



**BURNS & ASSOCIATES**  
A DIVISION OF  
HEALTH MANAGEMENT ASSOCIATES

**Overview of Final Rate Models**

- presented on behalf of -

**Oregon Office of Developmental  
Disabilities Services**

**August 26, 2021**



## ■ Agenda

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- + About Burns & Associates
- + Rate Study Overview
- + Rate Study Approach
- + Rate Model Assumptions Across Services
- + Service-Specific Highlights



# **ABOUT BURNS & ASSOCIATES**

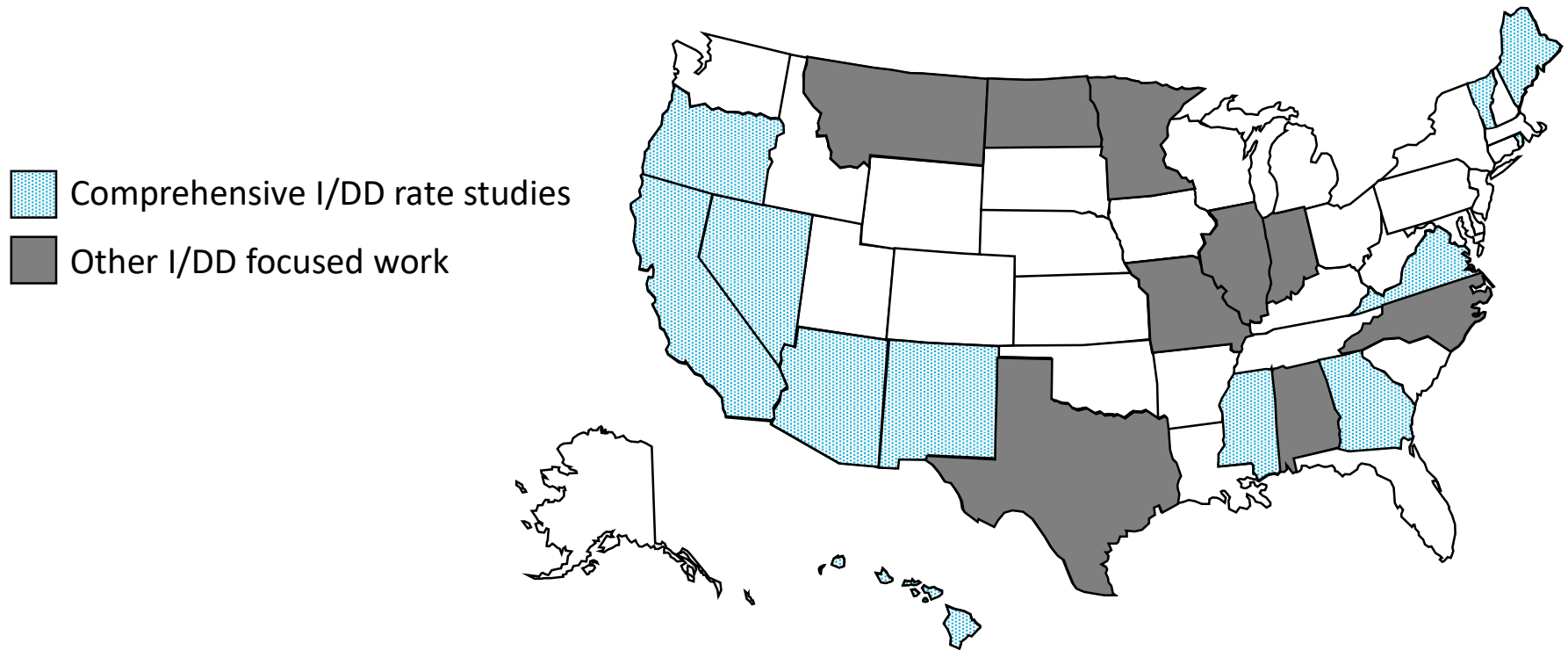
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## ■ About Burns & Associates

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- + Health policy consultants specializing in assisting state Medicaid, developmental disabilities, and behavioral health agencies
  - + Consulted in approximately 30 states since its founding in 2006
  - + Acquired by Health Management Associates (HMA) in September 2020
- + Significant focus in the intellectual and developmental disabilities field
  - + Program operations, including implementing assessments, fiscal analyses, writing service definitions, updating billing guidelines, and developing implementation approaches
  - + Policy development
  - + Rate-setting (see next slide)
  - + Using assessment instruments to inform individual budgets
- + Have been supporting ODDS since 2015

## Burns & Associates - I/DD Projects





# **RATE STUDY OVERVIEW**

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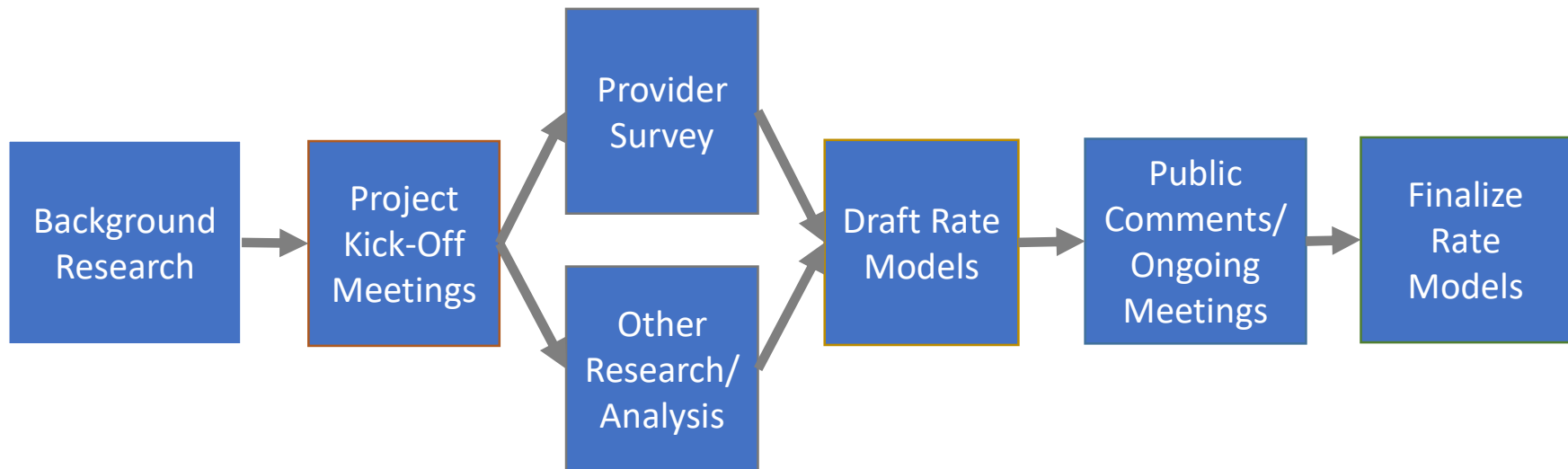
## ■ Rate Study Impetus

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- + Previous comprehensive rate study was conducted in 2008 (part of the Restructuring Budgets, Assessments and Rates [ReBAR] initiative)
  - + Review ReBAR assumptions and address deficiencies (e.g., overhead calculated as a percent of direct costs rather than total costs, 24-Hour residential staffing assumptions that did not cover 24-hour care)
- + Finding from federal Centers for Medicare and Medicaid Services that rate methodology for Job Coaching was potentially non-compliant with federal rules
- + Align rate tiers with adoption of new assessment instrument (Oregon Needs Assessment, ONA)
  - + Consolidating six rate tiers to four rate categories (based on five service groups established by the ONA)

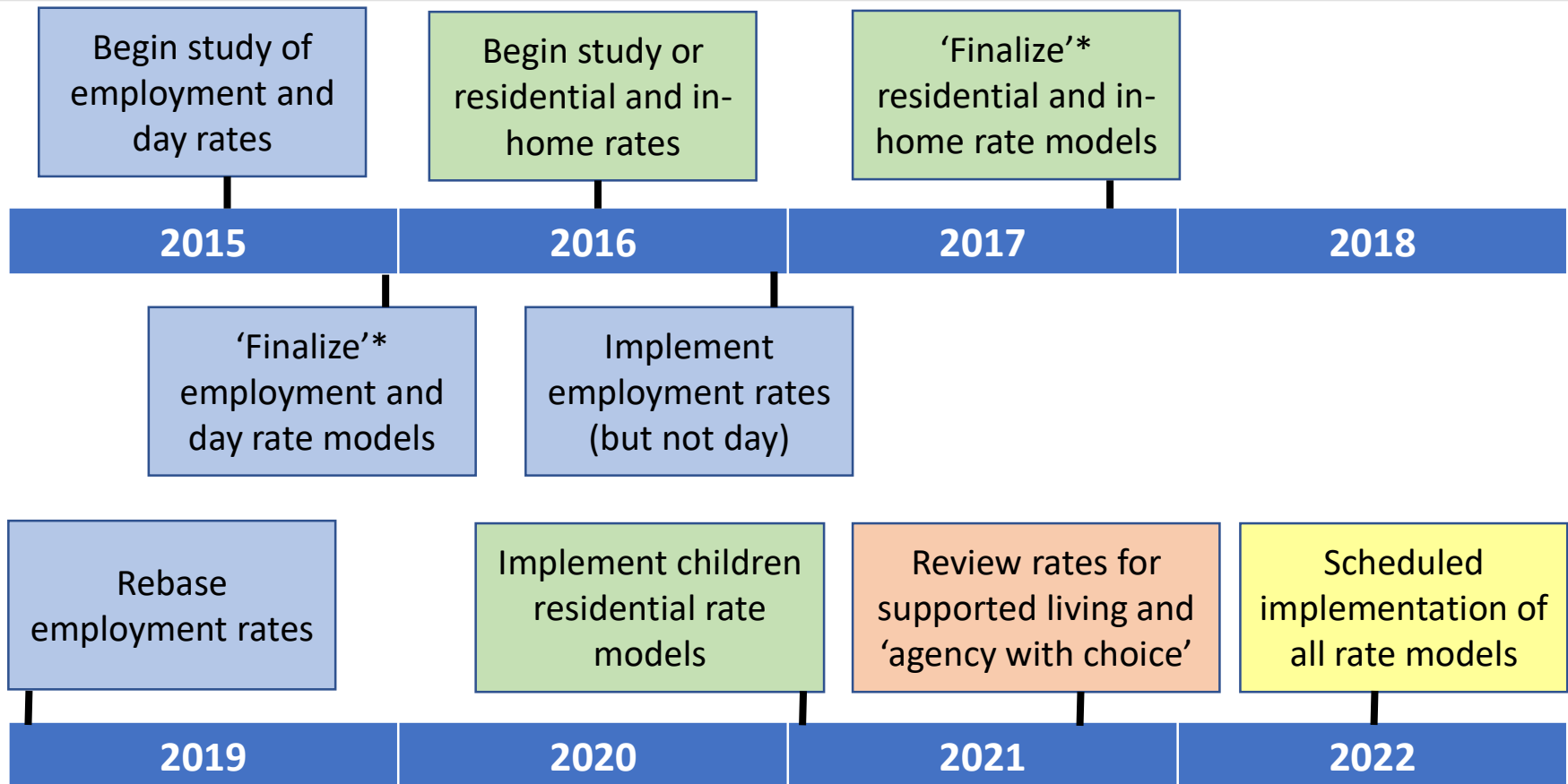
## Rate Study Process

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## Rate Study Timeline



\*Additional changes have been made to final rate models based on ongoing dialogue with providers and the incorporation of updated data

## ■ Oregon Needs Assessment

- + In 2013, the Legislature directed ODDS to implement a single, uniform needs assessment tool to replace the various instruments historically used (SB5529)
  - + ODDS contracted with Mission Analytics Group to develop the Oregon Needs Assessment (ONA)
  - + Validated by Oregon Health & Science University (OHSU)
  
- + ONA is used to assign individuals to service groups that are translated to rate categories for services with tiered rates

ONA Service Group	New Payment Category
A - Very low	Category 1
B – Low	
C – Moderate	Category 2
D – High	Category 3
E - Very High	Category 4

Services with Tiered Rates
24-Hour Residential
Day Support Activity
Employment Path
Small Group Supported Employment
Job Coaching
Job Development
Discovery

## ■ Oregon Needs Assessment (cont.)

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- + Overall, the ONA service groups have resulted in a significant shift to higher rate categories (that is, a large increase in the number of individuals in the highest category)

Rate Category	% of Spending Prior to ONA	% of Spending After ONA
Category 1	25%	17%
Category 2	25%	26%
Category 3	34%	20%
Category 4	15%	37%

- + Providers can view the assigned ONA service group in eXPRS (see information memorandum transmittal DD-IM-21-058)

## Rate Study Results

- + Final rate models are posted at <https://www.oregon.gov/dhs/SENIORS-DISABILITIES/DD/Compass/New-Rate-Models.pdf>
- + Overall, final rates are much higher than rates in effect prior to the rate studies
- + The shift to higher rate categories based on the ONA further increases payments
- + In total, the new rates provide for an overall increase of 47 percent at an annual total funds cost of \$233 million compared to the rates prior to the rate studies

Service	% Increase	Total \$ Increase (in Millions)
Adult 24 Hour Residential	45.6%	\$150.5
Attendant Care	56.4%	\$52.1
Small Group Employment	34.2%	\$2.6
Day Support - Community	52.7%	\$7.6
Day Support - Facility	71.7%	\$10.4
Employment Path - Community	29.0%	\$3.2
Employment Path - Facility	59.3%	\$1.5
Job Coaching – Initial	5.9%	\$0.3
Job Coaching – Ongoing	27.1%	\$3.4
Job Coaching – Maintenance	12.6%	\$1.1
Discovery	33.8%	\$0.3

## ■ Rate Study Results (cont.)

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- + Although most rate models have yet to be fully implemented, providers have received several rate increases since the rate study began
  - + January 1, 2016      4.0 percent rate increase
  - + October 1, 2017      5.0 percent rate increase
  - + August 1, 2019      4.0 percent rate increase
  - + July 1, 2020      5.0 percent rate increase
  - + July 1, 2021      8.2 percent rate increase (includes the continuation of the 5.0 percent Covid-related increase implemented on January 1, 2021 and originally scheduled to expire June 30, 2021)



# **RATE STUDY APPROACH**

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## ■ Independent Rate Models

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- + Rate models designed to reflect the reasonable costs providers incur to deliver services consistent with the state's requirements and individuals' service plans
  
- + Consider data from multiple sources rather than depending any single source
  - + State policies, rules and standards
  - + Provider and stakeholder input (e.g., provider survey, public comments)
  - + Published sources (e.g., BLS wage data, IRS mileage rates)
  - + Special studies

## ■ Independent Rate Models (cont.)

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- + Specific model assumptions are detailed (e.g., staff wages and benefits, staffing levels, transportation, etc.)
  - + Assumptions are not mandates
- + A single service may have several rates due to various factors
  - + Individuals' levels of need
  - + Group size (due to consumer need or other reasons)
  - + Service setting (e.g., facility or community-based)
  - + Staff qualifications and training (e.g., LPN v. RN)
  - + Geography (e.g., urban and rural)



## ■ Independent Rate Models (cont.)

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- + Five factors in all HCBS rates
  - + Direct care worker wages
  - + Direct care worker benefits
  - + Direct care worker productivity
  - + Program support
  - + Administration
  
- + Other factors vary by service
  - + Transportation-related costs
  - + Attendance/ occupancy
  - + Staffing ratios
  - + Rent for program facilities
  - + Supplies

## Rate Model Example

		Attendant Care	
		Unit of Service	Hour
Direct Support Staff Wages and Benefits	- Direct Staff Hourly Wage		\$17.57
	- Employee Benefit Rate (as a percent of wages)		31.0%
	Hourly Staff Cost Before Productivity Adj. (wages + benefits)		\$23.02
	<i>Productivity Assumptions</i>		
	Total Hours		40.00
	- Travel Time (Between Members)		1.76
	- Participating in Assessments/ Person-Centered Planning		0.22
	- Progress Notes/ Medical Records		0.88
	- Employer and One-on-One Supervision Time		0.66
	- Time Lost Due to Missed Appointments		0.44
- Training		1.15	
- Paid Time Off		3.69	
"Billable" Hours		31.20	
Productivity Adjustment		1.28	
<b>Staff Cost After Productivity Adjustment</b>			<b>\$29.51</b>
Mileage	- Number of Miles Traveled per Week		70
	- Amount per Mile		\$0.580
	Weekly Mileage Cost		\$40.60
	<b>Mileage Cost per Billable Staff Hour</b>		<b>\$1.30</b>
Supervision	- Supervisor Hourly Wage		\$20.21
	- Supervisor Benefit Rate		28.1%
	Weekly Cost of Supervisor		\$1,035.56
	- Number of DSPs per Supervisor		8.0
<b>Supervisor Cost per Billable Staff Hour</b>			<b>\$4.15</b>
Admin. and Overhead	Cost per Billable Hour Before Admin. and Other Overhead		\$34.96
	- Administration and Other Overhead Rate		15.0%
	<b>Admin. and Other Overhead Cost per Billable Staff Hour</b>		<b>\$6.17</b>
<b>Total Hourly Rate</b>			<b>\$41.13</b>

- + Direct care staff wages and benefits
  - + Largest component of rates (60-80 percent) when including productivity
- + Data gathered from multiple sources
  - + Review of staff qualifications and responsibilities
  - + Provider survey
  - + Bureau of Labor Statistics data

## Rate Model Example (cont.)

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- + Adjusting wages and benefits to account for 'productivity'
  - + Rate models seek to reflect a 'typical' week of direct care staff by establishing productivity adjustments for non-billable time
  - + Examples include training, travel, documentation, and employer time
  - + The productivity adjustment effectively spreads the cost of non-billable time over the billable hours

## Rate Model Example (cont.)

Attendant Care		Hour	
	Unit of Service		
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- + Program support costs
  - + Activities that are program specific, but not billable
  - + Examples: training, program development, supervision
- + Administrative costs
  - + Organizational costs that are not program specific
  - + Examples: executive management, accounting, human resources
- + Other costs factors by service
  - + Examples: staffing ratios, mileage, attendance, facilities

## ■ Advantages of the Independent Rate Models

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- + Transparency
  - + Models detail the factors, values, and calculations that produce the final rate
- + Ability to advance policy goals/ objectives
  - + For example, improving direct care staff salaries or benefit levels, reducing staff-to-client ratios, and incentivizing community-based services
- + Efficiency in maintaining rates
  - + Models can be scaled and adjusted for inflation or specific cost factors (e.g., IRS mileage rate) or to meet budget targets



# **RATE MODEL ASSUMPTIONS ACROSS SERVICES**

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## ■ Wage Assumptions – Background

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- + See Appendix A of the rate model packet
- + Rate models rely on Oregon-specific wage data from the Bureau of Labor Statistics
- + Benefits of BLS data
  - + *Comprehensive.* Wage levels are published for more than 800 occupations based on data from 1.2 million establishments representing 57% of the employment in the United States
  - + *Cross-industry.* It is not limited to a single industry so estimates for a given occupation are representative of the overall labor market
  - + *Regularly updated.* Released once per year, in late March for the previous May
  - + *State- (and local-) specific.* Data is published for individual states and sub-state regions ('metropolitan statistical areas')

## ■ Wage Assumptions – Accounting for Increasing Minimum Wage

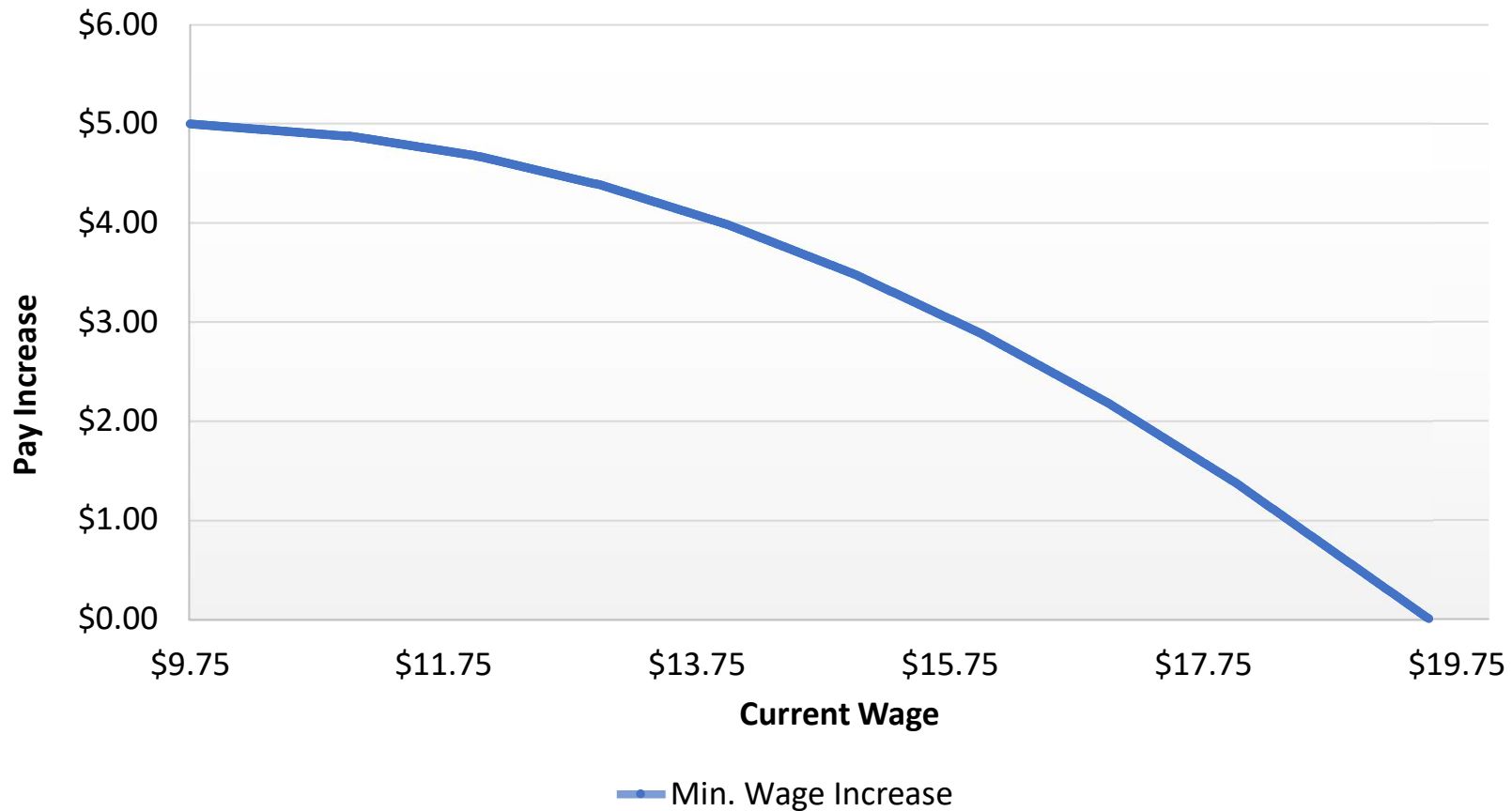
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- + Rate models use the May 2017 dataset
  - + Minimum wage at the time was \$9.75 per hour (\$9.50 in nonurban counties)
  - + In 2022, the minimum wage will range from \$12.50 to \$14.75
  - + BLS wages were adjusted to account for minimum wage growth
    - + Adjustments based on highest minimum wage (\$14.75 in metro Portland)
- + HMA-Burns developed a formula for estimating impact of increasing minimum wage
  - + Accounts for ‘spillover’...
    - + Research demonstrates minimum wage increases extend beyond those earning the minimum (for example, someone currently earning \$15.00 per hour will likely receive a raise as the minimum wage increases to \$14.75)
  - + ... while recognizing wage compression
    - + Pay raises will decline as starting wage increases (for example, the worker currently earning \$15.00 is expected to get a raise, but not the full \$5.00 per hour increase in the minimum wage)



## Wage Assumptions – Accounting for Increasing Minimum Wage (cont.)

- + Estimated impact of increasing statewide minimum wage (accounting for spillover and compression)



## ■ Wage Assumptions – Identifying Appropriate BLS Classifications

- + For some services, there is a single, closely-aligned BLS occupation (e.g., there is a BLS classification for registered nurses), but many services do not have one-to-one match with BLS occupations
- + For services without a one-to-one match, rate model wage assumptions reflect a weighted mix of BLS occupations based on comparison of service requirements and BLS occupational descriptions
  - + Example: Direct Support Professional for residential services

BLS SOC	BLS Title	Weighting	Median Wage
21-1093	Social & human service assistant	40%	\$19.28
39-9021	Personal care aides	60%	\$16.43
<b>Weighted Avg. (Rate Model Assumption)</b>		<b>100%</b>	<b>\$17.57</b>

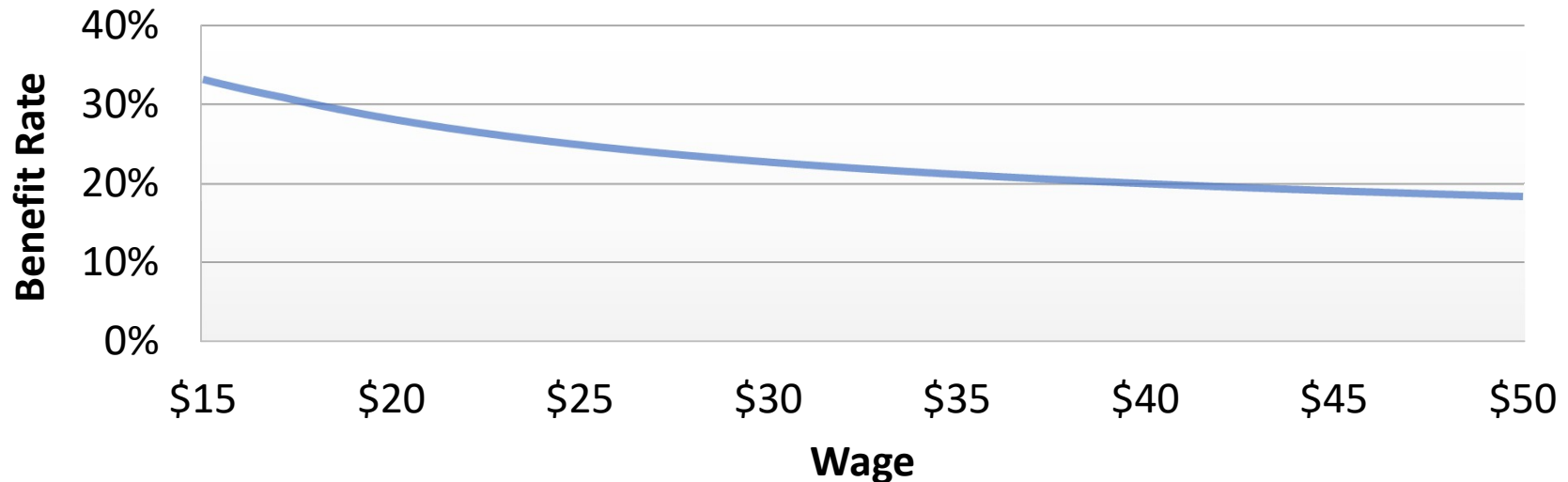
## ■ Payroll Tax and Fringe Benefit Assumptions

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- + See Appendix B of the rate model packet
  
- + Payroll taxes
  - + Social Security and Medicare payroll taxes
  - + Unemployment Insurance
    - + Federal UI tax of 0.60% on first \$7,000 in wages
    - + State UI tax of 2.90% (new employer rate) on first \$35,700 in wages
  - + Workers' compensation of 2.30%
  
- + Benefit assumptions
  - + 24 days of annual paid leave (holiday, vacation, and sick leave)
  - + \$446.25 per employee per month for health insurance (considered costs from BLS, DHHS Medical Expenditure Panel Survey, and health insurance exchange)
  - + \$25.00 per month for other benefits (e.g., retirement, dental, etc.)
  - + 2.0 percent retirement contribution

## ■ Payroll Tax and Fringe Benefit Assumptions (cont.)

- + Benefit assumptions are translated to benefit rates by wage level
  - + Paid time off is treated as a productivity adjustment (reduction in billable hours) rather than calculated as part of the benefit rate
  - + Since certain benefit assumptions are fixed, the benefit rate declines as the wage increases
    - + For example, the \$446.25 assumed for health insurance represents a larger percentage of the wage of someone making \$15 per hour than for someone earning \$50 per hour



## ■ Productivity

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- + See Appendix C of the rate model packet
- + Assumptions vary by service (for example, services where staff travel to an individual's home or worksite include travel time and center-based services include set-up and clean-up time)

## ■ Administration and Program Support

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- + Rate models included funding for administration and program support
  - + Administration funds activities that are not program-specific such as executive management, accounting, human resources
  - + Program operations funds activities that are program-specific, but not billable such as supervision, training, and program development
  
- + Assumptions by service
  - + 24-Hour Residential – one home manager for every home and 15 percent for administration and other overhead
  - + Attendant Care and Transportation – one supervisor for every eight DSPs and 15 percent for administration and other overhead
  - + Job Coaching, Small Group Employment, Employment Path, and Day Support Activity – \$10 per participant per individual per day and 20 percent for administration



# **SERVICE-SPECIFIC HIGHLIGHTS**

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## ■ 24-Hour Residential

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- + Staffing assumptions
  - + Assumptions are outlined in Appendices D (for adults) and E (for children)
    - + Assumptions vary based on age (more staffing assumed for children's home), home size (new rate models for six or more adults were not developed), and individual need (based on the ONA)
  - + Assumptions are not prescriptive (that is, providers may deliver more or fewer hours than assumed in the rate model)
  
- + Professional supports
  - + Direct nursing and behavioral support are not part of the rate model and will be separately billed
  - + Long-term care community nursing remains bundled into the rate model under specialized supports



## ■ 24-Hour Residential (cont.)

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- + Rate models are based on a daily rate based on a 344-day billing year
  - + Allows a provider to earn a full year of revenue after billing 344 days thereby holding providers harmless for up to 21 absences per year
  - + Since providers are paid for a full year of services after 344 days, they are limited to 344 billing days per members' plan year
  - + Approach is designed to account for occasional absences and short-term vacancies, but does not pay for long-term vacancies
  
- + Rate calculations
  - + Based on assumptions related to wages, staffing, etc., calculate per member, per week cost
  - + Rate calculated by dividing weekly cost by 7 days, multiplying by 365 to set annual cost, and dividing by 344 days to account for occasional absences
  - + Rates based on a 344-day billing year are about 6.1 percent higher than rates based on a 365-day year

## ■ 24-Hour Residential (cont.)

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- + Example calculation for Adult 24 Hour Residential, Category 3, three or fewer residents

Weekly Cost per Member	\$3,601.01
	÷ 7
Daily Cost per Member	<hr/> \$514.43
	x 365
Annual Cost per Member	<hr/> \$187,766.95
	÷ 344
Daily Rate (based on 344-day billing year)	<hr/> \$545.83 <hr/>

## ■ 24-Hour Residential (cont.)

- + Impossible for a provider to be worse-off under the 344-day billing year compared to a 365-day billing year\*
  - + Example (based on an \$187,767 annual cost)

Individual is in the home	Payments w/ 365-day rate	Payments w/ 344-day rate
365 days	\$187,767	\$187,766
350 days	\$180,051	\$187,766
344 days	\$176,964	\$187,766
330 days	\$169,762	\$180,124

- \* The 344-day billing limit will reset if an individual changes providers in the middle of their plan year
- \* Provider must manage their revenue to account for the period at the end of an individual's plan year when they cannot bill beyond 344 days

## ■ Discovery and Job Development

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- + Discovery payment based on completion of Discovery Profile
  - + Rates vary by level of need, assuming more hours are required for someone with more significant needs (and barriers to employment)
  - + Rate models include a productivity adjustment to account for time spent on Profiles that are not completed
  
- + Job Development payment based on two milestones: 1) successful placement in integrated employment and 2) retention of job for 90 days
  - + Models shifted a larger portion of the payment to the placement milestone to reflect provider data
  - + Rates vary by level of need, assuming more hours are required for someone with more significant needs (and barriers to employment)
  - + Rate models include a productivity adjustment to account for time spent on members that do not achieve these milestones

## ■ Job Coaching

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- + Payment based on number of hours that a member works
  - + Pursuant to direction from the federal government, the rates are based on the ratio of support hours to work hours, which must be periodically reviewed
- + Proposed rates continue to vary by level of need
  - + Higher rates for individuals with more significant needs because of the need for more 'indirect' support
- + Rates also vary based on the member's months on the job
  - + Initial rate provides a higher rate for first six months of employment
  - + Ongoing rate allows a member to be stabilized over next 18 months
  - + Maintenance rate assumes less support is required after 24 months

## ■ Employment Path and Day Support Activity

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- + Continues to vary by level of need, assuming individuals with more significant needs need more intensive staffing
- + Continues to have higher rates for community-based services

## ■ Transportation

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- + Applicability
  - + Rate developed for transporting member to and from employment and Day Support Activity programs
  - + Rate does not apply to public transportation or when billed concurrently with another service (such as Attendant Care)
- + Billing procedures
  - + Rate is paid by the mile
  - + When multiple members are on a route, the total mileage of the route is billed at the appropriate group rate for each member regardless of what portion of the route they actually rode
  - + There is a separate, higher rate for transporting members in wheelchairs regardless of the type of vehicle used
  - + For services provided between 10:00 PM and 5:00 AM, there are higher rates based on a 10 percent shift differential for the driver