Delaware Health
And Social Services

Office of the Secretary

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MEMORANDUM

TO: The Honorable Ann S. Visalli
Director, Office of Management and Budget

The Honorable Michael L. Morton
Controller General

FROM: Rita M. Landgraf RML
Secretary

DATE: January 17, 2014

SUBJECT: **FY 2014 Report on the Costs of Rebasing the Inventory for Client and Agency Planning (ICAP) based rate setting system**

Per Section 170 of House Bill 200, attached please find the Division of Developmental Disabilities Services' report on the costs associated with rebasing the ICAP based rate setting system.

If you have any questions, please let me know. Thank you.

Attachment

pc: Henry Smith, III
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Appendix A
Fiscal Impact Analysis
Rebasing DDDS Direct Support Professional (DSP) Rates

				100% Of Benchmark			90% Of Benchmark			80% Of Benchmark			75% Of Benchmark		
Service	**Current Utilization**	**Current Rates (as of 7/1/13)**	**Current Expenditure**	**Rebased Rates**	**Cost**	**Fiscal Impact Total Funds**	**Rebased Rates**	**Cost**	**Fiscal Impact Total Funds**	**Rebased Rates**	**Cost**	**Fiscal Impact Total Funds**	**Rebased Rates**	**Cost**	**Fiscal Impact Total Funds**
Residential *															
Medicaid	3131915	$ 22.31	$69,873,024	$ 31.77	$99,500,940	$29,627,916	$ 28.59	$89,550,846	$19,677,822	$ 25.42	$79,600,752	$9,727,728	$ 23.83	$74,625,705	$4,752,681
State Funded	96877	$ 22.31	$2,161,326	$ 31.77	$3,077,782	$916,456	$ 28.59	$2,770,004	$608,678	$ 25.42	$2,462,226	$300,900	$ 23.83	$2,308,337	$147,011
	3228792														
Day Hab-Community															
Medicaid	23221	$ 23.04	$535,012	$ 31.52	$731,926	$196,914	$ 28.37	$658,733	$123,721	$ 25.22	$585,541	$50,529	$ 23.64	$548,944	$13,933
State Funded	4017.75	$ 23.04	$92,569	$ 31.52	$126,639	$34,071	$ 28.37	$113,976	$21,407	$ 25.22	$101,312	$8,743	$ 23.64	$94,980	$2,411
	27238.75														
Day Hab Facility															
Medicaid	376563.17	$ 24.85	$9,357,595	$ 31.03	$11,684,755	$2,327,160	$ 27.93	$10,516,280	$1,158,685						
State Funded	34616.2	$ 24.85	$860,213	$ 31.03	$1,074,141	$213,928	$ 27.93	$966,727	$106,514						
	411179.37														
Prevocational															
Medicaid	264965.21	$ 24.85	$6,584,385	$ 31.03	$8,221,870	$1,637,485	$ 27.93	$7,399,683	$815,298						
State Funded	52153.33	$ 24.85	$1,296,010	$ 31.03	$1,618,318	$322,308	$ 27.93	$1,456,486	$160,476						
	317118.54														
Supported Employment															
Medicaid	94590.75	$ 50.28	$4,756,023	$ 66.72	$6,311,095	$1,555,072	$ 60.05	$5,679,985	$923,962	$ 53.38	$5,048,876	$292,853			
State Funded	25497.25	$ 50.28	$1,282,002	$ 66.72	$1,701,177	$419,175	$ 60.05	$1,531,059	$249,057	$ 53.38	$1,360,941	$78,939			
	120088					$1,974,247									
All Services															
Medicaid			$91,106,039		$126,450,586	$35,344,547		$113,805,527	$22,699,489		$85,235,168	$10,071,110		$75,174,649	$4,766,614
State Funded			$5,692,119		$7,598,057	$1,905,937		$6,838,251	$1,146,132		$3,924,479	$388,582		$2,403,316	$149,421
Total New Costs						**$37,250,485**			**$23,845,620**			**$10,459,692**			**$4,916,035**

Budget Requirements

	100% Of Benchmark	90% Of Benchmark	80% Of Benchmark	75% Of Benchmark
Total New State Funded	$1,905,937	$1,146,132	$388,582	$149,421
Total New Medicaid State Match	$16,240,819	$10,430,415	$4,627,675	$2,190,259
Total New State Funds request	**$18,146,757**	**$11,576,547**	**$5,016,257**	**$2,339,680**

54.05%	Blended Federal Share SFY15
45.95%	Blended State Share SFY15

* For the purpose of this analysis, the current rate for a medium-size residential agency was used.

In order to determine the fiscal impact for Supported Employment , the Individual Supported Employment rate and units were used under the assumption that referrals for Group Employment will come from Individual Employment services. Because Group Supported Employment was only added as a Medicaid service effective 10/1/13, there was not enough utilization data to use in the fiscal analysis.

Please note that the "current" expenditure figures above do not include the following costs: transportation paid to Day Service and Residential providers as an add-on to the Direct Support Professional rate, and rates that were grandfathered from the old negotiated rates prior to the implementation of the current reimbursement methodology in 2004. It is assumed that if a new benchmark rate is selected to be paid, all providers will be paid based on the rebased rates.

REBASING THE DDDS DIRECT SUPPORT PROFESSIONAL RATES

A REPORT TO

THE CONTROLLER GENERAL

AND

THE OFFICE OF MANAGEMENT AND BUDGET

Submitted by

The Division of Developmental Disabilities Services

Jane J Gallivan

Division Director

Marie Nonnenmacher

Deputy Director

January 15, 2014

Executive Summary

Section 170 of the Epilogue of H.B. 200, the Operating Budget Act for State Fiscal Year 2014, directed the Division of Developmental Disabilities Services to "study and submit findings on the costs associated with rebasing the Inventory for Client and Agency Planning based rate setting system. The report should be submitted to the Controller General and the Office of Management and Budget by January 15, 2014."

The Division of Developmental Disabilities Services engaged the services of a consulting firm, Deshaies Consulting, to rebase the direct support professional rates and to assist in the development of the report. The Division also enlisted the assistance of a group provider agencies that belong to The Delaware Association of Rehabilitation Facilities (DelARF) to function in an advisory and review capacity throughout this project.

After discussion with the group referenced above, it was decided that the consultant should use the essentially same rate methodology as was used to create the set of Direct Support Professional (DSP) rates in 2004. The methodology was refreshed to include changes in operating costs, types of costs and the relationship between costs to each other.

The rebasing study included the following direct support services:

- Supported Employment
- Group Supported Employment (new as of 10/1/13)
- Day Supports-Facility (includes Day Habilitation and Pre-Vocational Service)
- Day Supports-Non-Facility (includes Day Habilitation and Pre-Vocational Service)
- Residential Habilitation

The rebasing study did not include rates for Shared Living, also known as Adult Foster Care or for Clinical Consultation: Nursing or Behavioral.

Unlike the original methodology which recommended a single percentage for "Program Indirect" Expenses (see report for a full discussion of this cost element), the proposed methodology recommends different percentages for each service to account for different cost profiles of the services. The proposed methodology also applies the "gross up" factor, commonly recommended as a best practice in such rate methodologies, to all of the non-DSP wage components of the model, not just to the General & Administrative percentage, as was done in the original model.

Based on the revised assumptions and cost data, the proposed new rates are:

Service	**Existing Rate**	**Proposed New Hourly Rate if Fully Funded aka "Benchmark" Rate**
Residential*	$22.06 - $22.84	$31.77
Day Support-Facility	$24.85	$31.03
Day Support-Community	$23.04	$31.52
Group Employment	$50.28	$52.33
Individual Employment	$50.28	$66.72

*The current residential rates have different allowances for General and Administrative expense depending on the size of the agency.

Fiscal Impact: The benchmark rate is defined as the rate developed by the examination of the 2014 value of: the direct support wage; employee related expenses; program indirect expenses and general and administrative expenses. In order to pay the benchmark rates shown above, based on current utilization, the resulting additional payment to providers would be $37.3 million dollars. Because most of these units of service are provided to Medicaid eligible individuals, federal funding will be available to pay approximately half of the cost for those individuals; therefore, the cost to the general fund would be $18.1 million.

Included in this report is a chart, Appendix A, demonstrating the impact of providing incremental funding amounts in order to achieve the fully funded 100% benchmark rate. The chart provides a method to monitor any rate increases and progress made to achieve the fully funded benchmark rate.

The chart in Appendix A provides an overview of how less than full funding of the benchmark rates will be applied to each service and resulting impact on the service rate.

Section 1: Introduction

Section 170 of the Epilogue of H.B. 200, the Operating Budget Act for State Fiscal Year 2014, directed the Division of Developmental Disabilities Services to "study and submit findings on the costs associated with rebasing the Inventory for Client and Agency Planning based rate setting system. The report should be submitted to the Controller General and the Office of Management and Budget by January 15, 2014."

This report attempts to fulfill that directive. While the Epilogue language referred to the "Inventory for Client and Agency Planning (ICAP) based rate setting system", it should be noted that there is a distinction between the Inventory for Client and Agency Planning (ICAP) assessment tool and the methodology used to determine the hourly payment rate for direct support. The ICAP is an assessment tool that Delaware DDDS uses to indicate the number of direct support hours that are likely to be required to support an individual in either a day or residential program as authorized in each client's Plan of Care.

In 2004, Delaware adopted the ICAP as the assessment instrument that would be used to determine the number of support hours based on each individual's unique needs, challenges and strengths.

At the same time a rate methodology was adopted and approved by the Centers for Medicaid and Medicare Services (CMS) to determine the hourly payment rate for direct support using the average salary of the Direct Support Professional as the starting point and adding a "market basket" of related costs associated with the Direct Support Professional, such as paid vacation and health care costs.

The rate that is paid for each hour of direct support is independent of the ICAP assessment process. For services that are paid as a per diem, the number of direct support hours (as determined by the ICAP assessment) are multiplied by the hourly rate for direct support, producing the daily payment rate. This rate is often erroneously referred to as the "ICAP rate".

Before embarking on this project, the Division consulted with Delaware Association of Rehabilitation Facilities (DelARF) to verify that it was the rebasing of the direct support rate and related implementation costs that were intended to be the subject of the review and not the ICAP assessments for each client. It should be noted that the ICAP assessment is redone every five years or when there is a significant change in a client's circumstances that would likely affect his or her support needs. DelARF confirmed that the direct support rates and related costs were intended to be the subject of the review and not a rebase of the ICAP assessment tool for all DDDS consumers. Since it is a misnomer to call the rates addressed in this report the "ICAP rates", they will be called the "Direct Support Professional" or "DSP" rates consistently throughout this report. The group of DelARF members continued to function in an advisory and review capacity to DDDS throughout this project. The group will be referred to as the Rate Advisory Group.

DDDS obtained the services of a consulting firm, Deshaies Consulting, to assist in the development of the report. The Principal in this firm, Roger Deshaies, worked on the development of the current rate methodology in 2004 while working for Mercer Government Consulting.

Section 2: Approach and Rationale

The approach centered on determining the current value of the Direct Support Professional (DSP) rates paid by Medicaid and the Division by rebasing the rates and determining the financial impact of paying the rebased rates. These rates are applied to services offered through the Division's Medicaid Home and Community Based Waiver, the State Plan Rehabilitative Services and DDDS state-funded services for individuals with intellectual disabilities and/or autism who meet established eligibility criteria. The services included in this review were:

- Supported Employment
- Group Supported Employment (new as of 10/1/13)
- Day Supports-Facility (includes Day Habilitation and Pre-Vocational Service)
- Day Supports-Non-Facility (includes Day Habilitation and Pre-Vocational Service)
- Residential Habilitation

The approach also included an analysis of the current use of exceptions to the ICAP-determined support hours. The report did not include an analysis of the transportation add-on rates but does make some observations regarding transportation in Section 4 of this report.

"Market Basket" Approach to Rate Setting

One strategy to review and recommend reimbursement rates is to use a "market basket" methodology. A market basket is a set of goods and services that together indicate the cost of a product or a service. The Consumer Price Index is an example of a market basket. A market basket is often described as a fixed-weight index because it centers on how ***much more or less it would cost***, at a later time, to purchase the same mix of goods or services that was purchased in a base period. This is the approach that was used to establish the DSP rates for DDDS in 2004. Since last DDDS Direct Support Professional rates were originally created in 2004, the legislature has enacted sporadic rate increases in the intervening 10 year period that have increased the rates by approximately 4.5% of above the original base.

The first step in a market basket methodology is to determine the composition of the "basket", i.e. what goods or services will be included. The second step is to determine the current value of those goods or services. This is called the benchmark rate. In 2004, the market basket for the DSP rates included the following items:

- DSP Wage
- Employee Related Expenses (ERE)
- Program Indirect Expenses (PI)
- General and Administrative Expenses (G&A)

The three latter components, ERE, PI and G&A are expressed as a percentage of the DSP wage.

The Rate Advisory Group determined that this was still the appropriate set of costs to be included in the market basket. The group recommended that the consultant should conduct interviews with a representative set of providers to determine if the assumptions used for each component of the market basket were still valid in the present period or needed to be changed. The sample would include a minimum of: two (2) Residential Service providers, two (2) Employment Providers, two (2) Day Support Providers and two (2) combination providers- agencies that offer a mix of supports. Interviews were conducted by the consultant and the DDDS Deputy Director during the week of September 5th, 2013 with the following agencies:

- Advoserv
- Autism Delaware
- Bancroft Delaware
- Community Integrated Services
- Community Systems, Inc.
- CERTS, Inc.
- Delaware Mentor
- Easter Seals
- Ken Crest
- Kent Sussex Industries
- Mosaic
- Point of Hope
- Salvation Army

Market Basket Assumptions & Establishment of Benchmarks

A market basket methodology begins with the establishment of benchmarks.

Direct Support Professional Salary

The Rate Advisory Group discussed the most appropriate method to benchmark the DSP salary over a series of meetings. The group agreed that the best approach would be to find comparative salary and wage data from a recognized authoritative source like the U.S. Bureau of Labor Statistics (BLS). No single job classification in the BLS Occupational Employment and Wage Statistics Survey by State was comparable to the requirements for the Delaware DSP positions. For all of the non-employment related DDDS direct support services, the Rate Advisory Group determined that a combination of three (3) separate classifications could be used to construct a benchmark for the DSP positions. BLS classifications used were:

  - Home Health Aide
  - Social and Human Service Assistant
  - Personal Care and Service Workers

The group agreed that the requirements for the direct support staff for the employment-related services of Individual Supported Employment and Group Supported Employment was significantly different from the other DDDS service categories as to require the search for a different comparable classification. The group looked for classifications comparable to the requirements for a Job Coach as utilized within the developmental disabilities field for long-term employment support. No satisfactory BLS classification or combination of classifications could be found. The group decided to use recruitment data from several employment websites for positions similar to a Job Coach. Data from the following websites was used to establish a comparable wage for a Job Coach: Simply Hired, PayScale, Salary List, JobStat and Glassdoor.

Recommended Foundation Base For Salaries:

Using the sources cited, the new recommended benchmarks for the salaries were set at:

All Other Direct Support Professionals	$12.75 per hour
Individual and Group Supported Employment	$17.00 per hour

This is intended to represent an "average" wage for each group, based on a wage scale, as opposed to a starting wage.

As of July 1, 2013, the current DSP base average salary used in the computation of the DDDS DSP rates is $11.22 for all supports, except for Supported Employment. The Supported Employment rate was computed using a different methodology based on cost reports submitted by the providers. That rate became effective January 1, 2012.

Salary data from a survey of Day Service (Day Habilitation, Pre-Vocational Service, and Supported Employment) providers completed in January of 2013 revealed that DSP day services salaries ranged from $9.50 to $15.75, with the Job Coaches being at the higher end of the range. For Residential Services, interviews were utilized to gather information specific to revenues, expenses and trends. Additionally, a review was conducted by John Villegas-Grubbs for both residential and day services in 2008 by at the request of the Division. That work recommended a DSP salary of $12.42 per hour.

Proposed Rate Model:

The current rate setting model used by Division is similar to what is being proposed in this report with some notable differences. One difference relates to how the percentages for the Program Indirect component of the rate are computed. The current model begins with assigning a dollar value for DSP and calculates a final hourly rate by including costs for employee related, program indirect and general administrative expenses; each component is represented as a percent that is consistent across all service categories. The current percentages are below:

Employee Related (ERE)	34%
Program Indirect (PI)	30.5%
General and Administrative	12%

While the proposed model computes a single percentage for ERE and G&A, as did the original model, it computes separate percentages PI for each of the five services categories. This is because the July provider surveys identified that different types of direct support services had different experience with regard to such elements as hiring criteria, turnover and training requirements that may affect cost. Please note that some of the newly computed percentages ended up being the same across one or more service categories. The proposed methodology also applies the "gross up" factor, commonly recommended as a best practice in such rate methodologies, to all of the non-DSP wage components of the model, not just to the General & Administrative percentage, as was done in the original model.

Assumptions Used in the Rate Model:

During the September 2013 provider survey process, providers were asked for their actual experience for each of the rate components. This information was used to determine if the assumptions used in the original model in 2004 were still valid or whether they needed to be changed.

Based on the provider interviews, the following assumptions are included in the model.

A. Employee Related Expense (ERE): The base assumptions used to build the ERE component follows:
   - Mandatory costs using 2013 requirements
      i. Workers Compensation
      ii. Unemployment Insurance
      iii. FICA
      iv. Medicare tax
      v. Health Insurance is covered based on an assumption that an employer, on average, pays $505 per employee, per month for health insurance. The core assumption is that an organization covers on average 80% of the cost for their employees.
      vi. DDDS required training hours are included at 110 hours for new employees and 40 hours for annual re-certification.
      vii. Expenses associated with background checks, fingerprint clearance, motor vehicle background screening and similar employee screenings
      viii. Employee health screening for TB and similar health factors

   - Discretionary costs-Typical Employer Profile
      i. 35 Days paid time off (Vacation/Sick Leave, Holiday)
      ii. Vision, Dental, Disabilities Insurance and Life Insurance paid by the employee are NOT included
      iii. Any and all employer matching contributions paid to any form of retirement plans (401K or 403b or stock participation plans) is NOT included
      iv. Any form of bonus payments is NOT included
      v. Optional training that is directly related to service provision in excess to the 110/40 hours is NOT included.
      vi. Assigned vehicles, mortgage/personal loan assistance, stock purchases and similar "perks" are NOT included
      vii. While not part of the 2004 work, the assumption building the ERE component takes the position that any penalty an agency incurs relating to the Affordable Care Act as a result of a business decision that paying the

penalty is more cost effective than providing health care coverage will not be considered as part of ERE

viii. Note included in the estimated cost for Health Insurance is the findings from the Kaiser Foundation that health insurance premiums will rise 10% taking into account the impact of the Affordable care Act.

Changes in assumptions for the Employee Related Expense (ERE) component of the rate from the 2004 model include:

1. Health Insurance reflects known changes aligned with the Affordable Care Act. There is a variance among service providers as it relates employee contributions and the financial assistance offered to family members. The percent selected captures the mean employer cost.
2. Workers Compensation varies across the service network with a range as low as 2% of payroll costs to a high of 7%; the difference reflects difficulties faced supporting people with various challenging conduct.
3. Employee Compliance is a new category reflecting the changes in regulations and emerging requirements associated with back ground checks, drug screenings and driver's license checks as examples.
4. Overtime base 1 refers to overtime cost associated with covering staff absences due to mandatory Division training requirements
5. Training Base I covers staff time to complete Division mandatory training requirements for new hires. The base training was revised from 40 hours to 110 hours to reflect new division requirements and actual provider experience.

The net result is a revision for the ERE component from the original 34% to 38.15% for all services

Employment Related Expenses		
FICA	7.65%	
Tax Base	1.10%	
Health Insurance	8.00%	
Workers Comp	4.40%	
New Hire Compliance	2.00%	
Employment Paid Time Off	7.00%	
Overtime - Base 1	6.00%	
Training - Base 1	2.00%	
Total Program Indirect		**38.15%**

B. Program Indirect (PI): The original assumptions used to build the PI component were based on cost surveys collected during the 2003-2004 period. As mentioned previously, this set of assumptions and cost data was refreshed using the results from the September survey of a representative sample of the thirteen providers. The PI cost component identifies and quantifies costs associated with supporting Direct Service Professionals in the delivery of quality services and includes the following general categories that are specifically related to the settings providing direct services (Administration expenses are captured as part of the General and Administrative (G&A) expenses). These cost categories include:

- Expenses associated with Quality Assurance, both in terms of complying with state regulations and requirements and in terms of internal assurance checks including internal investigations and outcome monitoring
- Staff travel time and expense to attend and participate in meetings, trainings and workshops
- Technology-related expenses
- Program and Building supplies
- Vehicle maintenance and lease expenses used for transporting staff
- Building leases and mortgages
- Licensing and legal fees
- General liability insurance costs
- Equipment leases and acquisition expenses
- Human Resources costs
    i. Turnover rate
    ii. Overtime
    iii. Additional Training
- Compliance Costs-Other
    i. Medicaid compliance
    ii. Expenses related to fulfilling documentation requirements (this was not explicitly included in the 2004 model)
    iii. Expenses related to increasing internal control requirements (this was not explicitly included in the 2004 model)

Changes in assumptions for the Program Indirect (PI) component of the rate from the 2004 model include:

Whereas the existing model combines all services under a single Program Indirect category, during the course of the review including data from surveys, interviews and submitted cost reports, a recommendation is being made to separate the Program Related into separate categories to account for the different cost profiles of the services.

Among the key differences are the following:

1. Residential services have a greater staff turnover rate. This is a common factor often associated with the 24 hour/7 day a week service model.
2. The Individual Supported Employment service delivery model is a 1:1 service and requires activities that are allowable but not billable.
3. Community-based programs experience higher supervision costs associated with the scattered nature of the services provided. There is also emerging data suggesting that community-based services are inclined to experience higher staff turnover rates than were captured in the 2004 study.

4. The cost of compliance with rules, regulations and associated documentation was included in all the categories. The current 2004 model did not allow for any such expense.

	Residential	Day Facility	Day Non-Facility	Individual Supported Employment*	Group Supported Employment *
Program Indirect					
House/Program Supervisor	4.00%	4.00%	4.00%	5.00%	5.00%
Overtime - Base 2	5.00%	1.00%	1.00%	1.00%	3.00%
Training - Base 2	4.00%	4.00%	4.00%	3.00%	2.00%
Training Materials	1.00%	1.50%	1.50%		
Coordination & Scheduling	3.00%	3.00%	3.00%	7.00%	7.00%
Recruitment	1.50%	1.50%	1.50%	1.50%	1.50%
Mid-Manager Cost Other	3.00%	4.00%	4.00%	7.00%	5.00%
Other allowable but non-billable activities-such as documentation, billing integrity, etc.	5.00%	5.00%	5.00%	15.00%	9.00%
Community Expenses			1.00%		
Offsite Expenses	1.00%			0.50%	0.50%
Staff Meetings	1.50%	2.00%	2.00%	2.00%	2.00%
Employer Relations				2.00%	1.00%
Program Specific non-consumer Transportation				6.00%	3.00%
Licensing & Prof Svcs	1.00%	1.00%	2.00%		
General Program Supplies	N/A	1.50%	0.50%		
Compliance	4.00%	4.00%	4.00%	5.00%	5.00%
Internal QA	3.00%	3.00%	3.00%	5.00%	5.00%
	37.00%	**35.50%**	**36.50%**	**60.00%**	**49.00%**

*Group and Individual employment are impacted by activities that are allowable but not billable These activities are included in the rate thereby allowing a service provider to recoup expenses associated with the non-billable activity. The non-billable time is represented by a percent. For Group Employment the overall percent for non-billable time is 20%; for Individualized Employment the percentage is 30%.

Group Employment non-billable activities included in the rate are:

1. Documentation and notes
2. Compliance activities-Medicaid
3. Compliance activities internal Quality
4. Meeting with supervisor/administrators/managers
5. Staff Meetings
6. Staff Training related to employment in excess of mandatory training requirements

Individual Employment non-billable activities included in the rate are:

1. Documentation and notes
2. Compliance activities-Medicaid/State Plan
3. Compliance activities internal Quality
4. Meeting with supervisor/administrators/managers
5. Non-participant transportation…AKA 'windshield time'
6. Non-participant meeting with employer/business setting
7. Meetings with community organizations, potential employers, Chamber of Commerce, Better Business Bureau
8. Staff meetings
9. Trainings related to employment services but in excess of mandatory requirements
10. Maintaining relationship with employer, participating in employer sponsored activities as an example
11. Coordination and scheduling
12. Problem resolution/meetings not directly aligned with employment services but required to ensure continued employment examples:
    i. Resolving public transportation issues/transportation to work
    ii. Family concerns that the participant will loss SSI
    iii. Housing issues

More than any other service included in this report, the rate for Supported Employment is dependent on a clear definition of what activities and costs are included in the rate and how a billable activity is defined, since many of the activities performed under this service are "on behalf of" but not in direct support of a consumer. In attempting to establish a new benchmark for Supported Employment, DDDS reviewed the work of the Supported Employment Leadership Network (SELN) of the National Association of State Directors of Developmental Disability Services (NASDDDS). A 2012 report issued by SELN included Supported Employment rates for 25 states, including Delaware. The hourly rates ranged from a low of $12.49 for Maryland to a high of $120.00 for Michigan, with the median rate being $35.88. This wide variability in rates clearly suggests that states may be defining Supported Employment differently and that there is variability in what is and is not considered a billable activity. Supported Employment continues to be an evolving service and requires on-going monitoring of the service definitions and rates. DDDS will continue to work with DELARF to collect data on the program indirect components of this rate.

C. Staffing Ratios: Rate setting is often based on an assumed staff to participant ratio for a service. The benchmark rates assume the following average ratios for each service:

a. Day Habilitation 1 staff to 4 participants
b. Prevocational 1 staff to 6 participants
c. Supported Employment 1 staff to 1 participant with a staff person holding a caseload between 5 to 8 participants
d. Note: Group Employment was not part of the original work and the Prevocational basis was used
e. Residential Services included a 1 staff for two participants during key periods and 1 staff to 4 participants during the nighttime hours.

The assumed ratio for each category is assumed to apply to the preponderance of consumers in that service based on historical data. The assumptions regarding average staffing ratios for each service are based on some clients needing higher staffing and some needing less.

Section 3: Recommended Benchmark DSP Rates

Based on the revised assumptions and cost data, the proposed new rates are:

Service	**Existing Rate**	**Proposed New Hourly Rate if Fully Funded aka "Benchmark" Rate**
Residential*	$22.06 - $22.84	$31.77
Day Support-Facility	$24.85	$31.03
Prevocational Facility	$24.85	$31.03
Day Support-Community	$23.04	$31.52
Group Employment**	$50.28**	$52.33
Individual Employment	$50.28	$66.72

*The current residential rates have different allowances for General and Administrative expense depending on the size of the agency.

**Group employment was not a discrete service prior to 10/1/13. The group Supported Employment hourly rate must be apportioned across the number of clients in the group using the methodology approved in the DDDS waiver effective 10/1/13.

Section 4: Other-Related Issues

"When we try to pick out anything by itself, we find it hitched to everything else in the Universe."

John Muir

The rate rebasing process touches on several companion issues.

1) Definition of "Direct Support Professional": The Rate Advisory Group questioned whether the current definition of "Direct Support Professional" was still valid. This definition is used by the rate setting to determine whether a staff person is a "Direct Support Professional" and should be included as an up-front wage cost or as a part of the Program Indirect percentage. The current definition defines a DSP as a staff who spends at least 80% of their time performing support work directly with clients. The definition was reviewed with the providers during the survey process. Based on the review, the recommendation is that the current definition continues to be appropriate.

2) Transportation: There are two categories of transportation: transportation of clients to and from a service and transportation within the program day.

Transportation to and from a program site is provided via the following methods:

a. To and from a service location service (door-to door) offered by agencies using vehicles they own
b. To and from a services location (door to door) offered by agencies with a mix of agency-owned and State Fleet provided vehicles
c. Tickets for Public Transportation (DART) purchased by providers and provided to clients

Transportation within the program day is provided via the following methods:

d. Transportation provided to clients receiving Residential Habilitation offered by agencies using State Fleet vans or their own vehicles
e. Transportation to and from program-related activities such as training, volunteer opportunities and community outings provided during a service day- offered by agencies with State Fleet provided vehicles paid for by DDDS with 100% state funds or their own vehicles
f. Transportation of a consumer to and from work by a job coach as part of Supported Employment

Transportation under items a – d above is paid as an additional hourly rate on top of the service rate. This additional payment is referred to as an "add-ons" to the DSP rate. While none of the transportation costs are addressed in this report, with the exception of item f, the review of the DSP rates did identify that there is a lack of consistency in how transportation costs are paid for in general. This should be addressed in the future. It is also noted that the non-door to door transportation add-ons for the day services are currently disproportionate to the cost of providing the service. Whereas, providers incur a daily out of pocket cost per round trip DART ticket of \$4-\$8/day, providers are currently paid between \$10.67 and \$44.48/day at \$5.93/hour in addition to the rate they are paid for the direct support service. If we were to pay for transportation as a separate service, Medicaid rules require that we offer choice of provider and clients may not necessarily choose the day service provider to provide their transportation. The Division acknowledges the importance of the transportation to and from program locations and will continue to assertively work at crafting a comprehensive solution to those challenges. The scope and breadth of such an undertaking simply cannot be accomplished within the time-frame for this rebasing effort. The impact of the proposed fare increase for paratransit tickets as part of DART's 1/10/2014 Transit Redesign Plan to be implemented on 7/1/2014 will also need to be examined in the context of how DDDS pays providers for transportation. The rates will increase from \$4 to \$6/day for ADA fares and from \$4 to \$8/day for non-ADA fares, with an increase from \$4 to \$6 for a county connector fee, where applicable.

3) Federal, State and DDDS Requirements - Emerging Patterns:

The Rebasing Advisory Group discussed the impact of emerging changes within the system of supports. Among the issues identified were:

- Requirements for training that evolve over time
- Staff to consumer ratios and the financial impact on service providers. The Mercer work in 2004 had based its rates on certain consumer to staff ratios, 1 staff to 4 consumers for Day Habilitation as an example.
- Compliance costs for Medicaid and State requirements.

4) Rate setting is often based on an assumed staff to participant ratio for a service. Changes over time, paired with the ICAP assessment process, would justify a review and determination as to whether the standards for staff to participant ratios are still appropriate. As a result of this study, it is recommended that a review of the relationship between the ICAP hours and the staffing ratios should be conducted and the results clearly articulated and codified in the standards that will be developed for these services. Because expectations about staffing ratios impacts costs and rates, any change in ratios in order to ensure that they are better aligned with current priorities and program directions should cause the rate model to be reexamined.

The rebasing process has attempted to factor these new and emerging requirements into the DSP rates, to the greatest extent possible, by adjusting the Employee Related Expense (ERE) and Program Indirect (PI) components.

Section 5: Fiscal Impact Analysis

The analysis indicates that in order to pay the above new benchmark rates, based on current utilization, the resulting additional payment to providers would be $37.3 million dollars. Because most of these units of service are provided to Medicaid eligible individuals, federal funding will be available to pay approximately half of the cost for those individuals; therefore, the cost to the general fund would be $18.1 million. Projected costs are also shown for 90, 80 and 75% of the benchmark rates. The projected costs are summarized below.

The chart below demonstrates the impact of providing incremental funding amounts in order to achieve the fully funded 100% benchmark rates. The chart provides a method to monitor any rate increases and progress made to achieve the fully funded benchmark rates at 100%.

	Total Funds (GF + federal)	GF
100% of benchmark	$37,250,485	$18,146,757
90% of benchmark	$23,845,620	$11,576,547
80% of benchmark	$10,459,692	$5,016,257
75% of benchmark	$4,916,035	$2,339,680

The attached Appendix A provides an overview of how less than full funding of the benchmark rates will be applied to each service and corresponding impact on the service rate.

The chart in Appendix A shows the projected fiscal impact of implementing the new proposed benchmark rates or a fixed percentage of the proposed rates in 10% increments down to the percent that represents the current rate. The cost was estimated by multiplying the benchmark rates or percent of the benchmark by the estimated number of units for that service based on projected utilization from the SFY2014 period.