



**DHS Secretary Cindy Gillespie
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Hon. Terry Rice, Co-Chair
Hon. Jeff Wardlaw, Co-Chair
Arkansas Legislative Council
1 Capitol Mall, Fifth Floor
Little Rock, Arkansas 72201

Dear Senator Rice and Representative Wardlaw:

As directed by Section 15 of Act 213 of 2022, I am reporting to Arkansas Legislative Council the status of our efforts to increase the reimbursement rates for assisted living facilities under the Living Choices Assisted Living Waiver.

DHS is currently paying a temporarily higher rate to assisted living facilities. On March 1, 2022, DHS requested, and the Centers for Medicare & Medicaid Services approved, to pay a rate of \$81.59 per person per day, with an additional 5% differential for rural facilities, which totals \$85.67 per person per day. This interim rate is implemented through a mechanism known as an Appendix K amendment to the Living Choices Medicaid Waiver. This rate of \$81.59 was calculated based on the wage rates currently paid to direct care staff by the Arkansas Health Center, staffing ratios identified in the 2019 rate study conducted by Milliman, and the percentage of administrative and overhead costs identified in that 2019 rate study. This temporary rate will extend through the duration of the federal public health emergency. DHS is on track to have a permanent rate in place before this Appendix K temporary rate expires.

Also in March, the Department retained the firm of Myers and Stauffer to conduct a rate study and assist DHS in determining an appropriate reimbursement rate for assisted living facilities. Myers and Stauffer works with DHS on other issues related to Medicaid long-term care and is nationally known for its expertise in this area.

DHS has worked closely on this project with the two associations that represent assisted living facilities – the Arkansas Residential Assisted Living Association and the Arkansas Health Care Association. Working with these associations, DHS conducted an initial stakeholder meeting to discuss the rate study on March 31. Since then, DHS has held an additional 10 meetings with stakeholders as we have worked with them to reach consensus on a work plan, to review rates and regulations in other states, to craft a provider cost survey, and to review the results of the provider cost survey. Every stakeholder meeting is open to both associations, as well as to any assisted living facility owner or legislator who wishes to participate. DHS also arranged tours of two Arkansas assisted living facilities for the Myers and Stauffer employees who are conducting much of the work, to help them have a first-hand understanding of how Arkansas facilities operate.

On May 10, Myers and Stauffer distributed the provider cost survey to all 87 Level II Assisted Living facilities in the state. Of those 87 licensed facilities, 53 are enrolled in Arkansas Medicaid and participate in the Living Choices Medicaid Waiver. Myers and Stauffer conducted two online training webinars for facilities to explain the survey tool and to answer questions. A recording of the webinar was made available for facilities that were unable to join the live webinars. Myers and Stauffer also provided a dedicated email address and toll-free phone number for facilities to use to ask questions and receive technical assistance in completing the cost survey.

Assisted living facilities were initially given until May 27 to submit their responses, but that deadline was ultimately extended to June 10 to ensure maximum participation in the cost survey. A total of 24 assisted living facilities submitted responses to the cost survey (27.6% of all licensed facilities), and of those responding 23 participate in the Living Choices Medicaid Waiver (43.4% of the licensed facilities participating in Medicaid). The chart below identifies the number of participating facilities based on the percentage of residents who are enrolled in Medicaid:

Survey Participation

High Medicaid Utilization	> 50%	9
Medium Medicaid Utilization	≥ 30%, ≤50%	10
Low Medicaid Utilization	< 30%	4
Non-Waiver Providers	No Medicaid	1
Total		24

Myers and Stauffer provided all stakeholders with an initial cost survey data analysis on July 1, and the two stakeholder meetings since that time have included extensive discussion of the cost survey data. I am including on the following page a summary of the analysis and key data identified by the cost survey.

In the coming weeks, DHS will be working with Myers and Stauffer and the stakeholders to do a more in-depth review of the rates and regulations in other states, to conduct additional review of the cost survey results, and to begin assembling the components of what will become the final rate recommendation. I expect that Myers and Stauffer will furnish a draft final report to the stakeholders by July 29, after which the stakeholders will have at least 10 days to review the report and submit any comments.

Legislators are welcome to reach out to DHS with any questions, comments, or concerns. Members may contact Kyndall Rogers, DHS Deputy Chief of Staff and Legislative Affairs, at 501-320-6010 or kyndall.rogers@dhs.arkansas.gov.

Sincerely,



Cindy Gillespie
Secretary of Human Services

Arkansas Living Choices Assisted Living Waiver Cost Survey Data Analysis

Expense categories were divided into four general areas or cost centers on the survey. These cost centers include Direct Care, Indirect Care, Administrative & General, and Rent/Utilities/Food. Direct Care included the wages and benefits related to direct hands-on care provided by licensed practical nurses, certified nurse aides, personal care aides, and universal workers. Indirect Care included other program-related costs such as nursing supervision provided by registered nurses, activities costs, transportation costs, and meal preparation costs. Administrative & General costs included the salaries and benefits costs for administrators and other office staff, administrative expenses, laundry costs, and housekeeping costs. Rent/Food/Utilities included lease, mortgage, and depreciation costs, as well as maintenance costs and food.

The cost surveys received included a total of \$41.4 million of costs covering expenses for providing 410,868 resident days of care (169,942 Medicaid days). Rent/Utilities/Food represented the largest share of the costs at \$36.87 per resident day or approximately 36.61% of total costs. Direct Care was the second largest per diem expense at \$28.07 or 27.87% of the total. Indirect Care averaged \$12.24 per resident day or 12.16% of total costs, and Administrative & General averaged \$23.52 per resident day or 23.36% of total costs.

Average Per Diem Cost Breakdown

Statistic	Direct Care	Indirect Care Total	Total Admin & General	Rent, Utilities, and Food Total	Total Costs
Per Diem Costs	\$28.07	\$12.24	\$23.52	\$36.87	\$100.71
% of Total Costs	27.87%	12.16%	23.36%	36.61%	100.00%

Direct Care Hourly Wage Rate Analysis

In addition to reporting total costs for each staff position, facilities were also asked to report the number of hours worked by staff in each job classification. This allowed for the calculation of average hourly pay rates. For the Direct Care staff positions (LPN, CNA, PCA, and universal workers) salary and hours data was also collected for one-month snapshots from April 2022, and April 2017. This provided some historical context to the labor rates. LPN wages were the highest of the Direct Care labor rates with a Median 2021 wage of \$21.89/hr. CNA wages were the next highest with a median wage of \$12.54 in 2021. The median wage for PCA in 2021 was \$11.95, and for universal workers it was \$11.40.

Median Direct Care Wage Rates (includes overtime and bonuses, excludes benefits)

Year	LPN	CNA	PCA	Universal Worker
2017	\$17.47	\$10.29	\$8.96	\$9.79
2021	\$21.89	\$12.54	\$11.95	\$11.40
2022	\$22.92	\$13.24	\$12.17	\$12.40