

## Fee for Service Rate Methodology Workgroup

### MEETING NOTES

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**Date:** July 26, 2005 (Tuesday)

**Time:** 10:00 a.m. - 12:00 p.m.

**Where:** Capitol Commons - Conference Room E  
400 S. Pine  
Lansing, MI 48933

**Attendees:** Lynn Borck (Lapeer), Penny Dipple (MDCH), Bruce Elkins (Detroit), Bud Ferguson (Ottawa), Linda Garvin (Oakland), Sean Huse (PCG), Amy Jarboe (PCG), Ed Kemp (MDCH), Maryann Lorkowski (St. Clair), Deb Marshall (Genesee), Kathy Merry (Wayne), Liz Patrick (Ingham), Susan Powell (Oakland), Bob Readler (Oakland), Jane Reagan (MDE), Paul Reinhart (MDCH), Michelle Simmons (PCG), Linda Sowle (MDCH), Toni Sturgis (Calhoun), Ann Walton (Calhoun)

**Handouts:** PCG Presentation  
Letter to Superintendent DeVault  
Comments on Parental Consent

Highlighted areas are tasks to be completed prior to next meeting.

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- Back casting and L Letter – Paul Reinhart & Penny Dipple
  - Addressing concerns of the ISDs and MDE regarding the back casting letter sent out
  - Deloitte will compile information for their prior clients.
  - Mr. DeVault wanted to stress the importance of keeping the channels of communication open.
- Parental Consent
  - Ed agreed to draft a letter of comment on the proposed change to the IDEA regulations to include parental consent.
  - Jane will draft one from Education also.
- PCG Presentation and Update – Sean Huse
  - Need for supplemental information on the SE-4096
    - PCG will draft a letter of instruction for the Supplemental 4096 and send out the revised format of the Supplemental 4096 to the 10 ISDs in the workgroup by 8/1/05.
    - The ISDs will have until 8/19/05 to return the forms.
    - The August meeting will be postponed until 8/30/05 to allow for manipulation of the data.
    - The need for a revision of the SE-4096 for future years.
      - ◆ Memo sent to Supt. DeVault to explain the need to present this to CEPI with the backing of the ISDs.
  - CMS Conference Call Summary
    - Encounter codes must be done in timed units of cost. No exceptions.
    - Group rates
      - ◆ CMS did not feel that any cost other than that of the salary and wages would change for the group setting. They did not have a problem with utilizing RBRVUs for establishing the group rates.
      - ◆ Sean will find out how Illinois utilized the RBRVUs when setting their group rates. A: Sean spoke to Greg Wilson from Illinois regarding their usage of RBRVUs for group rates. The questions and responses are listed below:

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### Illinois IDPA Conference Call: Greg Wilson

- What was the IDPA rationale for using RBRVS to establish group size rates?  
The implementation occurred before Greg was with IDPA.

Assumption from Greg is as follows: Using RBRVS goes back to when Illinois first implemented cost calculations (could be as old as 1989, but more likely mid 90s). Using RBRVS could have been put together by Deloitte.

- Were other approaches considered (group size survey, etc.)?

IDPA didn't know if any other approaches were considered at its inception.

In using the RBRVS approach, as of 2002, group rates were frozen using the methodology because using the ratio calculation (see next question), group rates were higher than individual rates. In this current state of group rates frozen, no other alternatives have been considered.

- What was CMS' feedback concerning the use of RBRVS approach and how did IDPA justify?

Greg has inherited the RBRVS approach. Annual updates utilizing updated Medicare CPT fee schedules (CPT codes were chosen pre-Greg) were done up until 2002 utilizing.

Historically, CMS has not been concerned with the use of RBRVS for determination of group size. Where CMS expressed concerns was where IDPA made adjustments to the methodology (freezing at 2002) without first discussion with CMS.

Regarding freezing of the group rates 2002, CMS' was upset that IDPA acted unilaterally on this and other issues.

- Are RBRVS applied to all group services or only certain ones?

Yes within FFS.

- Could IDPA point us to the RBRVS formula used in the rate setting calculation?

Ratio of two CPT procedure codes (individual & group) at the non facility rate. IDPA does not have detailed back up.

- Where can we find the correct calculations/citations in Medicare manuals?

Professional Technical section of the CMS website.

RBRVS updates for 2005 (RBRVS update from 2002 is being faxed to PCG)

Federal Register

- Are the RBRVS values updated annually?

Group rates were updated annually, but frozen since 2002 because the calculations were producing group rates higher than individual rates.

IL does have a FFS audit and group rates have never questioned.

### Time Study Data

- PCG believes that the AOP time study data can be used to determine the % of direct care.
- They would utilize The 03/04 time study results for the rate methodology.
- Productivity factor
  - ◆ This is a factor that determines the amount of face-to-face time.

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- Rate Modeling Tool
  - Payroll Cost Base + Fringe Benefits + Allowable Operating Costs
  - Determine the allowable cost associated with Service Time (Medical and Gen. Adm.) in total 15 minute units X Productivity Factor
  - Calculate the per 15 minute unit cost of care + allowable Indirect Cost
- Indirect Cost Rate
  - Currently the General Education unrestricted Indirect Cost Rate is capped at 15% and does not include Debt Services or Capitol cost.
  - Medicaid would support the development of an Indirect Cost Rate just for Medicaid billing
  - A meeting has been set up for 8/4/05 with Lori Schomish to discuss this option.
    - ◆ A: 8/4/05 meeting held with Lori Schomish, Glenda Rader and Phil Boone. Per MDE federal regulation they cannot establish another separate indirect rate. They could lift the cap on the indirect rate but to do so even to 20% would cost the School Lunch Program approximately \$629,000 in 100% GF funding.
- Transportation Feasibility
  - PCG is still researching how Illinois has developed a methodology to incorporate this into the AOP side.
  - This will be readdressed at a later date.
- Next Steps
  - Get 4096 data
    - ◆ Supplemental 4096 data request sent out. Data is due back to PCG by 8/19/05
  - Develop a productivity factor
    - ◆ Done by Amy Jarboe 8/9/05 (See attached file "Productivity Factors.xls")
  - Indirect Cost Rate Methodologies
    - ◆ Continue to explore options for the Indirect Cost Rate.
    - ◆ Since Debt Services and Capitol are federally mandated to be excluded from the indirect rate we need to make sure that we clarify to CMS the need to capture these costs in the direct care side.
  - Prepare methodology for next workgroup meeting.

Next meeting to be held August 30, 2005, Conference Room D, 1:00-3:00

Next meeting July 26, 2005