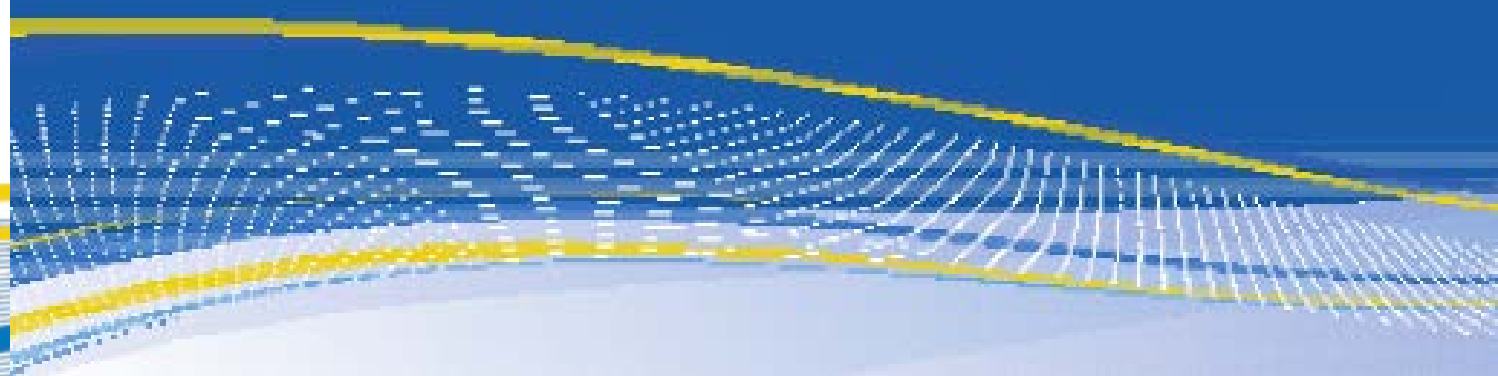




Trends in Rate Methodologies for High-Cost, High-Volume Taxonomies



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



Training Objectives

- Provide an overview of Home and Community-Based Services (HCBS) Taxonomy Categories.
- Review the top five taxonomy categories by estimated cost and estimated participants reported in Appendix J-2-d, based on CMS' own data analysis.
- Review common rate setting methodologies for each taxonomy, along with some notable approaches unique to those taxonomy categories, and other rate setting considerations.

High-Cost, High-Volume HCBS Taxonomies

Overview and Background Information

High-Cost and High-Volume Taxonomies

Reasons for Analysis

Why do we focus on these high-cost and high-volume taxonomies?

- Fiscal integrity and rate sufficiency issues are magnified for services in these categories because they:
 - Impact the greatest number of waiver participants.
 - Consist of the largest proportion of state and federal expenditures.

HCBS Taxonomy Categories

Overview

- The Home and Community-Based Services (HCBS) taxonomy is a classification system that groups HCBS into 17 categories.
 - See next slide for a table with all 17 categories.
 - Taxonomies also include subcategories, but subcategories are not part of this presentation. Refer to the source in the next slide for more information.
- States indicate HCBS taxonomy category in the 1915(c) waiver application, Appendix C-1/C-3.
- The taxonomies allow for common groupings of states' HCBS services across waivers. Using this information, CMS was able to:
 - Group reported costs and utilization based on assigned taxonomy categories.
 - Create an overview of how states vary in costs and utilization within the same HCBS taxonomy category.

HCBS Taxonomy Categories and Descriptions

#	HCBS Taxonomy Category Description
01	Case Management
02	Round-the-Clock Services
03	Supported Employment
04	Day Services
05	Nursing
06	Home-Delivered Meals
07	Rent and Food Expenses for Live-in Caregiver
08	Home-Based Services
09	Caregiver Support

#	HCBS Taxonomy Category Description
10	Other Mental Health and Behavioral Services
11	Other Health and Therapeutic Services
12	Services Supporting Self-Direction
13	Participant Training
14	Equipment, Technology and Modifications
15	Non-Medical Transportation
16	Community Transition Services
17	Other Services

Source: Medicaid Home and Community-Based Services (HCBS) Taxonomy Category and Subcategory Definitions. <https://wms-mmdl.cdsfdc.com/WMS/help/TaxonomyCategoryDefinitions.pdf>

High-Cost and High-Volume Taxonomies

Terminology Used

- “High-cost”
 - Refers to the five taxonomy categories with the highest estimated **costs** in 1915(c) waiver applications.
- “High-volume”
 - Refers to the five taxonomy categories with the highest estimated number of **users** in 1915(c) waiver applications.
- Please note that the analysis was derived from Appendix J-2-d and not based on actual costs reported on CMS-372(s) reports.

High-Cost and High-Volume HCBS Taxonomies

Methodologies for Data Analysis

- Identified high-cost and high-volume HCBS taxonomies using data from two new waiver applications and 86 renewal applications submitted between March 2015 and July 2016.
 - Obtained information regarding costs and number of participants from Appendix J-2-d.
 - If a state selected HCBS taxonomy categories from the dropdown options in Appendix C-1/C-3, we matched the taxonomy categories with the service titles in Appendix J-2-d.
 - If the state did not select an HCBS taxonomy category, we categorized the service using the state's service definition in Appendix C-1/C-3 and the CMS "Medicaid HCBS Taxonomy Category and Subcategory Definitions" (February 28, 2014 version) posted in the Waiver Management System (WMS).
- No services were counted more than once.

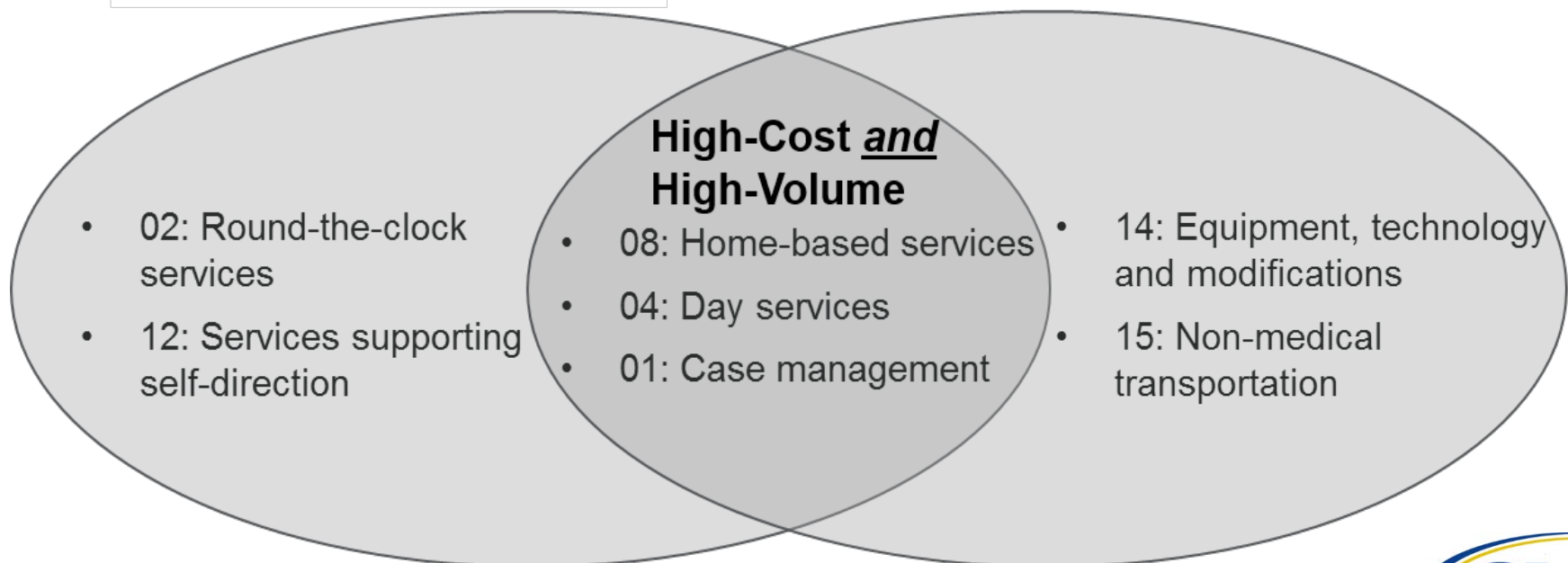
High-Cost and High-Volume HCBS Taxonomies

Results Summary

- This figure shows the high-cost and high-volume HCBS taxonomies that will be discussed in this training.
 - These taxonomies account for 85% of all costs.

High-Cost Taxonomies

High-Volume Taxonomies



Overview of Fee-For-Service HCBS Rate Setting Methodologies

- Fee Schedule
 - Provider receives a fixed, pre-determined rate for a single service for a designated unit of time.
- Negotiated Market Price
 - Provider receives the market price of the service. There is an expectation that some negotiation will take place to reach an agreed upon market price.
- Tiered Rates
 - Provider receives payment for one service in which the rate varies by an identified characteristic of the individual, geography, provider or some combination of all three.
- Bundled Rates
 - Provider receives a fixed, pre-determined rate for a pre-determined amount of time that includes the delivery of multiple services.
- Cost Reconciliation
 - Involves interim rates set by the state using the claims history information. In this type of rate setting, providers file cost reports or cost surveys created by the state.
- Note that other methods can be used, such as milestone-based or outcome-based payments, or a combination of the methodologies discussed above.

High-Cost, High-Volume HCBS Taxonomies

*Taxonomy category definitions, unique approaches
and considerations for rate setting under each
taxonomy*

Home-Based Services

(High-Cost and High-Volume)

Program Responsibilities

- Services that support a person in his or her home or apartment, when the provider does not have round-the-clock responsibility for the person's health and welfare.
- These services can be provided in other community settings, but are primarily furnished in a person's home or apartment.

Example Services

- Personal care aide
- Companion
- Homemaker / chore services

Source: Medicaid Home and Community-Based Services (HCBS) Taxonomy Category and Subcategory Definitions. <https://wms-mmdl.cdsfdc.com/WMS/help/TaxonomyCategoryDefinitions.pdf>

Home-Based Services

(High-Cost and High-Volume)

Common Rate Setting Method(s) and Notable Approach(es)

- The most common rate setting methodology noted was the fee schedule.
- One notable approach was incorporating transportation (including gas and mileage) in the rate. For example, one state included personal care aides' travel costs to individuals' homes.
- States often used the self-direction option for home-based services.

Home-Based Services

(High-Cost and High-Volume)

Other Rate Methodologies to Consider

➤ Acuity tiers

- For example, one state plans to use the Supports Intensity Scale (SIS) assessment to develop tiers for home-based habilitation.
- Acuity tiers recognize the need for more intensive staffing for individuals with more significant needs.
- Refer to the Trends in Acuity-Based and Geography-Based Rate Variation presentation for more information regarding considerations for acuity tier rate setting and specific examples.

<https://www.medicaid.gov/medicaid/hcbs/training/index.html>

➤ Negotiated market pricing

- We see states use negotiated market pricing most often for self-directed services such as:
 - Personal care aide
 - Companion

Home-Based Services

(High-Cost and High-Volume)

Other Rate Methodologies to Consider (Continued)

➤ Negotiated market pricing (Continued)

- If participants have budget authority, they are able to negotiate hourly wages and additional fringe benefits with workers.
 - Participants must abide by applicable federal and state laws regarding minimum wage, overtime pay, worker's compensation, disability insurance and unemployment insurance.
 - Refer to the FLSA website for more information (<http://www.dol.gov/whd/flsa/>).

Home-Based Services

(High-Cost and High-Volume)

Other Rate Methodologies to Consider (Continued)

➤ Negotiated market pricing (continued)

- Participants should have the option to offer higher wages and benefits if they wish and can afford to do so within the limits of their budget authority.
 - Individuals with higher needs are able to offer higher wages to attract better qualified workers.
 - This may also be a consideration for rural areas.
 - It is important that states offer guidance to individuals on appropriate rates.
 - For example, some programs limit maximum rates to the amount the state would pay an agency to provide the same service.
 - Because the agency rate includes overhead costs, this rule can provide participants considerable flexibility to offer higher pay to their workers than agency aides receive.

Day Services

(High-Cost and High-Volume)

Program Responsibilities

- Services other than supported employment typically provided outside the person's home during the working day (i.e., Monday through Friday between 8am and 5pm).
- These services provide a range of supports and are often, but not always, provided on a regularly-scheduled basis at a site specifically established to provide day services.

Example Services

- Prevocational services
- Day habilitation
- Education services
- Adult day health services / adult day services (social model)
- Community integration
- Medical day care for children

Source: Medicaid Home and Community-Based Services (HCBS) Taxonomy Category and Subcategory Definitions. <https://wms-mmdl.cdsvdc.com/WMS/help/TaxonomyCategoryDefinitions.pdf>

Day Services

(High-Cost and High-Volume)

Common Rate Setting Method(s) and Notable Approach(es)

- The most common rate setting methodology noted was the fee schedule.
- One notable approach was including licensing and certification costs for employees in the rate.
- Another approach included transportation (e.g., gas prices / mileage) in the rate. One state increased its transportation cost factor to transport the individual from one setting to another to further promote community integration.

Day Services

(High-Cost and High-Volume)

Other Rate Methodologies to Consider

➤ Acuity tiers

- For example, one state plans to use the Supports Intensity Scale (SIS) assessment to develop tiers for adult day health services and prevocational services.
- Another state uses a functional assessment for tiered prevocational service rates.
- Acuity tiers recognize the need for more intensive staffing for individuals with more significant needs.

➤ Bundled

- For example, one state developed a bundled medical day care service that included activity programs and health care, nursing, specialized therapy, personal care, social work, and transportation services.
- It is key that states regularly rebase bundled rates to ensure that service definitions, cost factors and case mixes have not changed.

Case Management

(High-Cost and High-Volume)

Program Responsibilities

- The development of a comprehensive, written individualized support plan.
- Case management often includes:
 - Assisting people in gaining access to necessary services.
 - Conducting an assessment of a person's need.
 - Ongoing monitoring of service provision and/or a person's health and welfare.
 - Assisting in accessing supports to transition from an institutional setting (but not the transition services themselves).
 - Developing a 24-hour individual back-up plan with formal and informal supports.

Example Services

- Case management
- Support coordination

Source: Medicaid Home and Community-Based Services (HCBS) Taxonomy Category and Subcategory Definitions. <https://wms-mmdl.cdsfdc.com/WMS/help/TaxonomyCategoryDefinitions.pdf>

Case Management

(High-Cost and High-Volume)

Common Rate Setting Method(s) and Notable Approach(es)

- The most common rate setting methodology noted was the fee schedule.
- Rates are *generally* set for 15-minute units. Please note that other units are allowed.
- CMS' analysis also shows that states pay case management services in monthly units.
 - When setting monthly units, note that the states should take into account individuals' acuity because a rate without acuity can adversely impact case managers with multiple high-acuity individuals on their caseload.
- A notable approach for the rate setting under this taxonomy included enhanced rates if the case management agencies met certain requirements.

Case Management

(High-Cost and High-Volume)

Other Rate Methodologies to Consider

➤ Value-based / pay for performance

- One state is piloting pay-for-performance in its rate setting methodology to address conflicts of interest.
- This state developed rates with financial incentives for case management agencies that demonstrate specific requirements, such as:
 - Meeting quarterly targets for delivery outcomes and reporting costs annually.
 - Building capacity by having recruitment, retention and replacement plans for each service area.
 - Having dedicated personnel perform quality oversight.
 - Not exceeding a caseload of 25 individuals per case manager.
 - Serving all waiver types in the state.
 - Serving at least one rural census area.

High-Cost HCBS Taxonomies

Definition of Taxonomy Categories, Rate Setting Methods, and Considerations

Round-the-Clock Services

(High-Cost)

Program Responsibilities

- Services by a provider with round-the-clock responsibility for the health and welfare of residents, except during the time other services (e.g., day services) are furnished.

Example Services

- Residential habilitation
 - Group living (group home)
 - Shared living (family living, host home)
 - In-home (supported living)
- Adult foster care
- Assisted living
- Mental health services
 - Group living
 - Shared living
 - In-home

Source: Medicaid Home and Community-Based Services (HCBS) Taxonomy Category and Subcategory Definitions. <https://wms-mmdl.cdsvdc.com/WMS/help/TaxonomyCategoryDefinitions.pdf>

Round-the-Clock Services

(High-Cost)

Common Rate Setting Method(s) and Notable Approach(es)

- The most common rate setting methodologies were fee schedule and tiered rates.
- Fee schedule and tiered rates were the only rate setting methodologies noted during the research. Rates are set in daily or monthly units.
- The basis for many of the tiered rates were related to the functional needs to ensure health (including medical / behavioral), safety, and welfare in the community.
- A notable approach for the rate setting under this taxonomy included using staffing ratios and supervision time in calculating the acuity tier payments.
 - For example, a state reported the highest rate assigned to a tier who had a 1:1 staffing ratio. It also required the attendant to be awake overnight for supervision. State paid less for a 1:4 staffing ratio with attendants that are not awake during overnight supervision time but are available if a need arises.

Round-the-Clock Services

(High-Cost)

State Considerations – Acuity Tiers

- Acuity tier rate setting was used by states because rates consider the individual's care needs and the cost to the agency offering services to individuals with varying care levels.
- States use assessments to determine the acuity. When conducting the assessment, states:
 - Ensure that the individuals performing the assessment are free from conflicts of interest.
 - Review and monitor the results of the assessment to ensure the accuracy.
- Tiers should be designed to account for acuity outliers.
- Refer to the Trends in Acuity-Based and Geography-Based Rate Variation presentation for more information regarding considerations for acuity tier rate setting and specific examples. <https://www.medicaid.gov/medicaid/hcbs/training/index.html>

Services Supporting Self-Direction

(High-Cost)

Definition

- Services that assist a person and/or his or her representative in managing participant-directed services.

Example Services

- Financial management services (FMS).
- Support broker (i.e., information and assistance in support of self-direction).

Source: Medicaid Home and Community-Based Services (HCBS) Taxonomy Category and Subcategory Definitions. <https://wms-mmdl.cdsfdc.com/WMS/help/TaxonomyCategoryDefinitions.pdf>

Services Supporting Self-Direction

(High-Cost)

Common Rate Setting Method(s) and Notable Approach(es)

- The most common rate setting methodology noted was the fee schedule.
- States generally pay for services supporting self-direction in monthly units.
- Support brokers can be paid by units of a specific service or hourly rate.
- A notable approach for the rate setting under this taxonomy included employee certification costs. For example, if support brokers are required to keep a license / certification, states can include a cost factor to consider the costs incurred in obtaining that license.

Services Supporting Self-Direction (High-Cost)

Other Rate Methodologies to Consider

➤ Administrative Claiming.

- Services Supporting Self-Direction and Case Management services are two of the most common services that may be provided as a Medicaid administrative activity rather than as a waiver service.
- States submit a cost allocation plan as part of the Medicaid State Plan and therefore it is not approved as part of the 1915(c) waiver application process.

High-Volume HCBS Taxonomies

Definition of Taxonomy Categories, Rate Setting Methods, and Considerations

Equipment, Technology and Modifications

(High-Volume)

Definition

- Material goods to help a person improve or maintain function.

Example Services

- Personal emergency response system.
- Home and/or vehicle accessibility adaptations.
- Equipment and technology.
- Supplies.

Source: Medicaid Home and Community-Based Services (HCBS) Taxonomy Category and Subcategory Definitions. <https://wms-mmdl.cdsfdc.com/WMS/help/TaxonomyCategoryDefinitions.pdf>

Equipment, Technology and Modifications

(High-Volume)

Common Rate Setting Method(s) and Notable Approach(es)

- The most common rate setting methodology noted was the negotiated market rate.
- Case managers may assist the participant in selecting the most qualified and cost effective service provider.
 - Generally, this was based on the provider's usual and customary fee or based on a competitive bid.
- Case managers may negotiate payments.
- Individuals may negotiate their own payments in a self-direction program with budget authority.

Equipment, Technology and Modifications

(High-Volume)

State Considerations

- Note that technological improvements that lower production costs could lead to lower prices, negating the effect of inflation.
- States should have a robust process for reviewing and approving negotiated market rates, including, but not limited to:
 - Rate guidelines, such as minimum and/or maximum allowable rates.
 - 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.
 - States can include an exception process when rates exceed the maximum.
 - States should have a way to track the amount expended.
 - Describe the methodology in detail in Appendix I-2-a.

Equipment, Technology and Modifications

(High-Volume)

State Considerations (Continued)

- States should have a robust process for reviewing and approving negotiated market rates, including, but not limited to (continued):
 - Guidance and/or training on purchasing and negotiating strategies for case managers and/or waiver participants.
 - For example, if case managers use supplier websites and wholesale costs to validate an appropriate rate range, the state should provide guidance on how to evaluate whether price information includes discounts and rebates.
 - Documentation requirements for the basis of negotiated rates.
 - The state can later sample and review this documentation to ensure state negotiation protocols were followed.

Non-Medical Transportation (High-Volume)

Definition

- Transportation not provided as part of another category, such as round-the-clock services or day services.

Example Services

- Transportation to and from waiver services.
- Transportation to community activities where waiver services are not provided.
- Purchase of public transit tokens or passes.

Source: Medicaid Home and Community-Based Services (HCBS) Taxonomy Category and Subcategory Definitions. <https://wms-mmdl.cdsfdc.com/WMS/help/TaxonomyCategoryDefinitions.pdf>

Non-Medical Transportation (High-Volume)

Common Rate Setting Method(s) and Notable Approach(es)

- The only rate methodology noted was the fee schedule.
 - Payment was based either on mileage rates or the cost for bus passes / tokens.

State Considerations

- States may consider whether geography-based rate variations are appropriate.
 - One state implements eight different rates per one-way trip based on the state's geographic regions.
 - States may also adjust rates based on the number of individuals transported and whether these individuals require supervision en-route to their destination.

Summary

- There are seven service categories impacting the greatest number of waiver participants and/or making up the largest proportion of waiver expenditures.
- States would be wise to ensure the rate methodologies and fiscal integrity measures for services associated with these seven service categories are sound.
- There are opportunities for states to innovate and/or improve their rate setting methodologies and fiscal integrity measures for services in these taxonomy categories.

Additional Resources

- <https://www.medicaid.gov/medicaid/hcbs/training/index.html>

Questions & Answers

For Further Information

For questions contact:

HCBS@cms.hhs.gov

**Thank you for
attending our session!**