



South Dakota Department of Social Services Rate Study Workgroup #2

PRTF

April 17, 2024

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April 17, 2024

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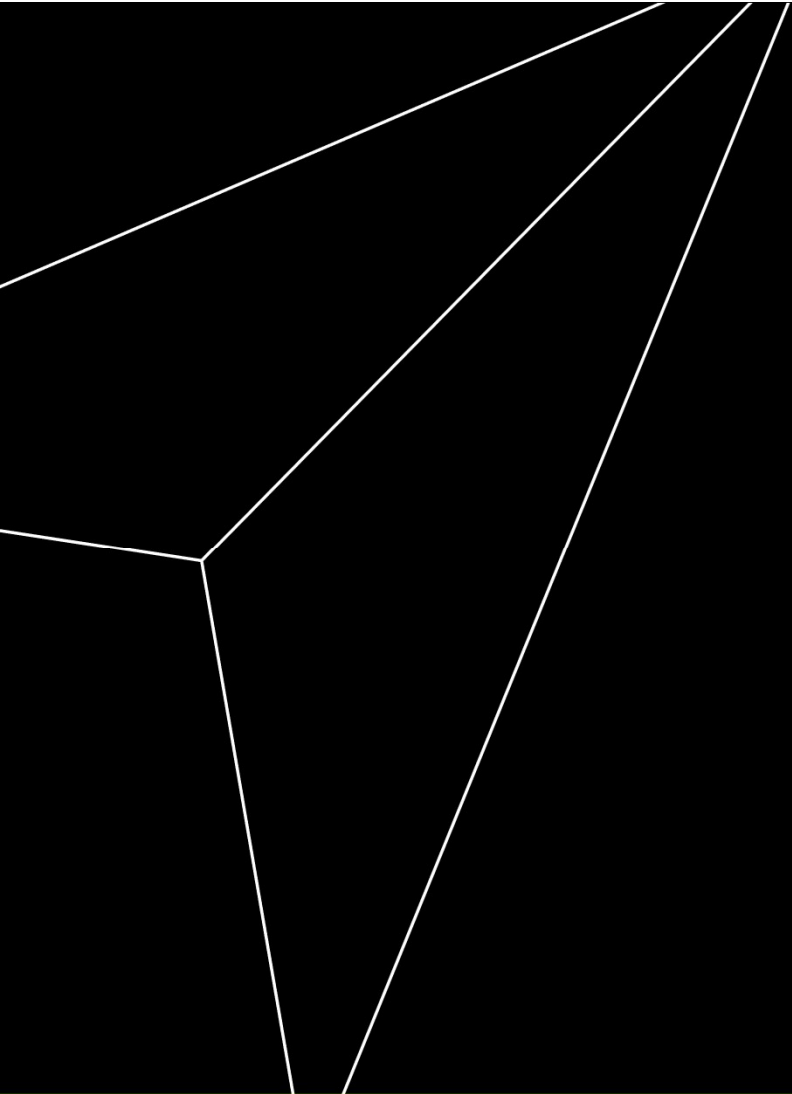
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Welcome and Introductions



Survey Response

Survey Interaction Snapshot as of 04/11/24

	
Questions received from Providers regarding survey	8
Provider Questions answered	8

Percent of surveys received back

7 out of 7 Surveys Received

Survey Review and Validation

1. Confirmed that major identifying information was included within the data, such as provider name or IDs
2. Ensured that no tabs had been deleted and followed up with providers who had missing tabs to ensure that all data had been collected
3. Standardized job types for all providers that selected “Other” and manually entered their job type.
4. Reviewed for outlier data points.
5. Reviewed for answers that appeared to answer the question differently than intended



Rate Methodology Overview

Methodology Comparison

Current Methodology Components:

- Direct Care Wage
- Direct Care staffing ratios
- Direct Care Wage as a percentage of total costs

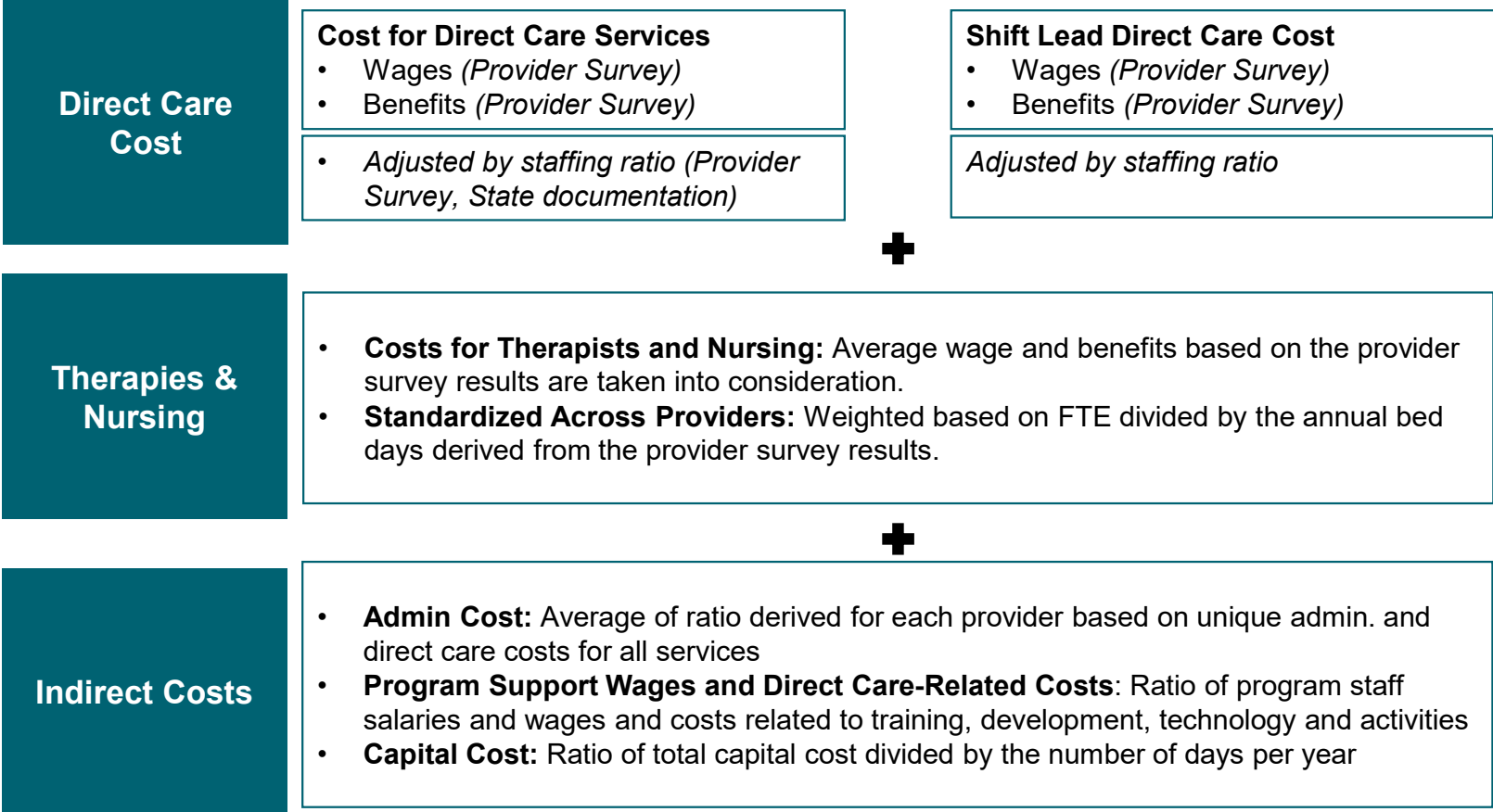
Alternative Methodology Components :

- Direct Care, Therapy, and Nursing Wages
- Direct Care, Therapy, and Nursing Hours (staffing ratios and cross-provider standardization)
- Individual components of Employee Related Expenses
- Support, Administrative, and Capital expenses as percentages of wages

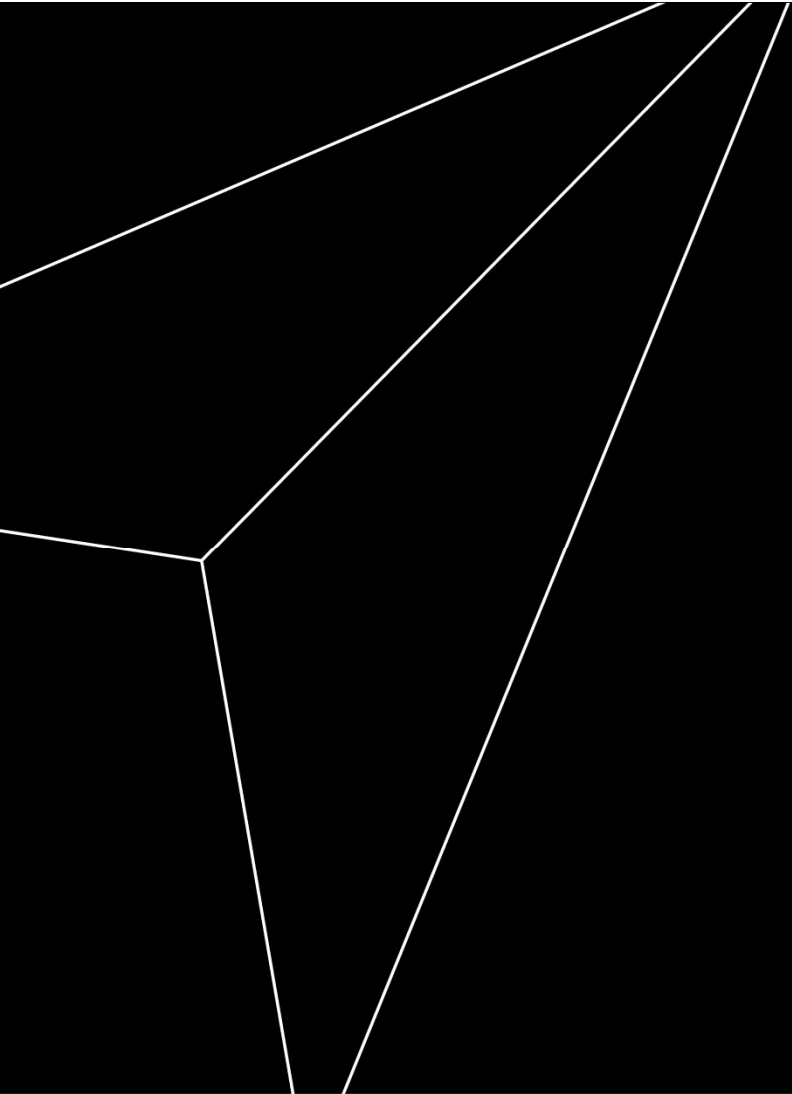
Benefits of Alternative:

- Allows levers to better capture costs associated with:
 - Competitive Benefits
 - Supplemental Pay
 - Capital Improvements

Cost Build-Up Overview



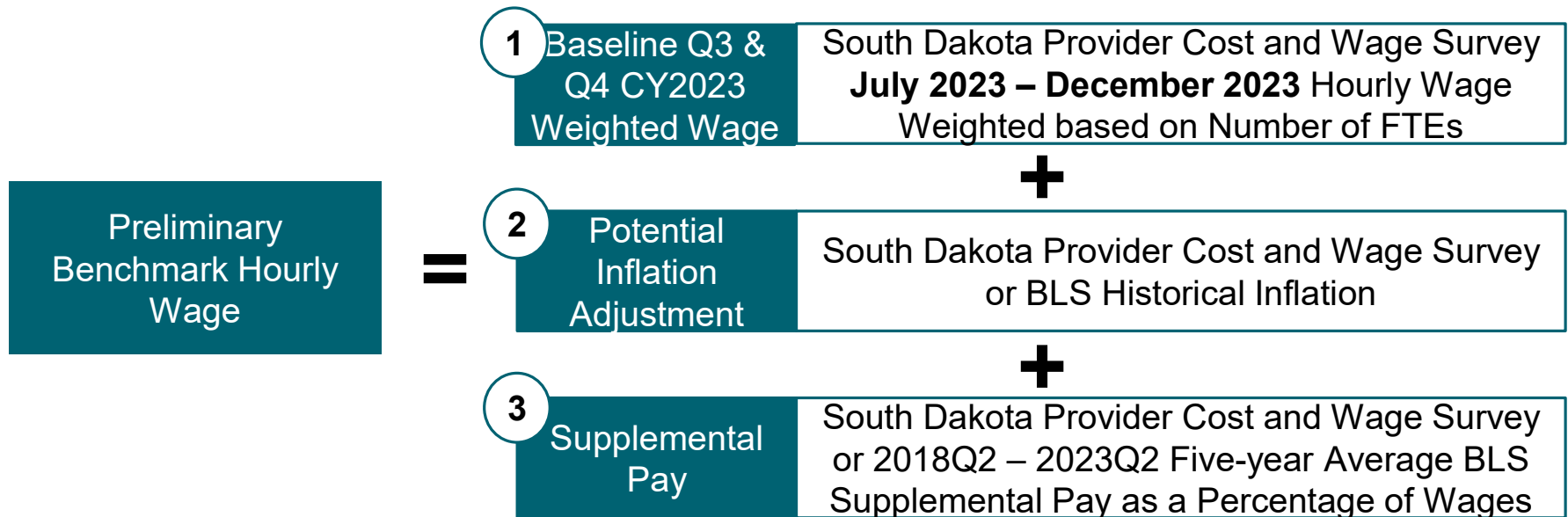
Cost build-up comprised of three separate components



Wage Analysis

Wage Adjustment Factors

The benchmark wages used to identify the cost of delivering services will be calculated by FTE weighting using the survey reported average wages for each job type. This value can then be adjusted by an additional inflation factor and include supplemental pay.



Baseline Wage Analysis

Develop Baseline Wage

- Review Survey Responses for completeness and accuracy
- Align similar jobs that have different titles
- Assess outliers, spread, measure of central tendency



Assess Baseline Wage

- Compare wages to State and National data for similar jobs
- Determine if current wages allow providers to be competitive in the market

Survey Wage Comparison

Job Title	BLS Job Title	OCC_CODE	SD Median Hourly Wage (BLS)	US Median Hourly Wage (BLS)	Survey FTE Weighted Average
Direct Service Provider	Healthcare Support Workers, All Other	31-9099	\$19.25	\$18.26	\$18.16
Therapist	Substance Abuse, Behavioral Disorder, and Mental Health Counselors	21-1018	\$22.01	\$26.32	\$28.25
Nurse/PA/CNP	Registered Nurses	29-1140	\$30.25	\$36.50	\$29.83

Wage Trends – Provider Survey

Wage trends shown below are FTE weighted within each category and annualized over two years

Wage Inflation (SFY2022 - SFY2024 Annualized)	
Direct Service Provider	6.6%
Shift Lead	7.3%
Nursing	6.7%
Therapist	9.4%

Wage Trends: BLS Current Employment Statistics

The Bureau of Labor Statistics National Current Employment Statistics (CES) data produces earnings of workers within specific industries.

The table below includes annual growth trends calculated based on average hourly wages reported as part of the CES data over the past decade.

Psychiatric and Substance Use Hospitals							
Year	2020	2021	2022	2023	2024	2020 - 2024 Average	10 Year Average
Average hourly earnings of all employees	\$27.37	\$30.03	\$31.65	\$31.18	\$32.54	\$30.55	\$26.85
Percent change	2.4%	9.7%	5.4%	-1.5%	4.4%	4.0%	3.8%

Supplemental Pay: Bureau of Labor Statistics

The BLS Employer Costs for Employee Compensation (ECEC) data series for the Health care and social assistance industry analyzes total compensation by breaking down costs into hourly wage costs as well as expense categories related to mandatory taxes and benefits, insurance, retirement, paid time off, supplemental pay, and other benefits.

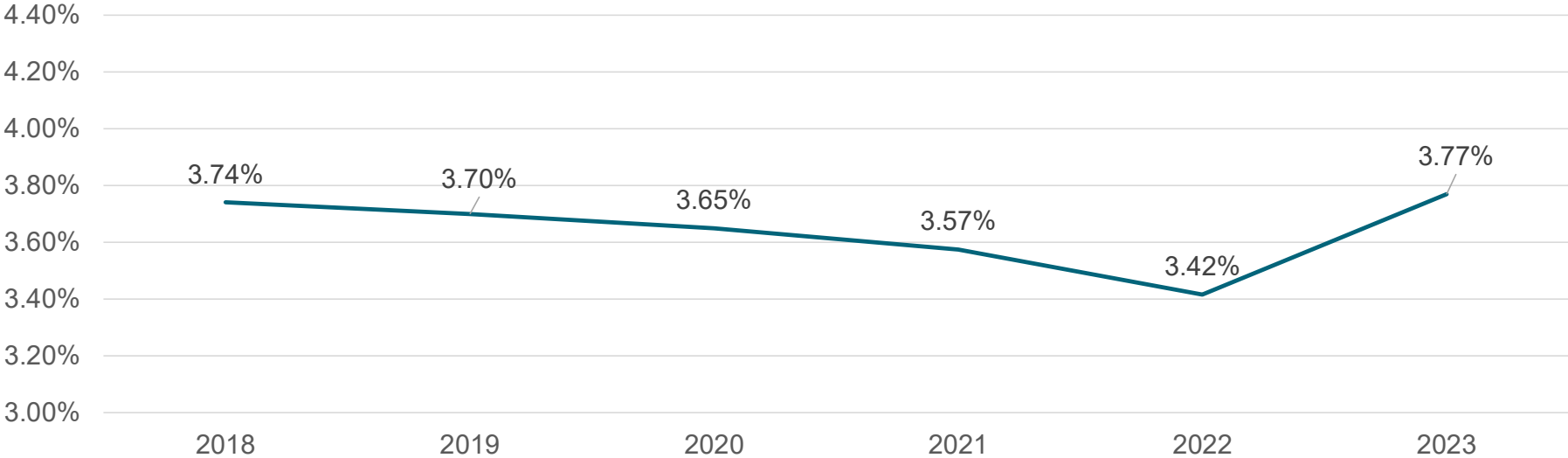
- The ECEC BLS data captures national hourly wages and supplemental pay for occupations comparable to those in South Dakota on a quarterly basis.
- BLS supplemental pay includes overtime and premium, shift differentials, and nonproduction bonuses.
- This information will serve as a benchmark to the survey results.

Supplemental Pay- BLS Annual Trends

Wages have started to normalized between 2022 to 2023 after having years of increases, while supplemental payment remained relatively steady over the last five years, inclusive of the effect of the COVID-19 Public Health Emergency (PHE).

The average supplemental pay over the most recent five-year period from 2018 to 2023 is **3.64 percent**.

2018 - 2023 Supplemental Pay as a Percentage of Wages and Salaries



Source: The Bureau for Labor Statistics (BLS), Employer Costs for Employee Compensation for Health care and social assistance Industry Available online: <https://www.bls.gov/data>

Supplemental Pay: Cost and Wage Survey

Providers reported Total Supplemental Pay in the Provider Cost and Wage Survey that is inclusive of costs such as shift differentials, holiday pay, and non-production bonuses.

- Supplemental pay as a percentage of wages was derived from the total supplemental pay and total regular wages reported by providers.
- The table below includes supplemental pay calculated as a percentage of total wages as reported in the survey.
 - The survey responses indicated that not all providers reported supplemental pay. Overall, **83 percent** of providers that submitted surveys reported supplemental pay for one or more job types.
 - Supplemental pay is much higher for jobs grouped under “Direct Service Provider” than for other professional/administrative job titles

Supplemental Pay as a Percentage of Total Regular and Supplemental Pay		
Direct Service Provider	Shift Lead	Therapist & Nursing
6.85%	12.33%	3.67%

Adjusted Hourly Wage Example

Baseline wages are adjusted to account for supplemental pay and inflation at the time the rates would be implemented. Provided in the table is a hypothetical example of the wage build-up approach using job types with the highest reported FTE's within each job category.

Job Type	Baseline Wage	Wage Trend (4%)	Supplemental Pay (7.62%)	Preliminary Benchmark Hourly Wage
Behavioral Health Technician	\$18.16	\$0.73	\$1.38	\$20.27



Employee Related Expenses (ERE)

Current Benefits Offered

From Provider Survey and Cost Reports:

- Current benefits offered by providers range from 20%-30% of personnel costs based on cost report data
- Average benefits costs are 25% of personnel costs
- There is a wide range of employer contributions to health coverage, with employees paying between 10% and 84% of their total healthcare premium
- While all providers offer additional benefits, some do not contribute to Dental or Vision coverage

Comments from Providers:

“While our hiring wage and benefits are currently market- competitive, we have had to spend funds to recognize and retain longer term employees”

“We have implemented salary increases and adjusted the cost of health benefits, so the agency covers a higher share of the cost of these benefits. We are anticipating an additional 15% increase to our health insurance costs in this coming calendar year.”

“Our benefits package is fair but not competitive”

Modeling a Competitive Benefits Package

Our assumptions for employee-related expenses (ERE) look at what a provider should be able to offer as a competitive benefits package.

ERE, or fringe benefits, are costs to the provider beyond wages and salaries, such as unemployment taxes, health insurance, and paid time off (PTO). These fall into three distinct categories of benefits:

Legally Required Benefits including federal and state unemployment taxes, federal insurance contributions to Social Security and Medicare, and workers' compensation.

Paid Time Off including holidays, sick days, vacation days, and personal days.

Other Components of ERE including health, dental, and vision insurance and retirement.

Not all providers who responded to the provider cost & wage survey have historically offered a “full” or competitive benefits package. However, our preliminary data includes information as to what benefits providers are currently offering.

The following slides walk through the components used to design a competitive benefits package, and the slides contain hypothetical information for illustrative purposes based on the baseline average FTE weighted hourly wage of \$20.27.

Goal: Understand which benefits providers are offering and contributing to for their staff.

Legally Required Benefits

- **Unemployment Taxes:** Employers in South Dakota pay a federal unemployment tax (FUTA)¹ of 6.00% of the first \$7,000 in wages and reemployment assistance (RA) of a range of 1.00% to 1.20% of the first \$15,000 in 2023 wages². Generally, if you paid wages subject to state unemployment tax, you may receive a credit of up to 5.4% of FUTA taxable wages¹.
- **Federal Insurance Contributions:** Employers pay a combined 7.65% rate of the first \$160,200 in wages for Social Security and Medicare contributions (Federal Insurance Contributions Act, or FICA)³.
- **Workers' Compensation:** Employers in South Dakota pay an average effective tax of 2.81% toward workers' compensation insurance. (Source: *Provider Cost & Wage Survey*)

1. <https://www.irs.gov/taxtopics/tc759>
 2. <https://dlr.sd.gov/ra/businesses/faq.aspx#base>
 3. <https://www.irs.gov/taxtopics/tc751>

Legally Required Benefits	
Federal Unemployment Tax (FUTA)	0.60% after credit
Reemployment Assistance Tax (RA)	1.10%
Federal Insurance Contributions (FICA)	7.65%
Workers' Compensation	2.81%
Legally Required Benefits	12.16%

Retirement Benefits – Survey Results

Retirement plan contribution is the **FTE weighted average** reported in provider cost and wage survey

Retirement	
Retirement Take Up Rate	44.83%
Retirement Plan Average Contribution	4.47%
ERE \$ Amount	\$731
Percent of Annual Wage	1.73%

- 100 percent of provider responded “Yes” for full time employees when asked:
 “Does your organization contribute to a 401k, 403b or other retirement plan for your direct service staff?”
- Of the 100 percent that responded that they provide this benefit, 79.43 percent of employees participate in this benefit.

Paid Time Off Components of ERE – Survey Results

Paid Time Off	
Part Time Adjustment Factor	86.58%
Paid Time Off	26.8 days/yr
ERE \$ Amount	\$3,764
Percent of Annual Wage	8.93%

- Paid time off includes:
 - Holidays
 - Sick days
 - Vacation days
 - Personal days
- Providers reported a wide range of paid time off values.
- 100 percent of providers responded to the question regarding direct service staff being eligible to receive paid time off (vacation).
- The paid time off of 26.8 days represents the **FTE weighted average** reported total days for all paid time off from the provider cost and wage survey.

Insurance Components of ERE – Survey Results

Category	Take Up Rate	Monthly Premium	Annual Cost	Percent of Annual Wage
Health	68.06%	\$674	\$4,767	11.31%
Dental	68.06%	\$18.39	\$130	0.31%
Vision	59.96%	\$3.96	\$25	0.06%
Other Benefits	66.84%	\$39.79	\$276	0.66%

- Health, Dental, Vision and Other Benefits are all derived from provider cost and wage survey responses.
- These values are **FTE weighted averages** from provider responses.

Benefits Benchmarking Analysis

The table below captures the comparison of benefits reported in the Cost and Wage Survey to the South Dakota Medical Expenditure Panel Survey (MEPS)

Metric	Survey FTE Weighted Average	2022 MEPS Data (< 50 employees)	2022 MEPS Data (> 50 employees)	2022 MEPS Data Total
Employer Contribution to Health Insurance (Single Coverage)	\$574.99	\$462.92	\$501.00	\$497.00
Employer Contribution to Health Insurance (Family Coverage)	\$1,261.34	\$1,155.42	\$1,475.92	\$1,438.08
Weighted Employer Contribution to Health Insurance	\$674.10	\$636.47	\$745.33	\$732.85
Inflation	0.0%	5.2%	5.2%	5.2%
Inflated Employer Contribution to Health Insurance	\$674.10	\$669.56	\$784.09	\$770.96
Percent of full-time employees	87%	62%	78%	72%
Health Insurance Take-Up Rate	68%	53%	44%	56%
Monthly (unadjusted)	\$56.17	\$55.80	\$65.34	\$64.25
Adjusted Annual	\$397.23	\$219.50	\$269.71	\$309.30

Employee-Related Expenses (ERE) Calculations

Calculating ERE requires analysis of the various benefits available to employees in the state based on cost survey, provider survey, and market data.

Inputs include the average cost of benefits described on the previous slides, adjusted using take-up rate and part-time adjustment factor as appropriate:

Example calculation for health, dental, and vision insurance ERE components:

$$\frac{\text{Average Cost of Insurance} \times \text{Insurance Take-Up Rate} \times \text{Part-Time Adjustment Factor}}{\text{Annual Wage}}$$

Example calculation for the retirement ERE component:¹

$$\frac{\text{Annual Wage} \times \text{Benefit Cost: Percent of Wages} \times \text{Benefit Take-Up Rate} \times \text{Part-Time Adjustment Factor}}{\text{Annual Wage}}$$

1. Legally required benefits are calculated similarly, but the benefit take-up rate is excluded since these benefits must be offered to employees per state and federal statutes.

Employee-Related Expenses (ERE)

ERE is calculated as a percentage of wages, and the three components of ERE (Legally Required Benefits, Paid Time Off Benefits, Retirement Plans, Health, Dental and Vision Insurance, and Other Benefits) are added together to determine total ERE.

Position		Behavioral Health Technician	
Hourly Rate		\$20.27	
Annual Wage ¹		\$42,162	
FUTA ²	0.60%	\$42	0.10%
RA ²	1.10%	\$165	0.39%
FICA ³	7.65%	\$3,225	7.65%
Workers' Compensation	2.81%	\$1,184	2.81%
Legally required benefits	12.16%	\$4,616	10.95%
Part Time Adj Factor	86.58%		
Paid Time Off ⁴	27 days/yr	\$3,764	8.93%

Employee-Related Expenses (cont'd)

ERE is calculated as a percentage of wages, and the three components of ERE (Legally Required Benefits, Paid Time Off Benefits, Retirement Plans, Health, Dental and Vision Insurance, and Other Benefits) are added together to determine total ERE.

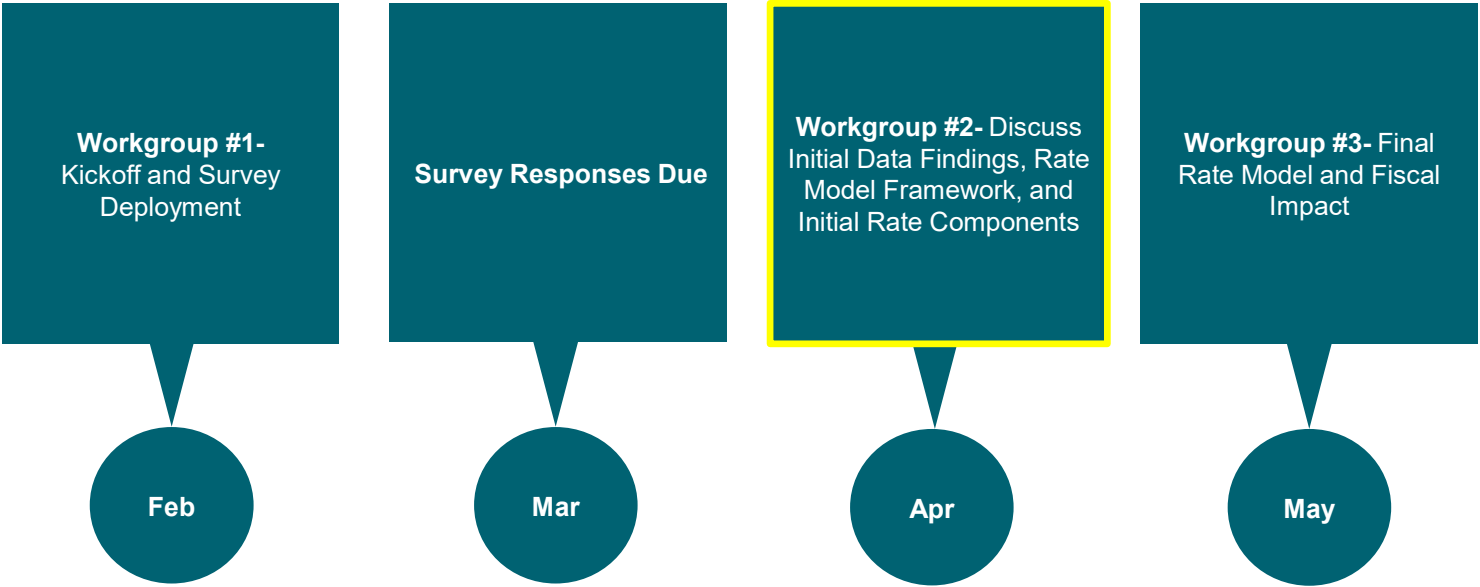
Position		Behavioral Health Technician	
Retirement Take Up Rate	44.83%		
Retirement Plan	4.47%	\$731	1.73%
Health Ins. Take Up Rate	68.06%		
Health Insurance	\$674	\$4,767	11.31%
Dental Ins. Take Up Rate	68.06%		
Dental Insurance	\$221	\$130	0.31%
Vision Ins. Take Up Rate	59.96%		
Vision Insurance	\$48	\$25	0.06%
Other Benefits Take Up Rate	66.84%		
Other Benefits	\$477	\$276	0.66%
Total ERE per employee		\$14,309	33.94%

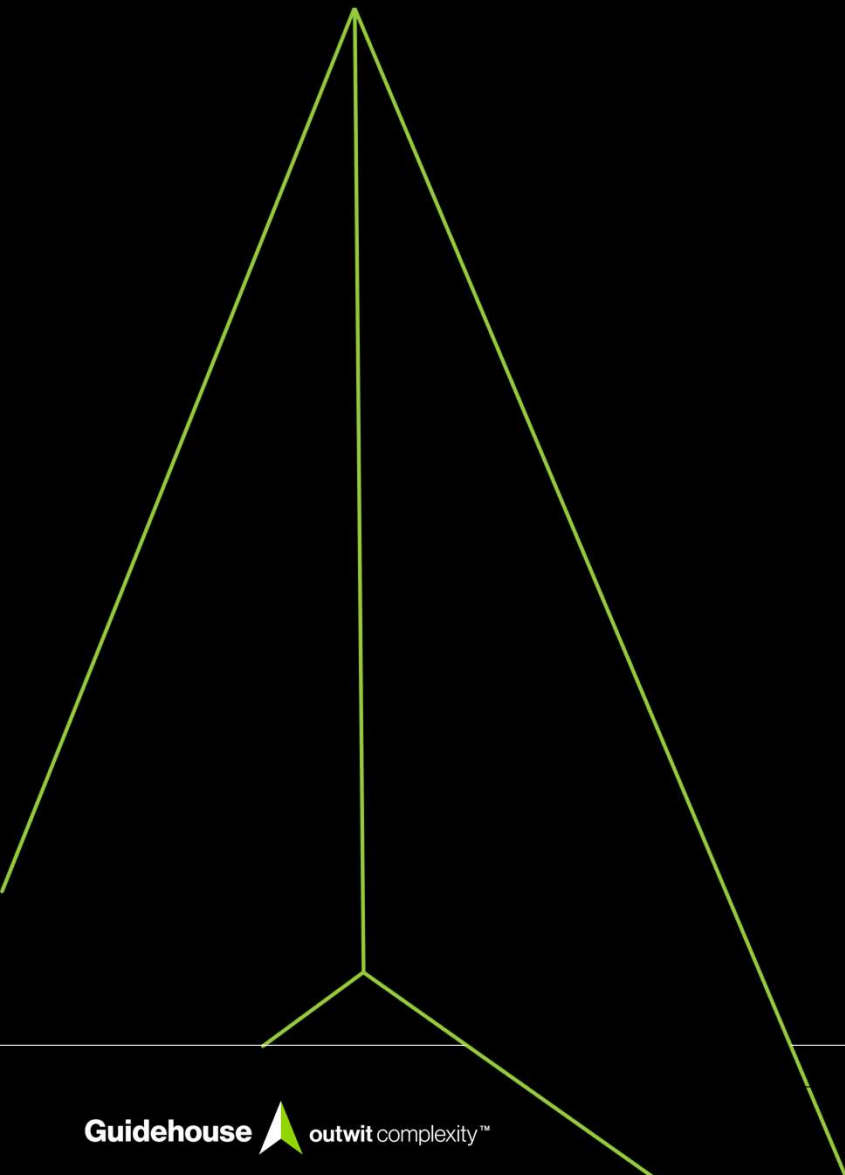


Next Steps and Timeline

Proposed Rate Workgroup Meeting Plan

The PRTF Providers and Guidehouse will meet to discuss topics related to survey development and implementation, service review, as well as rate methodology and modeling requirements and results.





Thank You

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