

Rate Development and Methodology for Home and Community Based Services

4/17/2017

Rate Operations Section



COLORADO

Department of Health Care
Policy & Financing

Our Mission

Improving health care access and outcomes for the **people** we serve while demonstrating sound stewardship of financial **resources**



Rate Operations Section

The Rate Operation (RO) section develops rate setting methodology and builds rates for several Medicaid services including:

1. Home and Community Based Services
2. Physician, Practitioner, and Specialty Services
3. Free Standing Dialysis Clinic Services



Rate Setting Goals

The Rate Operations section has two primary objectives in developing rate setting methodologies and building rates:

1. To reimburse appropriately for Medicaid services using a standardized rate methodology that incorporates all necessary inputs, and
2. To ensure expenditures for Medicaid services do not exceed appropriated funds.



Goal 1: Appropriate Reimbursement

- To ensure appropriate reimbursement for services, the Rate Operations section utilizes a standardized rate methodology that incorporates inputs necessary to provide services.
- The rate methodology is consistent across services and waivers



HCBS Rate Methodology

- The Department has a standardized rate methodology for HCBS rate setting that includes the following categories, each with multiple inputs: - **do we want to single out HCBS in particular right after we say that the methodology is consistent across services and waivers in the previous slide?**
 1. Salary Expectation
 2. Facility Overhead Expectation
 3. Administrative Overhead Expectation
 4. Capital Expectation



Salary Expectations

- Research and information solicited from providers allow the section to determine:
 1. Salaried positions required
 2. Staffing Ratios
 3. Indirect and Direct Care Hours
 4. Full time equivalent of each worker per client
- Wages are determined using the Bureau of Labor Statistics Colorado mean wage



Facility Overhead Expectation

- The Department incorporates the following inputs in the Facility Overhead Component of each rate:
 1. Property Expenses (Lease and Own)
 2. Maintenance for Property
 3. Utilities (Gas and Electric)
 4. Phone and Internet
 5. Miscellaneous



Resources for Facility Overhead Expectation

Property Size	Property Records	County Assessor Websites
Property Expenses- Price per Square foot	Real estate market reports for Northern Colorado, Metro Denver, and Southern Colorado	Quantum Commercial Group, Sperry Van Nexx, Metro Denver Economic Development Corporation
Utilities	Electric Tariff Index	Public Service Utility Company of Colorado
Phone/Internet	Build Your Own Bundle	Comcast Business Services



Administrative & Capital Expectations

- The Department incorporates the following inputs in the Administrative Overhead Component of each rate:
 1. Annual Software Upgrades
 2. Office Supplies
- Capital expenses for HCBS services are rare but may include items like a massage table for massage therapy or horses for hippotherapy.
 - Capital expenses are amortized across the expected life of the supply.



Bringing Components Together

- The salary expectations are calculated per client for the service
- The facility, administrative, and capital overhead expectations are calculated as an annual/monthly expense and reduced to a per employee cost and multiplied by the required FTE per client to determine a per client expense

Component	Per Client Per Unit
Salary Expectations	\$4.50
Facility Expectations	\$0.50
Administrative Expectations	\$0.37
Final Determined Rate	\$5.37
Final Determined Rate	\$5.37



Finalizing the Rate

- Once the rate has been built the Rate Operations section completes additional steps to ensure that the rate is appropriate for the service and incorporates the correct inputs by:
 1. Performing a comparability analysis across all other states offering similar or identical services, and
 2. Completing written documentation of the rate development and all sources utilized in developing the rate – **this is nitpicky but might want to switch the order of these two if stakeholder-facing to stress emphasis of inputs documentation**



Goal 2: Appropriations

- While the Department aims to reimburse appropriately for services, we must also ensure reimbursement for services does not exceed the funding appropriated by the Colorado legislature.
- To ensure reimbursement does not exceed total appropriations a budget neutrality factor may be applied to the rate.



Budget Neutrality Factor

Example:

- The final rate for personal care is \$5.37
- Funding will only allow for a rate of \$4.25
- To ensure reimbursement does not exceed appropriations a budget neutrality factor of 26.35% is applied to the rate
- The final rate of reimbursement will be \$4.25



Where are stakeholders in the process?

- The Rate Operation section incorporates stakeholder feedback into the rate setting process by:
 1. Conducting provider surveys on rate setting components
 2. Incorporating feedback provided to the Department during committees, meetings and other processes (MPRRAC, TRI)
 3. Soliciting feedback, comments, and concerns on the salaried positions, direct/indirect care hours, and inputs included in capital equipment prior to rate finalization



Provider Surveys



Soliciting Feedback



Thank You



COLORADO

Department of Health Care
Policy & Financing