



DIVISION OF DEVELOPMENTAL DISABILITIES
Olympia, Washington

TITLE: RESIDENTIAL PROGRAMS POLICY 6.04
REIMBURSEMENT SYSTEM

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DIVISION OF DEVELOPMENTAL DISABILITIES
Olympia, Washington

TITLE: RESIDENTIAL PROGRAMS POLICY 6.04
REIMBURSEMENT SYSTEM

Authority: Chapter 388-820 WAC

PURPOSE

This policy establishes procedures and criteria for cost reporting, rate setting and the settlement process for Division of Developmental Disabilities (DDD) contracted residential programs.

SCOPE

This policy applies to DDD contracted residential programs.

DEFINITIONS

"**Administrative Staff**" means employees of the contractor (including executive directors, administrators, accountants, bookkeepers, clerical support and/or secretaries) whose primary job function is administration, management and/or operational support.

"**Arm's-Length Transaction**" means a transaction resulting from good faith bargaining between a buyer and seller who hold adverse positions in the market place. Arm's-length transactions are presumed to be objective transactions.

"**Client**" means a person who:

- (1) Has a developmental disability;
- (2) Is eligible under RCW 71A.10.020; and
- (3) Is authorized by DDD to receive residential services outlined in Chapter 388-820 WAC.

"**Client-Specific Staff Add-On**" means a staffing increase above and beyond the individual instruction and support hours required and allowed in the standard rate provision of a contract enabling a service provider to increase the individual instruction and support hours provided to a specific client.

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"Contract" means a contract between the department and a contractor for residential services to clients as described in Chapter 388-820 WAC.

"Contractor" means an entity contracting with the department to provide residential services to clients as described in Chapter 388-820 WAC.

"Cost-of-Care Adjustment" means a reimbursement adjustment intended to cover the necessary costs of non-variable staff support and administration to provide services to residents during a time when their residence is temporarily not at full capacity.

"Department" means the Department of Social and Health Services and its employees.

"Division" means the Department of Social and Health Services' Division of Developmental Disabilities and its employees.

"Fringe benefits" means benefits provided at the employer's expense to all employees who qualify. These may include sick leave, health insurance, paid vacation, holiday pay, retirement plan, as well as other benefits.

"Full Time Equivalent (FTE)" means a total of 2,080 hours (52 weeks x 40 hours) worked by one or more employees during a twelve month period.

"Group Home Program" - is included within the meaning of residential services prescribed in Chapter 388-820 WAC and contract provisions. For purposes of this policy, "Group Training Home" is synonymous with "Group Home".

"Instruction and support staff (ISS)" means employees (including counselors, instructors and/or trainers) of the contractor whose primary job function is the provision of instruction and support services to clients. Instruction and support staff shall include employees (including program managers and/or supervisors) of the contractor whose primary job function is the supervision of instruction and support staff and the routine provision of instruction and support services to clients. Instruction and support staff shall also include contracted personnel whose job function is the provision of instruction and support services.

"Instruction and support services (IS)" means client services required by Chapter 388-820 WAC and contract provisions. Instruction and support services are provided by staff designated as instruction and support staff (see definition above). IS services may also be provided by the administrator as described in this policy, and by other administrative personnel (such as bookkeepers or accountants) if the provision of IS services is included in their job description.

The portion of the administrative personnel's time designated to IS service may be reported as ISS for cost reporting and settlement purposes.

"MA (Non-MSA) and MSA Counties" MA: Metropolitan Area - A large population nucleus, together with adjacent communities that have a high degree of economic and social integration with that nucleus.

- **MSA:** Metropolitan Statistical Area - Relatively freestanding MAs which are not closely associated with other MAs. These areas typically are surrounded by non-metropolitan counties.
- **PMSA:** Primary Metropolitan Statistical Area - A large urbanized county or cluster of counties that demonstrates very strong internal economic and social links, in addition to close ties to other portions of the larger area.
- **CMSA:** Consolidated Metropolitan Statistical Area - When PMSAs are established, the larger area of which they are component parts is designated a consolidated metropolitan statistical area.

A **MSA** must include at least:

- one city with 50,000 or more inhabitants, or
- a Census Bureau-defined urbanized area (of at least 50,000 inhabitants) and a total metropolitan population of at least 100,000.

MSA counties in Washington are Benton, Clark, Franklin, Island, King, Kitsap, Pierce, Snohomish, Spokane, Thurston, Whatcom and Yakima.

Note: King County is recognized as having unique characteristics relative to other MSA counties for purposes of determining certain reimbursement rates as stated in this policy.

"Residential Services Program" means a contractor's Group Home or Supported Living residential program providing services in accordance with Chapter 388-820 WAC and contract provisions.

"Supported Living" is included within the meaning of residential services as described in Chapter 388-820 WAC and contract provisions.

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POLICY

- A. Contractors providing residential programs are required to report costs of operations for purposes of providing data to the division and to determine any settlements due.
- B. The division shall:
 - 1. Set standard rates for each cost center for programs covered within this policy.
 - 2. Describe allowable costs and specify the reporting requirements.
 - 3. Describe the rate setting methodology and principles that apply to programs.
 - 4. Describe the settlement process as it applies to residential programs.
 - 5. Describe the summer program requirements and payment procedures.
 - 6. Provide information on billing and payment requirements and procedures.

PROCEDURES

I. REPORTING

A. Cost Reports

- 1. In order for a contractor to receive payments under the residential reimbursement system, the contractor must submit an annual DDD cost report covering the completed calendar year.
- 2. If a contractor terminates from the residential program, the former contractor shall submit a final annual report covering the period the contract was in effect during the calendar year. The final annual report shall be used for determining a settlement for the final period.

B. Due Date of Report

- 1. The cost report shall be submitted within seventy-five (75) days following the calendar year covered in the report.

2. The department, upon a written request setting forth reasons for the necessity of an extension, may grant a thirty (30) day extension of time for submitting the cost report. The request must be written and received by the department prior to the seventy-five (75) day due date.

C. Completing Reports and Maintaining Records

1. Reports shall be completed in accordance with instructions provided by the department. If no specific instruction covers a situation, generally accepted accounting principles shall be followed.
2. The department may analyze the submitted cost report and financial statement of each contractor to determine if the information is correct, complete, and reported in conformance with generally accepted accounting principles and the requirements of this contract and those policies, rules and regulations referenced therein. If the analysis finds that the cost report or financial statements are incorrect or incomplete, the division may make adjustments to the reported information.
3. A schedule of adjustments shall be provided to contractors in writing and shall include an explanation for the adjustments and dollar amounts of the adjustments.
 - a. If a contractor disagrees with an adjustment made under this section, the contractor shall, in writing, identify specifically the grounds for his or her contention that the adjustment is erroneous and include any documentation that supports the contractor's position.
 - b. If the contractor wishes to challenge the division's determination of the contractor's contention from subsection a., the contractor may request an administrative review pursuant to Chapter 388-820 WAC and/or the dispute clause as described in the general terms and conditions of the contract.
4. Contractors shall submit a single cost report that includes all provider work orders and other business activities.

5. Facilities with joint residential program costs shall allocate and report shared costs to each residential program in accordance with allocation policies prescribed or approved by the department.
6. If a contractor fails to maintain records adequate for audit purposes or fails to allow inspection of such records by authorized personnel, the department may suspend all or part of subsequent payments due under the contract until compliance is forthcoming. Upon compliance, the department shall resume contract payments and shall release suspended payments pursuant to the contractor's contract.
7. Contractors shall maintain cost reports and records adequate for audit purposes. If at the end of the contract retention period as specified in the work order, there are unresolved audit questions, the report will be retained until such questions are resolved.

D. Report Certification

1. Each required report shall be accompanied by a certification signed on behalf of the contractor responsible to the department during the report period. If the contractor files a federal income tax return, the certification shall be executed by the person normally signing this return. If the report is prepared by someone other than an employee of the contractor, a separate statement shall be included with the certification signed by the individual preparing the report and indicating his or her status with the contractor.
2. If a contractor knowingly files a report containing false information, such action constitutes cause for termination of the contractor's contract with the department. Contractors filing false reports may be referred for prosecution under applicable statutes.

E. Improperly Completed or Late Reports

1. An annual cost report must be completed in accordance with applicable department regulations and instructions. An annual cost report deficient in any of these respects may be returned in whole or in part to the contractor for proper completion.

2. If a report is not properly completed or is not received by the division on or before the due date of the report, including any approved extensions, all or a part of any payments due under the contract may be held by the department until the improperly completed or delinquent report is properly completed and received by the division.

II. REIMBURSABLE COSTS

A. Definition of Reimbursable Costs

Documented costs which are necessary, ordinary and related to the provision of resident care, training and activities as prescribed in Chapter 388-820 WAC and contract are reimbursable costs.

B. Depreciable Assets

The following costs shall be reported as depreciable assets:

1. Expenditures for equipment, furnishings or vehicles with historical cost in excess of \$5,000 per unit and a useful life of more than one (1) year from the date of purchase.
2. Expenditures for equipment or furnishings with historical cost of less than \$300 per unit if the item was acquired in a group purchase where the total cost exceeded \$5,000 and has a useful life of more than one (1) year from the date of purchase.
3. Expenditures for building, land and/or leasehold improvements which are in excess of \$5,000 and which extend the useful life of the asset.
4. Expenditures for assets as described above with historical cost less than \$5,000 may be reported as depreciable assets, or expensed in the year they were purchased.

C. Equipment and Building Expenses

The following costs shall be reported as expenses:

1. Those expenditures for equipment, furnishings, or building, land, or leasehold improvements not subject to classification as a depreciable asset.

2. Repairs (damages) or maintenance (upkeep) costs that do not extend the useful life or increase the value of the building, equipment, furnishings or vehicles.

D. Reporting Depreciable Assets

1. Depreciable assets may include the following:
 - a. Building - The basic structure or shell and additions.
 - b. Fixed Equipment - Attachments to the building, such as wiring, plumbing, and heating system.
 - c. Movable Equipment - Such items as furnishings, beds, stoves, refrigerators, silverware, and dishes.
 - d. Vehicles - Such items as automobiles or vans used to transport residents to activities, training, or work.
 - e. Land Improvements - Such items as paving, on-site sewer and water lines, parking areas, shrubbery, fences, government assets, etc., where replacement is the responsibility of the group home.
 - f. Leasehold Improvement - Improvements and additions made by the lessee (contractor) to the leased property, which become the property of the lessor after the expiration of the lease.
2. Land is not a depreciable asset. Land includes the cost of such items as off-site sewer and water lines, the cost of permanent roadways, curbs and sidewalks, and utility hookups.
3. Depreciable assets shall be reported as follows:
 - a. The base used to calculate depreciation shall be:
 - (i) The historical cost to the contractor in acquiring the asset or capitalized expense from an unrelated organization less the estimated salvage value, if any; or

- (ii) The fair market value of the donated or inherited asset or asset purchased with restricted donation at the time of donation or death less goodwill and salvage value, if any; or
 - (iii) Assets or capitalized expenses acquired from a related organization, which shall not exceed the lower of cost to the related organization or the cost of comparable assets purchased elsewhere.
 - b. The lives used to calculate depreciation expenses shall be:
 - (i) Building - Not less than thirty (30) years.
 - (ii) Building Improvements - The remaining useful life of the building as modified by the improvement.
 - (iii) Other Assets - Lives no shorter than guideline lives published by the Internal Revenue Service or by the American Hospital Association.
 - (iv) Lives shall be measured from the date of the most recent arm's-length acquisition of the asset.
 - c. The depreciation expense methodology used shall be acceptable by generally accepted accounting principles, and the Internal Revenue Service methodology for the asset class being depreciated.
 - d. Changes in depreciation methodology during the life of the asset must be disclosed on the annual cost report.
- E. Interest
 - 1. Interest is defined as necessary and ordinary interest for working capital and capital indebtedness, which must be incurred for a financial need related to resident care, training, and activities.
 - 2. Interest cost shall be at a rate not in excess of what a prudent borrower would have to pay at the time of the loan in an arm's-length transaction in the financial market.

3. Interest paid to a related organization shall not be reported in excess of the cost to the related organization of obtaining the use of the funds.

F. Donations and Contributions

1. Donations or contributions are classified as:

- a. Restricted - Grants, gifts, income from endowments in the form of purchasing power which must be used only for specific purposes designated by the donor. Items whose nature restricts its use, such as food, supplies, equipment, vehicles or building space.
- b. Unrestricted - Grants, gifts, and income from endowments in the form of cash or purchasing power given to the facility without restriction by the donor.
- c. Volunteer time and donated consultant time.

2. Donations or contributions are reported as follows:

- a. The value of a restricted donation/contribution shall not be reported as an expense on the cost report.
- b. The value of an unrestricted donation/contribution shall be reported in the expense account for which it was used through the provider's normal recording of transactions.
- c. The value of the volunteer/donated time shall not be reported as an expense on the cost report.

G. Related Organization/Party Costs

1. A related organization is defined as either an entity, which is under common ownership, and/or control with, has control of, or is controlled by, the contractor. An entity is deemed to "control" another entity if one entity has a five (5) percent or greater ownership interest in the other; or if an entity has the capacity (whether or not exercised) derived from a financial or other relationship to influence directly or indirectly the activities of the other.

2. A related party is defined as a spouse; natural parent, child or sibling; adopted child or adoptive parent; stepparent, stepchild, stepbrother, step-sister; father-in-law, mother-in-law, son-in-law, daughter-in-law; grandparent or grandchild; uncle, aunt, nephew, niece or cousin of the contractor.
3. Costs of services, facilities, and supplies furnished by organizations related to the contractor shall be reported at the lower of the costs to the related organization or the price of comparable services, facilities or supplies purchased elsewhere.
4. The cost of a related party lease shall be reported based on the lower of actual ownership cost (interest, depreciation, taxes, and insurance) to the related party or the arm's-length lease to the related party.

H. Joint Program Costs

1. Joint program costs are defined as expenses benefiting more than one program, or one program and any other entity.
2. Costs shall be allocated in accordance with cost reporting instructions.

I. Transportation Costs

1. Transportation costs are defined as:
 - a. Ordinary and necessary transportation of clients for training and activities.
 - b. Ordinary and necessary transportation of employees for facility administration and operation.
 - c. Ordinary and necessary travel of employees for in-service training and education.
2. The following costs shall be reported:
 - a. The costs of operating vehicles limited to automobiles, vans, pickup trucks or buses that are used for the purposes defined in this section, including maintenance, repairs and operation. A mileage

log shall be maintained detailing the usage of each vehicle not used one hundred (100) percent for the purposes defined in this section.

- b. The costs of public transportation for clients, volunteers and staff, which are for the purposes defined in this section.
 - c. The costs of mileage reimbursement of employees and volunteers using their personal vehicle for actual mileage for the purposes defined in this section.
 - d. Commuting between an employee's residence and their primary place of employment shall not be included as transportation. If a vehicle is used by any staff for travel, which is not defined above, these shall be fringe benefit costs for that employee.
3. The contractor shall not seek or accept additional compensation from or on behalf of a client for any or all contracted residential services. The DDD regional administrator or designee may grant exceptions to this policy based on assessment of individual client resources and needs, whereby individual clients may contribute toward or provide for their individual transportation costs. This exception shall be in writing. Costs incurred by the contractor associated with this provision are unallowable costs and shall not be reported on the annual cost report.

J. Fringe Benefits

Fringe benefits provided at the employer's expense may include sick leave, health insurance, paid vacation, holiday pay, retirement plan, as well as other benefits, to all employees who qualify.

III. RATE SETTING

A. Rate Principles

- 1. Rates established under the provisions of this contract shall be only for Supported Living or Group Home programs holding applicable state licenses and certified to provide residential services in accordance with applicable state laws, regulations, and contract provisions.

2. Rates shall be set prospectively.
3. Rates are payments for costs which are necessary, ordinary, and related to the provision of residential program instruction and support as prescribed in Chapter 388-820 WAC and the residential services contract.
4. Rates shall be set in accordance with state legislative appropriation.
5. Rates shall be the contractor's maximum compensation within each cost center.

B. Vendor Rate Adjustments

1. Rates may be adjusted in accordance with state legislative appropriation.
 - a. For rates effective July 1, 2001, compensation rates and non-staff component rates shall be increased by 2.1 percent for vendor rate adjustment.
 - b. For rates effective July 1, 2002, compensation rates and non-staff component rates shall be increased by 2.3 percent for vendor rate adjustment.

C. Reimbursement Cost Centers

A contractor's rate shall consist of the following cost centers:

1. Instruction and Support Service Cost Center
2. Administrative Staff and Non-Staff Cost Center

D. Instruction and Support Service Cost Center Rate

1. The ISS cost center rate will reimburse for salaries, wages, fringe benefits, and payroll taxes related to instruction and support staff (see definition section for ISS staff included). Payroll taxes for purposes of this section shall include the amount of Business and Occupation (B & O) tax expense incurred by the agency for the reporting period that is applicable to the revenue received from the department relating to ISS cost center reimbursement.

2. Establishing the instruction and support service cost center rate for residential services programs.
 - a. The residential services program ISS number of hours per client day are determined in order to be in compliance with the provisions of Chapter 388-820 WAC, the division's program objectives and individual client needs.
 - b. For establishing instruction and support service cost center rates, one of three compensation rates will be utilized for instruction and support staff. The ISS compensation rate shall be applicable to the county (MSA, Non-MSA or King) in which the clients are served and shall be based upon state legislative appropriation. Exceptions to the single rate may be made when professional/licensed staff are utilized.
 - c. For rates effective July 1, 2001 in:
 - (i) Non-MSA counties, the ISS compensation rate shall be \$13.75 per hour for salaries, wages, payroll taxes, and fringe benefits.
 - (ii) MSA counties, the ISS compensation rate shall be \$14.01 per hour for salaries, wages, payroll taxes, and fringe benefits.
 - (iii) King county, the ISS compensation rate shall be \$14.28 per hour for salaries, wages, payroll taxes, and fringe benefits.
 - d. For rates effective July 1, 2002, in:
 - (i) Non-MSA counties, the ISS compensation rate shall be \$13.85 per hour for salaries, wages, payroll taxes, and fringe benefits.
 - (ii) MSA counties, the ISS compensation rate shall be \$14.12 per hour for salaries, wages, payroll taxes, and fringe benefits.

- (iii) King County, the ISS compensation rate shall be \$14.39 per hour for salaries, wages, payroll taxes, and fringe benefits.

E. Administrative Staff and Non-Staff Cost Center Rates

1. Each agency operating a residential program shall have a designated administrator (WAC 388-820-290).
2. The administrative staff and non-staff cost center rate will reimburse for administrative staff and general management including accounting and bookkeeping; required transportation not otherwise reimbursed; maintenance supplies and purchased services; housekeeping supplies and purchased services; food and dietary supplies; utilities, insurance and taxes; and, lease, interest and depreciation costs related to reimbursable assets used in the residential program.
3. Group Home Programs
 - a. The administrative staff and non-staff cost center rate consists of two components: an administrative staff rate component and a non-staff rate component.
 - b. The administrative staff rate component is described as follows:
 - (i) The administrative staff portion of the rate is for salaries, wages, fringe benefits and payroll taxes related to administrative staff. (See Definitions section for a definition of administrative staff.)
 - (ii) For establishing the administrative staff rate component, a group home will be assigned administrative staff hours per resident day specified in Attachment B (Group Home Administrator Staffing Standards). The assignment will be based upon the number of beds specified in the group home's contract.
 - (iii) For establishing the administrative staff rate component, one of three compensation rates will be utilized. The administrative rate shall be applicable to the county (MSA,

Non-MSA or King) in which the clients are served and shall be based upon state legislative appropriation.

- (iv) For rates effective July 1, 2001, the administrative staff compensation rate in:
 - a. Non-MSA counties shall be \$17.92 per hour for salaries, fringe benefits and payroll taxes.
 - b. MSA counties shall be \$18.28 per hour for salaries, wages, payroll taxes, and fringe benefits.
 - c. King County shall be \$18.63 per hour for salaries, wages, payroll taxes, and fringe benefits.
- (v) For rates effective July 1, 2002, the administrative staff compensation rate in:
 - a. Non-MSA counties shall be \$18.33 per hour for salaries, fringe benefits and payroll taxes.
 - b. MSA shall be \$18.70 per hour for salaries, wages, payroll taxes, and fringe benefits.
 - c. King County shall be \$19.06 per hour for salaries, wages, payroll taxes, and fringe benefits.
- c. The non-staff rate component is described as follows:
 - (i) The non-staff portion of the rate is to provide for those non-staff costs incurred by the program that are not directly client related.
 - (ii) Non-staff rates are non-standard and are based on the unique non-staff cost factors associated with providing service to a particular group of clients.
 - (iii) For rates effective July 1, 2001, a residential service

provider's non-staff rate component shall be its June 30, 2001 rate increased by 2.1 percent.

- (iv) For rates effective July 1, 2002, a residential service provider's non-staff rate component shall be its June 30, 2002 rate increased by 2.3 percent.
- (v) The DDD regional administrator or designee approves these non-standard rates.

d. A group home's administrative staff and non-staff cost center rate is the sum of the rate components determined in subsections "a" and "b" above.

5. Supported Living Programs

Administrative and non-staff rates are non-standard and are based on the unique administrative and non-staff cost factors associated with providing service to a particular client or group of clients.

6. The DDD regional administrator or designee approves these non-standard rates.

IV. RATE ADJUSTMENTS

A. Adjustments

- 1. Rates may be adjusted for changes in staffing in order to be in compliance with the provisions of Chapter 388-820 WAC, the residential program contract, and/or program policies.
- 2. Rates may be adjusted for a decrease in instruction and support service hours and assign the funds to the administrative and non-staff rate cost center when the provider can show:
 - a. A loss in the administrative non-staff cost center; and
 - b. Contracted hours are being delivered at the benchmark average rate.

B. Request Procedure

1. A contractor may request an adjustment to his or her current rate at any time.
2. Each request must be in writing and must include a detailed proposal for staff changes and the factors requiring a change in current staffing.
3. The department will inform a contractor of the disposition of a request within 30 days after receipt of the request and of any documentation necessary to support the request. The department response to the request will be in writing.

V. NOTIFICATION

A. Rate Notification Requirements and Effective Dates

1. The department will notify each contractor in writing of their reimbursement rate.
2. The department will issue a rate notification document, which identifies the rate setting methodology and the factors used in establishing rates.
3. Unless otherwise specified in the notification, rate adjustments resulting from a contractor request shall be effective the first day of the month in which the rate is issued.

B. Public Review and Disclosure

1. The department will provide all interested members of the public with an opportunity to review and comment on proposed rate setting methodology.
2. The department will make information regarding the department's rate setting methodology and rates available to the public.

VI. CLIENT-SPECIFIC RESIDENTIAL STAFF ADD-ON

A. Procedures

1. A client-specific staff add-on may be authorized whenever a client's safety and well-being are seriously threatened and/or when a client is at risk of losing residential support services or being admitted to an institution due to unusual emergency or non-emergency circumstances.
2. A client-specific staff add-on may be authorized when it is necessary to train ISS to act as nursing assistants under the nurse delegation act, whether or not the contractor employs or contracts with professional/licensed staff.

B. Authorization

1. The contractor shall request staff add-on authorization from the specific resident's case resource manager. In emergency situations, the original request may be verbal but shall be followed up in writing on the next working day. In non-emergency situations, the request shall be submitted in writing prior to approval. The request will include documentation of circumstances and justification of need.
2. The contractor shall submit the request for a residential staff add-on to DDD. The case resource manager, their supervisor, and responsible regional resource manager shall evaluate the need for the staff add-on.
3. If after discussion with the contractor, a viable alternative is not identified, the resource manager will forward the vendor's request, including the contractor's documentation of the circumstances, and a recommendation for approval or disapproval to the regional administrator or designee. If approved, the staff add-on will be authorized through the standard SSPS process.
4. A staff add-on is intended to be a temporary arrangement for a period of time up to three (3) months. The field services administrator may authorize extensions based on case management supervisor review and recommendation for number of hours and duration.

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C. Reimbursement

Reimbursement for staff add-ons will be for the number of additional staff hours authorized and actually used by the service provider and will be at the current rate for individual instruction and support services.

D. Settlement

Staff add-on reimbursements will be subject to the settlement provisions of this policy.

VII. SETTLEMENT

A. Settlement Definition

1. The settlement shall be for overpayments in the instruction and support service cost center. The settlement shall also correct for billing or payment errors.
2. Settlements shall be based on department payment system(s) reports, the contractor's financial reports, and/or other department-specified reports or documents.

B. Settlement Determination

The contractor shall refund the greater of:

1. All amounts of ISS cost center rate payments received in excess of the allowable instruction and support service costs as defined in this policy, and as reported in the contractor's annual cost report and/or department-specified documents.
2. The total annual reimbursed hours for instruction and support service minus the total actual paid hours worked as instruction and support service, multiplied by the weighted average reimbursement wage rate for instruction and support service in effect during the settlement period.

C. Administrative staff hours counted as ISS for settlement purposes:

1. Group Home program administrators may provide IS hours.
2. Supported Living and Combined Programs (Group Home and Supported Living)
 - a. For residential services, programs that have 20 or fewer FTE employees that support clients during the settlement period, settlements may include the program administrator's hours worked in an ISS capacity. The cost that may be applied in the settlement computation is the total hours worked as instruction and support staff multiplied by the benchmark compensation rate in effect during the period that the hours were worked.
 - b. For residential services programs that have more than 20 FTE employees that support clients during the settlement period, settlements may not include administrator's hours worked in an ISS capacity in their settlement computation.
 - c. An exception to item "b" above of this policy may be requested by any contractor. A copy of the approved exception to policy must accompany the annual cost report if the administrative hours are reported as ISS for settlement purposes.
 - d. The provisions of section VII. B. above will apply to settlement calculation for the entire calendar year in which the contract becomes effective.

D. Settlement Overpayment Amount

The contractor shall refund the greater of:

1. All amounts of ISS cost center rate reimbursement in excess of allowable instruction and support service costs as defined in this policy, and as reported in the contractor's annual cost report and/or department-specified documents.
2. The hourly rate allowed for the administrator's cost shall not exceed the contractor's instruction and support staff compensation rate as specified in the contractor's contract and rate notification.

3. The total annual reimbursed hours of instruction and support service and professional/licensed staff minus actual total annual paid hours worked as reported in the facility's annual cost report and/or department-specified documents, multiplied by the weighted average reimbursement wage rate for instruction and support staff in effect during the settlement period.

E. Programs Combined for Settlement

1. For the period beginning with the July 1, 1993 contract, contractors that have contracts with the division for the operation of multiple residential programs may collapse those contracts into a single contract for any combination of group home and supported living programs. The single contract will identify the type(s) of residential program(s) and all applicable rates.
2. Programs combined under a single contract will be treated as a single entity for purposes of the settlement provisions of this policy. The contractor may combine the total reimbursement for instruction and support service hours and compensation amounts subject to settlement per the contract, and the combined total of paid instruction and support service hours and compensation into a single settlement calculation.

F. Cost Shifts

Contracts that have administrative and non-staff cost center costs greater than their administrative and non-staff cost center reimbursement may shift the excess non-staff cost (non-staff loss) to apply to the reduction of a settlement for the period. The shift amount cannot exceed 20 percent of their instruction and support service cost center reimbursement for the period. All cost shifts are subject to approval of the regional administrator, whose decision may be appealed to the DDD director.

1. Administrative and non-staff cost center costs will not include that portion of the program administrator's hours and compensation that may be charged against the instruction and support service cost component under the provisions of this policy.
2. For purposes of this section, allowable administrative costs including administrative staff salaries or other compensation (excluding payroll taxes and health benefits) shall not exceed six (6) percent over the level

reported in the provider's cost report, adjusted for increases in capacity from the previous year.

G. Settlement Process

The division will determine a settlement amount for each calendar year.

1. The contractor shall pay a settlement overpayment amount, or shall commence repayment in accordance with a schedule determined by the department, within 30 days after receiving departmental notification of the overpayment amount. If a settlement determination is contested, the contractor shall pay or commence repayment within 30 days after such proceedings are concluded.
2. The department will pay any amount due the contractor as a result of errors in billing or payment disclosed on the settlement within 30 days after issuance of departmental notification of the amount due the contractor.
3. If the contractor does not refund the overpayment or any installment when due, or after the final decision from any administrative or judicial remedy sought by the contractor regarding the amount due, the department may withhold payments from current billings until the overpayment is refunded.
4. A proposed settlement may be revised by the department on the basis of audit findings or DDD certification evaluation findings.

H. Optional Two-Year Settlement Process

1. Effective July 1, 1995 the contractor may elect to have an optional two (2) year settlement. These settlements shall allow a collaborative process in order to minimize settlements due.
2. The optional two (2) year settlement process shall begin with the January 1, 1995 calendar year and begin subsequently on odd numbered years.
3. Providers will indicate on their first year cost report whether or not they wish to participate in the optional two (2) year settlement process.

Providers may initiate the planning process with the region during the first year if preliminary data indicates that a settlement will materialize.

4. Information derived from the first year's cost report will be used to develop a joint plan for use of the unspent ISS dollars to be followed during the second year of the settlement period. These funds will be used to increase service capacity or extend services to additional people. Funds retained through this process would be expended on direct supports rather than agency non-staff or administration costs.
5. A joint plan will be produced by June 15th of the second settlement year. If no plan is agreed upon by this date, the first year settlement amount is due according to the provisions of the previous settlement section.

VIII. SUPPLEMENTAL PAYMENTS

A. Supported Living Client Evaluation

1. If the division refers a client to the supported living program and additional costs are incurred by the program in order to ascertain whether or not to accept the referred client, the division may reimburse the contractor for these additional costs.
2. The division may reimburse the contractor \$20.00 per hour the additional costs associated with the referral as negotiated with the DDD regional administrator or designee.
3. The contractor must obtain prior authorization by submitting a written request for payment to the division's Field Services Office. Field Services will approve the request and issue written notification authorizing payment.

B. Summer Program

1. DDD may provide summer program funding for clients through age 21 who are in division-contracted residential programs, currently enrolled in school, and whose local public schools do not offer summer programs. The division may make funding available for this program to the extent funds are available for such purposes in the division's biennial appropriation. The summer program funded by the division is not to be

interpreted as a substitute for the programs offered by the contractor during evening and weekend hours.

2. Residential program contractors who serve students may develop a summer program plan and budget, using a format approved by the division (see Attachment A), for each eligible person based on the individual's needs, available community resources, and funding. The contractor will submit the proposed plan to the regional office for approval.
3. The regional office will notify the contractor in writing of the approval and the amount to be authorized. Unless a special fee-for-service rate has been approved in writing by the regional administrator, payment to the contractor will be at the standard fee-for-service fixed rate of \$274.52 per month per person, for a maximum of three (3) months. Summer program payments will be authorized and paid through the DSHS Social Service Payment System (SSPS).
4. The contractor's expenditure of funds received through this supplemental payment will be limited to the purchase of the following services and/or materials: summer program fees (e.g., park, swimming pools, etc.) and transportation, staff and supplies (equipment costing \$1,000 or more and having a useful life of more than one (1) year may not be purchased). All instruction and support service hours and related costs funded through summer program supplemental payments are not to be reported by the contractor as a reimbursable expense and are not subject to settlement provisions.

C. Tuition Reimbursement For Group Home Contractors

The division may reimburse Group Home contractors for the cost of tuition incurred to provide mandated training for ISS staff.

IX. BILLING AND PAYMENT

A. Billing Procedure

1. A contractor shall bill the department each month by completing and returning the service invoice provided by the department. The service invoice shall be completed and submitted in accordance with instructions issued by the department.
2. A contractor shall not bill the department for services provided to a resident until a department authorization form relating to the resident has been received. At that time the contractor may bill for provided services retroactive to the date the resident was admitted or became eligible.

B. Vacancy Payments for Group Homes

1. Condition For Reimbursement of Program Vacancies

The division shall reimburse a contractor for program vacancies resulting from:

- a. Client movements from the group home, including trial and permanent placements that are authorized by the division;

NOTE: Group home social and medical leaves are reimbursed pursuant to DDD Policy 6.12.

- b. Participating client terminations from the program that are authorized by the division;
- c. Emergencies wherein a group home client or participating tenant leaves the contractor's program without prior notification to the division; and
- d. A written schedule approved by the appropriate regional administrator for the initial phase-in for client placements for new program contractors.

2. Approval for Payment

Approval for program vacancies shall be as follows:

- a. Payment for vacancies must be approved in writing by the regional administrator. The written approval shall be sent to the contractor.
 - b. Payment for each authorized vacancy shall not exceed 31 days.
 - c. Payment for vacancies may be re-approved by the regional administrator for a period not to exceed 31 days. Each re-approved vacancy authorization shall not exceed 31 days.
 - d. Each vacancy authorization may be approved for a maximum of three (3) months. Vacancy authorizations beyond three (3) months may be approved by exception by the regional administrator.
3. Payment for program vacancies shall be as follows:
- a. The contractor shall be reimbursed for authorized vacancies at the rate paid to the contractor for authorized clients.
 - b. Payment for authorized vacancies shall begin the last day that a terminated client was authorized for the program. Payment for authorized vacancies shall end the day before a new client is authorized for the program, or the ending date of the authorized vacancy.
 - c. Payment for authorized vacancies for the phase-in of clients for a new program contractor shall begin with the first day that the first client moves into the program and shall continue pursuant to the approved written schedule.

C. Charges to Clients

1. The department will notify a contractor of the amount each group home client is required to pay for care provided under the contract and the effective date of such required contribution. It is the contractor's responsibility to collect the authorized cost of care from the client.
2. If a contractor receives documentation showing a change in the income or resources of a group home client (which will mean a change in his or her

contribution toward the cost of care), this shall be reported in writing to the DDD regional office within 72 hours. If necessary, appropriate corrections shall be made in the next monthly billing, and a copy of documentation supporting the change shall be attached.

3. The contractor shall accept the reimbursement rate established by the department as full compensation for all services under the contract. The contractor shall not seek or accept additional compensation from or on behalf of a client for any or all contracted residential services. The DDD regional administrator or designee may grant exceptions to this policy based on assessment of individual client resources and needs, whereby individual clients may contribute toward or provide for their individual transportation costs. This exception shall be in writing.

D. Cost of Care Adjustment for Supported Living Programs

1. The cost of care adjustment applies to existing or new supported living programs.
2. The cost of care adjustment may not exceed the cost of care per client when the program is operating at full capacity.
3. A cost of care adjustment may be authorized under the following circumstances:
 - a. As part of a resident "phase-in" process when a new program is being developed or an existing program is being expanded;
 - b. In an existing supported living program when a client moves out, either permanently or temporarily, and there is no other client available to move in immediately, or the client's home must be maintained until his or her return.
4. The contractor will submit an application for the cost of care adjustment using the DSHS form provided, or an alternative form acceptable to the division.
5. Each cost of care adjustment authorization may be approved for a maximum of three (3) months. Cost of care adjustments beyond three (3) months may be approved by exception by the regional administrator.

E. Payment

1. The department will reimburse a contractor for services rendered under the residential services contract and billed in accordance with department instructions.
2. The amount paid will be computed using the appropriate rate assigned to the contractor.
3. For each Group Home client, the department will pay an amount equal to the appropriate rate(s), multiplied by the number of authorized and provided days of service each rate was in effect, less the amount the client is required to pay for his or her care.
4. For each Supported Living client, the department will pay an amount equal to the appropriate rate(s), multiplied by the number of authorized and provided days of service each rate was in effect.

F. Suspension of Payment

1. Payments to a contractor may be withheld by the department in each of the following circumstances:
 - a. A required report is not properly completed and filed by the contractor within the appropriate time period, including any approved extensions. Payments will be released as soon as a properly completed report is received.
 - b. Auditors or other authorized department personnel in the course of his or her duties are refused access to the residential services program or are not provided with existing appropriate records. Payments will be released as soon as such access or records are provided.
 - c. A refund in connection with an annual settlement or rate adjustment is not paid by the contractor when due. The amount withheld will be limited to the unpaid amount of the refund.

TITLE:

RESIDENTIAL PROGRAMS
REIMBURSEMENT SYSTEM

POLICY 6.04

- d. Payment for the final 30 days of service under a contract will be held pending final settlement when the contract is terminated.
2. No payment will be withheld until written notification of the suspension is given to the contractor, stating the reason therefore.

EXCEPTIONS

Exceptions to the provisions of this policy may be approved by the Division of Developmental Disabilities director based on information submitted on the department's standard Policy Exception Request form (DSHS 05-020(X)).

SUPERSESSION

DDD Policy 6.04
Issued April 13, 2000

DDD Policy 6.04
Issued June 8, 1999

DDD Policy 6.04
Issued June 11, 1997

DDD Policy 6.04
Issued December 4, 1995

DDD Policy 6.05
Issued September 1, 1993

DDD Policy 6.02
Issued December 30, 1993

DDD Policy 534
Issued January 14, 1986

Approved: /s/ Linda Rolfe
Director, Division of Developmental Disabilities

Date: 01/01/2002

SUMMER PROGRAM REQUEST

General Instructions: Certified agencies providing residential services to school-age clients of the Division of Developmental Disabilities may apply for financial assistance from the division to support summer program activities when local school programs do not operate. In making a request for supplemental payment, the contractor should complete the following application and submit it to the Regional Residential Resource Manager.

Agency Name: _____

Mailing Address: _____

Administrator: _____

Anticipated Program Start Date: _____ End Date: _____

Number of School-Aged Persons to Participate: _____

SUMMER PROGRAM BUDGET

A. Request for standard fee-for-service rate of \$274.52 per person:
_____ No. of persons x _____ No. of months (max. of 3) x \$823.56 =
\$ _____ TOTAL FUNDS REQUESTED.

B. Request for special fee-for-service: Complete this budget plan:

| | |
|--|-------|
| Additional staff hours needed _____ x benchmark rate | _____ |
| Public/purchased transportation | _____ |
| Staff mileage reimbursement | _____ |
| Vehicle operations | _____ |
| Summer program supplies | _____ |
| Activity/admission fees | _____ |
| Other (specify) | _____ |

TOTAL FUNDS REQUESTED \$ _____

=====FOR REGIONAL USE ONLY=====

Total amount APPROVED \$ _____

Rate per person per month to be AUTHORIZED \$ _____

APPROVED, Field Services Administrator

Date

INDIVIDUAL SUMMER PROGRAM PLAN

Person Birth Date DDD Case # Agency

Summer Program Start Date Summer Program End Date

Give a brief description of planned activities:

Month: _____

Month: _____

Month: _____

We have reviewed this plan, and agree it is appropriate to the person's needs, given available community resources and funding.

Agency Representative Date

Assigned Field Services Staff Date

| GROUP HOME STAFFING STANDARD | |
|---------------------------------------|---------------------------------|
| GROUP HOME CONTRACTED CAPACITY | ADMIN. STAFFING STANDARD |
| 4 | 1.42 |
| 5 | 1.14 |
| 6 | 0.95 |
| 7 | 0.81 |
| 8 | 0.71 |
| 9 | 0.63 |
| 10 | 0.57 |
| 11 | 0.52 |
| 12 | 0.47 |
| 13 | 0.44 |
| 14 | 0.41 |
| 15 | 0.38 |
| 16 | 0.36 |
| 17 | 0.34 |
| 18 | 0.32 |
| 19 | 0.30 |
| 20 | 0.28 |
| 21 | 0.27 |
| 22 | 0.26 |
| 23 | 0.25 |
| 24 | 0.24 |