

DEVELOPMENTAL DISABILITIES ADMINISTRATION
Olympia, Washington

TITLE: BILLING, PAYMENT, AND COST REPORTING FOR SUPPORTED LIVING, GROUP TRAINING HOMES, AND GROUP HOMES 6.04

Authority: [Title 71A RCW](#) *Developmental Disabilities*
[Chapter 388-825 WAC](#) *Developmental Disabilities Services*
[Chapter 388-101 WAC](#) *Certified Community Residential Services and Support*
[Chapter 388-101D WAC](#) *Requirements for Providers of Residential Services and Supports*

PURPOSE

This policy establishes billing, payment, cost reporting, and settlement procedures for residential service programs contracted with the Developmental Disabilities Administration (DDA).

SCOPE

This policy applies to the following DDA-contracted residential service programs for adults:

- Supported living;
- Group homes; and
- Group training homes.

DEFINITIONS

Administration means the DSHS Developmental Disabilities Administration and its employees.

Administrative staff means owners, officers or employees of the service provider, including executive directors, administrators, accountants, bookkeepers, clerical support and secretaries, whose primary job functions require a majority of time for administrative, management or operational support. Administrative staff may also include corporate staff whose time is allocated to the service provider.

Client means a person who has an intellectual or developmental disability and is:

1. Eligible under [Chapter 388-823 WAC](#); and

2. Authorized by DDA to receive residential services under Chapters [388-101](#) and [388-101D](#) WAC.

Contract means a contract between DDA and a service provider for certified community residential services under Chapters [388-101](#) and [388-101D](#) WAC.

Cost report means the documentation of expenses that are ordinary, necessary, and related to the provision of client support, training, and other activities under Chapters [388-101](#) and [388-101D](#) WAC, and a service provider's DDA contract.

Department means the Department of Social and Health Services.

Fringe benefits means the employer's expense for providing qualified employees benefits such as sick leave, health insurance, paid vacation, holiday pay, a retirement plan, and other benefits.

Group home program means certified residential services under Chapters [388-101](#) and [388-101D](#) WAC that are provided in a setting licensed as an Adult Family Home or Assisted Living Facility.

Group training home means a certified and non-profit residential program that meets requirements of [RCW 71A.22.020](#) and Chapters [388-101](#) and [388-101D](#) WAC.

Instruction and support services (ISS) means client services required by Chapters [388-101](#) and [388-101D](#) WAC and provided by ISS staff. ISS includes time ISS staff attend training and meetings where information about client services is exchanged. As described in this policy, an administrator or other administrative personnel (such as a bookkeeper, accountant, or maintenance worker) may provide ISS if the provision of ISS is included in their job description.

Instruction and support services (ISS) staff means employees of the service provider, such as counselors and trainers, whose primary job function is the provision of instruction and support services to clients. ISS staff also includes employees of the service provider, such as program managers and supervisors, whose primary job function is the supervision of ISS staff.

ISS full-time equivalent (FTE) means ISS hours that represent one full-time employee during a specific time period – such as one month or one year. An ISS full-time equivalent is the sum of hours worked by part-time employees to equal the hours worked by one full-time employee. For the purpose of cost reporting, 2,080 ISS hours per calendar year is equivalent to one FTE.

Live-in model means an atypical service delivery model approved by DDA that includes nighttime support by staff whom the agency authorizes to sleep in the client's home during the night and respond when needed. The supported living agency provides a bedroom for staff to stay in the client's home and covers the cost of their accommodation.

Metropolitan statistical area (MSA) means a relatively freestanding metropolitan area (MA) that is not closely associated with other MAs. These areas are typically surrounded by non-metropolitan counties. An MSA includes at least:

1. One city with 50,000 or more inhabitants; or
2. A Census Bureau-defined urbanized area of at least 50,000 inhabitants and a total metropolitan population of at least 100,000.

King County is recognized as having unique characteristics relative to other MSAs for purposes of determining reimbursement rates as stated in this policy.

DSHS currently recognizes the following counties as MSAs in Washington: Asotin, Benton, Chelan, Clark, Cowlitz, Douglas, Franklin, Island, Kitsap, Mason, Pierce, Skagit, Snohomish, Spokane, Thurston, Whatcom, and Yakima. DSHS makes final determinations for MSA designations. All other counties are considered non-MSAs.

Related organization means an entity that is under common ownership of the service provider, has control of the service provider, or is controlled by the service provider. An entity "controls" another entity if:

1. One entity has a five percent or greater ownership interest in the other; or
2. One entity derives the capacity, exercised or not, from a financial or other relationship that directly or indirectly influences the activities of the other.

Related party means a spouse, natural parent, child or sibling, adopted child or adoptive parent, stepparent, stepchild, stepbrother, stepsister, father-in-law, mother-in-law, son-in-law, daughter-in-law, grandparent or grandchild, uncle, aunt, nephew, niece, or cousin of the service provider.

Residential professional services means services provided by service provider staff that are included as part of the daily residential rate. These habilitative services are part of the residential habilitation support that result in a full and meaningful life. These services include residential chronic nursing supports, language translators, habilitative dialectical behavioral therapy, and behavioral habilitation. Reimbursement for professional services is at Department established rates, or at a non-standard rate as determined by the Resource Management Administrator.

Service provider means an entity contracted with DDA to provide certified community residential services under Chapters [388-101](#) and [388-101D](#) WAC.

Settlement means a process that compares the allowable ISS staff costs incurred by the provider to the ISS reimbursements for the reporting period. A cost report triggers settlement when the total reimbursed dollars is greater than the total allowable ISS cost. The provider must pay the settlement amount.

Staffing schedule means a service provider's document that lists employees, work site, working times.

Staff lodging compensation means an atypical supported living service that provides the primary residence for a staff person as a part of their compensation package. For cost reporting purposes, staff lodging compensation may include the cost of the residence as an ISS cost. Staff lodging compensation does not include the cost of maintaining a residential unit for the use of overnight staff when it is not their primary residence. The reporting of staff lodging compensation must comply with Internal Revenue Service (IRS) rules for reporting employee lodging as employee income.

Staff lodging provider expense means the cost of a dwelling or portion of a dwelling used by staff when working a 24-hour or longer shift for the live-in model. Staff lodging provider expenses are an administrative cost incurred by the program for housing; the provider must not report these expenses as instruction and support services compensation.

Supported living means a contracted and certified residential service under Chapters [388-101](#) and [388-101D](#) WAC.

Supporting documents means the detailed documents the service provider used to arrive at the expenses reported in the cost report. These documents provide evidence of the expenses.

Tiered rate methodology means the method used to derive the client's daily rate.

POLICY

- A. A service provider must annually submit a cost report, and supporting documentation upon request, to DDA. The DDA Rates Unit must be able to verify the cost of services provided and determine if a settlement is due.
- B. DDA must:
 - 1. Set standard rates for each cost center for programs covered under this policy;
 - 2. Describe allowable costs and specify the reporting requirements; and
 - 3. Describe the settlement process as it applies to residential programs.
- C. A service provider's cost report must include expenditures and revenue related to the provision of DDA-contracted services. If a service provider has multiple DDA contracts, the provider must submit a separate cost report for each contract.

PROCEDURES

I. COST REPORT SUBMISSION

A. Cost Report Due Date

1. The service provider must submit an annual cost report to DDA by March 31st covering the previous calendar year.
 - a. A service provider must complete the cost report in accordance with applicable regulations and instructions provided by DDA. If the Department receives an annual cost report deficient in any of these respects, the Department may return the report in whole or in part to the service provider for proper completion.
 - b. For a cost report not received by the due date, the Department withholds the administrative portion of the reimbursement until a completed cost report is received and accepted by DDA. If cost reports are not submitted on the due date, or extensions are not requested and granted, adjustment to all or part of the rate will be applied the first day of the month following the date due. The adjusted rate is in effect until the agency submits the cost report and DDA accepts the report as complete.
2. The provider may request a 30-day extension by submitting a written request to the DDA regional administrator or designee and copying the DDA rate analyst. The provider must submit the request no later than March 15 and the request must include an explanation of the circumstances that require the extension. If the regional administrator denies the request, the provider must submit the cost report by March 31.
3. The DDA regional administrator or designee may grant an extension for up to 30 days. The DDA regional administrator must respond to the request by March 25th and inform the provider and rate analyst.
4. If a service provider's contract is terminated before the end of the calendar year, the service provider must submit a final cost report to DDA no more than 90 days after the contract termination. The cost report must cover the months the contract was in effect for that calendar year. DDA uses the final cost report to determine a settlement for the contracted period.
 - a. The Department may withhold all or part of a service provider's payment if the service provider has given a 30-day notice to terminate their contract. DDA may release a withheld payment after the cost report and settlement are determined complete by DDA and no settlement is due.

- b. The Department may withhold all or part of a service provider's payment if the service provider's contract is terminated for convenience or cause. DDA may release a withheld payment after the cost report and settlement are determined complete by DDA and no settlement is due.

B. Completing Cost Reports and Maintaining Records

1. The service provider must complete cost reports in accordance with the *Cost Report Instructions* available on DDA's [Residential Provider Resources](#) website. If no specific instruction covers a situation, generally accepted accounting principles must be followed.
2. The DDA Rates Unit analyzes each service provider's cost report. The rate analyst verifies that:
 - a. All sections of the cost report are complete;
 - b. The information matches the ProviderOne payment report;
 - c. The report conforms with generally accepted accounting principles;
 - d. The report meets the requirements of the provider's contract; and
 - e. Expenses are accurately reported.
3. If the cost report is inaccurate or incomplete, the Department must request additional supporting documentation from the provider. Based on the Department's review of the supporting documentation, the Department may adjust the reported information or ask the provider to revise the cost report so it reflects the supporting documents. The provider must submit cost report supporting documentation if requested by the Department.
4. The DDA Rates Unit sends the service provider a revised settlement explaining any adjustments made based on the supporting documentation requested by the Department.
 - a. If a service provider disagrees with an adjustment made under this section, the service provider must identify the specific area of disagreement and submit supporting documentation.
 - b. DDA must respond to the disagreement with a determination.
 - c. If the service provider wishes to challenge DDA's determination, the service provider may request a review according to the terms of their Community Residential Services contract.
5. Service providers with more than one service within a contract must allocate and report shared costs to each residential program in accordance with provider's

allocation methods. Allocation methods must be consistent throughout the contract cycle and documented on the annual cost report.

6. A service provider must retain reports and records adequate for supporting cost reports and audits for six years after the expiration or termination of the contract.
7. If a service provider fails to maintain adequate financial records or fails to allow inspection of such records by authorized personnel, DDA may withhold all or part of subsequent payments due under the contract until compliance is forthcoming. Upon compliance, DDA may resume contract payments and will release withheld payments.

C. Cost Report Certification

1. Each cost report must include a certification of the accuracy of the report. If someone other than an employee of the service provider prepares the report, that person's name and contact information must be included with the certification.
2. If a service provider knowingly files a report containing false information, such action constitutes cause for termination of the service provider's contract with DDA. A service provider filing a false report may be referred for prosecution under applicable statutes.

D. Cost Report Components

1. Instruction and Support Services

- a. If a provider reports ISS expenses beyond what is ordinary and necessary, the Department may ask the provider to explain the reported costs.
- b. A service is necessary if it would have had to be performed by another person if the individual in question had not performed it.
- c. Service providers must provide to DSHS upon request job descriptions for employees who are allocated in the cost report working both ISS and non-ISS duties. Payroll costs charged to ISS for cost reporting purposes must be verifiable in the service provider's records. The amount of ISS payroll costs reported for any individual employee or owner of a service provider must not exceed 3,120 ISS staff payroll hours per year
- d. ISS staff may also include purchased-service personnel whose job function is the provision of professional instruction and support services. Subcontracting must be approved under the service provider's DDA contract.

- e. Providers must report on their annual cost report the monthly or quarterly payroll expenses for staff that perform ISS duties (and non-ISS for those who perform both ISS & non-ISS duties). The employer must retain the detailed monthly or quarterly payroll and supporting records that support the monthly or quarterly amounts reported on the cost report as DDA may request these records.

- f. Allowable ISS Costs include:
 - 1) Compensation paid for ISS staff salaries, wages, stipends, training costs and other compensation for staff that are designated as ISS, and prorated for those staff whose time is split between ISS and administrative functions;

 - 2) The ISS portion of an employee's compensation if the employee performs:
 - a) ISS and non-ISS;
 - b) ISS and non-contracted duties; or
 - c) ISS, non-ISS, and non-contracted duties.

 - 3) Employer paid payroll taxes related to ISS staff salaries and wages (prorated for those staff whose time is split between ISS and non-ISS functions);

 - 4) Fringe benefits paid by the employer for ISS staff (prorated for those staff whose time is split between ISS and non-ISS functions).
 - a) Fringe benefits provided at the employer's expense may include sick leave, health insurance, paid time off, paid holidays, retirement plan contributions, as well as other benefits on behalf of all employees who qualify.

 - b) Fees and fines do not qualify as fringe benefits.

 - c) The provider must report annually the total wages and fringe benefits paid to employees. The provider must keep detailed payroll records for all wages and accounts payable records for all fringe benefits reported on the annual cost report, as DDA may request this information.

 - 5) Staff lodging compensation paid by the service provider; and

- 6) Administrator's allowable ISS cost may include ISS time spent by the administrator under the following circumstances:
 - a) A supported living program, or a combined program with less than 22 FTEs, may claim the administrator's compensation as ISS based on regression table maximums, urban designation, and the percentage of time (compensation) spent performing ISS functions. The regression table is included in the cost report.
 - b) A group home may claim the portion of the administrator's compensation that was dedicated to performing ISS duties with the remainder reported as non-ISS.
 - 7) "Sleep time," which is nighttime support provided by ISS staff who are approved by a client's DDA resource manager, authorized by the agency to sleep in the client's home overnight, and are available to respond to the client's needs throughout the night. A supported living agency must provide a bedroom for the staff to stay in at the client's home and cover the cost of their accommodation; and
 - 8) The maximum call back time for ISS employees who are on-call outside of their normal work schedule that may be considered as ISS are additional costs per shift for those occurrences from when a call was received until the employee has been able to return to the employee's previous activities.
- b. When requested by DDA, the service provider must provide supporting documentation of payroll expenses claimed as ISS on the provider's annual cost report. Supporting documentation may include detailed payroll records by pay period or employee, employee Wage and Tax Statements, time sheets, and staffing schedules.

2. Transportation Costs

- a. Transportation costs are defined as ordinary and necessary transportation with or on behalf of a client for program operations and training. Transportation costs include:
 - 1) Client transportation expenses (including staff mileage reimbursement), which include expenses calculated on the transportation assessment; and

- 2) Administrative transportation expenses, which are all other operational related expenses not captured on the transportation assessment.
- b. Allowable client-related transportation costs:
 - 1) Include the cost of operating vehicles that are used for the purposes defined in section B, including maintenance, repairs, operation, insurance, tolling, and parking.
 - 2) Include the cost of public transportation for clients, volunteers, and staff, which are for the purposes defined in this section.
 - 3) Include the cost of mileage reimbursement to employees and volunteers using their personal vehicle for mileage for the purposes defined in section B.
 - 4) Do not include the cost of commuting between an employee's residence and their primary place of employment. If a service provider's staff use the provider's vehicle for travel that is not defined above, the use is considered a fringe benefit cost for that employee.
3. The service provider must not require additional compensation from or on behalf of a client for contracted residential services except as outlined in [DDA Policy 6.02, Rates and Other Covered Costs for Supported Living, Group Training Homes, and Group Homes](#). Costs incurred by the service provider associated with this provision are unallowable costs and must not be reported on the annual cost report.

III. RATE STRUCTURE

- A. Rates are established for each tier. See [DDA Policy 6.02, Rates and Other Covered Costs for Supported Living, Group Training Homes, and Group Homes](#).
- B. If a client's assessed needs are at tier nine, the resource manager determines a client-specific rate through the rate assessment process. Tier nine rates are effective for no more than 12 months.
- C. Tiered rate methodology is effective January 1, 2019. The tiered rates were derived in part from the ISS benchmark rate in effect on July 1, 2018.
 1. For non-MSAs, the ISS compensation rate must be \$18.62 per hour for salaries, wages, payroll taxes, and fringe benefits.

2. For MSAs, the ISS compensation rate must be \$18.93 per hour for salaries, wages, payroll taxes, and fringe benefits.
 3. For King County, the ISS compensation rate must be \$19.53 per hour for salaries, wages, payroll taxes, and fringe benefits.
- D. DDA may adjust rates in accordance with state legislative appropriation. Current rates are listed in the Community Residential Services contract in Exhibit C of the provider's contract.

IV. BILLING AND PAYMENT

- A. The Department reimburses a service provider a daily rate for services under the provider's residential services contract. The service provider must bill in accordance with DDA instructions.
- B. Client financial responsibility for a group home or group training home client is determined under [WAC 182-515-1514](#).
- C. A service provider must accept the reimbursement rate established by DDA as full compensation for all services under the provider's contract. The service provider must not require additional compensation from or on behalf of a client for any or all contracted residential services, except as listed in [DDA Policy 6.02, Rates and Other Covered Costs for Supported Living, Group Training Homes, and Group Homes](#). This does not prohibit a provider from participating in a grant or fundraising as long as the provider does not require a client to participate in these activities.
- D. Underpayments and Overpayments
- If there are underpayments or overpayments, the service provider, resource manager, and DDA Rates Unit work to identify and resolve the discrepancies as they arise.
- E. Certification Fee
1. As required under [Chapter 71A.12 RCW](#), the Department collects a certification fee every six months.
 - a. For fiscal year 2020, the certification fee is \$2.31 per client.
 - b. For fiscal year 2021, the certification fee is \$2.35 per client.
 2. The Department withholds all or part of a service provider's payment if the service provider has not paid the certification fee by the due date. DDA releases the withheld payment after the certification fee is paid.

VI. SETTLEMENT

A. Settlement Definition

1. Settlement is the result of underutilization of contracted and paid service dollars in the ISS Cost Center.
2. Settlement amounts are determined using DDA payment system reports, the service provider's cost report, and other supporting documentation.
3. The provisions of this section apply to the settlement calculation for the entire calendar year in which the contract is in effect.

B. Settlement Determination

1. The service provider must refund any ISS amounts paid in excess of the allowable ISS staff compensation and employer paid taxes and benefits, and reported on the service providers cost report and supporting documents.
2. Reimbursement amounts received from DDA for cost of care adjustments, staff add-ons, professional services and professional services compensation paid by the service provider must be included in the settlement calculation. For purposes of determining the settlement, administrative amounts are excluded from these calculations.
3. A settlement will result if reimbursements exceed actual payroll costs, where:
 - a. Reimbursements are the total annual reimbursed costs for ISS and professional staff; and
 - b. Payroll costs are the total annual paid ISS staff compensation and employer-paid taxes and benefits as reported in the service provider's annual cost report and supporting documentation;
4. A settlement that is less than \$100 is considered immaterial and results in a zero settlement.
5. DDA may revise a settlement if there are discrepancies found in a subsequent review.

C. Administrator Payroll Costs Claimed as ISS for Settlement Purposes

1. Supported living and contracts with multiple services with 21 or more ISS full-time equivalent employees during the settlement period are not eligible to claim any of the administrator's allowable payroll costs as ISS for settlement purposes. The administrator's payroll costs would be reported as administrative cost.
2. Supported Living and contracts with multiple services with less than 21 ISS full-time equivalent employees during the settlement period are eligible to claim the program administrator's allowable payroll costs when the administrator performs ISS duties. The allowable Administrator ISS payroll costs are based on urban designated maximum compensation levels, the number of FTE's and the percentage of time spent performing ISS job duties.
3. Group Home or Group Training Home service providers are eligible to claim the program Administrator's compensation as ISS for the percentage of time they perform ISS duties.

D. Combined Programs for Settlement

1. Service providers that have contracts with DDA for the operation of multiple residential programs within a single region may collapse those contracts into a single contract for any combination of group home and group training home and supported living programs. The single contract will identify the type or types of residential programs and all applicable rates.
2. Programs combined under a single contract are treated as a single entity for settlement purposes. The service provider may combine the total reimbursement for ISS payroll costs subject to settlement per the contract, and the combined total of paid ISS compensation into a single settlement calculation.

E. Settlement Due Repayment Process

1. If the Department determines a settlement amount is due, no more than 30 days after receiving notification of an overpayment amount, the service provider must pay the settlement overpayment amount or commence repayment in accordance with a schedule determined by Office of Financial Recovery.
2. If the service provider contests the settlement determination, the service provider must pay the settlement overpayment amount or commence repayment no more than 30 days after such proceedings are concluded. DSHS Administrative Policy 10.02, *Overpayments and Debts for Providers and Vendors*, defines "overpayments and debts" as "any Department payment or benefit to a service provider in excess of the amount the provider or vendor was entitled to by law, rule, or contract."
3. If the service provider does not pay the settlement overpayment or pay any installment when due, including payment due after a final decision under

subsection (2) of this section, the Department may withhold payments from current billings until the overpayment is paid.

4. If the Department determines an underpayment occurred, DDA initiates the adjustment in ProviderOne no more than 90 days after identifying the underpayment.

VII. COST REPORT DATA ANALYSIS

After receiving a service provider's cost report, the rate analyst may request from the provider the source documentation used to verify the cost report expenses.

EXCEPTIONS

Any exception to this policy must have the prior written approval of the Deputy Assistant Secretary or designee.

SUPERSESION

DDA Policy 6.04, *Residential Programs Cost Reporting*
Issued January 1, 2019

Approved: /s/ Deborah Roberts Date: July 1, 2019
Deputy Assistant Secretary
Developmental Disabilities Administration