

**Rate Setting Methodology:
Ways to Ensure Value for Public Purchasers of Service**

1. **Value in comparison to actual cost** (cost based reimbursement)
 - Limit payment to a percentage over the cost of providing services.
2. **Value in comparison to hypothetical cost** based on an analysis of cost components and typical costs for each component. Hypothetical service cost would be computed based on factors such as:
 - Service cost
 - Typical care services or care services required for particular Waiver participant
 - Time required to deliver services
 - Hourly wage rate.
 - Fringe
 - Acceptable profit
 - Room and Board
 - Rent based on HUD Fair Market Rent or tax credit rent
 - Based on industry averages
3. **Value in relation to what others are paying.**
 - Pay no more than private pay rate in the facility
 - Negotiate a discount from the private pay rate
 - Pay no more than average facility rate in the county or community
 - Pay no more than charge to X percentile of customers
4. **Value compared to what other providers are willing to accept (competitive bid)**
 - Where there are multiple providers, putting out an RFP and having providers compete may be one way to get a fair price.
 - Contract with any provider willing to match the low bid