State of Delaware Rate Study of Home Health and Personal Care Services

December 10, 2024

Introduction

The State of Delaware's (State's) Division of Medicaid & Medical Assistance (DMMA) has contracted with Mercer Government Human Services (Mercer), part of Mercer Health & Benefits LLC, to conduct a study of reimbursement rates to direct support professionals (DSPs) who provide home health and personal care services through the state's 1115 waiver. These services are provided to DMMA's Medicaid populations primarily through the managed care program. Therefore, to evaluate the reasonableness of current DSP reimbursement rates for home health and personal care services, Mercer identified the existing managed care reimbursement levels and developed benchmark rate ranges to reflect the providers' costs of service delivery for comparison purposes. Although DMMA delivers the services included in this study using a managed care delivery system, it is common for Medicaid programs to develop fee-for-service (FFS) fee schedules with the expectation that the FFS payment rates are used as the basis of negotiating payments with providers.

The rate study included multiple tasks, such as reviewing the Medicaid payment levels in managed care, gathering input from stakeholders, and conducting analyses of publicly available data related to providers' costs for service delivery. This document outlines our approach, the benchmark rate development process, the study results, and considerations for DMMA.

Background

DMMA's program operates through an 1115 waiver authority and provides home- and community-based services (HCBS) to the elderly and physically disabled population in the State. To do so, DMMA contracts with three managed care organizations (MCOs): Amerihealth, Delaware First Health, and Highmark. The rate study is an initiative from DMMA, as part of the HCBS Spending Plan, to conduct a study of payment rates made to workers in home health and personal care services, who serve DMMA's Medicaid populations primarily through the managed care program. This rate study will be focused on the specific services listed in Table 1 below.

Table 1: List of Services Under Review

Service	Procedure Codes
Attendant Care	S5125
Home Health Aide	G0156, G0156 U2
Chore	S5120
Companion	S5135
Homemaker	S5130
Respite	T1005; S5150, S5150 U2
Respite — PASA Agency	T1005 U1
Respite — Home Health Agency	T1005 PC
Attendant Care — Self-Directed	S5130 U2
Respite — Self-Directed	T1005 U2

This study is specifically focused on services delivered to non-IDD populations and members whose services do not fall under the Division of Services for Aging and Adults with Physical Disabilities (DSAAPD). For the non-IDD population, the MCOs negotiate the current payment rates with each individual provider. Since the services are reimbursed under managed care, DMMA does not have published fee schedules for these services. Mercer did, however, receive some rates from DSAAPD as a benchmark, showing that the rates range from $32–$35 per billed hour, depending on the service.

We provide key information for each of the services being studied below.

- **Attendant Care Services**: Agencies that provide attendant care services must ensure that employees who render these services have completed department-required training, including training on the member's service plan and the member's unique and/or disability specific needs. These services may be provided by either a DSP or a Home Health Aide.
- **Chore, Companion, and Homemaker Services**: Chore, Companion, and Homemaker Services generally require employees to provide these services in the member's place of residence. These services may be provided by either a DSP or Home Health Aide.
- **Home Health Aide Services:** Home Health Aide services must be provided through an agency licensed by the State. Home Health Aides are non-licensed individuals employed at agencies that provide personal care services, companion services, homemaker services, and transportation services; they may perform tasks delegated by a licensed nurse when permitted. At minimum, Home Health Aides must complete 75 hours of training as outlined by the State.
- **Respite Services:** There are varying degrees of requirements for respite services dependent on the age and location of the member being provided services. For pediatric respite services, the employee must be at least 18 years of age and have also completed a variety of safety training such as

cardiopulmonary resuscitation (CPR) and first aid. In addition, individuals providing respite care must have passed a criminal background check and screened against child/adult abuse registries.

For respite services rendered in a home, there is also a distinction between skilled and non-skilled services, in which non-skilled respite services can be provided by a trained paraprofessional under supervision of a licensed clinician, but skilled respite services can only be provided by a registered nurse (RN)/licensed practical nurse (LPN).

Rate Components

When developing benchmark rates, there are several key components to consider as part of the rate development process: wages, employee-related expenses (EREs), indirect costs, and service-related adjustments. Mercer used publicly available data, experience in other states, and review of Delaware policies to develop initial assumptions for the benchmark rates. The intention is to compare the initially developed assumptions to results of the Provider survey and State-specific data, adjusting where the data reflects significant differences. Below is a description of each component and a summary of the initial assumptions.

Wage Calculation

The wage calculation consists of a range of average wages for various employee positions that are associated with the service, such as a DSP, nurse, or supervisor. The data for the wage calculation comes from the Bureau of Labor Statistics (BLS) national wage data. The BLS data has State- and Region-specific data for various occupation codes that can be correlated with the various service definitions to calculate an estimated wage range. The wage calculation serves as the foundation of rate development and the remaining components are built in relation to the base wages.

For the home health and personal care services, Mercer selected the following State-specific BLS occupation codes to represent the services in the rate review:

- 21-1141 Registered Nurses
- 29-2061 Licensed Practical and Licensed Vocational Nurses
- 31-1120 Home Health and Personal Care Aides
- 31-1131 Nursing Assistants
- 37-1011 First-Line Supervisors of Housekeeping and Janitorial Workers
- 37-2012 Maids and Housekeeping
- 39-1022 First-Line Supervisors of Personal Service Workers

For each of the services, we calculated wages for each staff position by selecting wage data from the 2023 Mid-Atlantic BLS codes in the list above and applying an annualized trend factor of 5.5%, projected

to Calendar Year (CY) 2025. Mercer established the trend factor based on changes in the BLS wages over three years of data.

Mercer created the wages for some staff positions using a blend of codes to reflect the service requirements for the respective positions. We developed a wage range for the various staff positions, with a lower bound and upper bound as the bottom and top of the range. The selected wages rely primarily on the 25th percentile to 75th percentile wages as published by BLS, except for the following:

- **Respite services**: The 25th percentile wage was under $15 per hour at the lower bound, therefore, Mercer increasing the wage to $15 per hour to account for the new 2025 minimum wage policy.
- **Attendant Care and Companion**: Given the requirements of the DSP for these services, DMMA decided to adopt the 50th percentile wage for the lower bound.

Mercer presented the initial wage assumptions to DMMA and obtained wage data through the provider survey. Based on reported information and DMMA decisions, we summarize the results of the final wage calculations and blending below in table 2.

Table 2: Staff Position Wage Calculations, Trended to CY 2025

Position	BLS Occupation Code	Blend	Wage Lower Bound	Wage Upper Bound
DSP — Attendant Care	31-1120 Home Health and Personal Care Aides	100%	$15.92	$18.13
DSP — Respite[1]	31-1120 Home Health and Personal Care Aides	100%	$15.00	$18.13
DSP — Chore	37-2012 Maids and Housekeeping	100%	$15.13	$18.16
DSP — Home Health Aide	31-1131 Nursing Assistants 31-1120 Home Health and Personal Care Aides	25% 75%	$15.86	$19.30
DSP — Homemaker	37-2012 Maids and Housekeeping	100%	$15.13	$18.16
DSP — Companion	31-1120 Home Health and Personal Care Aides	100%	$15.92	$18.13
Supervisor	37-1011 First-Line Supervisors of Housekeeping and Janitorial Workers 39-1022 First-Line Supervisors of Personal Service Workers	25% 75%	$22.04	$31.97
RN	21-1141 Registered Nurses	100%	$44.84	$56.24
LPN	29-2061 Licensed Practical and Licensed Vocational Nurses	100%	$32.01	$36.62

[1] Wages for Respite were adjusted to meet minimum wage requirements of $15.00 at the lower bound.

ERE

EREs are non-wage costs associated with employing a DSP to provide services. Examples of EREs include health insurance, workers' compensation, other employee benefits, and State and federal taxes. Mercer pulled various components of the ERE adjustment from several sources, including the 2023 BLS Employer Costs for Employee Compensation, the Internal Revenue Service Employer's Tax Guide, and the BLS Employee Benefits Survey. Below is a table outlining the assumptions for this component after reviewing all publicly available data sources regarding ERE.

Table 3: ERE Rate Model Assumptions, Trended to CY 2025

ERE Cost Components	Initial Assumption
Health Benefits	$439 per employee per month
Federal Unemployment Tax Act	$42 per employee per year
State Unemployment Tax Act	$126 per employee per year
Workers' Compensation Insurance	1.25% of wages
Federal Insurance Contributions Act	7.65% of wages
Long-Term Disability, Short-Term Disability, and Life Insurance	0.4% of wages
Retirement Contributions	2.6% of wages
Paid Time Off	30 days (10 paid holidays, 13 paid vacation, 7 paid sick time)

We include the ERE components in the rate calculation for all services except for self-directed services. Based on the assumptions, the ERE component is estimated to be 26%–27% of wages for the non-self-directed services.

Indirect Costs

Indirect costs are costs that are non-billable to Medicaid and associated with providing the services such as training, administrative costs, program support, and more.

Mercer initially assumed 10%, as is standard across most states. We also assumed a 5% program support component for each service, except for self-directed services. This results in a 15% assumption for the indirect cost component in total for each service, excluding self-directed services.

For training, the assumption is split into hours required for newly hired employees and retained staff. Based on State regulations regarding training requirements for the home health and personal care services, Mercer incorporated 75 annual hours for newly hired staff and 12 annual hours for retained

staff into the rates. Mercer also incorporated $250 per employee per year in certification costs for trainings such as first aid and CPR training.

Service-Related Adjustments

Service-related adjustments are non-cost related components such as productivity, staffing ratios, group size, full-time versus part-time ratios, and so forth. Key assumptions are listed below:

- **Group Size**: Since these services are considered personal care services, the initial assumption was that there would be one staff person providing the service to one member at a time, with some occasional supervision needed.
- **Staffing Ratios**: The initial assumption was one supervisor to ten staff members.
- **Productivity**: Productivity accounts for time that is non-billable to Medicaid such as traveling, documentation, staff meetings, and more. The initial assumption was seven hours out of eight hours in a typical day would be billable.
- **Full-Time versus Part-Time Ratio**: This represents the proportion of staff that would be considered full-time employees providing direct care to members. The initial assumption for this component was 80% full-time staff.
- **Billable Unit**: Mercer confirmed with DMMA that the units for each of the services are billed in 15-minute increments; therefore, the benchmark rates are presented using 15-minute increments.

As part of the rate review process, Mercer conducted a survey of the provider community to collect State-specific costs and concerns regarding the home health and personal care services, as well as a survey to the MCOs in the State to better understand the current reimbursement arrangements for these services. We summarize the results of the survey below in addition to how the survey results impacted final assumptions and benchmark rates.

Provider Survey

Mercer presented to stakeholders in a rate study kick off meeting in February 2024 to share the objectives of this rate study and launch the provider survey. After some initial stakeholder feedback and conversations, DMMA decided to make additional adjustments to the survey and seek further feedback from key stakeholders before distributing the survey for completion. In April 2024, the survey was re-launched after incorporating the feedback from the community, asking for cost information for CY 2023.

After a 6-week response period, Mercer received a total of 21 survey responses from the provider community. Mercer summarized the information in the submitted surveys and compared the results to the initial assumptions, adjusting some assumptions accordingly. Due to concerns around proprietary business practices and requests from responding providers to remain anonymous, Mercer will share key

takeaways and how the survey impacted the assumptions for various components, rather than detailed data results of the survey.

Survey Highlights

In one part of the provider survey, Mercer asked providers to share barriers when delivering home health and personal care services. We categorized the responses into two main themes:

- **Workforce concerns** such as inadequate funding for providers to attract DSPs using competitive wages and benefits.
- **Growing costs to comply with regulations** such as training, onboarding, licensing, electronic visit verification (EVV) requirements, and so on.

For the quantitative data that we collected through the survey, we separated the questions into general questions and service-specific questions and have summarized the information below by component.

Mercer asked for wages by service, where we trended the reported average hourly base wage to CY 2025 using the calculated BLS wage trend factor to provide a comparable basis. In table 4, we present the reported hourly wages by service.

Table 4: Provider Survey Average Hourly Wages, Trended to CY 2025

Service	Provider Count	Average Hourly Base Wage	Trended Base Wage	Total Wages[2]	Trended Total Wages*
Attendant Care	15	$15.80	$17.58	$17.43	$19.40
Companion	7	$17.04	$18.97	$18.69	$20.80
Homemaker	16	$15.54	$17.30	$17.58	$19.56
Home Health Aide	10	$17.66	$19.66	$19.70	$21.93
Respite	15	$16.27	$18.11	$17.71	$19.72
Chore	3	$16.50	$18.36	$19.50	$21.70
Attendant Care — Self-Directed	7	$14.88	$16.56	$15.93	$17.73
Respite — Self-Directed	5	$15.34	$17.07	$17.59	$19.58

For most services, the initial rate range that Mercer developed using BLS data was relatively in line with what the providers reported. However, based on the average wages reported and after revisiting the service definitions, Mercer adjusted the wage blend for Home Health Aide to reflect a slightly higher wage. The wage assumptions were otherwise consistent with initial assumptions. Survey results also

[2] Total wages include the base wage plus other compensation, such as overtime, bonuses and shift differentials.

show that the total wages, which include bonuses and overtime, are about 12% above the base wage in the different services. Therefore, Mercer built an assumption of 10% for bonuses and overtime into the rates for all services except for the self-directed services where the overtime assumption is 1%.

The next component where we collected quantitative data is related to EREs. Of the 21 providers, 18 providers reported that they offer some kind of benefits, and eight providers reported offering benefits to both full-time and part-time employees. Mercer identified some issues with the reported data in this category as some responses were not in a numerical format or were clear outliers with extremely high or low values.

After adjusting for the outliers and anomalies, the average calculated ERE per employee per year was approximately $6,415. Mercer compared the reported ERE to the amount represented in the modeled rates for part-time and full-time staff. This showed that the ERE assumptions incorporated into the rates are at or above the reported averages. Due to some concerns around the reliability of the survey data, Mercer maintained the initial modeled assumptions.

For the other service-related cost information, there were 13 responses from the survey regarding indirect costs. The results ranged anywhere from 14% to 80% and included costs such as administrative, rent, EVV-related and legal costs. Due to the wide range and low number of data points, there were concerns about the validity of the data for indirect costs. However, the data did suggest that indirect costs are potentially a bigger portion of total costs than the initial assumption. Therefore, Mercer adjusted the assumption for administrative costs to be a range, using 10% at the lower bound and 15% at the upper bound. Additionally, the feedback from providers prompted an adjustment to the initial 5% program support for Respite – Personal Assistance Services Agencies (PASAs), adjusted to 6% program support, and Respite – Home Health Agency, adjusted to 7% program support, to reflect the additional licensing costs. The adjustment, along with the program support, make the indirect costs component range from 15%–22% of costs across all services, except self-directed services.

For training, 17 agencies reported data on training costs and hours. After accounting for outliers, the average training days reported per employee per year was 3.9 days and non-wage training costs were reported as $268 per employee per year. Due to State regulations, Mercer is maintaining the initial training assumptions to support the training expectations from the State.

A few other key takeaways from the survey involve assumptions for service-related components. We list the data results and how it impacts the initial assumptions below:

- Group size:
  - The survey data showed an average of 2.3 members being served by one DSP.
  - However, since these services are considered personal care services, Mercer maintained the 1:1 group size ratio.
- Staffing Ratios:
  - The survey data shows an average of one supervisor to 15 staff.

  - To be more conservative, Mercer chose to maintain the 1:10 ratio in the initial assumptions.
- Productivity:
  - Across all services, the survey data indicated that approximately 20% of the day for a DSP is non-billable, which roughly translates to 6.5 hours.
  - After revisiting the service definitions and reviewing survey data, Mercer has adjusted attendant care and home health aide to have a productivity factor representing 6.5 hours out of an eight-hour day. The other services will maintain the original assumption of seven out of eight hours.
- Full-Time versus Part-Time Ratio:
  - The survey data shows that full-time staff only make up about 36% of DSPs across all services, much lower than originally anticipated.
  - Based on the survey information, Mercer adjusted the initial assumption of 80% full-time staff ratio down to 40% of full-time staff ratio.

MCO Survey

DMMA and Mercer distributed surveys to the MCOs in Spring 2024. The survey data provided additional perspective to service delivery, further informing the individual service rate assumptions. There were a few key takeaways from the provided data that made applying the data uniformly across the services a challenge. First, there was an inconsistent approach to billing codes utilized for similar services across the MCOs. In addition, the service amounts paid by MCO vary widely by provider and service driven by negotiation practices, and not necessarily the cost to deliver the service. Both observations were considered when referencing MCO data into the final assumptions.

Based on results from the MCO survey and conversations with the provider community, Mercer recommends DMMA review billing guidelines and consider making updates to provide more clarity and consistency among the providers and MCOs in delivering, and reimbursing for, these services.

Final Benchmark Rates

Using the initial rate assumptions, refined by the provider survey data input, Mercer developed the benchmark rates. Table 5 shows the resulting benchmark rate range. Table 5 also shares the proportion of utilization in the Medicaid claims data to indicate the extent with which each service is used by Delaware Medicaid members.

We provide a breakdown of rate assumptions by service in Appendix A.

Table 5: Modeled Benchmark Rate Range, Trended to CY 2025

Service	Lower Bound	Upper Bound	Percentage of Service Units (SFY 2023)
Attendant Care	$9.45	$11.72	15.0%
Home Health Aide	$9.91	$12.57	2.3%
Chore	$8.41	$10.90	0.0%
Companion	$8.77	$10.88	0.0%
Homemaker	$8.41	$10.90	31.8%
Respite	$8.36	$10.88	0.7%
Respite — PASA Agency	$8.45	$11.02	0.0%
Respite — Home Health Agency	$9.62	$12.36	0.0%
Attendant Care — Self-Directed	$5.02	$5.71	49.7%
Respite — Self-Directed	$4.73	$5.71	0.5%

Based on the modeled rate ranges, the estimated expenditure impact is $17.7 million to $66.4 million using the lower bound and upper bound rates. The impact varies by service depending on the amount of utilization.

Appendix A: Assumptions by Service Breakdown

Service	Wage	ERE	Other Service-Related Costs	Additional Assumptions
Attendant Care	• DSP Wage Range: $15.92–$18.13 • Supervisor Wage Range: $22.04–$31.97	• 26%–27% of wages • Overtime assumed to be 10% of wages	Indirect Costs: • Administration: 10%–15% • Program Support: 5% Training: • New Hires: 75 hours (about 9 days) annually • Ongoing Staff: 12 hours (about 1.5 days) annually • $250–$300 for certification costs	• Productivity: 6.5 hours of 8 hours • Full-Time Portion of Staff: 40% • Turnover: 42% • Supervisor to Staff Ratio: 1 to 10 • Group Size: 1 to 1 • Billable Unit: 15 minutes
Attendant Care — Self-Directed	• DSP Wage Range: $15.92–$18.13	• 9% of wages for taxes • Overtime assumed to be 1% of wages	Indirect Costs: • Administration: None; paid separately based on MCO contracts • Program Support: None Training: • None; paid separately based on MCO contracts	• Productivity: 7 hours of 8 hours • Group Size: 1 to 1 • Billable Unit: 15 minutes
Home Health Aide	• DSP Wage Range: $15.86–$19.30	• 25%–27% of wages	Indirect Costs: • Administration: 10%–15% • Program Support: 5%	• Productivity: 6.5 hours of 8 hours

Service	Wage	ERE	Other Service-Related Costs	Additional Assumptions
	• Supervisor Wage Range: $32.01–$36.62	• Overtime assumed to be 10% of wages	Training: • New Hires: 75 hours (about 9 days) annually • Ongoing Staff: 12 hours (about 1.5 days) annually • $250–$300 for certification costs	• Full-Time Portion of Staff: 40% • Turnover: 42% • Supervisor to Staff Ratio: 1 to 10 • Group Size: 1 to 1 • Billable Unit: 15 minutes
Chore	• DSP Wage Range: $15.13–$18.16 • Supervisor Wage Range: $22.04–$31.97	• 26%–27% of wages • Overtime assumed to be 10% of wages	Indirect Costs: • Administration: 10%–15% • Program Support: 5% Training: • New Hires: 75 hours (about 9 days) annually • Ongoing Staff: 12 hours (about 1.5 days) annually • $250–$300 for certification costs	• Productivity: 7 hours of 8 hours • Full-Time Portion of Staff: 40% • Turnover: 42% • Supervisor to Staff Ratio: 1 to 10 • Group Size: 1 to 1 • Billable Unit: 15 minutes
Homemaker	• DSP Wage Range: $15.13–$18.16	• 26%–27% of wages	Indirect Costs: • Administration: 10%–15% • Program Support: 5% Training:	• Productivity: 7 hours of 8 hours • Full-Time Portion of Staff: 40%

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	• Supervisor Wage Range: $22.04–$31.97	• Overtime assumed to be 10% of wages	• New Hires: 75 hours (about 9 days) annually • Ongoing Staff: 12 hours (about 1.5 days) annually • $250–$300 for certification costs	• Turnover: 42% • Supervisor to Staff Ratio: 1 to 10 • Group Size: 1 to 1 • Billable Unit: 15 minutes
Companion	• DSP Wage Range: $15.92–$18.13 • Supervisor Wage Range: $22.04–$31.97	• 26%–27% of wages • Overtime assumed to be 10% of wages	Indirect Costs: • Administration: 10%–15% • Program Support: 5% Training: • New Hires: 75 hours (about 9 days) annually • Ongoing Staff: 12 hours (about 1.5 days) annually • $250–$300 for certification costs	• Productivity: 7 hours of 8 hours • Full-Time Portion of Staff: 40% • Turnover: 42% • Supervisor to Staff Ratio: 1 to 10 • Group Size: 1 to 1 • Billable Unit: 15 minutes
Respite	• DSP Wage Range: $15.00–$18.13 • Supervisor Wage Range: $22.04–$31.97	• 26%–27% of wages • Overtime assumed to be 10% of wages	Indirect Costs: • Administration: 10%–15% • Program Support: 5% Training: • New Hires: 75 hours (about 9 days) annually	• Productivity: 7 hours of 8 hours • Full-Time Portion of Staff: 40% • Turnover: 42%

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			• Ongoing Staff: 12 hours (about 1.5 days) annually • $250–$300 for certification costs	• Supervisor to Staff Ratio: 1 to 10 • Group Size: 1 to 1 • Billable Unit: 15 minutes
Respite — PASA Agency	• DSP Wage Range: $15.00–$18.13 • Supervisor Wage Range: $22.04–$31.97	• 26%–27% of wages • Overtime assumed to be 10% of wages	Indirect Costs: • Administration: 10%–15% • Program Support: 6% Training: • New Hires: 75 hours (about 9 days) annually • Ongoing Staff: 12 hours (about 1.5 days) annually • $250–$300 for certification costs	• Productivity: 7 hours of 8 hours • Full-Time Portion of Staff: 40% • Turnover: 42% • Supervisor to Staff Ratio: 1 to 10 • Group Size: 1 to 1 • Billable Unit: 15 minutes
Respite — Home Health Agency	• DSP Wage Range: $15.00–$18.13 • Supervisor Wage Range: $44.84–$56.24	• 25%–26% of wages • Overtime assumed to be 10% of wages	Indirect Costs: • Administration: 10%–15% • Program Support: 7% Training: • New Hires: 75 hours (about 9 days) annually	• Productivity: 7 hours of 8 hours • Full-Time Portion of Staff: 40% • Turnover: 42% • Supervisor to Staff Ratio: 1 to 10

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			• Ongoing Staff: 12 hours (about 1.5 days) annually • $250–$300 for certification costs	• Group Size: 1 to 1 • Billable Unit: 15 minutes
Respite — Self-Directed	• DSP Wage Range: $15.00–$18.13	• 9% of wages for taxes • Overtime assumed to be 1% of wages	Indirect Costs: • Administration: None; paid separately based on MCO contracts • Program Support: None Training: • None; paid separately based on MCO contracts	• Productivity: 7 hours of 8 hours • Group Size: 1 to 1 • Billable Unit: 15 minutes