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What's Happening on the Federal Front? Updates from Washington, D.C.

Presenter:

Katherine Berland, Esq., Director of Public Policy American Network of Community Options and Resources

> KAPP Conference September 15, 2016





ANCOR is...

A national nonprofit trade association advocating and supporting

- Over 1,000 private providers of services and supports to
- Over 600,000 people with disabilities and their families
- And employing a workforce of over 500,000 direct support professionals (DSPs) and other staff
- Membership benefits include robust government relations representation at federal level and access to exclusive ANCOR content, as well as exclusive discounts on technology and I/DD products through the ANCOR marketplace.











As the Obama Administration ends:

- The Administration is making a final push on priority agenda issues, including:
 - Criminal Justice/Policing
 - Climate Change/EPA
 - Immigration
 - Federal Minimum Wage/Summit on Worker Voice
- High-level staff in executive agencies are moving into the private sector
- Focus has shifted to the election, with
 Administration personnel actively campaigning



And then there were two...





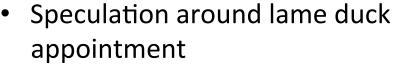




SCOTUS Unexpectedly at the Fore:



- Due to Justice Antonin Scalia's death in February, court hangs in limbo with inevitable tie votes
- Obama named Chief Judge of the U.S. Court of Appeals for the D.C. Circuit Merrick Garland to replace Scalia









Federal Updates: In a Nutshell









CMS Home and Community Based Settings Rule





Finalized: January 16, 2014, effective

March 17, 2014 (

RIN 0938-A053/0938-AP61)

Purpose: To define and describe

requirements for HCBS-funded programs

and settings

Key Provisions

- Person-centered planning/conflict of interest provisions (in effect 3/17/2014)
- Characteristics for settings, including additional criteria for provider-owned
- States have until March 2019 to come into compliance on residential and day settings.



Visit hcbsadvocacy.org for state-by-state information



Settings Requirements

All HCBS settings must:

- Be integrated in the community
- Be selected by the individual among setting options
- Respect privacy rights
- Ensure coercion and restraint are not used
- Optimize independence and autonomy

If provider-controlled, residential settings also:

- Written lease or residency agreement
- Additional privacy requirements (door locks, roommates, decorating)
- Individual control of schedules, access to food, and visitors
- Must be physically accessible
- Modification only with specific assessed need justified in person-centered plan





Exclusions/Higher Scrutiny

Settings always excluded from HCBS

- Nursing facilities
- Institutions for mental diseases, intermediate care facilities for individuals with intellectual disabilities (ICF/IID)
- Hospitals providing long-term care services
- Any other location that has the qualities of an institution, as determined by the Secretary

Note – CMS expressly declined to categorically exclude congregate settings from the definition of HCBS, though they must meet the criteria set forth in the rule.

Settings that will receive higher scrutiny

- Share a building with an inpatient facility
- Share space with, or are next to, a public institution
- Any other setting that has the effect of isolating individuals receiving Medicaid HCBS from the broader community

This presumption is rebuttable, and the Secretary may, upon applying heightened scrutiny, determine that such settings are HCB settings.



Non-Residential/Day Settings

The same criteria for residential HCBS settings apply

- Guidance out of CMS focuses on outcomes and the nature and quality of individuals' experiences
- Individuals must have opportunities to seek competitive, integrated employment
- Must have options available that are non disability-specific
- HCBS funding for non-residential and other day programs is available
 ONLY to individuals that reside in settings that are compliant with
 the rule's residential requirements
- States have until 2019 to fully transition all HCBS settings



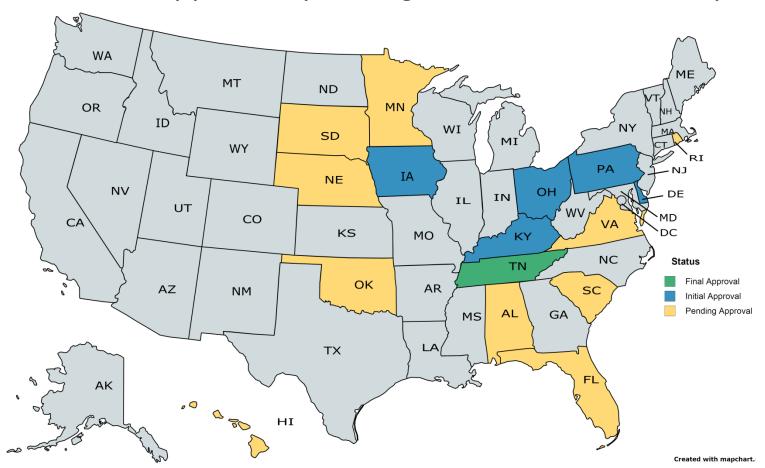


CMS' Expectations

- The rule is a floor not a ceiling states may set standards exceeding minimum requirements of the rule
- Large, congregate, and/or potentially isolating settings will be a "heavy lift" to meet heightened scrutiny
- Reverse integration and/or individual choice does not automatically mean a setting will comply with rule
- CMS will not "overrule" a state's determination that a setting cannot come into compliance with HCBS rule;
 CMS will not initiate heightened scrutiny review
- CMS expects states to make significant progress and complete transitioning by 2019



States with approved/pending statewide transition plans





CMS' Expectations: A Note About Intentional Communities

- Q) What is an "intentional community?"
- A) It is a planned residential community designed from the start to have a high degree of social cohesion and teamwork. In the developmental disabilities field, it often takes the form of disability-specific self-contained communities.
- Q) What has CMS said about intentional communities?
- A) In guidance, CMS specifically addressed farmsteads, gated communities, and residential schools as settings that will tend to isolate.

When asked about intentional communities currently in development, CMS said that they cannot be evaluated for compliance until they are operational.

However, CMS has also said clearly that an individual's choosing a setting that has institutional characteristics will not make it qualify for HCBS.





Guidance, Next Steps

Guidance

- All guidance released to date is available at <u>www.medicaid.gov/hcbs</u>. Topics include:
- Heightened scrutiny Standards to meet higher bar, isolative characteristics, site visit clarification, reverse integration
- State flexibility New tiered standard
- New Construction Cannot be approved prior to completion, no transition period

Next Steps

- All states have now received CMIA letters, a handful have received initial approval on plans
- States are expected to promptly address issues raised in CMIA letters, with additional public input as necessary
- For states with approvals, there are still action steps and ongoing compliance activities that must be followed





DOL Overtime Exemption Rule





FINAL RULE: **DOL Overtime Exemption**

Finalized: May 23, 2016.

Purpose: To update the "white collar" exemptions threshold which had not been updated since 2004

Key Provisions:

- \$47,476/year (\$913/wk) salary threshold for "white collar" exemptions (40th percentile of lowest-wage Census region salary data)
- \$134,004/year salary threshold for highly compensated employees (90th percentile of national salary data)
- **Update every 3 years**, beginning January 1, 2020
- No changes to the duties test
- Time-limited non-enforcement policy for certain
 Medicaid IDD providers





FINAL RULE: DOL Overtime Exemption

Setting a fixed percentile rather than a fixed dollar amount means the dollar threshold may change every 3 years. DOL projects ≈2% growth rate annually.

New Threshold: \$47,476/yr (\$913/wk)

(40th percentile of lowest Census region)

100.7%

increase

1	
l	

90 th
80 th
70 th
60 th
50th
40 th
30 th
20 th
10 th

Former Threshold: \$23,660/yr (\$455/wk)



Pop Quiz: What Qualifies for the "White Collar" Exemptions?



TRUE or FALSE:

There is a point at which the salary is high enough that duties don't matter.



Pop Quiz: What Qualifies for the "White Collar" Exemptions?



"There is a point at which the salary is high enough that duties don't matter." **This is FALSE!**

- No matter what the salary level, there is always a duties test that must be met to qualify for the exemption.
- The test is based on job function, not job title.





Salary

≥ \$47,476/yr

≥ \$47,476/yr (or

\$27.63/hr if

hourly)

N/A

Employee Type

Executive

Computer

Outside Sales

The DOL Overtime Exemption Rule: EAP Exemptions Who is Impacted?

Must customarily and regularly direct at least 2 FTEs;

Must be employed as a computer systems analyst, computer

Must customarily and regularly: make sales or obtain orders or

programmer, software engineer or other similarly skilled

contracts, and engage in primary duties away from the

independent judgment to hire, fire, etc.

Duties

Administrative	≥ \$47,476/yr	Perform office or non-manual work related to business operations; independent judgment to matters of significance.
Professional	≥ \$47,476/yr	Perform work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction.
Highly Compensated	≥ \$134,004/yr	Primarily office or non-manual work; must customarily and regularly perform one or more exempt duties of EAPs.

worker in the computer field.

employer's place or places of business.



Overtime Salary Threshold Amount

Previous

\$23,600/yr (\$455/wk)

Proposed

\$50,440/yr (\$970/wk)

Comments

\$30,702/yr (\$590/wk)



FINAL \$47,476/yr (\$913/wk)



Overtime Salary Threshold Calculation

Previous

N/A – had always been a fixed dollar amount



40th percentile based on national salary data

Comments

No higher than 15th percentile



40th percentile based on lowest-wage Census region



Why is the new threshold so high?

1938 - 2004

Short/Long duties test + Multiple salary levels

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+ $$$$

(short duties test) (higher salary)

-OR-

-OR-

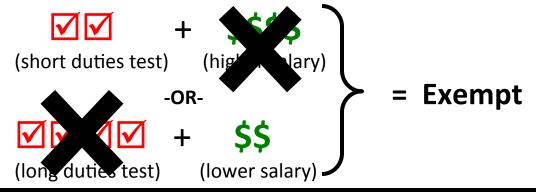
(long duties test) (lower salary)
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Why is the new threshold so high?

1938 - 2004

Short/Long duties test + Multiple salary levels



2004

Single short duties test + Single lower salary level



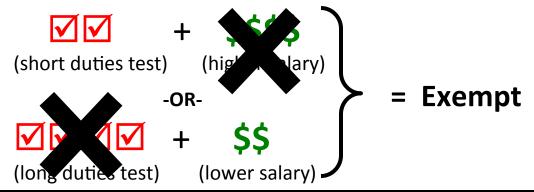


Why is the new threshold so high?

(short duties test)

1938 - 2004

Short/Long duties test + Multiple salary levels



2004

Single short duties test + Single lower salary level

(lower salary)

2016

Single short duties test + Single higher salary level





Automatic Update Mechanism Timing

Previous

N/A – had always been a fixed dollar amount



Update annually

Comments

Provide at least two years notice prior to changes, align with state budget cycles



Update every three years on January 1 (with 150 days notice)



The DOL Overtime Exemption Rule: Provisions Effective Date

Previous

120 days after finalization

Proposed

60 days after finalization

Comments Phased-in implementation over 3 to 5 years



December 1, 2016 (≈ 6 months)



The DOL Overtime Exemption Rule: Provisions **Duties Tests**

Previous

See chart/DOL guides

Proposed

No proposed changes, but comments requested

Comments No changes to the duties tests



No changes to the duties tests



Non-Discretionary Bonuses and Commissions



These payments were not included for EAP exemptions



Comments requested



Permit these payments to count as compensation towards the threshold



Up to 10% of the salary level may be satisfied by these payments, must be made at least quarterly



Benefits Counted as Income

Previous

Benefits not included in income calculation



N/A – DOL did not consider this change

Comments

Permit benefits the employer pays for to count as compensation towards the threshold



Benefits are not included in the salary level test calculation



Interagency Collaboration

Previous

N/A



N/A

Comments

Actively engage with HHS/CMS to ensure minimal disruption to services



Evidence of interagency collaboration



Pop Quiz: Non-enforcement policy



Does DOL non-enforcement mean that employers covered by the policy are not required to comply with the new rule?

Yes No I don't know

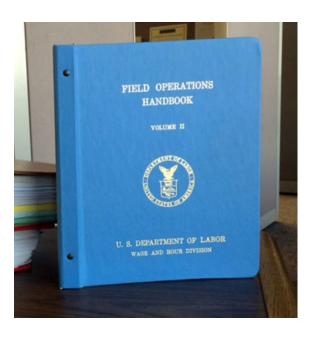


What it means...and what it doesn't





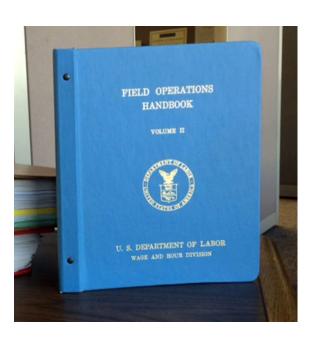
What it Is



- A non-binding internal policy announcement
 - May be revised, expanded, contracted or revoked without going through notice and comment process
- Issued concurrently with the final rule, but not part of the final rule
- Scope is limited to Department of Labor's enforcement authority



What it Says

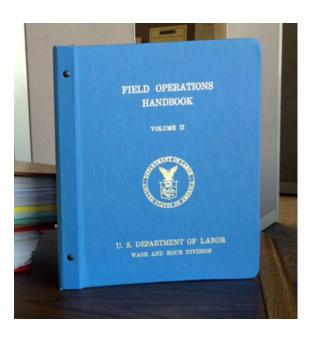


From December 1, 2016 to March 17, 2019, DOL will not enforce the updated salary threshold of \$913/week for a limited subset of employers.

All other provisions will be enforced, including the previous \$455/week threshold.



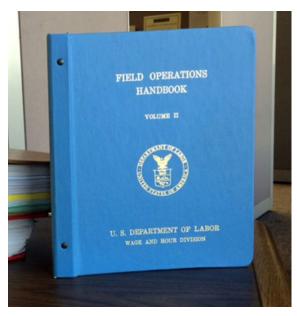
Who it Covers



- ONLY providers of Medicaid-funded services for individuals with IDD in residential homes and facilities with 15 beds or fewer
- This does include ICFs
- This does apply to both for-profits and non-profits
- This does not apply to other operations of the same provider (i.e. day program, vocational rehabilitation, transportation)



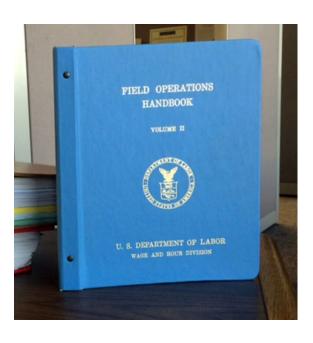
What's the Intent and Purpose?



- To support the federal government's efforts to encourage the use of smaller, community-based providers
- End date corresponds to deadline for states to complete transitioning under CMS' HCBS rule
- To allow the Department to devote its time and resources to providing assistance to these providers and allow time to work with state legislatures and HHS on implementation of final rule



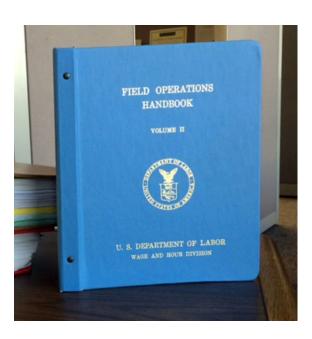
What it Does



- DOL enforcement activities include:
 - Conducting investigations prompted by worker complaints
 - Supervising settlements
 - Filing lawsuits regarding violations
- DOL will provide technical assistance to employers during this period
- May shield states from damages due to sovereign immunity



What it Does Not Do



- Shield providers from private lawsuits
- Prohibit states from enforcing state law
 - 11 states incorporate the FLSA by reference (Alaska, District of Columbia, Illinois, Maine, Maryland, Massachusetts, Missouri, New Jersey, New York, North Carolina, and Ohio)
 - States may set higher standards than the FLSA (e.g. California, New York)
- Obviate contractual obligations to comply with federal and state regulations



Additional Guidance

Guidance could help clarify in situations where:

- Employees split time between covered and non-covered sites
- Sites serve both individuals with IDD and individuals with other support needs
- A single setting has more than 15 beds but each room is reimbursed individually
- Non-residential HCBS-qualified services are provided
- There are multiple funding streams, where some are not IDD-specific
- We have sought clarification on the scope of the non-enforcement policy, including whether DOL will include as part of the technical assistance it offers the issuance of a notice to an employee complainant advising them of their right to pursue private litigation
- Formal guidance has not been issued, but we expect when it is it will say that if an employee spends ANY work time in a non-covered site, the employee would lose the exemption for that week.



Rulemaking

The Non-Enforcement Policy

Additional Guidance

Guidance will not change:

The effective date of the rule

The salary threshold

• The defined duties of exempt employees

• The amount of time between automatic updates to the threshold

The amount of notice given prior to the threshold updating

New Law — • The private cause of action contained within the FLSA

Constitutional — • A state's authority to enforce state wage and hour law Issue



In Case You Were Wondering... the DOL Home Care Rule



The Home Care Rule (aka "Companionship Rule")

- Finalized in 2013, effective date of January 1, 2015
- Prohibits third-party/joint employers from taking companionship exemption
- Narrows the definition of duties permitted as companionship activities

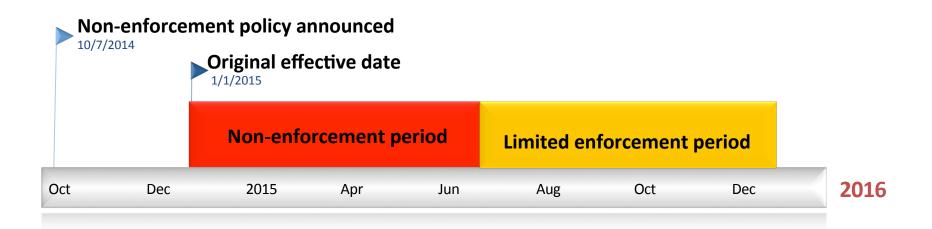
Current Status

- Reinstated, after an appeals court reversed a district court ruling vacating the third-party prohibition against taking the exemption
- The rule is reinstated in full and back in effect as of October 13, 2015 (potentially with the original effective date of January 1, 2015)
- DOL began enforcement on November 12, 2015
- Supreme Court is currently deciding whether to hear an appeal



Home Care Rule vs. Overtime Rule

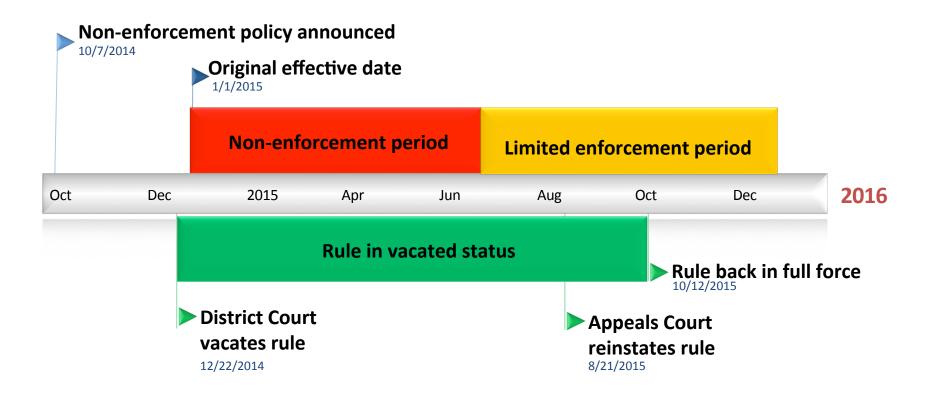
Timeline of Home Care Rule





Home Care Rule vs. Overtime Rule

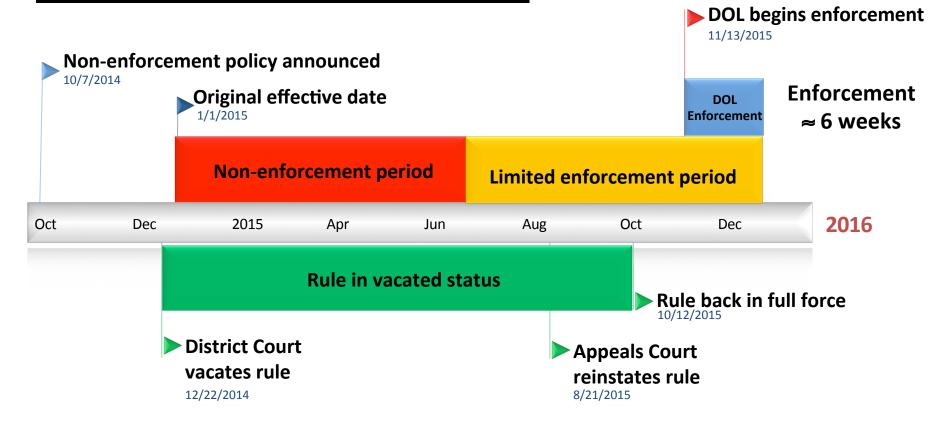
Timeline of Home Care Rule





Home Care Rule vs. Overtime Rule

Timeline of Home Care Rule





Pop Quiz: Compliance



True or False:

The rule means that any employee not earning an annual salary of at least \$47,476 must be paid on an hourly basis

- a) True
- b) False



Pop Quiz: Compliance



"The rule means that any employee not earning an annual salary of at least \$47,476 must be paid on an hourly basis."

This is FALSE!

Employees will be "salaried non-exempt" if they

- Do not meet the duties test for any exemption and/or
- Do not meet the salary threshold

You may decide to convert salaried employees to hourly, but the rule does not mandate that you do so.



The DOL Overtime Exemption Rule: Compliance

Do the math!

Option 1: Increase exempt employee's salaries to new threshold.

Option 2: Start paying overtime to newly non-exempt salaried employees.

Option 3: Reclassify employees from salaried to hourly and adjust hourly rate to maintain compensation at existing levels.

 $\frac{1}{4^{n}n_{3}k_{2}^{4n}n_{5}} - \frac{1}{k_{2}^{4n}n_{5}k_{3}^{4n}n_{5}} - \frac{2}{(k_{1}k_{2}k_{3})^{3/4-n_{3}/3}} + \frac{3}{k_{3}^{4n}n_{5}k_{4}^{4n}n_{5}} - \frac{3}{k_{2}^{4n}n_{5}k_{4}^{4n}n_{5}} - \frac{3}{k_{3}^{4n}n_{5}k_{4}^{4n}n_{5}} - \frac{3}{(k_{1}k_{2}k_{3})^{2/4-n_{3}/3}} + \frac{3}{k_{3}^{4n}n_{5}} + \frac{3}{k_{3}^{4n}n_{5}} - \frac{3}{(k_{1}k_{2}k_{3})^{2/4-n_{3}/3}} + \frac{3}{k_{3}^{4n}n_{5}} + \frac{3}{k_{3}^{4n}n_{5$

Option 4: Restrict or forbid overtime.

Other options may be available!



What to Do Now?



- Determine the potential operational and financial impact for your organization. (Use this tool to assist you in estimating compliance cost: https://architectsapps.compliancehr.com/a/overtimeexemptionestimator)
- Plan for compliance by December 1, 2016.

 Consult with a wage and hour attorney familiar with federal, state, and local law to determine your organizational risk if you cannot comply by this date.
- Work with legislators in your state and Congress to educate them on the rule's impact and advocate for adequate funding.
- Be an active participant in our S.O.S. Campaign!











The Objectives:



Advocate for an extended implementation timeframe in final rule and seek a reasonable, measured increase of the threshold in consideration of the unique Medicaid funding structure.

AND



Advance legislation that will temporarily increase the FMAP in order for Medicaid-funded providers to comply with changes to this and other federal rules.



Before the rule:



Media Campaign

- Place op-eds in local papers
- National press
- Media training



Regulatory Process

- Listening Sessions
- Public comments
- Met with OMB
- Member comments



Direct Lobbying

- GR on the Hill
- Member lobbying
- Grassroots action





After the rule:



Administrative Engagement

- Meeting with agencies
- Promoting collaboration



Direct Lobbying

- GR on the Hill
- Member lobbying
- Grassroots action
- Resource toolkit



Education and Collaboration

- Work with national partners
- Stakeholder outreach





The Response: The Save Our Services (SOS) Campaign What is the Financial Impact?

Avalere Health's report* shows:

- Looking at 4,000 community I/DD providers, 242,000 employees are salaried, full-time
- 67% of currently exempt employees of I/DD providers will be impacted
- 21% of HCBS I/DD providers will be forced to reduce services

Scenario #1: \$1.05B annually to pay average of 5 hours of overtime/week

Scenario #2: \$1.87B annually to increase salaries to meet new threshold

Scenario #3: \$388M to \$856M annually if 10% of people lose HCBS services and ½ of

them move into institutional settings

^{*}based on proposed rule amounts



The "Disability Community Act of 2016" ANCOR is currently lobbying on:

- Provides temporary (3-year) FMAP bump to help comply with specific federal rules (DOL Overtime, DOL Home Care, and CMS HCBS) structured as a 90/10 match.
- Updates outdated language throughout Title XIX of Social Security Act.
- Was introduced by Reps. Paul Tonko (D-NY) and Steve Stivers (R-OH), with Jim Langevin (D-RI) and Gregg Harper (R-MS), on July 14, 2016. We are actively seeking a Senate lead sponsor.





The Response: Proposed Legislation

Title	Introduced	Blocks/Delays Implementation	Blocks Automatic Increases	Increases funding
Disability Community Act	<u>H.R. 5902</u> – 7/14/16	X	X	\checkmark
Protecting Workplace Advancement and Opportunity Act	<u>S. 2707</u> – 3/17/16 <u>H.R. 4773</u> – 3/17/16		√	X
Overtime Reform and Enhancement Act	<u>H.R. 5813</u> - 7/17/16	√	√	X



FINAL RULE: CMS Medicaid Access

<u>Finalized:</u> November 2, 2015 (<u>RIN 0938-AQ54</u>), with a 60-day comment period for accompanying RFI. (Proposed 5/6/2011.)

<u>Purpose:</u> Seeks to ensure that Medicaid beneficiaries have access to services on par with Medicare beneficiaries and privately-insured individuals.

Key Provisions:

- Would require states to use data to determine assessment methodology including:
 - Enrollee needs
 - Availability of care and providers
 - Utilization of services
- Would increase transparency in process, requiring public input and publishing of results
- Does not address HCBS waivers or Medicaid managed care





FINAL RULE: CMS Medicaid Access

Outreach: GR staff reached out to the division within CMS that wrote this rule, using the opportunity to educate and inform on issues that have not traditionally been part of its work.

<u>Comments:</u> ANCOR convened workgroup and engaged an external consultant to develop comments. Our comments highlighted the importance of aligning standards for all Medicaid programs, with emphasis on HCBS.

Submitted: ANCOR comments were submitted on January 4, 2016. ANCOR members had access to a template to use to submit comments as well. Several national organizations also endorsed ANCOR's comments. We are continuing to talk to CMS about ways to effectively ensure access to HCBS.





FINAL RULE: CMS Managed Care

<u>Finalized:</u> May 6, 2016 (<u>RIN 0938–AS25</u>) (proposed June 1, 2015). Effective July 5, with phase-in for some provisions through July 1, 2017.

<u>Purpose:</u> To update Medicaid and the Children's Health Insurance Program (CHIP) which have not been updated for over a decade.

Key Goals:

- To support State efforts to advance delivery system reform and improve the quality of care
- To strengthen the beneficiary experience of care and key beneficiary protections
- To strengthen program integrity by improving accountability and transparency
- To align key Medicaid and CHIP managed care requirements with other health coverage programs









INTRODUCED: Transition to Independence Act (T2I)

- Low expectations and poorly designed policy have created a system with many structural barriers impeding Medicaid recipients to be able to live and work in the community.
- The T2I Act, sponsored by Sen. Chuck Grassley (R-IA), would create incentives for states that create opportunities for integrated employment through a demonstration project.
- States that meet certain performance benchmarks related to employment will receive a higher Federal match.
- Incentives paid to states will be used to support integrated employment goals, promoting the long-term goals of increasing employment and financial independence for people with disabilities.
- This legislation supports the spirit of the HCBS rule and will help states meet their Olmstead obligations.





INTRODUCED: Disability Integration Act



- Intent is to "clarify and strengthen the ADA's integration mandate"
- Would create entitlement for HCBS in any system where institutional settings are
- Would create new cause of action for individuals beyond the ADA
- Would require payment structures that would maintain a sufficient workforce to provide HCBS.
- Introduced by Sen. Charles Schumer (D-NY), currently being discussed by national disability organizations



ENACTED: CMS PACE-Like Pilot

PACE-like Pilot to Expand Community Services for People with I/DD

- PACE, the Program of All-Inclusive Care for the Elderly
- PACE Innovation Act (PIA) signed into law in November 2015
- ANCOR has led workgroup of national disability organizations to develop recommendations for any PACE-like pilot program for a disability population under 55 with assurance it would:
 - Be Olmstead/HCBS Rule compliant
 - Be open to providers regardless of corporate status
 - Consider overlap of providers in current PACE service areas











DECIDED: Armstrong v. Exceptional Child



Held: Providers do not have standing to sue the state to enforce Medicaid rates. Providers (and, by implication, beneficiaries as well) should turn to HHS, not the courts, for help in requiring that states live up to the minimum legal terms of the Medicaid statute. (March 31, 2015)

In 2015, CMS finalized the Medicaid access rule which requires states to assess access to services for Medicaid beneficiaries as compared to the general population. The rule does not address HCBS waivers or Medicaid managed care.



Olmstead ADA Enforcement

<u>Georgia Network for Educational and Therapeutic Support</u> / <u>U.S. v. Georgia (N.D. Ga. 2016)</u> – State segregating students in violation of ADA

<u>Ball v. Kasich - 2:16-cv-282</u> (Ohio) – Individuals on waitlist at risk of institutionalization

<u>U.S. v. Mississippi (S.D. Miss 2016)</u> – Suit filed over unnecessary segregation of people with mental illness due to insufficient community-based services

<u>DOJ Findings Letter to South Dakota</u> – DOJ alleges ADA violations due to high rates of nursing facility admissions for non-elderly people with disabilities.

<u>Lane v. Brown (formerly Lane v. Kitzhaber) – 12-CV-00138 – (D. Or. 2012)</u> – Increasing CIE opportunities for individuals in sheltered workshops

<u>U.S. v. Rhode Island Settlement</u> – State must transition individuals away from sheltered work. In 2016, a <u>court ordered</u> the state to pay hefty penalties for non-compliance.



DOJ has been clear in noting that Olmstead obligations are separate from CMS HCBS or other approvals.



Federal Updates: Also on our radar...



- Affordable Care Act (ACA) implementation
- Autism/Wandering legislation (<u>Kevin and Avonte's Law</u>) introduced in both houses
- 14(c) Advocacy Efforts
- WIOA Final Rules implementation
- ACICIEID final report
- Provider taxes
- DSP Recognition Week September 11-17, 2016
- And much, much more!



Upcoming events



2016 ANCOR Leadership SummitSeptember 19-20, 2016
The Dupont Circle Hotel, Washington DC



2016 ANCOR Tech Summit
October 7, 2016
Omni Interlocken Resort, Broomfield CO



2017 ANCOR Annual Conference
May 1-3, 2016
Marriott River Center, San Antonio TX



Questions?





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