



April 14, 2009

**Commonwealth of Pennsylvania
Office of Developmental Programs**

**Update on the Prospective
Payment System (PPS)**

Agenda

- Overview of Cost Reporting and Rate-Setting Processes in Year 1
- Feedback on the Year 1 Cost Reporting Process
- Proposed Year 2 Cost Reporting Approach
- Payment for Waiver Services
- Cost Report Rate Development Process
- Other PPS Updates
- Questions

Overview of Cost Reporting and Rate-Setting Processes in Year 1

- Final cost report instructions and template were issued in mid-September 2008
- Cost reports were due from providers at the end of October 2008
- Desk reviews were conducted from November 2008 through mid-January 2009
- In January and February 2009, ODP issued two supplemental data requests to provide additional information to support the rate-setting process
- The rate development process is currently underway

Feedback on the Year 1 Cost Reporting Process

- To better understand providers' experience with the Year 1 cost report, ODP conducted a survey and collected comments received from providers through the e-help desk during the desk review process
 - Comments were generally consistent between the survey and the e-help desk process
- ODP conducted town halls on March 30 and 31, 2009 to discuss feedback on the Year 1 cost reporting process as well as proposed changes to the cost reporting process in Year 2

Feedback on the Year 1 Cost Reporting Process (cont'd)

- Many providers reported that they wanted the cost report simplified rather than eliminated and have payments for all services based on a fee schedule
- Providers with less than \$100,000 in revenue were more likely to want ODP to establish rates through a fee schedule than providers with more than \$100,000 in revenue
- A majority of providers responded that additional cost report training and clarification of the provider/vendor requirements would be helpful in preparing the cost report for Year 2

Proposed Year 2 Cost Reporting Approach

- Providers have expressed a strong preference to keep the cost reporting process the same from year to year
- Proposed changes could include, but are not limited to:
 - “Front end” edits
 - Data must be submitted in the correct format (e.g., numeric values)
 - Costs and units must be allocated to procedure codes
 - Format of the cost report file
 - Combine provider site and service selection schedules
 - Ineligible codes automatically selected when eligible codes are selected
 - Supporting schedules would automatically populate Schedule A, where applicable
 - Eliminate Schedule C (balance sheet); use audits if needed
 - Modify Schedule D (staffing) to capture waiver only staffing
 - Notice of successful (unsuccessful) submission provided

Proposed Year 2 Cost Reporting Approach (cont'd)

- The Year 2 cost report is anticipated to be released in early July 2009
- October 15, 2009 is the projected due date for the Year 2 cost reports
- AEs are anticipated to conduct desk reviews of the Year 2 cost reports
 - ODP regional staff are anticipated to conduct desk reviews of the Year 2 Supports Coordination cost report
- Training for providers on the Year 2 cost report is estimated to take place in July and September 2009

Payment for Waiver Services

Background

There are three different payment types for traditional waiver services: outcomes based payments, fee schedule rates, and ODP-established rates based on cost report data

- Outcomes-based payments are made based on billed charges for goods
- Fee schedule rates are established by ODP and vary by four regions
- Cost report rates are calculated from data submitted by providers and vary by provider

Payment for Waiver Services (cont'd)

Outcomes-Based Payments Overview

- Outcomes-based payments are made for items that do not have a standard rate or fee, such as:
 - Home Accessibility Adaptations
 - Vehicle Accessibility Adaptations
 - Assistive Technology
 - Education Support
 - Specialized Supplies
 - Transportation (Public)
 - Waiver-Funded Respite (Camp)
- Vendors submit invoices for billed charges based on the goods and services purchased for the waiver participant

Payment for Waiver Services (cont'd)

Fee Schedule Rates Overview

- ODP is establishing a fee schedule for certain services, including:
 - Companion Services
 - Therapy Services
 - Nursing Services
 - Behavioral Support Services
 - Home Finding Services
 - Homemaker/Chore Services
 - Transportation (Mileage)
 - Supports Broker

** See MAP*

Payment for Waiver Services (cont'd)

Cost Report Rates Overview

- Services with rates based on cost report data include:
 - Home and Community Habilitation
 - Residential Services: Community Homes, Child Residential, Community Residential Rehabilitation Services and Family Living
 - Supplemental Habilitation
 - Adult Training Facilities
 - Older Adult Daily Living Centers where no rate is established by another Commonwealth Agency
 - Prevocational Services
 - Supports Coordination
 - Supported Employment
 - Transitional Work
 - Waiver-Funded Respite (Other than Camp)
 - Transportation (Per Diem and Trip)

Cost Report Rate Development Process

- Cost report rates are prospective and are established for an annual effective period
- Rates are based on historical allowable costs incurred in providing covered services to Medicaid-eligible individuals, as reported in the providers' cost reports
- In Year 1, the reporting period is SFY 2007/2008 and the rating period is SFY 2009/2010

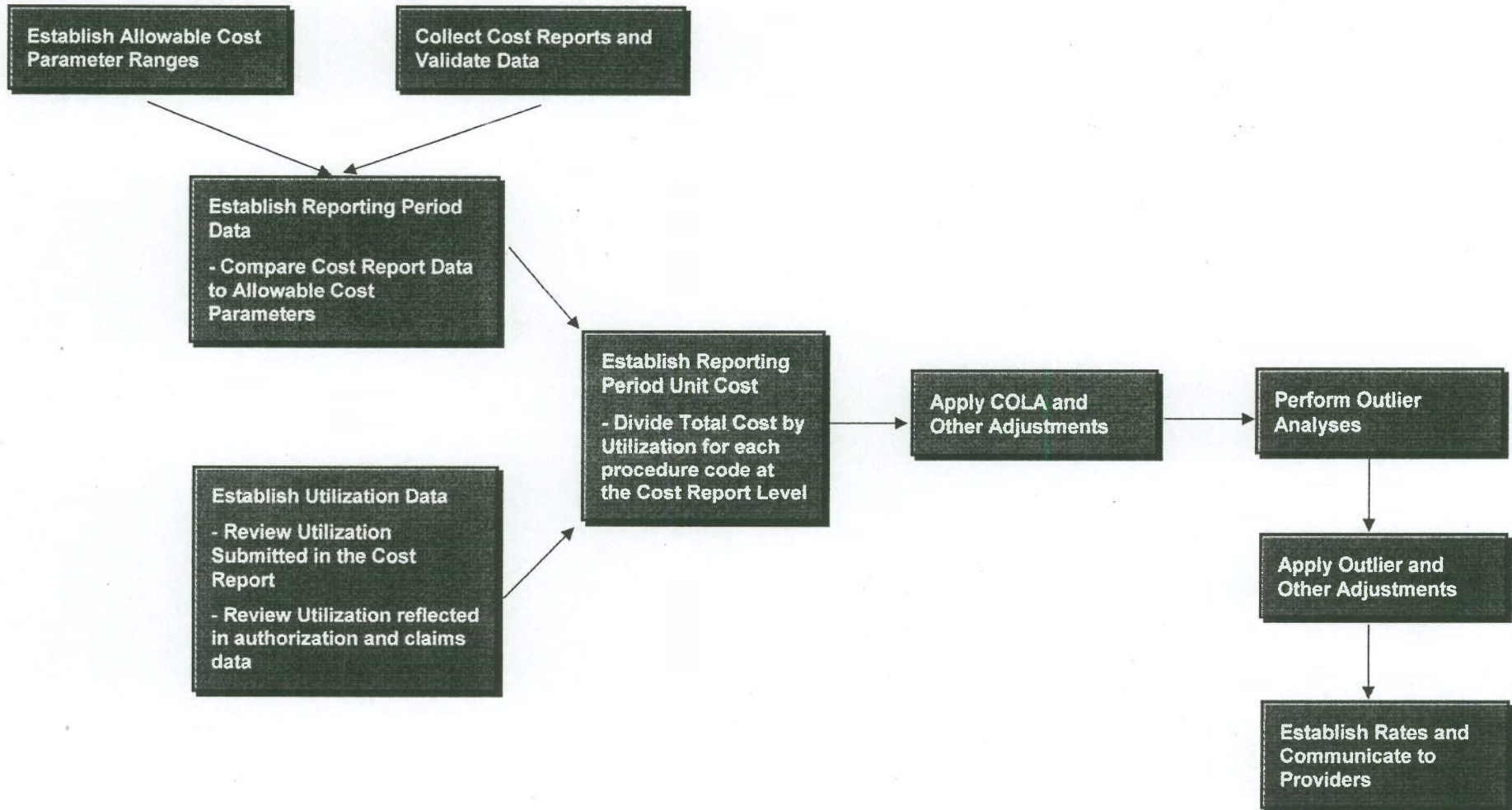
Cost Report Rate Development Process (cont'd)

- Step 1: Allowable cost parameters for the reporting period are developed
- Step 2: Cost reports for the reporting period are submitted
- Step 3: Desk reviews are completed and reporting period data are established
- Step 4: Cost report data for the reporting period are evaluated for reasonableness and compared to allowable cost parameters
- Step 5: Utilization data for the reporting period are established
- Step 6: Unit costs from the reporting period are calculated
- Step 7: Cost-of-living and other adjustments are applied to project data from the reporting period to the rating period

Cost Report Rate Development Process (cont'd)

- Step 8: Rating period outlier analysis is conducted at the procedure code level
- Step 9: ODP reviews rates that will be effective during the rating period and determines if adjustments are necessary
- Step 10: Rates, effective during the rating period, are established and communicated to providers

Cost Report Rate Development Process (cont'd)



Cost Report Rate Development Process (cont'd)

- Preliminary unit costs based on SFY 07/08 data have been developed
- Cost-of-living adjustments will be applied:
 - Cost-of-living increase from SFY 07/08 to 08/09 is 1%
 - Cost-of-living increase from SFY 08/09 to 09/10 based on the Governor's Executive Budget is 0%
- Outlier analysis is currently underway
- ODP anticipates reviewing draft rates over the next week and making adjustments, as necessary
- Cost report rates are anticipated to be finalized and communicated to providers in early May 2009

Other PPS Updates

- ODP is in the process of finalizing the revenue reconciliation policy
- A bulletin containing many of the PPS policies issued in SFY 07/08 and 08/09 is anticipated to be released at the end of April 2009

Questions?

