



Assisted Living Rate Overview

SB 147 Provider Rate Review Workgroup

June 13, 2018

Overview

- The goal of any effective rate setting methodology is to include all allowable and reasonable costs and allow the provider to cover the cost incurred for the provision of the service while incentivizing quality care.
- Not all programs and services for which rates are set are the same, therefore there is no one methodology, or formula to establish rates.
- Federally, not all costs are allowable for Medicaid or other federal fund reimbursement. Some examples include some advertising, bad debt, and fund raising.
- Medicaid funded services cannot be reimbursed at rates greater than private pay.
- Federal Medicare Upper Payment Limits apply – i.e. comparison of Medicaid to Medicare.

Overview

- Based on the approach and service type, rates may be uniform for a specific service for all providers or may be unique to each provider for the same service.
- Federal requirements can be very specific, or provide a general framework and states have more flexibility in establishing reimbursement methods.
- For Medicaid and other grants, various federal regulations and guidance outline allowable costs and cost allocation methods used to report costs.
 - OMB Circular A-87
 - CMS Publications 15-1 & 15-2 Provider Reimbursement Manual
 - South Dakota's Medicaid State Plan

Overview

Reimbursement rates are set using three 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
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- Rate setting cannot be done in isolation. A collaborative approach using financial workgroups is used when possible to develop rate setting models.

Rate Setting Methodologies/Process

- 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 ceilings or limits, or other mechanisms 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.

Payment Methodology Community Based Services

- Prospective rate based on historical cost
- Providers submit an annual cost report subject to audit. The cost report includes revenue, expense, and units of service provided during the reporting period.
- 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.

Payment Methodologies

Community Based Services

- Input from providers is gathered and used in model 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 do exist, they can be excluded from use in model development by use of standard deviation calculations.
- In addition to cost report data, additional information may be collected through surveys or other tools for use in model development.

Payment Methodologies

Assisted Living

	SD Average (2017)*	SD Average (Five Year)*	50% of Nursing Facility Rate FY18 (\$138.50) adjusted for cost share (76%)	2016 Cost Report Average minus R&B (23.34)
Average Cost per Day	\$ 86.37	\$ 70.69	\$ 52.63	\$ 50.17
SFY2019 AL Rate	\$ 48.32	\$ 48.32	\$ 48.32	\$ 48.32
Avg Cost Minus DHS rate	\$ 38.05	\$ 22.37	\$ 4.31	\$ 1.85

*Using report prepared by Genworth, the daily costs were determined by dividing the annual average costs by 365, subtracting the standard 7% for non-allowable costs, and further subtracting \$23.34 for room and board.

Payment Methodology

Assisted Living

Annual Expenditures: \$9.8 million (FY17)

Fund Source: Medicaid (waiver)

Average Monthly Number Served: 658

Number of Providers: 115

SFY2019 daily rate: \$48.32 per day (waiver services only- does not include room and board which is paid by the resident).

- Rate is currently based relationally to nursing home rate (the methodology is based on 50% of the nursing home rate)
- In the past year we have been reaching out to providers to obtain more Assisted Living cost reports. In FY2015 we received 9 cost reports. In FY2016 we received 63 cost reports. Currently, we have received 49 cost reports for FY2017.

CY 2018 Room & Board Calculation and SFY 2019 Waiver Services Calculation

The CY2018 Room & Board rate calculation and the SFY 2019 waiver services rate calculation were completed as shown below:

SFY 2019 AL Waiver Rate Calculation	
Effective April 1, 2018	
SFY 2018 Rate	\$ 40.62
SFY 2019 Move to 90%	16.61%
90% Methodology Rate	\$ 47.37
SFY 2019 Inflation	2.00%
SFY 2019 Rate	\$ 48.32
Daily Rate = \$48.32	
Monthly Rate = \$1,469.73	
CY2018 Room & Board Rate Calculation	
Effective January 1, 2018	
CY 2017 SSI	\$ 735
CY 2018 Inflation (COLA)	2.00%
CY 2018 SSI	\$ 750
Add: State Disregard	\$ 20
Less: Personal Needs Allowance	\$ 60
Total Income per Month	\$ 710
CY 2018 Room & Board Rate	\$ 23.34
Daily Rate = \$23.34	
Monthly Rate = \$710	