

Good morning. My name is Marie Lenane and I am a Purchase of Service Pricing Analyst at the Executive Office of Health and Human Services (EOHHS). I am here to present staff testimony on the proposed amendments to 101 CMR 420.00: Rates for Adult Long-Term Residential Services. This regulation governs the payment rates for adult long-term residential services provided to publicly aided individuals by governmental units. Amendments to this regulation are being proposed at this time in accordance with M.G.L Chapter 118E, Section 13D, which requires the secretary of EOHHS to establish, by regulation, rates to be paid by governmental units for social service programs.

The effective date for the proposed amendments to the regulation is July 1, 2024.

The proposed amendments update the rates for adult long-term residential services and include the following changes.

- The rates for these services are being updated to include an increase by a cost adjustment factor (CAF) of 2.58%. The CAF was determined by using baseline and prospective Massachusetts Economic Indicator data from IHS Economics – Fall 2023 Forecast, optimistic scenario data. The CAF reflects the period between the rates' base period (calendar year 2024 Q2) and the prospective period of fiscal years 2025 and 2026.
- The rates have been updated with the weighted average expenses from the FY22 Uniform Financial Reports (UFRs) for services' programmatic costs. Staff salaries have been benchmarked to the May 2022 Massachusetts Bureau of Labor Statistics (BLS) median wages at the 53rd percentile.
- The tax and fringe rate is benchmarked to 27.38%. This benchmark is derived from the MA Comptrollers FY24 approved rate less terminal leave and retirement.
- The administrative allocation has been benchmarked to 12%, which is the standard rate applied across all Chapter 257 regulations.
- A new service model has been added to deliver additional supports using specialized behavioral staff.
- A new service has also been added for an off-site direct service provider that monitors and responds to individuals' needs using live communications and non-invasive monitoring technologies.

- Language in the severability section has been updated for consistency across EOHHS rate regulations.

The total annualized cost to state government from the proposed amendments to this regulation is approximately \$328.9 million, which represents an increase of 20.03% over FY23 spending of approximately \$1.62 billion on these services. Of this amount, the estimated annualized cost to DDS is \$322,358,464; the estimated annualized cost to MCB is \$1,709,206; and the estimated annualized cost to MRC is \$4,800,841. The increase in spending in FY25 will be covered through the Chapter 257 Reserve Account.

In addition to the fiscal impact described above, the purchasing agency expects the specialized behavioral residential sites to begin operating in the next two years with an upper fiscal impact to be \$12 million within that timeframe, but such fiscal impact is an estimate given this new program and spending may be less depending on actual utilization. Any spending related to such specialized behavioral residential sites would be paid through the purchasing agency's operating budget.

This concludes my testimony. Thank you.