

# **Virginia Brain Injury Services Department of Medical Assistance Services (DMAS)**

## **Rates and Finance Workgroup**

Meeting #3: Service & Direct Care Cost Discussion

April 19, 2023

# Agenda

- Welcome
- Geographic Rate Adjustment
- Provider Fringe Benefits Discussion
- Targeted Case Management Discussion
- Appendix

# Brain Injury Program and Rate Development Scope

## Virginia Department of Medical Assistance Services (DMAS) Rate Study

### State Plan Targeted Case Management (TCM)

- *For people with severe traumatic brain injury*

### 1915(c) Home and Community-Based Services

- *For people with brain injury or neurocognitive disorder*
- *Wide range of services including Residential, Behavioral Health, In-Home Services, Day and Employment, Nursing, and Equipment and Modification services*

### Neurobehavioral Unit

- *For people who need a level of care as an institutional alternative beyond what is available through waiver*

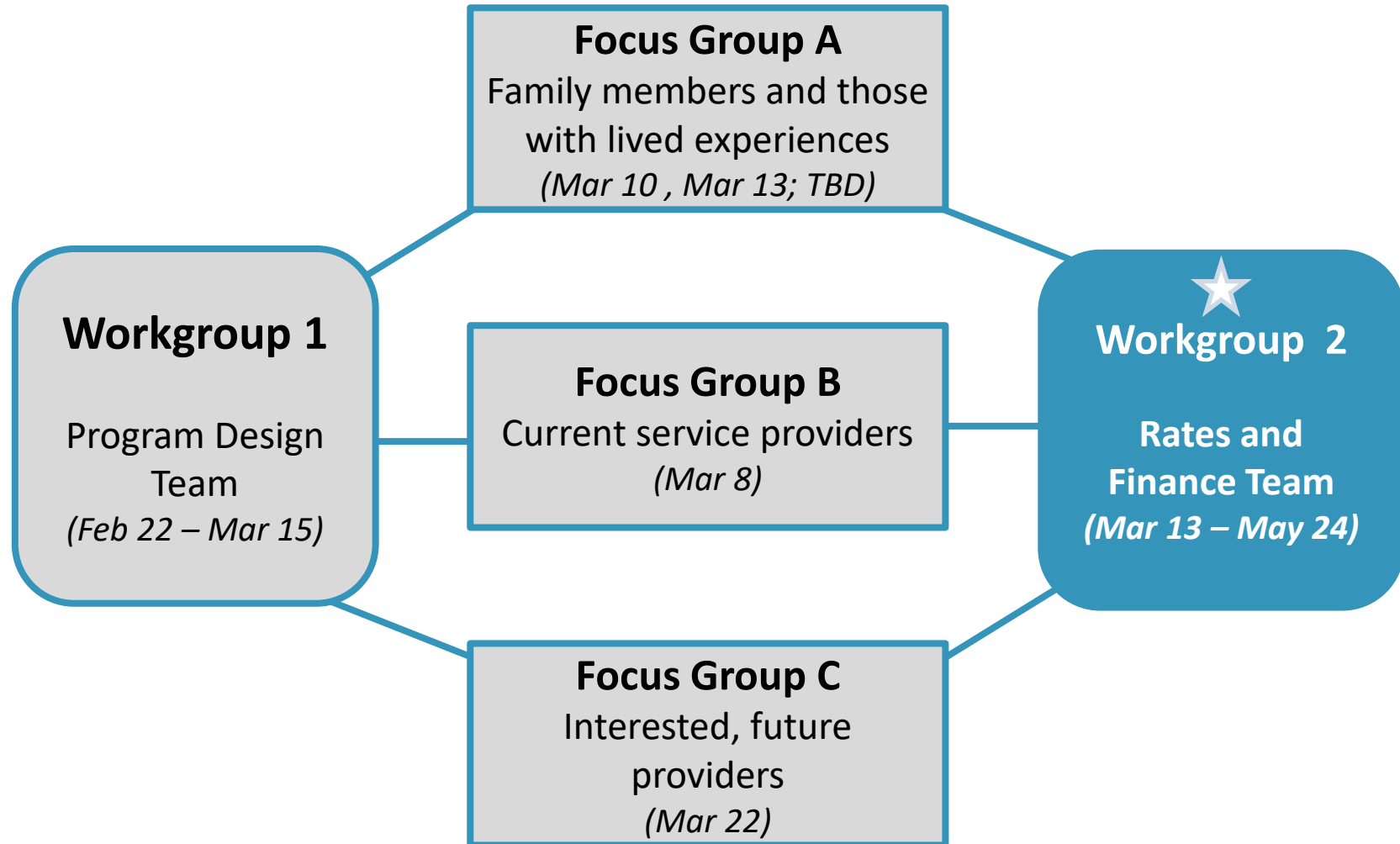
### Rate Methodology and Rate Development

### Service Identification, Eligibility Criteria, Definitions, and Specifications

### Stakeholder Engagement

### Documentation and Reporting

# Allowing Designated Time for Distinct Inputs



# Purpose and Role of Rates and Finance Workgroup

**Purpose:** Develop rate methodologies and make rate recommendations for DMAS responsive to reimbursement legislative requirements.

## Role

- Provide subject matter expertise on provider finances, service costs, and rate methodology development
- Review and validate rate model factors and assumptions
- Review rate model and methodology approach
- Provide rate recommendations for consideration in the final report

## Collaboration Approach

- Involve diverse perspectives and meaningfully include stakeholders in the study process
- Advance project goals and objectives, removing communication barriers and bottlenecks, wherever possible
- Offer transparency on methodology and findings throughout the study
- Adhere to CMS requirements for rate development and stakeholder engagement pursuant to any future changes in Medicaid programs/policies

# Geographic Rate Adjustment

# Geographic Rate Adjustment Factor

The tables below include examples of how states adjust rates to account for geographical cost differences.

## Wage Differential

- Wages are informed by wage requirements in major city vs. rest of state
- Components are factor of wages resulting in ripple effect on all cost components

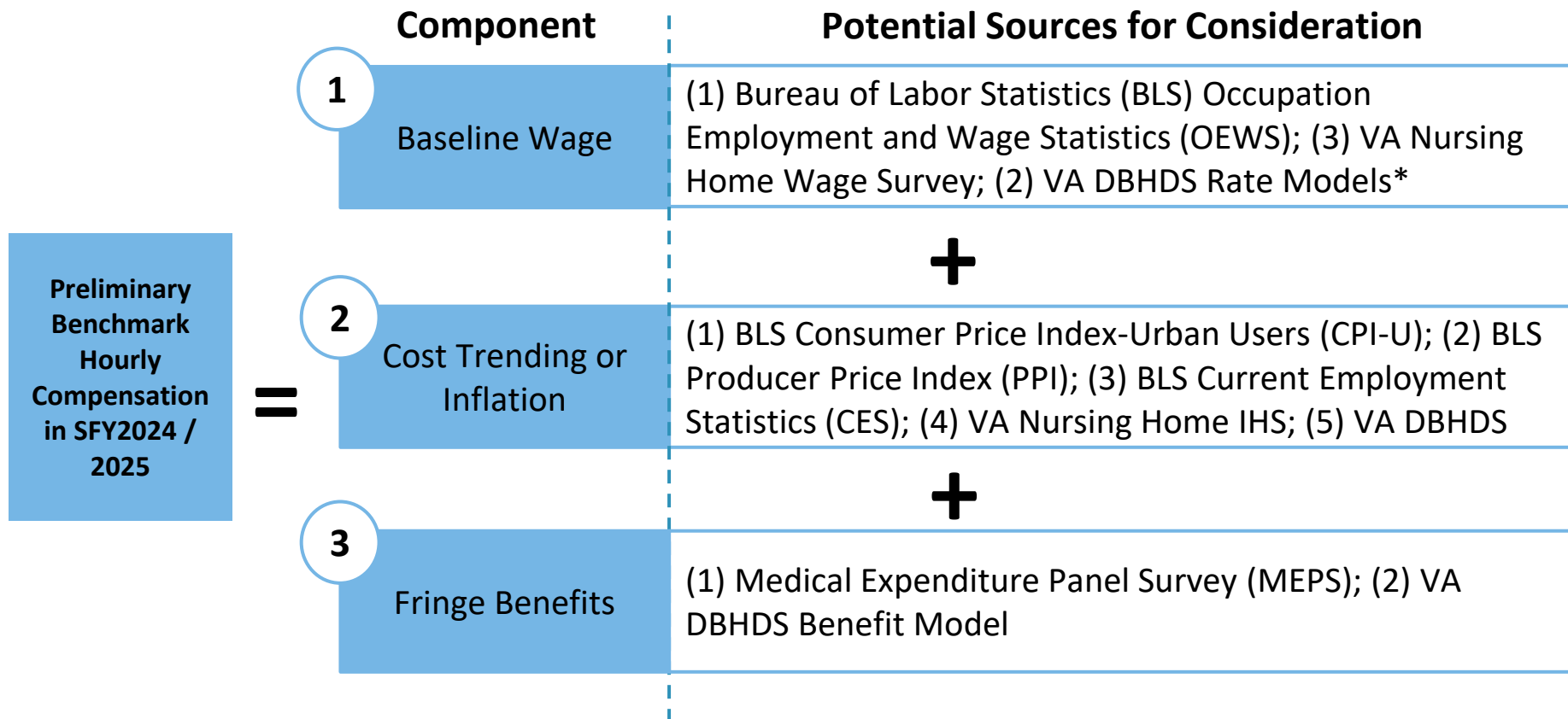
- **Illinois:** Chicago wage is 15% more than rest of state wage
- **Colorado:** Denver rate is based on Denver City minimum wage requirements (2019-2022), BLS is used for outside Denver
- **New York:** HCBS service rates split by NYC, down state,, Rest of State, Rural
- **Virginia (DD):** Higher BLS wage for NOVA compared to rest of state BLS wage.

# **Employee Related Expenses (ERE) or Provider Fringe Benefits**



# Wage and Benefit Adjustment Methodology

Benchmark compensation may be computed by inflating baseline wage to reflect growth in costs, supplemental pay (as applicable), and benefits as a function of wage and labor costs.



\*VA DBHDS = Virginia Department of Behavioral Health and Developmental Services

# Setting a Competitive Benefits Package

**Assumptions for employee-related expenses (ERE) intend to look at what a provider should be able to offer as a competitive benefits package.**

- ERE, or fringe benefits, are costs to the provider beyond wages and salaries, such as unemployment taxes, health insurance, and paid time off (PTO). These fall into three distinct categories of benefits:
  - **Legally Required Benefits** including federal and state unemployment taxes, federal insurance contributions to Social Security and Medicare, and workers' compensation.
  - **Paid Time Off** including holidays, sick days, vacation days, and personal days.
  - **Other Components of ERE** including health, dental, and vision insurance and retirement.

**Goal: Understand which benefits providers are offering and contributing to for their staff, and providers can offer.**

# Setting a Competitive Benefits Package

- **Key advantages of the benefits package developed through this approach are:**
  - Baseline benefits are representative of current provider benefits.
  - Benefit components are aligned with Virginia's market information, as data is obtained from sources like the IRS, VA Dept. of Labor, etc.
  - Increased transparency, as discrete components comprise the package.
  - Benefit estimates are practitioner-specific, since the proportion of benefits varies by wage level.

The resulting fringe assumptions for future benefits packages look at what a provider should be able to offer as a competitive benefits package.

**The following slides walkthrough the components used to design a competitive benefits package, and the slides contain **hypothetical information** for illustrative purposes.**

# Legally Required Components of ERE

**Components of ERE include legally required benefits, paid time off, and other benefits adjusted by take-up rates and a part-time adjustment factor.**

- **Unemployment Taxes:** Employers in Virginia pay a federal unemployment tax (FUTA)<sup>1</sup> of 6.00% of the first \$7,000 in wages and state unemployment tax (SUTA) 2.5% on average up to first \$8,000 in 2023<sup>2</sup>. Generally, if you paid wages subject to state unemployment tax, you may receive a credit of up to 5.4% of FUTA taxable wages<sup>1</sup>.
- **Federal Insurance Contributions:** Employers pay a combined 7.65% rate for Social Security - 6.2% and Medicare – 1.45% contributions up to \$118,500 (Federal Insurance Contributions Act, or FICA)<sup>3</sup>.
- **Workers' Compensation:** Employers in Virginia pay an average effective tax of 2.97% toward workers' compensation insurance. (*Source: Class Codes Workers Compensation, Class 8835 – Home/Public Healthcare*)

Federal Unemployment Tax (FUTA)	0.60% after credit
State Unemployment Tax (SUTA)	2.50%
Federal Insurance Contributions (FICA)	7.65%
Workers' Compensation	2.97%
<b>Legally Required Benefits</b>	<b>13.72%</b>

1. <https://www.irs.gov/taxtopics/tc759>

2. The SUTA wage base was on 2023 wages, <https://www.vec.virginia.gov/employers/faqs/Employer-UI-Tax-Questions>

3. Combined Social Security tax rate of 6.20% and the Medicare tax rate of 1.45% on a maximum of \$118,500 in wages (<https://www.ssa.gov/oact/cola/cbb.html>)

4. <https://www.irs.gov/taxtopics/tc751>

# Paid Time Off Components of ERE

Components of ERE include legally required benefits, paid time off, and other benefits adjusted by take-up rates and a part-time adjustment factor.

## Paid Time Off:

Paid time off includes holidays, sick days, vacation days, and personal days. Some providers did not categorize PTO within these categories.

- **Holidays:**
- **Sick Days**
- **Vacation Days**
- **Personal Days**

For analysis of PTO as a benefit, we multiply the number of PTO days times the daily wage expectation times the part-time adjustment factor.

Anticipated Sources:  
BRAVO, DBHDS,  
DARS, Rates &  
Finance  
Workgroup  
Feedback

Holidays	8 days
Sick Days	5 days
Vacation & Personal Days	14 days
<b>Total Paid Time Off</b>	<b>27 days per year<sup>1</sup></b>

1. Does not include training days

# Other Components of ERE

Components of ERE include legally required benefits, paid time off, and other benefits adjusted by take-up rates and a part-time adjustment factor.

## Other Benefits:

- Retirement Plan
- Health Insurance
- Dental and Vision Insurance

For analysis of other benefits, we multiply the annual benefits times the annual wage expectation times the part-time adjustment factor and the take-up rate for optional benefits.

Anticipated Source: Medical Expenditure Panel Survey (MEPS-IC)\*

Retirement	3.4%
Health Ins.	\$523/mo.
Dental Ins.	\$214/yr.
Vision Ins.	\$102/yr.
<b>Other Benefits</b>	varies

\*Source: Agency for Healthcare Research and Quality, Medical Expenditure Survey-Insurance Component (MEPS-IC)

# Components of ERE

Components of ERE include legally required benefits, paid time off, and other benefits adjusted by take-up rates and a part-time adjustment factor.

## Adjustment Factors:

- **Part-Time Adjustment Factor:** Using state or public data, the proportion of full-time direct service persons eligible for benefits can be calculated. The proportion of all other full-time staff types will also be calculated.
- **Take-up Rate for Optional Benefits:** This rate represents the median percentage of insurance-eligible employees who receive health insurance from their employer. For example, a survey could represent 13,000 employees, with 10,000 who are eligible for health insurance. If 5,000 of the 10,000 eligible employees receive health insurance from their employer, then the Take-up Rate for health insurance is 50%.

Anticipated Source:  
Medical Expenditure  
Panel Survey (MEPS-  
IC)

Part-Time Adjustment Factor	78%
Take-up Rate: Health & Retirement	50%
Take-up Rate: Dental	61%
Take-up Rate: Vision	74%

# Inputs to the Calculation

Inputs include the types of benefits described on the previous slides, adjusted as appropriate:

- Legally Required Benefits
- Paid Time Off
- Other Benefits

ERE is calculated as a percentage of annual wages. Annual wages equal the hourly wage  $\times$  2080 working hours in a year.

<b>Hourly Personal Assistant (PA) Wage, 2022</b>	\$16.20
<b>Annual PA Wage, 2022</b>	\$33,696



# Combining ERE Inputs

## Total ERE per Personal Assistant:

- Add together the three components of ERE: Legally Required Benefits, Paid Time Off Benefits, and Other Benefits.
- Total ERE per Personal Assistant equals 26.2% of the wage, per survey results.

Annual Wages – FY2022	\$33,696
Legally Required Benefits (a)	\$3,342 (9.9%)
Paid Time Off Benefits (b)	\$2,426 (7.2%)
Other Benefits (c)	\$3,055 (9.1%)
<b>Total ERE per Personal Assistant (a + b + c)</b>	<b>\$8,824 (26.2%)</b>

# Employee Related Expenses (ERE)

ERE percentages decrease as wage increase.

	<b>Personal Assistant</b>	<b>LPN</b>	<b>RN</b>	<b>Speech Therapist</b>
Annual Wages	\$33,696	\$44,283	\$56,950	\$98,322
Legally Required Benefits (a)	\$3,342 (9.9%)	\$4,323 (9.8%)	\$5,496 (9.6%)	\$9,327 (9.5%)
Paid Time Off Benefits (b)	\$2,426 (7.2%)	\$3,188 (7.2%)	\$4,100 (7.2%)	\$7,079 (7.2%)
Other Benefits (c)	\$3,055 (9.1%)	\$3,196 (7.2%)	\$3,363 (5.9%)	\$3,912 (4.0%)
<b>Total ERE (a + b + c)</b>	<b>\$8,824 (26.2%)</b>	<b>\$10,707 (24.2%)</b>	<b>\$12,960 (22.8%)</b>	<b>\$20,318 (20.7%)</b>

# Direct Care Staff Benefits - Discussion Questions

Benefit Category	Question	Workgroup Notes / Comments	
		Full-Time Staff	Part-Time Staff
HEALTH, VISION, & DENTAL INSURANCE	Do provider agencies contribute towards health insurance? Yes or No		
	How many staff do organizations that service or will serve brain injury populations employ? Specify.		
	Do staff typically receive single coverage, family coverage, or both? (Single, Family, or Both)		
	Do provider agencies contribute towards dental insurance? (Yes or No)		
	Do provider agencies contribute towards vision insurance? (Yes or No)		
	Do provider agencies contribute towards any other insurance? If yes, specific.		

# Direct Care Staff Benefits - Discussion Questions

Benefit Category	Question	Workgroup Notes / Comments	
		Full-Time Staff	Part-Time Staff
OTHER BENEFITS	Do provider agencies contribute towards any other benefits? If yes, specify.		
RETIREMENT	Do provider agencies contribute to a 401k, 403b or other retirement plan for your staff? (Yes or No)		
WORKERS' COMPENSATION	What is a provider agency's average workers' compensation cost for staff (per \$100 in wages paid)? E.g., \$2.97		
HOLIDAYS, VACATION, SICK TIME, AND PERSONAL DAYS	How many paid holidays are staff eligible to receive per year?		
	How many paid time off (vacation) days are staff eligible to receive per year?		
	How many sick days are staff eligible to receive per year?		
	How many personal days are staff eligible to receive per year?		

# Targeted Case Management (TCM) Discussion

# Targeted Case Management Rate Components

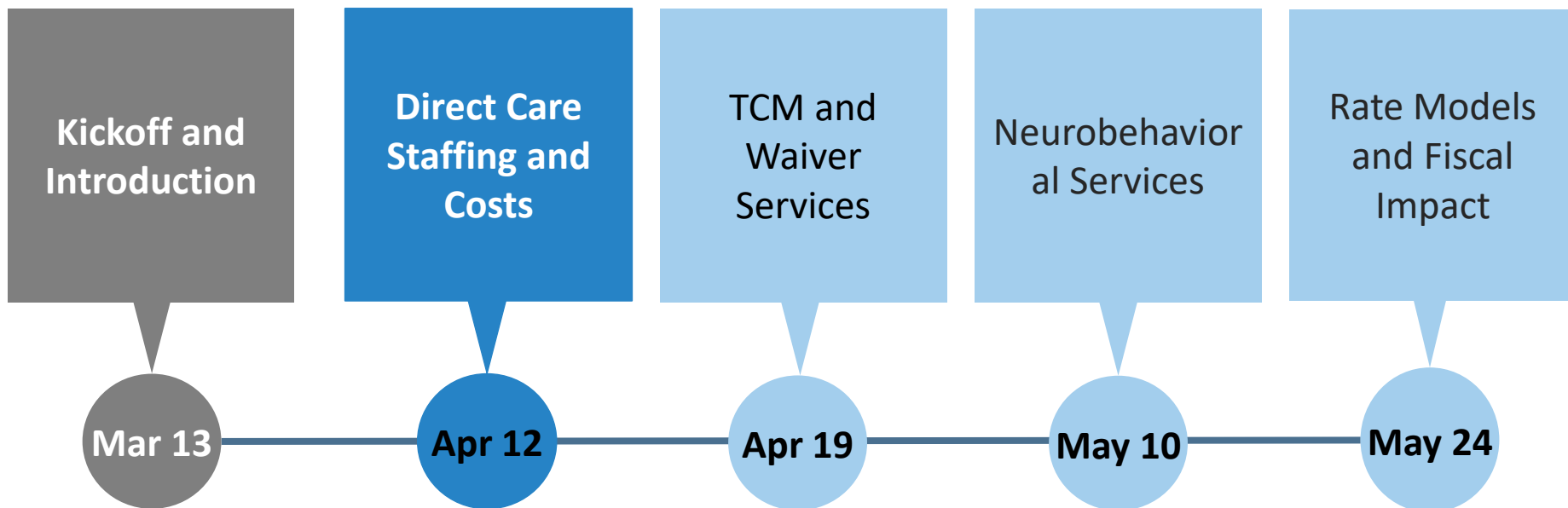
The table below highlights the key components of the Targeted Case Management model.

Rate Component Category	Rate Component	Potential Sources
<b>Caseload</b>	Caseload per Month	DBHDS 1915(c) Waiver Model
<b>Direct Care Staff Compensation</b>	Direct Care Staff	Case Manager in BLS
	Wage	BLS OEWS (BLS May 2021 Statewide)
	Inflation	BLS CES (8.81%)
	Benefits	MEPS-IC, BRAVO, DBHDS, DARS, Rates & Finance Workgroup Feedback
<b>Other Staff</b>	Program Support Funding	DBHDS 1915(c) Waiver Model
<b>Case Manager Expenses</b>	Cost of Office Space	DBHDS 1915(c) Waiver Model
	Cost for Phone and Internet	DBHDS 1915(c) Waiver Model
	Cost of Office Equipment and Supplies	DBHDS 1915(c) Waiver Model
<b>Other Indirect Costs</b>	Administrative Overhead Percent	DBHDS 1915(c) Waiver Model
<b>Transportation</b>	IRS Mileage	IRS
<b>Rate - Time Period</b>	SFY2024 / Jul 2023	
<b>Unit</b>	Per Month	

# Workplan and Timeline

# Rates and Finance Workgroup Meeting Plan

The Rates and Finance Workgroup will meet in March and April 2023 to discuss topics related to rate methodology and modeling requirements and results.



**Participation in the Workgroup is an opportunity to provide critical feedback that will help inform the development of rate setting methodologies and service rates.**



# Contacts

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# Appendix

# 2022 Legislative Requirements for DMAS

DMAS, “with relevant stakeholders, shall convene a workgroup to develop a plan for a neurobehavioral science unit and a waiver program for individuals with brain injury and neuro-cognitive disorders. ... The workgroup shall make recommendations in the plan related to relevant service definitions, administrative structure, eligibility criteria, **reimbursement rates, evaluation, and estimated annual costs to reimburse** for neurobehavioral institutional care and administration of the waiver program. The department shall include a **rate methodology** that supports institutional costs and waiver services.”

[Virginia 2022 Appropriation Act, Item 308 CC.1; 2023 Budget Amendment, Item 308 #1s \(proposed\)](#)

DMAS shall establish and implement effective July 2, 2023, a new State Medicaid Plan service, targeted case management (TCM) for “individuals with severe Traumatic Brain Injury”

[Va. Code § 32.1-325\(A\)\(31\)\(2022\)](#)