



M. Jodi Rell  
Governor

State of Connecticut  
Department of Developmental Services

**DDS**

Peter H. O'Meara  
Commissioner

Kathryn du Pree  
Deputy Commissioner

October 31, 2008

Dear Provider Council Member,

During these uncertain economic times, it is understandable that providers are concerned about the negative impact of system changes. The Department of Developmental Services (DDS) is committed to moving forward in a prudent and methodical manner that gives provider agencies an opportunity to prepare for the coming changes to the current funding system.

DDS has worked with the private sector in the planning, development and evaluation of the transition to a Fee-for-Service system. The Waiver Work Group, which is a collaborative effort with the private sector, has been instrumental in the research of other state's waiver implementation, reviewing the rate methodology, analyzing the effects of the Level of Need and the rates on current services, and establishing a transition timeline. Through the effort of the Waiver Work Group, the original rate methodology was revised numerous times, a staffing modifier was implemented to address those individuals who require intensive supports, and an additional transportation rate was developed for non-ambulatory individuals.

Our reasons for adopting a rate-based methodology are to assure fairness and equity in the distribution of public resources to consumers, allow consumers freedom of choice among providers without financial penalty, maximize the resources available to the department and to address the disparity of rates in the private sector. Rates and utilization-based billing is an approach that has been used for many years for procuring services. This approach is consistent with the general direction of services nationally that are funded through the Home and Community Based Services (HCBS) waiver.

DDS is moving towards an attendance based reimbursement system for all supports provided to our consumers. This has been instituted for all new graduate and age out placements since 2005. Under our current contract model, the DDS billing unit uses attendance data to ensure our bills for the HCBS Waiver included only days of services provided. The supports provided through the master contract are scheduled to be transitioned to this new payment system in the coming year.

The original rates drafted by DDS were developed based upon cost information from the provider community and wage information from the Department of Labor with no utilization factor for attendance. These rates were modified by the Waiver Work Group to include an 86% attendance factor for providers who pay DDS consumers for vacation time and 90% for all other providers.

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The following information responds to specific issues you raised in your discussion of the reasonableness of the 90% factor.

- **State employees assume an 85% attendance factor including holiday, sick, vacation and personal time.**

Our calculations are very similar. The Fee for Service rates built in 10 holidays before using a 90% factor. When holidays are factored into the comparison between state employees and the Fee for Service rates, the utilization of 85% for state employees is nearly identical to the 86.5% for the rates. In fact, the average person can have 35 days away from the day program including holidays, vacations and sick time before the provider's reimbursement is reduced from the present contract amount. In other words it is not until the 36<sup>th</sup> day of absence that the provider is expected to realize one cent of efficiency based on utilization. For providers who give their consumers a week paid vacation, individuals would need to be absent 40 days a year before any reduction in payment. It should also be noted that the rates do not include a staff turnover factor. Typical state internal budgeting acknowledges that there is savings associated with staff vacancies. Any savings from staff turnover are available to the agency to offset any losses due to lower attendance.

- **Where did the 90% attendance factor originate?**

The original draft rates did not factor in attendance. After consultation with the Waiver Work Group, DDS recalculated the rates using a 90% attendance factor.

John Campion, now retired, researched other states at that time and 90% compared favorably. Since receiving this letter, we have begun to again to query other states. Our results are as follows:

State	Percentage	Comment
California	100%	
Maryland	95%	
Delaware	92%	
Oregon	90%	Has a review process for special circumstances of low attendance
Massachusetts	85%	Does not pay beyond contract amount if utilization exceeds 85%

In Connecticut, the 90% attendance factor has been successfully used for high school graduates since 2005.

The transition to an attendance based reimbursement system has been part of the transition plan since 2006. All providers have been informed of this transition and the move should not be seen as being expedient. We recognize that not all providers will initially meet the 90% factor. Providers should have been planning for this system change and begun to implement transitional strategies to reduce costs or increase revenue to make up some of the shortfall. Using the 90% factor, the state shares the financial burden but does not exclusively own it. It is reasonable to expect that a provider who has 80% attendance should be able to operate spending less money than a provider who has 90% attendance.

For our providers who contract with the Department of Mental Health and Addiction Services (DMHAS) to provide day services, DMHAS only pays for days of actual attendance. Providers are expected to insure utilization accordingly to remain financially viable.

- **DDS staff has encouraged providers to manage vacancies by overbooking.**

DDS has encouraged agencies to look at their attendance statistics.

If, hypothetically, an agency is staffed to support 100 people per day but on the average 85 participate, it is reasonable to assume they could take some more people without jeopardizing health and safety. Individuals in the program who do not attend on a regular basis should be encouraged to reduce their days in the program in

order to allow the agency to provide supports to other people for those days. Since the rates are based on 90%, an additional six people to fill the unused capacity would eliminate any loss of revenue.

It should also be noted that low attendance has helped some agencies to make a profit. Seven of the 10 highest day service cost settlements are in the lower half of attendance based on the FY 07 Annual Report. The remaining three of the 10 highest are in the mid area of providers. None of the 10 largest cost settlements are for providers with high attendance. Our current system advantages providers with low utilization over providers with high utilization.

- ***This new payment system contradicts the philosophy of normalization for DDS consumers because it could discourage them from taking family vacations, traveling and taking personal time off from their day or employment programs.***

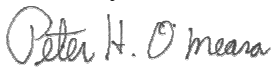
There is no reason that this change should be disruptive to families. The average of 35 days for holidays, sickness and vacation that is inherent in the rate provides a substantial cushion. There may be instances where an exception should be made to the 90% requirement. DDS will develop a review process for extraordinary circumstances that would be beyond the providers ability to manage based on its overall operations. We would anticipate these to be rare and isolated instances but DDS will develop a mechanism for addressing them.

- ***Timeline for implementation***

There have been numerous concerns expressed about the timeframe for implementation. The fundamental tenants of the changes have been widely known for years, so providers have certainly had an opportunity to examine their operations. Pilots were done approximately two years ago and changes were made based on that experience. However, given the concerns and the challenging economic situation for providers, DDS is willing to delay implementation of the change to the 90% basis to July 1, 2009 which would allow the department to implement its utilization based billing application and to use the data in planning the transition. With the benefit of the additional time, we would anticipate that there would be no need for the six month phase of attendance being weighted 50%.

Thank you for the opportunity to respond to your September 29, 2008 letter. We look forward to continued collaboration with the provider community as we continue the transition to the new funding system.

Sincerely,



Peter O'Meara  
Commissioner

cc. Secretary Robert Genuario, OPM  
Kathryn duPree, Deputy Commissioner, DDS  
Senator Mary Ann Handley, Co-Chair, Public Health Committee  
Senator Jonathan Harris, Co-Chair, Public Health Committee  
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Joe Drexler, Director, Operations Center, DDS  
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