

# **Overview of State/County Special Assistance Rates**

Presentation for Joint Legislative Oversight Committee  
on Health and Human Services

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Office of the Controller

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# Historical Background

- Prior to 1996, two rates (Ambulatory and Semi-Ambulatory) comprised the SA rate
- In 1996, Personal Care Services were eliminated from the SA rate and became covered by Medicaid
- The effect was a lower SA Rate
- Effective October 2005, cost modeled rates were implemented

# Rate Setting Methodologies

## Prior to SFY 2005-06

- Cost reports submitted annually and data loaded into a database
- Direct rate based upon accumulated direct costs at the 75<sup>th</sup> percentile
- Indirect rate based upon accumulated indirect cost at the 60<sup>th</sup> percentile
- Total SA rate was the sum of the direct and indirect rates

# General Rules

- Cost reports required annually and supported by independent audits
- If facility fails to submit by December 31 deadline, the Office of the Controller notifies DHSR
- Admissions are suspended until cost report is submitted
- In extreme instances, licenses can be revoked
- Note: Cost reporting process has been waived by the Secretary for the past three years to provide some relief on the administrative financial impact to ACHs.

# Cost Modeling Rate Methodology

- A minimum sample of nine cost reports selected based on the following criteria:
  - Occupancy Rate at a minimum of 80%
  - Urban and Rural Representation
  - Diverse sizes of operations
  - No disproportionately high indirect cost ratios compared to direct costs
  - No history of penalties and fines
- Replace personnel costs with statistics from the U.S. Department of Labor Occupational Employment and Wage Estimates

## ...Cost Modeling Continued

- Remaining cost report data utilized
- Direct and indirect cost accumulated to establish average SA rate
- Separate rates established for Homes for the Aged (HAL) and Special Care Unit (SCU) licensed facilities

# Rate Approval Process

- SA rates presented to Department management
- Once approved by the Department, rates are recommended to the General Assembly
- Rates are accepted or modified by the General Assembly
- *Note: Last recommended rate change submitted to the General Assembly, SFY 2008-09 (economic downturn).*

# SA Program Rate History

Maximum SA Rate		Maximum Special Care/Alzheimer's Unit Rate	Personal Needs Allowance	Effective Date
Ambulatory	Semi-Ambulatory			
\$889	\$928		\$25	1993
\$938	\$979		\$27	1994
\$975	\$1,017		\$31	1995
One Basic Rate Established				
\$844			\$31	1996
\$874			\$31	1996-1997
\$893			\$31	Oct. 1997
\$915			\$31	July 1998
\$956			\$36	Oct. 1998
\$982			\$36	Oct. 1999
\$1,062			\$36	Oct. 2000
\$1,091			\$36	Oct. 2001
\$1,091			\$36	Oct. 2002
\$1,066			\$46	Oct. 2003
\$1,084			\$46	Oct. 2004
		Special Care Unit Rate Established		Effective Oct. 2005
\$1,118		\$1,515	\$46	Oct. 2005
\$1,148		\$1,515	\$46	Jan. 2007
\$1,173		\$1,515	\$46	Oct. 2007
\$1,207		\$1,515	\$46	Jan. 2009
<b>\$1,182</b>		<b>\$1,515</b>	<b>\$46</b>	Oct. 2009 (current rate)



# Statistics

- Valuable industry statistics are collected through the cost reporting process:
  - Statewide Facility Occupancy Rates
  - Profit and Loss by Facility
  - Industry Wide Expense Breakdown Detail
  - Analyses of Direct and Indirect Costs
  - Comparisons of Actual Costs by Expense Type