



Medicaid HCBS Rate Methodology Project

February 2024

Background

Louisiana's disability community has a shared goal of ensuring quality, person-centered services for individuals with disabilities delivered by a stable, professional workforce. In November 2023, a group of organizations representing the disability community in Louisiana (Community Provider Association of Louisiana, The Arc of Louisiana, Supported Living Network, The DD Council, and People First of Louisiana) asked Louisiana Medicaid to contract with an external partner to develop reimbursement rate methodologies for Louisiana's Medicaid home and community-based services (HCBS) for individuals with disabilities. Medicaid confirmed in January 2024 that they have requested approval from the Centers for Medicare and Medicaid Services (CMS) to use federal American Rescue Plan Act (ARPA) funds to complete this project.

Purpose

The purpose of the project is to develop sound rate-setting and reimbursement methodologies, informed by analyzing the reasonable and necessary costs incurred by providers who serve participants in Louisiana's HCBS programs. Sound rate methodologies are a critical step in ensuring that Louisianans with disabilities continue to have access to a provider network that can offer the supports they need to lead fulfilling lives in our communities.

HCBS is funded through Medicaid, with the federal government and Louisiana sharing the cost of these services. States have the discretion to determine their own reimbursement rates for HCBS, subject to certain federal guidelines. The Louisiana Department of Health (LDH) pre-determines a fixed reimbursement rate that will be paid to providers for each service. **Providers have to deliver HCBS within the limitation of the Medicaid reimbursement rate, which is the only funding source for these services. Therefore, it is imperative that the reimbursement rate actually cover the full costs of providing HCBS.**

Current Situation

Due to state budget issues and the lack of sound, reliable rate methodologies, Louisiana's HCBS reimbursement rates have not kept pace with inflation and increased regulatory and program expectations over the years and are not sufficient to cover the full costs of HCBS. Not only have rates not been increased to reflect these growing expenses, they were actually cut by LDH beginning in 2008 and remained flat until 2020, when reimbursement rates were restored to 2008 levels. The years of cuts and stagnation have left HCBS providers far behind where they need to be to offer competitive wages and invest in their services. **Between 2007 and 2024, the Social Security Administration Cost of Living Adjustment (SSA COLA) increased by 51.37%. By contrast, the reimbursement rates for OCDD's HCBS programs have increased by an average of 15% over the same time period.**

It is impossible for providers to effectively budget and plan for increased wages and program investments in this environment where their revenue (which is fixed by the state and not regularly adjusted) lags so far behind the actual costs of providing services.

The most critical consequence of these insufficient reimbursement rates is the inability of HCBS providers to recruit and retain qualified staff, particularly at the level of direct support professionals (DSPs). Insufficient reimbursement severely hinders the ability of providers to compete for staff against other hourly wage industries, such as fast food and retail. **Providers simply cannot find and sustain a qualified workforce unless they can afford to pay employees more, and they cannot afford to pay employees more unless reimbursement rates are sufficient to support higher wages while also covering the other costs of providing quality services.**

Next Steps

Assuming CMS approves the use of ARPA dollars for this project, LDH will contract with an external partner to complete the rate study and make recommendations for new rate methodologies. The project should include:

- Analysis of cost and wage information from credible, objective data sources
- Cost surveys of Louisiana's HCBS providers
- Market research on salary/wages
- Consideration of historical HCBS claims and enrollment data
- Stakeholder input from providers, state agency leaders, advocates, and HCBS recipients and families.

Our goal is to build a sound rate methodology that starts with a target wage for DSPs as its base and builds from there to include all of the other expenses providers incur in furnishing HCBS. These include (but are not limited to) non-DSP staff expenses (e.g., supervisory staff), nursing and other clinical services, administrative expenses, facility upkeep, and capital improvements. **A sound rate methodology will take into account the full, true cost of providing quality, person-centered services to individuals with disabilities across their life spans and will include both direct service and indirect costs.**

The next step after developing sound rate methodologies will be ensuring that Louisiana funds reimbursement rates according to the methodologies and reviews them on a regular schedule to ensure their adequacy.

The partners in this project believe that sound rate methodologies will provide a critical foundation for disability services in Louisiana that has been lacking over the past several decades and will help all stakeholders achieve our shared goal of ensuring quality, person-centered services for individuals with disabilities delivered by a stable, professional workforce.