Appendix K Amendment and New Rate Models Video Transcript

Good morning everybody across the state! Thank you so much for joining us.

I'm glad there's a lot of interest in attending this webinar....

We have been working on this project since about... August with... thinking about it even before then and... really, we started to look at the impact... on the workforce of the pandemic.

So... it's really... impacted providers ability to stay viable (in some cases), to be able to hire a Workforce that is at competitive wages, to be able to... predict things. And within this economy, there's been a lot of churn.

So we started to look at how we can...put in play actions that will help to stabilize this-- looking primarily at what our budget projections are for this year.

And so...with an eye on... ensuring how we can collectively continue to provide services to our population.

How that... translates to ensuring that we have a workforce-- because there's a lot of workforce shortage. There's a lot of competition.

There's a lot of people who have decided to do other things.

So, there's been some changes in... how we do things and we did, during the pandemic, implement several measures (including temporary rate increases).

So what this is... is a continuation of our ability to offer... temporary rate increases.

That requires a... approval from CMS to do that.

We have submitted our... another Appendix K application and are awaiting... CMS's approval to move forward with... the rate increases, as we have planned.

Again, this is going to be a temporary increase that will... we project will last till the end of June 2023, and then...our kind of next strategy is to implement the rate models through the budget. And so that's going to be another discussion that we'll have with providers. And we have submitted our budget request but as you know the new governor just came in yesterday and so the... the budget we don't believe is final yet, but... this particular rate (temporary rate increase) is going to... require the continuation of the cost reports-- just because we have to show that the funding that we're applying to increasing the rates really is going to the most sensitive areas-- which is the... to make sure that we have... a continuous workforce in place.

So, it's something we're constantly looking at, and we're... again... going to give you a lot of information today because we decided that it's good for you to have the entire context of how we made decisions.

This wasn't something that was just kind of picking numbers out of a hat.

It was a really well-analyzed, well-thought-out, and so we really want to share that with you because we think it equips you in being able to talk to others about our system.

With that… there's going to be more operational… information that will come out.

We'll talk about that at the end. But I really want to introduce… Stephen Palowski, who… almost all of you know, has been helping DDD for many years. He works for Burns and Associates which is now a division of Health Management Associates, and he sat with us for countless hours in thinking through all the details that go into… the request to CMS, and the ability to leverage our state funds for a temporary rate increase.

So… with that, I'm going to… let you take over Stephen.

Stephen: Thank you so much Mary, and good morning everyone!

As Mary said… I'm Stephen Palowski with the Burns and Associates Division of Health Management Associates.

I'm a little bit under the weather—so apologies as my voice is probably going to ebb and flow during my remarks.

As we move into the agenda, the… presentation itself isn't actually too long, but as Mary said… we wanted to make sure that you had some context for the rate increases that we're looking to implement here for the balance of the fiscal year.

So, in terms of what we'll walk through… is ever so briefly providing a… recitation of the recent history of provider rate increases.

We'll talk about the impact of the minimum wage on the rate models that we developed back in 2020, and how it is we're updating those models to accommodate a higher state minimum.

Then, we'll talk about the rate increases themselves (the timing of them and the like), the reporting requirements related to direct support workforce wages and benefits and staffing levels, how we're brief… briefly how we're updating the individual supports budgets and then there will be ample opportunity for questions and answers.

So, in terms of that recent history, we just want to provide a quick trip down memory lane-- that there have actually been quite a few years that passed between the… my involvement in Hawaii, and the previous rates today. So, I think the rates that were in effect in 2015-16, were… been in effect for maybe a decade on.

And so… at that point, we contracted with the division to conduct a comprehensive rate study.

It involved… a lot of Outreach to Providers.

We conducted provider survey. We did a handful of site visits-- so we could actually see some programs and operations.

We developed rate models that outline our cost assumptions—so this is how much we assume a DSP earns, and what their benefit package looks like, and the number of miles they travel, agency overhead expenses, and the like.

We presented those for public comments. Based upon public comment, we made some changes to our initial proposals, and we finalized those rate recommendations.

But the price tag, itself, was fairly substantial. We were recommending rate increases that averaged about 20 percent. And we actually found really solid support from both the Office of the

Governor, as well as the State Legislature. Because it's one thing for the division to recommend rate increases, but someone else has to provide the funding in order for those to be implemented.

And we did get the funding that was requested-- again with the support of the governor and the legislature. So, implementation of those rates began in 2017.

Because we know that costs increase over time, we conducted another rate study in 2020 (which is on the time frame that we typically recommend-- that it's too burdensome and costly to do a comprehensive rate study every single year but every four to five years it makes sense to do that kind of soup to nuts review of reimbursement to ensure that it continues to align with service requirements and the like)…

Once again, we recommended further rate increases.

So, on top of what had already been adopted, the rate increases that we recommended averaged about 17 percent.

And all these percentages… some rates went up high or some rates…not as much.

These are the overall averages across all services.

However, in this case, we were not… not able to implement the recommendations that we had made.

And that was because of the results of the pandemic. So, we began the project prior to the pandemic taking hold. In fact, I was in Hawaii in March of 2020 and flew home on the 13th and the next day things started shutting down pretty quickly, and we finished the rate study (because we thought it was still worthwhile to document what we thought the appropriate level of reimbursement was)-- but as all of you know better than I-- there was a significant impact on state revenues, and… state agencies were directed to effectively maintain status quo budgets, and that did not leave any room for provider rate increases.

And so, for a time, those recommendations had to sit on the shelf.

End of the pandemic-- as we move into the next slide…

The federal government recognized the dire state of affairs… of course, across the country and individuals' lives, but also within state governments, and they passed the American Rescue plan act. And, that was one of the… there was actually a number of pieces, of course, of COVID-related legislation (this is one of the latter ones). And funding from that Federal legislation allowed us to partially implement the rate increases that we had recommended in 2020. In particular, this is part of our home and community-based spending plan. It's actually the single largest component in dollar terms of that spending plan. And we're using funding to implement 50 percent of the rate increases that had been recommended for a two-year period (between July 1 of 2021 and June 30th of 2023).

And when I say a 50 percent increase, it's (of course) not increasing the rates by 50 percent, but we're looking at 50 percent of the difference.

So we just provided a simple example here on the slide. The rate that we established for PAB was $7.46 back in 2016. In 2020 our recommendation was nine dollars and one cent.

The difference between those two numbers is, of course, $1.55, and 50 percent of that difference is about what... 78 cents or so. So we added 78 cents to the current rate (the $7.46)-- which means the rate in effect today is eight dollars and 24 cents.

As I said, that rate increase is time-limited. The federal ARPA funds are a one-time pot of money, and so... as Mary mentioned during her opening remarks, we have recommended, or excuse me, requested funding to maintain that rate increase, but that's going to be subject to approval from the governor and ultimately, of course, from the legislature.

So, to be clear (as Mary's already stated), if no additional funding is added to the waiver budget at this point we are going to be forced to revert to the rates that were in effect back in June of 2021. So, wouldn't be maintaining the rates in effect today we'd actually go backwards. If you look at the PAB example, that means the current rate of $8.24 would scale backwards back to $7.46. Again, that's not what we're hoping is going to happen, but we want to make sure that we're being transparent-- that right now the funding does not exist in the DD waiver. It's going to require new resources added in order to maintain those rate increases after this fiscal year ends.

So that's what's transpired here, up until this point.

Of course, I think many providers are acutely aware that the states increased its minimum wage (in fact they've adopted a schedule that increases the minimum wage in steps until it gets to $18.00 an hour several years from now).

In particular, we wanted to recognize that one of those increases has already taken effect, right? So in October the 1st 2022, the minimum wage increased from $10.10 per hour to 12 dollars per hour.

Now, I'm going to spend a couple of slides talking about how it is we updated our 2020 rate models to account for this change. But before I do so, one point that I want to emphasize is that we are not suggesting and do not consider direct support to be a minimum wage occupation. So, if you look at the rate models that we built in 2016 or in 2020, you will see that we did not assume that DSPs earn the minimum wage. We don't think it's a minimum wage occupation.

However, what we want to recognize is that you are competing with other lower wage occupations-- so, as the minimum wage goes up, those other occupations (tourism-related or food service or retail) might become more attractive (because, of course, direct support is hard work). So, we want to hopefully maintain some level of competitiveness for agencies to compete (of course) with those other occupations, and as the minimum wage goes up, those other occupation wages are going up as well.

So… in the next handful of slides (as I said), I'm going to talk about the methodology for updating our rate models.

I actually have a much much more detailed presentation that we can talk to any level of detail that you want, but for today, we wanted to keep this relatively high-level and talk more conceptually about how it is we approach this issue-- because it's something that we've encountered in quite a few States in which we work. And the background is that since the minimum wage was established back in the 1930s, we are in the (the federal minimum wage I should say)… we are in the longest period of that federal minimum wage not being adjusted (I think it's been more than perhaps 20 years now). So, the single longest period without an increase in the federal minimum-- which means that in the absence of federal action, states have taken action on their own, and that includes a number of states in which we work. So… states like Oregon and California and Virginia all have adopted minimum wage increases during our time working with those states, and it's forced us to think about how it is we need to build those future impacts into our rate models.

And so, we've spent a lot of time thinking this through and coming up and coming up with and testing methodology that seems to reflect real-real world results pretty effectively. The methodology in qualitative terms is really intending to reflect two realities that the economic literature suggests are going to occur as the minimum wage rises.

The first is a spillover effect… and what we're articulating here is that there are some folks that earn relatively low wages that are above even the new minimum wage that are still going to get a pay raise, right? So the minimum wage does not only affect those individuals who are earning the minimum wage or lower than… less than the new minimum wage. And, I have a slide that illustrates that. Although for employers on the phone, you're going to understand why that's true (pretty readily).

In fact, if you look at the work that the Congressional budget office did a year or two ago (as Congress was thinking about increasing the federal minimum wage). Under some scenarios, there's more people earning above the minimum wage that would be impacted than earning below the minimum wage. So, it's a pretty well-accepted phenomenon that the minimum wage has these spillover effects. The other effect that is also well documented is that there is wage compression--that the spread amongst people who earn relatively lower wages is going to be diminished.

And again, I'll illustrate both of those points here (as we transition to the next slide), but those are conceptually what it is we're trying to account for…

And so… to provide a little bit of numbers behind this, I want you to consider a state (this is obviously not Hawaii numbers, this is just a generic state) that has a minimum wage today of 12 dollars per hour, and they're going to a new minimum wage of fifteen dollars per hour.

Now… to think about the implications as an employer, or as a provider-- I want you to think about an organization that employs people at twelve dollars an hour when they start, but after they've been there they have a stair-step experience-based pay scale.

And if you've been on the job for five years, you're now earning fifteen dollars and fifty cents.

So, thinking about that particular employer— they only have a legal obligation to raise the pay of the new employee, right?

Because the minimum wage of $15.00 an hour is still less than what that experienced employee is making. So, legally the employer has to increase the new employee's wage from twelve dollars to Fifteen dollars, right? Because you can't pay less than the minimum. But legally... and I actually haven't... no, legally you don't have to do anything for the experienced employee, right? So earning $15.50 now. The minimum wage is going up to $15.00 per hour—so they're already earning more than minimum. You don't have to do anything for them to comply with the law. But, if you don't do anything, you're going to have the result here that I've illustrated in smiley faces. So, the new employee is going to feel pretty good-- they got a three dollar pay raise. That experienced employee is probably going to be pretty upset, because they've worked for five years to earn more than what the starting wage is. They're going to look across the floor or across their desk (or what have you), and see that someone who started yesterday just got a three dollar pay raise, and now they're making almost what I'm making (the experienced employee is making after five years on the job). Same thing is true between employees and supervisors, right?-- that the supervisors typically don't earn a lot more than the DSPs.

And, you can think of an example just like this where a DSP is earning 12 bucks, and supervisor maybe is earning $16. That supervisor is probably going to be pretty unhappy about all their DSPs (all their direct reports) are making 15 dollars.

They are still earning more, but they're not earning much more, and that's probably going to put them in a pretty sour frame of mind. So... to state what I think is obvious again to those of you who are employers--there's a practical need to adjust the wages of the experienced employee (in this example, right?)-- to maintain some degree of workplace morale. And so, that's what it is we had to try to figure out. And... summarizing this on the next slide, that example illustrates both the spillover and the compression effects. Although that experienced employee already earns more than the minimum wage, they are going to receive some pay raise as the minimum wage goes up. However, because of compression effects, that increase is almost certainly not going to be the three dollars per hour that the minimum wage worker is earning, right? So, if you're at the minimum wage and it goes up by three dollars, you get a three dollar pay raise (because you have to be... you have to remain at the minimum at least).

If you're already earning a fair amount above the minimum (in this example $15.50 compared to twelve dollars), it's very unlikely that you're going to get a three dollar pay raise. And economic literature is pretty clear that that's not what happens-- because if you play that out to its logical conclusion (if everyone got a three dollar an hour pay raise), it wouldn't matter who you were-- you could be the CEO, you could be a doctor-- everyone in the state would get a three dollar an hour pay raise. But we know that just doesn't happen, right?

At a certain level, the impact of the minimum wage does not impact your... excuse me,... the increase in the minimum wage does not impact your salary at all.

So... I hope that folks will accept that.

If not, there's (again) lots of citations that we can provide that demonstrate that those two phenomenon exist when a jurisdiction increases its minimum wage.

And so, all the literature really suggests that those things are both true.

Regrettably for me, at least, is that they don't quantify the effects.

So... like one of the studies was out at MIT-- would have been great for me to point to something that MIT said that hey, someone who's earning $15.50 today, if the minimum wage goes up from $12 to $15-- they're going to be earning X dollars tomorrow. No one that we could find put together a reliable model that we could use. So, what we were forced to do is put together our own model that mirrored (excuse me) that makes me... estimated or projected what would happen to people at different wage levels as the minimum wage goes up.

Really, what we're trying to do is explained in that bullet at the very bottom-- that if someone's already earning above the minimum wage, we want to know what percentage of that premium they are going to continue to earn above the minimum. And... mathematically, I don't have a slide for this, but we assume that that premium declines over time (which is Illustrated here in the graph). So, this is using that same 12 to 15 dollar an hour increase in the minimum wage. As you can see, and as I said a moment ago, if you're earning twelve dollars today (that's the minimum), that means you're going to be earning $15 an hour tomorrow (when the minimum goes up to 15).

And, lots of people earning above the current minimum will get a pay raise, and even people earning above the new minimum are going to get a pay raise.

In fact, based upon our model, we assume that everybody that's earning up to $19 per hour will get a pay raise. But, the way the model works out is... by the time you get to $19 an hour, that pay raise is almost non-existent, right? It might literally be a couple of pennies...

So you can see that as your starting wage... increases, the size of the pay raise (as the minimum wage goes up) decreases-- until at a certain point it goes away altogether. Again, the CEO or physician example that... if you're earning a hundred thousand dollars per year, you're not going to get a pay raise when the minimum wage goes up.

So, again, I don't have it in this presentation, but what I'll let you know is that we've tested our model against quite a few real-world scenarios... in five or six states and across not just healthcare occupations, but retail food service, tourism, other low-wage occupations, and we have wage data before minimum wage, we have wage data after minimum wage increase, and our model (if anything) slightly overstates the wages that in effect after the minimum wage increases.

So, I know I spoke about that at a relatively high level, and sometimes I do this presentation-- I have like another dozen slides. I get really really complicated. and really really mathematical.

That chart on the previous slide illustrates the result. I mean that... that's the reflection of what we're doing mathematically... and conceptually

What I just wanted to make sure that I communicated today, is that the methodology accounts for both those spillover and compression effects. So we're not assuming that direct support is minimum wage, but we need to reflect the fact that you need to continue to pay a premium… to direct support professionals to get them to do this work when they have other options out there that… are probably not as challenging as direct support work is… So now pivoting to the kind of next slide… In conclusion, we've updated the 2020 rate models that we originally established… I don't know that those have been posted yet, but… the rate model packet itself, as well as the… rate sheets will be available-- so you can see what the impacts are.

Bottom line… is for DSPs providing say PAB, ADH, and CLS, we're assuming a wage of $16.23 per hour. Again, I certainly would be quick to agree that that is probably… you're still in a very challenging environment, but building on the 2020 rate model, and accounting for the minimum wage adjustments-- that's where the rate model is currently set. Oh and then I… the slide actually says what I said a moment ago-- that the rate models and the rate sheets are going to be available on the DD website (once that appendix K is approved by the Federal government).

So… that takes us to… hopefully the good news of the presentation today-- which is… we're in a happy situation, where (as Mary said) we believe that providers need the money, and the division happens to have the money. So that doesn't always occur. Sometimes providers need money and the division doesn't have money, but… in this circumstance we have a confluence of factors. Very very obvious statements I have here under the provider section-- that you're in a very challenging operating environment. Costs have been increasing… by a generational amount here over the past 18 (or maybe 24) months now. That includes wages even without the minimum wage adjustment. We know there's been quite a bit of wage growth here—as inflation has been running much much much ahead of historic norms.

The other thing that we know is that… the utilization for some Services has still not recovered to pre-pandemic levels. This is particularly true for ADH and CLS group. Most other services are more or less where they were prior to the pandemic, but for those programs (shared supports obviously) we've yet to see a full restoration. And so many providers continue to have diminished revenue--compared to what they were receiving back prior to the pandemic.

[Coughing]

Pardon me! In terms of the state's financial situation… the federal government (in a different piece of pandemic-related legislation) has increased its Federal share of Medicaid and Waiver expenses.

It has remained a open question as to when that additional funding is going to expire-- because it's tied to the Federal Department of Health and Human Services declaration of a public health emergency-- which they renew… I think it's every 90 days at this point. So, we never quite know when it's going to expire, but at this point, we know that it's going to be in place for at least the balance of this fiscal year or… (if not the majority of the fiscal year).

As a result, because we have more federal funds in the waiver budget, we have more total funds to work with. And that's why the state has the wherewithal to… provide a provider rate increase. As

Mary said, we've been cautious-- because we didn't want to make any commitments that we couldn't keep.

But… given utilization trends, given what we know about the declared emergency and the additional federal funding, we're now confident that we have the money to adopt a rate increase for the remainder of the fiscal year (on top of what has already been done through the ARPA funds that I covered earlier in this presentation). So, I know there's a lot of federal acronyms in play (different pieces of federal legislation), but the bottom line is-- the rate increase that we're talking about here is in addition to that rate increase that went into effect back in (retroactively at least) to July of 2023.

And so… we have a little bit more detail on the next slide about what this rate increase is going to look like (again, pending federal approval) But we're confident that we'll get it (which is why we're having the meeting today). We're going to increase the provider rates to the 2020 rate models (with the adjustments for the minimum wage update that we talked about here a few slides back). We're proposing to align that increase with the effective date of the new minimum wage (that would be October 1st of 2022)-- which is not dissimilar to how we handled the July 21 rate increase (where the approval came after that date). And so, there were some retroactive adjustments that had to be made.

A couple of notes related to this… the new authorizations will not be generated for the increased rate—so these new rates will not be reflected in Medicaid online. That's a technical detail. The other… point that I really wanted to emphasize is… just like the July 21 rate increase, we're using one-time funds in order to implement these higher rates.

Those one-time funds are only available in the current fiscal year-- so as we've been saying all along, these rate increases will be rolled back (unless we get additional funding through the budget process to keep them in place).

The division has made that request (it's part of the state's budget setting process), but obviously that… those are political decisions that get made ultimately by the governor and the legislature. So… based upon what we know today, these rate increases are one-time and temporary (because we don't have the funding for next year to maintain them after June 30 of 2023). And, it would mean that the rates would be rolled all the way back to what was in effect prior to the previous rate increase. So the rates that were in effect in June of 2021, would be what we have to re-implement in July of 2023 without additional funding. And so… you know we wanted to (as Mary said) ensure that you have the information you need about what it is we're doing, but also being able to speak to the impacts on your organizations if these rate increases are not made permanent. And, that's something (obviously) that all of you are much better able to speak to than we are…

Again, more technical details which I can effectively read to you. If you have more technical questions, a division representative can probably answer them.

But again, once we have approval the provider… you as a provider will be able to amend your previously paid claims to account for the rate increase.

Only for services on and after October 1st, 2022 (this is following a very similar process to the July 21 increase) those adjusted claims can be submitted electronically or in hard copy, and then as is always true, claims have to be submitted within 12 months of the date of the service. But that's the day of the original service, right? So, assuming we get approval this month in December, you're already on the clock for services that were delivered in October.

There is no ability to extend that 12-month look back period. So, again, I think it's an ample time (but something to be aware of) that you have to have those reprocessed claims end within 12 months of the date of the service. And then, we recognize that we're balancing a couple of different fee schedules at this point in time. So, for those participants who have a plan year that began prior to April 1 of 2022, providers will continue to use the ResHab rates that are appropriate to the setting. So… for those ResHab providers on this call you know that we broke out new billing codes for AFHs (separate from licensed facilities). So… this is just talking about the fact that we have to balance those two fee schedules based upon when we were able to implement that change.

I think I only have one or two more slides to get through. Again, I'm parroting Mary-- a point that she made earlier in her remarks-- is the justification that we are making and upon which CMS is basing its approval is that the bulk of these rate increases are meant to shore up the direct support professional workforce. That was true in the rate study, and that's certainly true with the adjustments that we made to account for the new minimum wage.

And so, we're going to continue to ensure reporting on a… maybe quarterly perhaps (we'll come back to this), perhaps a bi-annual basis, about key aspects of the health of the direct support workforce. So… almost all providers have submitted these reports in the past--so you know what we're asking for… the number of DSPs you employ, the wages that you pay to them or bonuses benefits, and the like. And what we want to be able to demonstrate to CMS (but also as part of the advocacy for maintaining these rate increases) is… look at all the good things that have happened with higher rates. DSP wages have gone up by X and now Y percentage have access to health insurance that did not have access to health insurance before. And look… turnover has declined and whatever other (hopefully) positive features we can find from this data.

I will acknowledge that we became a little bit lax in following up on these reports… The reason for that is because CMS changed its reporting requirements… and then… in short, they made them less frequent. But, although we have been lax to this point, we are going to reinvigorate this process for the reasons that I stated-- that we have to provide the justification that we're following through on what we've committed to CMS. But then also, we think it's going to be helpful in our collective efforts to maintain these rate increases. So, we'll be working on some additional guidance (reinvigorating the process with the updated time frames for submitting these reports). But it's going to be, if not identical to, very very similar to what folks have already seen, and at least for that very first quarter compliance was very very high (which we're appreciative of…)

I think the last major agenda item was talking about the individual supports budgets which…

The key takeaway here is that-- as with previous rate increases-- we're updating those ISPs to account for higher rates.

Bottom line is that we don't want people to have access to fewer services because their providers are getting paid more for those services.

And, that's the way the... individual support budgets are constructed-- as we make assumptions about the amount of hours and support that folks receive, we price them out based upon the fee schedule. And obviously, that's the limit that is in place when people are developing their person-centered plans. But, if we don't take action as rates go up, that budget gets chipped away more quickly. So, this is a very much a mathematical exercise. We're just increasing the ISB amounts... to reflect those higher rates that... that they are built upon.

Does that affect the number of services that are authorized? And so, no new service authorizations are going to be necessary.

Which takes us to the summary, and then I'll turn it back over to the division. So, these rates will be effective October the 1st of 2020 (retroactively effective to October of 2022). Again, the foundation for these rates are the results of the 2020 rate study (with the new adjustments upwards for... accounting for the minimum wage increase that took effect here on that same date).

Once we know that CMS has approved the Appendix K (the request, in other words) to implement these rate increases, we'll let you know, and we'll provide the other materials (like the new rate sheets and the rate models)... and any other billing guidelines that accompany that...

So, with that, I think we have time... hopefully lots of time for any questions that folks might have.

Moderator: Thank you so much Stephen for that presentation...

The floor is now open for some questions regarding Appendix K Amendment, as well as the new rate models. And, to start off... for our first question here from one of our attendees is... "If we are to continue the Appendix K rate models till June 2023, does that mean all the rules of the appendix K are still in [effect] past December 31, 2022 as well? The ability to request Telehealth, extend supervision ratios for ADH and CLSG on an emergency basis (if short on staff)."

And maybe...

Mary: Yeah, I'll take that.

Moderator: Okay...

Mary: So... the rules of the federal government for Appendix K is that the flexibilities can stay in place six months after the end of the public health emergency (which has been extended a number of times and likely will be extended for another 90 days past the end of January-- which is the current end). So, states have that ability to extend. At the same time, we (as well as States across the country) are working on the unwinding-- because those flexibilities won't stay in place forever...

They're just... they're tied to that particular authority.

So... we are... developing an unwinding plan... In terms of the particular piece that we're talking about (which is the temporary rate increase), we know that that will not extend beyond June of 2023 (under the Appendix K authority). If it... does continue, it would have to be through the biennium budget (at that point in time)—because we operate on a fiscal year and basically lapse funds that are not used... at the end of the year.

So... things like Telehealth... and supervision ratios, I would dialogue with... CRB and of course the... the teams because you have to follow the telehealth... things... requirements that are in the Waiver Provider Standards.

So, that's the first thing. It has to be needed, and it has to follow... very closely what's in the standards. So again, dialoguing with case management and CRB on those two things. And, I don't know if any of my staff want to weigh in on the answer to that question.

Moderator: Okay! All right.... thank you!

Mary: Did I get that right? I'm sorry... I just want to give it a couple seconds.

Moderator: Sure?

That was... anything else to add to my answer?

Deb: No I think we're just waiting to see if CMS gets us the approval, and then we'll know that for absolute sure on that date.

Mary: Yeah... and we do not know the date of the approval. We submitted... several weeks ago.. In the past, things would be turned around really quickly, but CMS is also... working with many other priority initiatives, and so... we...we got feedback. We adjusted it. We turned it... did that about a week ago, and we hope to get approval sometime next week. But, no guarantee!

[Laughing]

Moderator: Ok... thank you Mary!

I think that was one of the questions too from our... attendees-- is that "what is the expected date of the approval"? So, thank you for that.

So, our next question here is "How likely is the additional rates effective 10/22 to be approved? Are you confident enough that we can make adjustment to the staff to pay now to reflect the 10/22 changes?"

Mary: So, the process is for the departments to submit a budget... and so all the divisions (including DDD) submits... the budget of what they need to support... the Waiver (as well as support waiver infrastructure), and any initiatives that we want... need to move forward so... we got a... what's called a steady-state budget...that BNF released, but I think a lot is contingent on what the new governor sees as priorities, as well as the...the revenue projections.

So, if you've been following the papers it sounds like the budget is doing good-- so, we don't know if our entire budget ask is going to be approved or not.

The recommendation from BNF funded the waiver rate increases in part, but not in whole. It's several million dollars off of what we project to be needed (in the biennium). And so, we don't know yet what that... that final budget (executive budget) will be.

Moderator: okay.

All right, thank you! Another question here is... I guess is just to confirm if the current Appendix K expires on July 10, 2023, as well as... what is the average percent increase of rates proposed to start retroactively to 10/22?

Mary: So that's two separate questions, and I'll take the first part, and maybe Steven can take the second.

The current Appendix K is... we... is tied to the end of the announced Public Health Emergency. States have been signaled that they would have (be given) advanced notice, and that time for that advanced notice has come and gone--so we're assuming that the public health emergency will be extended... very much into May (I believe).

So, officially the Appendix K expires in July of 2023, but it may go beyond that. Again, we are developing our own unwinding plan for the Appendix K.

A lot of it is... (like the FFCRA increased percentage of the federal...FMAP), is tied directly to the PHE (and not the Appendix K), but it does give us some time to unwind.

Moderator: Okay, and I guess then.. the other question is for Stephen. What is the average percent increase of rates proposed to start retroactively to October of 2022?

Stephen: So... I have a... approximate answer. As I noted in the presentation, the 2020 rate model is represented about a 17 percent rate increase (compared to the 2016 models). Half of those increases have already been adopted, right? That was the increase that was... retro back to July of 2021.

So, this would be the other half of that rate increase, and then another adjustment upwards for the minimum wage figures. So, the ballpark is probably... represents about a 10 to 12 percent increase over the rates that are in effect today... I see another question on there about whether or not there's information about what the rates are. We certainly have that (as we noted in the presentation)-- its just... they haven't been posted online.

The intent is to post everything once the approval from CMS issues-- so that we know that we can actually pay those rates. That being said, the 2020 rate models are online-- so that gives you a sense of where they're at generally speaking. And, just know that a number of the services (particularly those delivered by direct support professionals) will be a little bit higher-- because [of] the minimum wage adjustments that we've made. But, once we have that approval, the full packet and the rate sheets will all be made available.

Moderator: Okay, and I think... just a follow-up question here... "Is the rate adjustment good until June 30, 2023?"

Stephen: Based upon current funding levels-- yes-- that the... these rates will be in effect between... retro to October of this year through June 30 of 2023.

As the budget currently stands (without additional funding), we would have to then roll back those rate increases on July 1 of 2023. But, as Mary said (and I try to re-emphasize) is... it's our hope that that's not what happens, and the department (the division) has put forward through that budget process Mary just explained, a request for funding to allow the division to continue those rate increases... (effectively in perpetuity).

Mary: Yeah and, of course, that's contingent on CMS approval.

Moderator: Okay, so... I guess...one of the questions regarding that Federal approval is that we are finalizing the budget for next year. Will you be sharing the proposed rate increase even before the federal approval?

Mary: We expect the federal approval any day now-- so those things will probably come out at the same time.

But... the figures that... Stephen described is what you have to work with.

Moderator: Okay, thank you!

Uh, another question here is "Our agency relies on service supervisors to fill in for absentee DSWs. That pay was included in the quarterly report on DSW wage compensation. Did that have an effect on the rate models?"

Stephen: It did not have an effect on the rate models. The rate models were originally constructed... (as I said) back prior to the pandemic—so we... the only adjustment that we're making right now is a mathematical calculation about the impacts of the minimum wage. So, it's independent of what gets reported through that DSP... quarterly report.

Moderator: And then I guess... I think this is... I think directed to more to Mary. "Is there a legislative strategy that DDD is working on to help sustain this rate?"

Mary: So... our legislative strategy is to...we need to produce the budget with sufficient justification, clarity, answer the (you know) 10 million questions that come to us-- first from BNF, and then from the money committees in the legislature. And so... our legislative strategy is to educate... and to be able to answer questions, and... also to raise the visibility of our program wherever we can... so... through a communication strategy. Along with that, we really depend on you all, and our entire group, our entire network, our stakeholders to be able to articulate the need. And, that's why we go into great detail. It's not to give you PTSD from when you took economics in college (or whatever). It's really to be able to equip you with... enough (so that you understand what we're asking for and why we're asking for it). It's not frivolous by any means. It's very well thought out. It's constructed. It's not based on excessive ask. So... the division can't advocate, but we can educate, and we'd be glad to work with anybody who needs more information.

I saw a comment about... "It's not fair... to give raises." Of course, that's always a business decision, and we can't guarantee anything-- because we're always dependent on the budget to give us the state share of the funding. And, we have been educating and putting forward the need for years, and have been (you know) pretty successful in that (as you saw from Steven's presentation-- where we were able to... pay providers what it costs to provide services since 2016). We have to continue that part of our job—to ask in the budget... for how to pay for

Waiver services. It's (you know) nothing goes down, it only goes up, and so… I think that again… educating your own… representatives / senators in the legislature… the governor (the new governor) is going to essentially… put out his own budget. That might be a good place to educate and (you know)… whatever your organizations and your own… your own way of getting the word out-- I think would be very helpful.

Moderator: Okay, thank you!

And then there is a one question here about the RBT services. If… "will the rates for the RBT services be increased in this round?"

No, the…RBTs don't have a [inaudible] rate model associated with it. We took a different approach to benchmark those rates. So, at this time, there is no adjustment for those services.

Moderator: Okay… all right! And I guess…uh…

I guess this was answered earlier… but, needs…like…

Mary: Is that the one about DD Council and DDD?

Moderator: Yeah, so the DDD or DD Council need to lobby for permanent increase.

Mary: DD Council does have the ability to… advocate. I do not. The Departments don't can't lobby… by law. We can educate. And so, what we try to do is put out as much information as we can-- so people can make informed decisions, and also be able to know what the needs of our population are… you know? We might be kind of small in number compared to all elderly or… all people with disabilities, but there's a tremendous need in order to support people with… significant intellectual developmental disabilities and… and that's kind of unknown… among many people. And so, the more that… people can get the word out again… DD Council does have the ability to talk to people to advocate, but the departments do not.

Moderator: Okay.. then I apologize. I'm not sure if that this has been… asked already. "What is the average percent increase of rates proposed to start retroactive?"

Mary: I think we did answer that one. Yeah… sounds familiar!

Moderator: Yeah, it sounds familiar!… I believe (unless there are any more… questions and any… or any concerns from our attendees) feel free to type it in the chat box…. if…

Mary: I think there was this last question… Emily, great question… "Is the proposed rate increase rate model similar to the DDD budget?"

We did build these features into our budget request.

The current… BNF budget doesn't have all of it in there. And so, if they're… the state executive budget hasn't been released yet.

And… I'm hoping that… something happens between now and the release of the executive budget (by the new governor)… to include our full ask.

I can only go through... through my channels and answer questions, but I think that... that our collective voice is really important.

Moderator: Okay... are there any more questions?

Well, I guess that is... our last question.

That's been answered. Thank you Emily for that question.

[Laughing]

And so, if there's anything... nothing else... I... we would like to thank Stephen for the presentation for today. Thank you so much for that information!

Thank you for all our panelists. For... I'm trying to answer the best that we can in behalf of the DDD here. And, I am Lianna from the training unit, and [on] behalf of the DDD, we would like to thank you for taking time on this morning's webinar to attend. And... I hope that you have a wonderful rest of the day.

Mary: Happy Holidays everybody!

You did a wonderful job for your first hosting of a webinar!

Lianna: Alright... thank you!

Mary: Thank you so much! Thank you everybody!

Narrator: Thank you for taking time out of your busy schedule, and attending today's webinar.

Should you have an additional question for our Community Resources Branches team, please feel free to reach out to us at doh.ddcrb@doh.hawaii.gov.

Also, visit our website for the latest news and events from the Developmental Disabilities Division. Our website address is health.hawaii.gov/ddd. Mahalo everyone, and have a good day!