



# The 7% Disability Services Rate Cut Explained

## Where did the 7% come from?

The 7% refers to a 1% increase passed in 2013, a 5% increase passed in 2014 and a 1% quality add on rate increase passed in 2015, totaling 7%. The rate increase is considered an “after model adjustment” meaning it is added to an individual’s disability service rate after their framework rate has been established.

## What other legislation has been passed that impacts this cut?

In conjunction with the rate increases being passed, legislators and stakeholders were establishing the Disability Waiver Rate System. The DWRS is a tool that is used statewide when setting rates for individuals. There are two components within that tool that are important to know about:

1. Banding was established and put in place for individuals already receiving a waiver rate as of December 2013. The state did this to ensure that individuals who will see a drastic change in their rate once they convert to the DWRS can do so gradually, allowing for services to be adjusted. Individuals not already receiving a waiver rate when the DWRS was implemented in 2014 were put directly onto their DWRS rate, these individuals are referred to as “un-banded”
2. When the DWRS system was established a mechanism was included that would automatically adjust rates every 5 years to equal the rate of inflation. This first adjustment occurred beginning July 1, 2017 with an average overall system increase of about 8.5%. The only individuals to see the full immediate impact of the adjustment however were “un-banded” individuals.

## What happened this year?

The Center for Medicaid and Medicare (CMS) flagged the 7% after model adjustments as an issue when the Department of Human Services submitted their waiver amendment this last fall. Specifically, CMS asked whether the 7% should be included in the 8.5% overall adjustment and by providing the inflationary increase and the after model rate increase rates were being duplicated. Through these discussions DHS removed the request for the federal match of the 7%.

## Who will it impact?

The immediate impact of the cut will be to those individuals that have “un-banded” rates (about 27% of the people receiving HCBS services) and others whose rates will be un-banded beginning July 1st, 2018, since they are the individuals that also saw the full impact of the inflationary increase. Once banding ends, the 7% after model adjustment will be removed for all individuals.

## When will this cut go into effect?

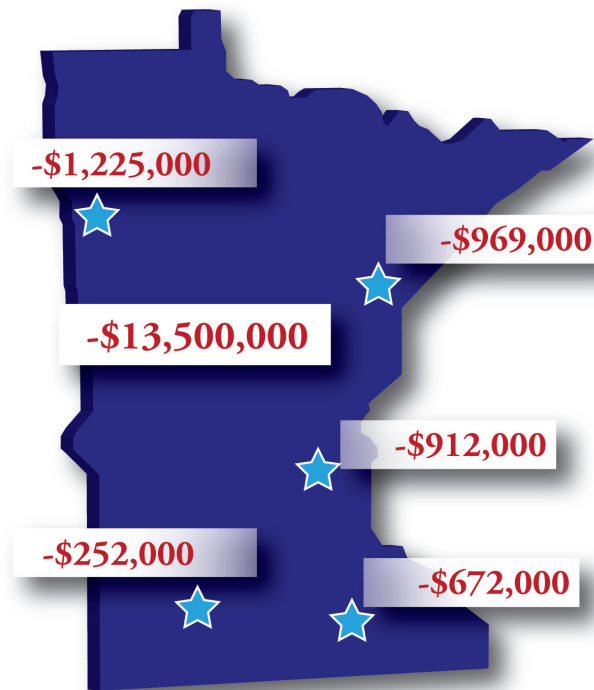
The state has covered the federal match (3.5%) until June 30th, 2018, after this date the full cut of 7% for un-banded individuals will go into effect. It is expected that all un-banded individuals will receive a new service authorization with a new rate effective 7-1-18. Currently, banding is set to expire on December 31, 2019, at this date the remaining individuals will see the impact of the cut.

*Contact Sara Grafstrom ([sgrafstrom@arrm.org](mailto:sgrafstrom@arrm.org)) for additional information on the 7% cut and legislative affairs underway to stop it. Visit [www.ARRM.org/stop-the-cut](http://www.ARRM.org/stop-the-cut) for information on taking action.*



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## Potential Cost to Residential Providers after Banding Ends



## The Best Life Alliance Legislative Proposal

The Best Life Alliance disagrees with the characterization that the 7% rate increase and the inflationary adjustment result in duplication, as it was not meant to be an inflationary adjustment.

The 7% in rate increases were passed by the legislature to address the workforce crisis.

The Best Life Alliance has legislation this session to stop this cut (SF 2889/ HF 3191). The legislation will do two things:

1. Create a workforce competitiveness factor into the framework, recapturing the lost 7%.
2. Move the automatic inflationary adjustment from every 5 years to every 2 years.

## Current Legislation Positions

### Governor:

The Governor released his supplemental budget on Friday, March 16th. The budget did not include any money or legislative language to recapture the 7%.

### House:

A bill funding the 7% cut passed the Health and Human Service Policy Committee on March 13th and is currently awaiting action in the Health and Human Service Finance Committee.

### Senate:

A bill funding the 7% cut was heard in the Human Service Reform Finance and Policy Committee on March 5th and is currently awaiting further action.

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