Background on the Department of Developmental Services Rate Study

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Hon. Richard Pan, Chair

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Current Rate Structure in Department of Developmental Services (DDS) System

More Than 150 Service Codes With Various Rate-Setting Methods

Rate-setting methods include:

- **Rates Set by DDS**
  - Based on cost statements. Examples: Day programs, infant development.
  - Set by the alternative residential model (community care facilities).

- **Rates Set in Statute or Regulation**
  - Examples: Supported employment, in-home respite worker.

- **Rates Negotiated Between Regional Center and Provider**
  - Examples: Community integration training program, supported living services.

- **Rates Based on Medi-Cal Rates**
  - Examples: Adult day health center, speech pathology, intermediate care facility.

- **Other Methods**
  - “Usual and customary” rates—used when regional centers purchase a service available to the general public. Examples: sports club, taxi.
  - Rates set by Department of Social Services for out-of-home respite.
  - Mileage rates based on Regional Center employees’ mileage rates.
History of Rate Changes

Rate-Setting Methods—Are Some “Methods” Now in Name Only?

Incremental rate changes have added to the complexity of the system:

- **Rate freezes** part of budget solutions, ending the ability of providers to negotiate rates or submit cost statements.
  - 2003-04: Day programs and in-home respite.
  - 2008-09: All negotiated rates.

- **“Median rates”** for new providers.
  - 2008-09: Median rates implemented for new providers.
  - 2011-12: Recalculation of median rates, which lowered median rates.

- **Rate reductions** part of budget solutions.
  - 2008-09: 10 percent reduction for supported employment.
  - 2009-10: 3 percent reduction for rates set by DDS, in statute or regulation (except supported employment), and through negotiation.
  - 2010-11: Additional 1.25 percent reduction to above services.

- **Rate increases (including restoration of funding from prior rate reductions)** added at various times to supplement frozen rates.
  - 2006-07: 3 percent increase for many of the rates set by DDS, in regulation, and through negotiation; 24 percent increase in supported employment hourly rate; and 3.86 percent wage enhancement for providers in certain categories that demonstrated their programs are integrated.
  - 2012-13: restoration of funding reduced in earlier 3 percent reduction.
  - 2013-14: restoration of funding reduced in earlier 1.25 percent reduction.
  - 2016-17: AB X2 1 (Thurmond)—various increases (totaling $293 million General Fund) for most services.
  - 2018-19: “Bridge funding” (totaling $25 million General Fund) for providers of certain services in high-cost areas.
  - 2019-20: Supplemental rate increases of up to 8.2 percent for certain services (annualized total—$250 million General Fund).
History of Rate Changes

(Continued)

– 2020-21: Governor’s proposal to add supplemental rate increases to three additional services (annualized total—$21.6 million General Fund).

- Rates adjusted to account for state minimum wage increases.
  – Providers can request funding to cover the cost of state minimum wage increases.
  – As implemented, does not apply to providers in areas with local minimum wage ordinances (where local minimum wage is higher than state minimum wage).

- Rates adjusted to comply with federal overtime rules.
  – 2015-16: 5.82 percent increase for in-home respite, supported living, and personal assistance.

► Programs Changed as Part of Budget Solutions

- Respite services limited.
  – 2009-10: Number of hours capped; restored in 2017-18.

- Social recreation and camp services suspended.
  – 2009-10: suspended; remains suspended.

- Early intervention services limited.
  – 2009-10: Requirement to first seek insurance coverage before paying for services; limited services for at-risk infants and toddlers.
  – January 1, 2015: Services for at-risk infants and toddlers restored.
History of the Rate Study

► Origin of the Study


► Impetus for Study

- Rate structure was (and remains) overly complex, inequitable, and hard to understand.
- Acknowledgment that the rate structure was not sufficient or sustainable to address the funding requirements of a rapidly growing system.

► Rate Study Time Line From Authorization to Completion

- June 16, 2015: Governor orders convening of an extraordinary legislative session.
- March 1, 2016: Governor approves AB X2 1.
- March 15, 2019: DDS releases draft rate study results and invitation for public comment.
- January 10, 2020: DDS releases final rate study results, responses to public comment.
Requirements of the Rate Study

Welfare and Institutions Code Section 4519.8 (AB X2 1) Sets Legislative Parameters and Goals for the Rate Study

The rate study is to:

- Address sustainability, quality, and transparency of community-based services.
- Assess effectiveness of methods used to pay each category of service provider.
  - Whether current methods provide an adequate supply of providers and whether supply is sufficient to enable consumers to have choices.
  - Comparison of estimated fiscal effects of alternative rate-setting methods.
  - How different rate methodologies can incentivize outcomes for consumers.
- Evaluate the number and type of service codes, including recommendations for simplification.
Rates Included in the Rate Study

- Rates set by DDS, rates set in statute and regulation, and rates negotiated between regional centers and providers.
- These rates account for nearly 90 percent of purchase-of-services spending.