

Establishing A Cost-Based Rate for Early Intervention Services Provided Within The Virginia Infant Toddler Connection System

Purpose: The purpose of this document is to provide guidance and a common format to assist providers (payees) participating in the delivery of Early Intervention (EI) services in Virginia in the development of a cost-based rate. This process will aid Local Lead Agencies and providers in the establishment of a mutually agreed-upon, negotiated rate for each personnel type delivering early intervention services. The cost-based rate is based upon the organization's personnel cost with formula based calculations to arrive at the rate.

The process of establishing an individual agency cost-based rate, as provided in this template, is the first step in determining the negotiated rate that applies to all Part C services that are not otherwise compensated by third party resources. The negotiated rate will be the contracted rate with the Local Lead Agency and is the rate upon which each family's cost participation or fee for service is applied.

This document provides important elements for the establishment of a provider's cost-based rate(s) when a) no such rate has been previously established, or b) if the service provided is unique to participants within the early intervention system.

Upon an audit, providers enrolled in the early intervention system and billing for services delivered should be able to provide documentation regarding their usual and customary or cost-based rate(s). This requirement is satisfied if the provider has available a standard fee schedule document that is a) in writing, b) includes an effective date and c) is used for all like services billed by that provider, for comparable populations under similar circumstances.

The methodology detailed in this document may be used for a variety of providers participating in Part C including independently, private, not-for-profit corporations, partnerships and for-profit corporations. This rate setting template should not be used without regard for other applicable accounting standards, OMB guidelines or other regulatory instruction.

This methodology includes consideration of all related or "associated" costs into the full charge or usual and customary rate for each provider, using the data obtained from the Virginia Infant Toddler Connection Rate Study. Once the provider's cost-based rate is determined, no additional payments beyond this rate will be made by Local Lead Agencies. The rate developed through this

methodology serves as the foundation for dialogue between the Local Lead Agency and each provider in developing the negotiated rate.

Per telcon with MAD 4/20/06– this changed slightly

When no universal system is established, it is important that there be recognition of the contributions from other sources. The negotiated rate process must consider the impact of other revenue sources on the final agreed-upon amount. This negotiation may be in the form of identifying children, services or costs that could or should be covered by another funding source. Under any of these circumstances, the Part C system would be responsible for the provider's net cost, which should be the basis of the negotiated payment.

As the rate setting activity continues to mature in the Commonwealth, we will incorporate consideration of this and other criteria in the rate setting process.

Worksheet for Rate Determination: Actual Personnel Numbers and Cost Survey

This methodology combines elements of the Virginia Infant Toddler Connection Cost Study together with actual personnel information from each agency. This approach starts to establish statewide consistency and parity in terms of overall administrative activity while, at the same time, recognizing the individual provider agency/entity differences that may be due to the geographic location of the agency/entity, the variety of services provided by the agency/entity, the longevity of staff as reflected in salaries and benefits, etc.

Part I – Employed Personnel Information

Column 1, # of FTEs - Enter the total number of Full Time Equivalent (FTE's) for each position type for whom a rate is to be set. For these purposes, one (1) FTE is equal to a 40 hour, 52 week position.

Column 2, Actual Salaries – Enter the actual dollar amount paid for the personnel type in the prior fiscal year.

Column 3, Actual Benefits – Enter the actual dollar amount paid for benefits in the prior fiscal year.

Column 4, Total Salaries & Benefits (self-calculating) – Sums column 2, Actual Salaries and column 3, Actual Benefits.

Column 5, Average Salary (self-calculating) – Divides column 4, Total Salaries & Benefits by column 1, # of FTE's

Column 6, Average Hourly Salary (self-calculating) – Divides column 5, Average Salary by the number of work hours in a year

Column 7, Weighted Percent (self-calculating) – Using column 4, divides the Total Salary & Benefits for each personnel type by the Total Salary & Benefits to return the weighted percent.

Column 8, Weighted Hourly Salary (self-calculating) – Multiplies the Average Hourly Salary in column 6 by the Weighted Percent in column 7.

Column 9, Hourly Rate Including Admin & Support - Divides the total in column 8 by 66.7%. This provides for administrative and support costs. The Admin & Support ratio represents the average ratio, based on Virginia's Cost Study, of the direct service personnel & benefits costs when compared to all other costs.

Column 10, Direct Face to Face Time with Travel - Divides the total in column 9 by 31.9%; the amount of time on average, that a practitioner spends in face to face time when there is travel involved. By computing the direct service time for those activities that are part of billable time, all other activity (IFSP meetings, service coordination, documentation, travel) will be included in the reimbursement amount.

Part II – Contracted Employee Information

Column 11, Total Annual Cost - Enter the actual dollar amount paid for each contracted personnel type in the prior fiscal year.

Columns 12, 13 & 14 - Enter the reimbursement amount in the appropriate column. Choose one column only per contractor type

Column 12, Per Diem – If the contractor is paid based on the event, enter the dollar value associated with the event.

Column 13, Hourly All Related Time – If the contractor is paid based on all time worked, including paperwork, documentation, etc., enter the dollar value paid per hour.

Column 14, Hourly for Face to Face Time– If the contractor is paid based on the time spent in face to face time, enter the dollar value paid per hour.

Column 15, Effective Rate for Face to Face – (self-calculating) – Brings all payment types to a common method of reimbursement

Column 16, Weighted Percent -(self-calculating) – Using column 11, divides the Total Annual Cost for each contractor type by the Contract Total to return the weighted percent.

Column 17, Weighted Hourly Rate - (self-calculating) – Multiplies the Effective Rate for Face to Face in column 15 by the Weighted Percent in column 16.

Column 18, Hourly Rate Including Admin & Support – (self-calculating) - Multiplies the amount in column 17 by 1.10%. This provides for administrative and support costs.

Part III – Cost Per Direct Service Hour

Column 19, Percentage of Total - (self-calculating) – Divides the total of the employed and contract personnel amounts into the overall total.

Column 20, Total Cost Per Direct Service Hour – (self-calculating) – Multiplies the Percentage of Total in column 19 by the ending hourly rates in the employee and contracted personnel sections. Column 20 represents the cost-based rate, per service hour, for all contracted and employed providers who provide early intervention services.