From: Loux, Helene
Sent: Thursday, August 26, 2021 4:09 PM
To: Ahrens, Kristin; Smith, Rick; Gilligan, Gloria
Subject: RE: [External] RE: Rate Assumptions

[redacted]

From: Ahrens, Kristin <[redacted]>
Sent: Thursday, August 26, 2021 1:27 PM
To: Smith, Rick [redacted]>; Gilligan, Gloria <[redacted]
Cc: Loux, Helene <[redacted]>
Subject: FW: [External] RE: Rate Assumptions

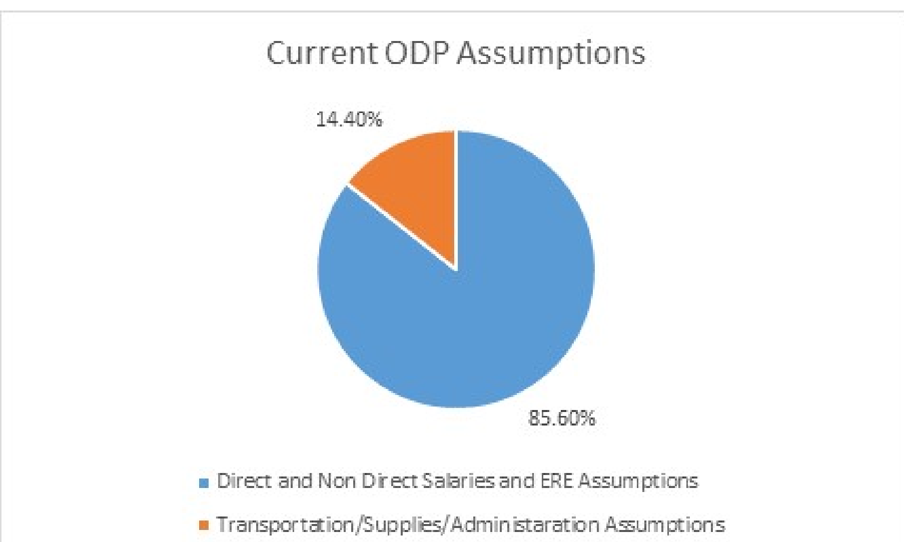
[redacted]

From: Bill Harriger <BHarriger@verland.org>
Sent: Thursday, August 26, 2021 12:24 PM
To: Smith, Rick <[redacted]>; Ahrens, Kristin <[redacted]>; Gilligan, Gloria <[redacted]
Subject: [External] RE: Rate Assumptions

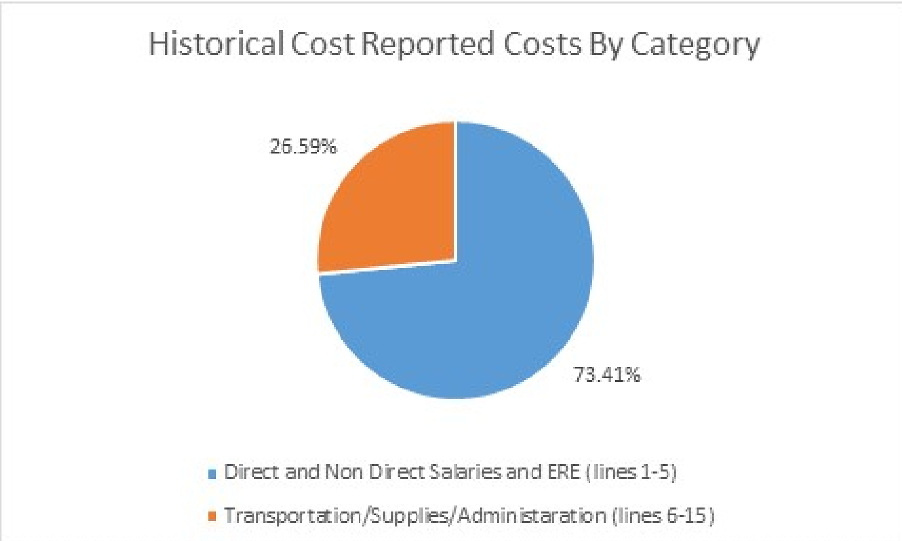
ATTENTION: *This email message is from an external sender. Do not open links or attachments from unknown sources. To report suspicious email, forward the message as an attachment to CWOPA_SPAM@pa.gov.*

Rick/Kristin:

Yesterday's discussion of overhead in the assumptions, perhaps can be better described graphically. As we thought and as confirmed yesterday, the current assumptions basically use transportation/supplies/training and administration as a catch all for everything but Direct Care and Non Direct Care Salaries and ERE. Those are in the assumptions at 4.4% and 10% respectively. What that means in the rates , we do not know, so I will assume that they are a markup on the accumulated costs associated with Direct Care and Non Direct Care Salaries and ERE. IE Sum Direct Care and Non Direct Care Salaries and ERE x .044 and x .10 Presented graphically, the current cost category spend based on the assumptions in the fee schedule rates look like:



The historical cost reports for 8 years (using ODP provided data) itemized these expenses and the graph would look like:



I am trying to reconcile the fact that lines 6-15 for the ODP defined, allowed, audited, reimbursed expenses, the now "catchall expenses" (transportation/supplies/training and administration) were documented by ODP as being 26.6% of Direct Care and Non Direct Care Salaries and ERE and the current "assumptions' allow for 14.4%.

As you can see graphically, understating the assumptions for allowable expenses previously reported on lines 6-15, allow for an overstatement of the value of Direct Care and Non Direct Care Salaries and ERE that providers should be able to afford given the assumptions based fee schedules. If providers current cost structure mirror the reality of the historic cost reports, the current assumptions grossly overstate the monies available to pay staff. This should be addressed, perhaps by have additional categories that mirror the cost descriptions found on the cost reports, or the historic costs need to be included in the 2 components transportation/supplies/training and administration. Those real costs don't go away just because there isn't an assumption for them or because of an arbitrary 4.4% or 10% assumption.

Please provide the guidance ODP is using requiring "administration" to be capped at 10% and what specifically is that guidance itemizing as cost associated with that 10%.

Also is it still the intent to turn on Prudent Pay before 6/30/22? As you know, unlike almost all other Medicaid funded services, providers funded by ODP rely 100% on state funding for our reimbursements. When you turn on Prudent Pay, we will have a delay in payment of a minimum of 21 days. Our accounts receivable will grow by that amount but cash flow will suffer with $0 reimbursements. Whether PP is all at once or phased in, the end result is the same… providers will be out 100% of 21 days' worth of cash flow. We only receive those 21 days cash when you again turn off PP or we go out of business and our AR eventually goes to $0. We deficit fund those 21 days by borrowing as we still have to pay our bills including payroll during the period that we are not receiving any cash. We are in essence a bank loaning cash to the state, interest free to the state. 21/365 x annual DP reimbursements is the pain that every ODP provider will feel. It would be like you not getting paid for an additional 3 weeks….you've got to work it, but you will only be paid for it when you leave state employment, how would you personally deal with that.

Bill