Developmental Disabilities Administration

Supported Living Program
Reimbursement – Independent Review

November 11, 2013
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INTRODUCTION

The Washington Department of Social and Human Services (DSHS) engaged Navigant Healthcare to conduct an independent review of the Developmental Disabilities Administration’s (DDA) Supported Living Program. Specifically, we were asked to review DDA’s client assessment and rate development methodology and to compare Washington’s methodology to those used by other states with similar programs. Based on our analysis, we provide recommendations for the program at the end of this report.

SECTION I: WASHINGTON’S CURRENT SUPPORTED LIVING PROGRAM METHODOLOGY

To evaluate Washington’s Supported Living program, Navigant Healthcare reviewed program policy manuals and guidelines, and rate, enrollment, and expenditure data; and interviewed DDA officials and program providers to further understand the assessment process, rate setting methodology, cost reporting processes and provider oversight.

Overview of the Supported Living Program

Washington’s Supported Living (SL) program provides habilitative instruction and daily supports to persons with developmental disabilities ages 18 and older who live in their own homes in the community. Supports vary based on the individual’s needs, and include support with activities of daily living, instrumental activities of daily living (e.g., shopping, cooking, cleaning, transportation), community participation, and other assistance as needed. Clients must pay for their own housing, food and other expenses.

DDA contracts with private agencies to provide SL services. As of June 2013, there were 116 contracted providers serving 3,796 clients. SL clients are assessed by DDA employees—Case Managers (CM)—using an assessment tool to determine the level of support they will need. The assessment tool assigns each client a support needs level (1 through 6). Clients in Support Need Level 1 need weekly or less support, while clients in Levels 5 and 6 require 24-hour support.1 The majority of SL clients fall into levels 4, 5 and 6, as indicated in Figure 1 on the following page.

1 Level 6 is reserved for clients with a criminal history in the Community Protection (CP) program who are considered to pose a potential threat to society. These clients require 24-hour supervision.
## Figure 1: Supported Living Enrollment by Support Need Level, as of June 2013

<table>
<thead>
<tr>
<th>Support Need Level</th>
<th>Characteristics</th>
<th>2013 Enrollment</th>
<th>Percentage of Total Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1: Weekly or Less</td>
<td>Client only requires supervision, training, or physical assistance in areas that typically occur weekly or less often, such as shopping, paying bills, or medical appointments.</td>
<td>19</td>
<td>0.5%</td>
</tr>
<tr>
<td>Level 2: Multiple Times Per Week</td>
<td>Client can maintain daily health and safety but needs supervision, training, or physical assistance with tasks that typically occur every few days, such as light housekeeping, menu planning, or guidance and support with relationships.</td>
<td>135</td>
<td>3.6%</td>
</tr>
<tr>
<td>Level 3: Intermittent Daily – Low or Moderate</td>
<td>Client can maintain health and safety for short periods of time (hours but not days) OR needs support with activities that must occur daily or almost every day such as bathing, dressing, or taking medications. May include nighttime spot checks, if needed. The client needs supervision, training, or physical assistance with multiple tasks that occur daily.</td>
<td>619</td>
<td>16.3%</td>
</tr>
<tr>
<td>Level 4: Continuous Day and Nighttime Intermittent Check</td>
<td>Client requires support with a large number of activities that typically occur daily OR is only able to maintain health and safety for less than 2 hours, if at all. Client also requires occasional health and safety checks or support during overnight hours.</td>
<td>428</td>
<td>11.3%</td>
</tr>
</tbody>
</table>
Washington DSHS - DDA
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<table>
<thead>
<tr>
<th>Support Need Level</th>
<th>Characteristics</th>
<th>2013 Enrollment</th>
<th>Percentage of Total Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 5: Continuous Day + Continuous Night</td>
<td>Client is only able to maintain health and safety for less than 2 hours, if at all, OR requires support with a large number of activities that occur daily or almost every day AND requires nighttime staff within the home.</td>
<td>2,168</td>
<td>57.1%</td>
</tr>
<tr>
<td>Level 6: Community Protection Program</td>
<td>The client is part of the Community Protection Program and requires constant supervision support to ensure community and client safety.</td>
<td>427</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

Source: Data from the WA Developmental Disabilities Administration and the Resource Manager Guidebook

As of March 2013, there were 233 individuals on the SL wait list. DDA manages the wait list to prioritize those with the highest levels of need. Due to budget constraints, only individuals whose needs fall into levels 4 through 6 are generally admitted into the program. Average annual costs per client have increased from approximately $67,000 in 2007 to nearly $83,000 in 2013, in part due to this increasing acuity. While program enrollment grew approximately 10 percent during this time period, total program expenditures grew by over 36 percent. The discrepancy between the enrollment growth and expenditure growth may be explained by the increasing acuity, further impacted by the aging of the existing client population.

The SL program is primarily funded by Medicaid, using two 1915(c) waivers – the Core Services waiver and the Community Protection waiver, as well as some funding from the State Supplemental Program and other state funds.2 As displayed in Figure 2 below, total expenditures (state and federal) in fiscal year 2013 were just over $314 million.

Figure 2: Annual Supported Living Enrollment and Expenditures, FY 2007-FY2013

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Enrollment</th>
<th>Expenditures</th>
<th>Average Expenditures per Client</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3,444</td>
<td>$229,900,000</td>
<td>$66,753.77</td>
</tr>
<tr>
<td>2008</td>
<td>3,498</td>
<td>$255,000,000</td>
<td>$72,898.80</td>
</tr>
<tr>
<td>2009</td>
<td>3,479</td>
<td>$275,900,000</td>
<td>$79,304.40</td>
</tr>
<tr>
<td>2010</td>
<td>3,496</td>
<td>$275,500,000</td>
<td>$78,804.35</td>
</tr>
<tr>
<td>2011</td>
<td>3,539</td>
<td>$285,900,000</td>
<td>$80,785.53</td>
</tr>
<tr>
<td>2012</td>
<td>3,701</td>
<td>$293,500,000</td>
<td>$79,302.89</td>
</tr>
<tr>
<td>2013</td>
<td>3,796</td>
<td>$314,100,000</td>
<td>$82,744.99</td>
</tr>
</tbody>
</table>

Source: Navigant analysis based on data from the WA Developmental Disabilities Administration

2 The State Supplemental Program is a state funded cash assistance program for certain clients who the U.S. Social Security Administration determined to be eligible for Supplemental Security Income.
Supported Living Assessment Process

Since 2005, the Washington Supported Living program has used an evidence-based assessment instrument called the Supports Intensity Scale (SIS) to evaluate a client’s support needs. The SIS, which was developed in 2004 by the American Association on Intellectual and Developmental Disabilities, measures an individual’s support needs in personal, work-related, and social activities in order to identify and describe the types and intensity of the supports the individual requires. The state-employed CMs conduct a structured interview with each client or the client’s guardian to identify the type and frequency of supports needed to participate in daily activities. In Washington, the results of the SIS are used to calculate the number of daily direct support hours, called Instruction and Support Services (ISS) hours, a client will need. In addition to direct support time, ISS hours also include the following:

1) Staff night time hours for clients who require overnight supervision
2) Staff transportation time to travel between clients’ homes
3) Administrator’s hours worked on ISS (only for agencies with fewer than 20 clients)
4) Staff training hours

The assessment predicts ISS hours for a client as if the client lived alone. The results of each assessment are then reviewed by state-employed Resource Managers (RM) who are responsible for considering additional factors that may affect a client’s support needs, such as family assistance or shared hours with other clients. For example, if the client’s family is able to take care of him or her two days per week, the client’s weekly ISS total will be reduced accordingly. In addition, the RM will look for “economies of scale” opportunities to share hours that occur within households or clusters that share ISS hours with other clients. For example, if three clients live together and they all require meal support, one SL employee could spend one hour at the home supporting all three clients with meal preparation.

While developing each client’s individual service plan, RMs meet with representatives from the SL provider to learn of all possible economies of scale that will help the provider care for their clients in the most time- and cost-efficient manner possible. Typically, nighttime support is shared by clients in a household, as is unscheduled protective supervision. Medical hours are typically utilized as individual hours.

Each client’s ISS hours are reassessed annually or more frequently if a client’s needs or living arrangements change. In 2013, SL clients receive an average of 12.3 ISS hours per day. A

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3 The SIS has been shown to be a valid and reliable assessment tool, and 17 states are currently using it to assess their developmentally/intellectually disabled populations. See American Association of Intellectual Disabilities. Available online: http://www.siswebsite.org/cs/StateInformation.

4 DDA uses a statistical model to predict the amount of support time necessary to meet the health and welfare needs of the client. The statistical model uses data obtained from 271 test cases to predict typical support time needs based on answers to selected questions in the SIS assessment. This statistical approach resulted in a correlation of greater than 90 percent between responses to these questions and the number of actual individual support hours the client required.
temporary increase in a client’s condition that is expected to last 90 days or less can be addressed through the “temporary staff add-on,” which allows for a temporary change in the client’s ISS hours. Longer-term or permanent changes require a reassessment to determine a new rate. In some cases, a “cost of care adjustment” can be made when a client temporarily leaves the program (up to 90 days) and it affects the economies of scale for other clients. For example, if a client is hospitalized, the provider must notify DDA through an incident reporting system and DDA will suspend payments for that client while they are out of the home. If that client lives with other clients, a cost of care adjustment may be applied to increase the roommates’ rates to account for the loss of certain economies of scale and other fixed administrative costs.

Provider Reimbursement

SL providers are reimbursed a daily rate that is composed of three components: ISS costs, administrative costs, and indirect client support costs. Since 2007, SL providers have been reimbursed based on each client’s daily authorized ISS hours. Prior to 2007, rates were negotiated individually for each client based on the provider’s assessment of the client’s needs. The current methodology allows the state more control over assessing client needs and determining reimbursement rates and to standardize rates across providers. Authorized rates are set prospectively after accounting for clients’ support needs, family assistance, and economies of scale/shared hours. Reimbursements for ISS hours cover staff salaries, wages, benefits, payroll taxes, and related training time. ISS rates vary based on whether the client lives in (1) King County, (2) a Metropolitan Statistical Area (MSA), or (3) a Non-MSA. In State fiscal year (SFY) 2013, ISS Rates for each county type are:

- King County: $15.78 per ISS hour
- MSA county: $15.18 per ISS hour
- Non-MSA county: $14.87 per ISS hour

Hourly ISS rates are established by the state legislature, and have fluctuated over the past several years, based on budgetary appropriations, as displayed in Figure 3 below. Since 2008, ISS rates have decreased by about 4 percent in all counties.

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5 ISS reimbursements also cover the costs of staff lodging in cases where the SL program provides the primary residence for staff as part of their compensation.

6 ISS rates have not changed since 2011.
In addition to the hourly ISS rate, SL providers are also reimbursed a daily administrative rate to cover administrative and indirect client support costs. Allowed administrative costs include building leases, utilities, liability insurance, depreciation, accounting, staff transportation, maintenance, housekeeping supplies, and other purchased services. Allowed indirect client support costs include professional services provided by licensed providers (e.g., nurses or therapists), transit costs necessary to transport clients (mileage reimbursement), and housing costs for overnight staff coverage.\(^7\)

The administrative component varies based on incremental daily ISS hours and county type (MSA, non-MSA, or King County) of the client’s residence.\(^8\) For example, in King County, the standard administrative rate for a client who needs four (4) ISS hours per day is $28.64 per day, and the rate for a client who needs twenty-four (24) ISS hours per day is $49.95.\(^9\) However, it is important to note that most providers are not reimbursed at the standard administrative rates. In 2005, DDA officials and a committee of providers and stakeholders conducted an analysis of providers’ administrative costs to establish new standard administrative rates based on averages of these costs. At that time, administrative rates varied widely across providers, based

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\(^7\) For example, covers the cost of rent in cases where a staff person must sleep at the client’s home, typically for clients in the Community Protection program.

\(^8\) Administrative rates are slightly higher for clients in the Community Protection (CP) program. For example, a CP client who lives in King County with 24 ISS hours would garner $55.87 per day.

\(^9\) The administrative component is based on a logarithmic scale—the reimbursement rate increases at a decreasing rate as the daily ISS hours increase.
largely on previously negotiated rates. However, funding was not available to immediately adjust all providers to the standard levels. The state and providers agreed to adjust rates incrementally over time to eventually bring all providers to the standard. As of April 2013, 74 percent of providers (86 out of 116 providers) received administrative reimbursements that were below the standard rate, 18 percent (21 providers) were equal to the standard, and 8 percent were above standard (9 providers). Of providers below the standard, most received administrative reimbursements that were, on average, about 3 percent below standard.

Standard rates have not been updated since they were established in 2005; thus, they are still based on administrative costs from 2004.

As noted, the RM determines the client’s daily rate as the sum of the hourly ISS costs (wage rate multiplied by daily ISS hours), the daily administrative rate, allowances for indirect client support costs (the assessed transportation rate and other negotiated rate components) and any professional services identified in the client’s service plan. According to DDA officials, the 2013 statewide average daily rate is about $230—approximately $190 for ISS and $40 for administrative costs and other indirect client support costs. In Figure 4, we provide a summary of average daily rates from 2007 to 2013, which demonstrates an endpoint increase of 27 percent. The ISS component increased significantly more than the administrative component since 2007—30 percent versus 15 percent, respectively. Within that span of time, the largest increase in daily rates was between 2007 and 2008, due largely to the implementation of the hourly ISS-based rate setting methodology during 2007.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Average Daily ISS Rate</th>
<th>Percent Change</th>
<th>Average Daily Non-ISS Rate (Administrative and Indirect Client Support)</th>
<th>Percent Change</th>
<th>Average Daily Total Rate</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$150.04</td>
<td>NA</td>
<td>$35.49</td>
<td>NA</td>
<td>$185.53</td>
<td>NA</td>
</tr>
<tr>
<td>2008</td>
<td>$170.97</td>
<td>13.9%</td>
<td>$37.53</td>
<td>5.7%</td>
<td>$208.50</td>
<td>12.4%</td>
</tr>
<tr>
<td>2009</td>
<td>$181.23</td>
<td>6.0%</td>
<td>$38.61</td>
<td>2.9%</td>
<td>$219.83</td>
<td>5.4%</td>
</tr>
<tr>
<td>2010</td>
<td>$181.27</td>
<td>0.0%</td>
<td>$38.58</td>
<td>-0.1%</td>
<td>$219.85</td>
<td>0.0%</td>
</tr>
<tr>
<td>2011</td>
<td>$185.30</td>
<td>2.2%</td>
<td>$39.35</td>
<td>2.0%</td>
<td>$224.65</td>
<td>2.2%</td>
</tr>
<tr>
<td>2012</td>
<td>$187.72</td>
<td>1.3%</td>
<td>$39.84</td>
<td>1.2%</td>
<td>$227.56</td>
<td>1.3%</td>
</tr>
<tr>
<td>2013</td>
<td>$194.41</td>
<td>3.6%</td>
<td>$40.91</td>
<td>2.7%</td>
<td>$235.32</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Source: Navigant analysis of Washington Developmental Disabilities Administration data

As part of the effort to bring providers closer to the administrative standard, DDA administrators do not apply legislatively mandated rate reductions or increases uniformly across all SL providers. For example, in 2011, the Washington legislature imposed a three percent reduction in administrative rates; providers farthest below the standard did not receive any reductions, while those above standard may have received as much as a five percent rate reduction.

The provider with the highest administrative rate was 8.3 percent above standard and the provider with the lowest rate was 21.5 percent below standard.

In rare cases, DDA will negotiate reimbursement for rent and utilities expenses of Supported Living staff to live with clients in their home.
The average daily rate varies across providers based on client acuity mix, incidental client service costs, and differences in administrative rates relative to the standard. In an effort to adjust for these differences, we compared average hourly rates across providers to detect variance. Based on current 2013 rates, we observed that most providers—77 percent—have hourly rates between $18 and $20 (excluding professional services costs), and 91 percent of providers’ average hourly administrative rates are between $2 and $4.

Because a client’s total rate is based on several components that vary based on direct support needs and shared hours with other clients, each client has a unique rate. While this process is highly responsive to even small changes in a client’s needs or environment, the frequency of rate changes and reassessments creates a burden both for DDA staff and providers. According to DDA, there are typically about 300 rate changes per month for a total of over 6,000 rate changes in 2012. However, beginning January 1, 2014, DDA will implement rounding to the nearest hour rather than half hour when determining if a rate change is necessary upon reassessment. According to DDA, this is expected to significantly reduce the number of rate changes overall.

See Appendix B for a flowchart of DDA’s assessment and rate setting methodology for the Supported Living program.

Cost Reporting and Provider Oversight

All SL providers are required to submit annual cost reports to DDA. Providers must provide and sign, under penalty of perjury, details of actual ISS and professional service hours provided, staff salaries and benefits, direct support purchased services, training costs, transportation costs, and other administrative and operating expenses. The cost reports are used by DDA in the settlement process to recoup any overpayments due to underprovided ISS hours—that is, cases where the provider provided fewer ISS hours than the total for which they were contracted. For example, if DDA determines that a provider in King County was paid for 100 ISS hours that it did not deliver; the provider would repay DDA $1,578 for the total ISS rate component related to those hours.

In addition to repaying DDA for any undelivered ISS hours, providers may also have to repay a portion of the administrative component for those hours. The administrative component is only repaid if the provider’s average administrative rate is above the standard. If a provider’s average administrative rate is above the standard, then it would repay DDA the portion above

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13 Cost reports are due on or before March 31 and cover the preceding calendar year.

14 According to DDA officials, the reason for not recouping overpaid administrative hours in cases where the provider’s average administrative rate is below the standard is to account for overall underpayment to the provider for administrative costs.
the standard for each undelivered hour.\textsuperscript{15} Since fiscal year 2007, the settlement process has recouped about $6.2 million in overpayments from providers, ranging from approximately $473,000 to just over $1 million annually.

Washington DDA monitors SL providers to ensure they are fulfilling program requirements, including the provision of all contracted services according to each client’s individual service plan. When case managers conduct annual reassessments, a portion of the face-to-face visit is dedicated to confirming that the client received the services identified in his or her service plan during the previous year. In addition to the annual reassessments, DDA quality assurance reviewers audit SL providers each year based on a random sample of SL clients. The reviewers meet face-to-face with selected clients to assess their satisfaction with services and outcomes according to a set of national core indicators. In cases where the reviewers detect contract noncompliance, they will develop a corrective action plan the provider must implement to resolve the problem. In addition, DDA collects payroll records from providers to determine whether their staff costs match the cost reports. Beginning in calendar year 2014, DDA policy will require all SL providers to submit a summary of total employee hours and cost in their cost reports, including ISS and non-ISS hours, as another mechanism to verify that providers are providing the direct support hours they were contracted to provide. The provider must also maintain on file the details by employee, as this information may be requested by DDA.

\textbf{Stakeholder Input}

Navigant conducted phone interviews with three provider organizations who serve a significant number of SL clients to gather their perspectives on the SL program. We interviewed representatives from:

- Alpha Service, the largest non-profit SL provider in the State, serving 106 clients in King County
- Embassy LLC, a for-profit provider that serves approximately 200 clients across the State, including clients in the Community Protection program
- Service Alternatives, Inc., a non-profit provider serving 130 clients in Western Washington

\textbf{Input on the Rate Setting Process}

Overall, the provider organizations we spoke with were satisfied with the SL program’s assessment and reimbursement methodologies. All three providers expressed appreciation for the system’s flexibility that allows for the customization of direct support hours and rates for each client and the adjustment of rates based on changes in clients’ needs or living

\begin{flushleft}
\textsuperscript{15} For example, if a provider’s average administrative rate is 10 cents above standard, then it would repay DDA $10.00 for the administrative component.
\end{flushleft}
arrangements. While they each acknowledged the trade-off of the increased time and paperwork required to keep track of each client’s unique rate and to update rates as changes occur, they all agreed that the benefits outweigh the associated administrative burden.

Each of the providers we spoke with agreed that the current assessment process produces reliable and accurate estimates of each client’s direct support needs. They remarked that, although the assessment process is lengthy, the resulting estimates of daily ISS hours closely match the time they actually spend with each client. Providers were also positive about the process by which RMs adjust the daily ISS hour estimates generated by the SIS assessment to account for economies of scale. They appreciate that RMs work very closely with the providers to discuss each client’s needs and possible sharing of hours with other clients. They feel that this process results in more precise staffing levels than did the previous negotiated rate process. Providers did not think that that differences in how RMs might conduct these discussions across the state caused wide variation in the results or quality of the adjustments made by RMs.

When asked about the upcoming change of rounding hours to the nearest hour rather than half hour when determining if a rate change is necessary upon reassessment, we received mixed responses. One provider was skeptical that there would be an impact on the number of annual rate changes. Another provider was positive about the change, expecting it to decrease the number of rate changes and in turn decrease administrative burden, while causing no loss of service to the client.

Providers did mention the burden of documentation, specifically that client rates were distributed as portable data files (PDFs) that required manual entry of the data. One provider strongly advocated for another format (e.g., Microsoft Excel), which would facilitate copying multiple rows of data into the provider’s system at once, rather than individually keying in rates by hand. According to DDA, the Administration will begin using Excel to distribute client rates in the near future.

Input on Administrative Rates

All providers commented that current administrative rates are not sufficient to cover their administrative costs. They stated that not only are the standard rates based on 2004 cost data, but most providers’ administrative rates are below standard. They appreciated that DDA keeps track of each provider’s administrative rates relative to the standard, and that they are working to gradually bring all providers to the standard levels. However, they felt that the sharp increases in health insurance and transportation costs since 2004 should be taken into consideration. For example, one provider remarked that their expenditures on health insurance premiums have increased by about ten percent per year.  

16 According to data from the Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2012, the average annual premium for single coverage was $4,824 in 2009 and $5,615 in 2012. Health insurance
Providers may be differentially affected by changes in administrative rates depending on their size. For example, one large provider commented that although they are below the standard, their size allows them to be nimble in making necessary cuts in overhead to adjust to any reductions in the administrative rates without affecting patient care. However, smaller providers may be less able to absorb rate cuts, as they represent a larger share of their revenues. In addition, one provider did not agree with the administrative rate’s assumed relationship of costs to hours—that is, because the hourly administrative rate increases at a decreasing rate as ISS hours increase.

Providers also discussed the challenge they face due to high staff turnover. They associated low reimbursement rates with an inability to pay competitive wages and high staff turnover. Specifically, the hourly ISS rates have been decreasing since 2009 while the Washington State minimum wage has increased. In addition, the high turnover puts pressure on their training budgets as they must train all new staff. All of the providers stated that they provide training above the minimum amount required by DDA; however, in response to the decreases in overall funding, providers said they have decreased their training budgets and eliminated some “extra” trainings they had been providing.

SECTION II: ANALYSIS OF OTHER STATES’ REIMBURSEMENT METHODOLOGIES

Washington’s use of the SIS assessment in its reimbursement methodology is somewhat unique. The current reimbursement methodology has been in operation for more than five years, which may suggest it is time for a reassessment. Our review of Washington DDA’s SL reimbursement included a comparison to other states’ programs.

Overview of Supported Living Programs in Other States

States have many options when designing home- and community-based services waivers. States have typically designed multiple waivers to serve their various populations in need, including developmental disabilities, traumatic brain injury, the elderly and other special needs populations. As we reviewed programs in other states, we looked for residential programs that paralleled the service offering and population served by DDA’s SL program. Some states offer supported living or personal care assistance through “consumer-directed” programs in which consumers manage their own care and hire their own support providers within a

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 premiums depend on the type of insurance offered, cost-sharing arrangements, and the size of the employer, among other factors.

17 For example, in King County, ISS rates have decreased by five percent since 2009, but the state’s minimum wage has increased by 7.5 percent over the same time period.
predetermined personal budget established by the state. For example, Colorado has two waivers for persons with developmental disabilities—the “Supported Living Services” waiver that offers consumer-directed supports for individuals who can live semi-independently with limited supports and the “Home and Community-Based DD” (HCBS-DD) waiver that provides residential services for those who require extensive supports. We excluded such consumer-directed programs from our analysis because they are not considered to be “residential” programs.

**Reimbursement Methodologies in Comparison States’ Supported Living Programs**

To conduct our comparison of Washington’s program to those of similar states, we first identified states that use the SIS assessment tool. Seventeen states, including Washington, use SIS statewide. We conducted research on the 16 states to determine whether they have a Supported Living program similar to Washington’s, and whether they use SIS in their rate reimbursement methodology. While it is common for such states to use SIS to determine service needs of the individual, only a few states use SIS to determine levels of reimbursement.

Navigant set out to identify states with similar programs to Washington DDA’s SL program, which serves clients in their own homes in the community and uses SIS to determine reimbursement rates. We identified Colorado, Missouri, and New Mexico as three states that met these criteria. Although each of these three state programs is different than Washington’s SL program, some comparisons can be made. Generally, each of these three states has a unique approach when using SIS in reimbursement.

- **Colorado’s Home and Community-Based Waiver** for persons with Developmental Disabilities (HCBS-DD) offers 24-hour residential habilitation services for approximately 4,300 individuals living in private homes, agency owned or leased homes (up to three clients per home), or group homes (four to eight clients). Colorado uses SIS to assess clients and bases reimbursement for residential habilitation services on SIS results. Rates are variable across six support levels. The rate variation is dependent on the staffing ratio required for each support level; e.g., Level 6 requires a 1:1 staffing ratio. The residential habilitation rates are calculated as per diem rates.

- **Missouri’s DD waiver** offers residential habilitation for about 4,000 individuals living in a private residence with up to four clients through its Individualized Supported Living (ISL) program. SIS is used to assign participants into one of seven support levels and all

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18 Consumer-directed services, also known as “participant-directed” or “person-centered,” are those where the consumer is able to choose what mix of services he or she receives and at what frequency, within the constraints of a predetermined budget.

19 Colorado’s Supported Living Services waiver is not available to individuals who require ongoing 24-hour supports, and caps each client’s annual budget at $35,000. Colorado’s HCBS-DD waiver is available for those who require 24-hour supports and does not have individual budget caps.

20 Other states use SIS at a county-specific or local level. As such, we did not consider these states in our analysis.
clients in the same level receive the same hourly rate. However, the number of support
hours provided depends on each client’s individual needs and other economies of scale.
Missouri also offers residential habilitation to individuals living in a host home with one
to three clients or in a group home of four to eight clients; daily rates for these services
also vary based on SIS level.

- New Mexico’s DD Waiver program provides Living Supports services to approximately
600 individuals living in a private residence (two to four clients), in a family member’s
home (one or two clients), or in a provider-owned residential setting (two to four
clients). Individuals are assigned to one of seven functional levels based on SIS, and each
level has an associated per-person annual budget for all waiver services that also varies
by the client’s chosen living arrangement. Living Supports providers are paid one of
four daily rates depending on the client’s SIS level and living arrangement, plus an add-
on if the client requires additional one-on-one staffing.

In addition to these three states, we also examined the reimbursement methodology of two
other states that use SIS for some of their residential services, but do not currently base
reimbursement on SIS—Maryland and Oregon. We provide an overview of each state’s current
methodology in Appendix C and have attached copies of publicly available rate documentation
for each of the states we reviewed in Attachment A.

We identified eleven additional states that use SIS for DD waiver assessments, but do not
develop rates based on SIS.21 These states generally pay providers either a per diem rate or an
hourly rate for SL or residential habilitation services. We identified five states (Georgia,
Louisiana, Maryland, North Carolina, and Ohio) that are currently in the process of
implementing SIS and developing a SIS-based rate methodology. No further details are
publicly available at this time.

In general, our experience indicates that states typically develop reimbursement rates based on
an analysis of cost data reported by providers on a cost report or a cost survey. This analysis
may also include data gathered from stakeholder feedback, publicly available data such as
wages from the Bureau of Labor Statistics, as well as the goals and objectives that the state DD
agency has for the rate setting process. To lessen the administrative burden on both the state
agency and providers, some states establish methodologies that can range from a single, flat,
prospective daily rate to a range of rates that vary across geographic areas.

One common approach used by states is to develop an independent cost model to set
reimbursement rates. In this model, rates are developed based on the average or median costs
providers incur when delivering a particular service; this often includes wages, employee

21 States that have implemented the SIS statewide, have a supported living program and currently use SIS
for assessments only are: Georgia, Kentucky, Louisiana, Maryland, New Hampshire, North Carolina,
Oregon, Ohio, Pennsylvania, Utah and Virginia.
related expenses, productivity assumptions and administration. Other factors can include program development and support; travel; absences; capital expense; supplies; geographic location and staffing ratios. For example, Colorado, Missouri and New Mexico use SIS to establish levels of support, and set rates based on average costs to serve individuals in each support level. The primary advantages of an independent cost model include:

- **Transparency**
  - Models contain known factors, values, and calculations that produce the final rate
  - While stakeholders may not agree on the values, they know exactly what has been assumed and what the state agency is paying for

- **Ability to include policy objectives**
  - For example, improving direct care staff salaries or benefits and setting minimum staff-to-client ratios

- **Efficiency in maintaining rates**
  - Models can be easily scaled and adjusted for inflation or specific cost factors (e.g., transportation costs), or to meet budget targets

The methodology for developing administrative rates was not available for all states we researched. In general, states incorporated administrative costs in the determination of their daily or hourly rates. Typically, the administrative portion of the rate was based on a flat percentage. The flat percentage is usually based on an aggregated analysis of the proportion of administrative costs to total costs reported within provider cost data. For example, Colorado uses a flat 18.4 percent and Oregon uses 12 percent for administrative cost percentages. While Washington’s administrative and indirect client support components are not based on a flat rate, it calculates to approximately 17 percent of the average daily rate.

**Profiles of Four Comparison States**

To demonstrate greater comparison depth, the following describes profiles of SIS-based methodologies in Colorado, Missouri, and New Mexico and a non-SIS methodology in Maryland. Maryland’s program is similar in concept to Washington’s SL program, but uses a “home grown” Individual Indicator Rating Scale to develop five levels of support need. Maryland is currently in the process of adopting the SIS.

**Colorado’s HCBS-DD Waiver**

Colorado’s HCBS-DD waiver provides residential habilitation services to about 4,300 adults with intensive support needs. Clients may live with and be provided services by family
members, in host homes settings with one to two persons, in individualized settings of one to three persons, or in group settings of four to eight persons.\(^{22}\) According to one state DD official, individuals with higher support needs tend to choose to live in a group home or host home, while those who are more independent are more likely to choose a private residence, such as an apartment. Residential habilitation rates under the HCBS-DD waiver are per diem rates.

In 2008, Colorado developed a rate methodology that uses SIS to classify individuals into six support levels. Analyzing SIS scores, the historical utilization of individuals, and other information, Colorado DDD developed a methodology that clusters individuals into six support levels reflective of similar adaptive skills, behavioral and medical support needs, and whether they present a danger to themselves or to the community. This methodology employed statistical methods to find a ‘best fit’ between the SIS data elements and current expenditures. Support Level 1 includes individuals with the lowest support needs, who have few, if any medical or behavioral conditions. Those in Level 1 fall at or below the bottom quartile of all participants with respect to the intensity of their basic support needs. Support Level 6 includes individuals with intensive behavioral support needs and/or those who are an extreme danger to themselves or the community. There is also a support Level 7 that is reserved for individuals with high medical or behavioral health needs make them difficult to accurately assess with a uniform tool; less than three percent of the waiver population are in Level 7.\(^{23}\)

Colorado established one per diem rate per support level for residential habilitation services. Colorado’s rate model uses assumptions regarding salaries, wages and employee benefits, the type of employee, staffing ratios, non-direct cost allocations and the intensity of the service. The data used in the assumptions were derived from a provider cost and wage survey, the Bureau of Labor Statistics (national and statewide) and industry standards. Staffing ratios vary depending on an individual’s SIS level, and rates increase with each SIS level because they incorporate ‘difficulty of care’ factors to adjust for the level of effort associated with serving individuals with differing support needs. Rates for clients in Level 7 are individually negotiated. Each per diem rate includes a component for the administrative cost center, which comprises about 18 percent of the total rate. Rates are uniform statewide and are not appealable.

In addition to varying rates based on support level, per diem rates also vary based on the living arrangement chosen by the client (individual residence, host home, or group home). For example, the daily rates for individual residential services and supports range from about $62 per day for clients in Level 1 to $216 for those in Level 6, while group home rates range from

\(^{22}\) Colorado has a separate HCBS-Supported Living Services waiver that excludes individuals who require 24-hour supports. It provides services to individuals living independently with a limited need for assistance or adults who live with families and need services beyond what their family can reasonably provide.

\(^{23}\) Source documentation provided by Colorado titled “The Developmental Disabilities Waiver (24 hour services) and Supported Living Services - Rate Setting Methodology.”
$85 to $203 per client per day, respectively. Providers receive the full per diem amount regardless of how many hours of in-home supports the client receives per day. For example, a provider receives the same daily rate for a client who receives 18 hours per day of residential habilitation and six hours per day of supported employment as it would for a client who received 24 hours of residential habilitation. However, providers must be on-call for all clients 24-hours per day.

Colorado’s methodology is meant to minimize the burden of administering the HCBS-DD program for both the state and providers. The model results in:

- A methodology that uses the SIS instrument to classify clients into support levels that are tied to rates reflective of their intensity of need
- A uniform rate model that builds per diem rates based on underlying cost components and other factors, including staff wages, average staffing ratios (based on support levels) and other components.

In our interview with Colorado, we asked if the rates are adequate to provide for the services required. They responded that the service providers often comment that certain services do not have a sufficient reimbursement rate to provide 1:1 support. For example, many agencies only offer group supports and not individual support for the Supported Community Connections service. Over the past five to six years, rates have decreased based on legislative appropriations and other budget issues. Beginning on July 1, 2013, Colorado restored some rate cuts, authorizing a four percent increase to HCBS-DD service rates.

Maryland’s Community Supported Living Arrangements (CSLA)

Maryland’s CSLA program provides individuals with the support necessary to enable them to live in their own homes, apartments, family homes, or rental units, similar to Washington’s SL program. CSLA is offered through the Community Pathways waiver and is available to all eligible individuals based on consumer choice. Of the 2,400 individuals receiving CSLA services, only 33 individuals receive 24-hour in-home supports. The balance of Maryland’s 24-hour support clients in the Community Pathways waiver do not participate in the CSLA program, but instead receive Community Residential Habilitation Services in provider-owned or leased “alternative living units” of one to three clients or group homes of four to eight clients. CSLA services include personal assistance with daily living activities; supports that enhance the individual’s opportunity for community participation; training and other services necessary to assist the individual in achieving and maintaining increased integration, interdependence, and productivity; 24-hour emergency assistance; assistive technology; adaptive equipment; resource coordination; environmental modifications and respite services.

24 See Attachment A for Colorado’s 2013 residential habilitation rate tables.

25 Nearly 6,000 individuals currently receive Community Residential Habilitation services in Maryland.
Maryland does not currently base its rates on SIS; the state is still in the pilot phase of implementing the SIS and has yet to revise its reimbursement methodology for CSLA.

Maryland’s current DD rates have been in place since 2000 and were developed based on provider audited cost reports, provider wage surveys and input from providers as part of a Rate Commission. We identified that the administrative rate was based on provider audited cost report data and other input from providers, similar to Washington’s methodology. Maryland DDA reviews its DD rates annually and provides a cost of living adjustment if approved by the Legislature and Governor. DDA determines the rate based on each client’s weekly preauthorized hours of service, as established in their individual plan (IP). The basic rate for CSLA services includes direct care services; staff hiring, training, travel and supervision; administrative costs; and program direction, and excludes professional services. While there is no specific cap on the per person expenditures in the CSLA program, services are limited to 82 hours per week, though DDA may authorize additional hours for ‘awake-overnight’ and one-on-one services if indicated in the IP.26

Maryland also bases CSLA rates on the number of individuals (from one to three) living in a home, and publishes separate rate tables for each home size. Within each table are seven payment levels based on the number of required service hours per week. In addition, there are three geographic rate areas in the State. Finally, there is a separate rate table for authorized professional services with one rate per geographic area, regardless of the number of individuals in the home.27

Our interview with Maryland DD officials identified several challenges, including the lack of affordable housing for CSLA clients, determining a method to account for shared hours, and the process for retrospectively reconciling payments to services provided.

Missouri’s Individualized Supported Living (ISL) program

Missouri recently implemented a SIS-based reimbursement methodology for residential habilitation services provided by its Comprehensive DD waiver.28 Services are designed to assist individuals with daily living activities and socialization and adaptive skills. Clients may live in the setting of their choice—either in a private residence with one to four clients, in a host

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26 According to a state representative, allowances for additional hours exceeding 82 per week are uncommon. Additional hours are reimbursed at a lower hourly rate. Maryland DDA also has three geographic based rates for preauthorized services above the 82 hour limit, regardless of the number of individuals in the home.

27 See Attachment A for Maryland’s FY 2013 CSLA rate tables.

28 Missouri began phasing in SIS-based rates on October 1, 2013. Providers historically received negotiated daily rates that varied widely across providers. Missouri plans to implement the new rates with the lowest paid providers first and will incrementally raise their rates to meet the new standards.
home with one to three clients, or in a group home with four to eight clients. About 4,000 clients live in a private residence and participate in the Individualized Supported Living (ISL) program. Residential habilitation services are also provided to about 2,500 individuals living in group homes and to about 150 people living in host homes.\footnote{In addition to the individuals receiving residential habilitation services, Missouri also has about 1,000 waiver participants who live in their own homes and receive consumer-directed personal assistance service, which costs approximately $17/hour and is not SIS-based. These individuals tend to be higher functioning than those in residential settings, though some do receive 24-hour assistance.}

All individuals who receive residential habilitation services are assessed once every three years using the SIS. The SIS assigns participants into one of seven support levels. Level 5 is reserved for individuals who have additional behavioral health needs, Level 6 is for those with additional medical needs, and Level 7 is for extraordinary behavioral health needs. In the ISL program, all clients in the same support level have the same hourly rate, ranging from $15.25 for clients in Level 1 to $19.52 for clients in Level 7 in FY 2014.\footnote{See Attachment A for a table of Missouri’s hourly ISL rates.} The hourly rates include reimbursement for direct care, administrative costs, and other indirect support costs.\footnote{Percentage allocations for each cost component were not available.} Separate add-ons are made for nursing services and transportation costs. The number of support hours a client receives does not depend on their SIS level; rather, it is determined through a separate care planning process that factors in their environment and informal supports. Officials we spoke with were not aware of the number of clients who receive 24-hour supports, but noted that it is common.

Rates for group homes also vary based on the client’s SIS score. Providers receive a flat daily rate for each client dependent on their SIS level and the number of clients in the home. Current daily rates for a group home with eight beds range from $79.14 for individuals in Level 1 to $144.18 for individuals in Level 7. Host homes are reimbursed a flat rate with a supplemental payment ranging from $5 to $20 per day based on each client’s SIS level.

According to state officials, providers must submit monthly reports of whether they exceeded or were under their authorized budget amounts. If under-budget, providers must repay the state for the unused funding. Conversely, the state reimburses providers in certain cases if they went over-budget for valid reasons. If a provider routinely goes over or under the budget for a certain client, the planning team must write a justification to develop a new authorized budget. Although providers are required to submit unaudited cost reports once every three years, the state does not audit them or use them for payment purposes.

\textit{New Mexico’s Living Supports Program}

New Mexico adopted a SIS-based reimbursement methodology for Living Supports services covered by its DD Home and Community Based Services waiver in 2012. The new rates became
effective November 1, 2012 and are currently being phased in on a rolling basis as clients’ IPs are updated. The Living Supports program provides clients with up to 24 hours per day of residential instruction and assistance with ADLs and IADLs, community inclusion, shopping, transportation, social skill development, medication and healthcare management, and other home and safety skills. Approximately 600 clients currently receive Living Supports services, and clients may choose whether to live in a private residence (two to four clients), in a family member’s home (one or two clients) or in a provider-owned residential setting (two to four clients). Approximately 40 percent of Living Supports clients currently receive 24-hour supports.

As in Missouri, all Living Supports clients in New Mexico are assessed once every three years using the SIS. The SIS assigns participants into one of seven support levels: Groups A through G, and support needs increase with each group. For example, clients in Group A require the least amount of support while those in Group F need maximum assistance with ADLs and have extensive medical support needs that require nurse management. Clients in Group G have extraordinary behavior needs and require one-to-one supervision for at least a significant portion of each day.\(^\text{32}\)

Reimbursement rates for Living Supports services in New Mexico are per diem rates. For clients who live in their own home or in a provider-owned home, providers receive a per diem of $192 for all clients in Groups A and B, $223 per day for clients in Groups C and D, and $281 for clients in Groups E, F and G.\(^\text{33}\) However, there is a separate per diem add-on of $61 for non-ambulatory individuals who require additional staff for transfers and personal care.\(^\text{34}\) According to the State official we spoke with, New Mexico is also considering a separate add-on for intensive behavioral supports in the future, based on feedback from providers that the current rates are not sufficient to cover the costs of supporting these individuals. For clients who live with a family, there is a single per diem of $117 that includes 750 hours of substitute (or respite) care per year. The family living rate does not vary by SIS Group. Clients with very complex medical needs receive the Intense Medical Support Service, which provides additional staffing and skilled nursing from a registered nurse or licensed practical nurse. The Intense Medical Support Service is provided in lieu of the Living Supports service, and has a flat per diem of $420.\(^\text{35}\)

The Living Supports per diem rates include compensation for direct care wages and benefits, administrative costs, program support costs, capital costs, vehicle costs, nursing services, and

\(^{32}\) For more information about New Mexico’s SIS groups, see: http://actnewmexico.org/downloads/act_nm-fact_sheet-implementation.pdf

\(^{33}\) See Attachment A for a copy of New Mexico’s current rate tables.

\(^{34}\) The official we spoke with could not provide an estimate of the number of clients who receive rate add-ons because they are still in the process of transitioning individuals to the new rate structure.

\(^{35}\) The number of clients receiving Intense Medical Supports was also unavailable.
nutritional assessment. While the percentages vary for each SIS Group, administrative costs generally comprise about twelve percent of the total rate and program support costs comprise about ten percent. Providers must submit annual cost reports that include audited financial statements, but they are not used for settlement purposes. However, providers are reviewed by the New Mexico Department of Health Improvement once every three years, which includes a retrospective audit to verify that billed services were provided.

New Mexico’s DD waiver sets annual budget caps on the expenditures for each client’s combination of Living Supports, case management, and day supports (e.g., supported employment). The caps vary depending on the client’s SIS group and chosen living arrangement (e.g., private residence versus family living), ranging from $96,053 per year to $130,147 per year. Those who receive Intense Medical Supports have the highest cap—$143,058. Exceptions are allowed, however, and must be approved by a committee that reviews all exception requests. New Mexico also caps the number of days the waiver will pay for Living Supports per year at 340; this cap includes an assumed vacancy factor for each client.

Review of Washington to Comparison States

As noted, each state that currently uses the SIS as an assessment tool approaches rate setting differently. We found that no two states are alike or have similar rate design to Washington’s Supported Living program. This variation appears to be due to different strategies and policies set forth by each DD agency, and relates in part to how each state’s DD waiver is structured.

Comparison to Washington’s program

Through our research of other state’s SL programs, we found a variety of strategies used by states to balance the desire to provide clients with independent living arrangements against the constraints of available funding. Each state has established policies regarding trade-offs between providing for specific individual’s needs and serving as many individuals as possible. We found in states that apply annual caps on individual spending for services, clients were expected to make choices between services that they needed and services that they wanted within the constraints of a budget amount. Other states may prioritize lower-needs clients in their SL programs while encouraging higher need clients to live in group homes, while others have longer waitlists due to prioritizing waiver slots for higher need and higher cost clients.

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36 The official we spoke with could not give us data on the frequency of such exceptions because the budget caps have been in place for less than one year, but told us that they are rare but increasing.

37 The cap assumes that clients will be away from their home, not receiving Living Supports for 25 days per year. Providers must absorb the costs of all services provided after 340 days.
All of the variations in rate methodologies make fair comparisons across SL programs difficult. In Figure 5, we provide comparisons of other state programs based on estimated daily rates for 24-hour supports. Estimates for states with hourly rates (MD, MO and OR) were made by multiplying the hourly rate for an individual with a high support need level by 24. Estimates for states with per diem rates (CO and NM) were based on the rate for an individual in a high support level, even though not everyone in that level necessarily receives 24-hour supports.
## Figure 5: Estimated Supported Living Rate Comparisons: 24-hour Supports

<table>
<thead>
<tr>
<th>State</th>
<th>Client Profile Example</th>
<th>Estimated Daily Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington</td>
<td>Individual living in a private residence with 24-hour supports (economies of scale applied)&lt;sup&gt;a&lt;/sup&gt;</td>
<td>$266</td>
</tr>
<tr>
<td>Colorado</td>
<td>Individual living in an private residence with Level 6 support needs (up to 24-hour support)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>$216</td>
</tr>
<tr>
<td>Maryland</td>
<td>24-hour support/ 1-person household ($21.55/hour; no economies of scale applied)</td>
<td>$451</td>
</tr>
<tr>
<td>Missouri</td>
<td>Individual living in an individual residence with 24-hour supports with Level 7 support needs ($19.52/hour; no economies of scale applied)</td>
<td>$469</td>
</tr>
<tr>
<td>Oregon</td>
<td>Individual with 24-hour supports ($10.80/hour plus personnel and administrative rate add-ons; no economies of scale applied)</td>
<td>$461</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Individual living with two to three other clients in Support Levels E-G (up to 24-hour support)&lt;sup&gt;b, c&lt;/sup&gt;</td>
<td>$281</td>
</tr>
</tbody>
</table>

Notes: Rates in Washington, Maryland, Missouri and Oregon are hourly rates; rates in Colorado and New Mexico are per diem rates. Estimates for Maryland, Missouri, and Oregon were made by multiplying the hourly rate for an individual with a high support need level by 24 hours, assuming no hours are shared with other clients (economies of scale). Estimates for Colorado and New Mexico are based on the rate for an individual with a high support need level, though not everyone in that level necessarily receives 24-hour supports.

<sup>a</sup>Washington’s rate assumes economies of scale are applied and is based on the current average daily rate for a client in Support Level 5. If no economies of scale were applied, the daily rate would be $411.

<sup>b</sup>Per diem rates in Colorado and New Mexico are based on average direct and indirect costs necessary to serve clients in each support level and assume certain economies of scale. Providers receive the full per diem amount regardless of how many hours of in-home supports the client receives per day.

<sup>c</sup>Rates in New Mexico are based on settings of two to four clients living together; there is also a $61 add-on for non-ambulatory clients who require additional staffing.

## SECTION III: RECOMMENDATIONS

Navigant performed an in-depth review of Washington’s current SL program and comparison to similar programs in other states. Our recommendations follow, based on these comparisons: In general, we found that:

- Washington DDA has established a reimbursement methodology that is precise and transparent in its estimation of client support hours
- Washington’s Supported Living program is based on a progressive model that focuses on closely aligning payment with each client’s individual needs. The three provider stakeholders we interviewed were pleased with Washington’s rate setting
methodology and were willing to endure additional administrative burden to achieve individualized client rates.

- Providers feel that the rate setting process, while time consuming, produces accurate estimates of the total staff hours required to appropriately serve clients.

- Providers appreciate the ability to quickly adjust rates based on changes in clients’ needs or living arrangements, despite the administrative burden of monitoring each client’s unique rate.

➢ Compared to some states that we researched, Washington’s Supported Living program differs as follows:

- Washington DDA’s approach is somewhat unique in providing individualized rates based on client-specific assessments.

- Some states limit the number of rates they manage by grouping individuals into levels and setting one per diem rate per level, regardless of the number of support hours provided (e.g., Colorado, New Mexico). These per diems were developed based on assumed economies of scale and average direct and indirect client support costs.

- One state requires individuals to live with at least one other client to share staff hours (New Mexico).

- Some states include the administrative component in the hourly or daily rate to minimize administrative burden (e.g., Maryland, Missouri, Colorado, New Mexico); other states apply a flat percentage add-on to the direct care rate (e.g., Oregon)

➢ Providers in Washington expressed concerns about low ISS and administrative rates, and feel they have not kept pace with rising costs, such as minimum wage and health insurance benefits.

Navigant’s Recommendations for Washington’s Supported Living Program

Based on our analysis of Washington’s and other states’ Supported Living programs, we propose the following recommended options for DDA’s consideration, in no particular order. We suggest that DDA consider each of these options within the context of program reasonableness, appropriateness and relationship to greater program policy values and objectives.

1. **Washington DDA could evaluate the impact of establishing a simpler approach to establishing reimbursement for administrative costs.** The administrative component of each client’s daily rate is based on each client’s daily ISS hours, and increases (at a decreasing rate) as ISS hours increase. Many states that we reviewed set administrative rates that are less transparent than Washington, but more simplistic, by including a flat or variable administrative cost component in their hourly or per diem rates. While these states may not always reimburse providers 100 percent of their administrative costs, they are reducing administrative burden, as well as identifying a standard for providers to achieve when managing costs.

November 11, 2013
2. **Washington DDA could conduct a cost/benefit analysis related to balancing the role of all support services, in order to best deliver services to a broad strata of DD clients.** We determined in our analysis of Washington’s SL program that expenditures have steadily increased since 2007. This relates in part to DDA’s policy to provide individuals with the opportunity to live in the least restrictive settings possible and to progressively focus enrollment on clients with the highest support needs (Levels 4 through 6). If DDA is interested in tempering the growth of its SL expenditures, it could evaluate the cost/benefit of bolstering the role of other support services to assist individuals with developmental disabilities and their caregivers. Such services might provide supports that enhance an individual’s ability to live independently, encourage expanded community systems of care, and possibly delay or prevent the need for SL services for some clients.

3. **Washington DDA could consider rebasing the existing system to a current standard level.** States often face criticism that home- and community-based services rates are insufficient to cover costs; despite these complaints, providers continue to operate and serve consumers. In addition, providers often criticize states for not rebasing cost-based reimbursement methodologies on a frequent basis. We heard from Washington provider stakeholders that, while they are pleased with the individual rate methodology of Washington’s SL program, they have had to manage against administrative rates that are still below the standard rates that were set in 2005. It may be helpful for DDA to conduct a rebasing analysis of the current system to compare most current provider costs to the existing methodology assumptions and current reimbursement levels to gain additional perspective. In addition, this would allow DDA to establish a method to track provider costs and potentially develop reasonable caps in the system, to incent providers to contain costs more effectively.

4. **Washington DDA could stay with the ‘status quo.’** As noted, Washington’s Supported Living program is progressive and delivers a relatively precise reimbursement methodology to DD providers that appears to be generally well received, and furthers larger policy goals of long-term care continuum rebalancing efforts. If current administrative burden on the State and providers is determined to be acceptable in light of the precise determination of client hourly needs, the existing system may be the best option at this time; at least, until a better option emerges. For example, if Washington includes the DD population within Medicaid managed care expansion, bundled rates, global budgets or other emerging payment methodologies may eventually become viable options for consideration.
Appendices
### Figure A.1: Supported Living Average Daily and Annual Rates

<table>
<thead>
<tr>
<th>2013 Figures</th>
<th>Daily ISS Hours</th>
<th>Daily ISS Rate&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Daily Non-ISS Rate (Administrative and ICS)&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Daily Total Rate&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Daily ISS Staff</th>
<th>Annual ISS Expenditures&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Annual Total Rate Expenditures&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of all SL clients</td>
<td>12.27</td>
<td>$190.08</td>
<td>$40.24</td>
<td>$230.31</td>
<td>2.17</td>
<td>$69,377.47</td>
<td>$84,063.53</td>
</tr>
<tr>
<td>Total</td>
<td>45,672.65</td>
<td>$707,460.16</td>
<td>$149,757.49</td>
<td>$857,217.65</td>
<td>NA</td>
<td>$258,222,958.40</td>
<td>$312,884,442.25</td>
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<tr>
<td>Minimum</td>
<td>0.19</td>
<td>$2.88</td>
<td>$9.11</td>
<td>$12.88</td>
<td>0.03</td>
<td>$1,051.20</td>
<td>$4,701.20</td>
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<tr>
<td>Maximum</td>
<td>49.20</td>
<td>$785.02</td>
<td>$116.75</td>
<td>$848.82</td>
<td>8.77</td>
<td>$286,532.30</td>
<td>$309,819.30</td>
</tr>
</tbody>
</table>

Source: Navigant analysis based on data from the WA Developmental Disabilities Administration

<sup>a</sup>Daily rates are based on rates as of June 30, 2013.

<sup>b</sup>Annual expenditures are based on annualized daily rates.

### Figure A.2: Distribution of Daily Supported Living Rates, 2013

Source: Navigant analysis based on data from the WA Developmental Disabilities Administration
## Figure A.3: Supported Living Client Rates as of June 30, 2013, by Support Need Level

<table>
<thead>
<tr>
<th>Support Need Level</th>
<th>Average ISS Hours</th>
<th>Average Staff FTE’s</th>
<th>Average Daily Total Rate</th>
<th>Average Annual Total Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.2</td>
<td>0.2</td>
<td>$35.28</td>
<td>$12,876.47</td>
</tr>
<tr>
<td>2</td>
<td>2.0</td>
<td>0.3</td>
<td>$49.30</td>
<td>$17,994.79</td>
</tr>
<tr>
<td>3A</td>
<td>4.1</td>
<td>0.7</td>
<td>$89.99</td>
<td>$32,846.31</td>
</tr>
<tr>
<td>3B</td>
<td>7.8</td>
<td>1.4</td>
<td>$154.40</td>
<td>$56,355.38</td>
</tr>
<tr>
<td>4</td>
<td>12.3</td>
<td>2.2</td>
<td>$229.83</td>
<td>$83,888.49</td>
</tr>
<tr>
<td>5</td>
<td>14.4</td>
<td>2.6</td>
<td>$265.55</td>
<td>$96,926.27</td>
</tr>
<tr>
<td>6</td>
<td>16.1</td>
<td>2.8</td>
<td>$301.95</td>
<td>$110,212.93</td>
</tr>
</tbody>
</table>

Source: Navigant analysis based on data from the WA Developmental Disabilities Administration
Start

Case Manager uses SIS to assess client

CM determines the client’s Support Need Level (1-6)

CM develops Care Plan

CARE tool determines unadjusted daily ISS hours needed by client

Change in client’s need?

Yes

CM performs reassessment

Final rate is determined (Sum of all components)

Daily administrative rate is calculated based on the final ISS hours

RM adds necessary rates for transportation, professional services, and staff housing

Yes

Resource Manager adjusts ISS Total based on:

Available informal supports

Shared hours with other clients (economies of scale)

No

Change in client’s need?

Yes

CM performs reassessment

Final rate is determined (Sum of all components)

Daily administrative rate is calculated based on the final ISS hours

RM adds necessary rates for transportation, professional services, and staff housing

Yes

Resource Manager adjusts ISS Total based on:

Available informal supports

Shared hours with other clients (economies of scale)

No

Change in client’s environment?

Yes

CM performs reassessment

Final rate is determined (Sum of all components)

Daily administrative rate is calculated based on the final ISS hours

RM adds necessary rates for transportation, professional services, and staff housing

Yes

Resource Manager adjusts ISS Total based on:

Available informal supports

Shared hours with other clients (economies of scale)

No
## Figure C: States with Residential Programs Similar to Washington’s Supported Living Program

<table>
<thead>
<tr>
<th>State</th>
<th>Name of residential waiver</th>
<th>Living arrangements and enrollment</th>
<th>Rates based on SIS?</th>
<th>Rate methodology</th>
<th>Administrative rates</th>
<th>Rate rebasing</th>
<th>Caps on services</th>
<th>Provider cost reporting</th>
</tr>
</thead>
</table>
| Colorado      | Home and Community-Based Waiver for persons with Developmental Disabilities (HCBS-DD) | About 4,300 people living in:  
- Individualized setting of 1-3 persons  
- Host homes settings with 1-2 persons  
- Group settings of 4-8 persons  
ICF-I/DD: about 200 individuals | Yes | Per diem rates are variable across six support levels based on SIS score. Rate variation is rooted in the staffing ratio required for the support level | Flat 18.4% applied as an add-on to direct care component and included in per diem | Rebased in 2008 | No | No cost reports collected. State tracks paid claims vs. authorized units in individual service plans; recoups overpayments |
| Maryland      | Community Pathways | Community Supported Living Arrangements of 1-3 persons: about 2,400 people  
ICF-DD: 121 people | No – but moving toward SIS-based rates | Hourly rate that includes an administrative rate and individual rate based on 5 support levels. Different rates for 6 geographic regions, based on provider costs. | Built into the hourly rate but percentage unknown | Rebased in 2000; annual adjustments (if approved by legislature) | 82 hours per week; exceptions allowed, but rare | Providers submit annual CPA-audited cost reports that are used to reconcile overpayments and underpayments |
# Washington DSHS - DDA

## Supported Living Program Reimbursement – Independent Review

### Appendix C: Summary of States with Programs Similar to Washington Supported Living

<table>
<thead>
<tr>
<th>State</th>
<th>Name of residential waiver</th>
<th>Living arrangements and enrollment</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Missouri</td>
<td>Comprehensive DD Waiver</td>
<td>• Individualized Supported Living (ISL): Private residence of up to 4 clients per home: ~4,000 clients&lt;br&gt;• Host home: private or licensed home for up to 3 individuals: 100-150 clients&lt;br&gt;• Group Homes (up to 8 clients per home): ~2,500 clients&lt;br&gt;• ICF-DD: none</td>
<td>Yes</td>
<td>SIS is used to determine support level (1-7) every three years. ISL hourly rates based on SIS level ($15.25-$19.52). Host Homes receive a supplemental payment to flat monthly rate based on the client’s SIS level. Group home daily rates vary based on client’s level and number of people in home (ranges from $105-$190 for 6-bed home).</td>
<td>Rebased in 2013</td>
<td>$873 per day for residential habilitation</td>
<td>Monthly reporting of over/under budget; state recoups/ pays for differences (in most cases). Unaudited cost reports submitted every three years</td>
<td></td>
</tr>
<tr>
<td>New Mexico</td>
<td>New Mexico DD Medicaid Waiver</td>
<td>• 2-4 individuals living together in a private residence, (may be owned by client or provider) or 1-2 living in a family home: about 600 people&lt;br&gt;• ICF-DD: about 50 people</td>
<td>Yes</td>
<td>SIS is used to determine support group (A-G); three per diem rates based on client’s group ($192 for group A-B, $223 for groups C-D, $281 for groups E-G)</td>
<td>About 12% built into rate for admin. costs and about 10% for other program support costs</td>
<td>Rebased in 2012</td>
<td>Living Supports capped at 340 days per year. Per-person budget caps for all waiver services.</td>
<td>Providers submit annual CPA-audited cost reports. No annual settlements.</td>
</tr>
</tbody>
</table>
## Washington DSHS - DDA
### Supported Living Program Reimbursement – Independent Review
#### Appendix C: Summary of States with Programs Similar to Washington Supported Living

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</thead>
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<tr>
<td>Oregon</td>
<td>Comprehensive Residential Supports</td>
<td>• Supported Living: private residence of 1-2 clients: 709 people</td>
<td>Not for SL services</td>
<td>SL: monthly rate based on total direct support hours provided</td>
<td>Flat 12% added to sum of personnel expenses, professional services, and trans. costs</td>
<td>Unknown, but state plans to evaluate rates soon</td>
<td>No</td>
<td>No</td>
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<tr>
<td></td>
<td></td>
<td>• Foster care homes: 2,911 people</td>
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<tr>
<td></td>
<td></td>
<td>• Group homes: 2,641 people</td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• ICF-DD: none</td>
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</tr>
<tr>
<td>Washington</td>
<td>Core Services DD Waiver</td>
<td>Supported Living: private residences of 1-3 clients: 3,796 clients</td>
<td>Yes</td>
<td>SIS is used to determine each client’s support level and estimated daily ISS hours. Daily rates increase as the number of ISS hours increase.</td>
<td>Added to ISS rate; increases with the ISS hours. Averages about 17% of total rate (including ICS costs).</td>
<td>ISS rates not rebased since the 1980s, adjusted by legislature. Admin. rates rebased in 2005.</td>
<td>No</td>
<td>Annual cost reports used for recoupment of over-payments in some cases.</td>
</tr>
</tbody>
</table>