

Report to the Social Services Appropriations Subcommittee

ICF/ID Direct Care Staff Wage Increase Report

Prepared by the Division of Medicaid and Health Financing

September 1, 2015



EXECUTIVE SUMMARY

This report is submitted in response to the following intent language passed in S.B. 2 by the 2015 Legislature (lines 652-672) which states:

The Legislature intends that with the funding appropriated for the building block titled, "Intermediate Care Facilities - Intellectually Disabled," the Department of Health shall: 1) Direct funds to increase the salaries of direct care workers; 2) Increase only those rates which include a direct care service component, including respite; 3) Monitor providers to ensure that all funds appropriated are applied to direct care worker wages and that none of the funding goes to administrative functions or provider profits; In conjunction with Intermediate Care Facilities - Intellectually Disabled providers, report to the Office of the Legislature Fiscal Analyst no later than September 1, 2015 regarding: 1) the implementation and status of increasing salaries for direct care workers, 2) a detailed explanation with supporting documentation of how Intermediate Care Facilities - Intellectually Disabled providers are reimbursed, including all accounting codes used and the previous and current rates for each accounting code, and 3) a conceptual explanation of how Intermediate Care Facilities - Intellectually Disabled providers realize profit within the closed market of providing Intermediate Care Facilities - Intellectually Disabled services.

Implementation and status of increasing salaries for direct care workers

The Medicaid per diem payment rate was increased on July 1, 2015 by the appropriated amount (\$200,000 General Fund / \$673,850 Total Funds) specified for the direct care workers. The total was allocated, according to the reimbursement methodology, among the facilities. The Department created a report template for each facility to use in documenting its wage adjustments. Each facility provided the requested documentation showing the increase in the pay and benefits to its direct care workers projected into the new fiscal year.

Explanation of how ICF/ID providers are reimbursed

The Department calculates a per diem reimbursement rate for each facility. For each Medicaid resident at the facility, the facility submits a claim for the payment period. The facility is paid the per diem amount for each of the days in the claim submission for which the resident was Medicaid eligible.

Conceptual explanation of how ICF/ID providers realize profit within the closed market of providing ICF/ID services

In Utah, there are currently 16 privately owned and operated ICF/ID facilities. All of the clients residing in these facilities are Medicaid clients—meaning Medicaid is the only payer of services in this industry. To make a profit, ICF/ID providers must maintain a high bed occupancy rate, which maximizes revenues. Providers must ensure adequate services and attempt to control costs, to the extent possible, in order to ensure that revenues exceed costs. If successful, the provider obtains a profit and the business is a viable on-going operation.

Introduction

During the 2015 Legislative General Session, the Legislature appropriated \$200,000 in General Funds (\$ 673,850 Total Funds) to help ICF/ID providers with staffing concerns beginning with State Fiscal Year 2016. The facilities were finding it difficult to hire and retain quality workers to provide direct care to the residents of the facilities. The appropriation provides additional funds to increase the wages of direct care workers with the intended result of hiring and retaining quality staff.

Terminology

ICF/ID - Intermediate care facility for people with an intellectual disability

FCP – Facility Cost Profile

FRV – Fair Rental Value

Implementation and Status of increasing salaries for direct care workers

The Department received an appropriation to increase the per diem for ICFs/ID with the intent that the increase go to direct care workers' wages. The Department calculated the per diem amount for each facility. The Department then calculated the additional per diem that would be received by each facility for the direct care workers. The Department determined which employee positions would be included in the category. The list of a direct care workers is as follows and is based on the Facility Cost Profile (FCP) categories:

- Director of Nursing (070-012 and 070-013)
- Nursing Staff (070-040 and 070-041)
- Recreational Activity Personnel (080-012 and 080-040)
- Active Treatment Providers (090-012 and 090-040)

The Department created a spreadsheet similar to the FCP, so the facility administrators would be familiar with the format. The Department requested each facility to complete the form and return it with a signed copy stating that the provided information was true, accurate and complete.

In the spreadsheet, each facility was provided the increased amount in the per diem rate associated with the direct care wages appropriation. The facility added all of the wage information for its direct care personnel. In some cases, this included new positions added based upon the appropriated monies. The spreadsheet calculated the amount over or under the total wage increase that the listed personnel would affect.

Each facility submitted the requested spreadsheet and signed certification. As noted below, the results show that each facility increased the wages of the direct care personnel by at least the increased amount from the appropriation.

Facility Name	Projected Wage Increase Expenditures	Reimbursement Increase	Over / (Under)
BUNGALOW CARE CENTER	\$32,497	\$25,719	\$6,777
EAST SIDE CENTER	\$20,338	\$18,380	\$1,958
HIDDEN HOLLOW CARE CNTR	\$44,059	\$36,661	\$7,398
HILLCREST CARE CENTER	\$233,294	\$66,536	\$166,758
LINDON CARE & TRAINING CTR	\$71,502	\$71,127	\$375
MEDALLION MANOR INC (Provo)	\$128,560	\$51,063	\$77,497
MEDALLION SUPPORTED LIVING (Lehi)	\$84,652	\$17,610	\$67,042
MEDALLION SUPPORTED LIVING (Springville)	\$73,144	\$5,870	\$67,274
MEDALLION SUPPORTED PAYSON	\$47,635	\$18,442	\$29,193
MESA VISTA	\$204,882	\$61,617	\$143,265
NORTH SIDE CENTER	\$13,130	\$12,946	\$184
PROVO CARE CENTER	\$37,449	\$36,292	\$1,157
TOPHAMS TINY TOTS	\$45,033	\$45,028	\$5
TRINITY MISSION WIDE HORIZON	\$95,765	\$91,547	\$4,219
WEST JORDAN CARE CENTER	\$102,982	\$96,295	\$6,687
WEST SIDE CENTER	\$18,801	\$18,722	\$79
Grand Total	\$1,253,722	\$673,854	\$579,868

Explanation of how ICF/ID providers are reimbursed

The ICF/ID facilities receive a per diem amount for the covered claims submitted. The per diem amount is calculated each year and is based on two components as follows:

1. the property component computed by the Fair Rental Value (FRV) methodology, and
2. the flat rate component covering all other costs.

The FRV information is obtained from the facility cost profiles (FCPs) that are submitted each year from each facility. The FRV methodology estimates the value of the capital assets of the facility instead of direct reimbursement for depreciation, amortization, interest, rent, or lease expenses. The methodology establishes the facility's bed value based on the age of the facility and total square footage.

Once the per diem amount is calculated, it is posted to the website and entered into the claims system for use when a claim is received from a facility.

The current, SFY17 rates are as follows:

Facility	SFY16 Rate
BUNGALOW CARE CENTER	\$178.02
EAST SIDE CENTER	\$177.91
HIDDEN HOLLOW CARE CNTR	\$173.05
HILLCREST CARE CENTER	\$174.62
LINDON CARE & TRAINING CTR	\$173.16
MEDALLION MANOR INC	\$172.98
MEDALLION SUPPORTED LIVING	\$181.21
MEDALLION SUPPORTED LIVING	\$177.64
MEDALLION SUPPORTED PAYSON	\$178.08
MESA VISTA	\$176.62
NORTH SIDE CENTER	\$178.00
PROVO CARE CENTER	\$177.46
TOPHAMS TINY TOTS	\$184.17
TRINITY MISSION WIDE HORIZON	\$176.71
WEST JORDAN CARE CENTER	\$185.13
WEST SIDE CENTER	\$177.98

The costs are coded to Appropriation LJF under Activity QX08.

Conceptual explanation of how ICF/ID providers realize profit within the closed market of providing ICF/ID services

In Utah, there are currently 16 privately owned and operated ICF/ID facilities. All of the clients residing in these facilities are Medicaid clients—meaning Medicaid is the only payer of services in this industry. To make a profit, ICF/ID providers must maintain a high bed occupancy rate, which maximizes revenues. Providers must ensure adequate services and attempt to control costs, to the extent possible. Even though the ICF/ID facilities operate in a closed market for reimbursement from the State of Utah, they must compete for staff in a competitive labor market. If the facilities are unable to hire competent staff, then they will be unable to provide the services clients need and required to meet quality standards.

All these factors, and more, play into each ICF/ID facility’s business model. If successful, the provider achieves a profit and the business is a viable on-going operation.