

**South Dakota DHS and Guidehouse  
DD Rate Setting  
Rate Methodology Workgroup Meeting  
August 25, 2021**

## Attendees

- **Provider Representatives:** Dan Cross, Brad Saathoff, Jennifer Gray, John Hackett, Julie Peterson, Kristin Kline, Mel Bertram, Nathan Stallinga, Pam Hanna, Sandra Lee, Shirley Halverson, Steve Watkins
- **State Representatives:** Alana Suiter, Barb Hemmelman, Jamie Morris, Jaze Sollars, Joey Younie, Julie Hand, Liliana Borcea, Sam Hynes
- **Guidehouse:** Coy Jones, Jeff Moor, Poorna Suresh, Julie Nguyen

## Agenda

### 1. Welcome and Introductions

### 2. Provider Survey Update

#### Meeting Discussion

- a. Discussed Provider Survey updates including common questions received through the [SD-DD-HCBS@guidehouse.com](mailto:SD-DD-HCBS@guidehouse.com) mailbox as of August 25, 2021
- b. Reviewed Provider Survey timeline and upcoming dates
- c. Discussed Provider Survey due date extension
  1. Some provider organizations are concerned about not being able to meet the deadline
  2. Flexibility in timeline may be needed for Worksheet C, to allow providers to pull historical or 2019 data.
  3. GH to work with DHS to determine updated due date extension and will inform providers by Friday, August 27.
- d. Addressed provider questions regarding Provider Survey
  1. Provider representatives asked questions and expressed challenges associated with reporting billable and non-billable time in Worksheet D, Provider Information.
    - i. GH and DHS included these questions in a good faith effort to collect this data and develop rates based on what is observed at the state level
    - ii. GH explained that the model could be developed using alternate data sources if data cannot be reported in the survey and/or if incomplete.
  2. Provider representative asked about information that should be reported for the number of sites requested in Provider Survey
    - i. Provider organizations should report the number of agency-owned or agency-leased sites
  3. Provider representative requested additional information on how to identify activities under client-facing and non client-facing time for Section 1, Productivity
    - i. If activities fit in the categories other than Line 1, "Client-facing or non client-facing services"– i.e., Lines 2-7, then include them across 2-7. If not, consider it client-facing and non-client facing service delivery across Line 1.
    - ii. DHS mentioned that the allowable client-facing activities should be based on waiver service definitions. DHS can share what is allowable under the waiver with providers, if necessary.

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4. GH discussed the importance of the unit of a service while transitioning from a bundled rate to a fee-for-service type rate structure.
5. For transportation assumptions, the survey responses will be reviewed before deferring to other potential national sources, if survey responses are not completed or sufficient.

**3. Rate Modeling Approach and Key Concepts in Wage Analysis**

Meeting Discussion

- a. Reviewed rate build-up approach, cost components, and sources
- b. Discussed adjustments applied to each service
  1. Vacancy rate and occupancy adjustments for residential services
    - i. For residential services, which represent round-the-clock services, the distinction between billable/unbillable time doesn't really apply, and rates are not adjusted by a "productivity factor" to account for necessary but unbillable staff time. The factor specific to residential services that we will account for is the "vacancy" or "occupancy" rate. A provider may not be able to fill a bed 100% of the time, or bill for every day a participant resides at a home (resident may be in hospital, visiting family, etc.), but they still have to maintain the capacity. Like a productivity factor, an occupancy factor acknowledges that providers have to provide resources that they cannot necessarily bill directly for, so these additional costs must be built into the payments for what they can directly bill for.
    - ii. GH discussed how vacancy rates are associated with a threshold that the state considers allowable and there is little variation among the states on what's allowed, so vacancy rates could be developed despite potential gaps in data.
  2. Provider representatives explained that claims data does not include information on whether or not participants attend specific services like day programs or career exploration.

**4. FY2019 Cost Report Wage Analysis**

Meeting Discussion

- a. Reviewed analysis of cost report wage data
  1. Provider representatives expressed that some providers introduced shift differentials recently and are concerned that the Provider Survey is not asking for current data on shift differentials.
    - i. GH is asking for July 2021 hourly wage data in the Provider Survey to account for current wage levels. For shift differentials, providing budgeted data is not necessarily representative of actual costs.

**5. Wage Benchmarking Approaches**

Meeting Discussion

- a. Reviewed different benchmarking approaches
  1. Several provider representatives expressed concern that the projected 2022 wage expenses based on FY19 data have not kept pace with

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current DSP wage costs and may not be reflective. A few provider representatives mentioned that:

- i. DSPs are coming in at \$18 an hour without overtime— i.e., about 200 percent of minimum wage.
  - ii. Wages have jumped significantly in the last 6-9 months.
  - iii. The future DSP wages should likely be over \$20.
  - iv. Starting wages for one organization is \$14.50.
2. Although FY19 Cost Report results largely align with cost data gathered from state and national industry benchmarks, some members of the Rate Methodology Workgroup are doubtful that the historical data typically used for rate setting will be reflective of anticipated costs.
- i. Median and average wages account for all provider organization DSPs and number of FTEs in the 2019 cost reports and should be representative of all organizations collectively.
  - ii. Guidehouse will review Provider Survey wages (July 2021), FY20 Cost Reports, and additional input from Rate Methodology Workgroup to validate feedback from providers.
- b. DHS noted the main objective of rate setting is to identify the true costs, and it is an ongoing process.
- c. Guidehouse will work with all stakeholders to provide full transparency on assumptions and analysis, as well as acknowledge and document potential parking lot items in the annual report.

## **6. Employee-Related Expenses (ERE)**

Meeting Discussion

- a. Reviewed methodology for calculating ERE

## **7. Indirect Cost Analyses**

Meeting Discussion

- a. Discussed ongoing indirect cost analyses

## **8. Next Steps**

Meeting Discussion

Rate Methodology Workgroup:

- Complete Provider Survey based on updated due date.
- Provide additional feedback on wage and cost report analyses, if any.

Guidehouse:

- Work with DHS to extend Provider Survey timeline and determine updated due date. (*GH sent e-mail to Rate Methodology Workgroup and other provider representatives on August 26, 2021 to extend survey due date to Wednesday, September 8, 2021*)
- Continue to work on cost report analyses and prepare to compile and analyze survey responses for next Workgroup meeting.