MILLIMAN REPORT

Home and Community-Based Rate Report

Indiana Department of Child Services

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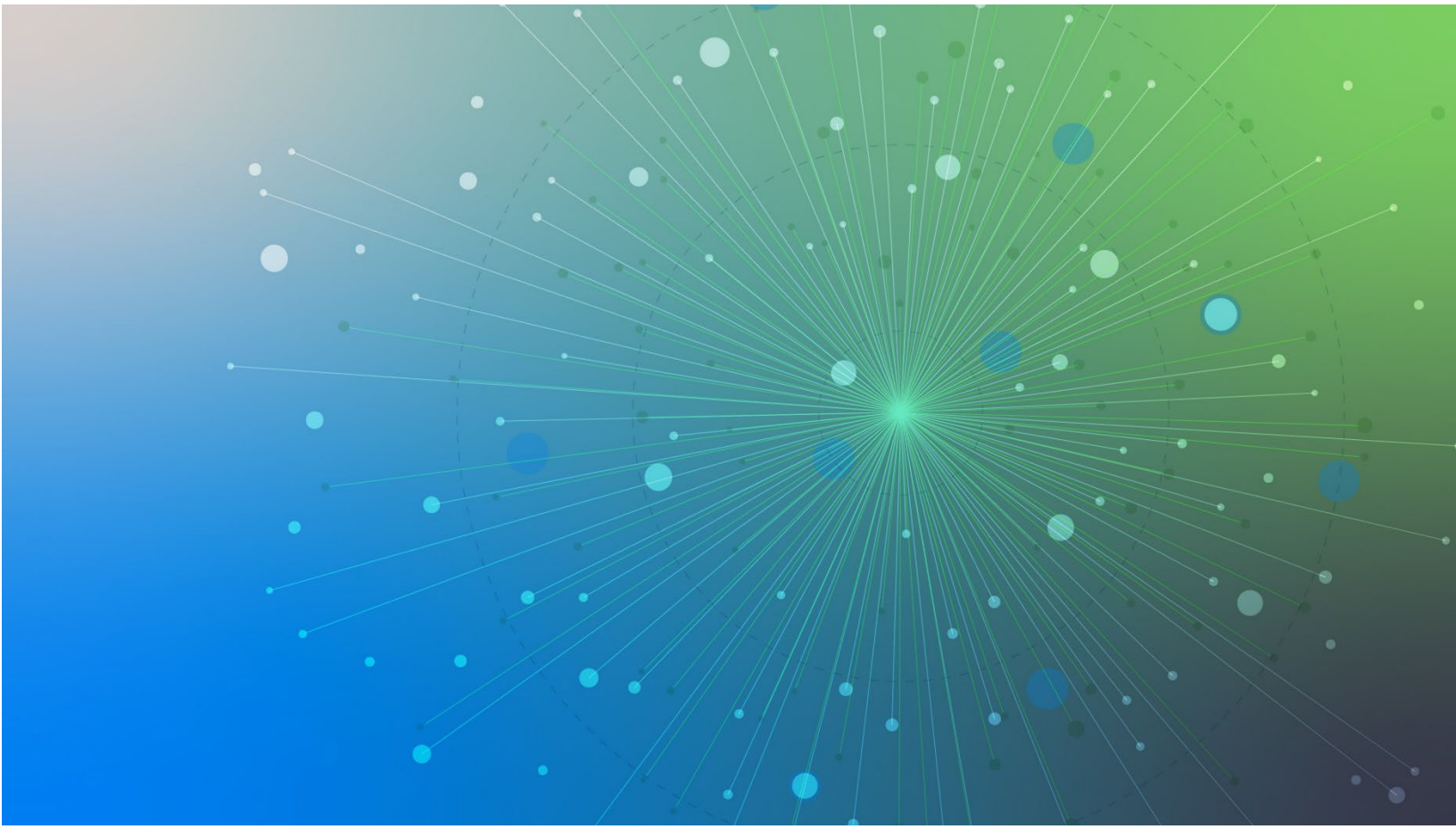

Milliman

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Background

Milliman Inc. (Milliman) was retained by Indiana Department of Child Services (DCS) to conduct a comprehensive payment rate review of DCS home and community-based services and document the results of that review in a publicly available report. The proposed rates assume implementation effective July 1, 2023.

DCS home and community-based services are intended to prevent the need for out of home placement, improve child safety outcomes, and nurture healthy families. DCS identified the following goals for the rate review of these services:

- **Adequacy:** Consider recent wage inflation and necessary costs to provide services
- **Sustainability/predictability:** Provide for a periodic rate review schedule (e.g., every four to six years), with indexed annual increases
- **Framework:** Support common-sense relationships among service rates (e.g., wage assumptions are consistent across services that use similar types of staff) via standardized rate framework
- **Alignment:** Align with rates where possible for comparable services (e.g., Medicaid)
- **Transparency:** Support stakeholder understanding of payment rate development
- **Prioritize prevention:** Nurture services that reduce out of home placements
- **Workforce:** Support workforce training and growth: access, quality, and equity
- **Quality and equity:** Improve child safety and quality of life for all Hoosiers

Figure 1 provides a listing of all services included in this review. Residential treatment services (non-SUD), rates for licensed child placing agencies, services paid at the actual cost or a negotiated rate, and services with no reported utilization in the past two years were excluded (*Appendix 3: Excluded Service Codes* provides additional detail). This review also excluded changes to payment structure and service definitions.

FIGURE 1: IN-SCOPE SERVICES OF HOME AND COMMUNITY BASED SERVICES RATE REVIEW

• Family Preservation	• Transition From Restrictive Placement
• Day Reporting	• Truancy Termination
• Med-Assessment for MRO	• Tutoring/Literacy Classes
• Child Preparation	• Residential Substance Use Treatment
• Family Preparation	• Detoxification Services
• Home-Based Family Centered Casework Services	• Substance Use Disorder Assessment
• Home-Based Family Centered Therapy Services	• Substance Use Outpatient Treatment
• Homemaker/Parent Aid	• Resource Families Support Services
• Counseling	• Domestic Violence Batterers Intervention Services
• Diagnostic and Evaluation Services	• Domestic Violence Victim and Child
• Functional Family Therapy	• Father Engagement Programs
• Parent Education	• Comprehensive Home-Based Services
• Parenting/Family Functioning Assessment	• Child Mental Health Initiative
• Sexually Harmful/Reactive Youth	• Family Centered Treatment
• Parenting/Family Functioning Assessment	• Supervised Parenting Time - Therapeutic Supervision
• Sexually Harmful/Reactive Youth	• Supervised Parenting Time – Enhanced and Standard Supervision

Executive Summary

Milliman Inc. (Milliman) was retained by Indiana Department of Child Services (DCS) to conduct a comprehensive rate review of DCS home and community-based services. Residential treatment services (non-SUD), services paid at the actual cost or a negotiated rate, and services with no reported utilization in the past two years were excluded, as were any changes to payment structure or service definitions.

DCS commissioned the rate review with the intent to improve and strengthen home and community-based services: emphasizing prevention, sustainability, transparency, workforce development, and rate alignment. Specific rate review goals may be found in the *Background* section of this report. In addition to DCS' stated goals for the rate review, several key priorities were identified by stakeholders early in the rate review process:

- Recruitment and retention of qualified staff, particularly for in-home and clinical services
- Competitive wages and benefits, aligned with similarly skilled professionals outside of DCS
- Alignment with Medicaid rates for comparable services, where reasonable and appropriate
- Administrative simplicity
- Adequate program funding reflective of inflation
- Appropriate compensation for time worked
    - DCS-required training
    - Service scheduling, planning, and reporting
    - Travel time and mileage associated with service delivery
    - No shows and late cancellations

This rate review has culminated in payment rates for DCS' consideration that reflect DCS goals, are informed by stakeholder feedback, consider the reasonable and appropriate costs of service, and reflect requirements under current DCS service standards.[1] The proposed rates assume implementation effective July 1, 2023.

Stakeholder Engagement and Feedback

Milliman and DCS worked collaboratively with provider organizations to encourage high levels of provider engagement throughout the rate review process, specifically:

- **Dedicated project website and email inbox.** Maintained by Milliman to facilitate transparent communication with stakeholders and access to the Milliman team.
- **Technical workgroup consisting of ten diverse providers from across the state**. Met virtually throughout the project to advise the Milliman team on key assumptions and provide guidance on areas for future development.
- **Public kickoff meeting.** Held in September 2022 to announce the rate review, allowing all DCS providers an opportunity to ask questions and provide feedback. A virtual attendance option allowed those not able to attend in-person to submit questions in live time. The meeting was recorded and made available via the dedicated project website.
- **DCS provider survey.** All DCS providers who delivered rated services during state fiscal year (SFY) 2022 were asked to complete the *2022 Community Based Rate Review Survey* released in October 2022. Technical assistance was offered to providers throughout the survey process, including an on-demand training video, live drop-in question and answer session, frequently asked questions, and 1:1 assistance via Milliman's dedicated email inbox. Over 65% of DCS providers participated, providing valuable feedback that informed payment rate assumptions and identified successes and challenges within the current service model.
- **Stakeholder review of draft rates.** A draft rate presentation was held virtually in February 2023 to familiarize DCS providers with the Independent Rate Model (IRM), data used to inform IRM assumptions,

[1] State of Indiana Department of Child Services (September 2022). *Service Standards (Community Based RFP Attachment A)*. Retrieved from https://www.in.gov/dcs/service-standards/service-standards-community-based-rfp-attachment-a/

and specific models used for rate development. Draft rates and underlying assumptions for all services included in the review were posted on the project website for provider review and comment, and draft rates for several services were refined in response. *Appendix 4: Summary of Comments on Draft Rates* provides a summary of feedback received and how that feedback was considered.

Alignment with Medicaid

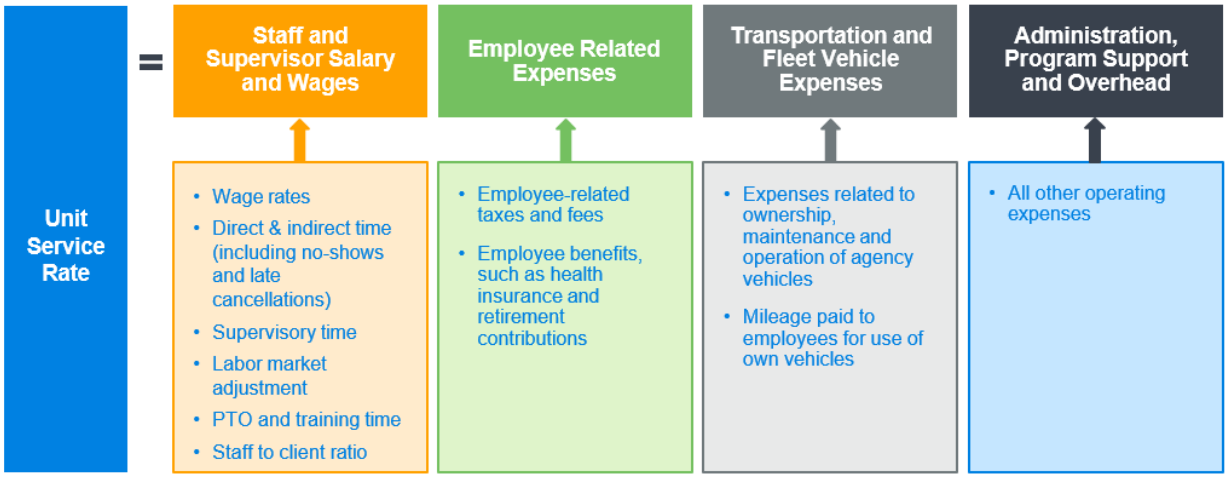
DCS' home and community-based service array includes several services comparable to services offered under Indiana's Medicaid Rehabilitation Services Option (MRO), the Child Mental Health Wraparound (CMHW), and the Medicaid state plan physician fee schedule.

Milliman team members and DCS subject matter experts worked collaboratively to identify the most appropriate Medicaid billing code to use for alignment. In many cases, there were multiple Medicaid billing codes to consider for a particular DCS service, reflecting variances in billing across Medicaid programs. *Appendix 2: Medicaid Aligned Rates* lists the service codes used for rate alignment.

Independent Rate Model

For those home-and-community-based rates not aligned with Medicaid service rates, we used an IRM framework for payment rate development. Under this approach, we calculated the average costs that a reasonably efficient provider would be expected to incur while delivering these services. As denoted by its description, ***independent*** rate model, this approach builds rates from the ground up, by determining the costs related to individual components and summing the component amounts to derive a payment rate for each service (illustrated in Figure 2). The model's rate components are applicable across services and able to reflect service-specific cost drivers and related assumptions. The resulting payment rates are expressed on the per unit basis appropriate for each service (e.g., per day, per 15-minute increment, per occurrence).

FIGURE 2: HIGH-LEVEL INDEPENDENT RATE MODEL COMPONENTS



A detailed description of rate buildup approach can be found in the *Methodology* section of this report. A summary of all service rates, including services aligned with Medicaid, is provided in *Appendix 1: Rate Summary*. IRM service builds for services not aligned with Medicaid are illustrated in *Appendix 6: Independent Rate Model Service Builds by Service Standard* under the applicable service standard. All underlying assumptions used in the *Appendix 6* IRM service payment rate buildups are developed in *Appendix 5: Independent Rate Model Assumption Development*.

Data Sources

The rate review used a wide array of data to inform Medicaid service alignment and IRM assumptions. The use of multiple overlapping data sources allows comparison of inputs from different sources, increases overall data credibility, and supports the development of reasonable and appropriate service rates that are sufficient to provide

equitable access to quality services. Figure 3 supplies a high-level overview of data sources used to inform the rate review.

FIGURE 3: HIGH-LEVEL DATA SOURCES USED TO INFORM RATE REVIEW

DATA SOURCE	DETAILS SUPPLIED
Stakeholder Feedback	• *2022 Community Based Rate Review Survey* • Technical workgroup • Feedback received via the public kick-off meeting and meeting to review draft rates • Feedback received throughout the project via a dedicated email inbox
Bureau of Labor Statistics	• May 2021 wage data for Indiana, by occupational code • Retirement costs • Workers' compensation • Health, dental, vision, and life insurance rates • Wage trends for behavioral health and social service occupations • Consumer Price Index for motor fuel
Internal Revenue Service	• FICA percentages and limits • FUTA tax information
Indiana Department of Child Services	• Published DCS service standards • Published referral and outcome data (e.g., CHINS, child safety, etc.) • DCS utilization and billing data • Medicaid-billable service distributions by payer and program
Indiana Office of Medicaid Policy and Planning	• Published provider billing guidance (i.e., bulletins and banners) • Indiana Medicaid fee schedules
Indiana Department of Administration	• State mileage reimbursement rate
Indiana Department of Revenue	• State unemployment insurance rate
Indiana Department of Transportation	• Mileage and daily vehicle miles traveled by year, county, and system
Centers for Medicare and Medicaid Services	• Medicare fee schedule for behavioral health services • CBSA wage index by county
United States Census Bureau	• General population by county • Geographic data by county (e.g., square mileage, land miles) • One-way commuting time to work distributions by county

Throughout the project, we received guidance from DCS subject matter experts and the stakeholder technical workgroup on service standards, payment policy, and other nuances related to current program operation.

Periodic Rate Review Process

DCS intends to perform a limited review of home and community-based rates annually, with a full rate review to occur approximately every four to six years. During the annual review, all Medicaid aligned service rates will be updated, as needed, to maintain DCS alignment with current Medicaid service rates. Services not aligned with Medicaid (i.e., IRM services) will be indexed annually, with a uniform percentage adjustment of 2% applied to all services. The scope and/or frequency of both the annual and full rate review process may be increased at DCS' discretion.

Pending and Recent Rate Updates

The following outstanding issues may result in changes to rates and/or fiscal projections contained within this report at a future date:

- **Alignment with Child Mental Health Wraparound (CMHW) services.** These services are currently undergoing a separate rate review process and final rates have not yet been approved. DCS rates were

updated to align with current CMHW rates, and any additional updates will be made as part of the annual Medicaid realignment process.

- **Impact of HIP Equalization.** We anticipate that Medicaid rates for behavioral health services aligned with Medicare (indicated with Medicaid service code 9xxxx) will be paid at a factor between 82.6% and 90.0% of Medicare under HIP Equalization, effective January 2024. HIP Equalization is currently under discussion in the Indiana legislative session and the final value is not expected to be known until late April 2023. Currently all impacted rates assume Medicaid rate alignment under HIP Equalization at 82.6% of Medicare. Updates to services impacted by HIP Equalization will be made as part of the annual Medicaid realignment process.
- **Supervised parenting time.** In September 2022, DCS released new guidance[2] on supervised parenting time: including newly released component codes for intermittent, virtual, and transportation codes for standard, enhanced, and therapeutic supervision services. Prior to the release of the September 2022 guidance, these new components were billed under the applicable face-to-face service code for each level of supervision. Given the materiality of supervised parenting time services, we advise DCS to closely monitor emerging experience for the impacted service standards (10976 and 10977) to better understand resulting service migration and potential fiscal impacts associated with these changes.

Fiscal Impacts

Spending for home and community-based services included in this rate review was estimated to be $214.1 million in SFY 2022, with excluded services (*Appendix 3: Excluded Service Codes*) estimated to add approximately $0.2 million to overall SFY 2022 spend. Payments for excluded services were trended using the aggregate cost trend for all Model 1 services to approximate fiscal impact for state fiscal year (SFY) 2024.

Assuming no change in overall utilization and a stable service mix, we estimate that the implementation of the proposed rates will increase SFY 2022 home and community-based service spend by between $17.2 million (8.0%) and $21.8 million (10.2%) in SFY 2024. Estimated fiscal impacts, including incremental impacts surrounding pending and recent rate updates, are illustrated in Figure 4.

FIGURE 4: ESTIMATED FISCAL IMPACTS OF PENDING AND RECENT RATE UPDATES, SFY 2022 TO SFY 2024

CMHW RATES	HIP EQUALIZATION ALIGNMENT FACTOR[1]	MIGRATION TO NEW CODES FOR STANDARD AND ENHANCED SUPERVISION[2]	ESTIMATED SFY 2024 BUDGET (IN $MILLIONS)	INCREASE FROM SFY 2022: (IN $MILLIONS)	INCREASE FROM SFY 2022: %
Current CMHW Rate[3]	82.60%	Yes	$ 231.5	$ 17.2	8.0%
Proposed Update	82.60%	Yes	$ 232.4	$ 18.0	8.4%
Proposed Update	90.00%	Yes	$ 232.9	$ 18.5	8.6%
Proposed Update	90.00%	No	$ 236.1	$ 21.8	10.2%
Estimated Impact of CMHW Proposed Rate Increase				$ 0.9	0.4%
Estimated Impact of HIP Equalization Factor Increase from 82.6% to 90.00%				$ 0.5	0.2%
Estimated Impact of Removing Supervised Parenting Time Migration Assumption for Standard and Enhanced Supervision				$ 3.3	1.5%

Notes:
1. Estimated using Medicaid-Medicare alignment factors currently under discussion in the Indiana legislative session, effective March 13, 2023.
2. Estimated using emerging experience for service standard code 10977 (standard and enhanced supervision), for all services delivered on or after September 1, 2022, as supplied by DCS on November 18, 2022. No migration was assumed for service standard 10976 (therapeutic supervision).
3. Rates for DCS Child Mental Health Wraparound services included in current rate review, effective November 28, 2022.

This rate report is organized into five primary sections: background, stakeholder engagement, stakeholder feedback, methodology, and limitations and data reliance. Additional detail on excluded services, Medicaid aligned services, comments on draft rates, IRM assumption development, and IRM payment rate buildups by service standard is supplied in a separate Excel file, ***DCS Home and Community-Based Rate Report - Appendices.xlsx.***

[2]Indiana Department of Child Services (September 2022). *Service Standard: Supervised Parenting Time*. Retrieved from https://www.in.gov/dcs/files/Supervised-Parenting-Time-2022-FINAL.pdf

Stakeholder Engagement

Stakeholder engagement was pivotal to a thorough and transparent review of DCS home and community-based service payment rates and was incorporated at every stage of the project.

All Provider Meetings

The below public meetings were held during the rate review process, with all providers who billed a home and community-based service during state fiscal year (SFY) 2022 invited:

- **Project kick-off meeting** (September 20, 2022). Topics included a description of project background, scope and goals, payment rate development approach, and opportunities for stakeholder engagement. During this meeting, providers were encouraged to ask questions and give input or feedback, either live or in the virtual chat.
- **Live survey drop-in question and answer session** (October 31, 2022). This session was held two weeks after release of the *2022 Community Based Rate Review Survey*. This forum allowed providers a chance to review the live survey, ask any questions surrounding the survey, and receive live feedback and answers. As with the first all-provider meeting, providers were able to ask questions live or submit them via the virtual chat.
- **Draft rate review meeting** (February 1, 2023). During this meeting, draft rates were presented and explained in depth. Topics included a description of the goals, scope, and status of the rate review process; overview of the IRM approach and key takeaways; detailed descriptions of general and service-specific assumptions; and full rate buildups for each of the primary IRM model types. Providers were encouraged to ask questions and provide feedback during this meeting and were directed to follow up in writing after the meeting with any remaining feedback or questions.

Industry Partnerships

As part of stakeholder engagement, industry partners and trade association representatives were included in provider communications and public meetings throughout the rate review process. These partnerships played a pivotal role in building trust in the process, facilitating provider communications, and encouraging provider engagement.

DCS Community Rate Review Inbox

A dedicated email inbox was created and shared in all provider communications. The approach allowed providers to ask questions on the rate review process, get technical assistance on the survey, and give feedback on the draft rates and other aspects of the project. Over 160 emails were received from providers throughout the project, with email topics including requests for technical assistance on the survey, general questions, project feedback, and questions and feedback on the draft rates.

Provider Survey

The *2022 Community Based Rate Review Survey*, open from October 15 to November 17, 2022, gathered information on provider costs and service delivery to help inform the development of payment rate assumptions. This web-based survey was distributed to all providers that delivered an in-scope service in SFY 2022. Data elements collected during the survey included general provider information, cost structure, staffing and supervision, billable and unbillable time, training, benefits, PTO, transportation, and service-specific information. Providers were also given the opportunity to provide qualitative feedback throughout the survey.

To streamline the survey as much as possible, service-specific data was requested at a broader service grouping level,[3] surveys were customized for each provider to reflect only those service groupings that they provided (using SFY 2022 utilization data). Dynamic skip logic, which included or excluded survey questions based on prior

[3] Service groupings included family preservation, crisis response, supervised visits, home and community-based therapy and therapeutic supervision, home-based casework, parent education, Medicaid reporting, group counseling, comprehensive home-based services, paraprofessional non-supervisory services, father engagement, diagnostic and evaluation services, clinic-based counseling and therapeutic supervision, court, and SUD detox and outpatient services.

responses provided, was also included as a design feature. Survey data submission was secured using provider-specific unique random identification numbers and survey links.

Several tools were used to support a strong survey response. Milliman supplied a dedicated project website which housed all supporting materials: including project background information, a recording of the all-provider rate review kick-off meeting, a survey training video, general survey process steps, and frequently asked questions (FAQs). A live Question and Answer session was also held approximately halfway through the survey window, allowing providers to review the survey tool, ask questions, and receive guidance from the Milliman team. Throughout the project, providers received reminder emails and were encouraged to submit questions to the dedicated email box.

Provider participation in the survey was robust, with nearly 65% of DCS providers either fully or partially completing the survey. Figure 5 shows provider participation by total count and percentage of total spend in SFY 2022.

FIGURE 5: PROVIDER PARTICIPATION IN THE 2022 COMMUNITY BASED RATE REVIEW SURVEY

MEASURED BY	FULLY COMPLETED SURVEYS	PARTIALLY COMPLETED SURVEYS	DID NOT PARTICIPATE
Provider Count	109	51	85
Percentage of SFY 2022 Spend	62%	12%	26%

Stakeholder Feedback

Stakeholder feedback was gathered throughout the project, via two key public meetings (including a review of draft rates), a technical workgroup, and provider survey. This section provides a summary of this feedback.

Technical Workgroup Feedback Summary

The main function of the technical workgroup was to obtain provider input on key payment rate assumptions. This workgroup consisted of representatives from ten home and community-based service providers throughout Indiana. These providers varied in types of services delivered, geographic location and size of agencies, and years of agency establishment. The technical workgroup met a total of six times throughout the project and discussed variety of topics, including recruitment and retention of direct and clinical staff, training, indirect time, alignment with Medicaid, travel, no-show impacts, on-call wages, and service-specific questions. The technical workgroup also reconvened after draft rates were released to discuss stakeholder feedback received and proposed refinements to the rates. The below subsections provide a summary of the technical workgroup feedback by topic area.

Staffing Challenges

Recruitment and retention of staff, particularly clinical staff, was discussed at length. Workgroup members shared that recruitment was particularly challenging given the higher wages and more desirable work conditions offered by hospitals, schools, and clinics for similar types of work. Workgroup members generally reported that retention was not as significant of an issue as recruitment. Members shared different strategies they had used to support retention: such as encouraging PTO and providing tuition reimbursement. Employee versus contracted staff approaches were also discussed, along with alternative work schedules that support both scheduling flexibility for staff and access for clients needing services outside of traditional business hours.

Training Costs

DCS training requirements, new employee onboarding, provider-specific trainings, and time/training costs associated with the use of evidence-based programs were discussed. Workgroup members shared that evidence-based programs varied in training requirements and often have prohibitive licensing fees and training requirements. They expressed concern that these costs were not always considered within rates, leaving providers to find or raise funds to cover their significant financial investments to provide high quality services. Workgroup members also discussed their use of ad hoc provider-specific trainings (such as court preparation) that are not required by DCS but considered essential to provide to staff.

Indirect Time

Indirect time was discussed at length, particularly indirect time associated with supervised parenting time and father engagement. Both services involve an investment of time at the beginning of the service to build substantial rapport with the client. Supervised parenting time was noted to have increased indirect time when there were significant travel logistics and multiple parties involved. Workgroup members reported that generally indirect time related to scheduling decreased over time as routine was established and relationships strengthened with clients.

Medicaid Services

Workgroup members discussed the benefits and challenges of becoming a Medicaid provider. They shared that while Medicaid services may provide continuity of care for Medicaid-eligible families after child welfare involvement ends, DCS-referred clients are often ineligible for Medicaid. Some providers expressed that there was not enough incentive for them to become a Medicaid provider given the services that they offer. They expressed that there are differences between the DCS and Medicaid service standards and provider qualifications, which adds complexity and significant administrative burdens that may be cost prohibitive if they do not have a large enough client population.

Travel Costs

Travel was discussed at length particularly regarding the perceived differences between travel time and mileage for rural versus urban areas of the state. Providers in rural areas shared that their staff have long travel times and may be required to drive on non-paved roads, which can be particularly challenging in certain weather conditions.

Workgroup members shared strategies they have employed regarding scheduling or attempting to cluster cases to improve travel efficiency. Some members reported that they provided gas cards to their staff during this past summer when gas prices rose significantly to reduce the unexpected cost burden on their staff.

No-Show Rates

Client no-show rates and the costs associated with them were a significant concern raised by workgroup members. Supervised parenting time was highlighted as a service with high no-show rates. Workgroup members noted that working with an involuntary population contributed to no shows and the importance of providing training to staff in engagement and rapport building with clients.

Other

Additional topics of the workgroup included on-call wages and service-specific items. Members reported a variety of approaches to on-call compensation that varied by service and staff level. Service-specific questions centered around amounts and types of concrete support expenditures in Family Preservation and staffing types, work schedules and supply costs for supervised parenting time.

Technical workgroup discussions often touched on broader challenges providers face that were beyond the scope of the rate review. For example, providers discussed specific challenges related to involvement with the courts, such as when a court hearing is cancelled last minute due to lack of available interpretation services. Recognizing that many of these service-specific related challenges would not be able to be solved through changes to the rates alone, these discussion points were shared with DCS for potential future opportunities to improve broader policies and procedures.

Summary of Provider Survey Feedback

The survey collected both quantitative and qualitative data. Quantitative data (e.g., average wages by provider group, administrative costs, indirect time) was considered during the development of specific payment rate assumptions. Qualitative data was collected through a series of ranking and open-ended questions regarding providers' priorities for payment rate development, and strengths and challenges related to the current rate structure.

The top three priorities for rate development identified by providers were:

- Competitive wages for direct service and clinical staff that align with similarly skilled professionals outside of DCS
- Appropriate compensation that reflects direct service time, indirect time (e.g., training, planning), and no shows
- Recruitment and retention for direct service and clinical staff

Providers also indicated the following as additional payment rate-related priorities:

- Strengthening provisions for worker safety
- Improving rate alignment
- Improving child safety outcomes
- Improving equity (racial equity, economic equity, and ability to access services)

Providers used the open-ended questions in the survey to express both strengths and challenges in the current system. While comments were diverse and varied, several topical themes emerged. Figure 6 provides a summary of provider survey feedback, organized around each identified theme.

FIGURE 6: PROVIDER SURVEY FEEDBACK BY TOPICAL THEME

TOPICAL THEME	PROVIDER FEEDBACK
Flexibility	Strengths - Increased ability to work virtually (attributed to the impact of COVID on service delivery) - Flexibility of serving the family/child where they are (e.g., time of day, location) - Ability to address time constraints related to out-of-state background checks via hiring staff with attestations

FIGURE 6: PROVIDER SURVEY FEEDBACK BY TOPICAL THEME

TOPICAL THEME	PROVIDER FEEDBACK
Process and Procedures	Strengths - Referral process through KidTracks works well - Amount of detail in service descriptions - Billing system and timely payments Challenges - Ability to receive referrals - Need for documentation to be streamlined
Family Preservation	Strengths - Overall benefits of per diem structure, specifically liberty and flexibility in service delivery, and ability of per diem to cover indirect time / time related to non-compliant clients - Overall successful outcomes, specifically in the reduction in child removals Challenges - Differing interpretations of concrete support by providers and DCS, causing confusion - Appropriateness of some Family Preservation referrals - Inconsistent level of Family Preservation referrals
Other Service-Specific Feedback	Strengths - Tutoring, day reporting, and family reunification services are going well - Ability to access MRO services - Supervised parenting time service standard Challenges - Supervised parenting time – there are times when a paraprofessional is requested but providers think bachelor-level staff is more appropriate - Tutoring is not viewed as an essential service type by DCS
Non-Billable Time	Challenges - Amount of time required to complete reports or progress notes - Court cancellations - Lack of reimbursement for collateral contacts - Lack of reimbursement for non-direct costs
Travel	Challenges - Unbillable travel time - Lack of reimbursement for travel when there is a no show - Amount of time spent traveling - Costs for some required travel exceed total reimbursement
Staffing	Challenges - Overall staffing shortages - Difficulties recruiting, particularly for clinical positions - Retention due to competition with other organizations and systems (e.g., DCS, hospitals, private practices, school system) - Ability to offer competitive wages and benefits
Overall Mission, Vision, and Culture	Strengths - Strong provider commitment to the overall vision and mission to serving children, youth, and families - Community partnerships and collaborations related to service delivery - Motivation of clients - Working toward shared goals and positive outcomes with clients Challenges - Increased severity or acuity of clients - Lack of buy-in or engagement from families - No shows and late cancellations

FIGURE 6: PROVIDER SURVEY FEEDBACK BY TOPICAL THEME

TOPICAL THEME	PROVIDER FEEDBACK
Relationship with DCS and Family Case Managers (FCM)	Strengths - Consistent staff - Open and good communication - Collaboration with agencies and staff - High expectations and standards - Meaningful involvement from FCMs, which is beneficial to clients in reaching service goals Challenges - Turnover of FCMs - Inconsistent communication and responsiveness by FCMs - Differing interpretation on service standards by FCMs - Practice inconsistencies between FCMs and local DCS offices - Low referral rates and preferential referrals to select agencies

DCS Community Rate Review Inbox Feedback

After draft rates were presented on February 1, 2023, providers were invited to submit feedback, questions, and concerns regarding the draft rates to the dedicated email inbox. Thirty-two providers submitted questions and/or feedback to the inbox on a variety of topics: including service-specific rate concerns, travel and mileage assumptions, and indirect time. Comments and questions received during the public review period were collected, sorted, and analyzed to inform additional revisions to the draft rates. *Appendix 4: Summary of Comments on Draft Rates* provides a summary of feedback received and how that feedback was considered.

Methodology

All home and community-based services that were delivered within the last two years—excluding residential treatment services (non-SUD) and services paid at the actual cost or a negotiated rate—were included in the rate review. Two main approaches were used to identify proposed rates under this rate review:

- Alignment of DCS payment rates to Medicaid payment rates for comparable services, where possible
- Use of an Independent Rate Model (IRM) approach for those services where alignment with Medicaid was not possible.

The following subsections describe each of these approaches in more detail, including relevant data sources. All service codes excluded from the rate review are listed in *Appendix 3: Excluded Service Codes.*

Alignment with Medicaid

DCS' home and community-based service array includes several services comparable to services offered under Indiana's Medicaid Rehabilitation Services Option (MRO), the Child Mental Health Wraparound (CMHW), and the Medicaid state plan physician fee schedule. Wherever possible, Medicaid-billable services included in the scope of this project were aligned with comparable Indiana Medicaid service rates. To facilitate ongoing access for DCS clients upon case termination—and encourage DCS providers to become authorized to provide services to Medicaid-qualified clients under Medicaid—Medicaid billable services not offered under the Child Mental Health Initiative (CMHI) are payable by DCS at 95% of the aligned Medicaid rate. CMHI services are payable by DCS at the full projected Medicaid rate under the proposed rates.

Milliman team members and DCS subject matter experts worked collaboratively to identify the most appropriate Medicaid billing code to use for alignment. In many cases, there were multiple Medicaid billing codes to consider for a particular DCS service, reflecting variances in billing across Medicaid programs. Service codes selected for rate alignment are illustrated in *Appendix 2: Medicaid Aligned Rates*. Additional guidance on permissible Medicaid billing codes can be found by referencing published DCS guidance for each applicable service standard.[4]

Additional considerations related to alignment with Medicaid are:

- **HIP Equalization.** Medicaid behavioral health service codes (9xxxx) are expected to be aligned with comparable Medicare service rates under HIP Equalization beginning in January 2024. Our rate projections assumed a base Medicare fee schedule cost trend of 0.5%, with Medicaid rates payable at 82.6% of Medicare under HIP Equalization. This alignment factor is currently undergoing legislative review and is expected to be finalized in late April 2023. DCS plans to update impacted rates, as needed, to maintain alignment with Medicaid once HIP Equalization is finalized.
- **CMHW services.** CMHW services are currently undergoing a separate rate review process. While DCS service rates were aligned with current CMHW rates in the proposed rates, all CMHI rates—including CMHW services—will be realigned with Medicaid during the annual rate review process, payable by DCS at the full projected Medicaid rate.
- **Variation from Medicaid rates.** Alignment with Medicaid for family and group services included tailored adjustments, specifically:
    - An adjustment factor for group services was included to account for the additional indirect time needed to accommodate the minimum DCS group size of three, and group services billable per person were divided by the assumed DCS group size of three.
    - Services originally aligned with Medicaid family (90847) and group (90853) psychotherapy service codes were updated to align with the individual psychotherapy service rate (90837).

[4] State of Indiana Department of Child Services (September 2022). *Service Standards (Community Based RFP Attachment A)*. Retrieved from https://www.in.gov/dcs/service-standards/service-standards-community-based-rfp-attachment-a/

- Substance Use Outpatient Treatment Group (10808-1094) and Family (10808-7979) counseling rates—previously aligned with MRO service rates—were updated to align with the new Medicaid aligned rates, as described above.

Child Mental Health Initiative rates for services offered under the MRO were updated, as needed, to align with the current MRO rate.

Additional detail regarding these changes is included in *Appendix 2: Medicaid Aligned Rates*.

Independent Rate Model Approach

For all services not aligned with Medicaid, we used an Independent Rate Model (IRM) approach to calculate the average costs that a reasonably efficient provider would be expected to incur while delivering these services. As denoted by its description, ***independent*** rate model, this approach builds rates from the ground up, by determining the costs related to the individual components shown below and summing the component amounts to derive a rate for each service.

The IRM approach can be distinguished from other provider payment methodologies in that it estimates what the costs for each service could be given the resources (salaries and other expenses) reasonably expected to be necessary, on average, while delivering the service in compliance with current DCS service standards. This approach relies on multiple independent data sources to develop rate model assumptions underlying rate development. In contrast, many cost-based methods rely primarily on the actual reported historical costs incurred while delivering services, which can be affected by operating or service delivery decisions made by providers. These operating or service delivery decisions may be reflective of the current availability of program funding and/or inconsistent with current DCS service standards.

Independent Rate Model Types

There are two main models within the IRM framework:

- **Model 1: Per Unit Rate Model**. Used when the direct service time assumptions related to providing the service can be reasonably determined on a per unit basis. This model is applied to all services where payment is dependent on incurred direct time on the date of service. This model is typically used for services billed in hourly units but can also be applied to services billed per unique instance of service (e.g., court appearances) or per diem rates specifying required client contact hours on the date of service (e.g., Day Reporting per diem services).
- **Model 2: Case Rate Model**. Used when the expected costs of services are more reasonably determined on a monthly basis, with resulting accumulated monthly expenses converted to a service unit value based on assumptions related to the average number of individuals served and/or units provided during the month. This model is applied to all services where payment is not dependent on incurred direct time per date of service (e.g., Family Preservation services). Services rated under this model are assumed to be paid each day the case is referred, including dates where no direct service is delivered.

The intent of each model is to capture the average expenses that the provider is expected to experience delivering each service over a specified period. Figure 7 provides an overview of the different model types, including variations applied to Model Type 1.

FIGURE 7: INDEPENDENT RATE MODEL TYPES

MODEL TYPES	DCS CONSIDERATIONS
Model 1 • **Model 1.1:** Individual service, with a single supervisory role assumed. The supervisor may or may not be physically present during service delivery. Supervisory time is included as a direct assumption (e.g., 15 minutes) per date of service, then allocated by the anticipated number of billable units. • **Model 1.2:** Case conference meetings, with both direct and supervisory staff in attendance, with or without the client present. Supervisory time is not specified in this model, as the supervisor's time is included as direct and indirect time. All parties in attendance are assumed to bill at the blended meeting rate. • **Model 1.3:** Group service, with multiple supervisory roles assumed. Services may be billed per person or per group. Supervisory time is assumed using the ratio of direct workers to supervisors (Supervisor Span of Control). • **Model 1.4:** Group service, with a single supervisory role assumed. Services may be billed per person or per group. The use of a copyrighted service model may be required under service standards and is included as a separate administrative line item. The supervisor may or may not be physically present during service delivery. Supervisory time is included as a direct assumption (e.g., 15 minutes) per date of service, then allocated by the anticipated number of billable units. • **Model 1.5:** Individual service, with a single supervisory role assumed. The use of a copyrighted evidence-based program is required under service standards and included as a separate administrative line item. The supervisor may or may not be physically present during service delivery. Supervisory time is included as a direct assumption (ex: 15 minutes) per date of service, then allocated by the anticipated number of billable units.	• Includes additional administrative costs for the required purchase of copyrighted materials (when applicable) and evidence-based program licensing fees before applying the 15% administrative load.
Model 2 • Only one model type, with varying team compositions based on staffing specified in DCS service standards and *2022 Community Based Rate Review Survey* service data. • Reflects a team approach to services. While not all team members are expected to contribute to the delivery of every unit of service, the staffing resources assumed for this model are expected to represent the average per unit resources over the course of a month. • Team composition may vary between providers. Each provider is assumed to staff according to their current caseload and the identified needs of each referred family. The IRM is intended to model the staffing requirements of a reasonably efficient provider model but is not intended to be prescriptive.	• Does not separately distinguish direct time from indirect or transportation time. • Does not separately apply a PTO/Training/Conference adjustment. Model assumes the average monthly direct and supervisory staff time and expected number of units, which are based on caseload assumptions, already consider the PTO-reduced capacity of the direct and supervisory staff. • Adjusted monthly service time components: - Direct care staff time per month - Supervisor time per month • Transportation expenses and concrete supports: - All expenses are assumed at the team level and allocated proportionately based on the team's combined caseload. - Caseload assumptions are developed per case manager and allocated to full team (support staff, therapists, and supervisors). - Cost components are combined and distributed across the anticipated number of monthly units per team to determine final rates. - Concrete supports are added as a fixed cost loading for Family Preservation services.

Figure 8 shows the rate model types chosen for all services not aligned with Medicaid. Payment rate buildups for each service indicated below are provided in *Appendix 6: Independent Rate Model Service Builds by Service Standard.*

FIGURE 8: SERVICES BY MODEL TYPE

MODEL TYPE	SERVICES
Model 1.1	• Court Appearances (all standards) • Medicaid-Billable Service Reporting (all standards) • Child Preparation (all services) • Family Preparation (all services) • Home-Based Family Centered Casework (all services) • Home-Based Family Centered Therapy (all services) • Homemaker/Parent Aid (all services) • Parent Education (non-group services) • Parenting/Family Functioning Assessment • Sexually Harmful/Reactive Youth (non-group services) • Transition From Restrictive Placement (non-counseling services) • Truancy Termination (non-group services) • Tutoring/Literacy Classes (non-group services) • Substance Use Outpatient Treatment: Recovery Coach (BA-level only) • Resource Families Support Services • Domestic Violence Victim and Child (face-to-face service only) • Father Engagement (non-group services) • Comprehensive Home-Based Services (visitation service only) • Family Centered Treatment (visitation service only) • Supervised Parenting Time (all services/levels)
Model 1.2	• Child and Family Team Meetings (all standards)
Model 1.3	• Day Reporting (all services)
Model 1.4	• Parent Education (group services) • Truancy Termination (group services) • Tutoring/Literacy Classes (group services) • Domestic Violence Batterers Intervention (non-clinical group services) • Domestic Violence Victim and Child (group services) • Father Engagement (group services)
Model 1.5	• Functional Family Therapy (excluding court)
Model 2	• Family Preservation • Comprehensive Home-Based Services (non-visitation services) • Family Centered Treatment (non-visitation services)

Independent Rate Model Overview

The IRM approach constructs a rate for each service using the sum of the costs associated with each of the components included in Figure 9 and their related elements and sub-elements. The cost and other assumptions associated with each component are developed to reflect the expected use of resources required for each service.

FIGURE 9: INDEPENDENT RATE MODEL COMPONENTS

COMPONENT	ELEMENTS	SUB-ELEMENTS	CLARIFYING NOTES
Staff and Supervisor Salaries and Wages	Service-Related Time	Direct Time	Corresponding time unit or staffing requirement assumptions where not defined. Adjusted for staffing ratios for some services (i.e., more than one person served concurrently; e.g., in group counseling sessions).
		Indirect Time	Service-necessary planning, note taking and preparation time.
		Transportation Time	Travel time related to providing service, excluding client transportation or other billable time.
		No-Show Load	Estimated percentage of scheduled services expected to result in either a no-show or late cancellation that cannot be rescheduled or billed by the provider.
		Wait Time Per No Show	Estimated time spent by the provider waiting for non-compliant clients, per instance of non-compliance.
		Staffing Ratio	The number of clients assumed to be served simultaneously; for CFTM meetings this is the number of attendees under each provider group title.
		Supervisory Time	Assumed using supervision ratios for day reporting; otherwise assumed by service group.
		PTO/Training/Conference Time	Paid vacation, holiday, sick, training and conference time. Also considers additional training time attributable to employee turnover.
	Wage Rates	Labor Market Adjustment	Explicit adjustment made to wages to reflect the desirability of the working conditions included in the applicable service standard (in-home, flexible work, 24-7 availability, etc.), relative to in-office work during normal business hours.
		Can vary based on credentialing or experience required and/or level of supervisory responsibility.	Wage rates vary depending on types of direct service employees, which have been assigned to provider groups.
Employee Related Expenses	Payroll-Related Taxes and Fees	Federal Insurance Contributions Act (FICA), Federal Unemployment Tax Act (FUTA), State Unemployment Insurance (SUI), Workers Compensation	Applicable to all employees and varies by wage-level assumption.
	Employee Benefits	Health, Dental, Vision, Life and Disability Insurance, and Retirement Benefits	Amounts may vary by provider group.
Transportation and Fleet Vehicle Expenses	Vehicle Operating Expenses	Includes all ownership and maintenance-related costs for agency fleet vehicles, as well as reimbursements paid for use of personal vehicles in service delivery.	Assumed based on estimated service location mix and estimated duration of service, paid at the projected SFY 2024 Indiana state mileage rate.
Concrete Supports	Family Preservation Services Only	Financial aid or other indirect services provided to referred families to prevent removal of eligible child(ren).	Excludes value of government-funded services provided to qualified families (WIC, CCDF, SNAP, TANF, etc.).
Administration, Program Support, Overhead	All Other Business-Related Costs	Includes program operating expenses, including management, accounting, legal, information technology, etc.	Excludes non-allowable costs: such as bad debts, charitable contributions, fundraising costs, entertainment costs (including costs of alcoholic beverages), and Federal, state, or local sanctions or fines.

In the *Provider Groups* and *Rate Model Components* sections below, we provide more detail regarding each of these components along with their elements and sub-elements.

Provider Groups

There is a generally a range of provider types that are authorized to directly perform or supervise home and community-based services under current DCS service standards. For purposes of payment rate development, each direct worker or supervisory position is assigned to a discrete provider group using characteristics such as educational degrees, professional credentials, experience requirements, and expected wage rates. Multiple factors were considered when developing provider groups: administrative simplicity, sufficient granularity to accurately reflect market experience, and alignment with current DCS service standards.

The use of these broader provider groups balances the need for the rates to reflect appropriate variations in labor costs with DCS' stated goal of administrative simplicity. Model assumptions regarding direct care staff salaries and wages, PTO, and ERE components (further described in the next section, *Rate Model Components*) were determined at the provider group level. Where appropriate, separate rate models were developed for services that could be provided by more than one provider group (e.g., court appearances).

Rate Model Components

This subsection provides a description of the key rate components listed in Figure 9:

- Staff and supervisor salaries and wages
- Employee related expenses
- Transportation expenses
- Concrete supports (Family Preservation services only)
- Administration, program support, and overhead

Staff and Supervisor Salaries and Wages

Staff salary and wage components are typically the largest payment rate component, comprising the labor-related cost, or the product of the time and expected wage rates for direct and supervisory staff delivering each service. The trended direct care staff hourly wage for each provider group was developed using two primary data sources:

- **May 2021 Indiana wage data from the Bureau of Labor Statistics** (BLS),[5] inflated using an assumed (single) wage trend adjustment of 15% for all provider group composite wages. This selection was informed by our review of BLS-reported wage trends for relevant behavioral health and social service occupations from January 2010 to September 2022. While our selected composite trend assumes some dampening of observed post-pandemic wage inflation will occur prior to January 2024, projected wage inflation is still expected to surpass observed pre-pandemic values. In some cases, more than one BLS occupational code was relevant for a particular provider group, and these codes were weighted to appropriately reflect the characteristics of the provider group.
- ***2022 Community Based Rate Review Survey* results**, which reflect January 2022 wages, inflated to the rating period using an equivalent (monthly) trend to the BLS wage trend adjustment.

While wage amounts from the *2022 Community Based Rate Review Survey* were not used directly in the IRM, they were used to determine the reasonability of BLS data and to guide BLS wage percentile selections.

After establishing provider groups and the associated weights for each BLS occupational code within a given provider group, a composite May 2021 provider group wage was developed for the 25th, 50th, 75th, and 90th percentiles. Linear interpolation was used to estimate blended wages for the 60th and 70th percentiles.

Physician wages were determined using a weighted average of BLS-reported means for each BLS occupational code included in the physician provider group, as the BLS salary survey truncated physician salary data.

[5] Bureau of Labor Statistics (May 2022). *May 2021 State Occupational Employment and Wage Estimates: Indiana.* Retrieved from https://www.bls.gov/oes/current/oes_in.htm

Trended wage rate assumptions by provider group are illustrated below in Figure 10. Additional detail on wage rate assumption development is supplied in *Appendix 5A: Provider Groups and Wages.*

FIGURE 10: TRENDED WAGE RATE ASSUMPTIONS BY PROVIDER GROUP

PROVIDER GROUP	HOURLY WAGE	BLS PERCENTILE
Doctors: MD/DO	$166.48	BLS mean*
Psychologists: MA, PhD	$50.86	60th
Medical/Prescriber Staff	$46.20	50th
Community and Social Service Professionals - Master's Level or Specialized Credential *(Temporary Permit Only)*	$28.64	40th
Community and Social Service Professionals - Master's Level or Specialized Credential *(Non-Clinical Worker or BA Supervisor*)	$29.82	50th
Community and Social Service Professionals - Master's Level or Specialized Credential *(Clinical Direct Worker or Non-Clinical MA Supervisor)*	$32.65	60th
Community and Social Service Professionals - Master's Level or Specialized Credential (*Clinical Supervisor)*	$35.48	70th
Community and Social Service Professionals - Bachelor's Level	$25.47	50th
Community and Social Service Staff - Associate's Level, HS, or GED	$20.12	50th
Teachers and Administrators *(Tutors)*	$17.18	25th
Teachers and Administrators *(Tutoring Supervisors)*	$22.04	50th

* Physician wages were approximated using the mean due to salary truncation within BLS.

Staff and Supervisory Time Assumptions

In the IRM approach, service-related time is categorized as direct time, indirect time, transportation time, and supervisory time. Adjustments for PTO, holidays, required training, non-compliant (no-show) clients, and labor market conditions are also incorporated. Figure 11 provides a description of each of these sub-elements and related adjustments. Service-specific assumptions for staff and supervisory time subcomponents can be found in the referenced appendices.

FIGURE 11: SUMMARY OF SUB-ELEMENTS RELATED TO STAFF AND SUPERVISORY TIME

SUB-ELEMENT	DEFINITION	ASSUMPTIONS
Direct Time	• Amount of time that can be billed for services provided to referred clients. • For example, a service billed as a 15-minute unit assumes that direct time is also at least 15 minutes, an assumption that is consistent with service billing guidelines. Examples of the most common unit types, which vary by service, are a set number of minutes per service unit (e.g., 15-minute, 60-minute), per occurrence, per day, or per month.	• For service units that are not defined by a time unit (e.g., per occurrence or per diem), we developed rate model direct time assumptions based on published DCS guidance, provider survey data, guidance from DCS and Milliman subject matter experts, and feedback from the technical workgroup. • Additional detail by service is provided in *Appendix 6: Independent Rate Model Service Builds by Service Standard.*
Indirect Time	• Time that must be spent by non-supervisory staff to provide the service, but is not spent "person facing", and does not result in a billable unit of service. • Includes appropriate non-billable tasks such as scheduling, service planning, summarizing notes, and report writing.	• Indirect time assumptions vary by service and were developed based on published DCS service standards, provider survey data, guidance from DCS and Milliman subject matter experts, and feedback from the technical workgroup. • Additional detail by service is provided in *Appendix 5D: Indirect and Supervisory Time.*

FIGURE 11: SUMMARY OF SUB-ELEMENTS RELATED TO STAFF AND SUPERVISORY TIME

SUB-ELEMENT	DEFINITION	ASSUMPTIONS
Transportation Time	• A provision for transportation time is included for services where it is expected that staff will be required to travel to provide the service. • Developed using fixed time and mileage assumptions for each service location and the estimated location mix for each service.	• A travel adjustment factor is applied to all one-way trip assumptions to account for return travel at the end of each service day. • Time, distance, and service location mix estimates were based on published DCS service standards and referral data, provider survey data, guidance from DCS and Milliman subject matter experts, feedback from the technical workgroup, published Indiana Department of Transportation (IDOT) traffic studies,[6] and US Census county-level commuting data.[7] • Additional detail by service is provided in *Appendix 5E: Travel.*
No-Show Load	• Approximate percentage of scheduled services estimated to be non-billable due to late cancellation or client non-compliance. • Percentage increase applied to indirect and transportation time assumptions for billable services to account for reasonable and appropriate costs associated with non-compliance.	• No-show estimates vary by service and were based on provider survey data, guidance from DCS and Milliman subject matter experts, and feedback from the technical workgroup. • The no-show load adjustment is applied each time service is completed. • Additional detail by service is provided in *Appendix 5F: No-Show and Late Cancellations.*
Estimated Wait Time Per No Show	• Accounts for additional time spent waiting for or attempting to contact non-compliant clients. • Weighted by the no-show load factor prior to calculating adjusted total minutes per unit.	• Wait time estimates vary by service and were based on published DCS service standards, provider survey data, guidance from DCS and Milliman subject matter experts, and feedback from the technical workgroup. • Additional detail by service is provided in *Appendix 5F: No-Show and Late Cancellations.*
Supervisory Time	• Time spent in consultation with the FCM at intake, or as required under DCS service standards. • Time required for training and supervision of direct workers, as indicated in DCS service standards. • Time required for service planning and consultation with referred families, as indicated in DCS service standards. • Time spent completing and/or reviewing DCS or court-required documentation.	• Supervisory time estimates vary by service and were based on published DCS service standards, provider survey data, guidance from DCS and Milliman subject matter experts, and feedback from the technical workgroup. • Supervisory time is assumed directly for most services. For Day Reporting services, supervisory time is estimated using supervisory ratios (supervisor span of control) indicated in published DCS service standards.[8] • Additional detail by service is provided in *Appendix 5D: Indirect and Supervisory Time.*

[6] Indiana Department of Transportation (November 2022). *Mileage and DVMT by Year, County, and System.* Retrieved from https://www.in.gov/indot/resources/traffic-data/

[7] United States Census Bureau (September 2022). *American Community Survey: Travel Time to Work*. Retrieved from https://data.census.gov/cedsci/table?q=TRAVEL%20TIME%20TO%20WORK&g=0400000US18%240500000&tid=ACSDT1Y2021.B08303

[8] State of Indiana Department of Child Services (November 2018). *Service Standard Indiana Department of Child Services Day Reporting Programs.* Retrieved from https://www.in.gov/dcs/files/33-Day-Reporting-final-11-28-18-DR.pdf

FIGURE 11: SUMMARY OF SUB-ELEMENTS RELATED TO STAFF AND SUPERVISORY TIME

SUB-ELEMENT	DEFINITION	ASSUMPTIONS
PTO / Training / Conference Time	• Accounts for additional time that must be covered over the course of a year by other staff or supervisors to allow for: - Annual time related paid vacation, holiday, and sick time. - Annual training and/or conference time expected to be incurred by staff and supervisors. - Initial onboarding of new staff.	• Assumptions vary by provider group and were based on published DCS service standards, provider survey data, guidance from DCS and Milliman subject matter experts, and feedback from the technical workgroup. • Additional detail by provider group is included in *Appendix 5B: PTO and Training*.
Labor Market Adjustment	• Explicit adjustment made to wages to account for variances in working conditions as included in the applicable service standard, relative to in-office work during normal business hours (e.g., regular after-hours work).	• 150% adjustment factor for crisis response services. • 105% adjustment factor for non-crisis services requiring 24/7 crisis or intake access, in-home service delivery, or that are typically delivered outside of normal business hours. • No adjustment for work typically performed in an office or court setting during normal business hours. • 90% adjustment factor for intermittent supervision, billable report writing, and virtual services. • Additional detail by service is provided in *Appendix 6: Independent Rate Model Service Builds by Service Standard.*

The IRM approach considers direct/clinical care staff transportation time necessary to deliver a service, specifically the average number of trips made per day relative to the number of billable units and unique clients served during an average day. As the number of billable units per client per date of service increases, the transportation time associated with each billable unit decreases because the transportation time is distributed among all the billable units on the claim. Figure 12 provides a high-level overview of this adjustment. Service-specific detail is provided in *Appendix 5E: Travel.*

FIGURE 12: ONE-WAY TRIP ADJUSTMENT FACTORS BY TOTAL LENGTH OF SERVICE (DIRECT TIME)

ASSUMED TOTAL LENGTH OF SERVICE (DIRECT TIME)	TRIP ADJUSTMENT FACTOR
Less than 2 hours	1.25 one-way trips are spread across the average billable units per date of service. This would indicate that direct care staff may visit four individuals' service locations on average and then travel back to their main office during an average day for a total of 5 one-way trips.
2-4 hours	1.5 one-way trips are spread across the average billable units per date of service.
Greater than 4 hours	2 one-way trips are spread across the average billable units per date of service (i.e., direct staff may only drive to one individuals' home and back to their main office during an average day).

Employee Related Expenses (ERE)

This component captures the ERE expected to be incurred for direct staff and supervisors for each service. Employee related expenses include:

- Employer entity's portion of payroll taxes, employee medical and other insurance benefits
- Employer portion of retirement expenses incurred on behalf of direct care staff and supervisors

- All other taxable fringe benefits consistent with *IRS Publication 15-B* rules, such as club memberships

Employee related expense percentages were calculated based on the expected level of ERE as a percentage of direct staff and supervisor salaries and wages. ERE are calculated as the product of the calculated direct staff and supervisor salaries and wage described above, and an ERE percentage, which varies by provider group. The IRM framework assumes all services are performed and supervised by non-contracted, full-time agency employees and does not attempt to capture reimbursement differences associated with the use of part-time or contracted staff.

A significant portion of the ERE is driven by the cost of health insurance and retirement benefits the employer provides to its employees. Insurance and retirement costs were sourced from BLS data for the health care and social assistance civilian worker classification.[9] Annual health insurance costs ($7,072) were estimated using the hourly insurance cost ($3.40), as provided in *Table 2*, multiplied by the assumed number of hours worked per year (2,080). Retirement percentage estimates were taken directly from *Table 2.*

For purposes of developing the ERE assumptions, employer-related payroll taxes were based on federal and state specific requirements. For example, the IRS specifies amounts for items such as Federal Insurance Contributions Act (FICA) and Federal Unemployment Tax Act (FUTA), where the State specifies amounts related to State Unemployment Insurance Act (SUI). Workers' compensation estimates were also based on data collected from BLS.[10]

Annualized ERE for full-time, non-contracted employees are illustrated in the Figure 13. The annualized ERE costs were converted to a percentage of total compensation (the sum of annualized wage and benefit costs) prior to inclusion in the IRM. Detailed calculations related to the ERE percentage are shown by provider group in *Appendix 5C: Employee Related Expenses.*

FIGURE 13: ANNUALIZED EMPLOYEE RELATED EXPENSES (ERE) FOR FULL-TIME (NON-CONTRACTED) EMPLOYEES, BY PROVIDER GROUP

PROVIDER GROUP	ANNUAL EXPENSE	BLS WAGE PERCENTILE USED TO DEVELOP ERE
Doctors: MD/DO	$35,250	BLS mean*
Psychologists: MA, PhD	$20,794	60th
Medical/Prescriber Staff	$19,598	50th
Community and Social Service Professionals - Master's Level or Specialized Credential *(Temporary Permit Only)*	$15,087	40th
Community and Social Service Professionals - Master's Level or Specialized Credential *(Non-Clinical Worker or BA Supervisor*)	$15,389	50th
Community and Social Service Professionals - Master's Level or Specialized Credential *(Clinical Direct Worker or Non-Clinical MA Supervisor)*	$16,116	60th
Community and Social Service Professionals - Master's Level or Specialized Credential (*Clinical Supervisor)*	$16,843	70th
Community and Social Service Professionals - Bachelor's Level	$14,271	50th
Community and Social Service Staff - Associate's Level, HS, or GED	$12,897	50th
Teachers and Administrators *(Tutors)*	$12,143	25th
Teachers and Administrators *(Tutoring Supervisors)*	$13,390	50th

* Physician wages were approximated using the mean due to salary truncation within BLS.

[9] Bureau of Labor Statistics. (June 2022). *Employer Costs for Employee Compensation – March 2022*. Retrieved from https://www.bls.gov/news.release/pdf/ecec.pdf

[10] Bureau of Labor Statistics. (March 2022). *Employer Costs for Employee Compensation – Historical Listing March 2004 -September 2021*. Retrieved from https://www.bls.gov/web/ecec/ececqrtn.pdf

Transportation Expenses

The transportation expense component of the IRM approach is intended to capture the provider entities' out-of-pocket transportation costs. This expense is assumed to be the reimbursement paid to the employee for use of their own vehicle, however the IRM assumes this rate is also sufficient to cover acquisition, fuel, and maintenance costs for provider-owned fleet vehicles.

Transportation expenses are based on the assumed average number of miles required to provide a service on a per unit basis. The expenses are calculated by applying the estimated number of miles by the projected Indiana mileage reimbursement allowance of $0.49 per mile.[11] The selected reimbursement rate assumes a projected per gallon average Indiana fuel cost range of $5.14 to $5.39.

Transportation expenses exclude wages paid to staff and supervisors for their transportation time, as this is included in the staff salaries and wages component described previously.

Transportation expenses are spread across the anticipated number of billable units per date of service, consistent with the approach for transportation time described in *Staff and Supervisory Time Assumptions.* Service-specific transportation expense calculations are provided in *Appendix 5E: Travel.*

Concrete Supports (Family Preservation Services Only)

Family Preservation service standards stipulate that "providers of this service will be expected to utilize the funds received from DCS through the course of their service delivery to address any concrete assistance needs that the family may have, if failing to address these needs would result in the child(ren) having to be removed from the home."[12]

Concrete supports may take several forms, including:

- Housing, food, or clothing assistance
- Payment of past-due utilities if non-payment could result in unsuitable living conditions for the child(ren)
- Other assistance, as deemed necessary to prevent removal of the child(ren)

Providers are encouraged to help families identify and utilize available community resources, including any government-sponsored assistance programs for which the family is eligible.

When completing the *2022 Community Based Rate Review Survey*, Family Preservation providers were asked to provide estimates for the value of these supports, per eligible family, per month. Providers were specifically instructed to exclude the value of government-sponsored benefits, however the inclusion of assistance received through non-government-based community programs (e.g., churches) was permissible.

Concrete support assumptions for the IRM were primarily informed by the survey, however feedback from the technical workgroup, cost report data supplied by DCS, and guidance from DCS and Milliman subject matter experts was also considered.

Family Preservation services are paid at the base rate for families with 0-2 eligible children ($113.47). For families with more than two eligible children, a base rate add-on ($24.25) is paid per additional eligible child. This add-on payment reflects reasonable and appropriate increases in concrete support needs and service time associated with increased family size. When calculating the Family Preservation payment rates, the corresponding DCS claims data from each survey respondent's reporting period was used to estimate the number of extra eligible children reflected in each survey response for Family Preservation.

The Family Preservation IRM build assumes that approximately $500 per month ($16.44 per day or ~13.2% of total payments) is needed to fund concrete supports for a family with 0.46 extra eligible children. The base per diem rate

[11] State of Indiana Department of Administration. (June 2022). *State Mileage Reimbursement Rates.* Retrieved from https://www.in.gov/idoa/files/Mileage_Rate_-_June_2022.pdf.pdf

[12] State of Indiana Department of Child Services (September 2022). *Family Preservation UPDATE.* Retrieved from https://www.in.gov/dcs/files/Family-Preservation-UPDATE.pdf

($113.47) is assumed to supply a portion of this amount ($13.11, or ~11.6% of base rate payments), with the remaining amount funded by a portion of the add-on payment.

Additional detail on Family Preservation and concrete supports can be found in *Appendix 6K: Family Preservation Services.*

Administration / Program Support / Overhead

An adjustment to account for the cost of administration, program support, and overhead of the provider is built into each of the rate models. Based on the results of the *2022 Community Based Rate Review Survey* and guidance from DCS and Milliman subject matter experts, we have assumed a 15% load for this rate component for all services.

This component is intended to account for the following types of costs:

- **Program Support Costs**. Costs incurred to support program delivery, including transportation assistance
- **Administration and Overhead Expenses.** Generally, administrative-related expenses would include all expenses incurred by the provider entity necessary to support the provision of services but not directly related to providing services to individuals, and may include, but not be limited to:
    - Salaries and wages, and related employee benefits for employees or contractors that are not direct service workers or first- and second- line supervisors of direct service workers
    - Liability and other insurance
    - Licenses and taxes
    - Legal and audit fees
    - Accounting and payroll services
    - Billing and collection services
    - Bank service charges and fees
    - Information technology
    - Telephone and other communication expenses
    - Office and other supplies
    - Postage
    - Accreditation expenses, dues, memberships, and subscriptions
    - Meeting and administrative travel related expenses
    - Training and employee development expenses, including related travel
    - Human resources, including background checks
    - Community education
    - Marketing/advertising
    - Interest expense and financing fees
    - Facility and equipment expense for space not used to directly provide services to individuals, and related utilities
    - Vehicle and other transportation expenses not related to transporting individuals receiving services or transporting employees to provide services to individuals
    - Board of director-related expenses
    - Non-billable interpreter services

For services where additional costs may be incurred for the required use of a copyrighted evidence-based program—such as group parenting courses and Functional Family Therapy—an explicit adjustment is added to account for these expenditures prior to applying the 15% administration load.

Other Service-Specific Adjustments

Several service-specific adjustments are necessary to capture the reasonable and appropriate costs associated with service delivery in accordance with DCS service standards. These service-specific adjustments include explicit loadings that address both the inefficiencies associated with noncompliant clients (*No-Show Load* and *Estimated Wait Time Per No Show*) and any wage adjustments that may be required to ensure an adequate supply of willing, appropriately credentialed providers across all DCS home and community-based services under current labor market conditions (*Labor Market Factor*).

Labor Market Factor Adjustment

DCS wages were aligned with BLS occupational codes and wage percentiles reflecting current Indiana market wages for similarly skilled professionals, without regard to employer or work conditions. The wage percentiles selected for inclusion in each service's payment rate buildup did not consider the relative desirability of the working conditions indicated for each service (e.g., expectations regarding working in the evening and on the weekend) and instead were selected based on academic degree, licensure, credentialing, experience, and supervisory requirements for each job title, as indicated in DCS service standards.

Wage increases may be required to ensure an adequate supply of qualified providers for services that require in-home delivery, delivery outside of normal business hours, or 24/7 provider availability for crisis response and emergency intake functions to comply with current DCS service standards. Similarly, services that provide a higher-than-average level of provider autonomy regarding the time and location of service—or that require only intermittent service delivery for service standard compliance—are assumed to be more desirable to providers than services typically provided in-office during standard business hours. As such, the following labor market adjustments were made to both staff and supervisory BLS wage percentile assumptions:

- 150% of BLS for crisis response services
- 105% of BLS for non-crisis services requiring 24/7 crisis or intake access, in-home service delivery, or that are typically delivered outside of normal business hours
- 100% of BLS for services typically performed in office or court settings during normal business hours
- 90% of BLS for intermittent supervision, billable report writing, and virtual services

The value of the Labor Market Adjustment is included as an explicit adjustment the payment rate buildup and can be found in *Appendix 6: Independent Rate Model Service Builds by Service Standard.*

No-Show Load Factor

A "no show" load factor was included in the payment rate buildup to reflect the adverse impact on staff billable time of the following:

- **No Shows.** Instances when individuals do not show up for scheduled appointments without supplying advanced notice to the provider
- **Late Cancellations.** Instances where notice is supplied to the provider less than 24 hours before the scheduled time of service

The inclusion of the no show load factor reflects the assumption that service providers do their best to maintain efficient staffing models and repurpose this direct staff time to support service provision for other individuals whenever possible, but that this may not always be possible. The IRM approach is designed to capture the reasonable and appropriate costs associated with non-compliance and does not attempt to capture provider-level variance resulting from a multitude of factors within and outside of the provider's scope of control. This approach supports improved efficiency, reduces administrative burden, and incents improved provider outreach to families at risk of non-compliance.

Data on no shows and late cancellations was collected at the service-group level in the *2022 Community Based Rate Review Survey*. Final assumptions for no shows and late cancellations were further informed by review of DCS service standards, guidance from DCS and Milliman subject matter experts, and feedback from the technical workgroup.

To account for the impact of no shows and late cancellations in the payment rate buildup, indirect and transportation time for direct staff were proportionately increased by the service-specific no-show load factor. An explicit wait time loading (*Estimated Wait Time Per No Show)* was added to the assumed values for indirect and transportation time prior to applying the no-show load factor to account for provider time spent waiting for or attempting to contact non-compliant clients. Additional detail by service is supplied in *Appendix 5F: No-Show and Late Cancellations*.

Periodic Rate Review Process

DCS has committed to an annual review of all home and community-based rates, with a full rate review to occur approximately every four to six years. During the annual review, all Medicaid aligned service rates will be updated, as needed, to maintain DCS alignment with current Medicaid service rates. Services not aligned with Medicaid (i.e., IRM services) will be indexed annually, with a uniform percentage adjustment of 2% applied to all services. The scope and/or frequency of both the annual and full rate review process may be increased at the discretion of DCS.

Pending and Recent Rate Updates

At the time of this writing, several key payment rate considerations are not yet determined or well understood. The following outstanding issues may result in changes to rates and/or fiscal projections contained within this report at a future date.

Child Mental Health Wraparound (CMHW) services are currently undergoing a separate rate review process and final rates have not yet been approved. DCS rates were updated to align with current CMHW rates, and any additional updates will be made as part of the annual Medicaid realignment process.

We anticipate that Medicaid rates for behavioral health services aligned with Medicare (indicated with Medicaid service code 9xxxx) will be paid at a factor between 82.6% and 90.0% of Medicare under HIP Equalization, effective January 2024. HIP Equalization is currently under discussion in the Indiana legislative session and the final value is not expected to be known until late April 2023. Currently all impacted rates assume Medicaid rate alignment under HIP Equalization at 82.6% of Medicare. Updates to services impacted by HIP Equalization will be made as part of the annual Medicaid realignment process.

In September 2022, DCS released new guidance[13] on supervised parenting time: including newly released component codes for intermittent, virtual, and transportation codes for standard, enhanced, and therapeutic supervision services. All newly released components received lower IRM service rates than the face-to-face service code under the IRM approach. Prior to the release of the September 2022 guidance, these new components were billed under the applicable face-to-face service code for each level of supervision. We anticipate that migration to these newly released component codes will result in a net savings for DCS. Given the recency of the new guidance and limited volume of emerging experience, migration both within and between supervision levels is not yet well understood.

Given the materiality of supervised parenting time services, we advise DCS to closely monitor emerging experience for the impacted service standards (10976 and 10977) to better understand resulting service migration and potential fiscal impacts associated with these changes.

[13] Indiana Department of Child Services (September 2022). *Service Standard: Supervised Parenting Time*. Retrieved from https://www.in.gov/dcs/files/Supervised-Parenting-Time-2022-FINAL.pdf

Limitations and Data Reliance

The information contained in these materials has been prepared for the Indiana Department of Child Services (DCS), to document the process, methodology, and results of the 2022 – 2023 rate review for home and community-based services.

The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and DCS, approved August 4, 2022.

This report was prepared solely for DCS. To the extent it is provided to any third parties, this report should be distributed in its entirety. Any user of this report must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented. The contents of this report are not intended to represent a legal or professional opinion or interpretation on any matters. Milliman makes no representations or warranties regarding the contents of this report to third parties. Similarly, third parties are instructed that they are to place no reliance upon this information prepared for DCS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

Milliman developed models to calculate the proposed rates. The models, inputs, and calculations have been reviewed for consistency, reasonableness, and appropriateness to the intended purpose and are in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. The models rely on data and other information provided by DCS, national data sources, and on provider survey information submitted by providers. We have not audited or verified this data. If the underlying data is inaccurate or incomplete, the results of the analysis may likewise be inaccurate or incomplete.

The rates documented in this report were calculated based on expected resources required to provide the service, including estimates of future wage growth and other inputs. It is certain that individual and aggregate provider cost experience will not conform exactly to the assumptions used to develop the rates. Actual costs will differ from projected amounts to the extent that actual experience differs from projected experience.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Christine Mytelka and Caroline Scott are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses presented in this report.

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