

# BUILDING THE RATE

CORE FEATURES AND DESIGN ELEMENTS

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# OBJECTIVES

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- **DEVELOP KNOWLEDGE WITHIN THE FOLLOWING CORE AREAS**
  - THE BOTTOM-LINE
    - COVERED SERVICES, COVERED POPULATIONS, COVERED OUTCOMES
  - THE CONCEPT OF RISK ADJUSTMENT
  - THE CONCEPT OF REINVESTMENT
    - DIFFERENTIATING FEE-FOR-SERVICE FROM OTHER RATE MECHANISMS
  - THE CONCEPT OF RISK
- **ALL FOR THE PURPOSE OF UNDERSTANDING THE RATE**

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# THE BOTTOM-LINE

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- **THE KEY ISSUE IS AVAILABLE REVENUE RELATIVE TO:**
  - COVERED POPULATION
    - (MALTREATED) CHILDREN AT RISK OF ENTRY INTO OUT-OF-HOME CARE, CHILDREN IN OUT-OF-HOME CARE
  - COVERED SERVICES - INCLUDING PROCESS, QUALITY AND CAPACITY REQUIREMENTS
    - IN-HOME PREVENTIVE SERVICES
    - SERVICES TO CHILDREN OUT-OF-HOME
    - OUT-OF-HOME CARE
  - COVERED OUTCOMES
    - SAFETY - MALTREATMENT, RECURRENCE, SAFETY W/IN PLACEMENT
    - PERMANENCY - REUNIFICATION, ADOPTION, GUARDIANSHIP, ETC., REENTRY,

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# RISK ADJUSTMENT

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- **RISK ADJUSTMENT**
  - DIFFERENTIAL EXPERIENCES MEASURED CONNECTED TO BASIC 'DRIVERS' AND CLINICAL FACTORS
    - RISK - DIFFERENTIAL LIKELIHOOD OF MALTREATMENT, PLACEMENT, ETC.
    - SERVICE UTILIZATION - LONGER LENGTH OF STAY, HIGHER UNIT COST SERVICES
  - THESE 'SUBPOPULATIONS' USE RESOURCES AT DIFFERENT RATES - CHANGES IN THE 'MIX' AFFECT HOW FAR THE RESOURCES WILL GO

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# RISK

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- PRESENT IN ALL REIMBURSEMENT SYSTEMS
- RISK IS MANAGED; CAN'T BE ELIMINATED
- HAVE TO KNOW THE ELEMENTS
  - UNIT COSTS OF COVERED SERVICES
  - AVERAGE NUMBER OF UNITS FOR THE COVERED POPULATION
  - NUMBER OF COVERED PERSONS

$$\text{REVENUE (\$)} = \text{NUMBER OF UNITS} \times \text{UNIT COSTS}$$

NEW CLIENTS & AVERAGE UNITS PER CLIENT

- RISK IS TIED TO CONFIDENCE WITH RESPECT TO THE ELEMENTS
- RISK IS MANAGED THROUGH PROPER ALLOCATION OF RESOURCES RELATIVE TO NEED AND RISK SHARING

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# REINVESTMENT

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- **FISCAL DYNAMICS**
  - FEE-FOR-SERVICE MECHANISM DEPEND ON A SERVICE BEING DELIVERED - BACKWARD LOOKING
  - PROSPECTIVE PAYMENT MECHANISMS OPERATE DIFFERENTLY - FORWARD LOOKING
- **REINVESTMENT**
  - DOLLARS ALLOCATED FOR ONE PURPOSE MAY BE REPURPOSED
  - RELEVANT TO OUT-OF-HOME CARE

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# BUILDING THE RATE

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- **GENERAL FRAMEWORK**
  - COST CENTERS -
    - IN-HOME / OUT-OF-HOME
      - IN-HOME - SERVICES AND (ANY ADMINISTRATION)
      - OUT-OF-HOME - B&M, SERVICES, AND (ANY ADMINISTRATION)
- **START WITHIN CHILDREN IN OUT-OF-HOME CARE**
  - LARGEST POPULATION; LARGEST COST
  - NOT A PART OF THE FISCAL CONTRACT
  - TIED TO KEY OUTCOMES - PREVENTION/SAFETY & PLACEMENT/  
PERMANENCY
  - TIED TO REINVESTMENT

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# STEP ONE - PLACEMENT

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- **DETERMINE NUMBER OF ANNUALIZED DAYS STRATIFIED BY AGE OF CHILD**
  - LOOK BACK IN TIME AT SERVICE UTILIZATION
    - ADMISSIONS, DISCHARGES, UNIT COSTS
    - TWO GROUPS PARTICULARLY IMPORTANT
      - LEGACY CASES AND NEW CASES
        - AGE AND PRIOR TIME IN CARE - LEGACY
        - AGE - ADMISSION
      - UNIT COSTS ARE THE **BLENDED CARE DAY / CARE TYPE WEIGHTED AVERAGES**
    - SHOW EXAMPLES

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## STEP TWO - SERVICES

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- SERVICES AUTHORIZED - NUMBER OF DAYS
- NUMBER OF CHILDREN, FAMILIES COVERED (I.E., CASELOAD)
- DEVELOP A MONTHLY RATE PER CASE

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## STEP THREE - ROLL IT UP

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- FINAL CHARTS

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# LOOKING AHEAD

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- PROJECTIONS - FOR OUTCOME MONITORING
  - BASELINE, TARGETS, AND ACTUALS
- SAMPLE REPORT
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