

Analysis

Department of Human Services

Intellectual and Developmental Disabilities Rate Increase Implementation

Analyst: Laurie Byerly

Request: Acknowledge receipt of a report on the implementation of rate increases and new rate models for the agency's Intellectual and Developmental Disabilities program.

Analysis: The budget reports for HB 5026, the primary 2019-21 budget bill for the Department of Human Services (DHS), and HB 5050, the omnibus 2019-21 budget reconciliation bill for the 2019 legislative session, each included a budget note related to DHS Intellectual and Developmental Disabilities (IDD) provider rate increases and/or new rate models. A related \$30 million General Fund (\$91.8 million total funds) budget investment was approved by the 2019 Legislature with the goal of raising direct support professional wages as close as possible to \$15.00 per hour by the end of the 2019-21 biennium. The agency's report, required under the budget notes, describes actions taken to date, implementation issues encountered, and proposed next steps; these are summarized below.

Initial Rate Increase – DHS raised most provider rates by 4% effective August 1, 2019; in general, this action is consistent with direction in the HB 5026 budget note. However, provider payments for children's 24 hour residential services were moved to the new rate structure effective September 1, 2019 and children's foster care rates were increased by 4% on October 1, 2019; these changes were not considered when the rate increase package was priced during 2019-21 budget development. The overall net cost of provider rate increases over the first year of the biennium is \$8.8 million General Fund (\$27 million total funds).

New Rate Models – When the HB 5026 budget note was written, it was expected that the agency's 2020 session report would be able to show how the \$30 million General Fund investment would cover costs of the new rate models in the second half of the biennium. However, a data error found in December 2019 means the previously estimated costs of the new rates were understated. Moving to the new models on July 1, 2020, would cost about \$43.6 million General Fund, which is \$22.4 million more than what is left in the program's budget to make the shift. Separate from this report, DHS and providers are seeking \$12.2 million General Fund to support a 7% rate increase on the current rates beginning July 1, 2020. If that funding request is approved, the new models would be implemented on January 1, 2021.

Adult Foster Care Rate Model – The agency reports it will begin work on a new rate model for adult foster care providers after the other services have transitioned to both the new rate models and the new assessment tool; due to the delay caused by the data error issue, this work will mostly likely not begin until the 2021-23 biennium. The 2019-21 collective bargaining agreement was ratified in late 2019 and included a 7.15% rate increase to the current model's rates, effective July 1, 2020. The old assessment tool (Support Needs Assessment Profile) will continue to be used for foster care rate setting during the 2019-21 biennium.

Legislative Fiscal Office Recommendation: Acknowledge receipt of the report.



Oregon

Kate Brown, Governor

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January 17, 2020

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means on Human Services
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048



Re: Legislative Budget Note Report on HB 5026 (2019 session), Legislative
Budget Note Report on HB 5050 (2019 session)

Dear Co-Chairpersons:

Nature of the Request

The purpose of this letter is to report on the Budget Notes from both HB 5026 (2019) and HB 5050 (2019).

The HB 5026 Budget Note reads:

It is the intent of the Legislature that providers serving people with intellectual and developmental disabilities will use the \$30.0 million General Fund (\$91.8 million total funds) approved for provider rate increases in HB 5026 to help bring the wage of direct support professionals as close as possible to \$15.00 per hour by the end of the 2019-21 biennium. In addition, the Legislature understands the Department of Human Services will be transitioning to new rate models during the biennium; to ensure there is enough funding available to effectively implement these new structures, rate increases under the old models should be limited to no more than four percent. DHS is also directed, to the best of its ability, to apply this investment in a manner that prioritizes supporting individuals with the highest need. By February 1, 2020, the agency will submit a report to the Interim Joint Committee on Ways and Means outlining how the funding has been and will be applied, describing stakeholder involvement in the process, identifying impacts on providers and workers, and providing an update on the transition to the new rate models.

"Assisting People to Become Independent, Healthy and Safe"

The related HB 5050 Budget Note reads:

Under a budget note in the budget report for HB 5026, the Department of Human Services is directed to report, by February 1, 2020, to the Interim Joint Committee on Ways and Means on the transition to new rate models for providers in the Intellectual and Developmental Disabilities program. As part of that report, the Department shall provide a status update on the development of a new rate model for adult foster homes serving people with intellectual and developmental disabilities and note any outcomes or timelines related to union negotiations, since these rates are collectively bargained.

Agency Action

Per legislative directive, ODDS implemented 4 percent rate increases to the following services starting August 1, 2019:

- Adult Group Homes
- Supported Living
- Attendant Care
- Day Support Activities (DSA)(Facility and Community)
- Employment Path (Facility and Community)
- Small Group Employment

In response to the crisis in placement capacity for children with high needs, ODDS moved to fully implement new rate models for children's 24-hour residential services starting September 1, 2019, with the expectation that it will help providers grow capacity.

Future Rate Increases

The funding granted to ODDS by the Oregon Legislature was not enough to fully implement the new rate models for all services. In order to develop a strategy for the remainder of the \$30 million dollars funding in the second year of the biennium, ODDS worked with Vision Advisory Committee in August of 2019 to develop the guiding principles for the use of the remaining funds that would meet legislative intent. Using those principles, ODDS then met with provider groups, that included members from three I/DD provider organizations on two separate occasions to develop a detailed strategy for implementation of additional rate

increases, new rate models, and transition to the new assessment instrument to determine provider payment. In November at the 2019 Vision Advisory Committee meeting, the chosen strategy was presented and agreed to by stakeholders.

With input from its advisors and providers, ODDS determined that all new rates would be implemented with an increase from current level. Rates for all affected services would be increased by up to seven percent in the second year of the biennium. Attendant Care rates would be increased at a level equivalent to an additional 1% increase. Supported Living would receive a rate increased based on a \$14.58 Direct Support Professional wage, while new rate models for that service were being developed. No rate would be set above 100 percent of the new rate model.

The new rate models that would be implemented July 1, 2020 are:

- Adult Group Homes
- Attendant Care
- Day Support Activities (DSA)(Facility and Community)
- Employment Path (Facility and Community)
- Small Group Employment
- Transportation

Unfortunately, data processing errors by HSRI, an ODDS contractor, were identified by ODDS staff late in 2019. Those errors caused underreporting of the number of people with very high behavioral needs by more than 2,000 individuals. As a result of HSRI's error, ODDS is no longer able to implement the new service groups and increase provider rates at the planned levels in July 2020.

The errors do not impact the integrity of the Oregon Needs Assessment, the new provider rate models or the service group model itself. They do impact ODDS' ability to provide the anticipated rate increases and move into the new ONA-based service groups by July 1, 2020 based on current funding and time needed for implementation due to the error.

For additional detail on HSRI error, remediation and quality assurance strategies, and the additional funding request please refer to "DHS Funding Request for provider rate increases and ODDS systems changes" letter also submitted for consideration in the February Session.

Adult Foster Care Payments setting process and transition to new Oregon Needs Assessment

ODDS is planning to commence the work on Adult Foster Care payments levels and to transition Adult Foster Care payments to the new Oregon Needs Assessment once the work on all other rate models and their transition to the ONA has been completed.

Action Requested: DHS requests acknowledgement of receipt of this report during the February 2020 Session.

Legislation Affected:

N/A

If you have questions, please contact Eric Moore at 503-884-4701.

Sincerely,



Eric Luther Moore
DHS Chief Financial Officer

cc: Laurie Byerly, Legislative Fiscal Office
Ken Rocco, Legislative Fiscal Office
George Naughton, Department of Administrative Services
Tamara Brickman, Department of Administrative Services
Ali Webb, Department of Administrative Services
Mike Streepey, Department of Administrative Services