

Regional Variance Factors

Background

The legislature required DHS ([Minn. Stat. §256B.4914, subd.10c](#)) to study the difference in waiver-service costs across the state.

The law required DHS to include a calculation in the Disability Waiver Rate System (DWRS) frameworks that accounts for regional cost differences. That is called a “regional variance factor.”

DHS commissioned an independent research firm, Truven Health Analytics, to complete a study on cost differences across the state. The study found staff wages (the predominant cost in providing HCBS services) did vary significantly across the state. The regional variance factors were developed from this data.

Implementation

DHS will implement the regional variance factors on a rolling basis as service agreements renew beginning Jan. 1, 2016. You can find the regional variance factor regions and values on page 2 of this document.

During the implementation, lead agencies do not have to change their process for Rate Management System input. These factors will be applied to the framework rate only. Because of banding, most recipient rates will not change significantly. Full impact of this change will occur when banding ends in calendar year 2019 or 2020.

Impact considerations

The law requires DHS to apply regional variance factors to all frameworks. Currently, the DWRS bases frameworks on statewide median wages. Bureau of Labor Statistics data shows that some areas in the state have significantly higher wages than the statewide median. There also are areas in the state that have significantly lower wages. Without a regional variance factor, providers who operate in an area of the state where wages are higher than the state median may receive inadequate payments.

Projections show that applying the regional variance factors to the framework rates will not result in decreased spending on a regional level. Most regions in which a negative regional variance factor would be applied are currently projecting large increases when full DWRS implementation occurs. Implementing the regional factors will result in smaller increases for these regions.

Future adaptation

In this study, we considered all cost components within the DWRS frameworks for research. However, the availability of other cost-driver data throughout all regions of the state was not sufficient to meet minimum research sample standards. Wages are the largest provider cost component for all DWRS services. When we look at cost components in the future, we will make changes to the regional variance factors if we see statistically significant regional differences.

The data used in the development of the regional variance factors was obtained from the Minnesota Department of Employment and Economic Development in September 2014. DHS will repeat this study in 2017 and every five years after. Each time, the study will use statutory requirements to update Bureau of Labor Statistics wage. Every study will consider any changes to the regional-wage values as well as any changes to the Metropolitan Statistical Area regions defined by the U.S. Office of Management and Budget.

Regional variance factors

The Rate Management system will apply regional variance factors according to the geographical region and Disability Waiver Rate System service bucket. The following table illustrates the regional variance factors that DHS will implement beginning Jan. 1, 2016.

Table 1: Jan. 1 2016 regional variance factors

Region	Residential	Day	Unit with Program	Unit Without Program
Duluth MN Area	0.973	0.966	0.979	0.961
Fargo ND Area	1.010	1.001	0.976	1.021
Grand Forks ND Area	0.976	0.963	0.958	0.956
Lacrosse WI Area	1.001	1.049	1.040	0.941
Mankato MN Area	1.020	1.063	1.078	0.955
Metro MN Area	1.024	1.023	1.024	1.017
Northeast MN Area	0.985	1.001	1.002	0.911
Northwest MN Area	0.956	0.947	0.948	0.913
Rochester MN Area	1.009	0.988	1.015	1.016
Southeast MN Area	0.969	0.959	0.947	0.919
Southwest MN Area	0.976	0.963	0.946	0.911
St. Cloud MN Area	0.993	0.961	0.957	0.991

Regions

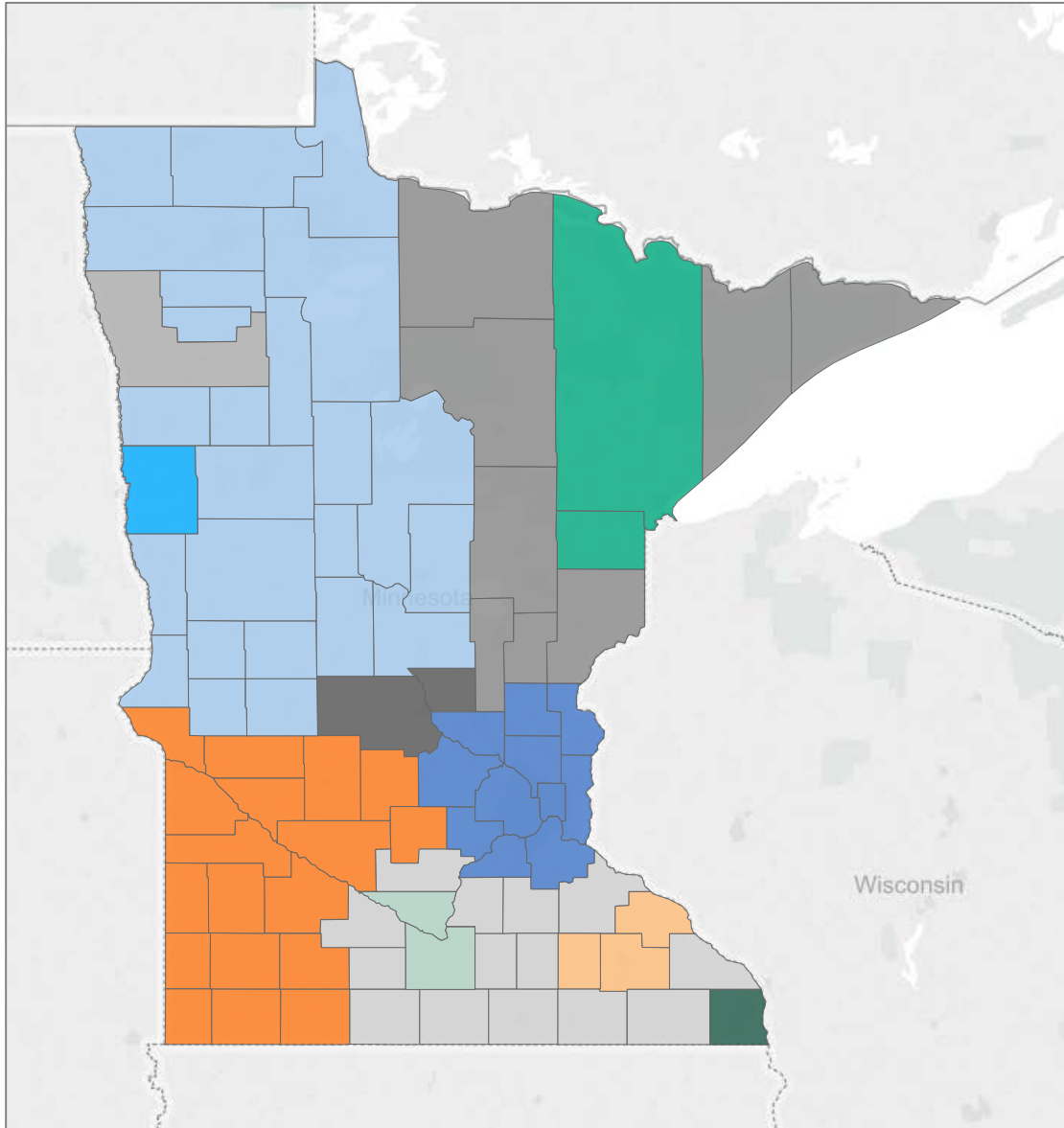
The Rate Management System will apply regional variance factors according to the region of the recipient's county of residence.

The regions used for the regional variance factor component are Metropolitan Statistical Areas defined by the federal Office of Management and Budget. The following table and map detail the lead agencies included within each region.

Table 2: Regions as defined by Metropolitan Statistical Areas

Region	Lead Agencies
Duluth MN Area	Carlton County, Fond-Du-Lac Tribe, St. Louis County
Fargo ND Area	Clay County
Grand Forks ND Area	Polk County
Lacrosse WI Area	Houston County
Mankato MN Area	Blue Earth County, Nicollet County
Metro MN Area	Anoka County, Carver County, Chisago County, Dakota County, Hennepin County, Isanti County, Ramsey County, Scott County, Shakopee Tribe, Sherburne County, Washington County, Wright County
Northeast MN Area	Aitkin County, Bois Forte Tribe, Cook County, Grand Portage Tribe, Itasca County, Kanabec County, Koochiching County, Lake County, Mille Lacs Band Tribe, Mille Lacs County, Pine County
Northwest MN Area	Becker County, Beltrami County, Cass County, Clearwater County, Crow Wing County, Douglas County, Grant County, Hubbard County, Kittson County, Lake of the Woods County, Leech Lake Tribe, Mahnommen County, Marshall County, Morrison County, Norman County, Otter Tail County, Pennington County, Pope County, Red Lake County, Red Lake Tribe, Roseau County, Stevens County, Todd County, Traverse County, Wadena County, White Earth Tribe, Wilkin County
Rochester MN Area	Dodge County, Olmsted County, Wabasha County
Southeast MN Area	Brown County, Faribault County, Fillmore County, Freeborn County, Goodhue County, Le Sueur County, Martin County, Mower County, Prairie Island Tribe, Rice County, Sibley County, Steele County, Waseca County, Watonwan County, Winona County
Southwest MN Area	Big Stone County, Chippewa County, Cottonwood County, Jackson County, Kandiyohi County, Lac Qui Parle County, Lincoln County, Lower Sioux Tribe, Lyon County, McLeod County, Meeker County, Murray County, Nobles County, Pipestone County, Redwood County, Renville County, Rock County, Swift County, Upper Sioux Tribe, Yellow Medicine County
St. Cloud MN Area	Benton County, Stearns County

Figure 1: Map of Minnesota's regions



Estimated impact

Statewide and regional projections show that applying the regional variance factors to the framework rates will not result in decreased spending. In this analysis, DHS found the projected impact of DWRS by taking the percent difference between historic spending and framework spending for the same recipients and services in each region. Historic spending is the spending using pre-DWRS rates (2013) with subsequent legislatively approved cost-of-living (COLA) increases applied. Framework spending is the spending that will occur when DWRS is fully implemented without banding in calendar year 2019 or 2020.

This analysis finds that most regions with a negative regional variance factor currently project large increases when full DWRS implementation occurs. The application of the regional factors will result in smaller increases for these regions.

The following graph illustrates the current projected impact of DWRS and the new projected impact of DWRS for each region.

Figure 2: How regional variance factors will affect each region

