Colorado Division for Developmental Disabilities
Comprehensive Waiver Proposed Rates and Impact Analysis

FINAL REPORT

December 13, 2007

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Executive Summary

The Colorado Division for Developmental Disabilities retained the services of Human Services Research Institute (HSRI) and Navigant Consulting, Inc. (NCI) to provide technical assistance and develop a rate setting methodology to address concerns raised by the Federal Centers for Medicare and Medicaid Services (CMS) regarding the financial accountability and payment rates for the Comprehensive Waiver. This report outlines the proposed draft rates and describes the methodologies and assumptions used to calculate the rates. In addition, this report describes the initial fiscal impact analysis designed to determine how the rates will interact with the State's Comprehensive Waiver appropriations budget and the impact on providers.

Navigant Consulting developed the proposed rates for Residential Habilitation and Day Habilitation based on the rate structures proposed by HSRI based on assessment of participant support needs and the assumptions related to the costs of providing services to various participant support levels, as approved by the State, described later in this report. We have summarized the proposed rates in the table below.

Table 1: Proposed Rates by Service and Level

Service Category and Level	Unit of Service	Proposed Rate	Proposed Rate Adjusted for Budget Neutrality (75.56%)
Targeted Case Management	Month	$185.83	N/A
Residential Habilitation-Group Home	Day		
Level 1		$119.15	$90.03
Level 2		131.87	99.64
Level 3		147.14	111.18
Level 4		169.08	127.75
Level 5		205.77	155.48
Level 6		268.08	202.56
Residential Habilitation-Host Home	Day		
Level 1		$109.77	$82.94
Level 2		128.36	96.99
Level 3		152.15	114.96
Level 4		187.33	141.55
Level 5		246.93	186.58
Level 6		356.01	269.00

Service Category and Level	Unit of Service	Proposed Rate	Proposed Rate Adjusted for Budget Neutrality (75.56%)
Residential Habilitation-Personal Care Attendant (“PCA”)	Day		
Level 1		$133.29	$100.71
Level 2		155.46	117.46
Level 3		184.11	139.12
Level 4		226.34	171.03
Level 5		297.00	224.42
Level 6		426.00	321.88
Day Habilitation-Facility Based	15 Minutes		
Level 1		$2.42	$1.83
Level 2		2.95	2.23
Level 3		4.04	3.05
Level 4		8.18	6.18
Day Habilitation-Non-Facility Based	15 Minutes		
Level 1		$2.69	$2.03
Level 2		3.79	2.86
Level 3		8.18	6.18
Supported Employment	15 Minutes		
Individual		$12.16	$9.19
Group Level 1		3.15	2.38
Group Level 2		4.50	3.40
Group Level 3		9.91	7.49
Behavioral Services	15 Minutes		
Lead		$26.50	$20.02
Senior		20.92	15.81
Behavioral Plan Specialist		10.46	7.90
Line		8.02	6.06

Introduction

In 2004, the Centers for Medicare and Medicaid Services ("CMS") conducted its review of the State of Colorado's ("the State") Comprehensive Waiver and mandated that the State remove certain services from the waiver that are available under the Medicaid State Plan and unbundle certain other services. In 2005, CMS raised additional serious concerns regarding financial accountability in the Comprehensive Waiver. CMS also asserted that the State's practice of permitting Community Centered Boards ("CCB") to establish payment rates was not in compliance with the requirement that payments to providers be based on a uniform, consistently applied rate setting methodology, as specified in the CMS November 2005 HCBS Waiver application technical guidance.

To address some of the CMS concerns in the short term, the State quickly developed "uniform" interim payment rates and shifted to direct, standard fee-for-service billing for Comprehensive Waiver services through the state MMIS. Although the issues raised by CMS revolved around the Comprehensive Waiver, it became clear to State officials that similar issues are present in the Supported Living Services ("SLS") Waiver management/payment architecture. The SLS Waiver program furnishes services to individuals with developmental disabilities who do not require residential services 24 hours per day, seven days per week, and who principally live with their families. The State is anticipating the need to institute changes in the SLS Waiver that will parallel changes to the Comprehensive Waiver. The rate methodology and proposed rates for the Comprehensive Waiver may serve as guidance for potential modifications to the SLS Waiver service rates.

The steps the State has taken so far to address the CMS concerns about financial accountability, rates and payments are initial measures implemented to secure near-term compliance with CMS requirements but are not expected to provide the appropriate financial foundation for the long-term. The State does not consider the interim Comprehensive Waiver payment rates a sustainable basis for paying for waiver services.

This report provides a detailed description of a proposed long-term rate modeling methodology for each involved Comprehensive Waiver service as well as proposed SFY 2009 rates for those services. The State established the parameter that these rates correspond to the assessed support needs of waiver participants, as measured by the Supports Intensity Scale ("SIS"). The State trained case managers to administer the SIS and commissioned a representative sample of 549 SIS assessments. After the initial sample process, the CCBs worked to administer the SIS to all waiver consumers. As of mid-October 2007, all 20 CCBs had completed the administration of the SIS for all of their Comprehensive Waiver participants. In addition to Comprehensive Waiver services, this report also includes a proposed methodology for paying CCBs for the provision of Targeted Case Management ("TCM") services, a State Plan service not offered through the Waiver.

As part of the rate development process, Navigant Consulting sought guidance from a Technical Advisory Group (“TAG”) made up of Colorado providers, association representatives and advocates. The TAG convened biweekly during the spring of 2007 to discuss various components of the ratesetting process. In particular, the group discussed issues related to the rates and assisted with compiling supplemental data that were used to check the reasonableness of the assumptions included in the ratesetting methodology. The TAG was instrumental in the development of a cost survey tool designed to collect information on wages, costs and program statistics from a select group of providers. The TAG members who represented provider organizations participated in responding to the survey.

Cost Model Methodology

Navigant Consulting proposed a rate setting methodology based on "industry standard" data adjusted for local experience. This methodology is appropriate because cost report data were not available consistently at a level of detail and dis-aggregation that would have supported other foundations for ratesetting. This approach involved first identifying the key cost components associated with payment levels for the services provided through the Comprehensive Waivers. Baseline cost estimates used data collected from several data sources for each of the key cost components. More detail on the sources of data is in the section "Sources of Data," later in this report. The model also incorporated experience from local sources collected through a Cost Survey of targeted CCBs and provider agencies.

The core cost components include allowable costs for direct personnel and non-personnel related expenses as well as indirect expenses related to administrative functions. The proposed cost model allows the payment levels to be responsive to a number of factors critical to the system (as defined in legislation, policy and project dialogue). Residential Habilitation and Day Habilitation services are associated with the needs-based levels established through analysis of the SIS data within the construct of the Colorado service system.

This report presents proposed rates designed to equitably redistribute available legislative appropriation. These rates are based on a series of assumptions and data elements incorporated into a data model. This report also presents the results of our fiscal impact analysis to determine whether these rates are "budget neutral" in that the total payments using the proposed rates do not exceed the State's appropriation for these services. A description of our fiscal impact analysis begins on page 28 of this report.

Supports Intensity Scale ("SIS") and Levels

The SIS is a needs assessment tool specifically designed and developed by the American Association on Intellectual and Developmental Disabilities ("AAIDD")[1] to measure the need for assistance with the daily performance of typical tasks, instead of functional abilities. According to AAIDD, the SIS is, "designed to measure the level of practical supports required by people with intellectual disabilities…to lead normal, independent, and quality lives in society." An article published in the Journal of Mental Retardation presented the results of an evaluation of this assessment approach for support needs. This statistical and literature-based evaluation found the tool to be valid and reasonable when used to measure support needs.[2] Since its initial publication in 2003, the SIS has generated a great deal of interest from state officials who have responsibility for determining accurate and equitable methods for allocating service-related resources based on individual need.

The State decided to move all DD providers to the standardized SIS as a needs assessment tool. After the CCBs completed SIS assessments for all waiver consumers, the HSRI team analyzed the SIS data. This analysis identified an approach for assigning waiver participants to resource-need levels based on the assessed support needs of waiver participants that were then associated with proposed rates developed through the cost model. The State approved the approach identified by HSRI for assigning individuals to resource need levels. These levels now serve as the basis for the level delineation in Residential Habilitation and Day Habilitation services. Other services included in this report will not have different rates for different support needs.

The following sections present the levels and associated SIS scores as determined by HSRI. For more detail regarding the methodology used to determine these levels, please see **Appendix A** at the end of this report.

Residential Habilitation

The State currently reimburses for Residential Habilitation services using Interim Tier rates. The current interim rates have seven tiers, based on historical payments for recipients, and the rates do not vary by type of residential setting. In the proposed rate structure, HSRI used the SIS assessment tool to assign each recipient to a Residential Habilitation rate level. Navigant Consulting distinguished rates by the three different residential settings within each level, Group Home, Host Home and Personal Care Attendant ("PCA"). The State believes that developing rates that are appropriate for

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[1] Formerly the American Association on Mental Retardation ("AAMR"). The association officially changed its name in November of 2006.

[2] "Integrating Supports in Assessment and Planning," James R. Thompson, Carolyn Hughes, Robert L. Schalock, Wayne Silverman, Marc J. Tasse, Brian Bryant, Ellis M. Craig and Edward M. Campbell, American Journal on Mental Retardation, Vol. 40, No. 5: 390-405, October 2002.

each type of residential setting will enhance consumer choice by mitigating the financial incentive providers may have to develop service capacity that does not include a full spectrum of residential options.

Table 2 summarizes the seven resource need levels for Residential Habilitation services, which scale upward with intensity of support need (See Appendix A for more details):

Table 2: SIS Scores and Residential Habilitation Level Assignments[3]

Level	Number of Individuals	Percent of Individuals
Level 1	982	27.6%
Level 2	596	16.8%
Level 3	589	16.5%
Level 4	489	13.7%
Level 5	504	14.2%
Level 6	267	7.5%
Level 7: Persons with Tier 7 rates regardless of SIS results (no standard rate is developed for this category)	134	3.8%
Total	**3,561**	**100%**

Day Habilitation

Similar to Residential Habilitation services, the State currently reimburses for Day Habilitation services using Interim Tier rates. There are currently seven tiers, again based on historical payments for recipients. In the proposed rate structure, HSRI used the SIS assessment tool to assign each recipient with a score, which determined which of the three rate levels apply. Additionally, rates were distinguished for services provided in a Group setting versus a Non-Group setting. Two additional Levels are proposed for individuals with especially intensive support needs.

HSRI used a process similar to that used for Residential Habilitation to identify three SIS-based Day Habilitation levels. The Day Habilitation report is attached as **Appendix B**. HSRI selected the established Residential Habilitation Levels as the basis for the three Day Habilitation Levels. Table 3 shows the potential distribution of people in each of the three levels. HSRI included the service Supported Employment ("SE") in this analysis.

[3] Source: HSRI Proposed Residential Habilitation Levels (Appendix A)

Table 3: SIS Scores and Levels, Day Habilitation and Supported Employment

Level and Category of Service	Number of Individuals	Average SIS Score
Level 1		
Day Hab Only	817	96.19
SE + Day Hab	408	90.78
SE Only	268	86.96
Level 2		
Day Hab Only	856	105.75
SE + Day Hab	135	99.93
SE Only	48	98.35
Level 3		
Day Hab Only	716	108.66
SE + Day Hab	114	98.12
SE Only	26	94.27

HSRI assigned Day Habilitation levels by tying them to the Residential Habilitation levels defined previously. Individuals in Residential Habilitation Levels 1 and 2 are assigned to Day Habilitation Level 1, Residential Habilitation Levels 3 & 4 are assigned to Day Habilitation Level 2 and Residential Habilitation Levels 5 and 6 are assigned to Day Habilitation Level 3.

Sources of Data

The rate model methodology requires many assumptions to generate reasonable rates for each service and participant support level within that service. These assumptions include staff wages and benefits, types of employees, staffing ratios, participant support level-of-need, non-direct cost allocations, and other factors all of which may vary depending on the service. There are several standardized sources for these data available from agencies within the Federal Government. Most of these data sources provide Colorado statewide information and some data is available by county or Metropolitan Statistical Area ("MSA"). According to the United States Census Bureau, "The Office of Management and Budget (OMB) defines metropolitan and micropolitan statistical areas for purposes of collecting, tabulating, and publishing Federal data. Metropolitan and micropolitan statistical area definitions result from applying published standards to Census Bureau data." There are seven MSAs in the State of Colorado. Not all individuals living in Colorado are located inside the boundaries of a MSA. In addition to Federal data, the TAG participated in the development of a Cost Survey designed to help check assumptions made using standardized data and industry standards.

Bureau of Labor Statistics Wage Data

Nationally recognized labor statistics are the starting point for the rate modeling process, with the additional inclusion and consideration of local information. Because wages are the most influential cost driver in all of the rate models, we focused on average annual wage data available from the Federal Bureau of Labor Statistics. The most recent comprehensive wage data available at the time of the March 2007 report was from May 2005[4]. The BLS has standard occupation categories and associated codes. With the assistance of the TAG, NCI focused on the following job categories and average hourly rates for the proposed ratesetting process.

[4] These are actual May 2005 wages, not adjusted for inflation.

Table 4: Employment Categories and Average Hourly Wages

Employment Category (BLS Occupation Code)	Average Hourly Wage May 2005
Medical and Health Services Managers (11-9111)	**$38.14**
Social and Community Service Managers (11-9151)	**$26.06**
Social Workers, All Other (21-1029)	**$18.41**
Registered Nurses (29-1111)	**$27.09**
Licensed Practical and Licensed Vocational Nurses (29-2061)	**$18.05**
Home Health Aides (31-1011)	**$9.72**
Health Care Support Workers, All Other (31-9099)	**$14.51**
Recreation Workers (39-9032)	**$11.97**

We subsequently adjusted these wage rates for use in the rate models for local adjustments. These adjustments are discussed later in this report.

Cost Survey

To check assumptions used in the rate modeling process, NCI, with assistance from the TAG, developed a Cost Survey to capture aggregated data on total costs by service and by type of employee. The data collected with this survey also provide a means of evaluating the reasonableness of the Bureau of Labor Statistics wage data used in the models. We have attached a copy of the survey as **Appendix C**.

The State selected ten providers to participate in the survey. According to the State, these providers were a representative sample of large and small providers in Colorado. The TAG members who represented provider organizations participated in responding to the survey. Navigant Consulting distributed the surveys on February 15, 2007 and collected results on March 5, 2007. A summary report highlighting the results of the Cost Survey (**Appendix D**) was provided to the State on March 12, 2007 and discussed with the TAG on March 19, 2007.

The survey collected data related to the four categories of service for which Navigant Consulting is proposing Comprehensive Waiver rates: Residential Habilitation, Day Habilitation, Supported Employment and Behavioral Services. The Uniform Accounting and Reporting Procedures Manual for Community Centered Boards provided guidance to the respondents regarding allowable costs. Nine of the ten providers responded to the survey; a response rate of 90 percent. The data collected alone did not determine the proposed ratesetting assumptions; however the survey information helped inform the process and analysis.

Proposed Rate Model Methodology

The rationale and general concept for modeling rates based on cost assumptions is described in the section "Cost Model Methodology," above. The proposed rates reflect a consistent model structure that allows appropriate variation in assumptions and involved cost elements that reflect differences in service components and costs. Despite this variability in assumptions and cost elements, many of the fundamental calculations and rate build-up steps are the same. In general, the model uses assumptions about types of employees, level of effort and/or staffing ratios, staff wages, benefits and support factors, supervisor span of control, non-direct cost allocation ratios, vacancy rates for both employees and consumers . Each service's methodology, rate build-up and proposed rates are outlined below. Table 5 provides the rates by service without supporting detail.

As discussed above, the Residential Habilitation and Day Habilitation services have rates that vary based on support need as determined by the SIS assessment. The proposed rates use the same unit of service definitions as the current rates.

Table 5: Proposed Rates by Service and Level

Service Category and Level	Unit of Service	Proposed Rate	Proposed Rate Adjusted for Budget Neutrality (75.56%)
Targeted Case Management	Month	$185.83	N/A
Residential Habilitation-Group Home	Day		
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Residential Habilitation-Host Home	Day		
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Service Category and Level	Unit of Service	Proposed Rate	Proposed Rate Adjusted for Budget Neutrality (75.56%)
Residential Habilitation-Personal Care Attendant ("PCA")	Day		
Level 1		$133.29	$100.71
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Level 3		184.11	139.12
Level 4		226.34	171.03
Level 5		297.00	224.42
Level 6		426.00	321.88
Day Habilitation-Facility Based	15 Minutes		
Level 1		$2.42	$1.83
Level 2		2.95	2.23
Level 3		4.04	3.05
Level 4		8.18	6.18
Day Habilitation-Non-Facility Based	15 Minutes		
Level 1		$2.69	$2.03
Level 2		3.79	2.86
Level 3		8.18	6.18
Supported Employment	15 Minutes		
Individual		$12.16	$9.19
Group Level 1		3.15	2.38
Group Level 2		4.50	3.40
Group Level 3		9.91	7.49
Behavioral Services	15 Minutes		
Lead		$26.50	$20.02
Senior		20.92	15.81
Behavioral Plan Specialist		10.46	7.90
Line		8.02	6.06

The following sections describe in detail the process used to develop proposed rates for each Comprehensive Waiver service. These descriptions include an explanation of the assumptions, units of service and the application of factors to develop the proposed rates. A table containing the general assumptions for each rate model is included as **Appendix E**. We provide the detailed models for all services in **Appendix F**.

It is important to note that we based all assumptions in the rate models on averages, aggregated estimates and discussions with the TAG and the State. Navigant Consulting designed these rates to be reasonable, based on the best available information and State approval. It would be impossible to exactly match any of these factors (e.g. staffing ratio, staff wages, etc.) to those in existence at any given provider, but the averages across providers with reference to industry standards provides a reasonable basis for standardized rates.

Targeted Case Management

To develop a monthly rate for Targeted Case Management ("TCM"), we first estimated the average number of hours a case manager and a case manager supervisor will spend on a case each month. We then estimated the personnel related costs for these hours, and included consideration for non-direct cost allocations. The proposed rate is based on the following assumptions.

- <u>Direct Personnel Costs</u>: The basis of all of the proposed rates is direct service wages. There are two sets of wages, case manager and supervisor, in the Targeted Case Management model. We derived both wages from May 2005 BLS statewide wage data. We adjusted these wages for inflation by using the Medicare Economic Index. One of the indexes CMS develops is specific to home health. Within each index there are several categories, we used the salaries and wages category within the home health index to calculate the projected inflation adjustment of 11.1 percent from 2005 through the mid-point of SFY 2009.

- <u>Caseload:</u> This drives the average number of hours assumed for a given case in a month, based on a 40 hour work week. The proposed rate assumes a caseload of 40 cases per case manager, which translates to 4.3 hours devoted to each client each month.

- <u>Supervisor Span of Control</u>: The supervisor span of control is the number of employees providing direct service supervised by a supervisor. This component of the rate model captures the costs associated with direct supervision; other levels of management are contained in the non-direct cost allocation, Program Support: Payroll Related. The Targeted Case Management model allows for one supervisor for every ten case managers.

- <u>Benefits Factor</u>: The benefits factor represents taxes and benefits for the direct care employee and the direct care supervisor. We calculated the benefits factor using reported costs in the spring 2007 targeted cost and wage survey. We used all services reported and determined the proportion of benefits costs associated with all reported salaries. We use the same benefits factor for all of the proposed rates, which is 24 percent.

- <u>Program Support--Payroll Related</u>: This category of non-direct cost allocations captures salaries and benefits not captured in the direct care or supervisor of direct care components of the rate. As with all non-direct cost allocations, we calculate these costs as a percentage of the direct care salaries and benefits. The source of all of the non-direct cost allocations is the spring 2007 targeted cost survey. The percentage add-on for this category of costs is 13.2 percent. The salaries and benefits included are those of program managers, associate program managers, program directors and program secretaries.

- <u>Program Support—Non-Payroll Related</u>: This category of non-direct cost allocations includes program expenses, medical professional services, staff development, staff travel and vehicles. The percentage add-on is 12.5 percent and is based on data reported in the spring 2007 targeted cost survey.

- <u>Other Non-Direct Program Related Expenses</u>: This category of non-direct cost allocations captures general program management costs. These costs include program administration expenses, other professional services, telephone, dues and subscriptions, insurance and other general management expenses. The percentage add-on is 18.4 percent and is based on data reported in the spring 2007 targeted cost survey.

- <u>Facility Related Costs</u>: This category of non-direct cost allocations captures costs associated with the office space for the case manager. The 2007 cost survey asked providers to report on costs by service—Day Habilitation, Residential Habilitation and Supported Employment. The business model for Supported Employment is the closest in nature to Targeted Case Management, so we used the survey data associated with Supported Employment to develop this allocation percentage. The percentage is 4.0 percent and includes rent/leases, maintenance and utilities.

- <u>Management and General</u>: The spring 2007 cost survey may not have captured all administrative costs associated with providing Comprehensive Waiver services. To reflect costs like those of the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other non-program general administration, we included an additional overhead percentage of 5 percent.

Table 6 shows the build-up of the rates, based on the assumptions described above.

Table 6: Reimbursement Rate by Cost Model Component Category

$/Month	Category
$106.07	Case Manager
15.01	+ Case Management Supervision
$121.08	Direct Personnel Cost
15.98	+ Program Support: Payroll Related
15.14	+ Program Support: Non-Payroll Related
22.28	+ Other Non-Direct Program Related Expenses
4.84	+ Facility Related Costs
6.05	+ Management and General
$185.38	**= Rate per Month of Service**

Residential Habilitation

Residential Habilitation is a service provided in three distinct residential settings: group homes, host homes and independent living situations (also referred to as Personal Care Alternatives or PCAs). The State made a policy decision to create separate payment rates by each of these three settings to reflect varying cost elements and assumptions and to safeguard against inadvertently creating inappropriate incentives for selecting one Residential Habilitation setting over another. NCI's proposed rates include some assumptions that are the same for each Residential Habilitation setting type, and a set of assumptions that vary by level and setting.

- <u>Direct Personnel Costs</u>: The basis of all of the proposed rates is direct service wages. There are three sets of wages relevant to the Residential Habilitation rate build up: direct care, direct care supervisor and nursing. We derived the wages from the spring 2007 targeted cost survey and May 2005 BLS statewide wage data. Navigant Consulting assumed an hourly wage of $11.50 for direct staff, $13.50 for direct staff supervisors and $20.00 for nursing staff. These assumptions were the same for all residential settings and are consistent with wage rates reflected in the BLS data and collected in the cost survey. The direct care staff wage is slightly higher than the average wage collected through the cost survey ($11.18) to include consideration for the BLS Home Health Aide wage ($9.72) and Health Care Support Workers, All Other ($14.51). We based the direct care supervisor wage on the average wage in the cost survey ($13.44). The nursing wage combines the cost survey average registered nurse wage ($24.86) and the licensed practical nurse wage ($18.18). Most of these wages are not direct averages, but we derived the wages using the wage data collected in the survey compared to the BLS wage data. We adjusted these wages for inflation by using the Medicare Economic Index. We used the salaries and wages category within the home health index to calculate the projected inflation through the mid-point of SFY 2009. The inflation adjustment is 11.1 percent.

- Staffing Ratios: The staffing ratio allows the calculation of the average number of hours of service received by each resident per defined unit of service (i.e. hours of service per day). For the Group Home rates, we assumed different staffing ratios for time the client is awake, asleep, on holiday leave or home ill. We calculated a weighted average staffing ratio using sleep and awake time assumptions. For Host Home and PCA rates we assume a staffing ratio for time the client is awake, on holiday leave and home ill. We then used this weighted average ratio to estimate the number of service hours received by each resident. Staffing ratios vary by level and by residential setting. Additional detail about the staffing ratios at each level for each setting is in **Appendix E** and **Appendix F**. These ratios are consistent with the resource need findings of HSRI's SIS analysis.

- Supervisor Span of Control: The proposed Group Home rates assume a supervisor ratio of one off site supervisor over 18 direct care staff across several group homes (i.e. a 1:18 ratio). The Host Home and PCA rates assume a supervisor span of control of 1:15 to allow for the additional supervisory work associated with a more disparate work force.

- Resident Sick Leave and Holidays: The staffing ratio includes consideration for additional staff necessary to accommodate care given to the residents when they are unable to attend their regularly scheduled day programs. A 1:1 staffing ratio incorporates additional service hours related to client sick days. It is likely that, on average, only one resident is sick on any given day. The holiday leave ratio is the same as the awake ratio on the assumption that, on average, residents will have similar holidays off from their day program or jobs. The proposed rates assume, on average, that residents experience 5 sick days and 10 holidays in a year and this assumption does not vary by type of setting. The impact of this adjustment is small.

- FTE Factor: We make an adjustment to the total working hours in a year (2,080) to reflect the days that are unavailable for serving recipients for staff absences due to vacation, sick time, holidays, and training. The proposed rates assume a direct care employee and the supervisor of that employee will receive ten days of vacation, ten sick days, ten days of training and ten holidays. This assumption results in an adjustment factor of 1.15.

- Benefits Factor: The benefits factor represents taxes and benefits for all staff involved in the provision of Residential Habilitation. We calculated the benefits factor using reported costs in the spring 2007 targeted cost and wage survey. We used all services reported and determined the proportion of benefits costs associated with wages. We use the same benefits factor for all of the proposed rates, which is 24 percent.

- Nurse to Resident Ratio: The proposed rates include costs for hours of nursing care provided to each resident. This assumption varies by level. We assume that a Level 1 recipient will receive an average of 0.5 hours of nursing services each week. Similarly, we assume that a recipient will receive 1.0 hours of nursing service at Level 2, 1.3 hours at Level 3, 2.0 hours at Level 4, 4.0 hours at Level 5 and 8.0 hours at Level 6. These assumptions are consistent for all residential settings. The variation in number of hours of nursing service at each level is predicated on the assumption that support needs for nursing services will vary in a similar fashion as the support needs for direct care.

- Hours in Day Programming: Another factor that influences the number of hours of direct service provided to each resident is the amount of time spent in day programming. The proposed rates assume Group Home and Host Home residents spend about twenty hours away from the residence each week, consistent with the SFY 2007 claims data (23 hours in Day Habilitation and Supported Employment on average), provider and Division experience and program knowledge.

- Program Support--Payroll Related: This category of non-direct cost allocations captures salaries and benefits not captured in the direct care or supervisor of direct care components of the rate. As with all non-direct cost allocations, we calculate these costs as a percentage of the direct care salaries and benefits. The source of all of the non-direct cost allocations is the spring 2007 targeted cost survey. The percentage add-on for this category of costs is 13.2 percent. The salaries and benefits included are those of program managers, associate program managers, program directors and program secretaries.

- Program Support—Non-Payroll Related: This category of non-direct cost allocations includes program expenses, medical professional services, staff development, staff travel and vehicles. The percentage add-on is 12.5 percent and is based on data reported in the spring 2007 targeted cost survey.

- Other Non-Direct Program Related Expenses: This category of non-direct cost allocations captures general management costs. These costs include program administration expenses, other professional services, telephone, dues and subscriptions, insurance and other general management expenses. The percentage add-on is 18.4 percent and is also based on data reported in the spring 2007 targeted cost survey.

- Management and General: The spring 2007 cost survey may not have captured all administrative costs associated with providing Comprehensive Waiver services. To reflect costs like those of the CEO , CFO and other non-program general administration, we include an additional overhead percentage of 5 percent.

Tables 7, 8 and 9 below show the build-up of the rates for Group Home, Host Home and PCA residential settings respectively, based on the assumptions described above.

Table 7: Group Home Residential Habilitation Rate Build-Up

Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Category
$73.60	$80.19	$88.85	$100.77	$118.19	$146.06	Direct Care Workers
4.80	5.23	5.79	6.57	7.71	9.52	+ Direct Care Supervision
$78.40	$85.42	$94.65	$107.34	$125.90	$155.58	= Direct Care Cost Component
10.35	11.27	12.49	14.17	16.62	20.54	+ Program Support: Payroll Related
9.80	10.68	11.83	13.42	15.74	19.45	+ Program Support: Non-Payroll Related
14.43	15.72	17.42	19.75	23.16	28.63	+ Other Non-Direct Program Related Expenses
3.92	4.27	4.73	5.37	6.29	7.78	+ Management and General
$2.26	$4.51	$6.02	$9.03	$18.06	$36.11	Nursing Component
$119.15	**$131.87**	**$147.14**	**$169.08**	**$205.77**	**$268.08**	**= Rate per Day of Residential Service**

Table 8: Host Home Residential Habilitation Rate Build-Up

Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Category
$65.73	$75.72	$89.34	$109.01	$139.93	$195.58	Direct Care Workers
6.38	7.35	8.67	10.58	13.58	18.98	+ Direct Care Supervision
$72.11	$83.06	$98.01	$119.59	$153.50	$214.55	= Direct Care Cost Component
9.52	10.96	12.94	15.79	20.26	28.32	+ Program Support: Payroll Related
9.01	10.38	12.25	14.95	19.19	26.82	+ Program Support: Non-Payroll Related
13.27	15.28	18.03	22.00	28.24	39.48	+ Other Non-Direct Program Related Expenses
3.61	4.15	4.90	5.98	7.68	10.73	+ Management and General
$2.26	$4.51	$6.02	$9.03	$18.06	$36.11	Nursing Component
$109.77	**$128.36**	**$152.15**	**$187.33**	**$246.93**	**$356.01**	**= Rate per Day of Residential Service**

Table 9: PCA Residential Habilitation Rate Build-Up

Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Category
$81.50	$93.89	$110.78	$135.17	$173.51	$242.51	Direct Care Workers
6.38	7.35	8.67	10.58	13.58	18.98	+ Direct Care Supervision
$87.88	$101.24	$119.45	$145.75	$187.09	$261.49	= Direct Care Cost Component
11.60	13.36	15.77	19.24	24.70	34.52	+ Program Support: Payroll Related
10.99	12.65	14.93	18.22	23.39	32.69	+ Program Support: Non-Payroll Related
16.17	18.63	21.98	26.82	34.42	48.11	+ Other Non-Direct Program Related Expenses
4.39	5.06	5.97	7.29	9.35	13.07	+ Management and General
$2.26	$4.51	$6.02	$9.03	$18.06	$36.11	Nursing Component
$133.29	**$155.46**	**$184.11**	**$226.34**	**$297.00**	**$426.00**	**= Rate per Day of Residential Service**

Day Habilitation

Day Habilitation is a service provided in two distinct settings or configurations: Facility Based and Non-Facility Based. Facility Based rates are anticipated to support standard Day Habilitation services, while Non-Facility Based rates are intended to support customized Day Habilitation services, which are provided in community integrated settings. Similar to Residential Habilitation, the Day Habilitation rates are based on certain fixed assumptions and certain assumptions that vary by level, as described below.

- <u>Direct Personnel Costs:</u> Navigant Consulting used the same SFY 2006 assumptions for Day Habilitation as were used for Residential Habilitation with respect to the hourly wages for direct staff and supervisors of direct staff, $11.50 and $13.50 respectively. We adjusted these wages for inflation by using the Medicare Economic Index, 11.1 percent.

- <u>Staffing Ratios:</u> Staffing ratios vary by level and by Facility Based and Non-Facility Based settings. These ratios vary from 1:4.7 at Level 1 to 1:1 at Level 4 for Facility Based services and between 1:4 and 1:1 for Non-Facility Based services. We used the staffing ratios established for Residential Habilitation Group Home to create the Day Habilitation Facility Based staffing ratios. As previously discussed, HSRI assigned individuals with Residential Habilitation Levels 1 and 2 to Day Habilitation Level 1, Residential Habilitation Levels 3 and 4 to Day Habilitation Level 2 and Residential Habilitation Levels 5 and 6 to Day Habilitation Level 3.

- Supervisor Span of Control: The proposed Day Habilitation rates assume a supervisor span of control of 1:10. The Division considers this an average span of control ratio for all Day Habilitation services. This is the same span of control used in all other services, with the exception of Residential Habilitation.

- FTE Factor: We make an adjustment to the total working hours in a year (2,080) to reflect the days that are unavailable for serving recipients for staff absences due to vacation, sick time, holidays, and training. The proposed rates assume a direct care employee and the supervisor of that employee will receive ten days of vacation, ten sick days, ten days of training and ten holidays.

- Benefits Factor: The benefits factor represents taxes and benefits for all staff involved in the provision of Day Habilitation. We calculated the benefits factor using reported costs in the spring 2007 targeted cost and wage survey. We used all services reported and determined the proportion of benefits costs associated with wages. We use the same benefits factor for all of the proposed rates, 24 percent.

- Direct Care Support Factor: This is a factor designed to capture time that the direct care staff do not spend with consumers, but which is necessary to support their direct care, including but not limited to logistics arrangements, travel time to and from sites, progress notes and other services not considered face-to-face. The Day Habilitation Non-Facility based rate includes a factor of 5 percent, based on an average of two hours per forty hour work week devoted primarily to the arrangement of community outings.

- Program Support-Payroll Related: This category of non-direct cost allocations captures salaries and benefits not captured in the direct care or supervisor of direct care components of the rate. As with all non-direct cost allocations, we calculate these costs as a percentage of the direct care salaries and benefits. The source of all of the non-direct cost allocations is the spring 2007 targeted cost survey. The percentage add-on for this category of costs is 13.2 percent. The salaries and benefits included are those of program managers, associate program managers, program directors and program secretaries.

- Program Support—Non-Payroll Related: This category of non-direct cost allocations includes program expenses, medical professional services, staff development, staff travel and vehicles. The percentage add-on is 12.5 percent and is based on data reported in the spring 2007 targeted cost survey.

- Other Non-Direct Program Related Expenses: This category of non-direct cost allocations captures general management costs. These costs include program administration expenses, other professional services, telephone, dues and subscriptions, insurance and other general management expenses. The percentage add-on is 18.4 percent and is also based on data reported in the spring 2007 targeted cost survey.

- Facility Related Costs: This category of non-direct cost allocations captures costs associated with the facility space for Day Habilitation programs including rent/leases, maintenance and utilities. The 2007 cost survey asked providers to report on costs by service. The business model for Supported Employment is the closest in nature to Day Habilitation Non-Facility Based, so we used the calculations associated with Supported Employment to develop this 4.0 percent allocation percentage. . The reported costs for Day Habilitation serve as the basis for the facility related cost component of the Day Habilitation Facility Based rate, 11.5 percent, this service has a higher facility cost due to the need to provide a facility for consumers and not just staff offices.

- Management and General: The spring 2007 cost survey may not have captured all administrative costs associated with providing Comprehensive Waiver services. To reflect costs like those of the CEO, CFO and other non-program general administration, we included an additional overhead percentage of 5 percent.

Tables 10 and 11 show the build-up of the rates for Day Habilitation in the Group and Non-Group settings, based on the assumptions described above.

Table 10: Day Habilitation Rate Build-Up—Facility Based

Level 1	Level 2	Level 3	Level 4	Category
$0.97	$1.30	$1.98	$4.56	Direct Care Workers
0.53	0.53	0.53	0.53	+ Direct Care Supervision
$1.50	$1.84	$2.52	$5.09	Direct Care Cost Component
0.20	0.24	0.33	0.67	+ Program Support: Payroll Related
0.19	0.23	0.31	0.64	+ Program Support: Non-Payroll Related
0.28	0.34	0.46	0.94	+ Other Non-Direct Program Related Expenses
0.17	0.21	0.29	0.59	+ Facility Related Costs
0.08	0.09	0.13	0.25	+ Management and General
$2.42	**$2.95**	**$4.04**	**$8.18**	**= Rate per 15 Minutes of Day Habilitation Service**

Table 11: Day Habilitation Rate Build-Up—Non-Facility Based

Level 1	Level 2	Level 3	Category
$1.20	$1.91	$4.78	Direct Care Workers
0.56	0.56	0.56	+ Direct Care Supervision
$1.76	$2.48	$5.35	Direct Care Cost Component
0.23	0.33	0.71	+ Program Support: Payroll Related
0.22	0.31	0.67	+ Program Support: Non-Payroll Related
0.32	0.46	0.98	+ Other Non-Direct Program Related Expenses
0.07	0.10	0.21	+ Facility Related Costs
0.09	0.12	0.27	+ Management and General
$2.69	**$3.79**	**$8.18**	**= Rate per 15 Minutes of Day Habilitation Service**

Supported Employment

Supported employment services consist of paid employment for persons for whom competitive employment is unlikely, and who, because of their disabilities, need significant ongoing support to perform in a work setting. Navigant Consulting has developed proposed rates for both individual and three levels of group settings for this service. The three levels of group services reflect assumptions in Day Habilitation Non-Facility based services, with the exception of the direct care support factor.

- Direct Personnel Costs: Navigant Consulting used $13.50 as the hourly wage for direct staff and supervisors of direct staff for supported employment. The direct staff rate is higher than that used for Day Habilitation since supported employment staff have higher training requirements and must work more independently. We adjusted these wages for inflation by using the Medicare Economic Index, 11.1 percent.

- Staffing Ratios: The individual setting includes a 1:1 staffing ratio. Staffing ratios vary within the group setting, matching the staffing ratios of the Day Habilitation Non-Facility Based setting rates. These ratios are 1:4, 1:2.5 and 1:1.

- Supervisor Span of Control: The proposed Supported Employment rates assume a supervisor span of control of 1:10. This is the same span of control used in all other services, with the exception of Residential Habilitation.

- FTE Factor: We make an adjustment to the total working hours in a year (2,080) to reflect the days that are unavailable for serving recipients for absences due to vacation, sick time, holidays, and training. The proposed rates assume a direct care employee and the supervisor of that employee will receive ten days of vacation, ten sick days, ten days of training and ten holidays.

- Benefits Factor: The benefits factor represents taxes and benefits for all staff involved in the provision of Supported Employment. We calculated the benefits factor using reported costs in the spring 2007 targeted cost and wage survey. We used all services reported and determined the proportion of benefits costs associated with wages. We use the same benefits factor for all of the proposed rates, which is 24 percent.

- Direct Care Support Factor: This is a factor designed to capture time that the direct care staff do not spend with consumers, but which is necessary to support their direct care, including but not limited to logistics arrangements, travel time to and from sites, progress notes and other service not considered face-to-face. The Supported Employment individual rate includes a factor of 35 percent, which assumes fourteen hours of a forty hour work week devoted to direct care support. The Supported Employment group rate includes a factor of 10 percent, which assumes four hours of a forty hour work week. These percentages are based on the State's assessment of time devoted to these activities.

- Program Support--Payroll Related: This category of non-direct cost allocations captures salaries and benefits not captured in the direct care or supervisor of direct care components of the rate. As with all non-direct cost allocations, we calculate these costs as a percentage of the direct care salaries and benefits. The source of all of the non-direct cost allocations is the spring 2007 targeted cost survey. The percentage add-on for this category of costs is 13.2 percent. The salaries and benefits included are those of program managers, associate program managers, program directors and program secretaries.

- Program Support—Non-Payroll Related: This category of non-direct cost allocations includes program expenses, medical professional services, staff development, staff travel and vehicles. The percentage add-on is 12.5 percent and is based on data reported in the spring 2007 targeted cost survey.

- Other Non-Direct Program Related Expenses: This category of non-direct cost allocations captures general management costs. These costs include program administration expenses, other professional services, telephone, dues and subscriptions, insurance and other general management expenses. The percentage add-on is 18.4 percent and is also based on data reported in the spring 2007 targeted cost survey.

- Facility Related Costs: We used the calculations associated with Supported Employment to develop this allocation percentage. The percentage is 4.0 percent and includes rent/leases, maintenance and utilities.

- Management and General The spring 2007 cost survey may not have captured all administrative costs associated with providing Comprehensive Waiver services. To reflect costs like those of the CEO and other non-program general administration, we included an additional overhead percentage of 5 percent.

Table 13: Supported Employment Rate Build-Up

Individual	Group Level 1	Group Level 2	Group Level 3	Category
$7.22	$1.47	$2.35	$5.88	Direct Care Workers
0.72	0.59	0.59	0.59	+ Direct Care Supervision
$7.94	$2.06	$2.94	$6.47	Direct Care Cost Component
1.05	0.27	0.39	0.85	+ Program Support: Payroll Related
0.99	0.26	0.37	0.81	+ Program Support: Non-Payroll Related
1.46	0.38	0.54	1.19	+ Other Non-Direct Program Related Expenses
0.32	0.08	0.12	0.26	+ Facility Related Costs
0.40	0.10	0.15	0.32	+ Management and General
$12.16	**$3.15**	**$4.50**	**$9.91**	**= Rate per 15 Minutes of Supported Employment Service**

Behavioral Services

The unit of service for Behavioral Services is 15 minutes and the rate varies by the type of employee providing the services (lead, senior, behavioral plan specialist and line). The proposed rates include the following assumptions:

- Direct Personnel Costs: Hourly wage estimates of $38.00, $30.00, $15.00 and $11.50 for Lead, Senior, Behavioral Plan Specialist and Line staff respectively. These wage rates are based on May 2005 BLS wage data and the spring 2007 cost and wage survey. We adjusted these wages for inflation using the Medicare Economic Index, 11.1 percent.

- Staffing Ratios: All levels of Behavioral Services include a 1:1 staffing ratio.

- Supervisor Span of Control: The proposed Behavioral Services rates assume a supervisor span of control of 1:10. This is the same span of control used in all other services, with the exception of Residential Habilitation.

- FTE Factor: We make an adjustment to the total working hours in a year (2,080) to reflect the days that are unavailable for serving recipients for absences due to vacation, sick time, holidays, and training. The proposed rates assume a direct care employee and the supervisor of that employee will receive ten days of vacation, ten sick days, ten days of training and ten holidays.

- Benefits Factor: The benefits factor represents taxes and benefits for all staff involved in the provision of Supported Employment. We calculated the benefits factor using reported costs in the spring 2007 targeted cost and wage survey. We used all services reported and determined the proportion of benefits costs associated with wages. We use the same benefits factor for all of the proposed rates, which is 24 percent.

- Direct Care Support Factor: This is a factor designed to capture time that the direct care staff do not spend with consumers, but which is necessary to support direct care, including but not limited to logistics arrangements, travel time to and from sites, progress notes and other service not considered face-to-face. The Behavioral Service rates include a factor of 15 percent, or six hours of a forty hour work week.

- Program Support--Payroll Related: This category of non-direct cost allocations captures salaries and benefits not captured in the direct care or supervisor of direct care components of the rate. As with all non-direct cost allocations, we calculate these costs as a percentage of the direct care salaries and benefits. The source of all of the non-direct cost allocations is the spring 2007 targeted cost survey. The percentage add-on for this category of costs is 13.2 percent. The salaries and benefits included are those of program managers, associate program managers, program directors and program secretaries.

- Program Support—Non-Payroll Related: This category of non-direct cost allocations includes program expenses, medical professional services, staff development, staff travel and vehicles. The percentage add-on is 12.5 percent and is based on data reported in the spring 2007 targeted cost survey.

- Other Non-Direct Program Related Expenses: This category of non-direct cost allocations captures general management costs. These costs include program administration expenses, other professional services, telephone, dues and subscriptions, insurance and other general management expenses. The percentage add-on is 18.4 percent and is also based on data reported in the spring 2007 targeted cost survey.

- Facility Related Costs: This category of non-direct cost allocations captures costs associated with the facility space for the Behavioral Services function. The 2007 cost survey asked providers to report on costs by service—Day Habilitation, Residential Habilitation and Supported Employment. The business model for Supported Employment is the closest in nature to Behavioral Services, so we used the calculations associated with Supported Employment to develop this allocation percentage. The percentage is 4.0 percent and includes rent/leases, maintenance and utilities.

- Management and General: The spring 2007 cost survey may not have captured all administrative costs associated with providing Comprehensive Waiver services. In order to reflect costs like those of the CEO and other non-program general administration, we included an additional overhead percentage of 5 percent.

Table 14 shows the build-up of the rates for the four levels of Behavioral Services, Lead, Senior, Behavioral Plan Specialist and Line.

Table 14: Behavioral Services Rate Build-Up

Lead	Senior	Behavioral Plan Specialist	Line	Category
$17.31	$13.66	$6.83	$5.24	Direct Care Workers
17.31	13.66	6.83	5.24	Direct Care Cost Component
2.28	1.80	0.90	0.69	+ Program Support: Payroll Related
2.16	1.71	0.85	0.65	+ Program Support: Non-Payroll Related
3.18	2.51	1.26	0.96	+ Other Non-Direct Program Related Expenses
0.69	0.55	0.27	0.21	+ Facility Related Costs
0.87	0.68	0.34	0.26	+ Management and General
$26.50	**$20.92**	**$10.46**	**$8.02**	**= Rate per 15 Minutes of Supported Employment Service**

Impact Analysis

After we developed the proposed rates and the State reviewed and confirmed our assumptions, the next step was to determine how these rates would impact participants and providers if implemented. We conducted a preliminary impact analysis comparing total projected payments (service unit utilization multiplied by rates) to available State appropriation dollars for the Comprehensive Waiver to identify if the new rates were affordable within projected FY 2009 appropriation for that program. NCI then calculated a budget neutrality rate adjustment factor to make the new rates cost neutral to the State. Next, NCI ran a provider impact analysis to compare payments under the current rates to projected payments using the proposed new rates for each provider. We designed the impact analysis to reflect predicted utilization and budget appropriations for the Comprehensive Waiver in SFY 2009. There are three key components of impact modeling: rates, units of service and total budget appropriation. The complete impact modeling reports shown are in **Appendix G**.

Rates

The proposed rates described previously in this report serve as the basis for the modeling process. Navigant Consulting proposed preliminary rates in March, 2007. Navigant Consulting made subsequent modifications to the rate models to reflect State and other stakeholder input in November, 2007. We modeled the impact of the waiver-funded services for which we proposed rates (Behavioral Services, Residential Habilitation, Day Habilitation and Supported Employment). For all other services we made no modifications other than the percent increase to units of service, described below.

Units of Service

To estimate how much funding would be required by the State to support the proposed rates, we used available data from SFY 2007 Medicaid claims to estimate the number of service units consumers may consume in SFY 2009. To produce a closer approximation of spending, the State reviewed the number of units of service consumed in SFY 2007 and extrapolated those units to SFY 2009 using some general decision points. These decisions reflect predicted resource use in SFY 2009. The State refers to waiver "slots" or consumers as resources. This is because more than one consumer throughout the year may use one resource slot. The State's goal in this exercise was to match the predicted appropriation with the units of service used in the impact analysis.

- The State annualized SFY 2007 six month resources or consumers by adding 7.2 months of service units (60 percent). The additional 1.2 months captures units not represented in the claims file due to the typical one to two month lag in billing.

- Near the end of SFY 2007, the State added 90 new resource slots to the waiver. Our projections assumed that these 90 resource slots would be present in the SFY 2008 data for the entire year.
- After an initial review of service units found in the SFY 2007 claims file, the State identified 103 people who appeared to have no residential services, but according to the State's records did receive some services. The State compensated for these missing units by using the average rates paid for consumers in the claims file to approximate the services these individuals may receive in SFY 2009.

These State decision points resulted in an increase in units of service by 8.78 percent for each service over the annualized SFY 2007 service levels. To maintain a consumer-level impact analysis, we multiplied each consumer's units of service by a factor of 1.0878 to approximate the increase in units determined by the State.

The SFY 2007 claims information includes a set number of units that were paid and it also includes some units of service that were not paid. The Division indicated that these unpaid units of service will eventually be paid and are just delayed due to billing approval issues, and therefore would likely be consumed in SFY 2009. Because of this, Navigant included the unpaid units in the impact analysis reports.

To manage the units of day services consumed for both Day Habilitation and Supported Employment, HSRI established an annual unit limit in their final Day Habilitation report (**Appendix B**). This limit is 1,440 hours of service, or 5,760 units each year. During SFY 2007, some consumers used more than 5,760 units of service for Day Habilitation and Supported Employment combined so it was necessary to limit the allowable dollars in the impact models. For consumers with units exceeding these limits, the total dollars were scaled back to meet the total dollar cap associated with each level of Day Habilitation Service (e.g. $14,342.40 = 5,760 units of Day Habilitation at Level 1). It is important to note that we made this modification after application of the 8.78 percent increase in units determined by the State as described above.

HSRI did not assign a service level to certain consumers who received Residential and Day Habilitation. This was due to a variety of factors. In these instances, we left the units and spending for these services as it appeared in the claims file.

Budget Appropriation

A key parameter of the Comprehensive Waiver ratesetting project is budget neutrality. In other words, the State cannot exceed the amount of money appropriated by the Colorado Legislature for Comprehensive waiver services through the implementation of new rates. Our analysis assumes the amount appropriated is the maximum amount the State can spend on Comprehensive Waiver services. The State provided Navigant Consulting with a SFY 2008 appropriation worksheet which specified a total appropriated target amount of $215,878,927 (see **Appendix H**). To determine the SFY 2009 total projected appropriation, the State increased the total dollars by $3.4 million to annualize six month resources in SFY 2008. They also added a cost of living adjustment requested by the Governor, equaling 1.35 percent, which results in a total appropriation of $230,078,169. This is the appropriation limit we used in the impact analysis.

Impact Analysis Results

Based on our analysis, we project that total spending will be approximately $298 million compared to the total appropriation of $230 million, if the proposed rates were implemented without adjustment. Thus, if the Division were to implement rates exactly as developed in SFY 2009, $67 million in additional Medicaid Appropriation for the Comprehensive Waiver would be required The State may wish to modify assumptions within individual service rates, or it may apply the budget neutrality factor to all new rates. Effectively this would mean each rate would be 75.6 percent of the proposed rate, (e.g. Residential Habilitation Group Home Level 1 would be $89.79 instead of $118.83).

After making an adjustment for the 75.6 percent budget neutrality factor, there are six CCBs that would lose some funding under the new payment structure and fourteen that would gain funding. At the provider level, there would be thirty-one providers that lose funding and fifty providers that gain funding. The results of the provider level impact analysis are in **Appendix G**.

Appendices