



CALIFORNIA INSTITUTE FOR
BEHAVIORAL HEALTH SOLUTIONS

LEADERS IN
POLICY,
TRAINING,
EVALUATION
AND RESEARCH

Fiscal Leadership Institute

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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

Beds	LOS	Annual Turnover	Days Vacant at Turnover	Annual Vacant Beds	Vacancy Rate	Total Bed Days	Rate per Bed Day	Total Revenue
40	90	4	0	0	0%	14,400	\$80.00	\$1,152,000
40	90	4	1.25	200	1%	14,200	\$80.00	\$1,136,000
40	30	12	1.25	600	4%	13,800	\$80.00	\$1,104,000

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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