

# DHS Rate Review

## Arkansas Department of Human Services



May 9, 2025



This presentation is intended to facilitate discussion regarding home and community-based services and is not complete without oral comment.

# Agenda and Meeting Goals

## Agenda

- Project overview
- Independent rate model overview
- Provider cost and wage survey
- Feedback on current payment rate approach
- Next steps

## Today's Meeting Goals

- Identify services included in the rate review
- Review anticipated rate review timeline
- Share upcoming engagement opportunities
- Describe payment rate development approach

**Please use the chat box to submit questions. We will answer as many as possible during the presentation, with follow up afterwards as needed.**

# Introductions

# Introductions

## Arkansas DHS Leads

- Paula Stone – Director of the Office of Substance Abuse and Mental Health (OSAMH)
- Melissa Weatherton – Director of Specialty Medicaid Services
- Jennifer Brezée – Director of the Division of DDS
- Bridget Atkins – Clinical Director of Behavioral Health
- Thomas Tarpley – Deputy Director of Developmental Disabilities Services (DDS)
- Tabitha McNulty – Deputy Director, Behavioral Health Medicaid and Forensics
- David Jones – Assistant Director, Medicaid Mental Health Services
- Regina Davenport – Assistant Director of Tier 2 and Tier 3 Services
- Anthony Jackson – PASSE Lead, RN

## Key Milliman Staff

- Gwyn Volk – Principal and Senior Healthcare Consultant
- Greg Herrle – Principal and Consulting Actuary
- Waverly Wang – Consulting Actuary
- Laurel Steedman – Healthcare Consultant



# Project Overview

# Purpose of Project



The Arkansas Department of Human Services (DHS) is currently conducting a legislatively-mandated rate review for intellectual and developmental disability (I/DD) and behavioral health services included in the home and community-based services (HCBS) manual.

## Project Goals:

- Conduct a comprehensive review of payment rates for included services
- Use an independent rate model (IRM) approach to develop payment rates that are consistent with efficiency, economy, quality of care, and access to care
- Base payment rates on transparent and clear payment assumptions

***Any changes to payment rates resulting from this rate study will be subject to legislative approval***

# Scope of Project

The following services will be included in the rate review

Program	Service Type	Service Name	Procedure Code
CES Waiver	In-Home, Community	CES Respite	S5151
CES Waiver	In-Home, Community	Supportive Living	H2016
CES Waiver	Vocational	Supported Employment	H2023
CES Waiver	Other	Consultation Services	T2025
State Plan	In-Home, Community	Adult Rehabilitation Day Services (RDS)	H2017
State Plan	In-Home, Community	Behavioral Assistance	H2019
State Plan	In-Home, Community	Child and Youth Support Services	H2015
State Plan	In-Home, Community	Crisis Stabilization Intervention	H2011
State Plan	In-Home, Community	Peer Support	H0038
State Plan	In-Home, Community	Respite	H0045
State Plan	In-Home, Community	Adult Life Skills Development	H2017
State Plan	In-Home, Community	Supportive Life Skills Development (Adult, Youth)	H2017
State Plan	Round-the-Clock	Residential Community Reintegration Program	H2020
State Plan	Round-the-Clock	Therapeutic Communities (Level 1, Level 2, new Level 3)	H0019
State Plan	Vocational	Supportive Employment	H2023
State Plan	Other	Pharmacologic Counseling by RN	H0034
State Plan	Other	Supportive Housing	H0043

*Note: Individual services are billed using procedure code/modifier combinations.*

# Project Timeline and Stakeholder Input

## Feedback and Provider Survey

May to June 2025

- All-stakeholder meeting
- Provider cost and wage survey
- Dedicated email for stakeholder feedback throughout the project:  
[DHS-HCBS-RateReview@milliman.com](mailto:DHS-HCBS-RateReview@milliman.com)

## Provider Technical Workgroup

May to September 2025

- Workgroup members will reflect the range of services and providers under analysis
- Workgroup will provide:
  - Feedback on the draft provider cost and wage survey
  - Subject matter expertise on the costs of service delivery as they relate to draft rate assumptions (e.g., staffing, direct care staff wages, benefits, training, paid time off, transportation costs, and administrative, program support, and overhead costs)
  - Feedback on publicly available data that may inform rate assumptions

## Draft Rate Review

September 2025

- All stakeholder meeting to review rate review results, with an opportunity to provide feedback on the related rate report
- Draft rates are anticipated to be finalized by October 1, 2025.

***Changes to payment rates that may result from the rate review are anticipated to be effective January 1, 2026, pending any necessary state and federal approvals.***



# Independent Rate Model Overview

# Independent Rate Model Framework

## Overview



### Ground-up approach

- Rates are built from the ground up
- Based on sum of independently determined rate inputs and components
- Inputs are based on expected resources required to provide the service



### Commonly applied method for rate determination for community-based services

- Many states employ independent rate model approach
- One acceptable method based on CMS guidance for HCBS



### Benefits

- Provides transparency as to the reasonable costs required to provide the service
- Facilitates payment rate updates and modification efforts
- Facilitates comparison of actual costs of providing services
- Developed independently from actual costs incurred – not tied to historical costs

# Independent Rate Model Framework

## Overview

1



### Direct Care Staff and Supervisor Salary and Wages

- Wages
- Service required billable and non-billable time
- Supervisor time
- Paid time off and training
- Ratio of staff to persons served

2



### Employee Related Expenses

- Employee related taxes and fees
- Employee benefits, such as health insurance and retirement contributions

3



### Transportation and Fleet Vehicle Expenses

- Expenses related to ownership, maintenance, and operation of vehicles
- Mileage paid to employees for use of own vehicle

4



### Administrative, Program Support, and Overhead

- All other operating expenses
- Excludes room and board per Medicaid regulations

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**Service Rate**  
(Per Unit Per Person)

Note: The term direct care worker refers to frontline workers and includes direct support professionals and program assistants.

# Independent Rate Model Framework

## Anticipated Data Sources



### Publicly available information

Including, but not limited to:

- Wage and employee benefit information from Bureau of Labor Statistics (BLS)
- Consumer Price Index (CPI)
- State-specific wage and labor force projections



### State and stakeholder guidance

Reflecting the state and stakeholders' understanding of how the services are provided



### Provider survey

Will inform independent rate model assumptions (e.g., wages and administrative costs)



### State service definitions

Procedure code descriptions, service definitions, billing requirements, provider and billing manuals, and waiver program and state plan documentation and regulation

# Independent Rate Model Framework

## Major Components and Elements

COMPONENT	ELEMENTS	SUB-ELEMENTS	CLARIFYING NOTES
Direct Service Staff and Supervisor Salaries and Wages	Service-related Time	Direct time	<ul style="list-style-type: none"> <li>Time spent providing the service to individuals.</li> <li>Adjusted for staffing ratios for some services (i.e., more than one person served concurrently).</li> </ul>
		Indirect time	<ul style="list-style-type: none"> <li>Service-necessary planning, note taking and preparation time.</li> </ul>
		Transportation time	<ul style="list-style-type: none"> <li>Travel time related to providing a service.</li> </ul>
		PTO / training / conference time	<ul style="list-style-type: none"> <li>Paid vacation, holiday, sick, training and conference time.</li> <li>Also considers additional new employee training time attributable to employee turnover.</li> </ul>
		Supervisor time	<ul style="list-style-type: none"> <li>Accounted for using a supervisor span of control assumption.</li> </ul>
	Wage Rates	Can vary for overtime and weekend shift differentials	<ul style="list-style-type: none"> <li>Wage rates vary depending on types of direct service employees, which have been assigned to provider groups.</li> </ul>
	Stipends	Payments for on-call capacity	<ul style="list-style-type: none"> <li>Used for selected services.</li> </ul>
Employee Related Expenses	Payroll-related Taxes and Fees	Federal Insurance Contributions Act (FICA), Federal Unemployment Tax Act (FUTA), State Unemployment Insurance (SUI), Workers Compensation	<ul style="list-style-type: none"> <li>Applicable to all employees and varies by wage level assumption.</li> </ul>
	Employee Benefits	Health, dental, vision, life and disability insurance, and retirement benefits	<ul style="list-style-type: none"> <li>Amounts may vary by provider group.</li> </ul>
Transportation	Vehicle Operating Expenses	Includes all ownership and maintenance-related expenses	<ul style="list-style-type: none"> <li>Varies by service and may reflect an assumption of an employee-owned vehicle at federal rate, or fleet vehicle / van expenses.</li> </ul>
Administration, Program Support, Overhead	All other business-related costs	Includes program operating expenses, including management, accounting, legal, information technology, etc.	<ul style="list-style-type: none"> <li>May vary by service. Excludes room and board per Medicaid regulations.</li> </ul>

# Independent Rate Model Framework

Example For Illustration Purposes Only: Personal Care Rate Build Up per 15 min (not an actual rate calculation)

Ref.	Description	Frontline Worker	Frontline Worker Supervisor	Total	Notes
A	Average minutes of direct time per unit	15.00			7 hours and 27 minutes of direct time per 8 hours
B	Average minutes of indirect time per unit	0.48			14 indirect minutes per 8 hours
C	Average minutes of transportation time per unit	0.63			19 transportation minutes per 8 hours    spread over 24 units per day
D	<b>Total minutes per unit</b>	<b>16.11</b>			$D = A + B + C$
E	Staffing ratio	1.00			
F	Supervisor span of control		20.00		20 employees assumed to be managed by 1 supervisor
G	Supervisor time per unit		0.81		$G = D / E / F$
H	PTO/training time adjustment factor	8.7%	11.0%		Based on separate PTO build
I	<b>Adjusted total minutes per unit</b>	<b>17.51</b>	<b>0.89</b>		$I = D / E * (1 + H)    I = G * (1 + H)$
J	Hourly wage	\$ 14.44	\$ 17.18		Based on separate wage build
K	<b>Total wages expense per unit</b>	<b>\$ 4.21</b>	<b>\$ 0.26</b>	<b>\$ 4.47</b>	$K = J * I / 60$
L	Total OT minutes per unit	0.43	0.02		Based on separate OT build
M	<b>Total wages expense per unit w/ OT</b>	<b>\$ 4.37</b>	<b>\$ 0.26</b>	<b>\$ 4.63</b>	$M = (J * 1.5 / 60) * L + K$
N	Employee related expense (ERE) percentage	18.4%	20.2%		Based on separate ERE build
O	<b>Total ERE expense per unit</b>	<b>\$ 0.81</b>	<b>\$ 0.05</b>	<b>\$ 0.86</b>	$O = M * N$
P	Estimated miles driven per unit			0.40	Based on separate miles build spread over 24 units per day    average speed of 38.7 MPH
Q	Federal reimbursement rate			\$ 0.70	
R	<b>Transportation fleet costs per unit</b>			<b>\$ 0.28</b>	$R = P * Q$
S	Administration & program support			10.0%	Portion of total rate
T	<b>Administration expenses</b>			<b>\$0.64</b>	$T = S * (M + O + R) / (1 - S)$
U	Service add-on expenses			\$ 0.00	No add-on expenses
V	<b>Total rate</b>			<b>\$ 6.42</b>	$V = M + O + R + T + U$
W	Rate adjusted for multiple people			\$ 6.42	Single Person Rate
X	<b>15 minute Rate</b>			<b>\$6.42</b>	$X = M + O + R + T$

# Provider Cost and Wage Survey

# Cost and Wage Survey Overview

Purpose	<p>Provide an <b>understanding of the current costs and wages</b> involved in service delivery for services under analysis.</p> <p><b>Inform payment rate assumptions</b>, along with other data sources, such as Bureau of Labor Statistics wage data.</p>
Who should complete the survey?	<p><b>All providers delivering services under review</b>; a modified version will be available for small providers.</p>
Timing	<p>Survey anticipated to be <b>released in early June</b>; providers will have <b>three weeks to complete</b>. Timing is driven by legislatively-mandated timeline for rate review.</p>
Development and administration	<p>DHS' contractor <b>Milliman</b> will develop and administer the survey, with input from <b>DHS</b> and the <b>provider technical workgroup</b> on the draft survey template.</p>
Format	<p>The survey will be <b>Excel-based</b> for larger/agency-based providers, with a streamlined online version for select small providers. Those providers completing the Excel-based version will download the survey and email the completed version to the rate review dedicated email inbox (<a href="mailto:DHS-HCBS-RateReview@milliman.com">DHS-HCBS-RateReview@milliman.com</a>).</p>
Provider support	<p>DHS' contractor Milliman will provide a <b>training</b> shortly after release (which will be recorded and available for viewing) and have a <b>dedicated inbox</b> for questions.</p>



# Feedback on current payment rate approach

# Feedback

1. What is your organization's experience with the current payment approach to the services included in this rate review?
  - A. To what extent does your organization experience challenges under the current payment approach?
  - B. Are there aspects of the current payment approach that are particularly supportive?
2. What other feedback would you like to share that you think would help inform this rate review?



**Additional comments?**

**Please email [DHS-HCBS-RateReview@milliman.com](mailto:DHS-HCBS-RateReview@milliman.com)**

# Next Steps

# Next Steps

- Review of existing service requirements
- Development of cost and wage survey, with input from provider technical workgroup
- Release of cost and wage survey in early June immediately followed by survey training – providers will have three weeks to complete the survey



**Questions or feedback?**

**Please email [DHS-HCBS-RateReview@milliman.com](mailto:DHS-HCBS-RateReview@milliman.com)**

# Thank you