

DEVELOPMENTAL DISABILITIES ADMINISTRATION
Olympia, Washington

TITLE: BILLING, PAYMENT, AND COST REPORTING FOR SUPPORTED POLICY 6.04
LIVING, GROUP TRAINING HOMES, AND GROUP HOMES

Authority: [Title 71A RCW](#) *Developmental Disabilities*
[Chapter 388-825 WAC](#) *Developmental Disabilities Services*
[Chapter 388-101 WAC](#) *Certified Community Residential Services and Support*
[Chapter 388-101D WAC](#) *Requirements for Providers of Residential Services and Supports*

PURPOSE

This policy establishes billing, payment, cost reporting, and settlement procedures for residential programs contracted with the Developmental Disabilities Administration (DDA).

SCOPE

This policy applies to DDA, the DDA Rates Unit in the Office of Rates Management, and the following DDA-contracted residential programs for adults:

- Supported living
- Group home
- Group training homes

DEFINITIONS

Administrative/Non-ISS Staff means employees of the provider whose job functions are administrative and not directly related to providing an assessed level of support and instruction to a client. Administrative/non-ISS functions and costs are comprised of staff recruitment, payroll, marketing, administering employee benefits, maintenance of office space, and administrative wages and benefits (see Procedures Section (D)(1)(g)(vii) for administrator's allowable ISS cost).

Client means a person who has an intellectual or developmental disability and is:

1. Eligible under Chapter [388-823 WAC](#); and
2. Authorized by DDA to receive residential services under chapter [388-101D WAC](#).

Contract means a an executed agreement between DDA and a provider for certified community residential services under Chapters [388-101](#) and [388-101D WAC](#).

Cost report means the documentation of expenses that are ordinary, necessary, and related to the provision of client support, training, and other activities under Chapters [388-101](#) and [388-101D WAC](#), and a provider’s DDA contract.

Fringe benefits means the employer’s expense for providing qualified employees benefits such as sick leave, health insurance, paid vacation, holiday pay, a retirement plan, and other benefits.

Instruction and support services (ISS) means direct or indirect client services related to providing the assessed level of support and instruction to a client as required by Chapters 388-101 and 388-101D WAC and provided by ISS staff.

Instruction and support services (ISS) staff means employees of the provider, such as direct support professionals, other authorized professionals, and trainers. The majority of their job functions is the provision of instruction and support services to clients. ISS staff also includes employees of the provider whose primary job function is the supervision of ISS staff or providing indirect client support.

ISS full-time equivalent (FTE) means ISS hours that represent one full-time employee during a specific time period – such as one month or one year. An ISS full-time equivalent is the sum of hours worked by part-time employees to equal the hours worked by one full-time employee. For the purpose of cost reporting, 2,080 ISS hours per calendar year is equivalent to one FTE.

Live-in model means an atypical service delivery model approved by DDA that includes nighttime support by agency-authorized staff. The staff sleep in the client’s home during the night and respond when needed. The supported living agency provides a bedroom for staff to stay in the client’s home and covers the cost of their accommodation.

Metropolitan statistical area (MSA) means a relatively freestanding metropolitan area that is not closely associated with other metropolitan areas. These areas are typically surrounded by non-metropolitan counties. An MSA includes at least:

1. One city with 50,000 or more inhabitants; or
2. A Census Bureau-defined urbanized area of at least 50,000 inhabitants and a total metropolitan population of at least 100,000.

King County is recognized as having unique characteristics relative to other MSAs for purposes of determining reimbursement rates as stated in this policy.

DSHS currently recognizes the following counties as MSAs in Washington: Asotin, Benton, Chelan, Clark, Cowlitz, Douglas, Franklin, Island, Kitsap, Mason, Pierce, Skagit, Snohomish, Spokane, Thurston, Whatcom, and Yakima. Final determinations for MSA designations are made by DSHS. All other counties are considered non-MSAs.

Professional service means services provided by provider staff that are included as part of the daily residential rate. These professional habilitative services are part of the residential habilitation support that enhance the ability of a client to live an integrated and meaningful life. These services include residential chronic nursing supports, language translators, habilitative dialectical behavioral therapy, behavioral habilitation, and specialty programs. Reimbursement for professional services is at DSHS-established rates, or at a non-standard rate as determined by the Resource Manager Administrator.

Provider means an entity contracted with DDA to provide certified community residential services under Chapters [388-101](#) and [388-101D](#) WAC.

Related organization means an entity that is under common ownership of the provider, has control of the provider, or is controlled by the provider. An entity "controls" another entity if:

1. One entity has a five percent or greater ownership interest in the other; or
2. One entity derives the capacity, exercised or not, from a financial or other relationship that directly or indirectly influences the activities of the other.

Settlement means a process that compares the allowable ISS staff costs incurred by the provider to the ISS reimbursements for the reporting period. A cost report triggers settlement when the total reimbursed dollars is greater than the total allowable ISS cost. The provider must pay the settlement amount.

Staffing schedule means a provider's document that lists employees, work sites, and working times.

Staff lodging compensation means an atypical supported living service that provides the primary residence for a staff person as a part of their compensation package. For cost reporting purposes, staff lodging compensation may include the cost of the residence as an ISS cost. Staff lodging compensation does not include the cost of maintaining a residential unit for the use of overnight staff when it is not their primary residence. The reporting of staff lodging compensation must comply with Internal Revenue Service (IRS) rules for reporting employee lodging as employee income.

Staff lodging provider expense means the cost of a dwelling or portion of a dwelling used by staff when working a 24-hour or longer shift for the live-in model. Staff lodging provider expenses are an administrative cost incurred for housing; the provider must not report these expenses as ISS compensation.

Supporting documentation means the detailed documents the provider used to arrive at the expenses reported in the cost report. These documents provide evidence of the expenses.

Tiered rate methodology means the method used to derive the client's daily rate.

POLICY

- A. A provider must annually submit a cost report, and supporting documentation upon request, to DDA. The DDA Rates Unit must be able to verify the cost of services provided and determine if a settlement is due.
- B. DDA must:
 - 1. Set standard rates for each cost center for programs covered under this policy;
 - 2. Describe allowable costs and specify the reporting requirements; and
 - 3. Describe the settlement process as it applies to residential programs.
- C. A provider's cost report must include expenditures and revenue related to the provision of DDA-contracted services. If a provider has multiple DDA contracts, the provider must submit a separate cost report for each contract.

PROCEDURES

I. COST REPORT SUBMISSION

- A. Cost Report Due Date
 - 1. The provider must submit an annual cost report to DDA by March 31st covering the previous calendar year.
 - a. A provider must complete the cost report in accordance with applicable regulations and instructions provided by DDA. If DSHS receives an annual cost report deficient in any of these respects, DSHS may return the report in whole or in part to the provider for proper completion.
 - b. For a cost report not received by the due date, DSHS withholds the administrative portion of the reimbursement until a completed cost report

is received and accepted by DDA. If cost reports are not submitted on the due date, or extensions are not requested and granted, adjustment to all or part of the rate will be applied the first day of the month following the date due. The adjusted rate is in effect until the agency submits the cost report and DDA accepts the report as complete.

2. The provider may request a 30-day extension by submitting a written request to the DDA regional administrator or designee and copying the DDA rate analyst. The provider must submit the request no later than March 15th and the request must include an explanation of the circumstances that require the extension. If the regional administrator denies the request, the provider must submit the cost report by March 31st.
3. The DDA regional administrator or designee may grant an extension for up to 30 days. The DDA regional administrator must respond to the request by March 25th and inform the provider and rate analyst.
4. If a provider's contract is terminated before the end of the calendar year, the provider must submit a final cost report to DDA no more than 90 days after the contract termination. The cost report must cover the months the contract was in effect for that calendar year. DDA uses the final cost report to determine a settlement for the contracted period. DDA will send a final bill for certification fees owed concurrent with their closing date.
 - a. DSHS may withhold all or part of a provider's payment if the provider has received or given notice to terminate their contract. DDA may release a withheld payment after the cost report and settlement are determined complete by DDA and no settlement is due, and they have paid their certification fee concurrent with their closing date.
 - b. DSHS may withhold all or part of a provider's payment if the provider's contract is terminated for convenience or cause. DDA may release a withheld payment after the cost report and settlement are determined complete by DDA and no settlement is due.

B. Completing Cost Reports and Maintaining Records

1. The provider will complete cost reports using the *Cost Report Instructions* available on DDA's [Supported Living, Group Training Home, and Group Home Rates and Reimbursement Documents](#) website. If no specific instruction covers a situation, generally accepted accounting principles must be followed.

DDA will share Cost Report Instructions with provider representatives annually for the following calendar year. Providers may recommend changes to the Cost Report Instructions before they are posted to the above website.

2. The DDA Rates Unit analyzes each provider’s cost report. The rate analyst verifies that:
 - a. All sections of the cost report are complete;
 - b. The information matches the ProviderOne payment report;
 - c. The report conforms with generally accepted accounting principles;
 - d. The report meets the requirements of the provider’s contract; and
 - e. Expenses are accurately reported.
3. If the cost report is inaccurate or incomplete, DSHS must request additional supporting documentation from the provider. Based on DSHS’ review of the supporting documentation, DSHS may adjust, with the consent of the provider, the reported information or ask the provider to revise the cost report so it reflects the supporting documentation. The provider must submit cost report supporting documentation as requested by DSHS. The supporting documentation must be provided in PDF and Excel or similar spreadsheet format if available. The provider should work with their vendors to see if Excel or similar spreadsheet formats are available.
4. The DDA Rates Unit sends the provider a revised settlement explaining any adjustments made based on the supporting documentation requested by DSHS.
 - a. If a provider disagrees with an adjustment made under this section, the provider must identify the specific area of disagreement and submit supporting documentation.
 - b. DDA must respond to the disagreement with a determination.
 - c. If the provider wishes to challenge DDA’s determination, the provider may request a review according to the terms of their Community Residential Services contract.
5. Providers with more than one service within a contract must allocate and report shared costs to each residential program in accordance with provider’s allocation methods. Allocation methods must be consistent throughout the contract cycle and documented on the annual cost report.

6. A provider must retain reports and records adequate for supporting cost reports and audits for six years after the expiration or termination of the contract.
7. If a provider fails to maintain adequate financial records or fails to allow inspection of such records by authorized personnel, DDA may withhold all or part of subsequent payments due under the contract until compliance is achieved. Upon compliance, DDA may resume contract payments and will release withheld payments.

C. Cost Report Certification

1. Each cost report must include a certification of the accuracy of the report. If someone other than an employee of the provider prepares the report, that person's name and contact information must be included with the certification.
2. If a provider knowingly files a report containing false information, such action constitutes cause for termination of the provider's contract with DDA. A provider filing a false report may be referred for prosecution under applicable statutes.

D. Cost Report Components

1. Instruction and Support Services
 - a. If a provider reports ISS expenses beyond what is ordinary and necessary, DSHS may ask the provider to explain the reported costs.
 - b. A service is necessary if it would have had to be performed by another person if the individual in question had not performed it.
 - c. Upon request, a provider must provide to DSHS job descriptions for employees who are allocated in the cost report working both ISS and administrative/non-ISS duties. Payroll costs charged to ISS for cost reporting purposes must be verifiable in the provider's records.
 - d. ISS staff may also include purchased-service personnel whose job function is the provision of professional instruction and support services. Subcontracting must be approved under the provider's DDA contract.
 - e. Providers must report on their annual cost report the monthly or quarterly payroll expenses for employees who perform ISS duties (and administrative/non-ISS for those who perform both ISS and administrative/non-ISS duties). The employer must retain the detailed

monthly or quarterly payroll for each employee and supporting records that specify the monthly or quarterly amounts reported on the cost report, as DDA may request these records.

- f. Allowable ISS costs are necessary for the proper and efficient performance of agency operations. These costs are reasonable, necessary, and reflect what comparable positions might be paid. Compensation spent performing ISS functions for employees must be comparable to other reporting classifications in the industry performing ISS functions. When requested by DSHS, the provider must explain and produce documentation for ISS costs claimed.
- g. Allowable ISS Costs include:
 - i. Compensation paid for ISS staff salaries, wages, overtime, stipends, training costs, and other compensation (which may include bonuses) that are designated as ISS. Employees for whom the majority of their job functions is the provision of instruction and support services may be designated as ISS staff. Employees for whom the provision of instruction and support services is a minority of their job functions, their compensation is allocated between ISS and administrative costs.
 - ii. Any employee whose compensation is reported as ISS costs must meet the requirements of Chapter 388-829 WAC.
 - iii. The ISS portion of an employee's compensation if the employee performs:
 - A) ISS and non-contracted duties; or
 - B) ISS, administrative/non-ISS, and non-contracted duties.
 - iv. Employer-paid payroll taxes related to ISS staff salaries and wages prorated for those employees whose time is split between ISS and administrative/non-ISS functions. This may also include related B&O tax.
 - v. Fringe benefits paid by the employer for ISS staff (prorated for those employees whose time is split between ISS and administrative/non-ISS functions).

- A) Fringe benefits provided at the employer's expense may include sick leave, health insurance, paid time off, paid holidays, retirement plan contributions, as well as other benefits on behalf of all employees who qualify.
 - B) Fees and fines do not qualify as fringe benefits.
 - C) The provider must annually report the total wages and fringe benefits paid to employees. The provider must keep detailed payroll records for all wages and accounts payable records for all fringe benefits reported on the annual cost report, as DDA may request this information.
- vi. Staff lodging compensation paid by the provider.
- vii. Administrator's allowable ISS cost may include ISS time spent by the administrator under the following circumstances:
- A) A supported living provider with fewer than 21 FTEs may claim the administrator's compensation as ISS based on regression table maximums, urban designation, and the percentage of time (compensation) spent performing ISS functions. The regression table is included in the cost report.
 - B) A group home or group training home may claim the portion of the administrator's compensation that was dedicated to performing ISS duties with the remainder reported as administrative/non-ISS.
- viii. "Sleep time," which is regularly scheduled nighttime support provided by ISS staff who are approved by a client's DDA resource manager, authorized by the agency to sleep in the client's home overnight, and are available to respond to the client's needs throughout the night. A supported living agency must provide a bedroom for the staff to stay in at the client's home and cover the cost of their accommodation.
- ix. Call-back time for ISS employees who are on-call outside of their normal work schedule. The maximum call-back time that may be considered as ISS are additional costs per shift for those

occurrences from when a call was received until the employee's call-back shift is done.

- h. When requested by DDA, the provider must provide supporting documentation of each employee's payroll expenses claimed as ISS on the annual cost report. Supporting documentation may include detailed payroll records by pay period or employee, employee Wage and Tax Statements, time sheets, and staffing schedules.

2. Transportation Costs

- a. Transportation costs are defined as ordinary and necessary transportation with or on behalf of a client for program operations and training. Transportation costs include:

- i. Client transportation expenses and staff mileage reimbursement, which include expenses calculated on the transportation assessment; and
- ii. Administrative transportation expenses, which are all other operations-related expenses not captured on the transportation assessment.

- b. Allowable client-related transportation costs:

- i. Include the cost of operating vehicles, including maintenance, repairs, operation, insurance, tolling, and parking.
- ii. Include the cost of public transportation for clients, volunteers, and staff, which are for the purposes defined in this section.
- iii. Include the cost of mileage reimbursement to employees and volunteers using their personal vehicle for mileage.
- iv. Do not include the cost of commuting between an employee's residence and their primary place of employment. If a provider's employee uses the provider's vehicle for travel that is not defined above, the use is considered a fringe benefit cost for that employee.

II. RATE STRUCTURE

- A. Rates are established for each tier. See [DDA Policy 6.02](#), *Rates and Other Covered Costs for Supported Living, Group Training Homes, and Group Homes*.
- B. If a client's assessed needs are at tier nine, the resource manager determines a client-specific rate through the rate assessment process. Tier nine rates are effective for no more than 12 months.
- C. Tiered rate methodology is effective January 1, 2019. The tiered rates were derived in part from the ISS benchmark rate in effect on July 1, 2018.
 - 1. For non-MSAs, the ISS compensation rate must be \$18.62 per hour for salaries, wages, payroll taxes, and fringe benefits.
 - 2. For MSAs, the ISS compensation rate must be \$18.93 per hour for salaries, wages, payroll taxes, and fringe benefits.
 - 3. For King County, the ISS compensation rate must be \$19.53 per hour for salaries, wages, payroll taxes, and fringe benefits.
- D. DDA may adjust rates in accordance with state legislative appropriation. Current rates are listed in the Community Residential Services contract in Exhibit C of the provider's contract.

III. BILLING AND PAYMENT

- A. DSHS reimburses a provider a daily rate for services under the provider's residential services contract. The provider must bill in accordance with DDA instructions.
- B. Client financial responsibility for a group home or group training home client is determined under [WAC 182-515-1514](#).
- C. A provider must accept the reimbursement rate established by DDA as full compensation for all services under the provider's contract. The provider must not require additional compensation from or on behalf of a client for any or all contracted residential services, except as listed in [DDA Policy 6.02](#), *Rates and Other Covered Costs for Supported Living, Group Training Homes, and Group Homes*. This does not prohibit a provider from participating in a grant or fundraising as long as the provider does not require a client to participate in associated activities.

D. Underpayments and Overpayments

If there are underpayments or overpayments, the provider, resource manager, and DDA Rates Unit work to identify and resolve the discrepancies as they arise.

E. Certification Fee

1. As required under Chapter 71A.12 RCW, DSHS collects a certification fee every six months. The certification fee is collected at \$2.35 per client service day.
2. DSHS withholds all or part of a provider's payment if the provider has not paid the certification fee by the due date. DDA releases the withheld payment after the certification fee is paid.

IV. SETTLEMENT

A. Settlement Definition

1. Settlement is the result of underutilization of contracted and paid service dollars in the ISS Cost Center.
2. Settlement amounts are determined using DDA payment system reports, the provider's cost report, and other supporting documentation.
3. The provisions of this section apply to the settlement calculation for the entire calendar year in which the contract is in effect.

B. Settlement Determination

1. The provider must refund any ISS amounts paid in excess of the allowable ISS staff compensation and employer-paid taxes and benefits and reported on the provider's cost report and supporting documentation.
2. Reimbursement amounts received from DDA for cost of care adjustments, staff add-ons, professional services, and professional services compensation paid by the provider must be included in the settlement calculation. For purposes of determining the settlement, administrative amounts are excluded from these calculations.
3. A settlement will result if reimbursements exceed actual payroll costs, where:

- a. Reimbursements are the total annual reimbursed costs for ISS and professional staff; and
 - b. Payroll costs are the total annual paid ISS staff compensation and employer-paid taxes and benefits as reported in the provider's annual cost report and supporting documentation.
4. A settlement that is less than \$100 is considered immaterial and results in a zero settlement.
 5. DDA may revise a settlement if there are discrepancies found in a subsequent review.
- C. Administrator Payroll Costs Claimed as ISS for Settlement Purposes
- For settlement purposes, a supported living provider with 21 or more ISS FTEs during the settlement period cannot claim allowable administrator payroll costs as ISS. The administrator's payroll costs must be reported as administrative costs.
- D. Combined Programs for Settlement
1. Providers that have contracts with DDA for the operation of multiple residential programs within a single region may collapse those contracts into a single contract for any combination of group home, group training home, and supported living programs. The single contract will identify the type or types of residential programs and all applicable rates.
 2. Programs combined under a single contract are treated as a single entity for settlement purposes. The provider may combine the total reimbursement for ISS payroll costs subject to settlement per the contract, and the combined total of paid ISS compensation into a single settlement calculation.
- E. Settlement Due Repayment Process
1. If DSHS determines a settlement amount is due, no more than 30 days after receiving notification of an overpayment amount, the provider must pay the settlement overpayment amount or commence repayment in accordance with a schedule determined by Office of Financial Recovery.
 2. If the provider contests the settlement determination, the provider must pay the settlement overpayment amount or commence repayment no more than 30 days after such proceedings are concluded. DSHS Administrative Policy 10.02,

Overpayments and Debts for Providers and Vendors, defines “overpayments and debts” as “any Department payment or benefit to a provider in excess of the amount the provider or vendor was entitled to by law, rule, or contract.”

3. If the provider does not pay the settlement overpayment or pay any installment when due, including payment due after a final decision under subsection (2) of this section, DSHS may withhold payments from current billings until the overpayment is paid.
4. If DSHS determines an underpayment occurred, DDA initiates the adjustment in ProviderOne no more than 90 days after identifying the underpayment.

V. COST REPORT DATA ANALYSIS

After receiving a provider’s cost report, the rate analyst may request from the provider the source documentation used to verify the cost report expenses.

EXCEPTIONS

Any exception to this policy must have the prior written approval of the Deputy Assistant Secretary or designee.

SUPERSESSION

DDA Policy 6.04, *Residential Programs Cost Reporting*
Issued July 1, 2021

Approved:



Deputy Assistant Secretary
Developmental Disabilities Administration

Date: January 1, 2024