Delaware Health
And Social Services

Office of the Secretary

1901 N. DUPONT HIGHWAY, NEW CASTLE, DE 19720 * TELEPHONE 302-255-9040 F

MEMORANDUM

TO: The Honorable Michael S. Jackson
Director, Office of Management and Budget

The Honorable Michael L. Morton
Controller General

FROM: Kara Odom Walker, MD, MPH, MSHS
Secretary, Department of Health & Social Services

DATE: January 31, 2019

SUBJECT: **FY19 Operating Budget Act-Section 186 Epilogue Language**

Attached please find the Developmental Disabilites Services Rate Rebasing Benchmark Study pursuant to Section 186 of Senate Bill 235.

If you have any questions concerning this report, please contact Marie Nonnenmacher at (302) 744-9630.

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

KOW:mls

Pc: Molly Magarik, Deputy Secretary, DHSS
Lisa Bond, Director, DMS
Michele Stant, DHSS Budget Manager, DMS
Marie Nonnenmacher, Director, DDDS
Marissa Catalon, Deputy Director, DDDS
Emily Thomas, Fiscal and Policy Analyst, OMB
Victoria Brennan, Senior Legislative Analyst, CGO

2019 DIRECT SUPPORT PROFESSIONAL RATE REBASE STUDY

A REPORT TO

THE CONTROLLER GENERAL'S OFFICE

AND

THE OFFICE OF MANAGEMENT AND BUDGET

Submitted by

The Division of Developmental Disabilities Services

Marie Nonnenmacher

Division Director

Marissa Catalon

Deputy Director

January 31, 2019

Executive Summary

Section 186 of the Epilogue of Senate Bill (S.B) 235, the Operating Budget Act for State Fiscal Year 2019, directed the Division of Developmental Disabilities Services (DDDS) to submit a report to the Director of the Office of Management and Budget and the Controller General's Office by December 31, 2018 updating the January 2014 Market Rate Study for Direct Support Professionals (DSPs).

> "The update shall include a redetermination of the pay rate and employee-related expenses for Direct Support Professionals and a recalculation of the Program Indirect and Administrative percentages in the DDDS rate system, using FY 2017 enrollment data in collaboration with providers. The study shall include component percentages for Program Indirect and Administrative expenses at each benchmarked funding level (75%, 80%, etc.) that are based on actual costs."

An extension was requested and granted permitting the Division submit the report by January 31, 2019.

The Division of Developmental Disabilities Services engaged the services of a consulting firm, Johnston, Villegas-Grubbs and Associates LLC (JVGA), to rebase the Direct Support Professional rates and to document their work in a report. The Division also enlisted the assistance of the Ability Network of Delaware (A.N.D.) and a representative sample of DDDS Home and Community Based Services (HCBS) providers to act as a focus group and to function in an advisory and review capacity throughout this project.

After discussion with the Provider Focus Group referenced above, the consensus of DDDS and the group is that the consultant should use essentially the same rate methodology as was used in 2004 and the rate rebase in the 2014 rebasing study. The DSP wages and the other components of the "market basket" used to create the DSP rates were re-evaluated and refreshed to address changes in operating costs, additional types of expenses, and the relationship between costs to the wage.

The 2019 Direct Support Rate Study included the following direct support services:

- Supported Employment
- Group Supported Employment
- Day Supports-Facility (includes Day Habilitation and Pre-Vocational Service)
- Day Supports-Non-Facility (includes Day Habilitation and Pre-Vocational Service)
- Community Participation
- Residential Habilitation
- Supported Living

Group Supported Employment and Community Participation did not exist as stand-alone services when DDDS published the 2014 rate study. The 2019 study did not include rates for Shared Living, also known as Adult Foster Care, or for Nurse or Behavioral Consultation.

Based on the updated data and analysis, the new benchmark rates are:

Service	Rate as of 7/1/18	Proposed New Hourly Rate if Fully Funded aka "Benchmark" Rate
Residential Habilitation	$25.80	$39.43
Supported Living	$25.80	$60.49
Day Habilitation-Facility	$25.20	$41.11
Day Habilitation Non-Facility	$25.59	$45.58
Community Participation	$42.49	$60.49
Individual Employment	$54.18	$77.13
Group Employment	$50.26	$55.78

Fiscal Impact: The benchmark rate is defined as the rate developed by the examination of the 2019 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 projected FY 2020 utilization, the resulting additional payment to providers would be $93.6 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 $40.3 million.

Included in this report is a chart, Appendix A, which demonstrates the cost of funding the DSP rates at incremental percentages of the benchmark rate. The chart also provides a method to determine the percentage of the benchmark that can be achieved for a proposed future rate increase.

Section 1: Introduction

Section 186 of the Epilogue of Senate Bill 235, the Operating Budget Act for State Fiscal Year 2019, directed the Division to submit a report to the Director of the Office of Management and Budget and the Controller General's Office by December 31, 2018 to updating the January 2014 Market Rate Study for Direct Support Professionals.

"The update shall include a redetermination of the pay rate and employee-related expenses for Direct Support Professionals and a recalculation of the Program Indirect and Administrative percentages in the DDDS rate system, using FY 2017 enrollment data in collaboration with providers. The study shall include component percentages for Program Indirect and Administrative expenses at each benchmarked funding level (75%, 80%, etc.) that are based on actual costs."

An extension was requested and granted permitting the Division submit the report by January 31, 2019.

This report attempts to fulfill that directive.

This report is structured in the same format as the 2014 report and any data shared is displayed in the same manner as the 2014 report. If there was a variation in the approach or a policy change compared to 2014, those variations are clearly identified.

The Direct Support Professional rates are developed using a rate methodology approved by the Centers for Medicaid and Medicare Services (CMS) in the DDDS Medicaid HCBS Lifespan Waiver. This approved methodology establishes an 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.

DDDS obtained the services of a consulting firm, Johnston, Villegas-Grubbs and Associates LLC (JVGA), to assist in the development of this report. The lead consultant, Roger Deshaies, worked on the development of the original rate methodology in 2004 while working for Mercer Government Consulting and performed the work for the 2014 Rate Rebase as an independent consultant as Deshaies Consulting.

The Division also enlisted the assistance of the Ability Network of Delaware (A.N.D.) and a representative sample of the provider community to establish a provider focus group to function in an advisory and review capacity throughout this project. The provider focus group met three times.

The first meeting was a kick off meeting to share the Division's plan with regard to the approach and the timeline for completion. The second meeting offered an opportunity to review in draft three of the four required components needed to establish the rate: the Direct Support Professional wage, the Employee Related Expenses and the General and Administrative Costs. The Division solicited comments and questions during the second provider focus group and asked the group to submit any and all additional questions and/or feedback to the Division via the Ability Network of Delaware. At the third and final provider focus group meeting, the consultant shared both the Program Indirect Expenses for each service and the draft direct

support professional rates for each service. The Division also acknowledged the written comments and concerns shared via the solicited feedback process. DDDS treated the document submitted by Ability Network of Delaware as official public comment; thus, the Division has provided an official response to each item. This updated document is included as Appendix C in this report.

The decision to hold multiple focus group meetings throughout the process was similar to the approach taken in 2014 wherein DDDS solicited feedback from a "Rate Advisory Group". In 2014, DDDS held only two provider focus groups, one to discuss the composition of the market basket and one to review the final draft report. Communication between the Division and service providers between those two meetings occurred primarily via individual meetings with the providers who were selected to be part of the representative sample. The request to establish a provider focus group and to hold meetings throughout the rate development was made by the Ability Network of Delaware and accepted by the Division.

DDDS did not restrict the number or type of staff for providers who participated in the DSP Rate Study Provider Focus Group meetings. While the Division did offer some suggestions with regard to the provider representatives, DDDS encouraged providers to include a combination of staff who were knowledgeable of program operations and of financial operations, as both would be discussed as part of this project. The DSP Rate Study Provider Focus Group included representatives from the service providers listed below:

Residential Habilitation

- Chimes Delaware
- Community Systems, Inc.
- KenCrest
- Salvation Army
- SeaCare

Day Habilitation

- C.E.R.T.S., Inc
- DE Mentor
- Point of Hope
- Service Source

Supported Employment

- Autism Delaware
- Community Integrated Services
- St. Johns Community Services

Pre-Vocational Services

- Easter Seals
- Kent/Sussex Industries

Section 2: Approach and Rationale

The approach used in 2019 was essentially the same approach used in 2014 with only a minor change in the tool used to obtain the needed data. Whereas the 2014 study used a survey tool provided by the consultant to array and analyze provider financial data, the 2019 study used the provider General Ledgers. The Direct Support Professional 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 report are:

- Supported Employment
- Group Supported Employment
- Day Supports-Facility (includes Day Habilitation and Pre-Vocational Service)
- Day Supports-Non-Facility (includes Day Habilitation and Pre-Vocational Service)
- Community Participation*
- Residential Habilitation
- Supported Living*

**Supported Living and Community Participation services were not part of the 2014 study as these services were added to the menu of services included in the Home and Community Based Waiver after the 2014 study was completed.*

As was the case in the 2014 study, the 2019 study does 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

The methodology used in 2004, 2014 and again in 2019 included a strategy to review and recommend reimbursement rates using 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.

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 expressed as a unit cost. This unit cost is called the benchmark rate. In 2004, 2014 and again in 2019, 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.

Identifying Direct Support Professional Wages

The first and most critical step in the rebasing process is decide on the wage(s) for direct support professionals (DSP). The Provider Focus Group agreed that the best approach would be to use the same process as used in 2014, i.e. to find comparative salary and wage data from a recognized authoritative source like the U.S. Bureau of Labor Statistics (BLS). As in the 2014 study, 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 direct support services, DDDS used a combination of three (3) separate classifications to construct a benchmark hourly wage rate for the DSP positions. The three BLS classifications used were:

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

In the 2014 study, the wage for Direct Support Professionals who provide non-employment services was calculated using an equal blend of the three job classifications listed above. In 2019, this same blend was used, but for only some of the non-employment services. Those services include: Residential Habilitation, Facility-Based Day Habilitation, and Facility-Based Prevocational Services. DDDS decided that a different blend of the three job classifications was required for direct support professionals who provide: Non-Facility Based Day Habilitation and Non-Facility Based Prevocational Services. This blend included 50% Social and Human Service Assistant, 25% Home Health Aide, and 25% Personal Care and Service Workers. DDDS adopted this different approach to acknowledge the different qualifications required for DSPs who provide support in integrated community settings versus facility-based settings. The DSPs who perform their work in the broader community are required to perform their duties without the close support of a supervisor. Since these staff must be able to act in a more independent manner, the staff must have different competencies. Thus, the qualifications for this type of staff are more rigorous.

All wages offered in this report are intended to represent an "average" wage for each group, based on a wage scale, as opposed to a starting wage.

U.S. Bureau of Labor Statistics (BLS) Occupational Classifications Comparable to Direct Support Professionals

Positions		Mean Wage
21-1093	Social and Human Service Assistants	$ 17.05
31-1011	Home Health Aides	$ 11.67
39-9021	Personal Care Aides	$ 11.59
DSP: Residential and Facility Based Services		$ 13.44
DSP: Non-Facility Based Services		$ 14.34

(The mean includes average wages paid for each job classification as reported by the Bureau of Labor Statistics)

Since the data from the Bureau of Labor Statistics data is based on 2016 information, the final calculation used to arrive at the $14.11 DSP base wage was to age the information forward using the inflationary rate identified by the Consumer Price Index (CPI) – Medical care for 2017 and 2018. The CPI – Medical care measures inflation by tracking household out of pocket spending for medical goods and services over time.
(https://www.bls.gov/cpi/factsheets/medical-care.htm#A4)

DSP Types	Mean Wage	Inflation Year 1 (2.54%)	Inflation Year 2 (2.44%)	Base Wage
Residential and Facility-Based Services	$ 13.44	$ 13.78	$ 14.11	$ 14.11
Non-Facility Based Services	$ 14.34	$ 14.70	$ 15.06	$ 15.06

In the 2014 study, the method used to identify the wage for DSPs who provide Individual Supported Employment and Group Supported Employment services differed from the method used to identify the non-employment DSP wage. This decision was made because no satisfactory BLS classification or combination of classifications could be found. Instead, the consultant used recruitment data from several employment websites for similar positions to establish a comparable wage for direct support professionals who provide job development and job coaching. In the 2019 study, the consultant was similarly challenged to find BLS job classifications that were applicable to the knowledge, skills and abilities of DSPs who provide employment supports. We, therefore, employed a strategy to update the wage for the employment-related DSPs by applying the same percentage increase between the 2014 and the 2019 wage for the Residential and Facility-Based DSP to the 2014 DSP wage identified for Individual and Group Supported Employment. In doing so, we assumed that the relationship between the wages for these two distinct types of workers is the same as it was in 2014.

DSP type	2014 wage	2018 wage	Percentage increase
Residential and Facility-Based Services	$ 12.75	$ 14.11	10.85%
Individual and Group Supported Employment	$ 17.00	$ 18.84	10.85%

The direct support wage for Community Participation and Supported Living was determined first by comparing the DSP qualifications for these two new services with all other existing services. Due to the need for staff to perform their work outside of the immediate interventions of a supervisor and with a high level independence, it was determined that the staffing qualifications for these two new services more closely aligned with the qualifications of direct support professionals who provide employment-related services. Thus, the direct support wage for Community Participation and Supported Living was set at the same direct support wage as Individual and Group Supported Employment.

Recommended Foundation Base For Salaries:

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

DSP: Residential Habilitation & Facility-Based Day Services	$14.11 per hour
DSP: Non-Facility Based Day Services	$15.06 per hour
DSP: Individual and Group Supported Employment, Community Participation & Supported Living	$18.84 per hour

Capturing Non-Wage Expenses

To begin the process of capturing current expenditures so as to identify changes that have occurred since 2014, all Delaware providers of the services listed above were asked to share their most recent General Ledger data. (A copy of the request is located in Appendix D.) The purpose of requesting the General Ledger was to gather information on current expenses aligned with the components that are used in the calculation of the rate (Employee Related Expenses, Program Indirect Expenses and General and Administrative Expenses). (A cost report survey tool provided by the consultant was used in 2014 as the tool to gather cost data versus the General Ledger)

All General Ledgers that were received were reviewed, and the expenses were coded in alignment with the cost components of the rate. Expenses incurred by a provider that were not allowed under the CMS Medicaid rules for Home and Community Based Services were captured but were coded in a manner that excludes those expenses from the calculations. One example of such an expense is Room and Board costs.

A sample General Ledger format is displayed below:

JVGA *Sample General Ledger Report*

Period Reported:

Account Number	*Description*	*Total Year Expenditures*
6000	*SALARIES & WAGES*	*500,000.00*
6010	*SALARIES & WAGES Direct Care Staff*	*15,000.00*
6015	*OVERTIME*	*25,000.00*
6020	*TENURE BONUSES*	*10,000.00*
6030	*EMPLOYER FICA/MEDICARE*	*50,000.00*
6040	*STATE UNEMPLOYMENT*	*10,000.00*
6060	*HEALTH & DEPENDENT CARE*	*75,000.00*
6070	*LIFE & DISABILITY INSURANCE*	*3,000.00*
6080	*RETIREMENT BENEFITS*	*6,000.00*
6090	*EMPLOYEE ASSISTANCE*	*5,000.00*
6100	*PROFESSIONAL LIABILITY INSURANCE*	*3,000.00*

After reviewing the received General Ledgers, telephone interviews were set up with a representative sample of service providers. The telephone interviews provided an opportunity to develop a better understanding of the services offered by the participating providers and to discover challenges and issues experienced by each provider.

The telephone interviews were scripted in order to ensure consistency. The questions posed during the telephone interviews are included in this report and can be found at Appendix E.

Expense Categories in Detail

A. Employee Related Expense (ERE): The base assumptions used to build the ERE component follows:
   - Mandatory costs using 2018 requirements
     i. Workers Compensation, Workers Compensation steadily increased at a pace higher than inflation
     ii. Unemployment Insurance
     iii. FICA
     iv. Medicare tax
     v. Health Insurance is based on a core assumption is that an organization covers on average 80% of the cost for their employees. Costs have steadily increased since 2014 on average by 5% per year
     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 tuberculosis (TB) and similar health factors

   - Discretionary costs-Typical Employer Profile
     i. 35 Days paid time off (Vacation/Sick Leave, Holiday)
     ii. Vision, Dental, Disability 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)
     iv. Any form of employee bonus payment
     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

Changes in assumptions for the Employee Related Expense (ERE) component of the rate from the 2014 model include:

1. Health Insurance reflects primarily inflationary increases as no significant change in the overall structure was discovered
2. Workers Compensation rates continue to vary across the service network, however, there is a consistent pattern noting increases in the overall costs association with Workers Compensation.

3. This study included the cost employers bear promoting employees to plan for their retirement by including expenses associated with employer-contributions to retirement plans

The net result is a revision for the ERE component from 38.15% to 44.10% for all services

Employment Related Expenses	**%**
FICA	7.65%
Tax Base	1.10%
Health Insurance	10%
Workers Comp	6.3%
New Hire Compliance	2.00%
Employment Paid Time Off	7.00%
Overtime - Base 1	6.00%
Training - Base 1	2.00%
Retirement	2.05%
TOTAL ERE	**44.1%**

B. Program Indirect Expenses (PI): The cost categories used to build PI component include the following types of expenses:

- 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 Facility supplies
- Vehicle maintenance and lease expenses used for transporting staff
- Facility leases and mortgages
- General liability insurance costs
- Equipment leases and acquisition expenses
- Program-Specific Human Resources costs (general HR costs are included under G&A)
    i. Turnover rate
    ii. Overtime
    iii. Additional Training
- Compliance Costs-Other
    i. Medicaid compliance
    ii. Expenses related to fulfilling documentation requirements
    iii. Expenses related to increasing internal control requirements

Changes in assumptions for the Program Indirect (PI) component of the rate from the 2014 model include:

1. The cost of compliance with rules, regulations and associated documentation was included as Program Indirect expenses in the 2014 rate study. However, the 2019 update includes an acknowledgement of increased compliance expectations and subsequent costs by including salaries for two compliance-related administrative positions: a Quality Assurance position and a Medical Billing Specialist.

   The Quality Assurance staff would be responsible for quality management and quality improvement activities:

   - Monitors and provides assistance with quality assurance and compliance functions
   - Provides consultation and direction to ensure programs and services are implemented at the highest standards and clients receive the highest level of care
   - Ensures policies and procedures are monitored and updated to include regulatory changes
   - Ensures that policies and procedures are followed

   The Medical Billing Specialist is responsible for overseeing the process of determining billable services:

   - Ensuring that claims are submitted to the correct payment source
   - Ensuring that the service delivered matched what was authorized by the payer
   - Ensuring that documentation to support the claim exists at the time the claim is submitted
   - Reviewing claims for accuracy and completeness, and obtaining any missing information

   The Home and Community Based Services Waiver program has always been governed by rules, regulations and expectations. Over the past several years those rules, regulations and expectations have not only become more refined, but enforcement has escalated as the overall expenditures increased. One of the outcomes for provider organizations is a requirement to devote resources to not only ensure quality but also quantify, document and support the actions taken by the organization to ensure quality service and justify billing Medicaid for services provided.

2. In 2014, DDDS used a cost survey to capture program indirect expenses which required each provider to input data based upon their individual interpretation. The use of survey tools can often result in inconsistencies associated with misunderstanding definitions as well using different time periods. Although instructions for completing the survey were included and efforts were made to ensure accuracy, the potential for inconsistencies in how data was represented in the survey was not completely eliminated. The decision to use the General Ledger as the primary source to capture expenses as opposed to the survey methodology eliminated individual provider interpretation since the review of the General Ledgers and coding of expenses was conducted by a single entity.

3. The cost of overtime grew in 2018 compared to 2014, a cost that can be tied to the challenges in recruitment and retention of DSP personnel.

	Residential	Facility-Based Day & PreVoc	Non-Facility Based Day & PreVoc	Individual Supported Employment*	Group Supported Employment*	Community Participation **	Supported Living**
Program Indirect							
House/Program Supervisor	4.00%	4.00%	4.00%	5.00%	5.00%	5.00%	5.00%
Overtime Base 2	7.00%	5.90%	5.90%	1.00%	2.30%	5.00%	5.00%
Training Base 2	4.00%	4.00%	4.00%	3.00%	2.00%	3.00%	3.00%
Training Materials	1.00%	1.50%	1.50%				
Coordination & Scheduling	3.00%	3.00%	3.00%	7.00%	7.00%	7.00%	7.00%
Recruitment	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Mid-Manager Cost Other	3.00%	4.00%	4.60%	7.00%	5.00%	7.00%	7.00%
Other Allowable but Non-Billable Activities such as: documentation, billing integrity, etc.	6.40%	6.40%	6.40%	15.00%	6.40%	5.00%	5.00%
Community Engagement Expenses	1.00%		1.50%	0.50%	0.50%	0.50%	0.50%
Staff Meetings	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Employer Relations				2.00%	1.00%		
Program Specific Non-Consumer Transportation				6.00%	3.00%	3.00%	3.00%
Licensing & Professional Services	1.00%	1.00%	2.00%				
General Program Supplies	N/A	1.50%	0.50%				
Compliance	4.50%	4.50%	4.50%	5.00%	4.50%	5.00%	5.00%
Internal QA	3.50%	4.50%	4.50%	5.00%	4.50%	5.00%	5.00%
Total Program Indirect	**41.40%**	**43.80%**	**45.90%**	**60.00%**	**44.70%**	**49.00%**	**49.00%**

*Group and Individual employment are most heavily 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.

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

1. Documentation and notes
2. Compliance activities-Medicaid
3. Compliance activities internal Quality

4. Coordination and scheduling
5. Non-participant meeting with employer/business setting
6. Staff Meetings
7. Staff Training related to employment in excess of mandatory training requirements

The percentage of Program Indirect for Group Employment decreased as a result of the 2019 study. This reduction was exclusively linked the component labeled "allowable but not billable," and can be attributed to having better data via the use of General Ledger data versus a cost report.

Additionally, the Division has determined it appropriate to eliminate the gross-up model from the rate methodology for Group Employment. The application of a gross up model in the Group Employment rate methodology was implemented as a result of the 2014 rate study to ensure that service costs related to the incremental increases in group size were properly captured. However, after an analysis of actual provider expenses, as captured in the General Ledgers, the gross-up model was removed from the establishment of the rate. The proposed value of an hour resulting from the 2019 study is seen as adequate to cover all provider expenses for Group Employment.

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 from one job site to another (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. Trainings related to employment services but in excess of mandatory requirements
9. Maintaining relationship with employer, participating in employer sponsored activities as an example
10. Coordination and scheduling
11. 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 lose SSI because of wages
    iii. Housing issues

**Community Participation and Supported Living are new service options. As such, no expenditure data was available. The essence of these services share similarities with Individual Supported Employment. The cost profile for Supported Employment, therefore, became the foundation used in the development of the proposed hourly 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 Service: 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. Group Employment: includes multiple ratios ranging from 1 staff to two participants through 1 staff and 8 participants
e. Community Participation: includes two ratios, 1 staff to 1 participant and 1 staff to two participants
f. Residential Services: 1 staff for two participants during key periods and 1 staff to 4 participants during the nighttime hours
g. Supported Living: 1 staff to 1 participant

The assumed ratio for each category is expected 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	7/1/18 Rate	2014 Benchmark Rate	2019 Benchmark Rate
Residential Habilitation	$25.80	$31.77	$39.43
Supported Living	$25.80	N/A	$60.49
Day Habilitation and Prevocational Services Facility Based	$25.20	$31.03	$41.11
Day Habilitation and Prevocational Services Non-Facility Based	$25.59	$31.52	$45.58
Community Participation	$42.49	N/A	$60.49
Individual Supported Employment	$54.18	$66.72	$77.13
Group Supported Employment	$50.26	$52.33	$55.78

The rate calculation worksheets are attached as Appendix B.

Section 4: Other-Related Issues

The 2018 rate study demonstrated a need for the Division to continue to evaluate the existing model and consider some adjustments to the methodology.

- Acuity Factor: The Division is considering an enhancement to the rate options to include an acuity factor related to the needs of specific clients and the capabilities of providers to meet those needs. This would be an additional rate added to the rate schedule versus as an add-on to other established rates.

Acuity Rate	Service Type	DSP Wage	ERE	PI	G&A
$ 53.39	Day Habilitation - Acuity	$14.11	$41.11%	56.72%	12%
$ 55.85	Residential Habilitation - Acuity	$14.11	$41.11%	58.63%	12%

The rationale for creating such a rate is as follows:

- The existing rate structure does not take into account the differences in how some providers resource their individual programs to meet the specific support needs of the people who attend their program. There are increased Program Support costs for programs that include routine consultation and/or coordination with clinical staff, such as: Registered Nurses and various Therapists. Some individuals who require significant medical supports greatly benefit from the collaboration with the clinical staff.

- Additionally, the current set of non-acuity rates was developed with an expectation that all staff performing the role of a DSP in Residential Habilitation, Day Habilitation and Pre-Vocational services have the same basic, minimum qualifications and competencies. However, there is evidence to indicate in some cases the type of Direct Support Professional needed to support someone with special needs is a staff person with more expertise, thus higher qualifications. An example of when a more skilled DSP may be needed is when someone has a co-occurring mental illness and intellectual disability and requires intensive behavioral support interventions. In this variation, the better approach may be to identify a new DSP wage based upon the qualifications sought for a DSP who performs in this role. This step has not yet been taken, but if determined to be a course of action the Division would like to pursue, data will be solicited from providers who engage with the populations identified as the target populations.

- Before the Division moves forward with implementing any type of acuity factor, a process will need to be designed to clearly indicate when an acuity factor should be added and how that process should be executed. These are issues that will be assessed over the next several months.

- Client Transportation: The Division is working on a new payment methodology for transportation provided to individuals attending a DDDS day program to get them from their home to the program and back.

  - Transportation is currently paid as an add-on to the hourly rate paid which is based upon the hours of direct support a person requires each day. The number of hours of support for individuals attending DDDS day programs can vary from 1.5 to 5.5 hours, resulting in wildly different payments for transportation that have no relationship to the cost of providing the service. DDDS intends to establish a "per trip" or "per round trip" rate to replace the current rate structure. This rate would align with the actual cost of transportation. Cost modeling for this item is in the early stages of development.

- Absentee Factor: The Division includes a 5% Client "Vacancy" Factor in the development of the 2019 rate methodology. The data did not suggest the need to change this factor from the 2014 rate study. The expenses captured and classified as Vacancy Expenses are only the costs associated with a true vacancy normally as a result of attrition, i.e. downtime between one client leaving the program and a new client entering the program. The vacancy factor does not include expenses related to program non-attendance or absenteeism, such as missing a day at the day program or a short term hospitalization. Given the shift in the service delivery model enabling greater choice and flexibility for clients, the Division acknowledges a need to evaluate the impact of the service model change and identify what types of costs related to program non-attendance or absenteeism are not already captured within the Program Indirect categories.

- Resource Allocation: The Division is currently re-evaluating the formula used to convert the ICAP assessment Maladaptive and Broad Independence scores into the number of direct support hours a person is predicted to require each day. This formula has not been reviewed since the Division implemented the original methodology in 2004. This project was prompted by what appeared to be a high number of requests for additional support hours than what was indicated by the ICAP assessment scores. While some exceptions will always be needed no matter how good the assessment tool is, the percentage of exception requests are well above what should be expected. Although there is some evidence that an adjustment is needed, there is also some indication that the high number of requests for exceptions may be related to depressed rates. An increase in the number or direct support hours approved for an individual results in an increase in the amount paid to the provider. Evaluating data will aid the Division in determining what if any adjustment needs to be made to the formula or if the process currently used to evaluate exception requests needs to be modified to better determine whether a true need for an exception exists.

Section 5: Fiscal Impact Analysis

The analysis indicates that in order to pay the new rebased benchmark rates computed under this study at the projected utilization for FY 2020, the resulting additional payment to providers would be $93.6 million dollars. Because most of these units of service are provided to Medicaid eligible individuals, federal funding will be available to pay over half of the cost for those individuals at the Federal Medical Assistance Percentage (FMAP) for FY 2020; therefore, the cost to the general fund would be $40.3 million. Projected costs are also shown for 90, 80, 70% and 66.29% of the benchmark rates. The addition of $1,958,500 proposed in the FY 2020 GRB was included to derive the 66.29% of benchmark. 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	$93,639,280	$40,284,670
90% of benchmark	$67,107,579	$28,871,269
80% of benchmark	$40,583,347	$17,461,639
70% of benchmark	$14,077,327	$ 6,060,454
66.29% of benchmark (at level funded in FY2020 Governor's Recommended Budget)	$ 4,512,866	$ 1,955,472

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 66.29%. This represents the rates that would be paid for dates of service on or after July 1, 2019, including the $1,958,500 million rate increase recommended in the Governor's FY 20 Recommended Budget. The cost was estimated by multiplying the benchmark rates or percent of the benchmark by the projected number of units in FY 2020 for each service.

Appendix A: 2019 Rate Rebase Fiscal Note by Utilization & Service Hours

% of Benchmark				100.00%			90.00%			80.00%			70.00%			66.29%		
Service	FY2020 Projected Utilization (in hours)	Rates As of 7/1/18	Estimated Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures
Residential Habilitation Agency																		
Medicaid	5353890	$ 25.80	$138,130,369	$ 39.43	$211,103,894	$72,973,525	$ 35.49	$189,993,505	$51,863,135	$ 31.54	$168,883,115	$30,752,746	$ 27.60	$147,772,726	$9,642,356	$ 26.14	$139,940,771	$1,810,402
State Funded	40846	$ 25.80	$1,053,827	$ 39.43	$1,610,558	$556,731	$ 35.49	$1,449,502	$395,675	$ 31.54	$1,288,446	$234,619	$ 27.60	$1,127,390	$73,564	$ 26.14	$1,067,639	$13,812
	5394736					$73,530,256			$52,258,810			$30,987,365			$9,715,920			$1,824,214
Supported Living																		
Medicaid	33365	$ 25.80	$860,817	$ 60.49	$2,018,249	$1,157,432	$ 54.44	$1,816,424	$955,607	$ 48.39	$1,614,599	$753,782	$ 42.34	$1,412,774	$551,957	$ 40.10	$1,337,897	$477,080
State Funded		$ 25.80	$0	$ 60.49	$0	$0	$ 54.44	$0	$0	$ 48.39	$0	$0	$ 42.34	$0	$0	$ 40.10	$0	$0
	33365					$1,157,432			$955,607			$753,782			$551,957			$477,080
Day Habilitation-Facility-Based																		
Medicaid	636972	$ 25.20	$16,051,694	$ 41.11	$26,185,919	$10,134,225	$ 37.00	$23,567,327	$7,515,633	$ 32.89	$20,948,735	$4,897,041	$ 28.78	$18,330,143	$2,278,449	$ 27.25	$17,358,646	$1,306,951
State Funded	19480	$ 25.20	$490,896	$ 41.11	$800,823	$309,927	$ 37.00	$720,741	$229,845	$ 32.89	$640,658	$149,762	$ 28.78	$560,576	$69,680	$ 27.25	$530,865	$39,969
	656452					$10,444,151			$7,745,477			$5,046,803			$2,348,129			$1,346,921
Day Habilitation-Non-Facility Based																		
Medicaid	12040	$ 25.59	$308,104	$ 45.58	$548,783	$240,680	$ 41.02	$493,905	$185,801	$ 36.46	$439,027	$130,923	$ 31.91	$384,148	$76,045	$ 30.21	$363,788	$55,685
State Funded	0	$ 25.59	$0	$ 45.58	$0	$0	$ 41.02	$0	$0	$ 36.46	$0	$0	$ 31.91	$0	$0	$ 30.21	$0	$0
	12040					$240,680			$185,801			$130,923			$76,045			$55,685
Day Hab-Comm Participation (1:1)																		
Medicaid	15938	$ 42.49	$677,206	$ 60.49	$964,090	$286,884	$ 54.44	$867,681	$190,475	$ 48.39	$771,272	$94,066	$ 42.49	$677,206	$0	$ 42.49	$677,206	$0
State Funded		$ 42.49	$0	$ 60.49	$0	$0	$ 54.44	$0	$0	$ 48.39	$0	$0	$ 42.49	$0	$0	$ 42.49	$0	$0
	15938					$286,884			$190,475			$94,066			$0			$0
Day Hab-Comm Participation (1:2)																		
Medicaid	0	$ 22.11	$0	$ 30.25	$0	$0	$ 27.23	$0	$0	$ 24.20	$0	$0	$ 22.11	$0	$0	$ 22.11	$0	$0
State Funded	0	$ 22.11	$0	$ 30.25	$0	$0	$ 27.23	$0	$0	$ 24.20	$0	$0	$ 22.11	$0	$0	$ 22.11	$0	$0
	0					$0			$0			$0			$0			$0
Prevocational-Facility-Based																		
Medicaid	335232	$ 25.20	$8,447,846	$ 41.11	$13,781,388	$5,333,541	$ 37.00	$12,403,249	$3,955,402	$ 32.89	$11,025,110	$2,577,264	$ 28.78	$9,646,971	$1,199,125	$ 27.25	$9,135,682	$687,835
State Funded	17488	$ 25.20	$440,698	$ 41.11	$718,932	$278,234	$ 37.00	$647,039	$206,341	$ 32.89	$575,145	$134,448	$ 28.78	$503,252	$62,555	$ 27.25	$476,580	$35,882
	352720					$5,611,775			$4,161,743			$2,711,711			$1,261,679			$723,718
Prevocational-Non-Facility-Based																		
Medicaid	22677	$ 25.59	$580,304	$ 45.58	$1,033,618	$453,313	$ 41.02	$930,256	$349,951	$ 36.46	$826,894	$246,590	$ 31.91	$723,532	$143,228	$ 30.21	$685,185	$104,881
State Funded	0	$ 25.59	$0	$ 45.58	$0	$0	$ 41.02	$0	$0	$ 36.46	$0	$0	$ 31.91	$0	$0	$ 30.21	$0	$0
	22677					$453,313			$349,951			$246,590			$143,228			$104,881

% of Benchmark				100.00%			90.00%			80.00%			70.00%			66.29%		
Service	FY2020 Projected Utilization (in hours)	Rates As of 7/1/18	Estimated Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures	Rebased Rates	Estimated Expenditures	Estimated *Additional* Expenditures
Supported Employment (1:1)																		
Medicaid	77033	$ 54.18	$4,173,648	$ 77.13	$5,941,555	$1,767,907	$ 69.42	$5,347,400	$1,173,752	$ 61.70	$4,753,244	$579,596	$ 54.18	$4,173,648	$0	$ 54.18	$4,173,648	$0
State Funded	6930	$ 54.18	$375,467	$ 77.13	$534,511	$159,044	$ 69.42	$481,060	$105,592	$ 61.70	$427,609	$52,141	$ 54.18	$375,467	$0	$ 54.18	$375,467	$0
	83963					$1,926,951			$1,279,344			$631,738			$0			$0
Supported Employment (1:2)																		
Medicaid	9553	$ 27.22	$260,033	$ 27.89	$266,433	$6,401	$ 27.22	$260,033	$0	$ 27.22	$260,033	$0	$ 27.22	$260,033	$0	$ 27.22	$260,033	$0
State Funded	1595	$ 27.22	$43,416	$ 27.89	$44,485	$1,069	$ 27.22	$43,416	$0	$ 27.22	$43,416	$0	$ 27.22	$43,416	$0	$ 27.22	$43,416	$0
	11148					$7,469			$0			$0			$0			$0
Supported Employment (1:3)																		
Medicaid	5429	$ 18.85	$102,337	$ 18.59	$100,925	-$1,412	$ 18.59	$100,925	-$1,412	$ 18.59	$100,925	-$1,412	$ 18.59	$100,925	-$1,412	$ 18.59	$100,925	-$1,412
State Funded	1117	$ 18.85	$21,055	$ 18.59	$20,765	-$290	$ 18.59	$20,765	-$290	$ 18.59	$20,765	-$290	$ 18.59	$20,765	-$290	$ 18.59	$20,765	-$290
	6546					-$1,702			-$1,702			-$1,702			-$1,702			-$1,702
Supported Employment (1:4)																		
Medicaid	7066	$ 14.66	$103,588	$ 13.95	$98,571	-$5,017	$ 13.95	$98,571	-$5,017	$ 13.95	$98,571	-$5,017	$ 13.95	$98,571	-$5,017	$ 13.95	$98,571	-$5,017
State Funded	1420	$ 14.66	$20,817	$ 13.95	$19,809	-$1,008	$ 13.95	$19,809	-$1,008	$ 13.95	$19,809	-$1,008	$ 13.95	$19,809	-$1,008	$ 13.95	$19,809	-$1,008
	8486					-$6,025			-$6,025			-$6,025			-$6,025			-$6,025
Supported Employment (1:5)																		
Medicaid	7236	$ 12.15	$87,917	$ 11.16	$80,754	-$7,164	$ 11.16	$80,754	-$7,164	$ 11.16	$80,754	-$7,164	$ 11.16	$80,754	-$7,164	$ 11.16	$80,754	-$7,164
State Funded	1410	$ 12.15	$17,132	$ 11.16	$15,736	-$1,396	$ 11.16	$15,736	-$1,396	$ 11.16	$15,736	-$1,396	$ 11.16	$15,736	-$1,396	$ 11.16	$15,736	-$1,396
	8646					-$8,560			-$8,560			-$8,560			-$8,560			-$8,560
Supported Employment (1:6)																		
Medicaid	1620	$ 10.47	$16,961	$ 9.30	$15,066	-$1,895	$ 9.30	$15,066	-$1,895	$ 9.30	$15,066	-$1,895	$ 9.30	$15,066	-$1,895	$ 9.30	$15,066	-$1,895
State Funded		$ 10.47	$0	$ 9.30	$0	$0	$ 9.30	$0	$0	$ 9.30	$0	$0	$ 9.30	$0	$0	$ 9.30	$0	$0
	1620					-$1,895			-$1,895			-$1,895			-$1,895			-$1,895
Supported Employment (1:7)																		
Medicaid	1115	$ 9.27	$10,336	$ 7.97	$8,887	-$1,450	$ 7.97	$8,887	-$1,450	$ 7.97	$8,887	-$1,450	$ 7.97	$8,887	-$1,450	$ 7.97	$8,887	-$1,450
State Funded		$ 9.27	$0	$ 7.97	$0	$0	$ 7.97	$0	$0	$ 7.97	$0	$0	$ 7.97	$0	$0	$ 7.97	$0	$0
	1115					-$1,450			-$1,450			-$1,450			-$1,450			-$1,450
All Services																		
Medicaid			$169,811,161		$262,148,131	$92,336,970		$235,983,981	$66,172,820		$209,826,231	$40,015,070		$183,685,384	$13,874,223		$174,237,058	$4,425,897
State Funded			$2,463,308		$3,765,617	$1,302,309		$3,398,066	$934,759		$3,031,584	$568,276		$2,666,412	$203,104		$2,550,277	$86,969
Total New Costs						**$93,639,280**			**$67,107,579**			**$40,583,347**			**$14,077,327**			**$4,512,866**

Budget Requirements

Total NEW State Funded						**$1,302,309**			**$934,759**			**$568,276**			**$203,104**			**$86,969**
Total NEW Medicaid State Match						**$38,982,360**			**$27,936,510**			**$16,893,362**			**$5,857,350**			**$1,868,503**
Total NEW State Funds request						**$40,284,670**			**$28,871,269**			**$17,461,639**			**$6,060,454**			**$1,955,472**

57.78% Blended Federal Share SFY20 (Fed Register 11/28/18)

42.22% Blended State Share SFY20

GRB increase $1,958,500

- All expenditures are shown as "Total Funds" and include both state and federal funds as appropriate.
- Blocks that are shaded indicate current rates (as of the 7/1/18 rate increase) that are higher than the rates that would have been computed at the percentage of the benchmark in that column. Therefore, the current rate is displayed.
- Negative numbers in the "Estimated Additional Expenditures GRB" column indicate that projecteded spending in FY20 at the GRB column rate is less than projected spending in FY20 at the current rates. This occurs when the current rates are higher than 100% of the January 2019 benchmark rates for that

Appendix A Notes:

The "Current Expenditure" figures do not include the following costs:

1. Transportation paid to Day Service and Residential providers as an add-on to the Direct Support Professional rate (this is a Medicaid funded expense).

2. Room and board (this is a state-funded expense - room and board cannot be covered by Medicaid in community settings).

SOURCE DOCUMENTATION:
Direct Support hours as determined by the ICAP assessment and authorized by DDDS as part of the person centered planning process. The approved ICAP hours are recorded on the DDDS Provider Rosters. Average per person per year hours from FYs 2017 - 2019 from the DDDS rosters was used to project utilization for the FY2020 for each type of service.

APPENDIX B

Calculation of Direct Support Rates Benchmark Rates
From Rebasing Study as of January 2019

Day Hab/ Prevocational Non-facility	Day Hab/ Prevocational Facility	Residential	Group Employment	Individual Supported Employment	Community Participation	Supported Living	RATE SCHEDULE COMPONENT
$15.06	$14.11	$14.11	$18.84	$18.84	$18.84	$18.84	Direct Care Wage
44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	44.1%	ERE
45.9%	43.8%	41.4%	44.7%	60.0%	49.0%	49.0%	PROGRAM RELATED
12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	GENERAL & ADMIN
$45.58	$41.11	$39.43	$55.78	$77.13	$60.49	$60.49	BASE HOURLY RATE

Appendix C
Provider Feedback on the DDDS – JVGA Rebasing Work

Provider Feedback was collected and shared via the Ability Network of Delaware (A.N.D). The Division appreciates the time and thoroughness A.N.D and its membership took in compiling this feedback with DDDS. The Division offers its response to the feedback in **bold text**, immediately following each comment.

Prompt:

1) *How the base DSP wage of $14.11 was calculated – Were the right Standard Occupation Codes used? Was the method of averaging appropriate? What is the likely impact of the base wage on your turnover rate? Etc.;*

Provider Feedback:

a) In looking at the definitions of the SOCs, CERTS would like to see the Soc. & Human Services Assistants weighted more heavily than either the Home Health Aid or Personal Care. This is because the new standards require our employees to perform support services that are more intensive than those of a home health or personal care aide. When we think of the training, requirements, notes, standards, etc. I did a calculation using 50% Soc & HS and 25% each HHA and Pers. Care aide and came up with a base hourly rate of $15.06 vs. $14.11. A 6.72% increase isn't much, but it is something.

   DDDS agrees in part and offers to change the DSP calculation for Day and Pre-vocational non-facility to reflect 50% of the Social and Human Service Assistant, at 25% for both Home Health and Personal Care. This will alter the DSP salary for Day/Pre-Vocational-non-facility to $15.06.

   DDDS recommends that a data collection tool be collaboratively developed with the Provider Community. The Purpose of this tool is to collect data which would allow for the ongoing assessment on the viability of the Rate model by collecting mutually agreed upon data elements. This tool could be used to determine if the $14.11 requires modification.

b) Elwyn strongly believes, based off of reasoning given from recently departed staff, that this wage would reduce turnover. It is a start. At least we (could) compete with jobs that require less work for more pay. Another sticking point as to why staff members leave these DSP roles has to do with increasing expectations of job duties.

   No response required

c) The one thing that KSI feels is really important, is the effect of Salary Compression. IF the average wage is intended to be in the $14 an hour range, other wages will also be greatly impacted. There is no getting around it. If salary compression is not addressed, DSP average wage will have to be less than $14 per hour. This is no minor issue.

DDDS agrees that salary compression is an area of ongoing concern. DDDS again would recommend that a collaboratively-developed data collection tool could be used to monitor salary comprehension.

d) As Salvation Army discussed with Roger, our Delaware day programs have always been very community oriented and he remembered visiting our sites when the previous rate setting was being done and finding no individuals there. We actually started with no facilities, just meeting places, something which Pennsylvania is now doing to move away from segregated workshops/day programs, but we were told a facility would give us a higher rate. We also used to have groups with a 1 to 3 ratio, but that is rarely the case in Delaware now. Generally, most of our folks are out volunteering and working in the community and there is one group that remains behind in the facility, usually by choice. We believe our staff-to-client ratios are smaller than most day programs and this, combined with our time out in the community, is apparently not sufficiently covered by the rates we are given currently, resulting in deficits for this program as well.

Please note I had also put Roger in touch with one of the Pennsylvania providers who worked on rate setting with the state, since he was expressing some concerns about how occupancy and other reimbursement issues were addressed due to Medicaid constraints, something which the state folks have apparently also expressed in Delaware.

DDDS values the partnership with the Salvation Army. As a result of this study, the Division is recommending a higher rate for Non-Facility Based Day Habilitation and PreVocational Services based upon differences in DSP qualifications and increased program indirect expenses.

DDDS also acknowledges that vacancies in residential settings present unique challenges. Vacancies are the outcome of several factors: personal choice, family choice, health, aging, location of services, and compatibility, as examples. DDDS commits to working with the Salvation Army and other residential providers. DDDS offers to work with providers of Residential Habilitation to determine the

best course of action. While there are adjustments to the rate assumptions that can be done to address some of the concerns, not all the issues can be address through the rate model.

e) On behalf of the provider association, A.N.D. would make the following requests:

i. Because the wages for Home Health Aides and Personal Care Aides are quite similar, yet the tasks performed in many cases are dissimilar from those performed in settings funded by DDDS, based on presumed differences in cognitive functioning between the populations served (individuals with I/DD typically require more direct supervision than either frail elders or people with physical disabilities), we would propose factoring in the wages of the Standard Occupation Codes for Residential Advisors in place of the data for occupational codes for either Home Health or Personal Care Aides.

DDDS aggress with ANCOR and other advocacy organizations that the development of a Standard Occupation Code for DSP is needed. DDDS does not agree, at this time, that using Residential Advisor classification is justified. The job description for Residential Assistant appears more aligned with low-level administrative duties typically aligned with a House Manager, dormitory monitors as opposed to the direct supports offered by DSP positions. DDDS remains open to ongoing dialogue

ii. In averaging the three positions, Roger indicated that JVGA was considering a recommended DSP wage of $14.11. This falls between the 25th and 50th percentile of the wages for the Social and Human Service Assistants occupational code, which better reflects the duties of a DSP in the CMS HCBS Settings Rule era. In the original rate work done by Mercer, the 75th percentile was used for the calculations of the recommended DSP wage because their human resource surveys showed that this is the wage level that results in turnover being held to 25% or less. This should continue to be a goal of the system, so we would request that the calculations for the recommended DSP wage be based on the 75th percentile vs. the median (50%).

DDDS understands the argument presented and shares the concerns regarding the employment challenges including the entry salary offered by competing employers.

DDDS, as noted earlier, is proposing a change to the calculation for DSPs employed in non-facility programs to $15.06, Supported Employment and Community Participation at $18.84 and facility-based programs at $14.11.

The differences are driven by the level of autonomy and independent decision-making required.

Again, as noted DDDS recommends a collaboratively designed data collection tool to monitor data relevant to this issue.

iii. Delaware's labor market borders are quite permeable – there are a number of people who are trained as DSPs here, who leave their jobs each year to find work as DSPs in states that adjoin Delaware. Therefore, we recommend an adjustment be made to keep Delaware's DSP wages in synch with the other states (please see page 6 in this document for a chart showing the BLS data wages in the adjoining states). This would not only help with retention of DSPs in Delaware, but would also be a step towards addressing the wage compression issue mentioned above.

DDDS understands the concern being expressed. Data is unavailable to determine the scope and breadth of this issue and consequently DDDS can only acknowledge the concern.

As stated, DDDS remains open and willing to work with the Provider Community to track and, if indicated, craft a response to the concern.

iv. Keeping in mind that it will likely take 3 – 5 years for the rates to be fully funded, we believe it would make sense to extrapolate the wage levels needed to keep pace with inflation forward for at least the next 3 years, as was done in the chart on the DSP salary chart on page 2 of the JVGA presentation that was made on November 15th, in which the BLS wage data was adjusted for actual inflation over the two years since the BLS data was collected.

Indexing or built-in market adjustments is typically not acceptable in 1915(c), fee for service models. That said, DDDS understands the concerns and again recommends the development of a data collection tool that ensures the rate components continue to reflect real expenses incurred.

Prompt:

2) *Whether $18.84 is adequate for the base wage for DSPs that provide supported employment;*

Provider Feedback:

a) Given the amount of skill and the ability of the staff to perform autonomously, Elwyn agrees that this is a fair base wage.

No response is needed

Prompt:

3) *How to address the issues related to the occupancy / vacancy factor;*

Provider Feedback:

a) This is the million dollar question for CERTS. I did an analysis of our attendance rate for the past three fiscal years and found that the average for those 36 months is 80.7% Here is the breakdown of program revenue actuals, what revenue would be at the assumed 95% attendance rate and how much money we are losing due to the excess absenteeism our folks experience. The difference between 80.7% and 95% equals $700,000 DDDS assumes we have received during the three year period, but we did not.

   Prog Revenue Actuals (Avg. 80.7%): FY2018 - 1,275,856; FY2017 - 1,378,933; FY2016 - 1,275,377.

If 100% Attendance	1,568,836	1,761,464	1,544,507
At 95% Attendance	1,490,394	1,673,391	1,467,282
Lost $ - low attendance (700,902)	(214,538)	(294,458)	(191,905)

   Given the observations that any new reimbursement method developed must be "easy" to administer, I don't know what to recommend. What I would like to see is an adjustment in the daily rate to compensate for the difference (i.e., if data shows that absenteeism is 10%, give 5% differential to provider in a rate adjustment; if absenteeism 19%, give a 14% differential; etc.).

b) Most important to Salvation Army is the attachment, which shows how the occupancy issue is driving our deficits. Please note, for last fiscal year we had 4 deaths in the program. Due to inability to fill all vacancies, we also closed one 2 person site. In our experience the ICAP hours typically do not support the smaller sites. I discussed with Roger the solutions that Pennsylvania came up with for the variability in costs in residential programs due to occupancy issues (including hospitalization and rehab stays, as well as vacancies), by way of adjusting the program capacity to split costs between fewer folks in the house.

DDDS fully understands the concerns created by vacancies and impact vacancies have on the financial stability of an organization.

Again as stated, DDDS also acknowledges that vacancies are the outcome of several factors: personal choice, family choice, health, aging, location of services, and compatibility, as examples

DDDS offers to work individually with providers to determine the best course of action and while there are adjustments to the rate assumptions that can be done to address some of the concerns, not all the issues can be address through the rate model.

Prompt:

4) *Whether a fixed percentage of 12% should be used for the G & A component;*

Provider Feedback:

a) For CERTS, they coded only 2.7% ($35,700) of our expenses as G &A, but noted "includes G &A" on the $241,739 "non DSP/Nursing Salary line" which they coded as program support. This represents 18.1% of budget. The two together are 20.8% of the budget. So, I think the fixed percentage should be greater than 12%.

b) The size of an organization is a factor and should be considered; therefore, a sliding scale is more appropriate. 12% as it relates to Elwyn seems very low especially given the fact that there does not appear to be a review schedule built in. What would the G & A look like in the next 5 years??

DDDS is willing to explore whether to retain a fixed 12% cap on G&A or to align G&A by organization size. At present, the data collected from Providers did not support a different percentage for G&A. Medicaid and Medicare also cap G&A at 12%, thus the decision to set G&A at 12% is consistent with federal practices.

Prompt:

5) *How space needs for specialized personnel should be addressed;*

Provider Feedback:

a) CERTS has several participants who require 1:1 nurses. I just consider the space the nurses take up as the price of doing business. I estimate about 225 SF is needed for each participant – based on their wheelchairs, walkers, adapted chairs, staff support, storage, admin offices, etc. The addition of a nurse for a particular participant would not increase the square footage in use for us.

b) Salvation Army has the same issue with aides/nurses that Gary was talking about during the focus group meeting. I have 2 individuals in my Sussex program that either have an aide or a nurse that travels with them. Since most of our Day Hab time is spent in the community we always need to account for that person in the group, which prohibits us from taking another person in the community or having more

people attend on the days they are in. We are not as big as Easter Seals, but this does add to the puzzle we put together every morning about who is going out and how many we can take.

DDDS is exploring the inclusion of an Acuity Factor to address this and similar issues. DDDS further emphasizes the importance of the Data Collection tool as a means to monitor and track such expenses.

Prompt:

6) *How to capture information about programs that offer specialized behavioral services – i.e., should requirements exist for BCBA, MA, MSW credentials that would be needed to justify an enhanced rate? What else should be addressed in the standards for these services that would be met via an enhanced rate?*

Provider Feedback:

a) 13% of CERTS' annual budget is spent on nursing support and PT combined (10% is nursing alone). If someone requires the services of a BA, nurse, etc. the rate should reflect that.

See DDDS comments on Acuity. DDDS believes that the addition of an Acuity factor will address this concern and DDDS repeats it position on the development of a Data Collection tool

b) On behalf of the provider association, A.N.D. recommends that standards for the provision of exceptional behavioral supports require supervision of DSPs who have a "Certificate of Advanced Proficiency" in behavioral services (see the description of how Ohio's DD agency defines this here and a sample curriculum here), as well as development and supervision of behavioral support programs by Board Certified Behavior Analysts (BCBAs). The person providing the state's oversight of PROBIS and DDDS behavior analysts should also be a BCBA.

DDDS acknowledges that exceptional behavioral supports present both a programmatic and financial challenge. Unlike Medical, developing an Acuity modifier for exceptional behavioral supports are complex. Typically, exceptional behavioral supports are address through the authorization of additional support hours as opposed to securing the services of a Nurse as one would for medical challenges. That said, DDDS is open to examining the clinical criteria that would warrant a psychologist and or a BCBA, either on a consultant basis or as part of the staff.

Prompt:

7) *Any other aspect of the rebasing project that was not addressed during the provider focus group meeting.*

Provider Feedback: None

No response needed

Appendix D

Email Request for Providers to Share General Ledger for 2018 Rate Study

dated August 28, 2018

DDDS has contracted with JVGA Consulting to rebase the Direct Support Professional Rates for the following services:

- Residential Habilitation: Group Home and CLA
- Day Habilitation: facility and non-facility
- Community Participation
- Prevocational Service: facility and non-facility
- Supported Employment: Group and Individual

The direct support wage for each service listed above will be re-examined.

- A proxy wage, using appropriate classifications from the BLS or other authoritative source with a Delaware-specific proxy wage will be identified.
- A combination of job classifications/wage rates may be needed in order to mirror the minimum qualifications required to perform each DDDS service.
- An assessment of the DSP "minimum qualifications" will be completed to incorporate any changes related to the implementation of the CMS HCBS Settings Rule, such as the need for DSPs in non-facility based programs to be able to engage in more independent decision-making.

  All other rate components will also be reviewed and rebased as necessary based on changes in operational needs and existing and emerging standards, service definitions and relevant policies and regulations that impact each service. Most notably, the Program Indirect and General and Administrative categories may be impacted by the increasing requirements for quality oversight related to Medicaid compliance.

  In order to begin this project, DDDS needs to collect data from all current DDDS providers that will be included in the rebase study. To that end, DDDS is asking that you please send **your General Ledger for your most recently completed fiscal year**, in an Excel spreadsheet, **to DDDS by September 10, 2018**. Please clearly identify the start and end dates of the fiscal year so that we can perform adjustments, as necessary, to standardize the data.

- The consultant will trend data forward, as necessary, so that we are looking at a consistent period across all providers.
- The consultant will code the ledger into its component parts and then send it back to each provider to review to make sure that the coding is correct.
- The consultant will compare the DDDS Delaware provider general ledger data with a database of cost data from other states engaged in the same lines of business to assess the "reasonableness" of the Delaware data.

- The consultant will conduct follow up telephone interviews with a subset of 12-14 providers for a more detailed analysis in a representative group that includes: small and large providers, Delaware and multi-state providers, "generic" providers and "niche" providers that specialize in serving special populations such as individuals with behaviors, high medical needs or autism.

  When completed, the report will be shared with providers in draft for feedback before it is finalized and presented to OMB and the Controller General's Office on December 31, 2018.

  Thank you for your assistance.

Appendix E
Provider Telephone Interviews: Standard Questions

Staffing:

1. Salary offered
2. Hiring Lag
    a. How to you offer coverage during the lag period-overtime, assignment of salary staff, or no back filling?
3. Turnover
    a. Terminated
    b. Voluntary
        i. Salary?
        ii. Employment Competitors
4. Staff Tenure
5. Training Costs
    a. Where located in General Ledger
6. Hiring Cost (background checks etc.)
    a. Where located in General Ledger
7. Benefits offered
    a. Eligibility

Program Offered:

1. Type of service(s) offered
    a. Staff Ratio
    b. How is staff ratio established?
    c. Is overtime used to reach/maintain staff ratio?
    d. Are temp services used to reach/maintain staff ratio?
    e. Usual and customary OT costs
2. Occupancy
    a. % or days
    b. Consumer choice?
3. Program Service Transition Planned, i.e. facility to community, group to individual
4. Are you fully compliant with the programmatic aspects of the CMS Settings rule? What changes, if any do you believe are necessary to achieve compliance?

Infrastructure:

1. Do you have a dedicated staff for Quality Oversight? Fiscal/Billing Oversight?
    a. If No, do you plan on hiring?
2. Do you anticipate technology-based improvements/purchases, i.e. computers, tablets, smartphones?

3. What is your supervisor to staff ratio?
    a. Are you planning on adding supervisory staff?
4. What is the typical and usual $ difference between a supervisor and subordinate?
5. Is there a need for you to invest in any infrastructure improvements, i.e. software?
6. Vehicles?

7. Are you fully compliant with the CMS Setting rule? Anticipated Administrative/supports costs?
    a. If NO, what area(s) are you lacking?
8. Is there a need to add to your overall infrastructure?
    a. If yes, what category of staff, i.e. fiscal, quality, program integrity, staff training etc.?

Cost Drivers:

1. Health insurance renewals
2. General, Professional and Auto Liability insurance renewals
3. Workers Comp
4. What do you see as "unfunded mandates"?

Other:

1. What keeps you up at night?