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Position Statement
Governor's Proposed Budget for Fiscal Year 2013-14

The following represents ARCA's positions regarding the proposals included in the Governor's proposed Budget for FY 2013-14.

Purchase of Service (POS)

FY 2012-13

1. As this is just a technical adjustment, ARCA takes no position on the net decrease of $8.0 million General Fund ($32.6 million total funds increase) due to updated caseload and expenditures data.

2. ARCA supports the $15.0 million General Fund increase to fund health insurance co-payments.

3. ARCA takes no position on the $30.8 million General Fund decrease to Impacts from Other Departments to reflect DHCS's outcome regarding Medi-Cal co-payments.

FY 2013-14

NOTE: The following are increases and decreases in funding from the FY 2012-13 Enacted Budget.

1. ARCA supports the $67.0 million General Fund ($154.4 million total funds) increase due to caseload growth and increased service utilization.

2. ARCA supports the $9.9 million General Fund increase associated with the funding of health insurance co-payments. ARCA recommends a comprehensive analysis of the sufficiency of this amount to fund anticipated service costs, as the proposed trailer bill expands the copayment funding beyond behavioral health treatment to encompass all health insurance copayments. With the implementation of California's autism insurance mandate in July 2012, individuals with developmental disabilities and their families have been faced with insurance co-payments for services that were once wholly funded by regional centers. These services are critical interventions demonstrated to ameliorate developmental delays, and in the case of intensive behavioral intervention for young children with autism, have been demonstrated to be transformational. This transition has been a difficult one for many. Due to the complexity of the proposed policy relative to the funding of co-payments, this issue would be better addressed through the appropriate policy committee to allow for necessary debate and public input, particularly from impacted individuals with developmental disabilities and their families, including those for whom the implementation of the proposed trailer bill language relative to this issue would pose a barrier to needed services. Another consideration is the large amount of regional center staff time that would be spent determining the appropriate level of financial support, particularly in light of complex and still uncertain changes to California's health care market as the provisions of the Affordable Care Act take effect.

In light of these concerns, ARCA proposes the following policy to address regional center funding of costs associated with accessing health care plan funding for behavioral health services:

a. Regional centers shall fund health care plan co-payments for costs associated with behavioral health treatment services identified in the Individual Program Plan and related to the developmental disability.

b. Regional centers shall fund health care plan coinsurance costs associated with behavioral health treatment services identified in the Individual Program Plan and related to the developmental disability. This payment shall be limited to the in-network coinsurance rate unless insufficient in-network providers are available.

c. Regional centers shall fund health care plan deductibles for behavioral health treatment services identified in the Individual Program Plan and related to the developmental disability if the family's income does not exceed 400 percent of the federal poverty level and if the payment will result in a calendar year cost savings to the state.

3. ARCA takes no position on the $30.8 million General Fund decrease to Impacts from Other Departments to reflect DHCS' outcome regarding Medi-Cal co-payments.

4. ARCA supports the increase of $27.3 million General Fund ($40.0 million total funds) to reflect the sunset of the 1.25% payment reduction on June 30, 2013.

5. ARCA would support the full restoration of cumulative POS cuts made in recent years, a goal not anticipated in this budget. These cuts have required community-based providers to operate under stagnant rates for several years, while the costs associated with providing services has risen.

6. ARCA supports the $0.2 million total funds ($0.0 General Fund) increase to Quality Assurance Fees for Intermediate Care Facilities (ICFs). This is a result of DDS's effort to bill Medi-Cal for day programs and transportation services provided to residents of ICFs. This has been a workload burden for regional centers, as they have had to process payments for services rendered back to FY 2007-08. As we have been in the past, regional centers remain committed to working with DDS to maximize federal revenues.

7. ARCA supports the increase of $40 million General Fund ($0 total funds) to reflect a funding shift from First 5 California (Proposition 10) to General Fund.

Developmental Centers

ARCA supports the development of a comprehensive plan to close the state's remaining developmental centers. California's developmental centers are aging facilities that would require significant fiscal investment to meet current building code standards, an amount estimated in 1998 to be in excess of $900 million.[1] Planning for the closure of the state's remaining developmental centers would be consistent with a nationwide trend towards providing necessary services in community-based settings. Fourteen states have already closed all institutions for individuals with developmental disabilities.

Regional centers take very seriously their charge to provide oversight for the health and safety of individuals they serve, both in the community and in the developmental centers. ARCA recommends the Legislature fund the regional center Operations and Purchase of Services necessary to develop appropriate community options for individuals living in state developmental centers. To ensure a smooth transition, DDS, developmental centers, and the Regional Resource Development Project staff will need to work cooperatively with regional centers, residents, and their families to develop and implement a plan to transition services for individuals to the community "one person at a time." The plan should include adequate resources and person-centered planning to address the unique needs of each individual transitioning from a developmental center into a community setting.

The restrictions placed on developmental center admissions last year speaks to California's commitment to serve individuals – even those with challenging service needs – in community settings. In order to succeed, supportive public policy, comprehensive planning, and sufficient funds are needed to develop appropriate supports that would allow the remaining developmental center residents to transition to communities of their choosing, as well as to provide appropriate community services to individuals being deflected from entry into developmental centers and other restrictive settings.

Annual Family Program Fee

ARCA opposes the proposed trailer bill language that would make the Annual Family Program Fee permanent. Rather, ARCA urges the Legislature to allow the program to sunset, as the fee puts an unnecessary barrier between families and the support services they need. "The fee" was a response to a financial crisis that has begun to ease, and the cost of administering the program likely exceeds the financial benefit to the state.

Early Start

ARCA continues to oppose the cuts made to services for at-risk infants and toddlers. ARCA urges the prioritization of the restoration of Early Start Program eligibility criteria and services to their status prior to Fiscal Year 2009-2010 to ensure the seamless provision of services to children at this vulnerable developmental stage. Restoration of funding for needed services, such as speech and physical therapies, for children with risk factors or milder developmental delays provides them the opportunity to reach their full developmental potential in early childhood. During Federal Fiscal Year 2008, in excess of 40% of the infants and toddlers served in the Early Start program on the basis of being "at risk" for developmental disabilities entered the program lagging behind same-age peers in

[1] California, Department of Developmental Services, Plan for the Closure of Lanterman Developmental Center (Sacramento 2010) 26.

each of three critical developmental areas and exited the program with age-appropriate skills.[2] This cost-effective approach is a wise investment in the future of California's children.

In response to the state's budget shortfall in 2009, eligibility criteria for the program was constricted and the Prevention Resource and Referral Service (PRRS) was established to provide solely case management services to children formerly eligible for full Early Start Services, including those infants and toddlers with risk factors for developmental disabilities and two year olds with significant but less severe developmental delays. In response to the changes, families who are coping with the shock of a child presenting with risk factors or delays must rely on available community resources for direct services for these young children, which are often financially stretched and unable to meet the high demand. This leaves families of young, vulnerable children in the untenable position of knowing that services are needed but oftentimes having no means to access them. Children who have lost funded services include those with extremely low birth weight, medical complications, language delays suggestive of autism, and those born to parents with developmental disabilities who may have difficulty obtaining necessary services for their young children. Children from economically disadvantaged areas are disproportionately referred to regional centers later than their peers due to less access to developmental screening services in underprivileged communities; as a result, they are being found ineligible for Early Start services due to needing to display a higher level of delay at age two, which creates an insurmountable barrier to services. The number of children receiving Early Start and PRRS assistance combined is still significantly less than the number served by Early Start prior to changes to the eligibility criteria, which is suggestive of children with risk factors and more mild developmental delays going without required support and services.

Service Provider Audit Requirements

Beginning in 2011, a community-based service provider billing in excess of $250,000 annually has been required to obtain an annual independent review of its financial statements. Those receiving in excess of $500,000 per year are required to have a financial audit completed. ARCA would support a proposal to eliminate the independent review requirement and to raise the audit threshold to $2 million, which would be consistent with the requirements established in the Nonprofit Integrity Act of 2004. ARCA believes these changes would relieve the financial burden of funding an audit from smaller regional center vendors who can least afford it without compromising client service quality. This compromise position would allow smaller vendors to devote greater resources to services for individuals with developmental disabilities while continuing to provide in-depth financial oversight to larger vendors.

Operations (OPS)

<u>FY 2012-13</u>

[2] California, Department of Developmental Services, <u>State of California Annual Performance Report for Federal Fiscal Year 2008: Part C of the Federal Individuals with Disabilities Education Act</u> (Sacramento, 2010) 24.

ARCA Position Statement
Governor's Proposed Budget for Fiscal Year 2013-14

1. As this is just a technical adjustment, ARCA takes no position on the net increase of $5.0 million General Fund ($3.4 million total funds increase) due to updated caseload and expenditures data.

<u>FY 2013-14</u>

NOTE: The following are increases and decreases in funding from the FY 2012-13 Enacted Budget.

1. ARCA supports the increase of $22.2 million General Fund ($23.1 million total funds) to reflect updated caseloads and costs.

2. ARCA supports the restoration of $4.6 million General Fund ($6.7 million total funds) due to the June 30, 2013 sunset of the 1.25% reduction to the Operations budget. This reduction began in February 2009 as a 3% reduction and was then increased to 4.25% beginning July 1, 2010. This was then reduced to 1.25% beginning July 1, 2012. These various reductions have further exacerbated the burden regional centers face to provide services to over 250,000 individuals with developmental disabilities while struggling to maintain mandated caseload ratios with an already underfunded budget and assuring compliance with the Lanterman Act and other State and federal statutory requirements. Regional centers have struggled under this burden of reduced funding in complying with the many federal requirements to maintain continued federal funding from the HCBS Waiver, Targeted Case Management, the 1915(i) State Plan Amendment, the 1915(k) State Plan, and Money Follows the Person programs. Regional center staff play a crucial role in bringing in over $1 billion in federal reimbursements from the HCBS waiver and Targeted Case Management programs.

> a. Regional center Operations still maintains an unallocated reduction that was instituted in the early 1990s.
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> b. The bulk of the regional center Operations budget is calculated using the Core Staffing formula. The salaries in the Core Staffing formula, with few exceptions, have not been updated since 1991. This has resulted in the regional center Operations budget being underfunded by approximately $166 million.
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> c. Continued erosion of caseload ratios will lead to reduced monitoring of individual services, which could undermine the health and safety of individuals, 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 individuals.

3. ARCA would also support the restoration of the FY 2001-02 unallocated reduction of $10.6 million and the restoration of the FY 2004-05 unallocated reduction of $6.0 million. These unallocated reductions continue to be deducted from regional center operations budgets year after year, further frustrating the efforts of regional centers to capture federal funds.