Strategy template: DisabilityServices_383_AbsenceFactor

Priority strategy title: Absence Factor in Day Services

Strategy Catalogue unique identifier(s): 383
Original submitting organization(s)/agency(ies): Department of Human Services
Drafting organization/agency: Department of Human Services
Name(s) of priority strategy developer: Doug Annett
Email: douglas.annett@state.mn.us
Phone: 651-431-6207

1) This priority strategy addresses the following aspect of the Commission’s charge (select only the one that represents the best fit):

☐ Transform the health and human services system.
☐ Increase administrative efficiencies and improve program simplification within health and human services public programs.
☒ Identify evidence-based strategies for addressing the significant cost drivers of State spending on health and human services.
☐ Reduce waste in administrative and service spending in health and human service
☐ Advance health equity across geographies, racial and ethnic groups

2) Please describe the populations impacted by this strategy:

Providers delivering day services paid for through the Developmental Disabilities (DD), Community Access for Disability Inclusion (CADI), Community Alternative Care (CAC), and Brain Injury (BI) waiver programs would be affected by this strategy.

3) Problem statement
   a) What is the primary problem the strategy is expected to mitigate or resolve relative to the focus area?

   This strategy changes rate formulas for day services under the disability waivers to reflect research on provider costs.

   People who receive services through the four disability waiver programs have access to day services, which include day training and habilitation, structured day program, prevocational services, and adult day services. During fiscal year 2019, day services were used by the following number of people:

   • Adult day services: 2,931 people
   • Day training and habilitation and structured day program: 10,286 people
   • Prevocational services: 2,847 people
Day services have rates determined by the Disability Waiver Rate System (DWRS). DWRS establishes service rates through a formula comprised of cost components. The values of the cost components are set in statute and are based on data and research on the average costs incurred by providers across the state. Cost components in the formulas consist of provider costs, such as staff wages, employee benefits, program costs and administrative costs. The absence and utilization factor (referred to as “absence factor”) is a cost component in the DWRS frameworks intended to cover the costs incurred by the provider when the person has an unplanned absence from services and the provider cannot bill for services as planned.

The rate methodology set in state law and approved by the federal government is based on average provider costs. The current absence factor of 9.4% in the Disability Waiver Rate System (DWRS) day service rate framework is not supported by evidence. This strategy would replace this factor with a revised figure that is more reflective of real-world provider costs. Previously, the absence factor was set at 3.9%. The legislature amended this value effective January 1, 2019 to 9.4% and required the state to complete an additional analysis and recommend an adjustment according to updated data. This strategy aligns with those findings, published in the 2018 DWRS Absence Factor Legislative Report.

b) What is the secondary problem(s) the strategy is expected to mitigate or resolve relative to the focus area and/or other focus areas?

N/A

4) Priority Strategy description

a) What is the strategy?

This strategy aligns cost components within DWRS to evaluations of provider costs of delivering services. Specifically, this strategy would reduce the absence and utilization component value for day services from 9.4% to 4.5%. The recommended component value is based on a 2018 legislative report that determined that this component value was not supported by provider claim data.

b) What steps are required to implement the strategy?

The legislature and the federal Centers for Medicare and Medicaid Services (CMS) must both approve this change. Following approval, DHS and MNIT must program the MnCHOICES Support Plan to calculate updated rates.

i. Who will need to take them?

The legislature, CMS, MNIT, and DHS will need to take the actions.

ii. When will they need to be taken?

If the legislature passed this change, DHS would seek immediate approval from CMS. System programming work would be completed to support a January 1 rolling implementation date.

iii. How long will implementation take?

One year

iv. What will be the associated systems impacts?

The MnCHOICES Support Plan would need to be modified.

v. What will be the associated resource requirements?

Aside from funding to adapt systems, no additional resources will be required.
vi. What will be the implementation challenges? Does the strategy create an administrative burden or additional costs for the State or for any external stakeholder(s)?

This will create a small systems cost for the state, but will not pose an administrative burden.

c) How will the strategy mitigate or resolve the primary problem it is addressing?

This strategy will result in decreased costs, ensures that rates are set based on data, and ensures that all services across the disability waiver service menu have standardized rate setting methods.

This strategy addresses federal and state concerns regarding ensuring the DWRS rate frameworks align with the cost of providing services. The current absence and utilization factor is out of sync with this federal expectation.

Currently, day services have a higher factor than what the data shows while other services, such as unit-based services supporting people in their own home or in their workplace, do not have the inflated factor. This strategy ensures that the rate for all services are based on provider costs, resulting in a level playing field across all services.

d) What are possible unintended consequences this strategy could have?

This strategy will reduce payment rates for day services, which could have the unintended consequence of creating barriers to services if day service providers choose to provide fewer services.

5) Expected results and supporting evidence

a) What are the expected results, and when will their impact be experienced?

The expected results will be rates that reflect the cost of providing day services. The impact will be experienced during the calendar year following legislative and federal approval.

i. What is the anticipated fiscal impact to the State in the next biennium? (select one)

☐ New costs
☐ Budget neutral
☒ Cost savings

ii. If costs or savings are anticipated, what is the scope of the impact? (select one)

☐ Small: $1 to $999,999
☒ Medium: $1 million to $9,999,999
☐ Large: Greater than $10 million

iii. Will any state investment be required?

Systems costs will be required.

iv. What will be the programmatic and population impacts?

This change will affect people with disabilities’ day services rates paid to providers through the DD, CADI, CAC, and BI waiver programs.

v. What are the key results of the equity review evaluation?

• How will this strategy consider other cost components and limitations (for example; billing caps)?
• What is the impact on service delivery among counties and tribes?
• What are the provisions for accountability among providers and DHS?
• Establish an equitable mechanism for tracking and reporting
• What has been the impact on service delivery under the 9.4% increase?
• How are recipients who have exceptional needs impacted by this proposed strategy?
• What is the total cost associated with this strategy?

Further equity considerations:
• Establish a plan to continue to assess equitable outcomes.
• Define the impact on similar programs and services between DHS and other agencies.
• Ensure rate exception process is equitable.

b) What evidence supports the strategy's effectiveness, if any?

This strategy is supported by data. The following research has been completed on the absence factor in day services:

• Research conducted by Navigant Consulting in 2010 recommended a value of 3.9 percent.
• Research conducted by Truven Health Analytics in 2016 assessing provider cost data recommended a value of 3.1 percent. Their findings were published in the 2017 DWRS Legislative Report.
• Research conducted by DHS in 2017 assessing provider claims data recommended a value of 4.5 percent. This recommendation, published in the 2018 DWRS Absence Factor in Day Services Study, was made after the 2017 Legislature increased this factor from 3.9 percent to 9.4 percent, with the requirement that DHS would research and make recommendations for adjustment.