



Disability Waiver Rate System Impact Study

Semi-Annual Report

Dec. 10, 2018

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Study objective

The Disability Waiver Rate System (DWRS) transitioned disability waiver service rates from a provider/lead agency-negotiated rate system to a statewide, data-based rate methodology. As required by state law, DHS began implementing the system in 2014 and phased it in through a mechanism called “banding.” DHS will fully implement the new system in calendar year 2020 or 2021, depending on federal approval of an additional year of banding. This report summarizes the projected fiscal impact of the DWRS to service rates when full implementation occurs, after the banding period.

DHS prepared this report in accordance with Minnesota Statutes 2017, section 256B.4914, subdivision 10, paragraph c. Statute requires the commissioner of Human Services to analyze the average difference between the historic rates in effect before system implementation (Dec. 31, 2013) and the framework rates in effect after full system implementation. Until Dec. 31, 2018, DHS is required to issue semiannual reports to stakeholders on the difference in rates by service and by county during the banding period. This report is the final required semiannual DWRS impact report under current law. DHS will continue to evaluate DWRS as required by other legislation.

This analysis considers all changes to DWRS authorized by the Minnesota Legislature through the 2018 legislative session.

Summary of findings

The total projected impact of DWRS on service rates across all services is a 14.1 percent increase. Measuring this impact from 2013 through 2021, this increase amounts to approximately 1.8 percent per year. The full impact of DWRS will occur after the banding period ends in calendar year 2020 or 2021.

In this report, DHS combined services in larger groupings called buckets. This analysis projects an increase in all service buckets. Additionally, this analysis projects an increase for 95 percent of all lead agency counties of financial responsibility and 93 percent of all lead agency counties of residence. This report will detail the projected impact by service category and lead agency.

Background

DHS began to use DWRS as required by the federal Centers for Medicare & Medicaid Services (CMS) to maintain the state’s eligibility for federal funding of the disability waivers. Before DWRS, providers and lead agencies negotiated rates for disability waiver services. Under this approach, rates frequently varied across the state and were not based on people’s needs. The federal government requires states to use a data-based, statewide rate methodology.

The Minnesota Legislature approved DWRS in 2013. DWRS established rate formulas, commonly referred to as frameworks, based on the statewide average costs required to provide home and community-based services (HCBS) in Minnesota. This rate methodology is defined in [Minnesota Statutes 2017, section 256B.4914](#).

In fiscal year 2018, services with rates calculated through DWRS accounted for almost \$2 billion in spending for more than 35,800 people who used services across the state.¹

The Legislature requires full implementation of framework rates produced by the system after [statutorily required banding period](#) in 2020 or 2021. During the banding period, rate changes are limited for people who received services in 2013 and providers who provided services in 2013. The Legislature required banding to ensure ongoing service access for people and to limit impacts on service providers and county and state budgets during DWRS implementation. This implementation method enabled the state to continue researching provider costs and enabled businesses to prepare for full implementation of the system.

The Minnesota Legislature approved a seventh year of banding (through calendar year 2020) during the 2017 session. DHS is seeking federal approval to implement the seventh year of banding. About one-quarter of total DWRS service dollars are not subject to banding and are authorized using framework rates.

In this report, DHS estimates the projected impact of DWRS. We made these estimates by examining the difference between pre-DWRS negotiated rates (“historic rates”) and rates produced by DWRS (“framework rates”). This projected impact will occur when DWRS is fully implemented, after the banding period in 2020 or 2021.

Study methodology

This study measures the projected fiscal impact of DWRS by calculating the percentage difference between the average rate per unit in 2013 (“historic rate”) and the rate calculated by the DWRS (“framework rate”).

This study examines all service agreement lines between July 1, 2017, and June 30, 2018, that meet the below specifications. Data in this study encompass 13,491 people who receive services and 1,355 unique provider IDs.

Specifications

This study has the following specifications:

Ongoing recipients: This study measures the impact of DWRS by looking only at people who receive the same services by the same provider in both time periods. It does not include new people who receive services, new services or changes in service providers. To be included in the study, each service agreement line must have a historic rate established by the person’s approved service authorization on Dec. 31, 2013.

¹ This number reflects paid claims through Nov. 30, 2018.

DWRS usage: This study only includes service agreement lines in which DWRS was used to calculate a rate entered into MMIS. We merged MMIS data with DWRS data. We excluded all lines that do not have a match between the two databases from this study.

Holding units constant: To isolate the impact of the service rate itself, DHS held the number of units authorized for each service authorization constant in both time periods.

Inflationary increases: This study includes the automatic inflationary increases implemented in DWRS in July 2017. These increases apply to framework rates. Historic rates do not include these increases.

Legislated component value changes: This study includes all component value changes approved by the Minnesota Legislature in the 2017 session. In this analysis, DHS applied the projected impact of these changes to framework rates. Historic rates do not include these changes. For detail on changes made to the system, see the [DWRS framework changes](#) section below.

Rate exceptions: This study includes all ongoing recipients who have received the same service in both time periods, regardless of whether they will receive a rate exception when banding protections are not applicable. The findings in this analysis do not consider the additional cost of rate exceptions. For detail on the impact of rate exceptions, see the [DWRS rate exceptions](#) section of this document.

Limitations

This report is a point-in-time analysis. Projections may vary over time as changes occur in the system. Examples of these changes include:

- Changes in the inputs users enter into the Disability Waiver Rate System
- Changes in the eligibility for and cost of rate exceptions
- Changes to component values approved by the Minnesota Legislature.

This report does not consider future, unknown changes to these factors.

The DWRS implementation period happens over a five- or six-year period. Within this period, changes might occur outside of DWRS, regardless of rate methodologies. Examples include:

- Changes in a person's choice of services and/or providers
- Changes in the amount of service a person needs
- New recipients
- Changes in the services available to people who receive disability waiver services.

This report does not consider these other factors.

Because service-purchasing changes are not projected, this report does not cite the final impact on paid claims. Likewise, this analysis does not measure the impact to provider revenues or lead agency budgets. This analysis measures the difference in the actual rates. It compares the rates authorized under historical negotiated rate-setting methods to the projected rates calculated by the statewide DWRS.

DWRS framework changes

State law bases DWRS rate formulas on the statewide average costs required to provide home and community-based services in Minnesota. Detailed in state statute, rate formulas are composed of cost components. Cost components vary by service and include factors such as staff wages, employee benefits, employer-paid taxes, paid time off, indirect staff time, program expenses and administrative expenses.

The analysis in this report includes updates to DWRS as required by the Minnesota Legislature. Some of these updates are scheduled to occur in the future, but before the end of the banding period. These changes include the following:

Table 1: DWRS framework changes

Effective date	Change driver	Change description	Affected services	Legislative requirement
January 2019	Supervisor wage	Increases the supervisor wage to align it with Bureau of Labor Statistics (BLS) wage code	All DWRS services except customized living	Minn. Stat. 2017 §256B.4914 subd. 5
January 2019	Asleep overnight wage	Increases the asleep wage to align with the minimum wage for large employers in Minnesota. Annual change beginning Jan. 1, 2019, in conjunction with changes in the Minnesota minimum wage.	Daily foster care and supportive living services	Minn. Stat. 2017 §256B.4914 subd. 5
January 2019	Registered nurse (RN) wage	Increases the RN wage to align it with BLS wage code	Daily foster care and supportive living services; all day services	Minn. Stat. 2017 §256B.4914 subd. 5
January 2019	Absence factor	Increases the value of the absence component factor	All day services	Minn. Stat. 2017 §256B.4914 subd. 5

Effective date	Change driver	Change description	Affected services	Legislative requirement
January 2019	Customized living changes	Component values within the customized living tool are increased	Customized living and 24-hour customized living services	Minn. Stat. 2017 §256B.0915 subd. 12 to 16
January 2020	Asleep overnight wage	Increases the asleep wage to align with the minimum wage for large employers in Minnesota. Annual change beginning Jan. 1, 2019, in conjunction with changes in the Minnesota minimum wage.	Daily foster care and supportive living services	Minn. Stat. 2017 §256B.4914 subd. 5
January 2021	Asleep overnight wage	Increases the asleep wage to align with the minimum wage for large employers in Minnesota. Annual change beginning Jan. 1, 2019, in conjunction with changes in the Minnesota minimum wage.	Daily foster care and supportive living services	Minn. Stat. 2017 §256B.4914 subd. 5

DWRS rate exceptions

DHS developed DWRS after an extensive review of the costs of providing disability waiver services. While DHS designed the DWRS frameworks to cover the cost of serving most recipients, some recipients with exceptionally high needs will require a lead agency- and DHS-approved rate exception. Rate exception eligibility and processes are outlined in [Minnesota Statutes 2017, section 256B.4914, subdivision 14](#).

Because of banding protections, rate exceptions during the banding period are limited. When the banding period ends, rate exceptions will result in more spending. Exceptions will increase the final fiscal impact of DWRS upon expiration of banding protections in 2019 or 2020.

Statewide findings

The total projected statewide impact of the DWRS across all services is a 14.1 percent increase in the average rate per unit for DWRS services.

Measuring this impact from 2013 through 2021, this increase amounts to approximately 1.8 percent per year.

These findings are the projected impact of DWRS implementation when banding is no longer applicable, in 2020 or 2021. These findings do not include the additional cost of rate exceptions. Rate exceptions will increase the final fiscal impact of DWRS.

Findings by service category

The following findings summarize the projected impact of DWRS implementation on a service category level. This analysis does not include the projected impact of exceptions. Rate exceptions will increase the fiscal impact of DWRS implementation. These findings illustrate the projected impact of DWRS when banding is no longer applicable, in 2020 or 2021.

Day services

DHS projects day services to increase by 3.3 percent. In fiscal year 2018, day services accounted for 11 percent of total DWRS spending (about \$225 million). The table below illustrates the projected impact by service category.

Table 2: Day service findings

Service category	Number of recipients in FY2018	Percent of total DWRS service recipients	Percent of total DWRS spending in FY2018	Projected change in service rates post-banding
Adult day services	2,563	7%	1%	18.2%
Day training and habilitation/structured day services	10,312	29%	9%	3.2%
Prevocational services	2,823	8%	1%	-2.0%
Day bucket (total)	15,340	43%	11%	3.3%

The analysis in this study does not consider changes in service use. DHS expects the implementation of new employment services to result in some people using unit-based employment services in addition to or in place of day bucket services.

Residential services

DHS projects residential services to increase by 14.8 percent. In fiscal year 2018, residential services accounted for 76 percent of total DWRS spending (approximately \$1.5 billion). The table below illustrates the projected impact by service category.

Table 3: Residential service findings

Service category	Number of recipients in FY2018	Percent of total DWRS service recipients	Percent of total DWRS spending in FY2018	Projected change in service rates post-banding
Customized living services	4,564	13%	9%	12.7%
Foster care services	5,901	16%	25%	11.5%
Supportive living services, daily	9,710	27%	43%	16.1%
Residential bucket (total)	20,221	56%	76%	14.8%

This analysis does not consider rate exceptions. In addition to the findings in the table above, we estimate that rate exceptions in this service area will have particularly high costs compared to other services. Analysis from the 2015 exceptions research study concluded that residential services is a primary service area of projected exceptions. Rate exceptions for these services may account for up to an additional 1.73 percent of total residential service spending. Because we conducted this study before the 2017 legislative component updates, the projection of the impact of DWRS will change when more statewide data are available to identify the specific people who will require rate exceptions.

Unit-based without programming services

We project unit-based services without programming to increase 38.4 percent. In fiscal year 2018, this service bucket accounted for 4 percent of total DWRS spending (approximately \$86 million).

DHS based the DWRS frameworks on average business costs required of providers in Minnesota to deliver services. Updated research conducted in 2016 further identified these values for unit-based services. The implementation of DWRS and the subsequent component adjustments and budget neutrality factor removals authorized by the 2017 Legislature help to align service rates with research findings.

The table below illustrates the projected impact by service category.

Table 4: Findings for unit-based services without programming

Service category	Number of recipients in FY2018	Percent of total DWRS service recipients	Percent of total DWRS spending in FY2018	Projected change in service rates post-banding
Personal support/companion services	2,397	7%	3%	33.7%
Respite care services, 15 min ²	3,088	9%	1%	43.0%
Unit without programming bucket (total)	4,285	12%	4%	38.4%

Unit-based with programming services

DHS projects unit-based services with programming to increase by 11.3 percent. In fiscal year 2018, this service bucket accounted for 8 percent of total DWRS spending (approximately \$157 million).

As with the unit-based without programming services, updated research conducted in 2016 further identified the component cost values for unit-based services in this service bucket. The component adjustments and budget neutrality factor removals authorized by the 2017 Legislature help to align service rates with research findings.

The table below illustrates the projected impact by service category.

Table 5: Findings for unit-based services with programming

Service category ³	Number of recipients FY2018	Percent of total DWRS service recipients	Percent of total DWRS spending in FY2018	Projected change in service rates post-banding
Positive support services	823	2%	0%	27.8%
Independent living services	8,878	25%	3%	-5.6%
In home family support services	2,574	7%	2%	28.5%
Supportive living services, 15 min	1,621	5%	1%	20.3%
Unit with programming bucket (total)	16,000	45%	8%	11.3%

² The 2017 Minnesota Legislature approved the move of daily respite care services from a DWRS-set rate to a market-rate service. CMS approved this change. Daily respite is now a market-rate service and is not included in this analysis.

³ Effective July 1, 2018, supported employment services (SES) began the transition to the new disability waiver employment services. Because SES will not be available in 2021, we did not include it in the projected change analysis. We included people who used SES services in FY2018 in the total number of recipients and total spending for unit with programming services in FY2018.

Findings by lead agency

The following findings summarize the impact projected for lead agencies on an aggregate level. We calculated the change by considering, for each lead agency, all service authorizations across all service lines for people who had both December 2013 authorizations and current authorizations.

This analysis found that the average projected change by lead agency counties of financial responsibility (CFRs) is an increase of 13 percent; the median change is an increase of 12 percent. The average projected change by lead agency counties of residence (CORs) is the same; an average increase of 13 percent with a median increase of 12 percent.

These estimates **do not** reflect changes to lead agency budgets or projected spending, as they do not include changes in services, population changes and rate exceptions. These estimates reflect only the projected percentage change in rates for people living in the particular county of residence (COR) or authorized for services by the particular CFR.

DHS is conducting ongoing statistical analysis on the impact of DWRS to lead agencies, including the projected change in rates and the percentage of dollars subject to banding. We are using the findings to update lead agency budgets to account for DWRS implementation and legislated rate changes.

Below are two tables showing each lead agency's current projected change, both as the CFR and as the COR. These values are the projected impact when banding is no longer applicable, in 2020 or 2021.

Table 6: Lead agency findings according to county of financial responsibility

CFR	Number of recipients in FY18	Percent of the statewide total recipients	Projected percent change to rates (aggregate)
Aitkin	109	0.3%	12%
Anoka	2,098	5.8%	8%
Becker	202	0.6%	22%
Beltrami	284	0.8%	16%
Benton	261	0.7%	6%
Big Stone	55	0.2%	19%
Blue Earth	399	1.1%	10%
Brown	199	0.6%	14%
Carlton	305	0.9%	18%
Carver	393	1.1%	13%
Cass	177	0.5%	15%
Chippewa	96	0.3%	19%
Chisago	309	0.9%	18%
Clay	516	1.4%	31%
Clearwater	31	0.1%	26%
Cook	15	0.0%	22%
Cottonwood	98	0.3%	24%

CFR	Number of recipients in FY18	Percent of the statewide total recipients	Projected percent change to rates (aggregate)
Crow Wing	305	0.9%	22%
Dakota	2,725	7.6%	14%
Dodge	<6	0.0%	25%
Douglas	201	0.6%	22%
Faribault	114	0.3%	16%
Fillmore	126	0.4%	39%
Freeborn	185	0.5%	8%
Goodhue	299	0.8%	-1%
Grant	39	0.1%	51%
Hennepin	9,049	25.2%	10%
Houston	124	0.3%	20%
Hubbard	104	0.3%	15%
Isanti	187	0.5%	15%
Itasca	321	0.9%	23%
Jackson	82	0.2%	10%
Kanabec	97	0.3%	25%
Kandiyohi	335	0.9%	26%
Kittson	37	0.1%	24%
Koochiching	90	0.3%	14%
Lac Qui Parle	77	0.2%	25%
Lake	80	0.2%	30%
Lake of the Woods	36	0.1%	-1%
Le Sueur	193	0.5%	-14%
Lincoln	41	0.1%	3%
Lyon	195	0.5%	15%
McLeod	37	0.1%	8%
Mahnomen	75	0.2%	24%
Marshall	168	0.5%	26%
Martin	207	0.6%	19%
Meeker	170	0.5%	23%
Mille Lacs	186	0.5%	20%
Morrison	221	0.6%	24%
Mower	335	0.9%	25%
Murray	49	0.1%	12%
Nicollet	160	0.4%	2%
Nobles	123	0.3%	7%
Norman	53	0.1%	21%
Olmsted	822	2.3%	13%

CFR	Number of recipients in FY18	Percent of the statewide total recipients	Projected percent change to rates (aggregate)
Otter Tail	408	1.1%	16%
Pennington	92	0.3%	13%
Pine	156	0.4%	17%
Pipestone	60	0.2%	-1%
Polk	246	0.7%	17%
Pope	68	0.2%	30%
Ramsey	4,452	12.4%	7%
Red Lake	17	0.0%	5%
Redwood	114	0.3%	11%
Renville	113	0.3%	19%
Rice	427	1.2%	18%
Rock	75	0.2%	13%
Roseau	68	0.2%	24%
St. Louis	466	1.3%	4%
Scott	408	1.1%	15%
Sherburne	93	0.3%	7%
Sibley	1,605	4.5%	23%
Stearns	796	2.2%	13%
Steele	468	1.3%	17%
Stevens	63	0.2%	35%
Swift	84	0.2%	5%
Todd	165	0.5%	20%
Traverse	25	0.1%	9%
Wabasha	158	0.4%	16%
Wadena	120	0.3%	12%
Waseca	<6	0.0%	1%
Washington	969	2.7%	10%
Watonwan	80	0.2%	9%
White Earth Tribe	36	0.1%	9%
Wilkin	66	0.2%	5%
Winona	518	1.4%	19%
Wright	522	1.5%	19%
Yellow Medicine	80	0.2%	29%

Table 7: Lead agency findings according to county of residence

COR	Number of recipients in FY18	Percent of the statewide total recipients	Projected percent change to rates (aggregate)
Aitkin	139	0.4%	16%
Anoka	2,021	5.6%	10%
Becker	217	0.6%	24%
Beltrami	324	0.9%	23%
Benton	334	0.9%	6%
Big Stone	49	0.1%	21%
Blue Earth	612	1.7%	0%
Brown	193	0.5%	14%
Carlton	290	0.8%	10%
Carver	364	1.0%	12%
Cass	242	0.7%	6%
Chippewa	92	0.3%	13%
Chisago	431	1.2%	16%
Clay	601	1.7%	30%
Clearwater	26	0.1%	25%
Cook	<6	0.0%	68%
Cottonwood	79	0.2%	21%
Crow Wing	369	1.0%	28%
Dakota	2,953	8.2%	13%
Dodge	101	0.3%	9%
Douglas	220	0.6%	19%
Faribault	74	0.2%	11%
Fillmore	83	0.2%	53%
Freeborn	156	0.4%	11%
Goodhue	281	0.8%	0%
Grant	42	0.1%	6%
Hennepin	8,540	23.8%	9%
Houston	124	0.3%	20%
Hubbard	110	0.3%	11%
Isanti	205	0.6%	8%
Itasca	287	0.8%	30%
Jackson	39	0.1%	1%
Kanabec	85	0.2%	10%
Kandiyohi	552	1.5%	26%
Kittson	15	0.0%	41%
Koochiching	70	0.2%	20%
Lac Qui Parle	37	0.1%	23%
Lake	43	0.1%	25%

COR	Number of recipients in FY18	Percent of the statewide total recipients	Projected percent change to rates (aggregate)
Lake of the Woods	19	0.1%	-28%
Le Sueur	167	0.5%	15%
Lincoln	23	0.1%	12%
Lyon	225	0.6%	15%
McLeod	29	0.1%	-17%
Mahnomen	47	0.1%	22%
Marshall	179	0.5%	17%
Martin	208	0.6%	22%
Meeker	132	0.4%	29%
Mille Lacs	170	0.5%	28%
Morrison	231	0.6%	18%
Mower	310	0.9%	19%
Murray	28	0.1%	18%
Nicollet	252	0.7%	19%
Nobles	128	0.4%	23%
Norman	34	0.1%	0%
Olmsted	914	2.5%	13%
Otter Tail	423	1.2%	18%
Pennington	85	0.2%	32%
Pine	212	0.6%	10%
Pipestone	43	0.1%	18%
Polk	254	0.7%	19%
Pope	49	0.1%	33%
Ramsey	4,391	12.2%	7%
Red Lake	20	0.1%	35%
Redwood	111	0.3%	9%
Renville	89	0.2%	11%
Rice	465	1.3%	14%
Rock	72	0.2%	12%
Roseau	42	0.1%	19%
St. Louis	447	1.2%	3%
Scott	413	1.2%	16%
Sherburne	43	0.1%	3%
Sibley	2,118	5.9%	19%
Stearns	821	2.3%	14%
Steele	246	0.7%	12%
Stevens	80	0.2%	18%
Swift	55	0.2%	12%
Todd	145	0.4%	0%

COR	Number of recipients in FY18	Percent of the statewide total recipients	Projected percent change to rates (aggregate)
Traverse	20	0.1%	15%
Wabasha	147	0.4%	16%
Wadena	120	0.3%	13%
Waseca	157	0.4%	9%
Washington	1,069	3.0%	9%
Watsonwan	46	0.1%	21%
Wilkin	41	0.1%	24%
Winona	479	1.3%	19%
Wright	555	1.5%	18%
Yellow Medicine	54	0.2%	22%