

**Testimony**  
**Long-Term Care Interim Committee**  
**Representative Kreidt, Chairman**  
**Thursday, May 6, 2010**

Chairman Kreidt and members of the Long-Term Care Committee, I am JoAnne Hoesel, with the Department of Human Services (DHS) and Cabinet Lead for Program and Policy which includes the developmental disabilities division (DD). I am here to provide a summary on the rate setting process used in the developmental disabilities programs.

**Description of reimbursement type**

North Dakota's current reimbursement process is a mix of a cost-based retrospective ratesetting system with compensation added on top for individuals who are medically fragile and/or behaviorally challenging. This mix requires the building of a provider budget, a cost report, the establishment of an interim rate, a final rate, and a settlement process.

**Summary of rate setting and reimbursement process**

**1. Submission of a provider budget**

Each developmental disabilities provider submits a budget to the DD Division annually and an interim rate is established. The approved budget is based on allowable, reasonable, and client-related costs. Nonallowable costs are identified in N.D.A. C. 75-04-05-13.

**2. Establishment of a provider budget limitation**

Provider budget limitations are used to implement available appropriations and apply appropriation increases or decreases. The approved provider budget is included in determining the provider interim rate. Payments are made in the current year based on this interim rate.

**3. Application of targeted appropriations**

After the budget limitation and interim rate is set, targeted appropriations tied to six (6) specific categories of adult and children who are medically fragile and/or behaviorally challenging are applied. Consumer specific appropriations have occurred since the 2005 legislative session. These targeted appropriations are based on two assessment tools. North Dakota uses Oregon-based tools to identify the individuals with intense medical or behavioral needs and their providers. Payments for these targeted groups are totaled by provider and each provider is paid their allotment on a quarterly basis.

#### **4. Submission of Cost Reports**

At the end of the provider's fiscal year, a cost report is submitted to the DD Division. Providers are allowed a three month window with a potential of a one month extension for submittal of the cost report.

#### **5. Audits and Cost Settlement**

The department conducts an annual compliance audit of reported costs for each provider, and audited, allowable costs are compared to the reimbursements received through the interim rate. Final payments are cost settled after completion of an audit. Actual revenue received by a provider is limited to the lesser of the budget limitation or cost whichever is less.

-Some of the areas the compliance audit addresses include:

- Reconciliation of units of service
- Appropriate classification of cost
- Accuracy of real property expense
- Consideration of salary schedules
- Rural development rental rates (USDA)

Currently all audits are up to date.

The following is an example of the timeline involved for completion of a DD audit – audit deadlines are addressed in N.D.A.C. 75-04-05-08 (the provider's name has been replaced but actual dates are used).

For Provider X, FYE 6/30/08:

- a. Provider X cost report was received by DHS on the date due, 9/30/08.
- b. The provider did not request an extension.
- c. DHS had until 9/30/09 to issue the preliminary audit reports – the preliminary audit reports were issued to Provider X on 9/25/09.
- d. Provider X had 45 days to provide a response to the preliminary audit adjustments – the due date was 11/9/09.
- e. However, Provider X requested an extension to 11/30/09 which was approved.
- f. Provider X's response to the preliminary audit adjustments was received on 12/2/09.
- g. DHS had 90 days from the receipt of the provider's response to issue the final audit reports – the due date was 3/2/10.
- h. Provider X's FYE 6/30/08 final audit reports were issued on 3/4/10.

DHS was asked to report on the number of providers whose actual allowable costs exceed their budget limitation. In fiscal year ending 2008, there were (8) eight DD providers that had excess 'green sheet' costs and (5) five DD providers reported excess extended service costs.

A provider may request budget enhancements if they feel needs of an individual have increased. The provider budget guidelines address the parameters for allowable enhancements. Enhancement requests are reviewed by regional and state staff. If an enhancement is approved, the provider budget limitation is adjusted. The entire process is a balance of meeting client need, adherence to federal funding regulations which require cost efficiency, cost effectiveness, and quality while managing appropriated funds.

I'd be happy to answer any questions.