

Home and Community Based Services Rate Study Update

Mississippi Division of Medicaid

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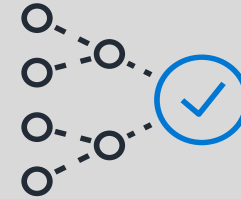
Alyssa Tolbert, Healthcare Consultant

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Agenda

- Welcome (5 min)
- Project Overview (10 min)
- Independent Rate Model Overview (10 min)
- Key Payment Rate Assumption Updates Used to Develop SFY 2027 Draft Proposed Rates (20 min)
- Payment Rate Modeling Fiscal Results (10 min)
- Next Steps (5 min)



Meeting Focus:

Provide an overview of the SFY 2027 draft proposed rate results compared to SFY 2026 proposed rates.

Feedback can be provided to:
LTSSPrograms@medicaid.ms.gov

Welcome

Introductions

Division of Medicaid (DOM) Leads

- Misty Jenkins – Senior Director of Long Term Services & Supports
- Jennifer Wentworth – Deputy Administrator of Finance
- Tracy Buchanan – Deputy Administrator of Health Services
- Paulette Johnson – Director of Long-Term Care
- Kate McMillin – Director of Health Related Programs & Benefits
- LaShonda Barnes – Director of Assisted Living Waiver
- Nancy Dampier – Director of HCBS Provider Relations

Department of Mental Health (DMH) Leads

- Jamie Odom – Director, ID/DD Waiver
- Pamela Harkins – Director, IDD Community Support Program
- Craig Kittrell – Deputy Director
- Kristin Merritte – Chief Clinical Officer

Mississippi Department of Rehabilitation Services (MDRS) Lead

- Anita Naik – Director, Office of Special Disability Programs

Key Milliman Staff

- Gwyn Volk – Principal and Senior Healthcare Consultant
- Jill Bruckert – Principal and Consulting Actuary
- Katarina Lorenz – Consulting Actuary
- Alyssa Tolbert – Healthcare Consultant

Background and Purpose

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Background

- In 2024, the Mississippi Division of Medicaid (DOM) contracted with Milliman to conduct a payment rate study for DOM's home and community-based services (HCBS) authorized via 1915(i) state plan and five 1915(c) waivers.
- This payment rate study resulted in modeled State Fiscal Year (SFY) 2026 payment rates that DOM proposed for adoption.
 - Modeled payment rates were developed using an independent rate model (IRM) approach and are intended to be consistent with efficiency, economy, quality of care, and access to care.
- Implementation of the proposed SFY 2026 payment rates is pending legislative action as additional funding and CMS approval would be needed.

Purpose

- DOM intends to conduct annual reviews of HCBS payment rates with any related payment rate increases being subject to state legislative approval.
- DOM has contracted with Milliman to develop an analysis for use by DOM when updating proposed SFY 2026 payment rates to SFY 2027.
- **For discussion today:** Review of approach used to update DOM's proposed SFY 2026 payment rates to SFY 2027, projected fiscal impact and next steps.

Included Services

Program	Residential	In-Home	Community	All Other
Assisted Living	<ul style="list-style-type: none"> Assisted living TBI residential 			
Independent Living		<ul style="list-style-type: none"> Personal care attendant 		
TBI/SCI	<ul style="list-style-type: none"> Respite: Institutional 	<ul style="list-style-type: none"> Personal care attendant Respite: In home companion, in home nursing (separate payment rates for LPN and RNs) 		
Elderly & Disabled	<ul style="list-style-type: none"> Respite: Institutional 	<ul style="list-style-type: none"> Personal care services Private duty nursing (separate payment rates for LPN and RNs) Respite: In home 	<ul style="list-style-type: none"> Adult daycare (include separate payment rates for low support and high support clients for DOM's consideration) 	<ul style="list-style-type: none"> Case management Home delivered meals Community transition services (pre and post) Medication management (separate payment rates for initial and follow-up)
ID/DD	<ul style="list-style-type: none"> Shared supported living (low to high support) Supervised living (low to high support, <4 beds, 4+ beds) Medical supervised living Behavioral supervised living Crisis support (ICF/IID) 	<ul style="list-style-type: none"> Home and community supports (1-3 people) Supported living (1-3 people) Respite: In home (1-3 people), nursing (separate payment rates for LPN and RNs) 	<ul style="list-style-type: none"> Day services adult (low to high) Prevocational services (low to high) Job discovery Job development Supported employment – job maintenance (1-3 people) Respite: community 	<ul style="list-style-type: none"> Support coordination Crisis intervention Behavioral support evaluation Behavioral support specialist Behavioral support consultant
CSP		<ul style="list-style-type: none"> Supported living (1-3 people) Respite: In home (1-3 people) 	<ul style="list-style-type: none"> Day services adult (low to high) Prevocational services (low to high) Job development Job maintenance 	<ul style="list-style-type: none"> Targeted case management

Independent Rate Model Overview

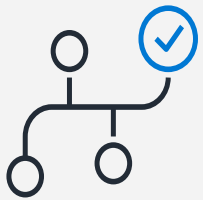
Independent Rate Model Framework

Overview



Ground-up approach

- Rates are built from the ground up
- Based on sum of independently determined rate inputs and components
- Inputs are based on expected resources required to provide the service



Commonly applied method for rate determination for community-based services

- Many states employ independent rate model approach
- One acceptable method based on CMS guidance for community-based services rate-setting



Benefits

- Provides transparency as to the reasonable costs required to provide the service
- Facilitates payment rate updates and modification efforts
- Facilitates comparison of actual costs of providing services
- Developed independently from actual costs incurred – not tied to historical costs

Independent Rate Model Framework

Overview

1



Direct Care Worker (DCW), Clinical Staff, and Supervisor Salary and Wages

- DCW billable and non-billable time
- Supervisor time
- Wages
- Paid time off
- Ratio of staff to persons served

2



Employee Related Expenses

- Employee related taxes and fees
- Employee benefits, such as health insurance and retirement contributions

3



Transportation and Fleet Vehicle Expenses

- Expenses related to ownership, maintenance, and operation of vehicles
- Mileage paid to employees for use of own vehicle

4



Administrative, Program Support, and Overhead

- All other operating expenses
- Excludes room and board

=



Service Rate
(Per Unit Per Person)

Note: The term direct care worker refers to frontline workers and includes direct support professionals and program assistants.

Key Payment Rate Assumption Updates Used to Develop SFY 2027 Draft Proposed Rates

Payment Rate Update Analysis Overview

Process for Developing Payment Rate Updates

- Used the payment rate assumptions included in DOM's proposed SFY 2026 rates as a starting point
- Used more recent publicly reported data to update assumptions (as relevant/appropriate)

Publicly Available Data Used for Analysis

- Federal Reserve Economic Data (FRED) Mississippi-specific wage data for staff in private education and health services positions
- Cost of Living Adjustment (COLA) for 2025
- Consumer Price Index (CPI) for the south region
- Medicare Economic Index (MEI) reported index levels
- Bureau of Labor Statistics (BLS) Employer Costs for Employee Compensation (ECEC) Reporting
- 2025 federal mileage rate reported by the Internal Revenue Service (IRS)

Note: Sources can be found on the references slide.

For detailed information on payment rate assumptions supporting the SFY 2026 proposed rates, visit DOM's website at the link provided below to review Milliman's October 22, 2024 Home and Community Based Service Rate Rebase Study: https://medicaid.ms.gov/wp-content/uploads/2024/10/DOM-HCBS-Rate-Rebase-Report_Draft_20241022-Updated.pdf

Key SFY 2027 Updates

Rate Component	Description
Wage Trend <i>HCBS Programs Impacted: All</i> <i>Rate Impact Direction: Increase</i>	<ul style="list-style-type: none">• As the most recently available BLS wage data at the time of this analysis is from May 2023, we applied an additional year of trend to wages used in the development of the payment rates. May 2023 BLS wage data were also used to develop the proposed SFY 2026 rates.• Trend methodology:<ul style="list-style-type: none">– Maintained the SFY 2026 trended wages, which reflect a 4% wage trend assumption– Added a year of wage trend to bring underlying assumed wages from the midpoint of SFY 2026 (December 2025) to the midpoint of SFY 2027 (December 2026) using a wage trend assumption of 3.0%. This trend assumption was developed considering the following data sources:<ul style="list-style-type: none">✓ FRED Mississippi-specific wage trends for staff in private education and health services positions reported through November 2024✓ COLA for 2025✓ CPI as of November 2024 for the south region✓ MEI reported index levels from Q2 2023 to Q4 2026.
Employee Health Insurance <i>HCBS Programs Impacted: All</i> <i>Rate Impact Direction: Increase</i>	<ul style="list-style-type: none">• Updated the health insurance cost assumption using BLS ECEC data.• While BLS' September 2024 reported health insurance values decreased from BLS March 2024 reporting, the additional 6-month of health insurance cost trending increased the overall health insurance annual cost assumption to \$1,673 from \$1,658 for frontline workers and to \$2,789 from \$2,763 for all other employees.

Note: Sources can be found on the references slide.
For detailed information on payment rate assumptions supporting the SFY 2026 proposed rates, visit DOM's website at the link provided below to review Milliman's October 22, 2024 Home and Community Based Service Rate Rebase Study: https://medicaid.ms.gov/wp-content/uploads/2024/10/DOM-HCBS-Rate-Rebase-Report_Draft_20241022-Updated.pdf

Key SFY 2027 Updates

Rate Component	Description
Retirement and Worker’s Compensation <i>HCBS Programs Impacted:</i> All except TBI/SCI and IL <i>Rate Impact Direction:</i> No Change	Retirement and worker’s compensation BLS ECEC reporting from March 2024 to September 2024 resulted in no changes to the payment rate modeling assumptions.
Cost per Mile <i>HCBS Programs Impacted:</i> Services that reimburse individual vehicle mileage <i>Rate Impact Direction:</i> Increase	Increased the cost per mile assumption from \$0.67 to \$0.70 in line with the 2024 to 2025 federal mileage rate reported by the IRS.
All Other Payment Rate Assumptions <i>HCBS Programs Impacted:</i> All <i>Rate Impact Direction:</i> No Change	There were no other changes incorporated from the SFY 2026 proposed rate assumptions for the SFY 2027 proposed rate update.

Note: Sources can be found on the references slide.
For detailed information on payment rate assumptions supporting the SFY 2026 proposed rates, visit DOM’s website at the link provided below to review Milliman’s October 22, 2024 Home and Community Based Service Rate Rebase Study: https://medicaid.ms.gov/wp-content/uploads/2024/10/DOM-HCBS-Rate-Rebase-Report_Draft_20241022-Updated.pdf

SFY 2027 Draft Proposed Rate Modeling Results

Estimated Fiscal Impact of Payment Rates

Updating DOM's SFY 2026 proposed rates to SFY 2027 results in an estimated 2.7% increase in overall HCBS expenditures from SFY 2026 to 2027, reflecting an estimated \$22.1 million in total expenditure increases (state and federal share)



Fiscal Impact Inputs

- Units used for the purpose of estimated fiscal impacts represent utilization from CY 2023 claims data
- Payment rates used in fiscal modeling include:
 - DOM's SFY 2026 proposed rates
 - SFY 2027 draft proposed rates
- Fiscal impacts are based on historical units and do not reflect estimations of future changes to service utilization

Notable Observations

The additional year of wage trend was the largest driver of the estimated 2.7% increase in overall HCBS expenditures from SFY 2026 to 2027 and resulted in generally consistent increases across all services and programs

Estimated Fiscal Impact of Modeled Payment Rates

	Estimated Payments for Proposed Rates		Fiscal Impact	
	SFY 2026	SFY 2027	Dollar Change	Percent Change
Total - State Share Only <i>(Assumes 76.9% SFY 2026 FMAP until SFY 2027 is available)</i>	\$ 186,658,333	\$ 191,752,331	\$ 5,093,998	2.7%
Division of Medicaid (DOM) - AL, CSP, E&D	\$ 124,890,487	\$ 128,362,251	\$ 3,471,764	2.8%
Department of Rehabilitation Services (MDRS) - TBI/SCI, IL	\$ 17,794,124	\$ 18,309,901	\$ 515,777	2.9%
Department of Mental Health (DMH) - ID/DD	\$ 43,973,722	\$ 45,080,179	\$ 1,106,457	2.5%
Total Across Programs (State and Federal Share)	\$ 808,044,730	\$ 830,096,670	\$ 22,051,939	2.7%
In-Home	\$ 533,114,626	\$ 548,271,844	\$ 15,157,217	2.8%
Community	\$ 89,284,002	\$ 91,452,678	\$ 2,168,676	2.4%
Residential	\$ 109,298,762	\$ 112,128,106	\$ 2,829,344	2.6%
All Other	\$ 76,347,341	\$ 78,244,043	\$ 1,896,702	2.5%
Assisted Living	\$ 22,802,823	\$ 23,412,893	\$ 610,070	2.7%
Residential	\$ 22,802,823	\$ 23,412,893	\$ 610,070	2.7%
Community Support Program	\$ 24,101,935	\$ 24,721,322	\$ 619,387	2.6%
In-Home	\$ 2,982,197	\$ 3,074,724	\$ 92,527	3.1%
Community	\$ 18,394,907	\$ 18,840,316	\$ 445,409	2.4%
All Other	\$ 2,724,832	\$ 2,806,282	\$ 81,451	3.0%
Elderly and Disabled	\$ 493,746,699	\$ 507,546,524	\$ 13,799,825	2.8%
In-Home	\$ 404,361,560	\$ 416,025,836	\$ 11,664,276	2.9%
Community	\$ 26,514,681	\$ 27,160,069	\$ 645,388	2.4%
Residential	\$ -	\$ -	\$ -	0.0%
All Other	\$ 62,870,458	\$ 64,360,619	\$ 1,490,161	2.4%
Independent Living	\$ 55,607,739	\$ 57,219,557	\$ 1,611,819	2.9%
In-Home	\$ 55,607,739	\$ 57,219,557	\$ 1,611,819	2.9%
Traumatic Brain Injury/Spinal Cord Injury	\$ 21,423,102	\$ 22,044,082	\$ 620,980	2.9%
In-Home	\$ 21,423,102	\$ 22,044,082	\$ 620,980	2.9%
Residential	\$ -	\$ -	\$ -	0.0%
Intellectual Disabilities/Developmental Disabilities	\$ 190,362,432	\$ 195,152,291	\$ 4,789,858	2.5%
In-Home	\$ 48,740,029	\$ 49,907,645	\$ 1,167,615	2.4%
Community	\$ 44,374,413	\$ 45,452,293	\$ 1,077,879	2.4%
Residential	\$ 86,495,939	\$ 88,715,213	\$ 2,219,274	2.6%
All Other	\$ 10,752,051	\$ 11,077,141	\$ 325,090	3.0%

- SFY 2026 estimated payments reflect DOM's SFY 2026 proposed rates that have not been implemented
- SFY 2027 estimated payments reflect the draft proposed rate updates to the SFY 2026 proposed rates.

Note: State share assumes a 76.9% Federal Medical Assistance Percentage (FMAP) for SFY 2026 as that was the most recently available FMAP. Fiscal impacts reflect totals from service level calculations and therefore totals may not tie. Calculations are an estimate based on historical units and do not reflect estimations of future changes to service utilization.

Payment Rate Development Example: E&D Personal Care Attendant

Ref.	Description	Frontline Worker	Frontline Worker Supervisor	Total	Notes
A	Average minutes of direct time per unit	15.00			7 hours and 27 minutes of direct time per 8 hours
B	Average minutes of indirect time per unit	0.48			14 indirect minutes per 8 hours
C	Average minutes of transportation time per unit	0.63			19 transportation minutes per 8 hours spread over 24 units per day
D	Total minutes per unit	16.11			$D = A + B + C$
E	Staffing ratio	1.00			
F	Supervisor span of control		20.00		20 employees assumed to be managed by 1 supervisor
G	Supervisor time per unit		0.81		$G = D / E / F$
H	PTO/training time adjustment factor	8.7%	11.0%		Based on separate PTO build
I	Adjusted total minutes per unit	17.51	0.89		$I = D / E * (1 + H) I = G * (1 + H)$
J	Hourly wage	\$ 14.44	\$ 17.18		Based on separate wage build
K	Total wages expense per unit	\$ 4.21	\$ 0.26	\$ 4.47	$K = J * I / 60$
L	Total OT minutes per unit	0.43	0.02		Based on separate OT build
M	Total wages expense per unit w/ OT	\$ 4.37	\$ 0.26	\$ 4.63	$M = (J * 1.5 / 60) * L + K$
N	Employee related expense (ERE) percentage	18.4%	20.2%		Based on separate ERE build
O	Total ERE expense per unit	\$ 0.81	\$ 0.05	\$ 0.86	$O = M * N$
P	Estimated miles driven per unit			0.40	Based on separate miles build spread over 24 units per day average speed of 38.7 MPH
Q	Federal reimbursement rate			\$ 0.70	
R	Transportation fleet costs per unit			\$ 0.28	$R = P * Q$
S	Administration & program support			10.0%	Portion of total rate
T	Administration expenses			\$0.64	$T = S * (M + O + R) / (1 - S)$
U	Service add-on expenses			\$ 0.00	No add-on expenses
V	Total rate			\$ 6.42	$V = M + O + R + T + U$
W	Rate adjusted for multiple people			\$ 6.42	Single Person Rate
X	15 minute Rate			\$6.42	$X = M + O + R + T$

Ref.	Summary of Rate Model Components			Total	Notes
Y	Direct Service Employee Salaries & Wages			\$ 4.32	
Z	Indirect Service Employee Salaries & Wages			\$ 0.14	
AA	Transportation Service Employee Salaries & Wages			\$ 0.18	
AB	Employee Related Expenses			\$ 0.86	
AC	Transportation & Fleet Vehicle Expenses			\$ 0.28	
AD	Administration, Program Support & Overhead			\$ 0.64	
AE	Total Rate			\$6.42	

Note: Totals may not tie due to rounding

Next Steps

Next Steps

- The SFY 2027 HCBS Payment Rate Update Analysis report will be made publicly available on DOM's website: <https://medicaid.ms.gov/hcbs-waiver-providers/>
 - Report will include modeled SFY 2027 draft proposed rates
 - DOM will notify workgroup members once the report is officially published and anticipate that it will be available by 3/31/2025
- Please email any feedback on today's presentation or the report to: LTSSPrograms@medicaid.ms.gov
- Providers will be made aware if/when DOM's proposed SFY 2026 and SFY 2027 draft proposed rates have been approved by the state legislature and can submit feedback via the related 1915(i) public notice and the 1915(c) waiver public notice



Thank you

Limitations

The information contained in this document has been prepared for the State of Mississippi, Division of Medicaid (DOM). This document is intended to facilitate discussions with DOM regarding HCBS payment rate development and is not considered complete without oral comment. The contents of this document are not intended to represent a legal or professional opinion or interpretation on any matters.

Milliman has developed certain models to estimate the values included in this document. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purposes and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

In preparing this document, we relied on information from the SFY 2026 draft modeled rates, DOM service expenditure data, U.S. Bureau of Labor Statistics wage and benefit data, and federal mileage rate information reported by the Internal Revenue Department. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such as a review was beyond the scope of our assignment.

Milliman makes no representations or warranties regarding the contents of this document to third parties. Similarly, third parties are instructed that they are to place no reliance upon this information prepared for DOM by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Jill Bruckert and Katarina Lorenz are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses in this correspondence

References

References

- Proposed SFY 2026 rate report (October 22, 2024). Accessed from: https://medicaid.ms.gov/wp-content/uploads/2024/10/DOM-HCBS-Rate-Rebase-Report_Draft_20241022-Updated.pdf
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- 2025 Federal Mileage Reimbursement from the IRS. (December 2024) Retrieved from: <https://www.irs.gov/newsroom/irs-increases-the-standard-mileage-rate-for-business-use-in-2025-key-rate-increases-3-cents-to-70-cents-per-mile>