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Medicaid I/DD Waiver
Memo No.: FY2019-07
Date: January 15, 2019

TO: Medicaid I/DD Waiver Providers of Residential Habilitation Services

FROM: Mary Brogan, Administrator
Developmental Disabilities Division

SUBJECT: Residential Habilitation Rate Methodology

The Developmental Disabilities Division (DDD) continues to receive questions from providers and caregivers about the payment structure for Residential Habilitation (ResHab) services. The payment structure for ResHab was established through the 1915(c) Waiver approved on May 26, 2017.

While we have provided explanations in a number of venues over the past several years, we acknowledge that the rate methodology for ResHab, including the "344 day" policy, can be difficult to understand or explain to others. We recently met with caregivers at the request of the Developmental Disabilities Council and after listening to their questions, we agreed to send out another explanation of the ResHab rates.

The ResHab rate models are based on assumptions related to the costs that providers incur in order to deliver services.

The Residential Habilitation rate models include three general categories of costs:

1. The salary and benefits for the home manager (primary caregiver) when the home provider is an employee of the agency or the payment to the primary caregiver when the home provider is a contractor. The rate model includes approximately $62,700 annually for the primary caregiver, regardless of the size of the home or participants' assigned rate tiers.

2. Supplemental staffing to support the home manager (primary caregiver). The assumed number of hours of supplemental staffing varies based on home size and participants' assigned rate tiers.

3. Agency operating costs, including mileage-related expenses to transport participants and overhead costs for program supports and administration.

***DOH-DDD does not dictate agencies' spending*.**

Agencies may choose to pay their independent contractors (primary caregivers) more or less than assumed, provide more or fewer hours of supplemental staffing, etc. as long as they comply with the service standards and participants' individual service plans. Refer to the Waiver Provider Standards Manual for the requirements for monitoring and oversight the provider agency must perform regardless of the rate paid to the independent contractor.

The ResHab rates are based on a 344-day billing year that accounts for when a participant is occasionally absent.

The ResHab rate models estimate the total cost of providing the service on an annual basis, but rather than dividing by 365 days, the daily rate is determined by dividing by 344.

For example, the rate model assumes that it costs $54,710 per person per year to provide ResHab services outside of the Big Island to someone with moderate needs ('Tier 2') in a 3-bed home. If this amount were divided by 365 days, the daily rate would be $149.89. Dividing by 344 produces a higher rate, $159.04.

This approach ensures that the provider is paid for the full year if the participant is absent for a few days per year as shown in the table below. This also gives the provider the ability to support the participant to avoid disruptions in placement due to absences.

If the participant is in the home…	The provider is paid based on a 365-day rate ($149.89)	The provider is paid based on a 344-day rate ($159.04)
365 days	$54,710	$54,710
344 days	$51,562	$54,710
300 days	$44,967	$47,712

The table demonstrates that it is impossible for the provider to be paid less based on the 344-day rate compared to the 365-day rate. However, once the provider has billed for 344 days, they have been fully paid for a full year of service ($54,710 in this example) so they cannot bill for additional days even if the participant is in the home for 365 days.

DOH-DDD does not dictate the payment arrangements between agencies and ResHab contractors.

As summarized above, the ResHab rate models include specific assumptions related to payments to the home manager or primary caregiver, but agencies and providers may agree to an amount that differs from the assumption. Similarly, agencies may choose to pay their providers for up to 344 days, for up to 365 days, or based on some other arrangement.

Agencies are limited to billing for 344 days of ResHab per year because they have been fully paid for the entire year at that point. However, there is no requirement that agencies also limit their payments to the home manager or primary caregiver to 344 days. They may do so in order to align the payments they make to their providers with the payments they receive from DDD. But, an agency could decide to pay providers for up to 365 days of service (although the independent contractor should expect that this 365-day rate would be less than if they are limited to 344 days of payments). An agency could also decide to pay a rate that includes ‘vacation’ days, establish a weekly or monthly rate, etc. DDD expects that payment rates and policies will be outlined in the independent contractor agreement – along with issues such as the amount of supplemental staffing the agency will provide (if any), policies for handling times when the caregiver is on vacation or otherwise unable to provide care, etc. – but does not dictate these terms.

The table below includes examples of payment options that could be employed. These examples are based on a total annual payment to the caregiver of $20,905.27 as assumed in the rate model ($62,715.80 total divided by three participants). This table is neither an exhaustive list of options nor is it intended to dictate the amounts paid by agencies to independent contractors.

Description	**Example 1** **365-Day Annual Billing Limit**	**Example 2** **344-Day Annual Billing Limit**	**Example 3** **28-Day Monthly Billing Limit**
Payment Amount	$57.27	$60.77	$62.22 (336 total billing days)
Payments for a participant with a plan year that begins on July 1 and who is in the home all 365 days (differences in total payments are due to rounding)			
Total Payments	$20,903.55	$20,904.88	$20,905.92
June ('12th Month') Payments	$1,718.10	$546.93 (Participant used 335 days through May, leaving only 9 billing days in June)	$1,742.16
Payments for a participant with a plan year that begins on July 1 and who is absent one day per month			
Total Payments	$20,216.31 (12 billing days are 'lost' due to the absences)	$20,904.88	$20,905.92
June ('12th Month') Payments	$1,660.83 (29 billing days)	$1,215.40 (Participant used 324 days through May, leaving 20 billing days in June)	$1,742.16
Payments for a participant with a plan year that begins on July 1 and who is absent 10 days in December and 10 days in January			
Total Payments	$19,758.15 (20 billing days are 'lost' due to the absences)	$20,904.88	$20,034.84 (7 billing days are 'lost' in both Dec. and Jan.)
June ('12th Month') Payments	$1,718.10	$1,762.33 (Participant used 315 days through May, leaving 29 billing days in June)	$1,742.16

The table demonstrates that there are benefits and drawbacks with any approach:

- A 365-day policy is the easiest to understand and does not result in a large payment reduction in the 12th month of the plan year if the participant has few absences but means that the contractor's payments are reduced whenever there is an absence.
- A 344-day policy ensures that the contractor's total payments are not reduced if the participant has a handful of absences, but results in a large drop in payments in the 12th month if the participant has few absences.
- A 28-days-per-month policy preserves the contractor's payments if a participant is occasionally absent and does not result in a large payment reduction in the 12th month of the plan year but reduces the contractor's payments if the absences are concentrated in a month.

Regardless of the payment approach employed, the agency has the responsibility to clearly explain the payment methodology to each independent contractor and to continue working with them to ensure they understand how they are being paid and their concerns are addressed**.** Agencies may find it useful to work through a side-by-side comparison of the amount the contractor would receive using a 365-day payment schedule vs. a 344-day (or other frequency) payment schedule as specified in their independent contractor agreement.

We hope that this additional explanation is helpful in working with your independent contractors to understand the ResHab payments. If you have questions, please contact Debra Tsutsui at (808) 733-2135 or email to doh.dddcrb@doh.hawaii.gov.

c: Jon Fujii, DHS-MQD
DDD Branch Chiefs