

SECTION II: **RATE SETTING POLICIES, PROCEDURES AND EXAMPLES**

This section covers:

- ✓ Medicaid requirements that guide rate setting
- ✓ Other state and federal regulations that guide rate setting
- ✓ Process used to identify costs and set rates
- ✓ Some allowable and non-allowable costs
- ✓ Examples of how organizations have established rates

All provider organizations receiving funding to support persons with developmental disabilities (either paid by County contract or by the individual through a Brokerage) must adhere to relevant State and Federal regulations. It is also the responsibility of a provider organization to use Generally Accepted Accounting Principles (GAAP).

Relevant Federal Office of Management and Budget (OMB) Circulars regarding costing, accounting and auditing of funds are listed here followed by Medicaid and other cost related legal references. Your professional accounting and audit staffs are a resource for clarifying applicable rules and regulations.

- ✓ **OMB Circular A-122 Cost Principles For Non Profit Organizations** available at <http://www.whitehouse.gov/omb/circulars/a122/a122html>
This circular applies to any non profit receiving government funding and includes a comprehensive list of allowable and unallowable costs.
- ✓ **OMB Circular A-110 Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations** (Dated 11/19/93, further amended 09/30/99).
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- ✓ The Code of Federal Regulations (42 CFR 447.203, and 447.325)
- ✓ Oregon Administrative Rule 410-120-0000 through 410-120-1980, Department of Human Services, Medical Assistance Programs. Relevant Sections of this rule include Section 410-120-1280 (1) (4) (13) (14), and 410-120-1340 (3) and (5)).
- ✓ ORS Chapter 427 (3) (c) defines the expectations for development of monitoring and evaluation systems to assure competent management,

program quality, and cost effectiveness in services for persons with developmental disabilities.

Five (5) statements can best summarize Medicaid requirements.

1. Established Rates Must Recognize Customary Charges.

Initial state rate ranges for each purchasable self-directed support service have been established based upon a review of present customary rates charged to persons with developmental disabilities or other DHS customers. Typical rate setting processes and examples are also provided in this manual. In the future, rate ranges will be adjusted based upon surveys conducted at the Brokerage and the State level.

2. Established Rates Must Be Cost Effective.

Federal regulations state that Medicaid may not pay more than prevailing charges in the local area for comparable services. ORS 427.007 (3) also requires that the Department develop monitoring systems to assure cost effectiveness. It will be the responsibility of the Brokerage to assure compliance with the expectation that resources are used in the most cost-effective manner. To meet this expectation Brokerages may:

- ✓ Initially review a provider organization to assure that they are within State approved ranges;
- ✓ Approve rates that exceed customary charges or ranges on a plan-by-plan basis only when justified and based upon identified criteria, and;
- ✓ Gather and use information on rates, costs, service content, organization characteristics, and outcomes in the local area to assist customers in the selection of cost-effective services.

Under ORS 427 (3) (c) and other related regulations, DHS and or CMS may conduct a fiscal or program audit. The review of rates will be done to ensure that provider organizations are treated fairly and that rates charged to customers' plans do not vary by customer without a justified difference in level of support.

3. Provider Organizations Must Maintain Rate Setting Documentation.

Since various agencies could conduct an audit or program review, provider organizations should maintain a written cost allocation plan and record to explain, support, and justify rate-setting decisions. Documentation related to a program or fiscal audit could be expected to include:

- ✓ Support Service Rate Cost Allocation Plan;
- ✓ Individual Contracts or Agreements;
- ✓ Reports accounting for service delivery, outcomes and billing, and;
- ✓ Review of audits and other reports that verify rates and supports.

The second reason for maintaining documentation is to provide more specific rate setting information to potential customers. Individual customers have the right, and can be expected to ask questions related to direct line staff wages, the percentage of agency indirect charges, or other portions of charges in relation to expected outcomes.

4. Medicaid is payment in full.

A provider organization cannot bill individual customers or other agencies for any part of the support services (hours, days, etc.) that are agreed upon, provided, and paid for with self-directed support service funds. Any practice of family or other surcharges is not allowed.

Some level of private payment may still exist. Individual customers or others may agree to pay for additional days, hours or services above that funded by Medicaid. These agreements will be reflected in the ISP and contract.

5. Medicaid Requires Use of Other Available Resources.

The traditional way that this has been stated; “Medicaid is the last dollar” has often resulted in communication barriers and agency finger pointing rather than effective service delivery for persons with developmental disabilities. Oregon’s DHS agencies are committed to a partnership in services to the state’s citizens with disabilities given each unit’s legal mandate and mission.

Medicaid will not pay for a service that an individual is eligible for from another source. This requirement has important implications for both brokerages and provider organizations. Table 6 identifies the resource review expectations for each party. Table 7 lists potential employment or community inclusion resources considered and potentially accessed for a customer.

**Table 6:
Resource Review Requirements**

All Brokerages Must	Effective Provider Organizations Should
<ul style="list-style-type: none"> ✓ <u>Complete a full resource analysis</u> to identify potential generic, specialized, formal and informal resources available to each customer. ✓ <u>Document the effort to access any resource prior to planning and allocating support service funds</u> 	<ul style="list-style-type: none"> ✓ <u>Be prepared to use multiple resources</u> in order to help a customer achieve a goal. ✓ <u>Be knowledgeable about access and use of additional resources.</u>

**Table 7:
Possible Resources Available to Support Service Customers**

For Employment (if applicable)	For Community Inclusion (if applicable)
<ul style="list-style-type: none"> ✓ Vocational Rehabilitation of Commission for the Blind ✓ School district resources ✓ Social Security Work Incentives ✓ One Stop/Work investment Act funds ✓ US ARC OJT funds ✓ Employer ✓ Individual or family networks 	<ul style="list-style-type: none"> ✓ School district resources ✓ Personal networks (family friends) ✓ Mentors, volunteers ✓ Local organizations

or resources	
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Process for Establishing Support Service Costs and Billing Rates

There are 5 major steps that must be completed in the development of any billing rate for Self-Directed Support Services for Adults. Appendix 2 provides definitions for the terms used throughout this section of the manual. This manual assumes that provider organizations have the expertise, accounting systems and historical budget data adequate to complete all steps in the process. The descriptions, forms and examples provided demonstrate several approaches to rate setting. Each provider organization is encouraged to work closely with its accounting and auditing staff, applying a process to their unique organization. They are also encouraged to take advantage of training and technical assistance that may be available through the Oregon Technical Assistance Corporation and or the Oregon Rehabilitation Association.

Step 1: Identifying Costs

OMB Circulars and Table 8 Expense Classifications on page 27 provide guidance for the allocation of direct, indirect, allowable or non-applicable expenditures based on federal and state requirements. Organizations should work with professional staff in this process of cost identification. It is not the intent of this manual to identify all allowable and non-allowable costs.

Common non-allowable costs include but are not limited to:

- ✓ Business and production expenses that should be paid by a local business and included in the bid price for sub-contract work including worker wages, taxes and benefits, standard labor and production costs, raw materials and supplies, shipping and receiving;
- ✓ Employer incentives;
- ✓ Basic customer expenses;
- ✓ Staff pre-service training or other expenses necessary for the organization to demonstrate initial capacity and qualifications;
- ✓ Costs that are only "a guess" and are not justified based on budget line item and experience. For example a standard item for "margin of X% is not allowed. Actual line items that can be included as in-direct expenses;
- ✓ Other costs not allowed as outlined in the relevant OMB Circular.

The established rate for each service available from an organization may be based on an analysis of actual expenditures for services that are now being provided or by projections related to new services or new costs incurred as a result of the delivery of support services. Organizations projecting rates must update rates as soon as reliable information is available, but no later than 6 months after the initial projection.

Step 2: Figuring the Cost of One Unit of Service.

This will generally require the calculation of the total annual units of service to be provided for the particular type of service. As is evident in the examples provided by ABC and XYZ agencies, the units of service may actually be sold to either comprehensive or support service customers.

Step 3: Establishing The Billing Rate.

The billing rate is the amount charged to each individual for a unit of service. Assuming that the organization is identifying a billing rate that will be in effect for one year may simplify the process of contract negotiation with customers budgeting based on an annual benefit level.

Provider organizations may have more than one billing rate for a particular support service. All billing rates, whether initially established and used by many customers or negotiated to fit one individual, must be based upon fiscal data related to services to be sold. In the example noted below, the organization has established 2 possible rates for community inclusion for sale to typical customers. Individualized rates may also be developed on an as needed or exception basis.

Example ACME Community Options		
<i>Service</i>	<i>Billing Rate</i>	<i># Customers</i>
1. <u>Community Supporter</u> providing 1:1 staff to support an individual's full participation in community activities that interest them.	\$15.50 per hour	5
2. <u>Community Coach</u> - Service for up to 10 hours to find a community site of interest to the individual including orientation of individual's who would agree to voluntarily mentor on-going participation.	\$22 per hour	2

Step 4: Establishing Accounting and Billing Systems.

A provider organization will manage multiple service contracts or agreements for self-directed support services. Individual contracts will vary in start and stop dates, contract length, and expectations for payment. The provider organization must assure a reliable system for accounting of costs associated with all support services and customers. This includes accurate reporting of services delivered and accurate billing and charging of each individual for the supports they receive.

Step 5: Controlling and Verifying Rates and Supports.

An organization is expected to have an accounting system able to accomplish all the defined tasks to produce financial statements that allow for effective management and decision making on the part of the agency. Regular review of revenue and expenditure statements should be made to verify that the rates charged and collected are adequate to cover related costs. Consideration of an adjustment to a rate is an appropriate part of an organization's budget process.

Table 8: Expense Classification

Expense Account Title	Direct	Indirect	Non-applicable Not Allowable
Customer wages, stipends, or benefits			X
Customer benefits or personnel expenses (sick leave, vacation)			X
Customer financial assistance (basic living, medical, social or recreational activity)			X
Standard business or work production costs			X
Staff salary	X1	X1	X1
Staff benefits	X1	X1	X1
Staff payroll taxes	X1	X1	X1
Staff administrative and non-chargeable time	X ¹	X ¹	
Staff Pre-service Training			X
Staff In-service Training	X ¹	X ¹	X ¹
Staff travel	X		
Postage, dues & office supplies		X	
Administrative training		X	
Administrative travel		X	
Office rent & occupancy		X	
Professional fees		X	
Depreciation expense		X	
Insurance expense		X	
Attendance Fees	X ¹	X1	
Director salary, benefits, taxes		X	
Office expense		X	
Telephone and Communication		X	
1 classification as direct, indirect or NA based on organization allocation plan, FTE ,and service design			

Provider Rate Calculations

This portion of the manual provides a step-by-step process, blank forms and actual examples to assist you. In the examples, the organization administrator has shared his or her thinking and logic in the establishment of their rates.

In putting this manual together the common workgroup questions were – is there a simple way to do this? Is there a simple formula? Is there common language that will help providers, brokerage staff and customers talk about rates? Unfortunately the process is not simple and it is unique to each organization. We have tried to make the language and process clear through the use of forms and examples.

EXAMPLE #1 **Setting Rates For 1:1 Services**

HOW: Hourly Rate Calculation Process (page 30-31)
 Hourly Rate Calculation Worksheet (page 32)

EXAMPLE: ABC Corporation (pages 33-34)

APPROACH COULD BE USED FOR:

1. Individual Supported Employment or Inclusion Rate; or,
2. Small Group Employment (crew or enclave) or Community Inclusion Group Rate (prorate the 1:1 rate by the size of the group).

METHOD: Building the rate based on the hourly wages of direct line staff.

EXAMPLE #2 **Setting Rates For Group Services**

HOW:

1. Simple Formula Conversion of Existing Slot Rates (page 35);
2. Daily Rate Calculation Process (page 36-38); and
3. Daily Rate Calculation Worksheets (page 39-40).

EXAMPLE: XYZ corporation (page 41-44)

APPROACH COULD BE USED FOR:

1. Facility Employment Rate (sheltered workshop, work activity ATE);
2. Small Group Employment Rate (crew or enclave); or,
3. Group Inclusion or Respite Rate.

METHOD: Identifying the rate based on a cost center analysis of agency services.

Setting Rates For Transportation

Individual Staff Person Transports Customers as Part of Job

When a person functioning as a job coach or other staff transports a customer(s) as part of their scheduled activities, this can be done at the approved rate for supported employment or inclusion services. As with the group example (ABC Corporation) hourly rates should be prorated based on the size of a group or number of persons being transported, so that individual's are billed appropriately.

Provider Maintains Transportation Service

When an organization maintains vehicles and routes to travel, a separate transportation rate should be established. The organization should establish a rate based upon a per day, per mile, or per trip cost. The process is the same as in the daily rate example:

- a) Determine total costs appropriate to the Cost Center;
- b) Identify the Unit of Service ;
- c) Calculate Total Annual Units of Service; and,
- d) Calculate the Rate per Unit.

Hourly Rate Calculation Process

The following is one method for determining the costs and billing rate for one hour of 1:1 staff time followed by an example of use of the process applied by ABC Corporation. The steps identified in the process match those on the blank Staff Hour Rate Calculation Worksheet is included on page 32.

I. Determine Total and Hourly Direct Service Staff Costs

Step 1. Determine the staff hourly pay rate and total wages for direct service staff.

Identify staff typically involved in direct face-to-face delivery of the defined Support Service. The organization may choose to average hourly pay (e.g., \$12 per hour for job developer and \$9 per hour for job coach = \$10.50 per hour) or establish separate rates for service (e.g. job development \$12 and Job coach \$9 per hour).

Identify the total wages for identified direct line staff.

Annual salary (1.0 FTE) of a position should be based upon employed 2080 hours yearly, or a monthly salary for 173 paid hours. Any FTE or hours involved in non-allowable business activity should not be included here. This should not include the cost for any administrative positions.

Step 2. Determine the ratio for Other Personnel Expenses (OPE)

Calculate the cost of benefits for direct line staff identified in Step 1 above. Again, do not include costs related to administrative or in-direct staff. Divide total wages (Step 1) by total benefits to determine OPE ratio. Multiply the OPE ratio x the hourly wage for all staff identified in Step 1. This amount will be added to the hourly wage.

Step 3. Determine the ratio for essential non-billable staff time or “prep time”. (If applicable)

Non-billable staff time is work that is done without the person being present that supports their specific contracted outcome (travel, report writing and other work). Identification of ratios should be made on the basis of time studies or other data. The amount will be added to the hourly wage. In the attached example, 30 minutes of prep time was required for every 2 hours of direct service, so the ratio is 25%. Ratios may be different based upon service type, location and other variables. An organization’s more limited role in the self-directed support services ISP process is generally expected to decrease meeting and reporting time when compared to present comprehensive services.

Multiply the non-billable ratio times the hourly wage for all staff identified in Step 1. This amount will be added to the hourly wage.

Total hourly Staff Costs = 1 + 2 + 3

II. Determine Total and Hourly Direct Service Program Costs.
(if applicable)

Step 4. Determine the ratio for staff transportation. (On Worksheet) **OR**
Step 4. Determine the ratio for other direct program cost.

For Organization ABC, direct line staff is often in the field visiting present or potential worksites and staff transportation represents the major direct program cost. This is staff travel to do the job without the customer present. The organization should identify the staff travel budget/total annual salaries in Step 1 to identify the travel ratio. Multiply the non-billable ratio x the hourly wage for all staff identified in Step 1. This amount will be added to the hourly wage.

An organization may be able to identify other direct program costs exclusive to customers of the defined service. If this cannot be done easily, than it may be more appropriate to include these costs in overhead or indirect and allocate on a per customer basis for the agency's total service capacity (all comprehensive and support customers) as part of step 5.

III. Determine total and Hourly Administrative, Overhead or Indirect Costs.

Step 5. Determine cost and a ratio of indirect costs

This process will vary based on the nature of the agency and the method of cost allocation. Total organization allowable indirect budget may be divided by the total number of service hours that will be delivered to all customers. Service hours must be used as the divisor even if some cost centers bill daily because in this cost center the hour is the unit of service. (See ABC Calculation of Service)

IV. Combine Costs to identify the Proposed Rate Items 1 + 2 + 3+ 4 +5 = Hourly Rate

Blank Staff Hour Rate Calculation Worksheet			
Direct Contact Staff Costs			
1. Salary cost			
	Standard monthly salary *		\$ ____.
DIVIDED BY	Paid hours per month		____173
EQUALS	Hourly salary cost		\$ ____.
TIMES	Total time per contact hour **		\$ ____.
EQUALS	<i>Hourly salary cost</i>		\$ ____.
2. Benefit cost			
	Total budgeted payroll tax & benefits		\$ ____.
DIVIDED BY	Total budgeted salaries		\$ ____.
EQUALS	Benefit ratio		____.
TIMES	Hourly salary cost	EQUALS <i>hourly benefits cost</i>	\$ ____.
3. Transportation cost			
	Total budgeted auto & parking expense		\$ ____.
DIVIDED BY	Total budgeted salaries		\$ ____.
EQUALS	Transportation cost ratio		____.
TIMES	Hourly salary cost	EQUALS <i>Hourly transportation cost</i>	\$ ____.
OVERHEAD COSTS			
4. Overhead cost			
	Total annual overhead budget		\$ ____.
DIVIDED BY	Total direct contact staff hours per year		____.
EQUALS	Hourly overhead cost		\$ ____.
1,2,3,4	TOTAL HOURLY COST		\$ ____.

* This might be the highest salary paid, an average salary, or a weighted average for direct line staff in this cost center only

** This is the ratio of total time divided by contact time (where total time is contact time *plus* preparation, travel & administrative time) as based on a time study or experience.

**RATE WORKSHEET
ABC CORPORATION**

1. Think: 5 people do this work; Wages: \$15, \$15, \$12.50, \$12 & \$11. Averages \$13.10/hr. No increases next year.

2. Pull the benefit numbers from the 1/1-6/30/02 income statement. Analyze costs and make adjustments for what will happen-cost increases for some items and savings as a result of staff or package changes. Note FUTA not allowable costs for non profits

2. Look at total wages, but take out all administrator \$ (wages and benefits) those go in overhead...

Divide total benefits by total wages to get the OPE ratio

4. Back to the Income Statement – see what you spent on transportation.

6a. Back to the income statement – Take out non-allowables; subtract all direct costs (items 1-4); all other Medicaid approved expenses are OVERHEAD or in-direct

6b. Calculate 6 Month Service contact hours:
ATE: 125 days x 5 hrs/day x 16 customers = 10,000 hours.
Supported Employment 4.3 FTE x 1038 hours each x .75 (face to face time) = 3350 hours.
Total capacity = 13,350 hours

**RATE WORKSHEET
ABC CORPORATION**

Continued

These figures describe how one agency arrived at its 1:1 service rate. Every provider will need to figure out how that breaks into a 1:3, 1:4 or whatever service ratio its program(s) offer.

We use a 1:3.5 in our ATE, so \$10 per hour is the basic charge

Direct Contact Staff Costs

1. Hourly wage cost:

2. Benefit Cost 1/1-6/30/2002 7/1/02-6/30/2003
Take all payroll tax and benefit accounts projected ad from 1/1-6/30 and total them up:

FICA	\$12,543	
FUTA	950	
SUTA	4,101	
Med/Dentl Ins.	27,883	Expect savings and +15%
Life Ins.	264	
Accrued Vac.	7,696	
Wrkr Comp Xp.	4,500	Increase \$50/mo.
Retirem't Exp.	600	
Total Benefits	\$58,537	(adjusted) \$ 51,719
Wages:		\$162,597
	\$51,719	divided by \$162,597 = .318

For every dollar in wages we're paying \$.32 in benefits
Multiply the OPE ratio times the hourly wage to get the hourly benefits cost: \$13.10 times .318 equals:
Wage & benefit hourly total:

3. Prep time cost/ratio: 2-hr class or job support takes 30 mi
0.25 Multiply prep-time ratio (.25) times hourly wage/be
Total Hourly wage/benefit costs: (1+2+3)

4. Staff Transportation Costs:
Total vehicle, mileage, insurance, parking expenses, etc.
For 1/1-6/30/02 = \$11,741.00. Divide that by total wage
The transportation cost ratio. 11,741 divided by 162,597
Multiply the ratio by the hourly wage to get hourly trans:
.072 times \$13.10 = \$.94/hr

5. Total Direct Costs (1+2+3+4)

6. INDIRECT or OVERHEAD COSTS

6a. Present In-direct 6 months all services (\$111,586)
Divide this by the total hours of direct service contact
\$111,586 / 13,350 equals: hourly overhead per direct

OTHER INDIRECT COSTS TO CONSIDER

6b. Program Fees covers activity admission charges, cc
Evening Workers Dinner group for persons in SE
Based on ATE (\$20/mo. X 16 x 6 mo. / 10,000 hou
6c. 5% absence factor – if we're unable to bill 1 hour c
Due to "no-show" (\$31.18 x .05 = \$1.56)

7. NEW SUPPORT SERVICE COSTS

7a New Costs = \$675/mo. x 6 mo. = \$4,050

7b. Anticip. new service hours** 6mo x
Anticip. new costs per hour \$4,050

Phase in at 50% now; add 50% in 6 mos if

TOTAL HOURLY COSTS:

Each new service may need a call and different overhead costs.

OTHER INDIRECT COSTS

6b. Under the rules, we call for better *Historic data* absent

6c. MORE COMMUNITY ACTIVITY COSTS – TREATS, BUS FARE, etc. THEM.

7a..Anticipated Costs

Simple Formula Conversions of DD 54 Slot Funds To Rates

DD 54 providers have existing contracted rates for the provision of work activity, facility-based employment, and or supported employment. Existing Medicaid rates are based on the provision of 25 hours per week of support or service. While a provider organization is in the process of establishing distinct rates, existing rates may be used if they are converted to hourly or daily units of support.

EXAMPLES

1. Monthly contracted slot rate for workshop divided by days per month = a daily billing rate for on-going employment support with x amount of individualized time per day.
2. Monthly contracted slot rate for supported employment divided by average number of staff hours of support provided to individual and employer to maintain employment at 25 hours per week = rate per hour for individual job coaching or supported employment.
3. Monthly contracted slot rate for supported employment divided by 105 hours per month (25 hours per week x 4.2 weeks per month) = hourly rate for support of an individual at an enclave site.
4. Agency overall blended slot rate (all slots) divided by 21 days per month = a daily billing rate for an individual in assessment who may move within a variety of work opportunities to determine talents and interests.

Daily Rate Calculation Process

The following is one method for determining the costs and billing rate for one day of support in a group and site based employment setting. Daily Rate Calculation Worksheets are included beginning on page 37.

XYZ Corporation expects to continue to support present clients who will move to support services and may support new customers in its work activity center site. XYZ Corporation has provided components of the agency's: a) XYZ Cost Allocation Plan, b) the Support Service Description, and c) the budget for the ASSEMBLY (WAC) cost center.

I. Determine the Daily Rate For Services For Most Individuals

Step 1: Determine the Total Cost of the Cost Center or Program.

This involves the initial allocation of non-allowable business and other expenses and the identification of direct and indirect costs based upon the guidelines in this manual, the relevant OMB circular and the organization service design. See XYZ Assembly Budget, pages 43 and 44.

Step 2: Identify the Basic Package of Services.

The Support Service description is a tool designed to create an honest picture of services in order to facilitate effective communication with customers and provide a foundation for rate setting. Any organization should be able to identify program characteristics, including but not limited to: a) the number of hours per day, b) the staffing ratio, and c) the content of a day of service. It may help the organization to ask probing questions about its employment, community inclusion or respite service like those below:

- ✓ What is "typical" program content for this service?
- ✓ How much paid work or other planned and structured activity is available?
- ✓ How much of the paid work or other activity will be available for each customer will be provided for each customer?
- ✓ How much choice, control and or variety will be available?
- ✓ For employment programs, will the organization have enough work regularly available to add new customers without lessening the work available for all?
- ✓ How much down time is there? What supports will be available during that time? Should this be considered a separate service?

Step 3: Identify the Unit(s) of Service

The county contractual unit of service has been a month. For self-directed customers, especially those who want to continue in the same site, the basic unit of service maybe converted to a day (5 or more hours) of paid work or other clearly defined activity with support. This may be considered the organization's basic unit of service.

An organization may also wish to identify an hourly rate that may be used to meet individual needs above the basic unit (see steps 6 and 7). In this case, any hourly rates should be based on a clear identification of direct care staff costs only, since the daily rate already includes indirect costs.

Step 4: Calculate Daily and Annual Units of Service or Capacity.

For purposes of rate setting this is done based on habilitation training and support only. Daily Units of Service = Site FTE for Services x Customers per day or staff ratio. Annual Units of Service = Units per day x days per month x 12 months per year.

Step 5: Calculate the Rate per Unit.

Total direct and indirect costs/Total Annual Units of Service = Rate per Unit.

II. Adjust Based on Individualized Assessment (if necessary)

Step 6: Complete Individual Assessment

One example of an assessment form is provided in Section III, page 60. This, or a similar assessment, may be helpful in preparing for negotiation with persons who will transition to self-directed support services. For new customers, organizations may wish to sign short-term (30-90 day) contracts at the established rate to allow for assessment.

Step 7: Use Information To Discuss Needs and Negotiate/Renegotiate With the Customer and the Personal Agent.

Using information from Step 6, individualized agreements can be negotiated. This Information may result in one of three situations, which are described below, based on established rates for XYZ Corporation.

- ✓ **Basic Unit Fits Individual Support Needs.** No change needed in established staff ratio and daily rate. XYZ = \$29.68 per day.

- ✓ **Individual Needs Fewer Supports.** Adjust daily rate to reflect revised staffing ratio. If 1:12 was an adequate ratio at XYZ, $\$29.68 \times .66 = \19.59 per day.
- ✓ **Individual Needs Greater Supports** Determine additional hours and negotiate individual agreement based upon those needs. XYZ additional hourly rate is \$11.45 per hour. If an individual needed 1 hour of additional support per day, the daily rate would be $\$28.32 + \10.86 or \$39.18.

Daily Rate Calculations Worksheet

Step 1: Complete Cost Center Analysis

Allocate direct, Indirect, and Non-allowable Expenses
(Blank Form Available page 40)

Step 2: Identify the Basic Package of Services

Define Service Content, Length, Staffing Ratio, and Frequency of Contract
(Use Form in Manual Page 19)

Step 3: Identify the Unit(s) of Service

For Organizations Selling Services Like Those Now Available For 25 or More Hours per Week, Use of a Per Day (5 or more hours) or Half-day Unit is Recommended (See Manual page 12-13).

Step 4: Calculate Daily and Annual Units of Service

	DAILY CAPACITY	Total Direct	FTE
<hr style="width: 20%; margin-left: 0;"/>			
TIMES	Staff to Customer Ratio		X
	(1:8 = 8) (1:16 = 16)		
EQUALS	Total # of Customers per Day	=	
<hr style="width: 20%; margin-left: 0;"/>			
TIMES	Days per Month (21.6=22)	X 22	
TIMES	Months per Year	X 12	
EQUALS	ANNUAL CAPACITY		

Step 5: Calculate the Rate per Unit

TOTAL ALL ALLOWABLE EXPENSES

(Direct + Indirect)

DIVIDED BY Annual Capacity

EQUALS

Rate per Day

If Additional Individual Support is Needed, Individual Assessment must be Completed.

Step 6: A. Identify Total Extra Hours of Support Needed per day

_____ B. Identify Staff Ratio Needed For Extra Support

_____ C. Complete Hourly Rate Calculation (Steps 1-2, page 31 or 33)
Salary and Benefit Costs Only

_____ D. Prorate Based on Staff Ratio if Greater than 1:1

_____ E. Total Extra Support Cost (6A times 6C or 6D)

Step7: Total Cost
Rate per Day \$ _____ + 6E _____ =

XYZ Corporation
Cost Allocation Plan Assembly Work Activity Center Site

1. Determine the Total Cost of the Cost Center or Program.

- **Time Studies** were conducted with staff to accurately allocate direct, indirect and non-allowable costs. Available upon request.
- **Not Allowable Expenses** associated with the operation of a business and charged to contracts with local companies See Assembly Budget \$89,013.
- **Direct expenses** are only those associated with the individual client. Time was allocated when providing direct customer support and time associates with directly serving the person (travel with a customer, documenting about a specific customer, planning with the customer, and counseling). See Budget \$88,037.
- **Indirect expenses** are those related to providing client services in more than one program. See Budget \$111,339
- Time was allocated to indirect when it related to meetings involving other than the customer, program management, or services for more than one customer or program site.
- Additional secretarial costs of record keeping, data entry, mailings were accounted for in secretarial time. Time study determined allocation levels to in-direct or no-allowable business.
- Sub Pool-based on average PTO taken per employee per year a requirement for coverage. Hours of coverage x expense per hour for substitute staff.
- 5% vacancy rate based on 6-month review for site customers.
- Includes increased vocational manager time and administrative operational changes projected to work with brokerage.

2. Identify the Basic Package of Services.
Information inserted on portion of Support Service Description Form page 19.

Description of Service:

(Service content, length, staffing ratio, frequency of contact review with customer etc.)

- ✓ Each individual receives 5 hours a day of service with an opportunity for paid work
 - ✓ Supervision 1:8 staff ratio
 - ✓ 40 minutes per day of 1:1 training
 - ✓ Specific schedule and activities negotiated within individual contract.
- Typical plan may include:
- Defined type and hours of paid work expected per week;
 - Defined schedule for desired community activities;
 - Prioritized activities or plan when work is not available (individual may choose not to attend when this occurs)
 - Identified training goals related to integration, independence, or productivity (if any); and or,
 - Plan and schedule for customer and staff involvement in job development in an identified occupation (if appropriate)

3. Identify the Unit(s) of Service

Basic Unit of service is a day (5 hours). Additional units of service are based upon 1:1 support on an hourly basis.

4. Calculate Daily and Annual Units of Service or Capacity.

Daily Capacity 3.51 FTE Available direct service FTE
 x 8 Staff client ratio
 28 Clients per day

Annual Capacity: 28 clients/day x 22 days per month x 12 months = 7392 days

5. Calculate the Rate per Unit.

Total All Allowable Costs (direct and indirect) \$209,344 / Capacity 7392 = **\$28.32/day**

6. Calculate Additional Hourly Rates.

Individual 1:1 rates for persons requiring more than 40 minutes per day of 1:1 are determined based on hourly salary of \$8.35 and 30% OPE, for an hourly total of **\$10.86**.

XYZ ASSEMBLY WAC PROGRAM BUDGET					
		DIRECT	INDIRECT	NOT ALLOWED	TOT
ADVERTISING		0	200	0	2
CONSULTANTS		1,000	0	0	1,0
DEPRECIATION		0	11,000	3,000	14,0
MILEAGE REIMB.		0	500	100	6
FOOD		0	0	0	
FREIGHT		0	0	50	
TRAVEL & INSERV		100	1,200	0	1,3
MAINTENANCE		0	3,000	500	3,5
MISCELLANEOUS		0	300	0	3
POSTAGE		0	0	1,000	1,0
SAFETY/MEDICAL		0	1,250	225	1,4
SUPPLIES		0	5,174	760	5,9
TELEPHONE		0	1,800	600	2,4
UTILITIES		0	7,000	2,355	9,3
PUCH-SUPPLIES		0	0	500	5
VEHICLE EXP		0	0	600	6
DELI/VENDING		0	0	6,500	6,5
ADMIN OP		0	19,000	0	19,0
SUB TOTAL EXPENSES		1,100	50,424	16,190	67,7
STAFF EXPENSE					
SECRETARY					
Staff	0.00	0	8,626	4,734	13,3
Staff	0.00	0	2,158	2,158	4,3
SUPERVISORY					
Voc Staff	0.73	12,147		4,493	16,6
Voc Staff	0.69	11,482		5,149	16,6
Voc Staff	0.90	14,976		1,664	16,6
Voc Staff	0.79	13,146		3,494	16,6
Supervisor	0.25	4,956	4,956	9,911	19,8
Supervisor	0.15	3,243	1,000	0	4,2
Program Manager		2,866	11,462	5,970	20,2

XYZ ASSEMBLY PROGRAM BUDGET PAGE 2

		DIRECT	INDIRECT	NOT ALLOWED	TOT
Voc Management		0	8,656	0	8,6
Total FTE	3.51				
STAFF SUB TOTAL		62,816	36,858	37,573	137,2
STAFF OPE (30%)		18,845	11,057	11,272	41,1
SUB POOL TEMP		4,471	0	0	4,4
SUB/TEMP OPE		805			8
ADMIN STAFF		0	13,000	0	13,0
STAFF TOTAL		86,937	60,915	48,845	196,6
CLIENT WAGES		0	0	20,320	20,3
CLIENT OPE		0	0	3,658	3,6
TOTAL EXPENSES		88,037	111,339	89,013	2883
		0	0	0	
TOTAL DIRECT & INDIRECT EXPENSES					199,3
	5% Vacancy Rate		9968		
			\$209,344		