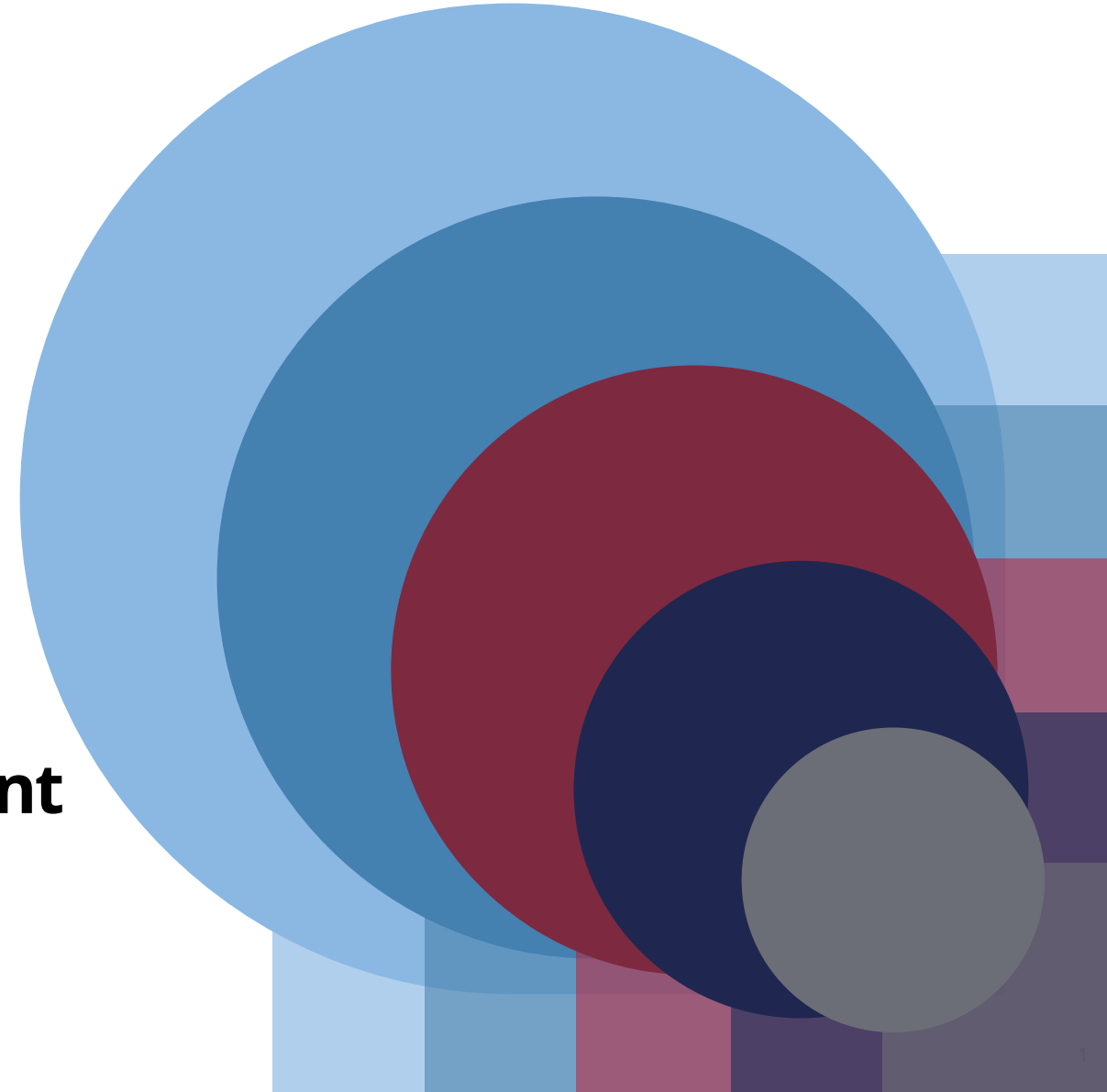


OCTOBER 16TH, 2025

DODD ICF Stakeholder Engagement Meeting 4



Agenda

An overview of today's planned discussion

1. Replacement Memo Summary

- Replacement Memo Summary
- Total Direct Care Cost Per Day Cap Updates

2. Transition Funding

- Transition Fund Overview
- Implementation Options

Replacement Memo Summary



Replacement Memo Summary

A summary of the replacement memo sent to providers on 10/14/2025

DRAFT

BACKGROUND

Providers have consistently reported that the **ODDP does not reliably predict costs** for ICF services. Feedback from providers and results of recent analysis highlight the ODDP's inability to support accurate, needs-based reimbursement for ICFs, emphasizing the need to explore better tools for identifying care requirements.

ODDP CASE MIX ANALYSIS

- Analysis found **no clear relationship** between ODDP case mix scores and actual direct care hours or costs in ICF settings.
- **Low R-squared results** indicate that ODDP scores do not explain differences in support needs or expenses.
- Providers with similar ODDP scores within the same peer group often **reported major differences** in care hours and associated costs.
- Both **behavioral** and **medical** acuity scores **failed to exhibit any relationship** with service delivery hours or costs.
- The analysis suggests that **ODDP case mix scores are not a reliable indicator** of higher care needs or costs for current ICF residents.

ICF REIMBURSEMENT GOALS

1. **Limit Financial Impact:** Develop an approach that is cost neutral in aggregate and minimizes disruption for providers.
2. **Reimbursement Simplicity:** Target an approach that emphasizes simplicity to improve understanding and reduce the level of effort and administrative workload on providers.
3. **Maintain or Reduce the Number of Impacted Providers:** Develop a methodology that limits impact on providers.
4. **Focus on Operational Need:** Develop an approach that continues to link resulting Direct Care per diems to providers' actual costs to deliver care.

PROPOSED REIMBURSEMENT APPROACH

- The proposed approach continues to use **actual cost report data** to set annual rate ceilings.
- Ceilings are set at **one standard deviation above the average** for each group, covering over 97% of reported direct care costs.
- Most ICFs are reimbursed all direct care expenses, with **caps impacting fewer facilities and fewer dollars**.
- **Add-on payments capture capped amounts** and fully reimburse overall costs
- Building on an acuity tool that is **not effectively measuring acuity** does not seem like a responsible path forward

Total Direct Care Cost Per Day Cap Updates

An overview of the proposed direct care rate in comparison to the current case-mix score methodology

What is **consistent** with the case-mix approach?



Rates remain **reliant** on provider **cost report data**



Ceilings are established by **peer group**



Approach for all **other components and add-ons** of the ICF rate remain **the same**

What is **different** from the case-mix approach?



Lower administrative workload



Reimbursement **simplicity**



The payment is based on the provider's **operational need**

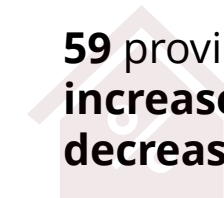
What is the **overall impact**?



Caps **fewer Direct Care dollars** overall



Reduces the number of **providers capped**



59 providers experience **rate increases** while **32** see a **decrease**

Transition Funding



Transition Funding | Overview

Outlining how transition funding functions at the State and provider level

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WHAT?

What is transition funding?

Transition funding **reduces the financial impacts** of rate adjustments **due to methodology changes** for a set period of time.

WHY?

Why implement transition funding?

Smooth the transition for providers to better **prepare for changes** to direct care reimbursement under the proposed methodology.

Allow more **time to adjust** to any changes in direct care reimbursement and **better predict costs in the years to follow without absorbing all the financial impacts.**

HOW?

How would transition funding be implemented?

DODD hopes to work with providers to reach a future state that achieves a **simplified and equitable provider reimbursement and limits administrative workload.**

Today's discussion aims to demonstrate how **transition funding can be used as an aid to achieve those goals.**

Transition Funding | Approach

Outlining the proposed approach to mitigate changes to Direct Care reimbursement under the proposed methodology changes

DESCRIPTION
IMPLEMENTATION
GOALS ACHIEVED

YEAR OVER YEAR PERCENT CHANGE



DESCRIPTION	Reimburse the difference in percent of capped Direct Care costs compared to the prior year
IMPLEMENTATION	Any additional percent of dollars capped under the new methodology will be reimbursed , based on providers' total direct care costs for that implementation year
GOALS ACHIEVED	Reflects impacts according to total spend for the current year Gain knowledge on how direct care reimbursement may change without absorbing all the financial impact Accounts for year over year changes that may drive costs in one year versus another

QUALIFIERS

Qualifiers **focus transition funds** to address the financial impact from **switching to the proposed methodology, rather than unrelated changes or spending in provider direct care delivery.**

They are **used as a criteria to determine eligibility** to the transition funds. There can be **multiple, one, or optional qualifiers** when considering how to best focus funds on the changes to reimbursement due to the transition.

QUALIFIER		ELIGIBILITY DESCRIPTION	
OCCUPANCY PERCENTAGE		the occupancy percentage of the facility is at or above prior year level	

Transition Funding| Example

Demonstrating an illustrative example of how transition funds are reimbursed to providers

YEAR-OVER-YEAR PERCENT INCREASE

Metric	Year 1	Year 2
Total Reported DC Dollars	\$1,000,000	\$1,200,000
Total DC Dollars Capped	\$200,000	\$360,000
% DC Dollars Capped	20%	30%

$30\% - 20\% = \underline{10\%}$ available for transition funding*

QUALIFIER

Metric	Year 1	Year 2
Total Capacity * 365	3,285	3,285
Total Inpatient Bed Days	2,628	2,700
Occupancy %	80%	82%

$82\% \geq 80\%$ Occupancy % is **at or above** prior year

Total Reported DC Dollars	Year-over-Year Increase in % Capped DC Dollars	Qualifier Met?	Transition Funds
\$1,200,000	10%	YES	$10\% * \\$1,200,000 = \\$120,000^*$

Net Loss	Before Transition Funding	After Transition Funding
	$\$360,000 / \$1,200,000 = \mathbf{30\%}$	$(\$360,000 - \$120,000) / \$1,200,000 = \mathbf{20\%}$

*There are \$3,117,000 total dollars available to reimburse eligible providers through the transition funding program, additional provider reimbursement is subject to change based on this capped amount