



**BURNS & ASSOCIATES**  
A DIVISION OF  
HEALTH MANAGEMENT ASSOCIATES

**Overview of Proposed Rate  
Models for Intellectual and  
Developmental Disabilities  
Waiver Services**

- prepared for -

**Nevada Department of Health and  
Human Services**

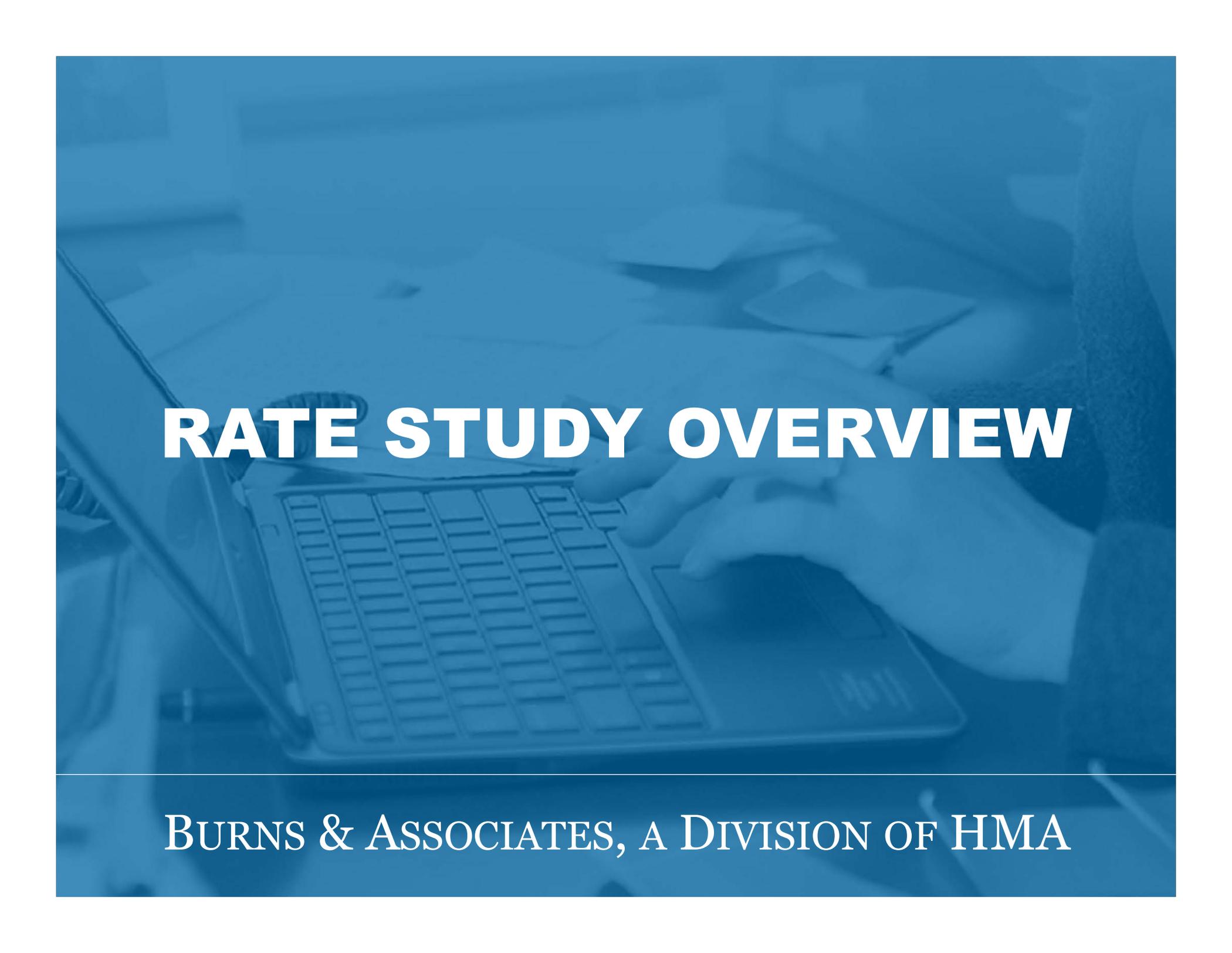
**June 30, 2021**



# ■ Contents

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- + Rate Study Overview
- + Rate Model Assumptions Across Services
- + Service Specific Assumptions and Proposals
- + Fiscal Impact Estimates and Key Rate Benchmarks



# **RATE STUDY OVERVIEW**

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## Services Included in the Rate Study

Service Category	Service
	Intermittent
	24-Hour
	Host Home
	Supplemental Residential Support
	Residential Support Management
	Individual
	Group
	Prevocational-Individual
	Prevocational-Group
	Supported Employment-Individual
	Supported Employment-Group
	Career Planning
	Behavioral Consultation, Training, and Intervention
	Non-Medical Transportation

## ■ Project Tasks

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- + Reviewed service definitions and billing requirements
  
- + Administered provider survey
  
- + Researched and analyzed benchmark data to support rate models
  - + Analysis of geography-based cost differences
  - + Published data for individual cost assumptions (e.g., wages, health insurance)
  - + Rates paid for comparable services in other states
  
- + Developed proposed independent rate models

## ■ Independent Rate Models

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- + Rate models aim to reflect the costs providers incur to deliver services consistent with the state's requirements and individuals' service plans
- + Models consider data from multiple sources rather than depending on any single source
  - + Policies, rules, and standards
  - + Provider and stakeholder input (e.g., provider survey)
  - + Published sources (e.g., BLS wage data, IRS mileage rates)
  - + Special studies (e.g., analysis of geographic cost differences)

## ■ Independent Rate Models (cont.)

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- + Specific model assumptions are detailed (e.g., staff wages and benefits, staffing levels, transportation, etc.)
  - + Assumptions are not mandates (i.e., a provider does not have to pay the wage assumed in the rate)
- + A single service may have multiple rates to account for differences in costs based on a variety of factors
  - + Group size (due to consumer need or other reasons)
  - + Client level of need
  - + Service setting (e.g., facility or community-based)
  - + Staff qualifications and training (e.g., master's and bachelor's)
  - + Geography (e.g., urban and rural)

## ■ Independent Rate Models (cont.)

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- + Five factors included in all rate models
  - + Direct care wages
  - + Direct care benefits
  - + Direct care productivity (time spent in billable vs. non-billable activities)
  - + Program support
  - + Administration
  
- + Other factors vary by service
  - + Staffing ratios
  - + Region (urban/ rural)
  - + Attendance/ occupancy
  - + Transportation-related costs
  - + Program facilities and supplies

## Rate Model Example

### Residential Support Services - Intermittent

		Urban	Rural
Unit of Service		15 Min	15 Min.
Direct Support Staff Wages and Benefits	- Direct Staff Hourly Wage	\$13.90	\$13.90
	- Employee Benefit Rate (as a percent of wages)	35.2%	35.2%
	<b>Hourly Staff Cost Before Productivity Adj. (wages + benefits)</b>	<b>\$18.79</b>	<b>\$18.79</b>
	<i>Productivity Adjustments</i>		
	Total Hours	40.00	40.00
	- Travel Time (Between Participants)	1.32	3.30
	- Missed Appointments	0.44	0.44
	- Recordkeeping and Reporting	1.10	1.10
	- Employer and One-on-One Supervision Time	0.66	0.66
	- Training	0.96	0.96
- Paid Time Off	3.85	3.85	
"Billable" Hours	31.67	29.69	
Productivity Factor	1.26	1.35	
<b>Staff Cost After Productivity Adj. per Billable Hour</b>		<b>\$23.68</b>	<b>\$25.37</b>
Mileage	- Number of Miles Traveled per Week	120	300
	- Amount per Mile	\$0.560	\$0.560
	Weekly Mileage Cost	\$67.20	\$168.00
	<b>Mileage Cost per Billable Hour</b>	<b>\$2.12</b>	<b>\$5.66</b>
Admin. and Program Support	- Program Support Funding per Day	\$20.00	\$20.00
	<b>Program Support Cost per Billable Hour</b>	<b>\$3.16</b>	<b>\$3.37</b>
	Cost per Billable Hour Before Administration	\$28.96	\$34.40
	- Administration Percent	10.0%	10.0%
	<b>Administration Cost per Billable Hour</b>	<b>\$3.22</b>	<b>\$3.82</b>
Total Cost per Billable Hour		\$32.18	\$38.22
<b>Rate per 15 Minutes</b>		<b>\$8.05</b>	<b>\$9.56</b>

+ Direct care staff wages and benefits

+ Largest component of costs (60-80 percent) when including productivity

+ Data gathered from multiple sources

+ Review of staff qualifications and responsibilities

+ Provider survey

+ Bureau of Labor Statistics data

## Rate Model Example (cont.)

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+ Adjusting wages and benefits to account for 'productivity'

+ Rate models seek to reflect a 'typical' week of direct care staff by establishing productivity adjustments for non-billable time

+ Examples include training, travel, recordkeeping, and employer time

## Rate Model Example (cont.)

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- + Program support costs
  - + Activities that are program specific, but not billable
  - + Examples: training, program development, and supervision
- + Administrative costs
  - + Organizational costs that are not program specific
  - + Examples: executive management, accounting, and human resources
- + Other costs factors vary by service
  - + Examples: staffing ratios, mileage, attendance, facilities

## ■ Advantages of the Independent Rate Models Approach

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- + Transparency
  - + Models detail the factors, values, and calculations that produce the final rate
- + Ability to advance policy goals/ objectives
  - + For example, improving direct care staff salaries or benefit levels, reducing staff-to-client ratios, and incentivizing community-based services
- + Efficiency in maintaining rates
  - + Models can be scaled and adjusted for inflation or specific cost factors (e.g., IRS mileage rate) or to meet budget targets

## ■ Provider Survey

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- + Results informed rate model development, but were not only source of data
- + Due to COVID-19, respondents were asked to report data for a fiscal year ending on or before March 31, 2020
- + HMA-Burns provided technical support throughout the survey period
- + Each survey was reviewed and, as necessary, follow-up questions and clarifications were sent to providers
- + Overall participation rate of 18 percent (by provider count)/ 47 percent (by claim volume)
  - + No meaningful data for services delivered in rural areas
  - + Several services have zero or one respondent



# **RATE MODEL ASSUMPTIONS ACROSS SERVICES**

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## ■ Wages

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- + See Appendix A of the rate model packet
- + Wage assumptions use Bureau of Labor Statistics wage data for relevant occupations in Nevada
- + Benefits of BLS data
  - + *Comprehensive.* Wage levels are published for more than 800 occupations based on data from 1.2 million establishments representing 57% of the employment in the United States
  - + *Cross-industry.* It is not limited to a single industry so estimates for a given occupation are representative of the overall labor market
  - + *Regularly updated.* Released once per year – in late March for the previous May (so most recent data published in March 2021 reflects May 2020 survey data)
  - + *State- (and local-) specific.* Data is published for individual states and sub-state regions ('metropolitan statistical areas')

## ■ Wages (cont.)

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- + BLS wage data is from May 2020 so it is adjusted for general wage inflation
- + Wage inflation is based on 20 months (to January 2022) using Bureau of Economic Analysis' estimate of the ten-year compounded annual growth rate for personal income in Nevada (resulting in a total inflation adjustment of 9.01 percent)
- + In future years, wage assumptions should be adjusted to account for an increasing minimum wage

## ■ Wages (cont.)

- + Service requirements compared to BLS job classification descriptions to select the classification that best reflects job responsibilities
  - + Rate model assumptions based on BLS' median wages
- + When a single job classification does not fit, a composite of multiple classifications is applied, weighting each component to align with the expected duties of the direct care worker

**Job Composition and Weight Factor for Select Services\***

BLS Job Code/ Title	Median Wage (with Inflation)	Composition/ Weight	Weighted Wage
31-1120 Home Health and Personal Care Aides	\$12.74	60%	\$7.64
29-2053 Psychiatric Technicians	\$17.64	10%	\$1.76
31-9092 Medical Assistants	\$18.73	10%	\$1.87
39-9032 Recreation Workers	\$10.69	10%	\$1.07
39-9041 Passenger Vehicle Drivers	\$15.71	10%	\$1.57
<b>Totals (numbers do not sum due to rounding)</b>		<b>100%</b>	<b>\$13.90</b>

\*Including Residential Support, Day Habilitation, Prevocational Services, and Non-Medical Trans.



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Residential Support – Host Homes (Agency Staff: Recruiters/ Supervisors/ Trainers)	\$23.96 / \$26.38 / \$29.30	\$25.73
Day Habilitation (Individual / Group)	\$11.21/ \$11.28	\$13.90
Prevocational	\$11.51	\$13.90
Career Planning	N/A	\$27.14
Supported Employment (Ind.) – Job Coaching	\$13.31**	\$18.07
Supported Employment (Group)	N/A	\$18.07
Behavioral Consultation – Bachelor’s	\$25.36	\$32.10
Behavioral Consultation – Master’s	\$34.85	\$43.10
Non-Medical Transportation	\$11.79	\$13.90

\* Based on weighted average without outliers, excluding staff with supervisory responsibilities.

\*\*The survey did not differentiate between job coaching and job development wage levels.

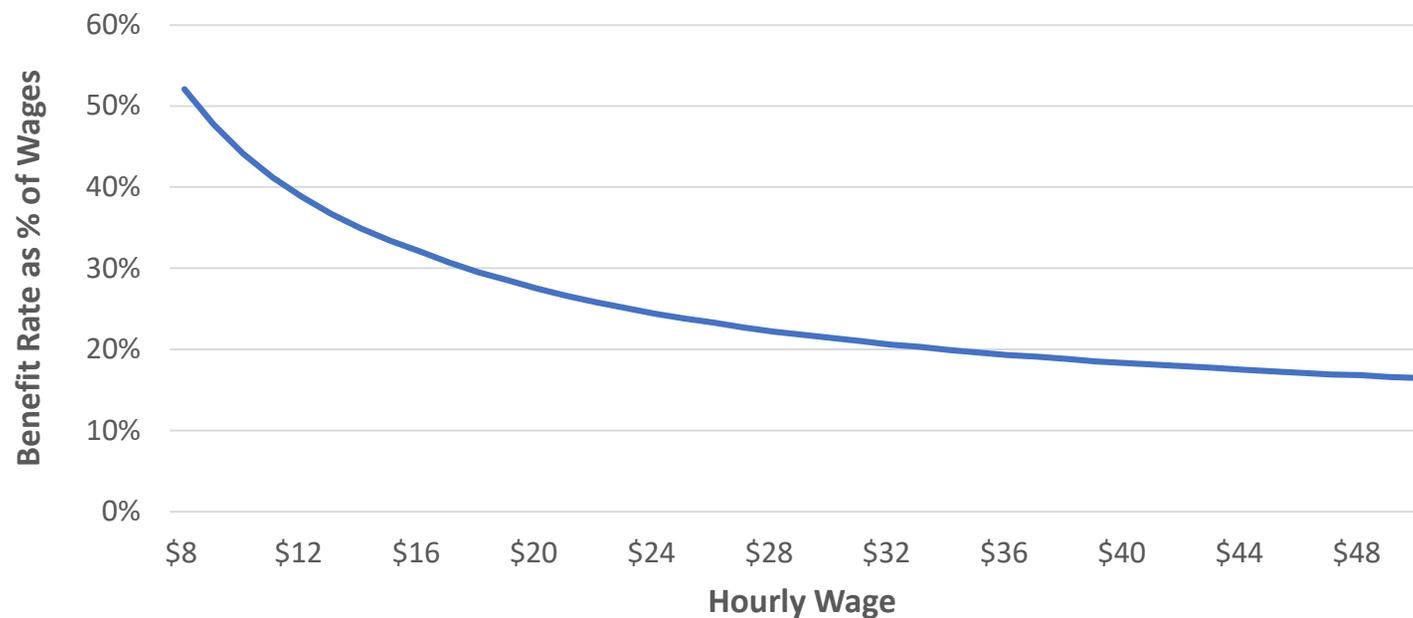
## ■ Payroll Taxes and Fringe Benefits

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- + Benefit assumptions for direct care staff (see Appendix B of rate model packet)
  - + 25 annual paid days off (holidays, vacation, and sick leave)
  - + \$502.93 per month for health insurance based on data from U.S. DHHS' Medical Expenditure Panel Survey for private sector employer in Nevada
    - + Assumes overall take-up rate of 75 percent, allocated across employee-only, employee-plus-one, and family plans
  - + \$50.00 per month for other benefits
- + Payroll taxes
  - + Social Security and Medicare (7.65 percent of wages)
  - + Unemployment Insurance
    - + Federal – 0.60 percent (applied to first \$7,000 in wages)
    - + State – 2.95 percent (applied to first \$33,400 in wages)
  - + Workers' compensation: 1.46 percent
- + Overall benefit assumptions exceed survey-reported benefits

## ■ Payroll Taxes and Fringe Benefits (cont.)

- + Benefit assumptions are translated to benefit rates by wage level
  - + Rate models include the same benefit assumptions for all direct care staff
  - + Paid time off is treated as a productivity adjustment (reduction in billable hours) rather than calculated as part of the benefit rate
  - + Since certain benefit assumptions are fixed (e.g., health insurance), the benefit rate declines as a percentage of wages as wages rise



## ■ Productivity

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- + 'Productivity adjustments' are intended to recognize costs associated with direct care workers' payroll costs when they undertake non-billable activities (e.g., training, travel, recordkeeping, employer time)
  
- + Example
  - + An employee earning \$15.00 per hour in total wages and benefits who works 40 hours per week costs their employer \$600 per week
  
  - + However, the employee only provides billable direct care for 32 hours per week, meaning the entire \$600 weekly cost must be recovered through the 32 billable hours
    - + A productivity factor is applied by dividing total weekly work hours (40) by billable hours (32); in this case, the productivity factor is 1.25
  
  - + Thus, the agency must be able to bill \$18.75 per hour (the employee's total hourly wage and benefit cost of \$15.00 multiplied by the productivity factor of 1.25)

## ■ Productivity (cont.)

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- + General productivity adjustments across all services
  - + 200 annual hours for paid time off (25 days as noted in the benefits assumptions section), translating to 3.85 hours per week
  - + 50 annual hours for training (40 hours for master's and bachelor's-level behavioral consultation providers), translating to 0.96 hours per week
    - + This allowance will supplant the existing 5-day training allowance funding provided through State general funds
  - + 0.75 weekly hours of employer time (supervision, staff meetings, etc.)
  
- + Other productivity assumptions vary by service and are detailed in Appendix C and each individual rate model

## ■ Administration and Program Support

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- + Administrative rates are funded at 10 percent of the total rate for all services except Supplemental Residential Support (5 percent)
  - + Survey respondents reported a weighted average rate of 10.2 percent
  - + Given the large overall increase in the proposed rates, the administrative *rate* is the same, but the proposed rates include more administrative *funding*
- + Program support costs are funded at \$20 per day
  - + Community-based day services include \$25 per day to allow for additional planning and programming time
  - + Assumptions equate to between 1 percent and 38 percent of the proposed rates
    - + Survey respondents reported a weighted average rate of 14 percent
- + Some models include other program support expenses in addition to the \$20 per day assumption (e.g., facility costs)

## ■ Regional Rates

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- + Services requiring travel have separate rates for urban and rural areas
- + Urban areas
  - + Boulder City
  - + Portion of Clark County within Las Vegas Valley (including cities of Las Vegas, North Las Vegas, Henderson and the urbanized townships)
  - + Reno and unincorporated areas of Washoe County within 30 miles of Reno
  - + Sparks
  - + Carson City
- + All other areas classified as rural
- + Travel assumptions vary based on analysis of participant and provider addresses
  - + Rural travel assumptions (time and mileage) are set at 250 percent of urban assumptions
- + Wage assumptions do not vary by geography
  - + Analysis of BLS data did not demonstrate consistent or meaningful variation



# **SERVICE-SPECIFIC ASSUMPTIONS AND PROPOSALS**

**BURNS & ASSOCIATES, A DIVISION OF HMA**

## ■ Residential Support Services

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- + Currently a single 15-minute rate for Intermittent, Host Home, and 24-Hour services
  - + Propose separate per diem rates for 24-Hour and Host Home services
  - + Intermittent would continue to be billed in 15-minute increments
  
- + 24-Hour services
  - + Propose separate rates for homes with 3- (or fewer) and 4-bed homes
    - + Determination of home size is based on home capacity (not occupancy)
  - + Propose tiered rates based on staffing levels
    - + Tiers will be assigned at the home level based on staffing needs
  
- + Proposed Host Homes rates are tiered based on higher assumed payments for host homes with higher needs participants

## ■ Residential Support Services (cont.)

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- + Daily rates for 24-Hour Host Home services are based on a 344-day billing year
  - + Allows a provider to earn a full year of revenue after billing 344 days thereby holding providers harmless for up to 21 absences per year
  - + Since providers are paid for a full year of services after 344 days, they are limited to 344 billing days per members' plan year
  - + Approach is designed to account for occasional absences and short-term vacancies, but does not pay for long-term vacancies
  
- + Rate calculations
  - + Based on assumptions related to wages, staffing, etc., calculate per member, per week cost
  - + Rate calculated by dividing weekly cost by 7 days, multiplying by 365 to set annual cost, and dividing by 344 days to account for occasional absences
  - + Rates based on a 344-day billing year are about 6.1 percent higher than rates based on a 365-day year

## ■ Residential Support Services (cont.)

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### + Example calculation

Weekly Cost per Member	\$1,679.91
	÷ 7
Daily Cost per Member	<hr/> \$239.99
	x 365
Annual Cost per Member	<hr/> \$87,596.35
	÷ 344
Daily Rate (based on 344-day billing year)	<hr/> \$254.64

## ■ Residential Support Services (cont.)

- + Impossible for a provider to be worse-off under the 344-day billing year compared to a 365-day billing year\*
  - + Example (based on an \$87,596 annual cost)

Individual is in the home	Payments w/ 365-day rate	Payments w/ 344-day rate
365 days	\$87,596	\$87,596
350 days	\$83,997	\$87,596
344 days	\$82,556	\$87,596
330 days	\$79,196	\$84,031

- \* The 344-day billing limit will reset if an individual changes providers in the middle of their plan year
- \* Provider must manage their revenue to account for the period at the end of an individual's plan year when they cannot bill beyond 344 days

## ■ Residential Support Management and Behavioral Consultation

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- + Proposed Residential Support Management rates differentiate between services provided by bachelor's-level and non-bachelor's staff
- + Behavioral Consultation, Training, and Intervention services would continue to have separate rates for bachelor's-level and master's-level staff

## ■ Day and Employment Services

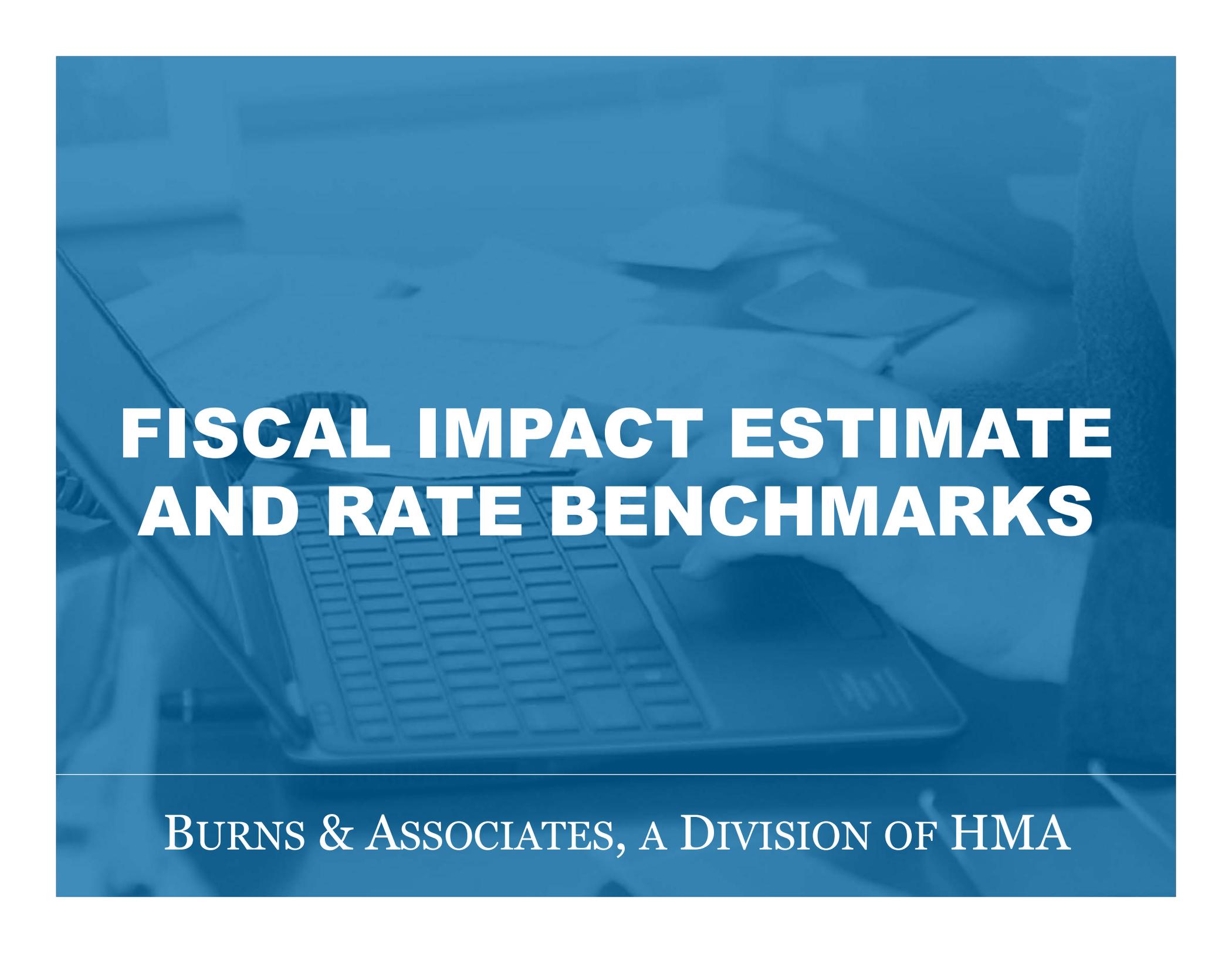
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- + Proposed Day Habilitation, Prevocational, and Supported Employment rate models are based on 15-minute units rather than daily units
  - + Facilitates separate billing for facility-based and community-based Day Habilitation services with higher rates for services in the community
  - + For group services, rate models reflect current staffing ratios
    - + No changes are proposed to approach to authorizing ratios
  
- + Propose separate rates for Job Coaching and Job Development
  - + Job Development would be limited to 120 hours per individual plan year

## ■ Non-Medical Transportation

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- + Transportation costs related to other services (e.g., 24-Hour Residential Support, Day Habilitation, etc.) are built into those models
  
- + Service would be limited to transporting individuals to non-HCBS activities
  - + For example, to take an individual to a job when they do not receive job coaching, to religious services, to community events, etc.
  
- + Rate models are based on a one-way trip rate that account for two factors
  - + 3 group sizes (1 passenger, 2-4 passengers, 5+ passengers)
  - + 3 trip lengths (under 15 miles, 15 – 30 miles, 30+miles)



# **FISCAL IMPACT ESTIMATE AND RATE BENCHMARKS**

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## ■ Fiscal Impact Estimate

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- + Fiscal year 2019 claims data was 'repriced' using proposed rates to estimate the change in spending for each service
- + Relied on claims analysis and survey data to make assumptions related to services with proposed structural changes
  - + Percentage of individuals living in 3 and 4 bed 24-hour Residential Support homes and percentage of individuals at each staffing level (Tiers 1 – 3)
  - + Percentage of individuals living in Host Homes at each rate tier
  - + Percentage of Residential Support Management delivered by individuals with a bachelor's degree
  - + Number of daily hours of Day Habilitation and Prevocational services and percentage of Day Habilitation services delivered in a facility and in the community
  - + Percentage of Supported Employment services billed as Job Development v. Job Coaching

## Fiscal Impact Estimate (cont.)

- + Full implementation of the proposed rates would increase spending by an estimated \$38.2 million (26 percent)
- + Does not include utilization changes since fiscal year 2019

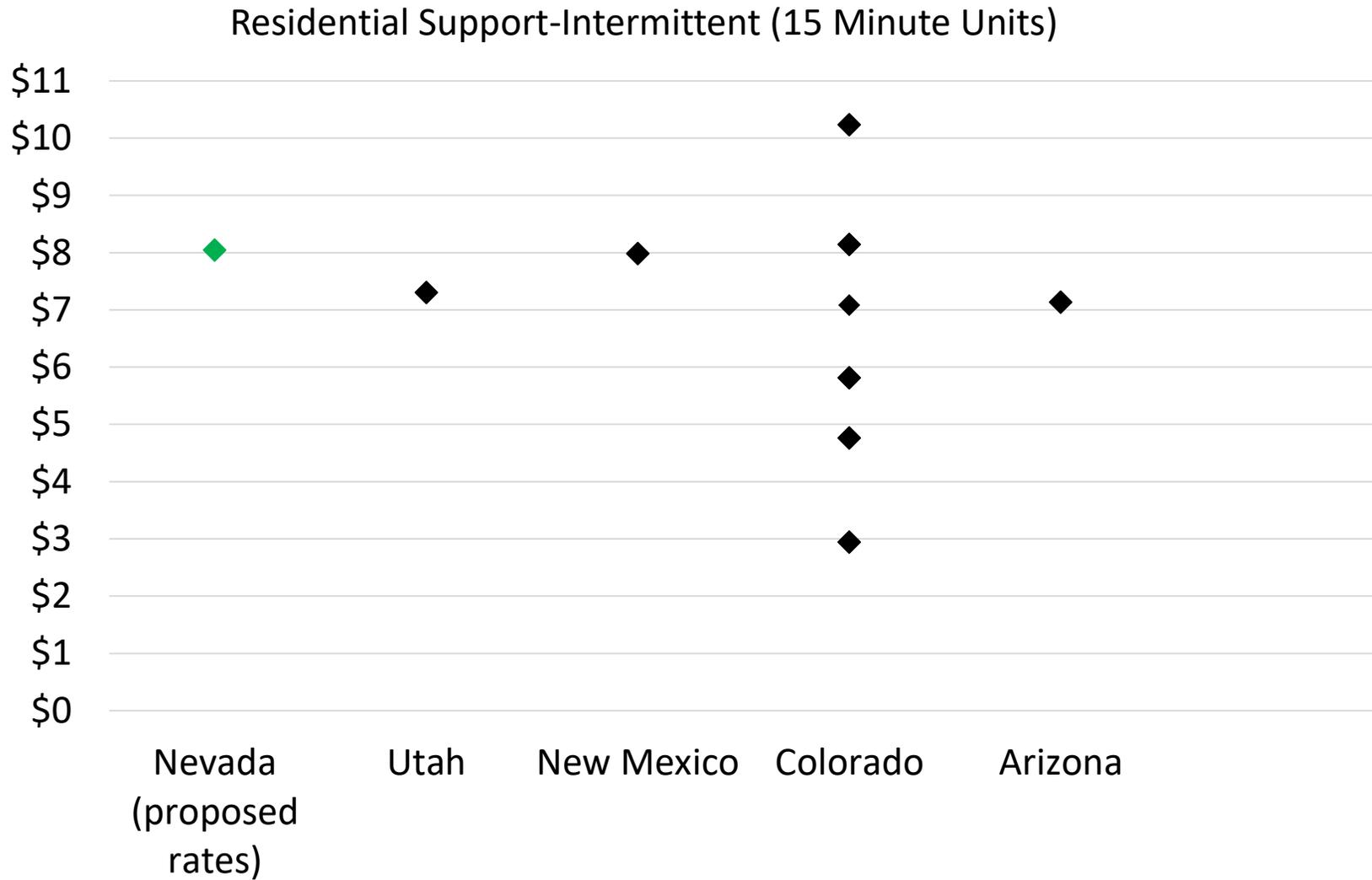
	Increase/ (Decrease) (in millions)	% Increase/ (Decrease)
<b>All Services</b>	<b>\$38.2</b>	<b>26%</b>
		23%
Host Homes	\$0.3	2%
		42%
		13%
		120%
		15%
		26%
		29%
Non-Medical Transportation	(\$1.7)	

## ■ Rate Benchmarks

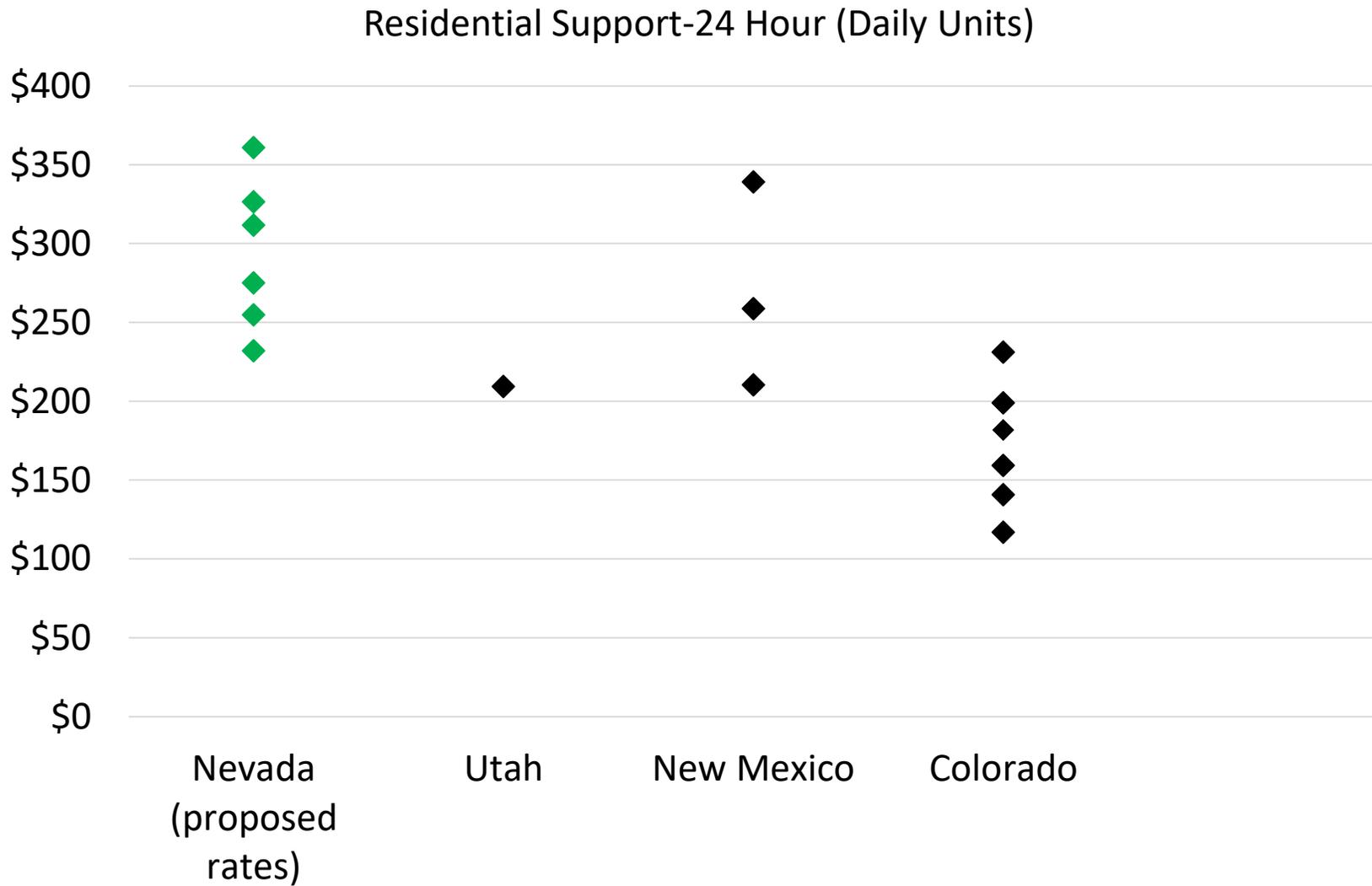
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- + Proposed rates for select services were compared to rates for similar services in Arizona, Colorado, New Mexico, and Utah
  - + Although similar services are compared, requirements that impact costs often vary by state (e.g., allowable staffing ratios for day habilitation)
- + Attempted to identify the most appropriate rates for comparison
  - + In Utah, rates for several services are negotiated so the rates reported here are the average reported in the state's waiver
  - + In Arizona and New Mexico, proposed rates from recent rate studies in each state are used although they have not been implemented
- + As necessary, rate conversions were made to ensure comparability between proposed rates and the benchmark rate. For example, hourly rates were converted to 15-minute rates by dividing the hourly rate by 4
- + Most proposed rates are at the high-end of range of rates paid by other states
  - + Exception is the proposed rate for Supported Employment-Job Coach

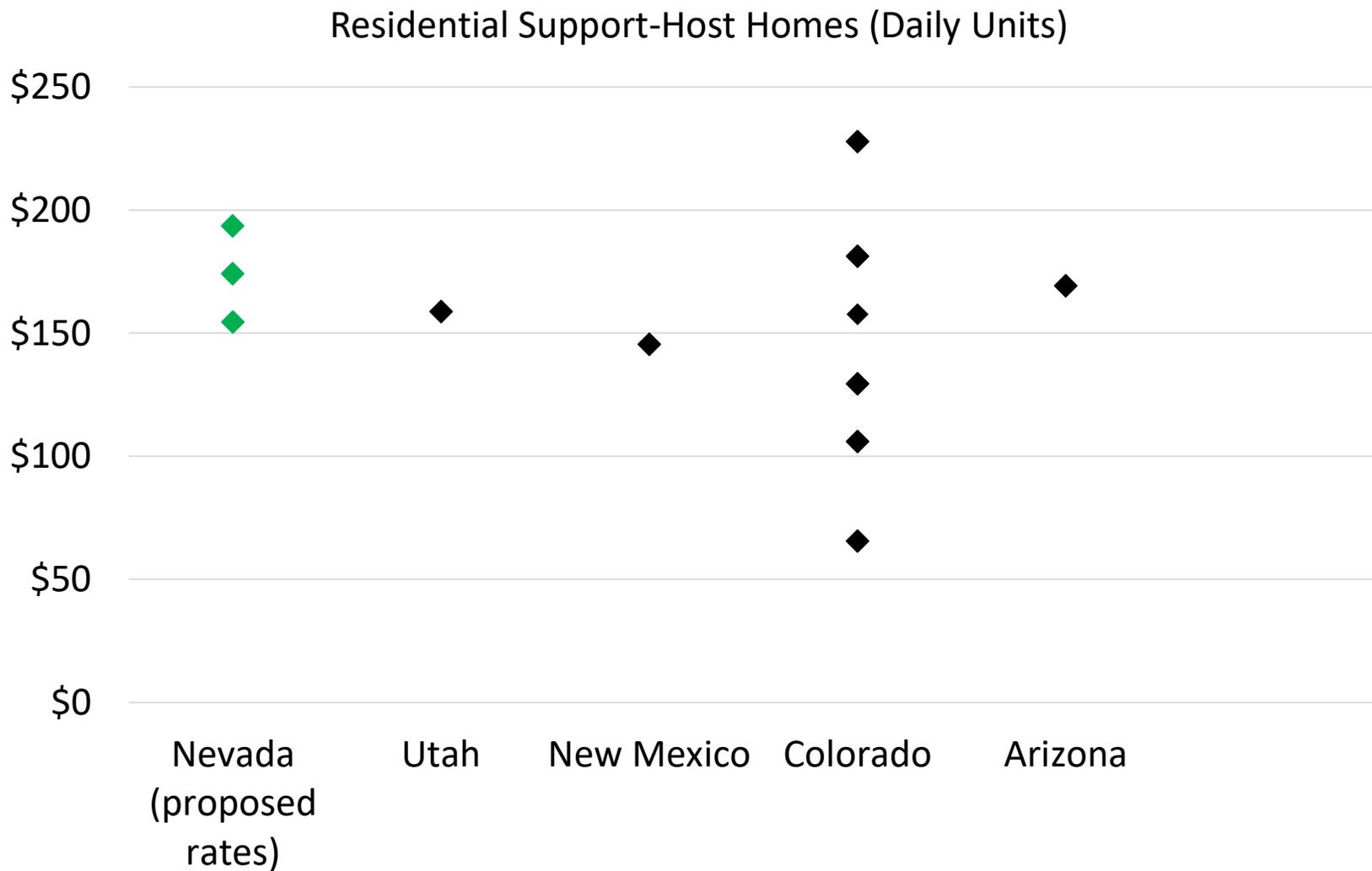
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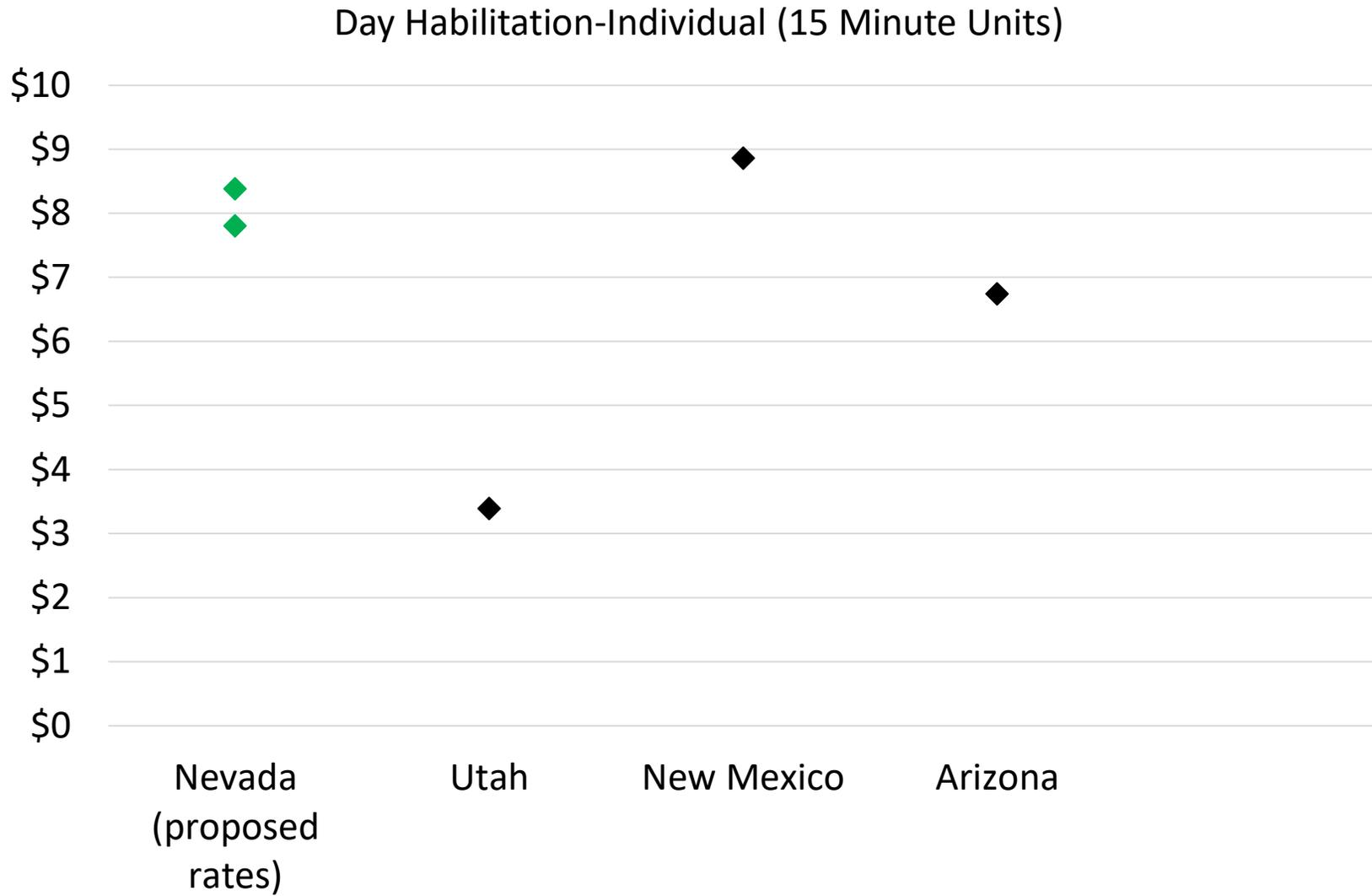
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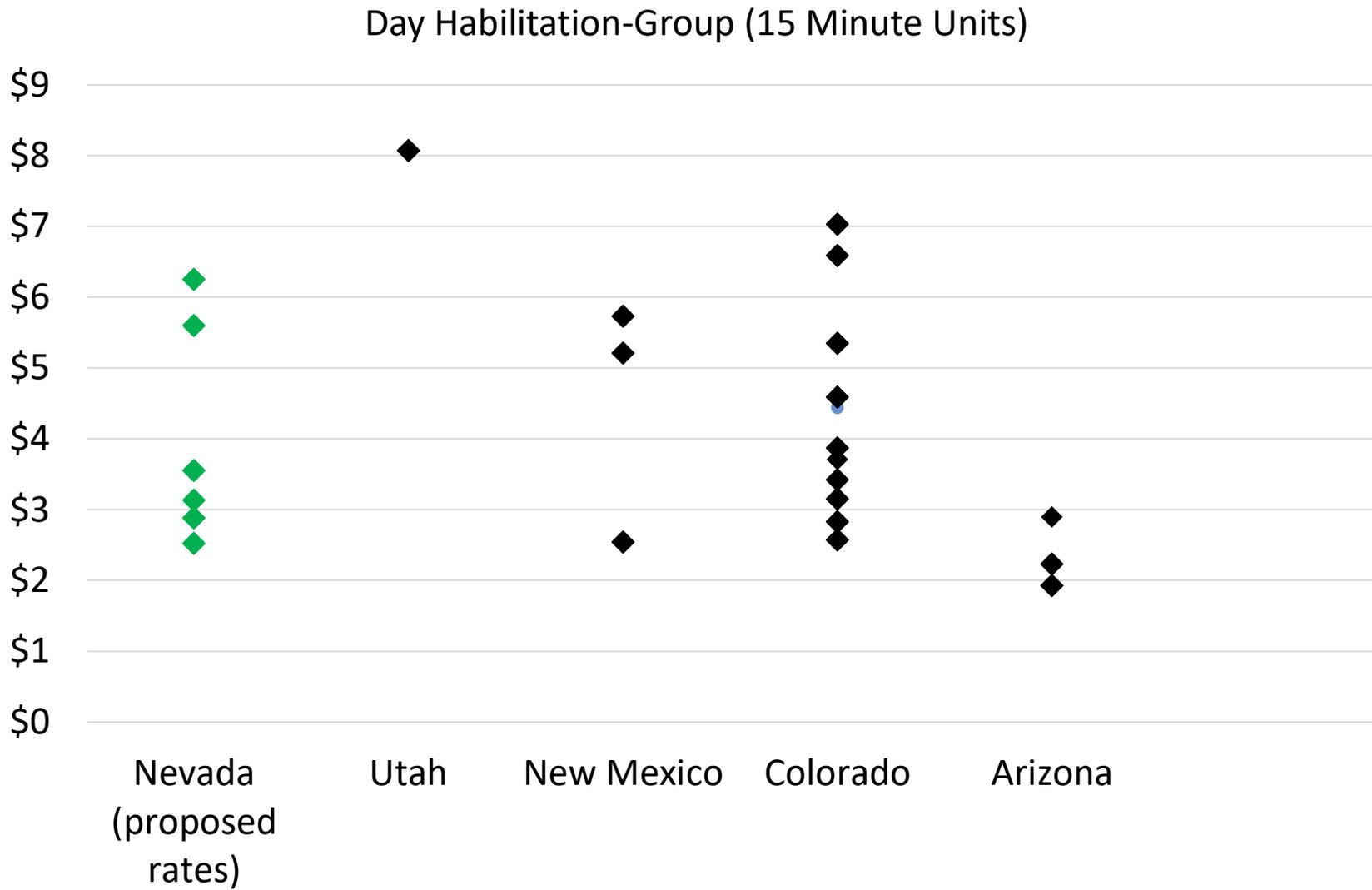
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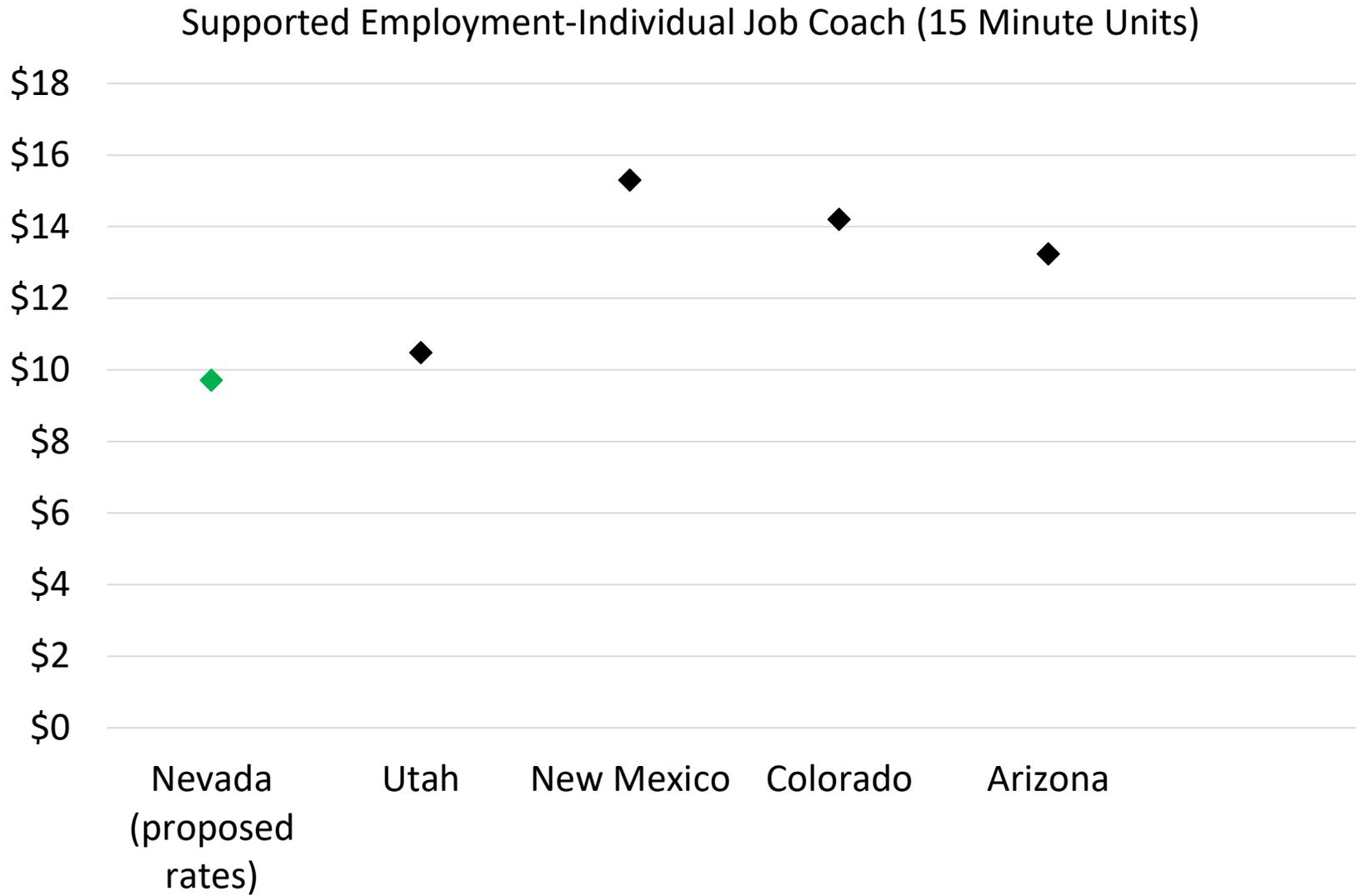
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## ■ Contact Information

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### **Stephen Pawlowski**

Burns & Associates, A Division of HMA

[spawlowski@healthmanagement.com](mailto:spawlowski@healthmanagement.com)

(602) 241-8519

3030 North 3<sup>rd</sup> Street, Suite 200

Phoenix, Arizona 85012

<https://www.healthmanagement.com/about/burns-associates/>