds the daily rate, providers are incentivized to bill seven hours of 15-minute units even if they provide more hours of service. Analysis of claims data demonstrates that, as providers gained experience under the new waivers, billing of CLS shifted from daily to 15-minute units. Service provision likely did not change, but providers responded to the incentive to bill the maximum number of 15-minute units and 'write-off' any additional units provided, rather than bill the daily rate.

The final rates aim to eliminate this disconnect between the 15-minute and daily units. The final 15-minute rate is $6.11 and can be billed for up to 7 hours, or $171.08, per day. The final daily rate is $178.02 and can be billed if more than seven hours of service are provided. Thus, it is expected that providers will resume billing the daily rate when they provide more than seven hours of service per day. Analyzing claims data, B&A estimates that between 10 and 44 percent of all 15-minute units were part of a seven-or-more hour day. Assuming that all of these days will shift to the daily rate, B&A estimates an incremental impact (separate from the baseline changes) that ranges from a savings of $2.0 million to a cost of $350,000. The most reasonable and conservative estimate is the highest cost, $350,000, and that is the amount included in the forecast.

Changes to Service Standards and Modifiers

A number of revisions to the COMP and NOW policies and procedures manuals are necessary to accommodate changes to provider rates for several reasons, including:

- Structural changes to the rates (e.g., tying maximum group sizes to consumers' level of need, distinguishing between the qualifications of staff and the services that they may provide, etc.)
- Aligning spending caps with revisions to the rates
- Policy changes that accompany the revised rates (e.g., the changes to day program billing policies discussed above)
- Improvements identified by DDD and by providers

Included behind Tab 2 is a listing of potential revisions to the policy and procedures manual that B&A has identified. This list is intended to offer an initial assessment of revisions that should be considered, but DDD will need to undertake a thorough review of these manuals to ensure that the service standards reflect DDD's goals for the system, considering changes to SIS assessments, consumer budgets, and provider rates.

For most services, there is more than one potential rate. These rate variations can be a result of several factors, including:

- Consumer need (as measured by the SIS), which impacts staffing levels and group sizes
- Professional qualifications of the individual delivering the service (e.g., there are different rates for board-certified behavior analysts [BCBA] and board-certified assistant behavior analysts [BCABA])
- 15-minute and daily rates (such as CLS discussed above)

Accommodating these variations in terms of service authorizations, provider billing, and payment edits will require additional procedure code modifiers. Tab 3 includes a crosswalk of the areas in which new modifiers will be necessary.

RECAP OF THE RATE-SETTING PROCESS

The final rate models are the culmination of a project that commenced in August 2010. The stages of this project could be broadly categorized as initiation and data collection, development of draft rate models, finalization of the rate models, and implementation.

Project Initiation and Data Collection

In August 2010 B&A met with DDD and a group of provider representatives to discuss the approach to the project as well as the provider cost survey. The survey was distributed to all providers on August 30, with a due date of September 17. A paper copy of the survey and the accompanying instructions are attached behind Tab 4. In response to provider requests, the

deadline was extended to September 24 with further extensions granted to any provider requesting one.

Of approximately 284 providers, 82 submitted completed surveys. Although respondents represented 29 percent of all providers, they accounted for the majority of services delivered through the waiver as they were responsible for more than 61 percent of waiver expenditures in fiscal year 2010.

B&A summarized provider responses and presented this information to providers in late October. The summary pages from this analysis are included behind Tab 5.

The survey data was deemed unreliable for administrative and program support costs because the reported average rate was nearly 72 percent. In response to a request from the provider representatives, B&A attempted to resurvey responding providers on this issue, but received only 18 responses (a second administrative and program support resurvey was undertaken and is discussed later in this memorandum).

Development of Draft Rate Models

Working from DDD's service definitions and standards and information gathered from the provider survey and other sources, B&A constructed draft rate models for each service included in the project.

The models detail the various costs involved in delivering services. The primary components of the rate models include:

- *Wages* for the direct service staff that deliver the service. B&A relied on Georgia-specific wage data from the federal Bureau of Labor Statistics. These wages were generally about 20 percent higher than the averages reported through the provider survey.
- *Employee related expenses* (fringe benefits) for direct service staff. In addition to covering mandatory benefits (including FICA and unemployment insurance), the models provided for 30 paid days off (holiday, vacation, and sick time), $300 per employee per month for health insurance, two percent of staff wages for retirement, and $10 per employee per month for other benefits. These benefits are more generous than reported by most providers, but less than those reported by Community Service Boards.
- *Productivity* adjustments to account for direct service staff's non-billable time such as travel time, missed appointments, recordkeeping, training, etc.
- An *Administrative and program support* allowance of 15 percent. As noted, the provider survey was deemed unreliable and, therefore, was not used in the establishment of this component.
- *Other service-specific costs* including travel, group sizes/ staffing ratios, and program facilities and supplies.

The draft models were released on February 25, 2011 and emailed to all providers.

Finalization of Rates

The draft February rate models provided a point of reference from which to further engage providers and other stakeholders in the development of final rates. Several methods were employed in order to solicit input and gather additional information, including a public comment period, consumer and family forums, and provider resurveys on select issues.

Public Comments

After the release of the draft rate models, providers and other stakeholders were encouraged to offer comments. The public comment period ran for approximately one month, until April 1.

In total, comments were received from representatives of 92 providers, 46 parents, and other associations, advocacy groups, and stakeholders. One hundred thirty-four distinct comments were identified, summarized, and organized into topical areas. B&A drafted a document with responses to each comment. This document (included behind Tab 6) was emailed on May 17 to all providers and others that submitted comments. B&A also led a presentation to providers on May 18 regarding the draft rate models and public comments.

Consumer and Family Forums

Development of the draft rate models required an understanding of providers' costs so the project initially focused on gathering information from providers. Once draft rate models were established, DDD wanted to provide information regarding the project to consumers and their families. To attempt to provide as many opportunities as possible for consumers and families to participate, DDD scheduled forums in each of their six regions and the meetings were held in the evening. The forum dates and locations were:

- June 7 – Savannah
- June 8 – Thomasville
- June 9 - Columbus
- June 14 – Augusta
- June 15 – Cartersville
- June 16 – Tucker

In total, more than 400 individuals attended the forums, which were led by DDD with support from B&A. Discussion was wide-ranging, addressing both the draft rate models as well as other issues that family members and providers in attendance wished to discuss with DDD.

Provider Resurveys

A few common themes emerged from the public comments and consumer and family forums. The issues that generated the greatest number of concerns were:

- Administration and program support costs
- Host home payment rates
- Day program group sizes

In response, DDD directed B&A to resurvey providers on these topics. B&A drafted resurvey forms to collect data, shared these drafts with the Service Providers Association for Developmental Disabilities (SPADD) and the Georgia Association of Community Service Boards, and revised the forms based upon feedback from these organizations. The resurveys were emailed on June 15 to all providers, which were asked to respond by July 15. The forms and accompanying instructions are included behind Tab 7.

A total of 58 providers submitted one or more of the resurveys. This group represents about 20 percent of total DD providers, but as was the case with the original survey, most of the larger providers that serve the majority of waiver enrollees participated in the resurvey. Specifically, 5 of the top 10 largest providers (as measured by fiscal year 2010 waiver revenue) and 17 of the 25 largest participated in the resurvey. The resurvey forms were carefully reviewed and follow-up questions were sent to nearly every provider to make clarifications or corrections.

B&A analyzed the resurveys and proposed revisions to the draft February rate models based on this data. The major revisions were summarized earlier in this memorandum.

Finalization of Rates

Relying on input from providers and other stakeholders gathered through the public comment period, consumer and family forums, and the resurveys, B&A revised the draft February rate models. As discussed earlier in this memorandum, these final rates are included behind Tab 1.

Implementation

As noted earlier, the revised rates will not be implemented for any consumer until that consumer receives a new SIS assessment. A partial rollout could not occur before July 2012 and a full rollout could not occur before 2013. In addition to conducting reassessments, the following steps are required:

- Submitting the rates to the Department of Community Health, which will then follow its public comment process
- Briefing executive and legislative policymakers, as necessary
- Submitting the rates to the federal Centers for Medicare and Medicaid Services (CMS) for approval
- Determining whether the final rates can be implemented as proposed. As noted, the rates are estimated to increase waiver costs by 6.8 percent; if DDD does not receive a budgetary increase, the rates may need to be scaled back
- Revising individual budget allocations to reflect rate revisions and ensure that budgets are adequate to purchase necessary services
- Establishing new modifiers to accommodate service/ rate variations
- Revising services definitions, standards, and billing policies as necessary

B&A will be assisting HSRI in the analysis and development of revised consumer budgets and looks forward to providing other implementation support to DDD as requested.