

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



October 13, 1989

ALL-COUNTY LETTER NO. 89-85

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: THIRD YEAR RENEWAL GUIDELINES FOR IN-HOME
SUPPORTIVE SERVICES (IHSS) CONTRACTS

In accordance with Welfare and Institutions Code (W&IC) Section 12302.1 and State Department of Social Services, Manual of Policies and Procedures (SDSS MPP) Section 23-621.13, Counties have the option of renewing contracts (with an initial two-year term) for the provision of IHSS without rebidding, for a period not to exceed one year. The other option is to rebid the contract for another one or two-year period if a County wishes to continue using the contract mode of service delivery.

It has been our experience that starting the negotiation or rebid process early gives the County a considerable advantage in dealing with any unforeseen circumstances such as a breakdown of negotiations or protest of the contract award. In making a decision to negotiate a renewal or rebid it should be noted that, historically, there has been a tendency for higher cost increases when contracts are renewed rather than rebid.

Whatever decision is made, please note that starting the process ten months to a year in advance of the contract commencement date is considered optimum for a smooth process. It allows ample time to comply with the timeframes for submittal, review and approval of Invitation For Bids (IFBs) and contracts, found in SDSS MPP Section 23-600.

For example, in accordance with SDSS MPP Section 23-622.3 Counties shall submit their proposed renewal contract to SDSS for approval at least 90 calendar days before the County Board of Supervisors' required public hearing. As for an IFB, SDSS MPP Section 23-610(d), specifies that the State should receive an IFB at least 90 days prior to the proposed distribution date to potential vendors. The section also specifies that the State shall notify the County of its approval decision within 60 days of receipt of an IFB with complete information.

Should a decision be made to renew an existing IHSS contract, the following guidelines and the timeframes for turnaround of the various stages in the renewal process should be useful.

The amendment should identify the specifics of the negotiated one-year renewal. The information contained therein must include the beginning and ending date of the renewal term, the unit price, the hours contracted for, the maximum amount payable, reference to the incorporated Budget and Budget Narrative for the renewal term, and a clause stipulating that all other terms and provisions of the contract shall remain the same.

Please ensure that the contract renewal is negotiated consistent with the original contract provisions and that the negotiated hourly rate reflects actual costs incurred by the contractor in the provision of services. As part of this process, you must obtain and provide to this Department, documented justification for all line item cost increases associated with the negotiated contract renewal (SDSS MPP Section 23-621.16).

Historically, the most common area in which increases have been requested is the composite wage rate for providers. In order for the State to approve a request in the contract renewal for an increase in the provider composite wage rate, the composite wage rate increase must be justified based on documented actual costs. The amount and type of documentation required varies somewhat from County to County depending on the situation. Wage rate increases due to an increase in the wage scale will not receive State or Federal financial participation.

For example, if the composite wage rate is expected to remain stable throughout the term of the renewal (because increased costs of employee longevity step increases would be offset by the less expensive cost of new employees hired due to turnover), a payroll proof summary of the most recent pay period showing gross wages paid and total hours worked can be used to document the most recent composite wage. The most recent composite can then be compared with the composite wage bid for the second year of the existing contract. If the most recent composite wage is higher, it can be used as the wage rate for the renewal year.

If on the other hand, the composite wage rate is expected to continue to increase throughout the term of the renewal (because increased costs of employee longevity step increases would NOT be offset by enough new employees hired at the bottom step of the wage scale), then two payroll proof summaries would be required - one for the most recent pay period and another for a pay period six months prior. The composite hourly rates for all providers would be compared and the percentage increase derived. The rate of the latest pay period would then be compounded forward to the mid-month of the renewal term. The rate projected for that point in time would be considered to be an acceptable average for the entire term (six months prior and six months after).

Regardless of which method above is used to justify an increase in the budgeted composite hourly wage rate in the budget narrative, a table displaying the number of providers currently at each step of the existing wage scale would also be required, along with a count of newly hired and terminated employees for at least the prior six month period (to document provider turnover).

In conjunction with the calculations used in the Budget Narrative, examples of acceptable documentation include, but are not limited to, those found on the attachment.

Regardless of the examples of accepted documentation suggested in this letter, it is the contractor's responsibility to accomplish the analytical staff work necessary to justify proposed increases in the hourly rate of each line item. Justification is needed only for those line items the contractor proposes to increase (the hourly rate). The contractor ultimately has the decision as to what specific documentation supports their position on each line item. It is also the contractor's responsibility to present the information in a logical fashion and in the best light possible that shows how the documents support the calculations in the proposed budget narrative and budget.

It is the responsibility of the County to compare the contractor's justification against the criteria contained in regulation (MPP Section 23-621.16) for each line item. If the contractor fails to complete the necessary analytical staff work by a reasonable deadline, it is incumbent upon the County to make a timely decision whether to use the IFB method of procurement in order to avoid a disruption of services.

To meet the timeframes for turnaround of the various stages in the renewal process, it is prudent to set a target date for completion of your negotiation and receipt of required supporting documentation from the contractor about six months prior to the start date of the renewal contract. Please inform us of your projected target date for submission of any proposed renewal contract. The timeframes for turnaround of the various steps in the renewal process are as follows:

Proposed renewal contract with documented justification is due to the State 90 days before the required Board of Supervisors hearing.

Notification of completeness of the renewal package is due from the State 15 days from receipt of package.

Decision on the renewal contract is due from the State 45 days from the receipt of complete information.

Required Board of Supervisors hearing must be held 30 days prior to commencement of the renewal contract.

I hope Counties find this information useful, and wish you much success on any future contract renewal. If you have questions regarding the contract process or other contents of this letter, please contact your IHSS Program Analyst at (916) 322-6320.



LOREN D. SUTER
Deputy Director
Adult and Family Services

Attachment

cc: CWDA

DOCUMENTATION EXAMPLES

<u>LINE ITEM</u>	<u>JUSTIFICATION/ DOCUMENTATION</u>
IHSS Provider Wages	One or more Payroll Proof Summaries of latest month (and others if needed) showing Gross Wages paid and total hours to document the composite wage.
IHSS Provider Employment Taxes	
Social Security (FICA)	Published Rates
Federal Unemployment Ins. (FUTA)	Published Rates
State Unemployment Ins. (SUI)	Rate Notice from EDD
IHSS Provider Worker's Compensation	Rate notice from insurance company, SCIF, or if self-insured, rate notice from actuary.
IHSS Provider Employment Benefits	
Vacation, sick leave, & holiday	One or more Payroll Proof Summaries of latest month (and others if needed) showing Gross Wages paid and total hours to document the composite wage.
Health Insurance	Premium notice from insurer
Dental Insurance	Premium notice from insurer
IHSS Provider Travel Cost	
Travel Wages & Mileage	One or more Payroll Proof Summaries of latest month (and others if needed) showing Gross Wages paid and total hours to document the composite wage.
IHSS Provider Training	
Training Wages	Payroll Proof Summary showing monthly hours paid and rate.
Training Staff/Consultants	Payroll Proof Summary showing monthly hours paid and rate.
Other Training Costs (Specify)	A
Administrative Salaries	
Local Administration, Clerical, IHSS Supervisors, and Salaries to Owners/Officers/Directors	One or more Payroll Proof Summaries of latest month (and others if needed) showing Gross Wages paid and total hours to document the current actual and projected annual cost.
Administrative Taxes	
Social Security (FICA)	Same as Providers
Federal Unemployment Ins. (FUTA)	Same as Providers
State Unemployment Ins. (SUI)	Same as Providers
Administrative Worker's Compensation	Same as Providers

DOCUMENTATION EXAMPLES (CONT.)

<u>LINE ITEM</u>	<u>JUSTIFICATION/ DOCUMENTATION</u>
Administrative Benefits	
Vacation	Same as Providers
Sick Leave	Same as Providers
Holiday	Same as Providers
Health Insurance	Same as Providers
Dental Insurance	Same as Providers
Administrative Travel	
Travel Wages	Same as Providers
Mileage	Same as Providers
Insurance and Bonding	
Liability Insurance	Premium or rate notice from insurer.
Automobile Insurance	Premium or rate notice from insurer.
Fidelity Bond	Premium or rate notice from insurer.
Office Expense	
Rent	Lease Agreement
Maintenance/Janitorial	A
Utilities	A
Equipment (New)	A
Equipment Maintenance	A or Service Agreement
Equipment Depreciation (Purchased Prior)..	A
Accounting and Data Processing	B
Telephone	A
Postage	A
Photocopying/Printing	A
Supplies	A
Personnel Advertising	A
Home Office Expense	B
Independent Audit	As Appropriate
Profit	C
Other Costs	As Appropriate
Fee For Service (non-profit organization)....	C

- A. Photocopy of ledger sheets or computer account transaction listing. (Total divided by contract hours to derive rate per hour when item relates to service hour volume.) If expenses pertain to more than one contract, also show proration method.
- B. Show past year actual company costs plus projection method. Show total for all projected company costs next year and cost allocation plan for all corporate activities and allocation of costs to each specific IHSS contract the company holds.
- C. Cannot exceed percent of value of all other line items as that originally bid.

Counties may require other or additional documentation from the incumbent contractor as it deems appropriate to the situation and line item involved.