

# Behavioral Health is Essential To Health



Prevention Works



Treatment is Effective



People Recover

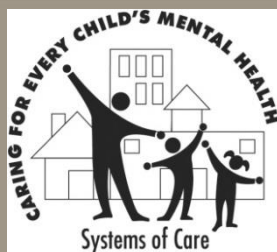


# So, How Much Does it Cost? Rate Setting Essentials

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**THE TA NETWORK**  
the national technical assistance network for children's behavioral health





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- Review considerations and provide a framework for developing rates for intensive care coordination and other home- and community-based services
- Discuss challenges with existing rates, what works and what doesn't, and what should be included as part of the rate or left outside of the rate (like training and coaching costs).
- Everyone leaves with a better understanding of how to go from here.

**IF WE'RE ALL ON THE  
SAME PAGE, NO  
ONE'S READING THE  
WHOLE BOOK**

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# BASICS OF RATE SETTING



# Basic Constructs

- Rate is based on *total costs*
- Primary cost driven by **the cost of employing the direct service personnel needed to deliver the service** (e.g., a peer support partner or care coordinator) **in a full-time capacity or at a full-time equivalent (FTE)**.  
This is done *even if the provider will only be a part-time employee*.

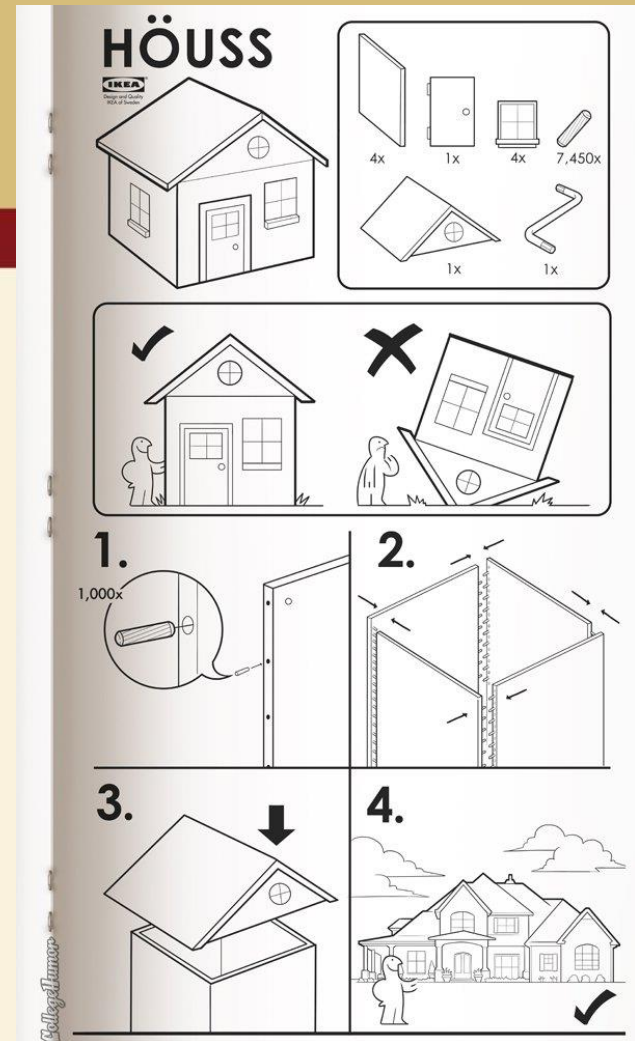
# Rate Types (An Oversimplification)

- Fee-for-Service (FFS)
- Single Service Bundled Rate
- Multiple Service Bundled Rate

Some calculations are impacted by type of rate



# HOW TO START?



# Direct Service Provider

- Who is the *primary* provider for this service?  
Is it a dyad or just one primary person?
- What are the costs of employing this person  
(or dyad) full-time?
  - Salary
  - Fringe Benefits

# Other Personnel

- Who else is required to support the primary provider?
  - Supervisor
  - Billing Specialist
  - Administrative Assistant
  - Clinical Director
  - Quality Assurance Manager
- What are the annualized salary and fringe benefit costs for these personnel to support the primary service provider?

# Other Direct Costs

- “Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization...”\*
- Examples of other direct costs (*as in, other than personnel*):
  - Mileage for the direct service provider
  - Supplies for a training
  - Subscription fee for a management information system used by the direct service provider
  - Telecommunications costs

\*Office of Management & Budget, Circular No. A-122

# Indirect Costs

- “Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.”\*
- Federally Negotiated Indirect Cost Rate Agreement *or* 10% De Minimis Rate\*
- Usually calculate indirect rates using Modified Total Direct Costs (MTDC) as the basis\*\*
  - Direct salaries and wages and fringe benefits
  - Materials, Supplies, & Services
  - Travel
  - Subawards & Subcontracts (up to first \$25,000 regardless of period of award)
  - Consultants
- MTDC excludes equipment, capital expenditures, rental costs, and subawards/subcontracts more than \$25,000\*\*

\*Office of Management & Budget, Circular No. A-122

\*\*Uniform Administrative Requirements, Cost Principles, and Audit

Requirements for Federal Awards: 78 FR 78589



# ESTABLISHING TOTAL COSTS

# Example #1: Calculating Total Costs for 1 FTE for a Functional Family Therapy (FFT)-like model (EBP)

Personnel	Annual Amount or Rate	%FTE	Salary Cost	Fringe Benefits (25%)	Salary + Fringe Cost
Therapist	\$ 50,000	1	\$ 50,000	\$ 12,500	\$ 62,500.00
Supervisor/Clinical Lead	\$ 75,000	0.20	\$ 15,000	\$ 3,750	\$ 18,750.00
Clinical Director	\$ 100,000	0.09	\$ 9,000	\$ 2,250	\$ 11,250.00
Quality Assurance/Management Information Systems Director	\$ 90,000	0.09	\$ 8,100	\$ 2,025	\$ 10,125.00
Administrative Assistant	\$ 35,000	0.25	\$ 8,750	\$ 2,188	\$ 10,937.50
Billing Support Specialist	\$ 37,000	0.05	\$ 1,850	\$ 463	\$ 2,312.50
<b>Total</b>		<b>1.68</b>	<b>\$ 92,700</b>	<b>\$ 23,175</b>	<b>\$ 115,875</b>
<b>Other Costs</b>					
Rent (\$15/sq ft, 144 sq ft per FTE)					\$ 3,628.80
Cellular Phone, Internet & Communications (@\$110/month per FTE)					\$ 2,217.60
Routine Office Supplies (@ \$12.50/month/FTE)					\$ 252.00
Office Maintenance (@ \$50/month/FTE)					\$ 1,008.00
Mileage (20,000 miles per year @ \$0.575/mile)					\$ 11,500.00
Management Information System @\$150 per FTE per year					\$ 252.00
<b>Total ODC</b>					<b>\$ 18,858.40</b>
Indirect Cost (10% of salaries)					\$ 9,270.00
<b>Total Cost for 1 FTE Therapist</b>					<b>\$ 144,003.40</b>



# Example #2: Calculating Total Costs for In-Home Service Model with a 1 FTE comprised of a dyad

Personnel	Annual Amount or Rate	%FTE	Salary Cost	Fringe Benefits (25%)	Salary + Fringe Cost
Therapist	\$ 50,000	0.50	\$ 25,000	\$ 6,250	\$ 31,250.00
Supervisor/Clinical Lead	\$ 75,000	0.20	\$ 15,000	\$ 3,750	\$ 18,750.00
In-Home Stabilizer	\$ 40,000	0.50	\$ 20,000	\$ 5,000	\$ 25,000.00
Clinical Director	\$ 100,000	0.08	\$ 8,000	\$ 2,000	\$ 10,000.00
Administrative Assistant	\$ 35,000	0.25	\$ 8,750	\$ 2,188	\$ 10,937.50
Billing Support Specialist	\$ 37,000	0.05	\$ 1,850	\$ 463	\$ 2,312.50
<b>Total</b>		<b>1.58</b>	<b>\$ 78,600</b>	<b>\$ 19,650</b>	<b>\$ 98,250</b>
<b>Other Costs</b>					
Rent (\$15/sq ft, 144 sq ft per FTE)				\$	3,412.80
Cellular Phone, Internet & Communications (@\$110/month per FTE)				\$	2,085.60
Routine Office Supplies (@ \$12.50/month/FTE)				\$	237.00
Office Maintenance (@ \$50/month/FTE)				\$	948.00
Mileage (20,000 miles per year @ \$0.575/mile)				\$	11,500.00
Management Information System @\$150 per FTE per year				\$	237.00
<b>Total ODC</b>				\$	<b>18,420.40</b>
Indirect Cost (10% of salaries)				\$	7,860.00
<b>Total Cost FTE</b>				\$	<b>124,530.40</b>

# Example #3: Calculating Total Costs for a Wraparound Care Coordinator

Personnel	Annual Amount or Rate	%FTE	Salary Cost	Fringe Benefits (25%)	Salary + Fringe Cost
Care Coordinator	\$ 45,000	1	\$ 45,000	\$ 11,250	\$ 56,250
Supervisor	\$ 60,000	0.14	\$ 8,571	\$ 2,143	\$ 10,714
Clinical Director	\$ 100,000	0.08	\$ 8,000	\$ 2,000	\$ 10,000
Quality Assurance Director/MIS Director	\$ 90,000	0.08	\$ 7,200	\$ 1,800	\$ 9,000
Administrative Assistant	\$ 35,000	0.10	\$ 3,500	\$ 875	\$ 4,375
<b>Total</b>		<b>1.40</b>	<b>\$ 72,271</b>	<b>\$ 18,068</b>	<b>\$ 90,339</b>
<b>Other Costs (based on FTE)</b>					
Rent (144 Square Feet @ \$15 per square foot per FTE)					\$ 3,030
Cellular Phone, Internet & Communications (@\$110/month per FTE)					\$ 1,852
Mileage (10,000 miles per year @ \$0.555/mile)					\$ 5,550
Office supplies and maintenance (paper, postage, pens, printing, copier/fax) @ \$200 per FTE					\$ 281
Management Information System (Wrap-TMS user license fee) @\$150 per FTE					\$ 210
Insurance (general liability, professional liability) @\$1,000 per FTE					\$ 1,223
<b>Total Direct Costs</b>					<b>\$ 102,485</b>
Indirect Cost (10% of MTDC)					<b>\$ 10,249</b>
<b>Total Cost FTE</b>					<b>\$ 112,734</b>



*"Here's where it gets a little  
challenging."*

# TURNING TOTAL COSTS INTO A RATE

# Developing a Rate

- Rates are based on billable time and/or caseload
- The foundation for the rate, however, can include components that are not necessarily billable themselves
- Different components will be considered billable depending on the setting, whether it is a Medicaid State Plan service or a waiver, and the willingness of state and federal partners to permit certain components to be billable

# Your turn!

- What do you typically leave out of your costs? Why do you exclude these costs?
- What caps do you have on different components or indirect rates from different agencies?
- How do you pay for training, coaching, and fidelity and outcomes monitoring?
- What types of rates are you being encouraged to develop/charge?

# Creating a Fee-for-Service Rate

1. Determine total work hours per year
2. Determine total billable hours/year
3. Using Total Cost for 1 FTE (already calculated), determine rate

# Example: Calculating Billable Time for a Care Coordinator

- Step 1: Total Work Hours Per Year: 2080
- Step 2: Total Billable Hours Per Year: **1,432**
  - Non-Billable Time: 648
    - Number of Hours of Holidays: 96 (12 holidays)
    - Number of Hours in Training: 128 (16 days)
    - Number of Hours in Travel (Not with Client): 424 (10 hours/week)
  - (2080 Work Hours)-(648 Hours of Non-Billable Time) =(1432 Billable Hours)



## Step 3: Calculate the Fee-for-Service Rate

**15-minute Billing Increment**—Uses Billable Hours and Calculates for 4 billing increments per hour:

$$(\text{Cost per 1 FTE}) / (\text{Billable Hours}) / (4) = 15 \text{ Minute Rate}$$

$$\$112,734 / 1,432 / 4 = \$19.68 / 15 \text{ minutes}$$

# Creating a Single Service Case Rate

1. Determine total cost for 1 FTE
- 2. Determine Number of Youth on Case Load**
3. Calculate Single Service Case Rate (daily, weekly or monthly)

# Example: Calculating Single Service Case Rate for Care Coordination

- Step 1: Total Cost per FTE: \$112,734
- Step 2: Avg. Number of Youth on Caseload: 8
- Step 3: Calculate Rate:

**(Cost per 1 FTE) / (Caseload) / (Time Increment) = Rate**

**Daily Rate:**  $\$112,734 / 8 / 365 = \$38.61/\text{day}$

**Weekly Rate:**  $\$112,734 / 8 / 52 = \$270.99/\text{week}$

**Monthly Rate:**  $\$112,734 / 8 / 12 = \$1,174.31/\text{month}$



# IMPORTANT CONSIDERATIONS

# Creating a Different Rate for an Evidence-Based Practice

- EBPs often have additional costs; build these costs into the total cost for the FTE
- Examples of costs include
  - Maintaining a Quality Assurance Director
  - Monitoring and analyzing fidelity and outcome data (which can be subcontracted out)
  - Fees to the purveyor or intermediate purveyor for training and coaching
  - Increased mileage reimbursement for a service that is now in-home
  - Additional degrees or expertise for direct providers (resulting in higher salary costs)
- Cost differences between an EBP and non-EBP version of a service will differ depending on which costs need to be part of the rate.

# Changing How We Think About Rates: One Example

Medicaid Authorization	Rate
Intensive In-Home Services-EBP (1915(i) SPA)	\$253.88/Week
Intensive In-Home Services-Non EBP (1915(i) SPA)	\$201.42/Week
Child & Adolescent Family Psychotherapy with Patient Present (45-60 min)	\$111.97/session provided by an Outpatient Mental Health Clinic \$68.29/session by an LCSW, RN Therapist, or LCPC

All 3 services can be at most home- and community-based service locations. Only the Intensive In-Home Services rates, however, account for mileage and other direct costs. The IIHS-EBP rate includes a greater amount of clinical oversight and a quality assurance director, as well as the mileage, compared to the IIHS-Non-EBP Rate.



# Keep in mind...

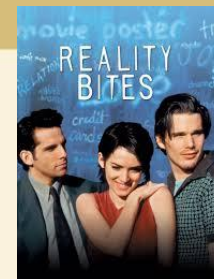
- Total costs to develop a rate for a service is not the same as developing an organizational budget.
  - If the budget is being developed for a grant, there may be particular staffing requirements.
  - If you are just starting out, the provider may have to take on additional responsibilities and may not be able to have the same volume of youth being served.
- May need to develop multiple bundled rates for a single service if there is a wide variation in the intensity of the service provided across different tiers of service.
- Methods used were for the development of an organizational rate, not for an individual provider.
- At some point, there is an economy of scale that is achieved that lowers particular overhead and administrative costs.



# Your turn!

- Do you have rates that are reflective of the work being done?
- Are there systems that pay better than others?
- Do you have separate rates for EBPs?
- For states that have moved into managed care, how have your rates changed (or not)?

# Reality Check: Every State, Community, and Program is Different!



Louisiana	<ul style="list-style-type: none"> <li>■ \$1,035/child per month (administrative payment to intensive care coordination/wraparound provider)</li> <li>■ \$137/child per month (administrative payment to managed care organization)</li> </ul>
Massachusetts	<ul style="list-style-type: none"> <li>■ \$23.74/15 minutes (master's level care coordinator)</li> <li>■ \$18.88/15 minutes (bachelor's level care coordinator)</li> </ul>
Michigan	<ul style="list-style-type: none"> <li>■ \$87.51/15 minutes (1915(b) waiver rate)</li> <li>■ \$412.68/meeting, up to 4 per month (1915(c) waiver rate)</li> </ul>
Nebraska	<ul style="list-style-type: none"> <li>■ \$840.70/child per month</li> </ul>
New Jersey	<ul style="list-style-type: none"> <li>■ \$550/child per month (bundled care management rate for youth with both moderate and high needs)</li> </ul>
Cuyahoga County, OH	<ul style="list-style-type: none"> <li>■ \$22.89/child per day</li> </ul>
Dane County, WI	<ul style="list-style-type: none"> <li>■ \$1,670.67/child per month</li> </ul>
Milwaukee County, WI	<ul style="list-style-type: none"> <li>■ \$32/day for Wraparound Milwaukee (based on 8 families)</li> <li>■ \$22/day for REACH (based on 12 families)</li> </ul>

Center for Health Care Strategies. (2015). Intensive Care Coordination Using High-Quality Wraparound: Rates and Billing Structure. Baltimore, MD: The Technical Assistance Network for Children's Behavioral Health. Available at [www.chcs.org](http://www.chcs.org).

# What about Value-Based Purchasing?

- Continuum of risk and reward
- Requires clearly articulated, measurable outcomes, available within a pre-determined period of time
- Opportunities include
  - Pay for Performance
  - Bundled Payments
  - Shared Risk/Sharing Savings
  - Capitation Models



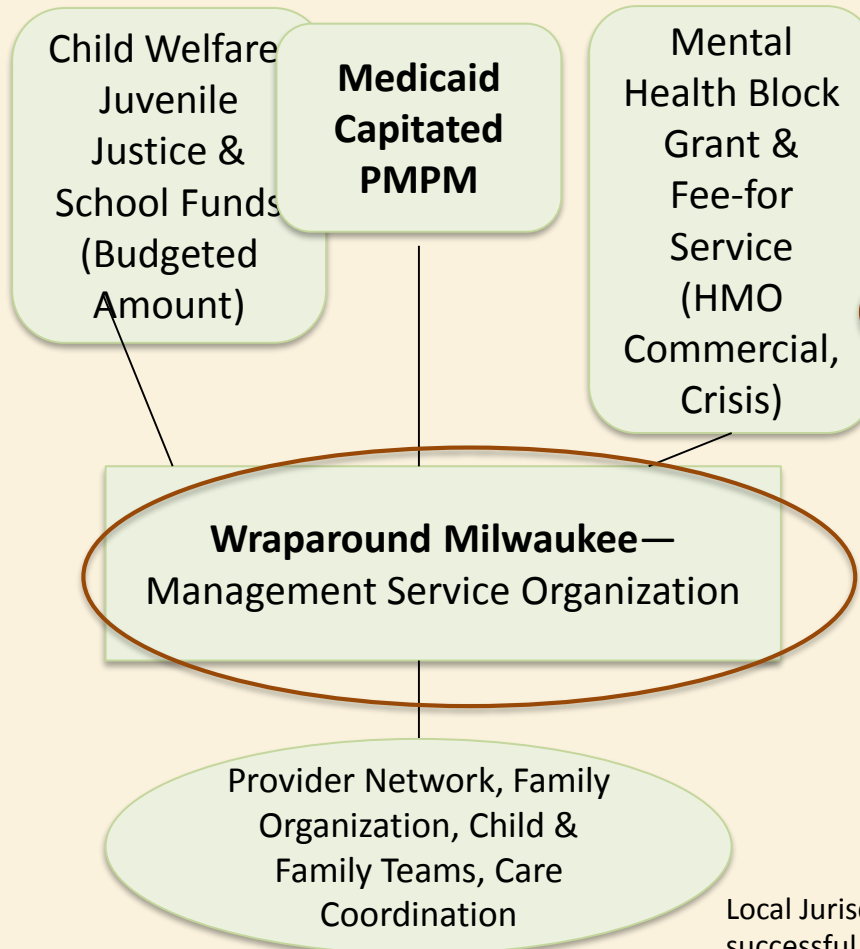
## *Coming Soon From the TA Network...*

Harburger, D.S. & Pires, S.A. (2016). *Rate-Setting for Home- and Community-Based Services*. Baltimore, MD: The Technical Assistance Network for Children's Behavioral Health. White Paper.

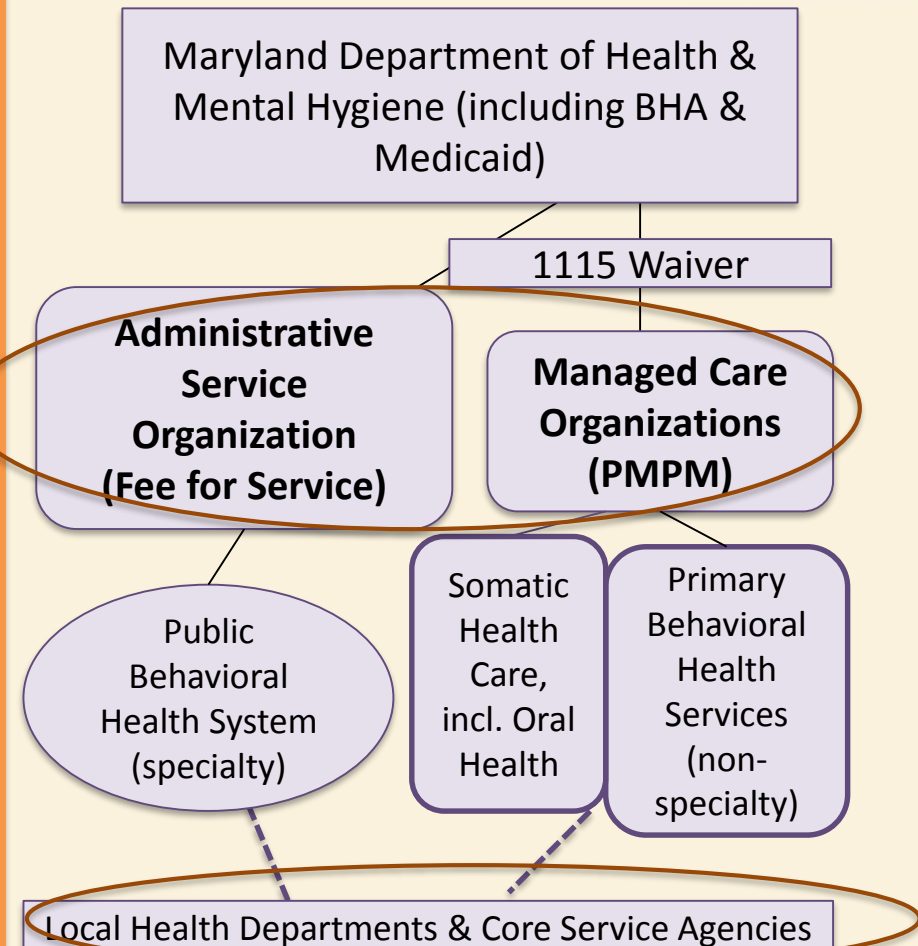


# CONCLUDING THOUGHT...

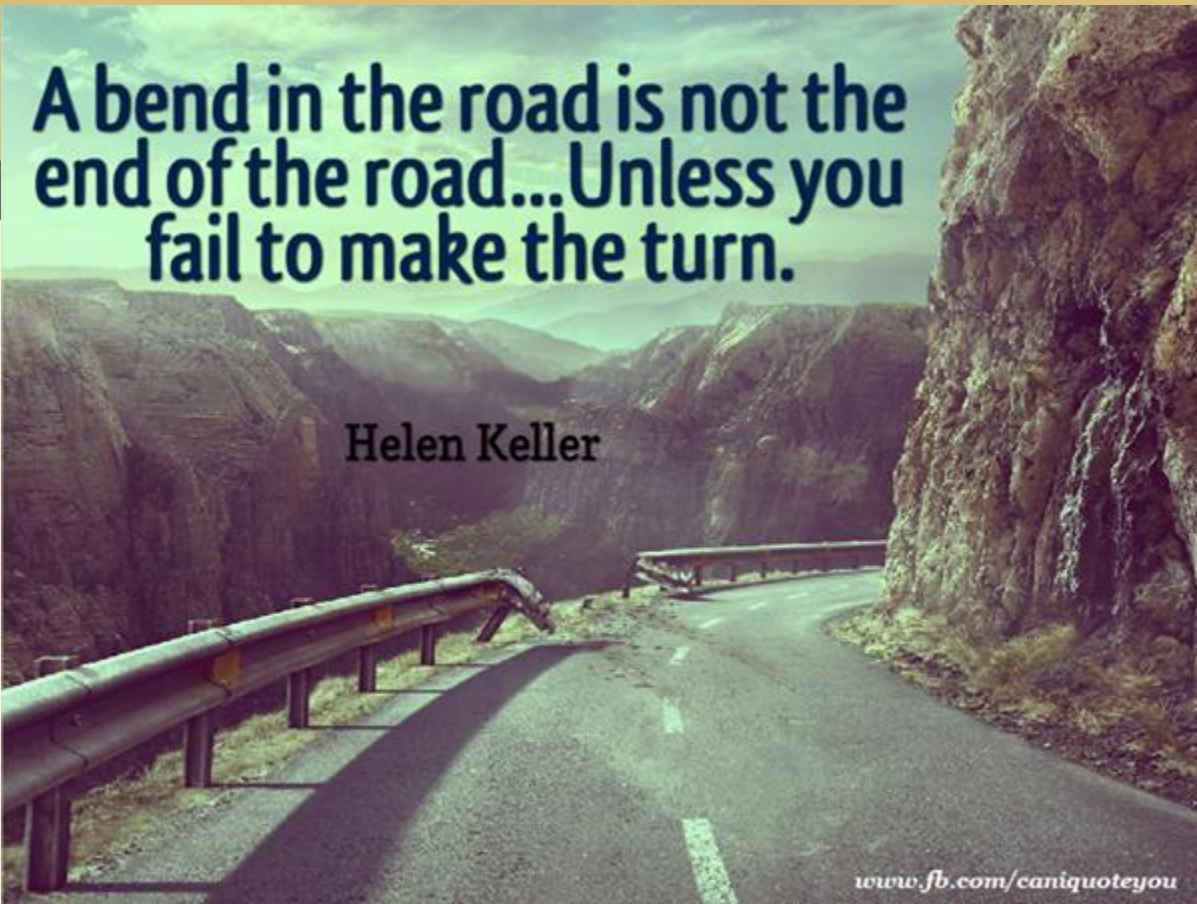
## Wisconsin is a County-Run System with a Unique County-Run Managed Care Program in Milwaukee County



## Maryland is a State-Run System



Local Jurisdictions play an important role in the successful administration of the system but have limited ability to design Medicaid structures



A bend in the road is not the  
end of the road...Unless you  
fail to make the turn.

Helen Keller

[www.fb.com/caniquoteyou](http://www.fb.com/caniquoteyou)





## ADDITIONAL RESOURCES

# For a Deeper Dive...

- Value-Based Purchasing:
  - Value-Based Purchasing Efforts in Medicaid: A National Perspective: [http://www.chcs.org/media/CHCS\\_NJ-Commissioner-Presentation-3-16-15.pdf](http://www.chcs.org/media/CHCS_NJ-Commissioner-Presentation-3-16-15.pdf)
  - Advancing Delivery and Payment Reform in Managed Care Provider Networks: Tools for State Purchasers: <http://www.chcs.org/resource/advancing-delivery-payment-reform-managed-care-provider-networks-tools-state-purchasers/>
- Intensive Care Coordination Using High Quality Wraparound for Children with Serious Behavioral Health Needs: State and Community Profiles: <http://www.chcs.org/resource/intensive-care-coordination-using-high-quality-wraparound-children-serious-behavioral-health-needs-state-community-profiles/>
- Rates & Billing Structures: [http://www.chcs.org/media/Intensive-Care-Coordination-Using-Wraparound\\_Rates-and-Billing-Structure.pdf](http://www.chcs.org/media/Intensive-Care-Coordination-Using-Wraparound_Rates-and-Billing-Structure.pdf)
- Return on Investment in Systems of Care: [http://gucchdtacenter.georgetown.edu/publications/Return\\_onInvestment\\_inSOCsReport6-15-14.pdf](http://gucchdtacenter.georgetown.edu/publications/Return_onInvestment_inSOCsReport6-15-14.pdf)

# Highlights of Federal Guidance

- Coverage of Early Intervention Services for First Episode Psychosis (10/16/15)  
<http://medicaid.gov/federal-policy-guidance/downloads/CIB-10-16-2015.pdf>
- New Service Delivery Opportunities for Individuals w/ Substance Use Disorder (7/27/15)  
<http://www.medicaid.gov/federal-policy-guidance/downloads/SMD15003.pdf>
- Coverage of Behavioral Health Services for Youth w/ SUD (1/26/15)  
<http://www.medicaid.gov/Federal-Policy-Guidance/Downloads/CIB-01-26-2015.pdf>
- Trauma-Informed Treatment (7/11/13)  
<http://medicaid.gov/Federal-Policy-Guidance/Downloads/SMD-13-07-11.pdf>
- Coverage of Behavioral Health Services for Children, Youth, and Young Adults w/ Significant MH Conditions (5/7/13)  
<http://medicaid.gov/Federal-Policy-Guidance/Downloads/CIB-05-07-2013.pdf>
- Prevention and Early Identification of Mental Health and Substance Use Conditions (3/27/13)  
<http://medicaid.gov/Federal-Policy-Guidance/Downloads/CIB-03-27-2013.pdf>
- Coverage & Service Design Opportunities for Individuals W/ Mental Illness & SUD (12/3/12)  
<http://medicaid.gov/Federal-Policy-Guidance/Downloads/CIB-12-03-12.pdf>

# CMS/SAMHSA Joint Informational Bulletin: 1.26.15

## Relevant Medicaid Financing Authorities for Behavioral Health Services

- 1905(a) Authority
- Early and Periodic Screening, Diagnostic and Treatment (EPSDT) Services
- 1915(b) Authority
- 1915(c) Authority
- 1915(i) State Plan Amendment
- Section 2703 Health Homes
- 1115 Authority