



South Dakota Rate Methodology Workgroup

*1915(c) Home and Community-Based
Services (HCBS) CHOICES Waiver*

September Meeting

September 27, 2021

Agenda

1. Welcome
2. Provider Survey Update
3. Survey Wage Data for DSPs and Job Coaches
4. Survey Wage Data for Other Job Types
5. Employee-Related Expenses (ERE)
6. Additional Direct Care Rate Adjustments
7. Indirect Cost Assumptions
8. Next Steps

Welcome

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Provider Survey Update

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Provider Survey General Statistics

- Guidehouse and DHS released the South Dakota DD Provider Survey on August 4th and requested provider organizations to complete the survey by September 8th, 2021.
- All 20 provider organizations serving DDD CHOICES Waiver participants responded through individual survey responses within the September 8th due date.
- After receipt of the survey responses, Guidehouse compiled responses and analyzed the data to review findings with the Rate Methodology Workgroup.

General Survey Results	
Survey Responses	
Total Number of SD DDD Providers Organizations	20
Total Number of Provider Survey Responses Received (Response Rate)	20 (100%)
Additional Organizational Information	
Total number of current unduplicated active CHOICES Medicaid waiver participants at the time of the survey	2,459
Total number of sites that provide services to CHOICES Medicaid waiver participants at the time of the survey	277

Summary of Provider Survey Data

- All provider organizations reported completed surveys with quantitative wage and service delivery data that could be utilized to develop key components for the service rate models.
- Guidehouse was able to leverage all data points captured in the table below to inform analysis, benchmarks, and recommendations for wages as well as direct care rate components.

Data Points and Rate Components	Provider Survey Section
Direct Care Staff Wages and Benefits	
Hourly Wage	Worksheet E, Wages
Employee Related Expenses / Benefits	Worksheet F, Benefits
Direct Care Staff Productivity	
Billable Hours	Worksheet D, Sec. 1, Productivity
Supervision Costs	
Supervision Time per Hour	Worksheet D, Sec. 2, Supervisor to Staff Ratio
Staffing Ratio	
Staff : Client	Worksheet D, Sec. 3, Staff to Client Ratio

Survey Quality Checks and Follow Up

Analysis & Quality Checking

- Guidehouse performed the following quality checks to prepare the data for analysis:
 - *Completeness*: Checked the completion status in all worksheets within individual survey workbooks to ensure they reflected “Complete”
 - *Outliers*: Reviewed quantitative data points (e.g., wages, productivity, benefits, etc.) reported across all organizations to identify potential outliers. If Guidehouse excludes any outlier data points or makes assumptions for rate model inputs, the assumptions will be reviewed with DHS and the Rate Methodology Workgroup, and documented in the annual report.
- Guidehouse reviewed the questions, options, and response formats that were modified from version 1 to version 2 of the Provider Survey to allow for consistent analysis
- As part of survey analysis, Guidehouse also reviewed clarification details reported in the Additional Information section of the survey.

Follow Up Process

- Guidehouse will follow up with provider organizations, if necessary, via SD-DD-HCBS@guidehouse.com.

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Provider Survey Wage Data for DSPs, Job Coaches, and ISCs

Wages Reported for Key Job Types in Provider Survey

- Direct Service Professionals, Employment Specialists/Job Coaches, and Internal Service Coordinators were reported as the primary service providers for most services and organizations.
- Average, median, and weighted hourly wages were calculated based on average hourly wages reported by individual provider organizations in the South Dakota DD Provider Survey.
- Average weighted hourly wages based on the FY19 claims revenue yield wages that are – on average – 2.5 percent higher than average or median hourly wages.

Job Type	July 2021 Wage – South Dakota DD Provider Survey			
	Number of Provider Organizations (Percentage of Provider Organizations)	Average Hourly Wage	Median Hourly Wage	Average Hourly Wage Weighted based on FY19 Claims Revenue
Direct Service Professional – Day Time (“DSP”)	20 (100%)	\$16.49	\$16.64	\$17.05
Employment Specialist/Job Coach (“Job Coach”)	16 (80%)	\$18.20	\$18.46	\$18.63
Internal Service Coordinators (“ISC”)	15 (75%)	\$21.65	\$20.63	\$21.63

DSP Wage Variation in Provider Survey

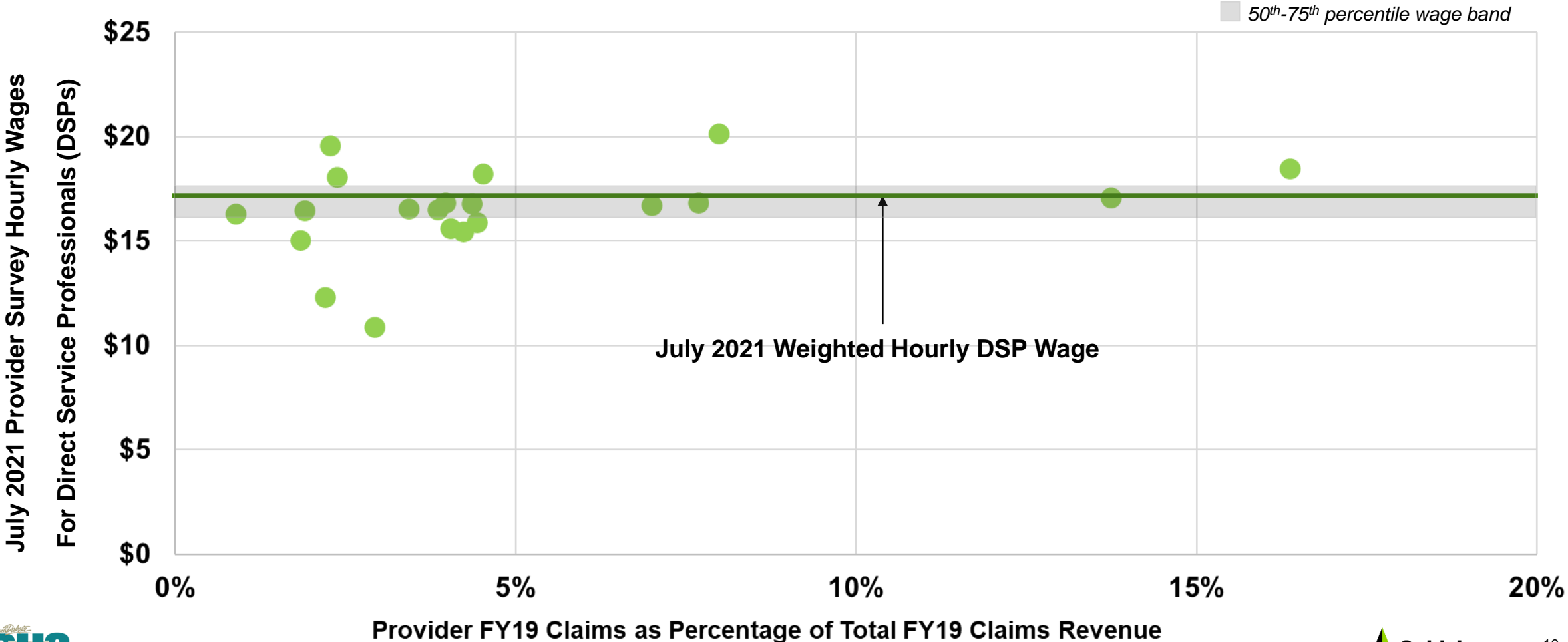
DSP hourly wages reported by organizations in the Provider Survey vary widely from \$10.90 at minimum to \$20.15 at maximum, with most providers (6 of 20) offering wages within the 2nd quartile wage range.

- The variation in wages does not trend clearly to geographic service areas (urban, rural, suburban) and it is not sufficiently consistent to justify rate differentials across provider organizations.

Job Type	July 2021 Wage – South Dakota DD Provider Survey				
	Wage Range Category	Wage Range	Number of Provider Organizations (Percentage of Provider Organizations)	Percentage of Provider Organizations by FY19 Claims Revenue	Provider Organization Primary Service Areas
Direct Service Professional – Daytime (DSP)	Minimum - 25 th Percentile	\$10.90 - \$15.82	5 (25%)	15%	Urban, Rural, Suburban
	25 th - 50 th Percentile	\$15.83 - \$16.64	6 (30%)	19%	Urban, Rural
	50 th - 75 th Percentile	\$16.65 - \$17.32	4 (20%)	33%	Urban, Suburban
	75 th Percentile - Maximum	\$17.33 - \$20.15	5 (25%)	33%	Urban, Rural, Suburban

Relationship between Wages and Revenue for DSPs

DSP hourly wages for three-quarters of provider organizations by claims revenue (15 of 20) fall within the 75th percentile wage mark that closely aligns with the July 2021 weighted hourly wage of \$17.05.



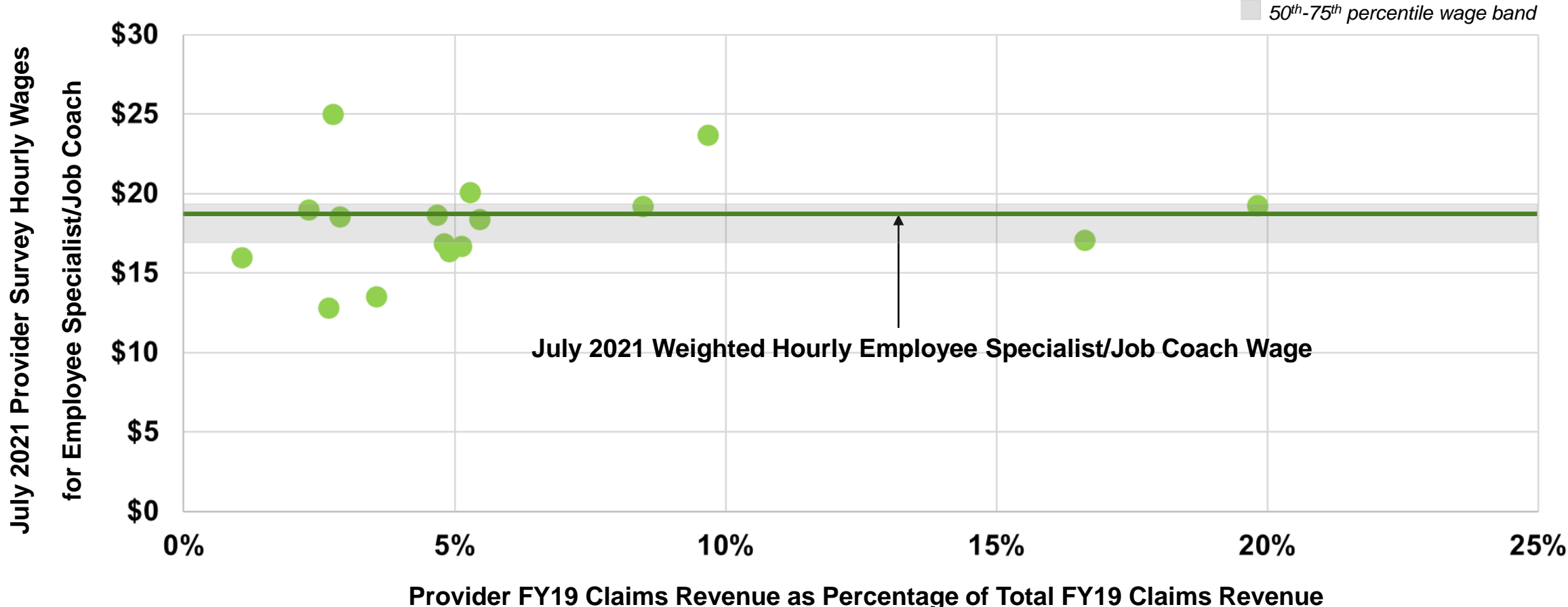
Employment Specialist/Job Coach Wage Variation

Employment Specialist/Job Coach hourly wages trended uniformly across all wage ranges with a minimum hourly wage of \$12.82 and maximum hourly wage of \$25, and no distinct geographic trend.

Job Type	July 2021 Wage – South Dakota DD Provider Survey				Provider Organization Primary Service Area(s)
	Wage Range Category	Wage Range	Number of Provider Organizations (Percentage of Provider Organizations)	Percentage of Provider Organizations by FY19 Claims Revenue	
Employment Specialist/Job Coach (“Job Coach” or “ES/JC”)	Minimum - 25 th Percentile	\$12.82 - \$16.63	4 (20%)	12%	Suburban, Rural
	25 th - 50 th Percentile	\$16.64 - \$18.46	4 (20%)	32%	Urban, Suburban
	50 th - 75 th Percentile	\$18.47 - \$19.23	4 (20%)	18%	Rural, Urban
	75 th Percentile - Maximum	\$19.24 – \$25.00	4 (20%)	38%	Urban, Suburban, Rural

Relationship between Wages and Revenue for ES/JC

Similar to DSP wages, ES/JC wages for a vast majority of provider organizations by claims revenue (12 of 16) align closely with the 50th-75th percentile wage range that includes the July 2021 weighted hourly wage of \$18.63.



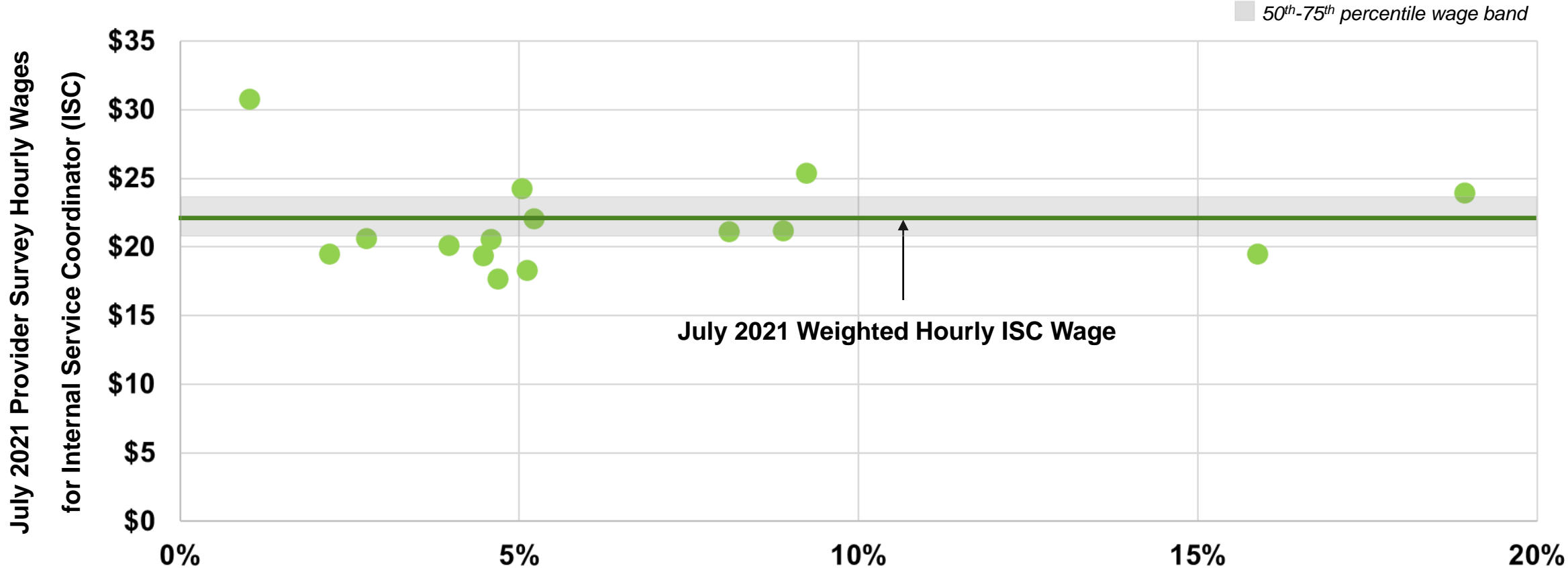
Internal Service Coordinator Wage Variation in Survey

Internal Service Coordinator were reported as one of the primary service providers in addition to DSPs and/or ES/JCs for all waiver services by most organizations (15 of 20), and the average hourly wages are at least 10 percent higher than DSP and ES/JC wages.

Job Type	July 2021 Wage – South Dakota DD Provider Survey				
	Wage Range Category	Wage Range	Number of Provider Organizations (Percentage of Provider Organizations)	Percentage of Provider Organizations by FY19 Claims Revenue	Provider Organization Primary Service Area(s)
Internal Service Coordinator (“ISC”)	Minimum - 25 th Percentile	\$17.70 - \$19.52	5 (25%)	32.5%	Rural, Urban
	25 th - 50 th Percentile	\$19.53 - \$20.63	3 (15%)	11%	Rural, Suburban
	50 th - 75 th Percentile	\$20.64 - \$23.06	3 (15%)	22%	Urban
	75 th Percentile - Maximum	\$23.07 - \$30.80	4 (20%)	34.5%	Urban, Rural

Relationship between Wages and Revenue for ISCs

Consistent with the other primary service providers, weighted average hourly wages for ISCs represent over three-quarters of all provider organizations, and there is no definite trend in the size of the providers that reported wages that exceeded the weighted wage.



Additional Wage Data Submitted

Guidehouse reviewed additional wage data and resources submitted by provider organizations including current employee wages, starting wages, skills and roles advertised on job portals, and general pay structures, as part of wage analysis.

- The following data points were compared with the benchmarks obtained from the Provider Survey:
 - Starting Wages on Job Portal: Average DSP starting rate across 17 SD DD DSP postings on Indeed is \$15.58.
 - General Pay Structure for FY22: Four organizations shared the current general pay structure for full-time DSPs currently, and the average current base wage across the four organizations was \$16.51.
 - Base Rates for Residential DSPs: Average residential DSP rate shared by one organization across three locations was \$16.
 - Current and Historical Rates for DSPs: Average DSP rate for DSPs in one organization is \$18.81 currently which is a 25 percent increase from the average 2019 rate of \$15.08.
- Guidehouse noted that the information captured above is consistent with the July 2021 base wages reported in the Provider Survey.
- Guidehouse will work with DHS to document any feedback that is identified as a parking lot item within the annual report.

National Growth Trend in Monthly Hourly Earnings

The Bureau for Labor Statistics Employment, Hours, and Earnings from the Current Employment Statistics National survey data captures average hourly earnings for residential intellectual and developmental disability facilities in the health sector on a monthly basis.

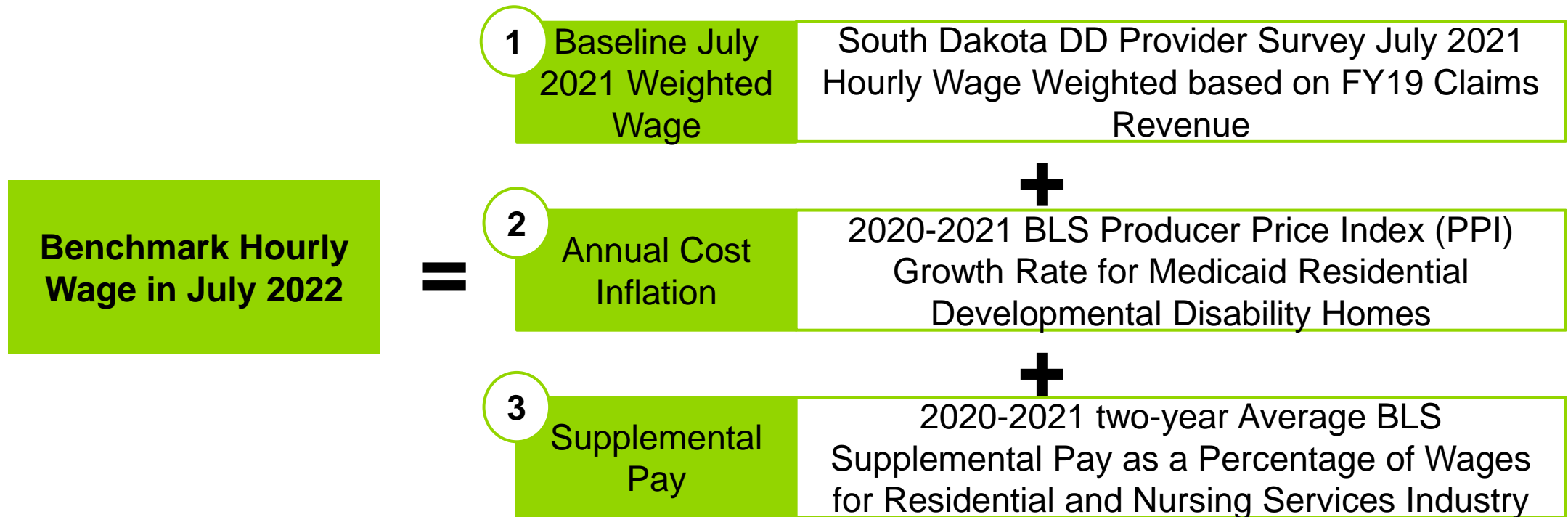
- As captured in the table below, the average real wages from the FY19 and FY20 cost reports (“Mean Real Wages” in SD Cost Report) align with the corresponding BLS average hourly earnings (“Mean Real Wage” in US Hourly Earnings).
- Moreover, the July 2021 average hourly earnings is \$17.18, after a 6 percent increase over FY21, and it nearly aligns with the weighted mean baseline wage of \$17.05 in the Provider Survey.

Data Comparisons	SD Cost Report (2019-2020)	SD DD Provider Survey (2021)		US Average Hourly Earnings		
	Year	Mean Real Wage*	Unweighted Mean Baseline Wage	Weighted Mean Baseline Wage	Mean Real Wage	Average Annual Growth in Mean Real Wage
	FY 2019	\$14.55	--	--	\$14.58	--
	FY 2020	\$15.48	--	--	\$15.25	4.6%
	July 2021	\$16.96	\$16.49	\$17.05	\$17.18	6.0%

Source: BLS Earnings from Current Employment Statistics national survey for residential intellectual and developmental disability facilities (As of July 2021) Available online: <https://www.bls.gov//data>; Note: “Real hourly wage” accounts for overtime, premium pay, and shift differentials by dividing the total wages paid by total number of hours.

Wage Adjustment Factors for DSPs, Job Coaches and ISCs

Benchmark rates for July 2022 are computed by inflating the July 2021 weighted average hourly wages to reflect growth in annual costs as well as supplemental pay as a function of wage and labor costs.*



*Note: If rate recommendations are approved, the rates will likely come into effect in July 2022.

Cost Trending: Producer Price Index (PPI)

The Bureau for Labor Statistics Producer Price Index (PPI) for Medicaid Residential Developmental Disability Homes is suitable for estimating annual inflationary increases in provider costs and is utilized for trending wages consistently across all job types.

- The BLS updates the index monthly, providing a point-in-time indicator of cost growth for current and future rate setting periods. The cost index is specific to Medicaid providers, DD populations, and residential services, making it responsive to unique and evolving costs in DD programs.
- To align potential growth in costs in FY2022 and to account for economic and labor conditions from the recent fiscal year that may reflect the future cost of service delivery, Guidehouse utilized the 2020-2021 PPI growth of **3.4 percent** to trend benchmarks across all job types and historical costs.

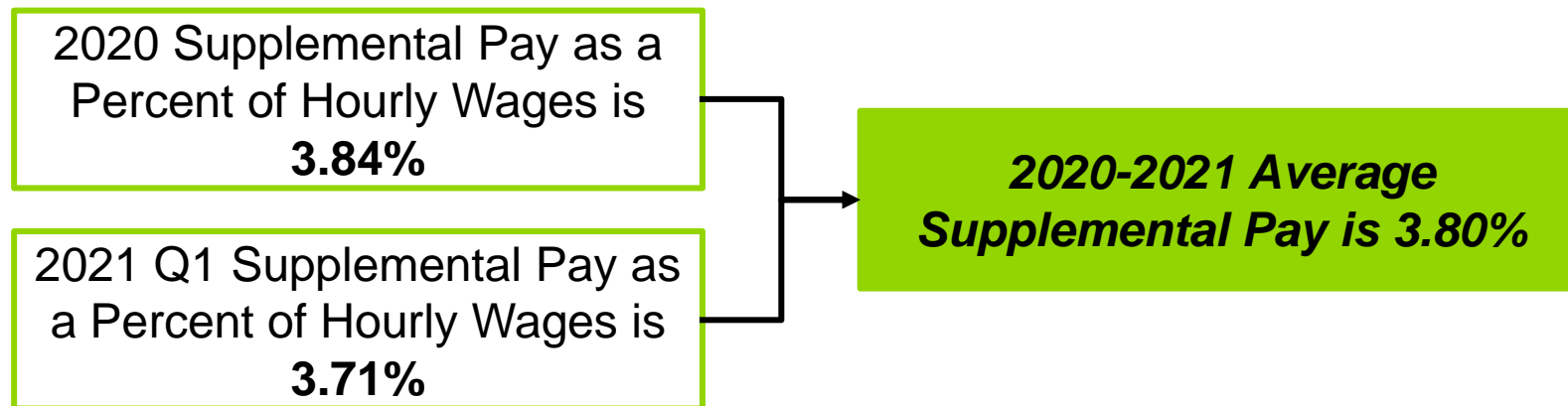


Source: The Bureau for Labor Statistics (BLS), PPI Industry for Residential Developmental Disability Homes – Medicaid patients (2020-2021) Available online: <https://beta.bls.gov/dataViewer/view/timeseries/PCU62321062321011>

Supplemental Pay: Bureau for Labor Statistics (BLS)

The BLS Employer Costs for Employee Compensation (ECEC) data series for the Nursing and Residential Care industry analyzes total compensation by breaking down costs into hourly wage costs as well as expense categories related to mandatory taxes and benefits, insurance, retirement, paid time off, supplemental pay, and other benefits.

- Guidehouse utilized the 2020-2021 average supplemental pay of **3.8 percent** for the nursing and residential care industry.
- BLS supplemental pay includes overtime and premium, shift differentials, and nonproduction bonuses.



Source: The Bureau for Labor Statistics (BLS), Employer Costs for Employee Compensation for Nursing and Residential Care Industry Available online: <https://www.bls.gov/data>

Wage Recommendations for DSP, Job Coach, and ISCs

Guidehouse recommends using the weighted base wages reported by providers in the survey as a benchmark wage, adjusting these wages to account for additional supplemental pay and anticipated inflation.

Job Type	South Dakota DD Provider Survey July 2021 Wage	Projected July 2022 Baseline Hourly Wage	Projected July 2022 Hourly Wage
	Baseline Wage (July 2021 Weighted Hourly Wage)	2022 Baseline Hourly Wage (Baseline + 3.4% Inflation Factor)	Benchmark Hourly Wage (2022 Baseline Hourly Wage + 3.8% Supplemental Pay)
Direct Service Professional – Daytime	\$17.05	\$17.63	\$18.28 per hour
Employment Specialist/Job Coach	\$18.63	\$19.26	\$19.97 per hour
Internal Service Coordinators (ISC)	\$21.63	\$22.37	\$23.19 per hour

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Provider Survey Wage Data for Other Job Types

BLS Benchmarking Comparisons for Other Job Types

The table below shows July 2021 Provider Survey wages and projected July 2022 wages for other job types. These wages are compared to similar job classifications in the BLS data, projected to 2021.

South Dakota DD Provider Survey Data				BLS Benchmark (2021 Projection)		
Job Type	Number of Organizations (Percentage of Organizations)	July 2021 Survey Data (Weighted)	July 2022 Projection	Classification	50 PCT	75 PCT
Registered Nurse (RN)	16 (80%)	\$30.23	\$31.26	29-1141 Registered Nurses	\$29.82	\$34.80
Medical Assistant	14 (70%)	\$18.47	\$19.09	31-9092 Medical Assistants	\$15.58	\$17.86
Licensed Practical Nurse (LPN)	13 (65%)	\$21.96	\$22.70	29-2061 Licensed Practical and Licensed Vocational Nurses	\$19.36	\$22.72
Behavioral Specialist / Technician	9 (45%)	\$22.64	\$23.41	21-1018 Substance Abuse, Behavioral Disorder, and Mental Health Counselors	\$20.81	\$24.92
Life Skills/Personal Support Coach	6 (30%)	\$19.00	\$19.64	19-0000 Life, Physical, and Social Science Occupations (50%) + 39-0000 Personal Care and Service Occupations (50%)	\$19.63	\$25.34
Dietician	4 (20%)	\$24.61	\$25.45	29-1031 Dietitians and Nutritionists	\$27.46	\$31.18

Source: The Bureau for Labor Statistics (BLS), 2020 Occupation Wages Available online: <https://www.bls.gov//data>



BLS Benchmarking Comparisons for Other Job Types

The table below shows July 2021 Provider Survey wages and projected July 2022 wages for other job types. These wages are compared to similar job classifications in the BLS data, projected to 2021.

South Dakota DD Provider Survey Data				BLS Benchmark (2021 Projection)		
Job Type	Number of Organizations (Percentage of Organizations)	July 2021 Survey Data (Weighted)	July 2022 Projection	Classification	50 PCT	75 PCT
Occupational Therapist	3 (15%)	\$35.03	\$36.22	29-1122 - Occupational Therapists	\$36.72	\$42.84
Psychologist	3 (15%)	\$59.34	\$61.36	19-3039 Psychologists, All Other	\$48.38	\$56.68
Board Certified Behavior Analyst	2 (10%)	\$41.11	\$42.51	19-3039 Psychologists, All Other	\$48.38	\$56.68
Physical Therapist Assistant	2 (10%)	\$21.75	\$22.49	31-2021 - Physical Therapist Assistants	\$21.07	\$24.34
Speech Therapist	2 (10%)	\$45.64	\$47.20	29-1127 Speech-Language Pathologists	\$28.23	\$33.08
Driver (Note: Driver's primary responsibility should be driving.)	2 (10%)	\$15.36	\$15.88	53-3052 Bus Drivers, Transit and Intercity	\$15.51	\$17.73
Physical Therapist	1 (5%)	\$31.24	\$32.30	29-1123 - Physical Therapists	\$39.26	\$45.60
Social Worker	1 (5%)	\$35.13	\$36.32	21-1022 Healthcare Social Workers	\$21.34	\$26.11
Transportation Aide	1 (5%)	\$15.61	\$16.14	53-3052 Bus Drivers, Transit and Intercity	\$15.51	\$17.73

BLS Benchmarking Comparisons for Supervisors

The table below shows July 2021 Provider Survey wages and projected July 2022 wages for supervisor job types. These wages are compared to similar job classifications in the BLS data, projected to 2021.

South Dakota DD Provider Survey Data				BLS Benchmark (2021 Projection)		
Job Type	Number of Organizations (Percentage of Organizations)	July 2021 Survey Data (Weighted)	July 2022 Projection	Classification	50 PCT	75 PCT
Direct Support Supervisor	15 (75%)	\$23.49	\$24.29	31-0000 Healthcare Support Occupations (50%) + 31-9099 Other Healthcare Support Workers (50%)	\$18.35	\$21.15
Residential Director	17 (85%)	\$32.83	\$33.95	43-1011 First-Line Supervisors of Office and Administration	\$25.06	\$30.63
Client Benefits Manager	6 (30%)	\$20.77	\$21.48	21-0000 Community and Social Service Occupations	\$20.55	\$24.89
Shift and Unit Supervisor	3 (15%)	\$27.04	\$27.96	43-1011 First-Line Supervisors of Office and Administrative Support Workers	\$25.06	\$30.63

Employee-Related Expenses (ERE)

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Employee-Related Expenses Components and Approaches

- Employee-related expenses (ERE), or fringe benefits, are costs to the provider, such as retirement benefits, unemployment taxes, insurance, paid time off (PTO), and other legally required benefits.
- Guidehouse utilized the Provider Survey information captured in the table below to develop a potential benchmark package, in addition to other market data.
 - The benefits offered by organizations, as indicated in the survey, reveals that most providers offer health, dental, vision, and retirement benefits.

#	Benefits in South DD Provider Survey	Number of Organizations Offering Benefit	Percent of Organizations Offering Benefit
1	Health (Individual and Family)	20	100%
2	Retirement	19	95%
3	Dental	19	95%
4	Vision	16	80%
5	Other – Total	13	65%
a	Other – Life Insurance	7	35%
b	Other – Disability Insurance	2	20%
c	Other – Misc. (unspecified, years of service bonus, annual dinner, HSA)	7	35%

Employee Related Expenses (ERE) Factor

- Guidehouse computed an Employee Related Expense (ERE) factor using both historical costs in FY19 and costs reported in the SD DD Provider Survey data to compare and contrast results and develop a competitive benefits package that is representative of providers' benefits.
- Provider survey data indicates that current provider benefits represent a larger proportion of direct care compensation at 27-34% relative to ERE obtained from the cost reports at 25%.

Data Source	ERE Percentage
FY19 Historical Cost Report	25%
July 2021 Provider Survey	27-34% (varies by job type)

- The following slides demonstrate the approach that was employed to develop a benefits package using the feedback provided by provider organizations in the Provider Survey.

1. MEPS is a set of large-scale surveys of families and individuals, their medical providers, and employers across the United States. MEPS is the most complete source of data on the cost and use of health care and health insurance coverage. <https://www.meps.ahrq.gov/mepsweb/>

2. 2020 MEPS data was trended forward using the 3.40% inflation factor.

Legally Required Components of ERE

Components of ERE include legally required benefits, paid time off, and other benefits adjusted by take-up rates and a part-time adjustment factor.

Legally Required Benefits:

- **Unemployment Taxes:** Employers in South Dakota pay a federal unemployment tax (FUTA) of 0.6% on the first \$7,000 in wages and state unemployment tax (SUTA) 1.2% on average on the first \$15,000 in wages. (Source: [IRS](#) and [SD DLR](#))
- **Federal Insurance Contributions:** Employers pay a combined 7.65% rate of the first \$142,800 in wages for Social Security and Medicare contributions (Federal Insurance Contributions Act, or FICA). (Source: [IRS](#))
- **Workers' Compensation:** Employers in South Dakota pay an effective tax of 2.52% toward workers' compensation insurance. (Source: 2021 Provider Surveys)

FUTA	0.60%
SUTA	1.20%
FICA	7.65%
Workers' Comp.	2.52%

Paid Time Off Components of ERE

Components of ERE include legally required benefits, paid time off, and other benefits adjusted by take-up rates and a part-time adjustment factor.

Paid Time Off:

Paid time off includes holidays, sick days, vacation days, and personal days.

- Guidehouse calculated total paid time off based on the average of each paid time off component reported in the Provider Survey.
- For analysis of PTO as a benefit, the number of PTO days is multiplied by the daily wage expectation and the part-time adjustment factor.

Holidays	8 days
Sick Days	8 days
Vacation & Personal Days	19 days
Total Paid Time Off	35 days per year¹

1. Does not include training days

Other Benefits of ERE

Components of ERE include legally required benefits, paid time off, and other benefits adjusted by take-up rates and a part-time adjustment factor.

Other Benefits:

Other benefits of ERE include health insurance, dental insurance, vision insurance, retirement plan contributions, and other benefits as reported by providers, such as life insurance and disability insurance.

- These values represent averages from providers who responded to the cost survey *who contribute to their full-time employees' benefits*.
- Although some providers did not offer employer contributions to certain optional benefits, the current benefits package and model assumes that all providers will offer contributions to optional benefits.
- The employer health insurance contribution is the weighted average of contributions to family plans and individual plans.

Health Insurance	\$705/mo.
Dental Insurance	\$284/yr.
Vision Insurance	\$14/yr.
Retirement	4.2%

Components of ERE

Components of ERE include legally required benefits, paid time off, and other benefits adjusted by take-up rates and a part-time adjustment factor.

Adjustment Factors:

- **Part-Time Adjustment Factor:** Using data from the 2019 Cost Reports, the proportion of full-time direct service persons eligible for benefits was calculated.
- **Take-Up Rate for Optional Benefits:** This rate represents the average percentage of eligible employees who received coverage or contributions from their employer. The take-up rate was calculated for optional benefits using the number of employees who received coverage or contributions and the number of employees at organizations that offer coverage or contributions.

Part-Time Adjustment Factor	73%
Take-Up Rates	
Health Insurance	68%
Dental Insurance	67%
Vision Insurance	59%
Retirement	64%

ERE Calculations

Calculating ERE requires analysis of the various benefits available to employees in the state based on cost survey, provider survey, and market data.

Inputs include the average cost of benefits described on the previous slides, adjusted using take-up rate and part-time adjustment factor as appropriate:

- Legally Required Benefits
- Paid Time Off
- Other Benefits

Example calculation for health, dental, and vision insurance ERE components:

$$\frac{\text{Average Cost of Insurance} \times \text{Insurance Take-Up Rate} \times \text{Part-Time Adjustment Factor}}{\text{Annual Wage}}$$

Example calculation for the retirement ERE component:¹

$$\frac{\text{Annual Wage} \times \text{Benefit Cost: Percent of Wages} \times \text{Benefit Take-Up Rate} \times \text{Part-Time Adjustment Factor}}{\text{Annual Wage}}$$

1. Legally required benefits are calculated similarly, but the benefit take-up rate is excluded since these benefits must be offered to employees per state and federal statutes.

Combining ERE Inputs

ERE is calculated as a percentage of wages.

Total ERE per DSP:

- The three components of ERE (Legally Required Benefits, Paid Time Off Benefits, and Other Benefits) are added together to determine total ERE per DSP.
- Total ERE per DSP equals 34% of the wage, per survey results.

Annual Wages – FY2022	\$38,017
Legally Required Benefits	\$4,088 (10.75%)
Paid Time Off Benefits	\$3,730 (9.81%)
Other Benefits	\$5,107 (13.43%)
Total ERE per DSP	\$12,925 (34.00%)

ERE Across Different Wage Bands

Different job types with similar compensation have been grouped into “wage bands” as a way to estimate fringe percentages across salary ranges, which provides better estimates of compensation expenses than one-size-fits-all approach.

	Band 1: Direct Support Professional	Band 2: Job Coach	Band 3: Internal Service Coordinator	Band 4: Direct Support Supervisor	Band 5: Registered Nurse	Band 6: Board Cert. Behavior Analyst
Annual Wages	\$38,017	\$41,540	\$48,230	\$50,520	\$65,016	\$88,416
Legally Required Benefits	\$4,088 (10.75%)	\$4,446 (10.70%)	\$5,126 (10.63%)	\$5,359 (10.61%)	\$6,833 (10.51%)	\$9,212 (10.42%)
Paid Time Off Benefits	\$3,730 (9.81%)	\$4,076 (9.81%)	\$4,732 (9.81%)	\$4,957 (9.81%)	\$6,379 (9.81%)	\$8,675 (9.81%)
Other Benefits	\$5,107 (13.75%)	\$5,297 (12.46%)	\$5,307 (11.00%)	\$5,352 (10.59%)	\$5,635 (8.67%)	\$6,093 (6.89%)
Total ERE	\$13,046 (34.31%)	\$13,698 (32.97%)	\$15,165 (31.44%)	\$15,668 (31.01%)	\$18,847 (28.99%)	\$23,981 (27.12%)

Comparison of MEPS and Provider Survey Data

External market data indicates that current provider benefits are competitive with the South Dakota market.

- Health insurance ERE was calculated using data from the Medical Expenditure Panel Survey (MEPS)¹ administered by U.S. DHHS’s Agency for Healthcare Research and Quality.
- Results were in alignment with the health insurance ERE calculated using data from 2021 Provider Surveys, corroborating the accuracy of the 2021 Provider Survey data.

ERE Component	2021 Provider Survey Data	2020 MEPS Data ²
Health Insurance Cost (Single)	\$7,890	\$5,547
Health Insurance Cost (Family)	\$12,099	\$14,518
Weighted Average Health Insurance Cost	\$8,464	\$8,649
Health Insurance Take-Up Rate	68%	57%
Part-Time Adjustment	73%	79%

1. MEPS is a set of large-scale surveys of families and individuals, their medical providers, and employers across the United States. MEPS is the most complete source of data on the cost and use of health care and health insurance coverage. <https://www.meps.ahrq.gov/mepsweb/>

2. Data not trended to 2021, due to effects of COVID.

Additional Direct Care Rate Components

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Proposed Rate Structure for Non-Residential Services

Rates will be developed for four services, namely Career Exploration, Day Services, and Individual and Group Supported Employment Services, in addition to Residential Services.

Current 1915(c) CHOICES Waiver Service	Proposed Service Rate Structure (Proposed Unit)
Career Exploration	Community-Based (hourly)
	Fixed Facility-Based (hourly)
Day Services	Community-Based (hourly)
	Fixed Facility-Based (hourly)
Supported Employment Services	Individual Supported Employment – Discovery, Job Development, and Stabilization & Career (hourly)
	Individual Supported Employment – Long-term Support & Job (15 minutes)
	Group Supported Employment Services (hourly)
	<i>New Service: Supported Employment – Enclave</i>
Assistive Technology	<i>New Service: Assistive Technology</i>
Nursing	Not an exclusive service; Integrated with existing services

Proposed New Non-Residential CHOICES Waiver Services

- **Supported Employment – Enclave Service** will be applicable to providers who are providing work crew type services to individuals since this type of arrangement is not met under the current definition of supported employment.
 - A tiered rate structure will be developed for Supported Employment services to differentiate Enclave from Individual and Group employment services based on differing staffing needs.
- **Assistive Technology Service** may be similar to Assistive Technology services offered in South Dakota's neighboring states (e.g., NE and IA). Some examples are included below:
 - Assistive Technology is equipment or a product system such as devices, controls, or appliances, whether acquired commercially, modified, or customized, that is used to increase, maintain, or improve functional capabilities of participants and be necessary to ensure participants health, welfare and safety.
 - The use of assistive technology enables participants who reside in their own homes to increase their abilities to perform activities of daily living in their home, or to perceive, control, or communicate with the environment they live in, thereby decreasing their need for assistance from others as a result of limitations due to disability.

Guidehouse will work with DHS and the Rate Methodology Workgroup to refine the service offerings.

Non-Residential Services Excluded from Rate Modeling

The three non-residential services outlined in the table below will be excluded from the rate modeling process.

Current 1915(c) CHOICES Waiver Services Excluded	
Medical Equipment and Drugs	Excluded; General support typically provided by RNs, LPNs and DSPs per Provider Survey; Limited to those not available under the Medicaid State Plan
Other Medically Related Services – Speech, Hearing & Language	Excluded; General support typically provided by RNs, LPNs and DSPs per Provider Survey; Limited to those not available under the Medicaid State Plan
Case Management	Excluded; Out of Project Scope

Productivity Reported for Services in Provider Survey

Productivity refers to the amount of “billable” time spent during an 8-hour work day or 40-hour work week in which service was directly provided to an individual.

- Productivity percentages vary from service to service and range from 73-76 percent.
 - Instances of productivity less than 60 percent are excluded from calculations and indicative of a significant amount of time in those instances being spent on activities other than direct services.
- The Provider Survey revealed that a majority of time spent on nursing services (64 percent on average) across all organizations is attributed to activities unrelated to direct service delivery including recordkeeping and documentation for services.
 - Therefore, nursing won't be a discrete CHOICES waiver service and it will be incorporated into existing and pertinent services.

South Dakota DD Provider Survey (Worksheet D, Section 1)		
Average Productivity Percentages for 1915(c) CHOICES Waiver Service	Client-facing or Non client-facing services (including outliers <=60%)	Client-facing or Non client-facing services (excluding outliers <= 60%)
Career Exploration	66%	73%
Day Services	73%	76%
Individual Supported Employment	65%	73%
Group Supported Employment	65%	74%
Nursing (<i>not an exclusive service</i>)	36%	70% (only 3 organizations reported > 60%)

Productivity Adjustment for Service Rate Calculation

Productivity adjustment accounts for time spent on duties that prevented providers from providing direct services including record keeping time, travel time between clients, time spent on program development and other job duties (e.g., time spent on staff meetings).

South Dakota DD Provider Survey Data					
#	Productivity for 1915(c) CHOICES Waiver Service	Career Exploration	Day Services	Individual Supported Employment	Group Supported Employment
A	Average Productivity Percentage for Client-facing or non client-facing services (excluding outliers less than or equal to 60%)	73%	76%	73%	74%
B	Number of Billable Hours in a Standard 8-hour Day = A * 8 standard hours	5.8 hrs	6.1 hrs	5.8 hrs	5.9 hrs
C	Productivity Adjustment = 8 standard hours ÷ B	1.37	1.32	1.37	1.35



Example Productivity Adjusted Wage for Day Services

- For example, the Provider Survey showed that the billable time on average was 6.1 hours per day, i.e., 76% * 8 = 6.1, for Day Services. Therefore, total productivity adjustment is 1.32, i.e., $8 \div 6.1 = 1.32$.
- The resulting productivity adjustment of 1.32 is applied to the hourly base wage and it is required to cover the cost of delivering Day Services.

Example Productivity Adjusted DSP Wage Calculations for Day Services		
A	Average Productivity Percentage for Client-facing or non client-facing services (excluding outliers less than or equal to 60%)	76%
B	Number of Billable Hours in a Standard 8-hour Day = $A * 8$ standard hours	6.1 hrs
C	Productivity Adjustment = $8 \text{ standard hours} \div B$	1.32
Productivity Adjusted Compensation per DSP per Hour = July 2022 DSP Wage * C		$\\$18.28 * 1.32 = \\24.13
Total Cost per DSP per Day for delivering Day Services = Productivity Adjusted Compensation per DSP per Hour * B		$\\$24.13 * 6.1 \text{ hours} = \\147

Staffing Ratios Reported in Provider Survey

Staffing needs of each service typically vary and require examination to assign the appropriate staff wage rate assumptions. Staffing Ratio refers to the average number of individuals served by one staff or practitioner.

- The average staffing ratio across all organizations for individual waiver services, as reported in the Provider Survey, are outlined in the table below.

Staffing Ratio for 1915(c) CHOICES Waiver Service	South Dakota DD Provider Survey (Worksheet D, Section 2)		Potential Staff to Client Ratio per Service
	Average Staff to Client Ratio	Maximum Staff to Client Ratio	
Career Exploration	1 : 5.1	1 : 8	Community = 1 : 4 Fixed Facility = 1 : 8
Day Services	1 : 4.8	1 : 12	Community = 1 : 4 Fixed Facility = 1 : 8
Individual Supported Employment	1 : 1 (excluded outliers > 1)	1 : 1 (excluded outliers > 1)	1 : 1
Group Supported Employment	1 : 4.3 (excluded outlier > 8)	1 : 8 (excluded outlier > 8)	1 : 4

Supervisory Span of Control in Provider Survey

Supervisor Span of Control refers to the number of direct care workers overseen by one supervisor.

- The average supervisor span of control across all organizations for individual waiver services, as reported in the Provider Survey, are outlined in the table below.

Supervisor Span of Control for 1915(c) CHOICES Waiver Service	South Dakota DD Provider Survey (Worksheet D, Section 3)		Potential Supervisor to Staff Ratio per Service
	Average Supervisor to Staff Ratio	Maximum Supervisor to Staff Ratio	
Career Exploration	1 : 4.9	1 : 12	Community = 1 : 8 Fixed Facility = 1 : 12
Day Services	1 : 8.6	1 : 21	Community = 1 : 8 Fixed Facility = 1 : 16
Individual Supported Employment	1 : 4.4	1 : 15	1 : 15
Group Supported Employment	1 : 5.2	1 : 9	1 : 9

Example DSP Wage Adjusted by Staffing and Supervisor Ratios for Day Services

- For Day Services, if there is one DSP for every eight individuals and one DSP supervisor oversees 16 direct care workers in a facility-based setting, the adjusted wages are calculated as outlined in the table below.

1915(c) CHOICES Waiver Day Services – Facility	Potential Staff to Client Ratio per Service = 1 : 8	<i>Potential Adjusted Wage per DSP per Hour per Individual</i> <i>= Productivity Adjusted Compensation per DSP per Hour ÷ Number of Individuals per DSP</i> = \$24.13 ÷ 8 = \$3.02
	Potential Supervisor to Staff Ratio per Service = 1 : 16	<i>Potential Adjusted Wage per DSS per Hour per Individual</i> <i>= Compensation per DSP Supervisor per Hour ÷ Number of Staff per Supervisor</i> = \$24.29 ÷ 15 = \$1.52

Indirect Cost Assumptions

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Administration Factor Assumptions for Rate Modeling

The administration factor should reflect the costs associated with operating a provider organization, such as costs for administrative employees' salaries and wages along with non-payroll administration expenses, such as licenses, property taxes, liability and other insurance.

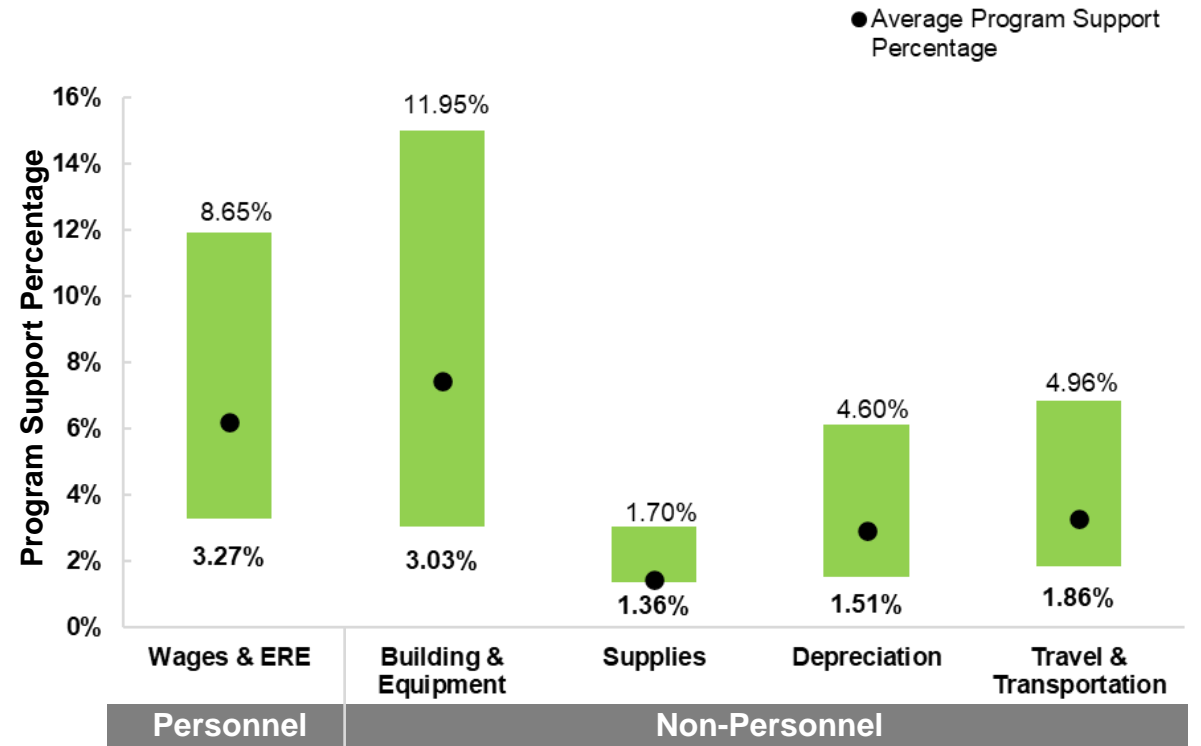
- An average admin factor was derived from individual administrative expense percentages that were based on unique provider administrative and direct care costs in FY19 Cost Reports. This method results in an average admin factor of 14.3 percent across all providers and services.
- Administrative costs as a percent of direct care costs in the FY19 Cost Reports, i.e., **14.3 percent** will be utilized in the rate modeling process for all waiver services.

Administrative Expenses Percentage for FY2019
Average of ratio derived for <u>each</u> provider based on unique admin. costs and DCC for all services (<i>Outliers of above 40 percent are excluded</i>)
14.3%

Program Support Cost Assumptions for Rate Modeling

Program support percentages for individual services will be determined based on the appropriate and applicable program support cost components that reflect the personnel and non-personnel costs associated with direct care service delivery for each service .

- In determining the program support percentage for individual services, we derived potential ranges for a ratio of program support costs to total direct care costs for each personnel and non-personnel cost component.
- Personnel program support percentages reflect an average of 6 percent which is typically expected and observed in comparable states as well.
- On the other hand, non-personnel program support factors ranged widely, from 1.26 percent for Supplies to 11.95 percent for Building & Equipment.



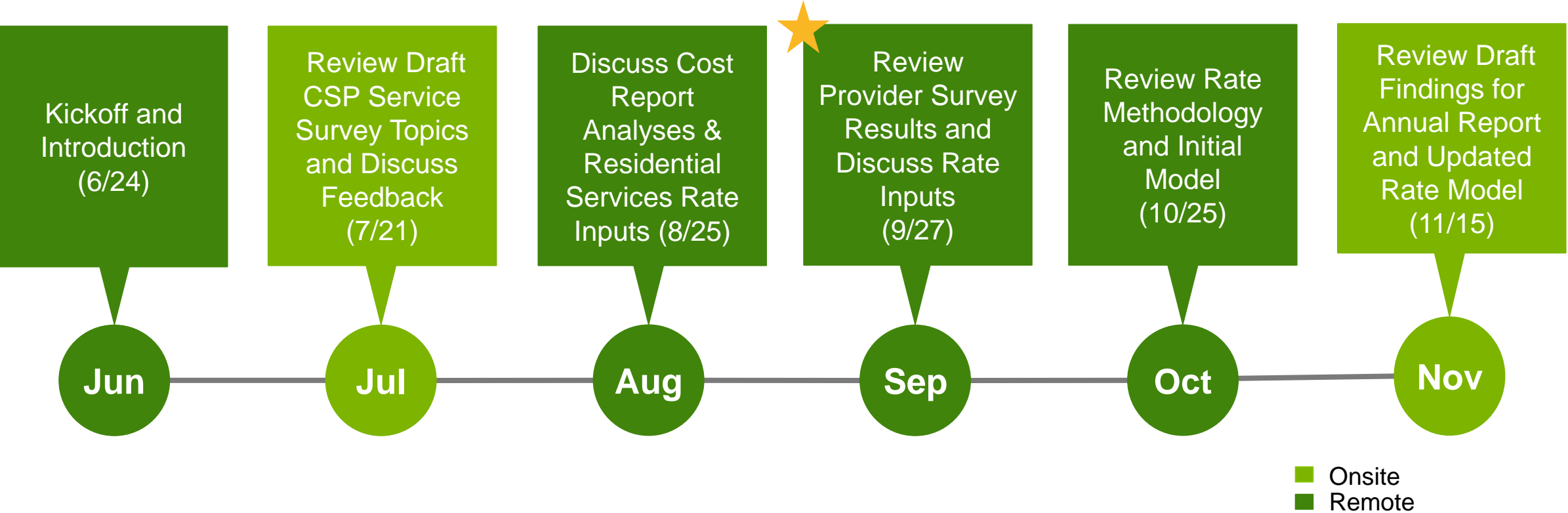
Guidehouse is in the process of validating the approach and assumptions for program support factors.

Next Steps

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Rate Methodology Workgroup Meeting Schedule

The Rate Methodology Workgroup and Guidehouse will meet once a month to discuss topics related to survey development and implementation, service review, as well as rate methodology and modeling requirements and results.*



*Guidehouse and DHS teams will determine onsite location and update the Rate Methodology Workgroup ahead of the meetings.

Next Steps

Rate Methodology Workgroup

- Respond to potential follow up requests from Guidehouse on the Provider Survey
- Provide feedback on preliminary assumptions for residential rate models

Guidehouse

- Identify and assemble appropriate cost benchmarks for residential services
- Formulate tiering framework based on resource need
- Analyze assessed need of client population based on tiering framework to determine substantial differences in cost and staffing patterns
- Develop and present proposed rate models for residential and non-residential services based on finalized rate inputs.
- Estimate fiscal impact based on proposed rates

Questions and Answers

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Contact

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