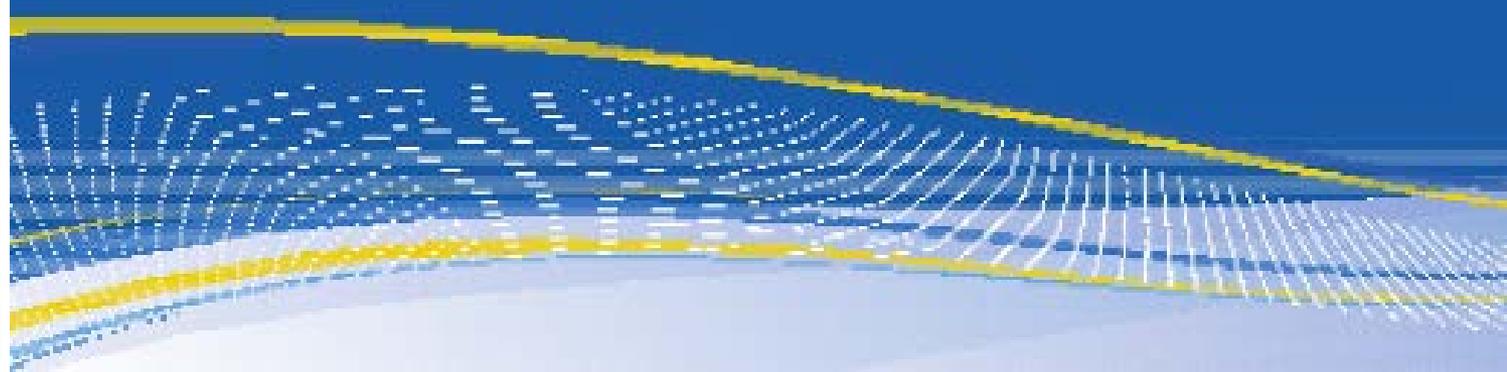




# 1915(c) Financial Accountability Q&A



Division of Long Term Services and Supports  
Disabled and Elderly Health Programs Group  
Center for Medicaid and CHIP Services



# Q&A Agenda

- Purpose of this session is to allow a Q&A for web-only presentations posted on the Medicaid.gov website.
- Each web-only presentation will include a summary introduction. After the introduction, there will be 20 minutes for Q&A per topic.
- List of the web-only presentation Q&A covered during today's session:
  - Documentation of Rate Setting Methodology
  - HCBS Waiver Rate Setting: Use of Inflation Factors
  - HCBS Waiver Rate Setting: Data Validation
  - Cost Neutrality
- Click on the link below to obtain Power Point slides for the web-only presentations.
- <https://www.medicaid.gov/medicaid-chip-program-information/by-topics/long-term-services-and-supports/home-and-community-based-services/hcbs-training.html>

# 1. Documentation of Rate Setting Methodology

## Summary of the Presentation

- Reviews common issues noted in Appendix I-2-a of the application and potential solutions that states can consider when completing 1915(c) waiver applications. Examples include:
  - Documenting rate setting and rate review methodology
  - Documenting the public input process for waiver service rate setting.
- Provides an example of state waiver rate setting methodology that is both detailed and transparent.
- Common rate setting methodologies described in this presentation include:
  - Fee Schedule
  - Negotiated Market Rate
  - Tiered Rate
  - Bundled Rate
  - Cost Reconciliation Rate

# 2. HCBS Waiver Rate Setting: Use of Inflation Factors

## Summary of the Presentation

- Discusses concepts of inflation and the significance of inflation to the rate setting process.
  - Inflation is a sustained increase in the general price level of goods and services in the economy over a period of time.
  - The Consumer Price Index for All Urban Consumers (CPI-U) is one of the most common inflation metrics used to calculate cost of living.
  - States can account for inflation in the form of Cost Of Living Adjustments (COLA). States must document the basis and source of the COLA adjustment used.

# 3. HCBS Waiver Rate Setting: Data Validation

## Summary of the Presentation

- Discusses common ways to identify data that can be used to validate 1915(c) rate setting assumptions and basic approaches to collecting provider cost data. Approaches include but are not limited to:
  - Reviewing paid claims data from the state's MMIS system.
  - Collecting existing rates from similar programs within your own state or other states.
  - Identifying publicly available sources of data to compare to primary sources obtained through surveys.
  - Soliciting provider cost and wage surveys.
  - Reviewing private market rates for goods and services.
- States can use multiple approaches for validating data methods and rates. They should select the approach that correlates to the rate setting methodology used for each service.
  - For fee schedule and tiered rates, states can review paid claims data from the MMIS and also collect existing rates from similar programs within their own state as well as other states that have similar programs.

# 4. Cost Neutrality

## Summary of the Presentation

- Discusses the basics of the cost neutrality formula used in 1915(c) waiver applications and various inflationary indices.
- Discusses each section of Appendix J and provides guidance on how to document state estimates for each element related to cost neutrality.
  - Average Length Of Stay (ALOS) and unduplicated participants estimates should follow historical information and should have detailed explanations if figures deviate from historical data.
  - Waiver factors (D, D', G and G') comprising the cost neutrality formula allow the state to demonstrate that the cost of waiver program services is less than or equal to the cost of institutionalized programs for the same population.
  - Different inflation factors, such as CPI or COLA, should be discussed in detail when estimating rate increases.
- Discusses importance of using accurate rates as the compounding of small percentages can cause costs to increase drastically over the course of several years.

# Questions and Answers

# For Further Information

**For questions contact:**

**[HCBS@cms.hhv.gov](mailto:HCBS@cms.hhv.gov)**

**Thank you for  
attending our session!**