A Simple to Use Rate Methodology

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This is Deliverable Three, A Simple to Use Rate Methodology. This deliverable will be supplemented by two subsequent deliverables: a Written Analysis of multiple funding and support structures, in particular self-directed employment funded services, and a Written Analysis of disability services funding models. This funding methodology was developed exclusively and only for the State of Kansas to encourage successful integrated employment of persons with developmental disabilities. Although painstaking detail was used to develop this rate methodology for Kansas, some details do not lend themselves to written explanations and are answered best through questions and answers. Albert Einstein once said,

"I wouldn't give a nickel for the simplicity on this side of complexity, but I would give my life for simplicity on the other side of complexity."

What follows is the complexity necessary to achieve a Simple to Use Rate Methodology. Although integrated employment services for persons with developmental disabilities will be used as the exclusive example throughout this Deliverable, due to the availability of the (i) State Plan Amendment Medicaid funding mechanism and the integrated employment mandate by Vocational Rehabilitation through the Workforce Innovation and Opportunity Act that includes all persons with disabilities, every initiative and example would apply equally to all Kansans who have significant disabilities. These recommended changes could be used immediately for citizens with behavioral health employment needs by increased use of the Dartmouth IPS individual supported employment model.

Kansas spends about $490,000,000 annually in services for persons with developmental disabilities, maybe a bit less with managed care. (Note: Medicaid payment data only for long term supports and services is approximately $370,000,000.) Of that amount approximately $87,530,000 is spent on day services and employment In general terms approximately 80% of the funding is spent for residential services and 20% is spent on employment and day services.

Of the $490M total annual expenditures, about $4.0M is spent on integrated competitive employment, about 8/10 of one cent for every dollar. Some funding that is billed as day services funding is integrated employment. It is not unreasonable to estimate total employment funding to be 1.5% of the total, although some persons considered in this 1.5% are in disability enclaves and would not be considered as integrated employment. It is reasonable to say that currently between $4.0 and $6.0M, about 6% of the $87.53M total spent on day services and employment, is spent on integrated employment.

Inaccurate, incomplete, and unaligned data in reports over the last two decades prevent an accurate picture of the actual amount of spending each year and currently in Kansas. The assumption is that of the total amount being spent on behalf of persons with developmental disabilities in Kansas about 80% is spent on residential services, about 19% on day facility or sheltered employment, and about 1% on integrated employment services. The following analysis and fiscal plan will move 0% of the funding currently for residential services and 11% of the funding currently spent on day facility and sheltered employment to integrated individual 1:1 customized/supported employment, and individual 1:1 community access services.

This analysis supports an 11% rebalancing of day and employment services funding and represents less than <u>2%</u> of total $490M developmental disabilities services spending, approximately $9.6M, bringing the total annual investment to $14M in integrated competitive employment in FY2017.

Twenty-one years ago, in 1994, Kansas invested $7.4M in integrated employment for citizens with developmental disabilities, equivalent to $12M in 2015. It is expected that the integrated employment investment in FY2017 will equal this later day amount with $2M additionally for integrated day services annually, all total $14M. After this initial investment, integrated employment should be increased annually to become 3.4% of the total $466M or greater investment, approximately $17M by FY 2021, putting Kansas permanently back on the integrated employment track.

There will be no loss or negative financial impact on day or sheltered services with this financing plan, providing that at least 6 out of every 100 persons every year who are currently receiving facility work or non-work/day services receives his or her services in integrated employment and other integrated community settings. Additionally, substantial additional Vocational Rehabilitation investment will help create a positive funding situation as compared to current total provider agency revenue.

Although it is not known the amount of funding currently being spent by Kansas Vocational Rehabilitation to assist citizens with Developmental Disabilities secure integrated competitive employment, approximately 125 Kansans with developmental disabilities on average in the recent eight years successfully reach VR Status 26 case closure as successful via supported employment. It is believed that the annual expenditure for these successes is approximately $687,500, with an additional expenditure of approximately $875,000 for persons with developmental disabilities who are not closed through VR in successful via supported employment annually.

It is anticipated that the future costs per person with developmental disabilities in VR services will be approximately $10,000 for one year, with ongoing follow-along and support costs being zero to VR as Developmental Disabilities Waiver services would pay the approximately $3500 to $5000 in annual ongoing support costs, a significant annual taxpayer savings.

Total investment by Vocational Rehabilitation in ensuring citizens with developmental disabilities gain and secure integrated competitive employment would be approximately $6.0M annually in integrated employment investment, a significant increase. This annual investment would be $19M less than the current projected $25M investment for Endependence. The $6.0 M would secure approximately 500 successful closures annually of persons with Developmental Disabilities in integrated competitive employment through customized and supported employment.

Allocating Resource Fairly and Equitably

Resources may be allocated fairly and equitably by taking the amount of resources available and distributing them based on relative need. Those with greater needs would receive more funding and those with lesser needs would receive less funding. A reliable and valid assessment of need tool, such as the Supports Intensity Scale, should be used to create a proprietary algorithm to equitably assign, day and employment support resources. This assignment of resources based on need would have no impact on current funding and supports for residential services.

SIS for 93%, Individual Allocations based on exact cost for 7%

It is understood that about 7% of persons, 580 Kansans in the current DD waiver for example, would have disabilities significant enough that their needs could not be fully recognized using the Supports Intensity Scale (SIS). For these persons approximately 15% of all resources could be distributed based on an individual provider accounting of costs for each person through an Exceptional Allocation Protocol. The remaining 93% of persons, 85% of the available resources, would be allocated based on his or her needs relative to other Kansans with similar needs via the SIS assessment. Some persons may use the entire amount allocated. Other persons, approximately 8%, will have significant events that will require the allocated amount to be adjusted during the year.

SIS allocation based on need phased in over four years

Some persons will have allocation amounts based on need that are greater or less than the amount of resources he or she is currently receiving. For this reason the impact of the SIS should be limited to 20% annually of the historical allocated amount as derived through monthly Medicaid billings. In other words, the power of the SIS to fairly allocate resources will be limited to just 20% the first year, 40% the second year, etc.

For example, if someone were assigned $20,000 in resources annually and the SIS results showed they should have been fairly assigned $10,000 then the amount of adjustment in year one would be no greater than $4000, resulting in an assignment of $16,000 in resources, year two, $3200 less @ $12,800, year three $2560 @ $10,440, and year four $440 less @ $10,000, to reach the fair and equitable assignment. *This does not mean most persons will have a reduction of 20% every year over 4 years*, in fact this most extreme limit financial scenario may not exist for anyone and if it does it would likely be for less than a dozen persons statewide. Most persons will receive an *increased* allocation.

An example of a similar, albeit extreme increased allocation would be someone who is currently receiving $10,000 annually but should be receiving $20,000 to meet his or her assessed needs. The first year adjustment would be no greater than 20% of this difference or $2000 @ $12,000, the second year allocation would be no more than $2,400 @ $14,400, the third year would be $2880 @ $17,280, and the fourth year would be the remaining amount of $2,620 @ $20,000. *In reality, annual adjustments will be between 3% and 7%, typically about $700 more or less.*

A graduated adjustment over four years is necessary to ensure a stable provider network as some providers may have historically served many people who were higher or lower functioning than the norm. A significant single year swing in revenue, positive or negative, can have a destabilizing impact on an organization.

Providers of services should not be concerned as most citizens they serve will both gain and lose revenue slightly through an annual fair individual allocation and the provider's overall financing will remain stable or increase depending on the provider's choices. And, most importantly, when the individual fair annual allocations are considered with separate individual provider rates based on costs, providers are assured of having adequate revenue to meet programmatic and financial obligations.

11% reduction in day/sheltered facility funding

300% increase in supported and customized employment funding

Current day/sheltered center rates would be reduced by 11% with the revenue reallocated to supported/customized employment and 1:1 time limited community access services. It is expected that an additional $12M in new Medicaid supported/customized employment revenue would be available for persons with developmental disabilities and an additional $6M from Vocational Rehabilitation for a total of $18M in new employment investment revenue annually.

Providers of services, particularly providers of day/sheltered facility services will be very interested on how they could have the 11% decrease in payments for their day/sheltered facilities returned. The answer—increase the number of person's receiving supported/competitive employment necessary to realize an 11% increase. Quickly, providers of day/sheltered services will likely realize that the significant increase in Vocational Rehabilitation revenue coupled to a substantial increase in the hourly supported/customized employment ongoing follow along and support rate via Medicaid will easily exceed the potential 11% loss.

An outcome/results based system with new customers annually

It is critical to understand that providers who choose to do little or nothing, that decide not to expand supported employment or customized employment choices will realize a decrease in revenue. Also important is the understanding that a static customer base, thinking these are our 27 people, our 87 people, our 237 people, will also result in lower revenue over time as the impact of successful integrated community employment reduces the need for constant paid support while people are working. It is imperative that rehabilitation/habilitation providers re-purpose the work to deliver outcomes for persons with disabilities that lessen the need for support and thereby lessen ongoing taxpayer costs per person. Providers of rehabilitation/habilitation services are strongly encouraged to develop and grow their customer base by adding additional persons annually via supported/customized employment.

It is estimated that 1.5% of adults nationwide meet the eligibility requirements as having a developmental disability. In Kansas that number would be approximately 35,000 adult working age men and women with a developmental disability. The total number of working age men and women currently receiving services in Kansas with a developmental disability is a bit more than 8000 people. The conclusion—most people eligible for services with a significant intellectual disability, a developmental disability, do not receive any services currently. Many are on Social Security Disability payment assistance.

Who are and where are these 27,000 people in Kansas? It should be considered whether any persons by race, age, or gender are disproportionately underserved in the developmental disabilities service system. It is known that thousands of Kansans remain on waiting lists. Those identified as having a developmental disability during his or her public school years, receiving all of their services through special education, are not, as a matter of common practice, referred to adult supports and services he or she is eligible to receive. There is not a school to work transition law in Kansas that requires Vocational Rehabilitation attendance during the transition years of the special education students' Individual Education Plan development. Little data is available concerning persons, other than persons with developmental disabilities, but it can be easily assumed that the number of persons with significant mental health needs who would qualify and benefit from supported/customized employment is much greater than the number of persons who intellectually function in the lowest 1.5% of society.

How to Build a Simple Individual Provider Hourly Rate Based on Costs

The quick and simple version: *Take the average of all the yearly wages of the job developer/employment/job coach specialist x 1.6, then divide that number by 1200 = provider's hourly rate.*

Example: Average of all the yearly wages (excluding benefits) of the job developer/employment specialist/job coach = $37,440 based on an average hourly pay rate of $18 per hour. $37,440 x 1.6 = $59,904/1200 annual billable hours = individual provider hourly rate of $49.92.

What is the logic behind 1200 billable hours divisor?
What is the logic behind the 1.6 multiplier?

The logic behind 1200 annual billable hours

Assumptions used as an example:
$18.00 per hour average pay;
Job Developer/Employment Specialist/Job Coaches;
Average two or more years of experience in the positions;
College graduates;
Employed full-time;
40 hours per week x 52 weeks = 2080 hours of pay
6 weeks or 240 hours per year deducted as unavailable do to:

Paid vacation;

Illnesses/medical;

Personal business;

Holidays;

This means 1840 hours, not 2080 hours are available for work annually per person

And, of the person's available 40 hour work week:

3.00 hours are unbillable travel.

1.5 hours are unbillable staff meetings, coworker communication.

1.5 hours are unbillable program development (generic, non-person specific employment development, employment research, analysis).

2.0 hours are unbillable record keeping, filing, answering inquiries, emails, billing preparation

.5 hour is unbillable supervised time, communication with supervisor

1.5 hours are unbillable inservice training, individual professional development, professional conferences

1.5 hours are new employee productivity adjustment. 80 unbillable hours first month employed, 40 unbillable hours second month employed

2.5 are paid unbillable personal time

Total number of unbillable paid hours of time average per week = 14

Total number of billable paid hours average per week = 26

Total number of billable paid hours per year 46 weeks x 26 hours = ***1200*** *(1196)*

Total number of billable paid hours average per month = 100

Considerations:

Unbillable travel time some weeks could be 10 hours, some weeks 0 hours.

Unbillable staff meetings and co-worker communication could be 10 hours, some 0.

Unbillable generic job development and research could be 32 hours, some weeks 0.

Unbillable record keeping, filing, answering inquiries could be 8 hours, some 1 hour.

Unbillable supervisor conversations some weeks could be 3 hours, some 0.

Unbillable employee development hours some weeks could be 40 hours, or 0 hours.
New employee billable hour production loss is a reasonable estimate.
Employee personal time will be approximately 30 minutes total a day.

The logic behind the 1.6 multiplier

Same $18.00 per hour employee average as described above.
$18 x 40 x 52 weeks = **$37,440** average wages cost
$13,853 is the combination of *all local, state, federal taxes*, and *all benefits*, including health insurance @ 37% of salary
Employee travel, mileage/transportation costs, occupancy, administrative support, legal, insurances, office equipment, computer, and communication equipment = **$8,611** @ 14.37% of cost.

The total cost is $37,440 + $13,853 + $8611 = ***$59,904***

An hourly rate based on what the state has determined as reasonable costs

$59,904 total costs / 1200 hours = $49.92 per hour

This basic rate setting formula is based on an average wage of $18.00 for a job developer/employment specialist/ job coach working full time, paying taxes, and receiving benefits, including health insurance.

Employee mileage or travel reimbursement is assumed under administrative costs.

For example four full time employees making per hour $16.00, $17.00 $19.00, and $20.00 would create an average wage of $18.00 per hour with total costs of $239,616 and would be expected to have at least 100 hours average per month of billable time, some months more and some months less, but 100 average, for a total for all four employees of 4800 billable hours per year (1200 each).

$239,616/4800 billable hour = $49.92

What is Billable and what is not Billable

Billable

1. Direct face to face on the job or in person teaching/training (job coaching, employment interview, travel training, etc.) *when the person is present*.
2. Direct billable person-specific (not generic) communication and advocacy *when the person is not present* with:
   a) the person's employer, either face to face, by phone, or electronic
   b) parents/guardians, face to face, by phone, or electronic
   c) social services partners, face to face, or electronic
   d) community citizens, doctors, landlords, neighbors, transporters
   e) non-job involvement with the participant
   f) person-specific community employment development, limited to 40-75 hours

Indirect billable: person-specific service development, improvement, planning

Not Billable

Case conference attendance

Community relationship building

Travel.

Staff meetings

Communication with coworkers

Agency or program development

Generic, non-person specific, employment development

Agency or services marketing

Community employment research

Community employment analysis, non-person-specific

Record keeping

Filing

Answering/responding to inquiries

Emails/Invitations

Billing preparation

Communication with supervisor

Inservice training

Individual professional development

Professional conferences attendance

Lost new employee productivity hours. Limited to 80 unbillable hours first month employed, 40 unbillable hours second month employed

Personal time while working

Rule of Thumb: Most activities that are *person-specific* are billable. Activities that are organization or provider related are not billable.

Limitations: State Financing Safeguards

Vocational Rehabilitation Hours should be authorized in a first 100 hour block and in subsequent 50 hour blocks. Continued authorizations for services are predicated on reasonable progress reports to the person's Vocational Rehabilitation Counselor, via brief email, at every 50 hour increment, including the first two 50 hours included in the initial 100 hour block. **The final 50 hours of authorization**, usually within block 2 (100+50), block 3 (100+50+50), or block 4 (100+50+50+50) **should not typically be fully expended.**

Because the rate is developed largely from provider reported salaries of job developers/employment specialists/job coaches, a year end self audit by the provider on actual costs to ensure expenditures (costs) are in accord with the amounts used to develop the provider rate is required. Providers will have routine random audits at the discretion of State Vocational Rehabilitation and Developmental Disabilities. Adjustments in past or future payments should be recommended to remedy discrepancies as necessary.

Support and follow-along services, after VR case closure status 26, require twice monthly onsite visits, unless the frequency of these visits might hinder the participants' employment in accord with the person's Individual Habilitation/Rehabilitation plan.

Hourly support and follow-along services should vary in intensity and frequency over months and be delivered only as needed. Repetitious billing hours, including any form of block or tier-funding, should be seen as providing services that may not be necessary.

It is the state's expectation that employees will be engaged in unbillable travel, meetings, coworker communication, program improvement, generic job development, answering inquiries, emails, billing, record keeping suitable for auditing, communicating with his or her supervisor, participating in inservice training, conferences, professional development, at least two weeks of vacation, approximately 10 days of paid holidays, leave of absences for illness and family as necessary, and be considerably less than fully productive during the first two months of employment.

Under some circumstances employees may take less than anticipated vacations, work some holidays, be more efficient in paperwork and billing, and have few illnesses or leaves of absence. For these reasons in some years an employee may exceed the 100 hours average per month, up to a 1320 hours per year limit. Because the divisor that determines the rate is based on 1200 hours per year, not 1320, regular and consistent employee billing in notable excess of 1200 hours per year will require a rate recalculation based on a divisor of 1320, lowering the rate.

It is expected that direct face to face billings at the employment site will make up at least 60% of the billable time, but direct face to face billings should not exceed 80%

in an evidenced based supported employment or customized employment model of services.

Providers may calculate their own rates based on the state's allowable costs. Providers who pay less, provide high cost to the employee health insurance, do not allow employees time for individual development such as attending conferences, do not bring in non-staff experts for inservice training, or who choose to intact other "efficiencies" to lower costs below the state's expectations in order to realize administrative revenue in excess of 14.37% of costs will be subject to a rate recalculation based on such evidence.

Provider rates based on the following average hourly wage of the job developers, employment specialists, and job coaches. It is expected that wages will be adequate to prevent a greater than 7% agency leaving staff turnover rate, and a 15% staff leaving due to a promotion or internal agency position change reason.

Job Developer, Employment Specialist, Job Coach
Same person or Different People?

Full-time productivity, 100% productivity for a job developer, employment specialist or job coach, is 100 billable hours average per month equaling 1200 hours billable annually. Some organization have persons who are job developer's getting the employer's commitment and the Employment Specialist, who follows up on that commitment, being the exact same person. Other organizations choose to stratify by salary and prestige those persons responsible for Job Development, Employment Specialists, and Job Coaches, who usually provide the support and follow along.

Typically, Job Developers are paid the most and wear more formal clothes, while Support and Follow Along Job Coaches are paid the least and dress more casually. While there is no evidence that stratification of positions involved with Supported or Customized Employment results in reduced or improved outcomes for persons with disabilities, it is recommended that provider's discuss these differing ways of staffing and paying for services in the light of the following information: There is no economic advantage to paying any position less than another as less wages, less benefits, etc. lowers the hourly rate based on total costs of all positions. Second, arguably the largest and one of the most successful organizations providing supported employment services in the Midwest, who had 36 Employment Specialists working full time, had the Job Developer, the Employment Specialist, and the Support and Follow along person as the exact same person.

Employers, faced with one person meeting them as the agency's job developer, another person providing the intensive training for the person to learn the job, and another person to provide the ongoing support and follow-along services, may be discouraged from offering their business as a participant, with multiple provider agency personnel (non-employees and non-customers) coming in and out of his or her business, in particular as turnover of these positions is currently not uncommon.

Staff average hourly wage-hourly payment
for integrated employment services

Hourly Wage		Hourly Payment	
$10.00	-	$27.73	
$11.00	-	$30.51	
$12.00	-	$33.28	
$13.00	-	$36.05	
$14.00	-	$38.82	
$15.00	-	$41.60	$31,200 annual salary
$16.00	-	$44.37	
$17.00	-	$47.14	
$18.00	-	$49.92	$37,440 annual salary
$19.00	-	$52.69	

A consideration: Kansas Teachers with BA BS, MA and MS degrees make an average salary of $47,464 for 9 months of school teaching. Job Developers, Employment Specialists and Job Coaches may be benchmarked for the future with annual wages that are 20% less than Kansas school teachers. Currently that salary would average $37,971 annually.

Enclaves, Mobile work crews, Segregated or Group Services

It is important that congregating, segregating, grouping, and isolating are not financially incentivized. Providers should not be incented by the state to provide group employment. To prevent this, divide the individual rate by the number of persons being served in the employment setting. If the individual supported employment rate based on the provider's costs were $48 per hour, then in a six person enclave environment the rate would be $8.00 per person per hour. If the state allowed someone to supervise say twenty people in a sheltered workshop setting, then the hourly rate, assuming all other benefits and the above criteria were met, would be $2.40 per person per hour. It is important for state policymakers to consider this to determine how much of the resources are going to pay for those who provide direct services and care as compared with physical plant, transportation, and administrative costs.

Milestone Payments

Although the outcomes of going to a milestone or performance-based payment system are being questioned by states due to dwindling employment outcomes over the past two decades as many state Vocational Rehabilitation agencies switched to milestone payments from hourly rates over the last decade, it is still a popular way to pay in some areas of the country, potentially still including Kansas.

Since milestone payments are only paid due to success, and the provider is paid nothing for his or her work if the person fails to reach the next milestone, a provider needs to recover revenue lost in a milestone payment system to stay in business when they do their best but fail to secure a lasting job. It is expected that under the best circumstances, about 71% of persons will succeed in becoming employed the first time employment is tried (of those 29% that "fail" 85% will likely succeed in the next employment opportunity based on all that was learned in the first unsuccessful employment placement). The average number of hours of billable intervention to secure integrated employment is 200, some will need but 90 hours, others will need 400 hours. At 200 hours x $49.92 rate per hour the average cost of employment in a good job that other people would want at an average of 26 hours working per week would be $9,982. This hourly payment to the provider is for person specific direct and indirect time as described previously.

Some persons, about 3 out of 10, are expected to be unsuccessful in securing employment and that represents no loss of income in an individual hourly funding method of payment as providers are paid for delivering any specific billable habilitative/rehabilitative services whose ultimate worth is likely to come, even if it is currently considered unsuccessful.

But in a milestone system providers are not paid for delivering habilitative/rehabilitative services if they are not successful, every milestone along the way. To ensure providers stay financially whole and are paid the full cost of their supported employment and customized employment efforts, rates for the total milestone payments would be higher, 1.29 x $9,982 = $12,877.

Additional Deliverables

A Written Analysis of multiple funding and support structures, in particular self-directed employment funded services, will outline the advantages of using this new funding mechanism in Kansas with Self-directed Funding. A Written Analysis of disability services funding models will explore the advantages and disadvantages of hourly payment and milestone payment funding mechanisms, with particular attention to hybrid funding mechanisms that contain elements of both. Greater non-written detail is necessary to ensure the successful implementation of this complex to explain but Simple to Use Rate Methodology.