



EXECUTIVE MEMO

TO: Executive Directors, DSN Boards
 Chief Executive Officers, Private Providers
 Finance Directors

FROM: CFO Pat Maley

SUBJECT: Residential Fee-for-Service Scheduled to Start on January 1, 2022 & IDRDR Waiver Renewal Update

DATE: October 6, 2021

The purpose of this memo is to formally notify the DDSN provider network that residential bands are scheduled to be converted to fee-for-service (FFS) on 1/1/22. All Board and Private Provider bundled residential services will be billed separately by the service provider.

As you are aware, moving to a completely FFS model was contingent on the IDRDR Waiver Renewal establishing individual tiered residential settings along with corresponding individual FFS rates. On 10/1/2021, the South Carolina Department of Health and Human Services (SCDHHS) submitted a proposed IDRDR Waiver Renewal for approval to the Centers for Medicare & Medicaid Services (CMS). The proposal included individual tier residential services. The only unresolved issue is SCDHHS has not yet completed finalizing its individual FFS rates for the proposed eight tiered residential settings. However, SCDHHS is committed to a plan to finalize these rates this Fall and submit to CMS for approval and implementation on 1/1/22.

In SCDHHS's 10/01/21 submission to CMS, SCDHHS presented its current analysis of the average cost/unit (service rate) for all IDRDR services. The analysis was predominately driven by results of DDSN's FY19 cost report, cost trending analysis, and all other inputs to date. SCDHHS is continuing its analysis with its consultant, Milliman. In the proposed renewal, SCDHHS provided a "composite" residential rate while waiting to finalize its individual rates for the individual tiered residential settings. In short, this composite rate is an estimated average cost of all residential services with data available to date. The plan is to replace the composite rate this fall with specific individual rates for each of the eight tiered residential settings.

Of the over 40 IDRDR service categories in the renewal, 13 contained average cost/unit (rate) increases which were:

SERVICE NAME	7/1/21 Rate	Proposed IDRDR Renewal Rate	Increase in Dollars	Increase in %
Residential Habilitation - Hourly	\$63.36	\$74.76	\$11.40	18.0%
Residential Habilitation - Daily	\$196.99	\$221.99	\$25.00	12.7%
Employment Services- Individual	\$65.92	\$98.94	\$33.02	50.1%
In-Home Support Services / Direct	\$13.31	\$16.20	\$2.89	21.7%
Support Center Services	\$31.29	\$36.93	\$5.64	18.0%
Employment Services - Group	\$31.29	\$36.93	\$5.64	18.0%
Respite Care	\$12.69	\$16.20	\$3.51	27.7%
Adult Companion Services	\$13.16	\$14.50	\$1.34	10.2%
Attendant Care--IDRD ONLY	\$15.29	\$16.20	\$0.91	6.0%
Adult Day Health Care Services	\$56.40	\$60.00	\$3.60	6.4%
Day Activity	\$31.29	\$36.93	\$5.64	18.0%
Career Preparation	\$31.29	\$36.93	\$5.64	18.0%
Community Services	\$31.29	\$36.93	\$5.64	18.0%

As we march towards the 1/1/22 FFS implementation, there will be continual communications and establishing provider workgroups to plan the implementation. However, let me take a moment to frame out the main project plan components to get us started:

- Method of Payment: Our current plan is to modify the existing RESLOG application as the provider billing mechanism to generate the FFS invoice. DDSN continues to develop the Therap billing component, which will be held in abeyance until after FFS is fully implemented to avoid two significant system changes at the same time.
- Sensitivity Testing of New Residential Rates: DDSN is preparing data sets for each residential provider that will permit comparison of past revenue using bands/bundled rates with projected revenue using proposed new FFS rates.
- Policy Review: All policies and procedures supporting the current capitated payment system will be reviewed and modified as needed, to include extensive provider input, to meet the needs of the FFS model being implemented.
- Impact on Board Cash Flow: A 1/1/22 FFS implementation will result in Boards receiving their last prospective band payment on 12/16/21 for services rendered during the period of 12/16 - 31/21. Boards' services in January 2022 will be billed to DDSN by 2/8/22 with payments back to the Boards by 2/16/21. In short, Boards will miss three band payments, or six weeks of revenue, due to changing from a prospective band payment to a retrospective FFS payment. The bi-monthly system-wide band payments total over \$13 million, which would be approximately \$40 million over this six week period. As a point of comparison, the Boards' unrestricted audited cash balances on 6/30/20 were \$66 million.

To better understand this cash flow issue right away, Director Debra Punzirudu, Finance Division, will be sending out an email to collect each Board's unrestricted cash balance on 6/30/21. Hopefully, this number is readily available inasmuch as Boards' are finishing up their annual audited financial statements. The 6/30/21 unrestricted cash balance only needs to be a Board's reasonable estimate and not necessarily a certified, audited number.

Thanks in advance for everyone's patience and cooperation as we navigate this next phase of change.

Please forward any questions to DDSN's point of contact Pat Maley at telephone (803) 898-9769 or email pmaley@ddsn.sc.gov.