

The background features a blurred medical scene with a person lying down. A green semi-transparent overlay covers the image, containing various medical icons: a syringe, a pill, a virus, a stethoscope, a group of people, and a large cross. A dark grey diagonal shape on the right side contains the title text.

# ARIZONA DEPARTMENT OF ECONOMIC SECURITY, DIVISION OF DEVELOPMENTAL DISABILITIES

Home and Community-Based Services  
Annual Rate Review

October 7, 2024

Milestone 3



**MYERS AND  
STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS



**Table of Contents**

**Provider Rate Reimbursement Adequacy Assessment Certification.....6**

- Basis for Determining Rate Adequacy ..... 6
  - Percentage of Units of Authorizations for Which Services Were Provided and Unassigned Authorizations ..... 7
- Findings..... 9
- Certification of Rate Adequacy..... 12

**Data and Methodology .....14**

- Claims Data ..... 14
- Member Data ..... 16
- HCBS Authorization Data ..... 16
- Provider Data and Financial Documents..... 17
- Electronic Visit Verification and American Rescue Plan Act Data ..... 18

**Findings and Results .....19**

- Comparison of Authorizations, Claims, and Payment Trends..... 19
  - Average Units per Member by Year and by Region..... 20
  - Service Utilization by Year..... 23
  - Percentage of Units of Authorizations for Which Services Were Provided ..... 24
- Service Authorizations That Did Not Result in the Provision of Service ..... 25
- Overall Qualified Vendor Network and Providers Delivering Services ..... 28
  - Total Provider Counts ..... 28
  - Provider Concentration Analysis ..... 29
- Use of Negotiated Rates ..... 29
- Benchmark Rates..... 30
- Provider Network and Utilization Metrics by Major Service Category..... 31
  - Residential..... 34
  - In-Home Supports..... 38
  - Day Treatment..... 42
  - Employment ..... 46
  - Transportation..... 50




---

- Nursing ..... 53
- Therapy Services ..... 57
- Qualified Vendor and Provider Financial Statements..... 60
  - Costs Arising from Amendments to Existing Contracts ..... 61
- Annual Inflationary Costs.....64**
- Change in CPI..... 64
- Recommendation ..... 66
- Additional Recommendations .....67**
- Electronic Visit Verification (EVV) Data..... 67
- ARPA Funding ..... 68
- Costs Arising from Amendments to Existing Contracts ..... 69
- Unassigned Authorizations by Service Category ..... 69
- New Federal Requirements..... 70
- Appendices .....72**
- Appendix A. Summary of CPI Research Performed ..... 73
- Appendix B. Heat Maps: Service Delivery Locations for Member Populations ..... 74
  - AZ DDD Services Members SFY 2024, Age 0-21 ..... 74
  - AZ DDD Services Members SFY 2024, Age 22-64..... 75
  - AZ DDD Services Members SFY 2024, Age 65+..... 76
- Appendix C. Heat Maps: Member Utilization and Concentration of Providers by Zip Code .. 77
  - Member Utilization and Concentration of Residential Providers..... 77
  - Member Utilization and Concentration of In-Home Supports Providers ..... 78
  - Member Utilization and Concentration of Day Treatment Providers ..... 79
  - Member Utilization and Concentration of Employment Providers..... 80
  - Member Utilization and Concentration of Transportation Providers..... 81
  - Member Utilization and Concentration of Nursing Providers..... 82
  - Member Utilization and Concentration of Therapy Providers ..... 83
- Appendix D. Heat Maps: Providers per Member by County ..... 84
  - Residential ..... 84
  - In-Home Supports..... 85



# TABLE OF CONTENTS

---

Day Treatment.....	86
Employment .....	87
Transportation.....	88
Nursing.....	89
Therapy .....	90



## List of Figures

Figure 1. Total Member Count by State Fiscal Year .....	20
Figure 2. Total Paid Claims by State Fiscal Year .....	21
Figure 3. Total Number of Paid Claims by Service Category by State Fiscal Year .....	22
Figure 4. Total Number Paid Units by State Fiscal Year .....	22
Figure 5. Total Number of Units by Service Category .....	23
Figure 6. Average Units per User by Service Category .....	24
Figure 7. Various Services: Unassigned Authorizations .....	27
Figure 8. HCBS Hourly and Therapy: Unassigned Authorizations (2019-2023) .....	28
Figure 9. Over-The-Year Percent Change in CPI-U, Phoenix-Mesa-Scottsdale .....	65

## List of Tables

Table 1. Summary of Percent Change for Services Using Five Metrics 2023 to 2024 .....	10
Table 2. Summary of Percent Change for Services Using Five Metrics 2019 through 2024.....	11
Table 3. Columns in the Claims File .....	15
Table 4. Total Number of Individuals and HCBS Authorizations .....	16
Table 5. Percentage of Units of Authorizations for Which Services Were Provided.....	25
Table 6. Average Unassigned Authorizations by State Fiscal Year .....	26
Table 7. Total Number of Providers by Size and Market Capture.....	29
Table 8. Provider Network Concentration .....	29
Table 9. Percent of Units Paid at Fee Schedule Rate.....	30
Table 10. Residential Service Codes .....	34
Table 11. Payments by DES/DDD for Service Codes Included in this Category (in Millions) .....	36
Table 12. Current Rates Compared to Benchmark Rates, Residential Services.....	36
Table 13. Number of Members of Residential Services by Region .....	37
Table 14. Average Units per Member of Residential Services.....	37
Table 15. Number of Residential Service Providers by Region .....	37
Table 16. Utilization Percentage of Authorized Units of Residential Services by Region.....	38
Table 17. In-Home Supports Service Codes .....	38
Table 18. Payments by DES/DDD for Service Codes Included in this Category (in Millions) .....	40
Table 19. Current Rates Compared to Benchmark Rates, In-Home Supports .....	40
Table 20. Average Units per Member User for In-Home Supports .....	41
Table 21. Number of Member Users of In-Home Supports by Region.....	41
Table 22. Number of In-Home Support Service Providers by Region.....	41
Table 23. Utilization Percentage of Authorized Units of In-Home Supports by Region .....	42
Table 24. Day Treatment Service Codes .....	42
Table 25. Payments by DES/DDD for Service Codes Included in this Category (in Millions) .....	44



---

Table 26. Current Rates Compared to Benchmark Rates, Day Treatment Services.....	44
Table 27. Average Units per User for Day Treatment .....	44
Table 28. Number of Member Users of Day Treatment Services by Region .....	45
Table 29. Number of Day Treatment Service Providers by Region .....	45
Table 30. Utilization Percentage of Authorized Units of Day Treatment Services by Region .....	45
Table 31. Employment Service Codes .....	46
Table 32. Payments by DES/DDD for Service Codes Included in this Category (in Millions) .....	47
Table 33. Current Rates Compared to Benchmark Rates, Supported Employment Services.....	48
Table 34. Average Units per Member User for Employment .....	48
Table 35. Number of Member Users of Employment Services by Region.....	49
Table 36. Number of Employment Service Providers by Region .....	49
Table 37. Utilization Percentage of Authorized Units of Employment Services by Region.....	50
Table 38. Transportation Service Codes .....	50
Table 39. Payments by DES/DDD for Service Codes Included in this Category (in Millions) .....	51
Table 40. Current Rates Compared to Benchmark Rates, Transportation Services.....	52
Table 41. Average Units per Member User for Transportation .....	52
Table 42. Number of Member Users of Transportation Services by Region .....	52
Table 43. Number of Transportation Service Providers by Region .....	53
Table 44. Utilization Percentage of Authorized Units of Transportation Services by Region.....	53
Table 45. Nursing Service Codes .....	54
Table 46. Payments by DES/DDD for Service Codes Included in this Category (in Millions) .....	55
Table 47. Current Rates Compared to Benchmark Rates, Nursing Services.....	55
Table 48. Average Units per Member User of Nursing.....	56
Table 49. Number of Member Users of Nursing Services by Region .....	56
Table 50. Number of Nursing Service Providers by Region .....	56
Table 51. Utilization Percentage of Authorized Units of Nursing Services by Region.....	57
Table 52. Therapy Service Codes.....	57
Table 53. Payments by DES/DDD for Service Codes Included in this Category (in Millions) .....	58
Table 54. Current Rates Compared to Benchmark Rates, Therapy Services .....	59
Table 55. Average Units per User for Therapy.....	59
Table 56. Number of Member Users of Therapy Services by Region.....	59
Table 57. Number of Therapy Providers by Region.....	60
Table 58. Utilization Percentage of Authorized Units of Therapy Services by Region .....	60
Table 59. Provider Review Sample SFY 2024 .....	61



---

## Provider Rate Reimbursement Adequacy Assessment Certification

The Arizona Department of Economic Security, Division of Developmental Disabilities (DES/DDD) selected Myers and Stauffer LC (Myers and Stauffer) to serve as the Annual Home- and Community-Based Services (HCBS) Rate Certification consultant for State Fiscal Year (SFY) 2024.

The purpose of this engagement is to satisfy the requirements of Arizona Revised Statutes (A.R.S.) 36-2959,<sup>1</sup> which authorizes DES/DDD to contract with an independent consulting firm to conduct an annual study of the adequacy and appropriateness of Title XIX reimbursement rates for HCBS service providers for the developmentally disabled program of the Arizona long-term care system and the state-only program. The consultant must also present a recommendation for annual inflationary costs, including consideration of costs arising from amendments to existing contracts. DES/DDD is required to provide a report of the study to the Joint Legislative Budget Committee and the Administration by October 1, 2024.

### Basis for Determining Rate Adequacy

The rate review focused on services delivered by providers contracted with DES/DDD through the Request for Qualified Vendor Application (RFQVA) and paid according to the published fee schedule. Myers and Stauffer analyzed paid claims for services rendered for SFYs 2019 through 2024. Thirty-seven unique services were grouped into seven categories: residential, in-home supports, day treatment, employment, transportation, nursing, and therapy. Myers and Stauffer also grouped data by the location where services were delivered. Arizona's 15 counties were sorted into five regions: (1) Maricopa County; (2) Pima County; (3) the Northern Counties of Apache, Coconino, Mohave, Navajo, and Yavapai; (4) the Central Counties of Gila and Pinal; and (5) the Southern Counties of Cochise, Greenlee, La Paz, Santa Cruz, and Yuma.

To assess overall rate adequacy and consistency in approach over the six years, Myers and Stauffer computed the five established statewide metrics used to perform prior rate adequacy reviews. These are briefly summarized below.

### Average Units per Member

Average service units per member were calculated for each service category by region and by SFY. The results were used to identify patterns or trends over the six-year period that help to assess the sufficiency of provider capacity and whether members can receive necessary services

---

<sup>1</sup> Arizona Revised Statutes: <https://www.azleg.gov/ars/36/02959.htm>. Accessed August 12, 2024.



in a timely manner from a statewide and regional perspective. A steady or increasing number of units per member may indicate a sufficient number of providers to deliver services to the member population at the current rate level. In contrast, a decreasing pattern may indicate insufficient capacity at current rate levels and help to identify “provider deserts.”

### **Percentage of Service Units Paid at the Fee Schedule Rate**

The percentage of service units paid at DES/DDD’s published fee schedule rate was calculated by SFY. The results were used to identify provider participation/rate uptake trends. A high percentage of units paid may indicate that providers are willing to deliver the services at the established rates. In contrast, a materially decreasing trend may indicate that fee schedule rates may be insufficient to compel providers to deliver the services.

### **Percentage of Units of Authorizations for Which Services Were Provided and Unassigned Authorizations**

The percentage of units of authorizations for which services were provided metric was calculated by dividing total paid service units by total service authorizations for each service by SFY. This metric establishes a longitudinal perspective at how service authorizations convert to service delivery. A steady or increasing percentage may indicate that providers are available and providing services to members promptly. A materially decreasing percentage may indicate that members are experiencing difficulties finding providers and having services delivered at the volume and frequency they need.

Myers and Stauffer also calculated similar metrics on an overall statewide basis by service. Unassigned service authorization totals were reviewed month-over-month through 2023 (using the most recently available data). An unassigned service authorization was calculated when an identified member with a service authorization did not receive a service within the state fiscal year. While data for when the service authorization is determined and when service provision begins do not always align to the same period, it allows for a review of patterns in the data over time and identification of trends or outliers. A high number of unassigned authorizations may represent a difficulty for members in finding providers to deliver needed services. Conversely, a steady or low amount of unassigned authorizations would represent sufficient capacity of providers and a willingness to deliver services at the fee schedule rates.

### **Provider and Member Counts**

These two metrics were calculated for each service on a statewide and regional basis by SFY. Increasing provider and member counts show service demand and the potential provider capacity to fulfill that demand. A lower number of providers or members may indicate that



members are unable to receive needed services at the fee schedule rates. Both provider and member counts only included those entities and individuals that delivered or received a service within the SFY.

A provider concentration metric was calculated and reviewed system-wide in conjunction with the provider counts. Providers were sorted according to total payments for each SFY (revenue ranges) and percent of revenue captured, then arranged according to the concentration of payments to providers by percentile to determine volume. This information helps assess the basic makeup of the provider network and the capacity for members to have a choice in providers. Material increases in the percentage of services delivered by the top 20% of providers may indicate that the provider network is shrinking and choice is narrowing. In comparison, a stable or slight decrease in services from the top 20% of providers would indicate a steady or expanding provider mix.

### **Additional Metrics**

In addition to the five metrics described above, DES/DDD requested Myers and Stauffer to examine three other metrics related to rate adequacy: provider financial ratios and net income percentage, the impact of RFQVA contract changes, and a comparison of adopted rates to calculated system benchmark rates.

Myers and Stauffer examined financial statements for a sample of 75 RFQVA providers to compute the cash ratio (cash on hand divided by current liabilities), current ratio (current assets divided by current liabilities), and net income percentage (net income divided by total revenues). This review helps identify provider health metrics that could indicate if provider financial operating margins are shrinking. Shrinking ratios and margins may indicate that rates are inadequate to keep up with increasing provider expenses, making service delivery less sustainable and attractive to the provider community.

DES/DDD recently amended the RFQVA DDD contracts and requested Myers and Stauffer to assess the potential impact of the contract revisions<sup>2</sup> on the provider's cost-of-doing business and potential impact on their willingness/ability to deliver requested services. Since the effective date of the revisions has been extended to January 1, 2025, the review was high-level and prospective. Additionally, it should be noted that many of the revisions are identified as procedural changes needed to support the electronic submission of provider enrollment information, which implies intent to create administrative efficiencies related to a streamlined process.

---

<sup>2</sup> RFQVA DDD-2024 Contract Revision Redline Summary.



Lastly, the adopted rates as of January 1, 2024 were compared against the historical benchmark rate data and the new July 1, 2024 rebased benchmark rate data. A percentage of the adopted rates to the benchmark rates was calculated to determine consistency in funded rates within and across the seven major service types. Additionally, minimum wage assumptions (excluding Flagstaff) were reviewed for each service to determine whether the adopted rates provided for average hourly wage assumptions exceeded minimum wage requirements.

Myers and Stauffer reviewed the results of all eight metrics to assess the adequacy of DES/DDD HCBS service rates and potential inflationary adjustments.

### Findings

Myers and Stauffer assessed metrics in every major service category for trends to indicate steady-state, positive, or negative changes throughout the six-year study period. As discussed, no single metric defines a rate as adequate in and of itself, but the combination of all measures allows for trends and areas of note to be identified. Details relating to the high-level findings from our review of the five key service and utilization-specific metrics have been compiled and presented in the two tables below. Areas of material negative results have been identified in red shading to draw attention to the specific metrics and services impacted.

*Table 1* summarizes the percentage or absolute change from SFY 2023 to SFY 2024 for all seven service categories using five metrics. The first column presents the percent change in the number of members from the previous year to the current one. The second column presents the percent change in the number of providers. The third column presents the percent change in the average units per member. The fourth column presents the absolute change in the percentage of units paid on the fee schedule, and the fifth column presents the absolute change in the percentage of units on authorizations for which services were delivered.

The results in *Table 1* show a general stable or increasing trend for most of the service categories and service metrics, with only four of the 35 metrics representing a material decline (defined as greater than 6%). Residential and Employment service types have one measure that just exceeds the threshold. Transportation and Nursing services show a significant decline in the percentage of units paid on the fee schedule. These large negative values may be partly due to the short period of data available and the completion of units for SFY 2024, but are worthy of continued review and investigation by DES/DDD as claims continue to complete.



*Table 1. Summary of Percent Change for Services Using Five Metrics 2023 to 2024*

	Number of Members	Number of Providers	Average Units per Member User	Percent of Units Paid on Fee Schedule	Percentage of Units on Authorizations
<b>Residential</b>	2.5%	5.8%	0.9%	1.0%	-6.5%
<b>In-Home Supports</b>	4.6%	-1.3%	8.4%	14.1%	-0.5%
<b>Day Treatment</b>	-5.4%	7.5%	1.9%	1.1%	-2.8%
<b>Employment</b>	0.2%	1.0%	-6.7%	1.0%	13.3%
<b>Transportation</b>	-0.2%	6.6%	1.6%	-26.9%	-2.7%
<b>Professional, Nursing</b>	4.3%	14.3%	-0.8%	-20.9%	10.9%
<b>Professional, Therapy</b>	4.6%	-4.8%	0.0%	7.9%	-1.3%

*Table 2* shows the same metrics in the same order as *Table 1*, but the data represent the change from SFY 2019 through SFY 2024. This allows for a longitudinal review of key metrics. Once again, most metrics are stable or increasing, but nine of 35 metrics show a material decrease. When compared to *Table 1* results, there are three of the nine metrics for which the 2024 experience seems to be the root cause of the decline, making those measures important to focus on as they do not appear to be related to the Public Health Emergency (PHE). Residential services only has one material declining metric overall in both tables, which does not cause rate adequacy concerns. The services for which further monitoring or investigation may be required are for those that have multiple noted declining metrics and related volatility at the region level. Those services are Employment, Transportation, and, to some degree, Nursing services. Employment has multiple negative metric areas and shows significant volatility at the regional level. Employment services do not appear to have fully rebounded from the impact of the PHE, and the declining trends should continue to be monitored to ensure service delivery is available to the member and continues to meet their needs. Transportation also shows signs of lingering impacts from the PHE. While providers have increased, so too have unassigned authorizations and negotiated rates. Transportation is a service with rates that exceed the established benchmarks, but the 2024 data showed a significant volume of rates at non-fee schedule levels. As SFY 2024 paid claims continue to complete, further investigating and monitoring this measure is recommended. Nursing services also show a similar large-scale volume of rates paid at non-fee schedule levels and similar to Transportation; further investigation and monitoring as SFY 2024 paid claims continue to complete is recommended. Day Treatment also has multiple declining metrics, but with the effects of the PHE on members and their choice of alternative treatment settings, the decline in members is not unexpected.



*Table 2. Summary of Percent Change for Services Using Five Metrics 2019 through 2024*

	Number of Members	Number of Providers	Average Units per Member User	Percent of Units Paid on Fee Schedule	Percentage of Units on Authorizations
<b>Residential</b>	11.5%	59.0%	0.3%	19.7%	-7.1%
<b>In-Home Supports</b>	18.9%	23.5%	43.4%	5.8%	-2.2%
<b>Day Treatment</b>	-15.5%	17.5%	1.4%	17.2%	-9.3%
<b>Employment</b>	-12.6%	9.0%	-23.3%	-0.5%	5.2%
<b>Transportation</b>	-18.9%	14.9%	-2.3%	-26.7%	-12.1%
<b>Professional, Nursing</b>	-4.9%	33.3%	-5.4%	-27.1%	0.7%
<b>Professional, Therapy</b>	7.0%	-5.3%	11.1%	-30.5%	0.4%

The current January 1, 2024 adopted rates were compared against the historical benchmark rate data and the new July 1, 2024 rebased benchmark rate data. It is important to note that the new benchmark rate information significantly increases rate levels across most service categories. The rate level changes are driven by wage and other inflationary cost pressures since the PHE.

A percentage of the adopted rates to the benchmark rates was calculated to determine consistency in funded rates within and across the seven major service categories. A threshold of 85% of the benchmark rate was utilized to evaluate the adequacy of the reimbursement rate for each service category. The 85% threshold was used to align with historic rate adequacy reports and accommodate historic levels of benchmark rate coverage. While most rates exceed the 85% threshold compared to the 2019 benchmark rates, 16 of the 30 rates reviewed are beneath the 85% threshold compared to the July 1, 2024 benchmark rates. While many rates exist in the system, these rates represent the major base rate levels from which other rates are determined.

Minimum wage assumptions (excluding Flagstaff) were also reviewed for each service to determine whether the adopted rates provided for average hourly wage assumptions exceeding SFY 2024 minimum wage requirements (\$14.35). The state already has rate adjustments for the Flagstaff area; as such, only the non-Flagstaff rates were reviewed for compliance with minimum wage requirements. The review revealed two services, Respite (Hourly) and Homemaker, where current adopted rates may not exceed minimum wage thresholds. The State should consider raising the rates of these services to cover minimum wage requirements fully.



In addition to Medicaid funding through rate payments, providers have had access to a time-limited funding source for their operations from the State's American Rescue Plan Act (ARPA) dollars. The State provided ARPA funding for 2023 DDD service payments totaling \$252 million, equating to roughly 12% of the total Medicaid revenue paid to DDD providers for all service types in the same year. At least 80% of those dollars in Arizona are required to be distributed to direct support workers and supervisors. The existence of these additional monies has likely had a material and direct impact on the metrics presented in this report and could mask the effects of issues with current rate levels. With ARPA money being a time-limited investment, the State should strongly consider replacing some or all those dollars to providers through rate adjustments.

The review of provider financial information to determine metrics/ratios of provider fiscal health was performed using information provided by the State. The review showed stable results compared to historical rate adequacy reports. A statewide review of provider concentration was also performed, and stable results were found.

Myers and Stauffer assessed the potential impact of the RFQVA DDD contract revisions on the provider's cost of doing business and the potential impact on their willingness/ability to deliver requested services. No administrative provisions that would have a material impact on the provider's cost of operations were identified.

### Certification of Rate Adequacy

Myers and Stauffer bases this year's rate adequacy assessment on the findings from the five service utilization metrics within each of the seven major service categories, the three metrics related to provider financial health, the review of adopted rates to benchmark wage data, and the impact of time-limited ARPA funding.

Upon consideration of the collective aspect of the factors identified, Myers and Stauffer certify, with qualifications, that the current published fee schedule rates set by DES/DDD are adequate to reimburse providers to deliver the services authorized through the RFCVA.

Myers and Stauffer asserts that for future years, the State should consider the impact of both the release of the updated July 1, 2024 rebase rate benchmarks and the loss of time-limited ARPA funding in evaluating the adequacy of reimbursement rates. While an across-the-broad rate increase is not recommended, Myers and Stauffer strongly recommend that the State consider raising service rates to align with at least 85% of the new benchmark rates. This will



align service rates with current operation costs, help replace ARPA money as critical staff wage and retention funding, and align historical benchmarks to adopted rate funding levels.

As mentioned in the findings section, there are two services, Respite (hourly) and Homemaker, which do not appear to have wage assumptions that meet minimum wage requirements. Should the State move rate levels to 85% of the new rebase benchmark rates, these services would no longer have issues covering minimum wage levels.

Additionally, in accordance with A.R.S. §23-363(B), Myers and Stauffer recommends the State consider applying an annual inflationary factor to adopted rates to account for state minimum wage changes, allowing direct support worker wages to grow at an equivalent rate, helping to ensure providers remain competitive in the labor market.

Myers and Stauffer also recommend the State:

- *Monitor the integrity of Electronic Visit Verification (EVV) data and consider including a caregiver continuity metric for future reports when sufficient EVV data are available.*
- *Continue to monitor guidance on, and the related impact of, recent federal rules and their potential to impact provider rate adequacy. With lawsuits challenging certain rules, the scope and scale of implementation could change whenever a ruling is made.*
- *Consider developing a standard baseline for the number of unassigned authorizations that is reasonable for each service category, considering historical factors such as average time involved in arranging service delivery, number of available providers, demand for services, time standards for case management, etc., and to explain reasons for the cyclical trends that occur each year. This will assist in more easily identifying service delivery interruptions that require urgent attention and remediation.*
- *Investigate Employment services further at the statewide and regional level to review volatility in provider capacity by region and average units of service per member as SFY 2024 claim payments fully complete.*
- *Investigate Transportation services to determine the scope of non-fee schedule rate payments and any related provider trends as SFY 2024 claims payments fully complete.*



---

## Data and Methodology

Myers and Stauffer submitted the initial data request to DES/DDD on May 17, 2024 for HCBS authorizations, claims, rates, and other payments for dates of service July 1, 2017 through June 30, 2024. Receipt of the data initiated the review and validation process in which the necessary elements for rate review classification were confirmed, and data gaps and inconsistencies, such as duplicated information, invalid or missing three-character service codes, missing provider/client identifications (IDs), invalid payment or unit amounts, and any data integrity issues were identified. When needed, Myers and Stauffer communicated questions to DES/DDD, and clarification and updated files were provided.

### Claims Data

After integrating DDD claims data, Myers and Stauffer linked the claims with the HCBS service authorization data and categorized the dataset by service type and service delivery region. To maintain consistency with prior annual rate adequacy reports prepared for DES/DDD, Myers and Stauffer used three-character service codes to aggregate claims data into seven major service categories. This categorization supports the analysis of services similar in scope and provider type. The service categories include:

- *Residential Services.*
- *In-Home Support Services.*
- *Day Program Services.*
- *Employment-Related Services.*
- *Transportation.*
- *Nursing Services.*
- *Therapy Services.*

The study excluded an eighth category, including all other services paid outside of the published fee schedule through negotiated rates and DES/DDD's independent provider program.

Myers and Stauffer reviewed the aggregated service data at the statewide and regional levels to assess the adequacy and impact of rates on service delivery and provider capacity within the five regions requested by DES/DDD, which are:

- *Maricopa County.*



- *Pima County.*
- *Central Counties excluding Maricopa (Gila, Pinal).*
- *Southern Counties excluding Pima (Cochise, Graham, Greenlee, La Paz, Santa Cruz, Yuma).*
- *Northern Counties (Apache, Coconino, Mohave, Navajo, Yavapai).*

Myers and Stauffer initiated the query and link process, entered the results into tables, and performed additional validation reviews of overall counts on claims, providers, and members. Service category paid amount totals and year-over-year trends were also validated. Results were then compared to those of historic SFYs to confirm consistency. *Table 3* presents the columns included in the claims dataset.

*Table 3. Columns in the Claims File*

Claims File Columns		
<ul style="list-style-type: none"> <li>• MEMBER_IDENTIFIER</li> <li>• PROVIDER_IDENTIFIER</li> <li>• PROVIDER_NPI</li> <li>• PROVIDER_NAME</li> <li>• SERVICE_START_DATE</li> <li>• SERVICE_END_DATE</li> <li>• HCPCS_CODE</li> <li>• DDD_SERVICE_CODE</li> </ul>	<ul style="list-style-type: none"> <li>• MODIFIERS</li> <li>• PLACE_OF_SERVICE_CODE</li> <li>• UNIT_COUNT</li> <li>• UNIT_RATE</li> <li>• UNIT_TYPE</li> <li>• CLAIM_ID</li> <li>• CLAIM_LINE_STATUS</li> <li>• CLAIM_LINE_ID</li> </ul>	<ul style="list-style-type: none"> <li>• BILLED_AMOUNT</li> <li>• PAID_AMOUNT</li> <li>• PAYMENT_DATE</li> <li>• TPL_AMOUNT</li> </ul>

Myers and Stauffer established a Structured Query Language claims database and utilized claim line data to analyze member count, total units, and average units per member by service category. Data were grouped by service start date (year and month), service code, member identifier, and claim line status. Unit count was summed within the groupings, datasets were aggregated by service category and filtered to remove claim lines with void statuses, and then SFY was appended to claim lines. Myers and Stauffer calculated distinct member counts and total units for each service according to month and SFY. Due to incomplete data from claims lag for the last four months of SFY 2024, distinct member counts and total units were projected based on the data for January 1, 2023 through February 9, 2024. Myers and Stauffer calculated average units per member for each service category by month and SFY. The results were graphed to examine the project’s core measures and select sample data for the provider financial information review.



**Member Data**

Myers and Stauffer received two data files for members receiving DDD services, one containing member eligibility spans and the other containing member zip code, county of residence, and primary diagnosis category. Member files were restructured by SFY to identify member zip code and county of residence. The most recent address within that SFY was selected when multiple addresses were found for a member. Using the “Member ID” field, the member location was linked with the claims and authorization files. Members who did not utilize any services were excluded from the study. There was also a small contingent of member data where location/geographic information could not be connected to the paid claims. That information was included in the statewide total comparison but excluded from the regional analysis for the selected metrics.

**HCBS Authorization Data**

HCBS authorization data includes member information, provider ID, service code, start and end date, and authorization type and status. Myers and Stauffer scrubbed the data to remove member date of birth, member date of death, and primary diagnosis on the authorization start date. As with payment information, service authorizations for similar services were summed and categorized into seven major service categories. Member service authorizations were matched to payment information to identify payments made for a service category for which an authorization exists. Since service authorization spans do not always overlap with SFYs, the start date of the authorization span was used to classify members for purposes of metric development.

Table 4 shows the total number of individuals and HCBS authorizations by SFY. Myers and Stauffer linked the claims data with service authorization and member data to address utilization and network adequacy questions.

*Table 4. Total Number of Individuals and HCBS Authorizations*

Year	Number of Individuals	Number of Authorization Rows (by Service)
7/1/2018-6/30/2019	36,622	230,345
7/1/2019-6/30/2020	36,562	221,997
7/1/2020-6/30/2021	36,653	210,843
7/1/2021-6/30/2022	37,592	210,156
7/1/2022-6/30/2023	38,337	189,427
7/1/2023-6/30/2024	41,473	209,776



### Provider Data and Financial Documents

DES/DDD sent Myers and Stauffer three additional data files to perform the provider health assessment, which included provider identifiers, provider organization names, service codes, and locations. The provider location was excluded from the study since it includes business headquarters addresses, which are not necessarily tied to counties where services were provided. The file contained 2,538 unique providers, including all HCBS DES/DDD-enrolled providers. This represents the most expansive defined provider pool from which Arizona residents with developmental disabilities receive services, regardless of funding stream. Myers and Stauffer linked provider data to the paid claims data to identify the subset of providers enrolled and certified to deliver Medicaid services but have not billed for services so that they could be removed from the dataset and excluded from the study. The provider information included within the study reflects only the providers who delivered and billed for services between SFY 2019 and SFY 2024.

To assess provider fiscal health and solvency, Myers and Stauffer selected a sample of 75 provider organizations for financial documents review. DES/DDD approved the sample and provided one year of financial data for each of the providers. The financial data included balance sheet documentation to establish a specific financial ratio analysis and income statement documentation to determine net income percentage.

Myers and Stauffer computed the following metrics for 2024 and compared them with results from the historical rate reports:

- **Cash Ratio** – *This ratio is determined by dividing an organization’s total cash (or near-cash) reserves by its current liabilities. It measures an organization’s ability to cover its short-term financial liabilities and remain solvent in the near term.*
- **Current Ratio** – *This ratio is determined by dividing an organization’s current assets by its current liabilities. It measures an organization’s liquidity and capability to meet its short-term obligations and remain solvent in the near term.*
- **Net Income Percentage** – *This measure is calculated by dividing net income (profit/loss) by total organization revenue. It measures the percentage of revenue that is converted to profit.*

This analysis offers a high-level view of the financial health of its providers according to operation size and identifies material changes in provider health metrics over time.



---

### **Electronic Visit Verification and American Rescue Plan Act Data**

DES/DDD requested Myers and Stauffer to review available EVV data from January 2023 to May 2024 to provide an initial assessment of applicability to the rate study and identify potential metrics that could be developed to promote continuity in the member/provider relationship.

DES/DDD also provided ARPA data for 2023 and requested Myers and Stauffer consider the impact of the discontinuation of ARPA funding on future rate adequacy. The EVV and ARPA results are presented in the Additional Findings and Recommendations section.



---

## Findings and Results

### Comparison of Authorizations, Claims, and Payment Trends

Once the data were appropriately categorized, Myers and Stauffer performed analyses of the year-over-year percentage or absolute change in the selected metrics, the absolute percentage change from the beginning period to the ending period, and changes from pre-pandemic periods to the current period to better understand the pandemic effect and impact on service utilization and delivery by service category.

As with the categorization of data, Myer and Stauffer’s review utilized the five established statewide utilization metrics incorporated into the historical rate adequacy review reports. These metrics include:

- *Average units per member for each service category by year and region.*
- *Percentage of units paid at the provider fee schedule rate time when the service was rendered.*
- *Percentage of units of authorizations for which services were provided.*
- *Provider counts.*
- *Member counts.*

Myers and Stauffer then analyzed the three historically established financial ratios and net income percentage metrics, reviewed RFQVA amendments, and compared the current adopted rates to the historic and July 1, 2024 rebased benchmark rates.

Myers and Stauffer utilized a combination of the eight metrics to present a reasonable description of how and to what extent reimbursement rates have affected providers and their ability to deliver services.

As a companion to the tables and narrative below, Myers and Stauffer created heat maps for each of the main service types. These heat maps are in the following appendices and provide a visual representation of member location, member utilization, and provider concentration:

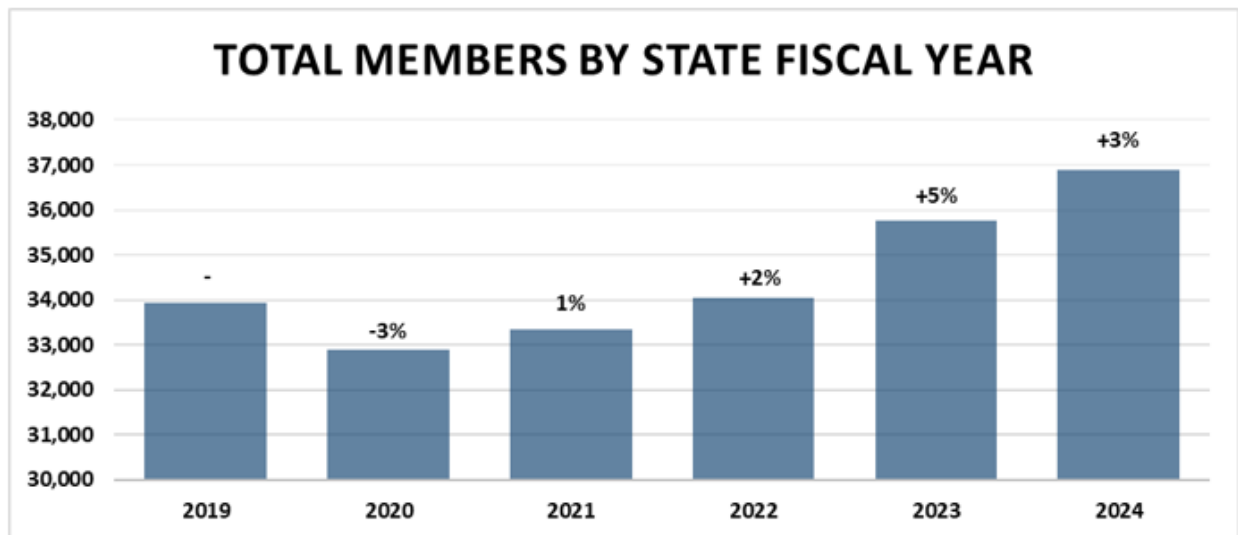
- *Appendix B. Heat Maps: Service Delivery Locations for Member Populations*
- *Appendix C. Heat Maps: Member Utilization and Concentration of Providers by Zip Code*
- *Appendix D. Heat Maps: Providers Per Member by County*



### Average Units per Member by Year and by Region

In conjunction with calculating the average units per member, Myers and Stauffer examined other relevant information related to service volume to have a more complete picture of service delivery over time. *Figure 1* presents the total number of members and the percent change by SFY. The data reveal a 3% decrease in total members in 2020, likely due to the pandemic. From 2020 through 2024, annual growth has rebounded at an average of 2.75% yearly.

*Figure 1. Total Member Count by State Fiscal Year*



*Figure 2* presents the total paid claim dollar amounts by SFY. The data show a steady increase in paid claims from 2019 through 2024, with an average annual growth rate of 15%. The increase in paid claims amounts is likely driven by the rise in number of members, service utilization per member, availability of ARPA funding, and cost of services. Other potential factors could include changes in financial and categorical Medicaid eligibility requirements, expansion in the number and type of available services, growth in participating providers, and other changes in HCBS waiver program requirements.



Figure 2. Total Paid Claims by State Fiscal Year

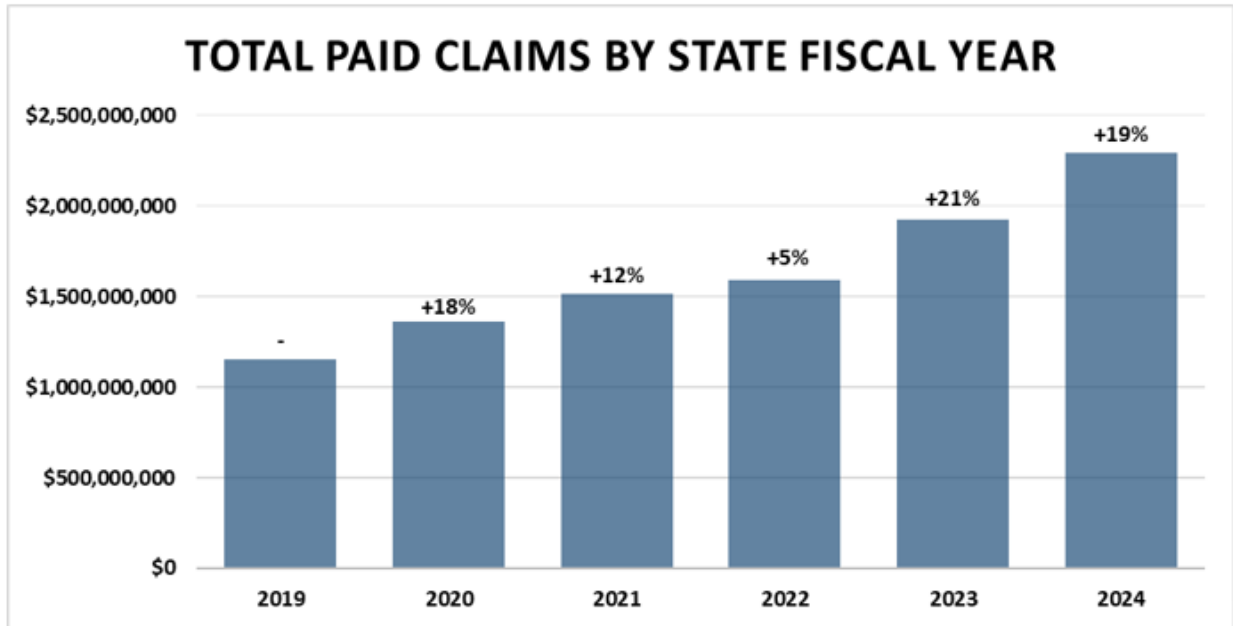


Figure 3 presents total paid claims by DDD service category by SFY for eight service categories: Transportation, Residential, Therapy, Nursing, Employment, In-Home Supports, Day Treatment, and Other.<sup>3</sup> As expected, Residential services and In-Home Supports represent the highest dollar amount of claims paid. The steady growth in claims paid amount trends for all services is generally consistent.

<sup>3</sup> The other category includes those claims paid outside of RFQVA published fee schedule and was therefore excluded from the broader analysis.



Figure 3. Total Number of Paid Claims by Service Category by State Fiscal Year

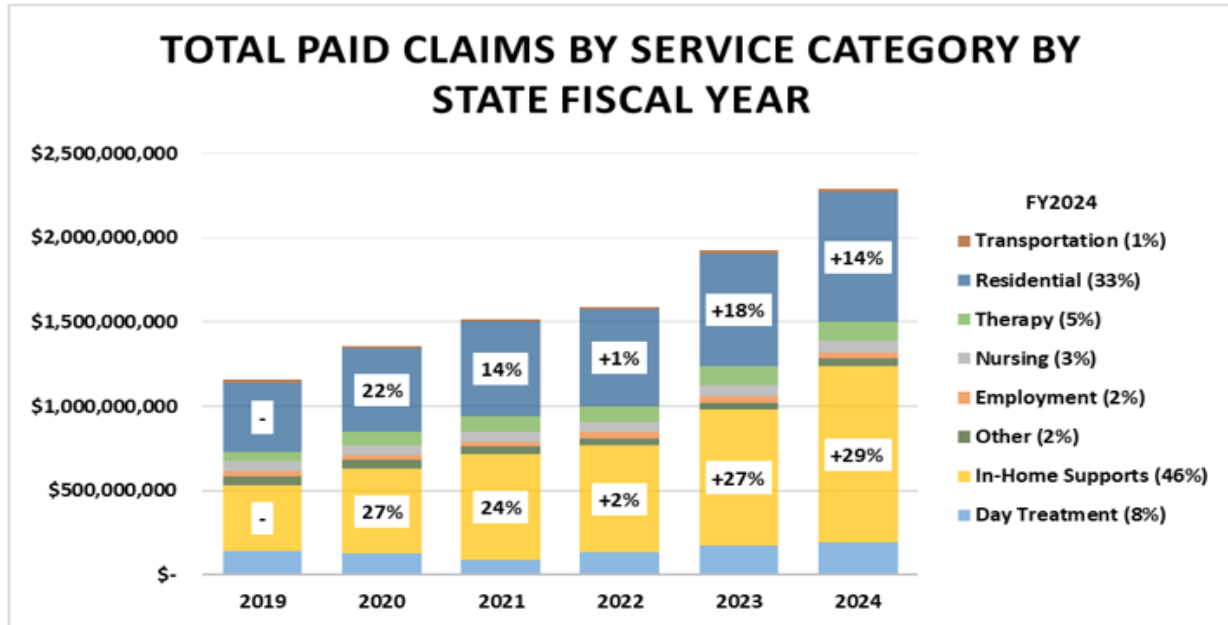


Figure 4 presents the total number of paid DDD service units by SFY. Data indicate a 1% decrease for 2020 and 2021, followed by an average growth rate of 11.7% for the following three years.

Figure 4. Total Number Paid Units by State Fiscal Year

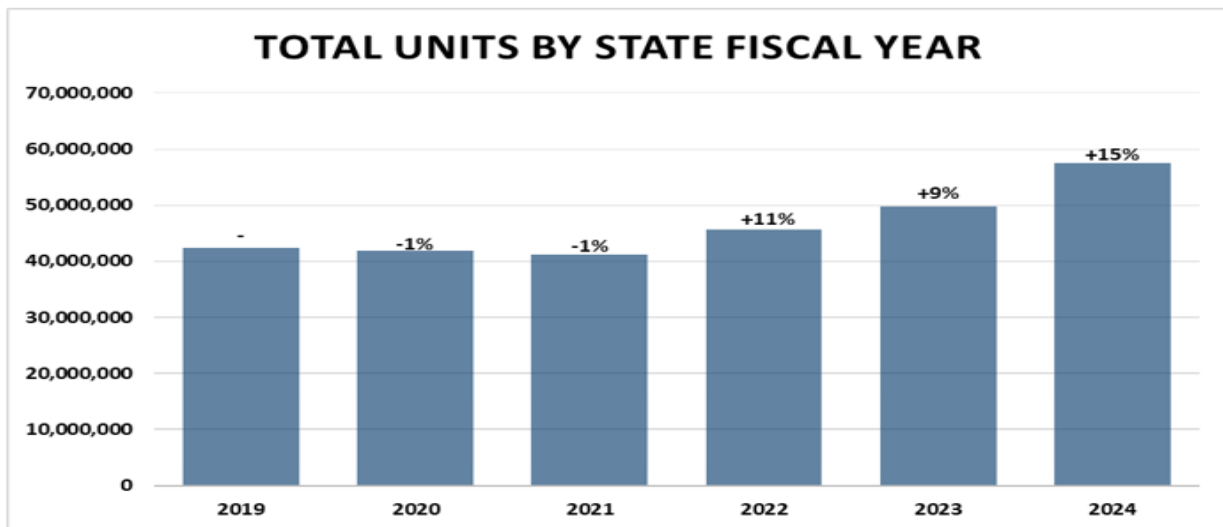
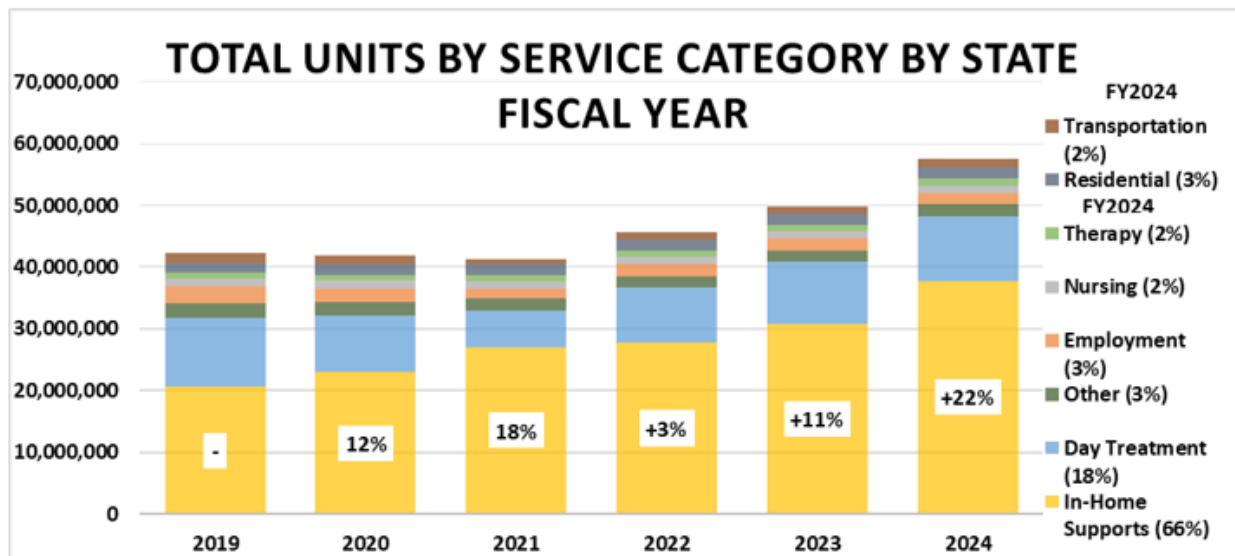


Figure 5 shows the total paid DDD service units by service category by SFY, with In-Home Supports and Day Treatment representing the highest number of units. In-Home Supports is the



only category that shows a substantial increase over time (66%), while the others reflect a slight increase, slight decrease, or no change between years. There are some pandemic effects on units for certain services (particularly Day Treatment) in the 2020 and 2021 years, but they have generally rebounded in 2022 and beyond.

*Figure 5. Total Number of Units by Service Category*

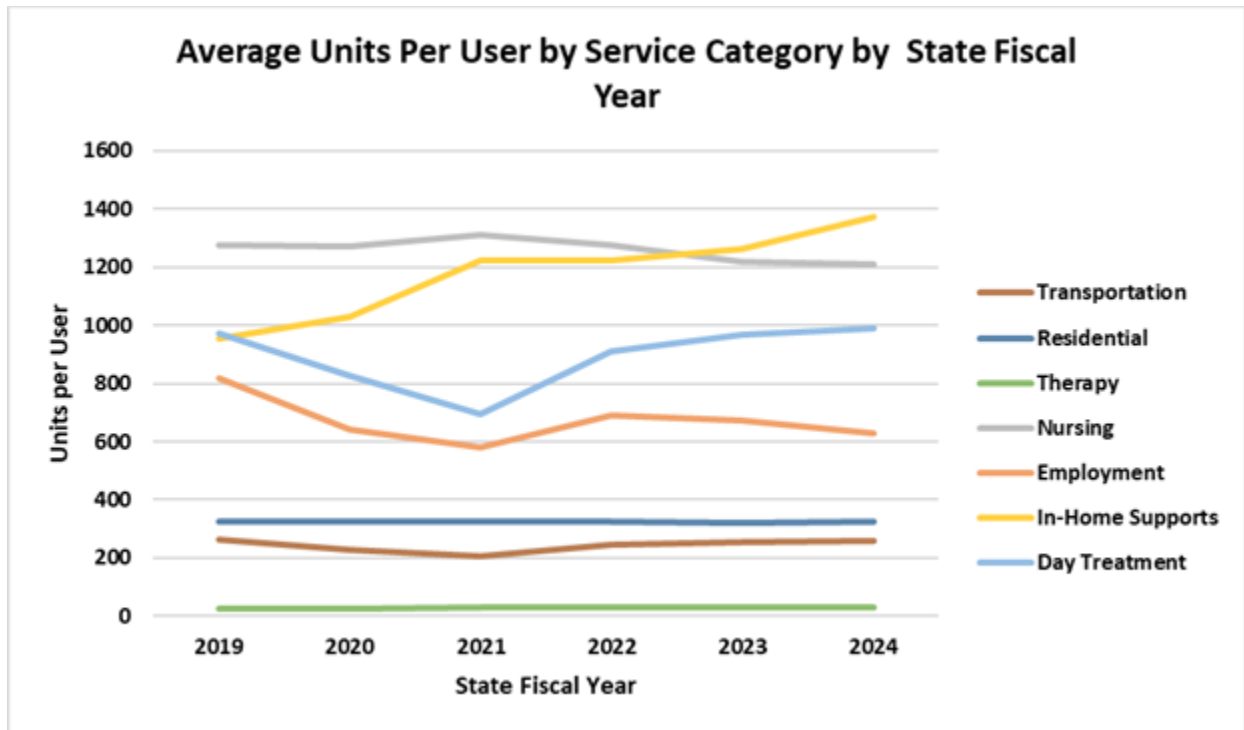


### Service Utilization by Year

Figure 6 shows each SFY's average number of paid DDD service units per member by service category. The purpose of this data presentation is not to compare results between services since service unit definitions vary but to show trends for each service over time. The average number of Residential, Transportation, and Therapy units per member remains relatively flat throughout the six-year period. In contrast, Day Treatment service units remain relatively flat, sharply decreasing in 2021, corresponding with the PHE. In contrast, Nursing and Employment average service units per member show a downward trend, which may require further investigation by the State, and In-Home Supports service units steadily increase.



Figure 6. Average Units per User by Service Category



### Percentage of Units of Authorizations for Which Services Were Provided

Myers and Stauffer evaluated the extent to which members received the services they were authorized. By reviewing both authorization and service delivery, it is possible to recognize trends indicating a growing or narrowing gap between total authorized units and service units provided. A growing gap indicates that while payments may be increasing, potential demand is increasing faster, which could indicate the possible need for a rate change. In contrast, a narrowing gap suggests that the rate is adequate to incentivize providers to deliver services at the level required to meet the members' needs.

Table 5 shows that the percentage of units of authorizations for which services were provided for Day Treatment and Transportation have not returned to pre-pandemic levels but are consistent or relatively stable compared to recent years. The projection for SFY 2024 reflects eight months of claims (July 2023 through February 2024), which are annualized. The annualization process may result in slightly volatile percentages compared to the final SFY 2024 results. Still, the upward trend in utilization may indicate a return to pre-pandemic levels. Residential services have the highest utilization, likely due to the predictable and consistent nature of the service model and member need for and reliance on the service. However, the



Residential service also shows the most significant decline in the projected metric for 2024, possibly due to a preference shift to In-Home Supports or other services. Therapy services generally show less than 60% utilization, aligning with increasing unmet demand trends. Myers and Stauffer recommends that DES/DDD further review Therapy utilization to determine the extent to which unused utilization is due to a lack of assessment before programming, lack of program completion, or both. Nursing services vary widely in utilization, and the trend does not appear to follow pandemic influence. As DES/DDD has worked to enhance and increase available options for nursing services in recent years, service utilization may be more volatile in the short term.

*Table 5. Percentage of Units of Authorizations for Which Services Were Provided*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Residential</b>	95.0%	95.1%	94.4%	95.5%	94.4%	87.9%	-7.1%	-6.5%
<b>In-Home Supports</b>	68.9%	65.6%	71.0%	70.2%	67.2%	66.7%	-2.2%	-0.5%
<b>Day Treatment</b>	70.9%	59.7%	42.3%	61.0%	64.4%	61.6%	-9.3%	-2.8%
<b>Employment</b>	73.9%	87.2%	46.7%	65.2%	65.8%	79.1%	5.2%	13.3%
<b>Transportation</b>	65.7%	55.7%	40.7%	55.3%	56.3%	53.6%	-12.1%	-2.7%
<b>Professional, Nursing</b>	64.2%	61.2%	57.8%	54.7%	54.0%	64.9%	0.7%	10.9%
<b>Professional, Therapy</b>	57.9%	54.3%	59.7%	59.3%	59.6%	58.3%	0.4%	-1.3%

**Service Authorizations That Did Not Result in the Provision of Service**

DES/DDD is interested in better understanding the number of unassigned authorizations by provider type to identify service gaps and opportunities. Within the context of this analysis, “unassigned authorizations” is the term used to refer to services that were authorized but were not provided before the end of the authorization period. While only a targeted review of member/care service plans can shed light on the reasons for these results, this information helps assess service demand and provider availability for each service. A low percentage of unassigned authorizations indicates that providers are willing to deliver the service at the published fee schedule rate.

Table 6 presents the average number of unassigned authorizations by SFY for all DDD service categories. The results are consistent with expectations; namely, it is common for some lag between the service authorization date and the date the service is provided, typically attributed to the administrative time involved in processing, identification of qualified provider of choice,



and service schedule. Significant variances in the averages for each service category are likely due to differences in demand for services, availability of providers, and/or case management issues. Please note that DES/DDD sets the service categories for unauthorized data, which differ from those used for the rest of the report. Of the 10 services, there are three findings of particular interest:

- (1) Transportation services reflect a drop of 59%, day treatment a 42% decrease, and therapy a 38% decrease over the study period. This trend likely reflects an increase in providers willing to deliver the service at the published fee schedule rate.*
- (2) Behavioral support services reflect a significant decrease between 2019 (199) and January 2022 (10), followed by a drop to zero in 2024. These are specialized habilitation services for adults, so the trend is likely due to satisfied demand and availability of reasonably competitive reimbursement rates.*
- (3) Music therapy reflects an over 200% increase over the study period, indicating that there is high demand and an insufficient number of service providers. In discussion with the State, the authorization may be due to a recent spike in publicity and demand for the service. This may result in a temporary increase in unassigned authorizations as the provider market reacts to the demand.*

*Table 6. Average Unassigned Authorizations by State Fiscal Year*

	2019	2020	2021	2022	2023	2024
<b>Behavioral Support</b>	199	140	28	10	1	0
<b>Residential Services</b>	132	154	115	135	161	150
<b>Day Treatment</b>	562	325	203	287	281	324
<b>Employment</b>	114	114	89	83	67	111
<b>HCBS Hourly</b>	1,812	2,201	1,458	1,920	1,929	1,838
<b>Therapy</b>	2,334	2,482	844	856	1,142	1,452
<b>Transportation</b>	314	208	117	140	117	130
<b>Nursing</b>	85	127	129	106	127	141
<b>Music Therapy</b>	138	172	73	86	195	283
<b>HCBS Daily</b>	4	4	4	4	6	3

Myers and Stauffer analyzed unassigned authorizations for 10 services to assess trends over the six-year study period. Results are presented in the following two figures with the services grouped by volume of the number of unassigned authorizations by month from May 2019 through November 2023. *Figure 7* illustrates the number of unassigned authorizations for eight



of 10 services, presented in increments of 100. Similarly, *Figure 8* illustrates the number of unassigned authorizations for the other two services, presented in increments of 500. A close review of the results identifies consistency over time, with no exceptional findings of interest other than those noted above.

*Figure 7. Various Services: Unassigned Authorizations*

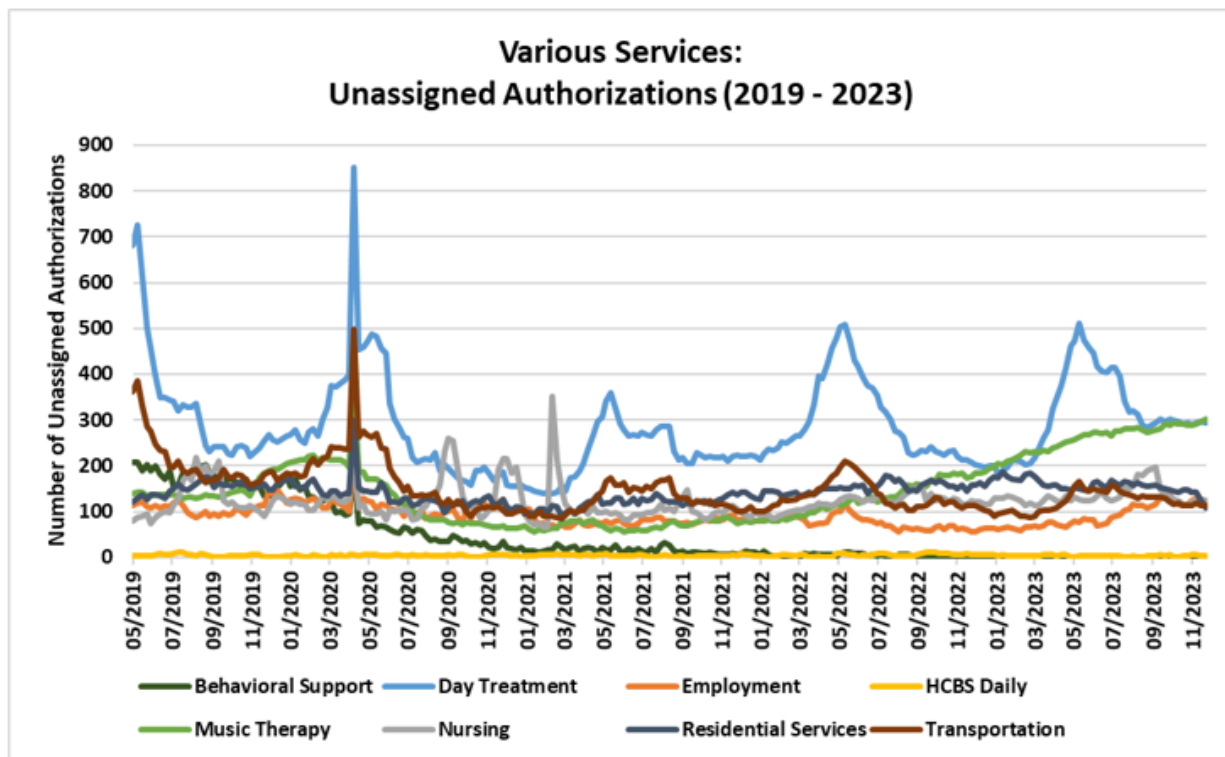
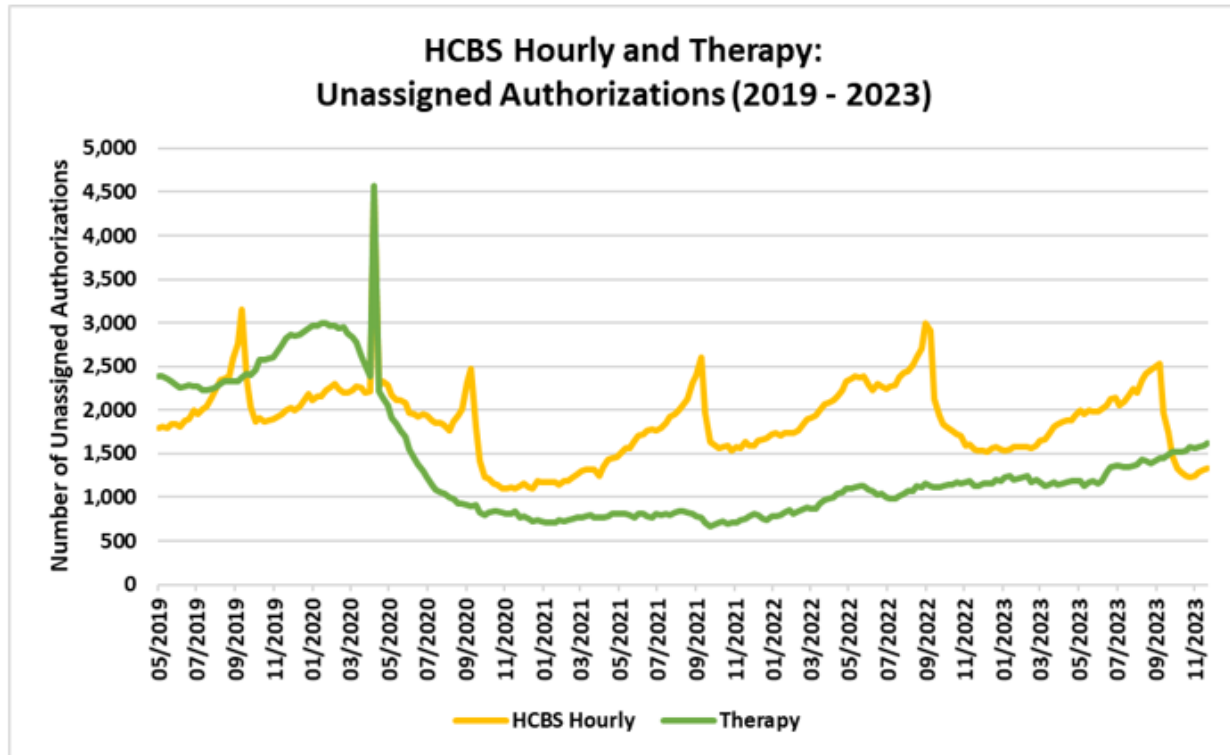




Figure 8. HCBS Hourly and Therapy: Unassigned Authorizations (2019-2023)



### Overall Qualified Vendor Network and Providers Delivering Services

To identify the strength of the qualified vendor and provider network, Myers and Stauffer examined three metrics: total provider counts, total concentration of providers, and financial ratios and net income percentage analysis.

#### Total Provider Counts

Generally, provider counts by service have shown increasing or relatively stable trends based on the data used in this study. *Table 7* shows the total number of providers (740) for the current SFY, broken down by revenue ranges and percent of revenue captured. Unsurprisingly, small providers generating less than \$5M make up 82% of the total provider pool and represent 27% of the total revenue captured. This contrasts with the providers at the highest revenue level (20) who deliver Residential services, representing almost 33% of total revenue. This information defines the basic makeup of the provider network, which must be considered when evaluating payment rates and developing recruitment initiatives, participation requirements, training and educational materials, and more.



*Table 7. Total Number of Providers by Size and Market Capture*

DDD Services Revenue	Number of Providers	Percent of Revenue Captured
>\$20M	20	32.5%
\$10M-20M	45	23.3%
\$5M-10M	68	16.9%
<\$5M	607	27.3%
<b>Total</b>	<b>740</b>	<b>100%</b>

### Provider Concentration Analysis

Table 8 shows the concentration of payments to providers by percentile. Results are consistent over the six years and appear to reflect little or no short or long-term pandemic-related impact.

*Table 8. Provider Network Concentration*

	2019	2020	2021	2022	2023	2024
<b>Top 20%</b>	77.1%	76.6%	75.8%	74.3%	74.4%	75.3%
<b>Top 50%</b>	96.0%	95.5%	95.0%	94.6%	94.5%	94.7%
<b>Top 75%</b>	99.0%	99.0%	99.4%	99.3%	99.3%	99.3%
<b>Number of Providers</b>	591	618	658	686	709	740

### Use of Negotiated Rates

An increase in negotiated rates may indicate that the standard fee schedule rate is insufficient to provide adequate provider capacity and member access to services. In alignment with prior rate adequacy reports, Myers and Stauffer reviewed trends in negotiated rate uptake by calculating the percentage of units paid at the published fee schedule rate metric. This metric was calculated by major service category and region by dividing the total payments made at the fee schedule rate by the total service category payments. A positive result for the rate adequacy study would be a consistent or increasing metric.

While most service categories indicate an increasing or stable trend, the three service categories of Transportation, Nursing, and Therapy show a marked decline in payments at the fee schedule rate. The 2024 findings could be influenced by the shortened period or claims data



issue, but that alone would likely not explain the negative trends for these three service categories. Myers and Stauffer recommends that these three services be investigated further to determine the nature of these trends and any service delivery or billing changes that may have impacted these findings.

*Table 9. Percent of Units Paid at Fee Schedule Rate*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Residential</b>	79.7%	89.6%	97.3%	97.2%	98.4%	99.4%	19.7%	1.0%
<b>In-Home Supports</b>	93.9%	96.5%	96.7%	85.2%	85.6%	99.7%	5.8%	14.1%
<b>Day Treatment</b>	82.8%	93.4%	99.6%	94.7%	98.9%	100.0%	17.2%	1.1%
<b>Employment</b>	99.3%	99.7%	91.3%	88.8%	97.8%	98.8%	-0.5%	1.0%
<b>Transportation</b>	99.8%	99.9%	100.0%	100.0%	100.0%	73.1%	-26.7%	-26.9%
<b>Professional, Nursing</b>	89.9%	91.8%	91.2%	87.8%	83.7%	62.8%	-27.1%	-20.9%
<b>Professional, Therapy</b>	91.1%	95.4%	84.0%	75.5%	52.7%	60.6%	-30.5%	7.9%

### Benchmark Rates

DES/DDD is required by statute<sup>4</sup> to rebase RFQVA-covered service rates every five years. The previous rate rebase occurred in 2019, and the most current was completed in July 2024. The 2019 rebase serves as the foundation for the four previous and current year rates since rates have not yet been adjusted based on the results of the 2024 rebase. Because funding is often insufficient to pay for services according to the rebase results, DES/DDD publishes both a benchmark rate and an adopted rate. The benchmark rates for each service are calculated in the rebase study, while the adopted rates are the actual rates set according to available funding.

Myers and Stauffer compared the 2019 benchmark rates, the January 1, 2024 adopted rates, and the July 1, 2024 rebased benchmark rates for each of the seven service categories. Myers and Stauffer then computed an adopted-to-benchmark rate ratio and an adopted-to-rebase rate ratio to determine how closely the January 2024 adopted rates track to the 2019 benchmark and 2024 rebased benchmark rates. The results by service category are included in the following service category descriptions. Results generally revealed that the January 1, 2024 adopted rates tracked favorably (exceeded the 85% standard established in previous reports) to

<sup>4</sup> Arizona Revised Statutes: <https://www.azleg.gov/ars/36/02959.htm>. Accessed August 26, 2024.



the corresponding 2019 benchmark rates for all service codes but one (Group Home-hourly). In contrast, the adopted rates tracked negatively with the July 1, 2024 rebased rates (failed to meet the 85% standard) for 11 of the 30 codes shown. The two largest service categories in terms of utilization, Residential and In-Home Support services, are particularly hard-hit.

Myers and Stauffer analyzed the statewide minimum wage for 2024 (\$14.35) compared to current adopted rates and wages and rates assumed within the July 1, 2024 rebased rates to evaluate the adequacy of rates. Wages for services that use direct support workers (e.g., Attendant Care, Respite, Homemaker, and Day Treatment) were examined. To calculate the wage assumptions for the adopted rates, the percentage of the adopted rate compared to the July 1, 2024 rebased benchmark rates was calculated and multiplied by the benchmark rate wage assumption. This allowed the wage assumptions to be prorated to adopted rate levels based on the most current calculation of staffing and operational mix for service rates. The analysis found that the adopted rate generally allows estimated wage rates to continue exceeding state minimum wage requirements. There are two In-Home Support services (Respite and Homemaker) for which the adopted rate may not fully cover the cost of state minimum wage and should be considered for rate adjustment accordingly. While other rates may cover the cost of state minimum wage, the direct support worker pool is highly competitive with other industries and markets. The July 1, 2024 rebase assumes base wages significantly higher than minimum wage. Additional funding would be necessary to achieve these higher direct support worker wage levels or a proportion of the benchmark wage levels in line with the historic adopted rate percentage.

July 1, 2024 rebased rates are significantly higher than the 2019 benchmark for all but one service, with a material upward trend in benchmark rate levels. When combined with the loss of ARPA funding, the increases in identified rate and wage benchmarks will create financial pressures on providers, which will likely negatively impact rate adequacy metrics in future years if adopted rates do not keep pace with benchmark rates and inflation over time.

The following section, *Provider Network and Utilization Metrics by Major Service Category*, includes tables that present the results of Myers and Stauffer's comparison of current rates to benchmark rates by service category. The computed ratios for adopted rate to benchmark rate and adopted rate to rebase rate have been rounded to the nearest tenth.

### **Provider Network and Utilization Metrics by Major Service Category**

Myers and Stauffer analyzed HCBS authorization data to determine service demand, which links directly to related claim-based service unit and payment utilization trends. Changes in



aggregate service authorization totals for the major service categories by region were reviewed and used to identify associated trends at the statewide and member levels.

Analysis of service utilization data statewide and by region was conducted for each of the major service categories for each SFY. Myers and Stauffer examined several service utilization metrics, including the number of providers, the demand by the number of members who use the services, and the proportion of utilization compared from region to region. Although evaluation of the root causes of the trends is beyond this report's scope, aggregate measures and year-over-year trends are used as reference points in identifying specific service categories or regions that warrant attention and require further consideration and monitoring.

In the service utilization tables, members with an out-of-state address have been excluded, and members whose location could not be determined are included only in the statewide total. The statewide totals for provider counts are calculated independently from the regions, so service providers operating in multiple regions would be counted uniquely in each service region but only once in the statewide total. As such, statewide totals may be less than the sum of providers by region.

Myers and Stauffer evaluated the adequacy of rates by comparing current adopted rates with established benchmark rates, the new July 1, 2024 baseline rates, and the 2024 statewide minimum wage (\$14.35). As of the authoring of this report, DES/DDD has not yet determined adopted rates for the new baseline. Wages examined against minimum wage standards were for services that use direct support workers, e.g., Attendant Care, Respite, Homemaker, and Day Treatment.

This approach supports a view of the general linear trend in service payments and the identification of a growing or narrowing gap between total authorized units and service units provided. A growing gap could indicate that while payments may be increasing, potential demand is increasing at a faster rate. This is a primary indicator for determining the adequacy of current and future rates and the potential need for rate changes. Conversely, a narrowing gap is a positive indicator of rate adequacy.

In this section, Myers and Stauffer presents findings and summary-level information for each of the seven major service categories. Following is a brief overview of what the information includes and how it is organized:

- **Service Codes.** *Each service category will be introduced by describing the specific services included within the service category.*



- **Summary of Findings.** This section includes service category percent of spending out of all DES/DDD payments during SFY 2024; an overview of member, provider, payment, rate, and utilization findings specific to the service category; and a description of any noteworthy trends.
- **Service Payments and Percentages of Total Paid Claims and Service Units.** For each service code, payments made under the service category are described in terms of their percentage of all DES/DDD payments in the study period. This is followed by an analysis of the percentages of total paid claims and service units, which helps to assess relevant trends over time. Note that SFY 2024 payments are actuals for dates of service July 2023 through February 2024 and then annualized to control for claims submission lag.
- **Rate Comparison.** Comparative analysis is performed on current adopted rates for each service category to assess rate adequacy. This is done by examining how the current January 1, 2024 adopted rates compare to the benchmark rates and how the current rates compare to the new July 1, 2024 rebased benchmark rates, absent any rate increases or funding decisions. The resulting ratios indicate where the current rates fall relative to the 85% historical standard for assessing adequacy as defined in past rate adequacy review reports. The 85% standard aligns with the last several years of historic adopted rate-to-benchmark comparisons. Note that the computed ratios for the adopted rate to the historic and new benchmark rates have been rounded to the nearest tenth.
- **Utilization Analysis.** A comprehensive utilization analysis for each service category focused on four basic measures/metrics, each presented in table form by SFY and region if applicable.
  - **Number of unique members receiving services within the service category.** This tracks the pattern of member population and service use over time and by location, which helps confirm that the program is working as expected or identifies potential gaps and shortcomings.
  - **Number of unique service providers for the service category.** This tracks the pattern of RFQVA-participating providers and service delivery over time and by location, which helps evaluate provider availability and capacity, as well as targeting areas in which recruitment efforts should be focused. A positive trend indicates availability and willingness to participate/accept published fee schedule payments. It should be noted that the statewide total does not necessarily equal the sum of the regional counts, as providers can serve multiple regions and are counted uniquely for each but would only be counted once in the statewide total.



- Average number of units per user.** This provides a broad view of overall consistency in service delivery and payment of claims and another view of utilization over time. Trends that show consistent or increasing percentages support the premise that members can select from a pool of qualified providers within reasonable timelines and receive services for which they are authorized. In calculating utilization per member user, claims lag impacts both the utilization and the count of users. Since users can have multiple units, the two components are affected at different rates. In calculating the SFY 2024 utilization per member user, data from July 2023 through February 2024 were used to calculate the base utilization. Using a similar July through February timespan for previous fiscal years (excluding 2020), the ratio of full- to partial-year utilization was averaged and used as a factor to complete SFY 2024 paid claims information.
- Utilization percentage of authorized units of services.** This tracks the relationship between service authorization and provider assignment. The percentage is derived from dividing the total claim units of service by the authorized units for the state fiscal year. When percentages of unassigned authorizations increase, authorized services are not being delivered, and member needs are not being met. Conversely, when the percentages of authorizations decrease, the process and timeline between service authorization, provider selection, and initiation (and billing) of services are working as they should. These trends help identify problematic areas and require further assessment of root causes.

**Residential**

Table 10 identifies the five specific service codes in the residential service category.

*Table 10. Residential Service Codes*

Service Code	Description
HAB	Habilitation, Group Home
HAN	Habilitation, Nursing Supported Group Home
HBA	Habilitation, Vendor Supported Developmental Home (Adult)
HBC	Habilitation, Vendor Supported Developmental Home (Child)
HPD	Habilitation, Enhanced Behavioral Group Home



## Summary of Findings

- *Residential services payments (excluding room and board) represent 34% of all DDD payments during SFY 2024. Payments for all service codes have generally increased over the study period, except HPD, which showed a dramatic decrease following 2021 and a 29.3% decrease over the last year.*
- *Current service rates compare favorably to the historic benchmark rates (exceed the 85% standard) for all but the HAB service. In contrast, none of the adopted service rates, except HPD, meet the new rebase rate, falling around 62% to 72% of the new rebase rate. All services have estimated wage rates exceeding the 2024 and 2025 state minimum wage rates. However, even though the adopted HPD rate is at 90% of the new rebase benchmark, the decrease in utilization of the service indicates that the service should still be evaluated.*
- *Except for the Central Region, member service users have increased since 2019 and over the last year.*
- *Despite growth in members and providers, the average number of units for all service codes within the category per member user has decreased for the southern and northern regions over the six-year study period and around 3% from 2023 to 2024. The statewide average units per member is flat over the six-year study period.*
- *The number of residential service providers by region trends positively for four regions, while the number in the Central Region is down 17% over the study period and 25% in the last year.*
- *The utilization percentage of authorized units of residential services is decreasing from 2019 through 2023 in all regions except the Southern Counties. This trend sharpens with the 2024 projected utilization percentages, which decrease in all regions by 5.7% to 10.5% and by an average of 6.5% statewide. Since other metrics evaluated for the residential services do not indicate a decrease in utilization and SFY 2024 is a partial year, the 2024 utilization percentage of authorized units should be reevaluated after additional time for claims completion.*

While the current rates compare favorably to the current benchmark rates for all services but HAB, four of the services fall under the new rebase benchmark by 13% to 20%. Rates for all regions exceed 2024 and estimated 2025 state minimum wage rates. Consequently, Myers and Stauffer recommends that DES/DDD reassess the current rates for 2024 once the remaining claims are available (March through June 2024) and consider raising rates to at least 85% of the



new rebase benchmarks. The following are the six service category-specific tables from which the findings were drawn.

*Table 11. Payments by DES/DDD for Service Codes Included in this Category (in Millions)*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>HAB</b>	\$ 321.27	\$ 397.29	\$ 459.94	\$ 452.06	\$ 540.64	\$ 615.90	91.7%	13.9%
<b>HAN</b>	\$ 25.83	\$ 30.91	\$ 36.05	\$ 40.95	\$ 46.86	\$ 49.58	91.9%	5.8%
<b>HBA</b>	\$ 47.45	\$ 52.99	\$ 55.19	\$ 64.53	\$ 74.48	\$ 77.70	63.8%	4.3%
<b>HBC</b>	\$ 7.75	\$ 8.39	\$ 7.69	\$ 8.31	\$ 8.83	\$ 8.66	11.7%	-1.9%
<b>HPD</b>	\$ 2.16	\$ 4.85	\$ 4.97	\$ 3.83	\$ 2.05	\$ 1.45	-32.9%	-29.3%
<b>Total</b>	<b>\$ 404.47</b>	<b>\$ 494.43</b>	<b>\$ 563.85</b>	<b>\$ 569.68</b>	<b>\$ 672.85</b>	<b>\$ 753.30</b>	<b>86.2%</b>	<b>12.0%</b>

*Table 12. Current Rates Compared to Benchmark Rates, Residential Services<sup>5</sup>*

	Benchmark Unit	Service	Benchmark Rate	Adopted Rate 1/1/2024	Adopted to Benchmark Ratio	Rebase Benchmark 7/1/2024	Adopted to Rebase Ratio
<b>HAB</b>	Hourly	Group Home, Hourly	\$ 29.82	\$ 24.13	80.9%	\$ 38.56	62.6%
<b>HAN</b>	Per Diem	Group Home, Nursing	\$ 417.42	\$ 474.32	113.6%	\$ 726.26	65.3%
<b>HPD</b>	Hourly	Group Home, Comm Protection, Hourly	\$ 32.44	\$ 37.61	115.9%	\$ 41.58	90.5%
<b>HBA</b>	Per Diem	Developmental Home, Adult	\$ 169.39	\$ 148.57	87.7%	\$ 205.34	72.4%
<b>HBC</b>	Per Diem	Developmental Home, Child	\$ 143.19	\$ 148.57	103.8%	\$ 205.34	72.4%

<sup>5</sup> Note: Not all services are represented in these tables. Rates assume the statewide (non-Flagstaff rate). Units reflect the unit present for the Benchmark development; some rates now are 15 minutes when benchmarked as hourly.



*Table 13. Number of Members of Residential Services by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	5,070	5,228	5,320	5,416	5,513	5,653	11.5%	2.5%
<b>Maricopa</b>	2,779	2,957	3,096	3,244	3,415	3,584	29.0%	4.9%
<b>Pima</b>	734	765	794	845	884	939	27.9%	6.2%
<b>Central Counties excluding Maricopa</b>	234	218	215	222	236	228	-2.6%	-3.4%
<b>Southern Counties excluding Pima</b>	150	164	177	182	186	196	30.7%	5.4%
<b>Northern Counties</b>	464	487	500	510	534	581	25.2%	8.8%

*Table 14. Average Units per Member of Residential Services*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	324	326	324	324	322	325	0.3%	0.9%
<b>Maricopa</b>	324	328	328	328	325	326	0.6%	0.3%
<b>Pima</b>	330	330	328	331	326	330	0.0%	1.2%
<b>Central Counties excluding Maricopa</b>	310	324	326	317	305	337	8.7%	10.5%
<b>Southern Counties excluding Pima</b>	333	342	333	340	342	332	-0.3%	-2.9%
<b>Northern Counties</b>	329	331	336	335	335	324	-1.5%	-3.3%

*Table 15. Number of Residential Service Providers by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	161	186	206	223	242	256	59.0%	5.8%
<b>Maricopa</b>	132	155	177	191	215	226	71.2%	5.1%
<b>Pima</b>	30	33	36	47	53	63	110.0%	18.9%
<b>Central Counties excluding Maricopa</b>	52	49	50	51	58	46	-11.5%	-20.7%
<b>Southern Counties excluding Pima</b>	18	22	23	22	22	20	11.1%	-9.1%
<b>Northern Counties</b>	43	41	45	48	45	58	34.9%	28.9%



*Table 16. Utilization Percentage of Authorized Units of Residential Services by Region*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Statewide</b>	95.0%	95.1%	94.4%	95.5%	94.4%	87.9%	-7.1%	-6.5%
<b>Maricopa</b>	95.1%	97.2%	96.4%	95.5%	94.1%	88.4%	-6.7%	-5.7%
<b>Pima</b>	99.3%	97.2%	94.3%	94.6%	95.5%	88.6%	-10.7%	-6.9%
<b>Central Counties excluding Maricopa</b>	96.9%	97.6%	97.7%	92.0%	85.7%	79.7%	-17.2%	-6.0%
<b>Southern Counties excluding Pima</b>	83.9%	78.7%	77.5%	101.9%	100.1%	89.6%	5.7%	-10.5%
<b>Northern Counties</b>	90.7%	86.2%	89.2%	95.8%	96.8%	87.1%	-3.6%	-9.7%

### In-Home Supports

Table 17 identified the eight specific service codes in the In-Home Support services category.

*Table 17. In-Home Supports Service Codes*

Service Code	Description
<b>ATC</b>	Attendant Care
<b>HAH</b>	Habilitation, Support
<b>HAI</b>	Habilitation, Individually Designed Living Arrangement
<b>HAM</b>	Habilitation with Music Therapy
<b>HID</b>	Habilitation, IDLA
<b>HSK</b>	Homemaker
<b>RSD</b>	Respite, Daily
<b>RSP</b>	Respite, Hourly

### Summary of Findings

- *In-Home Support services payments represent 46% of all DDD payments during SFY 2024. Payments for most service codes increased substantially over the study period, but the increases were much smaller from 2023 to 2024, with three showing decreases that ranged from approximately 4% to 12%.*
- *Current rates for all services compare favorably to the historic benchmark rates. In contrast, seven current rates fail to meet the new rebase rates, falling short between 6% and 33%.*



- *The number of member users of services has increased over the study period and the last year in all five regions. In all SFYs, Maricopa County had the highest number of members using In-Home Support services, while the Southern Counties had the least.*
- *The average number of units for all services within the category increased substantially over the six years and an average of 10% over the last year.*
- *The number of In-Home Supports providers by region trends positively throughout the study period but shows slight decreases in the last year. This may indicate that few providers are willing to deliver services according to available payment rates.*
- *The utilization percentage of authorized units of In-Home Supports shows a statewide decrease of over 2% in the six years, with small reductions in most regions from 2023 to 2024. This is a negative trend that may be driven by increasing demand for this service in terms of both counts of members and units per member. Although provider counts have increased by more than 20% over the six years, the increase may not be sufficient to meet the quantity and variety of service demands.*

While the current rates compare favorably to the current benchmark rates for all services, all but one of the services fell under the new rebase benchmark by 6% to 33%. Analysis of the services that use direct support workers (i.e., Attendant Care, Respite, and Homemaker) shows that most adopted rates allow providers to meet minimum wage standards. However, Respite (hourly) and Homemaker service types fail to do so. That said, the July 1, 2024 rebased benchmark rates assume base wages significantly higher than minimum wage. Consequently, Myers and Stauffer recommends that DES/DDD reassess the current rate level for 2024 once the remaining claims are available (March through June 2024) and consider raising rates to at least 85% of the new rebase benchmarks. Should rates be raised closer to the 85% threshold, Respite (hourly) and Homemaker wage assumptions will exceed the minimum wage standards. The following are the six service category-specific tables from which the findings were drawn.



*Table 18. Payments by DES/DDD for Service Codes Included in this Category (in Millions)*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>ATC</b>	\$ 132.83	\$ 187.77	\$ 265.35	\$ 281.71	\$ 369.58	\$ 468.17	252.5%	26.7%
<b>HAH</b>	\$ 115.24	\$ 142.06	\$ 177.22	\$ 187.56	\$ 249.29	\$ 319.38	177.1%	28.1%
<b>HAI</b>	\$ 5.73	\$ 6.14	\$ 5.34	\$ 4.76	\$ 4.95	\$ 4.78	-16.6%	-3.4%
<b>HAM</b>	\$ 0.88	\$ 0.98	\$ 1.27	\$ 1.24	\$ 1.22	\$ 1.08	22.7%	-11.5%
<b>HID</b>	\$ 25.79	\$ 32.62	\$ 34.61	\$ 32.42	\$ 34.45	\$ 35.48	37.6%	3.0%
<b>HSK</b>	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.08	\$ 0.07	-12.5%	-12.5%
<b>RSD</b>	\$ 4.13	\$ 5.27	\$ 7.01	\$ 7.93	\$ 10.92	\$ 11.39	175.8%	4.3%
<b>RSP</b>	\$ 109.66	\$ 127.65	\$ 132.91	\$ 119.81	\$ 137.97	\$ 161.47	47.2%	17.0%
<b>Total</b>	\$ 394.35	\$ 502.54	\$ 623.77	\$ 635.48	\$ 808.45	\$ 1,001.82	154.0%	23.9%

*Table 19. Current Rates Compared to Benchmark Rates, In-Home Supports*

	Benchmark Unit	Service	Benchmark Rate	Adopted Rate 1/1/2024	Adopted to Benchmark Ratio	Rebase Benchmark 7/1/2024	Adopted to Rebase Ratio
<b>ATC</b>	Hourly	Attendant Care	\$ 23.28	\$ 24.84	106.7%	\$ 37.24	66.7%
<b>HAH</b>	Hourly	Habilitation, Support	\$ 28.58	\$ 28.84	100.9%	\$ 49.12	58.7%
<b>HAI</b>	Hourly	Habilitation, IDLA, Hourly	\$ 31.46	\$ 30.28	96.2%	\$ 38.26	79.1%
<b>RSD</b>	Per Diem	Respite, Daily	\$ 455.89	\$ 473.72	103.9%	\$ 479.56	98.8%
<b>RSP</b>	Hourly	Respite, Hourly	\$ 23.40	\$ 24.44	104.4%	\$ 40.16	60.9%
<b>HSK</b>	Hourly	Homemaker	\$ 22.39	\$ 22.52	100.6%	\$ 36.52	61.7%
<b>HAM</b>	Hourly	Music Therapy	\$ 53.06	\$ 47.48	89.5%	\$ 91.76	51.7%



*Table 20. Average Units per Member User for In-Home Supports*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	956	1,028	1,225	1,224	1,265	1,371	43.4%	8.4%
<b>Maricopa</b>	946	1,017	1,218	1,215	1,257	1,355	43.2%	7.8%
<b>Pima</b>	850	958	1,195	1,244	1,316	1,438	69.2%	9.3%
<b>Central Counties excluding Maricopa</b>	931	997	1,159	1,144	1,196	1,362	46.3%	13.9%
<b>Southern Counties excluding Pima</b>	732	822	1,095	1,167	1,218	1,365	86.5%	12.1%
<b>Northern Counties</b>	1,015	1,104	1,252	1,268	1,314	1,433	41.2%	9.1%

*Table 21. Number of Member Users of In-Home Supports by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	21,420	22,200	21,923	22,587	24,338	25,468	18.9%	4.6%
<b>Maricopa</b>	14,570	15,232	15,152	15,645	16,887	17,756	21.9%	5.1%
<b>Pima</b>	2,440	2,513	2,446	2,560	2,781	2,942	20.6%	5.8%
<b>Central Counties excluding Maricopa</b>	1,177	1,257	1,287	1,393	1,537	1,644	39.7%	7.0%
<b>Southern Counties excluding Pima</b>	1,080	1,132	1,104	1,166	1,303	1,377	27.5%	5.7%
<b>Northern Counties</b>	1,383	1,390	1,392	1,433	1,586	1,647	19.1%	3.8%

*Table 22. Number of In-Home Support Service Providers by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	302	325	341	359	378	373	23.5%	-1.3%
<b>Maricopa</b>	270	295	305	320	333	328	21.5%	-1.5%
<b>Pima</b>	98	106	115	128	134	136	38.8%	1.5%
<b>Central Counties excluding Maricopa</b>	142	155	161	171	174	165	16.2%	-5.2%
<b>Southern Counties excluding Pima</b>	61	67	75	78	88	86	41.0%	-2.3%
<b>Northern Counties</b>	100	115	115	110	119	119	19.0%	0.0%



*Table 23. Utilization Percentage of Authorized Units of In-Home Supports by Region*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Statewide</b>	68.9%	65.6%	71.0%	70.2%	67.2%	66.7%	-2.2%	-0.5%
<b>Maricopa</b>	73.6%	69.7%	75.4%	69.9%	67.2%	66.7%	-6.9%	-0.5%
<b>Pima</b>	56.8%	53.9%	58.6%	72.5%	68.4%	66.9%	10.1%	-1.5%
<b>Central Counties excluding Maricopa</b>	67.8%	65.0%	67.4%	69.3%	65.6%	66.3%	-1.5%	0.7%
<b>Southern Counties excluding Pima</b>	47.4%	60.9%	68.8%	74.2%	70.2%	69.3%	21.9%	-0.9%
<b>Northern Counties</b>	55.2%	54.9%	59.5%	67.7%	64.6%	64.7%	9.5%	0.1%

### Day Treatment

Table 24 identifies the three specific service codes in the Day Treatment service category.

*Table 24. Day Treatment Service Codes*

Service Code	Description
<b>DTA</b>	Day Treatment and Training, Adult
<b>DTS</b>	Day Treatment and Training, Children (After School & Summer)
<b>DTT</b>	Day Treatment and Training, Children (After School)

### Summary of Findings

- *Day Treatment services payments represent 9% of all DDD payments during SFY 2024. Payments for one service code (DTS) decreased by almost 42% over the six years and 25% from 2023 to 2024. Service code DTT decreased by nearly 9% from 2023 to 2024. However, DTS and DTT, seasonal services related to the school year, should be reevaluated after more complete data are available for 2024.*
- *Current service rates compare favorably to historic benchmark rates and the new rebase rates.*
- *The number of unique members using Day Treatment followed a similar pattern in all regions throughout the study period; they decreased dramatically from 2020 to 2021 (likely PHE-influenced) but then returned to relatively similar levels beginning in 2022. In all SFYs, Maricopa County had the highest number of users, while the Central and Southern Counties had the fewest.*



- *The average number of units per user (member) for all services within the category dropped dramatically in 2021 in all regions, consistent with pandemic-related trends. All returned to pre-pandemic levels in 2022, where they have consistently remained.*
- *The number of Day Treatment service providers statewide has increased by over 17% over the six-year study period, though the distribution of providers across the state has changed. In 2021 and prior years, providers that performed services for members residing in Maricopa County also often performed services for members living in other counties. In 2022 and after, many of these providers only perform services for members in Maricopa County. Despite the change in provider count for these regions, there is no corresponding decrease in users or units per user between 2021 and 2022. Since there is no corresponding change in utilization between 2021 and 2022, more recent changes should be considered. Between 2023 and 2024, there are substantial decreases in provider counts for the Central and Southern regions.*
- *The utilization percentage of authorized units of Day Treatment services shows a decrease in Maricopa, Pima, and the Southern Counties over the six years and a decrease in all regions from 2023 to 2024. This is a negative trend that may be driven by an insufficient number of participating providers but may still be heavily influenced by the PHE impact on the service and member preference for using In-Home Supports services, as indicated by the increase in this service.*

The current rates compare favorably to the current benchmark rates and the new rebase benchmark. Analysis of the utilization data shows decreases in the number of members using the service. Rates for all regions exceed 2024 and estimated 2025 state minimum wage rates. Consequently, Myers and Stauffer recommends that DES/DDD review the service type and member demand in greater detail to determine if a decrease in service demand is more likely due to resident service preference or service reimbursement. The following are the six service category-specific tables from which the findings were drawn.



*Table 25. Payments by DES/DDD for Service Codes Included in this Category (in Millions)*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>DTA</b>	\$ 128.50	\$ 115.67	\$ 82.78	\$ 124.00	\$ 163.66	\$ 181.86	41.5%	11.1%
<b>DTS</b>	\$ 3.99	\$ 3.42	\$ 2.77	\$ 2.88	\$ 3.13	\$ 2.33	-41.6%	-25.6%
<b>DTT</b>	\$ 4.62	\$ 4.70	\$ 4.19	\$ 4.16	\$ 4.97	\$ 4.53	-1.9%	-8.9%
<b>Total</b>	<b>\$ 137.12</b>	<b>\$ 123.79</b>	<b>\$ 89.74</b>	<b>\$ 131.04</b>	<b>\$ 171.76</b>	<b>\$ 188.73</b>	<b>37.6%</b>	<b>9.9%</b>

*Table 26. Current Rates Compared to Benchmark Rates, Day Treatment Services*

	Benchmark Unit	Service	Benchmark Rate	Adopted Rate 1/1/2024	Adopted to Benchmark Ratio	Rebase Benchmark 7/1/2024	Adopted to Rebase Ratio
<b>DTA</b>	Hourly	Day Treatment, Adult	\$ 11.63	\$ 12.64	108.7%	\$ 14.00	90.3%
<b>DTS</b>	Hourly	Day Treatment, Summer	\$ 13.10	\$ 14.04	107.2%	\$ 13.88	101.2%
<b>DTT</b>	Hourly	Day Treatment, After School	\$ 13.10	\$ 14.04	107.2%	\$ 13.88	101.2%

*Table 27. Average Units per User for Day Treatment*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	973	829	695	911	969	987	1.4%	1.9%
<b>Maricopa</b>	923	799	694	920	966	992	7.5%	2.7%
<b>Pima</b>	1,030	860	687	903	1,007	1,007	-2.2%	0.0%
<b>Central Counties excluding Maricopa</b>	907	811	689	871	965	989	9.0%	2.5%
<b>Southern Counties excluding Pima</b>	1,027	861	666	1,001	1,041	1,000	-2.6%	-3.9%
<b>Northern Counties</b>	1,009	868	712	840	911	938	-7.0%	3.0%



*Table 28. Number of Member Users of Day Treatment Services by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	11,498	11,030	8,383	9,743	10,265	9,714	-15.5%	-5.4%
<b>Maricopa</b>	7,055	6,768	5,318	6,111	6,593	6,290	-10.8%	-4.6%
<b>Pima</b>	1,637	1,562	1,100	1,463	1,555	1,489	-9.0%	-4.2%
<b>Central Counties excluding Maricopa</b>	486	461	407	461	469	455	-6.4%	-3.0%
<b>Southern Counties excluding Pima</b>	481	469	369	424	450	423	-12.1%	-6.0%
<b>Northern Counties</b>	1,014	1,065	834	979	996	969	-4.4%	-2.7%

*Table 29. Number of Day Treatment Service Providers by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	183	188	188	203	200	215	17.5%	7.5%
<b>Maricopa</b>	178	184	185	162	166	168	-5.6%	1.2%
<b>Pima</b>	146	151	156	60	57	60	-58.9%	5.3%
<b>Central Counties excluding Maricopa</b>	117	122	117	64	61	54	-53.8%	-11.5%
<b>Southern Counties excluding Pima</b>	112	118	107	31	32	25	-77.7%	-21.9%
<b>Northern Counties</b>	147	149	143	53	53	55	-62.6%	3.8%

*Table 30. Utilization Percentage of Authorized Units of Day Treatment Services by Region*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Statewide</b>	70.9%	59.7%	42.3%	61.0%	64.4%	61.6%	-9.3%	-2.8%
<b>Maricopa</b>	72.8%	61.3%	43.9%	60.4%	63.5%	61.7%	-11.1%	-1.8%
<b>Pima</b>	72.3%	56.9%	37.2%	61.5%	67.4%	62.1%	-10.2%	-5.3%
<b>Central Counties excluding Maricopa</b>	58.2%	61.6%	47.3%	62.7%	66.6%	61.4%	3.2%	-5.2%
<b>Southern Counties excluding Pima</b>	71.4%	55.6%	37.9%	69.1%	74.2%	64.8%	-6.6%	-9.4%
<b>Northern Counties</b>	51.5%	55.9%	40.1%	59.8%	61.2%	58.9%	7.4%	-2.3%



## Employment

Table 31 identifies the five specific service codes in the Employment category.

Table 31. Employment Service Codes

Service Code	Description
CBE	Center-Based Employment
ESA	Employment Supported Aide (GSE/ISE)
GSE	Group Supported Employment
ISE	Individual Supported Employment
TTE	Transition to Employment

### Summary of Findings

- Employment services payments represent 2% of all DDD payments during SFY 2024.
- Payments for Employment services increased by 16% over the six-year study period, though 2023 to 2024 shows a slight decrease of 1.1%.
- Current rates for all services compare favorably with the 2019 benchmark rates, while two, ISE and ESA, fall well below the new rebase benchmarks (at 73% and 74%, respectively).
- The number of member users of services in all regions has decreased over the six years by almost 13% statewide, with services in the Central, Southern, and Northern regions decreasing in the last year. The most significant decrease was seen between 2020 and 2021.
- The average number of units per member user decreased 23% statewide over the six years and almost 7% in the last year. The count of member users also decreased by 13% statewide over the six years, meaning there are fewer users and fewer units of the service used by each user. Since service code CBE had the lowest rate and the most significant decrease, and service codes ESA and ISE have the highest rates and most significant increase, members have received fewer units of service but at a higher unit cost.
- The number of Employment Service providers shows significant decreases across all regions and a decrease for all but Maricopa over the last year. This negative trend may be partly driven by payment rate adequacy, willingness to participate in the RFQVA program, ownership changes and consolidations, or a combination. The result is a



*restriction on member freedom of choice in providers and a potential strain on Employment Service options and availability.*

- *The utilization percentage of authorized units of employment services decreased in Pima County from 2019 through 2024 but increased for all in the last year.*

While the current rates compare favorably to the current benchmark rates for all services, services for ISE and ESA fall under the new rebase benchmark by over 10%. Rates for all regions exceed 2024 and estimated 2025 state minimum wage rates. Myers and Stauffer recommends that DES/DDD reassess the current rates for 2024 once the remaining claims are available (March through June 2024) and consider raising rates for ISE and ESA to at least 85% of the new rebase benchmarks. The following are the six service category-specific tables from which the findings were drawn.

*Table 32. Payments by DES/DDD for Service Codes Included in this Category (in Millions)*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>CBE</b>	\$ 5.31	\$ 4.25	\$ 3.99	\$ 4.45	\$ 4.28	\$ 3.63	-31.6%	-15.2%
<b>ESA</b>	\$ 0.47	\$ 0.58	\$ 0.65	\$ 0.93	\$ 1.22	\$ 1.32	180.9%	8.2%
<b>GSE</b>	\$ 26.01	\$ 23.83	\$ 20.67	\$ 27.10	\$ 30.93	\$ 30.82	18.5%	-0.4%
<b>ISE</b>	\$ 0.27	\$ 0.22	\$ 0.25	\$ 0.43	\$ 0.49	\$ 0.60	122.2%	22.4%
<b>TTE</b>	\$ 0.90	\$ 1.03	\$ 1.68	\$ 1.72	\$ 1.75	\$ 1.85	105.6%	5.7%
<b>Total</b>	<b>\$ 32.95</b>	<b>\$ 29.91</b>	<b>\$ 27.24</b>	<b>\$ 34.64</b>	<b>\$ 38.67</b>	<b>\$ 38.23</b>	<b>16.0%</b>	<b>-1.1%</b>



*Table 33. Current Rates Compared to Benchmark Rates, Supported Employment Services*

	Benchmark Unit	Service	Benchmark Rate	Adopted Rate 1/1/2024	Adopted to Benchmark Ratio	Rebase Benchmark 7/1/2024	Adopted to Rebase Ratio
<b>GSE</b>	Hourly	Group Supported Employment	\$ 27.69	\$ 25.12	90.7%	\$ 25.20	99.7%
<b>ISE</b>	Hourly	Individual Supported Employment, Job Coaching	\$ 53.30	\$ 47.64	89.4%	\$ 65.28	73.0%
<b>CBE</b>	Hourly	Center Based Employment	\$ 8.53	\$ 8.48	99.4%	\$ 9.96	85.1%
<b>ESA</b>	Hourly	Employment Support Aide	\$ 40.00	\$ 36.32	90.8%	\$ 48.96	74.2%
<b>TTE</b>	Hourly	Transition to Employment	\$ 13.42	\$ 11.92	88.8%	\$ 13.80	86.4%

*Table 34. Average Units per Member User for Employment*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	819	640	580	692	673	628	-23.3%	-6.7%
<b>Maricopa</b>	799	627	572	646	651	615	-23.0%	-5.5%
<b>Pima</b>	932	711	659	788	672	639	-31.4%	-4.9%
<b>Central Counties excluding Maricopa</b>	797	701	573	809	939	785	-1.5%	-16.4%
<b>Southern Counties excluding Pima</b>	914	677	590	899	881	862	-5.7%	-2.2%
<b>Northern Counties</b>	721	587	532	615	558	473	-34.4%	-15.2%



*Table 35. Number of Member Users of Employment Services by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	3,352	3,358	2,576	2,879	2,925	2,931	-12.6%	0.2%
<b>Maricopa</b>	1,821	1,928	1,532	1,579	1,630	1,671	-8.2%	2.5%
<b>Pima</b>	597	561	402	561	578	587	-1.7%	1.6%
<b>Central Counties excluding Maricopa</b>	177	164	132	149	146	143	-19.2%	-2.1%
<b>Southern Counties excluding Pima</b>	214	204	157	196	201	197	-7.9%	-2.0%
<b>Northern Counties</b>	378	371	300	343	344	321	-15.1%	-6.7%

*Table 36. Number of Employment Service Providers by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	89	92	87	93	96	97	9.0%	1.0%
<b>Maricopa</b>	86	89	86	71	72	74	-14.0%	2.8%
<b>Pima</b>	63	71	62	20	23	19	-69.8%	-17.4%
<b>Central Counties excluding Maricopa</b>	47	47	43	23	22	17	-63.8%	-22.7%
<b>Southern Counties excluding Pima</b>	45	49	43	16	14	13	-71.1%	-7.1%
<b>Northern Counties</b>	62	67	57	24	24	20	-67.7%	-16.7%



*Table 37. Utilization Percentage of Authorized Units of Employment Services by Region*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Statewide</b>	73.9%	87.2%	46.7%	65.2%	65.8%	79.1%	5.2%	13.3%
<b>Maricopa</b>	73.7%	86.7%	46.4%	62.4%	64.7%	81.7%	8.0%	17.0%
<b>Pima</b>	75.2%	89.9%	49.4%	69.0%	65.5%	74.2%	-1.0%	8.7%
<b>Central Counties excluding Maricopa</b>	78.4%	88.5%	46.2%	66.5%	78.2%	91.1%	12.7%	12.9%
<b>Southern Counties excluding Pima</b>	72.5%	89.7%	49.6%	76.8%	70.6%	82.3%	9.8%	11.7%
<b>Northern Counties</b>	53.6%	65.8%	43.3%	61.7%	61.4%	64.2%	10.6%	2.8%

## Transportation

Table 38 identifies the two specific service codes in the Transportation category.

*Table 38. Transportation Service Codes*

Service Code	Description
<b>TRA</b>	Regularly Scheduled Daily Transportation (Day/Employment Program)
<b>TRE</b>	Regularly Scheduled Daily Transportation (Day/Employment Program)

## Summary of Findings

- *Transportation services payments represent 1% of all DDD payments during SFY 2024.*
- *Payments for Transportation services increased by 7% over the study period and by 8% from 2023 to 2024. Between 2020 and 2021, there was a substantial decrease in payments that were recovered from 2022 and 2023.*
- *Findings indicate that current rates compare favorably and exceed benchmark and new rebase rates.*
- *The number of members who used Transportation services decreased statewide by 19% from 2019 through 2024 but increased by 6% in the Southern Counties. The number of members who used Transportation services decreased in the Southern and Northern Counties over the last year.*



- *The average number of units per user (member) of Transportation services decreased in all but Maricopa County from 2019 through 2024. Pima, Central, and Southern Counties also saw decreases of about 2% from 2023 to 2024.*
- *The number of Transportation providers statewide increased 17% from 2019 through 2024 and almost 7% from 2023 to 2024. However, all regions except for Maricopa County saw decreases from 2023 to 2024.*
- *The utilization percentage of authorized units of Transportation services decreased by 12% statewide over the six-year study period, showing significant decreases in all but Pima County. Findings show a statewide decrease of almost 3% from 2023 to 2024, with all regions decreasing in that period.*

The current rates compare favorably to the current benchmark and new rebase rates in all regions. However, multiple metrics show significant volatility for provider count, percentage of the rate paid at the fee schedule (statewide level), and utilization percentage of authorized units. Myers and Stauffer recommends that DES/DDD reassess the current rates for 2024 once the remaining claims are available (March through June 2024) and evaluate the rates as part of the rate adjustment process to determine if additional reimbursement may be necessary to decrease volatility and increase provider consistency and capacity. The following are the six service category-specific tables from which the findings were drawn.

*Table 39. Payments by DES/DDD for Service Codes Included in this Category (in Millions)*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>TRA</b>	\$ 17.05	\$ 15.92	\$ 10.32	\$ 14.54	\$ 17.28	\$ 19.11	12.1%	10.6%
<b>TRE</b>	\$ 3.43	\$ 3.14	\$ 2.17	\$ 2.84	\$ 3.00	\$ 2.82	-17.8%	-6.0%
<b>Total</b>	\$ 20.47	\$ 19.06	\$ 12.49	\$ 17.37	\$ 20.29	\$ 21.93	7.1%	8.1%



*Table 40. Current Rates Compared to Benchmark Rates, Transportation Services*

	Benchmark Unit	Service	Benchmark Rate	Adopted Rate 1/1/2024	Adopted to Benchmark Ratio	Rebase Benchmark 7/1/2024	Adopted to Rebase Ratio
<b>TRA</b>	Per trip	To/From Day Program	\$ 12.60	\$ 14.73	116.9%	\$ 13.57	108.5%
<b>TRE</b>	Per trip	To/From Employment	\$ 13.45	\$ 14.73	109.5%	\$ 13.64	108.0%

*Table 41. Average Units per Member User for Transportation*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	264	226	204	246	254	258	-2.3%	1.6%
<b>Maricopa</b>	257	224	204	246	255	261	1.6%	2.4%
<b>Pima</b>	288	239	206	210	202	198	-31.3%	-2.0%
<b>Central Counties excluding Maricopa</b>	265	238	211	261	268	263	-0.8%	-1.9%
<b>Southern Counties excluding Pima</b>	279	225	207	263	280	276	-1.1%	-1.4%
<b>Northern Counties</b>	260	220	198	240	236	244	-6.2%	3.4%

*Table 42. Number of Member Users of Transportation Services by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	6,133	5,908	4,186	4,745	4,986	4,974	-18.9%	-0.2%
<b>Maricopa</b>	4,020	3,806	2,725	3,245	3,439	3,471	-13.7%	0.9%
<b>Pima</b>	553	678	506	164	188	206	-62.7%	9.6%
<b>Central Counties excluding Maricopa</b>	344	319	238	327	324	331	-3.8%	2.2%
<b>Southern Counties excluding Pima</b>	390	325	227	398	416	414	6.2%	-0.5%
<b>Northern Counties</b>	582	578	395	545	566	552	-5.2%	-2.5%



*Table 43. Number of Transportation Service Providers by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	154	157	151	157	166	177	14.9%	6.6%
<b>Maricopa</b>	151	153	147	128	133	139	-7.9%	4.5%
<b>Pima</b>	122	128	121	31	29	28	-77.0%	-3.4%
<b>Central Counties excluding Maricopa</b>	89	93	89	40	38	33	-62.9%	-13.2%
<b>Southern Counties excluding Pima</b>	78	81	72	24	25	21	-73.1%	-16.0%
<b>Northern Counties</b>	118	121	104	37	39	35	-70.3%	-10.3%

*Table 44. Utilization Percentage of Authorized Units of Transportation Services by Region*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Statewide</b>	65.7%	55.7%	40.7%	55.3%	56.3%	53.6%	-12.1%	-2.7%
<b>Maricopa</b>	68.2%	59.8%	42.3%	53.7%	55.2%	53.2%	-15.0%	-2.0%
<b>Pima</b>	23.5%	16.2%	11.5%	59.4%	55.9%	52.7%	29.2%	-3.2%
<b>Central Counties excluding Maricopa</b>	76.5%	68.3%	54.8%	61.7%	63.8%	56.1%	-20.4%	-7.7%
<b>Southern Counties excluding Pima</b>	77.5%	76.0%	58.3%	61.0%	64.6%	59.0%	-18.5%	-5.6%
<b>Northern Counties</b>	75.4%	57.2%	49.0%	56.2%	53.7%	50.7%	-24.7%	-3.0%

## Nursing

Table 45 identifies the eight specific service codes in the Nursing service category.



*Table 45. Nursing Service Codes*

Service Code	Description
G0299	Nursing, Visit/Intermittent, RN
G0300	Nursing, Visit/Intermittent, LPN
HHA	Home Health Aide, Skilled
HN1	Nursing, Continuous/Respite
HN9	Nursing, Intermittent
HNR	Nursing, Respite
HNV	Nursing, Visit
S9123/124	Nursing, Continuous

### Summary of Findings

- *Nursing services payments represent 3% of all DDD payments during SFY 2024.*
- *Payments for nursing services increased by 37% over the six-year study period and by 8% from 2023 to 2024.*
- *Current rates compare favorably to the benchmark rates for all services, but two services (S9123 and HNR) fall below the historical 85% threshold. Rebase benchmark data was unavailable for HM9, so a ratio could not be calculated.*
- *For the six-year period, four of the five regions showed an increase in the number of unique members using Nursing services. In all six SFYs, Maricopa County had the vast majority of members using Nursing services, while the Southern Counties had the least.*
- *The average number of units per user (member) of Nursing services has decreased by over 5% statewide over the six years. Decreases have registered for Maricopa and Central Counties for both the study period and from 2023 to 2024, while the Southern Counties show a decrease of almost 14% from 2023 to 2024.*
- *The number of Nursing service providers is small overall but has increased over the six-year study period for all but Central Counties.*
- *The utilization percentage of authorized Nursing service units statewide has seen a slight increase of less than 1% from 2019 through 2024, with a more significant increase of 11% from 2023 to 2024.*

While the current rates compare favorably to the current benchmark rates for all services, S9123 and HNR fall below the historical standard of 85% for rate adequacy. Both the current and the new rebase rates meet the statewide minimum wage. Nursing services have relatively



few providers, making rate adequacy an even more vital concern. Additionally, at the statewide level, Nursing services show a significant decline in the percentage of units paid at the fee schedule rate. Myers and Stauffer recommends that DES/DDD reassess the current rates for 2024 once the remaining claims are available (March – June 2024) and consider raising rates to at least 85% of the new rebase benchmarks. Myers and Stauffer also recommends further investigation into claims paid at non-fee schedule rates once SFY 2024 paid claims are fully complete. The following are the six service category-specific tables from which the findings were drawn.

*Table 46. Payments by DES/DDD for Service Codes Included in this Category (in Millions)*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>G0299</b>	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00	0.0%	0.0%
<b>G0300</b>	\$ 0.00	\$ 0.00	\$ 1.10	\$ 3.34	\$ 3.24	\$ 3.06	0.0%	-5.6%
<b>HHA</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01	\$ 4.52	\$ 8.68	0.0%	92.0%
<b>HN1</b>	\$ 43.36	\$ 48.36	\$ 32.42	\$ 0.00	\$ 0.00	\$ 0.00	-100.0%	0.0%
<b>HN9</b>	\$ 0.18	\$ 0.22	\$ 0.11	\$ 0.00	\$ 0.00	\$ 0.00	-100.0%	0.0%
<b>HNR</b>	\$ 7.61	\$ 8.01	\$ 7.29	\$ 6.81	\$ 5.50	\$ 6.66	-12.5%	21.1%
<b>HNV</b>	\$ 2.16	\$ 2.94	\$ 2.00	\$ 0.00	\$ 0.00	\$ 0.00	-100.0%	0.0%
<b>S9123/124</b>	\$ 0.00	\$ 0.00	\$ 17.19	\$ 51.28	\$ 53.53	\$ 53.91	0.0%	0.7%
<b>Total</b>	\$ 53.31	\$ 59.53	\$ 60.11	\$ 61.43	\$ 66.80	\$ 72.31	35.6%	8.2%

*Table 47. Current Rates Compared to Benchmark Rates, Nursing Services*

	Benchmark Unit	Service	Benchmark Rate	Adopted Rate 1/1/2024	Adopted to Benchmark Ratio	Rebase Benchmark 7/1/2024	Adopted to Rebase Ratio
<b>HN1</b>	Hourly	Nursing, Continuous	\$ 66.49	\$ 64.63	97.2%	\$ 84.07	76.9%
<b>HN9</b>	Hourly	Nursing, Intermittent	\$ 82.57	\$ 117.76	142.6%	*	*
<b>HNR</b>	Hourly	Nursing, Respite, RN	\$ 66.49	\$ 64.64	97.2%	\$ 91.16	70.9%
<b>HNV</b>	Hourly	Nursing, Visit, RN	\$ 99.59	\$ 117.76	118.2%	\$ 119.48	98.6%

\* Rebase data was not available for HN9.



*Table 48. Average Units per Member User of Nursing*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	1,277	1,273	1,309	1,274	1,218	1,208	-5.4%	-0.8%
<b>Maricopa</b>	1,320	1,332	1,363	1,292	1,225	1,169	-11.4%	-4.6%
<b>Pima</b>	1,245	1,175	1,214	1,281	1,258	1,501	20.6%	19.3%
<b>Central Counties excluding Maricopa</b>	1,130	1,170	1,271	1,263	1,198	1,111	-1.7%	-7.3%
<b>Southern Counties excluding Pima</b>	1,046	1,114	1,027	1,181	1,628	1,401	33.9%	-13.9%
<b>Northern Counties</b>	1,030	1,285	1,131	1,233	1,202	1,317	27.9%	9.6%

*Table 49. Number of Member Users of Nursing Services by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	1,048	1,049	987	928	956	997	-4.9%	4.3%
<b>Maricopa</b>	616	627	610	609	666	733	19.0%	10.1%
<b>Pima</b>	95	104	105	101	100	104	9.5%	4.0%
<b>Central Counties excluding Maricopa</b>	36	32	29	27	31	36	0.0%	16.1%
<b>Southern Counties excluding Pima</b>	21	31	30	27	21	29	38.1%	38.1%
<b>Northern Counties</b>	52	51	66	72	68	63	21.2%	-7.4%

*Table 50. Number of Nursing Service Providers by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	18	20	21	21	21	24	33.3%	14.3%
<b>Maricopa</b>	15	18	18	17	17	19	26.7%	11.8%
<b>Pima</b>	7	9	7	7	9	12	71.4%	33.3%
<b>Central Counties excluding Maricopa</b>	13	10	10	10	11	11	-15.4%	0.0%
<b>Southern Counties excluding Pima</b>	5	5	6	6	6	7	40.0%	16.7%
<b>Northern Counties</b>	6	7	6	6	6	7	16.7%	16.7%



*Table 51. Utilization Percentage of Authorized Units of Nursing Services by Region*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Statewide</b>	64.2%	61.2%	57.8%	54.7%	54.0%	64.9%	0.7%	10.9%
<b>Maricopa</b>	68.8%	69.4%	63.8%	55.3%	54.1%	64.1%	-4.7%	10.0%
<b>Pima</b>	60.1%	49.2%	52.1%	54.1%	57.7%	77.2%	17.1%	19.5%
<b>Central Counties excluding Maricopa</b>	55.6%	39.5%	33.8%	48.8%	48.2%	58.3%	2.7%	10.1%
<b>Southern Counties excluding Pima</b>	30.4%	33.9%	28.4%	56.9%	56.5%	66.8%	36.4%	10.3%
<b>Northern Counties</b>	49.6%	46.3%	54.1%	52.2%	49.7%	57.1%	7.5%	7.4%

### Therapy Services

Table 52 identifies the six specific service codes in the Therapy category. Respiratory therapy was excluded from the analysis because there were minimal or no unassigned authorizations for the study period.

*Table 52. Therapy Service Codes*

Service Code	Description
<b>OEA</b>	Occupational Therapy Evaluation
<b>OTA</b>	Occupational Therapy
<b>PEA</b>	Physical Therapy Evaluation
<b>PTA</b>	Physical Therapy
<b>SEA</b>	Speech Therapy Evaluation
<b>STA</b>	Speech Therapy

### Summary of Findings

- *Payments for Therapy services represent 5% of all DDD payments during SFY 2024. Payments for Therapy services have increased on average 108% statewide for the six-year study period and 13% from 2023 to 2024. The changes in total payments are primarily driven by fee schedule changes from 2019 through 2024.*
- *Current rates compare favorably to the 2019 benchmark rates for all services, but service code PTA falls below the historical 85% threshold for the new rebase rates.*



- *The number of members who use therapy has been consistent or increased throughout the six years and from 2023 to 2024. Over the six years, there has been a 7% increase in member users and a 5% increase from 2023 to 2024.*
- *The average number of units per user of Therapy services has increased or remained statewide in most regions for the six years and from 2023 to 2024. Statewide, there is a 13% increase from 2019 through 2024 and a 1% increase from 2023 to 2024.*
- *Results show a material negative trend in the number of providers across all regions, down 5% over the six-year study period and the last year. Since utilization has not seen a corresponding decrease, this may be due to provider consolidation or another factor that does not directly impact utilization.*
- *Maricopa County shows a 3% decrease in the utilization percentage of authorized units of Therapy services from 2019 through 2024, and all regions except for Pima show a decrease from 2023 to 2024.*
- *Respiratory therapy was not included in this review as very few units of this service were authorized during the study period.*

While the current rates compare favorably to the current benchmark rates for all services, PTA falls under the historical 85% threshold for the new rebase benchmark. Myers and Stauffer recommends that DES/DDD reassess the current rates for 2024 once the remaining claims are available (March through June 2024) and consider raising rates to at least 85% of the new rebase benchmarks. The following are six service category-specific tables from which the findings were drawn.

*Table 53. Payments by DES/DDD for Service Codes Included in this Category (in Millions)*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>OEA</b>	\$ 0.50	\$ 0.60	\$ 0.48	\$ 0.46	\$ 0.49	\$ 0.66	32.0%	34.7%
<b>OTA</b>	\$ 19.14	\$ 24.23	\$ 29.63	\$ 31.89	\$ 36.56	\$ 42.43	121.7%	16.1%
<b>PEA</b>	\$ 0.17	\$ 0.24	\$ 0.21	\$ 0.19	\$ 0.19	\$ 0.21	23.5%	10.5%
<b>PTA</b>	\$ 5.72	\$ 7.56	\$ 10.40	\$ 11.68	\$ 12.32	\$ 14.18	147.9%	15.1%
<b>SEA</b>	\$ 0.64	\$ 0.70	\$ 0.56	\$ 0.55	\$ 0.63	\$ 0.80	25.0%	27.0%
<b>STA</b>	\$ 31.60	\$ 41.15	\$ 47.98	\$ 50.34	\$ 56.35	\$ 61.94	96.0%	9.9%
<b>Total</b>	<b>\$ 57.77</b>	<b>\$ 74.47</b>	<b>\$ 89.26</b>	<b>\$ 95.10</b>	<b>\$ 106.53</b>	<b>\$ 120.23</b>	<b>108.1%</b>	<b>12.9%</b>



*Table 54. Current Rates Compared to Benchmark Rates, Therapy Services*

	Benchmark Unit	Service	Benchmark Rate	Adopted Rate 01/01/2024	Adopted to Benchmark Ratio	Rebase Benchmark 07/01/2024	Adopted to Rebase Ratio
<b>STA</b>	Hourly	Speech Therapy	\$ 101.88	\$ 92.24	90.5%	\$ 105.28	87.6%
<b>OTA</b>	Hourly	Occupational Therapy	\$ 101.88	\$ 92.24	90.5%	\$ 107.40	85.9%
<b>PTA</b>	Hourly	Physical Therapy	\$ 101.88	\$ 92.24	90.5%	\$ 117.48	78.5%
<b>RP1</b>	Hourly	Respiratory Therapy	\$ 52.45	\$ 52.40	99.9%	\$ 65.24	80.3%

*Table 55. Average Units per User for Therapy*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	27	26	31	30	30	30	11.1%	0.0%
<b>Maricopa</b>	28	27	31	32	32	32	14.3%	0.0%
<b>Pima</b>	25	25	30	23	23	24	-4.0%	4.3%
<b>Central Counties excluding Maricopa</b>	27	26	29	32	32	31	14.8%	-3.1%
<b>Southern Counties excluding Pima</b>	25	26	30	27	26	27	8.0%	3.8%
<b>Northern Counties</b>	24	25	30	23	24	24	0.0%	0.0%

*Table 56. Number of Member Users of Therapy Services by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	16,671	16,523	14,799	16,400	17,042	17,830	7.0%	4.6%
<b>Maricopa</b>	11,869	11,747	10,696	11,892	12,329	12,960	9.2%	5.1%
<b>Pima</b>	1,510	1,536	1,261	1,402	1,468	1,522	0.8%	3.7%
<b>Central Counties excluding Maricopa</b>	1,095	1,141	1,074	1,219	1,338	1,446	32.1%	8.1%
<b>Southern Counties, excluding Pima</b>	726	744	650	688	738	783	7.9%	6.1%
<b>Northern Counties</b>	1,089	1,075	949	1,040	1,074	1,079	-0.9%	0.5%



*Table 57. Number of Therapy Providers by Region*

	2019	2020	2021	2022	2023	2024	Percent Change 2019-2024	Percent Change 2023-2024
<b>Statewide</b>	187	185	185	184	186	177	-5.3%	-4.8%
<b>Maricopa</b>	185	181	182	163	168	158	-14.6%	-6.0%
<b>Pima</b>	166	164	160	63	60	58	-65.1%	-3.3%
<b>Central Counties excluding Maricopa</b>	145	143	145	102	106	100	-31.0%	-5.7%
<b>Southern Counties excluding Pima</b>	132	139	137	54	57	50	-62.1%	-12.3%
<b>Northern Counties</b>	156	158	154	79	79	73	-53.2%	-7.6%

*Table 58. Utilization Percentage of Authorized Units of Therapy Services by Region*

	2019	2020	2021	2022	2023	2024	Absolute Change 2019-2024	Absolute Change 2023-2024
<b>Statewide</b>	57.9%	54.3%	59.7%	59.3%	59.6%	58.3%	0.4%	-1.3%
<b>Maricopa</b>	61.6%	58.6%	64.9%	59.3%	59.4%	58.4%	-3.2%	-1.0%
<b>Pima</b>	38.0%	34.8%	36.6%	60.8%	56.8%	57.3%	19.3%	0.5%
<b>Central Counties excluding Maricopa</b>	59.6%	58.9%	65.3%	58.9%	62.4%	59.0%	-0.6%	-3.4%
<b>Southern Counties excluding Pima</b>	54.4%	44.0%	48.6%	66.0%	67.6%	66.0%	11.6%	-1.6%
<b>Northern Counties</b>	49.1%	42.5%	45.4%	54.4%	56.6%	52.4%	3.3%	-4.2%

### Qualified Vendor and Provider Financial Statements

To conduct the third component of the rate review approach, Myers and Stauffer reviewed a sample of qualified vendor and provider financial statements to evaluate the fiscal health and ability of the provider network to deliver services. A sample of 78 providers was selected (73 plus five alternates), and documentation was provided by 66. They were categorized into four categories based on combined revenue for all DDD services billed, with the number of providers represented shown in parentheses:

- Total DDD services revenue greater than \$25 Million (4).
- Total DDD services revenue between \$10 Million and \$25 Million (14).
- Total DDD services revenue between \$5 Million and \$10 Million (9).



- Total DDD services revenue less than \$5 Million (39).

Myers and Stauffer analyzed three fiscal health and solvency measures for each category: cash ratio, net income percent, and current ratio. These three measures provide insight on the fiscal health of providers of varying sizes at the current service rates. *Table 59* summarizes the results of the review.

*Table 59. Provider Review Sample SFY 2024*

Provider Revenue	Number of Providers in Sample	Median Cash Ratio	Median Current Ratio	Median Net Income
<\$5M	39	1.19	2.46	10.6%
\$5-\$10M	9	0.60	1.46	-0.1%
\$10M-\$25M	14	2.64	3.43	14.3%
> \$25M	4	1.67	3.47	5.0%
<b>Overall</b>	66	0.95	2.30	10.1%

While no specific benchmarks are readily available for the long-term services and supports industry, stable or increasing metrics are generally a sign of good provider financial health, while decreasing ratios may be cause for concern as providers have less available liquidity to cover current debts and/or are operating at a net loss. Myers and Stauffer received one year’s worth of information from the State. The results in *Table 58* were compared to historic rate adequacy reports. The findings were in line with historic ratio levels and, as such, are not a concern from a rate adequacy perspective.

### Costs Arising from Amendments to Existing Contracts

DES/DDD implemented a new RFQVA HCBS contract in March 2024. The new contract included several amendments to previous contract requirements, which were intended to “improve the service models and contract with input from stakeholders statewide.”<sup>6</sup> On June 25, 2024 the DDD extended the implementation date of the new Agreement to January 1, 2025.<sup>7</sup> The timing

<sup>6</sup> AZ DDD Summary of RFQVA Changes, [https://docs.google.com/document/d/1-e0JUupufJrAQK\\_mloFNQg-luKKKhf-N0/edit#heading=h.mvhcdhxzulav](https://docs.google.com/document/d/1-e0JUupufJrAQK_mloFNQg-luKKKhf-N0/edit#heading=h.mvhcdhxzulav). Accessed on 7/3/24.

<sup>7</sup> Revised Procurement Notice – Extended Implementation and Application Dates for RFQVA DDD-2024 (06/25/2024), [https://des.az.gov/sites/default/files/media/06252024\\_Vendor-Announcement-RFQVA-Revised-Procurement.pdf?time=1720035834001](https://des.az.gov/sites/default/files/media/06252024_Vendor-Announcement-RFQVA-Revised-Procurement.pdf?time=1720035834001). Accessed on 7/3/24.



of these changes impacts the ability to accurately assess the fiscal and participation impact of the changes on the provider service pool.

Myers and Stauffer reviewed the summary of amendments<sup>8</sup> and found several changes that may impact provider administration and service delivery. While the stated intentions for the changes are, among other things, to clarify and streamline requirements and improve the quality of service delivery, compliance with the modified administrative and service delivery requirements may only partially be offset by those eliminated. This could create a minor fiscal impact for existing providers, but that impact is likely immaterial to rates.

At DES/DDD's request, Myers and Stauffer reviewed the RFQVA DDD-2024 Contract Revision Redline Summary 8/1/2023<sup>9</sup> to provide a high-level assessment of the potential impact of the contract revisions on provider capacity. DES/DDD defines many changes as procedural rather than policy to support language changes related to submitting more provider enrollment information electronically.

Myers and Stauffer's review observations are summarized as follows:

- *The addition of more explicit policy requirements for the business continuity plan should not be administratively burdensome since changes are reasonable and consistent with standard practices.*
- *Several policy changes may improve provider experience with the application process. For example, the contract updates clarify requirements in the business continuity plan.*
- *Changes to the Terms and Conditions are described as "improved clarity by clearly specifying requirements and included new clearance form." While Myers and Stauffer does not have the necessary background information to confirm this statement, the intent is reasonable.*
- *A Terms and Conditions change adds a Qualified Vendor (QV) requirement to submit documentation of qualifications, including professional licenses, diplomas, and certificates. This adds an administrative burden to providers, although changes are likely to have only an immaterial impact on provider operational costs.*

<sup>8</sup> RFQVA DDD-2024 Contract Revision Redline Summary, [https://docs.google.com/spreadsheets/d/12rWD6ejPB5H\\_1a8ySxk4Yqx\\_24lkMitwbHBeEPStYO0/edit?gid=0#gid=0](https://docs.google.com/spreadsheets/d/12rWD6ejPB5H_1a8ySxk4Yqx_24lkMitwbHBeEPStYO0/edit?gid=0#gid=0). Accessed on 7/3/24.

<sup>9</sup>[https://docs.google.com/spreadsheets/d/12rWD6ejPB5H\\_1a8ySxk4Yqx\\_24lkMitwbHBeEPStYO0/edit?pli=1&gid=0#gid=0](https://docs.google.com/spreadsheets/d/12rWD6ejPB5H_1a8ySxk4Yqx_24lkMitwbHBeEPStYO0/edit?pli=1&gid=0#gid=0). Accessed on 7/3/24.



---

The nature and substance of the contract changes do not appear to have a location-specific (regional) component that would impact providers differently based on their business location. That is not to say, however, that the impact of the changes is the same for all providers. It should be noted that *any additional* requirements, whether one-time or ongoing, typically have a disproportionate adverse administrative and financial impact on smaller providers, even when other requirements are eliminated. The effect is likely even more significant for HCBS services since most/many providers are small and rural. Similarly, the exceptionally long length of the RFQVA (264-page) is likely to be a deterrent in terms of participation and compliance, negatively affecting provider capacity throughout the State. Notably, the application instructions within Part 4 of the contract include a provision related to the use of consultants to assist in completing the application, which implies that the application process may be too complex or lengthy for completion.<sup>10</sup>

---

<sup>10</sup> RFQVA DDD-2024, P. 69.



---

## Annual Inflationary Costs

According to A.R.S. Title 23. Labor § 23-363 Minimum wage Section B<sup>11</sup>:

*The minimum wage shall be increased on January 1, 2021, and on January 1 of successive years, by the increase in the cost of living. The increase in the cost of living shall be measured by the percentage increase as of August of the immediately preceding year over the level as of August of the previous year of the consumer price index (all urban consumers, U.S. city average for all items) ... with the amount of the minimum wage increase rounded to the nearest multiple of five cents.*

The Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers (CPI-U) measures the average price change over time for a fixed market basket of goods and services. This price change is a measure of inflation, which historically has meant a steady rise in prices; however, an examination of the CPI-U since 2020 shows large swings that disrupted the usual trend.

Myers and Stauffer examined CPI-U data for Arizona and noted that between 2019 and 2023, the Phoenix-Mesa-Scottsdale geographic area experienced a 25.6 percent rise in inflation, while the West Region overall experienced a 19.8 percent inflationary increase. These historic changes in inflation put significant financial pressure on the direct support workers themselves. That pressure is then applied to providers through increased wage rates and minimum wage requirements.

### Change in CPI

Figure 16 (identified as Chart 1 by the U.S Bureau of Labor Statistics) presents the over-the-year percent change in CPI-U, Phoenix-Mesa-Scottsdale between June 2021 and June 2024.<sup>12</sup> The yearly percent change in CPI-U for the Phoenix area dramatically increased starting in 2021. It peaked in mid-2022, while recent data shows the CPI-U has decreased to historical levels near a 3% annual increase.

---

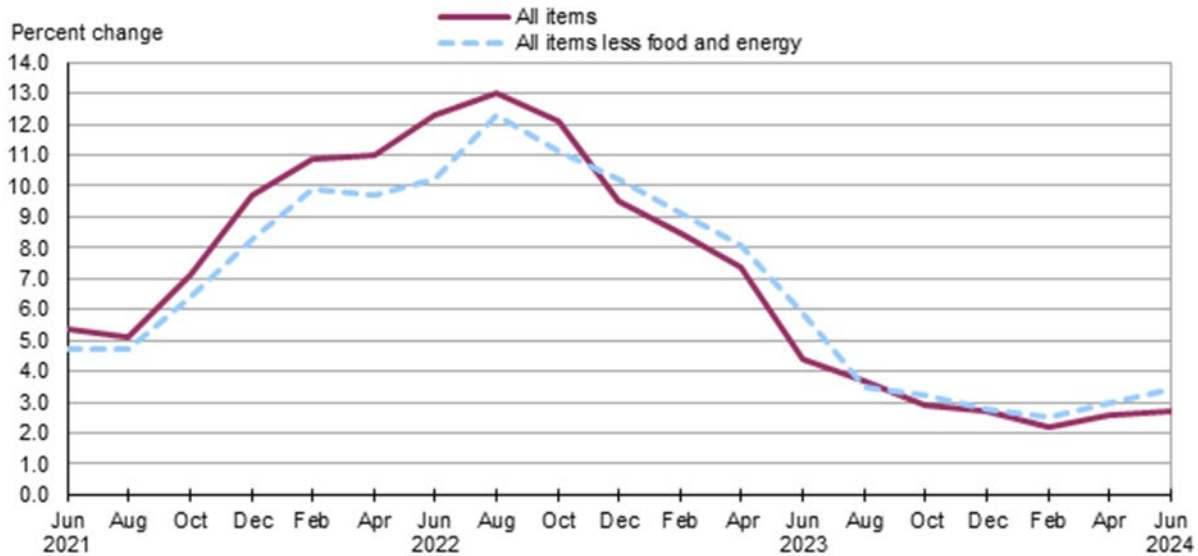
<sup>11</sup> <https://codes.findlaw.com/az/title-23-labor/az-rev-st-sect-23-363/>. Accessed August 13, 2024.

<sup>12</sup> U.S. Bureau of Labor Statistics, Available online: [https://www.bls.gov/regions/west/news-release/consumerpriceindex\\_phoenix.htm](https://www.bls.gov/regions/west/news-release/consumerpriceindex_phoenix.htm). Accessed August 8, 2024.



Figure 9. Over-The-Year Percent Change in CPI-U, Phoenix-Mesa-Scottsdale

**Chart 1. Over-the-year percent change in CPI-U, Phoenix-Mesa-Scottsdale, AZ, June 2021–June 2024**



Source: U.S. Bureau of Labor Statistics.

Inflation is a reflection of the average change in prices paid for a variety of goods and services. Inflation decreases the value of money over time, meaning less purchasing power, and affects the prices of goods and services. During this period, providers of DD services would have experienced increases in the costs of doing business, with some relief through the distribution of ARPA funding. Even though annual inflationary change values have decreased from the significant increases from 2021 to 2022, the real price of goods and services has not. According to CPI-U index values for food, gas, and childcare between 2019 and 2023, the Phoenix area saw a 25% increase in the cost of food, a 44% increase in the cost of gas, and a 16% increase in the cost of childcare.<sup>13</sup> In addition, the Centers for Medicare and Medicaid Services projects that national health spending will grow 5.2% in 2024.<sup>14</sup>

<sup>13</sup> Childcare costs are categorized within the BLS CPI-U along with tuition and other school fees, as such all these costs are represented in the 16 percent value.

<sup>14</sup> National Health Expenditure Projections 2023-2032, Centers for Medicare and Medicaid Services. Available online: <https://www.cms.gov/files/document/nhe-projections-forecast-summary.pdf>. Accessed August 8, 2024.



---

Myers and Stauffer considered these unprecedented trends while evaluating the adequacy of rates and associated recommendations for DES/DDD. Please refer to the Appendix for a summary of the CPI research performed to assess inflationary trends and impact.

### **Recommendation**

Myers and Stauffer has recommended in previous sections of this report that adopted rate levels for DES/DDD services be raised to 85% of the new benchmark rates where funding exists. Raising rates to that level will help account for the historic CPI changes and financial pressures those inflation drivers have created for the provider community. However, in addition to raising baseline rates, Myers and Stauffer would also recommend the State consider applying an annual inflationary factor to adopted rates to account for minimum wage changes, allowing direct support worker wages to grow at an equivalent rate, helping to ensure providers remain competitive in the labor market.



---

## Additional Recommendations

As discussed with DES/DDD, Myers and Stauffer presents several findings and recommendations drawn from observations during the data collection and analysis process that are not addressed elsewhere in this report. These are mentioned only to highlight opportunities to streamline the rate adequacy review process for future years and further bolster Arizona's already strong commitment to ensuring the availability of and access to DDD services by Medicaid members.

### Electronic Visit Verification (EVV) Data

DES/DDD requested Myers and Stauffer to review available EVV data from January 2023 through May 2024 to provide an initial assessment of applicability to the rate study and to identify potential metrics that could be developed to promote continuity in the member/provider relationship.

EVV data is a unique subset of Medicaid administrative information because it captures agency employee (staff) level data connected to a member. Typically, Medicaid claims do not require staff information, except for staff-to-member ratios, which do not track the length of the relationship between members and staff. It is generally accepted that longer relationships between staff and members yield better quality care and higher member satisfaction. EVV data allow the duration of the relationship between a staff person and a member to be quantified and, in some cases, may contain location information that can help assess average and outlier travel distances.

Data reliability depends on a solid collection, management, and validation foundation. It may be helpful to point out that findings from a recent State Medicaid Agency EVV system review by the HHS Office of Inspector General<sup>15</sup> identified three primary areas in which improvements were necessary. These include (1) procedures to prevent claimed visits from being submitted outside of the EVV system, (2) edits within the EVV system to verify that tasks performed and recorded on the in-home personal care services (PCS) claim matched with allowable tasks in the member's approved service plan, and (3) provider requirements to maintain adequate documentation. Myers and Stauffer recommends that DES/DDD routinely monitor the EVV data collection and reporting system to ensure compliance and data integrity.

---

<sup>15</sup> Kansas's Implemented Electronic Visit Verification System Could be Improved (A-07-23-03255), August 2024. <https://oig.hhs.gov/documents/audit/9969/A-07-23-03255.pdf>. Accessed August 23, 2024.



Rate models often track travel hours, administrative costs associated with vehicle or mileage expenses, staffing turnover, training, and retention costs. These “levers” help support potential adjustment of rates to consider higher costs associated with serving members who live in rural areas and/or struggle with finding reliable daily and/or respite staff. Similarly, monitoring EVV metrics may help to identify areas in which rate adjustments could positively impact the ability to maintain reliable, consistent caregivers for members.

While the available data were insufficient for a complete analysis, Myers and Stauffer identified several performance metrics the State may wish to adopt to assess program achievement and member health and satisfaction (quality) outcomes over time. These include:

- *Duration of the service relationship between a staff person and a member.*
- *The number of staff, on average and stratified by region, who serve a member in three, six, or 12 months.*
- *The number of staff, on average, who serve a member who has a caregiver who is related to or living with the member.*
- *Duration and amount of respite required when a related or cohabitating staff person cannot provide services for the member.*

Integrating one or more metrics using EVV data could help assess whether current rate levels have contributed to increased or decreased caregiver consistency. Staff turnover is a significant issue in the HCBS service space nationwide. Leveraging these data, the State may be able to make policy decisions around funding levels or payment methodologies that promote consistency in care delivery to members.

### **ARPA Funding**

Supplemental funding streams, including ARPA payments, contribute to available monies from which providers draw to operate their businesses. DES/DDD sent the State’s ARPA 2023 payment data to Myers and Stauffer for review. Payments for the year totaled \$252 million, at least 80% of which Arizona required to be distributed to direct support professionals and their direct supervisors. Providers were also required to submit staffing turnover and retention information through the ARPA Workforce Development Directed Payment report. The 2023 ARPA funding equals 12% of the total Medicaid revenue paid to DDD providers for all service types in the same year. As such, ARPA represents a significant pool of funding for DDD providers and directly affects the assessment of rate adequacy as these additional funds have influenced the reported metrics. This pending loss of funding is expected to materially impact



available provider financial resources and, coupled with the calculation of significantly higher benchmark rates, the State should strongly consider investing additional funding in the adopted rates to bring them to 85% of benchmark rate levels. This will account for much of the lost ARPA funding (most of which was directed to worker wages) and provide available funds to keep direct support worker wage payments at similar levels to 2023.

### **Costs Arising from Amendments to Existing Contracts**

Upon review of the new RFQVA and supporting documents, Myers and Stauffer presents one recommendation for consideration:

*While it is too early to assess the impact of administrative changes to the RFQVA, which do not become effective until January 1, 2025, Myers and Stauffer recommends that DES/DDD engage in a full review of the contract requirements to identify opportunities to streamline general content, eliminate provisions for which compliance is not possible and/or that cannot be effectively monitored, and to separate provisions that are specific to provider type and size. Since one of the goals of HCBS waiver programs is to recruit neighbors, friends, and relatives to enroll as small, in-home support services and transportation providers to fill service gaps, it is a standard state best practice to develop an abbreviated provider application and process that includes only the most basic requirements that are essential for maintaining and assuring the health, safety, and quality of the limited service to be provided. This is a low-risk approach to growing the available provider pool, especially in underserved areas.*

### **Unassigned Authorizations by Service Category**

Upon review of the data, Myers and Stauffer offers two additional recommendations regarding the number of unassigned authorizations by service category:

*DES/DDD may wish to develop a standard baseline for the number of unassigned authorizations that is reasonable for each service category, taking into account historical factors such as average time involved in arranging service delivery, number of available providers, demand for services, time standards for case management, etc., and to explain reasons for the cyclical trends that occur each year. This will assist in more easily identifying service delivery interruptions that require urgent attention and remediation.*

*DES/DDD may wish to conduct a geographic evaluation of unassigned authorizations to identify inconsistencies among case management agencies, provider compliance problems, service deserts, etc.*



---

## New Federal Requirements

Other federal rule initiatives may also have an outsized effect on state HCBS programs, even though they do not directly target the HCBS service provider population. The most significant of these include:

- *The Centers for Medicare and Medicaid Services (CMS) Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting rule (CMS 3442-F)<sup>16</sup> became effective on June 21, 2024. This rule requires nursing facilities to significantly increase their workforces, particularly for registered nurses and certified nurse assistants. Due to the shared labor pool with HCBS services, we anticipate this demand will create material wage and benefit cost increases that may directly impact HCBS rate adequacy and providers' ability to retain a stable workforce for service delivery. In May 2024, the American Health Care Association (AHCA) filed a lawsuit in the United States District Court challenging the federal minimum staffing mandate contained in the final rule. AHCA challenged CMS's authority to implement these mandates and how the mandates would be applied. A similar separate lawsuit has been filed by the state of Texas, also challenging the federal minimum staffing mandate. These lawsuits may materially alter or delay the minimum staffing mandates.*
- *The CMS Medicaid and Children's Health Insurance Program (CHIP) Ensuring Access to Medicaid Services (CMS-2442-F)<sup>17</sup> final rule rescinds the existing access monitoring review plan requirements at 42 CFR § 447.203(b) and replaces it with new requirements around Medicaid fee-for-service payment rate transparency. The rule specifies that state Medicaid agencies will be required to publish the hourly rates for HCBS, not limited to 1915(c) waiver programs, and including 1115 demonstrations, specifically personal care, home health aide, homemaker, and habilitation services. Arizona's routine updates and existing rate book publications demonstrate presumptive compliance in meeting the rule's requirements. The final rule also requires the rate methodology for certain HCBS service types to have at least 80% of the rate spent on direct support workers and adjacent expenses.*

---

<sup>16</sup> <https://www.federalregister.gov/documents/2024/05/10/2024-08273/medicare-and-medicaid-programs-minimum-staffing-standards-for-long-term-care-facilities-and-medicaid>. Accessed Aug. 9, 2024.

<sup>17</sup> <https://www.federalregister.gov/documents/2024/05/10/2024-08085/medicaid-program-medicaid-and-childrens-health-insurance-program-chip-managed-care-access-finance>. Accessed Aug. 9, 2024.



- *The Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees rule (89 FR 32842)<sup>18</sup> became effective on July 1, 2024. This rule updates the salary thresholds for overtime to levels that expand eligibility for staff. Most salaried workers who are paid the equivalent of up to \$21.10 per hour are now required to get paid for overtime. Worker eligibility is planned to expand again in January 2025 when the rule raises the overtime wage equivalency to \$28.20 per hour, and in 2027 the threshold will be reassessed on an ongoing basis to match current wage data. These mandates may significantly impact the cost of delivering certain services, particularly residential-type services where “house parents” or live-in caregivers are the norm.*

*Myers and Stauffer recommends proactive review and consideration of the impact of these and other state and federal statutory, regulatory, and policy changes over time. These changes may impact member access and utilization, provider capacity, and service delivery.*

---

<sup>18</sup> <https://www.federalregister.gov/documents/2024/04/26/2024-08038/defining-and-delimiting-the-exemptions-for-executive-administrative-professional-outside-sales-and>. Accessed Aug. 9, 2024.



## Appendices

- *Appendix A. Summary of CPI Research Performed*
- *Appendix B. Heat Maps: Service Delivery Locations for Member Populations*
- *Appendix C. Heat Maps: Member Utilization and Concentration of Providers by Zip Code*
- *Appendix D. Heat Maps: Providers per Member by County*



---

## Appendix A. Summary of CPI Research Performed

2020-2024 monthly data for the West Region

[https://www.bls.gov/regions/west/news-release/consumerpriceindex\\_west.htm](https://www.bls.gov/regions/west/news-release/consumerpriceindex_west.htm)

2020-2024 monthly data for Phoenix area

[https://www.bls.gov/regions/west/news-release/consumerpriceindex\\_phoenix.htm](https://www.bls.gov/regions/west/news-release/consumerpriceindex_phoenix.htm)

West region historical CPI data

[https://data.bls.gov/timeseries/CUUR0400SA0?amp%253bdata\\_tool=XGtable&output\\_view=data&include\\_graphs=true](https://data.bls.gov/timeseries/CUUR0400SA0?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true)

Annually 2019 = 270.350 index

Annually 2023=2023 323.834 index

% change = 19.8%

Phoenix CPI historical data

[https://data.bls.gov/timeseries/CUURS48ASA0?amp%253bdata\\_tool=XGtable&output\\_view=data&include\\_graphs=true](https://data.bls.gov/timeseries/CUURS48ASA0?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true)

Annually 2019 = 142.920 index

Annually 2023=2023 179.497 index

% change = 25.6%

Food % change West Region

Annually 2019 = 265.656

Annually 2023 = 335.756

% change = 26.4%

Food % change Phoenix/Mesa/Scottsdale

Annually 2019 = 150.077

Annually 2023 = 187.642

% change = 25%

Gas % change West Region

Annually 2019 = 268.211

Annually 2023 = 365.318

% change = 36.2%

Gas % change Phoenix/Mesa/Scottsdale

Annually 2019 = 241.837

Annually 2023 = 348.696

% change = 44.2%

Tuition, Other School Fees, Childcare % change West Region

Annually 2019 =1475.893

Annually 2023 = 1644.192

% change = 11.4%

Tuition, Other School Fees, Childcare % change Phoenix/Mesa/Scottsdale

Annually 2019 = 198.303

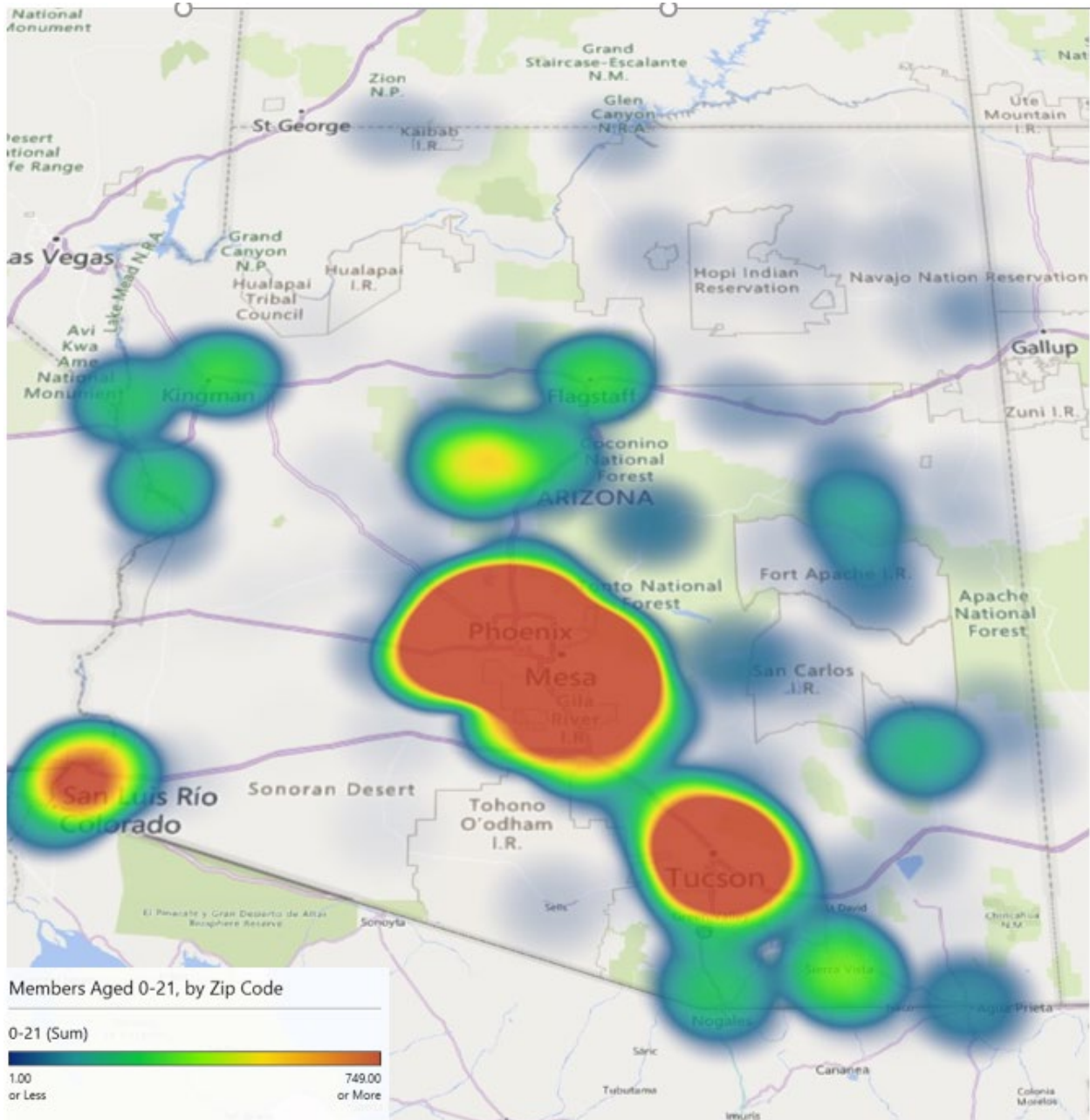
Annually 2023 = 229.474

% change = 15.7%



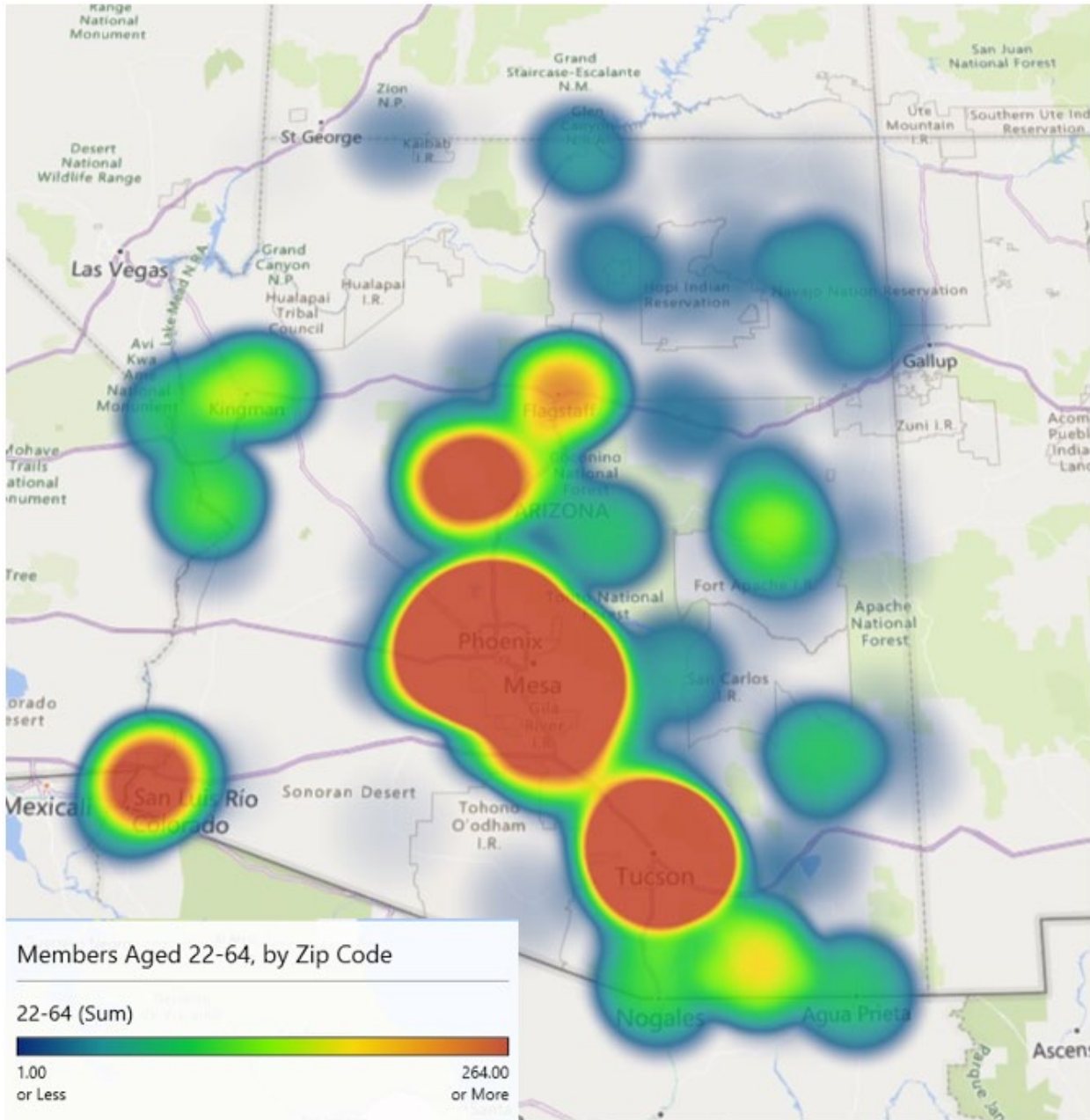
## Appendix B. Heat Maps: Service Delivery Locations for Member Populations

### AZ DDD Services Members SFY 2024, Age 0-21



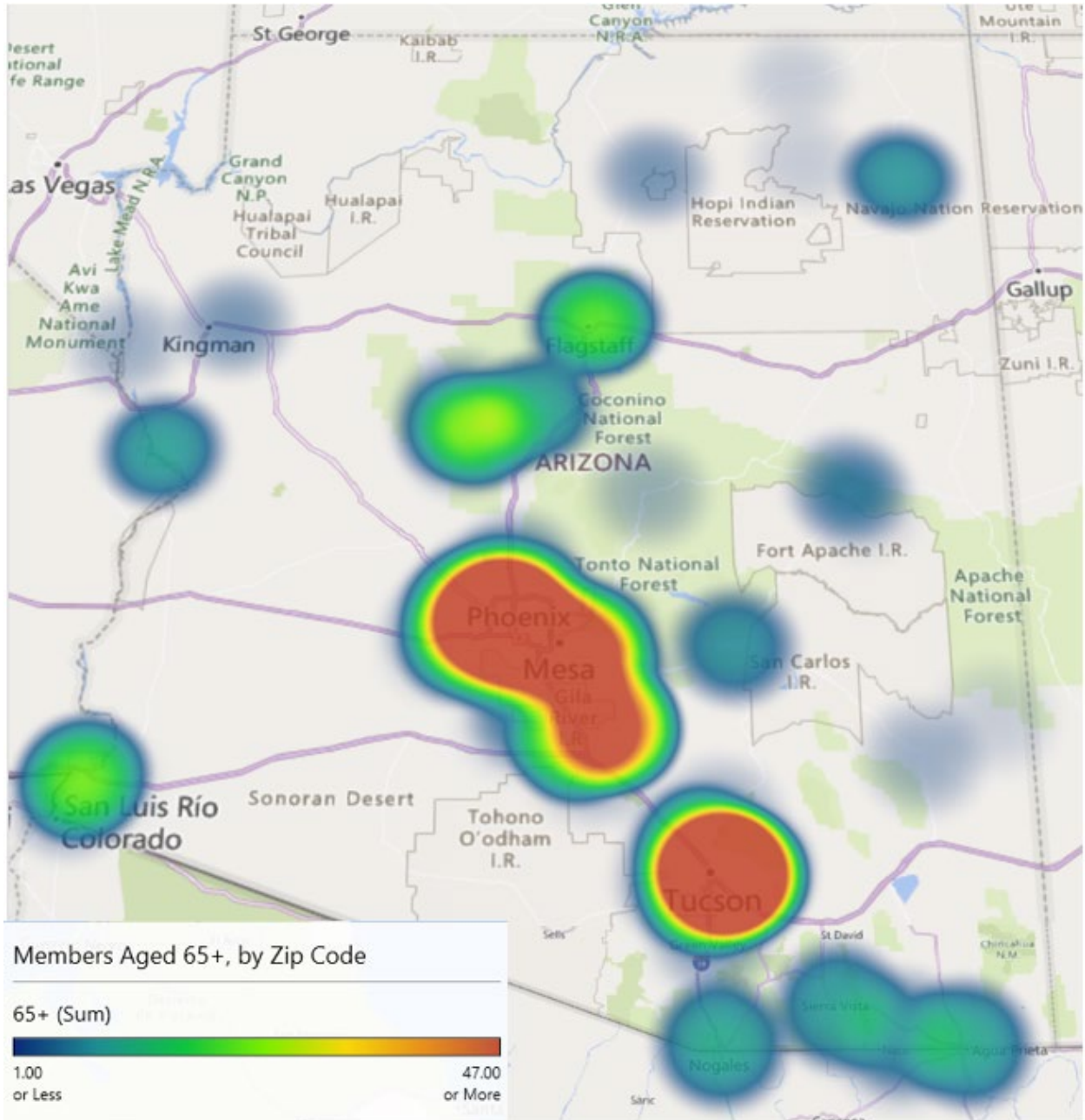


AZ DDD Services Members SFY 2024, Age 22-64





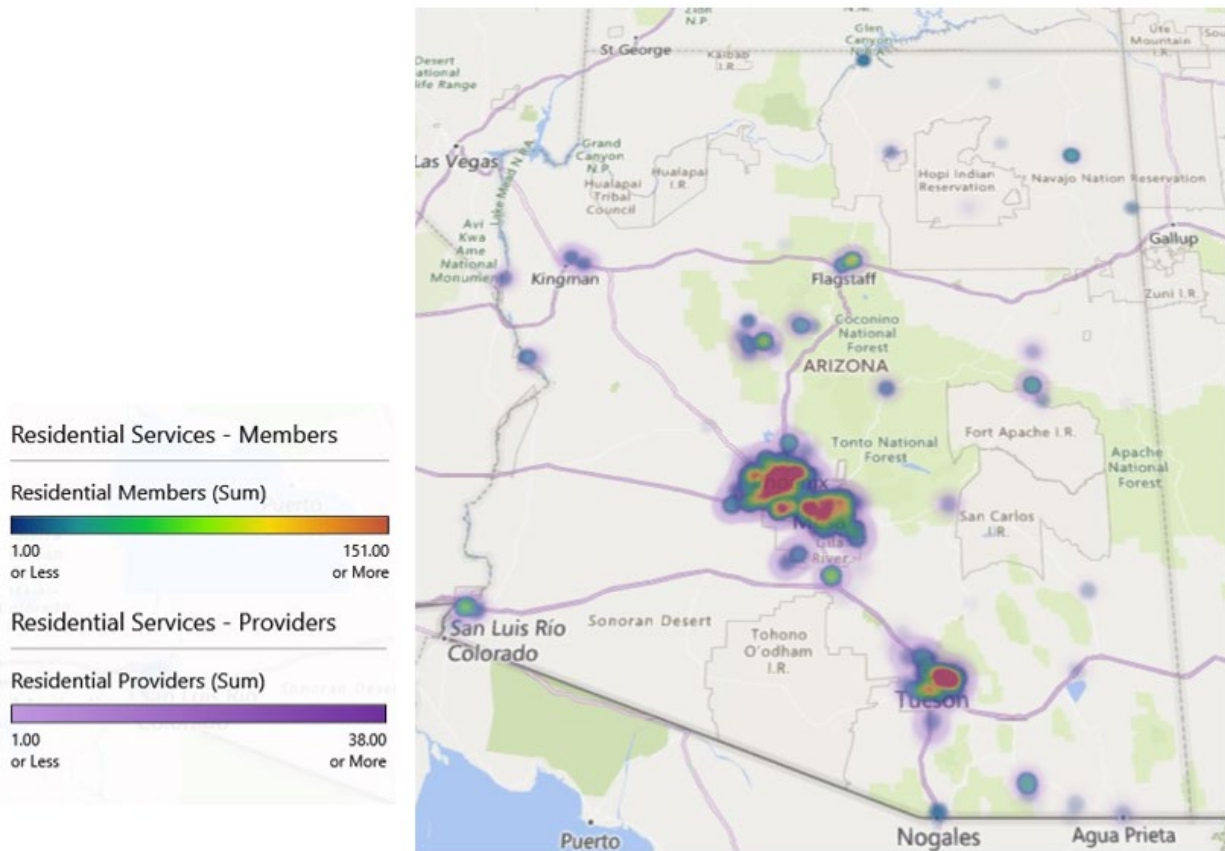
AZ DDD Services Members SFY 2024, Age 65+





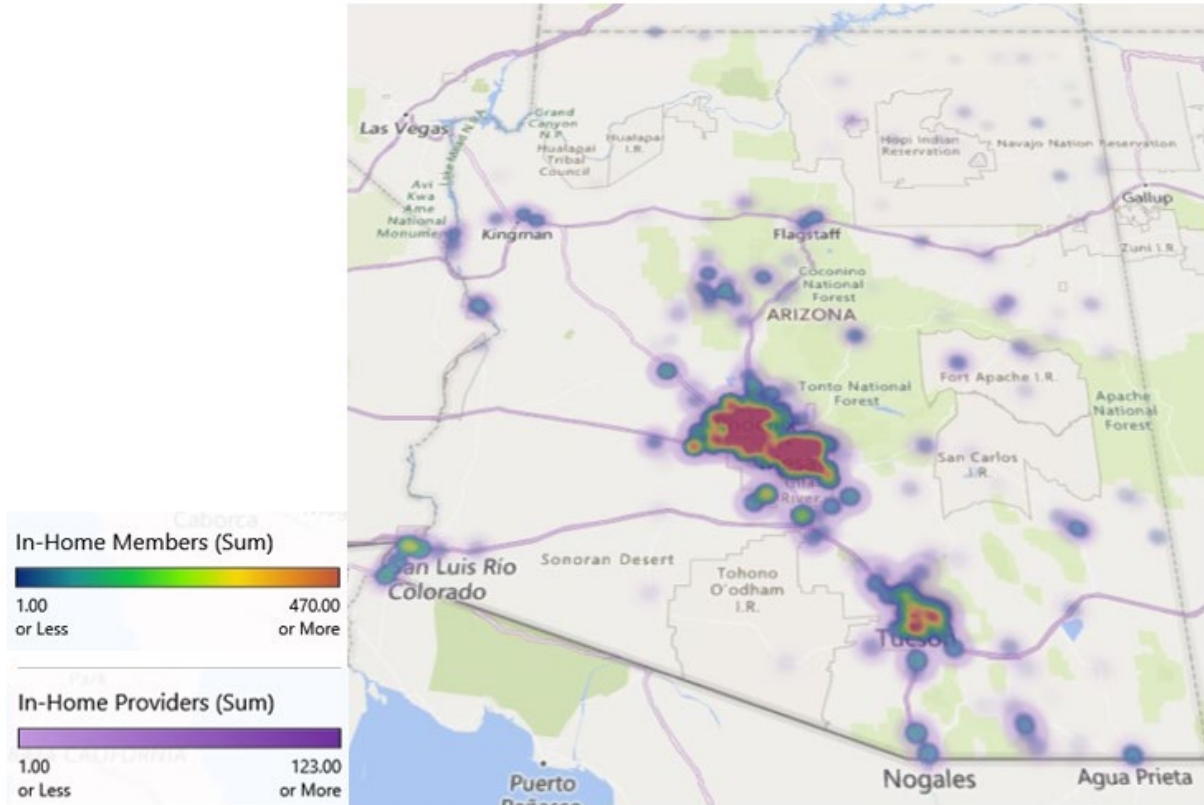
## Appendix C. Heat Maps: Member Utilization and Concentration of Providers by Zip Code

### Member Utilization and Concentration of Residential Providers



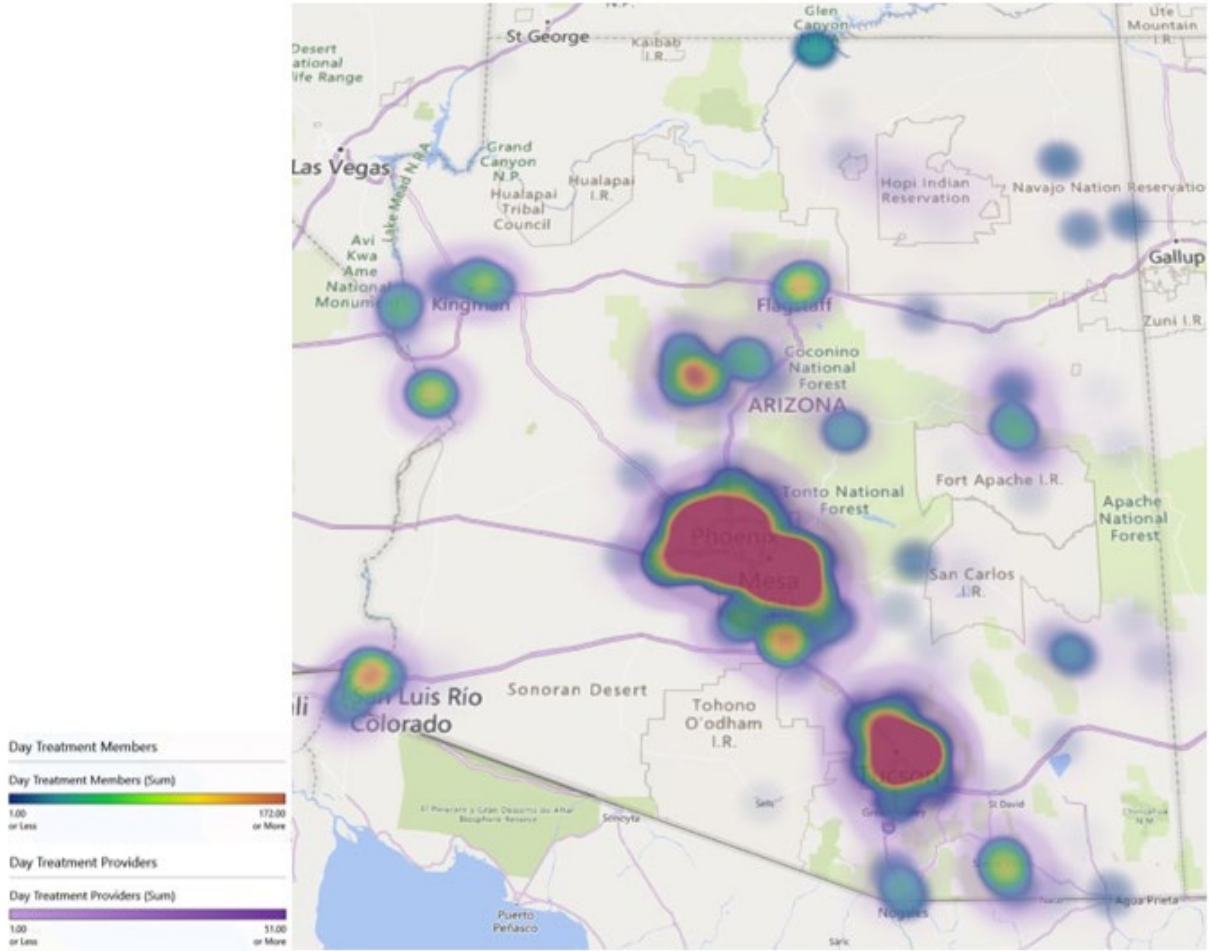


### Member Utilization and Concentration of In-Home Supports Providers



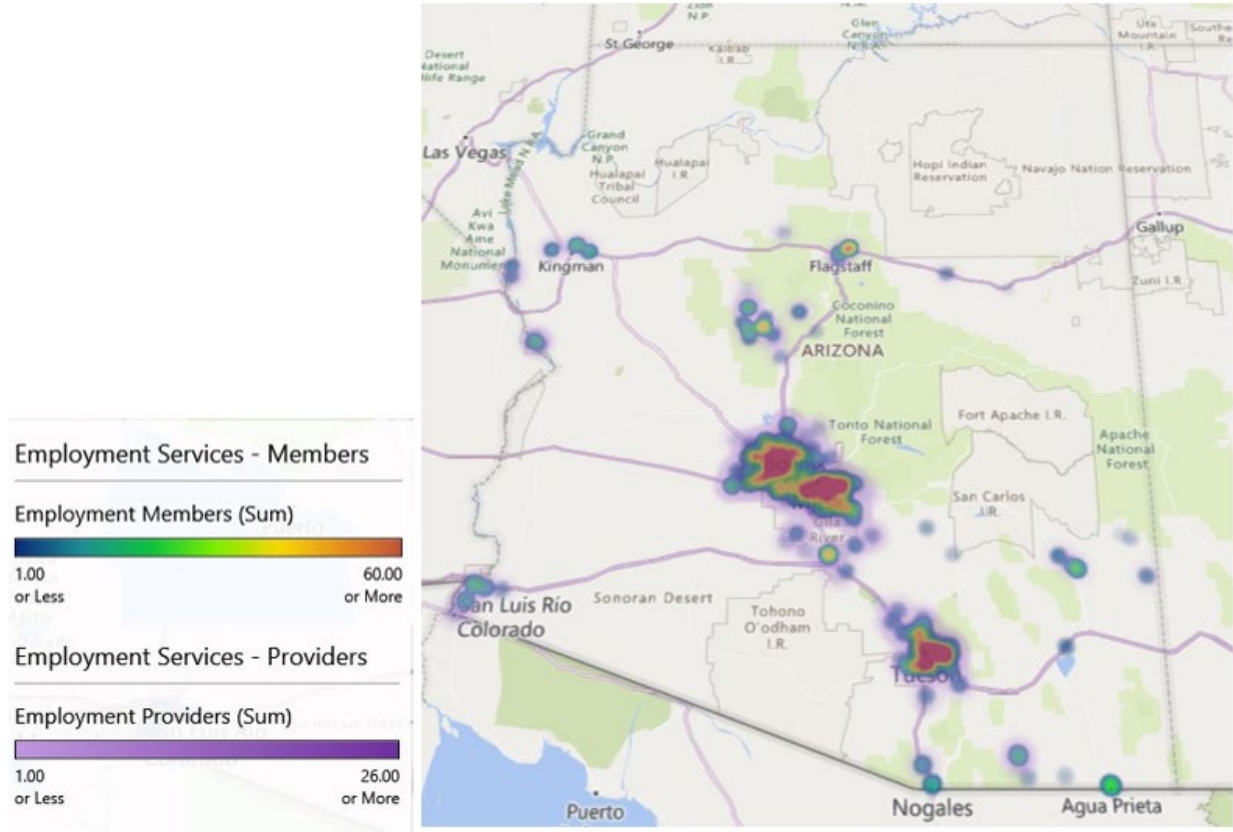


### Member Utilization and Concentration of Day Treatment Providers



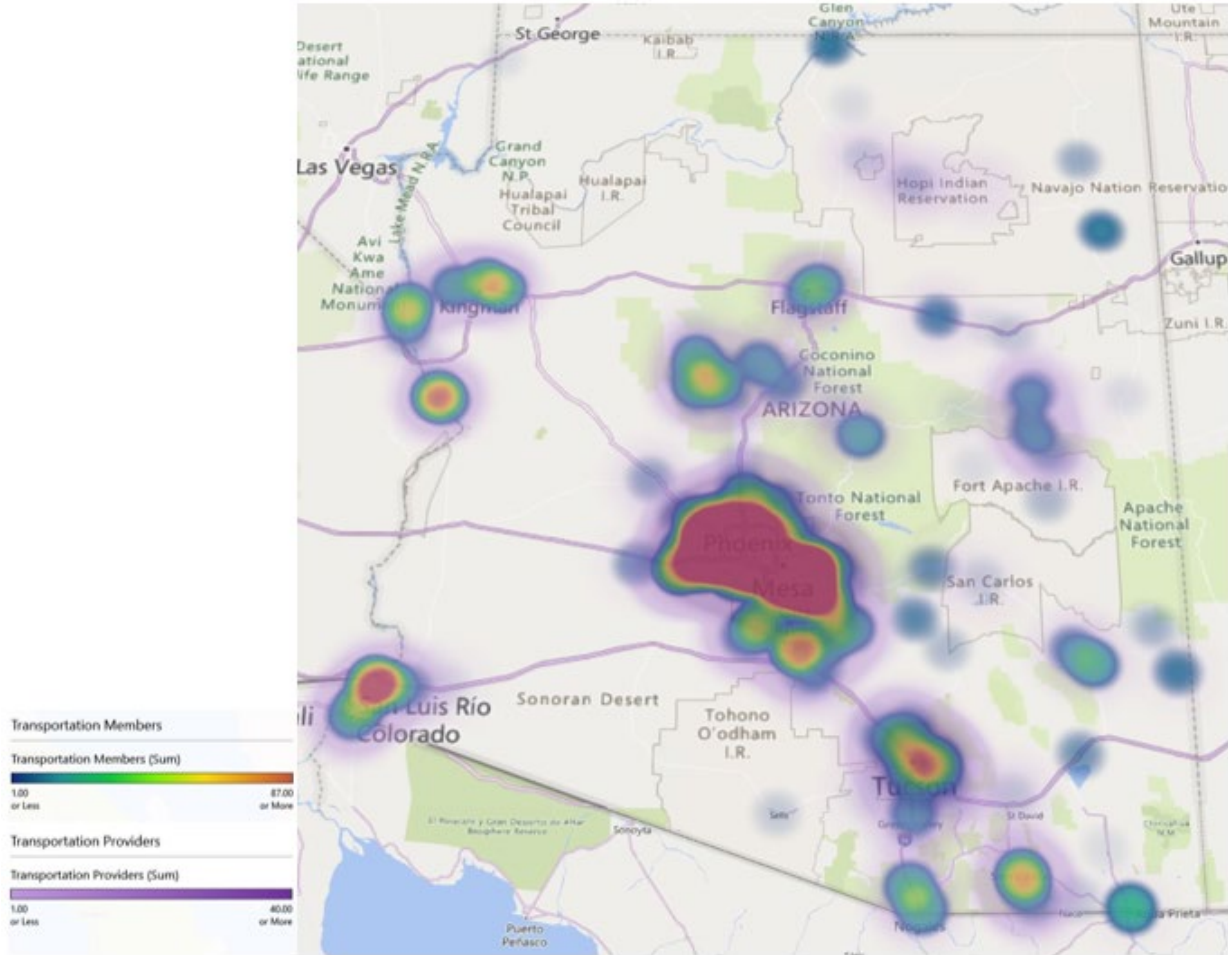


### Member Utilization and Concentration of Employment Providers



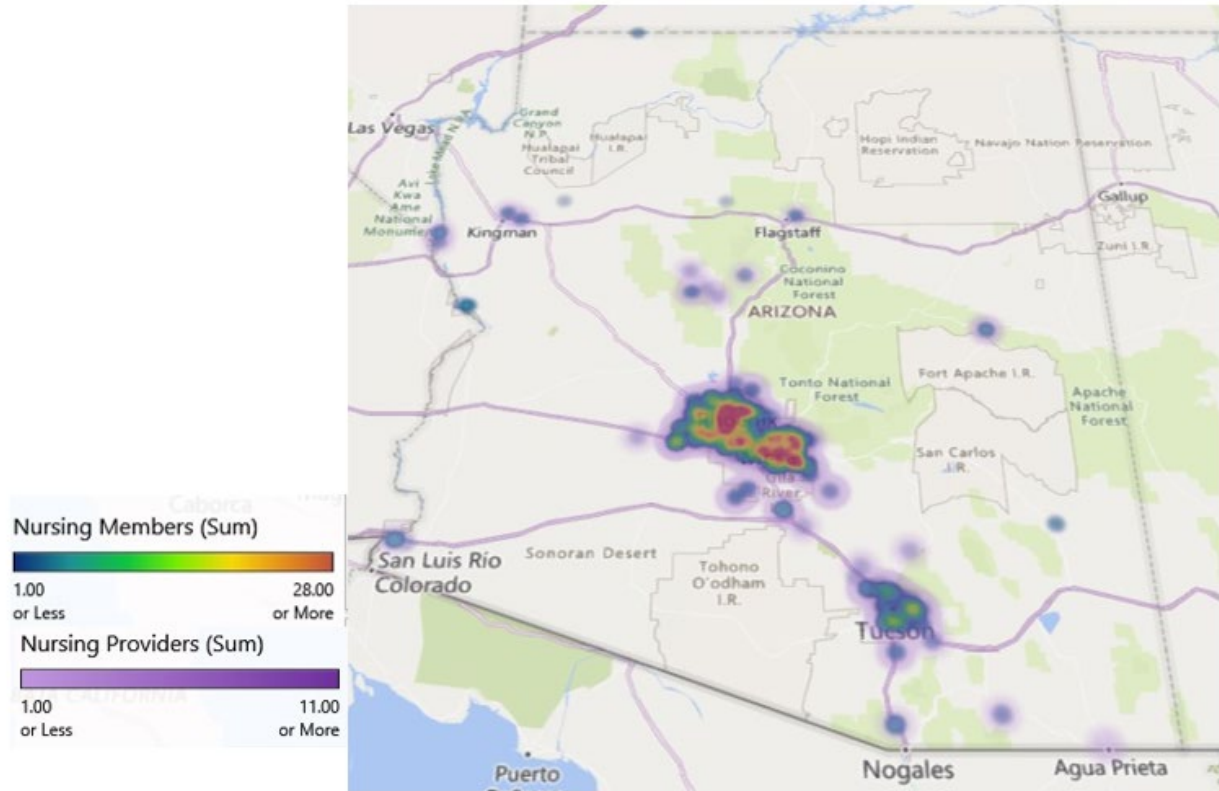


### Member Utilization and Concentration of Transportation Providers



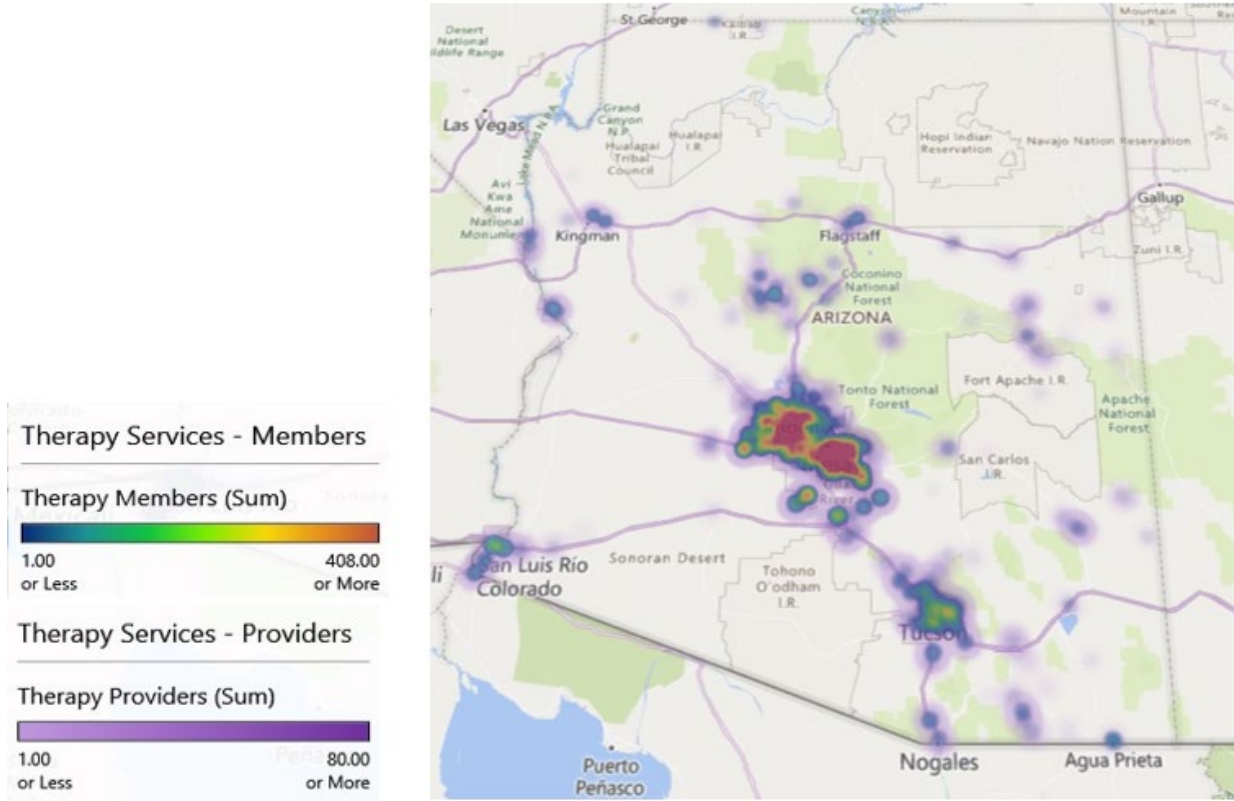


### Member Utilization and Concentration of Nursing Providers





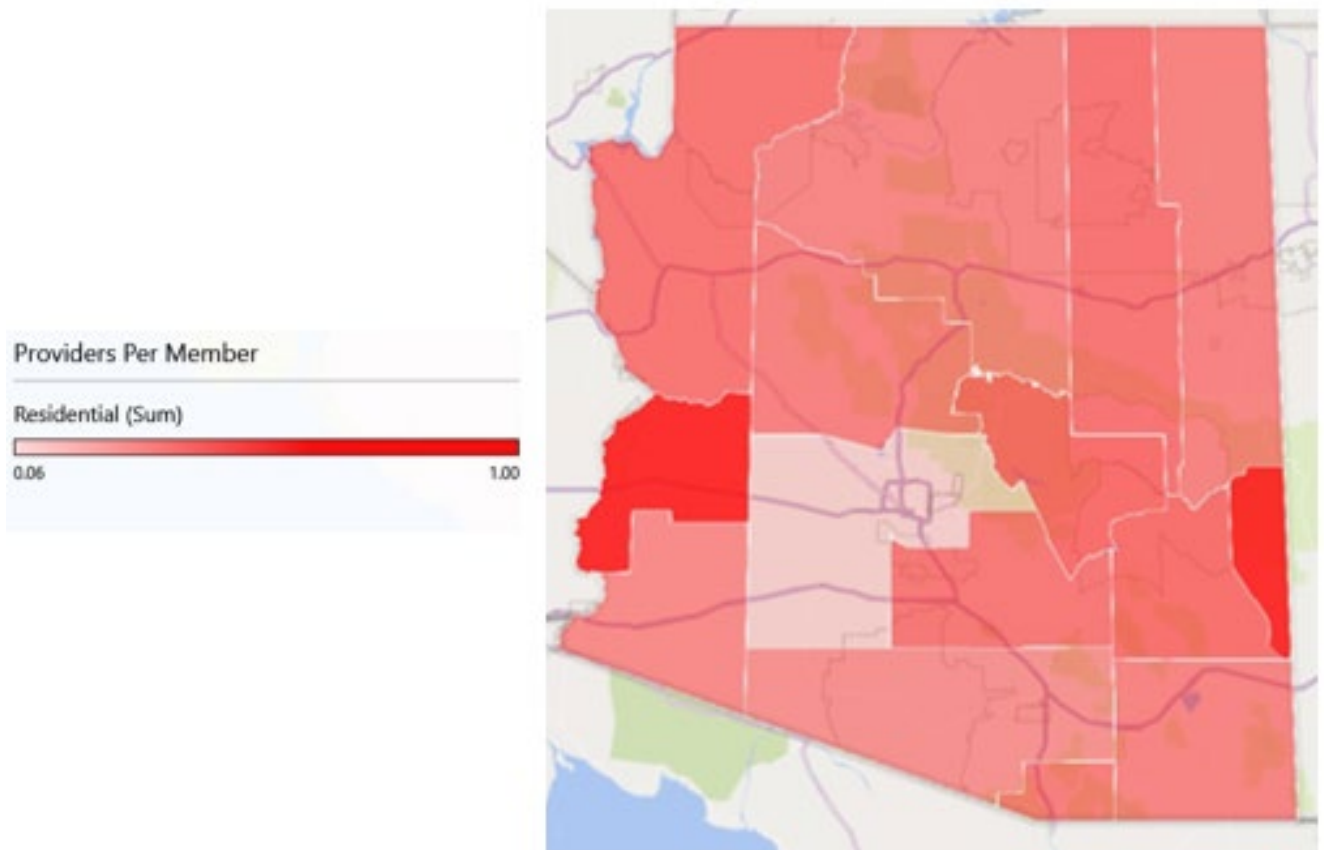
### Member Utilization and Concentration of Therapy Providers





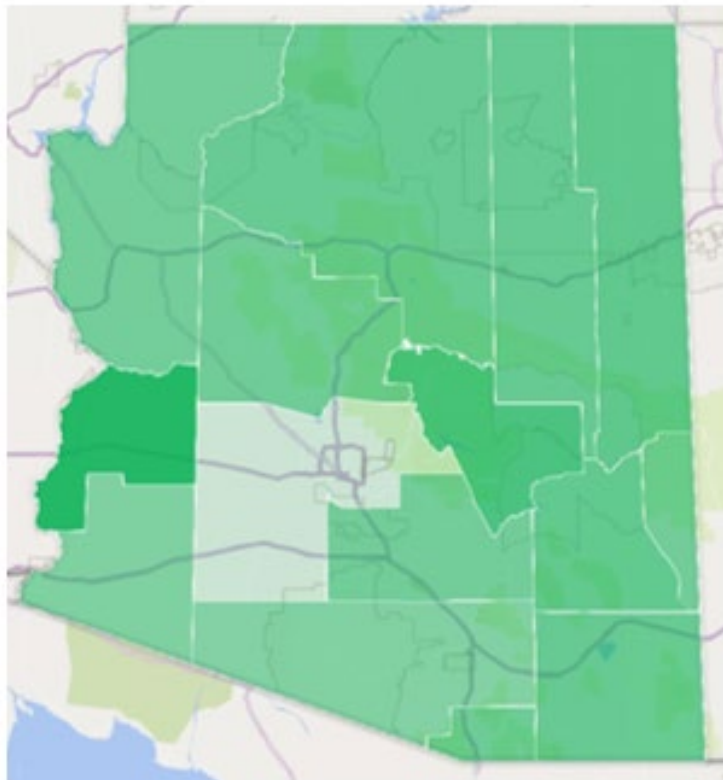
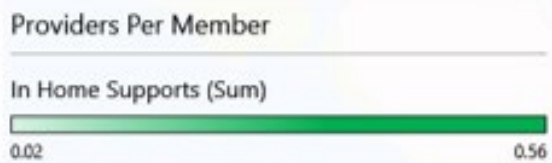
## Appendix D. Heat Maps: Providers per Member by County

### Residential



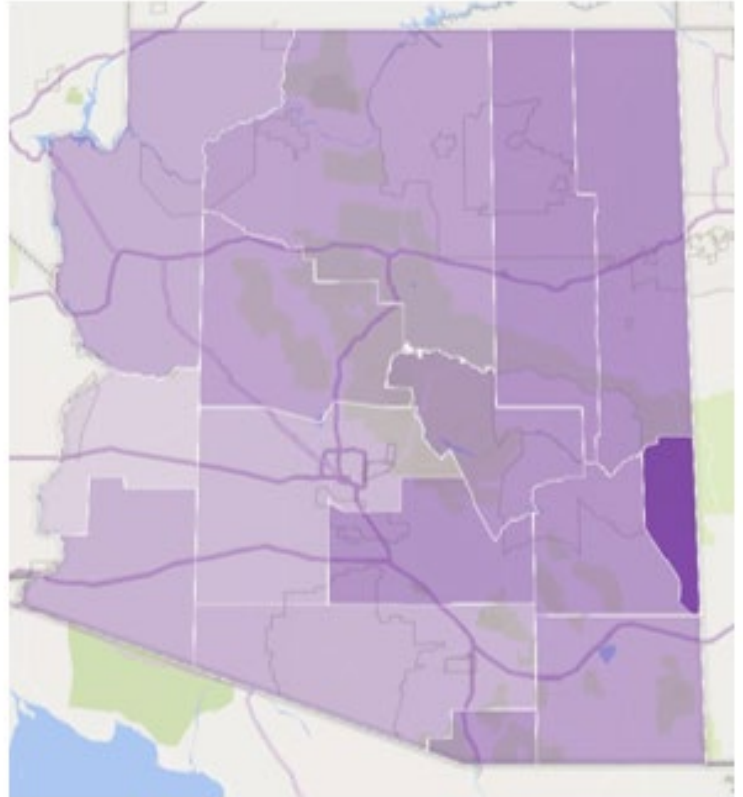
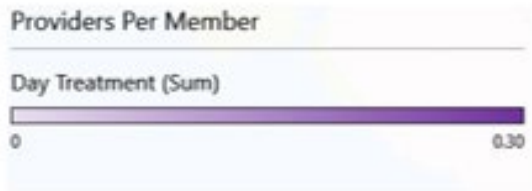


### In-Home Supports



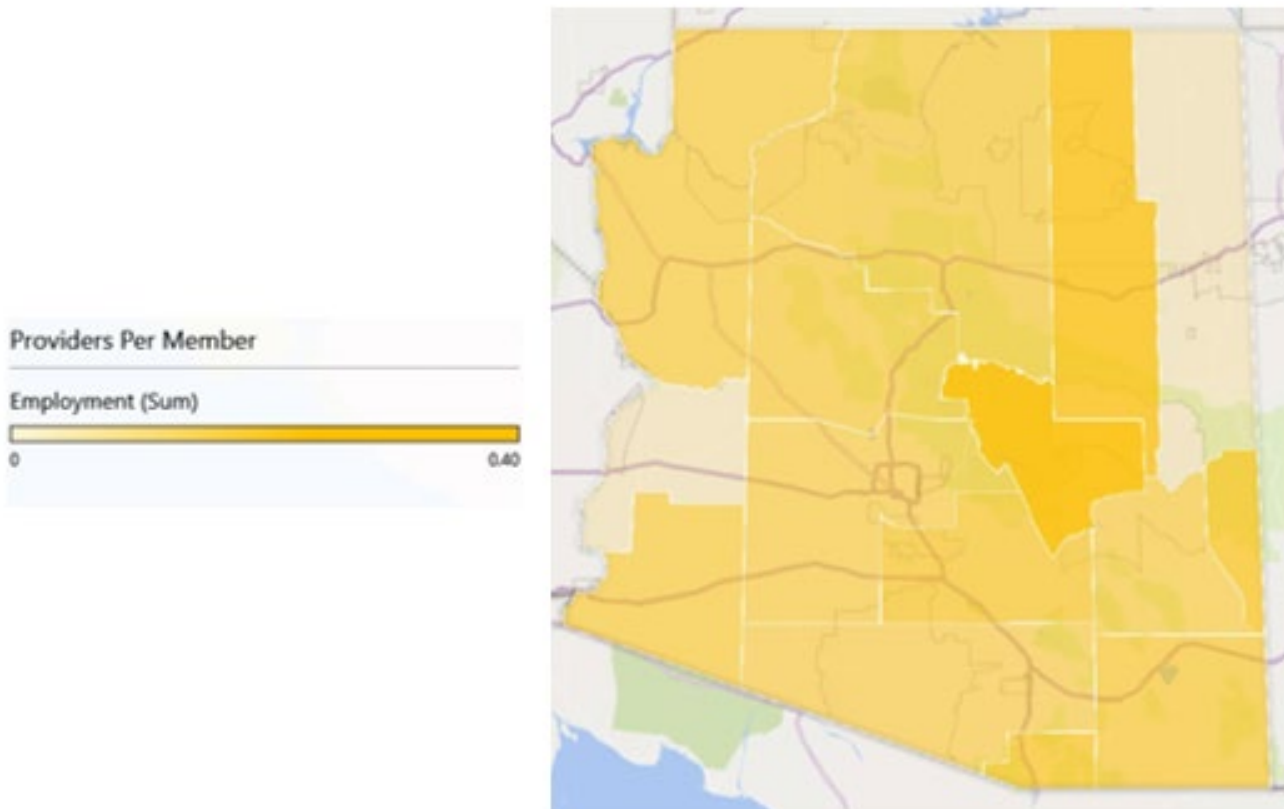


### Day Treatment



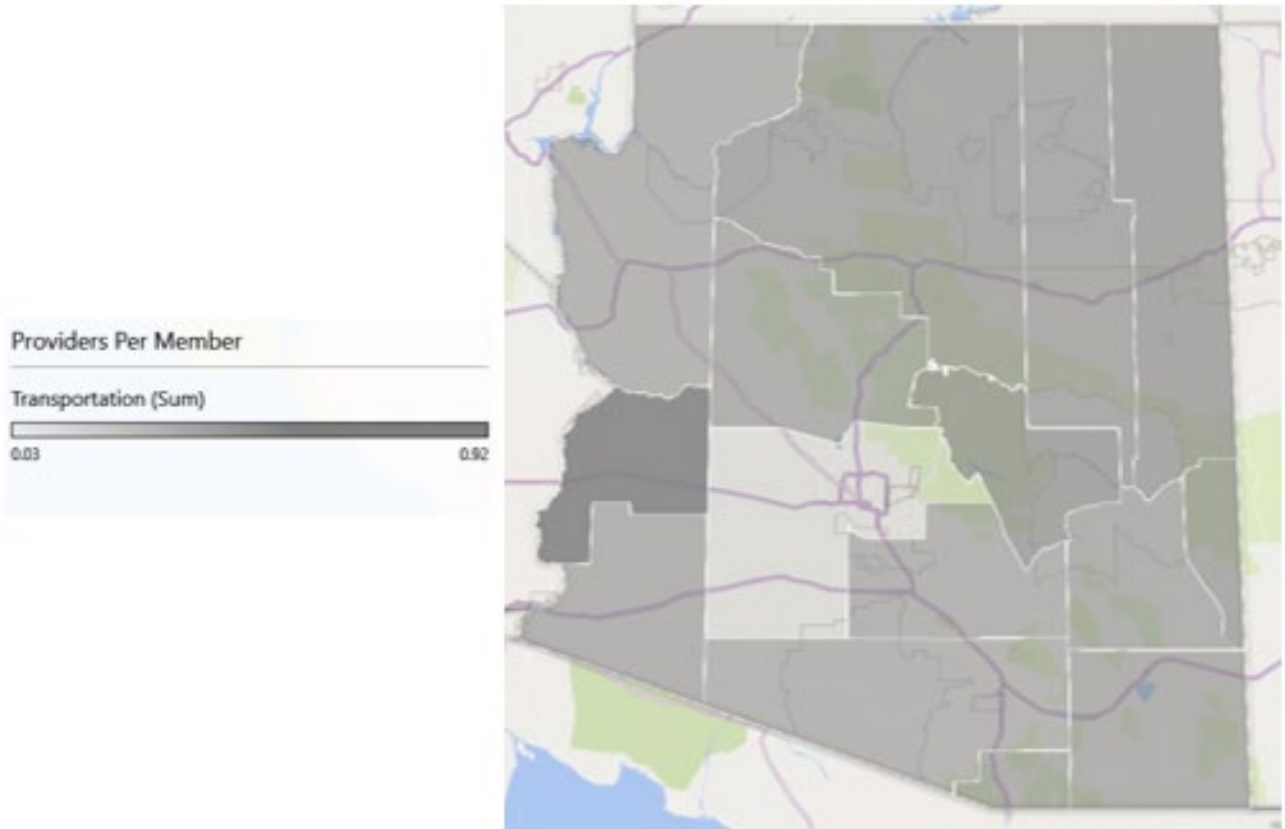


### Employment





### Transportation





### Nursing

