Impending 7% Community-Based Rate Cut Explained

…and ways to take action

Overview

In late February, the Minnesota Department of Human Services (DHS) received notification from the federal Centers for Medicare and Medicaid Services (CMS) of a problem with Minnesota's rate setting policy for Minnesotans receiving home and community-based services (HCBS). If the problem is not fixed by the state legislature, the issue will result in a 7% cut to the reimbursement rates for services received by several thousand Minnesotans with disabilities.

When will this happen?

The full cut of 7% for individuals with unbanded rates will go into effect on July 1, 2018, and affect all individuals in 2020. *(view page 2 for additional information about banding, rates, and the history of the issue)*

Who will it impact?

The immediate impact of the cut will be to those individuals that currently have unbanded rates (about 27% of the people receiving HCBS services). Once banding ends in 2019, the 7% will be cut for all individuals' rates. However, all recipients of services would see an immediate impact due to provider organizations adjusting to a loss of tens of thousands or hundreds of thousands of dollars in revenue.

How will it affect services and staffing?

Providers will do their best to mitigate the worst immediate impacts, but should this cut go through organizations will need to address the immediate loss of operating expenses. An even bigger concern is the impact to the overall ability to hire and retain staff into the future, as well as to invest in service enhancements and new supports to expand individuals' opportunities.

Three things for you to know

#1. *The cut has not gone into effect yet.* The Best Life Alliance, is working as hard as possible to stop it from happening.

#2. If the 7% cut does go into effect, not everyone will see an immediate drop in rates. However, there will still be difficult short- and long-term challenges for all to overcome, namely in affording direct care staff and new program investments.

#3. We need your help to tell legislators how serious this is and to act to Stop The 7% Cut Now! → → → → → → → → → → → → →

How to take action

#1. Subscribe to get updates and alerts from the Best Life Alliance, a coalition of providers and advocates who support direct care staff and are fighting back on this issue. http://bit.ly/BestLife4All-Signup

#2. Submit a letter to the local paper talking about this issue (we can provide you with guidelines and template letters to edit and submit). Email dhenry@arrm.org to help.

#3. Write to your legislator and ask them to Stop The Cut. Visit www.arrm.org/Stop-The-Cut for more information.

Contact bestlifealliance@gmail.com for additional questions on taking action. Contact the provider for all questions related to how the cut will affect your specific services.

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Additional Background Information

Where did the 7% come from?

The 7% refers to increases in the Disability Waiver Rate Setting System (DWRS) and consists of three different increases passed more than three years ago: 1% increase passed in 2013, a 5% increase passed in 2014, and a 1% quality add-on rate increase passed in 2015. The rate increase is considered an "after model adjustment" meaning it is added to an individual's rate after their core DWRS framework rate has been established (see sidebar).

Why is it being cut?

The CMS sees the three-year-old 7% after model adjustments and 8.5% inflationary increase (see sidebar) that went into effect this year as redundant, or "stacked" as they refer to it. This is not allowed, so CMS withdrew their federal match of the 7%, triggering DHS to remove the entire 7% from the state budget. The overall figure totals $10 million this year and more than $60 million total over the next three years in cut funding.

When will this cut go into effect?

The full cut of 7% for unbanded individuals will go into effect on July 1, 2018. Currently, banding is set to expire on December 31, 2019, at this date the remaining individuals will see the impact of the cut.

What You Need to Know About DWRS

DWRS is a tool that is used statewide to set rates for individuals. It was created in 2013 as part of new requirements from the federal government, using a formula and series of factors to generate a uniform system of rate setting across the state. There are two components within that tool that are important to know about:

"Banding": Banding was established and put in place for individuals already receiving a waiver rate as of December 2013. The state did this to ensure that individuals who will see a drastic change in their rate once they convert to the DWRS can do so gradually, allowing for services to be adjusted. Individuals not already receiving a waiver rate when the DWRS was implemented in 2014 were put directly onto their DWRS rate, also known as "unbanded" rate.

Automatic Increases: When DWRS was established a mechanism was included to automatically adjust DWRS rates every five years to inflation. This first adjustment occurred beginning July 1, 2017 with an average overall system increase of about 8.5%. The only individuals to see the full impact of the adjustment were "un-banded" individuals.

Best Life Alliance Legislation

The Best Life Alliance disagrees with the characterization that the 7% rate increase and the inflationary adjustment result in rate stacking.

The Best Life Alliance has legislation this session to address this cut (SF 2889/ HF 3191). The legislation will do two things:

1. Create a workforce competitiveness factor into the framework, recapturing the lost 7%.
2. Move the automatic inflationary adjustment from every 5 years to every 2 years.

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