



#### Introduction

In August and September of 2012, OPWDD and stakeholders including, individuals, parents and providers formed a “Modernizing the Fiscal Platform” (MTFP) Work Team. The MTFP team was charged with providing a foundation for a new rate reimbursement system that will promote equity, sustainability, alignment of the financial platform and incentives for desired program outcomes for the developmental disabilities service system. In approaching their charter, the team began with a review of existing rate reimbursement structures that have been in place for the past several decades. Evaluation of the current rate system revealed a level of variation that required further analysis by the group.

An initial look at fiscal trends among various program models lead the MTFP team to take some time to reflect on the history of OPWDD’s rate setting patterns and activities. Through this historical perspective the team recalled that the rate structures for many of OPWDD’s services have been developed over an extensive period of time, creating reimbursement systems that have imbedded a variety of historical variations. In some cases, this has lead to unexplainable rate variances between like providers, providing like services. **After taking time to reflect on the history of the current reimbursement system and how to achieve the goals set out in the team’s charter, the MTFP team agreed on the following:**

- **A reform of the existing rate reimbursement system is needed to effectively promote the provision and reimbursement for the right service, in the right amount, at the right time and in the right setting.**
- **As the State begins the movement of its developmental disability services into managed care it is essential to make changes that better support equity and more transparent funding for services and support portability and choice.**

Once the team agreed that rate reform is necessary, they began to focus on the second element of the team’s charter which was to recommend a payment strategy that will facilitate the transition to reimbursement under managed care and align with the philosophy and incentives that will result in desired program outcomes. To assist in the facilitation of this process; OPWDD recognized that people with developmental disabilities in New York State would be best served with guidance from experts who have extensive experience in rate reform for the developmental disabilities service system. With this in mind, OPWDD employed Optumas/JVGA, actuarial consultants with experience in long term care programs and for services for individuals with developmental disabilities in more than a dozen states, to work with OPWDD in presenting to the MTFP team the potential options for designing a new rate reimbursement methodology.

To begin the rate reform discussion the MTFP team agreed that it was important to understand and explore the overarching guiding principles used to reform rate structures and the potential approaches that can be taken to achieve goals of reform.

### **Recommendation 1: Guiding Principles of Rate Reform**

During the team's first meeting in early August, the MTFP team discussed what they believe are the most important concepts to consider in the development of a potential rate reform structure. With assistance from Optumas/JVGA the team recommended that the following guiding principles be used in the new system design:

- **Fairness and Equity:** The rate design should ensure that like services provided to individuals with like needs are reimbursed at a comparable rate.
- **Portability:** Reimbursement for a like service should be consistent no matter where an individual receives the service.
- **Efficiency/Economy:** Funding used to support individuals with developmental disabilities should be used in an efficient and economical manner.
- **Simplicity and Practicality:** The rate structure must balance the need for accuracy and simplicity. An over simplistic methodology would not likely be able to match the varying levels of need of individuals with developmental disabilities; yet, an overly complex design would be too complicated to implement and use.
- **Network Stability:** Actions to transition the rate structure must ensure continuity and quality of care for individuals and direct support professionals and maintain a provider network that is fiscally and operationally viable.
- **Structural Reform:** A comprehensive ground up approach is necessary to ensure that the above principles are maintained today and in the future.

The review and rationalization of the current reimbursement methodology is within the context of existing system resources. The implementation of these reforms will also not exempt involved services from overall changes to the statewide Medicaid funding levels based on state budget actions such as cost of living adjustments or application of trend factors as approved by CMS.

### **Recommendation 2: Component Based Approach to Rate Reform**

Upon agreement of the key principles of rate reform during the team's second meeting, Optumas/JVGA presented to the team the various approaches to structural rate reform. These options include:

- **Budget Rebase:** This is a top down approach that takes available current dollars and spreads them across the total number of individuals to be served. The simplicity of this approach could not respond to the diverse needs levels of New Yorker's with developmental disabilities.

- **External Grab:** An external grab would use an already existing standard fee schedule and adapt it for the programs being reformed in another system. This approach is often used when available resources to restructure a system is limited and would not recognize the need to establish a sustainable and balanced system as the trajectory towards managed care continues.
- **Component-Based:** The component based approach is founded on the study of provider cost patterns based on individual service experience. Specifically, the foundation of the component based Direct Care Support model or “Brick” is the amount of face to face time a direct care support professional is providing supports to an individual. The elements of the rate that are outside of the direct care hourly wage are determined as a percentage of the hourly wage.

Following a discussion around these options, the **MTFP team recommended that OPWDD’s rate reform follow the component-based approach that examines cost patterns for various rate components (e.g. program support, general and administrative costs) as they relate to direct care staff wages and then determines the total cost of a direct staff hour.** Using that identified cost, the process then determines standard fees according to the number of staff hours needed to meet an individual’s needs. The team agreed that this approach is the best option to ensure that the rate reform process has the foundation to:

- Promote the provision and reimbursement of services for the right service, in the right amount, at the right time and in the right setting,
- Support equity and more transparent funding for services and supports portability and choice as the system transitions to managed care
- Uphold the guiding principles of rate reform recommended by the MTFP work team outlined above

The work team agreed that the following services would be included within the reform initiative:

- Residential Habilitation provided in Individualized Residential Alternatives (IRAs)
- Day Habilitation
- ICF/DDs

Based on the unique needs of each program, the components used to develop the reimbursement may differ. For example, ‘facilities costs’ will be a factor in ICF/DDs, but would not be part of the methodology for IRA residential habilitation.

### **Recommendation 3: Provider Selection for General Ledger Sampling**

In order to assist OPWDD with the development of a new rate structure, Optumas/JVGA needs to fully understand the current relationship between costs in all of the various rate components. To do so, a review of provider CFRs and General Ledgers is needed. An initial step

in the process will be for selected voluntary agencies to send their general ledgers electronically to the consultants who will code costs by identified cost category components. A comprehensive understanding of the relationship between costs and the accurate coding of those costs is essential to the successful development of a new rate structure.

**The MTFP work group worked collaboratively with OPWDD to carefully select providers to participate in the general ledger/cost component analysis.** In selecting the participating agencies, OPWDD's and the work team's objective was to determine a comprehensive and representative cross-section of voluntary providers and supports and services. Both groups gave consideration to agency size, program locations, types of programs, individuals served and unique service delivery situations.

### **Summary and Next Steps**

The MTFP team effectively guided OPWDD in the initial decision making needed to establish a foundation for a new rate reimbursement system that promotes equity, sustainability, alignment of the financial platform and incentives for desired program outcomes for the developmental disabilities service system. The team accomplished this by recommending the guiding principles of rate reform and advising on the most advantageous approach to rate reform. Furthermore, the work team's selection of participant providers in the general ledger/cost component analysis is crucial to establishing a strong foundation for the rate reform process.

A videoconference was held on October 10, 2012 to walk through the planned analysis with the participating agencies. At that time, John Villegas-Grubbs, of JVGA, discussed the component-based approach to rate reform, details of the cost component analysis and specifics of voluntary agency participation in that analysis. Next steps for moving this important work forward include:

- November – January: Analysis of component percentages
- February: Open discussion of component percentages and service differentials
- March: Updated fees in draft

Once the updated fees are prepared in draft, a careful assessment of the impact on each provider will be conducted. The result of this analysis will determine the transition strategy that will be used to adjust providers' reimbursement from the current fees to the updated fee strategy. It is OPWDD's intent that no provider within any single year will have a downward adjustment to its reimbursement that it cannot withstand, or receive an upward adjustment that would lead to excess revenue for which it is unable to make planned expenditures. The overall transition strategy will describe:

- The total amount of allowable upside and downside adjustment in a given year for providers (both as a percentage and an absolute value of provider revenue),
- The total transition period to bring all fees to the adjusted level (anticipated not to exceed three years)
- The pace of the change over the course of the transition period (for example, will there be minimal changes initially to allow providers time to plan and adjust for the adjusted fee levels).

OPWDD will continue to provide educational opportunities to explain the specifics of the component based Direct Care Support model. Additionally, OPWDD has requested MTFP team members to take on an ambassador role and do their part as the return to their communities to inform stakeholders on the work of their team and the goal to reform the fiscal platform to be individualized, sustainable, and be aligned with People First waiver desired program outcomes.