

From: Wahlman, Jason <jason.wahlman@mercer.com>
Sent: Friday, January 28, 2022 6:12 PM
To: Smith, Rick
Cc: Brown, Holly M; Ahrens, Kristin
Subject: [External] Revised VF/EA and AWC wage range exhibits
Attachments: FY 21-22 VF-EA Wage Ranges_20220128.pdf

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Rick,

Attached please find the revised VF/EA and AWC wage range exhibits based on our conversation on Tuesday.

The revised exhibits reflect a decrease in the upper bound wage for all services for both standard and enhanced (U1) services (for this wage range exhibit only) based on the following methodology:

1. For each service, Mercer calculated where in the fee range ODP selected the final PDS fee (as a percentile).
2. Mercer applied this percentile to the wage range used for PDS fee development to calculate the upper bound wage for the VF/EA and AWC wage exhibit.
3. Mercer reviewed the calculated upper bound wage to ensure it was greater than or equal to the currently published VF/EA and AWC upper bound wages. If not, then Mercer used the current upper bound wage instead of the calculated wage. This ensured there were no wage decreases from the currently published wages.

Mercer also confirmed that the revised upper bound wages were below the selected PDS fees for each service.

In regard to the VF/EA benefits allowance assumption of 26.6%, our research indicates this assumption was developed as part of the FY 2010-2011 fee development process based on cost report data and input from ODP. This same assumption has been utilized in subsequent VF/EA wage range calculations. Mercer developed the \$2.41 benefits allowance applied to the AWC wage ranges by trending the prior benefits allowance assumption to the midpoint of FY 2021-2022 based on the BLS wage trend.

Please let us know if you have any questions or if you would like to discuss on Monday.

Thanks,
Jason

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