

ABSENCE & UTILIZATION FACTOR

WHAT IT IS AND WHAT IT DOES

The absence and utilization factor was introduced as part of Minnesota's Disability Waiver Rate System (DWRS) to recognize that residential service providers have fixed costs even when people served are temporarily away.



The absence and utilization factor **preserves individuals' choices** to live, take leisure time, and receive care where they want to, while ensuring that **providers can account for overhead** when they are not billing for services to an individual.

The factor allows a slight enhancement to daily rates to cover overhead such as staff, insurance, and similar expenses that remain constant despite short-term absences.

Providers can't reduce staffing when someone leaves for a few days: **homes must stay staffed 24/7.**

The *absence* component recognizes that providers have overhead costs when a person is temporarily absent. The *utilization* component recognizes that providers have overhead costs even when they do not fill every program slot that they are licensed for.

TWO PARTS WORKING TOGETHER:

ABSENCE

Helps cover temporary absences (like a vacation)



UTILIZATION

Helps cover lost revenue when there is an opening in the home

WHY IS IT NECESSARY?

Residential services providers must operate similarly to how a school must operate: **even if a particular student is absent, the costs of employing the teacher and keeping the lights on remain constant.**

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HOW DOES IT WORK?

Providers can currently bill for up to 365 days per year for each person receiving services. **The daily rate already incorporates the 3.9% absence & utilization factor**, anticipating unpaid absences and helping to offset those costs.

When a resident is absent for more than roughly 14-15 days, providers lose revenue for each additional day beyond that threshold. When residents are hospitalized, staff often accompany them to assist with care, meaning providers still incur wages and related costs during absences related to hospital stays.

It also contributes to data integrity: the DWRS framework requires accurate cost reporting to periodically recalculate component values, including the absence & utilization factor.

The Absence & Utilization Factor is *programmatic*: it is not tied to each individual's needs.

WHY 3.9%?

The factor originated in the *Navigant Consulting Rate Setting Methodologies Initiative* for DHS in 2012. Navigant analyzed both absence (1.7%) and utilization (2.2%) separately, combining them to a 3.9% total. Thus 3.9% became the foundation of the DWRS model and has remained unchanged since the system's creation. Truven Health Analytics confirmed the Navigant findings, again measuring about 3.9% across all service buckets, though this time expressed as a percentage of wages.

DOES IT WORK?

SINCE 2012, STUDIES HAVE AFFIRMED THAT THE FACTOR IS A SYSTEM-LEVEL EQUALIZER.

When some residents are absent more often, others never, **but across providers, the ups and downs will “wash out.”**



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