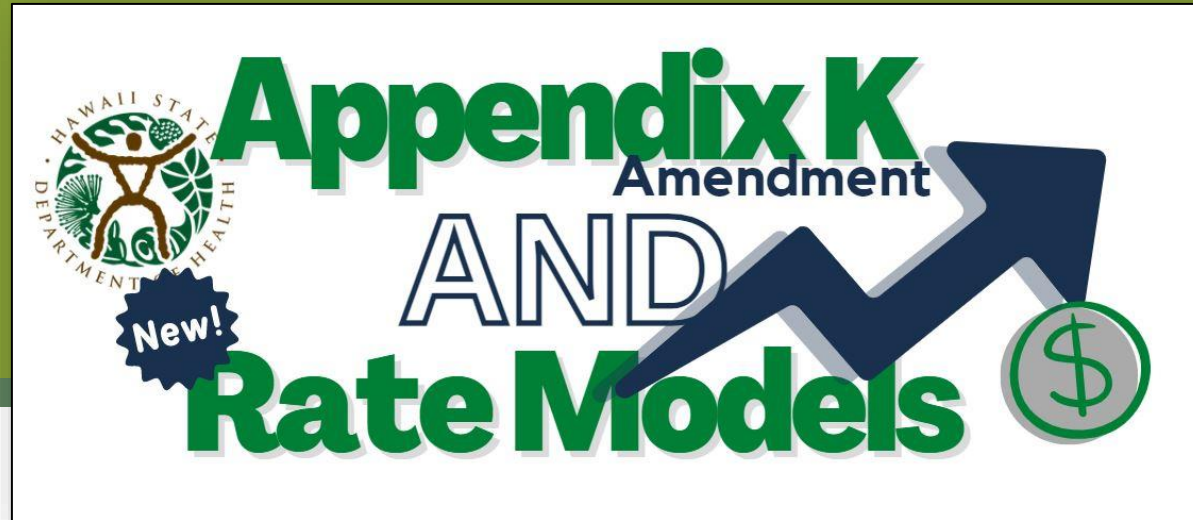
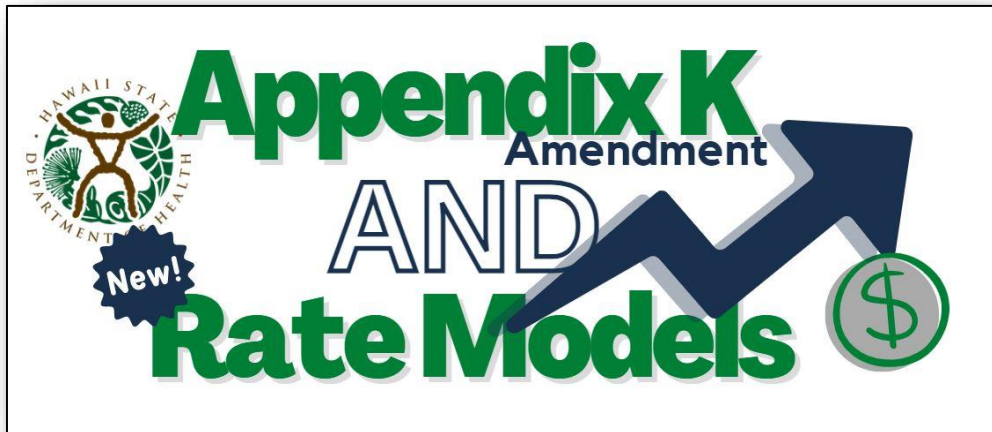


DEVELOPMENTAL DISABILITIES DIVISION
PRESENTS



Provider Webinar

DECEMBER 6, 2022 | 10:00 AM



AGENDA

- I. Recent History of Provider Rates
- II. Increasing State Minimum Wage
- III. Additional Rate Increase
- IV. Reporting Requirement for Increased Rates
- V. Individual Supports Budgets
- VI. Questions & Answers

Recent History of Provider Rates

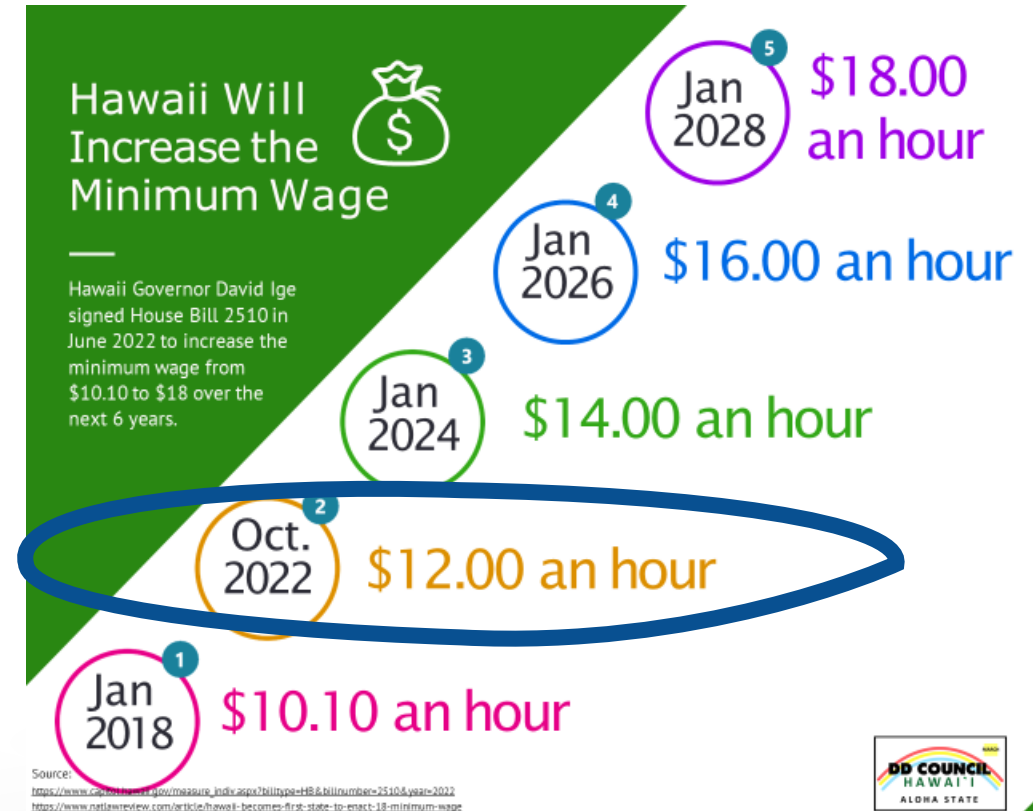
- Comprehensive rate study conducted in 2016 by Burns & Associates
 - Implementation of proposed rate changes began in 2017
 - Overall, rates were increased an average of about 20 percent
- Updated rate study conducted in 2020 by Burns & Associates
 - On average, proposed rates were 17 percent greater than the 2016 rates
 - Proposed rate increases were not implemented due to statewide budget challenges resulting from the Covid-19 pandemic

Recent History of Provider Rates (cont.)

- Federal American Rescue Plan Act (ARPA) funds allowed for a partial implementation of the 2020 rate increase
 - Effective July 1, 2021, 50 percent of the proposed rate increases were adopted
 - PAB example
 - 2016 rate = \$7.46
 - 2020 rate = \$9.01
 - Difference = \$1.55 ($\$9.01 - \7.46)
 - ARPA-funded rate = \$8.24 ($\$7.46 + 50 \text{ percent of } \1.55)
- Federal ARPA funds are limited so the rate increase will be rolled-back after June 30, 2023 unless the Legislature provides additional funding

Increasing State Minimum Wage

- Legislature increased the minimum wage from \$10.10 per hour to \$12.00, effective October 1, 2022
 - Minimum wage will increase to \$14.00 on January 1, 2024
- The rate models do *not* consider direct support to be a minimum wage occupation
 - However, DSP wages are assumed to be impacted by an increasing minimum wage because providers must compete with other lower-wage occupations



Increasing State Minimum Wage (cont.)



- Since many states have adopted minimum wage increases in recent years, Burns & Associates has developed and tested a formula for estimating the impact on wages
- Based on a review of economic literature, Burns' methodology accounts for two effects of an increasing minimum wage on current wages
 - **Spillover** – some lower-wage workers already earning above the new minimum wage will receive a pay increase
 - **Wage compression** – the difference in pay between lower-wage employees will narrow as the minimum wage rises

Increasing State Minimum Wage (cont.)



- To illustrate the impacts of spillover and wage compression, consider:
 - A state has a current minimum wage of \$12 per hour that is increasing to \$15
 - A starting employee earns \$12 per hour and an employee with five years of experience earns \$15.50
- Employer only has a *legal* obligation to raise the pay of the new employee...

| | New Employee | | Experienced Employee | |
|----------|--------------|--|----------------------|--|
| Old Wage | \$12.00 |  | \$15.50 |  |
| New Wage | \$15.00 |  | \$15.50 |  |

- but there is a *practical* business need to also adjust the wage of the experienced employee

Increasing State Minimum Wage (cont.)

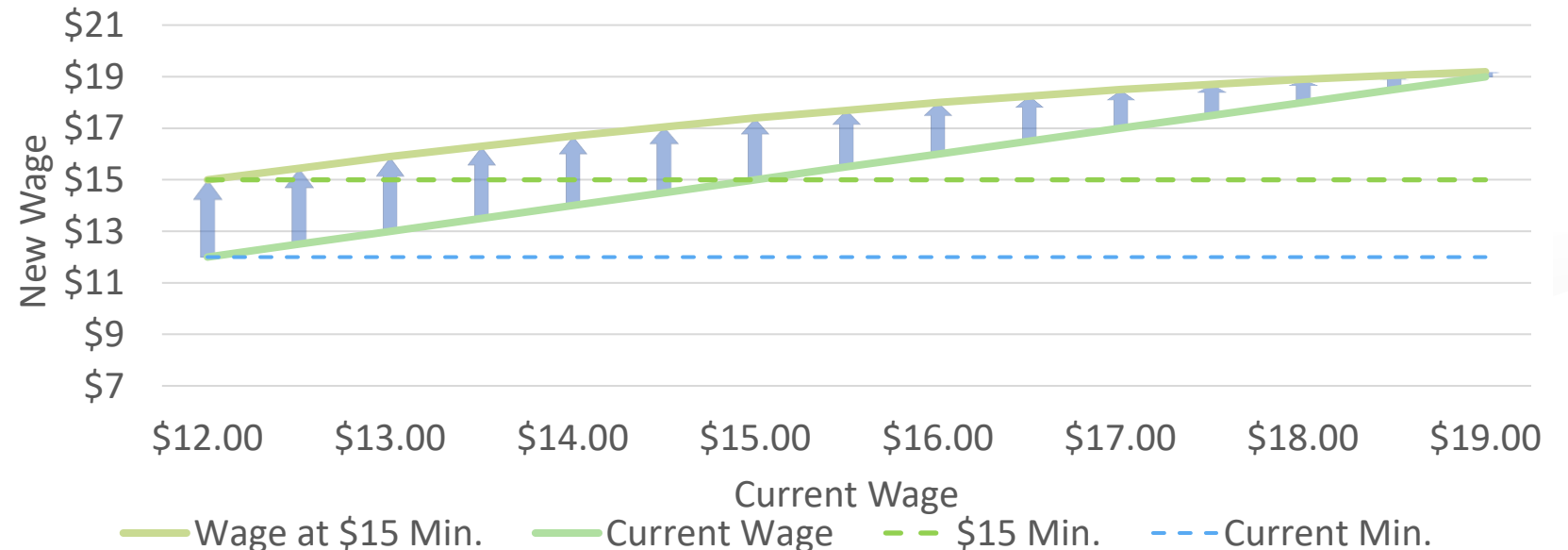


- Example illustrates both spillover and compression
 - Although already earning more than the new minimum wage, the experienced worker will receive some pay raise due to the spillover effect
 - But, their raise will be less than the \$3.00 raise received by the new employee, resulting in wage compression
- While the impacts of spillover and compression are broadly accepted, research does not quantify these effects
 - HMA-Burns' formula estimates pay raises at various wage levels based on current and coming minimum wages, accounting for both spillover and compression effects
 - Designed to measure the amount of the current wage in excess of the minimum wage is retained as the minimum wage increases

Increasing State Minimum Wage (cont.)



- Chart illustrates the preceding example
 - The minimum wage increases from \$12.00 per hour to \$15.00...
 - ... producing pay raises for workers earning up to about \$19.00, with the size of the raise declining as the beginning wage increases

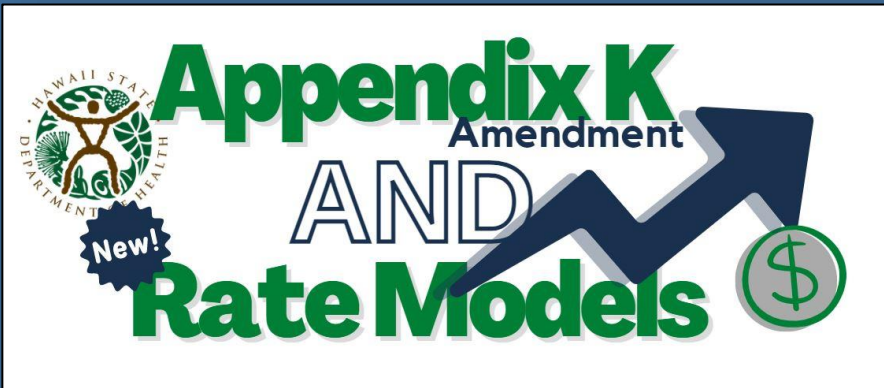


Increasing State Minimum Wage (cont.)



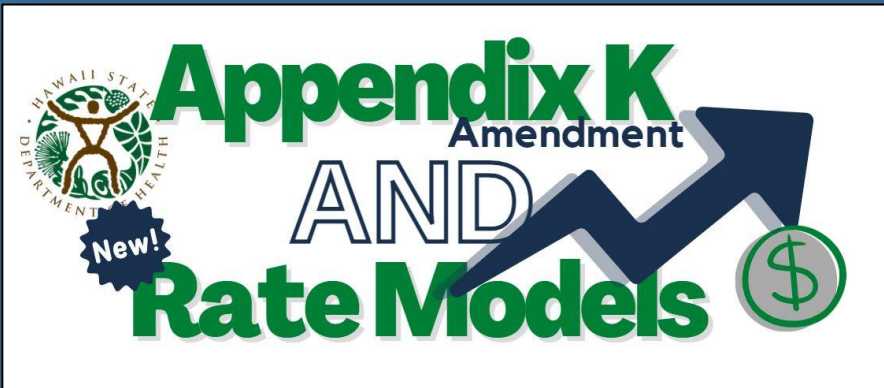
- 2020 rate models have been updated to reflect the minimum wage increase
 - Assumed DSP wage for PAB, ADH, and CLS services is \$16.23
- Updated rate models will be available on the DDD website and provider rate sheets will be emailed after CMS approves the App K Amendment

Additional Rate Increase



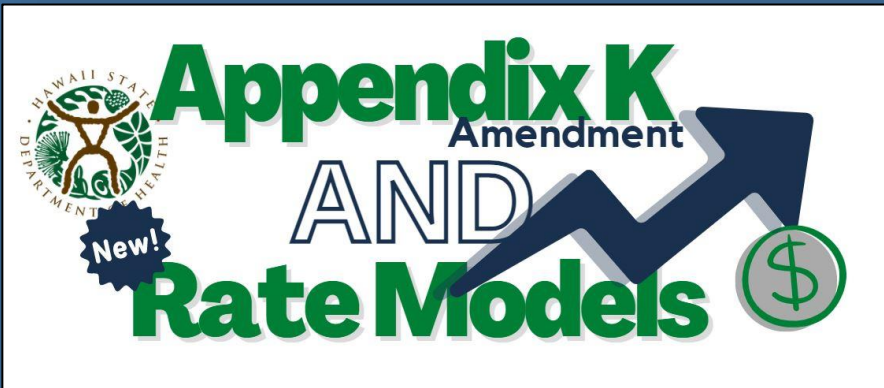
- Providers continue to operate in a difficult environment
 - Higher costs, including wages
 - Utilization for some services has not returned to pre-pandemic levels
- The state continues to receive enhanced federal funding through the Families First Coronavirus Response Act (FFCRA, which predated ARPA), resulting in surplus funds in the DD Waiver budget

Additional Rate Increase (cont.)



- Pending federal approval, DDD will increase provider rates based on the 2020 rate models, including the minimum wage update
 - Increase will be retroactive to October 1, 2022
 - Note: because new authorizations will not be generated for the increased rates, the new rates will not be reflected in Medicaid online (DMO)
 - *Since these increases are funded through one-time surplus funds, the increases will be rolled-back on June 30, 2023 unless the DD Waiver budget is increased*

Additional Rate Increase (cont.)



- Once the rate increases have been approved, providers may amend previously paid claims to include the rate increase
 - Claims eligible for an adjustment are only for services delivered on and after October 1, 2022
 - Adjusted claims may be submitted electronically or in hard copy
 - Claims must be submitted within 12 months from the date of service
- For participants whose plan year began prior to April 1, 2022, providers will continue to refer to the ResHab rates appropriate to the setting (Adult Foster Home or Licensed Home)

Reporting Requirement for Increased Rates



- DDD's application for federal approval of the rate increase notes that rate increases are primarily intended to benefit DSPs
- To measure the impact, agencies will need to submit quarterly reports
 - Developed in support of previous rate increase
 - Additional information for submitting the report will be forthcoming

INDIVIDUAL SUPPORTS BUDGETS

- Individual Support Budget (ISB) ranges will be adjusted to account for the rate increases
 - New budget ranges will be effective October 1, 2022
 - Adjustments to the ISBs are meant to allow individuals to access the same amount of services they are currently receiving
 - Does not affect the number of service units authorized so new authorizations are not needed

| Level | Participants in Licensed/ Certified Homes | | | | Participants in Family Homes | | | | Participants Living Independently | | | |
|-------|---|--------------|---------------|--------------|------------------------------|--------------|---------------|--------------|-----------------------------------|--------------|---------------|--------------|
| | Big Island | | Other Islands | | Big Island | | Other Islands | | Big Island | | Other Islands | |
| | Lower End | Calc. Budget | Lower End | Calc. Budget | Lower End | Calc. Budget | Lower End | Calc. Budget | Lower End | Calc. Budget | Lower End | Calc. Budget |
| 1 | \$23,663 | \$31,550 | \$20,565 | \$27,420 | \$43,650 | \$58,200 | \$38,399 | \$51,198 | \$51,269 | \$68,358 | \$44,043 | \$58,724 |
| 2 | \$25,149 | \$33,532 | \$21,879 | \$29,172 | \$59,489 | \$79,319 | \$52,183 | \$69,578 | \$64,116 | \$85,488 | \$55,206 | \$73,608 |
| 3 | \$31,166 | \$41,554 | \$27,242 | \$36,322 | \$71,818 | \$95,757 | \$63,096 | \$84,128 | \$74,501 | \$99,334 | \$64,241 | \$85,654 |
| 4 | \$31,166 | \$41,554 | \$27,242 | \$36,322 | \$79,933 | \$106,577 | \$70,131 | \$93,508 | | | | |
| 5 | \$35,373 | \$47,164 | \$31,070 | \$41,426 | \$107,258 | \$143,011 | \$94,082 | \$125,442 | | | | |
| 6 | \$36,366 | \$48,488 | \$32,129 | \$42,838 | \$123,419 | \$164,558 | \$109,092 | \$145,456 | | | | |
| 7 | \$37,629 | \$50,172 | \$33,084 | \$44,112 | \$124,868 | \$166,490 | \$109,908 | \$146,544 | | | | |

[Download the Waiver Amendment \(PDF Format\) for ISB Ranges](#)

IN SUMMARY

- New rates will be retroactively effective 10/1/2022
- We will communicate CMS decision about the Appendix K Amendment to all stakeholders

Questions?



A blue circular icon containing a white envelope symbol with a green checkmark in the bottom right corner, indicating a successful email or confirmation.

Any questions?

Email:

doh.dddcrb@doh.hawaii.gov