

Commonwealth of Massachusetts

Executive Office of Health and
Human Services



Chapter 257 Provider Information and Dialogue Session

September 11, 2009

Presented by the EOHHS POS Policy Office

www.mass.gov/hhs/chapter257



Outline



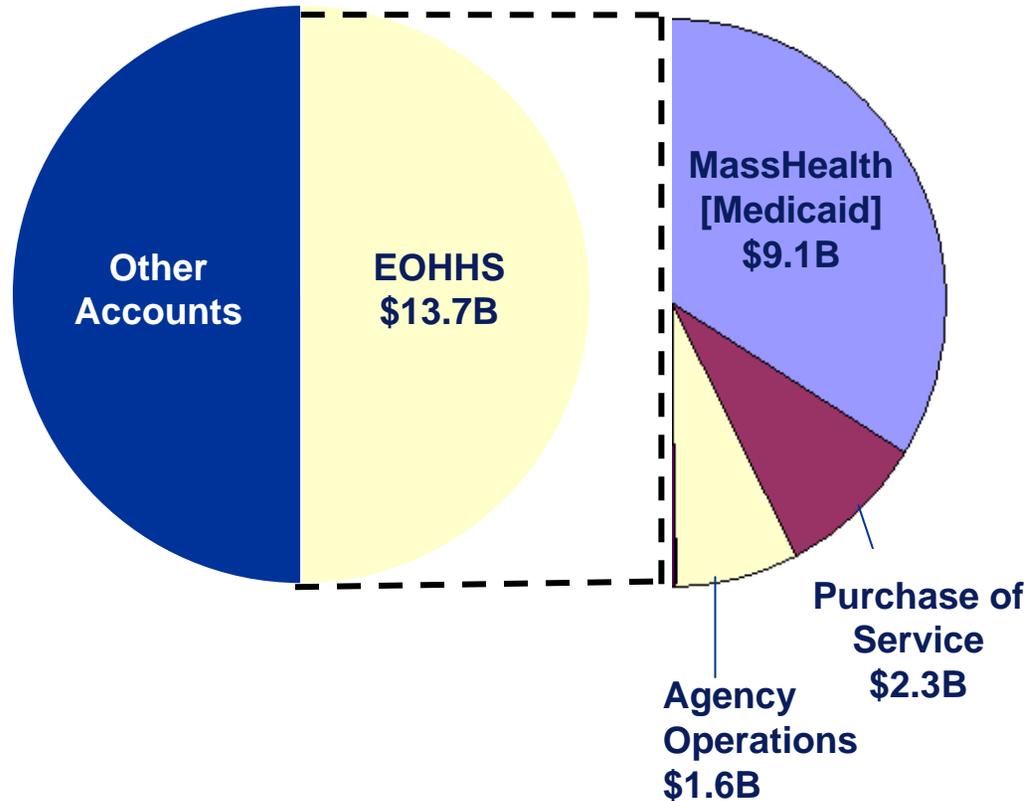
- Introductions and Overview
- Purchase of Service Context
- Chapter 257 of the Acts of 2008 and the Current Fiscal Situation
- Chapter 257 Implementation and Status Update
 - Infrastructure and Stakeholders
 - Service Classification System
 - Setting Rational Rates
 - Contract Reform



The Purchase of Service System accounts for nearly 10% of the Commonwealth budget.



FY10 Budget: \$27.0 B



EOHHS Budget: \$13.7B

- Represents just over 50% of state budget
- Medicaid accounts for just over 66% of EOHHS' budget
- The remaining 34% of EOHHS' budget is roughly split between:
 - Purchase of Service (POS) - direct care services purchased from approximately 1,200 community partners
 - Agency Operations – services provided directly by state governmental entities.



POS spending varies across EOHHS Departments.



FY10 Estimated POS Budget by Department

FY09 Approximate Provider Count

**FY10 Estimated POS Budget
\$2.3B***

DDS – \$791.6M	269
DCF – \$389.0M	339
DMH – \$362.4M	170
ELD – \$303.5M	62
DPH – \$247.2M	379
DYS – \$83.6M	28
DTA – \$22.3M	160
Other‡ – \$80.2M	364

* Includes Object Codes M03, M04, and MM3 (excludes most payments made to individuals and providers with spending less than \$5,000)

‡ "Other" includes Chelsea Soldier's Home, MCB, MCD, MRC, ORI, VET

Source: MMARS Encumbrance Management and Vendor Payments, 09/09



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Chapter 257 of the Acts of 2008 regulates pricing for the POS system.



- Chapter 257 places authority for determination of Purchase of Service reimbursement rates with the Division of Health Care Finance and Policy.
- Chapter 257 requires that DHCFP consider the following criteria when setting and reviewing human service reimbursement rates:
 - Costs to providers of any existing or new governmental mandates
 - Changes in costs associated with the delivery of services (e.g. inflation)
 - Geographical differences in the costs of service delivery
- Some rates within the POS system do not reflect consideration of these factors.
- Additional funding was not appropriated to finance any potential cost increases associated with the law.
- The statute specifies a four year implementation timeframe.

	FY10	FY11	FY12	FY13
Statutory Requirement: Percent of POS System with Regulated Rates	10%	30%	30%	30%
Spending Base Associated with Statutory Percentage (based on \$2.3B FY10 POS Baseline)	~ \$230M	~ \$690M	~ \$690M	~ \$690M



The Commonwealth's economic position will require additional reduction in budgets and programs in FY10 and FY11.



Fiscal Year 2009:

- Overall, revenue collected to run the Commonwealth was just over \$3B less than what had been projected – a 12.5% decline
- The budget gap was solved by:
 - A. Cutting the budget via 9-C reductions – over \$1B
 - B. Use of the Stabilization (rainy day) Fund – \$1.4B
 - C. Use of Federal Stimulus Dollars - \$1.3B

Fiscal Year 2010:

- Similar challenges are expected
- Watching revenue receipts closely
- Administration and Finance has instructed executive branch agencies to begin a 9-C planning exercise, a final decision will be made in October
- FY10 budget contains over \$2B in one-time funds which will not be available in FY11

Fiscal Year 2011 must address:

- Anticipated loss of \$2B in one-time dollars plus \$1.5B in spending that is outpacing revenue collection
- Summary: FY11 looks worse than FY10



Given budget constraints, EOHHS is pursuing a number of approaches to comply with Chapter 257 as well as many of its other mandates.



Total cost varies directly with unit rates and volume.

**Unit Cost (Rates)
For Services**

X

**Volume of
Services
(No. of Clients Served)**

=

**Total
Cost**

- In many cases analysis will show that an increase in POS reimbursement rates is warranted
- In the current budget environment where no additional funding is available, EOHHS must balance rate increases by:
 - Decreasing service volume and serving fewer clients
 - Applying a modest cost inflation factor to mitigate cost increase or service reduction
 - Considering options to phase in rate increases in over time
- EOHHS is also in discussions with many groups, including provider organizations, regarding the feasibility of modifying the timeline in the statute



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Chapter 257 requires successful achievement of three strategies.



1. Create Service Classes

- Develop Service Class structure to group similar services and programs
- Build out process and technology to manage codes and classes
- Align activity codes to Service Classes

Enabling



Rate analysis and establishment



Contract consolidation across agencies



Improved reporting

2. Develop Reimbursement Methodology & Rates

FY09 Develop methodology
Develop Service Classes

	<i>Statutory Requirement</i>	<i>Service Value</i>
FY10	10% of system	~\$230M
FY11	30% of system	~\$690M
FY12	30% of system	~\$690M
FY13	30% of system	~\$690M

3. Reform Contracting

Establish new cross-Secretariat organizational and governance structure

Maximize

- Use of Master Agreements
- Contracts w/ performance features
- Contracts shared across departments

Minimize

- Number of different POS contracts
- Use of cost reimbursement contracts



Implementation of Chapter 257 will require cross sector collaboration and focus.



**Intensive Cross-System
Collaboration and
Communication**

**New Organizational
Infrastructure**

Work Began Immediately

- Chapter 257 will result in significant change for purchasing departments, providers, and EOHHS.
 - The Secretary of EOHHS established a Chapter 257 Implementation Team to guide planning and communication activities. Every EOHHS Commissioner designated at least 1 representative to the Team
 - The POS Policy Office and DHCFP will sponsor a variety of general information sessions, working groups, and consultative sessions to obtain input and feedback from providers
- HCFP established a POS Pricing Unit to implement Chapter 257.
- EOHHS re-organized its POS Policy Unit to dedicate staff to pricing and contract reform.
- Work with purchasing departments began on Fall '08 to develop a new POS Service Classification System.



EOHHS will staff a range of provider communication and participation activities.



- Regular Information and Dialogue Sessions throughout the Commonwealth on the overall Chapter 257 Implementation Strategy, yearly plans, and special topics as they arise
- Technical assistance groups and consultative sessions for providers specific to Service Classes under review in any given year
- Regular posting of material on www.mass.gov/hhs/chapter257
- Topic-focused working groups on policy and administrative reform
- **QUESTION: What additional venues do session attendees think would be helpful in advancing overall implementation efforts?**



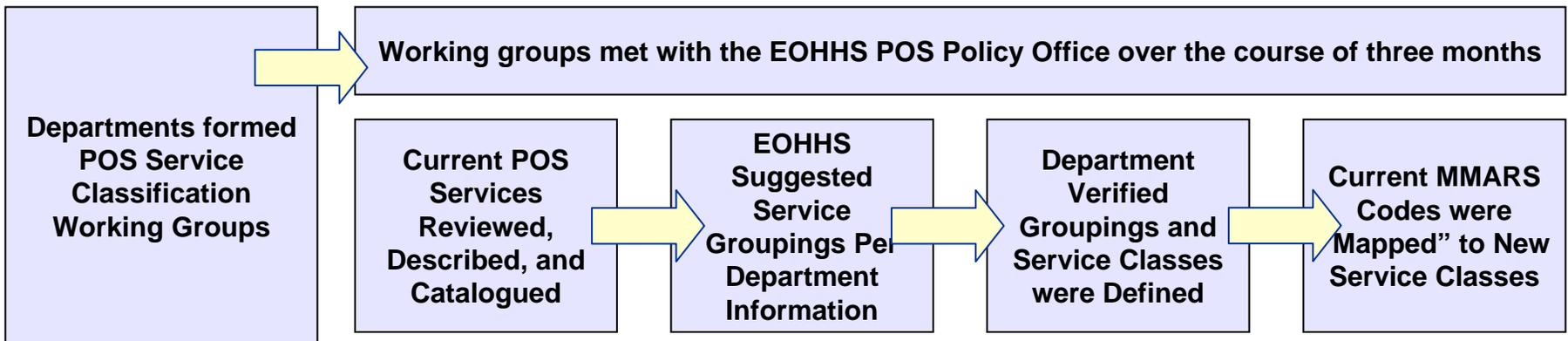
Chapter 257 Implementation is organized by newly defined POS Service Classes



Why were Service Classes Created?

- DHCFP cannot meet the mandated schedule by setting specific rates for all of the individually procured services purchased throughout the POS system
- Rate setting and procurement reform require an overall organizing structure for the classification of POS services
- There were no Secretariat standards for categorizing or describing similar services within or across Departments. The use and functionality of MMARS codes vary widely from Department to Department– as a result, it is very difficult to report on the performance, costs, and volume of services delivered across EOHHS.

How were Service Classes Created?





The new POS Service Classification System groups POS programs into cross-secretariat Service Classes.



The Service Classification System groups like programs together into “Service Classes” and describes them with standardized fields called “Descriptors” and “Service Elements”.

Service Classes

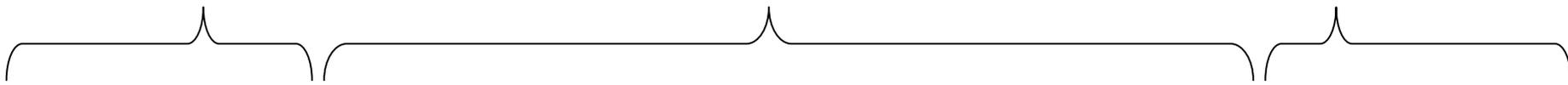
- A grouping of programs with similar cost drivers, general outcome purposes, and sometimes service populations
- There are 33 Service Classes
- Service Classes contain programs from one or more agencies

Descriptors

- Standard characteristics that describe a Service Class: desired outcomes, populations served, and service delivery locations.
- These allow for cross agency management and reporting for rate setting and contract reform.

Service Elements

- Defined “components” of a given program
- Programs have multiple elements - not all programs within a Service Class have all the same elements
- Service elements facilitate pricing & differentiate programs within a Service Class



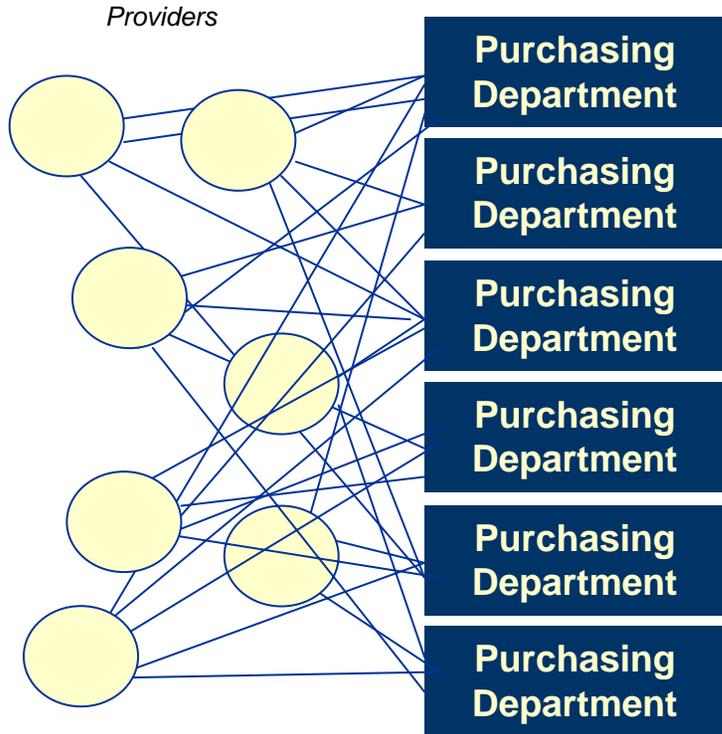
Service Classes			Population Fields			Outcome Fields			Service Delivery Location Fields			Service Element Fields		
Category	Class	Definition	#1	#2	#3	#1	#2	#3	#1	#2	#3	#1	#2	#3
Text	Text	Text	x		x		x		x		x		x	
	Text	Text	x	x		x		x			x		x	x
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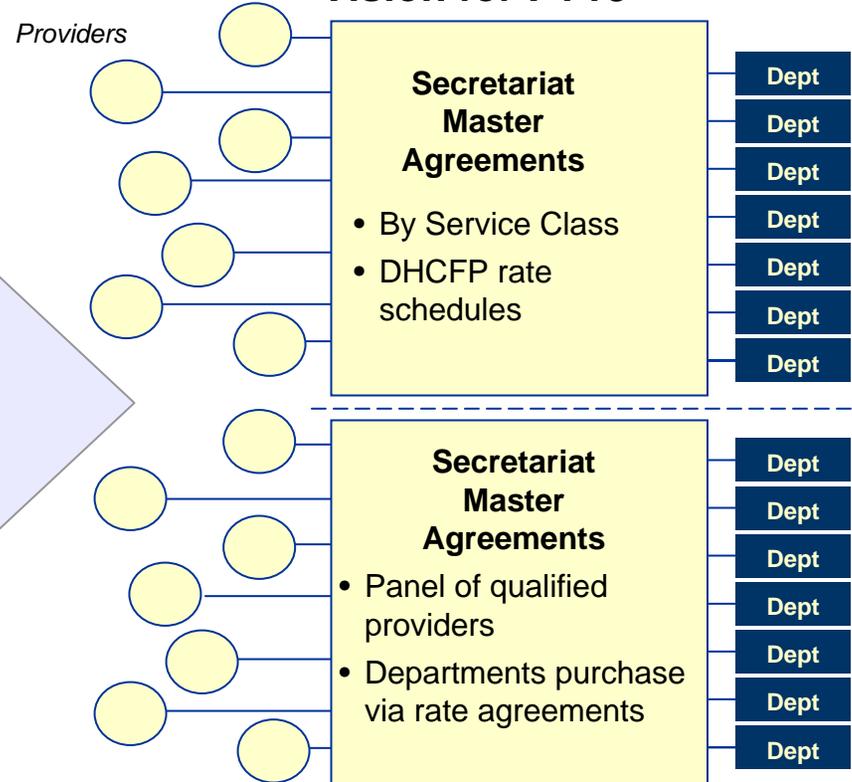
Contract reform is also necessary to implement Chapter 257.



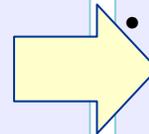
Today



Vision for FY13



- Thousands of individually negotiated contracts
- Multiple contracts within and across departments with the same providers.
- Services with core similarities purchased individually by agencies and regions
- Low capacity for cross-agency coordination, performance assessment



- Reduced contract complexity and redundancy
- Greater amendment flexibility
- Flexible amendment process
- Improved capacity for rate management
- Streamlined, centrally-managed procurement cycles managed



Broader use of Master Agreements will simplify POS procurement and contracting processes.



- **The “Master Agreement” is an existing, more flexible OSD purchasing and contract management framework.**
- **For an MA, EOHHS will issue one request for responses (RFR) with core requirements for multiple programs included in a single Service Class.**
 - The RFR may also contain department or program-specific requirements that address unique purchasing or reporting needs of purchasing departments.
 - In responding to the EOHHS RFR, providers affirm their agreement and capability to meet the requirements specified by purchasing departments.
- **Competition for “Qualification” on the Master will be fair and open. Once they are qualified, providers can be engaged (at their option) by any department to deliver any services on the Master over the term of the procurement.**
- **Master Agreement procurements will be re-opened and amended from time to time to add service models or seek qualification bids from new providers.**
- **Under Chapter 257, DHCFP will establish and regulate rates on the Master.**
 - A single Master Agreement will likely have a schedule of rates, reflecting the multiple services included in the Service Class.



Master Agreements simplify management of the POS system for providers and departments.



- **Benefits to Providers:**

- Single bidding cycle for similar services
- Bid once – engage many times under a single bid
- Standard reporting formats
- Rate transparency
- Potential to engage with new purchasing Departments

- **Benefits to EOHHS Departments**

- Reduced procurement burden
- Potential to expand pool of providers
- Enable statewide coordination
- Eliminate multiple procurements for the same service



The HCFB-led cost analysis and rate setting effort has several objectives and challenges.



Objectives and Benefits

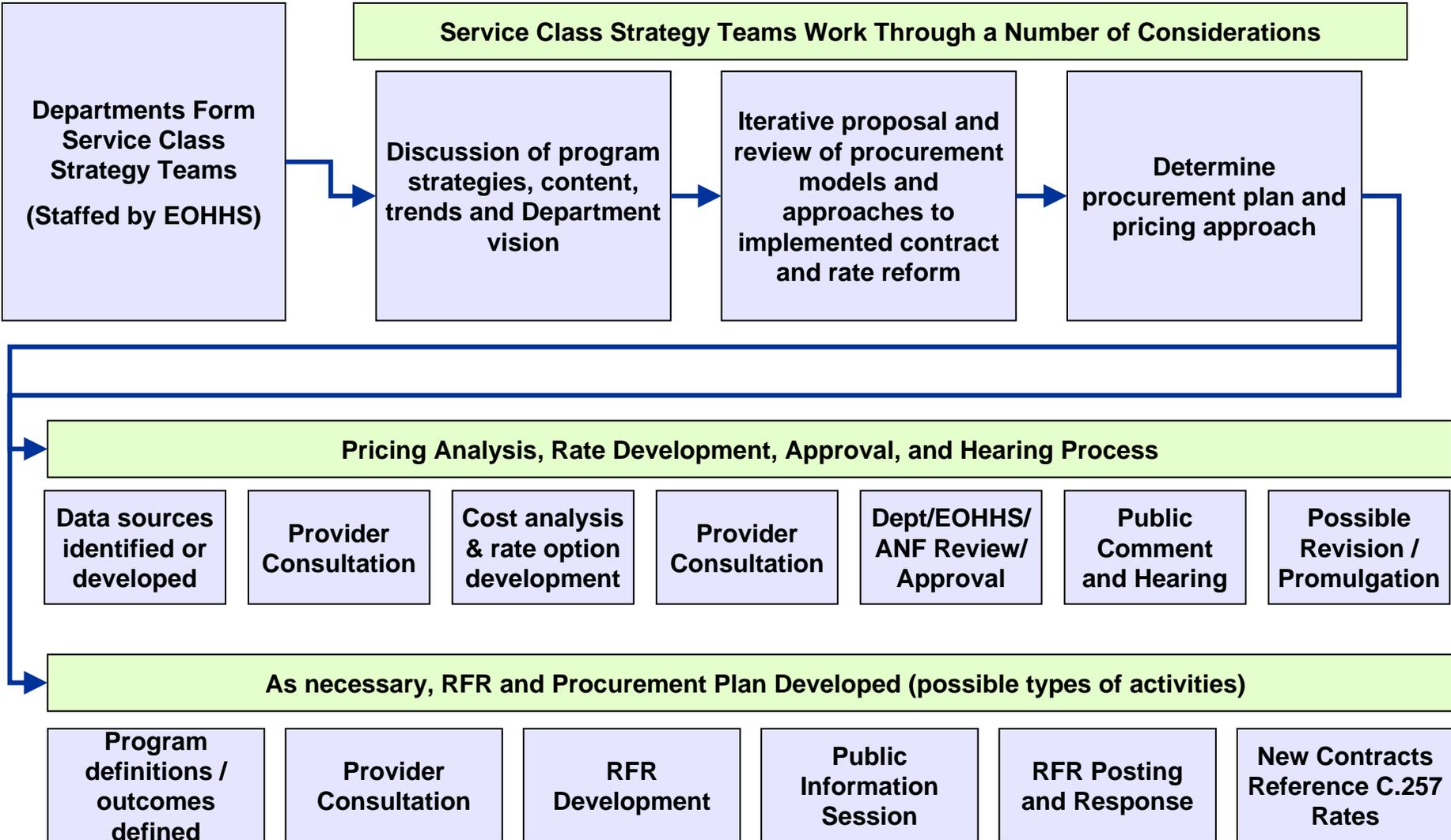
- Development of uniform analysis for standard pricing of common services
- Rate setting under Chapter 257 will enable:
 - A. Predictable, rational reimbursement models that reduce unexplainable variation in reimbursement levels among comparable, economically operated providers
 - B. Improved Federal revenue management
 - C. Incorporation of inflation adjusted prospective pricing methodologies
 - D. Standard and regulated approach to assessing the impact of new service requirements into reimbursement rates
- Transition from “cost reimbursement” to “unit rate” where possible

Challenges

- (Extremely) fast paced timeline
- Constrained resources for implementation
- Cross system collaboration and communication
- Data availability and integrity (complete/correct)
- Coordination of procurement with rate development activities



Putting it all together: How will this work?





EOHHS followed a two-part approach to meet the FY10 regulation target.



- Chapter 257 requires that in FY10, 10% (~ \$230M) of services in the POS system be reimbursed at rates regulated under the statute.
- Approximately \$103M in POS programs were already reimbursed under rates established by HCFP. These included:
 - Early Intervention
 - Many programs purchasing by the DPH Bureau of Substance Abuse Services
- To meet the 10% threshold, DHCPF developed new reimbursement rates for an additional \$126M in programming that falls into four different service classes:

Service Class	Dept	POS Program	Milestones	Total \$
Placement Services & Supports	DCF	Intensive Foster Care	Provider Consultation: May, 2009 Rates Proposed: August, 2009 Public Hearing: September 25, 2009	\$78M
Family Transitional Supports	DPH		Provider Consultation: June, 2009 Rates Proposed: October, 2009	\$6M
Youth Intermediate Stabilization		Youth Residential	Provider Consultation: July, 2009 Rates Proposed: October, 2009	\$3M
Adult Short Term Intervention / Stabilization			Provider Consultation: July, 2009 Rates Proposed: October, 2009	\$13M
Adult Community Support & Recreation	DDS	Community Based Day Supports	Provider Consultation: May - Present Rates Proposed: Expected November	\$26M
Total				\$126M



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- Questions? Comments? Suggestions?



Year 1 Accomplishments



Chap 257 Year 1 Service Class	Data sources identified / developed	Cost Analysis	Provider Consultation	Rate Options Developed	Dept / EOHHS / ANF Review/ Approval	Public Hearing	Review / Possible Revision	Adoption / Promulgation
Competitive Integrated Employment	completed 2008 – Jan. 2009				2/26/09	4/8/09	5/6/09	5/29/09
Placement Services and Supports	3/19/09	4/16/09	5/18/09	6/24/09	8/17/09	9/25/09	Est. 10/16/09	Est. 10/30/09
Family Transitional Support	4/6/09	5/8/09	6/9/09	8/6/09	<i>Expected 10/09</i>	Chap. 257 Year 1 Service Classes with Existing Regulations/ Rates in Place: -Transportation - Clinical and Medical Counseling, Therapy, and Treatment - Direct Prevention, Outreach, and Stabilization -Adult Intermediate-Term Transitional - Clinical and Medical Diagnostics		
Youth Intermediate-Term Stabilization	4/6/09	4/26/09	7/22/09	7/24/09	<i>Expected 10/09</i>			
Adult Short-Term Intervention and Stabilization	4/6/09	5/8/09	7/22/09	8/24/09	<i>Expected 10/09</i>			
Adult Community Based Support and Recreation	3/19/09	4/28/09	5/27/09	<i>In progress</i>				