

# DEPARTMENT OF DEVELOPMENTAL SERVICES

## ALTERNATIVE NONRESIDENTIAL SERVICES

### Methodology for Calculating Monthly Payment Rates

*October 2020*

# AGENDA

- Purpose and Background
- Overview of Methodology
- Next Steps

# PURPOSE AND BACKGROUND

# BACKGROUND

- COVID-19 has created unprecedented challenges for consumers and service delivery
  - Service provision adapted to ensure individuals have access to critical supports
- DDS established the Alternative Nonresidential Services model (Alternative Services) to increase flexibility
  - Respond to new consumer needs
  - Build on innovative service delivery approaches taken to support consumers while limiting potential exposure to COVID-19
  - Expand the definition of billable activities to include services to meet those new needs
  - Shift to monthly payment rate
- This presentation discusses the methodology for setting monthly rates

# BURNS & ASSOCIATES

- Health policy consulting firm that assists state Medicaid agencies and human services departments
  - Significant emphasis in working with developmental disabilities agencies
  - Specific focuses on rate-setting and fiscal modeling
- Supporting DDS since 2017
  - Contracted to facilitate the vendor rate study
  - Project included thorough analysis of purchase of service payment records

# GOAL

- Estimate the amount of monthly funding that providers would expect to receive based on pre-COVID utilization and current rates
  - Effectively repricing a participant's units of service from March 2019 through February 2020 at a vendor's current rate for that participant
- Significant effort to account for differences in how Regional Centers pay vendors
  - It is possible that some unique scenarios have been missed
  - Methodology has been carefully documented for transparency in how rates were calculated

# INTRODUCTION

- Vendors will receive a file with the monthly average rate for each of its service / sub-codes

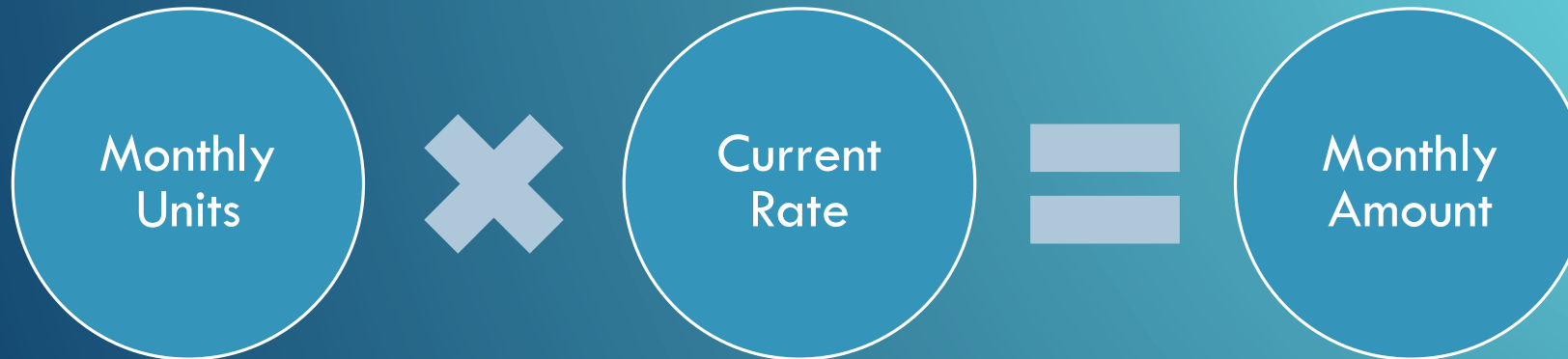
	A	B	C	D	E	F
1				March 2019 - February 2020		Monthly
2	Regional_Center	Vendor_ID	Sub	Ct. of Member Months	Total Payments	Average Rate
3	KRC	XYZ456	Sub1	58	\$68,007.50	\$1,172.54
4	KRC	XYZ456	Sub2	50	\$28,391.87	\$567.84
5						
6						
7						

- The monthly average rate will serve as the monthly unit rate for each consumer who receives Alternative Services
- The file will include the data used for calculation of each monthly average rate

# METHODOLOGY



# OVERVIEW



First, payment record(s) for each month are combined and repriced



Then, the total for each consumer month are divided by total consumer months

# OVERVIEW (CONTINUED)

- Average monthly rate is calculated for each service/ sub-code for every vendorization
- Exclude various sub-codes, such as those related to incentive payments and internship programs, assessments and evaluations, and mileage (for non-transportation services)

# THREE-STEP PROCESS

1: Clean and Extract Payment Records



2: Reprice Cleaned Payment Records



3a: Calculate Per-Consumer, Per-Month Amount  
3b: Calculate Overall Monthly Average

# STEP 1: CLEANING / EXTRACTING PAYMENT RECORDS

- Extract the following fields for each payment record:
  - UCI (client identifier)
  - RCAbrv (Regional Center)
  - Vendor
  - Sub (sub-code, note there is a separate extract for each service code)
  - ServDate (month in which the service was provided)
  - ClaimDt (month in which the payment was processed)
  - Billed (units of service)
  - Claim (payment amount)

# STEP 1: CLEANING / EXTRACTING PAYMENT RECORDS (CONTINUED)

- 'Clean' records to most accurately reflect actual service delivery
  - Particularly related to units of service
- Combine payment records within a given month as appropriate
- Complicated by different treatments to handle payment adjustments (i.e., retroactive rate increases, payment reversals)
  - Methodology includes 29 decision rules based on the number of payment records in a month and the relationships between those records

# STEP 1: CLEANING / EXTRACTING PAYMENT RECORDS (CONTINUED)

- Example of differences in handling payment adjustments
  - In each scenario, a \$12 unit rate was retroactively adjusted to \$12.50

	Service Date	Units	Payment	Payment Date
Scenario 1	Oct. 2019	40	\$480.00	Nov. 2019
	Oct. 2019	40	\$20.00	Dec. 2019
Scenario 2	Oct. 2019	40	\$480.00	Nov. 2019
	Oct. 2019	1	\$20.00	Dec. 2019
Scenario 3	Oct. 2019	40	\$480.00	Nov. 2019
	Oct. 2019	0	\$20.00	Dec. 2019

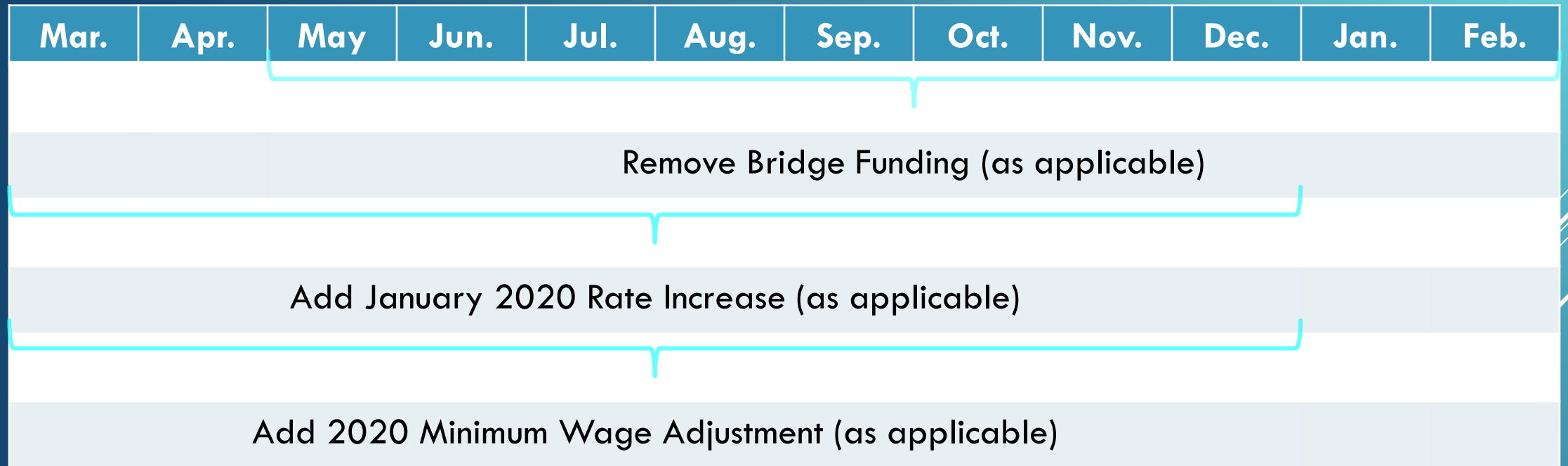
- ‘Correct’ answer is the same in each scenario (40 units at \$12.50 per units), but methodology must appropriately recognize each approach to adjustments

# STEP 1: CLEANING / EXTRACTING PAYMENT RECORDS (CONTINUED)

- 'Cleaned' records are re-extracted
  - Cleaned records are repriced (step 2) and aggregated (step 3)
- Certain payment records skip most repricing steps (with only the applicable January 2020 rate increase applied)
  - Records with zero units or a 'blank' in the units field
  - Records where the unit price is \$1.00
  - Sets of records with a monthly unit of one and a different payment amount in each month

# STEP 2: REPRICING CLEANED PAYMENT RECORDS

- ‘Standard’ repricing adjustments



- Methodology accounts for instances when effective rate is contrary to expected value (e.g., 16 bridge funding was approved, but not paid)



# STEP 2: REPRICING CLEANED PAYMENT RECORDS (CONTINUED)

- Adjusting for rate variances with unknown causes

Service Date	Units	Payment	Effective Rate
May 2019	20	\$400.00	\$20.00
June 2019	20	\$400.00	\$20.00
<b>Jul. 2019</b>	<b>20</b>	<b>\$380.00</b>	<b>\$19.00</b>
Aug. 2019	20	\$400.00	\$20.00
Sep. 2019	20	\$400.00	\$20.00

No known reason for lower effective rate in July so the methodology reprices this month at \$20.00 per unit

Service Date	Units	Payment	Effective Rate
May 2019	20	\$400.00	\$20.00
June 2019	20	\$400.00	\$20.00
<b>Jul. 2019</b>	<b>20</b>	<b>\$420.00</b>	<b>\$21.00</b>
Aug. 2019	20	\$400.00	\$20.00
Sep. 2019	20	\$400.00	\$20.00

No known reason for higher effective rate in July so the methodology retains the pricing in this month at \$21.00 per unit

# STEP 3A: CALCULATING PER-CONSUMER, PER-MONTH AMOUNT

- For each individual, count consumer months and add repriced payments
  - Example shows one 'under-valued' month priced-up and assumes the service received an 8.2 percent increase (with no bridge funding or minimum wage)

Service Date	Units	Payment	Effective Rate	Repriced Payment	Repriced Effective Rate
May 2019	20	\$400.00	\$20.00	\$432.80	\$21.64
June 2019	20	\$400.00	\$20.00	\$432.80	\$21.64
<b>Jul. 2019</b>	<b>10</b>	<b>\$190.00</b>	<b>\$19.00</b>	\$216.40	\$21.64
Jul. 2019	10	\$200.00	\$20.00	\$216.40	\$21.64
Aug. 2019	20	\$400.00	\$20.00	\$432.80	\$21.64
Sep. 2019	20	\$400.00	\$20.00	\$432.80	\$21.64
<b>Tot. (5 Mon)</b>	<b>100</b>	<b>\$1,990.00</b>	<b>\$19.90</b>	<b>\$2,164.00</b>	<b>\$21.64</b>

# STEP 3B: CALCULATING OVERALL MONTHLY AVERAGE

- Total repriced payments across all individuals are divided by total consumer months for those individuals

UCI	Total Repriced Payments	Consumer Months	Average Monthly Amount
123456	\$2,164.00	5	\$432.80
123457	\$4,560.00	10	\$456.00
123458	\$5,400.00	12	\$450.00
123459	\$1,952.00	4	\$488.00
<b>Total</b>	<b>\$14,076.00</b>	<b>31</b>	<b>\$454.06</b>

- Resulting product is the vendor's monthly rate for that service code / sub-code

NEXT STEPS

# DISTRIBUTING RATES AND BACK-UP

- Establish authorizations
  - B&A will produce a file with a listing of the authorizations to be established
  - Regional Centers will need to perform some checks (e.g., only establishing an alternative service authorization where there is a current authorization and identifying sub-codes for which the Alternative Services model is not appropriate)
- Sharing files with Regional Centers to distribute to vendors
  - Methodology document
  - Vendor-level files (by FEIN) with original payment records, cleaned and repriced payment records, and individual and overall totals

# RATE REVIEWS

- Vendors are encouraged to perform their own estimates
  - Quick check would start with actual payments and then remove bridge funding, add the January 2020 rate increase, and add approved minimum wage increases
  - Providers who believe their rate is in error may request a review using a process to be determined

# FREQUENTLY ASKED QUESTIONS

## ***1. How will the monthly unit rate be determined and how do I know what it will be?***

- Consulting firm Burns & Associates has calculated the rates using vendors' billing records for services provided from March 2019 through February 2020, and billed through June 2020.
- Adjustments were made to account for rate changes during that time, payment adjustments, and other incidental changes in the billing records.
- For each vendor service / subcode, each consumer's monthly average was determined for the months they received service.
- The consumers' monthly averages were then used to calculate the vendor's monthly average per consumer, which becomes the monthly unit rate.
- You can anticipate this rate by referring to your own billing records. Start with actual payments and then remove bridge funding, add the January 2020 rate increase, and add approved minimum wage increases for 2020
- The data that Burns & Associates used will be provided to you by the regional center along with the monthly unit rates.

# FREQUENTLY ASKED QUESTIONS (CONTINUED)

## **2. *Will there be a monthly rate for each subcode?***

Yes. There will be a monthly rate for each service and subcode.

## **3. *How and when will I receive my rate(s)?***

Your regional center will provide you a file that includes all of the rates calculated for your Federal Employer Identification Number (EIN) within that regional center.

Regional centers will be able to begin providing the rates the week of October 19, 2020.



# FREQUENTLY ASKED QUESTIONS (CONTINUED)

## ***4. What if I don't agree with the rate(s)?***

There will be a process for you to explain the reason you disagree with the rate and submit it to the regional center. A directive will be released soon regarding this process.

## ***5. When do I bill using the monthly unit rate?***

This monthly unit rate is for Alternative Services delivered in November 2020 and onward.

# FREQUENTLY ASKED QUESTIONS (CONTINUED)

***6. Are there going to be specific Alternative Services subcodes, similar to what was done with the COVID subcodes?***

Yes. This will be set up and explained in future communications.

***7. How will the rate be determined for consumers new to my services since February 2020?***

The vendor's monthly unit rate will be used for new consumers.

# FREQUENTLY ASKED QUESTIONS (CONTINUED)

**8. *Will future minimum wage increases be incorporated into the monthly rates?***

Yes. The monthly rates will be adjusted.

Self-advocates, family members or providers should contact their local regional center with any questions.

Questions from regional centers only should be directed to [DDSC19Directives@dds.ca.gov](mailto:DDSC19Directives@dds.ca.gov).