Background on the Department of Developmental Services Rate Study

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.
  — 2004-05: Work activity programs.
  — 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).

  - — Provided in 2006-07, 2007-08, and each year since 2014-15.

- ■ *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.

  - — 2018-19: Insurance requirement relaxed.

History of the Rate Study

▶ **Origin of the Study**

- Idea formulated by Developmental Services Task Force and the Rates Workgroup (in 2015).

▶ **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.

- May 17, 2017: DDS selects Burns & Associates to conduct rate study.

- 2017 to 2019: Burns & Associates conducts rate study.

- 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.