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August 8, 2023

TO: Chair Gossage and members of the 2023 Special Committee on Intellectual and Developmental Disability Waiver

FR: Nick Wood, Associate Director, InterHab

RE: IDD Rate Study – Cost Components

Chair Gossage and members of the committee, thank you for the opportunity to share information on behalf of the member organizations of InterHab. Our members serve Kansans with intellectual and developmental disabilities in every part of the state.

As you will see in my testimony today, it is important to note that for a rate study to be meaningful we must consider several sources. Comparisons against inflationary indexes are really a bare minimum to develop proposed annual adjustments. The occupational codes and occupation-specific tasks, skills, and activities used by the Department of Labor do not easily match with the roles and responsibilities of IDD Direct Support Providers (IDD DSPs). A good rate study will include a review of specific service definitions, provider qualifications, and needed staffing ratios for each service. For example, there are eleven separate services included in the IDD Waiver service array. The 'content' of each service represents varied levels of required staffing, staff training, physical exertion by staff, or different levels of risk or safety concerns, etc.

Added to this, a rate study must consider a wide range of needs related to levels of severity of disability. The study should factor in the increasing *complex needs* of individuals within the system which were not adequately accounted for in the numbers when the system's funding structure was originally developed. Individuals with higher levels of need are now over-represented on the IDD comprehensive waiver and they have higher staffing needs in terms of ratios and the skills required to serve them. This trend seems to have been increasing since around 2012 as the waiting list has become longer, and the actual growth of the waiver has been more and more limited to only *Crisis Exception Requests*.

The study should also look at *all* costs of providing services, including specific economic and workforce indicators by region. KDADS' review should identify key cost components incurred by providers to deliver each service, which can vary greatly by region due to several factors. Rate studies should compile the cost component assumptions from independent market data sources as well as *provider surveys* and generate a modeled rate range.

Likewise, the study should comprehensively review *all* service provision, not just HCBS. For example, the cost of transportation (particularly para-transportation) has historically been treated as a cost of doing business for providers and is not specifically reimbursable under the waiver. Currently, transportation costs must be factored into the overall cost of each service. Purchase and maintenance of para-transit vehicles is a major cost driver for providers, but so is the cost of hiring drivers who have the necessary qualifications, good safety records, and are willing to work split shifts to accommodate the person-centered needs of riders with disabilities.

**System Goal and Activities:** Ensure fee schedule rates paid to providers are reasonable and appropriate given current market conditions. \*Rate ranges are presented with 'lower bound' and 'upper bound' limits.

1. KDADS 'rate study refresh project' begins and establishes timeline.
2. KDADS collects provider feedback and data to inform rate study.
3. KDADS compiles and analyzes Bureau of Labor Statistics (BLS) market data.
4. KDADS meets with stakeholders to present BLS market data and collect feedback.
5. KDADS develops draft rate ranges\* for each service in the study.
6. KDADS shares draft rate ranges with providers and collects feedback.
7. KDADS finalizes rate ranges and begins to analyze fiscal impacts.
8. KDADS provides fiscal impact estimates to State Legislature.

### **Key Components of the Rate:**

#### **1. Direct Care and other program staff wages.** Occupation-Specific Information – (comparable occupations)

31-1021: Home Health Aide	21-1093: Social and Human Service Assistant
31-1014: Nursing Assistants	31-1013: Psychiatric Aides
21-1023: Mental Health and Substance Abuse Social Workers	

#### **2. Employee-related expenses (ERE)**

- Medical Insurance for full-time employees – Bureau of Labor Statistics (BLS) market studies trended.
- Employer Taxes
- Workers' Compensation
- Retirement benefits for full-time employees
- Other benefits (STD/LTD/Life Insurance) for full-time employees
- Combined ERE assumptions represent 20% - 25% of salary

#### **3. Productivity**

- Non-billable time – e.g., notes/documentation, trainings, staff meetings
- PTO – Holidays, vacation, sick time
- Training time
  - New Direct Care Workers/12 days per year
  - Experienced Direct Care Workers / 6 days per year

#### **4. Other service-related costs**

- Staff training sessions (cost of training session or materials)
- Service-related supplies
- Transportation costs (vehicles costs, fuel)

#### **5. Administration/overhead – (10% based on industry standards & CMS expectations for rate reviews)**

- 10% administrative cost load factor is included:
  - Management
  - Building space costs
  - Equipment
  - Supplies
  - Recruitment
  - Accounting
  - IT
  - HR
  - Legal
  - Indirect