 Disability Waiver Rate Setting – Facts & Realities

May 15, 2017

**What is the Disability Waiver Rate Setting (DWRS) initiative?**

1. In 2007, the Centers for Medicare and Medicaid Services (CMS) notified the Minnesota Department of Human Services (DHS) that its four disability waivers were out of compliance with federal requirements for uniform rate-determination methods and standards.
2. The DWRS provision was approved in the 2013 Minnesota State legislative session, and is contained in Mn Statute 256B.49. This new system transferred responsibility for setting service rates from counties and tribes to the state. This allowed for the federal renewal of Minnesota’s disability waivers at that time. Rates will be established **by individual** instead of by program or service provider. Also fundamental in the legislation, was **“Budget Neutrality”** – a promise that the new rate system will not reduce overall spending or sub-component spending for waivered services.
3. Implementation is underway now. Implementation will be complete on **December 31, ~~2018~~ 2019**. During this period, the Rate Management System (RMS) framework within DWRS was developed. Also **rate banding** was instituted that limited rate changes from 0.5% to 1% depending on the year, but this ends after December 2018. A one-year extension (6th year) to the banded rates has JUST been approved by CMS! An additional year of banding (7th year) is in the Senate HHS omnibus bill, SF800.
4. DHS publishes reports every 6 months to the Legislature, titled “DWRS Impact Study.” The January 2017 report said that overall spending for all services after full implementation (FY2020) will be a +**3% change.** But within that change, the Day Training & Habilitation category will experience a -**9.3% change** before exceptions are considered. To be fair, the DT&H category will see a **-4%** **change** after estimated inflationary adjustments are made. **63%** of all persons receiving Day services will see a rate decline. On top of this, the metro Twin Cities counties are going to see significant overall rate reductions; **Anoka -3 - 4%, Hennepin -3 - 4%, Ramsey -3%. The combination of these two impacts indicate that Day Services in the metropolitan counties are going to experience very serious rate reductions.**
5. Issues with the new **Rate Management System framework** are significant (Mn Statute 256B.4914):
   1. Center based program **facility rate factors** are way too low – not realistic;
   2. **Transportation** rate calculations are extremely flawed;
   3. **Utilization assumptions** (97%) and parameters are very aggressive – particularly impacting medically fragile individuals and those with significant disabilities;
   4. **Budget neutrality** is not being instituted as agreed; in fact has been rescinded altogether.
   5. Staffing wages used are unrealistic (direct care staff at $13.33, supervisor at $17.43) while **8700 healthcare workforce openings are going unfilled and turnover is extremely high**;
   6. **Regional variance factors** are also flawed because relevant cost factors were not considered;
   7. Administrative effort to comply with DWRS will increase dramatically diverting funding away from client services, and
   8. New Rates are NOT being proactively communicated to those that will be impacted as required by law and reinforced by a CMS memo published June 24, 2016.
6. Many residential and day services providers are running proformas to see what the rates will be after full implementation and finding significant reductions. Minnesota Organization for Habilitation and Rehabilitation (MOHR) has conducted a study across over 100 member Day Services providers. With 76% reporting, the projected funding change (for DD Waiver funded services) will be a **13.58% decrease** or over **$21 million** on an annualized basis.

**Bottom Line ~** Many share the opinion that **DWRS is the largest and most eminent threat to people with Intellectual or Developmental Disabilities in Minnesota. Many Residential and Day Services providers will not be able to survive, so many people with I/D disabilities will lose services!**