

DEPARTMENT OF DEVELOPMENTAL SERVICES

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DATE: JUNE 24, 2016

TO: REGIONAL CENTER EXECUTIVE DIRECTORS

SUBJECT: NEW PROVIDER RATES EFFECTIVE JULY 1, 2016

The State budget for Fiscal Year 2016-17, and Assembly Bill (AB) X2-1 (Chapter 3, Statutes of 2016¹) provides for a number of rate changes and/or increases for some service providers. The rate increases, effective July 1, 2016, are only applicable for providers with rates set by the Department² (including rates set in statute or regulation), or providers with rates set through negotiation between regional centers and the provider. The rate increases do not apply for providers with usual and customary rates or rates that are set by other entities.

This correspondence addresses the following rate changes:

1. Five percent (5%) rate increases for supported living, independent living, respite and transportation.
2. Survey based rate increases:
 - a. For the purpose of enhancing wages and benefits for staff who spend a minimum of 75 percent of their time providing direct services to consumers; and
 - b. For provider administrative expenses.
3. New rate for supported employment.
4. Establishment of Alternative Residential Model (ARM) rates for community care facilities vendored to serve four or fewer consumers.

Five Percent (5%) Increase for Specified Services

Several sections of the Welfare and Institutions Code (WIC) were amended to authorize rate increases of 5%, to the rate in effect on June 30, 2016, for specified services. The applicable categories and service codes are detailed below.

- Supported Living (WIC section 4689.8)
 - 894-Supported Living Administration
 - 896-Supported Living Services
- Independent Living (WIC section 4691.6)
 - 520-Independent Living Program

¹ http://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520162AB1

² "Department" means the Department of Developmental Services.

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- Respite (WIC section 4690.5 and 4691.6)
 - Family Member-provided Respite*
 - 420-Respite Service-Family Member
 - 465-Participant Directed Respite Service-Family Member
 - In-home Respite*
 - 862 In-home Respite Services Agency
 - 864 In-home Respite Worker
 - Out-of-home Respite*
 - 868-Out-of-home Respite Services
 - 869-Respite Facility
- Transportation (WIC section 4691.9)
 - 875-Transportation Company
 - 880-Transportation-Additional Component
 - 882-Transportation-Assistant
 - 883-Transportation Broker

Increases for Wages and Benefits for Direct Service Staff and Administrative Expenses

Unlike the specific percentage rate increases described above, ABX2-1 provided a set amount of funds for rate increases, based on the rates in effect on June 30, 2016, for direct service (\$294.8M³) and administrative (\$17.3M⁴) expenses. As a result, the Department was required to conduct a survey of a sample of providers to determine the percentage rate increases. The survey was necessary because the percentage of provider costs for direct services and administrative costs varies by category. Therefore, to maintain the same level of increase for direct service and administrative costs for each service, the resulting overall provider rate increases vary by service category. An overview of how this calculation was done can be found at <http://www.dds.ca.gov/vendorsurvey/docs/ExampleCalculatingRateIncreases.pdf>. Note, the numbers in this example are for demonstration purposes only and are not from the actual results of the survey.

Enclosure A contains the percentage increases for each service category and the service codes within each category.

³ Includes federal reimbursement amounts in addition to the General Fund amounts appropriated in ABX2-1.

⁴ Includes federal reimbursement amounts in addition to the General Fund amounts appropriated in ABX2-1.

Future Survey Regarding Rate Increase for Direct Services: Providers granted a rate increase to increase wages and benefits for staff who provide direct services must maintain documentation, subject to audit by the Department or regional center, that the rate increase was used solely to increase wages, salaries and benefits of staff who spend a minimum of 75 percent of their time providing direct services to consumers.

Additionally, by October 1, 2017, the Department, with regional center participation, will conduct a survey of all providers that received this rate increase to determine how the increase was used. It is important to note that any provider that does not report the information requested by October 1, 2017, will forfeit the rate increase.

New Supported Employment Rate

WIC section 4860 was amended to increase the rate for supported employment to \$34.24 per hour. Additionally, as a result of the direct service and administrative cost increases, which also apply to supported employment rates, the hourly supported employment rate, effective July 1, 2016, will be \$36.57.

Calculating New Rates

When applicable, a provider may receive more than one of the percentage rate increases described above. To determine the new rate effective July 1, 2016, each percentage increase is calculated from the June 30, 2016, rate and then summed together. The following is an example of how this would work for a provider eligible for a 5% increase, as well as an increase for direct services and administrative expenses. The example below assumes a service rate of \$10.00 per hour in effect on June 30, 2016, and will receive a 5% increase, a 7% increase for wage and benefits for direct service staff, and a 1% rate increase for administrative expenses.

Step 1: Calculate separately the dollar amount for each increase (multiply the rate in effect on June 30, 2016, by the percentage increase).

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| 1. Specified service: | $\$10.00 \times 5\% = \0.50 |
| 2. Wage and benefits for direct service staff: | $\$10.00 \times 7\% = \0.70 |
| 3. Administrative expenses: | $\$10.00 \times 1\% = \0.10 |

Step 2: Add the amounts to get the total increase.

$$\$0.50 + \$0.70 + \$0.10 = \$1.30 \text{ total increase}$$

Step 3: Add the total increase to the rate in effect on June 30, 2016, to get the new rate.

$\$1.30 + \$10.00 = \$11.30$ new rate. Adding the percentage increases also leads to the same result. In this example, $5\% + 7\% + 1\% = 13\%$. 13% of \$10.00 is \$1.30.

Enclosure A contains information on all service codes eligible for the various increases and the total percentage rates will increase effective July 1, 2016. Note, these increases do not apply to providers with usual and customary rates or rates set by another entity, even if the provider's service code is listed in the enclosure. Also enclosed are the following updated rate schedules, effective July 1, 2016, reflecting all applicable rate increases:

- Enclosure B – Work Activity and Supported Employment Rates
- Enclosure C – Community-Based Day Program and Respite Agency Rate Schedule
- Enclosure D – Community Care Facility Rates

Additionally, rates for the following services/codes, updated as applicable, effective July 1, 2016 are:

- Respite – Service codes 420, 465 and 864; rate is \$15.23 per hour
- Financial Management Services FE/A – Service Code 490; new maximum rates are \$45.88, \$71.37 or \$96.86 per month depending on the number of participant-directed services used.
- Financial Management Services Co-Employer – Service Code 491; new maximum rate is \$96.86 per month
- Participant-Directed Community-Based Training Services – Service code 475; rate is \$14.99 per hour

Notification to Providers: The Department will adjust rates and send new rate letters to all community-based day, in-home respite agency, and work activity providers. Regional centers will need to make applicable rate adjustments and notify all other providers of the new rates effective July 1, 2016.

4-Bed ARM Rates

The budget for Fiscal Year 2016-17 and accompanying trailer bill language, allow the Department to establish a rate schedule for community care facilities vendored to provide services to a maximum of four individuals. This schedule, effective July 1, 2016, can be found in Enclosure D.

If you have any questions regarding this correspondence, please contact Greg Nabong at (916) 653-3749, or ggreg.nabong@dds.ca.gov.

Sincerely,

Original signed by

JIM KNIGHT
Assistant Deputy Director
Community Services Division