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**Report to  
The Vermont Legislature**

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**Developmental Disabilities Services  
Payment Reform Update**

**In Accordance with Act 72. Section E.333:  
An Act Relating to Making Appropriations for the Support of Government**

**Submitted to:** House Committee on Appropriations  
House Committee on Human Services  
Senate Committee on Appropriations  
Senate Committee on Health and Welfare

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**AGENCY OF HUMAN SERVICES  
Department of Disabilities, Aging  
and Independent Living**

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## Background:

Act 72. Section E.333 requires the Agency of Human Services to report to specific committees of the legislature regarding developmental disabilities services payment reform as follows:

(a) The Agency of Human Services shall submit an update to the House Committees on Appropriations and on Human Services and to the Senate Committees on Appropriations and on Health and Welfare Committee on the progress made on developmental disability service delivery and payment reform model on or before January 15, 2020. The update shall provide information on the decisions made to date on the proposed model for developmental disabilities payment and service delivery reform and shall include information on:

- (1) anticipated costs to both providers and the State of any potential changes and any identified funding strategies;
- (2) the plan to use a standardized assessment tool;
- (3) how the proposed model addresses individualized services and community inclusion;
- (4) stakeholder engagement, including how their feedback was incorporated into the plan;
- (5) a description of how the model works in relation to payment and sustainability of the system and its workforce;
- (6) how the model covers the costs of high-needs individuals;
- (7) the continuation of person-centered care planning and services;
- (8) maintaining choice of provider, service management, and service options; and
- (9) how it will hold providers accountable for service expenditures and individual recipient outcomes.

## Summary

The Department of Disabilities, Aging and Independent Living (DAIL) initiated a Developmental Disabilities Services (DDS) Payment Reform project in response to the discovery of gaps in information linking payment for authorized Home and Community Based Services (HCBS) to services delivered, impacting DAIL's ability to ensure proper oversight of the fiscal integrity of the Developmental Disabilities Services system. In order to address the identified problems, the State engaged in a payment reform project to create a transparent, accountable, and effective payment model for DDS that aligns with the Agency's broader payment reform and health care reform goals.

The DDS Payment Reform project was launched in January 2018 and has included stakeholder involvement and feedback. The Payment Reform project is comprehensive, reviewing all the components of payment and accountability for service delivery. These components include:

- Assessment of Need: How are people's needs assessed?
- Resource Allocation: How do assessed needs translate into funding?
- Payment Method: How does the state pay for services?

- Service Planning and Delivery: How is a service plan developed, implemented and monitored?
- Accountability: How does the state track what was paid for, what was provided to individuals and if people's needs are met?

## Decisions made to date:

To date, DAIL has made the following decisions with regards to the DDS Payment Reform Model Project:

1. **Validated, Standardized Assessment:** Throughout the state, providers have been using a home-grown assessment tool that was originally developed more than twenty (20) years ago. Our experience with this current tool is that it can result in variable assessments that are more subjective in nature and can lead to an inequitable assessment of need for individuals receiving services. Since that time, much has been learned nationally about developmental services assessment and new tools have been developed that have been evaluated and validated. **DAIL will be implementing a validated, standardized assessment tool utilized across the country, the Supports Intensity Scale (SIS), and will be issuing a Request for Proposals for independent assessors.** This is discussed in more detail in Section 2 of this report.
2. **Encounter Data:** One of the primary reasons for engaging in this payment reform project was to increase the accountability for and transparency of services provided. Encounter data is information submitted by providers that documents both the clinical conditions as well as the services delivered to individuals. It is important for both providers and the State to know what services were provided, to which individuals, in what volume and to be able to confirm that individuals received the services that they were assessed to need. Our ability to do this has been hindered a lack of that data and by antiquated, inaccessible and/or inefficient systems for reporting encounter data. **Encounter data will be reported by providers using the state's Medicaid Management Information System (MMIS).** This will bring DDS service providers into compliance with the recommendations of the 2014 State Auditor's Report ("Develop a mechanism to determine the extent to which clients are receiving services, including the number, types, and frequency, for which DAIL is paying an inclusive rate to the DAs."). This is discussed in more detail in Sections 1b, 4 and 9 of this report.
3. **Standard Rates:** Under the current DDS system of care, with the exception of a few specific services, each DDS provider sets their own rates based on the amount of funding that they have available and often with little to no relationship to actual costs. Therefore, the rate paid for a given service varies from agency to agency. If we are to have a sustainable payment model with services provided by a financially healthy network of providers, we need to understand what the true costs are for each service and treat providers equitably in the rates paid. Furthermore, the Center for Medicare and Medicaid (CMS) expects that the rates paid for services are efficient, economical, support quality of care and are sufficient to enlist enough providers to ensure that care

is available. **The state will identify uniform rates for each service, taking into consideration the cost of the service and available funding.** This is discussed in more detail in Sections 1c, 4 and 9 of this report.

## 1. Anticipated costs to both providers and the State of any potential changes and any identified funding strategies.

To date, the anticipated costs to both providers and the State of planned changes under DDS payment reform fall into three categories:

### a. **Standardized assessment:**

As described in Section 2 below, DAIL is working with the Department of Vermont Health Access (DVHA) to prepare a Request for Proposals (RFP) to procure independent assessors who will use the Supports Intensity Scale (SIS) assessment instrument. Because actual costs will be negotiated by contract subsequent to the RFP, DAIL is not able to specify the exact cost of independent assessors and use of the SIS assessment tool. DAIL has general estimates of this cost and plans to fund this within our current appropriation.

### b. **Encounter data:**

As described in Sections 4 and 9 below, DAIL has worked with DVHA, DXC (the State's contracted Medicaid claims vendor) and providers to develop DDS HCBS encounter data reporting through the Medicaid Management Information System (MMIS). It should be noted that the reporting of encounter data has been an existing and long-term requirement of providers through the Monthly Service Report (MSR). The MSR system is antiquated and there have been gaps and inconsistencies in reporting, some related to how the current system is structured and some related to provider business practices. Rather than invest in an antiquated system, we determined that a consistent system for reporting across both DDS and Mental Health, the MMIS, which allows for billing of service claims and for the reporting of service delivery would be more efficient. While encounter data reporting has been an ongoing requirement, the state acknowledged that providers would need to update their reporting systems and institute new business practices in order to begin reporting encounter data into the MMIS. The DDS HCBS providers estimated costs for complying with the new encounter data requirements to include both one-time equipment or software upgrades and ongoing costs for personnel and other administrative functions. DAIL was able to provide some supports to providers to address those identified costs in their base budgets within our current appropriation. There will be an increase in the volume of claims that need to be processed by DXC. It is not known at this time whether this will result in increased cost to the State. There was a small cost for DXC to make changes to their system to prepare to receive the encounter claims from January to October of 2019.

### c. **Rate-setting:**

As described in Sections 4 and 9 below, DDS payment reform activities have included extensive work on rate-setting. Currently, rates for individual services within HCBS are set by providers within the annual allocation to the provider, except for Case Management which is set by the State. Each provider has unique rates. As the DDS HCBS program has grown over the years, now supporting approximately 3,200 individuals, DDS determined that it should re-examine the method of determining rates. The State intends to move to uniform rates across providers based upon the premise that it should pay the same rate for the same service regardless of the provider delivering the service, an approach that is common across Medicaid in Vermont and in other states. There were no new costs to the State for conducting the rate study. Existing State staff and DVHA contractors' time are part of the current budget. It should also be noted that the State has requested and been approved for additional federal assistance to cover 90% of costs associated with certain qualified payment reform activities. In support of the rate-setting work, DDS providers were asked to respond to a very detailed financial survey including details on compensation and benefits. This required a substantial commitment of staff time for providers.

The rate study was conducted by Burns and Associates, a contractor of DVHA, in collaboration with DAIL and providers. Based upon this rate study, rates will be identified. The State will need to determine the impact of those identified rates on our current appropriation for developmental disabilities services.

## 2. The plan to use a standardized assessment tool.

DAIL has examined best practices in assessment of people with ID/DD receiving HCBS services. We decided that a consistent approach to determining individuals' needs, both transparent and equitable, was critical to the long-term sustainability of the DDS System. DAIL researched available tools and after getting input from a stakeholder workgroup (see #4 below), decided to move forward with use of the Supports Intensity Scale (SIS). The SIS is a standardized assessment instrument that is used in more states than any other instrument and can be used to support individualized funding/resource allocations that are both fair and equitable.

DAIL is now considering stakeholder workgroup recommendations regarding supplemental questions to be added to the standardized SIS tool as well as practices in other states to ensure a comprehensive assessment of individual needs. DAIL plans to secure additional stakeholder feedback on the proposed assessment instrument (SIS plus additional questions) before proceeding with the final assessment instrument design.

Under the 2014 federal HCBS rules, Vermont is obligated to address conflict of interest in HCBS case management. One of the elements of our current case management approach that raises concerns of conflict of interest is the assessment process, which is currently performed by employees of provider agencies (using an assessment tool that is neither standardized nor consistent). To address this conflict of interest, improve the validity and reliability of assessments, and ensure consistent use of person-centered assessment practices, DAIL is

currently working with DVHA to develop a Request for Proposals (RFP) to procure independent assessors who will utilize the Supports Intensity Scale (SIS) assessment instrument in assessing the needs of individuals in developmental services.

How the results of assessment will be used in determining individualized funding/resource allocation has not yet been decided. However, the general premise is that people with lower needs are authorized for lower amounts of service and those with higher needs are authorized for higher amounts. The exact resource allocation method cannot be determined until after the state has collected at least six months of reliable encounter data and an initial 500-700 assessments are completed. This information will be used in the design of the final payment model and resource allocation method.

### 3. How the proposed model addresses individualized services and community inclusion.

DAIL remains firmly committed to the delivery of individualized services. Individualized support is one of the principles of service identified in the State's Developmental Disabilities (DD) Act. In addition, HCBS services are subject to the federal Centers for Medicare and Medicaid Services (CMS) HCBS rules that specifically require individualized person-centered service plans. A specific payment model has not yet been selected; however, the options currently being discussed all include a person-centered planning process which leads to an individualized plan of services. For the models under discussion, we anticipate that a new payment model may reduce or eliminate some barriers that may limit individual choice. Thus, we anticipate that a new payment model may increase each person's choice and control in designing her/his individualized service plan.

DAIL remains committed to community inclusion as a value, practice, and outcome; it is one of our most foundational values. Community inclusion is also one of the principles identified in the DD Act and a requirement of the federal HCBS rules. We will not support any model that does not support and facilitate community inclusion. The current available categories of support will remain available within HCBS and continue to require community inclusion. We anticipate that a new payment model may increase each person's ability to pursue community inclusion under her/his own choice and control, through her/his individualized service plan.

### 4. Stakeholder engagement, including how their feedback was incorporated into the plan.

The DDS Payment Reform project has an Advisory Committee and three workgroups dedicated to addressing the various components of the project: a Standardized Needs Assessment workgroup, an Encounter Data workgroup and a Payment Model workgroup. There is a DDS Payment Reform team which includes staff from the Department of Disabilities, Aging and Independent Living (DAIL) and the Department of Vermont Health Access (DVHA). In addition to the State team, there are also representatives from DDS provider agencies, individuals in

service and family members, the Vermont DD Council and other advocacy organizations represented on the Advisory Committee and each of the workgroups. In total, there are 31 stakeholders outside of state government providing ongoing input on the design of the future payment model. The Advisory Committee has been meeting approximately every 6 weeks since January 2018 and the workgroups have been meeting approximately every two weeks since the fall of 2018.

There have also been additional forums and meetings for a broader group of stakeholders to learn about the direction of the project, to ask questions, to express concerns or to provide specific input. For example, there were two open forums in the spring of 2019 regarding the project. Members of the DAIL leadership have gone out to a variety of groups and venues to provide updates and gather input.

Ongoing monthly updates are provided to the DDS State Program Standing Committee. Periodic updates have been provided to the DAIL Advisory Committee. Updates are provided and feedback sought at the monthly meeting with Developmental Disabilities Services Agency Directors' meeting. The DAIL Commissioner provides updates to the providers' Executive Directors' meetings.

DAIL is committed to robust and meaningful stakeholder engagement and input for our payment reform activities. Stakeholder engagement has presented some challenges as the project has evolved. Some of the information is very complex, detailed and can be challenging to explain. There can be different levels of interest in the details dependent on the interest of the stakeholder. DAIL has occasionally struggled to provide complex materials in a manner that is accessible for all. After receiving feedback from some stakeholders, we reached out to partners representing individuals and families for assistance to ensure our information is more accessible. We remain committed to seeking additional ways of improving our engagement to support all interested parties in having a voice. Some specific examples of the use of stakeholder feedback follows below:

- In September of 2018, the Advisory Committee was asked for advice on the criteria the state should use in selecting an assessment tool. They also identified some pros and cons of the current "home grown" assessment tool used in VT. In November 2018, a separate Standardized Needs Assessment workgroup was formed and began meeting to advise the department on standardizing the needs assessment process.
- The State determined it would put out a Request for Proposal (RFP) for a standardized assessment tool. The RFP included specific criteria for selecting a tool. The criteria were informed by the advice of the Advisory Committee and Needs Assessment workgroup.

- The Standardized Needs Assessment workgroup more recently has been providing recommendations to the State on additional questions to be added to the information collected from the SIS to ensure a comprehensive assessment tool and process.
- As part of a broad stakeholder engagement to address solutions to conflict of interest in case management, the question was posed regarding whether State staff or a contractor of the State should complete needs assessments. Although there were varying opinions amongst stakeholders, most of the commenters indicated that the State should contract with an outside organization to complete needs assessments. Considering that feedback, the State has decided to move forward with issuing an RFP for an independent organization to complete needs assessments.
- An Encounter Data workgroup was formed and began meeting in the fall of 2018. This workgroup includes representatives from the providers, but not other stakeholders, as reporting of encounter data is essentially an agency administrative function. This workgroup has participated in developing encounter data codes for reporting of services in the Medicaid Management Information System (MMIS), and in planning for the implementation of encounter data workstreams between the providers and the MMIS. The providers have provided feedback on the selection of codes as well as procedures for reporting encounters. The provider feedback has been invaluable in designing workable solutions.
- A rate study was conducted by Burns and Associates, a DVHA contractor, to help establish uniform rates that the state should pay for services. Stakeholders have been actively involved in the rate-setting work. All DDS providers responded to a survey to determine their current costs for the delivery of each service, such as direct support workers' wages, benefits, and billable time; staffing ratios; travel; and agency overhead. This information along with research of other available data to inform the development of the rate models, including cross-industry wage and benefit standards, was used to support a cost analysis that informs consistent uniform statewide reimbursement rates for each service.
- Based on this work, detailed rate models were developed. The proposed rate models were released for public comment in June 2019. DDS and Burns & Associates presented the proposals in separate meetings for providers and other stakeholders. Interested parties were given more than one month to submit written comments. Comments were received from Vermont Care Partners, which represent providers, the Vermont Developmental Disabilities Council, Green Mountain Self-Advocates, and several individual stakeholders.
- DAIL produced a written response to the comments and a revised rate model proposal on December 17, 2019. In response to the public comments, DDS has made a number of changes to the proposed rates including increased wage assumptions for direct

support professionals, increased health benefit costs to reflect family vs employee only plans, changing case management from a monthly to an hourly unit of service and revising the method of calculating payment to account for absences from residential services.

- A meeting to review the response to comments and revised rate model was held with providers in December and a separate meeting for other stakeholders is planned for early in 2020.
- The Payment Model workgroup began meeting in the fall of 2018. The group has been considering a variety of payment models. Stakeholders have provided input on the criteria that should be used by the State to evaluate models and assisted the State in using that criteria to begin to evaluate various models. The workgroup is at the point of narrowing down the options and then these few will be taking out to stakeholders for their input. The State intends to work with our stakeholder networks on designing the materials to be shared to ensure that the information is accessible.

## 5. A description of how the model works in relation to payment and sustainability of the system and its workforce.

The details and implementation of a new payment model cannot be developed until the State has three elements in place: (1) a standardized assessment, with a representative group of completed assessments (described in Section 2 above); (2) fully functional encounter data reporting, with an adequate 'baseline' of encounter data (described in Section 9 below); and (3) a rate-setting model, for each DDS HCBS service (described in Section 9 below).

While not yet complete, the goals of any new payment model will include fair payment that supports the sustainability of the DDS system and its workforce. We must also note that Vermont demographic trends have created a significant and increasing workforce challenge across DDS HCBS, other DAIL programs and services, other provider systems, and across the Vermont labor market which will potentially impact the ongoing sustainability of the DDS system as it currently exists. It is not clear that payment reform alone would be successful in addressing these workforce challenges in DDS HCBS and our other programs.

## 6. How the model covers the costs of high-needs individuals.

As the model has not yet been developed, we cannot be specific about how a future model will cover the costs of high needs individuals. DAIL is well aware that there are certain number of individuals who have extraordinary needs. Under the models under consideration, budgets will be informed by the level of needs identified in the standardized needs assessment. In addition, there is an understanding that there will need to be an exceptions process for those who have extraordinary needs. The details of the exception process have not yet been determined, but it is a component of the models currently under consideration. In a system that requires designated agencies to meet the needs of all individuals who qualify for HCBS funding and to

support people in the community rather than institutional placements, a mechanism to fund services for people with very high needs is a necessary feature of any payment model design.

## 7. The continuation of person-centered care planning and services.

Person-centered planning and service delivery is addressed in response #3 above.

## 8. Maintaining choice of provider, service management, and service options.

Maintaining choice of provider, service management and service options has been part of the success criteria for the project since its inception. There are several components under consideration that may support expanded choice. One is the possible solution to the conflict of interest in case management which offers a choice of case management providers, if approved by CMS.

There are no proposed changes to the service management or service options currently available under HCBS. People will still be able to choose to receive their services from an agency or manage some or all of their services. There are no changes proposed regarding the categories of service currently available.

As noted in response #3 above, while a payment model has not yet been designed, based upon the models under consideration, we anticipate that a new payment model may reduce or eliminate some barriers on specific services that now limit individual choice. Thus, we anticipate that a new payment model may increase each person's choice and control in designing her/his individualized service plan – including choice of provider, service management, and service options.

## 9. How it will hold providers accountable for service expenditures and individual recipient outcomes.

A cornerstone of the payment reform initiative is to ensure complete encounter data reporting for all DDS services that are provided. This will bring DDS service providers into compliance with the recommendations of the 2014 State Auditor [report](#) (“Develop a mechanism to determine the extent to which clients are receiving services, including the number, types, and frequency, for which DAIL is paying an inclusive rate to the DAs.”) The encounter data will be the vehicle for accountability for DDS service expenditures in the aggregate, for each agency, and for each individual service plan. The current timeframe for agencies to begin submission of encounter data to MMIS is January 2020. The State will be monitoring submissions and providing technical assistance to assist agencies coming into compliance with this requirement. Initially encounter data will be used for developing the payment model, but once the payment

model is implemented, encounter data will be useful in comparing actual service delivery to payments.

The rate-setting component of the project supports accountability for expenditures in several ways. It allows for a transparent method of establishing rates. The establishment of a standard fee schedule is designed to reflect the reasonable costs of providing services consistent with the State's requirements. It will create uniform rates across providers allowing the state to pay the same amount for a service delivered regardless of the provider, supporting a more equitable distribution of available resources.

As noted previously, having complete encounter data will allow the DDSD to monitor service delivery in support of an individual's plan of service. Agencies can monitor and utilize this information to assist with staff resource planning in general and also to ensure individuals are receiving the appropriate level of service. This information can also be used by DDSD for quality improvement processes. In addition to new more effective methods of monitoring service delivery, DAIL will continue to monitor service quality through Quality Service Reviews of each agency and will also continue to measure system performance through the National Core Indicators survey.

## Conclusion

The DDS Payment Reform project is currently at its mid-point, with much work yet to be done. Assessment, encounter data, and rate-setting are foundational components for other future payment reform activities including the design of the payment model and further work on outcome and performance measures. The State team will continue to work closely with providers and other stakeholders on this major reform project.