



2009 Rate Reductions Frequently Asked Questions

Effective Dates

Q. What is the effective date of the rate reduction? What is the percentage of the rate reductions?

A. The 2009 Legislature (see [Minnesota Laws 2009, chapter 79, article 8](#)) mandated a 2.58 percent rate reduction effective for July 1, 2009 for fee-for-service providers for services rendered on or after that date.

Managed care organizations (MCO) receiving state payments for services ([see Minnesota Laws 2009, chapter 79, article 8, section 79](#)) must include the 2.58 percent decrease in their payments to providers for waiver and home care service effective October 1, 2009.

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Q. When can I expect the county to change the rates on provider service or grantee contracts?

A. Counties and tribal contracts for services specified in [Minnesota Laws 2009, chapter 79, article 8, section 79](#) must be amended with the 2.58 percent rate reduction within 60 days of the effective date of the decrease and must be retroactive from July 1, 2009.

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Rate Sheet Revisions

Q. How can I tell which rate sheets have been changed? Will there be any additional changes to the rate sheets?

A. There were some rounding errors on the initial rate sheets that were published in bulletin [#09-69-02](#) on June 9, 2009. These were corrected and updated in the published bulletin on June 10th and 15th. On the bottom left corner is a *Revised date to indicate when the rate sheet was updated.

Due to the proposed unallotment, the Elderly Waiver (EW) and Alternative Care (AC) monthly service caps changed. Attachment I in the bulletin was updated on June 22, 2009. DHS does not expect any additional changes in the published rate sheets.

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Services affected

Q. What services and grants are affected by this rate reduction?

A. The 2009 Legislature (see [Minnesota Laws 2009, chapter 79, article 8, section 79](#)) mandated the 2.58 percent rate reduction effective July 1, 2009 for the following services:

- Intermediate care facilities for persons with developmental disabilities (ICF/MR)
- Home and community-based waived services for persons with developmental disabilities or related conditions, Elderly Waiver (EW), community alternative care waiver (CAC), community alternative for disabled individuals (CADI) and traumatic brain injury (TBI) waiver including consumer-direct community supports
- Nursing services and home health services
- Personal care services and qualified professional supervision of personal care services
- Private duty nursing
- Day training and habilitation (DT&H)
- Alternative care (AC) program
- Group residential housing (GRH) supplemental services
- Managed care (effective 10/1/09)

The following grant programs base funding is reduced by 2.58 percent effective July 1, 2009:

- Aging and adult services grants
- Deaf and hard of hearing services grants
- Consumer Support Grants (CSG)
- Family Support Grants (FSG)
- Minnesota Board on Aging grants
- Semi-independent living services (SILS) grants
- Community services/services development grants
- Eldercare development partnerships
- HIV case management services
- Living at home/block nurse program

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Calculation of rate reduction with example

Q: How was the rate reduction calculated?

A: To calculate the 2009 rate or service limit reduction, multiply the rate or service amount by 2.58% and subtracting the difference.

Example:

1. Rate or service limit effective 10/1/08	\$24.65
2. Multiply by 2.58%	x 2.58%
3. Equals	.6359
4. Subtract line 3 from line 1	\$24.014
5. Round to the nearest 100 th	
6. Rate effective 7/1/09	\$24.01

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COLA Compensation Requirements Exclusions

Q. Are providers required to maintain the compensation and wage-related requirements passed under the 2008 legislation?

A. Effective July 1, 2009, providers that received fee-for-service rate increases for state fiscal years 2008 and 2009 are no longer required to continue to retain employee compensation or wage-related increased required by those sections if those providers receive a payment rate reduction as a result of the actions taken by the 2009 Legislature (See [Minnesota Laws, chapter 79, article 8, section 78](#)).

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Q. Does the legislation specify how a provider implements the rate reduction in regards to the employee wage and compensation-related requirements?

A. The legislation governing the 2009 provider rate reductions does not prescribe how a provider implements the rate reduction. This is a business decision for each individual organization to determine based on their expenses and revenue, and the needs and service requirements of the consumers being served.

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Rate Specific Questions

- Q.** How does the county know which people are affected by the 95th percentile for adult foster care and supported living services? Are these rates also subject to the 2.58 percent rate reduction?
- A.** The Disability Services Division is compiling a list of consumers on the DD, CAC, CADI and TBI waivers that are above the 95th percentile served in adult foster care and supported living services. These lists will be distributed to the counties through the Regional Resource Specialists (RRS) around June 23, 2009. This list will include the name of the individuals and the amount of the rate reduction to apply for the service.

Yes, these rates are subject to an additional 2.58 percent rate reduction after the rate is brought down to the 95th percentile.

Persons above the 95th percentile by less than 5% will be reduced to an established floor based on acuity. The reduction in rates shall take into account the acuity of the individuals served. For the DD waiver, the 95th percentile has been calculated by profile groups 1-4. CAC, CADI and TBI waivers were calculated by waiver and case mix A and non-case mix A groups.

Lead agency contracts for services shall be amended to implement the rate reductions for services on or after July 1, 2009 within 60 days of the effective date. Corresponding reductions will be made to waiver allocations and capitated rates ([See Minnesota Laws 2009, chapter 79, article 8, section 55](#)).

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- Q.** Does the rate reduction described in DHS bulletin [#09-69-02](#) for adult foster care for the disability waivers also apply to the Elderly Waiver (EW) program?
- A.** No. The authorized amount for adult foster care for people on the EW program is subject to the 2.58 percent rate reduction.

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CDCS

- Q.** How should the CDCS rate reduction be calculated since it is an annualized budget? Can clients choose between decreasing the amount of services and hours rather than decreasing every service rate?
- A.** The overall CDCS budget should be reduced by 2.58 percent base on a prorated approach and the current service agreement (SA). Attachment P of DHS bulletin [#09-69-02](#) should be used to determine how the reduction will be absorbed.

The only exception to this is the maximum wage decrease for paid parents of minors and spouses of CDCS consumers including all taxes and benefits. The previous unit rate of \$4.06/unit x by 2.58% equals \$3.96/unit. Multiply \$3.96 by 4 to get the new hourly maximum rate of \$15.84/hour. This should be reflected as a separate line item on the Community Support Plan (CSP) addendum.

Prorated budget based on CSP dates:		
Current SA from	5/1/09 - 4/30/10	= \$60,000
	5/1/09 - 6/30/09	= \$10,000
	7/1/09 - 4/30/10	= \$50,000
	Multiply by 97.42%	= \$48,710
	New budget 7/1-09-4/30/09	= \$48,710

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Revised: 7/13/2009

- Q.** What is the difference between the allowable and authorized CDCS budget? Are they both subject to the 2.58% rate reduction?
- A.** The allowable budget is the state set maximum based on the most recent assessment. The authorized budget is the total dollar amount of the services and supports listed on a consumer's community support plan based on their needs. The authorized amount cannot exceed the allowable amount.

Both the authorized and allowable prorated budget amounts are subject to the 2.58% reduction. The reduction to the prorated allowable budget amount is automatically reflected in the Waiver Management System but the consumer must reduce the authorized amount in their Community Support Plan.

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- Q.** Are CDCS modifications and supplies/equipment subject to the 2.58% rate reduction?
- A.** No, modifications and supplies/equipment are exempt from the 2.58% rate reduction. The 2.58% reduction applies to the remainder of a prorated budget amount.

The exemption only applies to environmental modifications and supplies/equipment, not the entire Environmental Modifications and Provisions service category (U3 modifier).

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- Q.** If a parent is paid more than \$16.24/hour due to prior COLAs, does the wage need to be reduced to \$15.84?
- A.** Yes. The total cost of wages, payroll related taxes and insurance cannot exceed the state set maximum rate for PCA services which is \$15.84. At no time should the wage paid to parents of minors and spouses exceed the maximum rate for PCA services regardless of COLA increases, performance increases, etc.

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24-Hour Customized living

- Q.** How do I determine the 95th percentile for 24-hour customized living for the Elderly Waiver (EW)? Are these rates also subject the 2.58 percent rate reduction?
- A.** DHS calculated the 24-hour customized living payment rate limits based on the 95th percentile of currently authorized rates for each case mix classification (See [Minnesota Laws 2009, chapter 79, article 8, section 47](#)). Yes, the new 24-hour customized living rate limits by case mix are reduced by the 2.58 percent. Find new rate limits in DHS bulletin [#09-69-02](#), attachment L.

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- Q.** Why are the Elderly Waiver (EW) rate caps (Attachment I) higher than the 24-hour customized living rates (Attachment L)? Is case management included in the caps?
- A.** The 24-hour customized living rates are limits to which a monthly service package can be negotiated using the rate components and tools being phased in. Any remaining dollars in the monthly case mix budget must accommodate case management, supplies and equipment, nurse or other home care services not included in the 24-hour customized living package or any other services the person needs that are not part of the 24-hour customized service package.

The person has available the community budget up to the monthly value in Attachment I. The service called "24-hour customized living" has rate limits based on case mix which are in Attachment L of DHS bulletin [#09-69-02](#).

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- Q.** Does the monthly authorized amount for a consumer whose 24-hour customized living authorization is *below* the service rate limit need to be reduced by 2.58 percent?
- A.** Yes, case managers and care coordinators need to reduce *all* monthly authorized amounts for 24-hour customized living and customized living by 2.58 percent, not just the authorized amounts that are above the new 24-hour customized living rate limits.

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- Q.** For an authorization *above* the service rate limit for 24-hour customized living, is the authorized amount only reduced to the to the service rate limit?
- A.** No. All current authorized amounts, whether above or below the new 24-hour customized living rate limit, must be reduced by 2.58 percent. However, if after reducing the authorized amount by 2.58 percent, the authorized amount remains *above* the new 24-hour customized living rate limit, the case manager or care coordinator must reduce the

authorization further to the service rate limit found in Attachment L of DHS bulletin [#09-69-02](#).

Example 1: Mr. Summer receives EW services through the MSHO program. He is Case Mix D and authorized \$3,200 for 24-hour customized living services prior to 7/1/09. Effective 7/1/09, his service authorization is reduced by 2.58% to \$3,117.44. Compare this amount to Attachment L in DHS bulletin [#09-69-02](#). The rate maximum for Case Mix D is \$2,951. Mr. Summer's authorization is above the service rate limit and needs to be reduced from \$3,117.44 to \$2,951.

Example 2: Ms. Sunshine receives EW services. She is Case Mix K and authorized for \$5,000 for 24-hour customized living services prior to 7/1/09. Effective 7/1/09, her service authorization is reduced by 2.58% to \$4,871. Compare this amount to Attachment L in DHS bulletin [#09-69-02](#). The rate maximum for Case Mix K is \$5,108. Ms. Sunshine's authorization is *below* the service rate maximum for 24-hour customized living. No further reductions are required.

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- Q.** Do lead agencies have to use the DHS established component rates when planning and authorizing customized living and 24-hour customized living?
- A.** Yes. Effective July 1, 2009, rates for component services delivered as part of customized living and 24-hour customized living are established by the commissioner. Use these new rates to authorize units of component services when developing the individual care plan and establishing the authorized monthly amount. Rates for component services are used in conjunction with the customized living and 24-hour customized living rate setting tool to be published by DHS in July 2009.

The use of rates for component services is mandated July 1, 2009 and required with the new rate-setting tools. The component rates and rate-setting method can be incorporated into provider contracts before January 1, 2010. If a lead agency uses the DHS rate-setting tool prior to January 1, 2010, the agency is required to use the rates for component services.

All contracts must reflect the rates for component services and use of the rate-setting tool no later than January 1, 2010 for both customized living and 24-hour customized living.

Statewide training on the tools is planned for late summer and early fall 2009. During the phase-in period between July and December 31, 2009, any current tools should reflect as required in previous statute:

- Component service rates prices at current Medical Assistance fee-for-service equivalent rates
- Economies of scale
- Authorizations based on units of component services and assessed needs
- No room and board costs

Services are not purchased on the basis of a "base" or "package" rate

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Managed Care Organizations (MCOs)

- Q.** What should be done with EW service agreements (SA) for those counties that contract with managed care organizations for the entry of SA(s) into the Medicaid Management Information System (MMIS)? What date should counties make the change to the SA?
- A.** Three MCS+ and MSHO health plans (Blue Plus, South Country Health Alliance and UCare) have contracted with DHS to be the third party administrator (TPA) for payment of EW services in some counties. Counties that contract with the health plan for the entry of the service agreement into MMIS for EW services should change the effective date to 7/1/09 to reflect the date of the rate change.

Providers should contact the managed care organization if they have questions about the timing and amount any payment reduction.

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- Q.** Do health plans need to use the service rate limits for customized living and 24-hour customized living? What about the service component rates?
- A.** Yes. The commissioner ([See Minnesota Laws 2009, chapter 79, article 8, section 49](#)) shall adjust the Elderly Waiver (EW) capitation payment rates for managed care organizations (MCOs) to reflect the maximum service rate limits for customized living and 24-hour customized living for the contract period beginning October 1, 2009. Medical assistance rates paid to customized living providers by MCOs shall not exceed the maximum service rate limits in Attachment L of DHS bulletin [#09-69-02](#).

The MCO can use rates for component services below those established by the commissioner in Attachment Q of DHS bulletin [#09-69-02](#) but not above those rate limits.

The MCO cannot exceed the overall service rate limit by case mix category for either customized living or 24-hour customized living.

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- Q.** Do managed care organizations (MCOs) have to implement the 24-hour customized living service rate limit effective July 1, 2009 as shown in Attachment L of DHS bulletin [#09-69-02](#)?
- A.** Yes. DHS recommends that the 2.58 percent rate reduction also be applied by MCOs to 24-hour customized living rates effective July 1, 2009 to avoid compounding the effect on provider rates.

Example: The current authorized rate for 24-hour customized living is \$2,100 per month for a case mix A. Effective July 1, 2009, the service rate limit for case mix A is \$2,082.

If both the 2.58 percent reduction and the 24-hour customized living rate limit are applied effective July 1, 2009, the MCO implements the rate reduction in the same manner as fee-

for-service. First, reduce the current rate of \$2,100 by 2.58 percent to \$2,045.82. Since, in this example, this rate is below the 24-hour customized living rate limit, no additional reduction is required.

If the MCO implements only the 24-hour customized living service rate limit July 1, 2009, reduces the rate to \$2,082 and applies the 2.58 percent rate reduction October 1, 2009, the final authorized amount is \$2,029.42.

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- Q.** Do managed care organizations (MCOs) have to use the Elderly Waiver (EW) monthly service caps?
- A.** No. The MSHO and MSC+ contract does not require, but does allow the MCO to limit individual EW care plans to the published caps effective July 1, 2009 as shown in Attachment I of DHS bulletin [#09-69-02](#). MCOs may choose to use the new budget caps and review their caseloads to determine which EW members might require changes in their care plans to meet the new budget cap limits.

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- Q.** Will managed care organizations (MCOs) have to reduce the rates they pay to home and community-based service providers?
- A.** Current DHS contracts with MCOs allow MCOs to set service rates with contracted providers or use county contracted rates. If using county-contracted rates, rate reductions are effective July 1, 2009.

2009 legislation requires that MCOs pass the rate reductions on to providers no later than October 1, 2009. DHS will adjust the MCOs capitation rates October 1, 2009 to reflect the rate reductions. MCOs can choose to implement the rate reduction on July 1, 2009, in accordance with their provider contracting arrangements.

Providers are encouraged to contact the [health plan](#) for specific questions about the timing of the rate reduction.

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