

**REFINING HCBS  
REIMBURSEMENT PROCESSES:  
USING ACTUAL COST OF DELIVERING SERVICES AS A  
BASIS FOR SETTING MEDICAID COMMUNITY SERVICES  
RATES IN ALASKA**

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# Introductions & Roles

## Presenters

- Sandra Heffern, Owner, Effective Health Design
- Duane Mayes, Director, Senior and Disabilities Services, State of Alaska
- Katherine Tompkins, Audit and Review Analyst, Office of Rate Review, State of Alaska
- Michael Bailey, Chief Financial Officer, Hope Community Resources and Vice-President Alaska Association on Developmental Disabilities
- Allison Lee, Alaska State Director, ResCare Alaska and Co-Chair Alaska Personal Care Attendant Provider's Association
- Gregg Schomaker, State Director, Consumer Direct Care Network – Alaska

# Alaska Facts



# Process Overview

**Rate Setting History**

**Rate Setting Process**

**Stakeholder Involvement**

**What Rate Methodology Was Selected?**

**Lessons Learned**

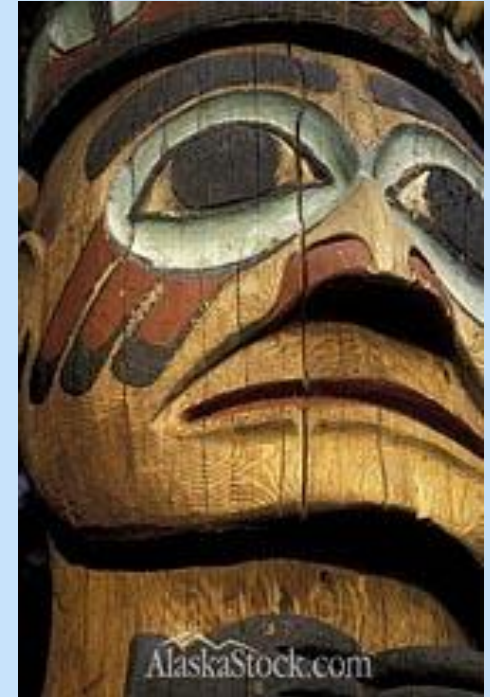
**Questions**



# Where We Came From

## History

- Grants – Transition to HCBW
  - By Region
- Negotiated Rates
  - Individual budget, 1993-2004
  - Agency Budget, 2005-2011





# Where We Came From

## History

- Myers and Stauffer Rebase proposal
  - Effective 2011
  - Single cost based rate fee schedule
  - Voluntary, low response rate
  - Phase In to State Chart Rate



## Lessons Learned

- Pilot data from testing used for State Chart Rates

# Where We Came From

## History

- Office of Rate Review 1<sup>st</sup> Rebase
  - 2013/2014
  - Doubled # of auditors in Office of Rate Review
  - Newly required AFS capacity & systems issues
  - Multiple services
- Regulations Pullback
  - 2014
  - Large proposed rate fluctuations
  - Data concerns from Cost Surveys



## Lessons Learned

- Ratchet down effect / death spiral
- Workable sustainable rate system w/ stakeholder involvement

# Stakeholder Involvement

## Stakeholders

- Senior and Disabilities Services
  - Director, Deputy Director, 2 Chiefs, 5 Managers
- Office of Rate Review
  - Executive Director, 2 Audit Supervisors
- Community Care Coalition – 24 providers from
  - Alaska Association on Developmental Disabilities
  - Alaska Personal Care Attendant Providers Associations
  - AgeNet, Alaska Geriatric Network
  - Assisted Living Home Association of Alaska
- Alaska Mental Health Trust Authority



# Stakeholder Involvement

## Special Recognition

- Jared Kosin, Executive Director, Office of Rate Review
- Mike Hanshew, Montana HCBS Consulting, LLC
- Dave Rhodes, ResCare



# Service Definitions

## Service Definitions

- Individualized services
- Assisted living home services
- Group/facility based services
- Residential services
- Other (meals, transportation, chore)

## Structural Cost Survey Design Group

- Subcategories within cost centers



# Cost Building Blocks

## Review of Service Expectations as they relate to cost

- Direct service cost
- Direct program support cost
- Administrative and general



# Pilot

## Takeaways

- Test accounting systems
- Test audit procedures
  - Reconciliation of Cost Report to the working trial balance
  - Home Office Cost Reports
  - Upfront consultation with providers on units of service
- Assurances that pilot data is not used for rate setting



# What was scrapped

## Modeled Methodology Eliminates

- Too many service codes
- Too many variables
- Difficulty reaching consensus



# What We Decided On

## Target Cost Based Rate System Concept

- 5 Highest volume providers by service type
  - Smaller number of provider surveys
  - Already have Audited Financial Statements
  - Statistically valid representation of units of service
- Access Factor
- Stop Loss
  - Predictability for state & provider budgeting
- Inflation Adjustments
- Rapid Rebase



# What We Decided On

## Assisted Living

- Attempt at acuity
- Percentage of Nursing Home rate
  - Illinois concept
  - Use Medicare Cost Reports
  - Eliminate cost centers associated with Room and Board

## Care Coordination Methodology

- CMS Ruling on conflict free
- Enhanced rate study
- Modeled rate
  - 1 code
  - Wage, Fringe Benefits, Program Support, Admin & General, Caseload (Time)

# Lessons Learned

## Lessons

- Process takes time
- Engage stakeholders at every step of the process
- Don't be afraid to change direction
- Identified point of contact for coordination
- Keep work groups at a manageable size
- Regular communication and outreach to larger community must occur
- Provider accounting system coding
- Detailed methodology
- Trade Associations as voice for providers
- Flexibility

# Where Are We Now?

## Looking forward

- Proposed rate regulations
- Fiscal Crisis
- Medicaid Reform
- Mental Health Trust Research & Consulting Funding Assistance



# QUESTIONS?

