Provider Rate Setting in the DMC-ODS Waiver
DMC-ODS Waiver Costs

• Participation in the DMC-ODS waiver will require new staff, operations and technology.

• Not all of this is currently in place or available for redeployment.

• Both counties and providers will be challenged.
Provider Rate Setting

- Counties have authority to negotiate provider reimbursement rates for Waiver services.

- Providers will have new responsibilities under the Waiver.

- Provider cost structure will not be the same under the Waiver as it was under DMC.
Elements of Provider Costs

• Direct Costs
  – Personnel
    • Administrative & Support Staff
    • Direct Service Staff
    • Benefits & Taxes
  – Operating Expenses
    • Rent
    • Utilities

• Indirect Costs
  – Facilities & Administration
Provider Cost Components

• Personnel
  – Administration & Support
    • IT
    • Billing
    • Data Entry
    • Staff Training
    • Quality Management
    • Compliance
    • Utilization Review
    • Finance
    • Clinical Supervision
Provider Cost Components

• Personnel
  – Direct Service Staff
    • Certified Counselors
    • Licensed Staff
    • Medical Director
    • LPHA
    • Case Managers
    • Peer Recovery Specialists
Provider Cost Components

• Personnel
  – Salary levels generally are low.
  – Opportunities for career advancement are limited.
  – How can providers recruit and retain staff in a competitive job market?
  – How can SUD achieve professional parity with other disciplines; MH, for example?
  – Where will all those threshold language speaking counselors come from?
Provider Cost Components

- Operating Expenses
  - Rent
  - Insurance
  - IT
  - Room & Board for Residential Services
Provider Cost Components

• OMB Uniform Guidance – 2 CFR Part 200
  – Allows for 10% *de minimis* or federally approved rate.
    • Or whatever you and the provider negotiate.
  – Recognizes the essential role of non-profit organizations in the safety net.
  – Also recognizes the changing nature of non-profit financing.
## The Importance of Productivity

### Residential Services

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<th>Beds</th>
<th>LOS</th>
<th>Annual Turnover</th>
<th>Days Vacant at Turnover</th>
<th>Annual Vacant Beds</th>
<th>Vacancy Rate</th>
<th>Total Bed Days</th>
<th>Rate per Bed Day</th>
<th>Total Revenue</th>
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The Importance of Productivity

• Outpatient Version
  – It’s a bit more complicated . . .
    • Caseload per counselor
    • Attendance per group counseling session
    • Staff hours per week in session
    • Group vs. Individual ratio
    • No-Show rate
A Global Consideration

• Costs increase as one moves up the ASAM Level of Care Scale. Right?
  – Staff-Client ratios
  – Staff hours per client
  – More experienced and/or licensed staff

• But this may not actually be the case.
Negotiating Rates

- All cards on the table.
- Discussion based on data – theirs and yours.
- Personnel costs will be 75% or more of total costs.
- Indirect charges will be higher.
- You may be looking at a multi-year process.
In Summary . . .

- DMC provider costs will be increasing.
- Productivity is a key element in the cost equation.
- Negotiations must be based on trust and data.
- Ultimately, you (and clients) get what you pay for.
For more information:

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