



Legislative Report

Disability Waiver Rate System and Cost Reporting

Disability Services Division

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Contents

- I. Executive summary..... 5
 - Background on DWRS and cost reporting 5
- II. Legislation..... 6
- III. Introduction..... 9
 - DWRS background 9
- IV. Regional variance factor (RVF) 11
 - Previous work 11
 - Future adaptation..... 11
- V. Competitive workforce factor (CWF) 12
 - Summary of 2021 CWF analysis 12
 - Current analysis of CWF by service 13
- VI. Transportation rates..... 16
 - Transportation in day services 16
- VII. DWRS cost reporting 19
 - COVID-19 delay..... 19
 - Background..... 19
 - Contracted development work 20
 - Stakeholder engagement 20
 - Reporting system development 21
 - Data collection methodology and administration..... 21
 - Contacting provider organizations 21
 - Sample 22
 - Reporting schedule..... 22
 - Outreach schedule..... 23

Trainings and resources.....	24
Technical assistance	25
Analysis methodology	25
Response rate	25
Data challenges	26
2021 findings and analysis.....	28
Reporting providers.....	28
Direct care worker wage costs	31
Direct care benefits	31
Direct care paid time off (PTO).....	33
Direct care supervisors	34
Administrative salaries, benefits and payroll taxes.....	34
Administrative costs paid	37
Transportation costs paid.....	38
VIII. 2022 DWRS recommendations	40
Combination of reporting requirements.....	40
Regional variance factor (RVF)	40
Competitive workforce factor (CWF)	40
Transportation rates.....	40
Cost reporting.....	41

I. Executive summary

The Department of Human Services (DHS) submits this report to the Minnesota Legislature on the topic of the Disability Waiver Rates System (DWRS). It combines the reporting requirements for:

- DWRS cost components, as required under Minn. Stat. §256B.4914, subd. 10
- DWRS cost reporting findings, as required under Minn. Stat. §256B.4914, subd. 10a.

Background on DWRS and cost reporting

In January 2014, DHS implemented the DWRS, which transitioned the state from a variable, county-negotiated rate methodology to a standard, statewide methodology for most disability waiver services. The DWRS establishes rates through a framework of cost components. The DWRS was considered fully implemented on Dec. 31, 2020, and all rates in the system are now calculated using the DWRS methodology.

This combined report discusses the data collection, analysis and recommendations about the service rates calculated by the DWRS. It includes five major sections on the following topics:

- **Regional variance factor (RVF):** Methodology for July 2022 RVF implementation in the DWRS frameworks
- **Competitive workforce factor (CWF):** Analysis of the CWF for each DWRS service
- **Transportation rates:** Summary of the 2017 transportation study, waiver day transportation analysis and report of current waiver residential transportation rates
- **DWRS cost reporting:** Report about the new requirement for providers launched 2021, in which providers are required to report costs and DHS is required to analyze how closely the costs align with the DWRS assumptions.
- **2022 recommendations for the DWRS:** Recommendations for the above topics.

II. Legislation

Minn. Stat. §256B.4914, subd. 10 requires DHS to undertake of the following actions and submit a report on the findings:

Subd. 10. Updating payment values and additional information.

(a) The commissioner shall, within available resources, conduct research and gather data and information from existing state systems or other outside sources on the following items:

- (1) differences in the underlying cost to provide services and care across the state; and
- (2) mileage, vehicle type, lift requirements, incidents of individual and shared rides, and units of transportation for all day services, which must be collected from providers using the rate management worksheet and entered into the rates management system; and
- (3) the distinct underlying costs for services provided by a license holder under sections [245D.05](#), [245D.06](#), [245D.07](#), [245D.071](#), [245D.081](#), and [245D.09](#), and for services provided by a license holder certified under section [245D.33](#).

(b) No later than July 1, 2014, the commissioner, in consultation with stakeholders, shall begin the review and evaluation of the following values already in subdivisions 6 to 9, or issues that impact all services, including, but not limited to:

- (1) values for transportation rates;
- (2) values for services where monitoring technology replaces staff time;
- (3) values for indirect services;
- (4) values for nursing;
- (5) values for the facility use rate in day services, and the weightings used in the day service ratios and adjustments to those weightings;
- (6) values for workers' compensation as part of employee-related expenses;
- (7) values for unemployment insurance as part of employee-related expenses;
- (8) direct care workforce labor market measures;
- (9) any changes in state or federal law with a direct impact on the underlying cost of providing home and community-based services;
- (10) outcome measures, determined by the commissioner, for home and community-based services rates determined under this section; and

(11) different competitive workforce factors by service, as determined under subdivision 5, paragraph (j).

(c) The commissioner shall report to the chairs and the ranking minority members of the legislative committees and divisions with jurisdiction over health and human services policy and finance with the information and data gathered under paragraphs (a) and (b) on January 15, 2021, with a full report, and a full report once every four years thereafter.

(d) Beginning July 1, 2022, the commissioner shall renew analysis and implement changes to the regional adjustment factors once every six years. Prior to implementation, the commissioner shall consult with stakeholders on the methodology to calculate the adjustment.

(e) The commissioner shall provide a public notice via LISTSERV in October of each year containing information detailing legislatively approved changes in:

- (1) calculation values including derived wage rates and related employee and administrative factors;
- (2) service utilization;
- (3) county and tribal allocation changes; and
- (4) information on adjustments made to calculation values and the timing of those adjustments.

The information in this notice must be effective January 1 of the following year.

(f) When the available shared staffing hours in a residential setting are insufficient to meet the needs of an individual who enrolled in residential services after January 1, 2014, then individual staffing hours shall be used.

(g) The commissioner shall collect transportation and trip information for all day services through the rates management system.

Minnesota Statutes 2017, section 256B.4914, subdivision 10a; requires the Department of Human Services to undertake of the following actions and submit a report on the findings:

Subd. 10a. Reporting and analysis of cost data.

(a) The commissioner must ensure that wage values and component values in [subdivisions 5 to 9](#) reflect the cost to provide the service. As determined by the commissioner, in consultation with stakeholders identified in subdivision 17, a provider enrolled to provide services with rates determined under this section must submit requested cost data to the commissioner to support research on the cost of providing services that have rates determined by the disability waiver rates system. Requested cost data may include, but is not limited to:

- (1) worker wage costs;
- (2) benefits paid;
- (3) supervisor wage costs;

- (4) executive wage costs;
- (5) vacation, sick, and training time paid;
- (6) taxes, workers' compensation, and unemployment insurance costs paid;
- (7) administrative costs paid;
- (8) program costs paid;
- (9) transportation costs paid;
- (10) vacancy rates; and
- (11) other data relating to costs required to provide services requested by the commissioner.

(b) At least once in any five-year period, a provider must submit cost data for a fiscal year that ended not more than 18 months prior to the submission date. The commissioner shall provide each provider a 90-day notice prior to its submission due date. If a provider fails to submit required reporting data, the commissioner shall provide notice to providers that have not provided required data 30 days after the required submission date, and a second notice for providers who have not provided required data 60 days after the required submission date. The commissioner shall temporarily suspend payments to the provider if cost data is not received 90 days after the required submission date. Withheld payments shall be made once data is received by the commissioner.

(c) The commissioner shall conduct a random validation of data submitted under paragraph (a) to ensure data accuracy. The commissioner shall analyze cost documentation in paragraph (a) and provide recommendations for adjustments to cost components.

(d) The commissioner shall analyze cost documentation in paragraph (a) and, in consultation with stakeholders identified in subdivision 17, may submit recommendations on component values and inflationary factor adjustments to the chairs and ranking minority members of the legislative committees with jurisdiction over human services every four years beginning January 1, 2021. The commissioner shall make recommendations in conjunction with reports submitted to the legislature according to subdivision 10, paragraph (c). The commissioner shall release cost data in an aggregate form, and cost data from individual providers shall not be released except as provided for in current law.

(e) The commissioner, in consultation with stakeholders identified in subdivision 17, shall develop and implement a process for providing training and technical assistance necessary to support provider submission of cost documentation required under paragraph (a).

III. Introduction

The Department of Human Services (DHS) submits this report to the Minnesota Legislature on the topic of the Disability Waiver Rates System (DWRS). It combines the reporting requirements for:

- DWRS cost components, as required under Minn. Stat. §256B.4914, subd. 10
- DWRS cost reporting findings, as required under Minn. Stat. §256B.4914, subd. 10a.

This combined report discusses the data collection, analysis and recommendations about the service rates calculated by the DWRS. It includes five major sections on the following topics:

- Regional variance factor (RVF)
- Competitive workforce factor (CWF)
- Transportation rates
- DWRS cost reporting
- 2022 recommendations for the DWRS.

Each of these sections provide more information about background, data and evaluation as necessary for reporting.

Since the beginning of DWRS implementation in 2014, DHS has submitted numerous reports to the Minnesota Legislature about the ongoing evaluation of impacts, costs and other notable changes to the system. While the general methodologies are the same as the ones developed prior to the 2014 launch, DHS has made many changes to the components and services since 2014. This report does not highlight any of the major changes; it focuses only on the aforementioned topics. For more information about the changes and other reports, visit the [DWRS ongoing evaluation webpage](#).

DWRS background

In 2007, the Centers for Medicare & Medicaid (CMS) informed Minnesota that its four disability waivers were out of compliance with federal requirements for uniform rate-determination methods and standards. The disability waivers are the:

- Brain Injury (BI) Waiver
- Community Access for Disability Inclusion (CADI) Waiver
- Community Alternative Care (CAC) Waiver
- Developmental Disabilities (DD) Waiver.

In the years that followed, DHS worked to develop a standard and uniform rate-determination method with experts, external vendors and stakeholders. In January 2014, DHS began a one-year rolling implementation of the new rate system, with a planned period of banding that allowed for a more gradual implementation for historic rates. During the banding period, DHS conducted regular analysis to review DWRS rates compared to

provider costs. To conduct more regular reviews of DWRS rates to the cost of providing services, the 2017 Minnesota Legislature authorized DHS to collect this information regularly from providers.

The DWRS was considered fully implemented on Dec. 31, 2020, when the banding period ended. All rates in the system are now calculated using the DWRS methodology.

IV. Regional variance factor (RVF)

The regional variance factor (RVF) adjusts rate calculations to account for the difference in costs to deliver services across Minnesota.

Minn. Stat. §256B.4914 requires DHS to:

- Research the cost differences across the state to provide home and community-based services (HCBS)
- Implement a regional adjustment factor at the end of each rate calculation.

This section describes DHS' previous work to implement the RVF and planned work for July 2022.

Previous work

DHS first implemented the RVF in DWRS frameworks in January 2016. DHS commissioned an independent health research firm, Truven Health Analytics, to:

- Conduct a study on the differences in the cost of providing services throughout the state
- Use those findings to develop an appropriate RVF to apply to rate calculations.

For details on the study methodology and findings, review the [2015 Regional Variance Factor Report \(PDF\)](#).

DHS implemented the RVF using the same methodology for the second time in January 2018, at the direction of the Minnesota Legislature. For more information, review the [2018 RVF webpage](#).

Future adaptation

DHS will replicate the RVF study in July 2022, and every five years thereafter. Replication of this research will consider any changes to the regional wage values, as well as any changes to the Metropolitan Statistical Area (MSA) regions defined by the U.S. Office of Management and Budget.

In November 2021, DHS reviewed the RVF methodology options available for the July 2022 implementation with the DWRS Advisory Committee. The committee did not object to continuing with the same methodology used for the previous two implementations. DHS will continue using MSAs as the basis for the regions in the RVF for the July 2022 implementation.

V. Competitive workforce factor (CWF)

The competitive workforce factor (CWF) component is a service rate formula dedicated to increasing direct support worker compensation. The CWF allows Minnesota to better address challenges in attracting and retaining quality direct support workers to meet the demands for supporting people with disabilities across the state.

The current CWF is calculated using day and residential services as its base. It uses day and residential median wage data by Standard Occupational Classification (SOC) codes and compares it to the wage data for occupations with similar education and training requirements. The Bureau of Labor Statistics (BLS) updates job characteristics and educational data for each BLS wage code in the [interactive, online BLS handbook](#). It categorizes each wage code by:

- Typical education needed for entry (eight options ranging from a doctoral/professional degree to no formal education)
- Typical on-the-job training for competency (six options ranging from internship/residency to none).

The majority of day and residential SOC codes require high school education and short-term on-the-job training.

This section summarizes previous analysis of the CWF in 2021 and additional analysis by service.

Summary of 2021 CWF analysis

In early 2021, DHS conducted an analysis on the CWF for DWRS day and residential services. This analysis fulfilled a legislative requirement, which includes a biannual legislative report. The CWF legislative report, to be published in 2022, details the methodology, findings and recommendations. This section provides a high-level summary for reference.

DHS' analysis used the majority of the SOC codes found in DWRS day and residential services. These codes require a high school education and short-term on-the-job training. DHS excluded some SOC codes because their educational and training requirements did not translate to comparable jobs. For example, a psychiatric technician requires post-secondary, non-degree education and short-term on-the-job training. Jobs with this level of education and training require specialized training that may not be transferable to jobs with similar profiles.

DHS weighted the DWRS day and residential direct support worker wage assumptions with 2019 spending to calculate the weighted average direct support worker wage: \$15.77. DHS used this wage as the comparison to wages for comparable occupations in competing industries: \$17.10.

DHS' analysis found that day and residential direct support workers have lower average wages than workers in competing industries (i.e., all BLS occupations with the same education and training requirements). For day and residential services, the majority of BLS codes require high school education and short-term on-the-job training. The average DWRS direct care staff wage is 8.43% lower than the average wage for all other occupations with the same classifications.

DHS recommends a 2% increase to the CWF, making the new value 6.7% beginning in 2022. This is the maximum allowable increase dictated by statute.

Current analysis of CWF by service

Methodology and rationale

For this report, the Legislature requires DHS to analyze the CWF for each service by calculating the direct care worker wage assumption, then calculating the comparative median wage to determine the difference between the two wages. The comparative median wage is found by using the education and training requirements associated with the direct care worker SOC codes.

This analysis is complicated when done by service because (1) the wage assumption for each DWRS direct support worker is comprised of 1-5 unique SOC codes with up to four different requirements for education and training, and (2) for some specific education and training categories, the jobs are not comparable to the DWRS jobs. That is, direct support workers with the same education and training experience would not likely transfer to or from jobs in the same category. This is most evident in jobs that require the following degrees:

- **Postsecondary degree:** Jobs in this category require specialized training, such as motorcycle mechanics and court reporters.
- **Bachelor's degree:** Jobs in this category are widely varied, and many of them require several years of experience. This category includes directors, chief executives, managers, engineers, software developers, scientists and more.
- **Master's and doctoral degrees:** Jobs in these categories require specific degrees and training, which do not make them comparable to the DWRS jobs. These degrees demonstrate mastery in a specific area of study. For example, a master's degree in one area does not transfer to a master's degree in another area.

DHS researched job postings for day, residential and unit-based services to determine the appropriate education and training categories for current DWRS jobs. Most identified job postings did not explicitly require any specific education. Some postings required high school education or equivalent. The level of training provided was not explicitly stated in the postings, but some did require experience working with people with disabilities.

DHS determined that using high school education and short-term on-the-job training for this analysis was the best fit. This methodology is consistent with the current CWF calculation. DHS also used May 2019 BLS median wages in this analysis to allow for comparisons with the CWF legislative report.

Findings

DHS calculated the weighted average of the comparable occupations to direct support workers. The comparable occupation weighted average wage is \$17.10. This wage takes into account not only the wages of different occupations in Minnesota, but also the number of workers in those positions.

The DWRS services have four major service buckets: residential, day, unit-based with programming and unit-based without programming. The direct support worker wage assumptions for DWRS services are defined in [Minn. Stat. §256B.4914, subd. 5](#).

DHS calculated the weighted average wage assumption of DWRS direct support workers using May 2019 BLS wage data. These wage assumptions do not include the current CWF of 4.70%. The findings by service are presented in the respective sections.

Residential

All DWRS residential services share the same SOC codes for direct care staff. The weighted average wage assumptions for residential direct support care workers is \$15.60. This is 9.62% lower than the comparable median wage of \$17.10.

Day

The DWRS day services have two different direct support worker wages. The weighted average wage assumptions for day support services and prevocational direct care workers is \$17.22. This is 0.7% higher than the comparable median wage of \$17.10.

The weighted average wage assumption for adult day services is \$15.82. This is 8.09% lower than the comparable median wage of \$17.10.

Unit-based with programming

DHS is not able to analyze the unit-based with programming services CWF component accurately using the established methodology. The unit-based with programming services include employment, positive supports, individualized home supports with family training and individualized home supports with training services.

All of the current unit-based with programming services include SOC codes that require specialized training and education that are not transferrable to other jobs with the same education and training requirements. For example, some of the occupational codes for employment and positive supports direct care staff require a master's degree or higher.

Unit-based without programming

DHS analyzed all three unit-based without programming services: respite, individualized home supports without training and night supervision. All of these services have occupational codes that require high school education and short-term on-the-job training, allowing DHS to use the established methodology.

The weighted average wage assumptions for respite and individualized home supports without training is \$15.16. This is 12.80% lower than the comparable median wage of \$17.10. The weighted average wage assumptions for night supervision is \$15.65. This is 9.27% lower than the comparable median wage of \$17.10.

Summary of findings

DHS used high school education and short-term on-the-job training requirements to calculate the CWF. DHS was not able to include the unit-based with programming services in this analysis. Table 1 includes detailed information about the findings.

Table 1: CWF analysis by DWRS service

2021 DWRS service name(s)	Wage assumption (without current CWF)	Comparative median wage	% difference
Community residential services, family residential services and integrated community supports	\$15.60	\$17.10	9.62%
Day support services and prevocational services	\$17.22	\$17.10	-0.7%
Adult day services	\$15.82	\$17.10	8.09%
Positive supports services	Not analyzed	Not analyzed	Not analyzed
Employment services	Not analyzed	Not analyzed	Not analyzed
Individualized home supports with training	Not analyzed	Not analyzed	Not analyzed
Individualized home supports with family training	Not analyzed	Not analyzed	Not analyzed
Individualized home supports without training and respite services	\$15.16	\$17.10	12.80%
Night supervision	\$15.65	\$17.10	9.27%

VI. Transportation rates

In 2017, the Minnesota Legislature directed DHS to conduct a study of the current transportation system available to people who use Medical Assistance home and community-based services (HCBS) related to aging and/or disabilities. DHS contracted with Navigant Consulting to conduct this study, which included rate and access components.

In short, the study's reimbursement recommendations were as follows:

- **Per trip rates:** Establish fee-for service fee schedules with five mileage bands on one-way trips for providers who meet DHS Medical Assistance enrollment requirements.
- **Contracted reimbursement:** Pay published fares for public transit fixed routes and market rates for public transit non-fixed route rides, on-demand transit providers or taxis.
- **Volunteer per mile rates:** Reimburse the miles at the allowable federal mileage rate set by the Internal Revenue Services (IRS).

For detailed study methodology, results and recommendations, review the [Access to Waiver Transportation Used by Minnesota's HCBS Participants legislative report \(PDF\)](#). The Legislature has not acted upon the report's rate recommendations.

Transportation in day services

Currently, all disability waiver transportation is market rate, meaning it is a negotiated rate between the lead agency (i.e., county, tribal nation or managed care organization) and the provider. Prior to 2021, day training and habilitation (DT&H) services were available as daily and 15-minute units. These services had different transportation rates and billing practices. The daily unit included transportation in its rate, while the 15-minute unit required providers to bill a separate, market-rate transportation service titled "DT&H transportation."

The COVID-19 pandemic brought some changes to waiver transportation in 2020. Pandemic protocols often meant that fewer people attended in-person day services, especially in the first two calendar-year quarters. Also, providers reported increased transportation costs due to COVID-19 protocols, such as fewer people allowed in a vehicle at the same time, with sometimes only one person allowed per ride. The DT&H daily with transportation rate considers rider ratios, meaning that a shared ride is reimbursed at a lower rate per person than an individual ride. As these ratios changed with COVID-19 protocols, providers were unable to increase their overall DT&H daily rate to cover the increased costs. Instead, DHS provided technical assistance to allow providers to authorize and bill for DT&H 15-minute units and market-rate DT&H transportation. This technical assistance highlighted the flexibility built into the DWRS reforms to adapt to changing real-world conditions facing people using services and providers.

In 2020, DHS saw substantial increases in DT&H transportation spending, including total spending, per-person spending and cost-per-unit spending. These increases are likely due to the COVID-19 protocols and associated increased costs, as well as the DHS technical assistance on how to address those costs. Other disability waiver

market-rate transportation spending decreased from 2019 to 2020, with the exception of cost-per-unit spending for mileage. Table 2 includes disability waiver transportation spending data for 2019 and 2020.

Table 2: Market rate transportation billed in CY 2020 and CY 2019 for disability waiver participants

Spending measurement	DT&H transportation	Transportation one-way trip	Transportation, mileage, per mile
2020 total spending	\$4,504,220	\$23,471,899	\$648,865
2019 total spending	\$2,650,390	\$29,565,949	\$1,075,687
% difference between total spending	70%	-21%	-40%
2020 spending per person	\$717.82	\$1,028.35	\$651.51
2019 spending per person	\$366.99	\$1,366.45	\$1,027.40
% difference between spending per person	96%	-25%	-37%
2020 spending per unit	28.57	0.24	1.11
2019 spending per unit	15.37	0.26	0.98
% difference between spending per unit	86%	-7%	14%

During the 2021 Waiver Reimagine streamlined service implementation, all DT&H services became day support services, which is only available as a 15-minute unit. DHS directed providers to bill transportation with these services as “transportation one-way trip” instead of “DT&H transportation.” As a result of this consolidation of transportation services, DHS expects transportation one-way trip spending will increase in 2021 and beyond.

Transportation for residential services

Transportation costs for residential services are included in the service framework rate. As of December 2021, the rate is based on the resident with the highest need and is priced as follows:

- **No transportation required:** \$0/person.
- **Transportation without a customized adapted vehicle required for all residents:** \$1,742.62/person annually.
- **Transportation in an adapted vehicle with a lift required for one or more residents:** \$3,111.81/person annually.

The Legislature required DHS to update component values in the DWRS according to changes in the Bureau of Labor Statistics (BLS) wage codes and Consumer Price Index (CPI) in January 2022. Residential transportation rates are subject to CPI updates, which means rates increased Jan. 1, 2022.

VII. DWRS cost reporting

In 2017, the Minnesota Legislature directed DHS to develop and implement a cost review for provider organizations that deliver at least one service covered by the DWRS in [Minn. Stat. §256B.4914, subd. 10a](#). This requirement is known as DWRS cost reporting.

DHS will use the data gathered from DWRS cost reporting to make evidence-based recommendations to the Legislature about the payment rates for disability waiver services. DHS collects this data on an ongoing basis to inform policy makers of the cost drivers and allow the DWRS to set rates that:

- Appropriately fund services
- Encourage provider viability
- Ensure service access for people who receive services under the home and community-based services (HCBS) disability waivers.

Reporting began in 2021, which was the first year in a five-year reporting cycle. All DWRS provider organizations will be required to report in this cycle and must submit a completed cost report by the deadline established by DHS. Failure to complete the cost report may result in DHS stopping payment for services.

This section provides information about the implementation process and an analysis of the data from the first year of cost reporting.

COVID-19 delay

DWRS cost reporting was scheduled to begin in late March 2020. In response to the quickly changing nature of the COVID-19 pandemic and to ease the burden on provider organizations, DHS first delayed the launch of cost reporting and then subsequently canceled reporting for 2020. All requirements for DHS and provider organizations were moved back one year. Cost reporting began in March 2021.

Background

The development and implementation of DWRS cost reporting was a multi-faceted effort that required the development of a cost reporting tool, administrative policy and large-scale systems development. DHS paired all of these interconnected efforts with engagement with provider organizations of differing sizes and competencies.

This work builds on the development, implementation and operation of the DWRS since it began over a decade ago. The ongoing study and evaluation of this system has informed much of the cost reporting system development, and it will continue to contribute to the success of this system into the future. (For information about DWRS ongoing evaluation, visit the [DWRS ongoing evaluation webpage](#).)

Contracted development work

In early 2018, DHS contracted with a national vendor to help develop the DWRS cost reporting tool. Prior to development work, the vendor provided background on other states' efforts to collect costs. This research allowed DHS to understand the national trends, as well as options for types of cost reporting used across the country for similar HCBS programs.

Next, the vendor worked to identify all relevant component values and the basis for their current values. While all component values are established in [Minn. Stat. §256B.4914](#), it was also important to understand the source of the valuations. For example, the supervisory span of control component for all services is 11% (or a ratio of 1:9) for all services. This value was based on the median values of supervision ratios of providers surveyed during the rate development process in 2009. The median value today may be the same, but until the details are collected, DHS cannot confirm that value.

After finalizing the component value work, DHS and the vendor worked to translate the component values into typical business costs. To complete this work, DHS convened a group of chief financial officers and other financial staff from provider organizations that volunteered to participate. This group provided feedback on how providers would assign component values to business costs.

The outcome of this development was an Excel-based cost reporting tool and a technical reporting manual. After completion of the vendor's work in late 2018, DHS has refined the cost reporting tool and manual based on additional feedback from the group and other provider organizations. The most recent [Excel-based workbook \(.xls\)](#) and [DWRS Cost Reporting Manual](#) can be found on the [DWRS cost reporting website](#).

Stakeholder engagement

In addition to the targeted stakeholder engagement during the cost reporting tool development, DHS has engaged stakeholders throughout the development process. Since the tool was developed, DHS staff:

- Presented on DWRS cost reporting to most of the major HCBS trade organizations in the state
- Reported on the development of the work and some of the preliminary findings to the DWRS Advisory Committee throughout the development process
- Attended ad hoc meetings at the request of stakeholders from different groups, including family providers, lead agencies and other significant stakeholders to present on cost reporting and solicit feedback.

One major engagement effort was a pilot DHS completed in 2019 with 11 volunteer provider organizations. The pilot required provider organizations to complete a full cost report with the DWRS cost reporting tool and manual. The providers in the pilot had access to trainings and regular technical assistance from DHS over a 90-day reporting period. The feedback provided by this group of provider organizations led to significant changes in the [DWRS Cost Reporting Manual](#) to make it more user friendly, as well as the development of some of the resources referenced in this report.

Reporting system development

DHS used the [Excel-based cost reporting tool \(.xls\)](#) as the basis for an online reporting cost reporting system that DHS developed with the Minnesota IT Services (MNIT). The creation of this system occurred in two parts: the first part focused on the internal data organization and storage, and the second part focused on an external facing, user-friendly platform. This system streamlines reporting and data analysis into one unified system

For provider organizations, the cost reporting system has a user-friendly interface that:

- Allows straightforward navigation throughout the report
- Grants access to multiple people in the organization
- Saves work to return to later
- Streamlines reporting by only showing the fields that apply to the services of that provider (e.g., if an organization only provides residential services, they will only be asked about costs that a residential provider may have).

For DHS, the system stores and formats data for nearly instant access to reported costs. DHS can access the system to support provider organizations with issues or errors in the system, as well as track overall access and submission progress during the reporting period. The efficiency of using this system allows for less manual staff work and more focus on provider organization support to complete the cost report.

The system launched in early 2021, prior to the beginning of the reporting period. During 2021, 486 provider organizations reported their costs in the online report system. They created over 1,110 user accounts and submitted 444 cost reports at the writing of this legislative report. DHS has created a multitude of reports, performing the bulk of analysis for this legislative report directly out of the system.

Prior to beginning the 2022 reporting year, DHS worked with MNIT to incorporate some of the changes suggested by provider organizations to ensure easier reporting for future years.

Data collection methodology and administration

For the 2021 DWRS cost reporting year, DHS established a number of standardized procedures to create annual consistency for provider organizations. DHS anticipates following the same data collection methodologies for the remainder of the first reporting cycle (2021-2025), with small changes to improve provider organizations' experiences when necessary. The following sections discuss the major data collection steps to reporting for the first cycle.

Contacting provider organizations

First, DHS had to establish a reliable and standardized way of communicating with the correct provider organization staff. This type of communication needed to be targeted to staff that could act on behalf of the provider organization with executive-level authority. DHS assumed the majority of communication would occur by email to ensure timely notifications about reporting.

DHS determined that using the “authorized agent” role, as defined under [Minn. Stat. §245A.02, subd. 5a](#), was the best way of communicating with provider organizations. Authorized agents are defined as a “controlling individual” for an organization and must be designated as part of an organization’s license. Their contact information, including an email address, is maintained by the provider organization and DHS licensing staff. For most organizations, the authorized agent is the owner, president of the company or another person in upper management.

DHS sends all official DWRS cost reporting communications (further explained in the outreach section) to authorized agents only.

Sample

DHS created the sample for reporting by identifying provider organizations that billed during state fiscal year 2020. DHS then joined the billing data with licensing data to create a full record for roughly 2,000 provider organizations that included authorized agent contact information. The data-joining was a multi-step process using the most recently available data from DWRS billing claims, provider enrollment and provider licensing. The process also allowed for a crosscheck of provider organization data to verify all variables matched.

After finalizing the list of providers, DHS created a sample for the first year of cost reporting. DHS decided to use a simple random sample (SRS) from the provider list to eliminate biases in selection and to get a subset of providers that was roughly representative of the whole population. Anticipating challenges in the first year of reporting, DHS opted to create a sample that was slightly larger than one-fifth of the provider population.

At the end of the identification process, DHS selected 549 provider organizations for reporting in 2021. Over the course of the reporting year, DHS removed 63 organizations from the sample, for a total of 486 organizations. The majority of provider organizations that were removed from the system were no longer operating a business that provided DWRS services.

DHS anticipates following this same process of sample creation each year to ensure standard and comparable methodology is maintained throughout the reporting cycles.

Reporting schedule

Since the sampling is random for each reporting year, DHS provides a standardized reporting schedule to ensure that provider organizations know what to expect before their reporting year. This also allows for provider organizations to pre-plan for staff time over a large part of the year.

The standardized reporting schedule gives provider organizations the maximum time to complete their reports while adhering to all statutory requirements for notifications and stop payments. Provider organizations are notified no later than March 31 and have until November 30 to complete the cost report without negative action from DHS. This schedule allows for four full months from notification to the reporting deadline and eight full months from notification to stop payment. Table 3 includes the full schedule.

Table 3. Standard cost reporting annual schedule

Date	Task
By March 31	Notice for providers mandated to report that year
June 1	90-day notice of reporting deadline
Aug. 31	Reporting deadline
Sept. 1	First notice of non-compliance for providers who have not submitted reports by Aug. 31
Oct. 1	Second notice of non-compliance; for provider who have not submitted reports by Sept. 30 (30 days late)
Nov. 1	Third notice of non-compliance for providers who have not submitted reports by Oct. 31 (60 days late)
Dec. 1	Notice of stopping payment for non-compliance (90 days late)

Outreach schedule

DHS sends provider organizations standard notifications and reminders during the reporting process. Table 3 includes standard outreach milestones throughout the year, most of which are statutorily required:

- 90-day notice of reporting deadline (June 1)
- 30-day notice of non-compliance (Oct. 1)
- 60-day notice of non-compliance (Nov. 1)
- 90-day notice of non-compliance and stopping payment (Dec. 1).

In addition to these required outreach efforts, DHS also implemented other standard notifications as part of the reporting schedule. These notifications ensure provider organizations have enough information to complete their cost report and receive additional reminders to help them complete the report before the stop-payment deadline. They are:

- Notice of reporting year (by March 31)
- Initial notice of non-compliance (Sept. 1).

During the 2021 reporting year, DHS found it important to provide more reminders than initially planned. This outreach focused first on provider organizations that had not yet signed into the system and, later in the year, on those who had not started their cost report.

In early July, mid-August and September 2021, DHS sent direct emails to all authorized agents of provider organizations that had not yet signed into the system. These emails were to ensure that the organization had not missed previous notifications. Each email engaged more organizations to access the system and report their costs.

As the stop-payment deadline approached, DHS sent an additional email to authorized agents of provider organizations that had not completed their cost reports. This email was targeted to those that had not accessed the system, as well as organizations that had not yet submitted their complete cost report.

In 2021, provider organizations that had not submitted their complete cost report by Dec. 1, 2021, received 11 email notifications from DHS directly to their authorized agent, from the initial notification of reporting to the stop-payment notification.

Throughout 2021, provider organizations offered feedback on DHS' outreach process. DHS plans to continue refining the process in future years to ensure provider organizations receive reminders of the requirement frequently enough to be successful.

Trainings and resources

As with any new requirement, clear directions and reference materials for the users is important to the requirement's success. DHS created many different types of documentation and resources in response to stakeholder feedback throughout the development process. Prior to the launch of cost reporting in 2021, DHS created the following tools for provider organizations:

- [Excel-based workbook \(.xls\)](#)
- [DWRS Cost Reporting Manual](#)
- [DWRS cost reporting overview webpage](#)
- [Introduction to cost reporting presentation \(PDF\)](#)
- [Time-study worksheet \(PDF\)](#)
- [Frequently asked question webpage](#).

During the 2021 reporting year, DHS expanded the available resources for providers and hosted multiple live online trainings for providers to attend. Each month of summer 2021, DHS hosted:

- An introductory training for all provider organizations
- An open office hour for all provider organizations
- An introductory training focused on family providers (only in July and August).

In July and August, DHS recorded each of the trainings and posted them to a public webpage, in an effort to make the trainings available to providers who could not attend the live events. These archived trainings were found to be so useful that DHS extended the availability of the archived trainings through the end of 2021. In response to provider organization feedback, DHS also posted the content for each of the introductory trainings on the [DWRS cost reporting webpage](#).

DHS plans to continue expanding available documents, presentations and trainings in future reporting years. Prior to the 2022 reporting year, DHS is working to improve the [DWRS Cost Reporting Manual](#), update the cost reporting system for clearer directions and add more online tools for providers to prepare for reporting.

Technical assistance

In addition to the available resources and training, DHS staff provided an extensive amount of technical assistance directly to provider organizations. The majority of this support was done within the DWRS cost reporting inbox, where provider organizations could send specific questions to be answered. In some cases, DHS also scheduled one-to-one online meetings with provider organizations that needed further assistance. If the issue was with the cost reporting system, technical MNIT staff were also included in the meetings.

DHS received a higher-than-anticipated volume of requests for assistance from provider organizations during the 2021 reporting year. DHS received over 1,500 individual emails between March 31 and Dec. 1, 2021 with over 20% of those emails received in the last two weeks of the reporting period. More requests continue to come in after the deadline. DHS was able to maintain a response window of one to three business days for most requests, with most receiving responses within two days.

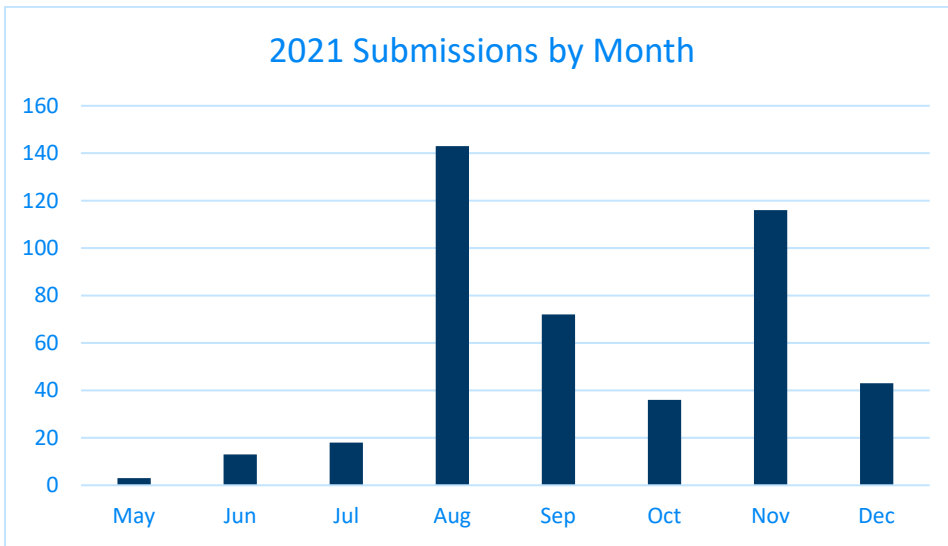
Analysis methodology

To evaluate the costs of providing DWRS services and fulfill legislative reporting requirements, DHS analyzed the available cost reporting submissions on a rolling basis between November and December 2021. The following sections discuss the methodology for the analysis, including the limitations on the data for this reporting year.

Response rate

DHS received the majority of cost reporting submissions after the Aug. 31, 2021, deadline, as shown in Figure 1. DHS planned for earlier submissions, which ultimately affected the ability to conduct timely, in-depth analyses on the submitted data. The submissions increased toward the 90-day non-compliance deadline, with a notable 17% of all submissions received in the last week before the stop-payment date of Dec. 1, 2021.

Figure 1. 2021 cost reporting submissions by month



As of the writing of this legislative report, 94% of the 486 cost reports for the 2021 reporting year have been submitted. As noted above, the analysis that follows may not include data from all currently submitted reports due to DHS’ need to conduct analysis in a timely manner. Table 4 shows the submissions by reporting milestones and demonstrates the delay in reporting.

Table 4. Submissions by milestone dates

Milestone date	Number of reports submitted	% of reports submitted
Aug. 31	177	36%
Sept. 30	249	51%
Oct. 31	285	59%
Nov. 15	306	63%
Nov. 30	401	83%
Dec. 1 and after	458	94%
<i>Not complete</i>	28	6%

DHS continues follow-up with provider organizations as of the writing of this report.

Data challenges

This section discusses the major caveats to the data and subsequent analysis of the 2021 DWRS cost reporting findings. With this data, DHS encountered different challenges and errors that required certain data to be excluded from the analysis. There may also be flaws in the data that affect the findings.

Due to the issues outlined below, DHS approached all analysis by topic and did not use any comparative analysis.

Single-year sample

By the nature of the five-year reporting period, any one year of reporting includes 20% of all provider organizations, at most. Due to this sampling constraint, the findings in this report are not statistically significant. They cannot be considered representative of all DWRS provider organizations. This report only provides an analysis of the cost of providing services for the provider organizations surveyed.

To understand the cost of providing services in a more holistic manner, DHS must continue to collect data in future years.

Incomplete submissions

Upon initial review of the submitted cost reports, DHS determined it was necessary to review the data collected more closely to determine the efficacy of the submitted costs. Many providers did not fill out all necessary data in their reports. For example, payroll taxes were not universally reported for provider organizations that would have been required by law to pay them based on their reported income. The findings section of this report provides more information about this issue.

Due to this overarching issue, DHS was only able to analyze the results of the reporting at a high level. Throughout this report, DHS notes where data were not sufficient to analyze or draw firm conclusions.

DHS is working to develop more clarity around the guidance on what to report, as well as considering requiring more data fields within the reporting system to prevent this issue in the future.

Family providers

Early in the 2021 reporting year, DHS identified 116 organizations that only provided family foster care or family supported living services (called [family residential services](#), beginning in 2021). These organizations were struggling to connect their own services and supports to reportable costs. The people who provide these services, commonly referred to as “family providers,” provide services in their own home and most often do not hire outside staffing for support. Family providers shared that financial reporting of this nature was difficult because the supports they provide are entwined with their day-to-day life. In response to this feedback, DHS implemented additional, targeted trainings to support family providers in their reporting.

In line with the feedback DHS received, the data reported by family providers did not align with standard reporting requirements upon initial review. This difference is understandable, given the nature of their service compared to other services and supports. For example, the owner of the business also provides all daily supports, which makes it seem like one person is providing 16-24 hours of supports a day, with an income much higher than the average direct care worker. This difficulty also aligns with the January 2020 findings in the [DWRS Family Foster Care Rate Methodology Study \(PDF\)](#).

To avoid skewing the costs of providing services across all DWRS services for this report, DHS has excluded family provider data for most of the analysis that follows. DHS only left the data in the analysis when it could not be adequately excluded. Inclusion of this data could have inappropriately suggested a need to dramatically reduce or increase components of this service’s rate framework. DHS plans to work further with this excluded

data and data from future years to gain a better understanding of the cost of providing family residential services.

2021 findings and analysis

The following sections discuss the findings of the data collection for 2021 submitted reports, with the exclusions and limitations as listed above. These sections discuss all of the statutorily required data DHS collected when available, such as worker wages, benefit costs and administrative costs.

When possible, DHS ties these findings back to DWRS framework component values to compare the findings. Most provider organizations reported their costs for calendar year 2020, so DHS used component values for that year as a comparison.

Reporting providers

The year-one reporting group included 486 provider organizations. Since this group was randomly selected, it is important to understand some information about the organizations as a reporting group. The following section discusses different identifying qualities of providers, as reported by them. For more about sampling, see the sample portion in the “Data collection methodology and administration” section of this report.

Overall, the provider organizations tended to be smaller for-profit organizations. The majority provided some residential services. Of all the revenues reported, 70% were for residential services.

The analysis in this section includes family providers.

Provider organization size

Provider organizations varied greatly in the amount of billed revenues they reported, though they trended toward smaller businesses overall. Of the submitted reports, 44% of provider organizations reported billing for less than \$250,000 in a full year. Table 5 further illustrates the annual revenues reported by provider organizations.

Table 5. DWRS revenues reported

Amount of revenue reported	Number of providers
Over \$10 million	4%
\$5 million to \$10 million	3%
\$1 million to \$5 million	20%
\$750k to \$1 million	5%
\$500k to \$750k	8%
\$250k to \$500k	16%
Under \$250k	44%

In contrast to the large number of smaller provider organizations, the actual amount of DWRS revenues billed was notably large, at over \$778,000,000. Residential revenues were the large majority of that amount. Table 6 shows a breakdown of revenues reported by service bucket.

Table 6. Revenues reported by service bucket

Service bucket	Total revenue reported
Customized living	\$15,873,106.46
Day	\$69,571,356.63
Residential	\$544,218,405.49
Unit-based with programming	\$70,361,319.16
Unit-based without programming	\$78,705,509.61
Total	\$778,729,697.35

Business type

The cost report asked provider organizations to identify what type of business they have to provide services. Of the reports submitted, the organizations were overwhelmingly for-profit entities. See Table 7 for more information.

Table 7. Business structure of provider organizations

Business structure	Percent of providers
For-profit	75%
Non-profit	24%
Government	1%

Service type provided

Revenues reported by provider organizations illustrate the types of services. Provider organizations reported all revenues under the DWRS services they provided, which could occur in more than one service bucket. Table 8 shows the percent of providers that reported revenues in each bucket.

Table 8. Percent of providers reporting revenues by service bucket

Service bucket	Percent of providers reporting revenues
Residential	61%
Unit-based with programming	40%
Unit-based without programming	30%
Day	18%
Customized living	4%

Direct care worker wage costs

As the basis for every DWRS rate methodology, the direct care worker wage is the main cost component for every rate. The assumed wage costs vary based on the service being provided. The overall median hourly wage for direct care workers for DWRS services in 2021 was \$15.37. This value includes all reported regular wages and regular hours worked by direct care workers. The wage varied when reviewed by service, with most service buckets having a higher median wage than the wage component in the framework. These median wages included all wages reported by a provider organization if they had revenues reported for that service type. For example, if a provider organization reported revenues for customized living and day services, the median wage value would have been included in the median wage calculation for both service type groupings. See Table 9 for more information.

Table 9: Wages by reported service type

Service bucket	Median wage	Direct support worker wage component in 2020 DWRS rate with workforce factor ¹
Customized living	\$14.76	N/A
Day services	\$16.49	\$16.02
Residential services	\$14.85	\$14.17
Unit-based with programming	\$15.40	\$16.02-21.28
Unit-based without programming	\$14.99	\$12.85-14.32

Licensed direct care workers

Provider organizations reported licensed direct care workers separately from direct care workers. This is to align with the distinction between the two types of support in the DWRS frameworks. Typically, licensed direct care workers are registered nurses, licensed practical nurses and other licensed professionals who provide direct support. Of the 72 providers who reported having licensed direct care workers, the median wage reported for this staff type was \$24.06 per hour. In comparison, the DWRS framework hourly wage for a registered nurse was \$37.41 and a licensed practical nurse was \$20.51.

Direct care benefits

Employee benefit costs are often a large portion of employer's staffing costs. The DWRS frameworks assume the cost of many benefits, including:

¹ These wages include the 2020 direct care support worker base wages and the additional competitive workforce factor of 4.7%.

- Health insurance
- Dental insurance
- Vision insurance
- Life insurance
- Short-term and long-term disability insurance
- Retirement
- Tuition reimbursement
- Wellness programs.

Provider organizations reported a total direct care benefit cost of 6.5% of total wages paid, which is only slightly more than half of what the component value for benefit costs assumes, at 12.04%.

The cost of benefits for direct care workers may be low for a number of reasons, one of which may be that provider organizations did not have those costs. The overall number of provider organizations who had costs for these individual benefits was low. This could mean provider organizations did not offer these benefits, no one enrolled in them or provider organizations did not report these costs.

Ultimately, only 44% of provider organizations reported any direct care worker costs for health insurance, with even fewer reporting costs for the other benefits. It is difficult to determine if the low number of reported costs for benefits is a true representation of the cost to providers. See Table 10 for more details.

Table 10: Benefits paid

Benefit type	% of providers paid
Health insurance	44%
Dental insurance	29%
Vision insurance	5%
Life insurance	32%
Short-term disability	12%
Long-term disability	14%
Tuition	5%
Retirement	37%

Payroll taxes

Provider organizations reported a total direct care payroll taxes cost of 9% of total wages paid, which is notably lower than the DWRS framework assumption of 11.56% for the payroll taxes and workers compensation component factor.

While the cost of payroll taxes may be low for any number of reasons, the data points to provider organizations not submitting these costs accurately. This is clear because of the percent of provider organizations that

reported these costs, which was lower than legally possible. For example, employers who have paid at least \$1,500 in wages or had at least one employee for 20 weeks of the year must pay federal unemployment taxes for wages paid.² However, only 41% of provider organizations reported paying any federal unemployment taxes. See Table 11 for further information about what percent of providers reported payroll taxes for direct care workers.

Table 11: Payroll tax reporting

Payroll tax type	% of providers paid
Social Security/Medicare	69%
Federal unemployment taxes	41%
State unemployment taxes	57%
Workers' compensation	52%

The actual cost of payroll taxes for provider organizations may be higher than reported or higher than the component factor assumption. However, the data reported make it impossible to determine those costs.

Direct care paid time off (PTO)

The DWRS frameworks assume a portion of direct care workers time would be paid for non-working time, such as vacation days, sick days or even training time. The component to cover this type of staff time is 8.71%. Provider organizations reported a value of 5.4% for paid time off for direct care workers. Again, this value is lower than the assumed component cost. The number of provider organizations that reported paying for non-working time was also low, with only 45% reporting any kind of cost for these types of hours. Table 12 illustrates the types of non-working hours reported. Training hours are not included because no significant number of provider organizations reported having any.

Table 12: Paid time off

Pay type	% of providers paid
Vacation	25%
Sick	26%
PTO	45%

² This requirement comes from [IRS Topic No. 940 – Employer’s Annual Federal Unemployment \(FUTA\) Tax Return – Filing and Deposit Requirements](#).

Direct care supervisors

There are two different components that are linked to supervisors of direct care workers: their wages and the number of people they each supervise. These two components factor into the amount of supervisor wages per hour are paid toward each direct care support hour.

Provider organizations reported a median supervisor wage of \$22.25 per hour for regular hours. This is just slightly lower than the supervisor wage component of \$22.81. Only 52% of provider organizations reported having direct care supervisors in their cost report. This may be due to provider organizations not having direct care supervisors or a lack of reporting.

The supervision percent component factor is based on the number of people supervised by each supervisor. The current value for this component is 11%, or an assumption of one supervisor for every nine direct care workers. The cost report does not collect the number of positions a provider organization has for direct care workers and supervisors, so for this measure, the hours reported were substituted as a measure for the supervision percent. This aligns with the assumption in the methodology that the supervision percent is applied as hours of working time for the supervisor.

Based on all regular hours of direct care reported, the supervision percentage is 12%, or one supervisor for every eight direct care workers. This demonstrates that direct care supervisors are overseeing the work of slightly fewer direct care workers than the rates currently assume.

Administrative salaries, benefits and payroll taxes

Beyond direct care workers and supervisors, provider organizations also reported the salaries and benefit costs of administrative staff. These staff members range from program support workers to executives. DHS reports specific information about executive salaries and benefits later in this section, though DHS includes them in total administrative staff wages and benefits totals.

The rate frameworks do not specifically break out administrative wages as its own component factor but instead include it in the general and administrative support and program-related expenses component factors. The administrative costs section of this report discusses the administrative costs and component factors, including the staff costs.

As with other costs reported, the values may or may not be an accurate reflection of costs due to the sometimes incomplete reporting submitted in cost reports. The data used in this analysis was limited to administrative salaries that fell within reasonable standards of reporting. For example, if a provider organization reported incomplete records, DHS did not include that information in the analysis that follows.

Non-executive administrative wages

Wages for administrative staff varied by the type of position, which aligns with typical assumptions about wages by roles and responsibilities. Table 13 includes the median annual salary per full-time equivalent (FTE) worker for each of the listed position-types for administrative support, excluding executives.

Table 13: Executive and administrative wage costs

Position type	Median annual salary per FTE
Administrative and clerical support	\$39,015.73
All others	\$43,720.62
Clinical oversight	\$56,299.69
Dietary/kitchen staff	\$17,914.22
Finance/accounting staff	\$43,315.90
Housekeeping staff	\$32,957.03
Human resources	\$47,487.51
Information technology staff	\$60,129.41
Program support	\$41,887.27
Supervisors (non-direct care)	\$40,215.98

Non-executive administrative benefits and payroll taxes costs

The overall cost of benefits and payroll taxes for administrative staff only accounts for 1% of all DWRS spending reported. DHS asked provider organizations to report by the same categories as direct care workers, which also align with the listed benefits and taxes components. These components assume an overall benefit and payroll taxes cost of 23.6% of wages. Table 14 shows all of the listed position-types for administrative workers, excluding executives. This table demonstrates that while all positions fall short of the assumed 23.6% of pay, the values are higher for most positions than the same cost categories for direct care workers.

Table 14: Annual cost per position type

Position type	Benefits and taxes as percent of salary
Administrative and clerical support	17%
All other	20%
Clinical oversight	12%
Dietary/kitchen	20%
Finance/accounting	20%
Housekeeping/janitorial	16%
Human resources	19%
Information technology	18%
Program support	14%
Program support (other than supervisors)	> 5%, N/A
Supervisor (non-direct care)	16%

Executive salaries and benefits

Executive positions are typically the director, chief executive officer or president for an organization. Not every provider organization has these types of positions. For this reporting year, 254 organizations reported having executives, and their salaries accounted for 32% of all administrative salaries reported.

The median salary per full-time equivalent (FTE) employee was \$83,612 annually. However, the salaries varied widely. Table 15 outlines the broad range of salaries reported by percentiles. It should be noted that DHS removed clear outliers from this grouping, but given the variation in salaries, it was difficult to determine what salaries were outliers, reporting errors or non-traditional salaries. To clarify the variation, DHS included the standard deviation of the data.

Table 15: Executive salary costs

Position type	Min	P25	Med	P75	Max	Standard deviation
Executives	\$550	\$52,394	\$83,613	\$120,000	\$521,760	\$58,579

Executive benefits aligned closely with other administrative positions, with benefits and payroll taxes cost at 16% of total salaries. Given the previously mentioned issues with reporting these costs, it is unclear if the costs reported are complete.

Administrative costs paid

Administrative costs are part of providing every DWRS service, as reflected by the costs reported by provider organizations. DHS included family providers in the analysis of administrative costs. Each rate has general and administrative support and program-related expenses component factors, which largely cover the administrative costs of providing these services.

These components vary by service type, but they cumulatively range from 14.55-19.35% for all administrative costs. Provider organizations reported a significantly higher administrative cost than the framework assumptions, at 24% of all DWRS costs reported. As noted in the sections above, administrative staff costs are not specifically broken out in the current administrative cost components, but since costs were collected, DHS can further breakdown the spending for this category further. Table 16 shows that administrative wages and benefits account for nearly half of the administrative costs, while the majority of costs are tied to other administrative costs, such as licensing fees, building costs or other business-related costs.

Table 16. Percent of administrative costs by type

Cost type	Percent of total DWRS administrative costs
Administrative wages and benefits	45%
General and administrative costs	54%
Other administrative costs	1%

Similar to other costs reported, it is unclear how complete the reported administrative costs are. This is in addition to the inclusion of family providers in this analysis, who may have a smaller administrative cost than other provider organizations. Another concern with this analysis is the aforementioned issues with thorough

reporting of all staffing costs, including benefits and payroll taxes. These unknowns could mean that actual administrative costs are higher or lower than reported, given the under-reported costs in other areas as well.

Transportation costs paid

Providers reported that just over 3% of all DWRS costs were for transportation, including vehicle costs and reimbursement for mileage or public transportation. The component value for transportation varies between the service types, but overall, it remains a small percentage of costs for all service types. Table 17 outlines the percent of all DWRS costs reported as transportation. These costs included both in-service and out-of-service costs.

Table 17: Total % transportation used per service type

Category	Day services	Unit-based services with programming	Unit-based services without programming	Residential services	Customized living	DWRS administrative services
Transportation percentage of spending	11%	5%	0%	3%	1%	0%

Provider organizations also reported that for every service type, the vast majority of transportation costs came from organization-owned vehicle costs. This includes purchasing and maintenance costs and fuel costs. Non-vehicle transportation costs, such as mileage reimbursements or public transportation costs, were notably lower for all service types. See Table 18 for more details.

Table 18: Vehicle cost per service type

Category	Vehicle cost	Non-vehicle cost
Total DWRS	89%	11%
Day services	72%	28%
Unit-based services with programming	74%	26%
Unit-based services without programming	64%	36%
Residential services	92%	8%
Customized living	64%	36%
DWRS administrative services	89%	11%

VIII. 2022 DWRS recommendations

The DWRS has continued to grow and change since its implementation in 2014. This report include many different analyses of the DWRS that may inform future changes. The following sections include recommendations based on these analyses.

Combination of reporting requirements

Given how much of the reporting between the two statutory authorities for this report overlap, DHS recommends that in the future, these reporting requirements be combined into one DWRS report every four years. This is for an efficiency of reporting only and does not diminish the capability of DHS to maintain robust reporting on the DWRS.

Regional variance factor (RVF)

As the RVF is regularly updated and reviewed with stakeholders, DHS recommends maintaining the current law for the RVF.

Competitive workforce factor (CWF)

Residential, adult day and unit-based without programming services all have weighted average wage assumptions below the comparable median wage. The statutory limitation on CWF increases is 2%. For these services, DHS recommends a 2% increase to the current CWF component, increasing the component to 6.7%.

Due to the shortcomings of the current CWF methodology, DHS may want to use other available data, such as cost reporting or provider survey data, to obtain more accurate information about direct support worker wages and comparable median wages. This is particularly true for services that do not have a clear comparison group, such as the unit-based with programming services.

Transportation rates

The flexibility built into market rates allowed providers, lead agencies and DHS to financially react to transportation limitations associated with the COVID-19 pandemic. These events demonstrated the potential advantages to this approach of transportation rate-setting. Accordingly, DHS recommends maintaining the current law for transportation rates.

Cost reporting

During the first year of cost reporting, DHS learned how to engage providers and collect cost information in a consistent and clear manner. DHS plans to continue to build on the learnings from this year and bring improvements to the assistance, communication and training offered to provider organizations.

One major hurdle to reporting and assistance this year was the large amount of support family providers needed to understand the DWRS frameworks and determine their costs. DHS recommends that the Legislature remove family providers from the DWRS rate system to ease the burden on these providers of having to report business-like costs of a non-business-like service.

Beyond the recommendation about family providers, DHS does not have any recommendations to change the DWRS rates at this time. This is because the first year of data included relatively few providers and because DHS is still adapting its training and resources. DHS will wait until a more complete data set is available to draw conclusions about the service rates and any necessary changes.