

2017 Rate Setting Methodology Review

Background

Senate Bill 147, passed by the legislature in the 2017 session, requires the Department of Social Services (DSS) and Department of Human Services (DHS) to establish a rate setting methodology for services delivered by community-based providers. Each category of service is to undergo a comprehensive rate modeling analysis at least every five years. Rate modeling analysis is to include a review of the most recent cost report data, specific survey and staffing requirements, or other sources. Any information gathered will be public record, and the departments will create an annual report for the Governor and Legislature in conjunction with annual budget hearings. Providers included in the bill are:

- Nursing Homes
- Assisted Living
- In Home Service Providers
- Group Care
- Psychiatric Residential Treatment
- Substance Use Disorder treatment and prevention
- Community Mental Health Centers
- Intermediate Care facilities for co-occurring intellectual and developmental disabilities
- Community Support Providers
- Other providers as appropriately determined by the secretaries of DSS and DHS

Steering Committee

In June 2017, a steering committee began meeting to develop criteria to establish the review schedule for impacted providers and develop consensus regarding the overall implementation approach. The group met two times and developed a consensus framework that outlined the responsibility of the steering committee; clarified various terms; recommended use of subject matter financial and programmatic experts and subgroups to carry out the actual analysis and recommendations for each provider group; developed outcomes; and established the criteria and review schedule. The steering committee also developed the annual report format for the Governor and Legislature. A list of members and meeting materials can be found online at <http://dhs.sd.gov/workgroups.aspx>.

Consensus Framework

PREAMBLE

Community-based service providers, DSS, and DHS are partners in the mission to deliver services to improve the health and well-being of many of the state's most vulnerable citizens. We share many common goals and work collaboratively toward the achievement of these goals. The departments are advocates for the recipients of services and their families as well as for the community-based service providers. The departments are also responsible for regulating and the distribution of available funding

to community-based service providers. Community-based service providers deliver a wide range of health, human, and social services to South Dakotans in partnership with the state, and also serve as advocates with the departments and policymakers to improve access and availability to services. While the departments and community-based service providers may have differing perspectives on regulatory and funding responsibilities on occasion, it is in the public interest that all involved parties respect perspectives and collectively work toward a consensus resolution.

PURPOSE AND SCOPE

The purpose and scope is established in Senate Bill 147 as set forth in the following bill sections.

Section 1: DSS and DHS shall jointly establish a rate setting methodology for services delivered by community-based health and human services providers. Each category of service shall undergo a comprehensive rate modeling analysis at least every five years. The departments may elect to conduct the analysis earlier or on a more frequent basis if warranted by cost report information or other market conditions. Any new service model shall undergo comprehensive rate modeling analysis prior to implementation.

Section 2: Rate modeling analysis shall include a review of current cost report data, specific service delivery and staffing requirements, training and fidelity standards associated with related service models, current market factors, and current and impending state and federal policies that may impact the cost of service delivery. Any information gathered will be public record.

Section 3: Rate modeling analysis shall be an inclusive work group process including providers representing each service category under review.

Section 4: Rate determination resulting from rate modeling analysis utilizing historical cost report information shall be adjusted in a manner to be applied in a prospective fashion subject to federal requirements.

Section 5: The department shall report any rate variance to the Governor and to the Legislature on an annual basis in conjunction with annual budget hearings.

Section 6: This applies to all state funded services, including federal funding, Medicaid and block grant fund sources, state general funds, and other funds allocated by DSS or DHS that are provided by the following types of community-based providers:

1. Nursing facilities;
2. Assisted living facilities;
3. In home service providers;
4. Group care providers;
5. Psychiatric residential treatment facilities;
6. Substance use disorder treatment and prevention providers;
7. Community mental health centers;

8. Intermediate care facilities for co-occurring intellectual and developmental disabilities;
9. Community support providers; and
10. Other types of providers deemed appropriate for inclusion by either the secretary of DSS or the secretary of DHS.

The legislative scope does not include formulating recommendations on the adequacy of current funding levels or on departmental budget requests. The intent of community-based service providers in drafting of Senate Bill 147 was to build on the rate setting and rate modeling processes that have been utilized by the departments.

CLARIFICATION OF TERMINOLOGY

The terminology of rate setting methodology and rate modeling analysis are both used in the enacting legislation. They are not interchangeable. The terminology is clarified as follows:

- Rate setting methodology: refers to the overall method or process of establishing service rates. There will be common principles applied across rate setting methodologies (i.e., allowable cost components, consideration of administrative costs). The methodologies may vary across categories of services and some may take into consideration the acuity of the recipient.
- Rate modeling analysis: refers to comparing a rate setting methodology against service delivery expectations and then assessing costs of the various components of that methodology. The results of the rate modeling analysis are referred to as the analyzed rate. The analyzed rate can then be compared to a current reimbursement rate and/or to historical costs. The analyzed rate is a system-wide representation of a service, not an individual provider representation. The rate modeling analysis is not intended to prescribe individual provider operations; however, an individual provider may adjust their operations to better align with the analyzed rate.

OUTCOMES

- A schedule and process that ensures a review of rate modeling analysis at least every five years by an inclusive work group. The schedule will reflect the year that the rate analysis is completed. The number and complexity of services within some provider types may result in the need for the analysis to span multiple years. An annual summary of variances between cost report data, modeled rates prospectively adjusted (i.e., an inflation factor), and current reimbursement rates for all categories of services. An example of a possible format for presenting the summary of the variances is provided in Attachment 1.
- Provider support of budget recommendations as a result of rate modeling analysis.
- Greater understanding of overall reimbursement models and methodologies.
- Alignment of reimbursement rates to service delivery models within existing resources.

STRUCTURE AND PROCESS

A steering committee comprised of high level leadership from the departments and the community-based service providers will facilitate the rate modeling analysis.

The departments will determine their respective representation. The community-based members will be membership association leaders or provider executives.

It is incumbent upon the members of the steering committee to develop a process for rate modeling analysis that is in the greater interest of all designated human and social services providers.

The steering committee should include high level leadership identified by the departments and be representative of the provider types identified in Section 6. The size of the steering committee should promote interactive dialogue and support consensus decision-making.

There is no specific funding allocated to support the work related to the rate modeling analysis. Participants are responsible for their own travel and meeting costs.

It is recognized that a schedule will need to be established for the rate modeling analysis as the departments do not have the staff resources to simultaneously support the analysis for all rates.

STEERING COMMITTEE RESPONSIBILITIES

- Determine frequency of meetings
- Establish the criteria for prioritizing category of providers and/or individual rates within a category for rate modeling analysis
- Establish the schedule for rate modeling analysis
- Determine the common principles/parameters that will apply to the rate setting methodology across all sectors
- Provider representatives will facilitate the timely and accurate submission of cost reports and additional information as requested
- Review cost report and rate comparison data across all sectors
- Determine the format for the report on variances between costs and rates
- Determine the category or topic specific work groups
- Review the results/findings from category or topic work groups
- Establish a mechanism for communicating committee actions with provider groups, individual provider organizations, and legislators

UNDERSTANDINGS

It is important the community-based service providers and departments have a shared understanding of the parameters of this work and the potential implications of the findings and results of the rate comparison and rate modeling analysis. The understandings are as follows:

- There may be a need to review and consolidate or eliminate other collaborative activities that compete for department and provider time and resources.
- Information gathered relative to implementation of Senate Bill 147 will be public record pursuant to Section 2.
- A rate setting methodology consistent with service delivery expectations and requirements necessary to establish the extent to which services are or are not fully funded.
- The rate modeling analysis may identify rates that are “too low” as well as rates that are “too high.” This could result in changes – both positive and negative – to service rates and level of reimbursement to providers.
- Although the legislative scope does not include increasing or re-allocating existing resources, it is conceivable that re-allocation of resources could be a consequence of this process. Community-based service providers support the departments’ prior use of a hold-harmless, phase-in approach to reductions in rates or levels of reimbursement.

The community-based provider types represented in the steering committee will support department budget recommendations that are a result of the rate setting analysis.

PARKING LOT TOPICS/ISSUES

Topics/issues will likely arise during discussions that are outside of the legislative scope of the rate setting methodology project. A list of these topics will be collected on a “parking lot” list but will not be the focus of meetings or discussions relative to this project.

These are just examples of what might show up on a parking lot list:

- How to achieve full funding of existing services
- Prioritization of budget resources – new/expanded services; growth in eligibles; funding of rate methodology to avoid “passing on” structural deficit
- Should independent living centers and community living homes be added to the provider types pursuant to Section 6, item 10

Review Schedule

The criteria developed to prioritize and establish a review schedule include:

- Known access issues
- Difference between most recent cost report data and current reimbursement rates
- Required service model changes
- Additional factors/consider as needed/equal weights:
 - Reliance on state funding
 - Date methodology last reviewed
 - Number of consumers impacted

Based on these criteria, the steering committee recommended the following schedule:

YEAR 1 (SFY2018)

1. In Home Services including nursing and personal care (DHS/DSS)
2. Residential Treatment for Youth – including psychiatric residential treatment, group care, and independent living (DSS CPS and DOC)

YEAR 2 (SFY2019)

1. Substance Use Disorder including Outpatient, Inpatient, Halfway House and Assessment Services (DSS BH)
2. Assisted Living Providers (DHS)

YEAR 3 (SFY2020)

1. Mental Health Services including Outpatient psychiatric services and counseling, services for children with severe emotional disturbance, Individualized Mobile Programs of Assertive Community Treatment (IMPACT) (DSS BH)
2. Community Support Providers (DHS)

YEAR 4 (SFY2021)

1. Justice Involved Populations including Functional Family Therapy (FFT) and Cognitive Behavioral Interventions for Substance Abuse (CBISA) – (DSS BH)
2. Nursing Homes (DHS)

2017 Rate Methodology Review

The steering committee developed the format for the annual report. The annual report includes the proposed timeframe for review, current fiscal year reimbursement rates, percentage of methodology paid, and cost to reach 100 percent of methodology. The report also includes the results of the analysis of the provider subgroup, the calculated rate including any recommended methodology changes, and the cost to reach 100 percent of the recommended methodology using the most recent data available.

Members of the provider subgroups, meeting agendas and materials, and the 2017 annual report can be found online at <http://dhs.sd.gov/workgroups.aspx>.