



To: Commissioners

From: Interim State Director Constance Holloway

Re: 10% FMAP Budget Proposal

Date: June 30, 2021

Background

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (ARP). Section 9817 of the ARP provides qualifying states with a temporary 10 percentage point increase to the federal medical assistance percentage (FMAP) for certain eligible Medicaid expenditures for home and community-based services (HCBS). States must use the federal funds attributable to the increased FMAP to:

- Supplement, not supplant, existing state funds expended for Medicaid HCBS in effect as of April 1, 2021; and
- Use funds to implement one or more activities to enhance, expand, or strengthen HCBS under the Medicaid program.

States will be permitted to use the state funds attributable to the increased 10% FMAP Program through March 31, 2024 (total of 3 years). CMS understands that some states may have an immediate need to address the continued impact of the COVID-19 pandemic, while also furthering longstanding state priorities to build HCBS capacity and to pursue innovative rebalancing strategies to reform their respective service delivery systems.

CMS provided guidance on May 13, 2021, on implementing the 10% FMAP Program. CMS has since required states to submit a proposed budget to CMS by July 12, 2021.

10% FMAP Methodology to Build a Proposed Budget

Each of the seven DDSN Commissioners sponsored a “listening session” in their respective district, which was attended in-person and virtually. Data was collected from all stakeholders, to include individuals served, families, providers, and advocates. Formal and informal meetings were held with the provider network and statewide associations. This data coupled with DDSN’s ongoing assessment of system-wide needs resulted in the final proposed plan contained on Attachment “A” to this memo.

Proposed 10% FMAP Budget Strategy

The budget strategy is leveraging the fortuitous situation that the IDR Waiver Renewal will take place in six months, effective 1/1/22. Given the availability of the 10% FMAP, as well as residual benefits of the COVID-19 6.2% FMAP Program, DDSN and the South Carolina Department of Health and Human Services (SCDHHS) made a strategic decision to go “bold” with enhanced and new services in the IDR Waiver Renewal. Most notable is modernizing Day services by increasing community based requirements and improving staffing ratios from 1:7 to 1:4/5 range. Other enhanced or new services under consideration include adding a separate "business" respite rate to increase service providers, waiver recipient access, and speed caregiver certifications; add Independent Living Skills service; enhance assistive technology through adding remote supports; increase environmental modification cap; and add in-home self-directed supports. Also under consideration for the IDR Waiver Renewal are individualized residential habilitation settings, as well as corresponding individual rates, to promote acuity based rates (provider fair rates) and staffing standards (assurance of service for residents). However, given the funding likely needed, 10% FMAP funding was not budgeted. Rather, this potential increase in funding will come from DDSN’s cash reserves from the 6.2% FMAP Program. In summary, nearly half (\$20 million) of the total \$42.5 million budget for the 10% FMAP Program will support IDR Waiver Renewal enhanced and new services, which will also generate an additional \$46,666,000 in Medicaid matching funds during the 3-year 10% FMAP Program.

The residual \$22.5 million of 10% FMAP funds will be allocated to address 10 other system priority needs identified on Attachment “A”.

While reviewing the \$42.5 million 10% FMAP budget in Attachment “A”, it is important to understand other ongoing system improvements, which are:

- The General Assembly just appropriated \$10 million (\$2.9 million state; \$7.1 million Medicaid match) for a waiver residential habilitation rate increase (3.4% increase) beginning on July 1, 2021.
- The General Assembly just appropriated \$7.2 million (\$2.1 million state; \$5.1 million Medicaid match) for a respite waiver rate increase beginning on July 1, 2021. Funds will raise “family arranged” respite caregiver mandatory hourly rate and fund a new “business” respite rate to increase service providers, waiver recipient access, and speed caregiver certifications.
- The General Assembly just appropriated a 2.5 % salary increase for provider employees in the DDSN service delivery network beginning on July 1, 2021.
- The HASCI, Community Supports (CS), and IDR Waivers will be funded for 50 temporary waiver slots from the 10% FMAP Program (\$990,000 state; \$2,310,000 Medicaid match). HASCI currently has only 23 available funded HASCI slots which will run out in FY22. The CS Waiver and the IDR Waiver currently have 565 funded waiver slots (351 CS & 214 IDR) available for enrollment and several hundred waiver slots becoming available after Appendix K ends in FY22. CS and IDR waiver funded slots will likely run out well into FY23. DDSN will also consider over-allocating existing funded waiver slots to match each waiver’s conversion rates (% enroll compared % slot awards) to speed CS and IDR enrollment.
- As noted above, the IDR Waiver Renewal is planning to add individualized residential habilitation settings and individual rates to promote acuity based rates (provider fair rates) and staffing standards (assurance of service for residents). However, 10% FMAP funding will not be budgeted. Rather, these potential rate increases can be funded from DDSN’s cash reserves (\$50+ million), primarily generated from the 6.2% FMAP Program. DDSN’s current cash reserves can support at least three years, if not more, of most any residential habilitation rate increase occurring due to establishing individual residential settings and individual rates.

Everyone has to recognize the proposed \$42.5 million budget on Attachment “A” is just that – a budget. Budgets inherently require adjustments during the execution phase based on conditions on the ground. As a result, it will be recommended that DDSN establish a 10% FMAP Steering Committee over the three-year life of the program to recommend adjustments as warranted to the Commission. The Steering Committee will be composed from family members, providers, Commissioners, and other appropriate stakeholders. This Steering Committee will be responsible for maintaining confidence by all stakeholders the 10% FMAP funds are being used wisely, as well as approve the quarterly spending report to CMS to ensure full transparency.

Recommendations:

1. The Commission approve the \$42.5 million proposed 10% FMAP budget contained on Attachment “A” to this memo.
2. The Commission appoint a 10% FMAP Steering Committee.

Attachment A

10% FMAP Budget Plan (6/30/2021)

List of Main Issues Raised at "Listening Sessions" to Assist in Budget Allocation Decisions: 1) Inability to retain & hire staff, particularly direct support employees (DSP) and nursing; 2) providers want flexibility in the use of funds to recover from COVID-19 inasmuch as COVID-19 impacted service providers differently; 3) Day Programs have not recovered – at-home attendance 50% of pre-COVID-19 levels; 4) telehealth benefits; 5) waiting list reduction; 6) training of all kinds, particularly skills training throughout the system in behavioral supports to engage/train/lead the individuals we serve; 7) use of technology rather than people due to personnel shortages; 8) ability to address individuals in crisis living at-home or in residential settings; 9) capital funds of all sorts; 10) SCDHHS service rates appear challenged before COVID and even more challenged due to post-COVID hiring pool shortage undermining attracting minimum staffing levels for day and residential, as well as at-home staff undermining service availability; and 11) many other issues tending to overlap or be subsets of above issues.

Option #	Estimated Cost	Medicaid Match **	Target	Brief Description of Funding Options
1	\$1,000,000	\$0	Providers Qualified by DDSN *	One-time COVID-19 "gap funding" grants for the DDSN provider network to provide latitude to recover from impact of COVID-19 due to additional costs, lost revenue, and capital depletion. General parameters for use of these funds will be developed and certification of use will be required.
2	\$7,000,000	\$0	Providers Qualified by DDSN *	Targeted staff retention & recruiting in the form of enhanced pay rates, bonus pay, incentive pay, and hiring bonus.
3	\$3,450,000	\$0	Day Services	Temporarily add \$7/unit of state funds to the current Day service rate (\$31.29 to \$38.29) for six months (7/1/21 - 12/31/2021) at an estimated \$575,000 per month for a six month total of \$3.45 million to incentivize re-opening, cover higher costs to maintain social distancing, and supplement a proportionally higher cost structure while increasing enrollment. These state funds support fully re-starting Day services, currently at 50% of pre-COVID-19 levels for at-home individuals, which will end as the IDR Waiver Renewal becomes effective on 1/1/22, hopefully containing modernized Day services and rates.
4	\$20,000,000	\$46,666,000	Day, Residential, and At-Home Services	Planned new & modernized (enhanced) services in the IDR Waiver Renewal, which will be finalized effective 1/1/22. These include: a) modernizing Day services by increasing community based requirements and improving staffing ratios from 1:7 to 1:4/5 range; b) adding a separate "business" respite rate to increase provider pool, access, and speed caregiver certifications; c) add Independent Living Skills service; d) add supportive technology for at-home individuals; e) increase environmental modification cap; f) add in-home self-directed supports; and g) add individualized residential settings to promote acuity based rates (provider fair rates) and staffing standards (assurance of service for residents).
5	\$2,500,000	\$0	Residential	Telehealth start-up costs and monthly service costs for one year.
6	\$990,000	\$2,310,000	HASCI, CS, and IDR Waivers	Waiting list reduction: add 50 waiver slots to Community Supports, IDR, and HASCI Waivers (150 total).
7	\$1,000,000	\$0	Residential and Day Services	Grants for generators for residential and day facilities based on need.
8	\$2,000,000	\$2,000,000	All DDSN Service Lines, Providers, Waiver Participants, and Families	Major training effort to include: a) family education & skill building; b) at-home caregiver skill building; c) electronic training platform for all providers containing continually updated training modules for all facets of operations; d) Positive Behavior Support training through direct, train-the-trainer, and electronic modules; e) residential intensive behavior interventionist training & certification to promote "in-house" provider expertise; f) strengthening assessment & person center planning; and g) abuse, neglect & exploitation prevention training.
9	\$1,050,000	\$1,050,000	All Waiver Participants	Build capacity in system to prevent escalation of individuals to more restrictive and more costly living setting by developing a tele-psychiatry response capability.
10	\$2,005,000	\$0	Case Management	Grants to case management to support mobile workforce increasingly relying on virtual technology, to include being HIPPA compliance.
11	\$1,505,000	\$0	Residential Services	Grants to residential providers to pilot technology in lieu of staffing (similar technology service added for waiver participants in the IDR Waiver Renewal).
TOTAL	\$42,500,000	\$52,026,000		

* DDSN qualifies residential, day & case management providers for HCBS services

** Estimated using traditional 70% federal match for services and 50% for administrative costs