

MEDICAID AND HEALTH SERVICES MANAGEMENT DIVISION

NP - 12001 - Cost Reporting Program Budget Request

Summary:

This new proposal requests the transfer of 4.50 FTE from the Healthcare Facilities Division to the Medicaid and Health Services Division to implement a cost reporting structure to continue the data collection and analysis efforts from the 2023 Biennium provider rate study.

Background:

During the 2021 Session, House Bill (HB) 155 directed the Department, in collaboration with providers, consumers, and other stakeholders, to develop a plan for collecting expenditure data from Medicaid-dependent providers of services with the goal of:

1. Assisting and supporting the elderly and persons with mental illness, physical disabilities, and developmental disabilities;
2. Enabling DPHHS and the legislature to:
 - a. determine the cost of providing services;
 - b. make sound judgments about whether the rates being paid for each service are too high, too low, or appropriate; and
 - c. make decisions about rates that are based on sound data and analysis.

Additionally, HB 155 mandates that the cost reporting plan includes the following components:

1. Identify Medicaid-dependent providers;
2. Identify high-volume services based on the units of service and costs;
3. Identify smaller providers who should be exempt from data reporting requirements;
4. Determine a base year for data collection and identify the types of expenditures and the providers who are required to report data in order to make it possible to analyze data and make determinations about rate adequacy;
5. Ensure that expenditure data reporting requirements are consistent across divisions of the Department to the extent possible;
6. Identify how often data should be collected for the purpose of updating the base year expenditures; and
7. Create a schedule prioritizing the order in which data is collected from various providers in order to transition to a point at which the information will be available regarding all applicable providers and will be updated on a regular basis.

DPHHS contracted with Guidehouse to assist with developing a Cost Reporting Plan to collect cost data from providers on a recurring basis so that DPHHS can make decisions about future rates using comprehensive data and analysis. The plan includes a list of recommended cost reports, cost reporting data and supplemental material, as well as administration and operation considerations for the Department to implement cost reporting. Guidehouse reviewed 10 peer states and other states with established cost reporting programs for Medicaid populations to develop its recommendations.

Guidehouse recommended DPHHS design and implement the six cost report templates outlined below.

1. Assisted Living Facilities
2. Case Management
3. Nutrition (Meals)
4. Mental Health and Substance Use Disorder
5. Psychiatric Residential Treatment Facility (PRTF)
6. Waiver and Home Health Providers

Guidehouse found that cost reports are typically managed by state departments and staff responsible for auditing, budgeting, finance, and/or provider reimbursement. These staff manage the cost reporting program and serve as a liaison to providers. To initiate the implementation of cost reporting, Guidehouse recommends DPHHS identify the appropriate staff to manage the program. Their recommendation states that staff will benefit from establishing a formal communication plan for the state and providers during the cost reporting period. These staff typically communicate with providers to launch the process, request clarification, and complete reporting. Providers may also need to communicate with the state to address questions during the cost reporting period.

Guidehouse estimated 4.25 FTEs as the number of employees that needed to manage the six cost reporting programs outlined above. The estimate assumes each type of cost report would require approximately 0.7 FTEs to review, audit, and manage the provider cost reports. For example, in one peer state that manages programs of similar magnitude and serving similar populations, 4.25 FTEs are required year round to manage six cost reporting programs. The team is comprised of 3 auditor FTEs, 1 supervisor FTE who provides subject matter expertise and oversees the work of the three auditors, and 0.25 SME supervisor FTE who serves as a liaison between the auditors and the State.

Budget Request:

	General Fund	State Special	Federal Funds	Total Request
FY 2024	\$139,219	\$19,336	\$228,165	\$386,720
FY 2025	\$135,623	\$18,837	\$222,271	\$376,731
Biennium Total	\$274,842	\$38,173	\$450,436	\$763,451

Note: Overall there is no fiscal impact for this request. The costs outlined above are offset by savings within New Proposal (NP) 33333, which proposes existing FTE positions be transferred from the Healthcare Facilities Division.