

April 11, 2008

Kevin Casey, Deputy Secretary
Pennsylvania Department of Public Welfare
Office of Developmental Programs
P.O. Box 2675
Harrisburg, Pennsylvania 17105-2675
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*Re: Draft PPS Policies
Pennsylvania Department of Public Welfare - Office of Developmental Programs (ODP)
Implementation of the Prospective Payment Systems for Consolidated and Person/Family
Directed Services Waivers*

Dear Deputy Secretary Casey:

The Pennsylvania Association of Rehabilitation Facilities appreciates the opportunity to comment on draft policies concerning implementation of the prospective payment systems (PPS) for consolidated and person/family directed services waivers.

As an active participant in committees and teams focused on policy development, PARF has presented its views on PPS policy and the impact on services. The following are key draft policies that PARF recommends that ODP should consider or re-evaluate:

1. Margins

ODP Proposed Policy:

The margin factor would be determined annually at the discretion of the state through the annual budget process.

PARF Recommended Policy:

The margin factor must be set as a permanent element of the ODP rate-setting methodology. The margin factor must be at least 3%. It will need to be higher - in the 5% to 7% range - if the ODP final methodology does not alleviate the significant number of downside financial risks reflected in the proposed rate-setting methodology.

2. Long Term Vacancies

ODP Proposed Policy:

There is no policy yet proposed relating to long-term vacancies in residential services.

PARF Recommended Policy:

Providers should bill the appropriate service definition for residential services with ODP oversight and management of vacancies.

3. Real Estate

ODP Proposed Policy:

Real estate should be reimbursed through depreciation and interest using generally accepted accounting principles (GAAP) standards for the useful life of the asset.

PARF Recommended Policy:

Real estate, both past and future, should continue to be reimbursed utilizing Chapter 4300.87 state regulations since such costs are ineligible for federal reimbursement.

4. Direct, Indirect and Administrative Costs

ODP Proposed Policy:

The distinction between direct, indirect, and administrative costs should follow the federal model. (This would result in administrative costs ranging from 30% to 50% of total costs.)

PARF Recommended Policy:

Pennsylvania's existing system for allocating all costs among direct, indirect (allocated) and administrative cost centers should be maintained. The FIAT recommendation for a more clear and consistent definition of administrative costs should be adopted by ODP.

5. Executive Compensation

ODP Proposed Policy:

The existing policy related to limits on executive compensation (the grid) and employee compensation (the crosswalk to total state compensation) should be maintained.

PARF Recommended Policy:

ODP should adopt the FIAT recommendation that the U.S. Internal Revenue Service (IRS) Intermediate Sanction Policy should be applied to both executive compensation and compensation for high-level (credentialed) professional and technical employees.

DPW should contract with a nationally-recognized firm to determine reasonable compensation for these positions in various regions throughout the Commonwealth of Pennsylvania.

6. Changes in Services/Needs

ODP Proposed Policy:

Start-up costs, costs of changing consumer needs, and costs of service expansion will be recognized in provider rates two (2) years after the provider has begun incurring such costs.

PARF Recommended Policy:

Start-up costs, costs of changing consumer needs, and costs of service expansion must be reflected in rate changes that occur when the provider begins to incur such costs according to each consumer's authorized/approved ISP.

These recommendations represent our key concerns with the policies that ODP has drafted. Since extensive analysis and comment have been provided in previous discussions with ODP, we trust that ODP has sufficient information required for reconsideration and change of these draft policies.

We look forward to your responses to these recommendations.

Sincerely,



Gene Bianco
President/CEO