

HCBS Residential Services Medicaid Rate Updates

Prepared for the State of Hawai`i Med-QUEST Division (MQD)

MAY 19, 2025

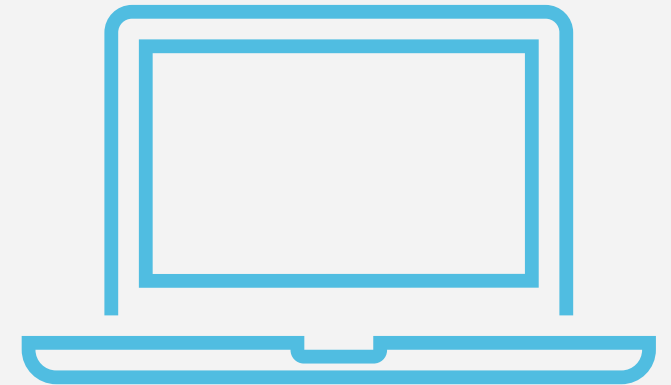
Aloha

All participants are in listen only mode

Please use the chat function to submit any questions

We will address questions in between sections and at the end of the meeting

This meeting is being recorded and a link to the recording will be posted to the project website (<https://medquest.hawaii.gov/en/plans-providers/fee-for-service/fee-schedules.html>)



Agenda

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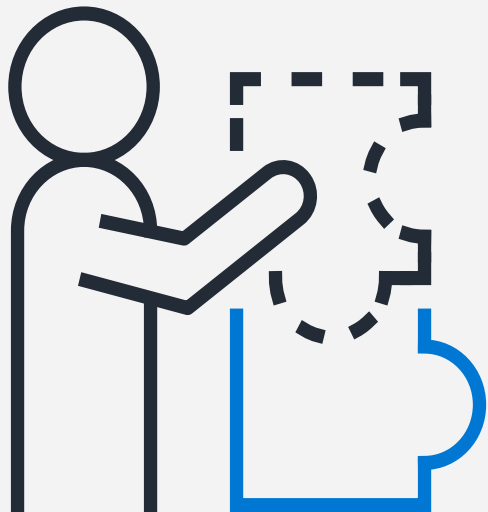
Rate Study
Background

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CY 2025 Updates

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Next Steps



Rate Study Background

HI HCBS Rate Study Background



Hawai'i Med-QUEST Division (MQD) initiated multi-phase home and community-based services (HCBS) rate studies.

- **Phase 1** included residential, in-home, and case management services.
- **Phase 2** included adult day and assisted living facility services, as well as home delivered meals.

MQD commissioned the HCBS rate studies in response to the following initiatives:

- In 2022, the State of Hawai'i Legislature passed Senate Resolution #4, which requests “the Department of Human Services to study the feasibility of increases the Medicaid reimbursement rates for Community Care foster family homes, expanded adult residential care homes, and other home and community care provider services.”
- MQD’s HCBS spending plan under the American Rescue Plan Act of 2021 (ARPA), which specifies the “initiative will include a rate study to identify baseline rates and establish competitive rate methodologies.”

¹ "Urging the Department of Human Services to Study the Feasibility of Increasing Payment to Hawaii's Community Care Foster Family Homes and Expanded Adult Residential Care Homes for Medicaid Recipients," S.R. No. 4, The Senate Thirty-First Legislature, 2022, State of Hawaii, Retrieved from: [SR4 \(hawaii.gov\)](https://hawaii.gov/sr4).

² "Spending Plan for Implementation of American Rescue Plan Act of 2021, Section 9817," State of Hawaii, Department of Human Services, July 2021, Retrieved from: [hi-spending-plan-for-implementation.pdf \(medicaid.gov\)](https://hi-spending-plan-for-implementation.pdf).

Rate study materials can be accessed from the MQD project website: <https://medquest.hawaii.gov/en/plans-providers/fee-for-service/fee-schedules.html>

Historical Timeline of HI HCBS Rate Studies and MQD Milestones

HI HCBS Rate Study Phase 1 (May 2022 through Feb 2023)

- MQD / Milliman meetings
- Provider meetings
- Provider surveys
- Final report release for legislative review
- All stakeholder meeting

QI-Memo

MQD published QI-2167 with 2022 residential rates (annual adjustment)

QI-Memo Revisions (2024)

MQD published a revised QI-Memo with updated residential rates (annual adjustment)

- QI-2407
- QI-2407A
- QI-2407B

Legislatively approved funding increases (Effective 2025) for select HCBS, inclusive of CCFFHs and E-ARCHs

2022

2023

2024

2025

HI HCBS Rate Study Phase 2 (Feb 2023 through Jan 2024)

- MQD / Milliman meetings
- Provider meetings
- Provider surveys
- Final report release for legislative review
- All stakeholder meeting

QI-Memo

MQD published QI-2229 with 2023 residential rates (annual adjustment)

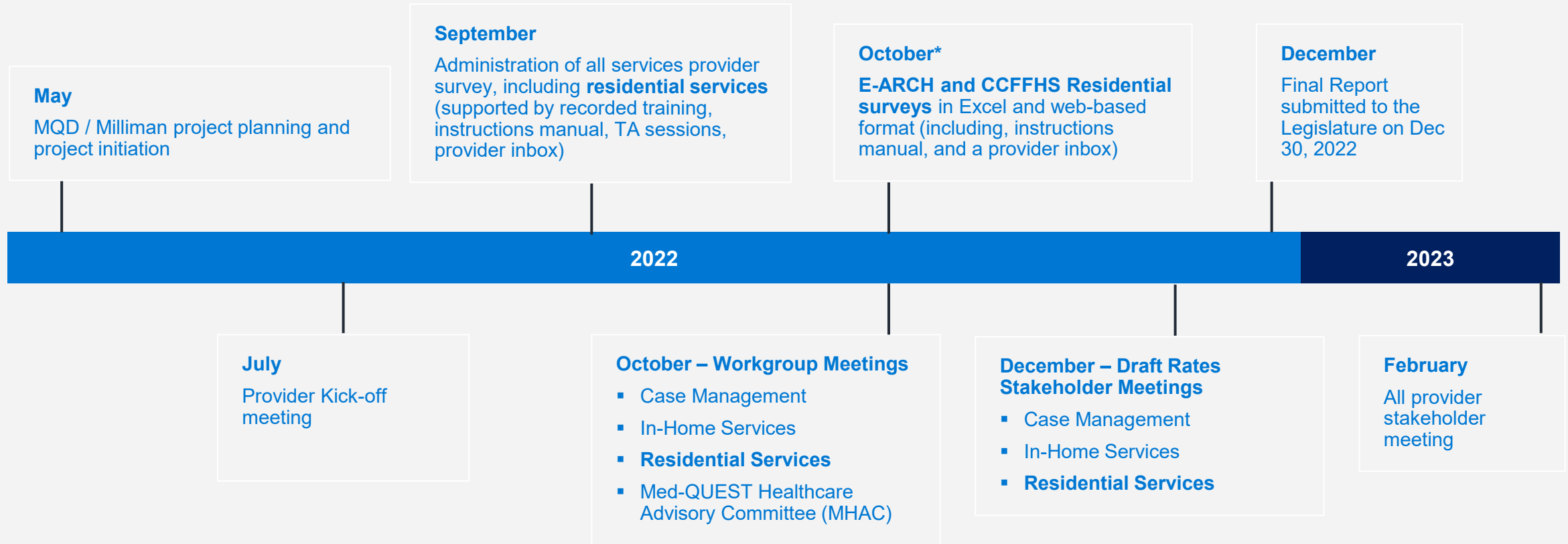
QI-Memo Revisions (Jan and March 2025)

MQD published a revised QI-Memo with updated residential rates (appropriated funding changes)

- QI-2501
- QI-2501A

Residential services stakeholder meeting (March 2025)

HI HCBS Rate Study Phase 1: Activities Timeline



**401 providers responded to the rate study survey, consisting of 373 CCFFHs, 24 E-ARCH Type 1, and 16 E-ARCH Type 2. Note, some providers self-reported multiple residential provider types (e.g., both an E-ARCH Type 1 and Type 2).*

Rate Study Approach: Independent Rate Model Framework

- The rate study relied on an **independent rate model approach**; a resource driven model that is independent of historical costs.*
- Medicaid reimbursement **rates may be largely affected** by external factors such as **legislatively-mandated funding levels**.
- The independent rate model and **scope of the project** was to **calculate a combined E-ARCH/CCFFH residential service rate based upon an estimate of average costs**, informed by the provider survey and stakeholder meetings.

Independent Rate Model Framework:

- Rates are the sum of independently determined rate inputs and components.
- Rates are informed by expected resources required to provide the service.
- Each service unit payment rate is developed independently based on categorical cost components.

Independent Rate Model Framework Components					
Direct care worker and supervisor salaries and wages	Employee related expenses	Transportation and fleet vehicle expenses	Administrative, program support, and overhead	=	Service Unit Payment Rate

Fee schedule rates are built in the capitation rates, and if necessary providers are expected to negotiate higher rates with the Plans.

*Revenue was not included in the scope of the rate study.

Revised QI Memo and HCBS Residential Services Rate

HCBS Residential Service Rate Updates for Calendar Year (CY) 2025



Legislatively Appropriated Funding Increases

- Annual state share budget increase of **\$5.75M** enacted by the legislature of the State of Hawaii in 2024 for select home and community-based services, inclusive of residential services for Community Care Foster Family Homes (CCFFHs) and Expanded Adult Residential Care Homes (E-ARCHs), **effective in 2025 and beyond**⁽¹⁾
- The budget represents the "low scenario" options for select services included in Phase I and II HCBS rate studies⁽²⁾
- Residential services had the largest funding appropriation (both in terms of dollars and increase percentage) of all HCBS included in the Phase I and II rate studies

Room and Board (R&B) Payment Increases: R&B provider payments reflect recent increases for cost share and SSI populations

Personal Needs Allowance (PNA) Increases: The legislature increased the PNA to support individuals residing in long-term care facilities from \$50 to \$75 per month

Overall, these changes increase provider reimbursement and money available to individuals receiving services.

Sources

¹ https://www.capitol.hawaii.gov/sessions/session2024/bills/HB2215_.HTM

² https://www.capitol.hawaii.gov/sessions/session2024/Testimony/HB2215_HD1_TESTIMONY_HHS_03-15-24_.PDF

Revised QI Memo Access and Purpose

- Stakeholders are encouraged to review the published revised QI Memo reflecting rate updates effective January 1, 2025
 - [Link to QI Memo-2501A](#)
- Providers will continue rate negotiations with the health plans and can use the fee schedule to inform that process

QUEST Integration

Fee-For-Service

Community Care Services

CTR

QI Memos - 2025

- **QI-2505** - Plan Staff Services Reporting (Replaces QI-2323A)
- **QI-2502** - My Choice My Way - Long Term Services and Support (LTSS) Choice Form
- **QI-2501A** - Fee for Service Rates for HCBS eff 1.1.2025
- **QI-2501** - Fee For Service Rates For Home and Community-Based Services (HCBS) Effective January 1, 2025

HCBS Residential Services Rate: PNA and Room & Board Components

Room and board and PNA updates based on legislative and federal direction, changes between CY 2024 and 2025:

Calendar Year	Cost Share	SSI		PNA
		State Share	Federal Share	
2024	\$469	\$652	\$943	\$50
2025	\$493	\$784	\$967	\$75

Room and Board (R&B) Payment Increases: R&B provider payments reflect increases for cost share and SSI populations

Personal Needs Allowance (PNA) Increases: The legislature increased the PNA to support individuals residing in long-term care facilities from \$50 to \$75

Sources:

- Personal Needs Allowance (PNA) Increase. State of Hawaii Department of Human Services. Med-QUEST Division. (09/04/2024) Authority: H.A.R. Chapter 17-1724.1-63 (b)(1).
- 2025 SSA RSDI, SSI AND VA COST OF LIVING ADJUSTMENT (COLA) INCREASE. PPD NO 24-010. State of Hawaii Department of Human Services. Med-QUEST Division. (12/16/2025). Authority: H.A.R. Chapters 17-1719, 17-1719.1, and 17-1724.1.

Notes:

- Per QI Memo 2501A - HCBS members residing in CCFFHs/E-ARCHs shall be reimbursed at the "Supplemental Security Income (SSI) Domiciliary Care Standards" rate. These SSI members fall into the rate code grouping "No Cost Share/SSI". HCBS members who are citizens of the Republic of the Marshall Islands, the Republic of Palau, the Federated States of Micronesia, and certain other immigrant populations who are not eligible for SSI shall be reimbursed at the "Cost Share, Spousal, and non-eligible SSI" rate.

HCBS Residential Services Rate: Service Rate Component

CY 2025 services rates are increasing by an average of 32 percent over CY 2024

Procedure Code	Modifier	Type of Service	Oahu 2024	Oahu 2025
S5140		CCFFH Level 1: Cost Share/Spousal & non-eligible SSI	\$63.90	\$65.50
T2033	U1	E-ARCH Level 1: Cost Share/Spousal & non-eligible SSI	\$63.90	\$65.50
S5140	TG	CCFFH Level 2: Cost Share/Spousal & non-eligible SSI	\$82.10	\$105.45
T2033	U2	E-ARCH Level 2: Cost Share/Spousal & non-eligible SSI	\$82.10	\$105.45
S5140	TF	CCFFH Level 1: No Cost Share/SSI	\$27.58	\$28.40
T2033	TF	E-ARCH Level 1: No Cost Share/SSI	\$27.58	\$28.40
S5140	22	CCFFH Level 2: No Cost Share/SSI	\$45.78	\$68.36
T2033	22	E-ARCH Level 2: No Cost Share/SSI	\$45.78	\$68.36

Note: Neighbor Island rates are based on the Oahu rate cohort plus \$5

Legislatively Appropriated Funding Increases

- State budget increase of **\$5.75M** enacted by the legislature of the State of Hawaii in 2024 for select home and community-based services, inclusive of residential services for Community Care Foster Family Homes (CCFFHs) and Expanded Adult Residential Care Homes (E-ARCHs), **effective in 2025 and beyond**
- The budget represents the "low scenario" options for select services included in Phase I and II HCBS rate studies

CY 2025 Residential Rates by Component

		Calendar Year 2025 HCBS Residential Rates			
Island	Rate Cohort	Room and Board (R&B) Payment Less PNA	Medicaid Service Rate	Total Provider Payment (R&B + Medicaid Rate)	Medicaid Service Rate
		Monthly			Daily
		A	B	C = A + B	D = B / 31
Oahu	Cost Share Level 1	\$418.00	\$2,030.42	\$2,448.42	\$65.50
Oahu	Cost Share Level 2	\$418.00	\$3,269.01	\$3,687.01	\$105.45
Oahu	SSI Level 1	\$1,676.00	\$880.52	\$2,556.52	\$28.40
Oahu	SSI Level 2	\$1,676.00	\$2,119.11	\$3,795.11	\$68.36
Neighbor Island	Cost Share Level 1	\$418.00	\$2,185.42	\$2,603.42	\$70.50
Neighbor Island	Cost Share Level 2	\$418.00	\$3,424.01	\$3,842.01	\$110.45
Neighbor Island	SSI Level 1	\$1,676.00	\$1,035.52	\$2,711.52	\$33.40
Neighbor Island	SSI Level 2	\$1,676.00	\$2,274.11	\$3,950.11	\$73.36

MQD has historically made annual rate updates, subject to budget availability

Limitations

The information contained in this presentation has been prepared for the State of Hawai'i Med-QUEST (MQD). This presentation is intended to facilitate a May 19, 2025 meeting with MQD and Medicaid home and community-based services (HCBS) stakeholders to discuss updates to the calendar year 2025 residential service rates and is not considered complete without oral comment.

We understand this presentation will be shared by MQD with Hawai'i Medicaid HCBS stakeholders for discussion purposes. This presentation may not be provided to other third parties without Milliman's prior written consent. To the extent that the information contained in this presentation is provided to any approved third parties, the correspondence should be distributed in its entirety. Any user of this information must possess a certain level of expertise in health care modeling that will allow appropriate use of the information presented.

We developed certain models to summarize the amounts provided in this analysis. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted standards of practice. The models, including all input, calculations, and output may not be appropriate for any other purpose.

In preparing this presentation, we relied on information developed by and MQD. We accepted this information without audit but reviewed the information for general reasonableness. Our results and conclusions may not be appropriate if this information is not accurate.

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Thank you

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