JB Pritzker, *Governor*

Illinois Department of Human Services

Grace B. Hou, *Secretary*

100 South Grand Avenue, East ● Springfield, Illinois 62762
401 South Clinton Street ● Chicago, Illinois 60607

December 8, 2020

Dear Stakeholder:

We are pleased to share the attached Illinois Developmental Disability Services Rate Study regarding Residential Services & Related Supports. As you know, the Illinois Department of Human Services' (IDHS) Division of Developmental Disabilities (DDD) provides the system of residential, employment, training, and therapy and counseling supports and services for individuals with intellectual/developmental disabilities (I/DD) across the State of Illinois. The Division serves approximately 10,000 individuals in 24-hour residential, Community-Integrated Living Arrangements (CILAs); over 1,000 individuals in Intermittent CILAs; 3,800 individuals in Intermediate Care Facilities (ICFs/DD); 20,000 individuals in community day programs; and 1,100 individuals in Supported Employment.

Since 2011, the State has been subject to the *Ligas* Consent Decree. This decree , entered into by the State, is a direct result of a lawsuit filed in 2005 on behalf of adults with intellectual/developmental disabilities living in privately-funded ICFs/DD who wanted to move to community-based services and supports and individuals living at home wishing to receiving community-based services and supports or settings.

In 2018, the Court found the State out of compliance with the Consent Decree and, as part of the State's effort to come into compliance, DDD began a comprehensive process to review Illinois' I/DD system's existing rate methodologies around residential, employment, training, and support services rates. DDD convened a Rates Oversight Committee, made up of stakeholders as well as the *Ligas* Parties and Court Monitor, to oversee this process. The Oversight Committee finalized a set of recommendations, with the help of stakeholders from seven subcommittees, in November 2019. Since that time, the State's rate consultant, Guidehouse (formerly Navigant Consulting), has worked to turn those recommendations into potential new rates and rate methodologies and a potential timeline for the same.

Those rate methodology recommendations comprise the attached report. To develop the report, Guidehouse used objective, publicly-available data sources, standard administrative cost reporting, and provider-reported costs in order to determine the resources believed necessary to create and maintain access to quality services and supports.

While DDD guided this process, the recommendations provided in this report come from Guidehouse, not the State. Implementation of many of the recommendations comes with a significant financial investment. Given that many of the recommendations are subject to future and ongoing appropriations through the State's budgetary process and given the State's ongoing economic and fiscal challenges, implementation may be challenging and not on the timeline or of the immediate scope reflected in the study.

The Division appreciates your interest in this subject matter and looks forward to working with the Governor and his team, the General Assembly, and the I/DD stakeholder community over the coming months and years, to ensure the provision of quality supports and services across the State and the I/DD system of care.

Sincerely,

Grace Hou
Secretary
Illinois Department of Human Services

Allison Stark
Director
IDHS Division of Developmental Disabilities

Developmental Disability Services Rate Study

Residential Services and Related Supports

Presented to:

Illinois Department of Human Services

Division of Developmental Disabilities

Presented by:

Guidehouse Inc.

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November 30, 2020

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A. Executive Summary

In this report, Guidehouse presents our analysis and recommendations for new rate methodologies for an array of services for persons with developmental disabilities in the State of Illinois, including residential services provided through Community Integrated Living Arrangements (CILA) and Intermediate Care Facilities for Persons with Intellectual/Developmental Disabilities (ICF/IDD) settings, as well as non-residential supports, including day programs, supported employment, and therapy and counseling services. The recommendations detailed in this report are designed to identify the rates needed to provide adequate reimbursement for residential and other supporting services, in compliance with the State's *Ligas* consent decree, along with rates required in the near future to keep pace with new minimum and living wage levels to be implemented over the next five years in Chicago and across the state.

Our report is also building on a comprehensive process, begun in August 2018 and advised by a specially-convened Rates Oversight Committee, that considered existing methodologies for residential, employment, training, and support rates, as well as policies that underpin those components to identify necessary changes and potential improvements to service delivery for persons with developmental disabilities. Along with identifying benchmarks for determining reimbursement adequacy for existing services, Guidehouse was tasked with evaluating the feasibility of service changes recommended by the Committee and identifying the reimbursement requirements to sustain system improvements.

As the basis for our recommendations, Guidehouse relied on objective, publicly-available data sources, standard administrative cost reporting, as well as additional provider-reported costs specially surveyed for our rate development. The objectives of the current rate study aim to determine benchmark rates based less on providers' historical costs and more on the resources required to promote access to quality services going forward. As such, the cost assumptions used by Guidehouse frequently draw on national and regional standards that reflect wider labor markets as well as median costs typical of broader industries, avoiding too great a reliance on the historical experience of Illinois providers and cost benchmarks potentially reflective of system underfunding. Consequently, our approach establishes cost assumptions on objective national or regional benchmark cost data when available, basing assumptions on provider-reported data only when more extensive industry data is unavailable or inappropriate to the setting in Illinois.

Section E of this report provides a full account of Guidehouse's final rate recommendations, including recommended changes to the rate and service structure, as well as the benchmark rates through each State Fiscal Year (FY) 2022-2026 to maintain pace with rising wages and non-personnel costs. In addition to these rate recommendations, we have identified numerous methodological changes that can be implemented to support ongoing reimbursement adequacy over the next five years and beyond. Our recommended methodologies and cost assumptions are documented in Section D of the report. Guidehouse's approach and assumptions are discussed in detail in that section. We also highlight 10 major methodological recommendations

for special focus, both here and in Section D, which underpin our recommended benchmark rates. These recommendations are:[1]

***Recommendation 1**:*

Adopt a standard for DSP wages that establishes wage assumptions at 150 percent of the statewide minimum wage.

***Recommendation 2**:*

Implement separate service rates for the "Chicago Area," reflective of higher wages and cost of living requirements in the city of Chicago, Cook County and surrounding counties, including the counties of Lake, McHenry, Kane, DuPage, and Will. Benchmark rates are established based on staff compensation assumptions 15 percent higher than statewide compensation.

***Recommendation 3**:*

Raise the fringe percentage to 29.9 percent of wages for DSPs across services, including cognate staff types in ICF/IDDs. For higher-wage staff, implement fringe percentages appropriate to the "wage band" of the staff type.

***Recommendation 4**:*

Expand day program service offerings to include more community-oriented services, including a new Community Integration Supports service and enhanced day program rates for individuals experiencing behavior challenges and/or high medical needs.

***Recommendation 5**:*

Continue to reimburse day program transportation costs through the existing "bundled" day program rate methodologies rather than establishing a separate non-medical transportation rate.

***Recommendation 6**:*

Redesign the Supported Employment service array to provide supports for individualized job coaching while improving alignment between costs and reimbursement for small group services.

***Recommendation 7**:*

Adopt the "ICAP+HRST" assessment framework to improve the process of adjustment for CILA program rates based on individual resource needs.

***Recommendation 8**:*

Adopt a "Zero-Hour" staffing model that will provide minimum round-the-clock staffing for 24-hour CILA services.

[1] These recommendations are presented in the order in which they appear in the report and are not intended to suggest a priority order for implementation by the State.

***Recommendation 9**:*

Adjust base nursing and medication administration hours by the resident's HCL score across all CILA homes and replace LPN with RN wage assumptions to ensure all required base nursing activities fall within the practitioner's scope of practice.

***Recommendation 10**:*

Establish CILA administration costs as a percentage of program costs rather than a fixed-dollar allowance to improve the allocation of administrative costs where they are most likely to be incurred.

The implementation of these recommendations is anticipated to have a substantial fiscal impact on provider payments as well as the State budget. The report lays out expenditure projections by individual service as well as across the services in scope. The significant increase in expenditures reflects the challenge of addressing historical underfunding of existing services as well as the need for new funding to respond to rapid growth in wage requirements over the next five years. Projected expenditures for particular services are presented in detail in Section F, but Table 1 on the following page summarizes overall expenditure projections as well as fiscal impact. The row labeled "New Spend" shows the total additional dollars required to fund implementation of benchmark rates, which includes Medicaid federal matching dollars as well as State expenditures. This amount represents the difference between "baseline expenditures" at current rates and the total dollars required to fund services at Guidehouse's recommended benchmark rates. Lower rows detail ultimate fiscal impact, once federal matching funds have been accounted for, along with cost offsets due to additional revenues generated from the ICF/IDD provider tax. Net fiscal impact to the state is presented in the final row of the table.

Given the sizeable fiscal impact likely to result from our benchmark recommendations, in Section G of this report we identify a list of seven key priorities for the State to consider when moving forward with implementation. While these priorities can be implemented independently of other proposed changes, when considered together they offer one potential roadmap to full implementation of our proposed rate benchmarks. Although we consider the entirety of our recommendations as important to establishing and maintaining adequate rate levels in the near future, nonetheless, some of our recommendations reflect more pressing resource needs, fewer implementation challenges, or greater potential value than others in generating positive system change for the technical effort and expenditures involved.

Along with these "implementation priorities," Guidehouse has included an additional set of policy recommendations in Section G for the State's consideration that may be beneficial to supporting the proposed service array and rate recommendations, as well as streamlining administrative processes used for service authorization and reimbursement.

Table 1: State Share of FY 2022-2026 Expenditures Based on Benchmark Rates

	Service Type	FY22	FY23	FY24	FY25	FY26
a	Baseline Spend	$1,161,634,474	$1,173,546,225	$1,185,457,976	$1,197,369,727	$1,209,281,478
b	Benchmark Spend	$1,491,097,127	$1,600,467,455	$1,714,578,791	$1,832,634,549	$1,953,678,450
c=b-a	**New Spend (Variance)**	**$329,462,653**	**$426,921,230**	**$529,120,815**	**$635,264,822**	**$744,396,972**
d	State Share (After FMAP) [2]	49.04%	49.04%	49.04%	49.04%	49.04%
*e=c*d*	**Initial Fiscal Impact**	**$161,568,485**	**$209,362,171**	**$259,480,848**	**$311,533,869**	**$365,052,275**
f	*Less ICF/IDD Provider Tax Offset*	*$3,350,330*	*$4,206,332*	*$5,122,468*	*$6,094,031*	*$7,078,481*
g=e-f	**Net Impact of Rate Increase**	**$158,218,155**	**$205,155,839**	**$254,358,380**	**$305,439,838**	**$357,973,794**

[2] The federal government pays states for a specified percentage of Medicaid program expenditures, called the Federal Medical Assistance Percentage (FMAP). Illinois' current FMAP is 50.96 percent. Accordingly, the corresponding "state share" of Medicaid program expenditures is 49.04 percent.

B. Introduction and Background

In August 2019, the Illinois Department of Human Services (DHS) contracted with Guidehouse Inc. to serve as a rate developer to develop recommendations for new rate methodologies and benchmark rates for Community Integrated Living Arrangements (CILA), the State's residential waiver program for persons with intellectual and/or developmental disabilities and for Intermediate Care Facilities for Persons with Intellectual/Developmental Disabilities (ICF/IDDs), the State's privately-operated residential setting for persons with intellectual and/or developmental disabilities.[3] In addition, DHS sought recommendations that encompass all services that touch on an individual supported in a residential setting to include, but not be limited to, residential, supported living, personal supports, community day services, supported employment, therapy services, and supplemental services.

The Division of Developmental Disabilities (DDD / "the Division") is the arm of DHS, and operating agency under the State's Adult Home and Community Based Waiver responsible for the system of residential, employment, training, and support services for persons with developmental disabilities in the State of Illinois. The Division currently supports approximately 10,350 individuals in 24-hour CILA, 1,035 individuals in Intermittent CILA, 4,800 individuals in ICF/IDDs, 20,000 individuals in community day programs and 1,100 individuals in supported employment. In 2005, DHS was sued and subsequently entered into a consent decree regarding individuals residing in ICF/IDDs who wanted to access residential waiver services (CILAs). The lawsuit is referred to as *Ligas*.

In June 2018, the Court responsible for oversight of the consent decree found the State out of compliance due to its concern that the rates for residential services were too low and ordered the State to undergo a process to review its rates. In response, in August 2018 the Division began a comprehensive process to consider existing methodologies for residential, employment, training, and support rates, which date back to the 1980s, as well as policies that underpin those components to identify necessary changes and potential improvements to service delivery for persons with developmental disabilities. The Division convened a Rates Oversight Committee, composed of stakeholders throughout the system, to guide the process. Additionally, seven subject matter subcommittees, also composed of stakeholders, were created to debate, discuss, and make recommendations to the Oversight Committee for rate component and policy changes.[4]

Guidehouse's study builds on the work of the Rates Oversight Committee. Along with identifying benchmarks for determining reimbursement adequacy for existing services, Guidehouse was

[3] Guidehouse Inc. started work on this contract as Navigant Consulting, Inc. (Navigant). On October 11, 2019 Guidehouse Inc., a leading provider of management consulting services to government clients) announced the completion of its acquisition of Navigant. Headquartered in Washington DC, the combined company has more than 7,000 professionals in more than 50 locations. The legacy Navigant team DHS contracted for the project did not change, however.

[4] The seven subcommittees were: Staffing, Behavioral Supports, Nursing/Medical, Transportation, Employment and Training, Technology, and ICF/IDD. Each committee comprised stakeholders from throughout the community system with experience in each subcommittee's subjects including: self-advocates and parents or family caregivers; former and current DHS and HFS employees including a former Secretary of DHS and the current Director of DDD; leaders from community groups and academic centers; providers of community-based residential and other services; and parties to the *Ligas* case including the Court Monitor and counsel to the plaintiffs.

tasked with evaluating the feasibility of service changes recommended by the Committee and identifying the reimbursement requirements to sustain system improvements.

B.1. Scope of Services Reviewed

In this report, Guidehouse presents our analysis and recommendations for new rate methodologies and benchmark rates for an array of services for adults with developmental disabilities in the State of Illinois, including adult residential services provided through:

- **Community Integrated Living Arrangements (CILA)**: the State's residential waiver program for persons with intellectual and/or developmental disabilities. There are four types of CILA settings:
    - 24-Hour Shift Staff Community Integrated Living Arrangement (24-Hour CILA)
    - Intermittent Community Integrated Living Arrangement (Intermittent CILA)
    - Host Family Community Integrated Living Arrangement (Host Family CILA)
    - At-Home or Family Community Integrated Living Arrangement (Family CILA)
- **Intermediate Care Facilities for Persons with Intellectual/Developmental Disabilities (ICF/IDDs)**: the State's privately-operated residential setting for persons with intellectual and/or developmental disabilities.

These methodologies and Guidehouse's analysis and recommendations encompass all services that an individual supported in either of these residential programs might utilize, which include residential services as described above, community day services, supported employment, therapy services and counseling services, and supplemental services including transportation, nursing, and dietitian services. The rate structures to which Guidehouse's recommendations apply include a system of residential, employment, training, and support services for persons with developmental disabilities in the State of Illinois.

Additionally, the Division determined that the following services were "out-of-scope" for this review: Children's Group Homes (CGH), Child Care Institutions (CCI), Supported Living Arrangements (SLA), Special Home Placements (SHP), Community Living Facilities (CLF), home-based-only services, consumer-directed services, and other supports and services. While these additional residential supports fall into the same general category as ICF/IID services, they support populations and needs distinct from the individuals served by ICF/IDDs and CILAs. The other waiver services were excluded either because they fall outside the focus of auxiliary supports provided to residential clients, or because they are reimbursed on a cost basis inappropriate to independent rate development.

The recommendations detailed in this report are designed to identify the rates needed to provide adequate reimbursement for residential and other supporting services, in compliance with the State's *Ligas* consent decree, along with rates required in the near future to keep pace with new minimum and living wage levels to be implemented over the next five years in Chicago and across the state.

B.2. Stakeholder Involvement

As discussed above, in 2018 the Division convened a Rates Oversight Committee to guide the rate review process. The Committee issued a final report in November 2019 with recommendations for the Division to consider as it updates its rate-setting methodologies. These recommendations include considerations for specific topics relating to each subcommittee's purview as well as several "overarching" recommendations which primarily relate to increasing assumptions for the minimum and direct service worker wages.

The Committee was integral to reviewing and informing Guidehouse's analysis and recommendations over the course of the study. Between September 2019 and October 2020, Guidehouse met with the Committee 12 times, seeking detailed input from the Committee to validate assumptions and adjustments and keeping it informed of our progress each step of the way. Throughout the process, we provided and reviewed with the Committee detailed documentation of the data sources, process, key assumptions, and research results that informed our work. The focus of initial meetings was to review the Committee's recommendations, discuss Guidehouse's approach to the study and inform the development of a provider cost and wage survey to support our analyses. The meetings progressed to focus on reviewing analyses and associated recommendations and assumptions for each component of the rate models under review and, where applicable, proposed changes to the structure of those models. These meetings also included a review of proposed changes to service arrays and the use of assessment tools for acuity-based methodologies for CILA. Concluding meetings focused on reviewing the final recommended rate models, benchmark rates, and associated fiscal impact analysis.

In addition to the Rates Oversight Committee, Guidehouse also worked closely with and sought input from Division staff throughout the project. We also engaged staff from the Department of Healthcare and Family Services (HFS) to inform our work related to ICF/IDDs, over which HFS has historically maintained rate setting expertise.

C. Data Sources

The cost assumptions developed throughout the study rely on a wide variety of data sources. The objectives of the rate study aim to determine benchmark rates based less on providers' historical costs and more on the resources required to promote access to quality services going forward. As such, the cost assumptions used by Guidehouse frequently draw on national and regional standards that reflect wider labor markets as well as median costs typical of broader industries, avoiding too great a reliance on the historical experience of Illinois providers and cost benchmarks potentially reflective of systemic underfunding. Consequently, our approach for this study was to establish cost assumptions on objective national or regional benchmark cost data when available, basing assumptions on provider-reported data only when more extensive industry data was unavailable or inappropriate to the setting in Illinois.

Although the majority of cost assumptions used for rate development derive from objective, publicly available sources, these types of data sources do not exist for all cost inputs required to establish a comprehensive rate for most services. In these cases, we relied on annual cost reports submitted by CILA, ICF/IDD, and day program providers in Illinois, as well as supplementary cost data collected through a provider cost survey specifically designed for rate

development. The cost survey, in particular, provided valuable, highly detailed information on provider fringe benefit offerings and staff productivity, as well as the diverse array of transportation services used throughout the State's developmental disabilities system. Below, we describe the key features of the provider cost and wage survey, as well as the other data sources used in Guidehouse's rate development.

C.1. Provider Cost & Wage Survey

Guidehouse prepared a detailed provider cost and wage survey based on the unique landscape of residential services provided in the community to individuals in Illinois with developmental disabilities. Guidehouse designed this survey with input from Division staff and Rates Oversight Committee members as well as a panel of representatives from provider organizations, including Chief Financial Officers and other provider staff knowledgeable in cost reporting and cost allocation throughout their organizations.

After vetting survey drafts with these subject matter experts, the Division then distributed the survey to the entire community of providers, including CILA, ICF/IDD, and day program providers, with specific instructions (both in writing and delivered through live and recorded trainings) to guide providers in completing the survey. With the aim of collecting annual cost and wage data from FY 2018 for agency staff who provide or supervise services within the scope for the rate study, Guidehouse collected data for the survey components outlined in Table 2 below:

Table 2: Provider Cost and Wage Survey Organization and Data Elements

Survey Component	Data Collected
A. Provider Information	Provider identification, contact information, organizational details, and organizational revenues.
B. Total Costs	Employee salaries, taxes and benefits, non-payroll administrative costs, non-payroll program support expenses and facility, vehicle and equipment related expenses.
C. Services by Agency	Services, organized by service category, provided by the responding organization.
D. Services by Staff	Responsibilities and productivity of each staff position, and services provided by each staff position.
E. Staff Wages	Salary and wages for each staff position.
F. Staff Benefits	Staffing, benefits, paid time off, health insurance, retirement, unemployment insurance, and other benefits for staff.
G. Staff Turnover	Employment numbers for previous fiscal year to calculate turnover.
H. Day Services Costs	Service and cost details for each site providing day services.
I. Supported Employment Costs	Service and cost details for each site providing supported employment.
J. Transportation	Service and cost details relating to provision of transportation.

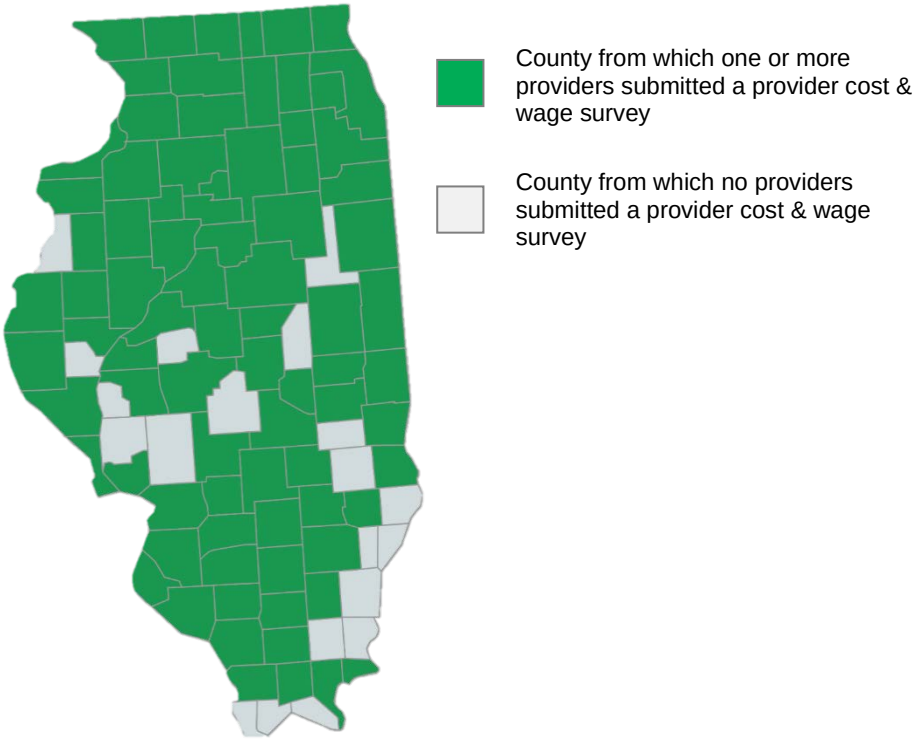
To conduct a successful and accurate survey, we offered provider training through a live webinar available to all providers, which we recorded then posted to a public website devoted to the rate study. In this training session, Guidehouse introduced the rate study and cost survey to the provider community and provided an overview of the survey tool and each worksheet tab. Finally, Guidehouse offered resources for further technical assistance in helping providers to complete the survey, through a dedicated electronic mail inbox and telephone line which providers could access to receive answers to their specific questions. Guidehouse leaned on our experience assisting multiple states with rate development for their home and community-based services programs and for institutions within those states which offer similar levels of care to those operating under the oversight of the Division.

In total, Guidehouse received and completed reviews of 108 surveys. Survey respondents included CILA and ICF/IDD providers, as well as small day-program-only programs. There were 89 CILA providers and 31 ICF/IDD providers (some providers furnished residential services in both CILA and ICF/IDD settings). These surveys covered 7,072 CILA clients and 3,368 ICF/IDD clients. For CILA services, the survey represented approximately 39 percent of providers participating in the CILA program and 63 percent of the CILA population. Nearly 62 percent of ICF/IDD providers and 75 percent of ICF/IDD residents were included in the survey of ICF/IDD services.[5]

The surveys covered 82 Illinois counties, highlighted in Figure 1. Of five DHS regions, each had representation from more than two-thirds of counties in that region. Of 11 Health Services Areas (HSAs), each had representation from more than two-thirds of counties in that HSA.

[5] The survey also included ICF providers who operate types of ICFs that fall outside the scope of rate development, such as SLCs and MC/DDs. However, they are included here for reference.

Figure 1: Illinois Counties from which One or More Providers Submitted a Provider Cost & Wage Survey



Guidehouse completed a desk review of each survey submission to identify gaps or discrepancies in providers' reporting. For example, if a respondent provider agency indicated that it operates CILA arrangements but did not report any costs incurred specific to the provision of CILA residential services, we detailed this discrepancy and emailed the provider contact identified in Component A of the survey to ask for further information. This review process helped to validate provider responses, which in conjunction with other data sources provided a significant basis for our analysis.

C.2. Other Data Sources

The survey discussed above was designed to supplement other standard data sources used in rate development, including other sources of information collected from providers by the State as well as other public and proprietary data sets. Other data sources used to establish benchmark inputs are provided in Table 3 on the following page.

Table 3: Other Data Sources

Data Source	Description/Function in Rate Development
ICF/IDD Cost Reports	Report of annual costs incurred by ICF/IDD providers. Typically reported by facility. Reports used in rate development reflect costs from FY19/CY18, depending on providers' reporting years. Used for historical wage comparisons, specialized wages, development of rates for program and support costs, and Medicaid patient days utilization.
Consolidated Financial Reports (CFR)	Report of annual costs incurred by CILA and other HCBS providers. Typically reported across enterprise. Reports used in rate development reflect costs from FY19/CY18, depending on providers' reporting years. Used for historical wage comparisons, specialized wages, and reference for program support and administrative costs.
DDD Billing Data	Annual billing data for all waiver services. Reflects FY19 billing to align with cost reports and avoid anomalous utilization trends due to COVID-19. Used for expenditure projections and fiscal impact analysis.
Current CILA Rate Model	Current rate model used by DDD to assign individualized rates for each CILA client. Includes assessment data, current cost assumptions, and authorizations for additional sources. Used for assessment scores, expenditure projections, and fiscal impact analysis.
Bureau of Labor Statistics, Occupational Wage Data	Federal wage data available annually by state, intra-state regions, and metropolitan statistical areas (MSA). Used for wage geographic and industry wage comparisons and establishing benchmark wage assumptions for most wages.
Bureau of Labor Statistics, Costs for Employee Compensation Survey (CECS)	Federal data on employee benefits cost, analyzing groups of benefit costs including insurance, retirement benefits, paid time off, and other forms of non-salary compensation. Used for reference in establishing benchmark ERE assumptions.
Bureau of Labor Statistics, Provider Price Index (PPI)	Federal index of inflation across multiple industries. Updated monthly and includes data series for Residential Developmental Disability Homes (PCU62321062321011). Used for reference to understand annual inflation for provider costs and for recommendations on automatic rate update.
Bureau of Labor Statistics, Consumer Expenditure Survey	Federal data on annual consumer spending. Provides potential cost assumption for food costs per meal.
Agency for Healthcare Research and Quality, Medical Expenditure Survey-Insurance Component (MEPS-IC)	Federal data on health insurance costs, including Illinois-specific data regarding multiple aspects of health insurance (employer offer, employee take-up, premium and deductible levels, etc.) Used for reference in estimating health care costs for benchmark ERE assumptions.

Data Source	Description/Function in Rate Development
U.S. Department of Agriculture, Food Plans	Federal budgeting tool used to estimate food costs in various settings. Provides potential cost assumption for food costs per meal.
U.S. Census Bureau, Current Population Survey Food Security Supplement	Federal data on per meal costs indicative of "food-secure" households. Used for establishing benchmark cost assumptions for CILA residential food costs.
U.S. Department of Housing and Urban Development, Fair Market Rent	Federal data on rental allowances across all U.S. counties. Used for establishing housing cost assumptions and geographic adjustment for CILA rate development.
Other State Medicaid Fee Schedules and Reimbursement Methodologies	Data from other states on reimbursement levels for cognate services as well as overall service design. Used for peer state comparison and well as development of best-practice recommendations for improving supported employment service delivery.
Other Proprietary Data Sets	Other data sets used to establish vehicle, utility, and other housing costs include *Kelley Blue Book*, *US News* Auto Loan Rates, and *Edmunds*.

D. Rate Methodologies and Components

In this section, we discuss our analysis of the Division's current rate methodologies for its non-residential services as well as ICF and CILA services. While much of this section is devoted to identifying cost components in need of update and presenting Guidehouse's benchmark recommendations on appropriate cost assumptions, we also address some of the key policy priorities advanced by the Division to use rate structure changes to improve service delivery. We also highlight areas in which our benchmark recommendations respond to specific rate recommendations made by the Rates Oversight Committee

D.1. General Assumptions

While the Committee offered a number of recommendations aimed at specific services or suggesting new services for addition to the service array, it also identified a number of general principles for providing adequate reimbursement to maintain client access to quality services. In particular, the Committee noted that one of the main obstacles to supporting high need individuals within the current service system is the low rate of reimbursement, defined by inadequate wage assumptions, especially for Direct Support Professionals (DSPs). The rising state minimum wage to $15.00 per hour was a particular concern, and stakeholders were adamant that failure to keep pace with minimum wage levels and a more competitive labor market will likely exacerbate the current staffing crisis for DSP positions already occurring nationwide. Although Guidehouse reviewed cost assumptions across the whole of the services reviewed, we were especially keen to address this core concern from the Committee.

Many of the service rate benchmarks we propose follow a series of general assumptions for the components of each rate, adjusted according to the specific context and goals for providing each service. This rate build-up approach is based on a core set of wage assumptions for DSPs, supplemented by estimates of the cost of other staff, activities and materials needed to support direct care provision. In this section of the report, we describe in detail the methodology for calculating various components used in the rate models. In addition, we describe the data sources used to determine the component. The section is divided into the following areas:

- Wages
- Geographic Adjustments
- Employment Related Expenditures (ERE)
- Productivity of Direct Staff
- Program Support
- Supervision
- Administrative Expenses

D.1.1. Staff Wages

Typically, wages constitute the single largest component of a benchmark rate, and our recommendations place special emphasis on wages because of their substantial influence on the quality of service delivery. This emphasis is particularly important in the current study, not only due to the judicial mandate to establish adequate service rates to support access to quality services, but also due to significant increases driven by State, Chicago, and Cook County minimum wage laws impacting workers throughout the state between 2020 and 2025.

Illinois law mandates a minimum wage increase throughout the state over the next few years, increasing steadily by one dollar each January 1st until Illinois reaches a $15.00 minimum wage beginning January 1, 2025. Beginning in 2021, the minimum wage will be $11.00 statewide per the Minimum Wage Law, 820 Illinois Compiled Statutes 105 Sections 1-15.[6]

While the statewide minimum wage law mandates specific dollar increases through 2025, Chicago living wage laws only establish pre-determined wage increases through July 1, 2021 (or the beginning of FY 2022), in which the living wage will be set to $15.00.[7] Accordingly, the Chicago minimum wage will rise to $15.00 three-and-a-half years earlier than the statewide minimum wage. Beyond that time, the Chicago law only requires that the living wage be updated according to inflationary rules that depend on actual growth in the economy. Since the Chicago wage increases for FY 2023-2026 are unknown at this time, Guidehouse projected living wage amounts based on a 2 percent annual increase due to the cost of living.

Lastly, Chicago's county, Cook County, has also adopted a minimum wage increase to bring the county's minimum wage to $13.00 beginning in FY 2021 (the same year Chicago's wage rises to $14.00) and rising with inflation, up to 2.5 percent annually, thereafter.[8] Table 4 below depicts

[6] 820 ILCS 105/1-15, the "Minimum Wage Law," available here: https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=2400&ChapAct=820%26nbsp%3bILCS%26nbsp%3b105/&ChapterID=68&ChapterName=EMPLOYMENT&ActName=Minimum+Wage+Law.
[7] Amendment to Article VI of 2020 Management Ordinance for the City of Chicago, available here: https://www.chicago.gov/content/dam/city/depts/bacp/OSL/ordinanceso20198537.pdf
[8] To date 110 municipalities in Cook County have opted out of the Cook County minimum wage requirement which

mandated minimum wage increases throughout the state—which occur on a calendar year (CY) basis—in comparison to probable Chicago increases, which are updated each July 1 on a fiscal year basis. For purposes of our analysis, the Chicago Area includes all of Cook County as well as the "collar counties" of Lake, McHenry, Kane, DuPage and Will. We do not discriminate the Cook minimum wage from the Chicago minimum wage, as indicated in the table.

Table 4: Projected Minimum/Living Wage Requirements

Minimum Wage Requirements			
Statewide		**Chicago Area**	
CY20	$10.00	FY21	$14.00
CY21	$11.00	FY22	$15.00
CY22	$12.00	FY23	$15.30
CY23	$13.00	FY24	$15.61
CY24	$14.00	FY25	$15.92
CY25	$15.00	FY26	$16.24

In multiple senses, DSP wages form the "bedrock" of the developmental disabilities service delivery system, not only because DSPs are the foundation of direct care, providing the bulk of labor hours to support services, but also due to the fact that DSP wages have not kept pace with costs and are closer to minimum wage now than when the current service array was first established. Although minimum wage laws are expected to impact multiple wage levels throughout the system, from job coaches to supervisors to Qualified Intellectual Disabilities Professionals (QIDPs), DSP wages will be affected most profoundly. It is therefore important to develop principles for determining adequate DSP pay that can serve the system beyond the five-year scope of the current study. Although there is no established standard for "fixing" DSP wage levels to minimum wage requirements, best practice dictates that DSP wages should be established significantly higher than the minimum wage, given the difficulty of the work and the necessity to recruit and retain staff in competition with a broad range of other industries drawing on the same general labor force.

One of the key recommendations emerging out of the work of the Rates Oversight Committee was that funding for DSP wages should be maintained at 1.5 times, or 150 percent of the minimum wage in effect, in order for providers to remain competitive in hiring and retaining core direct care staff. Of course, this means that when the State's minimum wage increases year-over-year, eventually reaching $15.00/hour in 2025, the DSP wage factor in the methodologies would need to be set at $22.50/hour in order for provider wage offerings to maintain their value within the broader labor market. However, the increased minimum wage also creates a so-called "ripple effect" that also affects wages that remain near, if slightly higher, than minimum wage increases. Just as major increases in the minimum wage create "compression" in the wage hierarchy that compel employers to adjust wages for more experienced higher-wage staff, sometimes including supervisors, substantial rises in the DSP baseline wage would result in

means they will be aligned with the statewide minimum wage increases. Cook County Minimum Wage Ordinance available here: https://www.cookcountyil.gov/service/minimum-wage-ordinance

similar compression effects for other staff in the DSP job track and pay scale, including supervisors, QIDPs, and others. For these reasons, Guidehouse adjusted wage assumptions for higher-paid workers to account for "ripple effect" impacts due to minimum wage growth, allowing some wage compression, but acknowledging that higher baseline wages will have at least indirect effects on other staff types currently earning less than $25.00 per hour.

Guidehouse concurs with the Committee recommendation to establish funding for DSP wages at 150 percent of minimum wage, and we note that this recommendation aligns with similar proposals in other states as well as the fact that sustaining the DSP wage at 150 percent of the minimum wage at any given point in time would return the DSP wage to its market value relative to the minimum wage when the current system was first put in place.

Recommendation 1: *Adopt a standard for DSP wages that establishes wage assumptions at 150 percent of the statewide minimum wage.*

As the preceding table shows, however, distinct minimum wages are in effect in different areas of the state, and these differences will continue to exist for years ahead. The statewide minimum wage is expected to increase at a faster rate than the Chicago living wage. The Chicago wage will nonetheless continue to be higher than the statewide wage, and a differential between statewide and Chicago wage requirements will persist for the foreseeable future. The relative rates of growth and ongoing wage differentials in each part of the state together pose a challenge for the study, calling for a more nuanced rate structure as well as appropriate wage benchmarks and recommendations for annual update that will support competitive compensation across the state.

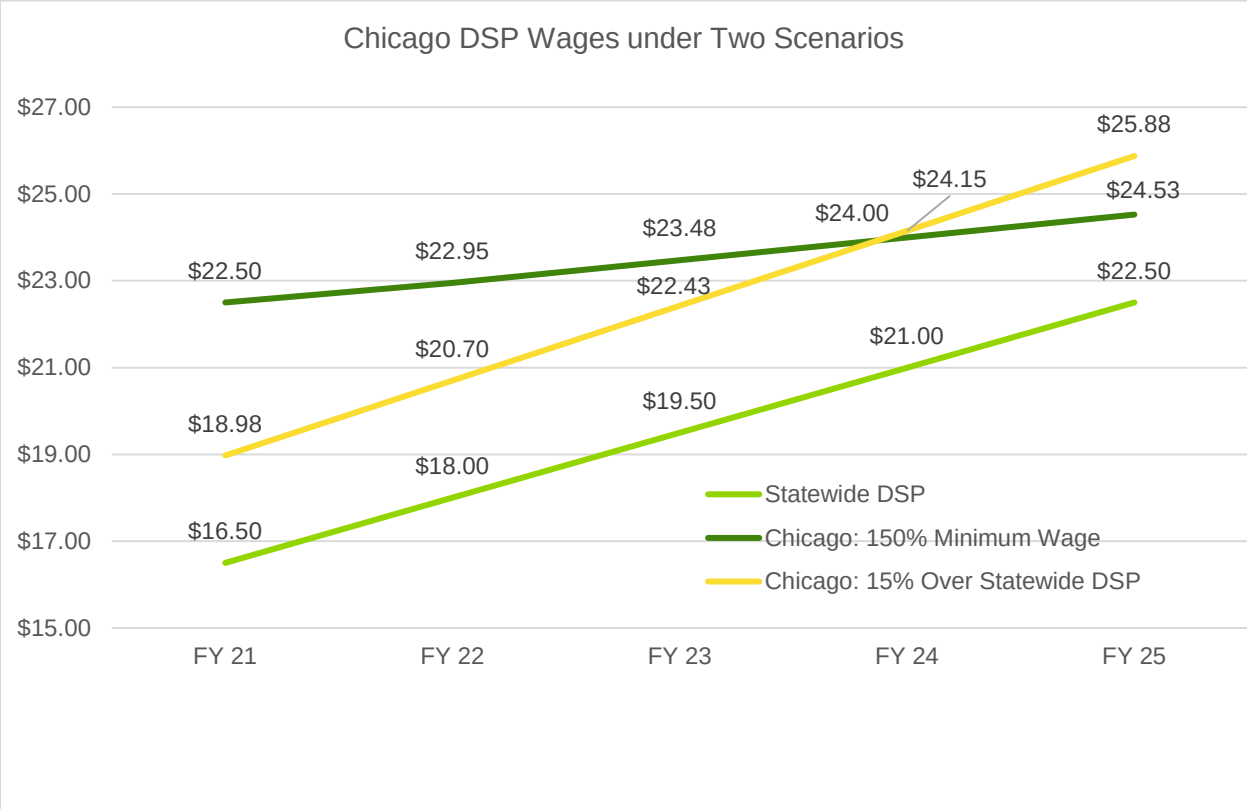
Although differences between mandated minimum wages may be reduced, legal required minimum wages may not reflect ongoing differences in the actual costs of living and service delivery in the Chicago area versus the rest of the state. For this reason, Guidehouse also analyzed regional wage differences – apart from minimum wage requirements – to determine the need for geographic adjustment in wage assumptions. Based on that analysis, Guidehouse estimated that wages in Chicago, Cook County and its "collar counties" (delineated above to include Lake, McHenry, Kane, DuPage, and Will Counties) are approximately 15 percent higher than wages for jobs in other counties in Illinois.

While Chicago's minimum wage is set to increase to a higher value than the minimum wage for the rest of the state, benchmarking wage inputs for services in Chicago to the Chicago minimum wage complicates the real differences between costs – the differential between Chicago and statewide minimum wages shrinks annually through 2025, but the cost of living differences likely will not shrink similarly, meaning that any geographic benchmarks to minimum wages may obscure real underlying cost differences for some services moving forward. For this reason, Guidehouse analyzed scenarios for two methods for determining Chicago wage assumptions, as displayed in Figure 2:

1) Benchmarking Chicago wage inputs for direct care staff to the Chicago minimum wage (specifically, 150 percent of Chicago minimum wage, as was done for wage inputs for direct care staff statewide).

2) Benchmarking Chicago wage inputs for direct care staff to the statewide wage assumption for direct care staff (specifically, 15 percent over the statewide DSP wage assumption or 165 percent of the statewide minimum wage).

Figure 2: Two Approaches for Benchmarking DSP Geographic Wage Assumptions



The merits of the first approach are that benchmark assumptions are responsive to the differences in wage costs that exist within the system today, which are compounded by the timing of legal wage requirements in the Chicago area versus the rest of the state. However, as the state minimum wage eventually catches up to the Chicago wage over the next five years, it is possible that living wage laws in Chicago will not be updated to keep pace with rising costs in Chicago relative to the rest of the state, or to address the indirect effect of the statewide minimum wage on increased labor costs in Chicago. To that extent, the first approach (benchmarking to 150 percent of Chicago minimum wage) erodes the value of a Chicago-specific benchmark wage over time, as illustrated in the graph above, which is eventually overtaken in Year 4 and 5 by the alternative approach of benchmarking Chicago wages to 15 percent above the statewide DSP wage assumption.

While the second scenario offers less substantial funding increases to Chicago-based DSP wages in the first several years than its alternative, it better positions Chicago providers to keep pace with likely wage growth into the future. Furthermore, this drawback may also be an advantage to the system as a whole, mitigating the initial fiscal shock to the state from implementing higher rates, while establishing more predictable and administratively-transparent wage assumptions into the future. For these reasons, Guidehouse recommends that the

Division adopt distinct, geographically-adjusted rates for most services based on wage assumptions derived from the second approach, which establishes funding at a 15 percent premium to the wage assumption used in the statewide rate.

> ***Recommendation 2:*** *Implement distinct service rates for the "Chicago Area," reflective of higher wages and cost of living requirements in Chicago, Cook County and surrounding counties, including the counties of Lake, McHenry, Kane, DuPage, and Will. Benchmark rates are established based on staff compensation assumptions 15 percent higher than statewide compensation.*

Apart from concerns specific to DSP wages, anticipated minimum wage increases are the foundation for much of our wage analysis and assumptions across different staffing types. Although our assumptions are also informed by data from provider cost reports, the cost and wage survey, and wage statistics from the Bureau of Labor Statistics, minimum wage increases render much of this historical wage information irrelevant for staff types that are not already paid well above the current minimum wage. Wage assumptions for FY 2022 are compared in Table 5 below to median wages captured in the provider cost survey, BLS median wages for the same year, as well as DDD wage assumptions operative during the period. As the final column demonstrates, for staff types broadly within the DSP job track – and subject to a "ripple effect" of minimum wage and DSP wage increases – Guidehouse's benchmark wage assumptions are established at significantly higher levels than current wage data indicates in order to prevent wage compression for these positions relative to rising DSP wages. The table illustrates the broad changes to staff roles within the system rather than serve as an exhaustive list of our recommended benchmark wages. Specific statewide and Chicago-area wage assumptions used in rate setting are detailed for each service in the next section.

Table 5: Wage Assumptions for Direct Care, Nursing, and Other Staff

Survey Job Title	Median Wage (Survey)	2018 Median Wage (BLS)[9]	FY19 Wage Rate (DDD)	FY22 Wage Assumption[10]
Direct Support Professional (DSP)	$12.04	$12.63	$12.00	**$16.50**
Lead DSP / Home Manager	$14.96	$14.40	$14.65	**$17.90**
Employment Specialist / Job Coach*	$14.00	$17.11	$11.23 - $14.10	**$17.23**

[9] Guidehouse developed our wage comparisons using May 2018 BLS Occupational Employment Statistics for Illinois to develop and analyze wages in time periods comparable to the wage information found in cost reports and the provider cost and wage survey. The 2018 wage data, along with more recent years is available at: https://www.bls.gov/oes/tables.htm.

[10] Staff types marked with an asterisk indicate wage assumptions derived from adjusted BLS data. Other wages are based on provider-reported costs, adjusted to keep pace with increased DSP wages.

Survey Job Title	Median Wage (Survey)	2018 Median Wage (BLS)[9]	FY19 Wage Rate (DDD)	FY22 Wage Assumption[10]
Qualified Intellectual Disabilities Prof. (QIDP)	$18.53	$17.53	$16.36	**$20.40**
Licensed Practical Nurse (LPN)*	$21.22	$24.24	$15.68	**$25.35**
Registered Nurse (RN)	$27.93	$34.74	$19.18	**$36.33**
Dietician*	$23.01	$28.20	$33.66 (incl. fringe)	**$29.49**
Physical Therapist*	$32.33	$42.77	$36.00	**$44.72**
Physical Therapist Assistant	$21.26	$28.60	-	**$29.91**
Occupational Therapist*	$47.40	$40.78	$36.00	**$42.64**
Occupational Therapist Assistant*	$18.23	$29.75	-	**$31.11**
Speech Therapist*	$33.59	$36.03	$36.00	**$37.68**
Speech Therapist Assistant*	$20.36	-	-	**$21.29**

D.1.2. Employment-Related Expenses (ERE)

Employment-related expenses (ERE) augment wages in total compensation for employees' labor; for example, a DSP makes both their wage and a certain proportion of their annual benefits for one hour of work. These ERE or fringe benefits include legally required benefits, paid time off, and other benefits such as health insurance which are adjusted to reflect take-up rates and part-time status.

- **Legally required benefits** include unemployment taxes (FUTA and SUTA), federal insurance contributions (FICA), and workers' compensation.[11]

[11] Employers in Illinois pay a federal unemployment tax (FUTA) of 0.6 percent of the first $7,000 in wages and state unemployment tax (SUTA) of 3.125 percent on average of the first $12,740 in wages. These values and thresholds for FUTA and SUTA come from the Internal Revenue Service (IRS) and Illinois Department of Economic Security (IDES), respectively. Employers pay a combined 7.65 percent rate of the first $118,500 in wages for Social Security and Medicare contributions (Federal Insurance Contributions Act, or FICA), per the Social Security Administration. FICA includes 6.2 percent of gross wages for Social Security tax and 1.45 percent of gross wages for Medicare tax, totaling the 7.65 percent FICA up to the wage threshold. Finally, employers in Illinois pay an effective tax of 2.23% toward workers' compensation insurance, per the provider cost & wage survey.

- **Paid time off components of ERE** include holidays, sick days, vacation days, and personal days, which we analyzed from the provider cost and wage survey. These total 29 days per year for this benefit.
- **Other benefits in ERE** include retirement, health insurance, and dental and vision insurance; to determine competitive contributions, we analyzed only the provider cost survey responses for providers *who contribute to their full-time employees' benefits*.[12] Analyzing these contributions and take-up rates for providers offering other benefits yielded median annual contributions per employee.

Calculating each ERE component as a percentage of the annual wage assumption for DSPs, or $34,320 per year, yielded a competitive fringe benefit package of 29.9 percent of wages as outlined in Table 6.

Table 6: Components of ERE for a Direct Support Professional

Component	Value / Calculation	
Annual Wage	$34,320 ($16.50 x 2080 hours)	
FUTA	0.60% of up to $7,000	$42 (0.12%)
SUTA	3.125% of up to $12,740	$398 (1.2%)
FICA	7.65% of up to $118,500	$2,625 (7.65%)
Workers' Compensation	2.23%	$765 (2.23%)
Legally Required Benefits	**-**	**$3,831 (11.2%)**
Daily Wage	$16.50 x 8 hours	$132.00
Part-Time Adjustment Factor	80%	
Paid Time Off	29 days	
Paid Time Off	**$132.00 x 80% x 29 days**	**$3,062 (8.9%)**
Part-Time Adjustment Factor	80%	

[12] The median values we reviewed excluded providers who, for example, did not contribute to employees' dental and vision insurance. Nearly all surveyed providers offered health insurance to employees (94 percent) while only a third or less offered dental and vision insurance (35 percent and 13 percent, respectively). Half of surveyed providers offered retirement benefits to employees (56 percent). Between half and three-fourths of employees *offered* retirement or insurance contributions accepted employer-based benefits, and so the "take-up rate" of these benefits ranges from 51 percent taking retirement benefits to 74 percent taking vision insurance.

Component	Value / Calculation	
Insurance Take-up Rate	52% - 74%	
Retirement	4.0%	$570 (1.7%)
Health Ins.	$525/mo.	$2,616 (7.6%)
Dental Ins.	$187/yr.	$91 (0.27%)
Vision Ins.	$137/yr.	$81 (0.24%)
Other Benefits	**-**	**$3,358 (9.8%)**
Total ERE per DSP	**Legally Required Benefits + Paid Time Off + Other Benefits**	**$10,251 (29.9% of Annual Wage Assumption)**

Under the employment structure for many provider agencies, DSPs represent baseline staff. However, as wages rise, expenses including certain legally required benefits and other benefits do not necessarily become more expensive. As wages increase, the proportion of ERE to wages decreases; therefore, we developed multiple "wage bands" for staff types across the spectrum of the wage hierarchy:

- Direct Support Professional (DSP)
- Qualified Intellectual Disabilities Professional (QIDP)
- Licensed Practical Nurse (LPN)
- Registered Nurse (RN)
- Dietitian
- Occupational Therapist (OT)
- Behavior Analyst (BA)

Following the calculations for each fringe benefit component above, the ERE percentages for each wage band are presented in Table 7.

Table 7: Wages and ERE Percentages for Each Wage Band[13]

ERE Component	DSP	QIDP	LPN	Dietitian	RN	OT	BA
Hourly Wage	$16.50	$20.40	$24.24	$28.20	$34.74	$40.78	$46.50
Annual Wage	$34,320	$42,432	$50,419	$58,656	$72,259	$84,822	$96,720
Legally Required Benefits[14]	$3,831 (11.2%)	$4,632 (10.9%)	$5,422 (10.8%)	$6,235 (10.6%)	$7,579 (10.5%)	$8,821 (10.4%)	$9,996 (10.3%)
Paid Time Off	$3,062 (8.9%)	$3,786 (8.9%)	$4,499 (8.9%)	$5,234 (8.9%)	$6,448 (8.9%)	$7,569 (8.9%)	$8,630 (8.9%)
Other Benefits[15]	$3,358 (9.8%)	$3,493 (8.2%)	$3,625 (7.2%)	$3,762 (6.4%)	$3,988 (5.5%)	$4,197 (5.0%)	$4,394 (4.5%)
ERE Percentage	**$10,251 (29.9%)**	**$11,911 (28.1%)**	**$13,546 (26.9%)**	**$15,231 (26.0%)**	**$18,015 (24.9%)**	**$20,587 (24.3%)**	**$23,020 (23.8%)**

The preceding table reflects detailed models of additional compensation costs to employers, including mandatory taxes and competitive benefit packages for employees. Based on these models, we recommend that the Division establish the fringe percentage at 29.9 percent of wages for DSPs across services, including cognate staff types in ICF/IDDs. For higher-wage staff, the Division should implement fringe percentages appropriate to the "wage band" of the staff type indicated above.

Recommendation 3: *Raise the fringe percentage to 29.9 percent of wages for DSPs across services, including cognate staff types in ICF/IDDs. For higher-wage staff, implement fringe percentages appropriate to the "wage band" of the staff type.*

D.1.3. Productivity of Direct Service Staff

Productivity factors account for the time during a scheduled workday that direct staff cannot bill for the services they deliver because they are performing other tasks. Some common examples of these non-billable activities are travel time to a participant's home to deliver services or time spent in training.

Most independent rate models assume staff are paid for an eight-hour workday, and the wages and ERE must be adjusted upwards to account for the non-billable time during the workday.

[13] Sums and percentages may differ slightly due to rounding.
[14] Legally required benefits include FUTA, SUTA, FICA, and workers' compensation, taken as percentages of annual wages or a proportion of annual wages as specified by law.
[15] Other benefits include retirement, health insurance, dental insurance, and vision insurance adjusted by the proportion of full-time employees (the part time adjustment factor) and the take-up rate of these benefits.

Consider a simple example to illustrate this process:

> A direct service staff person is paid $15 per hour and works an 8-hour day. The cost to the agency for the day is $120 ($15 * 8 hours). However, if half of the staff member's 8-hour day (4 hours) was spent on activities that are non-billable, the agency would only be able to bill for 4 hours of the staff's time. Therefore, a productivity adjustment would have to be made to allow the agency to recoup the full $120 for the staff cost. The adjusted wage rate per billable hour would need to be $30 in this example. This means that the productivity adjustment needs to be 2.0.

This is an exaggerated example; however, it illustrates the concept of a productivity adjustment.

D.1.4. Occupancy and Absences

For some services, such as day programs, an "occupancy rate" is used to further adjust the cost assumptions behind the rate. These adjustments are made for many of the same reasons as staff time is adjusted for "productivity". Namely, if provider costs are divided over all billable units, the rate must account for the fact that not all time which is hypothetically billable when determining the rate can actually be billed by providers due to a variety of reasons including, for example, short vacancies in a home before a new resident replaces a former resident, or an absence from a day program due to a client sick at home. In order to cover a provider's projected cost, the rate includes an occupancy factor to incorporate revenue lost to absences into the rate for expected billed units. So long as vacancies or absences are reasonably low and reflect efficient operations, a rate that includes an occupancy factor is more responsive to the actual relationship between provider revenue and costs.

D.1.5. Supervision

Frequently, rate models incorporate supervision costs into general administrative costs. Due to the fact that frontline supervisors are likely to see wage increases commensurate with those received by the DSPs they supervise, Guidehouse elected to show supervision costs as a separate component of the independent rate models. The supervision costs component captures the cost of supervising direct care staff.

Guidehouse collected information on the number of direct care staff supervised by one supervisor and the total number of hours a supervisor on average spends directly supervising staff in the provider survey. Based on data reported in the cost and wage survey, we calculated the relationship between Lead DSPs or similar staff listed with supervisor responsibilities, as well as the median number of supervision hours per day per employee. Supervisor costs are calculated as the hourly wage and benefits multiplied by the direct supervision time per hour for each service. In cases where supervision information was not reported in the survey, Guidehouse used supervision data reported for the most similar service.

D.1.6. Administrative Expenses

Rates typically allot administrative costs across an organization based on the proportion of costs incurred by a provider's direct support personnel. Conversely, current CILA rates incorporate

administrative expenses as a fixed cost that does not vary with the direct care costs included in the rate, assuming administrative costs to be equal even when a rate includes higher staffing. Our proposed methodology reflects the former assumption by establishing administrative costs as a percentage of direct care costs for both CILA residential and non-residential services; this maintains the proportion of administrative costs to wages even as wages rise substantially with annual minimum wage increases.

Administrative expenses comprise three cost categories: payroll administration, non-payroll administration, and facilities and utilities for administrative use.

- **Payroll Administrative Expenses:** Employees and contracted employees who perform administrative activities earn salaries and benefits, which count toward payroll expenses in the calculation of total administrative costs.
- **Non-Payroll Administrative Expenses:** Costs including office equipment and overheard comprise non-payroll administrative expenses, net of bad debt and costs related to advertising or marketing.
- **Facility and Utilities for Administrative Use:** Rent, mortgage, and depreciation for administrative space factors into total administrative costs, as do utilities and telecommunication expenses relating to administrative use.

For each provider, Guidehouse determined the ratio of administrative costs to direct care wages and benefits by summing administrative costs reported in the provider cost and wage survey, then dividing by total direct care wages and benefits inflated according to new wage and fringe assumptions for DSPs and other direct care workers for 2021. We removed outliers which include percentages over 40 percent as well as any providers which did not report salaries for administrative employees.[16] Since some service types incur higher levels of overhead costs than others, administrative percentages were calibrated by service category, with each category receiving a distinct administrative rate reflective of the type of service. As analyzed in the provider cost and wage survey, the overall percentage for all providers was 18.1 percent; for day providers only, the median percentage rose to 18.9 percent; for agencies with behavioral and therapeutic service staff, 16.1 percent; while for CILA providers only the median percentage dropped to 15.7 percent. Administrative costs for ICF services are not reimbursed based on a standard administrative rate, but on actual administrative costs incurred. These costs are reported through annual cost reports and paid through each facility's support rate.

D.1.7. Program Support Expenses

The independent rate models include a program support component, which represents costs that are neither direct care related nor administrative but have an impact on quality. These costs are specific to the program but are not billable. Some examples of program support costs include training costs for direct care staff and quality assurance activities.

[16] While there is no clear threshold for determining reasonable and unreasonable levels of administrative costs, 35 to 40 percent of revenues frequently serves as a rule of thumb for establishing an acceptable proportion of administrative costs for many non-profit organizations. Business accountability organizations such as the Better Business Bureau and Charity Navigator use these levels to establish costs (see: https://www.nolo.com/legal-encyclopedia/reporting-nonprofit-operating-expenses.html). The State of Virginia uses a similar standard to determine nonprofit tax exemptions (see: http://dls.virginia.gov/commissions/tax/files/report%20Nonprofits.pdf).

The program support percentage is calculated based on cost data reported in the provider survey. Program support costs reported by providers were calculated in relation to direct care costs reported in the provider survey. The non-residential rate models described in the next section use the calculated median program support percentage of 10.6 percent.

D.2. Non-Residential Service Rate Methodologies

D.2.1. Day Programs

Day programs reimbursed by the Division currently include On-Site and Off-Site Community Day Services (service codes 31U and 31C, respectively), Adult Day Services (35U, rates for which are aligned with rate-setting conducted under the authority of the Illinois Department on Aging), and At-Home Day Program (37U).[17]

The Employment and Training Subcommittee included 31 recommendations for these services. Nine of these apply to "meaningful day programs," which largely focus on four major service issues with an impact on rate setting: discrepancies between day program and residential service assumptions, inconsistency in staffing ratios across day programs, lack of focus on community integration, and needs for additional medical and behavioral staffing for individuals with higher resource needs.

In order to address these areas, the Subcommittee offered the following specific steps for the Division to consider in reviewing rates for day program and employment services:

- **Align assumptions for service utilization between day programs and residential services.** Currently, the CILA rate methodology lacks a standard assumption for the length of day program hours during each weekday. In 24-hour CILA, the methodology for 5-7 person homes assumes that residents are in day programs for seven hours of each non-weekend day, while the model for 1-4 person CILA shortens the number of unstaffed hours to five per day. The Subcommittee recommended that day program rate assumptions allow for five billable day program hours per day, five days per week, which should also be reflected assumptions around unstaffed hours in the residential base rate.
- **Define staffing ratios for day programs.** The Subcommittee expressed concern about incentives for providers to employ high staffing ratios of clients to staff in congregate settings without necessarily providing sufficient resources for staffing conducive to community integration, and therefore recommended that Off-site Community Day Services (31C) should be explicitly defined with a minimum staff-to-individual ratio of 1:4 or less.
- **Establish a new service to focus on community integration.** In order to promote further community inclusion, the Subcommittee asked the Division to establish a new service, Community Integration Supports (CIS), which would assume a 1:1 to 1:2 staffing ratio.

[17] Other Day Program (30U) was also a part of the service array when Guidehouse began the rate study but was phased out by the Division on June 30, 2020.

- **Build tiered rates for individuals with higher resource needs.** The current day program rate structure does not accommodate supports to address additional medical and behavioral staffing for individuals with higher resource needs. To do so, the Subcommittee recommended that along with the base rate, the Division establish enhanced rates tiered for acuity for each day program to provide additional supports to a limited number of individuals with significant medical or behavioral needs. These might include Medical/Behavioral Level 1 supports (for individuals who require 1:1 staff support for more than 40 percent of time) and Medical/Behavioral Level 2 supports (for individuals who require 1:1 staff support needed more than 90 percent of time, or 2:1 support needed more than 40 percent of time).

In addition, the Subcommittee made broader recommendations regarding At-Home Day Programs and Other Day Programs, to further define the former and transition away from the latter.

A Note on Transportation Services

Costs associated with client transportation are currently included in rates for non-residential services; the Division does not reimburse for discrete transportation services. The Transportation Subcommittee made eight recommendations with three main directives for the Division's rate-setting efforts: 1) providing "relief to providers from a significant unreimbursed cost burden by updating the numbers" for transportation cost assumptions; 2) unbundling transportation from program rates; and 3) developing an "individualized rate" which addresses factors affecting transportation costs.

Other Rates Oversight Committee recommendations, especially those regarding residential services and day programs, impacted our approach to reviewing rates for transportation. For example, the redesign of day program assumptions and service definitions impacts the structure of transportation service delivery and its anticipated cost. Current day program options still depend heavily on traditional services and congregate settings, but it is the Committee's intention to increase community integration in day programs. To the extent that rate assumptions are altered to cover costs associated with higher levels of community interaction, redesign will substantially affect both staffing assumptions as well as assumptions about when and how to use transportation to facilitate greater engagement with the community. As day programs change to reflect person-centered values and greater community focus, the Division should expect changes in the character of the transportation used to support these services. If transportation assumptions are too closely wedded to current costs and needs, rates may inhibit transition to more community-focused day program alternatives. These considerations are important for contextualizing the Transportation Subcommittee recommendations and how we interpreted the relative merits and concerns of unbundling transportation costs from future day program rates.

While Guidehouse conducted an in-depth study of transportation costs and even developed an initial set of benchmark rates for independent transportation services, it was determined that these rates would cover a much narrower range of modalities than the Subcommittee intended (for example, rates would not cover normal public transit, which must be paid at market rates, per Medicaid rules). Due to these

constraints, Guidehouse, the Division, and stakeholders on the Rates Oversight Committee took the view that updated transportation assumptions within a bundled day program rate would furnish providers with the greatest balance of needed resources and flexibility to support transportation services in community settings. For these reasons, we are not recommending independent transportation rates, and we have established day program rates designed to cover transportation costs associated with the service. Our analysis of transportation costs for day programs is included in Section D.2.2.

To address Rates Oversight Committee recommendations for the Division's day programs, we first reviewed the array of day services currently offered. These included existing service offerings as well as one new service of Community Integration Supports which follows the Committee's recommendation to establish a new service to focus on community integration. Guidehouse did not design a rate methodology or develop an updated rate for Adult Day Services (35U), as rates for this service follow rate-setting activities conducted under the authority of the Illinois Department on Aging, or Other Day Program (30U), as the Division was in the process of phasing out this service code at the time of the rate study.

Our assumptions for day program rates depart from those included in the current rate structure to reflect the priorities of the Committee, as described below. Base compensation for direct service workers forms the foundation of each program rate and is equivalent to the hourly wage and fringe benefits for one direct service worker using the statewide or Chicago Area wage assumptions described in Section D.1 above.

A productivity factor then adjusts the effective hourly compensation to reflect the assumed billable time of a worker; the Committee recommended assuming five hours of billable time per eight-hour day for each worker to allow for non-billable or other administrative activities. Since Guidehouse has adjusted the productivity factor to reflect a maximum of five billable hours for each day of day program attendance, the Division will need to revise current rules that allow providers to bill up to seven hours per day. The productivity adjustment, as well as the supervision factor and occupancy adjustments applied to account for costs of supervisor compensation and for attendance and availability of day program facilities respectively, are inputs applied uniformly across all day program types.

- The **supervision factor** reflects the proportion of supervisor compensation, using the wage and ERE assumptions for Lead DSPs, to the ratio of direct service workers to supervisors as reported each facility.
- The **occupancy adjustment** assumes each facility is open for 260 days annually and is paid for 240 days annually according to median occupancy information as reported in the cost survey.

The step of translating the per-staff metric defined thus far into a per-client rate differs for each service code, as each service definition calls for a unique staffing ratio and input for capital or facility costs, administrative expenses, program support and supplies, and transportation costs.

The most intensive day program, the proposed Community Integration Supports (CIS), assumes a staffing ratio of one DSP per one-and-a-half clients, reflecting the Committee's recommendation for a service with a 1:1 or 1:2 staff-to-client ratio. At-Home Day Program (37U) has the next most intensive staffing ratio under our revised rate methodology, with a ratio of one staff per three clients. Community Day Services have more clients per one staff member, with

Off-Site (31C) requiring more intensive staffing than On-Site (31U) due to the nature of community-based versus facility-based day programming. To translate adjusted compensation into a per-client value, adjusted compensation is divided by the number of clients in each staffing ratio for each service.

Other inputs include capital or facility costs, administrative expenses, program support and supplies, and transportation costs:

- Only the rate for Community Day-Services On-Site includes **capital costs** because this is the only day program that requires the use of a facility which incurs reimbursable capital costs. These costs are calculated as the median ratio of reported annual costs of facilities to the product of clients and annual attendance hours for each facility.
- **Administrative expenses** represent the proportion of administrative costs for providing day program services to direct service costs; we recommend that because direct service costs increase as minimum wage increases, the value for this input should continue to be tied to direct care costs.
- **Program support costs** are calculated a bit differently, as a fixed dollar amount not tied to direct care costs. While this methodology initially calculates program support costs as tied to direct service costs, the costs associated with program support and program supplies will not inflate as quickly as direct care costs, and therefore this input should be fixed rather than a percentage of direct care costs. Because of the varying staffing ratios associated with the intensity of providing services, each day program has a distinct program support cost associated with it to reflect the support needs of individuals receiving those services
- **Transportations costs** are also addressed in the rate but discussed in more detail in the next section when considering the Committee recommendation to consider establishing Non-Medical Transportation as a distinct service.

Tables 8 through 11 on the following pages provide specific rate components for each of the following day program services:

- Community Day Services (Onsite) (31U)
- Community Day Services (Offsite) (31C)
- At-Home Day Services (37U)
- Community Integration Supports (CIS)

Table 8: Rate Components for Community Day Services (Onsite) (31U)

Rate Component	Value/Assumption	Comments
Unit of Service	1 hour	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $16.50/$18.98 FY23: $18.00/$20.70 FY24: $19.50/$22.43 FY25: $21.00/$24.15 FY26: $22.50/$25.88	Statewide/Chicago area wage assumptions per year.
ERE	29.9%	Standard ERE for DSP wage level
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	5 hours	Billable hours per day
Occupancy Adjustment		
Days Open	260 days	Average days day program open per year, as reported in provider cost survey.
Days Paid	240 days	Average numbers of days per year paid per individual.
Supervision Costs		
Supervision Time per Hour	$2.54	Supervision costs per hour based on analysis of supervisor span of control in cost survey.
Staffing Ratio		
Staff : Client	1 : 5	Assumption based on Rates Oversight Committee recommendations.
Transportation		
Cost per Hour per Individual	Statewide: $2.88 Chicago Area: $3.21	Transportation costs discussed at further length in report section D.2.2.

Rate Component	Value/Assumption	Comments
Additional Expenses		
Capital Costs	$1.30	Hourly capital cost per individual, as reported in provider cost survey
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	18.9%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor specific to day programs.

Table 9: Rate Components for Community Day Services (Offsite) (31C)

Rate Component	Value/Assumption	Comments
Unit of Service	1 hour	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $16.50/$18.98 FY23: $18.00/$20.70 FY24: $19.50/$22.43 FY25: $21.00/$24.15 FY26: $22.50/$25.88	Statewide/Chicago area wage assumptions per year.
ERE	29.9%	Standard ERE for DSP wage level
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	5 hours	Billable hours per day

Rate Component	Value/Assumption	Comments
Occupancy Adjustment		
Days Open	260 days	Average days day program open per year, as reported in provider cost survey.
Days Paid	240 days	Average numbers of days per year paid per individual.
Supervision Costs		
Supervision Time per Hour	$2.54	Supervision costs per hour based on analysis of supervisor span of control in cost survey.
Staffing Ratio		
Staff : Client	1 : 4	Assumption based on Rates Oversight Committee recommendations.
Transportation		
Cost per Hour per Individual	Statewide: $3.27 Chicago Area: $3.64	Transportation costs discussed at further length in report section D.2.2.
Additional Expenses		
Capital Costs	$0.00	No capital costs included, since off-site CDS is not facility-based.
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	18.9%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor specific to day programs.

Table 10: Rate Components for At-Home Day Services (37U)

Rate Component	Value/Assumption	Comments
Unit of Service	1 hour	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $16.50/$18.98 FY23: $18.00/$20.70 FY24: $19.50/$22.43 FY25: $21.00/$24.15 FY26: $22.50/$25.88	Statewide/Chicago area wage assumptions per year.
ERE	29.9%	Standard ERE for DSP wage level
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	5 hours	Billable hours per day
Occupancy Adjustment		
Days Open	260 days	Average days day program open per year, as reported in provider cost survey.
Days Paid	240 days	Average numbers of days per year paid per individual.
Supervision Costs		
Supervision Time per Hour	$2.54	Supervision costs per hour based on analysis of supervisor span of control in cost survey.
Staffing Ratio		
Staff : Client	1 : 3	Assumes most residents will not remain home during day, requiring lower staffing ratios.
Transportation		
Cost per Hour per Individual	Statewide: $0.56 Chicago Area: $0.56	Transportation costs discussed at further length in report section D.2.2.

Rate Component	Value/Assumption	Comments
Additional Expenses		
Capital Costs	$0.00	No capital costs included, since capital costs are covered through residential rate.
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	18.9%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor specific to day programs.

Table 11: Rate Components for Community Integration Supports

Rate Component	Value/Assumption	Comments
Unit of Service	1 hour	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $16.50/$18.98 FY23: $18.00/$20.70 FY24: $19.50/$22.43 FY25: $21.00/$24.15 FY26: $22.50/$25.88	Statewide/Chicago area wage assumptions per year.
ERE	29.9%	Standard ERE for DSP wage level
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	5 hours	Billable hours per day

Rate Component	Value/Assumption	Comments
Occupancy Adjustment		
Days Open	260 days	Average days day program open per year, as reported in provider cost survey.
Days Paid	240 days	Average numbers of days per year paid per individual.
Supervision Costs		
Supervision Time per Hour	$2.54	Supervision costs per hour based on analysis of supervisor span of control in cost survey.
Staffing Ratio		
Staff : Client	2 : 3	Assumptions based on Rates Oversight Committee recommendations.
Transportation		
Cost per Hour per Individual	Statewide: $5.05 Chicago Area: $5.63	Transportation costs discussed at further length in report section D.2.2.
Additional Expenses		
Capital Costs	$0.00	No capital costs included, since CIS is not facility-based.
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	18.9%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor specific to day programs.

Based on the methodology and cost inputs described above, Guidehouse believes that it is feasible not only to establish benchmark rates for the current service array, but also to include an additional service, Community Integration Supports, as recommended by the Rates Oversight Committee. Guidehouse also developed enhanced “add-on” rates for existing day program services for clients experiencing challenging behaviors or high medical need, requiring additional staff resources during day program hours.

***Recommendation 4**: Expand day program service offerings to include more community-oriented services, including a new Community Integration Supports service and enhanced day program rates for individuals experiencing behavior challenges and/or high medical needs.*

D.2.2. Transportation Costs

The preceding tables reflect Guidehouse's recommendation to include transportation costs into a "bundled" day program rate rather than as a distinct service. However, as previously discussed, our analysis also considered the potential of "unbundling" transportation from other day program costs and reimbursing it as a distinct service. Regardless of whether transportation costs are included within the day program rate (or "bundled") or reimbursed separately from the day program rate (or "unbundled"), analysis for redesigning how the Division pays for transportation involved analysis of transportation-specific cost factors and calculating a "trips adjustment."

Base compensation for drivers is the basis of the transportation rate, and because drivers are typically direct service workers, this is equivalent to the hourly wage and fringe benefits for one DSP using the statewide or Chicago Area wage assumptions. Transportation services often involve the presence of attendants or transportation aides besides the driver who ride along with clients, as many providers in the cost and wage survey reported that their day program DSPs travel with clients to and from the day program but are not reimbursed for this time. Although DSPs serving as attendants or transportation aides cannot bill specifically for transportation time, our rate recommendations for day programs reimburse this time through a productivity-impacted "trips adjustment" that considers the significant non-billable time associated with travel and lunch hours. We have not included attendant costs into the transportation model, as these are already covered as a part of staffing costs in the day program rates. This compensation is then adjusted by the same occupancy factor used for day programs.

Transportation-specific cost components include costs relating to the following categories as reported by providers in the provider cost & wage survey, adjusted to the 260-day occupancy length and by the size of each provider's vehicle fleet:

- Materials and Supplies
- Fuel and Lubricants
- Tires
- Insurance
- Utilities
- Technology and Communication Related to Transportation
- Travel and Meetings
- Other Miscellaneous Transportation-Related Expenses
- Passenger Revenue Vehicles
- Service Vehicles
- Other Transportation-Related General Administration Facilities
- Maintenance Personnel
- Vehicle Depreciation

- Property Depreciation
- Capital Leases Amortization
- Land Improvements Amortization
- Purchase Lease Payments

The 18.9 percent administrative expenses for day program holds for the transportation rate and is applied to the total of the adjusted compensation and vehicle and equipment costs listed above. Combining each of these components, including drivers' wages and benefits as well as vehicle-related costs and administrative expenses, we calculated the total daily cost of transportation per vehicle to be $255.54.

The key component of the transportation add-on is the trips adjustment, which translates the cost of providing transportation via one vehicle to a unit rate by dividing the daily cost by the expected number of trips per day, calculated based on loading and unloading time, number of riders, trip distance, driving speed, and productivity. These components of the trips adjustment are based on reported transportation metrics from the provider cost and wage survey, assumptions about assisting ambulatory and non-ambulatory clients, and policy priorities. Dividing the total daily cost by the trips adjustment (for example, six trips per day) and by the number of riders yields a rate per trip per client. However, the per trip per client rate was not explored further due to decisions by the Division and the Rates Oversight Committee that the transportation cost remain bundled with the day program rate. Due to federal restrictions on the types of transportation services reimbursable as a separate Non-Medical Transportation rate,[18] stakeholders considered that the current bundled methodology would allow providers more flexibility to take advantage of more transportation alternatives than an unbundled transportation rate, especially in urban areas like Chicago.

Recommendation 5: *Continue to reimburse day program transportation costs through the existing "bundled" day program rate methodologies rather than establishing a separate non-medical transportation rate.*

As discussed, the costs of transportation are bundled with the costs of providing day program services in the final proposed rate for each day program. At-home day program rates are designed to include only usage costs incurred in addition to costs reimbursed through the residential rate, as capital and transportation costs are already covered through residential service rates. Table 12 presents the trips adjustment and other key metrics designed to translate total daily cost of transportation into a transportation add-on for the bundled day program rate.

[18] For example, publicly available mass transit must be reimbursed based on market prices rather than a separate Medicaid rate.

Table 12: Calculations of Transportation Rate Add-ons for Each Day Program

Transportation Rate Add-on Factors	31U	31C	37U	CIS	Comments
Total Possible Trips per Day	6.6	7.3	8.2	9.5	Calculated based on mileage and drive times reported in provider cost survey, along with rider assumptions adjusted for each service
Transportation Rate / Total Cost per Trip	$35.98	$32.68	$4.23	$25.24	Total daily transportation cost divided by number of possible trips
Daily Trips per Individual	2	2	2	2	Assumes each participant receives round-trip between residence and day program destination.
Day Program Billable Hours	5	5	5	5	Maximum number of day program billable hours per day
Riders per Trip	5	4	3	2	Number of riders assumed for each type of day program
Transportation Cost per Hour per Individual	**$2.85**	**$3.23**	**$0.56**	**$5.05**	Hourly cost per individual equals total cost per trip multiplied by daily trips per individual, divided by the total billable hours and number of riders per trip.

D.2.3. Supported Employment

The Employment and Training Subcommittee recommendations for employment options focused on improving service definitions, limitations, and incentives for supported employment program (SEP) services. In order to address these areas, the Subcommittee offered the following specific steps for the Division to consider in reviewing rates for day program and employment services:

- **Create distinct service definitions underneath the larger SEP designation including job assessment, development, and coaching, as well as customized employment definitions.** The Subcommittee believed that distinct service definitions (for example, between job development and job coaching) would provide guidance on billable hours and time limits for each service component, and that appropriately defining billable hours and time limits will improve service delivery and the ability of providers to support individuals' employment. Further, the Subcommittee recommended that DHS consider incentivizing providers to be able to provide services under both DRS (as a Community Rehabilitation Provider (CRP)) and DDD (as an HCBS waiver provider). So that individuals are able to easily transition from DRS- to DDD-funded services, services should be "braided" and rates should be streamlined or comparable between the two funding authorities.

Regarding Supported Employment, the Subcommittee also recommended a number of policy changes relating to service limits and the relationship between the Division of Rehabilitation Services (DRS) and the Division of Developmental Disabilities for the Division to consider which fall outside of the scope of setting rates for these services.

Currently, the Division funds two Supported Employment services: Supported Employment Group (39G) and Individual (39U); however, service definitions and billing guidance do not meaningfully distinguish active job coaching from other supports or between individual and group services. Analysis of the current rate structure indicated that current rates (effective January 2020), $13.55 hourly for group supports and $15.19 hourly for individual supports, are not viable for active one-on-one job coaching. Therefore, Guidehouse worked with the Division first to improve service definitions for Supported Employment services then to update the rate methodology for those services.

We consulted the employment supports programs from four states with well-defined rate assumptions for similar services including Delaware, Connecticut, Colorado, and Pennsylvania. Based on these established programs and the Division's priorities for its Supported Employment program, we have proposed five distinct services to replace the current structure and developed rate methodologies for each proposed service listed in Table 13.

Table 13: Proposed Supported Employment Program Offered by DDD

SE-1	Supported Employment – Career Assessment
SE-2	Supported Employment – Job Finding and Development
SE-3	Supported Employment – Job Coaching and Support
GE-1	Small Group Employment Level 1 (1:6)
GE-2	Small Group Employment Level 2 (1:3)

The results of our analysis and rate recommendations in Section E demonstrate that an expanded service array for Supported Employment would provide additional funding for individualized services as well as improve service coordination with initial career assessment and job development services provided by the Division of Rehabilitation Services. While the widened service array would continue to reimburse Supported Employment services in small group settings, recommended rates would more closely align with the scaled costs of the group setting, further incentivizing the transition to more individualized service models.

Recommendation 6: *Redesign the Supported Employment service array to provide supports for individualized job coaching while improving alignment between costs and reimbursement for small group services.*

The specific methodology for Supported Employment services aligns closely with that for day programs, with some meaningful distinctions. The wage assumptions used here mean that base compensation for purposes of rate-setting encompass the wages and benefits for a job coach, which is $17.23 per hour statewide and $19.81 per hour in the Chicago Area.

Further, adjustments for billable time including the productivity adjustment and days adjustment (equivalent to the concept of an occupancy adjustment in day programs) are different for employment services. Here, the productivity adjustment assumes 6.4 billable hours from an 8-hour day while the days adjustment assumes job coaches can bill each of the 260 service days in a year. The supervision factor is calculated similarly, using differentials between job coaches and job coach supervisors. The facilities and capital factor added to Community Day Services On-Site is replaced by a mileage factor that reimburses 24 cents per hour.

Owing to the nature of providing supported employment, the Division has recommended this service utilize a 15-minute unit (rather than the hourly units proposed for day programs). The development of the rate for each Supported Employment service is presented in Tables 14 through 16 below.

Table 14: Rate Components for Individual Supported Employment (SE-1, SE-2, and SE-3)

Rate Component	Value/Assumption	Comments
Unit of Service	15 minutes	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $17.23/$19.81 FY23: $18.80/$21.62 FY24: $20.36/$23.42 FY25: $21.93/$25.22 FY26: $23.50/$27.02	Statewide/Chicago area wage assumptions per year. FY 23-FY26 wages were based on adjusting the new DSP wage for that year by the ratio of the FY 22 SEP to DSP wages. Guidehouse applied this adjustment to SEP FY23-26 wages to keep SEP wages above DSP wages over time while DSP wages are expected to grow due to the minimum wage increase.
ERE	29.9%	Standard ERE for DSP wage level.
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	6.4 hours	Billable hours per day

Rate Component	Value/Assumption	Comments
Supervision Costs		
Supervisor Wage	FY22: $19.19/$21.77 FY23: $20.93/$23.75 FY24: $22.68/$25.73 FY25: $24.42/$27.71 FY26: $26.17/$29.69	Statewide/Chicago area wage assumptions per year. FY23-26 supervisor wages are based on adjusting each year's supervisee wage by the ratio of the FY22 supervisor to supervisee wages.
Supervisor Benefits	28.1%	ERE specific to average supervisor wages.
Supervision Time per Hour	$24.58/$27.89	Total supervision compensation per hour
Staffing Ratios		
Staff : Client	1 : 1	Ratio appropriate to individualized job support.
Mileage		
Mileage	13.5	Program-related transportation miles per day
Mileage Reimbursement	$7.76	Based on 13.5 miles per day reimbursed at the IRS mileage rate of $0.575 per mile.
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	18.1%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor reflective of general administrative costs reported in cost survey.

Table 15: Rate Components for Small Group Supported Employment, Level 1 (1:6)

Rate Component	Value/Assumption	Comments
Unit of Service	15 minutes	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $17.23/$19.81 FY23: $18.80/$21.62 FY24: $20.36/$23.42 FY25: $21.93/$25.22 FY26: $23.50/$27.02	Statewide/Chicago area wage assumptions per year. FY 23-FY26 wages were based on adjusting the new DSP wage for that year by the ratio of the FY 22 SEP to DSP wages. Guidehouse applied this adjustment to SEP FY23-26 wages to keep SEP wages above DSP wages over time while DSP wages are expected to grow due to the minimum wage increase.
ERE	29.9%	Standard ERE for SEP wage level, with Statewide/Chicago assumptions.
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	6.4 hours	Billable hours per day
Supervision Costs		
Supervisor Wage	FY22: $19.19/$21.77 FY23: $20.93/$23.75 FY24: $22.68/$25.73 FY25: $24.42/$27.71 FY26: $26.17/$29.69	Statewide/Chicago area wage assumptions per year. FY23-26 supervisor wages are based on adjusting each year's supervisee wage by the ratio of the FY22 supervisor to supervisee wages.
Supervisor Benefits	28.1%	
Supervision Time per Hour	$24.58/$27.89	Supervision costs per hour
Staffing Ratios		
Staff : Client	1 : 6	Ratio appropriate to group job support.
Mileage		
Mileage	13.5	Program-related transportation miles per day

Rate Component	Value/Assumption	Comments
Mileage Reimbursement	$7.76	Based on 13.5 miles per day reimbursed at the IRS mileage rate of $0.575 per mile.
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	18.1%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor reflective of general administrative costs reported in cost survey.

Table 16: Rate Components for Small Group Supported Employment, Level 2 (1:3)

Rate Component	Value/Assumption	Comments
Unit of Service	15 minutes	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $17.23/$19.81 FY23: $18.80/$21.62 FY24: $20.36/$23.42 FY25: $21.93/$25.22 FY26: $23.50/$27.02	Statewide/Chicago area wage assumptions per year. FY 23-FY26 wages were based on adjusting the new DSP wage for that year by the ratio of the FY 22 SEP to DSP wages. Guidehouse applied this adjustment to SEP FY23-26 wages to keep SEP wages above DSP wages over time while DSP wages are expected to grow due to the minimum wage increase.
ERE	29.9%	Standard ERE for SEP wage level, with Statewide/Chicago assumptions.
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	6.4 hours	Billable hours per day

Rate Component	Value/Assumption	Comments
Supervision Costs		
Supervisor Wage	FY22: $19.19/$21.77 FY23: $20.93/$23.75 FY24: $22.68/$25.73 FY25: $24.42/$27.71 FY26: $26.17/$29.69	Statewide/Chicago area wage assumptions per year. FY23-26 supervisor wages are based on adjusting each year's supervisee wage by the ratio of the FY22 supervisor to supervisee wages.
Supervisor Benefits	28.1%	
Supervision Time per Hour	$24.58/$27.89	Supervision costs per hour
Staffing Ratios		
Staff : Client	1 : 3	Ratio appropriate to group job support.
Mileage		
Mileage	13.5	Program-related transportation miles per day
Mileage Reimbursement	$7.76	Based on 13.5 miles per day reimbursed at the IRS mileage rate of $0.575 per mile.
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	18.1%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor reflective of general administrative costs reported in cost survey.

D.2.4. Behavioral and Therapeutic Services

The Division reimburses for six behavioral and therapeutic services: Behavioral Intervention Levels 1 and 2 (56U L1 and 56U L2, respectively), Individual and Group Counseling (57U and 57G), and Individual and Group Therapy (58U and 58G). The Rates Oversight Committee's Behavioral Supports Subcommittee made numerous recommendations germane to these services, including 12 overall recommendations relating to the utilization and rate adequacy of behavioral services. The recommendations cited involve significant impacts on cost assumptions used for rate development:

- "Persons with an intellectual disability benefit from psychotherapy as much as other supportive services such as Applied Behavioral Analysis… The Division of Developmental Disabilities currently reimburses counseling [and therapy] services at a rate of approximately one-half of that for Behavior Analytic services. It is recommended that these rates be raised to equal levels."
- "Reimbursement rates for counseling as defined in 89 IAC 140 are currently double those reimbursed through the DD Division. This raises the question of whether community providers should become certified mental health providers… Raising rates provided by the DD division is a preferable solution given the additional steps necessary to become DMH certified."
- "Community agencies find it difficult to compete with the high salaries offered by various consulting groups around the state… Given the difficulty of recruiting behavior analysts, the committee believes that the level 2 professionals provide a valuable service and should continue to be eligible for reimbursement… The committee recommends that the DD Division provide greater clarity regarding the necessary items and documents…required to certify a Level 2 Behavior Therapist."

In order to address the concerns of the Subcommittee and assess the feasibility of its suggested remedies to current challenges, Guidehouse consulted both the provider cost and wage survey and data from the Bureau of Labor Statistics[19] to inform wage assumptions for the provider types authorized to offer each of the current services in the therapy and counseling service array, reflected in Table 17 below. It was unclear based on responses to the cost survey whether reported wages through the survey captured industry competitiveness for these specialized provider types or the costs of acquiring and maintaining specific credentials required to perform these behavioral health services, both of which were concerns expressed by the Behavioral Supports Subcommittee. Therefore, Guidehouse opted to crosswalk BLS wage benchmarks for relevant job types.

Table 17: Eligible Provider Types for Behavioral and Therapeutic Services

Behavioral Services Reimbursed by DDD		Eligible Provider Types
56U L1	Behavioral Intervention – Level 1	• Board Certified Behavior Analyst • Licensed Clinical Psychologist
56U L2	Behavioral Intervention – Level 2	• Board Certified Asst. Behavior Analyst • Behavior Therapist • Certified Relationship Dev. Interventionist • Early Intervention Specialist
57U	Individual Counseling	• Licensed Clinical Psychologist

[19] As with other wages, Guidehouse developed our wage comparisons using May 2018 BLS Occupational Employment Statistics for Illinois to develop and analyze wages in time periods comparable to the wage information found in cost reports and the provider cost and wage survey. The 2018 wage data, along with more recent years is available at: https://www.bls.gov/oes/tables.htm.

Behavioral Services Reimbursed by DDD		Eligible Provider Types
57G	Group Counseling	• Licensed Clinical Social Worker • Licensed Social Worker • Licensed Marriage or Family Therapy • Licensed Clinical Professional Counselor • Licensed Professional Counselor
58U	Individual Therapy	• Licensed Clinical Psychologist • Licensed Clinical Social Worker • Licensed Marriage or Family Therapy • Licensed Clinical Professional Counselor
58G	Group Therapy	

Behavioral intervention services rely primarily on Board Certified Behavior Analyst (BCBA) and Assistant Behavior Analyst (BCABA) licensed providers, although psychologists may also perform these services. Guidehouse elected to use the BLS classification of Clinical, Counseling, and School Psychologists as the benchmark wage for providers of both levels of Behavioral Intervention based on the waiver description of providers for these services and the relatively high demand for staff with these licenses. To reflect differences between Levels 1 and 2, Guidehouse assumed the third quartile of Clinical Psychologists wages from BLS for Behavioral Intervention Level 1 and the median of these wages for Level 2.

Service definitions in the waiver application describe qualifications for each therapeutic service as well, noting that “rates are based on available cost data for clinical psychologists, social workers, and nurses on contract with traditional developmental disabilities agencies.” Beginning with this description, Guidehouse blended BLS median wage reports for Healthcare Social Workers and Clinical Psychologists for providers of Individual and Group Therapy; a blended approach integrates the similar job duties of the Healthcare Social Workers classification while recognizing that psychologists are eligible to provide this service and likely represent the upper threshold of wages for therapists. This assumption also preserves key distinctions in cost and intensity between Therapy and Counseling, as Guidehouse used the median Healthcare Social Workers wage as the assumption for providers of Individual and Group Counseling. The Healthcare classification is among the best-paid job types with similar qualifications to a counselor for these services. Wage assumptions are presented Table 18.

Table 18: Behavioral and Therapeutic Service Wage Benchmarks

Behavioral Services Reimbursed by DDD		Staff Benchmark	Wage Assumption[20]
56U L1	Behavioral Intervention – Level 1	BLS: Clinical, Counseling, and School Psychologists (75PCT)	**$46.50**
56U L2	Behavioral Intervention – Level 2	BLS: Clinical, Counseling, and School Psychologists (50PCT)	**$35.87**
57U	Individual Counseling	BLS: Substance Abuse, Behavioral Disorder, and Mental Health Social Workers (50PCT)	**$21.67**
57G	Group Counseling		
58U	Individual Therapy	BLS: Average of Healthcare Social Workers (50PCT) and Clinical, Counseling, and School Psychologists (50PCT)	**$30.72**
58G	Group Therapy		

While other services in scope for rate setting require separate rates for the Chicago region and the rest of Illinois wage assumptions for behavioral service providers do not merit geographic variation in behavioral service rates.

- For services with lower wages and less specialized provider types, we hypothesized and found that the costs of providing services and paying staff competitively are higher in the Chicago region than in the rest of the state. This warranted higher wage and cost inputs into the rate models for Chicago than for other geographic areas.
- For the specialized workers who provide behavioral services, however, we have found that the above hypothesis does not hold when looking at any geographic variation in costs for several reasons:
    - Wages for specialized workers may not be subject to pressures such as costs of living at the same magnitude as wages for less specialized, lower-paid workers.
    - Rural providers may have to pay higher wages for these workers, relative to other workers, to attract an adequately sized specialized workforce.
    - These types of workers are predominantly located in Chicago and metropolitan areas of the state, which skews statewide wage and employment data to the Chicago region already.

We compared wages captured from the BLS for four regions in Illinois: three “downstate” regions (Northwest, West Central, and Southern Illinois nonmetropolitan areas) and the Chicago metropolitan area.

Table 19 on the following page documents the total number of employees for two relevant job categories and the median hourly wage in each region for those job categories captured by the BLS, then calculates a weighted average median hourly wage for the three downstate regions

[20] Wage data based on 2018 BLS percentile wages for Illinois, trended to 2021. Wage comparisons using May 2018 BLS Occupational Employment Statistics for Illinois. Available at: https://www.bls.gov/oes/tables.htm.

and compares to the reported Chicago MSA median hourly wage.

The analysis demonstrates that for these more specialized job types, applying a 15 percent (or any) differential to the statewide wage reported (which is already skewed due to the concentration of these jobs in the Chicago metropolitan area) is unnecessary.

Table 19: Statewide Mental Health Staff Comparisons[21]

2018 BLS Job Title	Northwest IL # of Employee x Wage	West Central IL # of Employee x Wage	Southern IL # of Employee x Wage	Weighted Average Downstate	Chicago # of Employee x Wage	Percentage Difference of Chicago Wage
[Clinical…] Psychologists	30 x $41.79	80 x $29.91	40 x $30.62	$32.48	4270 x $33.62	$1.14 (3.4%)
Healthcare Social Workers	0 x $25.87[22]	170 x $26.24	80 x $21.79	$24.82	4250 x $26.30	$1.48 (5.6%)

Guidehouse developed the rate model and benchmark rates for behavioral and therapeutic services based on the same principles as the methodology used in the day program and supported employment rates. As with the other rates, staff compensation serves as the foundation for the rate, with adjustments applied for productivity and supervision costs. Additional costs such as mileage are added, and then other program support costs and administrative costs are estimated as a percentage of direct care compensation. These components together yield the overall rate.

Specific assumptions for each of the behavioral and therapeutic services included in the rate review are detailed in Tables 20 through 23 on the following pages:

[21] Analysis based on BLS 2018 Occupational Employment Statistics data enriched by State regional data from Illinois Department of Employment Security. Data set available at: https://www2.illinois.gov/ides/lmi/Pages/Occupational_Employment_Statistics.aspx.

[22] The database reported zero Healthcare Social Worker employees for the Northwest Illinois region, but still reported a median hourly wage for this job type. Therefore, we included this information for reference, but this wage does not factor into the weighted average.

Table 20: Rate Components for Behavior Intervention, Level 1

Rate Component	Value/Assumption	Comments
Unit of Service	1 hour	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $46.50 FY23: $47.20 FY24: $47.91 FY25: $48.62 FY26: $49.35	Statewide wage assumptions per year. FY23-FY26 wages were based on adjusting the previous year's wage by 1.5%. Guidehouse applied a year-over-year (YOY) percentage adjustment to the wages based on determining that the behavioral intervention direct care wages are unaffected by the growth in the DSP wage.
ERE	23.4%	Standard ERE for behavioral intervention wage level
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	6.24 hours	Billable hours per day Based on a 78% productivity factor derived from data reported in the provider cost and wage survey.
Supervision Costs		
Supervisor Wage	FY22: $50.08 FY23: $50.83 FY24: $51.59 FY25: $52.37 FY26: $53.15	Statewide wage assumptions per year. FY23-26 supervisor wages are based on adjusting each year's supervisee wage by the ratio of the FY22 supervisor to supervisee wages.
Supervisor Benefits	23.0%	
Supervision Time per Hour	$61.60	Supervision costs per hour
Mileage		
Mileage	10.0	Program-related transportation miles per day
Mileage Reimbursement	$5.75	Based on 10 miles per day reimbursed at the IRS mileage rate of $0.575 per mile.

Rate Component	Value/Assumption	Comments
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	16.1%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor specific to agencies employing counseling and therapy staff.

Table 21: Rate Components for Behavior Intervention, Level 2

Rate Component	Value/Assumption	Comments
Unit of Service	1 hour	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $35.87 FY23: $36.41 FY24: $36.95 FY25: $37.51 FY26: $38.07	Statewide wage assumptions per year. FY23-FY26 wages were based on adjusting the previous year's wage by 1.5%. Guidehouse applied a year-over-year (YOY) percentage adjustment to the wages based on determining that the behavioral intervention direct care wages are unaffected by the growth in the DSP wage.
ERE	24.9%	Standard ERE for behavioral intervention wage level.
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	6.24 hours	Billable hours per day Based on a 78% productivity factor derived from data reported in the provider cost and wage survey.

Rate Component	Value/Assumption	Comments
Supervision Costs		
Supervisor Wage	FY22: $46.50 FY23: $47.20 FY24: $47.91 FY25: $48.62 FY26: $49.35	Statewide wage assumptions per year. FY23-26 supervisor wages are based on adjusting each year's supervisee wage by the ratio of the FY22 supervisor to supervisee wages.
Supervisor Benefits	23.4%	
Supervision Time per Hour	$57.38	
Mileage		
Mileage	10.0	Program-related transportation miles per day
Mileage Reimbursement	$5.75	Based on 10miles per day reimbursed at the IRS mileage rate of $0.575 per mile.
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	16.1%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor specific to agencies employing counseling and therapy staff.

Table 22: Rate Components for Individual and Group Therapies

Rate Component	Value/Assumption	Comments
Unit of Service	1 hour	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $25.58 FY23: $25.96 FY24: $26.35 FY25: $26.75 FY26: $27.15	Statewide wage assumptions per year.
ERE	26.9%	Standard ERE for individual counseling wage level
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	6 hours	Billable hours per day
Supervision Costs		
Supervisor Wage	FY22: $30.47 FY23: $30.93 FY24: $31.39 FY25: $31.86 FY26: $32.34	Statewide wage assumptions per year. FY23-26 supervisor wages are based on adjusting each year's supervisee wage by the ratio of the FY22 supervisor to supervisee wages.
Supervisor Benefits	26.0%	
Supervision Time per Hour	$38.38	
Mileage		
Mileage	10	Miles per day
Mileage Reimbursement	$5.75	Based on 10 miles per day reimbursed at the IRS mileage rate of $0.575 per mile.

Rate Component	Value/Assumption	Comments
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	16.1%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor specific to agencies employing counseling and therapy staff.

Table 23: Rate Components for Individual and Group Counseling

Rate Component	Value/Assumption	Comments
Unit of Service	1 hour	
Direct Care Staff Wages and Benefits		
Hourly Wage	FY22: $21.67 FY23: $22.00 FY24: $22.32 FY25: $22.66 FY26: $23.00	Statewide wage assumptions per year. FY 23-FY26 wages were based on adjusting the new DSP wage for that year by the ratio of the FY 22 Group Counseling to DSP wages. Guidehouse applied this adjustment to Group Counseling FY23-26 wages to keep those wages above DSP wages over time while DSP wages are expected to grow due to the minimum wage increase.
ERE	28.1%	Standard ERE for group counseling wage level.
Direct Care Staff Productivity		
Total Hours	8 hours	Full-time shift per day
Billable Hours	6 hours	Billable hours per day

Rate Component	Value/Assumption	Comments
Supervision Costs		
Supervisor Wage	FY22: $26.56 FY23: $26.96 FY24: $27.36 FY25: $27.77 FY26: $28.19	Statewide/Chicago area wage assumptions per year. FY23-26 supervisor wages are based on adjusting each year's supervisee wage by the ratio of the FY22 supervisor to supervisee wages.
Supervisor Benefits	26.9%	
Supervision Time per Hour	$33.70	
Mileage		
Mileage	10	Miles per day
Mileage Reimbursement	$5.75	Based on 10 miles per day reimbursed at the IRS mileage rate of $0.575 per mile.
Other Program Costs		
Program Support	10.6%	Program support factor developed from provider cost survey, based on proportion of reported program support expenses relative to direct care compensation.
Administrative Overhead	16.1%	Administrative factor developed from provider cost survey, based on proportion of reported administrative costs to direct care compensation. Factor specific to agencies employing counseling and therapy staff.

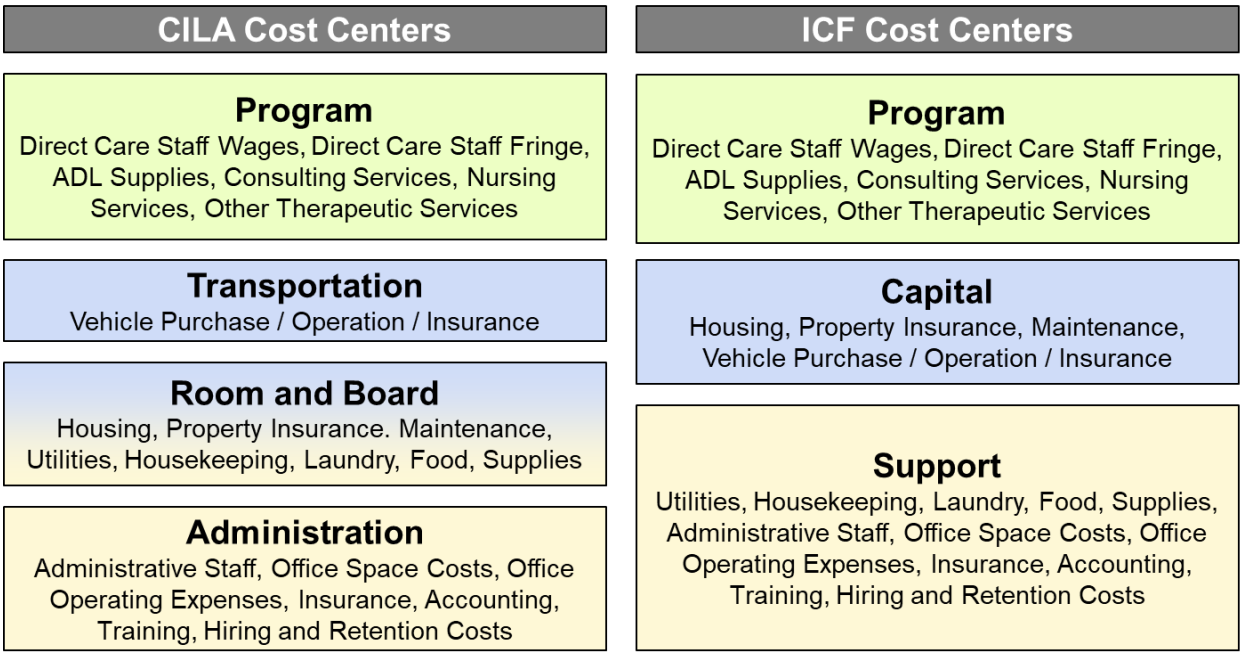
D.3. Residential Services: CILA and ICF/IDD Methodology Comparisons

Rates paid and rate setting methodologies for CILAs and ICF/IDDs differ in their calculation and approach – while both settings are funded by Medicaid, they operate based on distinct legal authorities with different requirements and limitations. Additionally, as ICF/IDDs are designed to support a more intensive medical model of nursing and therapy services, their reimbursement methodologies are comparable to nursing and hospital reimbursement rather than non-institutional fee-for-service arrangements. Because ICF/IDD rate methodologies align more to the reimbursement processes for institutional medical services, they are typically subject to greater administrative burdens than HCBS residential services including CILA arrangements.

ICF/IDD reimbursement is largely cost-based, in which providers are reimbursed for actual incurred costs. This requires, and encourages, a higher level of cost accounting and reporting than typically seen in community settings; CILA reimbursement is largely price-based as discussed further below.

Each arrangement's reimbursement methodology includes separate "cost centers" which have their own methodologies for determining the required rate to cover the costs attributed to each respective cost center. Figure 3 displays the cost centers for each arrangement. Both include a Program cost center which covers compensation for direct care staff, consulting services, nursing services, and other therapeutic services. The ICF/IDD methodology also includes a Capital cost center and Support cost center. The former includes transportation costs such as vehicle purchase, vehicle operation, and vehicle insurance, which are covered under the Transportation cost center of the CILA methodology. The ICF/IDD Capital methodology also includes housing, property insurance, and maintenance costs, which are covered under the CILA Room and Board cost center alongside utilities, housekeeping, laundry, food, and related supplies. Since CILA Room and Board costs are not federally-matched for Medicaid claiming purposes, these costs are included in a single cost center in CILA, but distinguished into separate capital and support costs in the ICF/IDD setting. ICF/IDD costs also include administrative costs under general support, but these costs in CILA are identified in a separate cost center. Specific administrative costs include administrative staff compensation, office space costs and operating expenses, insurance (excluding vehicle insurance), accounting costs, and costs relating to training, hiring, and retaining employees.

Figure 3: Cost Centers for CILA and ICF/IDD Reimbursement Methodologies



As displayed in Figure 3 above, the ICF/IDD Capital and Support cost centers include the same types of costs as the CILA Transportation, Room and Board, and Administration cost centers.

However, since ICF/IDD rates have been frozen, our analysis looks at how the Division might recalculate rates according to the methodology as it was originally determined in regulation. The methods for reimbursing cost centers for CILAs and ICF/IDDs, as illustrated in Figure 4 below, are based on either prices or established benchmarks regardless of expenses incurred, or costs, which cover reimbursement for an organization's actual expenses up to a threshold.

Figure 4: Methodology Comparison by Cost Center

CILA Cost Centers	Method of Reimbursement
Transportation	**Price-Based:** Reimbursement based on purchase price benchmarks and average operational costs
Room and Board	**Price-Based:** Reimbursement based on rental price benchmarks and average reported costs
Administration	**Price-Based:** Reimbursement based on fixed percentage of rate
ICF Cost Centers	**Method of Reimbursement**
Capital	**Price-Based:** Fair Rental Value covers use value of new construction/purchase minus depreciation
Support	**Cost-Based:** Reimbursement of actual incurred costs up to ceiling, standard in SNF rate setting

While CILA Room & Board and Administration cost centers are price-based, the ICF/IDD Support cost center is cost-based. Support costs are reimbursed for facilities according to formulas based on the range of allowable support costs reported according to both the actual allowable support costs previously reported and the percentile value for allowable support costs in a geographic region. The methodology differentiates reimbursement if a facility's costs are under the 35th percentile of costs reported within that region, between the 35th and 75th percentiles of costs in that region, and above the 75th percentile of costs in that region.

ICF/IDDs with four or six beds are treated in "sets" for reimbursement according to the methodology described above. Provider agreements outline a set of small-scale ICF/IDDs within a geographic area for purposes of cost reporting and calculation of per diem support rates. Small-scale facilities may receive slightly higher reimbursement for support costs than larger ICF/IDDs. Our analysis excluded Medically Complex Facilities for Persons with Developmental Disabilities (MC-DDs) and Specialized Living Centers (SLCs). Facilities designated as MC-DDs or as SLCs may receive higher reimbursement for support costs, as the percentile markers for these designated types are increased by 20 percent and by 52.8 percent, respectively, when determining the reimbursement value.

D.4. Residential Services: Methodology for Adjustment Based on Assessed Need

D.4.1. Current Assessment Tools and Adjustment Methodology

The level of resources needed by individuals residing in ICF/IDD and CILA settings is determined differently in each setting. At present, there is not a standardized assessment instrument common to both residential settings. Current processes for assessing need, and the influence of assessments on reimbursement, depend entirely on the setting, and it is not possible to make direct comparisons between an individual's assessed need using the tools available for ICF/IDDs and those employed to determine CILA reimbursement. Assessment data from each of these settings required separate analysis, and Guidehouse developed recommendations appropriate to each setting.

In ICF/IDDs, the determination of resource need is based on an Inspection of Care (IOC) survey conducted by Department of Public Health survey staff. The IOC assesses not only an individual's overall level of functioning, ranging from mild to moderate, severe, or profound, but also additional needs for specialized services, including additional medical, behavioral, transportation, or nursing needs. Although IOC surveys are conducted for each individual, their impact on reimbursement is determined at the facility-level, where reimbursement formulas calculate staffing needs based on the case mix of all individuals residing at the facility. It should be noted ICF/IDD rates have been "frozen" since the mid 1990's with periodic COLA and wage increases since the inception of the rate freeze. Exceptions to the ICF/IDD rate freeze include a facility downsizing or 25 percent turnover of the population served.

The Rates Oversight Committee in its recommendations did not express specific criticisms or concerns about the current assessment process for ICF/IDDs, other than calling for studies to improve alignment between assessed need and empirical findings. For example, the Committee recommended in its report that "[t]he number of acuity levels used in the rate methodology, the cut-off for each level, and the rate adjustment used for each level should be based on empirical analysis and actual time studies of the specific services provided to individuals in each level."

Although Guidehouse acknowledges the need for these types of studies to ensure that assessment tools accurately reflect real differences in how individuals with diverse needs actually use staff and material resources, it was determined early on in our review that the effort involved in performing the time studies would require a longer process than the immediate need to identify rate adequacy and improve reimbursement would allow. Consequently, we have not recommended any changes to the ICF/IDD assessment process and our rate recommendations reflect the process and results as they exist today. However, we do note in our final recommendations the continuing need for further study, and we provide guidance on steps the State can take to address the concerns of the Committee and other stakeholders about the ICF/IDD assessment processes.

In contrast to ICF/IDDs, CILA reimbursement adjustment based on resource need is largely determined using an assessment instrument called the Inventory for Client Assessment and Planning (ICAP). The ICAP is a nationally recognized, statistically-validated assessment tool used by other state agencies throughout the country and is one of the most common assessments used for the population to identify resource need. Although states have adopted different scoring techniques for the ICAP tool, its results are most frequently generated on a scale of 1-100, with higher overall scores reflecting the lower resource need, and the lowest

scores reflecting the highest need. In CILA, an individual's score is used to estimate the amount of staffing hours needed throughout the year, and incremental changes in score will increase or reduce those hours and the budgeted costs associated with them.

Although the ICAP is still widely used, the tool possesses several well-known limitations, including the lack of a mechanism for measuring medical need in addition to adaptive and maladaptive behavioral needs. Because the tool does not provide a truly comprehensive assessment of resource need, the Rates Oversight Committee expressed the need to consider potential alternatives to the tool for use in CILA. The Committee noted in its report:

> "The assessment process must be much more sensitive to acuity of need, intensity of supports to address interests/needs and sentinel events that warrant adjustment of resources. The assessment must also capture non-staff services and resources (e.g. transportation, assistive technology) that are essential to meeting the person's needs. Committee chairs do not feel the current assessment tool (ICAP) is adequate to achieve this outcome."

In light of this concern, Guidehouse investigated potential alternatives to the ICAP as a part of our rate development. The section below discusses the rationale and decision-making process for pursuing changes to the CILA assessment process, the alternative tools available, and the ongoing role of ICAP in adjusting reimbursement.

D.4.2. Proposed Changes to Assessment and Adjustment Methodology

As with ICF/IDDs, the timeframe for rate review ruled out the possibility for development of a comprehensive alternative to the ICAP, including the sorts of time studies used to attune assessment scores to actual resource allocation in CILA homes. However, it was feasible to investigate how the scoring process could be altered and supplemented with additional data to mitigate some of the shortcomings of the current tool. Guidehouse noted that the Division already harnesses other assessment instruments for minor rate adjustments in CILA. Currently, the Division uses the Health Risk Screening Tool (HRST) to adjust needed nursing hours and funding for small CILA homes of four residents or less. Like ICAP, the HRST is a validated national tool used in the I/DD community for a number of purposes, including reimbursement policy, but unlike ICAP, it features robust measurement of medical need and other health risks, as well as maladaptive behaviors.

Although the HRST is not used as a stand-alone tool for comprehensive assessment, our research into assessment practices indicated that other states, including Georgia and West Virginia, combine HRST with other tools to yield a blended assessment process for rate adjustment. Georgia's assessment framework is particularly pertinent for Illinois. Its methodology combines HRST and the Supports Intensity Scale (SIS) in a way that is relatively intuitive and replicable for the tools used in Illinois. Although SIS and ICAP are different in important ways, the structure of their scoring outputs is sufficiently similar that the Georgia framework serves as a useful case study for showing the feasibility of pairing ICAP and HRST to generate meaningful rate tiers reflective of different resource needs.

Prior to developing concrete recommendations for adopting a blended "ICAP+HRST" assessment process, Guidehouse consulted with the Division and a specially-convened Rate Oversite Committee "ICAP Subcommittee" to discuss the relative merits of modifying the assessment process based on the available tools versus retaining the current methodology or

delaying changes until further study determined a superior approach. In deliberating on whether to move forward with a modified process based on already implemented ICAP and the HRST assessments, we presented the pros and cons described in Figure 5 below to the ICAP Subcommittee:

Figure 5: Pros and Cons of Changing Current Assessment Tools and Processes

Pro	Con
• Alternatives to ICAP/HRST would only marginally improve accuracy, while introducing extra administrative burden and new risks. • Taking action now fulfills the recommendations of the Rates Oversight Committee. • Immediate improvement to the assessment process protects the integrity of other rate changes. • Concerns about ICAP focused less on the tool itself and more on how it is currently administered. • Concerns about ICAP accuracy may reflect problems in how it is currently administered by providers rather than its objectivity when applied by State or third-party assessors. • This is an excellent time to implement changes, as new system will be implemented at the same time as overall funding increases.	• Near-term action may not be able to address all current concerns, requiring further improvements in the future. • Significant changes to acuity adjustment open up new financial risks for providers. While all providers would likely see some rate increases due to changing wage assumptions, revision to acuity adjustment introduces possibility of decreased rates for some providers benefitting under old system. • Significant provider education required to understand implications and likely impacts on provider rates.

The feedback from the ICAP Subcommittee was that the prospect of supplementing the ICAP with additional HRST data provided real value, even if it did not provide an ideal solution grounded in more comprehensive time studies or other empirical investigation into the performance of alternative tools. Furthermore, given that these two assessment instruments are already implemented, providing data across the whole of the residential system, using a combined ICAP+HRST assessment framework would allow Guidehouse to model adjustment alternatives with real data and without laborious processes of new assessment and additional data collection.

Following the assessment framework used in Georgia, Guidehouse developed a cognate grouping system that assigns CILA residents to one of six tiered “assessment levels,” based on a combination of their ICAP and HRST scores. In contrast to the current ICAP approach, which assesses individuals into three basic tiers of low, moderate, and high need, our proposed approach distinguishes the relative adaptive and maladaptive needs into quartiles, effectively assigning individuals into four groups of adaptive/maladaptive need based on the ICAP scores. These quartiles are then further subdivided based on the additional health risk and medical need reflected in the HRST, so that individuals are identified with one of the six assessment levels, depending on whether they demonstrate elevated medical or adaptive/maladaptive need.

Table 24 below indicates how ICAP and HRST scores combine into each of the six assessment levels, as well as how these assessment levels ultimately result in four different reimbursement categories, called Resource Use Levels (RUL). The distinction between Assessment Level and Resource Use Level is subtle but important. Essentially, the assessment levels represent different potential paths to higher reimbursement. While reimbursement is still determined by ICAP score for the majority of individuals, with their Resource Use Level reflecting the quartile of their ICAP score, Assessment Levels 3 and 6 ignore ICAP score to some degree, qualifying individuals for elevated reimbursement if they demonstrate moderate or high health risks in the HRST, regardless of their adaptive need as documented in ICAP.

Table 24: Proposed Assessment Framework and Reimbursement Categories

Assessment Level	ICAP	HRST	Resource Use Level (RUL)
1	< 26th percentile	Low Risk (HCL 1-2)	**1**
2	26th-50th percentile	Low Risk (HCL 1-2)	**2**
3	< 51st percentile	Moderate Risk (HCL 3-4)	**3**
4	51st-75th percentile	Low or Moderate Risk (HCL 1-4)	
5	> 75th percentile	Low or Moderate Risk (HCL 1-4)	**4**
6	Any	High Risk (5-6)	

Although the table above shows the mechanics of assessment level assignment, these levels have common sense meanings that identify different types and intensities of resource need in a straightforward way. The following descriptions offer simple definitions of each of the levels:

- **Assessment Level 1**: Bottom quarter of the CILA population with the lowest overall support needs. Defined by low adaptive, behavioral, and medical need.
- **Assessment Level 2**: Increased adaptive need relative to Level 1, but still defined by low adaptive, behavioral, and medical need.
- **Assessment Level 3**: Relatively low adaptive needs, but moderate behavioral and/or medical need, as identified by HRST health care level (HCL).
- **Assessment Level 4**: Higher than average adaptive need and/or moderate behavioral or medical need.
- **Assessment Level 5**: Top quarter of the CILA population with the highest overall support needs. Defined by high adaptive need and moderate behavioral and/or medical need.

- **Assessment Level 6**: Identified as high behavioral and/or medical need, as identified by the HRST HCL, regardless of adaptive need.

The assessment level approach reflects the fact that the ICAP is a reliable assessment for a large majority of the individuals in CILA, but it builds in a mechanism for "overriding" an ICAP score when the individual presents evidence of significant resource need through the HRST assessment not reflected in ICAP. For these reasons, we recommend this framework as a reliable alternative and improvement to the current approach.

Recommendation 7: *Adopt the "ICAP+HRST" assessment framework to improve the process of adjustment for CILA program rates based on individual resource needs.*

D.5. Residential Services: CILA Rate Methodology

D.5.1. Program Costs

Guidehouse's benchmark methodology for addressing program costs largely follows the approach already established in the current CILA rate model. The primary differences are that our benchmarks rely on staffing assumptions appropriate to our recommended changes in the assessment process and its four-tier reimbursement structure, as well as the fact that our benchmarks rely on up-to-date cost assumptions. Many of the cost assumptions in the current model have not been updated over time and so have not kept pace with gradual cost increases over the last two decades.

Guidehouse is not recommending any additional changes to the current CILA definition of the "Program" component of the CILA rate. In keeping with the current model, the program component reimburses providers for those costs incurred in providing habilitation services and supports, including training and other assistance, to persons with a developmental disability living in a CILA home. The cost centers included under this program component are: 1) Base Staffing Costs, 2) Supply Costs, 3) Miscellaneous Consultant Service Costs, and 4) Nursing Costs.

Base Staffing Costs

In the current model, DSPs account for the largest share of the total individual CILA rate calculated by the model. The reimbursement authorized for this cost center depends on assumptions and internal calculations that model staffing needs each day throughout the week, extrapolated to include the entire year. The current CILA Rate Model and Guidehouse's benchmark methodology utilize assumptions associated with "Time of Day / Day of Week," "Staff-to-Resident Ratio," as well as substitute staff assumptions, and the "Staff Adjustment" required to calculate the ultimate total reimbursement associated with needed DSP hours.

The program rate model assumes that the DSP needs of CILA residents vary according to the time of the day and the day of the week. Staffing needs increase or decrease depending on periods of the day characterized as "Prime Time," "Non-Prime Time," and "Night Shift" hours, as well as those "Day Program" hours in which residents are usually out of the home.

"Prime Time" represents hours during weekdays when staff are needed most to assist the individuals living in the CILA home. Such hours may occur when staff are assisting residents with the activities associated with personal hygiene or evening meal preparation. Prime Time on weekend days may include those hours when staff and residents engage in shopping, recreational activities, banking, etc., in addition to the Prime Time activities performed during weekdays. "Non-Prime Time" hours occur during the weekday when fewer DSPs are needed to train or assist the individuals living in the CILA home. Non-Prime Time may include that time during the weekday when individuals are relaxing or are between major activities. Eight hours of each week and weekend day are designated as "Night Shift" hours.

Traditionally, "Day Program" hours are assumed to be unstaffed since residents are supposed to be out of the home attending day programs. The current model varies in its assumptions about the number of Day Program hours each week, depending on whether the CILA home is small (1-4 persons) or large (5-8 persons). For large homes, the assumption is seven unstaffed hours each weekday, but for small homes, the assumption is five hours. This difference affects the number of Prime Time and Non-Prime Time hours assumed for these different types of homes. Table 25 shows the assumptions around the total hours of coverage needed in small versus large homes, according to the current rate model.

Table 25: 24-Hour CILA Weekly Funded Hours by Home Size

24- Hour CILA Weekly Funded Hours				
Day	**Prime Time (Small/Large)**	**Non-Prime (Small/Large)**	**Night (Small/Large)**	**Day Program (Small/Large)**
Sun.	8/8	8/8	8/8	0/0
Mon.	5/4	6/5	8/8	5/7
Tues.	5/4	6/5	8/8	5/7
Wed.	5/4	6/5	8/8	5/7
Thurs.	5/4	6/5	8/8	5/7
Fri.	5/4	6/5	8/8	5/7
Sat.	8/8	8/8	8/8	0/0
Total	**41/36**	**46/41**	**56/56**	**25/35**

In its November 2019 report, the Rates Oversight Committee noted the discrepancy in staffing assumptions between small and large homes and called attention to the lack of alignment with staffing and billing assumptions for day programs. The report recommended that the Division close the gap between unfunded residential hours and hours that a day program could offer and bill for services each day, more closely aligning residential and day program staffing assumptions, especially for large homes.

In response to this recommendation, Guidehouse proposed two alternative CILA base staffing arrangements: one that would standardize large home staffing assumptions with five unstaffed hours assumed for small homes, and the other that would provide minimum staffing round-the-clock, allowing residents more opportunities and flexibility to pursue a range of activities during the day, evening or weekend. These staffing models were dubbed the "Five-Hour" and "Zero-Hour" models, and Guidehouse has developed financial analyses to project the relative impact of implementing either model. Although both models feasibly address the chief concerns of the Division and the Rates Oversight Committee to improve the alignment of residential and day program services, Guidehouse is recommending the "Zero-Hour" model as a superior alternative. Despite its higher cost, this model would not only address issues of potential gaps between funding residential and day program hours, but it would offer providers more flexibility in helping residents to seek competitive employment, pursue community-oriented alternatives to traditional day programs, facilitate activities and pursuit of personal interests offered during hours other than traditional day services, and provide additional resources to help agencies respond to the needs of an aging client population and the growing challenge of supporting "retirees" from traditional day program structures.

Recommendation 8: *Adopt a "Zero-Hour" staffing model that will provide minimum round-the-clock staffing for 24-hour CILA services.*

Staff-to-Resident Ratio Assumptions

Distinctions in the time of day determine not only whether particular residential hours are funded, but also the level of staff resources needed to support different intensities of resident activity during various periods of the day. In order to determine needed staffing hours, funded hours based on time of day have to be combined with information about the staffing ratios required for different intensities of resident need in various sizes of homes in order to extrapolate the staffing hours required per individual. Tables 26 through 29 on the following pages show Guidehouse's proposed staffing ratios for each Resource Use Level. The ratios of RUL 1 are the same as those currently used for individuals with "Low Need," while the ratios for RUL 4 are the same as those used currently for "High Need" residents. The main variation between the existing framework and Guidehouse's revision are the two middle tiers of more moderate need. Notice that the ratios change depending on the time of day coverage required as discussed above.

Table 26: 24-Hour Shift Staff Settings: Staffing Ratios for RUL 1

Time of Day	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Prime Time	1:1	1:2	1:3	1:4	1:4	1:4	1:4	1:4
Non-Prime Time	1:1	1:2	1:3	1:4	1:8	1:8	1:8	1:8
Night	1:1	1:2	1:3	1:4	1:8	1:8	1:8	1:8

Table 27: 24-Hour Shift Staff Settings: Staffing Ratios for RUL 2

Time of Day	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Prime Time	1:1	1:2	1:3	1:3	1:4	1:4	1:4	1:4
Non-Prime Time	1:1	1:2	1:3	1:4	1:4	1:4	1:4	1:4
Night	1:1	1:2	1:3	1:4	1:5	1:6	1:6	1:6

Table 28: 24-Hour Shift Staff Settings: Staffing Ratios for RUL 3

Time of Day	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Prime Time	1:1	1:1.6	1:2	1:2	1:2	1:2.4	1:2.3	1:2.7
Non-Prime Time	1:1	1:1.8	1:2.6	1:3	1:4	1:4	1:4	1:4
Night	1:1	1:2	1:3	1:4	1:4	1:4	1:4	1:4

Table 29: 24-Hour Shift Staff Settings: Staffing Ratios for RUL 4

Time of Day	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Prime Time	1:1	1:1.3	1:1.7	1:2	1:2	1:2	1:2	1:2
Non-Prime Time	1:1	1:1.6	1:2	1:2	1:2.5	1:3	1:2.8	1:2.7
Night	1:1	1:2	1:3	1:4	1:4	1:4	1:4	1:4

In addition to the number of DSP hours needed, the model incorporates need for additional hours for substitute staff. Operating like a productivity adjustment, the number of hours per week of substitute staff required is dependent on the amount of away-from-work training time that is assumed to occur by regular DSP staff, the number of time-off days allotted per DSP, and the number of days that the persons living in the CILA home are assumed to miss day programming either due to holidays, vacation, or illness thus requiring staff to be present in the CILA home. One small contrast between the "Five-Hour" and "Zero-Hour" model is that round-the-clock staffing assumptions do not build in additional substitute hours for missed day programs by residents, since the home is already minimally staffed.

Otherwise, Guidehouse's recommendations follow the current CILA methodology for estimating annual substitute staff hours needed to cover DSP non-productive hours due to staff training, paid time off, and resident absences from day programs, with exceptions noted below:

- The regular DSP staff full-time equivalents (FTEs) used to determine the quantity of substitute hours needed are determined by home size adjusted by support need.
- For staff training, Guidehouse assumes the same staff turnover rate (50 percent) and needed annual training hours per staff member (24) as the methodology uses currently.
- Guidehouse employs the paid time off estimates developed in our analysis of Employer-Related Expenses (ERE) to estimate PTO-related substitute need.

The "Five-Hour" model assumes the continuing need for substitute staff to cover days when residents remain home and do not attend day programs.

Other Supplies and Miscellaneous Consultant Services

The cost center, "Other Supplies" refers to costs incurred in the provision of habilitation and training services associated with the activities of daily living. The current CILA model allocates an allowance of $273.91 per person, per year to cover the cost of "Other Supplies." As with the current model, benchmark reimbursement is provided to all persons living in the CILA home.

In addition to supplies, an allowance of $370 per year for persons with "Intermittent" or "Low" support need (ICAP over 70), $493 per year for persons with "Moderate" need (ICAP between 40 and 69), and $616 per year for persons with "High" need (ICAP between 1 and 39) is built into the current model's individual rate to provide reimbursement for consultant services that may be necessary to provide assessments and develop various therapy plans. Guidehouse's benchmark model retains an allowance for these consultant services, but with specific cost assumptions updated and adapted to the proposed assessment framework. Cost assumptions for consultant services are derived from provider-reported costs and provided in Table 30 below.

Table 30: Consultant Costs

Consultant Costs per Resource Use Level			
RUL 1	**RUL 2**	**RUL 3**	**RUL 4**
$462	$594	$726	$858

Nursing and Medication Administration

Historically, reimbursement for 12 hours of Licensed Practical Nursing (LPN) and one hour of Registered Professional Nursing (RN) was added to the Base Support reimbursement of all adults receiving CILA community residential supports, including all types of CILA reimbursement. The addition of "Base Nursing" to all individual CILA rates recognizes the need for persons with developmental disabilities to have regular health care supports and monitoring. "Base Nursing" is intended to reimburse providers for the cost associated with the completion of nursing assessments, health risk identification and planning, health supports coordination and implementation, health monitoring, and to develop updates to the nursing care plan.

In subsequent updates, the Division revised base nursing assumptions for small homes (1-4 person CILAs), increasing the minimum nursing hours to 18 hours, but tying allotted nursing hours to the HRST's HCL scores, so that residents would receive a maximum of 77.4 hours if warranted by health care level. While 5-8 person homes currently include only 12 hours annually for base nursing needs, assumptions for nursing need in 1-4 person homes are substantially higher and determined by residents' HCL scores. Guidehouse is recommending that the Division adjust the estimated need for nursing hours for all CILA settings by health risk (HCL score) and standardize these base nursing assumptions across all CILA types and home sizes. Additionally, we recommend that the Division consider RNs the primary practitioner for base nursing services, since some of the activities included in base nursing responsibilities fall outside LPN scope of practice. This change would increase the wage assumptions included in base nursing costs, but would eliminate the need for additional RN supervision hours.

Guidehouse also notes that medication administration requirements have changed significantly since the CILA methodology was first established. Although the DSP time required for medication administration is currently unfunded, the implementation of additional standards for this activity has rendered it significantly more time-intensive than initially conceived in the model. As a part of the revision of overall nursing assumptions, Guidehouse recommends that the Division fund the additional DSP hours needed for medication administration as well as the requisite RN oversight. As with base nursing hours, RN oversight of medication administration should be adjusted based on a resident's HCL score and standardized across CILA settings.

Recommendation 9: *Adjust base nursing and medication administration hours by the resident's HCL score across all CILA homes and replace LPN with RN wage assumptions to ensure required base nursing activities fall within the practitioner's scope of practice.*

Following these recommendations, the base nursing assumption of 12 hours of LPN time and one hour of RN time annually would increase to a minimum of 18 RN hours per year at the lowest HCL level and adjusted upward as HCL levels increase. Table 31 shows the recommended base nursing hour assumptions per HCL. Guidehouse recommends that the Division extend these assumptions beyond small, 1-4 person CILA homes to include all CILA types and home sizes.

Table 31: Base Nursing Assumptions Adjusted by HCL

Revised Hour Assumptions for Base Nursing Needs					
HCL 1	**HCL 2**	**HCL 3**	**HCL 4**	**HCL 5**	**HCL 6**
18.0	27.0	34.2	37.8	46.8	77.4

D.5.2. Room and Board Costs

Consistent with other CILA rate components, the goal of the room and board cost benchmarks is to update those costs to levels that are commensurate with current costs of living standards and geographic trends in residential cost growth.

The underlying room and board cost data in the Division's current CILA rate model has not been updated since 2012 for 1-4 bed CILAs and 1999 for 5-8 bed CILAs, so even with cost of living adjustments (COLAs) to the current rate period, CILA room and board reimbursement has been lagging behind the actual growth in these costs over time. Guidehouse used the most recently available data, and where possible, also used consistent and reputable data sources such as the Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) datasets of 1-4 bedroom rent and utilities costs. We detail the methodologies for benchmarking the various components of room and board costs below.

Current Housing Methodology

The housing portion of the room and board payment is an annual per capita cost for each county and CILA home size. For 1 to 2 person CILA homes, the housing rates are based on previous years' reimbursement levels with COLAs. For 3-8 person CILA homes, the housing rates are based on county level HUD FMR data.[23] HUD publishes FMR data for 1 to 4-bedroom units, as well as guidance for adapting the 4-bedroom FMR for larger size homes.[24]

To calculate the annual per capita cost for each county and CILA home size, DHS first applies a 20 percent increase to the 1 to 4-bedroom FMR values. Then, to approximate the 5 to 8-bedroom FMR values, DHS applies an increase of 15 percent for each additional bedroom on top of the adjusted 4-bedroom FMR, up to a cap of 30 percent. This means that the estimated FMR value for 6-8 bedrooms is the same.

The Division's current CILA housing methodology for the 5 and 6-bedroom FMRs follows HUD's recommendations for estimating FMR for residences that have more than 4 bedrooms. However, for the 6 to 8-bedroom FMR estimates, the Division deviates from HUD's recommended methodology because residents in 6-8 person CILA homes do not necessarily have their own bedroom. Thus, the cap on 6 to 8-bedroom FMR more accurately reflects housing costs for the CILA residential setting. Finally, the Division calculates the annual per

[23] HUD Fair Market Rents datasets for download: https://www.huduser.gov/portal/datasets/fmr.html
[24] HUD guidance on approximately FMR values above 4 bedrooms: https://www.hudexchange.info/programs/home/home-rent-limits/

capita housing cost by multiplying each FMR by 12 months and dividing by the number of residents per home.

The Division's programmatic priority has been to disincentivize services in larger CILA homes (i.e., 5 to 8 person CILAs). Thus, for 24 Hour CILAs, the current 5-8 person CILA housing rates are based on 1999 HUD FMR values that have been adjusted with COLAs up to the current rate period, while the 1 to 4 person CILA housing rates are based on 2012 HUD FMR values with COLA adjustments. Host Family and Intermittent housing rates are the same as the 5 to 8-person 24 Hour CILA rates.

Benchmark CILA Housing Methodology

Based on the description above of DHS' current CILA housing rate methodology, Guidehouse's benchmark 24 Hour CILA housing rates have several objectives while retaining most of the current DHS CILA housing rate methodology: to reflect current housing costs, to incentivize services in smaller rather than larger CILA homes, and also to standardize the data sources for all sizes of CILA homes instead of having different cost assumptions for 1 to 2, 3 to 4, and 5 to 8 person CILA homes.

First, to update housing costs, Guidehouse used the most recent 2020 HUD FMR data available for Illinois, not only to maintain consistency in DHS' source for housing costs, but also because the HUD FMR datasets are a reputable and widely used data source for housing costs.[25] An initial analysis following the Division's current housing rate methodology and applying the rates to the current 24 Hour CILA population showed that just updating the HUD FMR to 2020 data resulted in high growth rates in costs for the 5-8 person CILAs.

Accounting for the fact that housing-based reimbursement for 5 to 8 person CILAs will increase due to using updated FMR, Guidehouse made some adjustments to the FMR multipliers to re-balance housing reimbursement from larger to smaller CILA homes. First, Guidehouse estimated the 5 bedroom FMR by applying a 10 percent increase over the HUD 4 bedroom FMR (compared with the current adjustment of 15 percent), and estimated the 6 to 8 bedroom FMR by applying a 15 percent increase over the HUD 4 bedroom FMR (compared with the current adjustment of 30 percent). Additionally, Guidehouse increased the adjustment on the 1 to 4-bedroom FMR values from 20 percent to 30 percent but did not adjust the benchmark 5-8 bedroom FMR values.

To adapt the benchmark 24 Hour CILA housing rates for Intermittent CILA settings, Guidehouse wanted to reasonably differentiate between residential services for 24 Hour CILA clients versus clients in the less intensive CILA settings. At the same time, because we were updating the housing cost assumptions, Guidehouse wanted to use the same 2020 HUD data as the basis for all CILA types' housing rates. Guidehouse assumed that for each given county and CILA home size, housing costs for Host Family and Intermittent CILAs are similar to a 24 Hour CILA home that has two additional clients. For example, a 1-person Intermittent CILA home has the same benchmark housing rate as a 3-person 24 Hour CILA home in the same county, etc.; the 6 to 8 person Host Family and Intermittent CILAs would all have the 8 person 24 Hour CILA housing rate.

[25] Current HUD FMR data available at: https://www.huduser.gov/portal/datasets/fmr.html#2020

Current CILA Non-Housing Room and Board Methodology

Current CILA non-housing room and board costs are based on proxy cost data from previous fiscal years to estimate annual per capita costs, typically for 1 to 4 person CILA homes. Then, the annual per capita costs are scaled down for larger homes:

- **Utilities and Telephone:** For 7 and 8 person homes, the per capita payment is scaled down by dividing the 6-person annual utilities/telephone amount by the number of people.
- **Property and Building Insurance:** For 1 to 8 person homes, the per capita payment is based on the annual property/building insurance amount, divided by the number of people in each home size. There is no capping of the per capita payment for any CILA home size.
- **Maintenance and Housekeeping:** For 1 to 4 person homes, the per capita payment is based on the total annual maintenance and housekeeping amount (the sum of the maintenance and housekeeping, and the staff add-on amount), divided by the number of people in each home size. To scale down the payment for 5 to 8 person homes, the per capita amount was based on the sum of the 4-person maintenance and housekeeping amount, but the staff add-on amount was not capped.
- **Food Supplies:** Same per capita payment for all CILA home sizes, based on a per meal estimate.
- **Non-Food Supplies:** No change to the per capita payments by home size.

Benchmark CILA Non-Housing Room and Board Costs

Similar to the housing cost benchmarks, the goal of the non-housing room and board benchmarks is to reflect current residential-related costs.

Table 32 displays the source and value of each non-housing room and board benchmark cost, compared with the current CILA cost. The majority of the benchmarks were based on reported room and board costs that Guidehouse collected from Illinois CILA providers through the cost and wage survey. For the cost categories in which Guidehouse used cost survey data (i.e., utilities/telecommunications, maintenance and housekeeping, and property and building insurance), we calculated the per capita benchmarks by dividing the total reported CILA residential and room and board costs over the total reported number of CILA clients, among the providers that reported costs for a given cost category.

For the cost categories except non-food supplies, per capita costs have increased across the board, particularly for property and building insurance, bundled utilities/telecommunication, and maintenance and housekeeping. Considering the changes in cost of living standards and other factors contributing to product costs (e.g., technology changes in the telecommunication industry) since the previous time that the data sources for the CILA room and board rates were updated, Guidehouse determined that the percentage changes in costs were reasonable.

Table 32: Current and Benchmark CILA Non-Housing Room and Board Costs per Capita[26]

Cost Category	Current CILA Annual Costs per Capita	Benchmark Costs per Capita	Percentage Change	Benchmark Source
Utilities / Telecommunication[27]	$1,124.94	$1,453.87	29%	*Provider Cost and Wage Survey*
Food Supplies[28]	$2,932.87	$3,175.50	8%	*U.S. Census Bureau, Current Population Survey, Food Security Supplement*
Non-Food Supplies	$482.12	$482.12	0%	*Set at Current Allowance*
Maintenance and Housekeeping	$1,328.03	$1,597.26	20%	*Provider Cost and Wage Survey*
Property and Building Insurance[29]	$217.62	$354.85	63%	*Provider Cost and Wage Survey*
Total Room and Board	**$6,085.58**	**$7,063.60**	**16%**	**--**

To scale the benchmark per capita payments to larger home sizes, Guidehouse followed the current methodologies described above. The exception was maintenance and housekeeping, for which we increased the current 5 to 8 person home annual per capita payments by 10 percent to reflect effects of scale. Then, to adapt the 24 Hour CILA non-housing room and board benchmarks for Host Family and Intermittent CILAs, Guidehouse used the same methodology as the housing benchmarks of assuming that costs for Host Family and Intermittent lag two home sizes behind the costs of 24 Hour CILAs.

D.5.3. Transportation Costs

Transportation reimbursed in a CILA residential rate has a different purpose and different cost components than transportation for day programs. CILA transportation is for general transportation not including day programs or appointments with physicians and therapists. Per

[26] Benchmarks reflect 1-4 person homes. For some benchmarks, 5-8 person homes benchmarked to lower rates to reflect effects of scale.
[27] Multiple cost categories in current CILA methodology. Combined here to align with how costs were captured in provider survey.
[28] Food benchmarks per capita do not vary by number of people per home and were based on a $2.90 cost per meal.
[29] Property and building insurance benchmark reflect 4 person homes, in alignment with current 24 Hour CILA rate methodology.

the rate determination model, CILA transportation "is intended to pay for expenses incurred in providing general transportation to-and-from places not covered by the…Medicaid State Plan." The Transportation cost center includes two distinct allowances: Vehicle Purchase and Vehicle Operation. Per the rate determination model, "providers may be using local public transportation, may lease vehicles, or may purchase larger and more expensive vehicles to provide transportation to more than one CILA home. These costs are assumed to be covered, in the aggregate," by the two allowances of Vehicle Purchase and Vehicle Operation.

The main input into the **Vehicle Purchase** allowance within the CILA Transportation cost center is the amount of a vehicle loan. The current model assumes a vehicle loan amount of just north of $21,000; our methodology instead inflates the average June 2020 *Kelley Blue Book* price of a new minivan to 2021 to yield a vehicle loan amount of $37,034. Non-ambulatory clients receive an add-on assumption of $15,000 to augment the vehicle loan amount, which is 50 percent higher than the current assumption of $10,000 for the non-ambulatory add-on and based on a market scan and the vehicle modification allowance in the waiver. Using an interest formula and a 5.64 percent loan rate over a 72-month loan term, we calculated the monthly payment for a vehicle at $607.49 and for a non-ambulatory-accessible vehicle at $853.54. These assumptions are 40 percent and 34 percent higher than the current assumptions, respectively.

The **Vehicle Operation** allowance includes various costs relating to operating and maintaining vehicles in a provider agency's fleet. Historically, this has begun with a mileage-based reimbursement of 41 cents per mile for a 10,000-mile cap, totaling a $4,101.39 operation allowance spread across a CILA home. The provider cost and wage survey data show that providers' operation costs are higher on average than the current reimbursement rate but may reflect lower costs due to deferred maintenance rather than expected costs under adequate reimbursement. As the current CILA methodology has already established a mileage rate as precedent for calculating this allowance, our methodology replaces the 41-cent mileage rate with the 2020 IRS standard mileage rate of 57.5 cents per mile. This yields a $5,750.00 annual Vehicle Operation allowance per individual.

The Transportation cost center equals the sum of Vehicle Purchase (depending on whether the client is ambulatory or non-ambulatory) and Vehicle Operation, divided by the home size (one through eight residents).

D.5.4. Administration Costs

As currently implemented in the CILA rate model, administration costs are established as a fixed annual per capita amount that does not vary by the staffing need of individual residents. The CILA administration cost component has not been updated since the inception of the original CILA rate methodology. The original administration allowance was a fixed-dollar amount of $3,373 intended to cover annual general administration costs. This proxy was derived from the average annual cost of 24-hour CILA services, which was approximately $30,000 a year, so that the component made up roughly 10 percent of the overall rate. The current administration costs in DHS' CILA model for 24 Hour CILAs and Host Family are $3,666 and $1,833 for Intermittent and Family.

Since overall CILA costs have increased steadily over the years without an update to administration assumptions, the allowance has not kept pace with reasonable cost assumptions. Rather than 10 percent of the CILA rate, the allowance today is closer to 4 percent of overall

costs. To address this deficit in administration cost coverage, Guidehouse recommends tying administration costs to individual budget amounts instead of a fixed allowance. As with other services, the assumed cost of administration should be estimated as a percentage of staff compensation costs.

Recommendation 10: *Establish CILA administration costs as a percentage of program costs rather than a fixed-dollar allowance to improve the allocation of administrative costs where they are most likely to be incurred.*

Based on reported costs among CILA agencies in Guidehouse's provider cost and wage survey, we recommend an administration rate of 15.8 percent of CILA staff costs, which reflects the median percentage of program costs spent on administration costs reported by CILA providers. Our analysis of benchmark CILA rates suggests this recommendation would raise administration costs to approximately 11 percent of total CILA costs. The revised methodology returns estimated administration costs much closer to the original proportions when the model was first established. The use of an administrative factor defined as a percentage of program costs also improves the disbursement of funding for administration to the agencies that actually incur higher relative administrative costs when providing services to residents with higher staffing needs.

E. Benchmark Rates and Final Recommendations

In this section, Guidehouse presents our final rate recommendations from FY22 through FY26, reflecting the need to increase rates annually to keep pace with rising wages over the next five years. Our benchmark rate recommendations also reflect proposed changes and additions to the service arrays of day programs, supported employment, and therapy and counseling. These benchmark rates are compared to current rates, effective July 1, 2020 and at the time of the study's completion.

E.1. Day Program Rate Recommendations

The day program services in scope for rate recommendations include on-site (31U) and off-site (31C) Community Day Services (CDS), and the at-home day program. There are several differences in the benchmark CDS rates. First, whereas the current on and off-site rates are the same ($12.79), Guidehouse has recommended separate on- and off-site sets of benchmark Chicago area and statewide rates. Guidehouse set higher off-site rates in recognition of the higher costs of providing those services. We did not establish a benchmark rate for Adult Day Services (35U) because this rate aligns with rate setting conducted under the authority of the Illinois Department on Aging. The day program service array changes include:

- The addition of a new Community Integration Supports (CIS) service to support staff-intensive needs for community integration.
- Enhanced rates for both on and off-site CDS for clients who require more intensive supports (Medical/Behavioral Levels 1 and 2).

Table 33 below compares benchmark day program rates to current July 2020 rates, detailing percentage increases for Chicago and statewide over current rates.

Table 33: Day Program Rate Recommendations

Service Code and Title		Statewide Reimbursement		Statewide / Chicago Area Rate Recommendation (Per Hour)		
		FY 2019	July 2020	FY 2022	Statewide Increase over July 2020	Chicago Increase over July 2020
31C	Off-Site CDS	$11.23	$12.79	$16.19 / $18.32	27%	43%
31C	Off-Site – Medical/ Behavioral Level 1	–	–	$24.23 / $27.56	–	–
31C	Off-Site – Medical/ Behavioral Level 2	–	–	$32.27 / $36.81		
31U	On-Site CDS	$11.23	$12.79	$14.51 / $16.25	13%	27%
31U	On-Site – Medical/ Behavioral Level 1	–	–	$23.08 / $26.11	–	–
31U	On-Site – Medical/ Behavioral Level 2	–	–	$31.66 / $35.97	–	–
37U	At-Home Day Program	$11.23	$12.79	$17.79 / $20.14	39%	57%
CIS	Community Integration Supports	–	–	$39.50 / $44.78	–	–

As shown in Table 34 on the following page, over the next five years between FY 2022-2026, Guidehouse estimates each of the Chicago area and statewide day program service rates to increase by at least 24 percent.

Table 34: FY 2022-2026 Benchmark Day Program Rates

Service Code and Title		Statewide / Chicago Area Rate Recommendation (Per Hour)					
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Increase from FY22-26
31C	Off-Site CDS	$16.19 / $18.32	$17.28 / $19.56	$18.37 / $20.81	$19.47 / $22.05	$20.56 / $23.29	27%
31C	Off-Site – Medical/ Behavioral Level 1	$24.23 / $27.56	$26.05 / $29.64	$27.87 / $31.73	$29.70 / $33.81	$31.52 / $35.89	30%
31C	Off-Site – Medical/ Behavioral Level 2	$32.27 / $36.81	$34.82 / $39.73	$37.37 / $42.66	$39.93 / $45.58	$42.48 / $48.50	32%
31U	On-Site CDS	$14.51 / $16.25	$15.39 / $17.25	$16.26 / $18.24	$17.14 / $19.23	$18.01 / $20.23	24%
31U	On-Site – Medical/ Behavioral Level 1	$23.08 / $26.11	$24.74 / $28.01	$26.39 / $29.89	$28.05 / $31.78	$29.70 / $33.67	29%
31U	On-Site – Medical/ Behavioral Level 2	$31.66 / $35.97	$34.10 / $38.76	$36.52 / $41.54	$38.96 / $44.33	$41.39 / $47.12	31%
37U	At-Home Day Program	$17.79 / $20.14	$19.25 / $21.79	$20.71 / $23.45	$22.16 / $25.10	$23.62 / $26.76	33%
CIS	Community Integration Supports	$39.50 / $44.78	$42.42 / $48.09	$45.33 / $51.40	$48.25 / $54.71	$51.17 / $58.02	30%

E.2. Supported Employment Rate Recommendations

Guidehouse's benchmark SEP rate recommendations divide the individual SEP program into three distinct phases: 1) career assessment, 2) job finding and development, and 3) job coaching and support. Group employment services are divided into Levels 1 and 2 for varying group sizes.

Each of the three SEP programs will have the same benchmark individual or group rates, which have been set separately for the Chicago area and statewide. The benchmark rates are established as 15-minute units of service, whereas current rates are hourly. For the sake of comparison, Guidehouse has converted the 15-minute rates to hourly rates to contrast current and recommended benchmark directly. Table 35 on the following page compares benchmark day program rates to current July 2020 rates, detailing percentage increases for Chicago and statewide over current rates.

Table 35: Supported Employment Program (SEP) Rate Recommendations

Service Code and Title		Statewide Reimbursement (Per Hour)		Statewide / Chicago Area Rate Recommendation		
		FY 2019	July 2020	FY 2022 Per Hour (15-minute)	Statewide Per Hour Increase over July 2020	Chicago Per Hour Increase over July 2020
SE1	SEP – Career Assessment	–	–	$38.15 / $43.23 ($9.54 / $10.81)	–	–
SE2	SEP – Job Finding & Development	–	–	$38.15 / $43.23 ($9.54 / $10.81)	–	–
SE3	SEP – Job Coaching & Support	$14.08	$16.04	$38.15 / $43.23 ($9.54 / $10.81)	138%	170%
GE1	SEP – Small Group Level 1 (1:6)	–	–	$6.56 / $7.41 ($1.64 / $1.85)	–	–
GE2	SEP – Small Group Level 2 (1:3)	$12.56	$14.32	$12.88 / $14.57 ($3.22 / $3.64)	-10%	2%

From FY 2022-2026, we estimate the individual and group rates to grow at similar proportions across the three program types. As shown in Table 36 below, since each of the services included under supported employment depends on the same cost variables and differs mainly in the client ratios that they are designed to support, cost growth for each service follows a similar pattern.

Table 36: FY 2022-2026 Benchmark SEP Rates

Service Code and Title		Statewide / Chicago Rate Recommendation (15-minute)					
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Increase from FY22-26
SE1	SEP – Career Assessment	$9.54 / $10.81	$10.40 / $11.79	$11.26 / $12.76	$12.12 / $13.74	$12.98 / $14.72	36%
SE2	SEP – Job Finding & Development	$9.54 / $10.81	$10.40 / $11.79	$11.26 / $12.76	$12.12 / $13.74	$12.98 / $14.72	36%
SE3	SEP – Job Coaching & Support	$9.54 / $10.81	$10.40 / $11.79	$11.26 / $12.76	$12.12 / $13.74	$12.98 / $14.72	36%

Service Code and Title		Statewide / Chicago Rate Recommendation (15-minute)					
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Increase from FY22-26
GE1	SEP – Small Group Level 1 (1:6 max)	$1.64 / $1.85	$1.78 / $2.02	$1.93 / $2.18	$2.07 / $2.34	$2.22 / $2.50	35%
GE2	SEP – Small Group Level 2 (1:3 max)	$3.22 / $3.64	$3.51 / $3.97	$3.79 / $4.30	$4.08 / $4.62	$4.37 / $4.95	36%

E.3. Behavioral and Therapeutic Services Rate Recommendations

Guidehouse's recommendations for therapy and counselling services presented in Table 37 below adjust rates for more appropriate wage and fringe benchmarks, as well as improved alignment with the Division's priority to encourage utilization of these services. The services that Guidehouse determined to be in scope are behavior intervention (levels 1 and 2), counseling (individual and group), and therapy (individual and group).

Based on rising wage benchmarks, counseling and therapy rates are likely to increase significantly, while changes to behavior intervention rates would remain minimal (only 2-3 percent) as current rates do not appear to be depressed or reflect deficient wage assumptions. Between FY 2022-2026, Guidehouse expects all the therapy and counseling benchmarks to increase by approximately six percent.

Another important note is that benchmark rates do not include a distinction between the Chicago area and statewide. Analysis of geographic wage differences did not reveal regional disparities between counselors and therapists working in the Chicago area versus the rest of the state. In the case of these services, a rate differential does not appear to be warranted.

Table 37: Therapy and Counseling Rate Recommendations

Service Code and Title		Statewide Reimbursement		Rate Recommendation (Hour)	
		FY 2019	July 2020	FY 2022	Increase over July 2020
56U	Behavior Intervention – Level 1	$84.15	$95.84	$98.80	3%
56U	Behavior Intervention – Level 2	$67.31	$76.66	$78.07	2%
57G	Counseling – Group	$11.01	$12.54	$16.80	34%
57U	Counseling – Individual	$33.04	$37.63	$50.41	34%
58G	Therapy – Group	$13.77	$15.68	$23.24	48%
58U	Therapy – Individual	$41.30	$47.04	$69.71	48%

As illustrated in the Table 38 below, from FY 2022-2026 we estimate the behavior intervention, counseling, and therapy rates to grow at similar proportions according to the rate of annual inflation. Ripple effects from statewide and Chicago area minimum wage increases, discussed in section D.1.1 of this report, should not significantly impact the wages for the provider types offering behavioral services (e.g., behavior analysts or licensed therapists) – therefore, we model rates for these services to increase annually in line with normal cost of living adjustments.

Table 38: FY 2022-2026 Benchmark Therapy and Counseling Rates

Service Code and Title		Statewide / Chicago Area Rate Recommendation (Hour)					
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Increase from FY22-26
56U	Behavior Intervention – Level 1	$99.11	$100.59	$102.08	$103.60	$105.14	6%
56U	Behavior Intervention – Level 2	$78.07	$79.23	$80.41	$81.60	$82.81	6%
57G	Counseling – Group	$16.80	$17.05	$17.30	$17.56	$17.81	6%
57U	Counseling – Individual	$50.41	$51.16	$51.90	$52.68	$53.45	6%
58G	Therapy – Group	$23.24	$23.58	$23.93	$24.28	$24.64	6%
58U	Therapy – Individual	$69.71	$70.75	$71.79	$72.85	$73.93	6%

E.4. Residential Rate Recommendations

Since the CILA rate model develops an individualized rate adjusted for each individual's characteristics and residential settings, it is not feasible to present the full range of per diem rates calculated based on Guidehouse's recommendations. However, it is possible to offer a high-level summary of rate impacts to provide a sense of the scale and distribution of rate changes for the CILA population. Given the substantial increases in expense reflected in our benchmark cost inputs, it is not surprising to see that our benchmark rates would result in a rate increase for the vast majority of CILA residents. Over 98 percent of individuals will see increases to their rate. However, typical levels of increase depend substantially on the residential setting. The small minority of individual rates that will see rate decreases are individuals receiving Host Family services, due to the substantial changes in staffing assumptions and overall rate methodology in this setting we are recommending.

As illustrated in Table 39, increases are well-distributed throughout the population. Even the 10th percentile should expect significant increases in the overall rate.

Table 39: Distribution Analysis of Rate Changes across CILA Population

Distribution of Rate Increases across CILA Population	
Statistical Indicator	**Result**
Average Increase	35%
10th Percentile Increase	15%
25th Percentile Increase	23%
Median Increase	34%
75th Percentile Increase	45%
90th Percentile Increase	57%

While Table 39 above illustrates the distribution of rate increases across the CILA population, Table 40 below breaks down the rate increase by the percent change in each cost component. For most settings, the program component is the driver of overall spending, but each of the components would see substantial increases.

Table 40: Rate Increase by CILA Cost Component

Average Rate Increase by Cost Component	
Cost Component	**Percentage Change**
Overall	**31%**
Room and Board	23%
Transport	42%
Program	22%
Administration	235%

The administration component, with an increase of 235 percent, stands out in the table. The reason for this projected growth is the methodological change from a fixed-dollar allowance to an administrative percentage tied to program costs, as discussed in Section D.1.6 of this report By establishing administrative cost allowances at 15.7 percent of an individual's estimated program costs, the adjustment would bring overall administrative costs from roughly four percent of the total rate today to approximately 11 percent of the total rate. While this change represents a substantial increase to the administrative cost center, this leap reflects significant current underfunding rather than high levels of new administrative spending. An overall administrative rate of 11 percent is well within the bounds of reasonableness.

As previously discussed, rate increases also vary by CILA setting. Table 41 below analyzes average rate changes by setting. This table further underscores that increases are not evenly distributed across settings. While most settings see increases of over 30 percent, the Host Family setting sees an overall reduction in spend due to staffing assumption changes. However, these reductions are mitigated by increases to room and board, transportation, and administration increases. Increases in the intermittent and family settings are driven by major improvements in nursing wages and administration allowances.

Table 41: Rate Increase by CILA Setting

Average Rate Increase by CILA Setting	
Setting	**Percentage Change**
All	**31%**
24-Hour	32%
Host Family	-6%
Intermittent	41%
Family	46%

Table 42 shows how benchmark rates impact homes of different sizes within the 24-Hour setting.

Table 42: Rate Increase by CILA Setting

Average 24-Hour Rate Increases by Home Size	
Home Size	**Percentage Change**
1-Person	42%
2-Person	42%
3-Person	31%
4-Person	31%
5-Person	36%
6-Person	35%
7-Person	32%
8-Person	30%

In contrast to CILA's individualized rates, ICF/IDD per diem rates are determined by facility, and the methodologies used to establish program and support cost components are primarily distinguished by facility size, with 4-6 bed ICF/IDDs constituting one peer group, 16-bed facilities another, and facilities with 17 or more beds making up the large ICF/IDD peer group.

Guidehouse analyzed facility rate increases for ICF/IDDs as a whole, as well as by peer group, in order to assess the comparative impacts on facilities of different sizes. The results in Table 43 below are broken out by mean and median across all facilities, with medians also reported by size peer group.

Table 43: Rate Increase by ICF/IDD Type

Increases across ICF/IDD Facilities by Type				
Statistical Indicator	**Capital Rate**	**Program Rate**	**Support Rate**	**Total Rate**
Average Increase: All facilities	0%	24%	26%	**22%**
Median Increase: All facilities	0%	21%	28%	**20%**
Median Increase: 17+ bed facilities	0%	21%	27%	**20%**
Median Increase: 16-bed facilities	0%	21%	23%	**20%**
Median Increase: 4-6 bed facilities	0%	21%	38%	**24%**

While ICF/IDDs as a whole are likely to see substantial increases both to their program and support rates, increases are not evenly distributed among all facilities. As Table 44 below illustrates, some facilities will see decreases in their support rate in light of their reported costs in relation to the support costs of their peer group. Although no ICF/IDDs will see reductions in current program rates, the extent of program rate increases depends on how the mix of resident resource need has changed in comparison to the resource needs of residents prior to the program component rate freeze.

Table 44: Distribution Analysis of Rate Increases across ICF/IDDs

ICF/IDD Increases across All Facilities				
Statistical Indicator	**Capital Rate**	**Program Rate**	**Support Rate**	**Total Rate**
10th Percentile	0%	0%	-3%	**7%**
25th Percentile	0%	3%	12%	**11%**
50th Percentile (Median)	0%	21%	28%	**20%**
75th Percentile	0%	33%	38%	**27%**
90th Percentile	0%	53%	47%	**42%**

F. Fiscal Impact Estimates

As a part of determining final rate recommendations, Guidehouse analyzed how new rates would affect projected expenditures in order to estimate the fiscal impact of increased rates for providers as well as the State of Illinois. Although our analysis excluded waiver expenditures for services only eligible to participants receiving home-based supports, which were deemed out of scope for the rate study, Guidehouse's fiscal impact analysis includes expenditures for waiver services used not only by the residential population, but also by the non-residential population, whose services will also be affected by rate changes. For example, individuals receiving home-based supports also utilize day programs, supported employment, and therapy and counselling, in addition to residential services.

There are multiple anticipated changes to waiver service expenditures that are included in the fiscal impact analysis for projected FY 2022-2026 expenditures. In addition to expenditure increases attributable to benchmark rate increases, the fiscal impact analysis also considers expected utilization growth due to "reasonable pace" requirements that will add new participants to the waiver each year through FY 2026. Since rate increases are likely to lead to increased volume for services that have been historically underutilized due to rate deficiencies, as well as services whose rate differentials make them more attractive than potential alternatives, the fiscal impact analysis also attempts to model potential shifts in utilization influenced by the new rate structure.[30] We detail these assumptions below.

F.1. Expenditure Increases Due to Greater Utilization

In addition to benchmark rates, Guidehouse also accounted for utilization changes between FY 2022-2026 when estimating fiscal impacts of future waiver services. There are two types of adjustments to FY 2019 waiver utilization that are accounted for in our analysis: "reasonable pace" of new individuals entering the waiver program each year to start receiving services, and service type utilization changes influenced by the benchmark rates.

F.1.1. "Reasonable Pace" Utilization Growth

"Reasonable pace" refers to individuals transitioning from the waiver wait list to receive services. In FY 2019, the waiver served 25,287 individuals, but by FY 2026, this number will increase by over 4,000 in Guidehouse's projections due to "reasonable pace" transfers from the current wait list (675 new individuals per year). Guidehouse assumes that 20 percent of each year's new 675 clients will choose CILA services, and the remaining 80 percent will opt for home-based supports. This means that the CILA population is projected to rise from 11,651 residents in FY 2019 to 12,592 in FY 2026, which would be an increase of 941 new individuals.[31] While Guidehouse did not estimate reasonable pace numbers beyond FY 2026, the Division has

[30] Guidehouse did not attempt to model utilization assumptions based on ongoing utilization changes due to COVID-19. The historical utilization data from FY 2019 shows service volume patterns prior to COVID-19, and our projections assume a return to pre-COVID operations by July 2021. If pandemic measures continue into CY 2021-22, they will no doubt impact Division spending, particularly for day programs, but prediction of COVID impacts is outside the scope of the present study.

[31] Estimates of reasonable pace waiver growth and client preferences for CILA vs. HBS services based on projections provided by the Division.

provided verbal assurances it will continue reasonable pace selection and placements to maintain compliance with *Ligas*.

The assumption that the majority of new clients will choose home-based services is important because CILA and home-based individuals utilize a different mix of services. Specifically, CILA expenditures per client are much higher than home-based expenditures per client; CILA clients tend to use day programs, supported employment, and behavioral services at higher rates than home-based clients. Therefore, the fact that the makeup of new individuals from reasonable pace is heavily weighted towards home-based means that volume growth due to reasonable pace requirements will result in a smaller financial impact than if more than 20 percent of new clients were expected to become CILA residents.

F.1.2. Rate-Influenced Utilization Changes

Guidehouse assumes different utilization changes to day program and therapy services due to benchmark rates effective FY 2022. In terms of day activities, substantial increases to supported employment rates, as well as community-oriented alternatives to traditional on-site day program could have significant financial consequences. While our model suggests that service volume for day programs will continue to reflect high utilization of on-site day programs, improved rates for off-site CDS should incentivize additional shifts to community alternatives as well as increased utilization of supported employment. We do not expect medical and behavioral add-on rates for day program to shift overall utilization because they are designed to apply to a small percentage of the client population. However, given their heightened cost, even marginal overall utilization will have noticeable financial impacts.

In terms of counseling and therapy utilization, Guidehouse assumes flat growth for behavior intervention, due both to minimal rate increase as well as the relative attractiveness of counseling and therapy rates and the diminished use of behavior intervention services as an alternative to these other services. While we assume counseling and therapy volume to grow substantially due to more viable rates to deliver these services, their utilization is assumed to remain at under 20 percent of total utilization, with behavioral intervention continuing to represent the bulk of services delivered.

The analysis performed by Guidehouse takes these anticipated utilization shifts into consideration while also including spending increases due to higher rates alone, as well as anticipated utilization growth from planned “reasonable pace” expansions in the waiver population. The addition of these elements, even if uncertain in their ultimate impact, provide a more accurate reflection of anticipated expenditure growth and overall fiscal impact than modeling based on historical utilization alone.

In the following sub-sections, we analyze projected expenditures and fiscal impact based on new baselines that project FY 2022-2026 expenditures on FY 2021 rates and utilization growth along historical trends.[32] As discussed previously, Guidehouse established service volume projections from FY 2019 utilization that has been adjusted for reasonable pace, which will incorporate 675 new waiver participants each year on average through FY 2026.

[32] Guidehouse notes that the Division has approved new rates effective 1/1/2021. However, the fiscal impact analysis is based on current rates to align with previous analyses.

By adjusting the FY 2019 service volume for rate increases and utilization changes that have already occurred between FY 2019 and FY 2021, we are able to model the impact of rate changes related to continued wage increases as well as expected utilization shifts across services in response to the new rates and proposed service array. The baseline service volume used in determining fiscal impact reflects service volume adjusted to include reasonable pace growth but held steady within the mix of current utilization in order to measure rate-influenced utilization shifts. Baseline expenditures are determined by multiplying the baseline service volume by rates effective as of July 2021.

F.2. Day Program Expenditures

As shown in Table 45 below, the overall estimated increase of FY2022-2026 expenditures for day program is 45 percent beyond the total baseline spend over the same years. The largest increases will come from off-site Community Day Services and the new Community Integration Supports (CIS) service. Off-site and at-home day program services will also have significant increases in expenditures in the next five years. Table 45 presents relative growth in expenditures among different types of day programs, while Table 46 on the following page shows the overall year-over-year growth among day programs as a whole.

Table 45: Estimated FY 2022-2026 Day Program Expenditures by Service Type

Service Type	Baseline Expenditures FY 2022-2026	Benchmark Expenditures FY 2022-2026	Overall Increase
Off-Site CDS	$6,837,167	$24,037,351	252%
+ CIS	--	$102,187,047	--
Total Off-Site CDS (Off-Site+CIS)	**$6,837,167**	**$126,224,398**	**1746%**
On-Site CDS	$1,025,097,645	$1,327,928,368	30%
At-Home	$39,217,329	$94,582,480	141%
Total Day Program	**$1,071,152,141**	**$1,548,735,246**	**45%**

As Table 45 above illustrates, the most rapid growth in day programs is anticipated to occur among off-site day programs, since higher rates for these services relative to On-Site programs are likely to attract significant utilization. Since Community Integration Supports represents a high-cost, resource-intensive service, utilization of the service could potentially lead to notable increases in spending.

Table 46 presents the same expenditure comparisons over FY 2022-2026 in a different way, highlighting year-to-year growth in expenditures compared to baseline spending, in which current rates are held constant.

Table 46: Estimated FY 2022-2026 Year-Over-Year Growth in Day Program Expenditures

Service Type	FY22	FY23	FY24	FY25	FY26
All Off-Site CDS	$21,343,249	$25,359,922	$29,785,262	$34,643,003	$39,130,312
On-Site CDS	$232,004,934	$248,601,067	$265,396,556	$282,389,302	$299,536,509
At-Home	$13,439,771	$15,936,621	$18,670,497	$21,650,959	$24,884,631
Total Benchmark Day Program Spend	**$266,787,954**	**$289,897,610**	**$313,852,315**	**$338,683,264**	**$363,551,452**
Baseline Day Program Spend	*$206,377,753*	*$210,304,091*	*$214,230,428*	*$218,156,766*	*$222,083,103*
Percentage Increase Between Baseline and Benchmark Spend	**29%**	**38%**	**47%**	**55%**	**64%**

F.3. Supported Employment Expenditures

The overall estimated increase of FY 2022-2026 SEP expenditures over the total baseline spend over the same period is 228 percent, as show in Table 47 below. As expected, the increase is driven by Individual SEP services because Guidehouse determined that in the past, the individual rate had been set too low relative to the Group SEP rate; in contrast, the benchmark Group SEP rate did not change significantly.

Table 47: Estimated FY 2022-2026 Supported Employment Program (SEP) Expenditures Based on Benchmark Rates

Service Type	Baseline Expenditures FY 2022-2026	Benchmark Expenditures FY 2022-2026	Overall Increase
Individual SEP	$33,922,613	$141,576,056	317%
Group SEP	$13,077,197	$12,367,889	-5%
Total SEP	**$46,999,810**	**$153,943,945**	**228%**

In the following table, benchmark expenditures for SEP are again compared to the baseline to illustrate year-over-year growth.

Table 48: Estimated FY 2022-2026 Year-Over-Year Growth in Supported Employment Expenditures

Service Type	FY22	FY23	FY24	FY25	FY26
Individual SEP	$19,836,230	$23,679,157	$27,904,733	$32,547,251	$37,608,686
Group SEP	$2,019,234	$2,241,240	$2,467,450	$2,699,049	$2,940,916
Total SEP Benchmark Spend	**$21,855,464**	**$25,920,397**	**$30,372,183**	**$35,246,300**	**$40,549,602**
Baseline SEP Spend	*$9,114,711*	*$9,257,336*	*$9,399,962*	*$9,542,587*	*$9,685,213*
Percentage Increase Between Baseline and Benchmark Spend	**140%**	**180%**	**223%**	**269%**	**319%**

F.4. Behavioral and Therapeutic Service Expenditures

The overall estimated increase of FY 2022-2026 therapy and counseling expenditures over the total baseline spend over the same period is six percent as presented in Table 49 below. We anticipate that counseling and therapy utilization could double in response to higher reimbursement rates. However, since the makeup of the waiver utilization from the therapy category is mostly behavior intervention, and those rates did not change significantly, the relative stability of the behavior intervention expenditures absorbs most of the large increases in counseling and therapy expenditures.

Table 49: Estimated FY 2022-2026 Therapies and Counseling Expenditures Based on Benchmark Rates

Service Type	Baseline Expenditures FY 2022-2026	Benchmark Expenditures FY 2022-2026	Overall Increase
Behavior Intervention Level 1	$108,344,651	$109,296,663	1%
Behavior Intervention Level 2	$48,959,371	$48,635,814	-1%
Counseling	$1,659,027	$3,216,054	94%
Therapy	$6,187,351	$13,280,387	115%
Total	**$165,150,400**	**$174,428,918**	**6%**

The growth in expenditures can also be illustrated in terms of year-over-year growth, as Table 50 shows. While relative expenditures for therapy and counseling services grow substantially, overall percentages of growth are relatively small, due to the predominance of behavioral intervention among these services.

Table 50: Estimated FY 2022-2026 Therapies and Counseling Year-Over-Year Expenditure Growth

Service Type	FY22	FY23	FY24	FY25	FY26
Behavior Intervention Level 1	$21,274,612	$21,572,083	$21,863,127	$22,151,666	$22,435,175
Behavior Intervention Level 2	$9,467,487	$9,599,161	$9,729,444	$9,856,963	$9,982,760
Behavior Counseling	$518,064	$577,740	$640,103	$705,819	$774,329
Behavior Therapy	$2,142,829	$2,387,706	$2,643,988	$2,912,378	$3,193,486
Total Behavioral Services Benchmark Spend	**$33,402,992**	**$34,136,690**	**$34,876,662**	**$35,626,826**	**$36,385,750**
Baseline Behavioral Services Spend	*$32,204,180*	*$32,617,130*	*$33,030,080*	*$33,443,030*	*$33,855,980*
Percentage Increase Between Baseline and Benchmark Spend	**4%**	**5%**	**6%**	**7%**	**7%**

F.5. Residential Service Expenditures

The overall estimated increase of FY 2022-2026 residential expenditures (ICF/IDD and CILA) over the total baseline spend over the same period is 45 percent. Each of the FY 2022-2026 residential service type expenditures would expect to increase by at least 33 percent during FY 2022-2026 if utilization only reflected reasonable pace. In particular, CILA expenditures (which make up almost all residential expenditures) will increase by almost 50 percent.

Table 51: Estimated FY 2022-2026 Residential Expenditures Based on Benchmark Rates

Service Type	Baseline Expenditures FY 2022-2026	Benchmark Expenditures FY 2022-2026	Overall Increase
ICF/IDD	$1,300,436,601	$1,731,297,309	33%
60D: CILA	$3,226,751,840	$4,802,251,135	49%
Temporary Intensive Staff (53D)	$42,441,299	$66,070,565	56%
Temporary Intensive Staff (53R)	$74,357,788	$115,729,253	56%
Total Residential	**$4,643,987,528**	**$6,715,348,262**	**45%**

The growth in expenditures can also be illustrated in terms of year-over-year growth, as the following table shows.

Table 52: Estimated FY 2022-2026 Residential Year-Over-Year Expenditure Growth

Service Type	FY22	FY23	FY24	FY25	FY26
ICF	$315,926,156	$330,192,861	$345,461,787	$361,654,497	$378,062,008
60D: CILA	$826,657,629	$891,355,870	$958,547,800	$1,027,448,956	$1,098,240,879
53D: Staff	$10,876,890	$12,019,815	$13,188,427	$14,382,724	$15,602,708
53R: Staff	$19,116,667	$21,091,728	$23,106,320	$25,160,442	$27,254,095
Total Residential Benchmark Spend	**$1,172,577,342**	**$1,254,660,274**	**$1,340,304,334**	**$1,428,646,619**	**$1,519,159,690**
Baseline Residential Spend	*$913,937,830*	*$921,367,668*	*$928,797,506*	*$936,227,344*	*$943,657,182*
Percentage Increase Between Baseline and Benchmark Spend	**28%**	**36%**	**44%**	**53%**	**61%**

F.6. Total Expenditures and Fiscal Impact

Table 53 below shows the full estimated expenditures of waiver services before calculating the state share. Between FY 2022 and FY 2026, Guidehouse estimates that total expenditures will increase by approximately $792 million from the baseline of $1.16 billion to $1.95 billion by FY26, largely driven by CILA residential spend.

Table 53: Estimated FY 2022-2026 Total Expenditures Based on Benchmark Rates

Service Type	Baseline	FY22	FY23	FY24	FY25	FY26
Day Programs	$206,377,753	$263,261,329	$285,750,094	$309,025,612	$333,114,803	$357,583,408
SEP	$9,114,711	$21,855,463	$25,920,397	$30,372,183	$35,246,300	$40,549,602
Therapy	$32,204,180	$33,402,992	$34,136,689	$34,876,662	$35,626,826	$36,385,750
Residential	$913,937,830	$1,172,577,343	$1,254,660,275	$1,340,304,334	$1,428,646,620	$1,519,159,690
All Services	**$1,161,634,474**	**$1,491,097,127**	**$1,600,467,455**	**$1,714,578,791**	**$1,832,634,549**	**$1,953,678,450**

For each year between FY 2022-2026, the fiscal impact estimates are based on baseline spend of FY 2021 rates and FY 2019 utilization that has been adjusted for reasonable pace. As illustrated in Table 54 on the following page, the total estimated increase in expenditures across

the five years is $2.7 billion, starting with $329 million in FY 2022 and growing to $744 million by FY 2026. However, these figures reflect total cost rather than the true cost to the State, which equals the total cost minus Medicaid federal matching funds (FMAP).[33] Based on the most recent Illinois FMAP percentage of 50.96 percent, the State's share (49.04 percent) of the projected five years of expenditures would be approximately half, or $1.3 billion.

Table 54: State Share of FY 2022-2026 Expenditures Based on Benchmark Rates

Service Type		FY22	FY23	FY24	FY25	FY26
a	Baseline Spend	$1,161,634,474	$1,173,546,225	$1,185,457,976	$1,197,369,727	$1,209,281,478
b	Benchmark Spend	$1,491,097,127	$1,600,467,455	$1,714,578,791	$1,832,634,549	$1,953,678,450
c=b-a	**New Spend (Variance)**	**$329,462,653**	**$426,921,230**	**$529,120,815**	**$635,264,822**	**$744,396,972**
d	State Share (After FMAP)	49.04%	49.04%	49.04%	49.04%	49.04%
*e=c*d*	**Initial Fiscal Impact**	**$161,568,485**	**$209,362,171**	**$259,480,848**	**$311,533,869**	**$365,052,275**
f	*Less ICF/IDD Provider Tax Offset*	*$3,350,330*	*$4,206,332*	*$5,122,468*	*$6,094,031*	*$7,078,481*
g=e-f	**Net Impact of Rate Increase**	**$158,218,155**	**$205,155,839**	**$254,358,380**	**$305,439,838**	**$357,973,794**

G. Policy Guidance and Considerations for Future Rate Studies

Throughout this report, we have outlined recommendations for how the Division may move forward with its rate structure and service array for non-residential and residential services for many Illinoisans with developmental disabilities. This section describes further policy recommendations and guidance for the Division to consider as it navigates the adoption and implementation of our recommendations.

This section culminates in a prioritization of our rate and policy recommendations in order to help steer the Division toward its vision for its developmental disabilities system in the most sensible, efficient, and quality-oriented manner.

[33] The federal government pays states for a specified percentage of Medicaid program expenditures, called the Federal Medical Assistance Percentage (FMAP).

G.1. Reimbursement for Room and Board

Medicaid does not pay for room and board for home and community-based services except in limited circumstances, such as respite care. For Medicaid purposes, room and board equals real estate costs and food. Although Illinois has processes in place to prevent billing Medicaid for room and board costs, its processes for supplementing room and board costs are atypical and could be improved to align with best practices seen in other states. Some of these options include:

1. **Limiting the amount facilities can charge for room and board**. Nearly half of states limit the amount that can be charged for room and board by setting a combined rate for Medicaid beneficiaries that includes service costs and room and board costs, but the state only pays for services. This approach effectively caps the room and board that Medicaid beneficiaries pay.
2. **Providing state supplements to SSI payments**. Some states have created special SSI state supplements for clients receiving residential services, limiting what providers may charge to the amount of the federal payment plus state supplement.
3. **Income supplementation by family members or trusts**. A quarter of states allow (but may not require) families to supplement room and board costs. Under SSI rules, though, family supplementation is counted as unearned income, and may lead to reduced SSI.

The current approach in Illinois represents something of a hybrid of approaches 1 and 2 above. While the State does not bill the CILA room and board component to Medicaid, it does not limit room and board charges to SSI (or SSI+Supplement). Rather, the Division pays providers a per diem rate that includes room and board in principle but offset by provider collection of resident income. The room and board component is removed from the rate the State claims for federal matching funds.

The result of this approach is a cumbersome administrative process that relies on providers to report their residents' earned and unearned income in order to derive individual cost offsets per resident.

- The current approach adds significant burden on providers to report up-to-date income amounts in order to produce accurate income offsets to the rate.
- The approach also incurs substantial financial risk to the State in overpayment for room and board costs if resident income is underreported.
- Offsetting State payment for services and supports with the resident's earned income when the person is employed does not reflect best practices of a person-centered approach.
- Since room and board is not capped in alignment with resident income or clear supplementation guidelines to the state, the approach requires providers to collect most client income, limiting opportunities for clients to keep and manage their own incomes.

While Illinois currently provides a small supplement to a resident's Personal Needs Allowance, Guidehouse recommends that the State consider developing an SSI-supplement appropriate to providers' costs to improve the transparency of room and board reimbursement and processes for offsetting client income.

G.2. Service Units for Intermittent CILA

The staffing needs specific to Intermittent CILA are more appropriately reimbursed on an hourly basis than as a per diem payment. Unlike 24-hour CILA settings, Intermittent CILA lacks base staffing requirements. Additional staffing per individual varies and is authorized on a case-by-case basis. In order to better reflect and respond to the greater variability in intermittent staffing needs, Guidehouse recommends that the Division consider reimbursing the program component of Intermittent CILA based on an hourly rate rather than a per diem.

The current per diem includes staffing as well as room and board components. Since it would be problematic to try to include room and board costs within an hourly rate whose billing varies by staff need, the per diem rate for room and board would need to be decoupled from the Intermittent staffing rate. If the State moves forward with changes to its approach to room and board reimbursement as recommended above, a separate room and board per diem would become unnecessary.

G.3. Impact on Waiver Service Limitations

Although Guidehouse's rate review did not include services specific to home-based supports (HBS) received by clients or waiver expenditures as a whole, implementation of benchmark rate recommendations is also likely to impact services to HBS clients and may affect current service limitations. The Division will need to review current service limitations for any services that establish annual payment ceilings or other expenditure caps based on a maximum annual budget rather than allowed service units. In some cases, existing ceilings for these services will need to be raised commensurate with benchmark rates. Otherwise, implementation will lead to decreased utilization of services due to current caps. In other cases, in which limitations are based on a maximum number of hours rather than an annual budget, the Division may want to consider new budgetary limits in order to establish reasonable financial controls.

G.4. Occupancy Rate versus Bed Holds in CILA

While ICF/IDD rates are adjusted based on an occupancy rate that takes account of vacancies, in CILA currently, provider costs otherwise unreimbursed due to vacancies are addressed through administrative "bed holds" rather than through rate adjustment by occupancy rate. The current bed hold policy for CILA possesses several administrative and financial drawbacks. Administratively, it requires additional steps for tracking bed holds and ensuring these are properly identified and billed along with normal per diem reimbursement amounts. Financially, the Division reimburses providers for the empty bed held for a resident not receiving services during the bed hold days, but these days are not billable to Medicaid and must be covered entirely by State funds.

To simplify administrative processes, Guidehouse recommends that the Division consider replacing its current bed hold policy with the addition of an upward rate adjustment for occupancy. The current CILA occupancy rate is 96.3 percent. Furthermore, by eliminating bed holds and using occupancy rates to account for the costs to providers associated with reserved bed capacity, the Division can potentially include these expenses as indirect costs billable to Medicaid, offsetting costs borne entirely by State funds currently.

G.5. Service Authorizations for Challenging Behaviors and High Medical Need

Guidehouse has established enhanced rates for community services for individuals with challenging behaviors and/or high medical needs. Our benchmark rates reflect Committee recommendations to allow for exceptional rates for individuals who may require one-on-one staffing for prolonged periods of time during the day. However, our recommendations do not include specific criteria for determining client eligibility for these rates, and the Division will need to consider developing qualification criteria for these enhanced rates. If enhanced rates are not intended to replace the use of temporary intensive staffing (53D) entirely, the Division is also advised to review its current approval process for additional one-on-one day program staffing to confirm that authorization policies are fully coordinated with the introduction of enhanced rates.

G.6. Processes for Annual Administrative Updates

As labor-driven cost increases become more difficult to anticipate after 2026, Guidehouse has developed recommendations for ongoing annual administrative rate updates moving forward. We have developed facility-specific ICF/IDD program rate recommendations through FY 2026, based on analysis of additional staffing needs and benchmark wage and fringe requirements. Likewise, we have developed facility-specific ICF/IDD support rate recommendations through FY 2026, based on analysis of providers' 2019 cost reports, adjusted for inflation, and rebased according to the rules of HFS' historical ICF/IDD support rate calculation.

While this approach is warranted for periodic rate rebasing, it is potentially too resource-intensive for annual update, especially when a service-appropriate inflation factor would approximate the same result. Beyond FY 2026, we recommend that the Division consider annual updates to ICF/IDD program and support rates based on the Bureau of Labor Statistics' (BLS) Provider Price Index (PPI) data series for Residential Developmental Disability Homes (PCU62321062321011). The Bureau of Labor Statistics has collected data on changes in Medicaid developmental disability home providers' costs and measured it with a unique inflation index since 2014. There are several advantages to using this index over potential alternatives. First, the BLS updates the index monthly, providing an indicator of cost growth refreshed within six months of any future rate setting period. More importantly, the cost index is specific to 1) Medicaid providers, 2) DD population and target groups, and 3) residential services, making it more responsive to unique costs in the DD system and to institutional financial concerns than more general health care inflation measures.

Rebasing rates for CILA services is potentially more complex than providing a full-rebase to ICF/IDD rates, especially since CILA models depend on outside cost proxies that require separate data collection and measurement beyond the data collected in consolidated financial report (CFR) cost reports. Guidehouse has based our CILA recommendations on cost estimates derived from provider cost surveys as well as objective, publicly available data sources on labor, capital, and other expected provider costs. In this report, we identified each of the cost inputs and assumptions used in our benchmark CILA model, most of which can be replicated and updated with new cost data beyond 2026. However, given that some of these cost assumptions are based on provider-reported costs rather than state or national data series, the Division may wish to consider rebasing through use of CILA cost reports and/or cost survey for these assumptions.

Apart from rate rebasing, we also recommend that the Division use the same cost index for annual administrative update for CILA as ICF/IDD. The BLS Provider Price Index (PPI) data series for Residential Developmental Disability Homes (PCU62321062321011) is suitable for estimating inflationary increases for CILA cost inputs where more specific data series are unavailable.

G.7. Further Review of ICAP Assessment Process

Although Guidehouse recommends that "ICAP+HRST" framework as an initial improvement to the current assessment process, additional improvements to the process may be warranted. The Division should consider a more thorough review of the ICAP assessment process, including a re-evaluation of how the ICAP tool is administered and the parties responsible for assessing clients, as well as further study on the relationship between ICAP scores and actual resource use across the residential system. At present, Illinois assigns responsibility for ICAP assessment to the providers themselves and requires updated ICAP score information only when an individual experiences a significant change in needs. Most states assume this responsibility as a state agency function or require assessment tools to be administered by an objective third-party. The Division should consider re-assignment of responsibilities to maintain confidence in the integrity of the scoring process as well as requirements for regular (quarterly or annual) submission of individuals' assessment scores. As a part of this process change, assessment score results should be studied to verify sufficient inter-rater reliability in the revised scoring process.

To the extent that the Division implements a process for regular, standardized assessment updates, it may also consider the use of time studies to investigate the relationship between individuals' assessment scores and their actual use of different types of staff time (DSP, nursing, therapies, etc.) in different residential settings. Data collected from a time study of residential staff time can be used to develop regression models that more accurately predict individuals' need for additional staff time based on their ICAP score.

G.8. Implementation Priorities

In light of the substantial expenditure increases involved in raising current rates to benchmark levels recommended by Guidehouse, as well as new economic pressures faced by State budgets in response to the COVID-19 pandemic, we recognize that updating rates and reforming the service array will involve significant financial, programmatic and other logistical challenges. Although we consider the entirety of our recommendations as important to establishing and maintaining adequate rate levels in the near future, nonetheless, some of our recommendations reflect more pressing resource needs, fewer implementation challenges, or greater potential value in generating positive system change than others.

In the list below, we have tried to identify seven key priorities that can be implemented independently of other proposed changes, but when considered together, offer one potential roadmap to full implementation of our proposed rate benchmarks. We present a basic description of each implementation priority, followed by a table that indicates the anticipated

cost, depending on the order in which the priority is implemented.[34]

Priority #1: Increase residential program components to benchmark statewide wage and fringe assumptions.

Even if Guidehouse's recommended changes to the full range of residential and non-residential rate methodologies were to remain unimplemented, the Division would still need to raise staff compensation well beyond minimum wage levels to maintain the integrity and competitiveness of the labor market for these services. In this first priority, Guidehouse considers the cost of raising the wage and fringe benefit assumptions solely for direct care staffing provided in residential service, reflected in the program component rates in CILA and ICF/IDD settings. This priority would include not only increased compensation for CILA DSPs and their counterparts in ICF/IDDs, but it would require increased cost assumptions for other staff types, including supervisors, QIDPs, nursing, and other program staff included in the program component. As discussed previously in the report, among other issues, the increased minimum wage also creates a ripple effect. Just as major increases in the minimum wage create "compression" at the low end of the pay scale, establishing a significantly higher DSP baseline wage results in similar compression effects for other staff in the pay scale, not just for the employees whose rate of pay slips below the new baseline wage.

Priority #2: Increase existing non-residential service rates to statewide benchmark rates.

As a corollary to implementing recommended compensation increases to residential services, Guidehouse considers the importance of increasing rates to non-residential services to reflect benchmark wages, the primary cost driver for each of these services. This priority does not expand or otherwise transform current services; rather, it increases the rates for existing services to benchmark levels.

Priority #3: Expand the Supported Employment service array to include individualized service distinctions reimbursed at benchmark rates.

This priority implements Guidehouse's recommended SEP service array, to include separate sub-services for career assessment, job development, and ongoing job coaching, as well as two small group SEP services.

[34] Although each of the priorities is independent of the others from a methodological or programmatic standpoint, it is impossible to isolate expenditures associated with each priority, since other rate components, depending on timing of implementation, could increase or decrease the costs of implementing other components. For example, we have included late in the list of priorities the recommendation to establish a higher rate for services delivered in the Chicago Area, not because it is less important than the other priorities, but because implementing a geographically-based rate distinction before implementing the other priorities would make the following priorities more expensive, while creating a misleading impression that the financial impact of a Chicago Area rate is more minimal than the reality.

Priority #4: Increase non-program cost centers to benchmark recommendations for CILA and ICF/IDD settings; implement all CILA rate model recommendations including proposed 'ICAP+HRST' assessment framework; and standardize staffing assumptions to the 'Five-Hour' model of unstaffed time across 24-Hour CILA homes.

Although the first priority implements compensation benchmarks, which represents the bulk of needed additional funding, the fourth priority includes the broader set of methodological recommendations proposed by Guidehouse, as well as benchmark costs for non-program cost centers. This priority reflects increases to support rates for ICF/IDD to meet cost benchmarks, along with room and board, transportation, and administration components in CILA. Along with implementing the "ICAP+HRST" assessment framework, this priority would also standardize base nursing hour estimates and daily unstaffed hours to five hours per weekday.

Priority #5: Increase total CILA rates to 'Zero-Hour-Unstaffed' Program Rate Model benchmark.

This priority augments the fourth priority with additional minimal staffing during day program hours in CILA, implementing round-the-clock staffing in 24-hour CILA settings.

Priority #6: Implement statewide and Chicago wage assumptions and rate distinctions.

This priority implements the rate distinction between rates for services delivered in the Chicago Area and the rest of the state. Chicago-specific wages are also used for determining per diem rates for ICF/IDD and CILA homes based in the Chicago area.

Priority #7: Expand day program service array at benchmark rates.

The last priority implements additional recommended changes to the day program service array, including establishment of the new Community Integration Supports service as well as enhanced rates for qualified individuals experiencing significant behavior challenges and/or high medical need.

Table 55 on the following page examines the cost of each implementation priority, to the extent that the priority can be isolated from other rate recommendations and considered on its own. The table columns detailing overall projected FY 2022 spend and percentage increase over baseline include the additional cost of the priority as well as the priorities listed before it.

Table 55: Individual and Overall Costs Associated with Each Implementation Priority – FY 2022

FY22 Implementation Priorities	Additional FY22 Funding Needed	Projected FY22 Spend	Percentage Increase Over Baseline
FY22 Baseline	--	$1,161,634,474	--
Priority #1: Increase residential program components to benchmark statewide wage and fringe assumptions	$113,767,813	$1,275,402,287	10%
Priority #2: Increase existing non-residential service rates to statewide benchmark	$31,330,662	$1,306,732,949	12%
Priority #3: Expand SEP array at benchmark rates	$11,405,179	$1,318,138,128	13%
Priority #4: Increase non-program cost centers to benchmark in CILA and ICF/IDD; implement proposed 'ICAP+HRST' assessment framework in CILA; standardize 'Five-Hour' model of unstaffed time across CILA	$54,713,965	$1,372,852,093	18%
Priority #5: Increase total CILA rates to 'Zero-Hour-Unstaffed' Program Rate Model benchmark	$38,557,826	$1,411,409,919	22%
Priority #6: Implement statewide and Chicago wage assumptions and rate distinctions	$66,926,665	$1,478,336,584	27%
Priority #7: Expand day program service array at benchmark rates	$12,760,544	$1,491,097,128	28%
FY22 Full Implementation (All Priorities)[35]	**$329,462,654**	**$1,491,097,128**	**28%**

[35] Note: Slight differences in totals from Table 54 are due to rounding.