

## DEVELOPMENTAL DISABILITIES SERVICES PAYMENT SYSTEM

Senate Bill No. 2086 (attached as an appendix) provides that the Department of Human Services report to the Legislative Council during the 2003-04 interim regarding its progress in developing a fee-for-service payment system for treatment or care centers, and that by October 1, 2004, the department certify to the Legislative Council whether the department and developmental disabilities services providers have reached an agreement on a new fee-for-service payment system. The Budget Committee on Human Services has been assigned this responsibility.

### BACKGROUND

The 2001 Legislative Assembly approved Senate Bill No. 2307, which provided that the Department of Human Services, in cooperation with developmental disabilities services providers prepare a joint recommendation for consideration by the 2003 Legislative Assembly regarding a new statewide developmental disabilities services provider reimbursement system. The 2001-02 interim Budget Committee on Human Services received quarterly reports from the Department of Human Services regarding the progress of the workgroup organized to develop the recommendation. The workgroup consisted of representatives of the Department of Human Services, developmental disabilities services providers, and legislators. The committee learned that although a consensus of all developmental disabilities services providers was not reached, a strong majority expressed support that the department, in cooperation with the developmental disabilities services industry, develop a bill to implement a prospective fee-for-service payment system in lieu of the current retrospective payment system. The prospective fee-for-service model would be based on allowable costs and be provider-specific. The prospective system would establish the reimbursement rate prior to the provision of services. Each provider's rate would be unique based on each provider's historic costs. The initial rate would be adjusted each year by inflationary increases until periodically rebased as determined by the Legislative Assembly. The targeted implementation date of the new payment system would be July 1, 2005, and the payment system would be budget-neutral as compared to the current system.

The Department of Human Services introduced 2003 Senate Bill No. 2086 to implement a fee-for-service rate-setting system effective July 1, 2005. As passed by the 2003 Legislative Assembly, the bill creates a workgroup consisting of one voting member appointed by the Governor, three voting members from the Department of Human Services, and three voting members from the North Dakota Association of Community Facilities. The bill:

1. Provides that the department implement a fee-for-service payment system by July 1, 2005.

The fee-for-service system must require each developmental disabilities services provider to be responsible for its own operating costs and that the fee paid represents payment in full for the services provided.

2. Establishes a trust fund with up to two-tenths of 1 percent of the general fund appropriation provided for developmental disabilities grants for the 2003-05 biennium to be used for:
  - a. Reasonably unforeseeable costs experienced by developmental disabilities providers.
  - b. One-time improvements needed to comply with life safety codes.
  - c. Additional costs associated with providing services to individuals with extraordinary needs.
3. Requires the department to report to an interim Legislative Council committee regarding its progress in developing a fee-for-service payment system and to certify to the Legislative Council by October 1, 2004, whether the department and developmental disabilities providers reached an agreement on the new payment system.

### FUNDING AND CLIENTS

The 2003 Legislative Assembly appropriated a total of \$190.6 million for developmental disabilities services grants for the 2003-05 biennium, of which \$61.9 million is from the general fund and \$128.7 million from federal funds. In total, the funding provided for developmental disabilities services grants is an increase of \$17.1 million compared to the 2001-03 biennium appropriation of \$164.2 million. The Legislative Assembly provided funding for increasing the average wage for employees of developmental disabilities services providers by 87 cents per hour and for increasing the allowable fringe benefits percentage from 30 to 33 percent of salary.

The 2003-05 biennium budget anticipates serving an average of 2,189 developmental disabilities clients in day and residential services for each year of the 2003-05 biennium and 1,337 clients in family support programs for each year of the 2003-05 biennium.

### STUDY PLAN

The committee may wish to proceed with this responsibility as follows:

1. Receive reports from the Department of Human Services and developmental disabilities providers as requested by the committee on the status of the development of a new developmental disabilities services provider payment system.
2. Receive the Department of Human Services certification by October 1, 2004, regarding

whether the department and providers have reached an agreement on a new payment system.

3. Determine whether the provisions of Senate Bill No. 2086 should become effective on July 1, 2005, or whether the provisions should be amended or repealed.

4. Develop committee recommendations and prepare any legislation necessary to implement the recommendations.
5. Prepare a final report for submission to the Legislative Council.

ATTACH:1