



# SB147 – Year 2 Substance Use Disorder

April 25, 2018

# Overview of SB147 – Workgroup Purpose

- Summary of SB147
- Steering Committee
  - Consensus framework
  - Prioritization of services
- Annual reporting
- Public website location - DHS website\DHS Portals\Resources\Workgroups\Provider Rate Methodology Workgroup

## List of Service categories and prioritization

- Service categories included in the Year 2 review are outpatient services, low intensity residential, detoxification, inpatient and SUD PRTF.
- Service categories not included in the Year 2 review are CJI which will be included in the Year 4 review.

# List of Service categories and prioritization

DSS contracted with 33 providers in FY17.

<u>Service</u>	<u>Number of providers</u>
Outpatient	30
Low Intensity Residential	8
Inpatient	7
Detox	5
PRTF	4

Recommending prioritization of review of services based on volume of providers and dollars spent. Based on those criteria, Outpatient services would be reviewed first.

# Rate Methodology Overview

- Reimbursement rates are set using primary sources:
  - Based on other payer fee schedules (private pay, Medicare, etc.)
  - Costs reported through annual cost reports
  - Provider specific surveys – both state specific and national
- Rate setting cannot be done in isolation. A collaborative approach using financial workgroups is used when possible to develop rate setting models.
- Most providers submit annual cost reports consistent with their operating year-end.
- Not all costs are allowable for Medicaid reimbursement based on federal requirements.

# Rate Methodology Overview

- Providers submit an annual cost report subject to audit. The cost report includes revenue, expense, and units of service provided during the reporting period.
- Because of the time lag between submission of the cost report and use of the information for rate setting, costs can be inflated.
- Several categories of providers in this group have adopted a uniform timeframe for the cost report period so that all provider cost data is from the same time period.

# Rate Methodology Overview

- Once cost report data is validated, it can be used to develop prospective reimbursement rates.
- Various methodologies are used depending on provider type. Models can include various components to minimize the impact that outliers could have on rates and offer a tool to manage costs.
- The annual cost report data can be used to measure how well the model performed and if adjustments need to be made.
- Periodic adjustments to recognize more recent cost report data may also be incorporated into the model.

# Rate Methodology Overview

- Input from providers is gathered and used in methodology development.
  - How the service is delivered, staffing patterns.
  - Documentation and other training or certification requirements.
- Review and analysis of the raw cost report data is completed to identify outliers and establish ranges and mean values for various components of the model.
  - Per unit cost information by provider
  - Average salary and benefits
  - Relationship of personnel costs to operating
- If outliers exist, they can be excluded from use in model development by use of standard deviation calculations.



# Rate Methodology Overview

- In addition to cost report data, additional information may be collected through surveys or other tools for use in model development.
- Survey data could include time spent updating care plans, travel time for home based services, average leave days used, etc.

# Rate Methodology

## Behavioral Health

- Substance Use Disorder – methodology development for majority of services in 2006/2007.
  - Partial methodology/updates to Low Intensity Residential services in 2010
  - Long Term Residential to recognize federal psychiatric residential treatment (PRTF) requirements in 2011
  - CJI-CBISA – 2014
  - Analysis conducted annually to compare most recent cost reports to methodology
- Complete list of fees and fee schedule can be found here at:  
<http://dss.sd.gov/medicaid/providers/feeschedules/dss/>

# Rate Methodology Example

## Behavioral Health – CD Counselor

### LOCAL/GROUP COUNSELING

	<u>Avg Salary</u>
AVERAGE COUNSELOR STAFF SALARY	\$24,950
TOTAL COUNSELOR SALARY	\$24,950
TOTAL BENEFITS AND TAXES	\$4,758
TOTAL COUNSELOR SALARY COST (B&T)	\$29,708
TOTAL SALARY COST (B&T)	\$29,708
(+) TOTAL OPERATING COSTS	\$10,100
(=) TOTAL COST	\$39,708
TOTAL COST	\$39,808
AVG BILLABLE HOURS	1,768
RATE PER HOUR	\$22.52
RATE	\$22.52per hour \$5.44per 15 min

# Rate Methodology

## Behavioral Health

- The rate model in the previous slide was used to develop rates for Outpatient Group and Individual Counseling.
- All other rates for Behavioral Health Services were historically set based on per unit data from cost reports.