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

[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:

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

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

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

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.

Self-Directed Services - Training and Development: 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:

FY 2011-12 savings

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

FY 2012-13 savings

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:

FY 2011-12 savings

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

FY 2012-13 savings

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:

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

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

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

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**