Historical Review of Rate Standardization
(Related to Rates for Community Providers of DD Services)

The Problem:

In our November 2015 newsletter, ACT made public knowledge of Missouri's rate system injustices for DD providers. ACT is the first Individualized Supported Living (ISL) provider in the state and recently discovered its lowest reimbursed ISL provider.

In the 2009 DMH report, they identified a concern with long-term contractor provider rates. Evidence showed that every year long-term providers (such as ACT) go without a cost of living adjustment (COLA) between their rates and new contract provider rates grow. However, we now know that COLAs are not the answer. Instead, COLAs widen the rate gap, creating further rate discrepancies between current and new ISL providers.

Missouri's Department of Mental Health Division Developmental Disabilities developed a method for determining the level of care needed for each person living in an ISL setting. The tool is called the Support Intensity Scale (SIS), and it assigns each person a number from 1 through 7. The number Rate Allocation Score (RAS) ranks people from the lowest service need (**#1**) to the highest service need (**#7**).

Today, ACT supports **52** individuals in an ISL setting. Of them, **26** individuals have a RAS of 7, and **48** individuals have the "floor" rate.

The chronological information below provides a detailed scope into the history of the "problem."

June 2009

The Missouri Department of Mental Health (DMH) issued a report to the Senate Select Committee on MO HealthNet Provider Rate Equalization. Their call to action was to report that Missouri has an inequitable rate system and generates ongoing funding issues for Developmental Disability (DD) service providers.

DD provider rates for individuals who entered the system years past can be significantly less than a new individual currently entering the system. This is because the adequate Cost of Living Assessment (COLA) has not been occurring annually.

New DD providers contracted with the current cost of delivering services could provide the same service to similar individuals but at a much higher rate than a DD provider who has served an individual for fifteen years. The gap between DD provider rates continues to grow annually.

The report stated that "The Legislature should establish a process to rebase rates on an annual basis to keep the community contract provider system healthy." Additionally, the DMH Report specified that rebasing should occur until rates have increased to the current actual cost of providing services.

<u>2011 Legislative Session (FY 12)</u> **2% Rate Reduction**

<u>2012 Legislative Session FY 13)</u> **1.9% Rate Increase**

<u>2013 Legislative Session (FY 14)</u>

The Missouri Legislature approved a 3% Cost of Living Assessment (COLA) and $8.9M General Revenue (GR) funding for Rate Rebasing. The Governor restricted these expenditures but later released the funds. The **3% COLA and $8.9M GR Rate Rebasing** were supposed to target individuals with the greatest adjustment needs. However, the rate gap widened between individuals with the highest and lowest rates.

<u>2014 Legislative Session (FY15)</u>

The Missouri Legislature again adopted requests for $13M GR Rate Rebasing and a 2% COLA. The Governor later **vetoed both items**.

After the end of the legislative sessions, all individuals receiving residential services were each given a unique rate (elimination of agency rates) and a RAS score between **1** to **7** (1's requiring less support, 7's requiring intensive supports). Additionally, all new individuals entering residential services received the fully-funded end goal rate (ceiling rate). The majority of individuals receiving ACT services had rates (floor rates) below 60% of the end goal rate. Upon closer inspection of the new rate system, new individuals entering the system with a RAS score of 1 received a substantially higher rate than individuals already receiving services with a RAS score of 7. If an individual with a RAS score of 7 moves from their current provider to a new one, the assigned rate goes with them.

<u>2015 Legislative Session (FY 16)</u>

The Missouri Legislature adopted budget requests for $6.2M GR Rate Rebasing and a 3% DD Provider Rate Increase. The Governor restricted funding for both items, withholding 2% of a 3% Provider Rate Increase. A **1% rate increase** went into effect on January 1, 2016.

2016 Legislative Session (FY 17)

Before the legislative session beginning, DMH contracted with Mercer to conduct a residential rate study. This unbiased third-party actuarial study revealed that most individuals supported by ACT had "floor" rates at 62.5% of the end goal rate (fully funded rate). (Note: New individuals receiving residential services receive the "ceiling"/end goal rate).

The Missouri Legislature adopted, and the Governor signed a budget which included a flat COLA adjustment of **$.46/hour (equates to a 2% increase) and $24.3M for DD Rate Rebasing** (distributed as $16.3M for residential and $8M for day habilitation services).

2017 Legislative Session (FY 18)

The Missouri Legislature approved a 1.5% decrease in provider rates and a $3.5M increase for DD Rate Rebasing. The Governor increased the **rate decrease to 3% and eliminated the Rate Rebasing**.

2018 Legislative Session (FY 19)

The Missouri Legislature adopted, and the Governor signed a budget that included **a 1.5% increase to provider rates and $1 M for DD Rate Rebasing** (all of which went to Group Homes).

2019 Legislative Session (FY 20)

During the fall of 2019, ACT receives a confidential white paper report conducted by another historical provider. The report reveals that ACT is the most underfunded residential agency in the state on a percentage basis.

ACT, along with five other MARF providers, gave a presentation to highlight Rate Rebasing/Rate Standardization's significance to the Missouri Mental Health Commission that demonstrated the economic effects on providers and the consequences on individuals' services quality. For the first time, this effort led to DMH ever presenting a budget that included a line categorized as a "Provider Rate Adjustment" for $76.5 M GR to fund residential rates fully. (Note: $76.5M GR was used instead of $56.M due to the Mercer Rate study conducted before the state passed the minimum wage increase). **The Missouri Legislature adopted, and the Governor signed a budget for $20.1 M GR DD Rate Rebasing and a 1.5% increase to all other rates** (non-residential). However, DMH's budget for caseload growth was reduced, requiring the creation of waitlists for new individuals entering the system.

After the legislative session ended, the Centers for Medicaid and Medicare Services (CMS) approved a corrective action plan requiring the Missouri Division of DD to standardize the residential habilitation rates for all individuals in services and providers. The four-year plan was:

- Phase 1 (July 2020) Raise lowest rates to 85.5% of full rate $20.0M GR
- Phase 2 (July 2021) Raise lowest rates to 90.5% of full rate $12.6M GR
- Phase 3 (July 2022) Raise lowest rates to 95.5% of full rate $12.2M GR
- Phase 4 (July 2023) Raise lowest rates to 100% of FY20 full rate $11.7M GR

<u>2020 Legislative Session (FY 21)</u>

Before COVID-19, the House Appropriations Committee on Health, Mental Health, and Social Services had proposed $20M General Revenue for DD Rate Standardization (following the first year of the state's four-year correction plan to CMS to fix the rate inequity issue). Due to COVID-19, **the Governor eliminated all new funding for Rate Rebasing and put waitlist funding on withholding.** (Note: The Governor released $3.9M GR on October 7 for DD Waitlist and then released another $3.9M GR on January 6, 2021, for DD Waitlist.)

<u>2021 Legislative Session (FY 22)</u>

Before the legislative session beginning, the Governor instructed DMH not to include any new DD Rate Rebasing funding in their proposed budgets to be submitted to legislators. The Governor's budget released on January 27 only had $9.8M GR for DD Rate Standardization. Still, it did include $18.4 GR for DD Waitlist. (Note: The second year of the correction plan submitted to CMS indicated $12.6M in GR was to be obtained for DD Rate Standardization.)

Currently: If the legislature doesn't add to, or take away, from the proposed budget, the "floor rate" for individuals would increase from 77.7% to 80.7% of the end goal rate (which should no longer be considered a fully-funded rate as this rate was calculated before the state approved minimum wage law).

Table 1 - Comparison of DD COLA to Social Security and CPI Data

Fiscal Year	DD Provider COLA	Funded New Decision Items	Social Security COLA (1)	Consumer Price Index (2)
2009	3.00%	DMH Rate Increase	5.80%	-1.58%
2008	2.00%	DD Rate Increase	2.30%	6.09%
2007	7.00%	DD Rate Increase	3.30%	4.39%
2006	2.50%	DD Rate Increase	4.10%	4.82%
2005	0.00%	*No Increase*	2.70%	4.90%
2004	0.00%	*No Increase*	2.10%	3.75%
2003	0.00%	*No Increase*	1.40%	3.11%
2002	9.50%	DD Direct Care Staff Recruitment and Retention	2.60%	2.17%
2001	3.00%	DMH Community Provider Increase	3.50%	3.75%
2000	3.00%	DD Direct Care Staff Recruitment and Retention	2.50%	4.28%
1999	3.00%	DMH Provider Stabilization	1.30%	2.76%
1998	0.00%	*No Increase*	2.10%	1.91%
1997	0.00%	*No Increase*	2.90%	2.75%
1996	0.00%	*No Increase*	2.60%	3.45%
1995	0.00%	*No Increase*	2.80%	3.21%
1994	0.00%	*No Increase*	2.60%	2.83%
1993	0.00%	*No Increase*	3.00%	3.21%
1992	0.00%	*No Increase*	3.70%	3.14%
1991	1.00%	DMH Inflation Increase - Provider COLA	5.40%	4.21%
Total	34.00%		56.70%	63.15%

(1) Source: http://www.socialsecurity.gov/OACT/COLA/colaseries.html
(2) Source: Base Year 1990 http://www.bls.gov/data/inflation_calculator.htm