

## **Development of Rate Methodology for Adult Day Health Care**

### *Background on Medicaid Rate Setting*

The Provider Reimbursement Division is responsible for rate determination. The Provider Reimbursement Division ensures that rates are: based on the approved methodologies; in accordance with authorized funding; and consistent with economy, efficiency, and quality of care. Rates are part of the agency fee schedule and there is no differentiation between agency-directed and consumer-directed services rate determination.

Rates are part of the state agency fee schedule and are reimbursed on a prospective, fee-for-service basis, with some exceptions. Rates vary by region with higher rates paid for services in Northern Virginia to account for higher wage and other costs compared to the rest of the Commonwealth. In general, rates are adequate to attract a sufficient number of providers to furnish services to individuals. Rates are consistent with economy, efficiency and quality of care.

A complete listing of all current waiver services rates are maintained on the DMAS Web site ([http://www.dmas.virginia.gov/Content\\_pgs/pr-rsetting.aspx](http://www.dmas.virginia.gov/Content_pgs/pr-rsetting.aspx)) and is available to the public for review. Individuals may call DMAS to request a written copy of the rate schedule.

Rates are initially established by considering the rates for similar services and the estimated cost of services. Rates are not increased automatically for inflation, but may be increased if authorized by the state budget. DMAS recommendations, as well as lobbying by providers and recipients on rate changes, are part of the budget process. The public has the opportunity to request rate increases as part of the annual legislative budget process. The agency may examine rate adequacy from time to time and make recommendations for rate changes to ensure rates are adequate to attract a sufficient number of providers to furnish services to individuals.

Similar services covered by different waivers are paid the same rate across all waivers. A complete listing of all waiver services rates are maintained on the DMAS website and are available to the public for review.

### *Rate Setting for Home and Community Based Services*

Burns & Associates, Inc., a national consultant experienced in developing provider reimbursement rates for home and community based services, was engaged to establish independent rate models that intended to reflect the costs that providers face in delivering a given service. From January 2014 through January 2015, Burns and Associates conducted an in-depth rate methodology study of waiver services. This study involved surveying a wide variety of public and private waiver providers, examining Bureau of Labor Statistics data regarding staff compensation, and other metrics. Following the initial development of an updated rate methodology for most services, public comment was solicited, received, compiled and appropriate changes made.

The rate models account for various costs including:

- The wage of the direct support professional
- Benefits for the direct support professional
- The productivity of the direct support professional (to account for non-billable responsibilities)
- Other direct care costs, such as transportation and program supplies
- Agency overhead costs including administrative and program support.

In addition to cost assumptions, the rate models include other programmatic requirements such as staffing ratios. The rate model assumptions are used to construct the fee-for-services rates, but the individual assumptions are not prescriptive to service providers. For instance, providers are not required to pay the wages assumed in the rate models. Rather, providers have the flexibility within the total rate to design programs that meet members' needs, consistent with service requirements and members' individual support plans.

#### *Adult Day Health Care (ADHC) Rate Setting*

The methodology for the ADHC rate setting mirrors the approach for other home and community-based services and includes similar assumptions about transportation, program, and administration costs. DMAS staff used the Burns and Associates model as the standard to develop a benchmark rate. **The ADHC benchmark rate reflects a standard of ideal service delivery and may not be fully funded by the Virginia legislature. Current rates for ADHC providers will not be changed as a result of this methodology.** The ADHC rate methodology development included the following activities:

- Identification of policy goals with DMAS staff from the Division of Long Term Care including professional staffing and community integration of participants
- Review of Virginia Department of Social Services current and proposed licensing regulations for ADHC centers
- Review of DMAS Medicaid regulations for Elderly or Disabled with Consumer Direction (EDCD) waiver services
- Development and fielding of a provider survey for non-PACE (Program of All-Inclusive Care for the Elderly) ADHC centers, including follow up with all respondents to verify service design and identify costs unique to ADHC (response rate of 57 percent)
- Site visits and interviews from providers of both medical and social models of ADHC services
- Identification of benchmark data, including the Bureau of Labor Statistics' cross-industry wage data
- Development and review of proposed rate models with Division of Long Term Care staff to confirm specific cost and labor assumptions.

#### *Adult Day Health Care (ADHC) Benchmark Rate*

The ADHC benchmark rate reflects a standard of ideal service delivery and may not be fully funded by the Virginia legislature. It reflects the labor cost differentials between Northern Virginia and other Virginia localities through the use of standard labor cost data. Based on interviews and survey data, non-

labor costs for ADHC services do not vary substantially by geographic region and were not adjusted in the rate model.

Specific adjustments were incorporated into the ADHC rate model to reflect the care setting and participants' level of care:

- *Staffing models* – These wage costs accounted for the participants' need for assistance with some Activities of Daily Living (ADLs).
- *Costs for meals and snacks* – Survey respondents reported costs per meal and snack and reported the average number of meals and snacks provided each day. The survey also solicited information on costs for special diets (e.g., pureed food).
- *Costs for supplies specific to ADHC activities* – An example of an ADHC activity cost would be board games and puzzles to be replaced on a frequent basis. Other supply costs included soap, shampoo, and towels for centers that provide showers and bathing services.
- *Transportation costs* – These costs were adjusted to reflect the types of vehicles most commonly found in this care setting and amount of time ADHC participants spend in the community.
- *Attendance* – The attendance rate reflects the residential setting of participants.

<b>Adult Day Health Care (ADHC)</b>			
<b>Current HCBS Rate</b>		<b>Benchmark Rate<sup>1</sup></b>	
<b>Northern Virginia</b>	<b>Rest of State</b>	<b>Northern Virginia</b>	<b>Rest of State</b>
\$61.60	\$57.04	\$95.48	\$80.51
<sup>1</sup> Note that the current rates for ADHC will not change. The benchmark rate is developed as part of the rate methodology.			