



**Johnston, Villegas-Grubbs and Associates LLC**

**FINAL REPORT**

**Maryland Department of Health & Mental Hygiene**

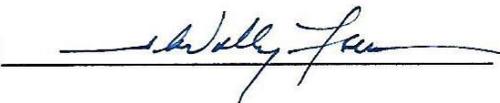
**Developmental Disabilities Administration Rate Setting**

*In response to RFP No. DHMH OPASS 15-14207*

**Submitted to:**

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## **I Executive Summary**

### **Project Purpose**

The Maryland Department of Health/Developmental Disabilities Administration (DDA) issued a solicitation for a cost and rate study for this project that follows a set of objectives that were included in a piece of legislation passed by the Maryland General Assembly in 2014.

The DDA contracted with Johnston, Villegas-Grubbs and Associates LLC (JVGA), a minority owned consulting firm established in 2004. JVGA has worked with more than a dozen state and county governments to develop rates. The principal, John Villegas-Grubbs, designed and piloted one of the first component-driven standard fee systems in Medicaid in the country (1995), which came to be called the Brick Method™. It is an architecture that is extremely flexible but simple, and fundamentally responsive to the needs of the people who use these services.

The Brick™ Method studies the relationship between cost categories, such as Program Support and Employee Related Expenses, to determine the components of the Brick™. The foundation of the Brick™ is the wage for the direct support professional. The other components are Employment Related Expenses, Facility Costs (for day habilitation only), Program Support, and General and Administrative. Recognizing the broad impact of transportation on the provision of community-based services, JVGA recently added Transportation as a component. Based on input from stakeholders, the Maryland effort incorporated Training as a distinct component for the first time as well.

### **Legislative Objectives**

The objectives that were part of the piece of legislation passed in 2014 included a rate analysis and an impact study that considered the actual cost of providing community-based services. In addition, the study should include (a) the cost of transportation across all service types; (b) appropriate wage and benefit levels for direct support and supervisory staff; and (c) rates that incorporate the fiscal impact of absence days.

The process that JVGA uses to study the actual cost of providing services is to use the information captured in the accounting systems of the provider agencies. We do not ever use surveys because there is no way to guarantee that surveys are filled out the same way by different providers, they are often very complicated and hard to understand, and the information in them can be unreliable. Instead, we ask the providers to download only their expenditure records (not income or anything else) to a spreadsheet and send it to us. We work closely with a subset of providers spanning several months. This part of the study involves sometimes hundreds of phone calls to make sure we understand the accounting information properly (general ledgers).

We categorize the groups of accounts the providers use in their accounting system in what are called “components” so that we can study the total costs in terms of things that mean something relative to service standards. JVGA began using transportation as a separate component about four years ago, and for Maryland decided to break out “Training” as a new separate component.

In addition to working with the providers about accounting information, JVGA convened two different groups to join with us in all our research and the development of the study. One was set up to help inform the process about technical aspects of the finance of the services (The Technical Work Group) and another was set up to give us the perspective of the person who uses the services and their families, to promote the quality of services (The Service Quality Work Group). There have been approximately ten in-person meetings with the Technical Work Group, eight conference calls, two presentations (by John Villegas-Grubbs) at the annual conference of Maryland Association of Community Services (MACS) in addition to around two hundred provider phone calls related to the rate development process. The Service Quality group met six times and was also supported with a number of phone calls throughout the study. In this report there is a section (Section V) about the significant contribution these two groups have made to this study and to our recommendations.

### **Key Events in Maryland, A Word about Quality**

There were a number of things that happened during the study, and challenges uncovered during the work that set it apart from other similar projects. Those will be discussed in detail in Section II of this report (“The Brick Method™ and How It Was Developed for Maryland”) but there is one particular aspect of the project that really bears mentioning. JVGA is always looking for ways to take information about things that foster a higher level of service quality and a more person-centered and life-focused system of services and translate that information into concrete actual components in the standard rates. It is very difficult to do. Quality of life concepts are often based on feelings, hopes and dreams, and aspects of satisfaction with life. But those things are very hard to quantify, or to put into numbers. In Maryland the Quality Work Group advised the Technical Work Group that training was something that could make a noticeable difference in the way services are delivered. So JVGA set out not just to study what the training expenditures have been in the past (using the accounting data) but what *should* the rates include for it. We were able to work with the State and the Technical Work Group to formulate an approach that does that, and together we have adopted it in this work.

### **JVGA Recommendations**

- ✚ JVGA recommends that the State of Maryland implement the rates presented at the end of this report called “The Rate Files and How to Read Them” (page 36), in the structure in which they are presented. The Legislative objectives related to transportation, wage and benefits, and absence days are all present in the work and the proposed rate system.
- ✚ Although there are areas of the state that are establishing new minimum wage levels specific to certain jurisdictions, JVGA does not recommend attempting to establish direct care rates based on minimum wage. The reason for this is that the rate system should be based on service standards, and contain ways in which the standards are present in the system. The qualifications for direct support professionals can be known, and corresponding job categories can be found in the Bureau of Labor Statistics expressed for each state. Although the data may be from previous years, it should be increased year by year using a consumer price index, and JVGA recommends using one that is published by

the Centers for Medicare and Medicaid Services (CMS). Basing wage levels on a general minimum wage does not relate to service standards in any way.

- ✚ JVGA studied demographic influences on the cost of providing service in two broad areas: urban versus rural (wage, transportation, and housing) and those that could be said to be caused by a concentration of wealth. JVGA does not recommend the use of any demographic differentials in the new rate system. The reason is that differentials create a high degree of complexity for authorization and service payments, and usually introduce incentives that they do not intend. The urban versus rural cost pressures tend to offset each other and we found that they largely did in Maryland. And the concentration of wealth effects in Maryland are primarily seen in housing costs, and Medicaid does not cover housing in community-based services. The transportation cost, the study of which is a specific outcome required by the legislation, is also a cost related to demographic influences, but JVGA recommends that it be applied in all day program rates not just those in any specific area.
- ✚ JVGA has calculated and does recommend the use of a differential to cover the additional costs for people who have increased medical and psychological needs, and that the system include options for people who need very intense levels of support.
- ✚ JVGA does not recommend that the component values in the system be recalculated or updated (re-based) for a period of at least five years, because the component percentages typically remain very stable over time. If the state decides to increase resources in this system, that can be done by increasing the direct support professional wage. The Brick Method™ structure is designed so that all components are based on the wage and will be maintained at the existing levels automatically.
- ✚ JVGA recommends that the current existing levels of support actually provided should be used to select the rate for congregate residential settings in the initial year of the system, and that the matrix used in the past be abandoned.

## II The Brick Method™ and How It Was Developed for Maryland

The first step in developing a cost study and creating a system of rates for long term care is to get a good picture of the opportunities and challenges you face.

### Opportunities

- ✓ **Support Staff.** The Maryland Department of Health, Developmental Disabilities Administration (DDA) clearly expressed the objective of carefully considering the circumstances related to the direct support professionals. These are the people who work day in and day out with the folks who receive these services, whether that service is day habilitation or case management. There are some significant reforms being discussed and studied related to employment in the disability industry, and DDA leadership is among those who are working diligently to determine what can be done to properly support these employees in an environment of very limited funds.
- ✓ **Outcomes.** DDA leadership is also very keen on the idea that all work related to the payment for disability services must have the quality of these services at the heart of the analysis. DDA leadership has also been involved in the development and implementation of what are called “Core Indicators.” These are a set of measurements that are designed to reveal something about the nature of services, what they are accomplishing, and how well the people who need and use the services are being supported. The set of indicators was actually developed BY state directors of these programs and born out of the belief that while resources are stretched to accomplish more and more with less and less, it becomes important that we can all demonstrate that the money is well spent. JVGA shares this belief and we always look for opportunities to use whatever we can to further this objective.
- ✓ **Quality.** Also to this end, JVGA always looks for concrete ways in which we can take ideas such as “quality” that are hard to quantify, and build them into very concrete components that are visible, and are felt to have a real impact on the services. We knew that our client (DDA) would want us to do that, and so we did. We discovered that training for staff is an issue that everyone felt would directly impact the quality of services. We proposed a way to respond to that opportunity and DDA supported us completely in this analysis. They agreed to include it in the final work.

#### TECHNICAL CORNER: Billable Unit

All services in Medicaid are paid using a “Billable Unit.” This is the unit of measure that indicates what has been done, or what has happened that the provider actually submits for billing, and for which a rate is set. For example, the billable unit for physical therapy, or nursing, is normally an hour of the therapist’s or nurse’s time. In congregate residential services (group homes) the billable unit is almost always a day of the person’s status as resident .

- ✓ Change. DDA is in the process of making some very comprehensive changes to the nature of services being purchased. In some cases the way the service is purchased (Billable Unit – see “Technical Corner”) is changing and in others the way the service is designed is changing. This presents an opportunity to incorporate new ideas into the way services are being purchased and delivered

#### TECHNICAL CORNER: Budget Impact Analysis

The budget impact analysis is a process whereby the financial impact of the rate system on the state’s budget is analyzed in order to tell whether or not the existing budget is sufficient to cover the costs of the new rates. This is done using the direct support hours currently being provided and assuming that these hours of support will all be paid at the new rates, and then comparing that total dollar amount to the existing budget for the same services.

#### Challenges

- Change. While change presents new opportunities to make improvements to the ways services occur, it also presents a challenge in that it can make it harder to predict what the impact will be as a result of these changes, because they are new. This presents a particular problem when it comes to measuring the financial impact on the system; a process we refer to as the “budget impact analysis” (see “Technical Corner”).

- Minimum Wage. At present two counties have passed political initiatives to raise the minimum wage in their respective counties above the state’s minimum wage. While the decisions made by county governments

are not necessarily binding on the state government or its programs, nor are they binding on the part of the Federal Medicaid programs (to fund them), it does present the reality that staff who work for Developmental Disabilities providers will have opportunities to make that minimum wage in other lines of work, and may be lured away from work in these service settings. Because the Brick Method™ (the JVGA approach to rate set projects) begins with the value of an hour of direct support and builds all the payment based on it, the direct support wage is the single most influential component of compensation in the system. A very small change in direct support wage can have a huge impact on over-all costs.

- Transportation. The cost of transportation, like most things, is increasing. But the challenge of adequately compensating for this part of the delivery of services goes beyond just the rising cost; the way in which transportation is covered is very complex. This is because transportation itself is very diverse when it is part of these services. It is not as simple as setting the fare for a taxi ride. More often than not, folks are in the vehicles together, but often going to or coming from different places. Other differences exist that could make the billing for transportation as a discrete support service extremely complicated. But including it in the rate for services themselves is difficult because of the same complexities. This is particularly challenging when considering the differences in

the cost of services in rural settings, where the travel distances are long, and urban centers, where the public options are available but travel times may be long.

- **Economic Pressures.** In the State of Maryland there are a few counties that are fairly wealthy with strong tax revenues resulting in higher prices for goods and services and there are others where there is not such a concentration of wealth. All standard fee systems (Published Rates) are really just a form of averaging the costs within services as well as across service providers and service areas. It is possible, in the process of developing an average, to include things in the average that then are not adequately compensated at the new average, or are compensated at levels beyond the actual costs.
- **Wage Pressures.** In Montgomery County and Prince George's County the county governments there have taken the initiative to increase the minimum wage above the state minimum wage. As of July 1, 2017, the minimum wage for Maryland is \$9.25 per hour while the minimum wage in Montgomery County and Prince George's County is now \$11.50 per hour. This will have a profound impact on all businesses in those counties. But because rates for Medicaid long term care services are based on the direct support professional wage, the impact on the wage set in the rate system affects the entire state. A small change in the wage levels in the system has a profound impact on the cost of the entire system. If the rate system includes such an increase the cost to the state would be prohibitive. There is also no automatic guarantee that the Centers for Medicaid and Medicare Services (CMS) would be willing to share the cost with the state. Even if the rate system only includes such an increase for those counties that are affected, there is no current provision to increase the state's contribution to those county providers. And even if there were, it could adversely affect the providers in counties that are adjacent but do not get the increase in minimum wage.
- **Evolution of Supports over Time (Group Homes):** During our work on phase one of the project the JVGA team became aware of an effect present in the service delivery system in the State of Maryland. The effect is directly connected to the use of a matrix in which different need levels are presented and support levels are indicated for each level of need. The rates in the matrix are assumed to cover hours that will be shared by all the people who live in any specific home. The practice has been to assign a base rate according to the need index in the matrix, and then if the individual needs additional hours those are requested and, if approved, become added to the supports and referred to as an "add on." The actual payments are comprised of three parts: the base matrix, the provider portion, and the add-on hours.

Over time any person who comes into the home after it has been created will receive the rate from the matrix associated with their "level" of need. But since the hours are shared hours, the provider may or may not need to add all the hours associated with the level of need in the matrix, since some of the support is already there. Through the years the

actual hours of support each person uses, per person, has evolved differently for each person using the services and between providers.

Since the Brick Method™ is based on the rate being tied directly to a single hour of support provided for each person, the existing hours of support happening now will no longer be compensated as they were in the matrix that was used in the past.

Rate Development in Maryland This section of our report describes the approach we take to studying the cost of services and designing rates for them. This approach has come to be called “The Brick Method.”

### General Description

The Brick Method™ is a systemic approach to the development of set or published rates for different services funded by federal, state and county governments. It was originally developed to set rates in a way so that the rates would be responsive to the needs of individuals, and able to vary as those needs are different from one person to the next, or change over time. It is a fixed or published rate system approach that is based on the identity of groups of costs referred to as “components” like other fixed rate systems. What makes this approach unique is how the components relate to the direct support wage costs in particular, and how it is designed to be variable, in general.

### History

What follows is a recap of the history of this system (note: John Villegas-Grubbs led all of these projects either as a State Administrator for the first one, a Mercer Consultant for the next three, or as JVGA Principal for all the others):

State of Arizona:	DES Developmental Disabilities
District of Columbia:	Developmental Disabilities
State of Delaware:	Developmental Disabilities (with ICAP attachment)
State of Florida:	Developmental Disabilities
State of Idaho:	Developmental Disabilities and Mental Health
State of Oregon:	HIV & AIDS
State of California:	Los Angeles County, HIV & AIDS
State of Minnesota:	St. Louis County, Developmental Disabilities (JVGA also designed the budget allocation protocol for the State Medicaid Program)
State of Arizona:	RWCA Part A
State of North Dakota:	Developmental Disabilities (with SIS attachment)
State of New York:	Developmental Disabilities
State of Oregon:	Mental Health Services
State of New Jersey:	Developmental Disabilities
State of Maryland	Developmental Disabilities

## The Structure of the System

There are five basic components, or types of costs, that we study and include in our standard rate system:

Direct Support Wage: The basis of the value of the hour. It is the wage or the salary value of an hour spent performing the service.

Employment Related Expenditures: Insurance: FICA, FUTA, Unemployment, Workers Compensation, and fringe benefits. Included in fringe benefits can be things such as tuition reimbursement, retirement programs, profit sharing and others as designed by the provider agencies.

Facility Costs: These are the costs associated with the use of buildings. Sometimes they are included in Medicaid covered rates (day programs) and sometimes they cannot be included (residential programs).

Program Support: This category includes all the expenses of supporting the program other than the direct support professional, or benefits, or administrative costs. It includes program supplies (other than food), supervision, supplies, and other categories.

In the State of Maryland, we broke out from this component two additional categories: Transportation and Training. We did this for a variety of reasons that will be discussed further in this report.

General and Administrative Expenses: These are all the expenses that any business is likely to have, regardless of the nature of the business they are in.

What follows is a further development of the definitions of each component.

### **Direct Support Professional Hour (Wage)**

The definition of Direct Support Professional Wage consists of the following two elements:

One: The staff must be people who are performing tasks in the furtherance of the objectives of the service. In other words, they must be doing what they are doing in order to meet some objective defined in the service. They are not considered Direct Support Professional solely by their qualifications.

Two: The person who is receiving the service and who is expected to benefit from it must be present, most of the time.

This definition is more narrow than the definition of direct support professional found in most other uses, and in particular in the wage and benefit surveys used by the State of Maryland in

that it does not include supervision. Although JVGA used those reports, we were not able to depend on them alone because of this difference.

But it is an important difference. Our rate work always includes creating a rate for people who need one-to-one dedicated support; they need their own support person who is with them and focuses on them alone, and whose time is not shared by any other person. Because this is an intense need and not to be confused with someone who just needs to be supervised but may be fine with other people, the definition of the hour of direct support must be more restricted and cannot include general supervision.

### **Employment-Related Expenditures**

Simply stated, these are all the benefits received by employees of the service agency. Benefits generally fall into two categories:

Discretionary Benefits: those benefits that employers may elect to provide but are not mandated to do so by any governmental authority.

Non-Discretionary Benefits: Those benefits that are mandated by a governmental authority.

### **Program Support Expenditures**

These are all the expenditures that support the objectives and the provision of the service and are often reflective of differences in the level of needs of the consumer, but cannot be tied to any particular person receiving the service. For this reason, Program Support Expenditures are considered “indirect” rather than General and Administrative Expenditures. Supervision of Direct Support Professional, supplies related to the service, consultative services to general staff, transportation, and facility costs are all examples of Program Support Expenditures. It is important to note that many factors influence the inclusion or exclusion of cost types in this category, but the two most prominent are the service descriptions and the funding source regulations.

### **General and Administrative Expenditures**

These expenditures are the costs of being in business. General and Administrative Expenditures have nothing to do with the program, the service, or the product offered. These expenditures tend to be costs that are as common to automotive manufacturing firms as they are to pizza parlors or as common to doctors’ practices as they are to amusement parks. General and Administrative expenses include administrative salaries (other than program support), insurance, travel and entertainment, office expenses, lease or rental costs for office space, depreciation and amortization, interest on capital debt related to office equipment or building, real estate taxes/property insurance/other property costs related to the corporate or business entity office, miscellaneous, and equipment rental. In most instances, the categories of costs included in this component are similar in both non-profit and for-profit organizations.

## Rate Development Methodology — A Process Chart



## The Development Process in Maryland

*“Health and safety are important but it’s also about getting a life...”*

The following narrative explains each step of the rate development with a description of the processes and actions taken to successfully complete each of these steps.

### Step 1: Determine the Cost Categories

The first step in developing standardized rates for services is to study each service description in great detail to determine if the four cost categories described above will be sufficient, or if additional categories would be needed to address program and provider-specific issues.

The way that the cost categories are decided is to consider what the services themselves are like, what objectives are in place for the services, and what aspects of the services (expressed in cost categories) have an impact on quality. In institutional settings there tend to be more cost categories because those rates are all inclusive, everything that happens for the residents must be part of the rate. But that is not true of community-based services. Still, we choose categories and measure them based on what we hope to see; and we choose what we hope to see in the cost patterns because we want to make sure we are adequately paying for the services.

#### What Happened in Maryland:

Some years ago we (JVGA) decided that we would study transportation as a separate component in the study of accounting records (General Ledger Data) we gather from the providers. We started studying this because so many states are experiencing challenges in adequately funding transportation, and it is very difficult to design and pay for it. Transportation has always been measured as part of the “Program Support” costs in the Brick Method™ and included in that category. But now it is broken out as its own category. In Maryland one of the legislative objectives for this project was for transportation to be studied, because many felt that transportation was such a significant burden on the providers that it could even threaten their ability to adequately provide the service. JVGA identified it as a separate category and set about the process of analyzing it in all the cost information we received, and to address it specifically in the rate development, as will be discussed later in this report.

JVGA always works with our team divided into two major endeavors: the technical aspects of cost and rate work, and the service quality aspects as expressed to us through collaboration with families and people who use these services. To this end, as has been mentioned earlier, for the last five years (starting in the State of North Dakota) we have included a self-advocate from Self Advocates Becoming Empowered (S.A.B.E.) among other things, the important role that training and education play in influencing the quality of services. The JVGA team recognized that training

is an aspect of expenditures that can be measured in the cost information we receive from providers. And if we can measure it, we can influence it. So we decided to isolate training costs and include them as a separate category in the rate system.

*“Expectations of case managers are impacted by turnover, training and ratios.”*

**✓ Of Note:** There are hidden costs associated with training that are often missed in the study of costs related to this activity: the cost of staffing the service while the person who usually provides the support is

away at training events, and in the case of case management (Targeted Case Management) the time period when a person is being trained on the job, paid a salary or wage, but whose training the provider does not consider sufficient enough to bill for their services. The state appreciates the reality of these costs borne by the provider agencies and allowed JVGA to calculate them and build them into the system.

#### **TECHNICAL CORNER: What is a General Ledger?**

All businesses operate and measure the finances of their business using some sort of accounting system. Whenever they are paid, they post the information to their accounting system and, as they pay their bills, each payment also goes “through” that system. In that way they can always produce reports on how the business is doing, what their tax obligations might be, and whether or not they are financially healthy. The General Ledger refers to the set of all the accounts they use and all the transactions that have happened in those accounts. It is the actual history of their expenditures.

As you can see in the final rate schedule attached to this report, we created and measured seven categories for the State of Maryland, although not all of them are used in every service, and they differ from one service to the next: Direct Support Wage, Employment Related Expenditures, Facility Costs, General and Administrative Costs, Program Support, Training, and Transportation. In the coming years the state will be able to see how these costs are changing in response to the needs of people who depend on these services.

#### **Step 2: Gather the Financial Data (General Ledger Analysis)**

The next step to undertake is to gather the General Ledgers from providers of the services for which rates are to be set, and to gather Cost Reports, if they are available.

JVGA always works first and most comprehensively with the actual cost information we receive from the providers in the form of downloads from their General Ledgers.

We never create surveys and ask providers to fill them out because we cannot be sure that all providers are filling them out the same way. But if we ask for the information to be given to us in the form of a “download” from their accounting system then we are the only people coding and interpreting it, so we can be sure they are all treated the same. It is also much easier for a

provider to export the accounting information to a spreadsheet file and send it to us, than to fill out surveys. And we can be confident that the actual costs are being studied.

We do, however, also look at cost reports. When we do they must:

Be available (reports must exist); they should be current; they should be considered accurate, as much as possible; they should be in enough detail to allow us to categorize the accounts according to the categories we are using; and line items within them should be consistent between providers of the same service.

Provider cost reports are very important to the process when used together with the General Ledgers submitted by providers.

### What Happened in Maryland:

We requested accounting system downloads from approximately sixty provider agencies because that is the number we proposed to study in our response to the solicitation for this project. When we received the information, we discovered that we might not have enough agencies in the mix to adequately study all the services closely enough, to make sure we had large and small agencies in the mix, and also to get a good representation of agencies that operate in urban areas as well as rural areas. So the state, working with JVGA, decided to increase the number of agencies we asked to send us expenditure information and ended up studying about eighty. By the time we had studied all the companies from whom we had information we had two hundred and forty-seven (247) general ledger profiles. A general ledger profile is one set of expenditure information from one provider either for a single service or for a set of services.

#### TECHNICAL CORNER: The Component Calculations in the Brick Method

- A. Total Expenditures for Direct Support Professional
- B. Total Employment Related Expenditures (benefits) divided by A.
- C. Total Facility Costs divided by A.
- D. Total Program Support Costs divided by A.
- E. Total Training Costs divided by A.
- F. Total Transportation Costs divided by A.
- G. Total General and Administrative Costs divided by A+B+C+D+E+F.

### **Step 3: Organize and Analyze Data**

In this step General Ledger information is organized so that the cost components can be compared in a consistent manner across providers and calculated as a percentage of Direct Support Professional Costs:

Each Account Line is identified to the component of the rate system it “falls into” and coded as such.

The components are sorted and summed.

Each component is then calculated as a percentage of the Direct Support Professional costs, with the exception of General and Administrative costs. (see Step 7 below)

The Ledgers are returned to the providers to have them review the calculations and provide feedback as to the accuracy of the cost line item identification. This process may be repeated.

The organization of the information allows for the successful completion of the component analysis. The final result of the component analysis is a true understanding of each of the cost components' relationship to Direct Support Professional costs for each of the service categories analyzed. Additionally, these components are expressed in terms of that relationship (usually as a percentage).

#### What Happened in Maryland:

In Maryland, the gathering of the expenditures in the form of downloads from their accounting systems happened very much like it usually does. They sent us the information in the way we requested it and we began the process of coding the line item accounts in the files they sent us, summing the categories and performing the calculations of the percentages. As we were doing this we were looking for the components (expressed as percentages) to be similar between providers who provide the same service in the same way. When they were not, we assumed that the providers were providing the same service, but probably not the same way.

After coding and analyzing the files, we sent them back to the providers to see if they agreed with how we had labeled their cost line items. We then conducted a series of phone calls to discuss any differences and address anything that looked unusual to us, or that we thought we might not understand correctly. We had intended to schedule and conduct about sixty (one-hour) calls over a period of about a month, but we ended up calling some providers multiple times.

One of the things we noticed was that the program support category, which is usually much higher when the folks receiving the service have medical issues or need intensive supports and oversight by trained clinical professionals, did not show a clear difference. All (or most) of the program support percentages for the same service groups were more similar than not. But we know that these medical circumstances (what we refer to as "acuity") are there, and they are driving costs higher for the agencies that serve them. Just because we were not seeing them did not mean to us that they were not there. So, we asked the state to help us identify providers that we know are serving people who do need these supports. The state gave us a list of providers and we set out to better understand them. In fact, as is usually his practice, John Villegas-Grubbs visited the homes where people live who need and are receiving this level of support. We then isolated the expenditure reports for these providers and calculated their program support percentage to capture a way to create a different rate to adequately support them.

A second thing that happened in Maryland had to do with the calculation of the Employment Related Expenditures (ERE). Over the years and across the country in our work in other states this component of costs remains very much the same, or similar, from one state to the next, and from one provider to the next. We end up with ranges of the percentage for this cost category

**TECHNICAL CORNER: Weighting the component percentages.**

JVGA historically uses the total dollars by service to weight the percentages from each profile, so that the averages which end up in the system are not simple averages but represent the effects of scale. Optumas, the peer review agency contracted by JVGA to offer advice and overview as to how the work might be improved and meet high standards for rate development, recommended that the weighting be done based on the dollars present in the Direct Support Category, rather than the total service dollars, because this is the category upon which the percentages were calculated. JVGA re-weighted the component percentages accordingly, and weighted them according to the Optumas recommendation.

that we consider “normal,” or reasonably similar to others. What we found in Maryland was that the percentages seemed low to us. We verified with the providers that they were correctly calculated but that several economic factors had made it difficult to offer benefits to their staff, and the turnover was a problem, in part, as a result. So we looked for cost profiles where the costs were reasonable and seemed more likely to be adequate and we set the ERE percentage based on those profiles. And we decided to use the same percentage across all providers, across all services.

**Step 4: Review Standards**

In the fourth step of development, existing service descriptions (or those prepared in earlier studies) are reviewed to establish the proper type and quantity of Direct Support Professional staffing levels and the general profiles of the Direct Support Professional specific to the service description. This information forms the basis of the completed rates.

**What Happened in Maryland:**

Maryland is in the process of making significant changes to the way in which the services in the community-based waivers are being designed and purchased. Some very significant modifications and improvements are being designed and implemented by the State of Maryland. For this reason, it was not appropriate to consider only the way the services have been described and delivered up until the study began, but also to take into consideration the proposed changes. A perfect example of this is the change from daily billing to hourly billing for Day Programs. It seems as though this would be a simple change, but it isn't simple. Care has to be taken to make sure that as the billable unit changes, the opportunity for the providers to bill for the expenditures is not lost, as well as to make sure that the rate system does not inadvertently cover costs more than once between services, or within service categories. Hourly billing for Day Programs accomplishes a lot of good for these services. It makes it possible to coordinate Day Services and Employment supports much more fluidly in a single day, and there are great benefits to the folks who use both of those services. But it did involve the need to look into the impact that might happen to the billing, particularly with regards to transportation, and particularly related to these two services. In this project, the Technical Work Group provided a great deal of assistance and support, as they did across several aspects of the work, to JVGA in our attempt to capture the true effect of this improvement.

## Step 5: Establish Direct Support Professional Wage Profile

Wage levels associated with the staff described in the service descriptions as Direct Support

*“Retention, recruitment, quality and dollars are all important to direct care staff.”*

Professional are then determined. Depending on the unique nature of the service being studied, this can be performed in a number of ways. Wage and Benefit studies can be performed, research into objective sources of wage and benefit information (such as the

Bureau of Labor Statistics) can be done, prevailing market wages currently paid by providers in the area can be reviewed, and finally, the judgment of administrators and directors may be used to set wage levels as a matter of policy. JVGA uses the Bureau of Labor Statistics to establish Direct Support Professional wage levels, because the data represents independently established and objectively observable wage level information. In some states, however, wages are already set in legislation, and JVGA always uses the wages in legislation if they are set there. The first thing to consider once you have determined where you are going to go to select the wage are the standards of the service for which you are setting the wages, if there are existing standards. A perfect example of this is Case Management. Some states are moving to a licensure requirement for Case Management, in which case the wages would have to reflect the requirement of a Master’s Degree. In most states however, this service is performed by a mix of Master’s level and non-master’s level employees. It is possible to “mix” the wages between two or more sets of qualifications, if you know what the mix will be (how many master’s level people matched with how many people are not master’s level). Another example of blending the direct support wage is in a nursing home, for example. Many states establish a ratio of one Registered Nurse to eight non-Registered Nurses in a direct support team, for example. In a case such as that you would blend the direct support wage by averaging the wages of one Registered Nurse with eight nurses who do not have that qualification.

While JVGA uses the Bureau of Labor Statistics (BLS) to research the job descriptions available in the state in which we are working, it is often the case that multiple job descriptions are possible for any particular job. We do our best to find the one that best matches the community’s

*“Fair wages for all people is an important issue.”*

prevailing practices and we publish the actual BLS job category number so that it is easy to research the job classification we used.

### What Happened in Maryland:

All of the job categories that JVGA reviewed are presented in the rate files (see attachments) in a sheet referring to the BLS Wage Profiles. The selections for each service are indicated in that schedule.

✓ **Of Note:** What the State of Maryland has chosen to do with regards to the wages for habilitation workers employed in Residential and Day services is to set up the structure to implement a career path for Direct Support Professionals. There has been significant work done to study the work of habilitation providers (staff) and craft policies to begin the process of establishing a path of advancement for these important people. JVGA adopted the structure presented in documents prepared and released by The State of New York (see attachments) where there has been detailed development of the tiers, the qualifications related to them, and the difference in wage levels per tier. JVGA also incorporated the mix of each tier level in blending the wages.

### **Step 6: Determine Employment Related Expenditures Percentage**

The Employment Related Expenditure percentage is determined. This can be done by comparing the percentage revealed by the analysis of the cost reports to known information about benefit percentages. As with the wage levels, a decision is needed whether to use the existing market percentage in the current providers' accounting information, or whether to use an objectively determined "fully loaded" benefits package as might be available from an objective source, or to set this percentage by administrative discretion as a matter of policy. JVGA always begins by studying the accounting information submitted by the provider agencies.

#### What Happened in Maryland:

As mentioned earlier in this report, the ERE percentages were calculated from the accounting information submitted by providers. But the results of the calculations appeared lower than has been our experience in other states. After extensive phone calls with providers about this issue we determined that many of the providers have been unable to match prevailing market levels for benefits paid to providers, while others seemed to be able to offer adequate benefits packages. We exercised our discretion and focused on those accounting profiles where the benefits levels were adequate (or appeared to be adequate) and applied the percentage related to those circumstances to all services.

### **Step 7: Identify the Program Support Costs**

Program Support costs are those costs that are necessary to support the people in the service setting that are not direct support or supervision, and do not fall into any of the other categories (transportation or training) and generally are shared equally among the individuals. These costs include program supplies, professional consults, supervision of habilitative staff, quality initiatives, clinical oversight, environmental costs and adaptations (excluding modifications), and anything that would need to be provided to ensure that the setting adequately responds to the needs of the people in the service to keep them safe and adequately supported. When we study this cost category and calculate the percentages associated with it, we are looking specifically for sets of Program Support percentages that are significantly higher than others (within the same

services) because this is usually due to clinical needs of the people being served. The costs would go up in response to nursing oversight, medications management, physician consults, medical equipment, other professional consults, and durable medical equipment that is not otherwise paid for through some other billing mechanism (as examples). We then use this *different* Program Support percentage to create a rate specifically for people with these special needs.

A note about acuity: There are many examples of people who need intensive supports that are of the nature of enhanced supervision whether or not there are professional consults or other clinical supports being provided. For example, people with elopement behaviors (people who wander off or run away unexpectedly) out in the community often need someone keeping an eye on them constantly, to make sure they are safe. They do not necessarily need medication or have any clinical supports at all, but their supervision levels need to be focused and often enhanced. The Brick Method™ provides for rates that are based on different levels of supports that occur as a greater number of hours of supervision, with or without the added differential to pay for clinical support costs.

#### What Happened in Maryland:

When the Program Supports categories were calculated we did not see a distinct set of percentages that were extraordinarily higher than others, as we expected. This can mean a number of things; that people who have more complicated needs because of medical or clinical issues are not grouped together in one provider but are "mixed in" with other people who do not have higher needs, or it can mean that the providers are able to bill separately for medical supports and don't have to try to fit them into whatever their current rate is.

The JVGA team always takes the position that there is a need for rates that are higher than the standard rates for certain services because of these clinical and medical needs. And even though we may not see them right away as we study the expenditures of the providers, we know they are there. So we dig deeper. We asked the state if they knew of specific providers who tend to take care of people with these circumstances and they identified a group of about five provider agencies. John (with JVGA) visited two of the homes operated by one of the companies identified and met the people who live there.

We then gathered the cost information from the five providers and studied them in isolation. A "differential" for situations where clinical and/or medical needs are present was calculated and included for Day and Residential services, resulting in a rate considerably higher than the standard rate to make sure the provider can adequately respond to these needs.

#### **Step 8: Set General and Administrative Compensation Level**

It is important to include a brief discussion about General and Administrative Expenditures in the description of this step of rate development. General and Administrative Expenditures are almost always and almost completely "fixed" in nature, which means that they do not vary in periods of

less than one year. General and Administrative Expenditures are not related to the type of business (service or product) that the company provides. However, this kind of cost component is extremely sensitive to scale. This implies that if a provider does a lot of business, the percentage will be low, and if a provider does very little business, the percentage will be high. But if the cost is expressed as a percentage, that percentage will be very different at every level of business activity. It also means that two organizations with exactly the same dollar amount of General and Administrative Expenditures, but with very different general levels of business, will have very different General and Administrative percentages.

This creates a dilemma for rate setting because it must be standardized. If it is not expressed as a single percentage, it results in a very complicated rate system. Most government-funding agencies set General and Administrative reimbursement levels by policy and express the compensation limit as a single percentage.

The Direct Support Professional wage plus the Employment-Related Expenditure plus the Program Support Expenditure constitutes a subtotal (subtotal 1), which is adjusted for the General and Administrative by “grossing up” the total by the General and Administrative percentage such that:

$$\text{Subtotal 1 divided by } (1 - \text{General and Administrative Percentage}) = \text{Total Rate}$$

If a single series of published rates is created (one for each service line), the G&A percentage calculation is embedded in the calculations for all rates.

The General and Administrative percentage is also the factor that can be adjusted to create and compensate at separate levels of rates based on provider agency size or scale.

#### What Happened in Maryland:

JVGA did not see a broad range of G&A percentages. In other words, the G&A percentages calculated for the providers studied was more similar from one agency to the next, than they were different. This means that a single percentage for all services will be enough, and if a single percentage can be used the system is much simpler overall. JVGA always looks for simplicity whenever possible. It is also worth mentioning that the average percentage calculated over all the cost profiles we studied was well within reasonable ranges. Historically these percentages tend to fall between eight and fifteen percent (8% - 15%). The Maryland average was ten point eight percent (10.8%).

### **Step 9: Synthesize Components into Draft Rate**

In this step, all the numbers obtained through the previous steps are combined and reassembled using the base wage for the Direct Support Professional and the appropriate percentages for the other cost components.

In this report one of the last sections of the report is a presentation of the rate files and how to read them. This is the best explanation of how the rates are built using the Brick Method™ approach and also explains specifically what has been done for Maryland. There are a few things that we would like to bring to the reader’s attention regarding policy decisions made by the State of Maryland, however:

✓ **Of Note:** We already mentioned the state’s decision regarding the training aspect of the rate system as well as the decision to put a structure in place to accommodate the move to professional tiers for people who provide direct support. But another noteworthy directive that came from the DDA has been to study the Targeted Case Management service in greater depth than a simple review of cost information. JVGA was assisted by a group of providers of this service, on several occasions, to get a clear understanding of the problems that these agencies face. Problems such as the agencies’ ability to capture all the legitimate hours they provide in their invoices (so they can get paid) were investigated along with how this impacts the number of people each case manager can serve. The ratios (number of people in each case manager’s case load) were calculated along with the representatives of the agencies providing case management. The state directed JVGA to study the possibility of lowering that case load assumption from the current average case load to a case load assumption of thirty-five (35) people per case manager. The current average is quite a bit more than that, although it varies from one agency to the next. JVGA altered the structure of how the rates are created to respond exactly to this information so that as the opportunity presents itself, this average case load can be lowered to move toward the target of one case manager per thirty-five people. The initial ratio in the proposed rates is one case manager to forty people; still significantly lower than the current average case load.

## Step 10: Perform Budget Impact Analysis and Finalize Rates

After the rates for the specific categories of service are prepared in draft and reviewed it is possible to proceed to a budget impact analysis to study the effect of the rates on the existing service budget.

*“It is important for case managers to be able to get to individuals (this includes the families) early enough to help them instead of waiting for a crisis.”*

### What Happened in Maryland:

JVGA designed a form to request the information from the provider community that would tell us the number of direct support hours that providers were *currently* providing to support the people that they serve. Since there is usually some confusion about exactly what a

direct support hour is, JVGA asked the Technical Work Group to help design the form. Once it was designed it was sent out to all the providers for whom JVGA has Email addresses (over one

hundred and fifty). In most projects where there are more than a hundred providing agencies, generally about a third of the community of providers respond with this information. The team received a majority of the provider community's responses to the request (about one hundred and ten). Once we received the responses from the providers, we began a series of phone calls to make sure the numbers we were analyzing were the actual support hours provided and did not include any other kinds of hours such as supervision, or other forms of program support. This is done so that when we say that a person is receiving one-on-one support, that person is actually getting dedicated direct support and not sharing the hour with anyone else, if that is what the person needs and is authorized to receive. The process of analyzing the support hours we receive from providers, and talking to them on the phone about them to make sure they are clear takes months, and dozens of phone calls between JVGA and the provider community. It should be remembered that this information is not usually captured or reported in a way that directly ties the number of hours of support to the existing rates the providers are currently receiving.

The process of calculating the budget impact is one where the team multiplies the number of direct support hours received by the provider community times the value of the hour, which has been calculated from the new direct support wage (BLS) and the component percentages taken from the provider accounting information. The value of the hour is what is called the "brick." This number (hours x brick) is then compared to the income we have on record, by service, by provider. We then calculated what the difference would be if the provider had been paid on the basis of the brick compared to what they were paid for the same period. Usually the cost of the new system is more than the historical expenditures because of the changes that are made to update the wage of direct support people. The difference between what the budget is and what the expenditures would be is referred to as "the funded percentage," the amount of the new system cost compared to currently funded by the existing (current) budget.

The development of rates does not guarantee any increases to the budget, and the process of studying costs and calculating new rates does not carry with it any additional money.

Because the budget cannot be automatically increased by the study of prevailing costs, JVGA can adjust the calculated rates so that they will be budget neutral. This is done by using the funded percentage to reduce the value of the brick so that the expenditures incurred by the state using the new rates will not exceed the budget.

The possible impact of the new system on each and every provider can and has been performed for each provider that both sent us in a profile (107) of the hours they are providing, and for whom we have a record of the amount they were paid by the state in the past. The process is identical to that performed in the aggregate. In the coming months during phase two of the project the team plans to work hand in hand with each provider who will see a significant difference in income under the new system. We will go over ledger information if we have it, utilization patterns (direct support hours) and any and all characteristics of their program to understand what is causing the difference, and if it is a reduction to their income, why.

The budget impact calculations are presented in the attachment “The Rate Files and How to Read Them” included at the end of this report.

### **Step 11: Study Rate Impact by Provider**

In many environments there exist multiple rates for the same service, as a result of a history of negotiations. If these varying rates are replaced with a standardized published rate system for the very same services and for the very same providers and recipients, some providers will see increases and some may see decreases in reimbursement rates. For this reason, the impact of the rate system on each provider to determine the amount of increase or decrease they will experience must be determined.

#### What Happened in Maryland:

Usually the three services that are studied the most closely in order to determine the impact of the new rates on the budget and on individual providers are congregate residential services (Group Homes), Day Programs, and Supported Employment Services. The reason these three services are studied in depth is because they represent such a big portion of the overall budget.

The State of Maryland has a history of using a series of rates for congregate residential services that are loosely based on a matrix of levels of need determined for each person during the service planning process. For each level of need there is an assumption of hours of support that a person will receive, and a rate based on that number of hours. This matrix has been in use for many years and the rates themselves were originally calculated so long ago that there is no clear record of how they were established. The actual supports each person receives now has changed over time. Additionally, the hours in the matrix that would be indicated for the person for whom services are being planned are considered shared hours – meaning that they can be shared with other residents in the same home. Consequently, as new people were added to existing homes the hours added to the homes for each new person may or may not have been the same as the hours in the matrix, based on the residents as a group and assuming the hours are shared rather than dedicated to each individual. Over time the effect has been one where there is not a consistent link between current hours of support present in the matrix and actual hours of support received by the residents as a group. The fact that this has evolved over time explains that the differences (matrix hours vs actual hours) also varies significantly between one provider and another.

While the impact on each provider is usually explained by the difference in their actual cost patterns and the same set of cost patterns calculated in the rates (which are averages), when there are differences in the levels of support between providers receiving the same or similar rates the differences are much more significant. In other words, the new rate system assumes that two providers providing the same level of support will receive the same rate for that support. The extent to which that is not currently true will explain different financial impacts between providers.

For Day Programs the most significant change is the change between daily and hourly billing. This could have the effect of causing the providers to lose income if the transportation hours are not billable like they are now as part of the day of service. The team (JVGA and the Technical Work Group) addressed this by increasing the transportation percentage considerably. The impact on the budget was as expected and can be seen in the rate files at the end of this report.

Supported Employment Services are much harder to predict with regards to the budget impact, because the way these services will be purchased in the future is changing significantly. The state is making very significant improvements to the way these services are being purchased and delivered, which will bring them much closer to the outcomes desired for these services.

### **Standard Brick Method™ Adjustment Factors**

Adjustment factors are those elements that might change in the rate system after it has been introduced. It is important to note that in any Fee for Service rate system, changes that occur in the financial environment that directly relate to the components of the rate system do not automatically initiate a change in the established rates.

Wage levels change every year and may become out-of-date. “Unfunded mandates” are usually not at the discretion of either the providers or the funding agency (unemployment insurance rates, workers’ compensation, etc.).

The provider interviews and evaluations of cost reports usually indicate that there is considerable variation in size among the various providers. Based upon the review, the rate component that is most likely to vary with scale is the percentage of General and Administrative expenses. This is because this category accounts for the majority of the fixed costs for any provider and is most responsive to scale/size considerations. Adjustments to the proposed rate may be used to ensure that smaller providers are not placed at an undue competitive disadvantage. These adjustments are comprised of differences in General and Administration percentages.

General and Administrative costs in the architecture of the rate system proposed represent primarily fixed costs. Fixed costs are those that do not change in accounting periods of less than one year (sometimes much longer). Because the needs of administration are present with almost every sized organization, and the dollar amounts do not change, if those dollar amounts were to be expressed as a percentage of overall expenditures, the percentages would vary significantly between agencies of different sizes. Consequently, what may be a small General and Administrative percentage for a very large organization would end up calculated as a very high percentage for a small organization because the costs expressed as dollars may be very similar.

*“We have a desire to make it easier for providers to support people in integrated employment.”*

The other cost groups within this rate architecture are far more variable (and also those referred to as “stepped variable”). These costs vary as the staffing changes and the number of recipients of the service change. Consequently, they are not fixed, and

differences in the size of the organization do not cause large differences in these costs when expressed as a percentage of overall costs.

When producing rate differentials to correctly fix the General and Administrative costs to a certain size of an agency, it is the General and Administrative percentage that is manipulated to accomplish the differential. As a result of the Health Resources and Services Administration information, it is possible to create tiers of General and Administrative percentage based on size so as to respond to scale pressures. However, it is important to note that this introduces variability in overall General and Administrative expenditures for the system. As the mix of activity between agencies of different sizes changes, the overall General and Administrative percentage will change based on the different percentages paid to provider agencies of different sizes.

Changes in service descriptions can have a profound influence on the continued accuracy of the published rates.

Adjusting rates for issues noted above, and the timing of rate changes, are policy decisions made by the funding agency.

### **Future Rate Change Process**

Pressure to revise the rate amounts can and will occur without the necessity to change the architecture of the rate system itself. The system is adaptable to change by appropriate adjustments to the calculations within the system. Some areas where changes could occur are as follows:

If Direct Support Professional Wage levels are increased and funded, the wage levels can be immediately changed and the rates will automatically recalculate.

If unfunded mandates become funded, those changes can be made to the appropriate component (usually Employment-Related or General and Administrative expenditures) and again, the rates will automatically recalculate.

Service descriptions will usually either affect the Direct Support Professional profile or the Program Support expenditure percentage. If so, these may involve a more complicated recalculation of the rate system components but the architecture remains unchanged.

### **III The Advantages of the System**

#### **Fairness and Equity**

The most noteworthy characteristic of this system is that it represents a method in which anyone who provides the same level of support for a person will be paid the same amount. There is no negotiation.

### Individual Supports

The system is flexible and allows for changes in service authorization to follow individual needs without the need for a change in contract or rate. The rate is directly tied to the level of need of the client, and can vary with that need, but each and every provider providing the same level of support would receive exactly the same rate. This accomplishes portability (the idea that the rates are "portable" i.e. a person's rate for his or her service goes with them and financial concerns will not stop a person from being able to relocate, if they choose to).

### Public Trust

It introduces a very high level of accountability both in the provider community and in the program agency: Those hours of staffing that are needed by the individual are authorized and paid. The system is very transparent in that it is easy to see all the assumptions that are in the rates.

### Responsiveness to Need

It is designed to be responsive to different levels of support need, but also to local economic conditions. This is done through the use of calculations to adjust the value of the rate according to certain conditions.

## IV The Influence of the Two Work Groups: Service Quality and Technical

In this section of our report we present the influence that the two work groups had in performing the study and on the structure and content of the proposed rates themselves. A rate development project like this is often a combination of the efforts to discover things about services and compensation as much as it is to construct a system that supports the services and the people who use them. These two groups of stakeholders who assisted JVGA throughout this first phase of the project contributed critical insight to the understanding of developmental disability services in Maryland and provided significant recommendations regarding the rates and the rate system JVGA proposes.

*"Equal access to services is important regardless of the severity of one's disability."*

### The Service Quality Work Group

In the development of rates, it can be easy to concentrate on the many financial details and lose sight of the fact that rates are ultimately about the distribution of resources for the *purpose of providing services for people*. As primary stakeholders, JVGA felt it important to have people with developmental disabilities and their families help JVGA point to potential quality issues that might be impacted in the rate development process. The Service Quality Work Group was made up of individuals distinctly aware of services and the various transformative initiatives that DDA was pursuing.

Not all quality issues have a direct relationship with rate development, but the group identified one that stood out clearly: staff training. Staff are primary agents who help individuals in services accomplish the Person-Centered Planning goals in the ever more complex environment of new, progressive program initiatives (Employment First, Resource Coordinators, etc.). Because the Service Quality Work Group identified this as a critical quality issue impacted by rates, staff training was isolated as a particular cost to identify in services. As a result, staff training is clearly financially accounted for as a part of the cost of providing services, it is included in the rates and therefore expected to be part of the service. This impacts quality of services to individuals.

### The Technical Work Group

The Technical Work Group consisted of the managers of provider organizations who have been serving people with developmental disabilities for many years. They helped explain the history of the way services have evolved in Maryland as well as the current practices regarding the way services are provided and how the state pays for them. Their contributions to the project, so far, are primarily in three areas:

They recommended a much deeper study of the transportation costs and the challenges faced by providers related to transportation, when we discovered that the general ledgers were not necessarily presenting the whole picture. They also contributed extensive additional analysis to the study. The result is that the new system includes a factor of forty nine percent (49%) for transportation as opposed to the approximately nine percent (9%) originally calculated from the financial data submitted by the provider community.

The JVGA team, the state representatives and the Technical Work Group also struggled with the establishment of “tiers” in the congregate residential settings (group homes).

#### TECHNICAL CORNER: Tiered Rate Structure

A tiered rate structure is one based on a single person performing the service while one or more than one person is present. For the first person, the rate for the hour is the full value (brick) but when a second person is present the rate for the hour is less than if there is only one person, but paid for each person (as though there were two hours). The third person present triggers a rate that is yet again lower but is paid for all three people (three hours).

Please see the “Technical Corner” (page 32) for a deeper explanation of this issue. The state proposed a blending of different levels of support for each tier rather than a single hour assumption for each one, and that the rate for each tier would be the average of supports in the tier. The technical work group embraced this approach and the recommendation was accepted. This results in a considerably simpler rate system, much more flexibility for the providers, and a clear assumption of how congregate shared and dedicated supports will occur.

In the initial analysis of the Employment Related Expenditures (ERE) based on expenditure levels submitted by provider organizations the

percentage for this component ended up being different for each service. JVGA submitted the idea to the Technical Work Group that a single ERE percentage be used for each service so that all services would have the same ERE component. Since this is where benefits to employees are paid, it made sense that all should be treated the same. The recommendation was accepted and a single ERE percentage was adopted for all services.

The members of the Technical Work Group remain together as a source of insight and recommendations as the work moves forward into the implementation stage. Their views have been invaluable and they have done an outstanding job of representing the provider community in the first phase of this project.

## **V More About JVGA**

JVGA is its own independent agency and is not a subsidiary of any other company; we are a minority owned bilingual organization (Spanish).

Our group consists of six primary associate consultants and analysts with three strategic partner organizations who are available to help us in a variety of areas of expertise. We have been joined by Optumas, a leading actuarial company that has assisted and/or hired us in three states; the Baldacci Group, who is a leader in helping state and county governments get the most Federal financial support available to them; and Self Advocates Becoming Empowered (S.A.B.E.). We approached S.A.B.E. to join us over four years ago, to help us see the issues from the perspective of a person with a developmental/intellectual disability and to serve on our consulting team, as an equal member of our group. Since then they have been part of our team in North Dakota, New Jersey, and now in Maryland.

The JVGA team is different than the average consulting firm in one very important way: We are not simply technical experts but have a very strong background in the actual design of these programs and social work in general. Our agency is made up of people who have been involved in the support of the lives of those with disabilities for our entire careers. JVGA associates sit on the boards of significant long term care organizations (Independent Living Centers). Two of the associates on this project (Mary Slaughter and John Villegas-Grubbs) have graduate degrees in social work disciplines and a combined experience of over sixty years in developmental disability programs.

But the key distinction to all of our rate and Medicaid work since the first day of the life of JVGA is that we are consensus builders. We deeply appreciate that change in Medicaid environments where the lives of thousands of people are at risk cannot be successful unless consensus is at the heart of that change. The fact is that our corporate philosophy has always been based on the belief that all Medicaid projects, regardless of their purpose, are about the people whose lives are affected by these programs.

In every JVGA project, we always work closely with families, providers, advocates, and public sector representatives – together – to plan, develop, design and implement our project work; we took this same approach with our work with the State of Maryland.

The way we work has always been, and always will be, guided by the following principles:

- ✓ JVGA never loses sight of who the stakeholders are, and we do everything in our power to ensure that the voice of the stakeholders is heard and is present and visible throughout the body of our work.
- ✓ We will not pursue or accept a project unless we believe that we are the best firm to perform and complete it.
- ✓ We are always aware that public funds are very limited and we work as efficiently as possible.
- ✓ We always plan our work and work our plan exactly as described in our contract; we never substitute staff not presented in our proposals without the prior consent of our clients.
- ✓ JVGA supports our work indefinitely. Even after our contract is over, we are available to answer questions and support our work as long as our client needs us (in some cases this has been years) because we hold to a fundamental truth: Consulting is not simply about content; it's about relationships.

We were very encouraged by the opportunity to do this work, in part, because the State of Maryland (DDA) has as a stated mission: “to partner with people with developmental disabilities to provide them leadership and resources to live fulfilling lives” and it is a philosophy that we not only endorse wholeheartedly but have brought to all the work we have done. In all our dealings with the State of Maryland we have always found it to be true, that they are sincere about this mission.

## **VI The Rate Files and How to Read Them**

### **The Source Documents**

**BLS Wages:** In this file we present the wage levels for each of the categories of direct support professionals (DSP) for each of the services for which we created rates. This file can be a bit complicated because it involves some analysis to increase the wages to the year of implementation (of the rate system), and in the case of the Direct Support Professional for habilitation, there is a structure that allows for tiers related to professional development.

BUREAU OF LABOR STATISTICS: WAGE PRESENTATIONS BY JOB CODE / SERVICE

JVGA Recommendation		Original JVGA Research									MD New Selections			
		19-3031	19-3039	19-4099	21-1093	21-1093	29-1141	31-1014	29-1122	39-9021	31-1011	21-1012	29-2053	53-3022
		Clinical, Counseling & School Psychologist	Psychologists - All Other (PhD)	Life, Physical, & Soc Svc Techs	Social & Human Svc Assistants	Social & Human Svc Assistants	Registered Nurse	Nurse Assistant	Occupational therapists	Pers Care Aides	Home Health Aide	Ed Guidance & Voc Counselors	Psych Tech	Bus Drivers, School, Special Client
United States		36.56		23.25	15.96	15.96			39.27	10.48		27.16	17.44	14.79
Maryland			48.74		16.46	16.46	35.19	13.82	40.10	11.56	12.06	30.00	18.12	17.19
Baltimore-Columbia-Towson		34.08		26.00	15.51	15.51			38.01	11.56		27.88	19.10	14.88
California-Lexington Park		43.20			14.50	14.50	35.45	13.79		12.13		29.80		16.19
Cumberland		38.35			12.92	12.92	29.35	12.94	45.40	9.24		27.12	13.15	13.19
Hagerstown-Martinsburg					14.02	14.02	31.78	13.49	38.82	11.17		26.97		13.65
Wilmington DE, MD, NJ Metro Div		36.60			17.86	17.86	32.74	13.76	41.64	11.32		29.00		15.78
Salisbury		38.65			14.73	14.73	34.92	13.92	41.68	10.95		30.10		14.47
Silver Spring-Frederick-Rockville Metro		39.08		35.30	18.91	18.91	32.21	12.79	42.54	12.26		36.05	18.82	20.36
Washington-Arlington-Alexandria Metro		42.66		28.21	18.76	18.76	36.72	14.50	45.13	11.51		33.14	16.92	18.08
Upper East Shore nonmetro area		35.40			15.05	15.05	37.41	13.90	37.14	10.96		31.82		13.91
Garrett County nonmetro area							31.32	13.89						14.67
		38.50												
Social and Human Services Assistants	1				16.46									
Social Workers ALL OTHER 21-1029	2				32.32									
BLENDED ALL					27.03									
BLS		Behavioral Support	BH Assessment	SE Initial Job Coach	Targeted CM	Employment Supports	Nursing Consultation Nursing Delegation Short Term & Interm.	Nurse Health Case Management	Environment Assessments	Pers Supports Day Congregate Res Shared Living Respite Trans Emp		SE Discovery SE Job Development SE Self Employment	Brief Support Enhanced Sup Homes	Transportation
May 2015 State Occupational Employment & Wage Estimate		Plan	BH Consultant (note: BLS = 2016)											
Year	CPI	\$34.08	\$48.74	\$26.00	\$27.03	\$16.46	\$35.19	\$13.82	\$40.10	\$12.26	\$12.06	\$30.00	\$18.12	\$17.19
2015		\$34.08	\$48.74	\$26.00	\$27.03	\$16.46	\$35.19	\$13.82	\$40.10	\$12.26	\$12.06	\$30.00	\$18.12	\$17.19
2016	1.7%	\$34.66	\$48.74	\$26.44	\$27.49	\$16.74	\$35.79	\$14.05	\$40.78	\$12.47	\$12.06	\$30.51	\$18.43	\$17.48
2017	0.0%	\$34.66	\$48.74	\$26.44	\$27.49	\$16.74	\$35.79	\$14.05	\$40.78	\$12.47	\$12.06	\$30.51	\$18.43	\$17.48
2018	0.3%	\$34.76	\$48.89	\$26.52	\$27.58	\$16.79	\$35.90	\$14.10	\$40.90	\$12.51	\$12.10	\$30.60	\$18.48	\$17.53
\$1.50	Tier 2									\$14.01	\$13.60			
\$4.50	Tier 3									\$18.51	\$18.10			

Tier steps are taken from

"Implementing Direct Support Professional Credentialing in New York Final Technical Report " Page 83, p 3

Blended (NY Basis)

\$13.01



**Differentials:** In this file we analyze cost pressures that might be needed to change the proposed rates for some particular reason. We analyzed three areas where the rates may need to have a differential added to the standard rate: transportation, acuity, and economic factors. We decided to propose the use of the acuity differential for two services, adopt the transportation differential as the standard transportation component for the appropriate services, and to propose *not* to use any other economic differential.

<b>Acuity Differential</b>		<b>114.1%</b>	Program Support Alternate
<b>Provider Profiles</b>			
	<b>Dollars</b>	<b>%</b>	<b>Factor</b>
Provider Profile A	\$232,291.42	93.46%	217088.2514
Provider Profile B	\$238,174.76	93.46%	222586.5345
Provider Profile C	\$328,261.03	208.91%	685782.3712
Provider Profile D	\$160,587.61	80.07%	128583.9055
Provider Profile E	\$213,743.02	75.41%	161192.9123
Provider Profile F	\$216,950.65	78.89%	171154.4359
	\$1,390,008.49		1,586,388.41

<b>Transportation Differential</b>		<b>49.1%</b>	
Weighted average of transportation Component			
<b>Provider Profiles</b>			
	<b>Dollars</b>	<b>%</b>	<b>Factor</b>
Provider A - Employment Services	\$22,453	133.2%	29897.91
Provider B - Day	\$28,939	110.4%	31948.06
Provider C -Day	\$164,020	57.7%	94580.91
Provider D - Day	\$527,021	39.5%	208377.9
* Note: This transportation calculation is used in the rate work as the component percentage for all day programs, not as a differential.			

<b>Closure Factor</b>	<b>Days</b>	<b>%</b>
FY 2014	12	
FY 2015	8	
FY 2016	6	
Total	26	
Full Year	1095	2.4%
Day / Partial Yr	720	3.6%
		Add on
		to Brick

<b>Economic ("Concentration of Wealth) Differential</b>
An economic or concentration of wealth was studied by JVGA for selected catchment areas. For reasons stated in the final report, the use of such a differential is not recommended.

**Training:** As a result of input from the Service Quality Work Group, training was further analyzed (not just from the accounting information gathered from the providers) to make sure all the possible costs of training, that come from expectations the state has about it, are used in the analysis and in the proposed rates.

	Total Hours	Hours/2080 FTEs	x2		
General	89	4.28%	8.6%	The % is doubled in order to capture two components-time paid for the Direct support person to attend training and the contract labor used to substitute for them. Note: the back-fill would not necessarily be captured in their payroll records for direct support staff	
Nursing	139	6.68%	13.4%		Base of 89 Hours with 50 added
Emp Svcs	121	5.82%	11.6%		Base of 89 Hours with 32 added

## The Rates

**Rates – General:** In this document the calculation of the value of an hour (the “Brick”) is converted to the rates for each service using the definition of the billable unit (the item or the measure of time providers will actually be billing) and assumptions about the billable unit. The best way to read this file is to be sure to understand each column as you move from left to right, because the “Brick” builds in that direction. Each column is the percentage from the calculations (Source – Components) and their dollar value calculated using the new BLS wage, and then added, one component after another. Once the Brick is totaled up, “fully loaded,” it is then converted into the rate.

G&A % 11.0%

SERVICE TITLE	Description	Billable Unit	Factors Added		Factor Adjusted Brick		Assumptions to Convert Brick to Rate		Per	PUBLISHED RATES	
			Closure Factor	No Show	Standard	Acuity				Standard Rate	Acuity
Community Dev Service 1 (staff) - 1		Hour	3.6%		\$33.03		1	Staff / P	Hour	\$33.03	
Community Dev Service 1 (staff) - 4		Hour	3.6%		\$33.03		0.25	Staff / P	Hour	\$8.26	
Community Dev Service 2 (staff) - 1		Hour	3.6%		\$33.03		2	Staff / P	Hour	\$66.06	
Day Program 1 (staff) - 1		Hour	3.6%		\$36.76	\$48.11	1	Staff / P	Hour	\$36.76	\$48.11
Day Program 1 (staff) - 4		Hour	3.6%		\$36.76	\$48.11	0.25	Staff / P	Hour	\$9.19	\$12.03
Day Program 2 (staff) - 1		Hour	3.6%		\$36.76	\$48.11	2	Staff / P	Hour	\$73.51	\$96.22
Shared Living – Host Home		Month			\$23.46		6	H / Month	Stipend	\$1,407.82	
Personal Supports		15 minute increment		5.0%	\$24.45		0.25		Hour	\$6.11	
Housing Support Services		Hour			\$49.76				Hour	\$49.76	
Behavioral Assessment		Assessment			\$98.37		8	per unit	Item	\$786.94	
Behavioral Consulting		Hour			\$98.37				Hour	\$98.37	
Behavioral Support Plan		Plan			\$69.95		8	per unit	Item	\$559.60	
Brief Support Implementation		15 minute increment			\$69.95		0.25		15 min	\$17.49	
Environmental Assessment		Assessment			\$69.95		6	hrs / unit	Assessment	\$419.70	
Nursing: CM & Delegation		15 minute increment		5.0%	\$72.28		0.25		15 min	\$18.07	
Nursing: Consultation		15 minute increment		5.0%	\$72.28		0.25		15 min	\$18.07	
Nursing: Health Case Management		15 minute increment		5.0%	\$72.28		0.25		15 min	\$18.07	
Community Living Enhanced Supports	Licensed Congregate *	Day			\$25.60	\$38.37	24	Hrs / day	Day	\$614.40	\$920.93
Community Living Enhanced Supports	Licensed Congregate *	Day			\$25.60	\$38.37	42	Hrs / day	Day	\$1,075.20	\$1,611.63
Community Living GH, ALU	Licensed Congregate *	Day			\$25.60	\$38.37	4	Hrs / day	Day	\$102.40	\$153.49
Community Living GH, ALU	Licensed Congregate *	Day			\$25.60	\$38.37	10	Hrs / day	Day	\$256.00	\$383.72
Community Living GH, ALU	Licensed Congregate *	Day			\$25.60	\$38.37	17	Hrs / day	Day	\$435.20	\$652.32
Community Living -Group Home Trial Exp	Licensed Congregate *	Day			\$25.60	\$38.37	4	Hrs / day	Day	\$102.40	\$153.49
Community Living -Group Home Trial Exp	Licensed Congregate *	Day			\$25.60	\$38.37	10	Hrs / day	Day	\$256.00	\$383.72
Community Living -Group Home Trial Exp	Licensed Congregate *	Day			\$25.60	\$38.37	17	Hrs / day	Day	\$435.20	\$652.32
Supported Living	Unlicensed Congregate *	Day / Tier		5.0%	\$24.45		4	Hrs / day	Day	\$97.81	
Supported Living	Unlicensed Congregate *	Day / Tier		5.0%	\$24.45		10	Hrs / day	Day	\$244.52	
Supported Living	Unlicensed Congregate *	Day / Tier		5.0%	\$24.45		17	Hrs / day	Day	\$415.68	
Respite Daily		Day			\$20.13		16	Hrs / Day	Day	\$322.14	
Respite Hourly		Hour			\$20.13				Hour	\$20.13	
ES Co-Worker Employment Supports		Month			\$58.18				Month	\$500.00	
ES Discovery M1		Milestone			\$66.56		10	hours	Milestone	\$665.61	
ES Discovery M2		Milestone			\$66.56		30	hours	Milestone	\$1,996.84	
ES Discovery M3		Milestone			\$66.56		20	hours	Milestone	\$1,331.22	
ES Follow Along Supports		Monthly		5.0%	\$35.48		6	Hrs / Mo	Month	\$212.88	
ES Job Development Hourly		Hour			\$66.56				Hour	\$66.56	
ES On Going Job Supports		Hour		5.0%	\$35.48				Hour	\$35.48	
ES Self-Employment Services		Plan			\$66.56		4		Plan	\$266.24	
Transitional Employment: Facility		Hour	3.6%		\$26.42		10	Pers / Staff	Hour	\$2.64	
Transitional Employment: Large Group		Hour	3.6%		\$26.42		6	Pers / Staff	Hour	\$4.40	
Transitional Employment: Small Group		Hour	3.6%		\$26.42		2	Pers / Staff	Hour	\$13.21	

\* Hours in each "tier" or level may change after further discussion and input from the provider community.

**Rates – Other Payment Amounts:** There are parts of the overall program that do not use “rates” in the truest sense of the word, but are set up to be upper pay limits, or dollar amounts paid for outcomes or milestones. This file presents all of those.

Upper Pay Limit Service	Note	Unit	Yearly UPL
Assistive Technology			none
Environmental Modifications			\$ 17,900
Vehicle Modification			\$ 17,900
Individual and Family Directed Goods & Services			\$ 5,000
Shared Living Host Home Stipend		Month	\$ 1,500
Shared Living Matching Services		Match	\$ 1,911
Live in Care Giver Rent			\$ 1,200
REM Electronic Monitoring			
REM Hardware Rental			\$ 300
REM Installation			\$ 350
REM Monthly Monitoring			\$ 200
REM Upper Pay Annual Limit			\$ 6,000
Community Living Retainer Fee			Daily Rate
Respite Camp	1		\$ 7,248
Transition Services			\$ 5,000
Transportation			\$ 7,500

1 Based on eight hours / day

**Rates – Targeted Case Management:** Targeted Case Management rates are fully predicated on the assumption of the caseloads expected of each case manager. JVGA proposed a shift away from calculating the percentage of billable time compared to actual work time, and toward the assumption of case load taken with some measure of time each person on the case load might need. For this reason the rates for this service needed their own structure and it is presented in this file.

<b>COMPONENTS</b>	<b>%</b>	<b>\$\$</b>
Direct Support Professional Wage		\$ 27.58
Employee Related Expenses	32.7	\$ 9.02
Program Support	58.1	\$ 16.03
Sub-Total		\$ 52.63
General & Administrative	11.0	\$ 6.50
<b>BRICK</b>		<b>\$ 59.13</b>

**ASSUMPTIONS:**

1. Training - 12 days/year
2. Holidays - 10 days/year
3. Vacation - 10 days/year
4. Caseload - 1:40

**Budget Impact – Financial Impact of the New System:** This is an estimate at this point in time (October 2017) of what the new rate system would cost and then compared to the state budget for these services as of Fiscal Year 2018. The cost of the rate system is the amount the state would need to spend during the year of implementation (Fiscal Year 2020). For a more detailed discussion of this process please see “Step 10: Perform Budget Impact Analysis and Finalize Rates,” (Page 22 of this report).

SERVICES	FY'18 BUDGET	NEW RATES % FUNDED	ADDITIONAL FUNDING	GENERAL FUND %	GENERAL FUND IMPACT
RESIDENTIAL	\$568,695,833	92.80%	\$40,946,100	50.90%	\$20,841,565
DAY	\$195,835,734	86.10%	\$27,221,167	50.01%	\$13,613,306
PERSONAL SUPPORTS	\$83,063,883	92.80%	\$5,980,600	57.94%	\$3,465,159
TARGETED CASE MGMT	\$45,108,085	98.50%	\$676,621	53.74%	\$363,616
	<b>\$892,703,535</b>		<b>\$74,824,488</b>		<b>\$38,283,646</b>
EMPLOYMENT SERVICES *	\$67,381,573	100%	\$-		\$-
	<b>\$960,085,108</b>				

\*Employment Services - Implementation of new services, that are in alignment with the Community Settings Rule, will affect staffing ratios. Therefore, increased costs are anticipated in the future.