

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814

Reason For This Transmittal

- State Law Change
 Federal Law or Regulation Change
 Court Order or Settlement Agreement
 Clarification Requested by One or More Counties
 Initiated by CDSS

DECEMBER 18, 2002

ALL COUNTY LETTER NO. 02-95

TO: ALL COUNTY WELFARE DIRECTORS
 ALL IHSS PROGRAM MANAGERS
 ALL COUNTY WELFARE FISCAL OFFICERS

SUBJECT: MAXIMUM ALLOWABLE CONTRACT RATES ESTABLISHED FOR IN-HOME SUPPORTIVE SERVICES COUNTIES (INFORMATIONAL - FOR PLANNING PURPOSES ONLY)

This All-County Letter (ACL) establishes Maximum Allowable Contract Rates (MACR) for counties that do not currently have contracts with private agencies as an option for delivering In-Home Supportive Services (IHSS) to recipients. This letter is also in response to counties that have requested MACR information for use in their deliberations regarding establishing an employer of record under Assembly Bill 1682 (Chapter 90, Statutes of 1999) and increases the MACR for existing contract counties. These new rates are effective July 1, 2002, pending approval of funding for this purpose by the Legislature.

MACR METHODOLOGY

The MACRs were developed in accordance with Welfare and Institutions Code (WIC) Section 12303(a) and the Manual of Policies and Procedures (MPP), Section 10-205.1 to 10-205.3.

Each county MACR is expressed in terms of a dollar cost per hour of IHSS provided to a recipient. In developing the methodology for the MACRs, the most recent labor market information from the California Employment Development Department's (EDD) Occupational Employment Statistics (OES) Survey was used.

The occupational description most consistent with the services performed by an IHSS provider was for "Home Health Aide" (HHA). EDD wage level information for a HHA was used to develop the allowable cost rate and ultimately the MACR for each county. The methodology for calculating the MACRs is summarized below. The MACR methodology is also displayed across the header row of the attached spreadsheet (Attachment A).

- **Step 1: Identify the relevant county-specific hourly wage rates for a HHA.**
 - The average entry-level wage (wage) for a HHA in each county was determined from the most current available EDD OES metropolitan statistical area (MSA) data. The MSA wage information for many counties is only available as an aggregate by multi-county region. In these cases, the same wage figure was used for all of the counties in a region.
 - For counties for which the most recent MSA average entry level wage for a HHA did not reflect the most recent minimum wage increase, the new State minimum wage of \$6.75 per hour approved by the Industrial Welfare Commission and effective January 1, 2002, was substituted.
 - For counties without an MSA average wage for a HHA, the average statewide a HHA entry level wage was used.
- **Step 2: Adjust county wage-levels for inflation.**
 - Each county-specific MSA wage was adjusted by applying a 2002 California Necessities Index (CNI) factor of 5.31 percent to the wage to reflect the current cost of living. This step was not applied to the counties where the new State minimum wage was used for the wage. It is assumed the new minimum wage reflects necessary inflation adjustments.
 - For counties without an MSA average wage, the statewide HHA entry level wage was also adjusted by the CNI factor of 5.31 percent.
- **Step 3: Adjust the statewide average wage for inflation.**
 - For counties with and without an MSA wage, the statewide average wage for a HHA was also adjusted by the CNI.
- **Step 4: Develop the contract administrative cost component.**
 - The allowable cost rate includes an assumption for contractor overhead (administrative) costs.
 - An area adjustment factor was applied for contract administrative costs. The area adjustment process determined whether a county's adjusted average wage was greater or less than the adjusted statewide average. The statewide average contract overhead cost for existing contracts was then adjusted up or down by the resulting factor to produce a county-specific contract overhead cost component for the county's MACR.
- **Step 5: Apply the 110% factor to create (Gross) MACR.**
 - Apply a 110 percent factor to the allowable cost rate according to Department regulations, MPP Section 10-205.1. This would establish a MACR.

EFFECT OF NEW MACRs

The MACRs provided in this letter do not create a new county financial obligation and should not be construed to be a standard or required rate of payment for IHSS contract services. (See MPP Section 10-205.6). Counties should conduct a bid process that encourages maximum competition among bidders and secures the lowest price possible.

Counties can establish a contract rate below their MACR. However, for counties that are claiming costs for contracted IHSS Services, the hourly rate that is shown on the attached spreadsheet (Attachment A) is the maximum dollar amount for which the State will provide matching funds.

State funding to reimburse counties that choose to operate the IHSS contract mode of service delivery must be included in the annual Budget Act. Counties are advised to consult the California Department of Social Services (CDSS) on the availability of State funds prior to implementing a contracted IHSS service delivery mode. To ensure the availability of State funds, the Department must be notified in writing prior to the Department's established timeframes for the Governor's Budget or May Revision process. The Governor's Budget or the "November" subvention begins in July and ends in December when the Department re-estimates current year expenditures and recommends a budget for the coming fiscal year. The "May" process begins in January and ends in June when any final adjustments are made to projected budget year expenditures and the Legislature adopts the actual budget for the following year. As noted above, State financial sharing is only available for contract rates at or below the MACR. Counties that agree to pay a contract rate higher than the MACR are reminded that they must pay the full amount of the nonfederal cost for the portion above the MACR in accordance with WIC Section 12303 (a) and CDSS MPP Section 10-205.1. Title XIX federal financial participation is available for contract rates, with the approval of the California Department of Health Services.

MACR APPEALS

Counties may appeal to the Department for an adjustment to the MACR as outlined in State regulations MPP Section 10-205.5. Counties must initiate an appeal by filing a written request for an adjustment no later than 15 working days from the mailing date of this ACL. Counties should address any appeals for adjustment of their MACR to:

Alan Stelmack, Chief
Adult Programs Branch
California Department of Social Services
Disability and Adult Programs Division
744 P Street, Mail Station 19-96
Sacramento, California 95814

If you have questions or concerns, you may contact your county's Adult Programs Branch, Operations and Technical Assistance Analyst at (916) 229-4000.

Sincerely,

Original Document Signed By

DONNA L. MANDELSTAM
Deputy Director
Disability and Adult Programs Division
Attachment

ATTACHMENT A

MAXIMUM ALLOWABLE CONTRACT RATES FOR ALL COUNTIES

County	EDD MSA No.	A. County MSA HHA Entry or Avg. Statewide HHA Entry Level Wage or Min. Wage	B. Avg. Statewide HHA Entry Level Wage	C. 2002 CNI Inflation Inflation Factor	D. Adjusted MSA Avg. or S/W Wage (AxC)	E. Adjusted Avg. Statewide Entry Level (BxC)	F. Area Adjusted to Overhead (D/E)	G. Statewide Avg. IHSS Contract Overhead	H. Adjusted Overhead (FxG)	I. Adjusted Cost Rate (D+H)	J. Add 10% to create MACR (Ix1.1)
Alameda	5775	8.12	6.90	1.0531	8.55	7.27	1.177	6.31	7.43	15.98	17.57
Alpine	6001	7.87	6.90	1.0531	8.29	7.27	1.141	6.31	7.20	15.48	17.03
Amador	6001	7.87	6.90	1.0531	8.29	7.27	1.141	6.31	7.20	15.48	17.03
Butte	0007	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Calaveras	6001	7.87	6.90	1.0531	8.29	7.27	1.141	6.31	7.20	15.48	17.03
Colusa	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Contra Costa	5775	8.12	6.90	1.0531	8.55	7.27	1.177	6.31	7.43	15.98	17.57
Del Norte	6003	7.48	6.90	1.0531	7.88	7.27	1.084	6.31	6.84	14.72	16.19
El Dorado	6920	7.11	6.90	1.0531	7.49	7.27	1.030	6.31	6.50	13.99	15.39
Fresno	2840	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Glenn	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Humboldt	6003	7.48	6.90	1.0531	7.88	7.27	1.084	6.31	6.84	14.72	16.19
Imperial	0025	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Inyo	6001	7.87	6.90	1.0531	8.29	7.27	1.141	6.31	7.20	15.48	17.03
Kern	0680	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Kings	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Lake	6003	7.48	6.90	1.0531	7.88	7.27	1.084	6.31	6.84	14.72	16.19
Lassen	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Los Angeles	4480	7.33	6.90	1.0531	7.72	7.27	1.062	6.31	6.70	14.42	15.86
Madera	2840	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Marin	7360	8.79	6.90	1.0531	9.26	7.27	1.274	6.31	8.04	17.30	19.02
Mariposa	6001	7.87	6.90	1.0531	8.29	7.27	1.141	6.31	7.20	15.48	17.03
Mendocino	6003	7.48	6.90	1.0531	7.88	7.27	1.084	6.31	6.84	14.72	16.19
Merced	0047	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Modoc	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Mono	6001	7.87	6.90	1.0531	8.29	7.27	1.141	6.31	7.20	15.48	17.03
Monterey	7120	7.60	6.90	1.0531	8.00	7.27	1.101	6.31	6.95	14.95	16.45
Napa	8720	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Nevada	6002	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Orange	5945	8.18	6.90	1.0531	8.61	7.27	1.186	6.31	7.48	16.09	17.70
Placer	6920	7.11	6.90	1.0531	7.49	7.27	1.030	6.31	6.50	13.99	15.39
Plumas	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Riverside	6780	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	16.88
Sacramento	6920	7.11	6.90	1.0531	7.49	7.27	1.030	6.31	6.50	13.99	15.39
San Benito	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
San Bernardino	6780	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
San Diego	7320	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	16.37
San Francisco	7360	8.79	6.90	1.0531	9.26	7.27	1.274	6.31	8.04	17.30	19.02

County	EDD MSA No.	A. County MSA HHA Entry or Avg. Statewide HHA Entry Level Wage or Min. Wage	B. Avg. Statewide HHA Entry Level Wage	C. 2002 CNI Inflation Inflation Factor	D. Adjusted MSA Avg. or S/W Wage (AxC)	E. Adjusted Avg. Statewide Entry Level (BxC)	F. Area Adjusted to Overhead (D/E)	G. Statewide Avg. IHSS Contract Overhead	H. Adjusted Overhead (FxG)	I. Adjusted Cost Rate (D+H)	J. Add 10% to create MACR (Ix1.1)
San Joaquin	8120	6.86	6.90	1.0531	7.22	7.27	0.994	6.31	6.27	13.50	14.85
San Luis Obispo	0079	7.81	6.90	1.0531	8.22	7.27	1.132	6.31	7.14	15.37	16.90
San Mateo	7360	8.79	6.90	1.0531	9.26	7.27	1.274	6.31	8.04	17.30	19.02
Santa Barbara	7480	8.85	6.90	1.0531	9.32	7.27	1.283	6.31	8.09	17.41	19.15
Santa Clara	7400	8.06	6.90	1.0531	8.49	7.27	1.168	6.31	7.37	15.86	17.44
Santa Cruz	0087	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	18.70
Shasta	0089	7.37	6.90	1.0531	7.76	7.27	1.068	6.31	6.74	14.50	15.95
Sierra	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Siskiyou	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Solano	8720	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Sonoma	7500	8.74	6.90	1.0531	9.20	7.27	1.267	6.31	7.99	17.20	18.92
Stanislaus	5170	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Sutter	2115	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Tehama	6002	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Trinity	N/A	6.90	6.90	1.0531	7.27	7.27	1.000	6.31	6.31	13.58	14.93
Tulare	0107	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Tuolumne	6001	7.87	6.90	1.0531	8.29	7.27	1.141	6.31	7.20	15.48	17.03
Ventura	8735	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Yolo	0113	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87
Yuba	2115	6.75	6.90	1.0531	6.75	7.27	0.929	6.31	5.86	12.61	13.87

Notes: Highlighted counties are counties without a HHA avg. entry level wage. Statewide HHA Entry Level wage was substituted in counties without an MSA avg. entry level wage. 1/2002 minimum wage was substituted for MSA county-specific avg. entry level wage where MSA avg. was less than the 1/2002 minimum wage. In order to avoid a reduction in the MACR for any county, three county's (Riverside, San Diego & Santa Cruz) MACR's were adjusted on a one-time only basis by the average increase of the other nine counties that had MACR's previously.