

Supports Coordination Organization Cost Report Rates Methodology:

The proposed Supports Coordination Organization (SCO) payment rates were developed from the data in the cost reports submitted by providers and approved in the desk review process, when available. Fiscal Year (FY) 2007-2008 data in those cost reports were reviewed against the following cost parameters for productivity: a minimum productivity level of 56 percent and a maximum productivity level of 81 percent. The minimum productivity level was calculated from the average productivity of the SCOs as reflected in the approved cost reports, adjusted to take into account changes to service definitions that took effect July 1, 2008. The maximum productivity level was developed through rate modeling, taking into account billable hours less vacation, training, and other non-billable time. Cost report data reflecting productivity of less than 56 percent were adjusted up to 56 percent; cost report data reflecting productivity of more than 81 percent were adjusted down to 81 percent.

After making the productivity adjustments, the Office of Developmental Programs (ODP) analyzed the resulting adjusted unit costs to calculate the average unit cost and the standard deviation for the Supports Coordination (SC) service. The average unit cost and the standard deviation were calculated based upon standard statistical formulas, as follows:

- Average Unit Cost = (Sum of all Unit Costs)/N, where N is the number of unit costs included in calculating the average unit cost
- Standard Deviation = Square Root of [$\frac{\text{Sum of (Unit Cost - Average Unit Cost)}^2}{(N-1)}$], where N is the number of unit costs included in calculating the average unit cost and N is at least 20

The average unit cost and the standard deviation above and below the average unit cost for the service are set forth in the [Supports Coordination Unit Cost Parameter Summary](#).

After calculating the average unit cost and the standard deviation for the service, ODP applied the following principles:

- Unit costs that were within one standard deviation of the average unit cost were not adjusted.
- Unit cost “outliers” (defined as unit costs that deviated from the average unit cost by more than one standard deviation) were adjusted to be within one standard deviation of the average.

After the unit costs were so adjusted, a total cost of living increase of one (1) percent (one (1) percent for FY 2008-2009 and zero (0) percent for FY 2009-2010) was applied to the FY 2007-2008 adjusted unit costs to establish each provider’s proposed payment rate(s) for FY 2009-2010.

In cases where approved cost report data were not available for a procedure code at a specific service location, ODP assigned a rate using the following guidelines:

1. If approved cost report data were not available for one of an SCO's service locations, ODP assigned a rate for that service location using the average of the rates developed from the costs reflected in the approved cost reports for the SCO's other SC service locations.
2. If an SCO did not render SC services in FY 2007-2008, ODP assigned the midpoint rate, based on the cost report data for all SC providers, adjusted to account for cost differences associated with different [geographic areas](#).

The proposed payment rates for SCOs are contingent on the final budget enacted by the General Assembly.

The rate-setting methodology for FY 2009-2010 should be viewed in the context of the following points:

- Although the proposed payment rate(s) will be used to process claims submitted to the PROMISE claims payment system during fiscal year (FY) 2009-2010, final payments to providers and SCO providers in both FY 2009-2010 and FY 2010-2011 will be made in accordance with the revenue reconciliation policy previously distributed to providers.
- For planning purposes in the next two fiscal years, it might be useful for providers to think of the revenue reconciliation target as being similar to the allocations providers have received in the past from the Administrative Entities and the payments from PROMISE as the mechanism to bill in the interim, pending reconciliation to the revenue reconciliation target.
- The proposed payment rates reflect program changes to be effective July 1, 2009, such as changes to service definitions and unbundling of services, so the proposed payment rates are likely to be different from what they would have been if those program changes were not being implemented.
- ODP will work with providers who experience a cash flow issue despite good faith efforts to use the new payment system and in some cases issue a gross adjustment.
- Payment rates will be recalculated for FY 2010-2011 based on the cost report(s) providers submit showing program costs for FY 2008-2009.
- In the next two years, during the time that revenue reconciliation is in place, ODP will be refining the rate-setting procedures based on the information received through the cost reports that providers have submitted and will submit for next year as well as other input from the community.