JANUARY 2018

Children, Families, Health, and Human Services Interim Committee
Sue O'Connell, Legislative Research Analyst

HJR 24 STUDY: DD PROVIDER REIMBURSEMENT

Background

Montana provides community-based, Medicaid-funded services to developmentally disabled individuals through a network of individuals and organizations that contract with the state to offer the services. These providers are reimbursed within funding levels set by the Legislature and according to a rate schedule set by the Department of Public Health and Human Services (DPHHS) for each service offered. Reimbursement is made through both the regular Medicaid state plan and through a home and community-based services waiver. People receive services first through the state plan, which includes Community First Choice personal attendant services and supports. The waiver is used to pay for unmet needs.

The services that a person receives through the waiver are identified and included in what's known as an individual cost plan. The cost plan represents the total amount that DPHHS will pay for reimbursable waiver services if the client receives all the services during the year.

This briefing paper summarizes key provisions of the *Montana Developmental Disabilities Program Manual of Service Rates and Procedures for Reimbursement*, which sets rates for all Medicaid and non-Medicaid services.

General Policy

Reimbursement rates are based on the following factors:

- Most reimbursement is based on the amount of direct care staff time spent with the person receiving services. For payment to occur, the person generally must attend the service being offered, and direct care workers must be present to provide the service. Some limited exceptions exist to those requirements.
- Direct care staff are employees "whose primary responsibility is the day to day, hands-on, direct support of people with disabilities, training and instruction, and assistance with and management of activities of daily living." Care provided by qualified non-direct care staff who are substituting for a direct care worker may be billed when the regular staff is absent.
- Services are billed in units of 15 minutes, one hour, one day, or one month. The billing unit for most services is one hour, and the most frequently used services are paid at an hourly rate.
- Some services have additional billing restrictions, based on the number of people receiving the service at the same time, the type of service being provided, or the amount of service units needed during the month.

Cost Centers

Rates are developed using the following four "cost centers:"

- direct care staff pay, which was first set as part of a rate study begun in 2004 that resulted in the current rate system;

- the benefit package offered to employees, including both required payments such as Social Security taxes and optional benefits such as health insurance or retirement;
- general and administrative expenses related to management and operating costs, including salary and benefits for certain upper management employees; and
- program supervision and indirect expenses, which are program-related costs not assigned to one of the other cost centers. These include training, transportation costs for many types of employees, and supervision of direct care staff.

Other Reimbursement Factors

In addition to the factors listed above, the state also takes geography and economies of scale into account when setting rates.

Residential habilitation, day services, and some work service rates are adjusted based on whether a provider is in a high-cost or medium-cost county. Ten counties qualify as medium-cost counties, and the rates for the services in those counties are increased by 1.84%. Eighteen counties are considered high-cost counties, with rates increased by 4.48%.

Rates also are adjusted based on economies of scale for group homes and for some small providers of certain other services. Group home rates decrease as the number of group homes operated by a provider increases. Providers operating one to six group homes within the service region see no changes in their rates. General and administrative costs and program-related costs for providers with seven to 17 sites in a region are each reduced by 2%. Providers with 18 or more sites in a region see a 4% decrease for their program-related costs and a 2% reduction in reimbursement for their general and administrative costs.

History of DD Provider Rates

Until the mid-2000s, DPHHS reimbursed providers on a monthly basis. Each month, providers generally received one-twelfth of the amount allocated for services to each developmentally disabled person that they were serving. However, the Centers for Medicare and Medicaid Services (CMS) raised questions about that approach during visits in 2000 and 2002.[1] CMS approves the Medicaid waiver that allows the state to provide home and community-based services.

CMS subsequently made recommendations for improving the rate system. That led to a rate restructuring process conducted by a consultant and involving stakeholders.[2] Part of the restructuring involved raising the benchmark direct care wages from the 25th percentile to the 35th percentile of the published statewide market value for comparable jobs.[3] The 2005 Legislature appropriated funds to begin the rate restructuring process as a pilot project. The 2007 Legislature approved an $18 million appropriation to complete the rate restructuring. The new rates instituted a fee-based system for all providers and increased direct care worker wages to $8.35 by the end of Fiscal Year 2009.[4]

The reimbursement rates typically change each biennium, depending on legislative appropriations and whether the governor is required to reduce spending because of revenue shortfalls.

Cl0425 8002soxb.docx

---

[1] "DD Rates Information," *Department of Public Health and Human Services*, handout provided to the Montana Developmental Center Transition Planning Committee, July 23, 2015, P. 1.
[2] Ibid.
[3] "Legislative Fiscal Report 2007 Biennium," *Legislative Fiscal Division,* Volume 3, June 2005, P. B-106.
[4] "Legislative Fiscal Report 2009 Biennium," *Legislative Fiscal Division*, Volume 3, June 2007, P. B-4.