TRI-COUNTIES REGIONAL CENTER
EXECUTIVE DIRECTOR REPORT
May 13, 2011

I. FY 2010-2011 & FY 2011-2012 BUDGET UPDATE

- **Attachment #1:** CDCAN Report #011-2011 – Governor Brown Proposes Massive Cut to Developmental Services; Major Cuts to IHSS. . .
- **Attachment #2:** FY 2011-2012 Governor's Budget Highlights for Department of Developmental Services
- **Attachment #3:** ARCA Analysis of FY 2011-2012 Governor's Budget Proposal
- **Attachment #4:** ARCA FY 2011-2012 Governor's Budget Proposal Position Statement
- **Attachment #5:** DDS Proposals to Achieve $174 million General Fund Savings – May 2011
- **Attachment #6:** DDS Proposals to Achieve $174 million General Fund Savings – May 2011 (SCDD Plain Version)
- **Attachment #7:** ARCA Position Statement the DDS Proposals to Achieve $174 million General Fund Savings

Governor Brown issued his official annual state budget proposal on January 10, 2011. The budget proposal attempts to address the continuing unprecedented budget crisis facing the state for the current FY 2010-2011 and the new budget year, FY 2011-2012 that begins on July 1, 2011. The state is facing a total projected budget shortfall of approximately $25 billion by the end of the FY 2011-2012 budget year and ongoing projected budget deficits of over $20 billion every year through at least 2016 unless permanent actions are taken regarding revenues and spending by the Governor and the Legislature. The Governor has proposed $12.5 billion in spending reductions and a 5 year extension of $8 billion in temporary tax increases that are scheduled to expire this year unless voters agree to extend them in a yet to be scheduled June special election. The Governor is seeking a supermajority vote of the Legislature that would necessitate support from at least four Republican legislators to place the continuation of the tax increases on the June ballot for voters to decide. As of May 11, 2011 the Governor and the Republican legislators are at an impasse.

The Governor's plan has called for major reductions to numerous health and human services programs including Medi-Cal ($1.7 billion), In-Home Supportive Services (additional 8.6% across the board reduction in service hours and requirement of doctor's certification for eligibility), Supplemental Security Income/State Supplemental Payment Program (Reduction of monthly benefit from $845 to $830), CalWORKS ($1.5 billion), Healthy Families (Increase in premiums and co-payments and elimination of vision care benefit), and Mental Health Services **(Attachment #1)**.

For developmental services, including regional centers, the Governor proposed a total reduction of $750 million effective July 1, 2011. This proposed reduction consists of continuing the existing 4.25% payment reduction to regional center operations and service provider rates, implementation of statewide service standards and implementation of transparency and accountability measures. The overall reduction also assumes a $50 million infusion from Proposition 10 funds and another $65 million from the Medicaid 1915(i) waiver. The Governor's proposal also included building into the regional center budget a $67.1 million increase to offset general fund reductions in other programs which will increase regional center purchase of service expenditures. **(Attachments #2-#4)**.

Since the Governor's release of his budget proposal, numerous budget subcommittee and budget committee hearings have been held in the Assembly and the Senate, as well as several hearings by the joint Assembly and Senate Budget Conference Committee. The budget subcommittee and budget committee hearings were attended by thousands of persons with developmental disabilities, families, advocates, community based service providers, regional centers and other system stakeholders many of whom testified on the impact the proposed reductions would have on people's lives. There were several dozen advocates from the TCRC area including several members of the board of directors of TCRC (TCADD Board of Directors) who traveled to Sacramento to participate and testify at these hearings. Due to the effective advocacy efforts by stakeholders, budget committees in both houses of the legislature voted to decrease the budget for developmental services to $527.2 million, $222.8 million less than the proposed $750 million reduction proposed by the Governor. However, subsequently upon further review, the joint Assembly and Senate Budget Conference Committee increased the reduction by another $50 million.

Most of the changes necessary to achieve these savings have been identified and adopted by the Legislature. The reduction made to developmental services will be achieved through the continuation of the 4.25 percent payment reduction for regional center operations and service provider rates, additional federal and alternative funding, a 15% administrative cost limit for regional centers and service providers, enhanced auditing, third party collections and accountability measures, reduced funding for the Prevention Program primarily serving infants and toddlers at risk of a developmental disability, and additional regional center operations reductions. The remaining $174 million in reductions is to be achieved through the establishment of Statewide POS Standards/Best Practices developed by DDS using input from system stakeholders.

The development of the Statewide POS Standards/Best Practices by DDS is a multi-step process intended to maximize the opportunity for stakeholder input. Per DDS the process consists of the following:

1. Soliciting input from stakeholders through a survey on the DDS website. (COMPLETED)
2. Establishing workgroups in eight topic areas to discuss possible standards. The workgroup topic areas include: Behavioral Services; Day, Supported Employment and Work Activity Programs; Early Start Services; Healthcare and Therapeutic Services; Independent Living and Supported Living Services; Residential Services; Respite and Other Family Supports; and Transportation Services. Each workgroup consisted of 30-35 people. (COMPLETED)
3. Conduct three public hearings throughout the state, following the development of draft standards by DDS, to obtain public input on the proposed standards **(Attachment #5-#6)**. (COMPLETED)
4. Submit the proposed standards to the Legislature with accompanying fiscal information and draft statutory language necessary to implement required changes by May 15, 2011. (PENDING)
5. Legislature to hold budget subcommittee hearings to review and receive public comment on the draft standards before taking final action sometime in May or June. The Standards are slated for implementation effective July 1, 2011. (PENDING)

To achieve the $174 million savings through the Statewide POS Standards/Best Practices, DDS considered reductions in headquarters and regional center operations, an increase in federal financial participation, and took into account reduced expenditure savings trends. After accounting for these proposed reductions, $79.1 remains to be achieved through other measures that are outlined in the draft proposal by DDS impacting the following service areas:

- Community Placement Plan Funding
- Rate Equity and Negotiated Rate Control
- Annual Family Program Fee
- Maintaining the "Consumer's" Home of Choice – Mixed Payment Rates in Residential Facilities with Alternative Residential Model (ARM) Rates

- Maximizing Utilization of Generic Resources – Education Services
- Supported Living Services: Maximize Resources
- Individual Choice Day Services
- Maximizing Resources for Behavioral Services
- Transfer Reduced Scope Prevention Program to the Family Resource Centers
- Enhancing Community Integration and Participation – Development of Transportation Access Plans

ARCA has developed a position paper on these proposals that has been submitted to DDS and the Legislature **(Attachment #7)**. ARCA has some concerns regarding a few of the proposals impacting the POS budget, especially the annual family program fee and the transfer of the Prevention Program to the Family Resource Centers, accompanied by a large funding reduction. ARCA also has significant concerns regarding the additional reductions to the regional center operations budget and the additional workload implications for regional centers to implement the new requirements. ARCA and the regional centers believe these reductions could seriously jeopardize the state's ability to continue to bring in $1.7 billion per year in federal funding as regional centers are no longer able to ensure federally required service coordination ratios. This could in turn also lead to health and safety issues in the community for persons served by the regional centers given there will be less monitoring of each individual's needs.

The next significant step in the budget process will be the release of the Governor's May Revise Budget Proposal due to be out on May 16, 2011. Given the Republicans have been unwilling to support placing the tax extensions sought by the Governor on the ballot for voters to decide, the Governor's May Revise proposal will most likely be an all cuts budget. The regional center system and other health and human services programs could face significant additional reductions.

Tri-Counties Regional Center (TCRC) has developed a "Budget Watch" page on the TCRC website (www.tri-counties.org). Current information and resources related to the budget will continue to be posted on this page in an effort to keep the TCRC community informed of the ongoing budget related developments.

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II. CASH FLOW CRISIS UPDATE

- **Attachment #8: Summary of Credit Line Efforts – Spring 2011**

TCRC and eleven other regional centers that bank with Union Bank have so far been unable to secure a revolving and year end lines of credit with Union Bank as in previous years. These lines of credit are necessary to assist with regional center cash flow challenges created by late payments to regional centers by DDS and the state due to the state budget and cash flow problems. Given this instability with the state finances, Union Bank is requiring some form of an assurance from DDS in case of a regional center default on the lines of credit. DDS has so far been unwilling to provide any type of an acceptable assurance to Union Bank stating that it is statutorily prohibited from complying with this request. At present TCRC has enough cash on hand to continue business as usual until June 17, 2011 after which TCRC would need to either receive additional payments from DDS or access a revolving line of credit in order to be able to continue operating.

TCRC, ARCA and the other regional centers that bank with Union Bank have been working closely with ARCA staff and legal counsel, DDS and Union Bank to try to reach an agreement that will satisfy Union Bank and secure the lines of credit needed by the regional centers. Additionally, TCRC has been in contact with seven other banks to try to secure the necessary lines of credit. We have so far been rejected by all these banks except for Santa Barbara Bank & Trust which is considering our request for their maximum loan amount of $15 million and Morgan Stanley which is doing an initial review of our request **(Attachment #7)**.

In the event TCRC runs out of cash and is not able to borrow money to continue operating, a 30 day written will be provided to all TCRC service providers as required by law. We are strongly encouraging TCRC service providers to make efforts to secure their own lines of credit with their banks.

We are hopeful that the cash flow issue will soon be resolved through a combination of additional payments from DDS and through DDS and Union Bank reaching a compromise agreement that will lead to approval of the lines of credit for TCRC and the other eleven regional centers who bank with Union Bank.

III. Q&A

Omar Noorzad - Re: CDCAN REPORT #011-2011: HUGE CUTS PROPOSED FOR DEVELOPMENTAL SERVICES; MAJOR CUTS TO IHSS INCLUDING INCREASING ACROSS THE BOARD CUT IN IHSS HOURS BY ANOTHER 8.4% & REQUIRING DOCTORS CERTIFICATION FOR ELIGIBILITY

From: "Marty Omoto" <martyomoto@rcip.com>
To: <CDCANreportlist01@rcip.com>
Date: 1/10/2011 12:11 PM
Subject: Re: CDCAN REPORT #011-2011: HUGE CUTS PROPOSED FOR DEVELOPMENTAL SERVICES; MAJOR CUTS TO IHSS INCLUDING INCREASING ACROSS THE BOARD CUT IN IHSS HOURS BY ANOTHER 8.4% & REQUIRING DOCTORS CERTIFICATION FOR ELIGIBILITY

CDCAN DISABILITY RIGHTS REPORT

#011-2011 – JANUARY 10, 2011 MONDAY

CALIFORNIA DISABILITY COMMUNITY ACTION NETWORK: Advocacy Without Borders: One Community – Accountability With Action - California Disability Community Action Network Disability Rights News goes out to over 55,000 people with disabilities, mental health needs, seniors, traumatic brain & other injuries, veterans with disabilities and mental health needs, their families, workers, community organizations, including those in Asian/Pacific Islander, Latino, African American a

To reply to this report write: MARTY OMOTO at martyomoto@rcip.com
WEBSITE: www.cdcan.us TWITTER: www.twitter.com - "MartyOmoto"

REMEMBERING THE LIFE OF TOMMY YERBY OF MORGAN HILL

<u>California State Budget Crisis:</u>

GOVERNOR BROWN PROPOSES MASSIVE CUT TO DEVELOPMENTAL SERVICES; MAJOR CUTS TO IHSS INCLUDING ADDITIONAL 8.6% ACROSS BOARD CUT IN SERVICE HOURS; REQUIREMENT OF DOCTOR'S CERTIFICATION FOR ELIGIBILITY

Proposes Reducing SSI/SSP Individual Grant To Lowest Level Allowed by Federal Government - Proposed Cuts Will Have Major Impact On Children & Adults with Disabilities (including Developmental), mental health needs, the blind, seniors, their families, low income workers, community organizations, facilities and workers who provide supports & services across State

SACRAMENTO, CALIF (CDCAN) [Updated 01/10/2011 11:40 AM (Pacific Time)] - Governor Jerry Brown, released his proposed 2011-2012 spending plan, is calling for massive permanent reductions to a wide range of state funded programs, including regional centers, In-Home Supportive Services, CalWORKs, Medi-Cal, SSI/SSP, mental health and more.

The Governor proposed this morning over $12.5 billion in spending cuts including over $750 million in cuts to developmental services (regional centers and developmental centers), $1.5 billion cuts to CalWORKS, the state's "welfare to work" program that includes many parents and children with special needs, $1.7 billion in reductions to Medi-Cal. Most of these spending cuts would take effect July 1, 2011.

In a press statement issued this morning, Governor Brown said that the spending cuts

"...will be painful, requiring sacrifice from every sector of the state, but we have no choice. For 10 years, we've had budget gimmicks and tricks that pushed us deep into debt. We must now return California to fiscal responsibility and get our state on the road to economic recovery and job growth."

All of the Governor's proposals require approval of the Legislature.

Huge Cuts Proposed for Regional Centers
The cuts to developmental services – including regional centers - total $750 million state general fund spending, to be effective July 1, 2011, including permanent continuation of the 4.25% payment reduction to regional center operations and providers,

IHSS Hit Hard By Cuts
In-Home Supportive Services (IHSS) was particularly hard hit, with a permanent continuation proposed of the existing 3.6% across the board cut in service hours for all IHSS recipients – and an additional 8.4% cut on top of that (effective July 1, 2011) for a total of 12% cut. In addition as a requirement for eligibility, a doctor's certification would be required for all persons currently in IHSS or who are applying for services as a condition of eligibility.
The Governor also proposes to eliminate domestic and related services for children under age of 18 years who live at home and eliminate domestic and related services for adults who reside in "shared living arrangements" (with a relative, friend or other person). The state would allow exceptions to this if the roommate certifies that they cannot provide the domestic or related services or if the shared living arrangement with the other person does not allow for domestic and related services to be shared.
The Governor also proposes eliminating all state funding for all of the IHSS Advisory Committees.

Governor Proposes Extension of Temporary Tax Increases
He is also proposing placing on a special election ballot in June for voter approval the extension of over $8 billion in temporary tax increases set to expire this year that were enacted in February 2009 as part of the 2009-2010 State Budget passed four months early.

SUMMARY OF PROPOSALS IMPACTING PEOPLE WITH DISABILITIES, MENTAL HEALTH NEEDS, THE BLIND, SENIORS & FAMILIES
Here are some of the proposed reductions (CDCAN will issue within the hour details on these proposed reductions and other proposals in the Governor's budget plan). CDCAN will issue a separate report with details on the cuts to Medi-Cal and education.

SSI/SSP (Supplemental Security Income/State Supplemental Payment) & Cash Assistance Program for Immigrants (CAPI)
WHAT THE GOVERNOR IS PROPOSING: Reduce state portion of the maximum SSI/SSP individual grants to the lowest level allowed by the federal government ($845 to $830. The Governor's proposal impacts the Cash Assistance Program for Immigrants (CAPI) – the program that provides SSI/SSP level grants to legal immigrants with disabilities, the blind and low income seniors who do not qualify for the SSI grants.
CDCAN NOTE:
The federal government portion would remain at $674, while the state portion would be reduced from the current $171 to $156 for a total of $830 per month). The Legislature in 2009, already reduced the state portion of the SSI/SSP grants to couples to the lowest level permitted by the federal government ($1,407 per month or $396 for the SSP or state portion and $1,011 for the SSI or federal potion of the grant)
Also in 2009 the Legislature approved the Governor's proposal to permanently eliminate the state cost of living (COLA) for the SSP (including CAPI) part of the grants for individuals and couples (after suspending the increase for several years)
There has been no cost of living increase for the federal SSI part for January 2010 or for January 2011

because economic measurements the federal government uses did not require it.

DEVELOPMENTAL SERVICES (regional centers and developmental centers)
WHAT THE GOVERNOR IS PROPOSING:

- $750 million (state general fund) reduction in spending for developmental services under the Department of Developmental Services. Part of that reduction will come from reducing funding for growth. The Brown Administration in proposing this cut would maintain the Lanterman Act entitlement and include additional federal funding (to off set State general fund spending) for Porterville. It would assume continuation – likely permanent of the existing 4.25% payment reduction to both regional center operations and providers; assumes $50 million from Proposition 10 money and another $65 million from the Medicaid 1915(i) waiver. The overall reduction includes – with no dollar amount attached yet – for accountability and transparency measures; and also imposing statewide service standards. Some of these issues will be discussed in a stakeholder process still to be determined.
- With exception of some minor adjustments to the current year budget, all the proposed reductions totaling $750 million in state general funds would occur after July 1, 2011 during the 2011-2012 State budget year.
- Continue the closure and transition process for Lanterman Developmental Center in Pomona as proposed by Governor Schwarzenegger and approved by the Legislature last year

CDCAN NOTE:
Over 240,000 infants, children and adults with developmental disabilities are served through community-based services coordinated by the 21 non-profit regional centers and overseen by the Department of Developmental Services. The department also operates 4 developmental centers and one smaller facility where about 2,000 people with developmental disabilities reside.
The Governor proposed and the Legislature approved in February 2009 and July 2009 reductions to developmental services – including the State's early intervention program (called "Early Start") of over $500 million (including lost federal matching funds).

IN-HOME SUPPORTIVE SERVICES (IHSS)
WHAT THE GOVERNOR IS PROPOSING:

- Continue implementation of the IHSS provider tax (that would be matched by federal funds – the provider would not actually pay any tax or fee) for a State general fund savings of $131 million during the 2011-2012 State budget year
- Permanent continuation of the 3.6% across the board reduction in hours for all IHSS recipients (the current budget would have those reductions end on June 30, 2012) which goes into effect February 1, 2011 for a reduction in state general funds of $65.4 million
- An additional 8.4% across the board cut reduction in hours (on top of the 3.6%) for all IHSS recipients, effective July 1, 2011 for a reduction to IHSS of $127.5 million state general funds. This reduction will include an appeals process that will allow for waiving this cut for persons at risk.
- Elimination of State general fund spending for all IHSS Advisory Committees for a reduction of $1.6 million (effective July 1, 2011)
- Narrow eligibility for IHSS by requiring all new persons applying for IHSS and reassessments of all persons currently receiving IHSS, a certification by a physician that the person is "at risk" of institutionalization, effective July 1, 2011. Persons who do not receive this certification from a doctor would lose eligibility for iHSS>
- Eliminate for persons under the age of 18 living at home and receiving IHSS, all domestic and related services (impacting about 7,200 persons) for a reduction of $1.6 million, effective July 1, 2011. Does not include protective supervision.
- Eliminates for adults domestic and related services who live in "shared living arrangements" with a family member or other adults and relatives, effective July 1, 2011 for a reduction of $235 million.

There would be an exception to this for persons who can document that their domestic and related services needs could not be met "in common" or that the roommate certifies that they cannot provide those services (for example, if the roommate is another person with disabilities).

- Would propose "realignment" of IHSS by eliminating the county's required share of funding, making IHSS a state and federal funded program only, effective July 1, 2011 (realignment would also include shifting adult protective services to the counties)

CDCAN NOTE:

Over 436,000 children and adults with disabilities (including developmental), mental health needs, the blind and low income seniors are recipients (as of September 2010) of IHSS.

The Governor's budget plan includes continuing appeals in federal court to overturn lower court decisions that blocked the State from implementing 2009 cuts to IHSS (reduction of the state participation for IHSS worker wages and reduction or elimination of IHSS services for persons, based on their functional index ranking and functional index ranking (internal assessment tools used by county social workers to determine level of IHSS services)

The 2010-2011 State Budget approved in October 2010 (four months late) assumes a July 1, 2012 effective date for those two reductions unless a court ruling prevents it.

CALWORKS (California Work Opportunity and Responsibility To Kid)

WHAT THE GOVERNOR IS PROPOSING

- Cut maximum grants levels by 13% (effective July 1, 2011).
- Narrow eligibility for persons to qualify for program grants by imposing, retroactively, a 48 time limit.
- Repeal entirely the "long term reforms" under the Schwarzenegger Administration
- Total state general fund reduction (including shifting of funds) is about $1.5 billion

CDCAN NOTE:

- *CalWORKS is the state's "welfare to work" program that had, as of September 2010, over 576,000 families in the program (and over 1,101,000 children). Many are parents or children with special needs and disabilities.*
- *Several of the proposals by Governor Brown are the same or similar to what Governor Schwarzenegger previously proposed.*

FOSTER CARE PROGRAM

WHAT THE GOVERNOR IS PROPOSING:

An unallocated reduction of about $19 million to the foster care program

CHILDREN'S PROGRAM (PROPOSITION 10)

WHAT THE GOVERNOR IS PROPOSING:

Proposes to change Proposition 10 (Children and Families First) approved by voters to allow the funding generated by tobacco taxes for State general fund spending.

CDCAN NOTE:

- *This proposal would have to be placed on the June special election ballot for voter approval.*
- *Governor Schwarzenegger and the Legislature previously – in May 2009 – attempted to suspend Proposition 10 and temporarily shift funding to the State general fund – but that proposal (like the proposal for Proposition 63) was rejected by a large margin by voters.*

HEALTHY FAMILIES

WHAT THE GOVERNOR IS PROPOSING:

Increase premiums and co-payments

Eliminate vision care in the program

CDCAN NOTE:

- *This program is matched by funding from the federal State Children's Health Insurance Program (SCHIP) and serves thousands of children from low income families who do not qualify for Medi-Cal.*
- *The proposals by Governor Brown are basically the same as previous proposals by Governor Schwarzenegger. No other details yet.*

VERY URGENT!!!!!
PLEASE HELP CDCAN CONTINUE ITS WORK!!!
JANUARY 10, 2011 – YOUR HELP IS NEEDED

CDCAN Townhall Telemeetings, reports and alerts and other activities cannot continue without your help. To continue the CDCAN website, the CDCAN News Reports. sent out and read by over 55,000 people and organizations, policy makers and media across California and to continue the CDCAN Townhall Telemeetings which since December 2003 have connected thousands of people with disabilities, seniors, mental health needs, people with MS and other disorders, people with traumatic brain and other injuries to public policy makers, legislators, and issues.

Please send your contribution/donation (make payable to "CDCAN" or "California Disability Community Action Network):

CDCAN
1225 8th Street Suite 480 - Sacramento, CA 95814
paypal on the CDCAN site is not yet working – will be soon.

MANY, MANY THANKS TO CALIFORNIA ASSOCIATION OF ADULT DAY HEALTH CENTERS, VENTURA COUNTY AUTISM SOCIETY, RESPITE, INC., LOS ANGELES RESIDENTIAL COMMUNITY SERVING DEVELOPMENTALLY DISABLED ADULTS LARC RANCH, FEAT OF SACRAMENTO, EASTER SEALS OF SOUTHERN CALIFORNIA, EMMANUEL AND FAMILY, MICHAEL DIMMITT, PEOPLE FIRST OF SAN LUIS OBISPO, BOB BENSON, the Pacific Homecare Services, Toward Maximum Independence, Inc (TMI), Friends of Children with Special Needs, Southside Arts Center, San Francisco Bay Area Autism Society of America, Hope Services in San Jose, FEAT of Sacramento (Families for Early Autism Treatment), Sacramento Gray Panthers, Bill Wong, Tri-Counties Regional Center, Life Steps, Parents Helping Parents, Work Training, Foothill Autism Alliance, Arc Contra Costa, Pause4Kids, Training Toward Self Reliance, Californians for Disability Rights, Inc (CDR) including CDR chapters, CHANCE Inc, Strategies To Empower People (STEP), Harbor Regional Center, Asian American parents groups, Resources for Independent Living and many other Independent Living Centers, several regional centers, People First chapters, IHSS workers, other self advocacy and family support groups, developmental center families, adoption assistance program families and children, and others across California.

Attachment #2

Department of Developmental Services

2011-12 Budget Highlights

Edmund G. Brown Jr.
Governor
State of California

Diana S. Dooley
Secretary
California Health and Human Services Agency

Terri Delgadillo
Director
Department of Developmental Services

January 2011

DEPARTMENT OF DEVELOPMENTAL SERVICES
2011-12 BUDGET HIGHLIGHTS

PROGRAM HIGHLIGHTS

The Department of Developmental Services (the Department) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that more than 246,000 persons with developmental disabilities receive the services and support they require to lead more independent and productive lives and to make choices and decisions about their lives. Proposed system-wide funding for 2011-12 is $4.5 billion ($2.4 billion General Fund).

California provides services and supports to individuals with developmental disabilities in two ways: the vast majority of people live in their families' homes or other community settings and receive state-funded services that are coordinated by one of 21 non-profit corporations known as regional centers. A small number of individuals live in four state-operated developmental centers and one state-operated community facility. The number of consumers with developmental disabilities in the community served by regional centers is expected to grow in fiscal year 2011-12 to 251,702. The number of consumers living in state-operated residential facilities will decrease by the end of fiscal year 2011-12 to 1,691.

During the development of the 2009-10 and 2010-11 Governor's Budgets, the Department with input from a workgroup comprised of regional centers, service provider representatives, advocacy groups, consumers and family members, and legislative staff developed proposals to reduce or restrict General Fund growth in the Department's budget. In 2009-10, the Department developed proposals that resulted in approximately $334 million in General Fund savings and an additional $200 million in 2010-11. Savings proposals impacted both the developmental center and regional center budgets, and included a variety of strategies such as restructuring, reducing or suspending various services, restricting eligibility for certain services, and maximizing other available funding sources, primarily federal funds. In addition to these proposals, payments for community services were reduced by 3 percent in 2009-10 and 4.25 percent in 2010-11.

The Department's budget was expected to grow in 2011-12 by $289.9 million compared to the enacted budget due to increased caseload; utilization and the expiration of the 4.25 percent payment reduction. In addition, the General Fund need was increasing by $195.6 million due to the end of the federal stimulus funding. Given the continued pressure on the General Fund, the Governor's Budget proposes to reduce from the projected budget $750 million in General Fund system wide through additional federal revenues, increased accountability, further expenditure reductions and cost containment measures, with the intent of maintaining the Lanterman entitlement to community-based services for individuals to avoid more costly institutionalization. The Department remains committed to the preservation of services and supports and the continued implementation of the individualized planning process mandated in the Lanterman Act and the Early Intervention Services Act as the state bridges this fiscal crisis.

The Department will pursue system-wide proposals to achieve the $750 million General Fund savings contained in the Governor's Budget for 2011-12, including but not limited to:

- Pursuing additional federal funds for treatment services provided to individuals residing in the secure facility at Porterville Developmental Center. It is anticipated that this will result in General Fund savings of $10 million in 2011-12. The Department will also consider other proposals to achieve General Fund savings.

- Continuation of the temporary regional center and service provider payment reductions. The 2010-11 budget contains a 4.25 percent reduction to regional centers and service provider payments. These payment reductions are scheduled to sunset on June 30, 2011. The Governor's Budget proposes to extend both payment reductions for another year resulting in General Fund savings of $91.5 million in 2011-12.

- Continued Proposition 10 funding. The regional center budget includes $50 million in reimbursement funding in 2010-11 from the California Children and Families Commission (Proposition 10). These funds are used to provide services to consumers from birth to age five. The Governor's Budget proposes to continue this funding in 2011-12, resulting in a General Fund savings of $50 million.

- Increased federal funds for community services. The Department has been successful in maximizing available federal funds associated with the Medicaid Home and Community-Based Services Waiver, and recouping federal funding for certain services provided through Intermediate Care Facilities for the developmentally disabled. This proposal would focus on increasing federal funding by: (1) expanding the pending federal 1915(i) State Plan Amendment to include additional consumers and related expenditures consistent with recent federal healthcare reforms, (2) maximizing use of federal "Money Follows the Person" funding for individuals placed out of institutions and (3) pursuing other enhanced federal funding opportunities. This proposal would at a minimum save $65 million General Fund in 2011-12.

- Increased accountability and transparency. This proposal would set parameters on the use of state funds for administrative expenditures of regional centers and service providers; increase auditing requirements; increase disclosure requirements; and maximize recoveries from other responsible parties.

- Implementation of statewide service standards. This proposal would establish statewide service standards that set parameters and promote consistency in the array of services available through the regional centers. The Department, with input from stakeholders, will develop standards for regional centers to use when purchasing services for consumers and families. In developing these standards, the Department will consider eligibility for the service, duration, frequency and efficacy of the service, service provider qualifications and performance, rates, parental and consumer responsibilities, and self-directed services options. The Department will also consider the impact of the standards, coupled with prior reductions in the service area, on consumers, families and providers. The Department will ensure that changes are made consistent with the Lanterman Act and Government Code (Early Start program) and specify notification requirements. Standards may vary by service category. It is anticipated the implementation of additional service standards will result in significant General Fund savings.

COMMUNITY SERVICES PROGRAM

2010-11 Updates

To provide services and support to 244,108 persons with developmental disabilities in the community, the Governor's Budget updates 2010-11 funding to $4.1 billion total funds ($2.2 billion General Fund). The Governor's Budget includes an increase of $0.1 million total funds (decrease of $169 million General Fund) for regional center operations and purchase of services (POS). This is composed of:

Caseload and Utilization

- $12.4 million increase in POS costs primarily due to updated caseload and expenditure data.
- $18.1 million decrease in Prevention Program costs due to updated caseload data.
- $0.5 million decrease due to the delayed implementation of the Self Directed Services program.
- $0.5 million increase in Quality Assurance Fees due to technical adjustments.
- $2.6 million increase in regional center operations costs primarily due to increases in Home and Community-Based Services (HCBS) Waiver enrollments that result in more of the community caseload at the 1:62 case manager ratio.

Federal Stimulus Funds

- An increase of $100.9 million in reimbursements and corresponding decrease in General Fund due to additional federal stimulus funding carried in a state-wide budget item in the enacted budget that is now reflected in the Department's budget.

Homeland Security Grant

- $0.2 million increase to reflect the implementation of a State Homeland Security Grant award that will fund projects to regional centers to prevent, protect against, respond to and recover from acts of terrorism and other catastrophic events.

Impacts from Other Departments

- $3.0 million increase to reflect the impact of service reduction proposals in Medi-Cal and Supplemental Security Income/State Supplementary Payment (SSI/SSP) programs that are included in the Governor's Budget and increase regional centers POS costs in 2010-11. These programs are considered generic resources, with regional centers being the payor of last resort when services are not available from a generic resource. The service reductions include:

  - ➢ $0.4 million increase to reflect the reduction of the maximum monthly State Supplementary Payment grant to aged/disabled individuals to the Maintenance of Effort (MOE) floor effective June 1, 2011; and

  - ➢ $2.6 million increase to reflect the elimination of Adult Day Health Care (ADHC) services, effective June 1, 2011.

2011-12

For 2011-12, the budget projects the total community caseload at 251,702, an increase of 7,594 consumers over the revised 2010-11 caseload. The budget proposes 2011-12 funding for services and support to persons with developmental disabilities in the community at $3.8 billion total funds ($2.0 billion General Fund), a decrease of $329.3 million ($322.2 million General Fund) over the enacted 2010-11 budget; or compared to the updated 2010-11 budget, a decrease of $329.5 million ($153.1 million General Fund). This is composed of:

Caseload and Utilization

- $149.7 million increase in POS and Prevention Program due to increased caseload and utilization.
- $0.5 million decrease due to the delayed implementation of the Self-Directed Services program.
- $13.0 million increase in regional center operations costs primarily due to caseload increases and additional HCBS waiver enrollments.

Federal Stimulus Funds

- An increase of $134.1 million in General Fund and corresponding decrease in reimbursements due to the end of federal stimulus funding. The federal government assumed a greater share of program costs during the stimulus period of October 2008 through June 2011.

Continuation of Temporary 4.25 Percent Regional Center and Provider Payment Reduction

- The Governor's Budget proposes continuation of the 4.25 percent payment reduction in 2011-12. The reduction impacts both regional center operations and POS for a total decrease of $165.5 million ($91.5 million General Fund).

There is an incremental decrease from 2010-11 of $2.8 million due to the reduced total funding level in 2011-12.

Proposition 10 Funding

- The Governor's Budget proposes to continue reimbursement funding from the California Children and Families Commission (Proposition 10) in 2011-12, resulting in a General Fund savings of $50 million. These funds are used to provide services to consumers from birth to age five.

Quality Assurance Fees

- $27.2 million decrease in 2011-12, as the 2010-11 budget included costs associated with retroactive processing of claims for 2007-08 through 2010-11 (four years) that is not required in the budget year. These costs related to increasing FFP for day treatment and transportation costs for residents of Intermediate Care Facilities for individuals with developmental disabilities (ICF-DD). The 2011-12 budget retains $9.5 million for budget year claims.

New Major Assumption, Financial Management Services (FMS) for Participant-Directed Services

- $1.7 million increase to establish FMS as an option for vouchered respite, transportation, and day care services consistent with federal requirements to renew the HCBS waiver.

Impacts from Other Departments

- $70.1 million increase to reflect the impact of service reductions proposals in Medi-Cal and SSI/SSP programs that will increase regional centers POS costs in 2011-12. The service reductions include:
  - $5.0 million increase to reflect the reduction of the maximum monthly State Supplementary Payment grant to aged/disabled individuals to MOE floor, effective June 1, 2011;
  - $32.1 million increase to reflect the elimination of ADHC services, effective June 1, 2011; and
  - $33.0 million increase to reflect costs associated with Medi-Cal reductions due to the addition of co-payments and service limits effective October 1, 2011.

Increased Accountability and Transparency and System-wide Cost Containment Measures

- The Governor's Budget proposes increased accountability and transparency and system-wide cost containment measures to generate significant General Fund savings necessary to achieve the balance of overall required reduction of $750 million. The proposal would set parameters on the use of state funds for administrative expenditures of regional centers and service providers;

increase auditing requirements; increase disclosure requirements; and maximize recoveries from other responsible parties. In addition, the proposals would establish statewide service standards that set parameters and promote consistency in the array of services available through the regional centers. These proposals will be adjusted in the May Revision to reflect savings in the Department's headquarters, developmental center, regional center operations or purchase of service budgets consistent with the Department's proposals.

DEVELOPMENTAL CENTERS PROGRAM

2010-11 Update

To provide services and support for persons with developmental disabilities that live in four state-operated developmental centers and one state-operated community facility the budget updates 2010-11 funding to $607.6 million ($282.8 million General Fund), a decrease of $38.5 million total funds ($32.1 million General Fund) from the Budget Act of 2010. The decrease reflects a variety of adjustments including salary reductions consistent with Executive Order S-01-10 to lower state staffing costs (a.k.a. Workforce Cap Plan) and statewide employee compensation adjustments from changes to collective bargaining agreements, including the elimination of the state furlough program accompanied by salary reductions and other leave and benefit contribution changes. Developmental Centers authorized positions are updated from 6,237.6 to 6,210.6, a reduction of 27 positions from the Budget Act.

Developmental Center Population Adjustments

The Governor's Budget does not change the Budget Act's assumption of consumers residing in a Developmental Center or Community Facility of 1,979.

2011-12

The Governor's Budget proposes 2011-12 funding for services and supports to persons with developmental disabilities that live in four state-operated developmental centers and one state-operated community facility at $618.1 million ($324.0 million General Fund), a decrease of $28.0 million total funds ($9.1 million General Fund increase) over the Budget Act of 2010; or compared to the updated 2010-11 budget, an increase of $10.6 million ($41.2 million General Fund). The changes primarily include an increase in General Fund and corresponding decrease in reimbursements due to the end of federal stimulus funding ($27 million); staffing adjustments for decreased resident population; salary reductions consistent with Executive Order S-01-10 to lower state staffing costs and statewide employee compensation adjustments from changes to collective bargaining agreements, including the elimination of the state furlough program accompanied by salary reductions and other leave and benefit contribution changes. Some savings associated with collective bargaining are not included in the Department's budget, but rather reflected in a statewide budget item, giving the misleading appearance of a cost increase. Total authorized positions decline from 6,237.6 to 5,922.0, a reduction of 315.6 positions from the Budget Act.

Cost Containment Measure - Additional Federal Funds

- As part of the $750 million savings proposal, the Department will pursue additional federal funds for treatment services provided to individuals residing in the secure facility at Porterville Developmental Center. It is anticipated this will result in General Fund savings of $10 million in 2011-12. The Department will also consider other proposals to achieve General Fund savings.

Developmental Center Population Adjustments

Considering the timing of consumer placements, an average annual population is used to develop the budget estimate. The budget reflects an average population reduction of 196 consumers (from 1,979 to 1,783). The number of consumers living in state-operated residential facilities will decrease by the end of fiscal year 2011-12 to 1,691.

HEADQUARTERS

2010-11 Update

In support of the Community Services and Developmental Center Programs, the budget updates the 2010-11 funding for headquarters operations to $35.8 million ($22.8 million General Fund), a decrease of $2.4 million ($1.6 million General Fund) compared to the Budget Act of 2010, primarily due to salary reductions consistent with Executive Order S-01-10 to lower state staffing costs and statewide employee compensation adjustments from changes to collective bargaining agreements, including the elimination of the state furlough program accompanied by salary reductions and other leave and benefit contribution changes.

2011-12

The Governor's Budget provides funding for 2011-12 headquarters operations of $38.6 million ($24.6 million General Fund), an increase of $0.4 million ($0.2 million General Fund) compared to the Budget Act of 2010, primarily due to statewide employee compensation adjustments from changes to collective bargaining agreements, including the elimination of the state furlough program accompanied by salary reductions and other leave and benefit contribution changes. Some savings associated with collective bargaining are not included in the Department's budget, but rather reflected in a statewide budget item, giving the misleading appearance of a cost increase.

CLOSURE OF LANTERMAN DEVELOPMENTAL CENTER

As part of the Governor's Budget, the Department has provided a comprehensive update on the closure activities at Lanterman Developmental Center (LDC). The Department is now proceeding with implementation activities consistent with the Closure Plan presented on April 1, 2010. The initiation of most activities was delayed until October 2010, after enactment of the Budget Act of 2010 and the associated trailer bill.

DEVELOPMENTAL CENTERS CAPITAL OUTLAY

(Funding not included in the Budget Highlights totals)

Developmental Centers

Federal mandates require automatic fire sprinkler systems for Acute Care hospitals and Nursing Facilities by August 2013 (Federal Rule 42, Code of Federal Regulations 483.70). The capital outlay budget includes $2.0 million General Fund to design and install automatic fire sprinklers in 13 buildings that house Nursing Facility and General Acute Care consumers at the Fairview, Porterville and Sonoma Developmental Centers. The project also includes necessary associated work, such as asbestos removal, electrical and plumbing renovations, and minor construction as necessary to meet code requirements to accommodate the automatic fire sprinkler system installations. The proposal funds the preparation of preliminary plans and working drawings for the project.

Fairview Developmental Center

The Governor's Budget includes reappropriation of funding for an addressable fire alarm system, already approved by the Legislature, in consumer utilized buildings at Fairview Developmental Center. This project continues to be a critical safety improvement, licensing and code compliance need for Fairview's consumers, staff, and visitors. The capital outlay budget has already funded the preliminary plans and drawings for this project. The 2011-12 capital outlay budget includes $8.6 million General Fund for the construction phase to complete the project.

Sonoma Developmental Center

The Governor's Budget includes funding for the construction phase for a new piping system, already approved by the Legislature, to supply additional oxygen, medical air and suction, and a new oxygen storage tank at the Johnson/Ordahl building at Sonoma Developmental Center. The project was delayed as part of the $334 million General Fund savings in 2009-10, but remains a critical health and safety need for Sonoma's medically fragile consumers and for the staff. The 2011-12 capital outlay budget includes $2.7 million General Fund to complete the project.

DEPARTMENT OF DEVELOPMENTAL SERVICES
2011-12 NOVEMBER ESTIMATE

FUNDING SUMMARY

(Dollars in Thousands)

	2010-11	2011-12	Difference
BUDGET SUMMARY			
COMMUNITY SERVICES	$4,126,757	$3,797,294	-$329,463
DEVELOPMENTAL CENTERS	607,565	618,127	10,562
HEADQUARTERS SUPPORT	35,796	38,607	2,811
TOTALS, ALL PROGRAMS	**$4,770,118**	**$4,454,028**	**-$316,090**
FUND SOURCES			
General Fund	$2,505,611	$2,395,521	-$110,090
Reimbursements: Totals All	2,204,480	1,998,494	-205,986
Home & Community Based Serv. (HCBS) Waiver	*1,180,472*	*1,012,350*	*-168,122*
HCBS Waiver Administration	*8,690*	*9,101*	*411*
Medicaid Administration	*13,412*	*13,676*	*264*
Targeted Case Management	*163,397*	*131,204*	*-32,193*
Targeted Case Management Administration	*3,659*	*3,693*	*34*
Targeted Case Management SPA, ICF-DD	*6,421*	*5,377*	*-1,044*
Medi-Cal	*304,943*	*272,346*	*-32,597*
Title XX Social Services Block Grant	*225,060*	*225,060*	*0*
Self-Directed HCBS Waiver	*346*	*384*	*38*
Self-Directed HCBS Waiver Administration	*431*	*431*	*0*
ICF-DD/State Plan Amendment	*62,295*	*52,780*	*-9,515*
Quality Assurance Fees (DHCS)	*34,565*	*8,727*	*-25,838*
Vocational Rehabilitation	*118*	*118*	*0*
Counties Children & Families Account	*50,000*	*50,000*	*0*
1915(i) State Plan Amendment	*120,383*	*160,807*	*40,424*
Impacts from Other Departments FFP	*1,550*	*16,037*	*14,487*
Money Follows the Person	*3,537*	*8,537*	*5,000*
Homeland Security Grant	*0*	*210*	*210*
All Other	*25,201*	*27,656*	*2,455*
Federal Trust Fund	54,793	54,782	-11
Lottery Education Fund	372	372	0
Program Development Fund (PDF)	3,579	3,576	-3
Mental Health Services Fund	1,133	1,133	0
Developmental Disabilities Svs Acct	150	150	0
AVERAGE CASELOAD			
Developmental Centers	1,979	1,783	-196
Regional Centers	244,108	251,702	7,594
AUTHORIZED POSITIONS			
Developmental Centers	6,210.6	5,922.0	-288.6
Headquarters	380.5	380.5	0.0

DEPARTMENT OF DEVELOPMENTAL SERVICES
2011-12 NOVEMBER ESTIMATE

(Dollars in Thousands)

	2010-11	2011-12	Difference
Community Services Program			
Regional Centers	$4,126,757	$3,797,294	-$329,463
Totals, Community Services	**$4,126,757**	**$3,797,294**	**-$329,463**
General Fund	$2,200,022	$2,046,895	-$153,127
Dev Disabilities PDF	3,292	3,296	4
Developmental Disabilities Svs Acct	150	150	0
Federal Trust Fund	51,898	51,898	0
Reimbursements	1,870,655	1,694,315	-176,340
Mental Health Services Fund	740	740	0
Developmental Centers Program			
Personal Services	$480,001	$490,609	$10,608
Operating Expense & Equipment	127,564	127,518	-46
Total, Developmental Centers	**$607,565**	**$618,127**	**$10,562** *
General Fund	$282,785	$323,992	$41,207
Federal Trust Fund	529	530	1
Lottery Education Fund	372	372	0
Reimbursements	323,879	293,233	-30,646
Headquarters Support			
Personal Services	$30,541	$33,335	$2,794
Operating Expense & Equipment	5,255	5,272	17
Total, Headquarters Support	**$35,796**	**$38,607**	**$2,811** *
General Fund	$22,804	$24,634	$1,830
Federal Trust Fund	2,366	2,354	-12
PDF	287	280	-7
Reimbursements	9,946	10,946	1,000
Mental Health Services Fund	393	393	0
Totals, All Programs	**$4,770,118**	**$4,454,028**	**-$316,090**
Total Funding			
General Fund	$2,505,611	$2,395,521	-$110,090
Federal Trust Fund	54,793	54,782	-11
Lottery Education Fund	372	372	0
Dev Disabilities PDF	3,579	3,576	-3
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,204,480	1,998,494	-205,986
Mental Health Services Fund	1,133	1,133	0
Caseloads			
Developmental Centers	1,979	1,783	-196
Regional Centers	244,108	251,702	7,594
Authorized Positions			
Developmental Centers	6,210.6	5,922.0	-288.6
Headquarters	380.5	380.5	0.0

* Compared to the Budget Act, the Developmental Centers budget is reduced by $27,964,000 and the Headquarters budget increased by $380,000.

ASSOCIATION OF REGIONAL CENTER AGENCIES
ANALYSIS OF THE FY 2011-12 NOVEMBER ESTIMATE
(GOVERNOR'S BUDGET)
JANUARY 10, 2011

SPECIAL NOTE

The 3.0% payment reductions in Operations and Purchase of Services instituted in February, 2008, carried through into FY 2009-10, and increased to 4.25% in FY 2010-11, will continue in Budget Year 2011-12 at 4.25%.

FY 2010-11 (Current Year)

1. CASELOAD

The FY 2010-11 May Revision estimated the regional center Community Caseload to be 243,704 consumers for January 31, 2011. The November Estimate increases the January 31, 2011 caseload to 244,108, which includes 3,525 Prevention Program consumers.

2. OPERATIONS - $2.4 Million Increase

- $2.3 million increase due primarily to an increase in HCBS enrollments that result in more consumers at the 1:62 case manager ratio.
- $0.2 million increase to implement a State Homeland Security Grant
- $0.1 million decrease to the Quality Assessment Contract

3. PURCHASE OF SERVICE - $12.4 million Increase

The $12.4 million increase to Purchase of Services in the current fiscal year is due to updated caseload and expenditure data.

FY 2011-12 (Budget Year)

Overall, the budget for FY 2011-12 is $329.5 million (8%) total funds less than the revised budget of $4.127 billion for the current fiscal year.

Unless otherwise stated, all following amounts are expressed in total funds.

1. CASELOAD

The budget anticipates an increase of 7,594 consumers (a 3.1% increase) over the 244,108 consumers projected for January 31, 2011.

2. OPERATIONS – $5.2 Million Increase Over Current Year

- $9.6 million increase in Staffing due to the projected increase in caseload.
- $0.2 million increase in Federal Compliance due to the projected increase in caseload.
- $4.6 million decrease in Operations for implementing the ICF-SPA. FY 2010-11 had 4-years worth of administrative fees due to the three years of retro-active billings to be completed in FY 2010-11. This reduction represents three years worth of administrative fees.

3. PURCHASE OF SERVICE - $196.9 Million Increase

- $151.1 million increase over current fiscal year for caseload and utilization growth.
- $1.8 million increase to implement the CMS requirement that Participant-Directed Services have the option of utilizing an FMS. See number 6, below.
- $23.1 million decrease in Quality Assurance fees related to the ICF-SPA. FY 2010-11 had 4 years worth of fees. This adjustment reflects a reduction of 3 years worth of fees.
- $67.1 million increase to offset reductions in other departments which will increase POS expenditures.
    - $4.6 million increase for reduction in SSP payments to the MOE floor.
    - $29.5 million increase due to the elimination of ADHC services.
    - $33.0 million due to the changes in Medi-Cal for co-payments and service limits.

4. PREVENTION - $1.9 Million Increase

Prevention Program funding was decreased by $18.1 million in current fiscal year to $18.1 million due to the low caseload for this program. This money was redirected to Early Start services. In FY 2011-12, the Prevention Program will get $1.9 million of this back for a total of $20.0 million for FY 2011-12.

5. SYSTEM-WIDE COST CONTAINMENT MEASURES - $533.5 Million Decrease

The $533.5 million **General Fund** system-wide savings is to be achieved "through a variety of mechanisms including additional developmental center expenditure reductions, increased accountability and transparency, and implementation of statewide service standards."

6. NEW MAJOR ASSUMPTION – Financial Management Services (FMS) for Participant-Directed Services

When the consumer functions as the managing employer of workers who provide waiver services (participant-directed services), CMS requires that the option of a FMS be offered to assist the participant in functions such as processing payroll, withholding federal, State, and local taxes, performing fiscal accounting and producing expenditure reports for the participant or family and State authorities. DDS' current HCBS Waiver includes three vouchered services that fall within the CMS definition of participant-directed services: respite, transportation and day care. DDS must submit the HCBS Waiver renewal application to the CMS in 2010-11 as the current Waiver expires September 30, 2011. To establish FMS as an option for vouchered respite, transportation and day care, DDS will need to revise Title 17 regulations to include FMS for these services and establish a rate methodology for procuring the FMS.

The total estimated funding for new FMS services assumes 18,560 vouchers will be utilized annually by consumers of day care, respite and transportation services at a flat fixed rate of $95 per month for total expenditures of $1,763,200 ($1,763,000 rounded) in 2011-12 of which 50 percent ($882,000) will be eligible for FFP in 2011-12.

7. FUTURE FISCAL ISSUE – Federal Medicaid Requirements for RC Vendored Providers of Home and Community-Based Services (HCBS)

To comply with the federal rules, address the audit findings in Centers for Medicare and Medicaid Services' (CMS) 2010 draft, *"Medicaid Integrity Program, California Comprehensive Program Integrity Review"* and avoid a potential loss of approximately $1.6 billion in federal financial participation (FFP) the Department of Developmental Services (DDS) must develop and promulgate significant changes to its Title 17 regulations governing RC vendorization of service providers. The necessary regulatory changes would be completed by July 1, 2011, requiring RCs to gather and review business ownership, control and relationship information from prospective and current vendors (an estimated 17,000 current vendors will need to undergo this type of review). Additionally, pursuant to regulatory changes the RCs will be required to determine that all prospective and current vendors (about 67,000) are eligible and remain eligible to participate as Medicaid service providers by verifying that they have not been convicted of a crime related to the Medicare, Medicaid or Title XX programs. Furthermore, on a periodic basis, RCs will be required to verify that vendors (about 3,700) continue to meet all applicable vendorization requirements (e.g. professional licensure), including those identified above, in order for the State to comply with the federal law and meet the CMS mandated HCBS Waiver assurance that only qualified providers deliver Medicaid funded services. The current HCBS Waiver expires on September 30, 2011, and renewal of the Waiver will be contingent upon demonstrated compliance with the requirement to verify the eligibility of vendors to participate as Medicaid service providers. This requirement also applies to the Intermediate Care Facility-Developmentally Disabled and 1915(i) State Plan Amendments currently pending CMS' approval. Failure to comply with the requirement would jeopardize DDS' ability to collect over $300 million in FFP already budgeted for these services.

This would appear to be a major regional center staff workload for which there are no regional center Operations funds allocated.

ASSOCIATION OF REGIONAL CENTER AGENCIES
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ARCA Position Statement
Governor's Proposed Budget for Fiscal Year 2011-12

The following represent ARCA's positions regarding the proposals included in the Governor's budget proposed for FY 2011-12.

ARCA appreciates the fact that the State is facing an unprecedented fiscal crisis and will work with the Department of Developmental Services (Department) to explore alternative means to generate the needed savings.

The budget for the Department of Developmental Services (DDS) contains a $750 million General Fund reduction. The $334 million General Fund reductions from the 2009-10 FY together with the proposed $750 million reduction will have a crippling effect on the regional center system's ability to continue providing services.

Regional centers recognize the magnitude of the state's deficit and that some reductions may be necessary. However, the proposed $750 million General Fund reduction to the regional center budget coupled with the compound effect of cuts over the past decade will result in further erosion to an already fragile community-based service delivery system for people with developmental disabilities in California.

The regional center system has sustained hundreds of millions of dollars in reductions over the last decade. The proposed reductions to this system will continue to diminish the level and quality of services regional centers provide to people with developmental disabilities. This proposal will result in the reduction or elimination of some services, compromise consumer choice, impact the quality of remaining services, lead to ever higher caseloads for regional center case workers, and stretch the resources of the care providers who provide the needed services to regional center consumers which ultimately could jeopardize the health and safety of consumers.

For these reasons ARCA opposes the $750 million General Fund reduction.

In an effort to minimize the direct impact of reductions to the lives of people served by regional centers, ARCA proposes two concepts for the Legislature to consider:

Accessing private insurance; regional centers as payers of last resort

Third party payers such as private insurance can help offset costs historically covered by the state through regional centers. By law, as outlined in the Lanterman Developmental Disabilities Services Act, regional centers are payers of *last* resort. Assembly Bill 171 (Beall) could provide an avenue for cost avoidance by mandating insurance carriers cover costs associated with screening, diagnosis and treatment of autism, an eligible condition for regional center services under California law.

Consolidation of vendor quality assurance

Many providers who are vendorized by regional centers are also licensed and overseen by multiple agencies such as Department of Social Services Community Care Licensing (CCL) and other entities.

Costs associated with compliance activities on quality assurance are redundant and consolidation of these activities could result in cost savings and streamline oversight.

Purchase of Service (POS)

DDS has identified a number of ways to achieve General Fund reductions. The following are ARCA's position on each of the proposals:

a. Proposal to Continue the 4.25% Payment Reduction – ARCA opposes continuation of the 4.25% payment reduction to service providers, which is due to expire in June 2011, and which began in February 2009 as a 3% reduction and was then increased to 4.25% beginning July 1, 2010 (a reduction of $165.5 million total funds, $91.5 million General Fund).

(1) Most services have had their rates frozen for the past six years and this arbitrary reduction further exacerbates the rate inequities among service providers.

(2) ARCA also opposes the indefinite continuation of this proposed reduction and, if the reduction is implemented, believes these funds should be restored once the fiscal crisis has passed.

b. Proposal to Seek $50 Million in Proposition 10 Funding – ARCA supports this proposal. This will result in a $50 million General Fund reduction.

c. Proposal to Add Consumers to the 1915(i) State Plan Amendment (SPA) – ARCA supports including additional consumers and related expenditures in the 1915(i) SPA and maximizing the use of the "Money Follows the Person" funding for individuals placed out of institutions for a $65 million General Fund reduction.

d. Proposal to Secure an Additional $10 Million in Federal Financial Participation (FFP) for Certification of the Secure Treatment Facility at Porterville Developmental Center (DC) – ARCA supports this proposal.

e. Proposal to Achieve Additional General Fund Reductions Through Additional DC Expenditure Reductions – ARCA supports this proposal in concept.

f. Proposal for Increased Regional Center Accountability and Transparency – ARCA supports this proposal in concept.

g. Proposal for Implementation of Regional Center Statewide Service Standards – ARCA is neutral on this proposal as the Department's purchase-of-service standards have not been developed and conceptually lacks specificity. ARCA commits to actively participate in the development of statewide purchase of service standards at the request and invitation of the Department of Developmental Services.

2. ARCA supports the $151.1 million adjustment (total funds) due to caseload growth and increase service utilization.

3. ARCA supports the $1.8 million to implement the federal Centers for Medicare and Medicaid Services (CMS) requirement that consumers and their families with "Participant-Directed Services" have the option of utilizing a Fiscal Management Service (FMS) to pay for their direct support services.

4. ARCA supports the $67.1 million to offset the reductions in other departments.

a. $4.6 million to offset the reduction in SSP payments to the maintenance of effort floor.

b. $29.5 million to offset the elimination of Adult Day Health Care services.

c. $33.0 million to offset the changes in Medi-Cal for co-payments and service limits.

d. Any offsets to changes made to In-Home Support Services (IHSS).

<u>Operations (OPS)</u>

The following are ARCA's positions on the major components of the Operations budget:

1. Oppose the continuation of the 4.25 % reduction to the Operations budget which is due to expire in June 2011, and which began in February 2009 as a 3% reduction and was then increased to 4.25% beginning July 1, 2010 (a reduction of $22.8 million total funds of the total funds amount addressed in POS, above).

   This reduction will further exacerbate the burden regional centers face to provide services to over 7,500 additional consumers entering the regional center system in the Budget Year while maintaining mandated caseload ratios with an already underfunded budget.

   a. Regional center Operations budget continues to receive an annual $10 million unallocated reduction that was instituted in the early 1990's.

   b. The bulk of the regional center Operations budget is calculated using the Core Staffing formula. The salaries in the Core Staffing formula do not reflect actual current day salaries, with few exceptions, have not been updated since 1991. This has resulted in the regional center Operations budget being underfunded by approximately $166 million.

   c. Continued erosion of caseload ratios will lead to reduced monitoring of consumer services which could undermine the health and safety of consumers, jeopardize the continued receipt of over $1 billion in HCBS waiver funds, and prevent regional centers from providing the current level of advocacy for school-age consumers.

   d. Support consideration of workload efficiencies for regional center staff to mitigate the loss of these funds.

2. Support the adjustment of $9.8 million for updated caseload.

Other Issues

1. Oppose further reduction of SSI/SSP benefits ($177 million General Fund savings). Regional center consumers who live independently rely on these benefits to pay their rent and buy food. These reductions would be a hardship for these individuals.

2. Oppose elimination of Adult Day Health Care Benefits from Medi-Cal funding ($176.6 million General Fund savings). Many regional center consumers currently receive this service.

3. Oppose changes in Medi-Cal for increased co-payments ($557.1 million General Fund savings) and limits on services ($217.4 million General Fund savings). Some of the neediest regional center consumers who receive Medi-Cal services may be negatively impacted by these changes`.

4. Oppose reductions in IHSS services ($486.1 million General Fund savings). Some regional center consumers depend on IHSS to assist them in living on their own. If their IHSS is eliminated, they may have to move into a more restrictive and costly community care facility.

DEPARTMENT OF DEVELOPMENTAL SERVICES
PROPOSALS TO ACHIEVE $174 MILLION GENERAL FUND SAVINGS
MAY 2011

INTRODUCTION

The Department of Developmental Services (the Department) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that more than 246,000 persons with developmental disabilities receive the services and support they require to lead more independent and productive lives and to make choices and decisions about their lives.

California provides services and supports to individuals with developmental disabilities in two ways: the vast majority of people live in their families' homes or other community settings and receive state-funded services that are coordinated by one of 21 non-profit corporations known as regional centers. A small number of individuals live in four state-operated developmental centers and one state-operated community facility. The number of consumers with developmental disabilities in the community served by regional centers is expected to grow in Fiscal Year (FY) 2011-12 to 251,702. The number of consumers living in state-operated residential facilities will decrease by the end of FY 2011-12 to 1,691.

As a result of the on-going fiscal crisis in California over the last few years, the Department's budget, along with the budgets for many other state departments, has been reduced. To address prior fiscal pressures, service rates established by statute or by the Department have been frozen for many years and rates negotiated by the regional centers were limited in 2008 with the establishment of median rate caps for new providers. During the development of the FY 2009-10 and FY 2010-11 Governor's Budgets, the Department with input from a workgroup comprised of regional centers, service provider representatives, advocacy groups, consumers and family members, and legislative staff developed proposals to reduce or restrict General Fund (GF) growth in the Department's budget. In FY 2009-10, the Department developed proposals that resulted in approximately $334 million in GF savings and an additional $200 million in FY 2010-11. Savings proposals impacted both the developmental centers and regional centers, and included a variety of strategies such as restructuring, reducing or suspending various services; restricting eligibility for certain services; and maximizing other available funding sources, primarily federal funds. Most proposals achieved some or all of the savings, with changes to respite exceeding the savings anticipated. In addition to these proposals, payments for regional center operations and to providers of consumer services were reduced by 3 percent in FY 2009-10 and 4.25 percent in FY 2010-11.

Due to continuing and significant pressure on the GF, the Department's budget for FY 2011-12 was decreased by $576.9 million GF, in addition to other reductions achieved through statewide budget items (e.g. state workforce reductions). Most of the changes necessary to achieve the savings have been identified and adopted by the Legislature. The reductions made to the Department's budget, totaling $402.9 million GF, will be achieved through continuation of the 4.25 percent payment reduction for regional center operations and purchase of services, additional federal and other alternative funding, administrative cost limits for regional centers and service providers, enhanced auditing, third-party collections and accountability measures, reduced funding for developmental centers, reduced funding for the Prevention Program primarily serving infants and toddlers at risk of a developmental disability, and additional regional center operations reductions.

In addition to reductions in community services, the developmental center budget has continued to decline through closure of state-operated facilities, living unit consolidations, delays in infrastructure repairs, and through cost saving personnel initiatives. In the FY 2011-12 budget, the developmental centers budget was decreased through additional residence consolidations; staffing reductions; delay in infrastructure repairs; additional federal funding; an unallocated reduction; and statewide budget items such as hiring freezes, furloughs, and wage reductions. The Department's headquarters budget has also decreased significantly over the last several years and for the FY 2011-12 budget is impacted by the statewide budget items referenced previously.

This left $174 million in GF reductions to be achieved through proposals developed by the Department and submitted to the Legislature for consideration by May 15, 2011. These proposals must be adopted by the Legislature before they can be implemented.

Consistent with the Department's on-going efforts to better align its budget with actual expenditures, a review of the most current expenditure information has identified a savings of $55.6 million GF available in FY 2011-12 that further reduces the amount necessary to be achieved through legislative proposals. This review of expenditure information also identified $30 million of one-time savings in the current year that will bridge the costs associated with implementation delays of the various proposals to be submitted to the Legislature for the budget year.

To achieve the $174 million savings, the Department considered reductions in headquarters and regional center operations. The Department identified reductions of $39.3 million associated with contracts administered by the Department, proposals for increased federal financial participation, and additional reductions in regional center operations funding. After accounting for these proposed reductions, $79.1 million remains to be achieved through other proposals. All of the proposals are presented later in this document.

Throughout the process, there were many ideas and concepts that were discussed that have significant benefits to our system, but either could not be achieved within the short timeframe or would not generate immediate savings in the budget year. For example, the workgroups discussed: the need to reform the rate-setting systems; the potential benefit to restructuring the service codes used for billing; the need for more direct service providers doing background checks, coupled with increased training and vendorization changes; the value of having a designated benefits coordinator at each regional center; the need for federal, state and local governments to improve coordination of programs and funding; and the benefits and efficiencies of using technology advancements. The Department is committed to pursuing these ideas in the future, as the State's fiscal situation stabilizes and focus can be shifted to long-term improvements in the delivery of services.

PROCESS FOR DEVELOPING PROPOSALS

As the Department bridges this fiscal crisis, we remain committed to maintaining the Lanterman Act entitlement to community-based services and the preservation of the individualized planning process mandated in the Lanterman and Early Intervention Services Acts. For the development of the savings proposals, also referred to in statute as best practices, the Department has undertaken a significant effort to ensure full input was received from consumers, family members, advocates, service providers, regional centers, and the community.

Initial input was received through a statewide survey that was made available through the Department's website, as well as e-mails and letters from over 9,000 interested individuals and organizations. Eight workgroups were subsequently established to provide advice to the Department on savings proposals in the topic areas of behavioral services; day/supported employment/work activity program services; Early Start Program services; health care and therapeutic services; independent and supported living services; residential services; respite services; and transportation services. Representation on each of the eight workgroups included consumers, family members, service providers, advocacy organizations and regional center representatives. The representatives were selected by six statewide organizations with broad interest in regional center services[1], the Association of Regional Center Agencies[2], statewide organizations who represent service providers in the specific topic areas[3], and three organizations

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[1] Statewide organizations with broad interest appointed a consumer/family member, a service provider and an organization representative. These organizations included Disability Rights California, State Council on Developmental Disabilities, People First of California, The ARC of California, State Employees International Union, and California Disability Community Action Network.

[2] ARCA appointed an organization representative, a regional center employee involved in direct service delivery and an Executive Director or Board Member of a regional center.

[3] Topic specific organizations appointed a consumer/family member, a service provider and an organization representative.

representing other aspects of our system[4]. Legislative staff also attended the workgroup meetings. The workgroup meetings began in March and continued through mid-April and included over 70 hours of discussion. The Department greatly appreciates the active participation of the workgroup members and their efforts to maintain the system while bridging these difficult budget times.

The savings proposals are intended to provide more uniformity and consistency in the administrative practices and services of the 21 regional centers, promote appropriateness of services, maximize efficiency of funding, and improve cost effectiveness. The Department considered the following in the development of the savings proposals: eligibility, duration, frequency, efficacy, community integration, service provider qualifications and performance, rates, parental and consumer responsibilities, and self-directed service options.

Changes in services based on the proposals will continue to be made through the individual program plan (IPP) or individualized family services plan (IFSP) processes. Consideration was given to the impacts of prior reductions in the specific service areas on consumers, families, and providers. For example, respite services were significantly impacted by the reductions made in 2009-10 to the extent there are no proposals directly associated with this service area.

PUBLIC FORUMS

Following completion of the efforts by the eight workgroups, the Department developed 13 savings proposals based on the discussions in the topic area workgroups, survey results, and other input received from the community. The Department will present these proposals at three public forums to be held in Los Angeles on May 5, 2011; Sacramento on May 6, 2011; and Oakland on May 9, 2011. Additional input from the community will be received and considered, especially regarding the impacts of the proposals. Accessibility by teleconference will be provided at each of the forums for those individuals interested in providing input, but who are unable to attend the meetings in person.

NEXT STEPS

Following the public forum meetings, the Department will finalize the proposals and provide them to the Legislature by May 15, 2011, for their consideration. The Department is still drafting the associated statutory language necessary to implement some of the proposals which will be made available before or on May 15, 2011. For any proposals impacting consumer services in their IPP, the Department's proposed legislation will include language regarding exemption

[4] These organizations appointed one representative and included the DDS Consumer Advisory Committee, University Centers of Excellence in Developmental Disabilities and an association representing individuals in Developmental Centers (CASHPCR)

processes, where appropriate. The proposals will not be implemented until approved by the Legislature.

PROPOSALS FOR ACHIEVING SAVINGS

1. INCREASING FEDERAL FUNDS FOR REGIONAL CENTER PURCHASED CONSUMER SERVICES.

Summary:

Federal financial participation in the funding of regional center consumer services is a critical component of the State's budget. Currently, federal funding comprises nearly $1.7 billion of the funding for regional center services. Through this proposal additional federal financial participation in the delivery of regional center consumer services is achieved, with a corresponding decrease in needed State GF dollars.

The Department, through the regional center system, operates a federally approved 1915 (c) Home and Community-Based Services Waiver with a projected 91,933 enrollees in FY 2011-12. Federal reimbursements for the Waiver program in FY 2011-12 are $1.032 billion (includes Waiver services, clinical teams at regional centers, and administrative costs) per the January 2011 budget. The Department submitted a 1915 (i) State Plan Amendment (SPA) to the federal government in December 2009, with an October 1, 2009 effective date. Through this SPA, the Department will receive federal financial participation in the funding of services received by active regional center consumers (an estimated 40,000) with Medi-Cal benefits who do not meet the level of care criteria for the Waiver. The January 2011 budget reflects an estimated $160.8 million in federal reimbursement for regional center expenditures associated with the 40,000 consumers projected for coverage under this federal program. Federal funding is also received for the cost of day and transportation services provided to regional center consumers residing in intermediate care facilities. The January 2011 budget includes an estimated $52.8 million in federal reimbursements associated with the cost of these services for the approximately 7,000 regional center consumers residing in these facilities. The Department receives federal funding through the Money Follows the Person (MFP) Grant related to Lanterman Developmental Center Closure. MFP funding is available to assist individuals in transitioning out of institutions as federally defined, and provides 12 months of service funding upon relocation into a community setting, at an enhanced federal share.

Workgroup participants discussed possible new funding options through the federal 1915 (k) Community Living Options which becomes available to states in October 2011, as well as ways to expand receipt of federal funding through the Department's Home and Community-based Waiver, the 1915(i) SPA, and the federal MFP Grant in which the Department participates. This proposal assumes increased federal funding in all of these areas. Workgroup members also recommended consumers and families provide a copy of their Medi-Cal, Medicare, and insurance cards at the time of the IPP to ensure federal and other resources are maximized. The Department's proposal includes this recommendation.

Savings:

FY 2011-12 savings

Total Funds (TF): $0 (fund shift)
GF: $20,932,000

FY 2012-13 savings

TF: $0 (fund shift)
GF: $22,515,000

This proposal assumes more federal funding in the Department's budget by adding Voucher – Nursing Services to the Waiver, claiming federal money at an enhanced federal match for the first 12 months of services under the MFP Grant for consumers moving from intermediate care, nursing and subacute facilities to integrated community living arrangements, capturing an additional 6 percent of federal funding for 12 months under the 1915 (k) option for eligible consumer services if such services are added to the State Medicaid Plan, receiving federal matching funds for the purchase of infant development programs for Early Start consumers with Medi-Cal and obtaining additional federal funding based on updated expenditures for the 1915 (i) SPA.

Implementation:

This proposal will be effective upon approval of the Legislature. The Department will include in its Waiver renewal request the addition of Voucher- Nursing Services for federal approval, effective October 1, 2011. Implementation of the proposals relative to the 1915 (k) option and obtaining federal financial participation for Early Start infant development programs will require approval of the federal government. Legislation will be needed to require the submittal of benefit cards.

2. DECREASING DEPARTMENT OF DEVELOPMENTAL SERVICES HEADQUARTERS CONTRACTS

Summary:

The Department contracts with a number of organizations to implement programs and projects that provide support, services, and technical assistance across all regional centers. In FY 2011-12, the Department's budget includes $24.1 million

($21.0 million GF) for system wide contracts. In addition to statewide reductions to the headquarters' budget, such as hiring freezes, furloughs, and wage reductions, the Department proposes to reduce six contracts and discontinue two non-mission critical projects, as follows:

Information Technology: The Department's contract with the state-operated data center for support of data systems and data processing will be reduced from $4,517,000 to $3,972,000, consistent with a similar reduction made in the current year due to operational efficiencies. This proposal will save $545,000 GF.

Clients' Rights Advocacy: The Department's contract with Disability Rights California to provide consultation, representation, training, investigation, and compliance with clients' rights will be held at the current year funding level of $5.295 million for a savings of $250,000 ($200,000 GF).

Quality Assessment: The Department contracts with independent organizations to conduct surveys and analyses of consumers and family members about satisfaction with services and personal outcomes. This project will be reduced to $3.235 million. In FY 2009-10, the Department achieved GF savings of $2.287 million by consolidating the Life Quality Assessment and Movers Study into one improved quality assurance project. This proposal will save $530,000 ($424,000 GF).

Direct Support Professional Training (DSPT): The Department contracts with the California Department of Education to administer the DSPT training and testing through the Regional Occupational Programs. This contract will be reduced from $3.582 million to $3.442 million. This reduction will not affect the Department's ability to schedule DSPT trainings at Lanterman Developmental Center for staff that choose to work in the community. This proposal will save $140,000 ($85,000 GF).

Office of Administrative Hearings: The Department contracts with the Office of Administrative Hearings to conduct fair hearings required by the Lanterman Act and mediation and fair hearing services required by the California Early Intervention Services Act. The current year level of funding, $3.15 million, will be maintained without affecting the rights of consumers and families to the fair hearing and mediation processes. This proposal will save $250,000 ($200,000 GF).

Special Incident Reporting/Risk Management: In order to maintain and increase federal Home and Community-Based Services Waiver funding, the Department contracts with an independent entity to conduct data analysis, training, site reviews, and provides data, training, and analytical services that mitigate and reduce special incidents. The Department will prioritize the work of this contractor such that federal concerns are addressed while achieving savings.

This contract will be reduced from $940,000 to $840,000 and achieve savings of $100,000 GF.

<u>Self-Directed Services - Training and Development:</u> The Department will reprioritize existing resources to develop and conduct the anticipated training associated with the Self-Directed Services Waiver, if and when it is approved by the federal government. The Waiver was submitted in 2008. This proposal will save $200,000 GF.

Savings:

<u>FY 2011-12 savings</u>

TF:	$2,015,000
GF:	$1,754,000

<u>FY 2012-13 savings</u>

TF:	$2,015,000
GF:	$1,754,000

Implementation:

These proposals will be effective upon approval of the Legislature. No statutory changes are required.

3. Reductions and Efficiency in Regional Center Operations Funding

Summary:

The Department contracts with 21 private, nonprofit regional centers to provide, among other activities specified in law, intake and assessment and life long voluntary case management services to eligible individuals pursuant to the Lanterman Act. Regional centers were created in statute to provide fixed points of contact in the community for persons with developmental disabilities and their families so they may have access to the services and supports best suited to them throughout their lifetime. In FY 2011-12, the regional centers are expected to serve over 246,000 consumers. The law requires that 85 percent of a regional center's operations funding is used for the provision of direct services.

Regional centers play a critical role in the Department's ability to receive and maintain federal funding for the delivery of consumer services. Currently, nearly $1.7 billion in federal funding is included in the budget for regional center services. It is through the regional center system that the Department meets the federal requirements for the approved Home and Community-Based Services Waiver program. Regional centers are responsible for ensuring that eligible consumers who want to participate on the Waiver are enrolled, service providers meet the qualifications for providing Waiver services, individual program plans are developed and monitored, consumer health and welfare is addressed, and financial accountability is assured. Regional centers also play a similar role in meeting the federal requirements for the Department's receipt of federal funding in the day and transportation services of approximately 7,000 consumers residing in intermediate care facilities, and the 1915 (i) SPA under review by the Centers for Medicare and Medicaid Services.

The workgroup participants called for reductions to regional center operations as a component of the Department's reduction proposals. There was discussion regarding the implementation of efficiencies that would reduce regional center funding and staffing needs. This proposal achieves reductions through the implementation of provider electronic billing; the elimination of regional center staff positions[5]; funding for one-time costs associated with office relocations or modifications; and funding allocated to regional centers for accelerated enrollment of new Waiver participants (since under the 1915 (i) SPA the Department will receive federal funding for services to virtually all of the remaining Medi-Cal beneficiaries served by the regional centers who reside in non-institutional settings as defined by the federal government, and are not otherwise covered by another federal program). In addition, the proposal assumes an unallocated reduction to the operations budget.

Reductions to regional center operations of $13.7 million were a component of proposals to achieve the $334 reduction in FY 2009-10. Funding was eliminated for triennial quality assurance reviews, one-time funding was reduced for office relocations and modifications, and funding associated with the eligibility changes in the Early Start Program and implementation of the Prevention Program was eliminated. In addition, the FY 2011-12 budget for regional center operations was reduced by actions already taken by the Legislature totaling $27.7 million ($27.4 million GF) including continuation of the 4.25 percent payment reduction, administrative cost limits, auditing requirements, conflict of interest requirements, staffing reductions, and increased federal funding.

Savings:

<u>FY 2011-12 savings</u>

TF: $14,565,000
GF: $14,132,000

<u>FY 2012-13 savings</u>

TF: $15,881,000
GF: $15,015,000

[5] Regional center staff-related reductions include elimination of the positions associated with implementation of the Self-Directed Services Waiver for which federal approval has been pending since 2008; savings associated with the Department's overestimated need for community placement plan resources; and rollback of prior year staffing increases.

The savings will be achieved through staff reductions, efficiencies, and an unallocated reduction in operations.

Implementation:

This proposal will be effective upon approval of the Legislature. Legislation will be needed to implement the electronic billing administrative efficiencies.

4. COMMUNITY PLACEMENT PLAN FUNDING

Summary:

As described in Welfare and Institutions Code section 4418.25, the Department has a statutory responsibility to ensure that individuals with developmental disabilities live in the least restrictive setting, appropriate to their needs. The law establishes a Community Placement Plan (CPP) process designed to assist regional centers in providing the necessary services and supports for individuals to move from developmental centers. It also provides the resources necessary to stabilize the community living arrangements of individuals who are at risk of placements in a developmental center (deflection).

Under the CPP process, each regional center develops and submits an annual CPP to the Department based on the needed resources, services, and supports for consumers moving from a developmental center, as well as the resources needed to prevent developmental center admission. The Department requests CPP funding through the budget process. CPP has to be implemented in accordance with the plan approved by the Department.

CPP has resulted in more people moving from, and reduced admissions to, the developmental centers. In the past five years, regional centers have facilitated the placement of 1,168 consumers and have reduced admissions. For example, in FY 2005-06, 66 consumers were admitted to developmental centers. Thirty-four consumers were admitted in FY 2009-10.

The Department closed Agnews Developmental Center in FY 2008-09 and the state-operated community facility, Sierra Vista, in FY 2009-10. The Department is in the process of closing Lanterman Developmental Center.

As part of the planning process, regional centers must forecast the dates consumers will move into the community as well as when resources will come on line. Often new vendors are needed and development of individualized resources, especially licensed residential arrangements, can take longer than anticipated. Consequently, the Department and each regional center are continuously harmonizing the amount of funds needed to implement the CPP.

The Department has conducted an extensive analysis of the funds budgeted, allocated, and expended and has determined that CPP can be reduced by $10 million ($7.3 million GF) by funding CPP closer to the amount actually needed in the current and immediately prior FYs. Of this amount, $315,000 is reflected in the proposal to reduce regional center operations funding. This will result in maintaining the level of placements, deflections, start-up activities, and the operational resources needed to design and implement the very individualized CPP. This reduction will not impact the Department and regional center efforts to facilitate consumers moving from a developmental center or prevent admissions to a developmental center.

There were no changes to the CPP in the FY 2009-10 budget reduction process. CPP was not the subject of workgroup discussion.

Savings:

FY 2011-12 savings[6]

TF: $9,685,000
GF: $6,966,000

FY 2012-13 savings[6]

TF: $9,685,000
GF: $6,966,000

Implementation:

This proposal will be effective upon approval of the Legislature.

5. RATE EQUITY AND NEGOTIATED RATE CONTROL

Summary:

The rate setting methodologies for services funded by regional centers are specified in law. These methodologies include: negotiations resulting in a rate that does not exceed the regional center's median rate for that service, or the statewide median, whichever is lower, and the provider's usual and customary rate (U&C), which means the rate they charge the members of the general public to whom they are providing services. A 4.25 percent payment reduction to regional center funded services went into effect July 1, 2010 (a 3 percent reduction was previously in effect commencing February 2009), but did not apply to service providers with a U&C rate. The intent of the U&C exemption was for businesses that serve the general public without specialty in services for persons with developmental disabilities. This proposal clarifies that the exemption to the

[6] The remaining $315,000 GF is reflected in the proposal, Reductions and Efficiency in Regional Center Operations Funding.

4.25 percent payment reductions does not apply to providers specializing in services to persons with developmental disabilities. This proposal also calls for the Department to update the calculation of the regional center and statewide median rates, established as part of the 2008-09 budget reductions, applicable to new vendors providing services for which rates are set through negotiation. The proposal only impacts providers who were not previously impacted by the 4.25 percent payment reduction and new providers of negotiated rate services.

This proposal is consistent with workgroup discussions regarding the U&C modification and suggestions that any rate changes be focused on new or higher rate providers.

Savings:

<u>FY 2011-12 savings</u>

TF: $6,008,000
GF: $3,432,000

<u>FY 2012-13 savings</u>

TF: $14,312,000
GF: $ 9,568,000

The savings associated with the 4.25 percent payment reduction was calculated by reviewing service codes that included providers who will no longer be exempted from this payment reduction.

To estimate the savings associated with updating the median rates, the Department used existing rate data and recalculated the median rates for a sample of service codes.

Implementation:

This proposal will be effective upon approval of the Legislature. The 4.25 percent payment reduction can be implemented immediately and the Department will update the median rates used by regional centers for new providers of applicable services effective October 1, 2011.

6. ANNUAL FAMILY PROGRAM FEE

Summary:

An annual family program fee in the amount of $150 or $200, depending on family income, will be assessed for families of consumers receiving services from the regional centers who meet the following criteria:

- The child is under age 18.
- The child lives at home.
- The child is not eligible for Medi-Cal.
- The family's income is at or above 400 percent of the Federal Poverty Level (FPL) based upon family size.
- The child or family receives services beyond eligibility determination, needs assessment, and case management. Families of consumers who only receive respite, day care, and/or camping services are also excluded under the Annual Family Program Fee if assessed separately in the Family Cost Participation Program (FCPP).

Savings:

FY 2011-12 savings

TF: $3,600,000
GF: $3,600,000

FY 2012-13 savings

TF: $7,200,000
GF: $7,200,000

It is estimated that there will be 35,000 families eligible for the Annual Family Program Fee.

There will be an exemption process outlined in statute for families with special circumstances.

Implementation

This proposal will be effective upon approval of the Legislature. The annual family program fee will be assessed by regional centers at the time of the development of the IPP/IFSP, and annually thereafter. Legislation will be required for implementation and federal approval may be required for consumers in the Early Start Program.

7. MAINTAINING THE CONSUMER'S HOME OF CHOICE – MIXED PAYMENT RATES IN RESIDENTIAL FACILITIES WITH ALTERNATIVE RESIDENTIAL MODEL (ARM) RATES

Summary:

Rather than a consumer having to leave their preferred residential living arrangement because their service and support needs have changed, this proposal allows for regional center payment of a lower rate that meets the needs of the individual while leaving intact the higher level of services and support for the other individuals residing in that home and the facility's ARM service level designation.

Current regulations for ARM facilities (Title 17, Section 56902) allow regional centers to negotiate a level of payment for its consumers that is lower than the vendored rate established by the Department (ARM rate). However, the vendor must still provide the same level of service (i.e. staffing ratios and hours, and consultant services) for which they are vendored (i.e. the designated ARM service level for the facility). This proposal would allow, pursuant to the consumer's IPP, and a contract between the regional center and residential provider, a lower payment rate for a consumer whose needs have changed but wants to maintain their residency in the home, without impacting the facility's ARM service level designation.

This concept was discussed in the Residential Services Workgroup for potential cost savings.

The majority of consumers living in 24-hour residential care reside in ARM facilities. The FY 2011-12 budget includes $852.7 million to fund residential services for over 21,000 consumers living in over 4,700 community care facilities.

In the FY 2009-10 adopted budget reduction proposals, residential services were impacted by the implementation of the Uniform Holiday Schedule for Day Programs. When programs impacted by the holiday schedule were closed, residential facilities had associated increased staffing costs.

Savings:

<u>FY 2011-12 savings</u>

TF: $2,255,000
GF: $1,364,000

<u>FY 2012-13 savings</u>

TF: $4,176,000
TF: $2,526, 000

This estimate assumes approximately 450 consumers residing in service level 4 ARM facilities are determined through their IPP to no longer need the level of service provided by that facility through its assessed rate, want to remain in their home, and a lower level of payment (within the existing ARM rate structure) would be negotiated and established in contract. Assumptions were made regarding the reduction levels of payment dependent on the ARM service level in which the consumer resided.

Implementation:

This proposal will be effective upon approval of the Legislature. For the consumer, a change in the level of residential services would be done through the IPP process, and subsequently through a contract between the regional center and residential service provider.

8. Maximize Utilization of Generic Resources - Education Services

Summary:

Publicly funded school services are available to regional center consumers to age 22. The Lanterman Act requires the use of generic services to meet the needs of the consumers, as applicable, and further states that regional centers shall pursue all possible sources of funding for consumers receiving regional center services, including school districts (Welfare and Institutions Code section 4659). The California Education Code addresses education and related services to pupils ages 18 to 22 years of age. The Education Code lists services provided by the school system, including orientation and mobility services, school transition services, specialized driver training instruction, specifically designed vocational education and career development, and transportation. For consumers who remain eligible for services through the public school system, this proposal requires the regional centers to use the generic education resources in lieu of purchasing day program, work/employment, independent living, and associated transportation services on their behalf. Regional centers may encourage schools to use existing vendors to meet consumer needs.

Workgroup participants recommended greater reliance on the educational system for services, as appropriate. Participants expressed the need to maximize service provision through the mandated transition plan for individuals with special education needs.

The budget reductions in FY 2009-10 required regional centers to use generic educational services for minor school aged children, with exceptions in statute.

Savings:

<u>FY 2011-12 savings</u>

TF: $13,696,000
GF: $10,236,000

<u>FY 2012-13 savings</u>

TF: $18,188,000
GF: $13,593,000

The savings estimate uses actual 2009-10 data for consumers 18 to 22 years of age who are receiving services corresponding to this proposal. The assumption was made that 50 percent of consumers aged 18 to 22 will not have a certificate of completion or diploma and will receive needed services through the generic resource - public education system. The estimate assumes the use of generic education resources will be addressed through the IPP for consumers currently receiving the identified services through the regional center.

Implementation:

This proposal will be effective upon approval of the Legislature. The IPPs of consumers 18 to 22 years of age receiving regional center funded day, independent living, and/or associated transportation services potentially impacted by the implementation of this proposal will need to be reviewed to determine eligibility for the generic educational services. Changes to existing plans will be done through the IPP process.

9. SUPPORTED LIVING SERVICES: MAXIMIZING RESOURCES

Summary:

Supported Living Services (SLS) is a community living option that supports adult consumers who choose to live in homes they control through ownership, lease, or rental agreement. In supported living, a consumer pays for living expenses (e.g. rent, utilities, food, and entertainment) out of Social Security Income, work earnings or other personal resources. The regional center pays the vendor to provide the SLS. The consumer may also receive other kinds of publicly-funded services like Medi-Cal, mental health services, vocational services, and In-Home Supportive Services (IHSS).

It is estimated that for FY 2011-12, 9,803 consumers will receive SLS at a total cost of approximately $383 million. In the past five years, the number of consumers using SLS has increased by 33 percent and expenditures have grown by 83 percent.

During workgroup meetings, participants discussed ways to maximize regional center funded services while maintaining the individualized nature of SLS. One proposed strategy is to apply a feature used for IHSS services. Consumers who share a household with other adults likely also share common tasks. Savings for SLS could be accomplished through identifying shared tasks that can be provided at the same time and by the same direct support professional, provided each person's needs is met. Identifying, during IPP meetings, shared tasks, such as meal preparation and clean up, menu planning, laundry, shopping, general household tasks, and errands, would enable the SLS provider to provide efficiencies in SLS services.

A second area of discussion among participants was how the amount and type of SLS service is determined. Currently, most providers conduct this assessment as an important component of getting to know the consumer they will be supporting. The workgroup discussed the value of conducting an independent assessment when service needs are significant, while preserving the need for the provider to have a comprehensive understanding of the type and amount of services needed.

To maximize resources in SLS, this proposal would, similar to what is done in IHSS, require regional centers to assess during IPP meetings whether there are tasks that can be shared by consumers who live with roommates. Secondly, to minimize the possibility of 'over' supporting a person, an independent needs assessment will be required for all consumers who have SLS costs that exceed the statewide or regional center mean, whichever is lower. The assessment would be completed by an entity other than the SLS agency providing service and be used during IPP meetings to determine the services provided are necessary and sufficient and that the most cost effective methods of service are utilized.

As part of FY 2009-10 reductions, SLS achieved savings of $22.9 million in Total Funds and $15.1 million in GF. Savings were associated with SLS vendors helping consumers get IHSS within five days of moving into supported living; regional centers reviewing SLS rates and only supplementing consumer's rent in extraordinary circumstances; and having consumers using SLS who share a home use the same SLS provider if possible.

Savings:

FY 2011-12 savings

TF: $9,948,000
GF: $5,461,000

FY 2012-13 savings

TF: $19,896,000
GF: $10,924,000

For shared tasks, it is estimated that 40 percent of the total costs of SLS are for consumers who share housing with at least one other adult and, among those house mates, approximately 10 percent of tasks can be shared. Since any changes will be made through the IPP process, it is estimated that 50 percent of savings will be realized in FY 2011-12, with full savings achieved in FY 2012-13.

For assessments, 33.4 percent of SLS population is over the statewide or regional center annual average SLS cost and these 33.4 percent SLS consumers share 80.9 percent of the total SLS costs. It is estimated that 5 percent of the total SLS cost for those above the SLS annual average mean would be saved by requiring an independent assessment of existing SLS consumers. Since any changes will be made through the IPP process, it is estimated that 50 percent of savings for existing SLS consumers will be realized in FY 2011-12 with full year savings in FY 2012-13.

Implementation:

This proposal will be effective upon approval of the necessary statutory changes by the Legislature. Changes to an individual's SLS will be made through the IPP process.

10. Individual Choice Day Services

Summary:

Over the past several years there has been extensive community discussion regarding best practices for delivery of day services. Consumers, family members, regional center staff, and vendors publicly testified that the current array of day services options is insufficient to meet changing consumer needs. Young consumers want the opportunity to attend college and to develop the job skills necessary to get stable employment. Other adults want the opportunity to contribute to their community through volunteerism or simply have the flexibility to tailor when, where, and how often they attend a day program. A number of consumers want the opportunity to direct their day services.

Twenty-five percent of the regional center purchase of service budget is spent on Day Program and Habilitation Services (i.e., work services.) The Department estimates expenditures of nearly $930 million in FY 2011-12 for these programs.

To achieve savings in FY 2009-10, the Department proposed three strategies that impacted day program services: expansion of the Uniform Holiday Schedule, an option for reduced programming for Seniors, and Custom Endeavor Option (CEO) to allow for more individualized services. The proposed GF savings were Uniform Holiday Schedule $16.3 million; Senior Option $1 million; and CEO $12.7 million. However, only the Uniform Holiday Schedule change achieved savings. No savings were achieved for the Senior or CEO Options.

During recent workgroup meetings, the Senior and CEO Options, and the barriers associated with implementing them, were discussed. The workgroup members conveyed to the Department that savings were difficult to achieve due to regulatory restrictions on staffing ratios, not being able to backfill if a consumer chose a different option, and the difficulty of implementing the options within the current rate structure. Workgroup participants advised the Department to review individualized day program service options and address the barriers surrounding fixed staffing ratios and operating costs when proposing any individual choice options. The Residential Services workgroup raised concerns about the practice of some day programs ending the program day very early and returning consumers to their residence after a few hours, thereby shifting costs.

The Department considered the input from the workgroups and community concerning the importance of consumers having alternative choices to traditional day programs in its development of the FY 2011-12 proposals. Two of the proposals presented by the Department address the community's eagerness for greater consumer choice in day services. These proposals also deal with the barriers expressed by providers in implementing the FY 2009-10 proposals.

<u>Tailored Day Program Service Option (TDS)</u>: TDS is designed to meet the needs of consumers who choose a program focused on their individualized needs and interests to develop or maintain employment and/or volunteer activities. In this option, a consumer can choose to attend fewer program days or choose the hours of participation. The consumer can also choose how to participate in the program. Through the IPP process, the consumer, vendor, and regional center can create a program tailored to the consumer's needs. Once the type and amount of service desired by the consumer is determined, the regional center and vendor can negotiate the appropriate hourly or daily rate. Vendors will have service designs to meet the needs of the consumers. Staffing may be adjusted but must meet all health and safety requirements for the consumer and meet the consumer's tailored needs. The TDS is in lieu of any other day program service. Regional centers will be able to pay the provider a higher rate for customized services as long as the required savings are achieved and the vendor will no longer be prohibited from backfilling the day program slot. TDS will replace the Senior and CEO Options currently in statute.

<u>Vouchered Community-Based Training Service Option (VCTS)</u>: VCTS is designed for consumers and/or parents who choose to directly hire a support worker to develop functional skills to achieve community integration, employment or participation in volunteer activities. A Financial Management Services entity will be available to assist the consumer and/or parent in payroll activities. Consumers who choose this option will have up to 150 hours of services each quarter. The VCTS is in lieu of any other day program service.

<u>Modified Full and Half-Day Program Attendance Billing</u>: To ensure maximization of existing resources and to address concerns of residential providers, the proposal would modify the current billing for day programs that bill a daily rate to be consistent with the Work Activity Program (WAP) full and half-day billing requirements. WAP billing requires a minimum of two hours attendance and provides for half-day billing. Currently, California regulations governing the provision of day programs are silent on what constitutes a full or half-day for billing purposes. Programs could shorten their service day to less than four hours and still receive payment for a full day. This proposal would ensure the consumer is receiving the level of services purchased. This requirement will <u>not</u> apply to TDS or VCTS services.

Savings:

FY 2011-12 savings
TF: $12,839,000
GF: $ 9,629,000

FY 2012-13 savings
TF: $16,477,000
GF: $12,358,000

The consumer choice day program and modified billing proposals combined are designed to achieve the expected but unachieved savings associated with the Senior and CEO Options enacted in the 2009-10 budget process.

Tailored Day Program (TDP) Service Option: This proposal assumes 5 percent of consumers will choose this option in lieu of their current day program. It also assumes the regional center can negotiate the program service but not pay a rate that exceeds the regular rate associated with four days per week if the vendor has a daily day program rate or the equivalent of 4/5 of the hours for a consumer who is utilizing a vendor with an hourly rate prior to entering into a TDP.

Vouchered Community-Based Training Service Option: This proposal assumes 2 percent of consumers in day programs, look alike day programs, and work activity programs will choose this option in lieu of their current day program. This proposal establishes a rate of $13.47 per hour, including employer related taxes, and a maximum of 50 hours per month of service. The rate assumes a $12 per hour wage to the support worker. The rate includes transportation needed to provide the service. The estimated savings assumes a cost associated with a financial management services entity to assist the consumer and/or parent in payroll activities.

Modified Full and Half-Day Program Attendance Billing: This proposal assumes that 15 percent of consumers in daily rate day programs would be reduced by a half day each month based on their attendance.

Implementation:

This proposal will be effective upon approval of the necessary statutory changes by the Legislature. Implementation of the TDS and VCTS options will be individualized and phased in through the IPP process.

11. Maximizing Resources for Behavioral Services

Summary:

Behavioral Services are services that provide instruction and environmental modifications to promote positive behaviors and reduce behaviors that interfere with learning and social interaction. Behavioral Services can include designing, implementing and evaluating teaching methods, consultation with specialists, and behavioral interventions. It can also include training for consumers and/or parents on the use of behavioral intervention techniques and home-based behavioral intervention programs that are implemented by parents for their children. Department regulations establish the qualifications for the various professionals delivering these services.

This proposal would require parents to verify receipt of Behavioral Services provided to their child. This proposal would also authorize the Department to promulgate emergency regulations to establish a new service to allow regional centers to contract with paraprofessionals, with certain educational or experiential qualifications and acting under professional supervision, to provide behavioral intervention services.

Spending on Behavioral Services has increased steadily. Last year, nearly $249 million was spent to provide services to over 20,000 consumers. This year, the Department anticipates spending over $291 million on Behavioral Services.

During recent workgroup meetings, participants discussed whether having parents confirm the provision of Behavioral Services would reduce the unintended occurrence of incorrect billings. Behavioral Services provided to children are often frequent in occurrence, increasing the possibility of inaccurate billings.

Additionally, workgroup members felt that allowing qualified paraprofessionals to provide intervention services could result in cost savings. Participants considered that undergraduates studying in a field relevant to behavioral intervention and other individuals with experience working with people with developmental disabilities could, with sufficient supervision and training, provide some intervention services. Because these workers would be paraprofessionals, the rate of pay could be lower while maintaining the quality and consistency of the service.

In FY 2009-10, the Department implemented statute calling for regional centers to purchase Behavioral Services consistent with evidence-based practices and addressing the role of parents in the treatment plan. The usefulness of an intervention plan is now reviewed on a regular basis to ensure goals and objectives are met. These strategies were estimated to save $21 million in GF ($30 million in Total Funds). Savings were partially achieved.

Savings:

FY 2011-12 savings

TF: $4,893,000
GF: $3,852,000

FY 2012-13 savings

TF: $4,893,000
GF: $3,852,000

It is estimated that total expenditures for Behavioral Services would be reduced by 1 percent through parental verification.

It is estimated that 25 percent of the existing service costs will be associated with the paraprofessional service. The paraprofessional rate will be established at 75 percent of the regional center's median rate for Behavior Management Assistant.

Implementation:

This proposal will be effective upon approval of the Legislature. Statutory changes will be required to implement the parental verification. Regulations will be developed to add the paraprofessional services.

12. TRANSFER REDUCED SCOPE PREVENTION PROGRAM TO THE FAMILY RESOURCE CENTERS

Summary:

The Prevention Program was established on October 1, 2009, to provide services in the form of intake, assessment, case management, and referral to generic agencies for those infants and toddlers, 0 to 2 years of age, who are not eligible for Early Start services but who are at risk for developmental delay. The program was established subsequent to changing eligibility for the Early Start program to what is required for receipt of grant funding under the federal Individuals with Disabilities Education Act (IDEA), Part C. Prevention Program services are provided through the regional centers.

As of March 2011, there were 3,258 children in the Prevention Program. Regional centers are funded through a block grant, based on caseload. In FY 2010-11, $18,150,000 of GF was allocated. The Prevention Program is currently budgeted at $12 million for FY 2011-12.

This proposal would decrease the required functions of the Prevention Program to information, resource, outreach, and referral; transfer responsibility for these functions to Family Resource Centers (FRC); and reduce funding to $4.5 million in FY 2011-12 and $2 million in FY 2012-13. Since approximately 3,200 children remain in the Prevention Program, this proposal assumes $2.5 million for regional centers to complete services to the existing caseload and $2 million for FRCs to serve new referrals. Beginning July 1, 2012, the program would be completely transferred to the FRCs through a contract between the Department and the Family Resource Center Network of California, or a similar entity.

Regional centers will continue to provide all infants and toddlers with intake, assessment, and evaluation for the Early Start Program. Infants and toddlers ineligible for the Early Start Program would be referred to the FRCs.

The workgroup participants discussed the under utilization of the Prevention Program and suggested review for cost and program effectiveness.

In FY 2009-10, budget savings of $54.5 million were achieved through narrowing the criteria for eligibility for the Early Start Program to what is required for the federal IDEA, Part C funding. Additional legislation was passed to discontinue the provision of non-federally required services. Parents were also required to use private insurance, if available, for services.

Savings:

FY 2011-12 savings

TF: $7,500,000
GF: $7,500,000

FY 2012-13 savings

TF: $10,000,000
GF: $10,000,000

The savings assumes a transition period for individuals currently in the Prevention Program and referral of new infants and toddlers to FRCs.

Implementation:

This proposal will be effective upon approval of the necessary statutory changes by the Legislature.

13. ENHANCING COMMUNITY INTEGRATION AND PARTICIPATION – DEVELOPMENT OF TRANSPORTATION ACCESS PLANS

Summary:

Current law provides that regional centers will not fund private, specialized transportation services for an adult consumer who can safely access and utilize public transportation when that transportation modality is available and will purchase the least expensive transportation modality that meets a consumer's needs as set forth in the IPP/IFSP. To maximize consumer community integration and participation and to address barriers to the most integrated transportation services, a transportation access plan would be developed at the time of the IPP, for consumers for whom the regional center is purchasing specialized transportation services or vendored transportation services from the consumer's day, residential or other provider receiving regional center funding to transport the consumer to and from day programs, work and/or day activities. The plan would address the services needed to assist the consumer in developing skills to access the most inclusive transportation option that can meet the consumer's needs. The Transportation Workgroup recommended the requirement for the development of transportation access plans.

The FY 2009-10 reduction proposals resulted in annual savings of $39.9 million in Total Funds and $36.6 million in General Funds in the area of transportation. In addition to the statutory provision above regarding the funding of private, specialized transportation services, the law specifies that the regional centers may now only fund transportation for a minor child living in the family residence if the family provides sufficient written documentation to demonstrate that it is unable to provide transportation for the child.

Savings:

<u>FY 2011-12 savings</u>

TF:	$1,473,000
GF:	$1,075,000

<u>FY 2012-13 savings</u>

TF:	$2,945,000
GF:	$2,150,000

Savings assumes 1.5 percent of consumers will access more inclusive forms of transportation. Transportation Access Plans will be developed during the IPP process, as applicable. The estimate assumes the IPPs are staggered evenly over the FY commencing July 1, 2011.

In addition to this proposal, transportation savings are also identified in the "Individual Choice Day Services" proposal and the "Maximize Utilization of Generic Resources - Education Services" proposal.

Implementation:

This proposal will be effective upon approval of the Legislature. Through the IPP process, transportation access plans will be developed for consumers as appropriate.

Department of Developmental Services
Draft Proposals to Achieve $174 Million in General Fund Savings

	2011-12		Annual	
	TF	GF	TF	GF
Reduced Expenditure Savings that Allow Reduction in Savings Required through Proposals	**$ 55,603,000**	**$ 55,603,000**	**$ 55,603,000**	**$ 55,603,000**
1. Increasing Federal Funding for Regional Center Purchased Consumer Services	**$ -**	**$ 20,932,000**	**$ -**	**$ 22,515,000**
• Add Voucher - Nursing Services to the HCBS Waiver	$ -	$ 528,000	$ -	$ 528,000
• Money Follows the Person for Residents of Institutional Settings	$ -	$ 1,881,000	$ -	$ 3,464,000
• Enhanced Funding from 1915(k) Medicaid State Plan	$ -	$ 1,200,000	$ -	$ 1,200,000
• Obtain Federal Funding for Infant Development Program	$ -	$ 13,223,000	$ -	$ 13,223,000
• 1915(i) New Expenditures	$ -	$ 4,100,000	$ -	$ 4,100,000
2. Decreasing Department of Developmental Services Headquarters Contracts	**$ 2,015,000**	**$ 1,754,000**	**$ 2,015,000**	**$ 1,754,000**
• Information Technology	$ 545,000	$ 545,000	$ 545,000	$ 545,000
• Clients' Rights Advocacy	$ 250,000	$ 200,000	$ 250,000	$ 200,000
• Quality Assessment	$ 530,000	$ 424,000	$ 530,000	$ 424,000
• Direct Support Professional Training	$ 140,000	$ 85,000	$ 140,000	$ 85,000
• Office of Administrative Hearings	$ 250,000	$ 200,000	$ 250,000	$ 200,000
• Risk Management	$ 100,000	$ 100,000	$ 100,000	$ 100,000
• Self Directed Services Training	$ 200,000	$ 200,000	$ 200,000	$ 200,000
3. Reduction and Efficiency in Regional Center Operations Funding	**$ 14,565,000**	**$ 14,132,000**	**$ 15,881,000**	**$ 15,015,000**
• Self Directed Services Waiver Reduced Staffing	$ 861,000	$ 861,000	$ 861,000	$ 861,000
• Community Placement Plan Reduced Staffing	$ 315,000	$ 315,000	$ 315,000	$ 315,000
• Roll Back of Prior Year Staffing Increase	$ 1,902,000	$ 1,902,000	$ 1,902,000	$ 1,902,000
• Reduced Accelerated Waiver Enrollment Funding	$ 1,771,000	$ 1,771,000	$ 1,771,000	$ 1,771,000
• Administrative Efficiency - Electronic Billing Process to All Providers	$ 1,316,000	$ 883,000	$ 2,632,000	$ 1,766,000
• Eliminate One-Time Costs for Office Relocations and Modifications	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
• Unallocated Reduction	$ 5,400,000	$ 5,400,000	$ 5,400,000	$ 5,400,000
Proposals Associated with Purchase of Consumer Services	**$ 71,897,000**	**$ 53,115,000**	**$ 107,772,000**	**$ 79,137,000**
4. Community Placement Plan Funding	**$ 9,685,000**	**$ 6,966,000**	**$ 9,685,000**	**$ 6,966,000**
5. Rate Equity and Negotiated Rate Control	**$ 6,008,000**	**$ 3,432,000**	**$ 14,312,000**	**$ 9,568,000**
6. Annual Family Program Fee	**$ 3,600,000**	**$ 3,600,000**	**$ 7,200,000**	**$ 7,200,000**
7. Maintaining the Consumer's Home of Choice - Mixed Payment Rates in Residential Facilities with Alternative Residential Model (ARM) Rates	**$ 2,255,000**	**$ 1,364,000**	**$ 4,176,000**	**$ 2,526,000**
8. Maximize Utilization of Generic Resources - Education Services	**$ 13,696,000**	**$ 10,236,000**	**$ 18,188,000**	**$ 13,593,000**
9. Supported Living Services: Maximize Resources	**$ 9,948,000**	**$ 5,461,000**	**$ 19,896,000**	**$ 10,924,000**
10. Individual Choice Day Services	**$ 12,839,000**	**$ 9,629,000**	**$ 16,477,000**	**$ 12,358,000**
11. Maximizing Resources for Behavioral Services	**$ 4,893,000**	**$ 3,852,000**	**$ 4,893,000**	**$ 3,852,000**
12. Transfer Reduced Scope Prevention Program to the Family Resource Centers	**$ 7,500,000**	**$ 7,500,000**	**$ 10,000,000**	**$ 10,000,000**
13. Enhancing Community Integration and Participation - Development of Transportation Access Plans	**$ 1,473,000**	**$ 1,075,000**	**$ 2,945,000**	**$ 2,150,000**
Total Reductions	**$ 144,080,000**	**$ 145,536,000**	**$ 181,271,000**	**$ 174,024,000**

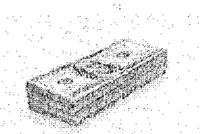
Attachment #6

DEPARTMENT OF DEVELOPMENTAL SERVICES
PROPOSALS TO SAVE $174 MILLION
(SCDD Plain Language Version)

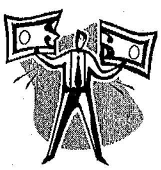
As part of the 2011-12 State budget process, the Department of Developmental Services (DDS) was told to save more money because of the State has a deficit.

DDS worked with 8 workgroups that included individuals with developmental disabilities, families, service providers, regional centers, unions, and advocates to look for ways to save money.

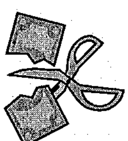
Using the comments from the workgroups, DDS put together the following ideas to save money:



1. Get more money from the federal government through waiver programs to buy services. (Adds $20.9 million from federal money and saves State money)



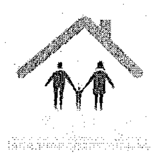
2. Give less money to some organizations that contract with DDS. (Saves $1.5 million)



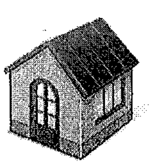
3. Give less money to regional centers for their staff, offices, and other things. (Saves $14.1 million)

4. Give less money to the Community Placement Plan (CPP). (Saves $6.9 million)

5. Make changes in the way rates are set for some services. (Saves $3.4 million)

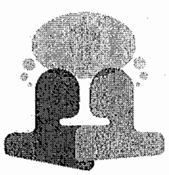


6. Make some families of children pay a yearly fee to get regional some center purchased services. (Adds $3.6 million to save same amount of State money)

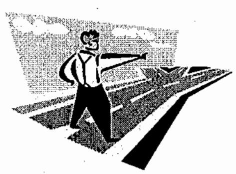


7. Let people keep their home even if they need less care from the home. (Saves $1.3 million)

8. Use funds through schools to get day services, work, independent living, and transportation for individuals in school when they are 18-22 years old. (Saves DDS $10.2 million)



9. Make some people who live together and both get supported living services (SLS) to share the supported living services for some things; and don't have the SLS provider decide what services a person needs; have that done by another person. (Saves $5.4 million)



10. Start new day services that allow individuals to make choices about how many days they want to go to program; let people hire their own staff; and let day services change the way they bill the State for part of a day of services. (Saves $ 9.6 million)

11. Make parents tell regional centers that behavioral services were provided if they are suppose to be; and let trained paraprofessionals provide behavioral services. (Saves $3.8 million)

12. Move the Prevention Program to Family Resource Centers and only give information, resource, outreach and referral. (Saves $7.5 million)

13. Make a transportation plan at the time the individual program plan (IPP) is done so more people can use public transit. (Saves $1 million)

The total amount of State money saved by these ideas is $154.5 million in 2011-12 and $174 million each year after that.

DDS held 3 public hearings in California to let the public talk about these ideas and must give a report to the Legislature by May 15, 2011. Some of these ideas will require that current law (Lanterman Act) be changed and DDS is working on those changes. The Legislature will have to ok the savings ideas and any changes in law and people will be able to talk about these these with the Legislature in budget hearings.

Attachment #7

ARCA
ASSOCIATION OF REGIONAL CENTER AGENCIES
915 L Street, Suite 1440 ~ Sacramento, California 95814 ~ 916.446.7961 ~ Fax: 916.446.6912

May 11, 2011

Honorable Mark Leno
Chair, Senate Budget Committee

Honorable Bob Huff
Vice-Chair, Senate Budget Committee

Honorable Bob Blumenfield
Chair, Assembly Budget Committee

Honorable Jim Nielsen
Vice-Chair, Assembly Budget Committee

Honorable Carol Liu
Chair, Senate Human Services Committee

Honorable Bill Emmerson
Vice-Chair, Senate Human Services Committee

Honorable Jim Beall
Chair, Assembly Human Services Committee

Honorable Brian Jones
Vice-Chair, Assembly Human Services Committee

RE: ARCA Positions on the Department of Developmental Services (DDS) Proposals to Achieve $174 Million General Fund Savings

The Association of Regional Center Agencies (ARCA) represents the twenty-one independent nonprofit corporations that contract with the Department of Developmental Services (DDS/Department) to operate the regional center system. The regional centers provide intake, assessment, diagnosis, and service coordination to over 246,000 Californians with developmental disabilities.

We appreciate the opportunity to provide input on the DDS proposals to achieve $174 million general fund savings. The Association's positions are preliminary, pending the release of the statutory language by DDS and ARCA's review of the language.

The full version of the Department's proposals with more detailed descriptions of each concept can be found at: http://www.dds.ca.gov/PublicForums/docs/ProposalsSummary_May2011.pdf

We recognize policy makers are facing grave choices in balancing the state's budget. It is with this understanding, that ARCA expresses its concern over the proposed reductions to the Purchase of Service (POS) and regional centers operations budgets. We applaud the Department's efforts in decreasing the amount of the proposed budget reduction needed by identifying additional areas of savings, including opportunities to access additional federal funds. However, we remain concerned that reductions to the POS budget will further erode the needed services to the vulnerable population served by the regional centers.

Furthermore, ARCA is also concerned about additional reductions to the regional centers operations budget on top of the many reductions absorbed in past years. These multi-year reductions impact the ability of regional centers to fulfill their responsibilities to receive and maintain federal funds. Regional centers serve as the infrastructure for the community service system to access and maintain nearly $2 billion in federal funds annually. The cumulative effect of reductions to the regional center operations budget and years of unfunded mandates have resulted in many regional centers being unable to comply with the Medicaid Waiver program's mandated 62:1 caseload ratio for waiver consumers. During times of limited resources, it is imperative that regional centers receive adequate funding to ensure the health and safety of the children and adults they serve.

Increasing Federal Funds: Support

Regional centers serve as the infrastructure for the community service system to access and maintain nearly $2 billion in federal funds annually. Attached is the executive summary of *"Federal Funding in California's Developmental Services System: The Role Of Regional Centers,"* a document developed by ARCA that describes the critical role of regional centers in generating and maintaining federal funding to support the State's developmental services system.

Senate Bill 74 established a 15% administrative cap that has made it difficult for regional centers to take on new or additional administrative functions including requirements to access new federal funds. To address this issue, ARCA recommends an exemption or waiver process be authorized to ensure the 15% administrative cap does not impact the receipt or maintenance of federal funding.

Decreasing DDS Headquarters Contracts: Support

While we do support this proposal, ARCA remains concerned as to whether DDS can continue to maintain and support the various administrative functions, such as information technology services, that are necessary to access and maintain federal funds.

Reductions and Efficiency in Regional Center Operations:

- Self Directed Services waiver reduced staffing - Neutral with the caveat that once the Self Directed Services Waiver is approved regional centers will need the positions restored to implement the program.
- Community Placement Plans reduced staffing - Support
- Reduced accelerated waiver enrollment - Neutral – concern that this proposal will result in another unallocated reduction to regional centers.
- Administrative Efficiency - Electronic billing - Support
- Elimination of one-time costs - funding for office relocations or modifications - Support
- Unallocated reduction – Oppose

ARCA estimates that SB 74 resulted in $19 million of new unfunded mandates to regional centers and the DDS proposals to achieve the $174 million general fund savings, if approved, would result in an additional $6 million in unfunded operations costs. This is in addition to the 4.25% or $20 million unallocated reduction to the regional center operations budget. These budget reductions and additional unfunded mandates add up to $45 million dollars, diverting regional center resources away from their primary mission.

Regional centers will play a pivotal role in accessing new federal funding since their infrastructure, as well as the integrity of the community-based service system, must be adequately supported. Allowing the community services and regional center infrastructure to erode could lead to a repeat of the 1997 Health Care Financing Administration/Centers for Medicaid and Medicare review that resulted in the state's loss of nearly one billion dollars in federal funding.

Community Placement Plan Funding: Support

Rate Equity and Negotiated Rate Control:

- Updating of the Median Rates - Support
- Applying the 4.25% reduction to service providers with a Uniform & Customary rate – Position open: ARCA will assess further once the statutory language is available for review.

Annual Family Program Fee: Oppose

Parents already shoulder significant costs for the support of their child with developmental disabilities and do not need the added burden of paying an additional fee to access regional center services. ARCA is concerned that the Annual Family Program Fee proposal may result in some families not seeking needed regional center services.

Mixed Payment Rates in Residential Facilities with Alternative Residential Model (ARM): Support

Maximize Generic Resources - Education: Support

In order for this proposal to be effective, regional centers will need to advocate with the schools to access needed services. The Department should facilitate meetings between the California Department of Education, ARCA, and the DDS to discuss implementation of this proposal, and to identify and resolve any barriers to the successful implementation of this proposal. ARCA is concerned that this will result in workload increases without additional funding as regional center staff will be involved in negotiations with school districts and quite possibly fair hearings to resolve funding issues.

Supported Living Services: Maximizing Resources: Support

Individual Choice Day Services: Support in concept pending ARCA's review of the statutory language proposed to implement this proposal.

Maximizing Resources for Behavioral Services:

- Verification of service - Support
- Use of paraprofessionals – Oppose - due to concerns that a per-hour cost savings at the direct service level may compromise the quality of services.

Transfer Reduced Scope of Prevention Program to Family Resource Centers: Oppose

The current Prevention Program is a cost-effective program featuring a single point of entry and seamless transition to the Regional Center Early Start Program. The Prevention Program utilizes the established infrastructure and clinical expertise of the Early Start and is effective in achieving its outcome of transitioning children into Early Start when a delay is detected.

Regional centers report that approximately one out of every four Prevention infants develops significant delays and becomes eligible for Early Start. Therefore, it is critical that this high risk pool of infants receive periodic developmental monitoring to detect delays as soon as they become significant. The "Reduced Scope" of the Prevention proposal eliminates developmental monitoring by clinically trained case managers, which is the most critical and cost-effective component of the program, achieving the most meaningful outcomes for at-risk infants.

Enhancing Community Integration and Participation - Development of Transportation Access Plans: Support

ARCA and the regional centers look forward to continuing a dialogue with DDS, the Administration and legislative staff as deliberations on the regional center community-based services budget continues through this legislative session. If you have additional questions or concerns regarding our positions, please do not hesitate to contact our office.

Sincerely,

Robert J. Baldo
Executive Director

CC: Members, Senate Budget Committee
Members, Assembly Budget Committee
Members, Senate Human Services Committee
Members, Assembly Human Services Committee
Diane Van Maren, Senate Budget Committee
Kirk Feely, Senate Republican Fiscal Office
Daisy Gonzales, Assembly Budget Committee
Julie Souliere, Assembly Republican Fiscal Office
Lark Park, Senate Human Services Committee
Joe Parra, Senate Republican Office of Policy
Eric Gelber, Assembly Human Services Committee
Mary Bellamy, Assembly Republican Office of Policy
Shawn Martin, Legislative Analyst's Office
Lishaun Francis, Legislative Analyst's Office
John Doyle, Department of Finance
Carla Castenada, Department of Finance
Han Wang, Department of Finance
Terri Delgadillo, Department of Developmental Services

EXECUTIVE SUMMARY

I. PURPOSE

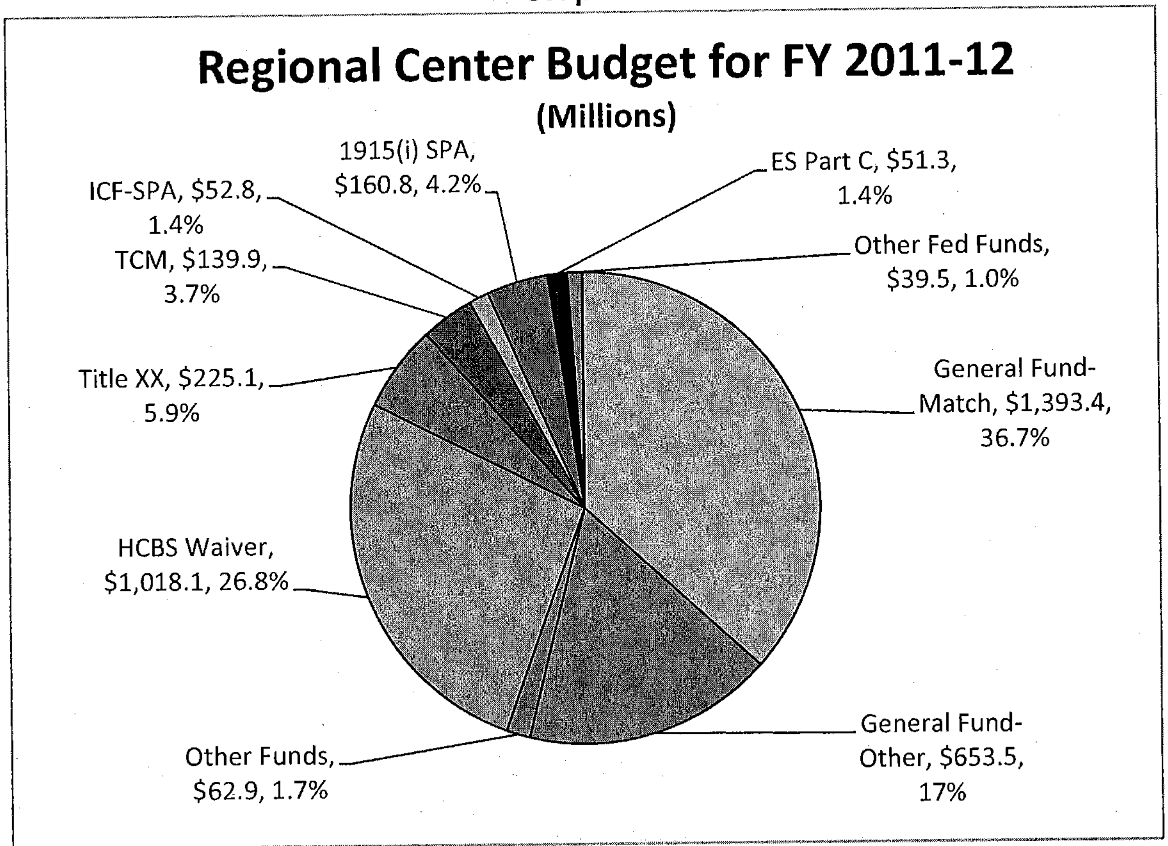
Federal funding represents an increasingly significant share of all dollars supporting community-based services for people with developmental disabilities. As Braddock, et al., noted: *"In 1977, federal funds constituted 23% of the total allocation for I/DD [intellectual and developmental disabilities] community services in the U.S. By 2006, that proportion had increased to 52% of total U.S. community services spending ($35.59 billion)."*[1] In California, federal funding represented a negligible amount of the Department of Developmental Services (DDS) budget in 1977-78, while federal financial participation (FFP) represents 44.4 percent today.[2] Graph 1, below, displays the major funding sources for regional centers as budgeted for fiscal year 2011-12, total FFP is projected to be $1.7 billion.

Often absent in discussions about the important role federal funding plays in supporting the state's developmental services system is the regional center (RC) infrastructure that generates and maintains this federal funding. The purpose of this information brief is to provide basic information to help policymakers, constituents, and stakeholders understand the various federal funding sources that support the developmental services system, and the RCs' essential role in generating and maintaining these federal funds. Through its contract with the RCs, the state requires RCs to fulfill the administrative responsibilities necessary to obtain and maintain federal financial participation as prescribed by federal and state law, regulation and policy. RCs carryout this role in a manner which is for the most part, seamless to consumers, families and service providers.

[1] David L. Braddock, et al., *The State of the States in Developmental Disabilities – 2008, Department of Psychiatry,* CU Denver School of Medicine, Coleman Institute for Cognitive Disabilities, University of Colorado, 2008, p. 22.

[2] Department of Developmental Services, Regional Centers 2011-12 Governor's Budget- November Estimate, January 10, 2011, p. A-2.

Graph 1



Source of data: DDS budget documents[3]

II. BACKGROUND

A. History of Regional Centers

A key decision made by the framers of the RC system was that RCs needed to be locally governed organizations responsive to, and representative of, the needs of the individuals residing in their local service areas. All of the RCs are incorporated as Internal Revenue Code section 501(c) (3) nonprofit organizations with a board of directors representing each RC's service area. The composition of the governing

[3] Department of Developmental Services, Regional Centers 2011-12 Governor's Budget- November Estimate, January 10, 2011, pp. E-17-38.2 Key: HCBS- Home and Community-Based Services Waiver, TCM- Targeted Case Management, ICF SPA- Intermediate Care Facility- Developmentally Disabled State Plan Amendment, ES Part C- Early Start Part C.

board includes consumers, family members, and other individuals whose qualifications are prescribed by law.[4]

B. Eligibility for Regional Center Services

By California state law and regulation, RCs are responsible for determining eligibility for services.[5] A disability qualifying an individual for regional center services must: (1) originate before the individual attains age 18, (2) be expected to continue indefinitely, and (3) present a "substantial disability." The individual's disability must be attributable to one of the following: mental retardation, cerebral palsy, epilepsy, autism, or a disabling condition closely related to mental retardation or requiring similar treatment.

C. Demographics

Regional centers provide ongoing services to children and adults who meet the eligibility requirements described in section (B) above. Through the end of January 2011, RCs were serving over 244,000 children and adults. Of the number served, approximately 28,000 were infants and toddlers under three years of age. The RCs were also performing intake and diagnostic services to an additional 8,000 service applicants.[6]

D. Regional Center Services

For eligible individuals, the RCs provide, coordinate, and/or fund many services and supports, including, but not limited to:

- Information and referral
- Assessment and diagnosis
- Individualized service planning
- Service coordination
- Purchase of services and supports included in the Individual Program Plan[7]

[4] Wel. & Insti. Code §4622.

[5] Wel. & Insti. Code §4642-4643, and California Code of Regulations, Title 17, §§45000-45002.

[6] Department of Developmental Services, Information Services Division, Data Extraction Unit, *Monthly Consumer Caseload Report, Regional Center Caseloads by Consumer dated February 2, 2011.*

[7] The individual program plan is a written plan developed jointly by the RC and the planning team, as defined in Wel. & Insti. Code §4512(j). The plan identifies services and supports, as defined in Wel. & Insti. Code §4512(b), to promote the individual's community integration, independence, and productivity. The plan must contain goals and objectives, the type and amounts of services to be purchased, service start dates, and other detailed information required by Wel. & Insti. Code §4646.5.

- Assistance in finding and accessing community and other resources
- Advocacy for implementing the Individual Program Plan
- Early intervention services for infants and toddlers and their families, including the development and implementation of an individualized family service plan for each child
- Genetic counseling
- Family support
- Planning, placement, and monitoring of 24-hour out-of-home care
- Training and education
- Case finding and outreach

Despite heavy reliance on accessing alternative resources, the special service and support needs of people with developmental disabilities cannot always be met through generic resources. In such cases, the RCs are required to develop and fund needed services and supports. The RCs currently use over 67,000[8] providers who participate in the service mix of publicly- and privately-funded organizations that comprise a complex, community-based system of services and supports.

III. FEDERAL FUNDING SOURCES

A. Home and Community-Based Services Waiver (HCBS)

Medicaid is a joint federal/state funding program that pays for most long-term care provided to low-income seniors and persons with disabilities. The HCBS waiver allows states to use Medicaid funding to provide services and support to persons living in community-based rather than institutional settings.

The Department of Developmental Services (DDS) has delegated the following responsibilities to the RCs to ensure that the HCBS waiver requirements are met:

1. Ensuring that HCBS waiver participants meet the level-of-care criteria.
2. Developing and implementing a written Plan of Care.
3. Ensuring that adequate safeguards exist for service providers.
4. Ensuring that eligible consumers are given a choice between receiving care in an institutional setting or in a home and community-based setting.

[8] Department of Developmental Services, Regional Centers 2011-12 Governor's Budget – November Estimate, January 10, 2011, p. C-1.

5. Ensuring that HCBS waiver participants are notified of their appeal rights.
6. Ensuring a system for monitoring provider standards, IPPs, and quality of care and service.
7. Providing HCBS waiver services in accordance with the service definitions and provider qualifications.
8. Ensuring that HCBS waiver services have prior RC authorization and are paid for in the manner specified by the DDS.
9. Educating parents about the benefits of "institutional deeming" and helping them complete the application and renewal processes.

RCs identify eligible HCBS waiver participants, assess eligibility, and certify and annually recertify waiver participants to maintain and meet annual HCBS waiver targets to ensure maximum federal funding. The HCBS waiver is the largest single source of federal revenue for California's developmental services system, with over $1 billion anticipated from this fund source in fiscal year 2011-12. The federal government typically reimburses the state of California 50 cents for every regional center dollar expended for waiver billable service.[9]

B. Title XX, Social Security Block Grant

The purpose of federal Title XX Social Services Block Grant (SSBG) funds is to enable each state to furnish social services best suited to meet the needs of the individuals residing within the state. As a fund source in the developmental services system, these Title XX SSBG funds include Temporary Assistance for Needy Families (TANF) funds, which the federal government allows to be transferred into the SSBG.[10] Under Title XX, each state determines the services that will be provided and the individuals who will be eligible to receive services.

Title XX funds constitute a fund source for community-based services, and RCs have no direct role in the generation or administration of these funds. The basic functions required of RCs are, by definition, the types of services for which these Title XX funds are to be used. The DDS's proposed budget for fiscal year 2011-12

[9] The federal fund matching rate, known as the FMAP (federal medical assistance percentage) is determined based on per capita state income, with higher match rates provided to states with lower per capita income relative to the national average. Historically, California has had among the lowest federal Medicaid assistance funding per recipient of any state, in part due to its low FMAP. In recent years this amount has increased due to federal actions to enhance states' FMAPs as a way to help address national economic and financial problems.

[10] U.S. Department of Health and Human Services, Administration for Children and Families, Seventh Annual Report to Congress, December 13, 2008, <http://www.acf.hhs.gov/programs/ofa/data-reports/annualreport7/chapter02/chap02.htm>, accessed May 5, 2010.

includes $225 million, with $147.9 million allocated for Social Services and $77.1 million allocated for TANF.[11]

C. Targeted Case Management

In 1986, Congress created the option for states to cover what were termed "targeted case management" (TCM) services under their Medicaid plans. TCM is a separate and reimbursable class of services under Medicaid that identifies necessary services, assists in locating the services, identifies providers, and monitors the provision of care for specific beneficiaries.[12] The Medi-Cal State Plan identifies the population eligible for TCM as *"...those developmentally disabled persons who meet the following definition of developmental disability..."* The definition cited is, for the most part, the definition contained in Wel. & Insti. Code §4512(a).[13]

Regional Centers are responsible for conducting and documenting activities that result in billing units used to generate TCM funding. Among the activities for which federal reimbursement is allowable are the following:

- Assessment
- Individual Program Plans (IPPs)
- Monitoring Visits
- Meetings
- Information Provision
- Review/Consultation
- Special Incidents
- Plan Monitoring
- Discharge Planning
- Consultation
- Travel

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[11]Department of Developmental Services, Regional Centers 2011-12 Governor's Budget – November Estimate, January 10, 2011, p. E-25.2.

[12]Sara Rosenbaum, JD, *The CMS Medicaid Targeted Case Management Rule: Implications for Special Needs Service Providers and Programs*, Center for Health Care Strategies, Inc., April 2008, p. 1.

[13]""Developmental disability" means a disability that originates before an individual attains age 18 years, continues, or can be expected to continue, indefinitely, and constitutes a substantial disability for that individual. As defined by the Director of Developmental Services, in consultation with the Superintendent of Public Instruction, this term shall include mental retardation, cerebral palsy, epilepsy, and autism. This term shall also include disabling conditions found to be closely related to mental retardation or to require treatment similar to that required for individuals with mental retardation, but shall not include other handicapping conditions that are solely physical in nature."

To ensure compliance with TCM requirements, RC service coordinators document in fifteen minute increments, the status and actions taken in the progress notes for each consumer. This includes the time spent with each consumer based on the type of contact such as, face-to-face, collateral, telephone, etc. In addition to the above responsibilities, RC personnel must complete a TCM time study once every three years. The state of California expects to receive approximately $139.9 million in federal TCM funds in fiscal year 2011-12 ($279.8 million total funds; $139.9 million General Fund match).[14] This includes FFP from TCM, TCM administration and the TCM SPA for ICF/DD residents.

D. Early Start Grant (Part C)

Part C of the federal Individuals with Disabilities Education Act (IDEA) provides federal grant funding for states to develop and operate early intervention programs for families and their children (birth to 3 years) with developmental disabilities, delays, or conditions known to result in developmental delays or disabilities. To be eligible for the Early Start program, a child must be from birth to three years of age, must have a documented need for early intervention services, and must have a developmental delay in one or more specific areas or have an established risk condition known to result in harmful consequences.

Regional centers play a central role in the provision of services for children in the Early Start program. The centers provide intake, evaluation, and assessment to determine eligibility and service needs. They also provide service coordination (case management), advocacy, information, referral, and an array of other services to eligible infants and toddlers, and their families. Early intervention services are provided, purchased, or arranged by RCs based on the unique needs of the child and family. RCs must develop and implement a written Individualized Family Service Plan (IFSP) for each infant or toddler who has been evaluated, assessed, and determined to be eligible for early intervention services.

Part C is a formula grant that does not require any state matching funds, although the federal law imposes maintenance of effort requirement on the state. California's budget for fiscal year 2011-12 includes approximately $51.3 million in Part C funds.[15]

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[14]Department of Developmental Services, *Regional Centers 2011-12 Governor's Budget – November Estimate*, January 10, 2011, pp. E-22.2 – 24.
[15]Department of Developmental Services, Regional Centers 2011-12 Governor's Budget – November Estimate, January 10, 2011, p. E-38.2.

IV. MAINTENANCE OF FEDERAL FUNDING

RCs will be required to gather and review business ownership and control information for an estimated 17,000 current vendors. In addition, RCs will be required to determine that all prospective and current providers, about 67,000, are eligible and remain eligible to participate as Medicaid service providers.[16] DDS will be developing and promulgating changes to Title 17 regulations governing RC vendorization of service providers to ensure compliance with federal rules and to address the audit findings in the CMS 2010 draft "Medicaid Integrity Program, California Comprehensive Program Integrity Review".

V. NEW INITIATIVES

There has been tremendous growth in the amount of federal funding to support developmental services in California, especially within the past decade. This growth is largely attributable to the aggressive efforts of the state and of the RCs to identify and pursue every federal revenue opportunity available; it is also attributable to the state Legislature, which has provided the necessary resources to support these efforts. However, considerable effort and expertise are required to transform federal revenue opportunities into tangible funds. Moreover, a significant administrative and/or programmatic workload is involved with the maintenance of federal funding once it is received. At a minimum, all new federal funding initiatives require RCs to provide administrative support, staff training, and technical assistance to ensure compliance with federal provisions. Not discussed in this document is the role of the RCs in the approved 1115 waiver to enroll seniors and persons with developmental disabilities into Medi-Cal managed care plans. It is anticipated that in order for managed care plans to successfully address the unique medical needs of persons with developmental disabilities RCs will need to play a significant role. Following are four examples of recent initiatives of the state to increase federal funding.

A. 1915(i) State Plan Amendment

Effective January 2007, the Deficit Reduction Act (DRA) established an optional Medicaid (Medi-Cal in California) benefit that allows states to obtain FFP for home and community-based services for Medicaid recipients. Before a state can obtain federal reimbursement for purchasing these services, it must prepare and submit a State Plan Amendment (SPA) to the federal government's Centers for Medicare and Medicaid Services (CMS) for approval. It is anticipated that the RCs' role in the 1915

[16] Department of Developmental Services, Regional Centers 2011-12 Governor's Budget-November Estimate, January 10, 2011, p.C-1.

(i) will be similar to that of the HCBS waiver, and will include performing independent evaluations and assessments, developing written individualized care plans that meet specific criteria, such as face-to-face evaluations of beneficiaries' needs and completing an assessment of relevant history and medical records. Through the 1915(i) option, the state of California expects to generate between $120 and $160.8 million of FFP in fiscal years 2010-11 and 2011-12, respectively.[17]

B. Intermediate Care Facility-Developmentally Disabled State Plan Amendment

The state has reached agreement with CMS on the mechanism to include adult day treatment and non-medical transportation services in the Medi-Cal State Plan. The 2010-11 Budget Bill Trailer Language included the mechanisms negotiated with CMS to implement the ICF/DD SPA, however CMS has not yet officially approved the SPA. The mechanics of the ICF/DD SPA are still being resolved however, it is clear that RCs will play a pivotal role in accessing these funds. DDS estimates that the ICF/DD SPA will generate $52.8 million in federal reimbursement in fiscal year 2011-12.[18]

C. Targeted Case Management Reimbursement for ICF/DD Consumers

A supplement to the Governor's May 2010 Revision contained a new proposal to access Targeted Case Management (TCM) funds for ICF/DD consumers through a State Plan Amendment (SPA). This initiative was approved by CMS on December 20, 2010 with an effective date of July 1, 2010. The RCs' role will be similar to that of the current TCM program. The Department estimates additional federal reimbursement from the TCM SPA of $5.4 million in fiscal year 2011-12.[19]

D. Money Follows the Person

The Deficit Reduction Act of 2005 made several changes to Medicaid policies, including the creation of the Money Follows the Person (MFP) demonstration program. Regional centers currently assist consumers to access MFP but these efforts are being expanded to assist individuals transitioning from Lanterman

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[17]Department of Developmental Services, Regional Centers 2011-12 Governor's Budget-November Estimate, January 10, 2011, p. E- 31.1

[18]Department of Developmental Services, *Regional Center 2011-12 Governor's Budget – November Estimate, January 10, 2011, p.E-28.2.*

[19] Department of Developmental Services, Regional Centers 2011-12 Governor's Budget – November Estimate, January 10, 2011, p.24.

Development Center (LDC) into community settings. Expansion of the MFP program to serve persons exiting LDC will include the following responsibilities for impacted RCs: finding and arranging services and suppports; developing treatment plans; developing housing and other resources; monitoring to ensure health and safety; coordinating and developing health services; and expanding dental health resources. The Department estimates MFP federal reimbursement of $8.5 million in fiscal year 2011-12.[20]

VI. CALIFORNIA'S PERFORMANCE IN CAPTURING FFP

Historically, California was not as aggressive as many states in pursuing federal funding to support its community-based developmental services system. In the late 1970s through the 1980s, California had a relatively well funded system of services that relied almost exclusively on the state General Fund. This situation began to change in the early 1990s, when the state encountered serious budget shortfalls. During this time period, the DDS launched initiatives to increase FFP. [21]

Despite its successes, comparative data in some reports and publications may rank California relatively low in the percentage of federal funding that supports the developmental services system. Though not intended, these data often overly simplify or obscure the complexities of such comparisons and, by so doing, inaccurately portray California's performance. There are unique factors such as, state organizational structures, and funding approaches within which the state's developmental services system operates and which make simple comparisons with other states unfeasible.

VII. CONCLUSION

In the early 1990s, California's effort to increase federal support for the developmental services program began in earnest. This effort stalled in 1997 due to an adverse waiver program audit from the federal Health Care Financing Administration (HCFA, now CMS). The HCFA required the state to implement many

[20] Department of Developmental Services, Regional Centers 2011-12 Governor's Budget – November Estimate, January 10, 2011, p. E-32.

[21] This effort suffered a significant setback in 1997, when the federal Health Care Financing Agency (now known as the Centers for Medicare and Medicaid Services, or CMS) audited the state's waiver program and identified numerous health/safety and financial deficiencies. Only after a multi-year corrective action plan requiring the infusion of substantial state General Fund dollars was the state able to meet CMS's requirements. A DDS report (*Controlling Regional Center Costs*, December 2007, p. 29) noted that the state lost nearly $1 billion of non-recoverable federal funding during this time.

changes and enhancements to the waiver program and, with isolated exceptions, did not allow the state to enroll additional people on the waiver until these changes were implemented. California has since continued aggressively to pursue every avenue to increase federal funding for the developmental services system.

Regional centers play a central role in generating and maintaining this federal funding. The waiver, while not generating the most dollars of any state, has by far the largest number of individuals enrolled, at 87,208.[22] Moreover, California is pursuing new initiatives that will further increase the state's share of federal funding. Regional centers will play a pivotal role in these initiatives; as such, their infrastructure, as well as the integrity of the community-based service system, must be adequately supported to achieve the state's federal funding objectives. Generating additional federal funding, while allowing the community-services and regional center infrastructure to erode, could lead to a repeat of the 1997 HCFA review that resulted in the state's loss of nearly one billion dollars of federal funding.[23]

As state funded nonprofit corporations, RCs are not unaffected by the state's challenging fiscal climate. Despite the fact that RCs are serving more individuals with fewer resources and ever increasing mandates, RCs will do their utmost to help mitigate the state General Fund shortfalls by collaboratively working with their local communities and the DDS to identify, pursue, and implement initiatives to increase federal funding to the state.

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[22] Department of Developmental Services, Community Operations Division, Federal Program Branch, Home and Community-based Services Waiver Accelerated Enrollments report dated January 29, 2011.
[23] Department of Developmental Services, *Controlling Regional Center Costs, Report to the Legislature submitted to fulfill the requirements of Section 102.5, Chapter 188, Statutes of 2007,* December 2007, p. 29.

Attachment #8

TRI-COUNTIES REGIONAL CENTER
Summary of Credit Line Efforts - Spring 2011

Request was for $55 million for 90 days - mid-July through mid-October.

Bank	Status	Notes
US Bank	Declined	Concerns about the budget impasse and the bank's large California government exposure
City National Bank	Declined	Cannot accept any more RCs; they are at their maximum lending limit for agencies with State of California liability
Santa Barbara Bank & Trust	Pending *	Will review again after the May Revision
Wells Fargo Bank	Declined	Problems primarily associated with the State of California in relation to our business funding
JP Morgan Chase Bank	Declined	Struggling with the singular source of re-payment. Usually for a non-for-profit deal there would be a couple sources of repayment; maybe some government sources, an endowment on the side or a board who would step up
Capital One Bank	Declined	Target focus is manufacturers, distributors and retailers and this segment does not fall within their target market
Morgan Stanley	Pending	Awaiting a response from first inquiry

* SBB&T has a maximum lending limit of $15 million.