



# Oregon Adult Residential Rate Standardization Project

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DECEMBER 5, 2018

# Discussion Topics

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- Project Overview
- Base Data
- Brick Calculation
- Geographic Variation
- Brick to Rates
- Rate Operationalization
- Interim 10 Providers
- Systemwide Implementation Plan

# Project Overview

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- The Oregon Health Authority contracted with Optumas and its subcontractor JVGA to help restructure reimbursement rates for services provided to individuals in OHA-licensed mental health residential settings.
- Optumas/JVGA utilize a process called The Brick Method™, developed by JVGA, which studies provider cost data to create fair and equitable rate systems built on the value of the direct support staff hour.

# Base Data

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- There are two types of data which underlie the calculation of the rate under the Brick methodology:
  - General Ledger Data
  - Bureau of Labor Statistics (BLS) Wage Data

# General Ledgers

- Each facility submitted a general ledger representing the costs they incur by operating their business.
- The costs reported are examined in detail and split into consistent cost categories for each provider.

*General Ledger Example:*

Expense Description	Cost	Expense Type
AM Direct Care	\$25,000	Direct Support Wages
PM Direct Care	\$20,000	Direct Support Wages
Night Direct Care	\$22,000	Direct Support Wages
Float	\$2,000	Direct Support Wages
Vac/Relief Staff	\$1,000	Direct Support Wages
Employee Benefits	\$500	Employment Related Expenditures
Worker's Compensation	\$5,000	Employment Related Expenditures
Office Expense	\$3,000	General and Administrative
Postage and Delivery	\$300	General and Administrative

# General Ledgers

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- The data is then aggregated at the systemwide level and each expense type receives a component percentage which is its magnitude relative to direct support wages.
- To illustrate, consider the total of the following expense types in the previous table:
  - *Direct Support Wages* - \$70,000
  - *Employee Related Expenditures* - \$5,500
- The cost component percentage for ERE relative to the direct support wages would be 7.9% ( $\$5,500/\$70,000$ ).

# BLS Wage Data

- JVGA works with the state and providers to understand which job positions are being used to provide the adult residential services.
- JVGA extracts the BLS wage categories which most closely approximate the job descriptions provided for the service being rendered.

*BLS Wage Data Example:*

BLS Wage Code	Title	Oregon Statewide Wage
31-1011	Home Health Aides	\$12.45
39-9099	Personal Care and Service Workers, All Others	\$16.51

# BLS Wage Data

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- The wage data which is pulled down is extracted such that it aligns with the underlying time period of the general ledgers (CY 2017).
- The adult residential rates being set aim to be effective in 2019, so the wage data is trended forward to 2019 using the Consumer Price Index (CPI).

# Brick Calculation

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- Using the time period-adjusted BLS wage as the new base wage, the overall average cost relativities derived from the General Ledgers are applied to reflect the other cost categories.
- The cost categories included in the modeling are:
  - Employment Related Expenditures,
  - Training,
  - Support,
  - Program Related Facility Costs,
  - Transportation,
  - General and Administrative, and
  - Vacancy Factor.

# Brick Calculation

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- In Oregon, there are two primary types of hour in the adult residential setting which needed to be calculated:
  - Active Engagement Hours - the explicit staff work to support the instrumental activities of daily living
  - Supervision Hours - to overseeing activities of the patient's personal care throughout the day
    - Supervision Hours do not rely on the same component assumptions as the engagement hour.
- Optumas/JVGA created a Brick (value of an hour) for each of these types of staff work.

# Brick Calculation

- Engagement Brick

Brick Components	Component Percentages	Brick Value
Wage		\$15.92
Employment Related	37.6%	\$5.99
Training	5.0%	\$0.80
Support	34.6%	\$5.51
Program Related Facility Costs	6.5%	\$1.03
Transportation	2.0%	\$0.32
General and Administrative	10.0%	\$3.29
Vacancy Factor	5.0%	\$1.64
Sub total (all components but G&A, Vacancy)		\$29.57
All Components (except Vacancy) with G&A		\$32.86
FULL "BRICK"		\$34.50

i. All estimates shown in the table above should be considered draft only and do not represent final rates.

# Brick Calculation

- Supervision Brick

Brick Components	Component Percentages	Brick Value
Wage		\$15.92
Employment Related	37.6%	\$5.99
Training	0.0%	\$0.00
Support	0.0%	\$0.00
Program Related Facility Costs	0.0%	\$0.00
Transportation	0.0%	\$0.00
General and Administrative	10.0%	\$2.43
Vacancy Factor	5.0%	\$1.22
Sub total (all components but G&A, Vacancy)		\$21.91
All Components (except Vacancy) with G&A		\$24.34
FULL "BRICK"		\$25.56

i. All estimates shown in the table above should be considered draft only and do not represent final rates.

# Geographic Variation

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- As JVGA examined the general ledger profiles, it was noticed that general ledgers in the tricounty area tended to have higher costs on average than those in the rest of the state.
- Approach: Geographic Variation based on the Minimum Wage Regions
  - The value of the hour varies by the implied percentage difference in the minimum wage for the three regions established by Senate Bill 1532.

# Brick to Rates

- To align with programmatic objectives, OHA felt that the most appropriate billable unit type for adult residential services would be per diem rates.
  - Due to the variance in the type of hours provided, JVGA and Optumas requested that OHA provide the standard split in engagement vs supervision hours.
  - Given that client acuity largely dictates this split, OHA created the following matrix which aims to address the variance while helping create a person-centered system.

Tier	Supervision Hours	Active Engagement Hours	Est. LSI Score Bands
Tier 1	24	0	Absent Bed
Tier 2	21	3	0-40
Tier 3	19	5	41-60
Tier 4	17	7	60+

# Brick to Rates

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- Does the intensity of supports vary by facility size?
  - In order to account for increased need for support depending on the number of people in a home, OHA provided an additional matrix which detailed the intensity of the staffing ratios.
- When paired with the type of hour split, this gives the total number of engagement and supervision hours for the day.
- The total hours can then be multiplied by the hourly rate (the Brick) to get an initial Per Home Per Diem.

# Brick to Rates

- Following this, the rates are converted into a per member per diem using the average bed size.
- Below is an example which shows what the rate would be for a member depending on their acuity and what bed size they resided in:

Bed Size	Total PMPD			
	Tier 1	Tier 2	Tier 3	Tier 4
1-5	\$153	\$160	\$329	\$507
6-10	\$77	\$160	\$247	\$338
11-16	\$45	\$142	\$195	\$250

# How the rates are operationalized

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- Example:
  - A 5 bed household with the following distribution:  
Three Tier 2 members, One Tier 3 member and One Tier 4 member.
- We would take the rate for each and multiply it by the number of members
- *Facility Per Diem = 3\*Tier 2 Rate + 1\*Tier 3 Rate + 1\*Tier 4 Rate*

## **Optumas**

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# Interim Rate Review

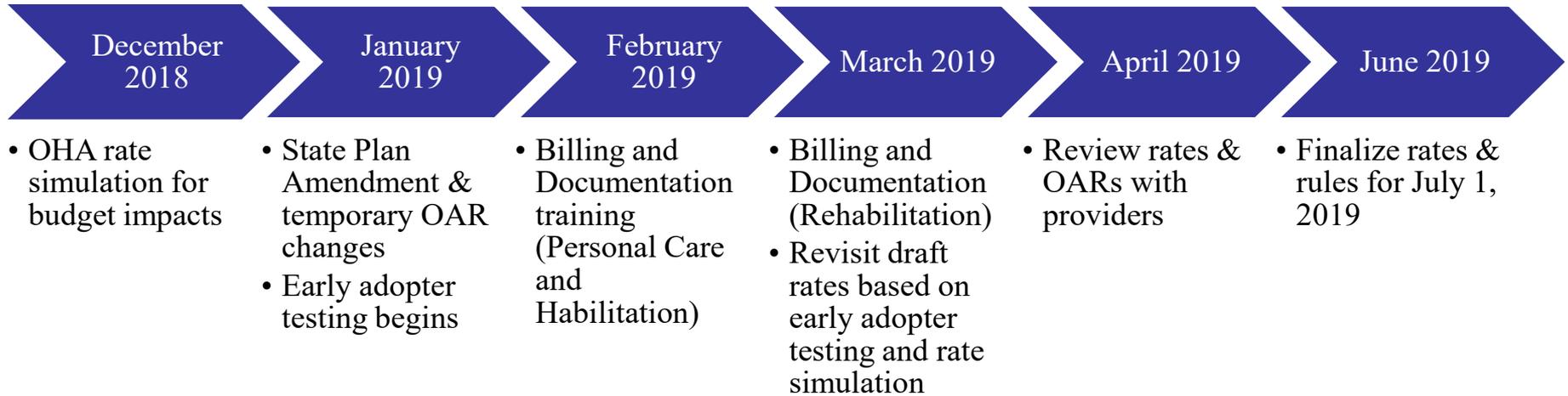
- The Budget Note in House Bill 5026-A (2017) required rate analysis and a plan to standardize and to prioritize providers with lowest and most disparate rates first.
  - To do this, OHA combined Medicaid and General Fund revenue for each provider to determine the lowest-paid providers (those with per bed per month rates of \$5000 or less) to prioritize for rate review first.
  - Data collection, analysis and rate development for interim rates and standardized rates followed similar timelines.
- To meet the intent of the Budget Note and keep standardized rate implementation on track for July 2019:
  - OHA met with the ten providers identified for interim rates and invited them to be early adopters of the draft standardized rates.
  - As early adopters, the providers will test the rates and report operational impacts to inform full implementation across the adult residential system.

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# Systemwide implementation planning

- To support systemwide implementation of standard rates, OHA will:
  - Use providers' current data to simulate rates for each adult residential provider, determine systemwide budget impact and individual provider impact.
  - Draft the State Plan Amendment and temporary Oregon Administrative Rules to implement rates for early adopters effective January 1, 2019.
  - Develop provider training on billing and service documentation for personal care, habilitation and rehabilitation services; best practices to support client outcomes, client care & transition planning; and coordinating medical care with the client's coordinated care organization (CCO).
- Once standard rates are implemented systemwide, General Fund contracts payments for county/provider residential beds for Medicaid OHP eligible clients will end.
- For clients in an adult mental health residential setting who are not OHP eligible, contact your local county mental health program to determine whether services are payable through the invoice tracker or if you can submit a contract amendment request (CAR) payable through the county contract.

# Systemwide implementation planning



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# Questions?

- Rate Standardization Project web page:  
[www.oregon.gov/OHA/HSD/OHP/Pages/MH-Rates.aspx](http://www.oregon.gov/OHA/HSD/OHP/Pages/MH-Rates.aspx)
- Send questions to the Project at  
[MentalHealth.ResidentialTransition@dhsoha.state.or.us](mailto:MentalHealth.ResidentialTransition@dhsoha.state.or.us)