

Date of State Budget Office Approval:

Date Requested: Friday, March 15, 2019

Date Due: Monday, March 25, 2019

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2019	\$0	FY 2019	\$0
FY 2020	\$20.7 million	FY 2020	\$0
FY 2021	\$37.6 million	FY 2021	\$0

Explanation by State Budget Office:

This bill would set a minimum hourly wage for employers with five (5) or more employees that are licensed to serve individuals with developmental disabilities and are reimbursed from the state. The minimum wage would be set at \$13.77 per hour beginning July 1, 2019 and then increase to \$15.00 per hour beginning July 1, 2020.

Comments on Sources of Funds:

Payments to providers of services to the developmentally disabled are financed with general revenue and federal funds.

Summary of Facts and Assumptions:

- The above fiscal impacts are based on the following assumptions:
1. All licensed DD providers that are reimbursed through the state would be subject to this law (i.e. all have more than five employees).
 2. The current hourly wage of direct service professionals (DSPs), which make up the majority of staff at DD providers, is \$12.27.
 - a. This is the wage assumption used in the planning values that drive the current DD rates.
 3. That baseline utilization and caseload assumptions used in the FY2020 Governor's Recommended Budget are correct and will continue into FY2021.
 4. The current DD rate structure will be used in FY2020 and FY2021.

It should be noted that the current rate model that is used by BHDDH to form DD rates and used in the development of these projections is over five years old. The \$12.27 hourly wage assumption, as well as other assumptions on fringe benefits and other employer expenses, may be different from what providers are actually paying employees. A rate review is currently underway by BHDDH.

Furthermore, the \$12.27 hourly wage is an average assumption – some providers may pay more and some may pay less. Those providers that already pay their employees more than \$12.27 may not need as much additional reimbursement to reach the hourly minimums set forth in this bill. On the other hand, some providers that pay less than \$12.27 may not receive enough reimbursement to offset the increased expenses. The DD Medicaid rates do not vary from provider to provider, so there is no way to compensate for those differences.

Lastly, the above projections include the entire DD population. This includes those individuals that opt to use their Medicaid funds in a “self-direct” option. This allows DD consumers to contract with individual direct service professionals (DSP) and other care providers outside of a licensed DD provider. As such, many of these individuals may already pay their staff a higher hourly wage (and, furthermore,

Prepared by:

Thomas A. Mullaney / 4012226300 / Thomas.Mullaney@budget.ri.gov

would not be subject to the law). However, BHDDH does not have access to the specific wages paid by these self-direct individuals, and would therefore have to increase the funds available the same as to non-self-direct consumers. There is a possibility that the consumers may use those funds to cover other services (rather than increasing wages).

Methodology:

Around 2013, BHDDH retained consultants to develop a rate model for the private DD Medicaid program. This rate model, which is still used, sets rates for varying types of service – case management, residential, family supports, transportation, employment, day services, and so forth. To develop the rates, assumptions were made on the hourly wage for DSPs, in addition to other direct care staff (supervisors, etc.), as well as employee-related expenses (i.e. fringe benefits), administrative overhead, and other programmatic costs. These assumptions inform a rate per client per unit (by type of service), which are then assigned to Medicaid procedure codes.

Adjusting any of these assumed inputs results in different rates. The current DD Medicaid rates, implemented as of July 1, 2017, are based on a \$12.27 per hour DSP wage. As noted above, this does not necessarily reflect the actual average wage for DSPs. For the purposes of this fiscal note, the hourly wage for DSPs was increased to \$13.77 per hour (an increase of \$1.50/hour) and \$15.00 per hour (an increase of \$2.73/hour).

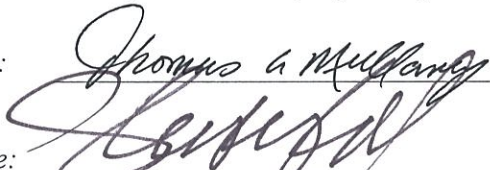
Using the rate model, increasing just DSP wages by these amounts results in an average weighted rate increase of 7% and 13%, respectively (the exact increase varies by service). These increases were then applied to FY2018 actual claims (by procedure code) to project what expenses would be with the rate increase. An inflation factor of approximately 5% was also added, to align projected expenses with the FY2020 Governor's Recommended Budget.

See attached table.

*Summary of Fiscal
Impact:*

Using the above assumptions, it is estimated that the fiscal impact of this law will be \$20.7 million in FY2020 and \$37.6 million in FY2021. Using the current FMAP rates, this equals \$9.8 million and \$17.7 million in general revenue, respectively.

Budget Office Signature:



Fiscal Advisor Signature:

Please see Attached
House FISCAL ADVISOR COMMENTS

	Current Rates	FY2020	FY2021+
DSP Wage	\$12.27/hour	\$13.77/hour	\$15.00/hour
Avg. Rate Incr.	n/a	7%	13%
FY2018 Expense	\$222.1 million	\$222.1 million	\$222.1 million
FY2018 + Rate Incr.	\$222.1 million	\$241.8 million	\$258.0 million
FY2020 Gov Rec	\$232.7 million	\$232.7 million	\$232.7 million
FY2020 Gov Rec + Rate Incr.	\$232.7 million	\$253.3 million	\$270.3 million
Impact to Budget	\$ -	\$20.7 million	\$37.6 million
Impact to GR*	\$ -	\$9.8 million	\$17.7 million

*Assumes FMAP of 47.14%

House Fiscal Advisor Comments H 5338:

Our review of affected expenses suggests the estimate provided by the Budget Office is understated by about 15 percent. Fiscal staff calculations produced annualized impact in FY 2021 of about \$43 million compared to the Budget Office estimate of \$37.6 million. The Fiscal Staff estimate should be considered the minimum impact and is consistent with the calculation used in the Governor's budget for her proposed wage increase for direct service providers for those delivering services to individuals with developmental disabilities.

