

Vendor Service Reimbursement Rate Increase Process

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Washington State Department of
CHILDREN, YOUTH & FAMILIES

What is a rate?

- A rate is anything the Department uses to pay for a contracted service.
- There are a variety of types of rates:
 - Fee for Service: A contractor is paid once a particular service has been provided. For example, a per session rate for counseling.
 - Slot Rate: DCYF pays all the time for a certain number of slots for an activity. For example, ECEAP slots.
 - Per Capitated/Managed Care/Case Rate: A contractor is paid on a per client or case basis. The rate may not reflect the cost of doing business for that client but less intense cases and more intense cases even out to equal the rate paid on all clients. For example, health care managed care rates.
 - Maximum Consideration: A contract has a total budget for a period of time and must complete certain deliverables to receive payment.

DCYF's Guiding Principles for Rates

- Contractors should not lose money providing the contractually obligated service. DCYF should also not absorb increasing costs for services.
- Rates should have a clear methodology that ties to cost of providing the service at least in aggregate.
- This methodology should be re-examined regularly and when any contract changes are implemented.
- Rates should be regularly increased to keep pace with things like inflation and minimum wage requirements.
- Similar services should have similar rates.

Options for Analyzing Rates

- A third party rate study. This approach uses a contractor to examine the actual costs incurred by a provider to meet the contract requirements. This option is best when there are a lot of providers, the service is relatively complex or takes a team to provide and DCYF is the sole or primary purchaser of the service.
- DCYF rate analysis. This approach uses DCYF staff to create a rate preferably tagging that rate to known costs such as other agencies payments for similar services, minimum wage, etc. This option is best when there are either only a few providers or the work is done primarily by a sole contributor.
- Market surveys. This approach involves surveying either what various sectors pay for similar services or what providers charge for a service. This approach is best when there are a lot of providers and DCYF is not the only or primary purchaser of the service.

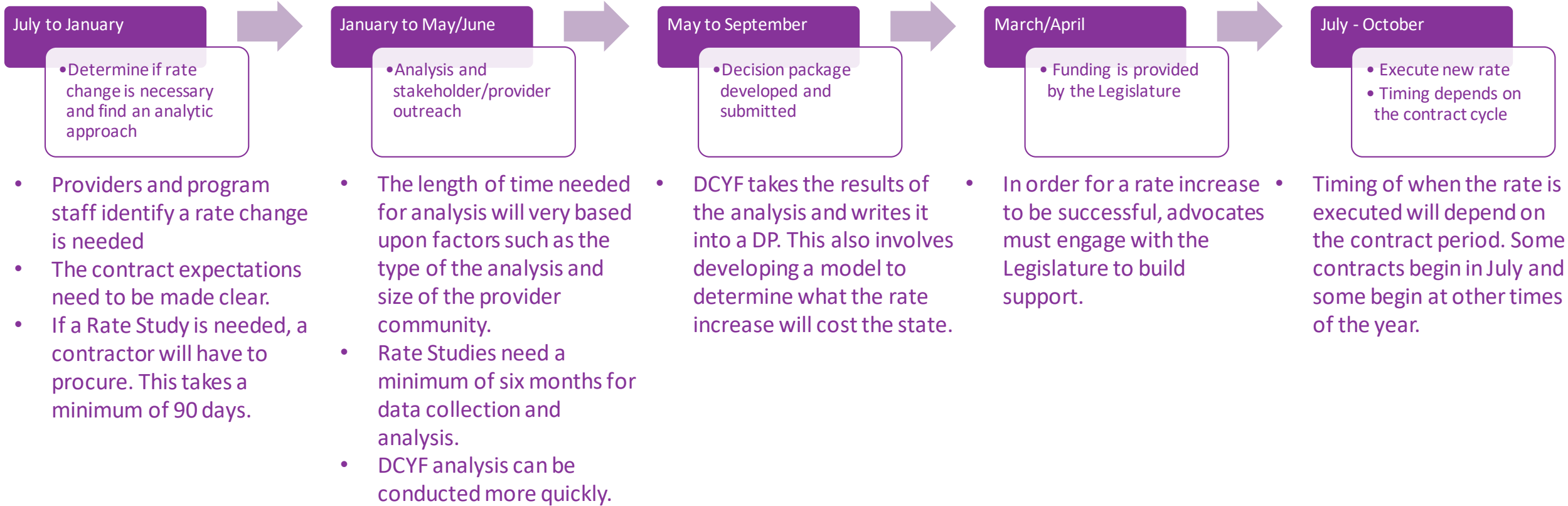


Getting to Clarity

- It is critical to determine the requirements for the service you are purchasing. Things like the credentials required of staff, amount of data collection, fidelity to a model, and the bare minimum expectations around the service have large influence on the cost of providing the service.
 - Example: Are the staff providing the service required to have an AA, BA or Masters? Are they expected to hold some kind of certification? The more expectations you have of the staff, the more expensive they become especially if you want to keep turnover low and staff quality high.
- This step must occur before a rate analysis is completed to ensure that you are building a rate that will adequately reimburse for required activities.



How Long Does the Process Take?



Bottom Line: A rate increase can take up to two years from when it is proposed to when it is executed – plan accordingly.

Next Steps

- DCYF is developing a catalog of rates for contracted services.
- DCYF will develop, in coordination with staff and stakeholders/providers, a work plan to study all rates. This work plan will include when the rate will be subject to an initial analysis, how often that analysis will be revisited and how often the rate should experience a regular increase.
 - The work plan will identify what type of analysis should be used for the rate (in-house, third party, market survey). This will help DCYF determine how many rates can be analyzed each year. DCYF does not have capacity to analyze all rates every year.
 - When determining when a rate will be studied, several factors will be used including new contract or legal requirements, implementation of performance based contracting requirements, size of the service/impact to DCYF clients and others.
- It is critical that this is a collaborative process with providers, stakeholders and clients to ensure the best outcome.

Questions?

