



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
P.O. BOX 2675
HARRISBURG, PENNSYLVANIA 17105-2675

KEVIN T. CASEY
Deputy Secretary
Office of Developmental Programs

MAY 08 2009

TELEPHONE NUMBER: (717) 787-3700
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Dear Chief Executive Officer:

The Office of Developmental Programs (ODP) has calculated your proposed payment rate(s) for services identified on the first enclosure with this letter, which are the services reflected in the Support and Services Directory (SSD) on February 16, 2009. Payment rates for services added to the SSD after that date are being calculated on an ongoing basis, and you will receive another rate letter when those rates are calculated.

The proposed payment rate(s) are based on the information your organization submitted in the cost report in the Fall 2008, or as otherwise explained below, if you did not submit a cost report. The proposed payment rate(s) set forth on the enclosure are effective for services delivered between July 1, 2009 and June 30, 2010.

As you review the information in this letter and the enclosures, please keep the following points in mind:

- Although the attached payment rate(s) will be used to process claims submitted to PROMIS during fiscal year (FY) 2009-2010, final payments to providers in both FY 2009-2010 and FY 2010-2011 will be made in accordance with the revenue reconciliation policy. We expect to notify providers of their revenue reconciliation targets in early June. Reconciliation payments and recoupments will be made at the end of the first and third quarters of the fiscal year.
- For planning purposes in the next two fiscal years, it might be useful to think of your revenue reconciliation target as being similar to the allocations you have received in the past from the Administrative Entities and the payments from PROMIS as the mechanism to bill in the interim, pending reconciliation to the revenue reconciliation target.
- The proposed payment rates on the enclosure reflect program changes to be effective July 1, 2009, such as changes to service definitions, unbundling of services, so the proposed payment rates are likely to be different from what they would have been if those program changes were not being implemented.
- ODP will work with providers who experience a cash flow issue despite good faith efforts to use the new payment system and in some cases issue a gross adjustment. Please refer to the enclosure titled, Protocol for Gross Adjustments for Providers of Waiver Services Cash Flow Concerns
- Payment rates will be recalculated for FY 2010-2011 based on the cost report(s) you submit showing program costs for FY 2008-2009.
- In the next two years, during the time that revenue reconciliation is in place, ODP will be refining the rate-setting procedures based on the information we receive

through the cost reports that providers have submitted and will submit for next year as well as other input from the community.

The proposed payment rates were developed from the data in the cost reports submitted by providers and approved in the desk review process, when available. FY 2007-2008 data in those cost reports were adjusted to account for changes in provider responsibilities for staffing and transportation resulting from changes to some service definitions that will take effect July 1, 2009. These adjustments were calculated based on data submitted by providers through the supplemental data request in February 2009, unless information submitted with the supplemental data request showed that an adjustment to the data submitted in the cost report data was unnecessary.

After making the adjustments for staffing and transportation, ODP analyzed the resulting adjusted unit costs for each procedure code to determine whether additional adjustments were needed. The methodology used to make that determination is set forth in the enclosure titled, "Methodology for Calculating Unit Costs."

After the unit costs for each procedure code were adjusted as described in the attachment, a total cost of living increase of one (1) percent (one (1) percent for FY 2007-2008 and zero (0) percent for FY 2008-2009) was applied to the FY 2007-2008 unit costs for each procedure code to establish each provider's proposed payment rates for FY 2009-2010. Finally, total FY 2009-2010 waiver expenditures were projected using the proposed payment rate(s) and projected utilization, and those expenditures were compared to the total estimated waiver appropriation. A rate adjustment factor of -3.17 percent, calculated as described in the rate adjustment factor policy, was applied to the unit costs for all cost-based services except outcome-based, vendor, and supports coordination services, so that the estimated waiver expenditures would not exceed the FY 2009-2010 waiver appropriation..

In cases where approved cost report data were not available for a procedure code at a specific service location, ODP assigned a rate using the following guidelines:

1. If a provider did not submit an approved cost report for one or more service locations but submitted an approved cost report for other service locations, so that costs for the procedure code at other service locations for a provider were available, the average of the provider's rates at the other service locations was assigned to the service location with no cost report data.
2. If a provider did not submit an approved cost report for one or more service locations but submitted an approved cost report for other service locations, but the provider does not have costs for the procedure code at the other service locations, the midpoint rate for the procedure code, based on the cost report data for all providers, adjusted to account for cost differences associated with different geographic areas, was assigned to the service location with no cost report data.
3. If no cost report submitted by a provider for the procedure code at any service location was approved, the midpoint rate for the procedure code, based on the cost report data for all providers, adjusted to account for cost differences associated with different geographic areas, was assigned to the location without any cost report data.
4. If a provider did not render the procedure code service in FY 2007-2008, the midpoint rate for the procedure code, based on the cost report data for all providers,

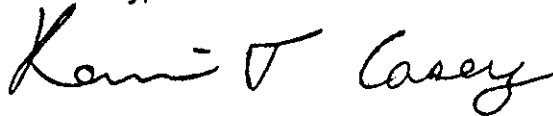
adjusted to account for cost differences associated with different geographic areas, was assigned to the location without any cost report data.

5. If a provider who rendered services in FY 2007-2008 did not submit a cost report, the lowest rate for the procedure code, based on the cost report data for all providers, was assigned to the service location without any cost report data.

The proposed payment rate(s) is contingent on the final budget enacted by the General Assembly. We are providing this information to you now, so that it is available to you for planning purposes. You will receive another letter, advising whether the rate is final, when the final budget is enacted. Please retain the enclosures to this letter.

If you have any questions about how your proposed rates were calculated, you may submit a request for clarification in writing to ODPRateQuestions@state.pa.us. Please include the following information with your request: your MPI number; the procedure code(s), service location code(s), and rates in question; the reason for your request for clarification; if the reason is that you believe a rate was calculated incorrectly, a description of your calculation of each rate in question, including 1) the cost per unit, as reported in your approved cost report; 2) any adjustments made based on the supplemental data you submitted to ODP in February 2009; 3) the COLA adjustment (+1 percent); and 4) the RAF adjustment (-3.17 percent); any additional document that you believe supports your rate calculation(s). ODP will contact you after reviewing the information.

Sincerely,

A handwritten signature in black ink that reads "Kevin T. Casey". The signature is fluid and cursive, with the first name "Kevin" and last name "Casey" clearly legible.

Kevin T. Casey

Attachments