

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES



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To: Health and Human Services Appropriations Subcommittee
Christine Kaufman, Chair

From: Disability Services Division, DPHHS
Joe Mathews, Administrator
Matt Bugni, Financial Services Bureau Chief

Date: January 30, 2005

Re: Responses to questions from the subcommittee

- **Explanation of Rate Development in Developmental Disabilities Program.**
See Appendix A.
- **Montana Developmental Center (MDC) vehicles cost comparison: purchase vs. lease.**
The subcommittee approved decision package PL 64 for two passenger vans (\$36,000 each) and one service truck (\$15,000).

Service Truck – Correspondence with the Department of Transportation (MDT) motor pool states that there is currently no service truck available for lease. MDC will look to areas such as federal or state surplus property or Northwestern Energy used vehicles for a truck with service body, toolbox, and lift.

Passenger Vans – MDC currently has two 15-passenger vans; both are 1995 models with over 95,000 miles. MDT motor pool has 12-passenger vans available for lease that would cost MDC approximately \$5,600 per year (based on historical utilization), including maintenance and gas; over ten years the cost for lease is estimated at approximately \$56,000. Assuming a life span of ten years with purchased vehicles, the cost to MDC over the ten years for purchase of the vehicle, maintenance, and gas is estimated at \$55,000 (this does not include the resale value).

- **Vocational Rehabilitation (VR). Relationship between projected tuition increases and approved budget in VR.**
The passage of decision package PL 59 for increased tuition costs brings the VR state funds budget in the 2007 biennium to a maximum for matching the projected VR federal grant. Although tuition costs may increase at a rate greater than initially projected in this decision package, any additional state funds added to the VR budget may not have available federal matching funds.

- **Vocational Rehabilitation, Extended Employment (EE). How many more clients can be served by EE with the additional funding of \$845,000 (biennial) from the Employment Security Account (ESA)?**

Statistics as of December 3, 2004:

	Supported Employment Follow-Along	Sheltered Employment	Total
# in EE services	125	74	199
# on waiting list	119	21	140
ave. cost per year per individual	\$2,362	\$7,086	

Applying the average costs above and distribution of individuals in services to the additional ESA funding equates to approximately 102 additional individuals in services per year in the 2007 biennium (64 in follow-along and 38 in sheltered employment).

Typically, individuals are dependent upon EE services to remain in their employment for more than two years. Considering the projected deficit of \$841,255 in the ESA at the end of FY 2007 (projection received from the Department of Labor and Industry dated January 25, 2005), the Disability Services Division would most likely come to the 2007 Legislature with a request for general fund in order to maintain in employment the additional individuals added to EE services in the 2007 biennium.

- **Technology Specialist for blind or visually impaired individuals.**

Should the position be approved, the objectives for the position will include, but not be limited to, the following:

- by 12/31/05 will have evaluated and selected assistive technology for core consumer accommodations
- by 4/30/06 will have conducted at least one workshop to educate existing staff about access technology
- by 8/31/06 will have made contact with 4 community resources to begin the process of developing peer support of individuals using access technology
- by 12/31/06 will have made contact with 3 existing technology services to initiate collaboration and sharing of expertise
- by 6/30/07 will have contacted 3 employers to demonstrate how jobs can be made accessible by assistive technology

Estimated funding: \$69,294 in FY2006 and \$56,258 in FY2007 (all funds).

- Salary and benefits: \$42,444 in FY2006 and \$44,058 in FY2007 (grade 15 entry).
- Travel, lodging, and meals: \$9,300 per year.
- Communications and supplies: \$2,900 per year.
- Office package, computer, and software: \$14,650 in FY2006 only.
- It is estimated that 20% of the clients served will be VR clients, so 20% of the total costs will be eligible for Section 110 federal grant funds. Of the total cost above, the amount of state funds required would be \$58,387 in FY2006 and \$47,403 in FY2007.

- **How many more customers could the Montana Telecommunications Access Program (MTAP) distribute equipment to, and what would be the ongoing cost?**

The MTAP board has currently approved requested funding for a distribution schedule of 89 amplified phones, 8 CapTel phones, and 3 TTY phones per month. MTAP could feasibly distribute 220 amplified phones, 9 CapTel phones, and 3 TTY phones per month*. The costs for equipment, relay, travel, 0.50 FTE and associated operating costs are projected to be \$315,601 for the biennium in addition to the executive budget request.

*MTAP had recently estimated a possible distribution of 400 phones per month; however, further review suggests a more reasonable distribution of 232 phones per month.

(See Appendix B for detailed costs.)

cc: Bob Andersen, OBPP
Pat Gervais, LFD
John Chappuis, DPHHS Dep. Director
Scott Sim, DPHHS / BPA
Jeff Sturm, DPHHS / DSD / DDP

Rate Setting Methodology

The following section describes key aspects of the Developmental Services (DS) Home and Community Based Services (HCBS) rate reimbursement structure. Mercer calculated provider reimbursement rates for all HCBS programs. Specifically, the cost items for each rate component are listed, agency and independent contract status is defined, and the rate structure for various services is described.

RATE COMPONENTS: The cost centers used in construction of each of the HCBS service categories fall into four components:

1. Direct Care Staff Wage
2. Employment Related Expenditures
3. Program Related Expenditures
4. General and Administrative Expenditures

These cost categories are derived in the following fashion:

Direct Care Staff Wage: The Direct Care Staff wage is selected from national Mercer compensation and wage studies and is determined according to the classification of direct care staff duties. Direct care staff are defined to be those individuals whose primary responsibility is the day to day support of people with disabilities, training and instruction, and assistance with and management of activities of daily living. Direct care workers can be either employees of an agency, or may be self-employed, so long as 85% of their work activities include daily supports to people with disabilities. For the purposes of this study, direct care staff job descriptions were benchmarked to four primary job classifications:

- **Homemakers:** workers who primarily performed housekeeping, cooking, and environmental cleaning duties for people with long term care needs.
- **Personal care workers:** workers who possessed high school degrees and were able to perform such duties as physical support / lifting, assistance with personal hygiene and activities of daily living, and transportation and mobility support.
- **Habilitation workers:** workers who possessed some advanced training beyond high school and were skilled in teaching / training, behavior supports, administration of select health-related treatments, and community inclusion.
- **Vocational training workers:** workers who were specially trained in supported employment to include job development and job coaching; education requirements varied from bachelor and masters levels.

Employment Related Expenditures: Employment related expenditures refer to the benefits package that is offered to all employees who are involved in the care and services provided to the person with disabilities. These costs can be categorized into two groups:

Appendix A

- **Discretionary Costs** - Discretionary costs are those associated with benefits provided at the discretion of the employer and are not mandated by local, state, or federal governments. Such benefits may include (but are not limited to) health insurance, profit sharing, and retirement benefits or stock options.
- **Non-Discretionary** - Non-discretionary costs are those related to employment expenditures that are mandated by local, State, and Federal governments and are not optional to the employer. Such expenditures include (but are not limited to) FICA, FUTA, SUTA and workers' compensation insurance. Employee-related expenses vary for people who are self-employed and agency employees. Employer agencies bear the financial responsibility for workers' compensation, while self-employed workers are required to pay all federal income taxes.

Program Related Expenditures: Programs Related Expenditures are those that are part of the operation of the setting in which residential habilitation occurs and related to the programs which occur within the setting, but are not directly tied to the direct care staff. They include the following:

- Program support services such as staff trainers and clinical supervisors
- Supervision of direct care staff
- Qualified mental retardation professionals, registered records technicians
- Program related supplies
- Social services involving family counseling, estate and guardianship support
- Evening activities including recreation and community-inclusion opportunities
- Program associated transportation
- Documentation requirements (Documentation requirements are not a separate billable activity for any services)

General and Administrative Costs: General and Administrative costs are those associated with operating the organization's business and administration and are not directly related to the clients or the programs that serve the clients. They include the following:

- Administrative salaries to include agency director and secretarial support
- Professional services to include management of payroll and accounts receivable
- Insurance to include liability
- Travel and entertainment not related to direct care activities
- Office expenses such as supplies, equipment, and telephone
- Program development and fund raising
- Occupational and Health Safety costs
- Depreciation and amortization on capital assets
- Interest on capital debt
- Real estate taxes
- Property insurance
- Other interests, miscellaneous, equipment rental

Appendix A

General and Administrative expenses are calculated as a percentage of the total costs of Direct Care, Employee/Related Expenses, and Program-related Expenses. The percentage is not multiplied by the direct care staff hourly wage totals as is done for Employment Related Expenditures and Program Related expenditures, but rather is considered a percentage of the total costs. General and administrative costs are calculated by adding the other components together (Direct Care Staff Costs, Employment Related Expenditures and Program Related Expenditures) and then dividing that total by the factor calculated as the number 1 minus the General and Administrative Expense percentage. The product of this calculation represents the total of these four cost categories (Direct Care Staff, Employment Related Expenses, Program Related Expenses, and General and Administrative Expenses.)

Source Information of Each Component: Each of the four cost components has been individually calculated for each HCBS service category. The four rate component dollar amounts and percentages were taken from the following sources.

1. **Direct Care Staff Wage** – Direct Care Staff Wage was calculated using compensation / wage data from four sources; e.g. Hayes Compensation studies, Health and Hospital compensation studies, US Bureau of Labor Statistics, and Mercer Human Services consulting wage and benefit surveys. These surveys specifically focused on the State of Montana, states in the western United States, and states with similar size and program demographics. Data from these surveys were aged forward at a rate of 0.95% per quarter based upon SFY 03 experience of 3.8% per year.
2. **Employment Related Expenditures** - Employment Related Expenditures were calculated using current federal and state tax requirements, workers' compensation history, and health benefits data from the Seattle and Los Angeles Mercer offices. Employment Related Expenditures are expressed as a percentage which is applied to (added to) the direct care staff wage. Sources of data were the US Department of Internal Revenue Service, US Bureau of Labor, Montana Department of Labor and Industries, and Mercer Human Services health care and benefits surveys.
3. **Program Related Expenditures** - Program Related Expenditures were calculated based upon a cost survey of 17 sample agencies conducted by Mercer for the purpose of this study. Findings from the cost survey provided the basis for determining the program-related factor. Program Related Expenditures are expressed as a percentage which is applied to (added to) the total cost of care.
4. **General and Administrative Expenditures** - General and Administrative Expenditure levels are set at a percentage rate that is considered acceptable to the State of Montana, and Department of Public Health and Human Services (DPHHS). General and Administrative Expenditures are expressed as a percentage which is applied to (added to) the total cost of care.

Appendix A

GEOGRAPHICAL FACTORS: Mercer developed geographical factors based upon Mercer's survey of a sample of provider costs, audited financial reports, and a market analysis of the following Bureau of Labor statistics:

- Wages and compensation practices
- Housing rent and lease costs
- Uninsured workers
- Crime statistics
- Cost of living indices

These geographical factors are applied to supported living, group home, family education and support services, and transportation services.

Based upon this analysis, Mercer factored an adjustment for providers who delivered services in Regions (to be determined). In addition, Mercer included an extra adjustment for compensation and health care benefits for Regions (to be determined).

AGENCY OR GROUP PROVIDER: When referenced in the Developmental Services HCBS rates, the terms "agency or provider" are defined in the Montana Developmental Services Waiver Services – Appendix A dated March 31, 2003. Specifically, an agency or group provider is a business, organization, or entity enrolled to provide a waiver service(s) that has one or more staff employed to carry out the enrolled service(s). All employees of an agency or group provider must meet the qualification and requirements specified for enrolled service(s). The provider must maintain a personnel file documenting the qualifications of all employees and their background screening results, and maintain payroll and enrollment documentation.

Estimated additional costs to MTAP to distribute 232 pieces of equipment per month

Amount of equipment needed to distribute 232 pieces per month

Type	Current Per	Estimated at 232	Additional	Price	Month	Annual
	Month	per month	Equipment			
Amplified	89	220	131	\$63	\$8,253	\$99,036
CapTel	8	9	1	\$350	\$350	\$4,200
TTY	3	3	0	\$350	\$0	\$0
	100	232	132		\$8,603	\$103,236

Additional cost of Relay going to 232 pieces of equipment per month

FY 2006 Month	Current Projected		Additional		New Total
	Minutes	Cost	Minutes	Cost	
July	11,413	\$18,375.00	100	\$161.00	\$18,536.00
August	12,261	\$19,740.00	200	\$322.00	\$20,062.00
September	12,978	\$20,895.00	300	\$483.00	\$21,378.00
October	13,696	\$22,050.00	400	\$644.00	\$22,694.00
November	14,400	\$23,184.00	500	\$805.00	\$23,989.00
December	15,102	\$24,313.80	600	\$966.00	\$25,279.80
January	15,783	\$25,410.00	700	\$1,127.00	\$26,537.00
February	16,401	\$26,405.40	800	\$1,288.00	\$27,693.40
March	17,086	\$27,507.90	900	\$1,449.00	\$28,956.90
April	17,770	\$28,610.40	1,000	\$1,610.00	\$30,220.40
May	18,455	\$29,712.90	1,100	\$1,771.00	\$31,483.90
June	19,140	\$30,815.40	1,200	\$1,932.00	\$32,747.40
Total		\$297,019.80		\$12,558.00	\$309,577.80

FY 2007 Month	Current Projected		Additional		New Total
	Minutes	Cost	Minutes	Cost	
July	19,825	\$31,917.90	1,300	\$2,093.00	\$34,010.90
August	20,510	\$33,020.40	1,400	\$2,254.00	\$35,274.40
September	21,194	\$34,122.90	1,500	\$2,415.00	\$36,537.90
October	21,879	\$35,225.40	1,600	\$2,576.00	\$37,801.40
November	22,564	\$36,327.90	1,700	\$2,737.00	\$39,064.90
December	23,249	\$37,430.40	1,800	\$2,898.00	\$40,328.40
January	23,933	\$38,532.90	1,900	\$3,059.00	\$41,591.90
February	24,618	\$39,635.40	2,000	\$3,220.00	\$42,855.40
March	25,303	\$40,737.90	2,100	\$3,381.00	\$44,118.90
April	25,988	\$41,840.40	2,200	\$3,542.00	\$45,382.40
May	26,673	\$42,942.90	2,300	\$3,703.00	\$46,645.90
June	27,357	\$44,045.40	2,400	\$3,864.00	\$47,909.40
Total		\$455,779.80		\$35,742.00	\$491,521.80

Distribution / Travel Costs

Current Travel @ 100 pieces of equipment per month

Costs	Current per	Additional per	Total Per	Total Annual
	Specialist	Specialist	Month	Additional
Lodging	\$512	\$256	\$512	\$6,144
Meals	\$184	\$92	\$184	\$2,208
Motor Pool	\$94	\$94	\$94	\$1,128
			\$790	\$9,480

Other Additional Administrative Costs

Costs	FY 2006	FY 2007
.50 FTE grade 9	\$18,433	\$18,433
New Employee Office Package	\$1,730	
New Employee Computer	\$1,273	
Add'l operating (phones, etc)	\$1,000	\$1,000
Total	\$22,436	\$19,433

FY 2006	\$147,710
FY 2007	\$167,891
Total Program Increase	\$315,601