

Act 55 Rate Methodology Task Force Frequently Asked Questions

General:

How does this new methodology impact the process for State Fiscal Year 2014-2015?

The federal allowable share from FY 2013-14 will be applied to FY 2014-15. In essence, all providers will receive a waiver of the current federal review process regardless of where they currently are in their waiver status--either year 1 or year 2. Counties can choose to pay over the FY 2014-15 state maximum reimbursements if they chose to reimburse the excess with county funds.

When will we see rate increases as a result of this process?

As a result of this process, FY 2016-17 is when a rate increase may be seen. There is a potential for rate increases in FY 2015-16 if the counties build rate increases into the FY 2015-16 needs-based budget, prior to this process established through legislation.

What happens if we do not get our federal funding letter from the county within the established timeframe?

The county will be out of compliance with the requirements. Any time lost in the process will need to be made up in order to get the negotiation process completed prior to the start of the fiscal year.

All providers who submit a complete submission of costs and related documents by the due date (or extended due date for approved extensions) and respond to questions in a timely manner during the state's review, will be reimbursed based on the negotiated rate back to July 1 of the contract year.

What happens if we are late in submitting our AUP and Cost Report to the state?

Under the new methodology, there is a natural incentive for providers to comply with the associated deadlines. Only providers that comply with the deadlines are eligible to openly negotiate with counties based on the new methodology. Any provider that does not meet the deadline (or extended deadline with approval) will receive an automatic continuation of their previous year's state determined maximum allowable federal/state level of participation as the basis for county negotiations. This continuation of the previous year's federal/state level of allowable cost determinations will only be valid for one year (through FY 2015-16), during which it will be expected that the county agencies and provider will meet regarding the provider coming into compliance with rate methodology requirements for the next contracting period. If a provider fails to comply with the department's rate methodology after FY 2015-16, the provider would no longer be eligible for federal/state dollars. The county may still choose to contract with the provider utilizing 100 percent county funds.

Have standardized job categories been created for all levels of provider organizations?

No. Proposed standardized activities connected with job titles have only been developed for several select positions. These positions include:

- Foster Family Care Case Managers
- Congregate Care Child Care Workers
- Congregate Care Case Managers

The two-year “Transition Period” seems to involve double work on the part of the provider. Was this considered and what is the justification for this period of time?

Yes, the impact to providers was considered and deemed necessary. The purpose of the transition period is to validate the work of the auditor and establish the Administration for Children and Families (ACFs) confidence in our process. In addition, the transition period can be used to establish additional training needs for agency auditors.

Moving from one process to another, especially as it involves changing from projected budget figures to audited actuals as the basis for the documentation, was acknowledged as resulting in a change in time frames and submission dates. The recommendations for the transition year were crafted to actually offer some relief for FY 2014-15, in that providers are granted an additional one-year extension of their approved maximum rate calculations. The provider does not need to submit contract documentation for FY 2014-15 unless they believe that the difference between current contracted rate and the maximum allowable calculation does not allow sufficient room for new rate negotiations for FY 2014-15.

In order to support the new process for FY 2015-16, audited actuals for FY 2013-14 will need to be submitted by the proposed deadlines established in November and December 2014 (mid FY 2014-15). This allows for the actual cost data to be factored into contracting negotiations for FY 2015-16.

The use of a Time Study is discussed in generalities in the report. Are there more details available in regard to what is going to be required and how this ties in to the overall cost report/methodology?

Details related to the proposed new time study process are being finalized. As of the submission of the Task Force report, the proposed plan for a State-Sponsored/Provider-Specific Time Study Process reflected the following:

- Time study is to be conducted semi-annually, within the 12-month period immediately preceding current budget submission deadline.
- The semi-annual time studies are to be conducted in two, non-consecutive, two-week periods. Each time study should be performed at different times during the fiscal year to account for any seasonal fluctuations.
- DPW is developing the Time Study Activity Summary Sheet to automatically calculate the sum of all activities by code and by facility.
- Electronic completion of the Time Study Activity Reports by staff is the preferred method. If staff is unable to complete the Time Study Activity Report electronically, a manual completion will be accepted.
- Electronic and handwritten signatures approving and certifying the time study documents and results will both be acceptable.
- The department will compile the results to create a provider specific statistic to support their allocation of allowable/unallowable staff time.

Do you have an approximate time frame for starting a new time study process or will there be a test period?

Plans to pilot the standardized time study are underway with volunteers from the provider community. Statewide implementation of the standardized time study is dependent upon successful completion of the pilots and approval by the General Assembly.

Providers have different classes of service that identify different levels of care. Will the standardized time study capture the different need levels?

The time study will capture the location/program/service in addition to the activity. Providers could use the location/program/service to capture the time spent by foster care staff working with multiple classes of service.

Will the time study indicate which activities are allowable?

No. The time study will not indicate which activities are allowable as this could create an atmosphere in which staff feels obligated or pressured to select allowable activities.

Is the time study required yearly if a provider received a multi-year approval?

Providers will need to participate in the time study annually. If a provider received a multi-year approval, they would only submit the time study data associated with the years they are submitting the cost report for.

How will the Needs-Based Plan and Budget and the Rate Methodology Task Force correlate as to time frames, expected payments to providers, etc.?

There is a timeline contained on page 59 of the Rate Methodology Task Force Report outlining the various deadlines and tasks connected to the budgeting process and contracting cycle. The State Review Process Workgroup considered the timelines and deadlines relevant for providers/state/counties to ensure timely submission and review of information. Efforts to address inconsistencies in deadlines were made as part of the work of the Task Force.

The timely payment provisions, once contracts are in place and the provider invoices for services, are addressed in current Pennsylvania Law – Act 55 of 2013 which reads:

g.2) Service contracts or agreements shall include a timely payment provision that requires counties to make payment to service providers within thirty days of the county's receipt of an invoice under both of the following conditions:

(1) The invoice satisfies the county's requirements for a complete and accurate invoice.

(2) Funds have been appropriated to the department for payments to counties under subsection (g).

Has the Administration for Children and Families (ACF) accepted this rate methodology process?

ACF has not reviewed the proposed process; however, the Task Force has consistently referred to the guidance presented from ACF.

Must all staff be time-studied in the standardized time study process?

Only direct care staff whose activities are not 100 percent allowable or 100 percent unallowable must be time studied.

Audit:

Who is selecting the auditors to be trained?

Selection is made by individual provider.

Who is paying for the training involved with the independent auditors?

The costs for auditor training will be included in the Cost Report. Future year costs will be built into the future year request.

How much should I expect my audit costs to increase?

A range of 10-15 percent is the expectation, but individual results may vary based on provider size.

Are the "Agreed Upon Procedures" in place of or in addition to the audit that is already required as part of the contractual obligations in many current county contracts?

The AUP is not a replacement for the A-133 audit that is required in county contracts. An AUP (by definition) is a group of procedures agreed to by specified parties (in this case providers, county and state government) that assume responsibility for sufficiency to meet particular needs (which in this case would be to satisfy Title IV-E and Act 148 requirements).

Do the role of the State and the role of the Independent Auditor following Agreed Upon Procedures perpetuate a time-consuming dual-review process?

No. The role of the independent auditor will replace the type of review performed by county reviewers, county lead reviewers and OCYF. Each provider that has the AUP performed will then have a finalized cost report (still prepared by the provider) and an AUP report from the independent auditor. Once both of those processes are complete the cost report and AUP will be submitted to OCYF for a high level review to confirm all work is complete and in good order.

The AUP sounds like a major additional expense for the provider. Was this considered by the Task Force?

Yes. Based upon provider input as communicated from YSAP, PCYA and PCCYFS to the Task Force, the provider base was willing to incur additional expense to streamline the existing bottle-necked process. There will be expense to the provider for the AUP. The size of the provider and scope of current work performed by the audit firm will determine the amount of additional expense. When the AUP was developed, some of the items required were already performed to satisfy the requirements of the A-133 audit. Therefore, some of the work performed only needs done once to meet both the A-133 audit and the requirements of the AUP. However, there are additional areas that will require work to satisfy the requirements specific to the AUP. The Task Force definitely took this additional expense into consideration.

Provider Cost:

What makes the Rate Adjustment Factor different from a COLA?

The primary difference is to capture the difference between the cost of living and the cost of doing business.

The Rate Adjustment Factor will be a hybrid of two indices:

- Employment Cost Index (ECI) measures the change in the cost of labor, free from the influence of employment shifts among occupations and industries.
- Consumer Price Index (CPI) depicts the average change in prices paid on consumer goods and services over a period of time in a fixed market basket of goods and services.

Will the RAF be subject to review and approval or an expected annual adjustment based on the accepted formula?

The proposed rate methodology by this Task Force assumes the application of the Rate Adjustment Factor. This will require the notice of the Rate Adjustment Factor to be published by the department, which follows the process in other states that utilize a Rate Adjustment Factor.

Will our actual costs be honored because of this process?

There is no guarantee that this process will reimburse the actual costs. An allowability and reasonableness review are built into the process. Some actual costs may be determined to be unallowable or unreasonable.

If not a guarantee, why do we need to go through the process and incur additional costs that may not be covered?

The only way to get your rate increased to reimburse allowable, reasonable, and appropriate costs is through this process.

If I'm happy with my current rate, do I need to engage in this process?

The AUP and Cost Report must be complied with. If you choose to not engage in negotiations with the county, that is the providers prerogative.

This process is built on actual costs, how do I get projected costs into the negotiation process?

The Standard Cost Report format allows for this.

If the role of quality services and outcomes was important to the Task Force, why did the methodology not directly incorporate agency outcomes?

Outcomes were discussed on numerous occasions as were the defined deliverables of services purchased by counties from providers. Given the time constraints of the Task Force, it was decided that reasonableness of costs and related quality of outcomes and deliverables would be best addressed as part of the contract negotiations between providers and counties.

How much change is anticipated between the concept document/Cost Report and what will eventually be used as the Cost Report?

The key items noted in the recommendations from the Task Force will remain intact, if the recommendations are approved by the legislature. The concept document addressed philosophical changes (ex. Consolidating all programs into one cost report, elimination of individual identification of staff, built in 'rate adjustment factor' to bring historical costs to current values) OCYF will refine/finalize a cost report to meet the needs of providers with a large amount of programs, formula execution – footing/cross-footing of amounts, etc. In the end, the changes will be a result of what is approved by the legislature.

The provider community has been repeatedly rebuffed in discussions of COLAs as part of rate negotiations. Is the Rate Adjustment Factor a guaranteed part of the process?

The items identified from the Task Force are recommendations that need to be approved/adopted by the legislature. The Task Force is recommending that a 24 month rate adjustment factor be applied to the cost report since historical information is being used.

How does a provider decide on including costs in the "Optional" column rather than accepting the Rate Adjustment Factor for actual costs?

They are two separate issues. The recommended Rate Adjustment Factor is applied to actual historical costs. The use of the 'Optional' column in the cost report will be an individual decision for each provider. The 'Optional' column allows a provider to communicate in the cost report what the provider determines to be material/significant increases of a specific expense or group of expenses that would materially/significantly impact the immediate operations of the provider and the potential of a higher cost/negotiation with the counties. Note that any 'Optional' items within the cost report will require supporting documentation.

For providers who only received a one-year rate for SFY2013-2014, are they required to submit a packet for SFY2014-2015? If yes, when will the required forms be available?

Recommendations to the General Assembly include an interim process for SFY 2014-15. Options for the interim process can include continuation of the current process with approval extensions of established upper reimbursement limits for state/federal participation for most providers. If the current process is re-authorized for SFY 2014-15, the forms will need to be updated to reflect the appropriate state fiscal year.

What is the potential to receive additional funds from DPW to support any requested or mandated provider increases?

During Task Force meetings, the role of the private providers in the county's development of the Needs-Based Plan and Budget has been presented as inconsistent to non-existent. Current service providers should be actively engaged in the county's process of determining need and service levels as these discussions will lead to identification of resource needs.

Will the Rate Adjustment Factor be mandatory with funding attached to implement it?

The Rate Adjustment Factor is a recommendation of the Task Force. If approved by the legislature, OCYF would release the Rate Adjustment Factor annually, based upon defined indexes. That will permit the provider to 'update' historical costs and provide a mechanism to negotiate a reimbursement with identifying historical costs brought to their current value.

County Negotiation:

When does negotiation begin with the county?

Providers can submit their AUP Cost Reports to the county at that point when they wish to begin preliminary negotiations. Counties may begin negotiation with the provider in advance of the final state determination of Title IV-E and Act 148 rate allowability.

Will I be negotiating with a lead county or with every county I do business with?

Every county a provider does business with, based on each Cost Report for each program.

Is 3170.84 waived for FY 2014-15 and all future fiscal years?

It is only waived for FY 2014-15.

What are the factors, line items, indicators, etc. that the county will be looking at to produce a proposed rate to the provider?

A reasonableness review will be conducted to assess whether proposed costs exceed the customary costs for performing similar functions within similar programs of the same size and population of children served. The focus of the reasonableness review will be the AUP and/or Cost Report for areas of cost allocation, compensation equity, capacity and utilization, and any other measurable cost or service comparison the county may develop at their discretion. The review will be limited to the information included in the AUP and/or Cost Report or any information the provider may have to support the information in the AUP and/or Cost Report.

When can a County expect the provider's information to be posted for use in negotiating the contract?

Providers need to turn their rate packages into the state by December 31. The state then has 120 days to process and post the packages. Some providers may be posted early, but all provider packages should be posted by April 30.

If a provider did not receive a county's Federal Funding letter as of October 31, they have 60 days to send their information into the state from the date they receive the letter. This also starts the 120 day clock for the state, so a package may be posted later if the county does not send these letters out on time.

What do I have to do as a county when I go to use the rate package for a contract?

The counties responsibility is to look at the rate package for reasonableness.

Use your review to negotiate your contract with the provider.

If you use a provider you must provide a Federal Funding Letter to the provider by October 31 of the next year.

My providers are asking for increases. How does the county go about getting their budget increased to cover these changes?

The county needs to look at their providers for whom they wish to give increases. What is the actual cost of care? What are the counties currently paying? How much of the increase can the county match?

The county needs to put this in a spread sheet and then the aggregate for all providers needs to be included as an adjustment in the Needs Based Plan and Budget.

State Process:

Is the State advocating for any definition of “reasonableness” to promote consistency between county reviewers?

Reasonableness has not been defined as every county will need to determine reasonableness based on their needs.

Can you further define the “dispute resolution process”?

The dispute resolution process has not yet been defined.

Given the current timely submission rate of provider packets, is it realistic that the new methodology will produce a higher level of compliance?

Many factors will contribute to a higher level of compliance: separation of state and county reviews, Agreed Upon Procedures, cost report based on actual costs, incentive to comply with deadlines, etc.

Based on many providers’ recent experiences with the current process, it is realistic to believe that submissions will be reviewed and counties will complete negotiations for a July 1 contracting deadline?

Looking forward, the recommendations support the efforts of the department, providers and county to have completed contracts by the start of the new fiscal year.

What will the new county review structure look like?

The county review will focus on a determination of service needs and reasonableness of those costs.

How will counties know if AUPs are submitted? Are there any specifics about DPW tracking the processes and communicating to the counties?

A list of provider’s submission of costs and related documents will be communicated to the county agencies to allow county agencies the opportunity to conduct follow-up.

What happens to counties if the funding confirmation letters aren’t received on time?

Recognizing the impact to providers if the funding confirmation letters aren’t received timely, the recommendations include a 60-day extension of the December 31 deadline, effective from the date the confirmation is received.