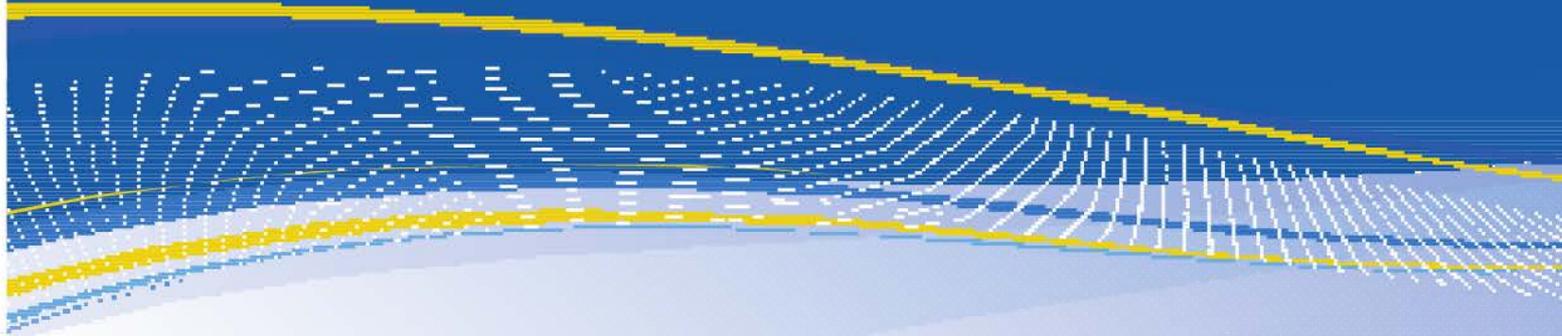




HCBS Waiver Rate Setting Data Validation



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



Training Objectives

- To understand common ways for states to identify data that can be used to validate 1915(c) waiver service rate setting assumptions.
- To gain an understanding of basic approaches to collecting provider cost data to support a state's review of waiver rates.

Data Validation Methods

- There are several approaches that states can take to validate their waiver rates. The approach is often guided by the rate methodology the state uses.

Fee Schedule and Tiered Rates

- Review paid claims data from the state's MMIS system.
- Collect existing rates from similar programs within your own state.
- Collect existing rates from other states with similar programs.
- Identify publicly available sources of data to compare to primary sources obtained through surveys, such as the US Bureau of Labor Statistics (BLS) for wages and salaries.
- Utilize cost and wage surveys of providers.

Negotiated Market Rates

- Review private market rates for goods and services.

Data Validation Methods

Review paid claims data from the state's MMIS system to gain an understanding of how the system is currently working.

- Claims data can provide total expenditures, current rates, and overall service usage by population and/or geographic areas.
- Electronic claims data systems should include edits to check for institutional stays to avoid payment of waiver services at the same time, unless retention payments have been approved.
- If there are no edits available to check for institutional stays, establish a review process to determine if any waiver services were claimed while a client was in an institution, then remove those units of service from the analysis.

Data Validation Methods

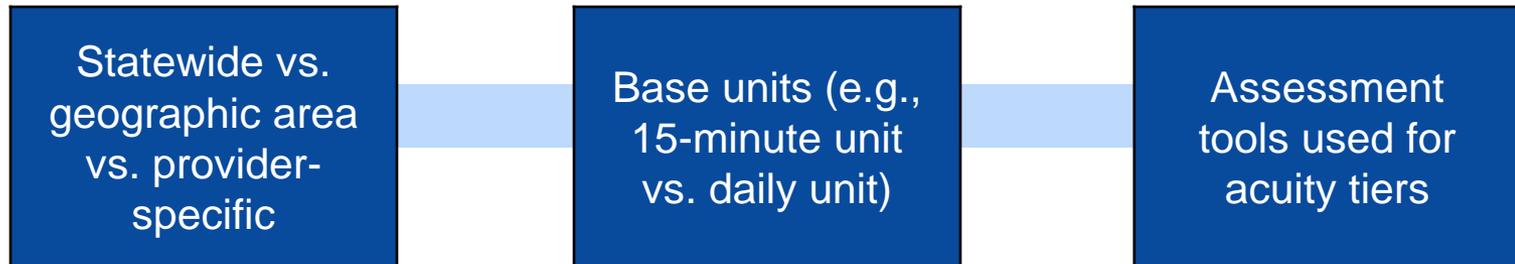
Collect existing rates from similar programs within your state or other states.

- Define what constitutes a “similar program.” Consider:
 - Population served
 - Service definition
 - Provider qualifications
 - Geographic area with similar demographics
 - Rate methodology structure

Data Validation Methods

Collect existing rates from similar programs within your state or other states (continued).

- Obtain as much information as possible about factors other states use to set rates, consider:



- States have various options of assessment tools to determine acuity.
 - Is the comparable state using a similar type of assessment tool?
 - How does the comparable state's acuity level determination and rate setting vary from your state?

Data Validation Methods

Identify publicly available sources of data to compare to primary sources obtained through surveys, such as the US Bureau of Labor Statistics (BLS) for wages and salaries.

- What is the BLS and what data can it provide?
 - The principal Federal agency responsible for measuring labor market activity, working conditions, and price changes in the economy.
 - The agency collects, analyzes, and disseminates essential economic information to support public and private decision-making.
 - BLS provides data on wage costs, inflation and prices of goods and services.
 - BLS data is available and updated by geographic location on a monthly, quarterly, and annual basis.
 - Find out more at www.bls.gov.

Data Validation Methods

Utilize surveys or cost reports from providers.

- Provides financial overview of providers' costs for delivering services to individuals receiving waiver services.
- Data collection through surveys or cost reports can collect more than costs. States can request information that supports rate decisions:
 - Wage data by staff type might include average, median, high, and low wages.
 - Detail about how staff spend their time in a typical week, e.g., on average, how is time spent when not directly serving a client, including recordkeeping, travel time, training, staff meetings, etc.
 - Detail about employee benefits such as health / dental / vision insurance premiums, retirement, paid time off, training commitments, and more.

Data Validation Methods

Survey and Cost Report Considerations for States: Overview

- Surveys and cost reports are one way states collect data to develop rates and/or review existing rates to determine necessity of establishing new base rate levels.
- Robust surveys or cost reports give state waiver administrators information regarding provider-specific costs to operate programs for waiver clients.
- Surveys and cost reports of providers allow states to obtain relevant information regarding how providers administer programs and whether programs are in compliance with state and federal rules.

Data Validation Methods

Survey and Cost Report Considerations for States: Provider Support

- States can assist providers to submit reliable data by doing the following prior to collecting provider surveys / cost reports:
 - Clearly define all required data in the survey instructions.
 - Create a Frequently Asked Questions (FAQ) document for providers.
 - Offer trainings on completing the cost survey.
 - Publicize a contact number providers can call with questions.

Data Validation Methods

Survey and Cost Report Considerations for States: Validating Reported Cost Data

- States can check the data and validate by:
 - Performing basic checks of reported data to identify keystroke errors or mathematical errors in totals.
 - Tracing back reported data to the financial statements or general ledger information for reasonableness and to uncover basic errors – but this is not an audit!
 - Determining if providers are including any non-allowable services or costs.

Data Validation Methods

Survey and Cost Report Considerations for States: Validating Reported Cost Data

- States can review financial statements
 - Request the provider agency's most recent audited financial statements.
 - Some provider agencies are owned by a large company. Verify that the audited financial statements are not a consolidated statement.
 - Consolidated financial statements could include ALL companies that the home office owns.
 - Such provider agencies will need to provide work papers that delineate the information that is applicable to the waiver services.
 - When supervision/administration in a provider agency crosses services, agencies need to allocate costs to individual service rates based on data from a reliable source, such as a time-study or other criteria that determines the percentage of time spent on that specific duty.

Data Validation Methods

Survey and Cost Report Considerations for States: Evaluating Overall Content of Reported Costs

- Provider surveys or cost reports should allow space for separating non-allowable costs from allowable costs, consistent with CMS guidance on allowable costs.
 - Providers will need to determine what portion of the facility's costs are allowable by evaluating the guidance.
 - Depending on the level of detail that is reasonable to collect in the survey or cost report, the state might not be in a position to judge whether costs were allocated properly as allowable or non-allowable.
 - Ask follow-up questions if it is difficult to determine whether the cost is allowable or non-allowable.
 - Cost surveys should be traceable to each individual provider.

Data Validation Methods

Survey and Cost Report Considerations for States: Evaluating Overall Content of Reported Costs

- Provider surveys or cost reports should allow for separate reporting of non-relevant programs or lines of service based on reliable data.
- In instances where a provider agency serves a population beyond the waiver population, the costs associated with that population and their services should be separated from the cost of the waiver population based on reliable data.

Data Validation Methods

Survey and Cost Report Considerations for States: Evaluating Overall Content of Reported Costs

Common Errors

- Not tying data to financial statements. →
- Not checking reported data totals.
- Including costs that are non-allowable.
- Including costs for non-waiver services such as room and board costs.
- Data entry errors. →

Example: Depreciation Expenses

- Provider reports accumulated depreciation rather than listing annual depreciation.
- Likely to cause unreasonably high depreciation expense values.
- Should be able to tie reported depreciation to audited financial statements.

Example: Key Stroke Errors

- Instead of entering \$20,000, a provider enters \$200,000.
- Huge difference between the two would be reflected in totals.
- Need to check for these in manual entry.

Data Validation Methods

Special Considerations for Tiered Rates

➤ **Acuity Tiers**

- Do provider surveys include information to allow for comparison between assessed needs and staffing levels?
- How does service utilization compare to other waiver programs using similar assessments and/or acuity tiers?
- Do tiers sufficiently account for acuity outliers?

➤ **Provider Qualification Tiers**

- Do wage data show salary differences based on provider qualifications?

➤ **Geographical Tiers**

- What costs are variable by geographic region?
- Are costs comparable within the geographic boundaries the state has established?

Data Validation Methods

Special Considerations for Negotiated Market Rates

- Negotiated market rates are often used for services such as assistive technology, home modifications, personal emergency response systems, etc.
- States using inflation adjustments for negotiated market rates should consider any other factor that affects cost.
- States should note that technological improvements that lower production costs could lead to lower prices.
- States should have a robust process for reviewing and approving negotiated market rates.

Data Validation Methods

Special Considerations for Negotiated Market Rates

- As with other rate setting methodologies, states can begin by reviewing paid claims data.
 - Negotiated market rates are often concentrated near maximum limits.
 - States can use statistical measures to adjust rate ranges based on the distribution of paid claim amounts.

Review private market rates for goods and services.

- Supplier websites and wholesale costs can be used to validate an appropriate rate range.
- When reviewing these data, keep in mind:
 - Price information may include discounts and rebates.
 - Waiver rates may cover services and administrative costs that are not included in prices to other payers.

Conclusion

- 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.

Additional Resources

- Additional rate setting resources are available in the below website. Topics include:
 - Rate Methodology in a FFS HCBS Structure
 - HCBS Rate Construction Illustration and Topical Discussion
 - Documentation of Rate Setting Methodology
 - Use of Inflation Factors
 - Cost Neutrality Demonstration
- <https://www.medicare.gov/medicaid-chip-program-information/by-topics/long-term-services-and-supports/home-and-community-based-services/hcbs-training.html>

Questions

Additional questions can be sent to:

HCBS@cms.hhs.gov