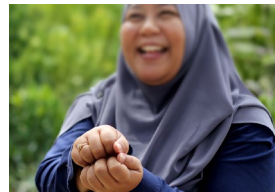


RATE REFORM: BACKGROUND AND FINAL PHASE OF IMPLEMENTATION

September 2024



HOUSEKEEPING



Interpretación en español: haga clic en el globo blanco en la parte inferior de la pantalla con la etiqueta "Interpretation." Luego haga clic en "Spanish" y seleccione "Mute original audio."



ASL interpreters have been "Spotlighted" and live closed captioning is active



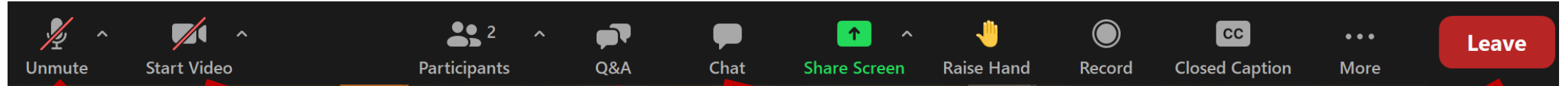
This meeting is being recorded



Materials are available at: [Rate Reform - CA Department of Developmental Services](#)

Answers to frequently asked questions are available at:
<https://www.dds.ca.gov/rc/vendor-provider/rate-reform/rate-model-implementation-frequently-asked-questions/>

ZOOM TIPS



Unmute mic only when it's your turn to speak



Turn your webcam on/off

All attendees can type questions/ comments in the Q&A

Chat is enabled for attendees

Leave the webinar at the end of the meeting



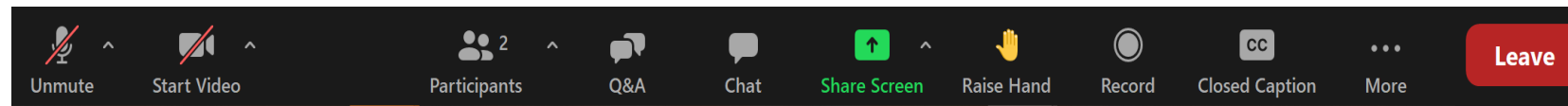
- For attendees, your video and microphone will not be available
- You will only see/hear DDS staff and presenters on screen



- Features will vary based on the version of Zoom and device you are using
- Some Zoom features are not available for telephone-only participants

PROVIDING COMMENTS

Please use “Q&A” for your questions and comments; if you prefer, you may send your questions/comments to ratesquestions@dds.ca.gov

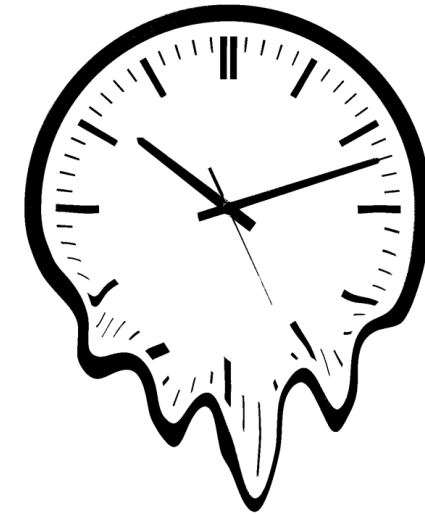


During the Q&A portion of this meeting we will be answering questions shared throughout the training

Questions not answered live will be used for an FAQ document on rate adjustment implementation

PURPOSE OF TODAY'S PRESENTATION

- Provide context and background on the rate reform initiative
 - Legislation mandating the rate study enacted in 2016
 - Initial recommendations published in 2019
 - Implementation began in 2022
- Discuss final phase of implementation
 - Begins January 1, 2025
 - Involves additional elements of rate study recommendations (e.g., changes to service codes and subcodes, bundling certain costs, etc.) that were not part of initial implementation phases



BACKGROUND ON THE RATE STUDY

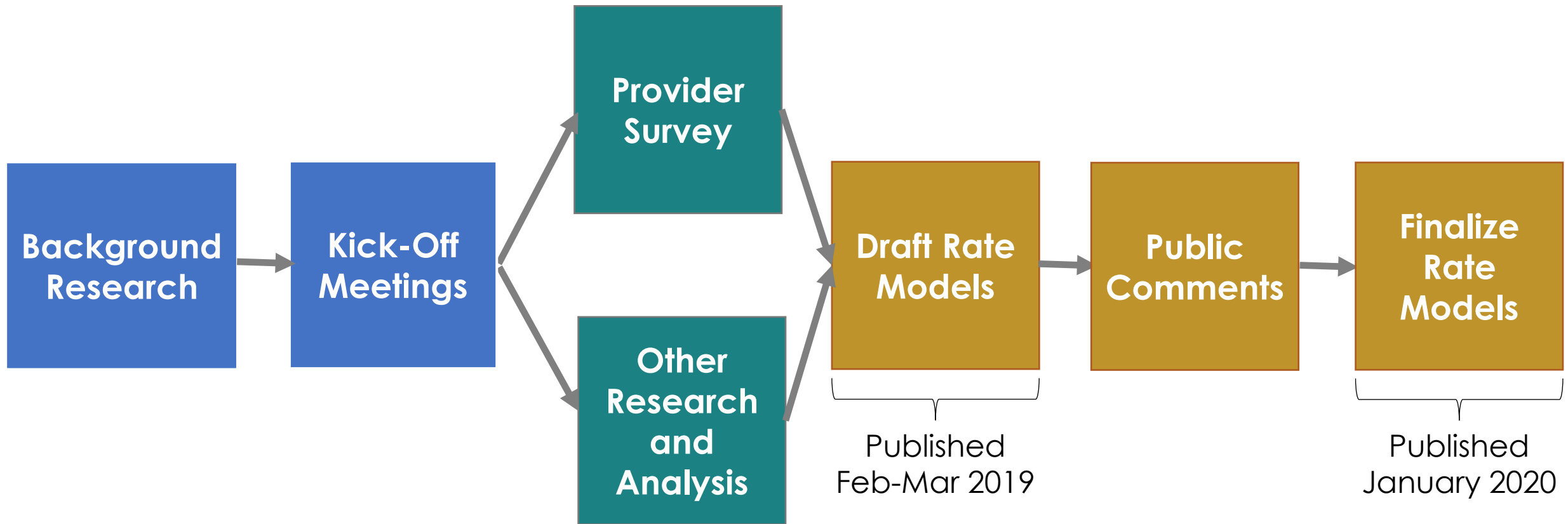
RATE ENVIRONMENT PRIOR TO THE RATE STUDY

- Rate methodologies and practices vary across the state and across service codes
 - Variety of rate-setting methodologies
 - Rates set in statute or regulation, negotiated rates, rates set by cost statement, usual and customary rates, schedule of maximum allowances, alternative residential model
 - For some service codes, multiple methodologies apply
 - Many service codes employ multiple billing units (e.g., both monthly and hourly rates), often based on local practices rather than differences in programs
- Vendor rates often vary for the same service – even within a Regional Center – due to rate freezes, median rates, negotiations
- Legislature directed rate increases and decreases based on available funding rather than consideration of the costs of service delivery

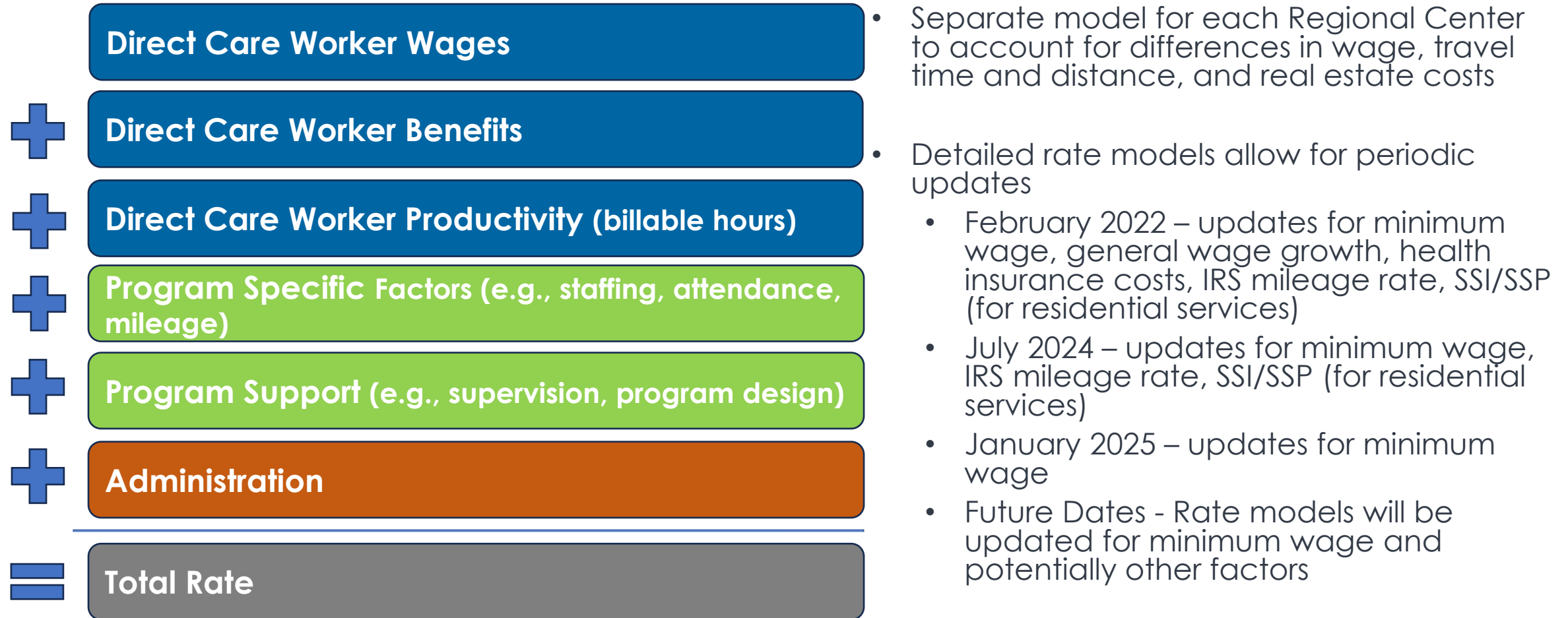
LEGISLATIVE MANDATE

- Legislation passed in 2016 (ABX2-1) required DDS to conduct a comprehensive rate study
 - Review of service requirements
 - Opportunities to standardize service codes and subcodes
 - Develop more consistent billing standards
 - Consider sustainability, quality, and transparency of rates
- DDS contracted with Burns & Associates (now a division of Health Management Associates) to assist with the vendor rate study
 - HMA-Burns has led similar comprehensive rate study for I/DD programs in more than a dozen states

RATE STUDY PROCESS



RATE MODEL FRAMEWORK



RATE MODEL EXAMPLE – SUPPORTED LIVING

		Base Model
	Unit of Service	Hour
Direct Care Staff Wages and Benefits	- Percent of Direct Care Staff Working Full-Time	70%
	- Direct Care Staff Hourly Wage	\$17.28
	- Employee Benefit Rate (as a percent of wages)	22.83%
	- Workers' Compensation Rate (as a percent of wages)	4.83%
	Hourly Staff Cost Before Productivity Adj. (wages + benefits)	\$22.06
	- Direct Care Staff Hourly Overtime Wage (time-and-a-half)	\$25.92
	- Employee Benefit Rate (payroll taxes only)	7.65%
	- Workers' Compensation Rate (as a percent of wages)	4.83%
	Hourly Staff Cost Before Productivity Adj. (wages + benefits)	\$29.15
	- Overtime Rate (percent of work hours paid at time-and-a-half)	5.00%
	Weighted Average Hourly Staff Cost Before Productivity Adj.	\$22.41
	<i>Productivity Adjustments</i>	
	Total Hours	36.35
	- Travel Time Between Individuals	0.58
	- Recordkeeping and Reporting	0.58
	- Supervision and Other Employer Time	0.90
	- Training	0.67
	- Paid Time Off	3.04
	"Billable" Hours	30.58
	Productivity Factor	1.19
	Staff Cost After Productivity Adj. per Billable Hour	\$26.67
Mileage	- Number of Miles Traveled per 40-Hour Week	100
	- Number of Miles Adjusted for Mix of FT and PT Staff	86
	- Amount per Mile	\$0.670
	Weekly Mileage Cost	\$57.62
	Mileage Cost per Billable Hour	\$1.88

Supervision	- Supervisor Hourly Wage	\$25.24
	- Supervisor Benefit Rate (as a percent of wages)	20.08%
	- Workers' Compensation Rate (as a percent of wages)	4.83%
	Hourly Supervisor Cost (wages + benefits)	\$31.53
	- Supervisor Hourly Overtime Wage (time-and-a-half)	\$37.86
	- Supervisor Benefit Rate (as a percent of wages)	7.65%
	- Workers' Compensation Rate (as a percent of wages)	4.83%
	Hourly Supervisor Overtime Cost (wages + benefits)	\$42.58
	- Overtime Rate (percent of work hours paid at time-and-a-half)	5.00%
	Weighted Average Hourly Supervisor Cost	\$32.08
	Weekly Supervision Cost	\$1,346.36
	- Number of Direct Care Staff Supervised	10
	Supervision Cost per Billable Hour	\$4.40
Staff Meal Costs	Cost of Food per Person per Year	\$3,240.00
	- Meal Cost per Week (Annual ÷ 52)	\$62.31
	- Cost per Meal (Week ÷ 21)	\$2.97
	Billable Hours	30.58
	- Number of Meals (one meal per 8-Hour shift)	3.82
	- Cost of Meals	\$11.35
	Staff Meal Cost per Billable Hour	\$0.37
Admin. and Prog. Operations	Cost per Hour, Before Program Operations and Administration	\$33.32
	- Daily Program Operations Costs	\$10.00
	Program Operations Cost per Billable Hour	\$1.64
	- Administration Percent	12.0%
	Administration Cost per Billable Hour	\$4.77
	Rate per Billable Hour	\$39.73

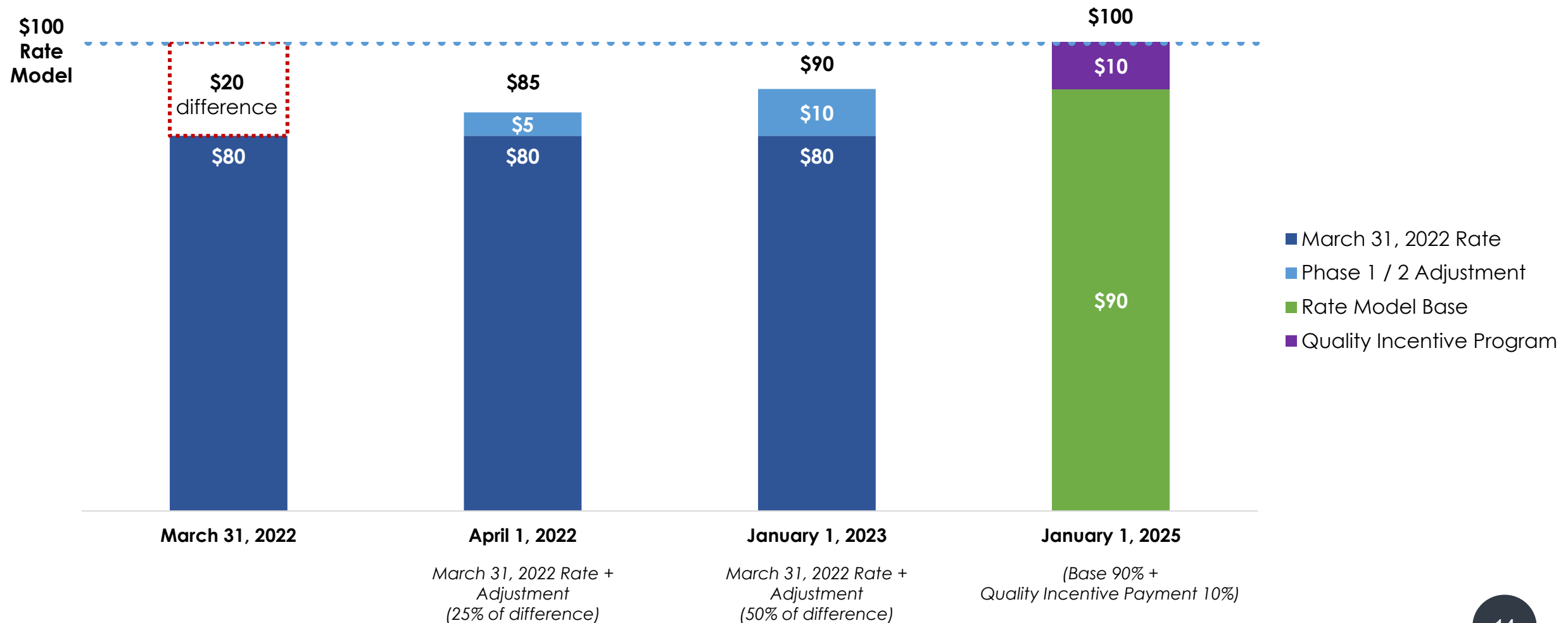
ROAD TO IMPLEMENTATION



LEGISLATIVE DIRECTION

- Initial rate study recommendations informed an 8.2 percent rate increase for most services in fiscal year 2019
- AB 136 (later amended by AB 162) implemented the rate study in phases
 - Phase 1 (April 1, 2022): 25 percent of difference between a vendor's March 31, 2022 rate and applicable rate model
 - Phase 2 (January 1, 2023): 50 percent of difference between a vendor's March 31, 2022 rate and applicable rate model
 - Phase 3 (January 1, 2025): Full implementation of rate models with two payment components
 - Base rate equaling 90 percent of the rate model
 - Quality incentive program component of up to 10 percent of the rate model
- Overall, at full implementation, rate study will increase provider payments by \$2.2 billion annually
 - Impacts vary by service and by vendor (for example, some vendor rates were already higher than those recommended by the rate study)
 - Vendors with rates over the benchmark are held-harmless from any rate reductions until July 1, 2026

RATE ADJUSTMENTS EXAMPLE



IMPLEMENTATION OF RATE STUDY ELEMENTS

- First two phases made rate adjustments without requiring changes to billing units, practices, etc. while the final phase fully implements the broader elements of the rate study

Rate Study Element	Phases 1-2	Phase 3
Changes to payment rates	✓	✓
Changes to service standards (e.g., staff qualifications)	✗	✓
Consolidation and standardization of service codes	✗	✓
Adoption of standardized subcodes	✗	✓
Some standardization of billing units	✗	✓
Ending billing of 'unbundled activities'	✗	✓

- With the final phase of implementation, DDS is reevaluating all of these elements
 - Guidance for individual services will be provided through DDS Directives
 - DDS will schedule targeted meeting to discuss changes to individual services

IMPLEMENTATION APPROACH – PHASES 1 AND 2

- Rate increases were based on difference between a vendor's current rate (the “baseline” rate) and rate model that best matches the service being delivered (the “benchmark” rate)
- In the first two phases, Regional Centers were not required to implement the rate study recommendations that sought to standardize reimbursement methodologies
 - Regional Centers were not required to change current billing practices including changes to billing units, ‘bundling’ of unbundled payments such as travel and administration, and consolidation of service codes (only rates were adjusted, using existing billing frameworks)
 - Using rate listings from DDS and purchase of service data, HMA-Burns produced Excel workbooks to calculate the rate increase for every vendor/ rate
 - HMA-Burns preloaded forms with available information, but Regional Centers were responsible for reviewing and reporting all vendor-level data
 - This process provided an opportunity for Regional Centers and Providers to work together to identify the rate model that best matches the services they are currently providing and to receive rate adjustments towards that rate model

IMPLEMENTATION APPROACH – PHASE 3

- The final phase is aligning with the service requirements, standards, billing units, etc. of the rate model that is the best fit for the services being delivered.
- Building on previously reported data, HMA-Burns will develop new Excel workbooks that account for all changes
 - For each current rate, the workbooks will show the presumed service code (which will be different from the current service code in some instances) and rate
 - Some current rates will transition to two or more service codes or subcodes when multiple types of supports are being delivered under the same rate
 - Some current rates will be eliminated (e.g., for unbundled billing)
- As with previous phases, Regional Centers will be responsible for reviewing and reporting all vendor-level data

EXAMPLE: BREAKING OUT MULTIPLE SUPPORTS FROM A SINGLE RATE

- In the example, the provider has a single rate for both therapists (that deliver 80 percent of billed services) and therapy assistants (20 percent); the rate study creates separate rates by practitioner

	Unit	3/31/22 Rate	% of Svc. Hours	Bench-mark	Weighted Benchmark	Difference	% Funded	Increase	Updated Rate
Current	Therapist	\$60.00	80%						
	Ther. Asst.		20%						
Phase 1	Therapist	\$60.00	80%	\$100.00	\$96.00*	\$36.00	25%	\$9.00	\$69.00
	Ther. Asst.		20%	\$80.00					
Phase 2	Therapist	\$60.00	80%	\$100.00	\$96.00*	\$36.00	50%	\$18.00	\$78.00
	Ther. Asst.		20%	\$80.00					
Phase 3	Therapist	\$60.00	80%	\$100.00	N/A	\$40.00	100%**	\$40.00	\$100.00**
	Ther. Asst.		20%	\$80.00		\$20.00	100%**	\$20.00	\$80.00**

* Since Phases 1 and 2 did not require breaking-out services, a weighted benchmark was determined to account for the service mix

**Table combines the base rate and the quality incentive component. The payment would be structured as a base rate of \$90.00 / \$72.00 (90 percent of the total) and a potential quality incentive of \$10.00 / \$8.00 (the remaining 10 percent)

EXAMPLE: CHANGE TO BILLING UNIT (MONTHLY TO HOURLY)

	Unit	3/31/22 Rate	Hours/ Month	Effective Hr. Rate	Bench- mark	Difference	% Funded	Increase	Updated Rate
Current	Month	\$2,000	100	\$20.00					
Phase 1	Month	\$2,000	100	\$20.00	\$28.00	\$8.00	25%	\$2.00 (10%)	\$2,200 / month
Phase 2	Month	\$2,000	100	\$20.00	\$28.00	\$8.00	50%	\$4.00 (20%)	\$2,400 / month
Phase 3	Hour	\$2,000	100	\$20.00	\$28.00	\$8.00	100%*	\$8.00 (40%)	\$28.00* / hour

* Table combines the base rate and the quality incentive component. The payment would be structured as a base rate of \$25.20 (90 percent of the total) and a potential quality incentive of \$2.80 (the remaining 10 percent)

Changes to hourly units for Day Programs are currently suspended.

EXAMPLE: UNBUNDLED BILLING (SEPARATE RATE FOR ADMINISTRATION)

- In the example, the provider delivers 100 hours of support per month at \$18.00 per hour and is paid a fixed amount of \$200 per month for administrative costs (which equates to \$2.00 per hour)

		Unit	3/31/22 Rate	Hours/ Month	Effective Hr. Rate	Bench- mark	Differ- ence	% Funded	Increase	Updated Rate
Service	Current	Hour	\$18.00	100	\$20.00*					
	Phase 1	Hour	\$18.00	100	\$20.00*	\$28.00	\$8.00	25%	\$2.00 (5%)	\$20.00*
	Phase 2	Hour	\$18.00	100	\$20.00*	\$28.00	\$8.00	50%	\$4.00 (10%)	\$22.00*
	Phase 3	Hour	\$18.00	100	\$20.00*	\$28.00	\$8.00	100%**	\$8.00 (20%)	\$28.00**
Admin.	Current	Month	\$200.00							\$200.00
	Phase 1	Month	\$200.00		Included in calculation of service rate and then backed-out					\$200.00
	Phase 2	Month	\$200.00		Included in calculation of service rate and then backed-out					\$200.00
	Phase 3	N/A	\$200.00		Bundled in service rate					-

* Effective hourly rate includes value of unbundled administration, which is then backed out of the service rate in Phases 1 and 2

**Table combines the base rate and the quality incentive component. The payment would be structured as a base rate of \$25.20 (90 percent of the total) and a potential quality incentive of \$2.80 (the remaining 10 percent)

HOLD HARMLESS – BACKGROUND

- Vendors with rates that exceed the applicable benchmark rate will continue to be held harmless (no rate reduction) through June 30, 2026
 - Hold harmless applied in Phases 1 and 2 of implementation (that is, no vendor's rates have been reduced due to the rate study)
- Hold harmless for Phase 3 of implementation
 - Comparison will be between a vendor's rate after the July 2024 Phase 2 adjustment and the applicable benchmark rate
 - Unless otherwise communicated by DDS, billing unit changes will occur on January 1, 2025 so the rate comparison will consider a vendor's effective rate based on the new billing unit
 - Hold harmless covers any reduction that would otherwise occur due to a vendor not achieving applicable Quality Incentive Program measure(s)
 - If a vendor's rate exceeds 100 percent of the total benchmark rate, its rate will remain unchanged and they will not earn any additional amount through the QIP
 - If a vendor's rate is between 90 and 100 percent of the total benchmark rate, its rate will remain unchanged and their potential QIP amount will be the difference between this rate and 100 percent of the total benchmark rate
- After June 30, 2026, rates will be adjusted to the applicable benchmark rate model

HOLD HARMLESS – EXAMPLES

- Examples with a benchmark rate that started at \$96 hourly unit and increased to \$100 on July 1, 2024
 - Example 1: Vendor's July 2024 rate (after increases) is less than 90 percent of the benchmark rate
 - The January 2025 base rate will be 90 percent of the benchmark, and they will receive another 10 percent if they meet their QIP target
 - Example 2-3: Vendors' July 2024 rates (after increases) are between 90 and 100 percent of the benchmark rate
 - The January 2025 base rate will remain the same as their effective rates and they will receive the difference between that rate and the benchmark if they meet their QIP target
 - Example 4: Vendor's July 2024 rate is greater than 100 percent of the benchmark rate
 - The January 2025 base rate will remain equal to their current rate (as in the previous phases) and no funding is at risk due to the QIP
 - Example 5: Vendor has a March 2022 monthly rate of \$880 and delivers an average of 10 hours per month, or an effective rate of \$88 per hour; after increases, it will be between 90 and 100 of the benchmark rate
 - In Phases 1 and 2, the monthly rate was increased by comparing the effective hourly rate to the benchmark rate
 - In Phase 3, the vendor will be transitioned to the benchmark hourly rate

EXAMPLE: HOLD HARMLESS (cont.)

	Example 1	Example 2	Example 3	Example 4	Example 5
March 2022 Rate	\$76	\$84	\$98	\$104	\$880/ mo. (\$88/ hr.)
Phases 1-2 (Benchmark Rate = \$96 for Phase 1 and First Phase 2, \$100 for Second Phase 2)					
April 1, 2022 Phase 1 25% of Difference	\$81	\$87	\$98	\$104	\$900/ mo. (\$90/ hr.)
January 1, 2023 Phase 2 50% of Difference	\$86	\$90	\$98	\$104	\$920/ mo. (\$92/ hr.)
July 1, 2024 Phase 2 Update 50% of Difference	\$88	\$92	\$99	\$104	\$940/ mo. (\$94/ hr.)
Phase 3 Benchmark Rate = \$100					
January 2025 Base Rate 90% of Benchmark	\$90	\$92	\$99	\$104	\$94/ hr.
January 2025 QIP Up to 10% of Benchmark	\$10	\$8	\$1	\$0	\$6/ hr.
January 2025 Potential Rate	\$100	\$100	\$100	\$104	\$100/ hr.

NEXT STEPS



JULY 2024 RATE INCREASES

- Legislature directed updates to rate models
 - Updates for minimum wage and SSI/SSP (for residential services)
 - Higher rates to be effective July 1, 2024
- Process
 - Regional Centers to return previous service code workbooks with any changes to information for current vendors and the addition of any new vendors
 - HMA-Burns to update the rate tables based on the July 2024 fee schedule and re-share with Regional Centers
- Still part of the Phase 2 rate increase
 - Increase will be equal to 50 percent of the difference between a vendor's March 31, 2022 rate and the applicable benchmark rate (using the July 2024 fee schedule)
 - No other billing changes are required (i.e., do not need to end unbundled billing, change billing units, etc.)

JANUARY 2025 RATE INCREASES

- Final phase of implementation: Rates move to 90% of the Benchmark Rate
- Rate increases
 - Based on July 2024 rates (e.g., updates for minimum wage, IRS mileage rate, SSI/SSP)
 - All vendors (except those held-harmless) move to the applicable benchmark rate, standardizing rates across vendors
 - Quality Incentive Program applies, so rates will be set at 90 percent of the benchmark rate with the ability to earn the remaining 10 percent
 - QIP is based on participation in the Provider Directory
- Other elements of rate reform will also be implemented
 - For example, standardizing use of service codes and subcodes, standardizing some billing units, and eliminating billing for unbundled activities

PROVIDER DIRECTORY AND QIP

Participation in the Provider Directory is the only measure for the quality incentive portion of the rate model's full rate, for the time period of January 1, 2025 through June 30, 2026.

Activities

- Step #1 for the directory is a data collection effort
- Step #2 for the directory is service providers registering for the online portal and validating the information within each vendor number, including contact information, address, and local points of contact.

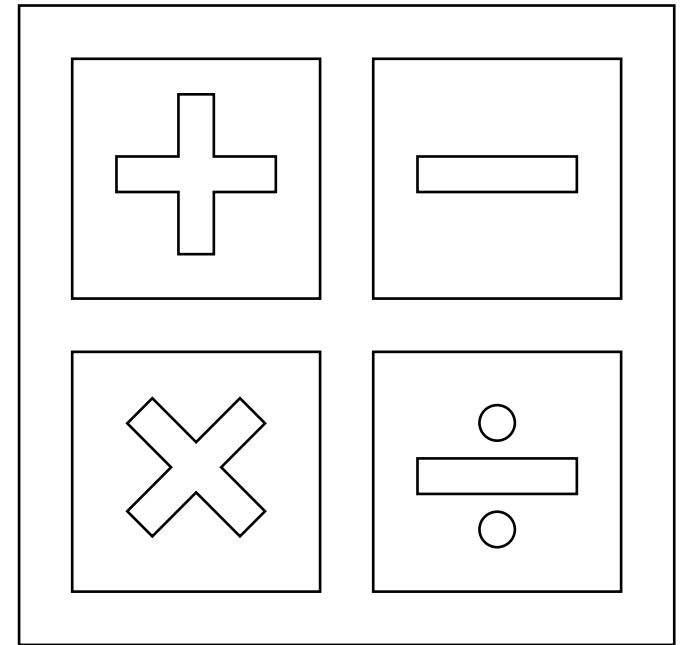
Incentive Amounts

- One-time incentive payments- One-time incentive payments may be earned by all service providers that complete both Steps 1 and 2.
- Quality incentive payments as a portion of the reimbursement rate- Service providers included in rate reform who have a current rate that is less than 100 percent of the full rate model, are eligible for the quality incentive component if they complete both Steps 1 and 2. This is in addition to the one-time incentive payments mentioned above.

JANUARY 2025 RATE INCREASES (cont.)

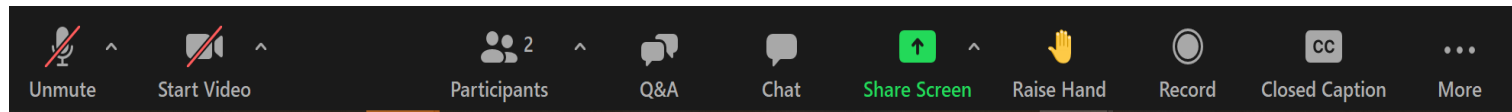
- HMA-Burns will create Excel workbooks to report rates for each vendor
 - Builds on workbooks from previous phases
 - Includes presumptive service codes and rates for each current vendor/ rate
 - Some rates will transition to two or more rates (if multiple types of support are covered under the same current rate)
 - Rates for unbundled activities will be eliminated (as these costs are incorporated in the rate for the underlying service)
 - No services are being eliminated and unique services will continue
- Assistance
 - DDS will host webinars to discuss individual services with vendors and Regional Centers
 - DDS will host office hours for Regional Centers to ask questions

WALK THROUGH OF NEW WORKBOOKS



QUESTIONS AND COMMENTS

- Please use “Q&A” for your questions and comments; if you prefer, you may send your questions/comments to ratesquestions@dds.ca.gov



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Q & A

Dedicated email: ratesquestions@dds.ca.gov

Questions not answered live will be added to the [FAQs](#) on rate adjustment implementation