



# **COST FACTORS AND RATE ASSUMPTIONS TEMPLATE TRAINING**

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

# Training Objectives

- Demonstrate a tool states have the option to use when documenting fee schedule rate setting methodologies.

# Fee Schedule Rate Methodology

- In a **fee schedule rate methodology**, the state pays a provider a fixed, pre-determined rate for a single service for a designated unit of time.
- One method of setting fee schedule rates is to use a build-up approach that begins with a base wage and adds assumptions to account for the various costs a provider incurs to render a service.
  - For a demonstration of this process, see the CMS training “Fee Schedule HCBS Rate Setting: Developing a Rate for Direct Service Workers,” available [at the training website on medicaid.gov](#).

# Fee Schedule Rate Methodology

- Fee schedule rates may also incorporate:
  - **Tiers:** Rates for a single service vary by an identified characteristic of the individual or the provider (e.g., acuity, geography, etc.).
  - **Bundled services:** Fixed rate includes payment for the delivery of multiple services.
  - **Value-based, pay-for-performance, outcome-based payments:** Incentive payments for quality of care, meeting outcomes or milestones and/or meeting another performance criteria.

# Fee Schedule Rate Methodology

- This training specifically focuses on the fee schedule rate methodology since it:
  - Is the most commonly used methodology in 1915(c) waiver applications.
  - Most often results in the need for CMS to ask questions in Requests for Additional Information (RAI).

# Why Use the Cost Factors and Rate Assumptions Template?

- During CMS's review of the 1915(c) waiver applications, one of the most common issues identified was an overly general description of rate setting methodologies for each service.
- States are required to explain the details of rate setting methods for each service. Some of the Federal guidance for rate setting methodologies in 1915(c) Applications include:
  - §1902(a)(30)(A) of the Social Security Act.
    - “Payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that services under the plan are available to beneficiaries at least to the extent that those services are available to the general population.”
  - Technical Guide pages 252 –254 CMS Review Criteria:
    - States must describe “methods” that are employed to “establish provider payment rates” for “each” waiver service.

# Overview of the Template

- The *Cost Factors and Rate Assumptions Template* is an **optional tool** that guides states as they document their fee schedule rate setting methodologies.
- States can add as many services as needed to the template.
- The template will be most useful for states that:
  - Are in the process of developing a new rate(s). For example, a state may:
    - Use the tool to document possible data sources for each cost factor.
    - Compare a tiered and flat rate methodology by completing the template for both options.
  - Need to retain information by concisely documenting the complete full basis of the rate methodology.
  - Want to communicate a rate setting methodology to the public, including waiver participants and providers.
  - Need to summarize cost assumptions as they prepare for a waiver application.
  - Are responding to an RAI related to their fee schedule rate setting methodology.

# Template Demonstration

# Demonstration Overview

- We will demonstrate how to use the Cost Factors and Rate Assumptions Template to document one waiver service – personal care services (PCS) – with four tiers:
  - Non-certified, metro area
  - Non-certified, rest of state
  - Certified, metro area
  - Certified, rest of state
- See the following slides for a step-by-step demonstration.
- Refer to a copy of the template with the example demonstration used in this training.
- Keep in mind that not all rate setting methods can use the optional tool. States may leave any non-applicable sections blank, or depart from the template if the rate methods cannot be guided by the template.
  - For instance, services with negotiated or market rates could not be documented using this template

# Overview of the Blank Template

Cost Factors	Data Source <input type="button" value="Add Tier"/>	Factor Basis Conversion Describe how the factors were changed to \$ amounts	Name of Service			
			Tier 1	Tier 2	Tier 3	Tier 4
Date Set			mm/dd/yy	mm/dd/yy	mm/dd/yy	mm/dd/yy
Base Wage						
Base Wage Inflation						
Productivity						
Employee benefits						
Paid time off and training						
Administration overhead						
Program support						
<b>Additional Cost Factors</b>	<input type="button" value="Add Row for Cost Factors"/>					
<i>[Insert additional rate components/cost factors]</i>						
<i>[Insert additional rate components/cost factors]</i>						
Staffing ratios						
Sum of Cost Factors			\$ -	\$ -	\$ -	\$ -
Unit						
<b>Adjustments</b>	<input type="button" value="Add Row for Adjustments"/>					
<i>[Insert additional adjustments]</i>						
<i>[Insert additional adjustments]</i>						
Calculated Rate			\$ -	\$ -	\$ -	\$ -
Basis of tier <i>(check each that applies)</i>			<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input type="checkbox"/> Geography <input type="checkbox"/> Other <i>Specify:</i>	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input type="checkbox"/> Geography <input type="checkbox"/> Other <i>Specify:</i>	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input type="checkbox"/> Geography <input type="checkbox"/> Other <i>Specify:</i>	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input type="checkbox"/> Geography <input type="checkbox"/> Other <i>Specify:</i>
Explanation of basis						
Other notes						

# Overview of the Template - Continued

- Prior to completing the template, read all instructions located at the top of the template.
- When opening this document, please *allow or enable macros* for this document in order to use the buttons in this template.
- Note that there are several areas in the template where additional detail can be added by clicking the following buttons:
  - **Add Tier:** Allows for the addition of tiers related to the service.
  - **Add Row for Cost Factors:** Allows for additional rate components or cost factors beyond the ones that have been pre-populated.
  - **Add Row for Adjustments:** Allows for the addition of adjustments used to calculate the rate basis.

# Step 1. Add Service(s)

- Enter the service(s) that you will document in the template.
- In our example, enter “Personal Care Services.”

Personal Care Services			
Non-Certified, Metro Area	Non-Certified, Rest of State	Certified, Metro Area	Certified, Rest of State
1/1/2017	1/1/2017	1/1/2017	1/1/2017

# Step 2. Add Tiers (if Applicable)

- If you plan to set a tiered rate, enter the applicable tiers.
- In our example, enter all four tiers for PCS.

Personal Care Services			
Non-Certified, Metro Area	Non-Certified, Rest of State	Certified, Metro Area	Certified, Rest of State
1/1/2017	1/1/2017	1/1/2017	1/1/2017

# Step 3. Enter Date of Rate Setting

- Additional tiers can be added by selecting the “Add Tier” button.
- Enter the date that the rate was implemented.
- If the rate is not changing, the date should reflect the most recent update to the rate.
  - Reminder: States should update rates every five years upon submission of the renewal.

Cost Factors	Data Source	Factor Basis Conversion Describe how the factors were changed to \$ amounts	Personal Care Service	
			Non-Certified, Metro Area	Non-Certified, Rest of State
Date Set	<input type="button" value="Add Tier"/>		1/1/2017	1/1/2017

# Step 4. Enter Cost Factor(s)

- If you are using a rate build-up approach, enter the cost factors used.
  - The template is pre-populated with the most common cost factors as a reference, but you can add or remove cost factors to match what your state uses.
- You may also modify the template to fit your specific approach.
  - For example, if you are using the median of rates in other waiver programs in your state, enter the waiver programs and service titles that you used in your calculation.

Cost Factors	Data Source
	<input type="button" value="Add Tier"/>
Date Set	
Base Wage	May 2015, BLS National Industry-Specific Occupational Employment and Wage Estimates, Personal Care Services (median hourly wages for occupation codes 39-1000 and 39-9021)
Base Wage Inflation	Inflation factor based on CPI-U, June 2016 Medical Services, to bring base wage to midpoint of state fiscal year 2016.
Productivity	Provider cost survey, available at <a href="http://state.gov/costsurvey">state.gov/costsurvey</a> , completed 1/1/2015
Employee benefits	Provider cost survey above
Paid time off and training	Provider cost survey above
Administration overhead	Provider cost survey above
Program support	Provider cost survey above

# Step 4. Enter Cost Factors - Continued

- Insert additional rate components or cost factors related to the service.
- If additional cost factors need to be included, select the “Add Row for Cost Factors” button.

Additional Cost Factors	Add Row for Cost Factors
<i>[Insert additional rate components/cost factors]</i>	
<i>[Insert additional rate components/cost factors]</i>	
Staffing ratios	Waiver service requirement
Sum of Cost Factors	
Unit	

# Step 5. Enter Data Source(s)

- Enter the data source used to calculate each cost factor.
- Be specific enough that staff and/or external entities can trace your calculation back to the data source.

Cost Factors	Data Source
<b>Date Set</b>	<input type="button" value="Add Tier"/>
Base Wage	May 2015, BLS National Industry-Specific Occupational Employment and Wage Estimates, Personal Care Services (median hourly wages for occupation codes 39-1000 and 39-9021)
Base Wage Inflation	Inflation factor based on CPI-U, June 2016 Medical Services, to bring base wage to midpoint of state fiscal year 2016.
Productivity	Provider cost survey, available at <a href="http://state.gov/costsurvey">state.gov/costsurvey</a> , completed 1/1/2015
Employee benefits	Provider cost survey above
Paid time off and training	Provider cost survey above
Administration overhead	Provider cost survey above
Program support	Provider cost survey above

# Step 6. Enter Factor Basis Conversion

- Enter a description of how the factors were changed to dollar amounts.
- For our example, the cost factors were converted based on a percentage of the base wage and base wage inflation.

Cost Factors	Data Source	Factor Basis Conversion
	<input type="button" value="Add Tier"/>	Describe how the factors were changed to \$ amounts
Date Set		
Base Wage	May 2015, BLS National Industry-Specific Occupational Employment and Wage Estimates, Personal Care Services (median hourly wages for occupation codes 39-1000 and 39-9021)	None
Base Wage Inflation	Inflation factor based on CPI-U, June 2016 Medical Services, to bring base wage to midpoint of state fiscal year 2016.	2% of the base wage
Productivity	Provider cost survey, available at <a href="http://state.gov/costsurvey">state.gov/costsurvey</a> , completed 1/1/2015	18% of the base wage and base wage inflation
Employee benefits	Provider cost survey above	15% of the base wage and base wage inflation
Paid time off and training	Provider cost survey above	17% of the base wage and base wage inflation
Administration overhead	Provider cost survey above	12% of base wage and base wage inflation for metro areas and 8% of base wage and base wage inflation for rest of state.
Program support	Provider cost survey above	2% of base wage and base wage inflation

# Step 7. Enter Cost Factor Values

- Enter the state's calculations for each cost factor based on the listed data source.
- States may enter cost factor information as numbers, percentages or dollar values – report the information to reflect your state's approach.
- If you have service tiers, cost factors will vary depending on the basis of the tier.
- In our example, the administration overhead cost factor is higher for non-certified PCS providers in the metro area (0.12) than in the rest of the state (0.08) because it costs more to lease office space and wages are higher for administrative staff and executive leadership in the metro area.

# Step 7. Enter Cost Factor Values (continued)

Cost Factors	Data Source <input type="button" value="Add Tier"/>	Factor Basis Conversion Describe how the factors were changed to \$ amounts	Personal Care Service			
			Non-Certified, Metro Area 1/1/2017	Non-Certified, Rest of State 1/1/2017	Certified, Metro Area 1/1/2017	Certified, Rest of State 1/1/2017
Base Wage	May 2015, BLS National Industry-Specific Occupational Employment and Wage Estimates, Personal Care Services (median hourly wages for occupation codes 39-1000 and 39-9021)	None	\$ 10.15	\$ 10.15	\$ 16.17	\$ 16.17
Base Wage Inflation	Inflation factor based on CPI-U, June 2016 Medical Services, to bring base wage to midpoint of state fiscal year 2016.	2% of the base wage	\$ 0.20	\$ 0.20	\$ 0.32	\$ 0.32
Productivity	Provider cost survey, available at <a href="http://state.gov/costsurvey">state.gov/costsurvey</a> , completed 1/1/2015	18% of the base wage and base wage inflation	\$ 1.86	\$ 1.86	\$ 2.97	\$ 2.97
Employee benefits	Provider cost survey above	15% of the base wage and base wage inflation	\$ 1.55	\$ 1.55	\$ 2.47	\$ 2.47
Paid time off and training	Provider cost survey above	17% of the base wage and base wage inflation	\$ 1.76	\$ 1.76	\$ 2.80	\$ 2.80
Administration overhead	Provider cost survey above	12% of base wage and base wage inflation for metro areas and 8% of base wage and base wage inflation for rest of state.	\$ 1.24	\$ 0.83	\$ 1.98	\$ 1.32
Program support	Provider cost survey above	2% of base wage and base wage inflation	\$ 0.21	\$ 0.21	\$ 0.33	\$ 0.33

# Step 8. Calculate Sum of Cost Factors

- Enter the sum of cost factors that results from your rate assumptions and specify the rate unit, e.g., hour, 15-minute, daily, etc.
- States can opt to input a formula to show how they arrived at the rate directly in the tool or attach a formula description.

Cost Factors	Data Source <input type="button" value="Add Tier"/>	Factor Basis Conversion Describe how the factors were changed to \$ amounts	Personal Care Service			
			Non-Certified, Metro Area 1/1/2017	Non-Certified, Rest of State 1/1/2017	Certified, Metro Area 1/1/2017	Certified, Rest of State 1/1/2017
Date Set						
Base Wage	May 2015, BLS National Industry-Specific Occupational Employment and Wage Estimates, Personal Care Services (median hourly wages for occupation codes 39-1000 and 39-9021)	None	\$ 10.15	\$ 10.15	\$ 16.17	\$ 16.17
Base Wage Inflation	Inflation factor based on CPI-U, June 2016 Medical Services, to bring base wage to midpoint of state fiscal year 2016.	2% of the base wage	\$ 0.20	\$ 0.20	\$ 0.32	\$ 0.32
Productivity	Provider cost survey, available at <a href="http://state.gov/costsurvey">state.gov/costsurvey</a> , completed 1/1/2015	18% of the base wage and base wage inflation	\$ 1.86	\$ 1.86	\$ 2.97	\$ 2.97
Employee benefits	Provider cost survey above	15% of the base wage and base wage inflation	\$ 1.55	\$ 1.55	\$ 2.47	\$ 2.47
Paid time off and training	Provider cost survey above	17% of the base wage and base wage inflation	\$ 1.76	\$ 1.76	\$ 2.80	\$ 2.80
Administration overhead	Provider cost survey above	12% of base wage and base wage inflation for metro areas and 8% of base wage and base wage inflation for rest of state.	\$ 1.24	\$ 0.83	\$ 1.98	\$ 1.32
Program support	Provider cost survey above	2% of base wage and base wage inflation	\$ 0.21	\$ 0.21	\$ 0.33	\$ 0.33
<b>Additional Cost Factors</b>	<input type="button" value="Add Row for Cost Factors"/>					
[Insert additional rate components/cost factors]						
[Insert additional rate components/cost factors]						
Staffing ratios	Waiver service requirement	Staffing ratio is 1:1 for all services	1	1	1	1
<b>Sum of Cost Factors</b>			\$ 16.98	\$ 16.56	\$ 27.05	\$ 26.39
Unit			Hour	Hour	Hour	Hour

# Step 8. Calculate Sum of Cost Factors (continued)

- In our example, the sum of cost factors for the non-certified, metro area is \$16.98 per hour.

Cost Factors	Data Source <input type="button" value="Add Tier"/>	Factor Basis Conversion Describe how the factors were changed to \$ amounts	Personal Care Service	
			Non-Certified, Metro Area	
Date Set			1/1/2017	
Base Wage	May 2015, BLS National Industry-Specific Occupational Employment and Wage Estimates, Personal Care Services (median hourly wages for occupation codes 39-1000 and 39-9021)	None	\$	10.15
Base Wage Inflation	Inflation factor based on CPI-U, June 2016 Medical Services, to bring base wage to midpoint of state fiscal year 2016.	2% of the base wage	\$	0.20
Productivity	Provider cost survey, available at <a href="http://state.gov/costsurvey">state.gov/costsurvey</a> , completed 1/1/2015	18% of the base wage and base wage inflation	\$	1.86
Employee benefits	Provider cost survey above	15% of the base wage and base wage inflation	\$	1.55
Paid time off and training	Provider cost survey above	17% of the base wage and base wage inflation	\$	1.76
Administration overhead	Provider cost survey above	12% of base wage and base wage inflation for metro areas and 8% of base wage and base wage inflation for rest of state.	\$	1.24
Program support	Provider cost survey above	2% of base wage and base wage inflation	\$	0.21
<b>Additional Cost Factors</b>	<input type="button" value="Add Row for Cost Factors"/>			
<i>[Insert additional rate components/cost factors]</i>				
<i>[Insert additional rate components/cost factors]</i>				
Staffing ratios	Waiver service requirement	Staffing ratio is 1:1 for all services		1
<b>Sum of Cost Factors</b>			\$	<b>16.98</b>
Unit				Hour

# Step 9. Enter Adjustments

- States may adjust their payment rate based on external factors, such as a legislative increase.
- Insert any applicable adjustments in the template. To include additional adjustments, click the “Add Row for Adjustments” button.
- In our example, the state has implemented a legislative increase of 2 percent.
- In Appendix I-2-a of the waiver application, states are required to include any increases or decreases that might affect the calculated (final) rate.

Sum of Cost Factors			\$ 16.98	\$ 16.56	\$ 27.05	\$ 26.39
Unit			Hour	Hour	Hour	Hour
Adjustments						
	<b>Add Row for Adjustments</b>					
Legislative Increase	Legislative increase added for 2017	2% of sum of cost factors	\$ 0.34	\$ 0.33	\$ 0.54	\$ 0.53
[Insert additional adjustments]						
Calculated Rate			\$ 17.32	\$ 16.90	\$ 27.59	\$ 26.92

# Step 10. Select Basis of Tiers (if Applicable)

- If the state uses a tiered rate structure, enter the basis of the tiers and the data sources used to determine how tiers will be defined.
- The state may use multiple tier levels.
- In our example, the state used waiver qualification requirements and BLS metropolitan areas to establish two tier levels:
  - Qualifications (i.e., certified v. non-certified)
  - Geography (i.e., metro area v. rest of state)

Basis of tier ( <i>check each that applies</i> )			<input type="checkbox"/> Not applicable  <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:	<input type="checkbox"/> Not applicable  <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:
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# Step 11. Describe How Tiers are Defined and How Rates are Differentiated

- Describe the basis of tiers, including how the rates are differentiated for the tiers.

Cost Factors	Data Source	Factor Basis Conversion Describe how the factors were changed to \$ amounts	Personal Care Service			
			Non-Certified, Metro Area	Non-Certified, Rest of State	Certified, Metro Area	Certified, Rest of State
Date Set			1/1/2017	1/1/2017	1/1/2017	1/1/2017
Basis of tier (check each that applies)			<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:
Explanation of basis		<p>Through reports from case managers, we found that there was a shortage of certified PCS providers, particularly in metro areas. For certified PCS providers, we updated the base wage to match the median hourly wage for PCS supervisors. This is a proxy for the additional requirements associated with certification.</p> <p>We also included a separate line in our provider cost survey for training costs associated with certification, which increased the factor for paid time off and training. For the geographic tiers, we divided the state into metro and "rest of state" regions using the BLS metropolitan area in the state. We then compared provider cost survey data between regions and found that administration overhead costs were higher in the metro area. We used the administration overhead cost factor to adjust the rate for the metro area.</p>				

# Step 11. Describe How Tiers are Defined and How Rates are Differentiated (continued)

- In our example, the state's explanation addresses:
  - The basis for determining the tiered rate structure (i.e., the state describes how BLS data and qualifications were used to define the tiers)
  - How the state calculated individual tiers (i.e., the state described what cost factors differed across tiers and why)

Explanation of basis

Through reports from case managers, we found that there was a shortage of certified PCS providers, particularly in metro areas. For certified PCS providers, we updated the base wage to match the median hourly wage for PCS supervisors. This is a proxy for the additional requirements associated with certification. We also included a separate line in our provider cost survey for training costs associated with certification, which increased the factor for paid time off and training. For the geographic tiers, we divided the state into metro and "rest of state" regions using the BLS metropolitan area in the state. We then compared provider cost survey data between regions and found that administration overhead costs were higher in the metro area. We used the administration overhead cost factor to adjust the rate for the metro area.

# Step 12. Enter Other Notes

- Enter any other information that staff, stakeholders and/or external entities may need to understand the decisions made in developing the rate.

Cost Factors	Data Source <input type="button" value="Add Tier"/>	Factor Basis Conversion Describe how the factors were changed to \$ amounts	Personal Care Service			
			Non-Certified, Metro Area	Non-Certified, Rest of State	Certified, Metro Area	Certified, Rest of State
Date Set			1/1/2017	1/1/2017	1/1/2017	1/1/2017
Other notes		To calculate the factors, we used the median of values reported in the 2014-2015 provider cost report. We the used a rate build-up approach that starts with the base wage obtained from BLS data.				

# Step 12. Enter Other Notes

- For our PCS example, the state clarifies:
  - The provider cost report included costs for **2014-2015** and the state used the **median** of values reported.
  - That the rate build-up approach started with the base wage obtained from the BLS data and is appropriated by the state legislature.
- States can also elect higher rate increases greater than 2 percent.

Other notes	To calculate the factors, we used the median of values reported in the 2014-2015 provider cost report. We the used a rate build-up approach that starts with the base wage obtained from BLS data.
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# Completed Template

Cost Factors	Data Source <input type="button" value="Add Tier"/>	Factor Basis Conversion Describe how the factors were changed to \$ amounts	Personal Care			
			Non-Certified, Metro Area	Non-Certified, Rest of State	Certified, Metro Area	Certified, Rest of State
Date Set			1/1/2017	1/1/2017	1/1/2017	1/1/2017
Base Wage	May 2015, BLS National Industry-Specific Occupational Employment and Wage Estimates, Personal Care Services (median hourly wages for occupation codes 39-1000 and 39-9021)	None	\$ 10.15	\$ 10.15	\$ 16.17	\$ 16.17
Base Wage Inflation	Inflation Factor based on CPI-U, June 2016 Medical Services, to bring base wage to midpoint of state fiscal year 2016.	2% of the base wage	\$ 0.20	\$ 0.20	\$ 0.32	\$ 0.32
Productivity	Provider cost survey, available at state.gov/costsurvey, completed 1/1/2015	18% of the base wage and base wage inflation	\$ 1.86	\$ 1.86	\$ 2.97	\$ 2.97
Employee benefits	Provider cost survey above	15% of the base wage and base wage inflation	\$ 1.55	\$ 1.55	\$ 2.47	\$ 2.47
Paid time off and training	Provider cost survey above	17% of the base wage and base wage inflation	\$ 1.76	\$ 1.76	\$ 2.80	\$ 2.80
Administration overhead	Provider cost survey above	12% of base wage and base wage inflation for metro areas and 8% of base wage and base wage inflation for rest of state.	\$ 1.24	\$ 0.83	\$ 1.98	\$ 1.32
Program support	Provider cost survey above	2% of base wage and base wage inflation	\$ 0.21	\$ 0.21	\$ 0.33	\$ 0.33
<b>Additional Cost Factors</b>	<input type="button" value="Add Row for Cost Factors"/>					
<i>[Insert additional rate components/cost factors]</i>						
<i>[Insert additional rate components/cost factors]</i>						
Staffing ratios	Waiver service requirement	Staffing ratio is 1:1 for all services	1	1	1	1
Sum of Cost Factors			\$ 16.98	\$ 16.56	\$ 27.05	\$ 28.39
Unit			Hour	Hour	Hour	Hour
<b>Adjustments</b>	<input type="button" value="Add Row for Adjustments"/>					
<i>Legislative Increase</i>	Legislative increase added for 2017	2% of sum of cost factors	\$ 0.34	\$ 0.33	\$ 0.54	\$ 0.53
<i>[Insert additional adjustments]</i>						
Calculated Rate			\$ 17.32	\$ 16.90	\$ 27.59	\$ 28.92
Basis of tier (check each that applies)			<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:	<input type="checkbox"/> Not applicable <input type="checkbox"/> Acuity <input checked="" type="checkbox"/> Qualifications <input type="checkbox"/> Staffing ratios <input checked="" type="checkbox"/> Geography <input type="checkbox"/> Other Specify:
Explanation of basis		Through reports from case managers, we found that there was a shortage of certified PCS providers, particularly in metro areas. For certified PCS providers, we updated the base wage to match the median hourly wage for PCS supervisors. This is a proxy for the additional requirements associated with certification. We also included a separate line in our provider cost survey for training costs associated with certification, which increased the factor for paid time off and training. For the geographic tiers, we divided the state into metro and "rest of state" regions using the BLS metropolitan area in the state. We then compared provider cost survey data between regions and found that administration overhead costs were higher in the metro area. We used the administration overhead cost factor to adjust the rate for the metro area.				
Other notes		To calculate the factors, we used the median of values reported in the 2014-2015 provider cost report. We used a rate build-up approach that starts with the base wage obtained from BLS data.				

# Summary

- While the Cost Factors and Rate Assumptions Template is an optional tool, it is an effective way of documenting fee schedule rate setting methodologies.
- The template includes space for elements needed to meet the level of detail needed by CMS and stakeholders.
- States may use this training as a guide for completing the template.

# Additional Resources

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

# Questions & Answers

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# For Further Information

**For questions contact:**  
**[HCBS@cms.hhs.gov](mailto:HCBS@cms.hhs.gov)**

**Thank you for attending our session!**