DEPARTMENT OF DEVELOPMENTAL SERVICES
SUMMARY OF BUDGET REDUCTIONS
JULY 2009

INTRODUCTION

The State of California is experiencing an unprecedented budget shortfall largely due to the severe national economic crisis. Every area of state government is impacted by this fiscal crisis, including the Department of Developmental Services (DDS or Department).

In February, the Governor and Legislature reached agreement on a budget solution to address a $42 billion budget deficit and restore California's fiscal balance. Unfortunately, since that time the global recession has deepened and the State now faces an additional deficit exceeding $26 billion.

The Department has undertaken numerous efforts to control costs throughout our entire system, including staffing reductions in the DDS headquarters and state-operated developmental centers, contract suspensions, furloughs of state employees with a corresponding 14.2 percent decrease in salary, and development of proposals to reduce regional center operations and purchase of services. Throughout this difficult process, the Department has remained committed to preserving the entitlement to services and supports and the continued implementation of the individualized planning process mandated in the Lanterman Developmental Disabilities Services Act (Lanterman Act) and Early Intervention Services Act (Early Start).

The Department recognizes that the State's worsening fiscal situation and the specific savings proposals pending legislative actions have created uncertainty and concern. This briefing paper was prepared to provide an accurate and complete overview of the Department's efforts to manage our limited resources.

OVERVIEW

DDS is responsible under the Lanterman Act for ensuring that more than 240,000 people with developmental disabilities receive the services and supports needed to live independent and productive lives. These disabilities include mental retardation, cerebral palsy, epilepsy, autism and related conditions. Services are delivered directly through four state-operated developmental centers and two community facilities, and under contract with a statewide network of 21 nonprofit regional centers.

In the 2008-09 Fiscal Year (July 1, 2008 to June 30, 2009), $4.7 billion was allocated to DDS to provide these services. Due to caseload increases and higher service needs, the 2009-10 budget was projected to grow by over $345 million. The Department's budget has two sources of revenue: state dollars, called General Fund, and monies from the federal government. The State receives a small federal grant for the Early

Start Program serving infants and toddlers from birth to three years of age and matching funds for services provided to approximately 154,000 consumers enrolled in the federal Medicaid Program (Medi-Cal). The Department operates a large (both in terms of enrollment numbers and breadth of covered services) federally approved Home and Community-based Services Waiver (Waiver) for regional center consumers who are Medi-Cal beneficiaries. Through this Waiver the federal government participates in the funding of community services to eligible consumers. The number of regional center consumers enrolled on the Waiver has grown to 80,862 and the Department estimates approximately 3,700 new regional center consumers will be added to the Waiver this fiscal year. The Department is currently unable to receive federal matching funds for community services delivered to consumers who are on Medi-Cal but not eligible for the Waiver. To be eligible, a consumer cannot reside in a licensed health care facility and must meet the level-of-care criteria for Waiver enrollment.

In January 2009, the Governor's Budget proposed a 3 percent payment reduction for regional centers and service providers and called for the Department to work with stakeholders to achieve a $334 million General Fund savings. The Legislature adopted the 3 percent proposal, reduced the Department's budget by $100 million (General Fund) and required the Department to work with stakeholders and submit a plan explaining how the savings would be achieved. In order to make sure the savings would occur, the Legislature adopted language to require an additional provider payment reduction of 7.1 percent if a savings plan for the $100 million was not adopted by the Legislature prior to September 1, 2009.

In February, the Department implemented a stakeholder process to meet the legislative requirements. Three stakeholder public forums were held in Sacramento, Oakland, and Los Angeles. A workgroup was established to discuss potential budget proposals with representatives from statewide stakeholder groups (list of participants enclosed) impacted by the reductions. Legislative staff was invited to participate in all the meetings. In addition, the California Disability Community Action Network hosted a telephone town hall meeting for DDS to allow an additional opportunity for input from the community. All stakeholders were encouraged to submit ideas and comments in writing to the Department. The Department distributed public hearing meeting information to hundreds of stakeholder contacts, posted information on the department internet site, and made efforts to ensure that the meetings and materials met the public's accessibility and language needs.

In total, approximately 1,400 stakeholders attended the three public forums, including those stakeholders who attended by conference call. The Department received approximately 1,350 written recommendations outlining budget suggestions and several phone calls from stakeholders. Department staff consolidated all recommendations received, as well as those outlined in the DDS Cost Containment report submitted to the Legislature in December 2007, and presented this information to the workgroup in its deliberation of proposals that would achieve the targeted $100 million reduction.

The workgroup met for 25 hours to review and prioritize the proposals. While not every member supported each proposal, the final package represents recommendations informed by the workgroup to achieve the targeted savings while maintaining the entitlement and ensuring program and service integrity.

Unfortunately, the economy worsened and additional budget reductions were contained in the Governor's May Budget Proposal (May Revise). After release of the May Revise, the Department reconvened the stakeholder workgroup to review and prioritize an additional $234 million in reductions. Unlike the prior $100 million budget reduction, savings for the new $234 million could come from the entire developmental services system, including developmental centers. The workgroup divided into subcommittees to address and refine proposals by program area, and subsequently reconvened as a full workgroup to consider and prioritize each proposal. While members do not support the $234 million budget cut, the final package reflects the input of the workgroup to achieve the targeted savings while maintaining the entitlement, protecting the individual planning process.

Following completion of the budget proposals by DDS, the Assembly and Senate Budget Committees considered the proposals during public hearings. Subsequently, the Joint Legislative Conference Committee on the budget adopted the Department's recommendations and associated trailer bill language. These changes are pending final legislative approval and enactment as part of the overall state budget negotiations.

PROPOSALS TO ACHIEVE TARGETED SAVINGS

The Department developed and submitted to the Legislature two sets of savings proposals. The first set of proposals was submitted in April 2009 to achieve a General Fund savings target of $100 million. The second set of proposals was submitted in June 2009 to achieve an additional General Fund savings of $234 million. The following summary consolidates all of the proposals into a comprehensive list totaling $334 million in General Fund savings. The amount noted for each proposal represents the associated General Fund savings in Fiscal Year 2009-10.

These proposals do not change the Individualized Family Services Plan/Individual Program Plan processes, nor do they change existing appeal rights and processes.

A. Expanded Federal Funding (New funds anticipated $78.8 million)

The Department will work with the California Department of Health Care Services, the federal Centers for Medicare and Medicaid Services and stakeholders to maximize federal funding received by California, as follows:

1. An amendment, called a 1915(i), to California's Medicaid plan will be pursued to allow receipt of federal funding for services to consumers who are on Medi-Cal but not eligible for the Waiver.

2. Services, such as day care, will be added to the existing Waiver.

3. The Department will pursue becoming an Organized Health Care Delivery System to ensure California receives federal funds already assumed in the budget of $44 million and achieve an additional $4.6 million in savings.

4. Regional centers will not newly vendor any licensed community care facilities (CCF) with a capacity of 16 or more beds which do not qualify for federal Medicaid funds because of their institutional setting. Effective July 1, 2012, regional centers will not be able to purchase services from existing facilities, as described above, unless the facility has a written agreement and plan to qualify for Medicaid funding through downsizing or becoming more 'homelike' by June 30, 2013.

B. Developmental Centers ($27.2 million)

In addition to the employee furloughs and staff reductions noted above, the Department will implement the following proposals associated with the state operated Developmental Centers (4 facilities) and Community Facilities (2 facilities):

1. The Department will close the Sierra Vista Community Facility. Residents will relocate to living options based upon their needs and choices as identified in their Individual Program Plans.

2. Several capital outlay projects (facility repairs) will be delayed to achieve one-time savings in the 2009-10.

3. Up to 30 existing residents in the secure treatment program at Porterville Developmental Center will enter a specialized transition treatment area where their services will be eligible for federal matching funds.

C. General Standards ($45.9 million)

This proposal establishes the following standards to be used by regional centers in authorizing services:

1. Regional centers shall not purchase experimental treatments, therapeutic services or devices that have not been clinically determined or scientifically proven to be effective or safe or for which risks and complications are unknown.

2. The Lanterman Act currently requires regional centers to use generic services when available. If a consumer or family chooses not to access available generic services (e.g. IHSS, Medi-Cal, public school, California Children's Service), regional centers will not be able to pay for the service.

3. The Lanterman Act currently requires regional centers to use generic services when available. Medical and dental services covered by generic resources, such as Medi-Cal, health plan(s) or private insurance, will not be purchased by the regional centers for consumers enrolled in these insurance plans without proof of denial from the insurance provider. This proposal applies to consumers three

years of age or older. Services can be provided pending approval, initiation or denial of the service.

4. Services identified in the Individualized Family Services Plan/Individual Program Plan that can be provided by more than one vendor and still meet the consumer's needs will be compared and regional centers will purchase the services from the least costly service provider that can meet the consumer's needs. In determining the least costly provider, the cost of transportation and the availability of federal financial participation will be considered. The consumer will not be required to use the least costly provider if it will result in the consumer moving to more restrictive or less integrated services or supports.

5. Regional centers will provide information to the consumer or his or her authorized representative about the type and costs of services provided each year to the consumer.

D. Transportation Reform ($16.9 million)

Regional centers ensure the transportation needs of consumers identified in their Individualized Family Services Plan/Individual Program Plan are met. The centers may obtain these services from various public and private transportation providers when the transportation needs cannot be met by family members. This proposal will require regional centers to pursue lower cost transportation services that can meet the consumers' individual needs, as follows:

1. If a consumer can use public transportation, they will be assisted to do so, rather than purchase special transportation.

2. While still meeting the consumer's need, the least expensive transportation option will be used.

3. Regional centers will buy services close to consumers' homes to save on transportation costs, when such services meet the individual's needs.

4. If feasible, families will provide transportation for children as opposed to it being purchased by regional centers.

E. Uniform Holiday Schedule ($16.3 million)

Most day programs, look-alike day programs and work activity programs recognize 10 holidays, but these holidays may differ between programs. This proposal standardizes the holiday schedule for these programs and increases the total number to 14 days. Programs will have the same 14 holidays off each year. The statute authorizes the Department to adjust the proposed list of holidays with sufficient notice. In addition to the savings from the decreased number of program days, savings from the reduced transportation costs will be realized.

F. New Service for Seniors at Reduced Rates ($1.0 million)

Most day programs, look alike day programs and work activity programs do not have programs specifically for aging consumers who might want a different program model designed to meet their needs. This proposal requires all of these types of programs to offer a senior component to their current program design. About 5% of consumers over 50 years of age are expected to choose this new service option.

G. Custom Endeavors Option ($12.7 million)

Employment for persons with developmental disabilities remains a high priority for the Department. This proposal expands options for consumers to gain employment, work experience through volunteerism, and/or start their own business. Day programs, look alike day programs and work activity programs will offer this new service model as a component of their current program design. This option will be provided to consumers consistent with their Individual Program Plan.

H. In-Home Supportive Services (IHSS) ($1.3 million)

Under the Lanterman Act, regional centers are required to use available generic resources such as IHSS. This proposal requires supported living providers to help consumers get IHSS within five days of moving into supported living. While the consumer is waiting for IHSS services, the supported living provider will be paid the IHSS rate for IHSS type services provided to the consumer. This does not change the Individual Program Plan or services to the consumers.

I. Supported Living Services ($6.9 million)

Consumers who live in the community can receive services necessary to remain in their own home. These services are available from a Supported Living Services (SLS) provider. This proposal provides specific direction on the provision of these services, as follows:

1. Regional centers will work with SLS providers on rates of payment that are cost effective, include reasonable administrative costs, and can be no higher than the rate on July 1, 2008.

2. Unless needed to implement a consumer's Individual Program Plan in limited and unique circumstances, regional centers will not be allowed to pay a consumer's rent.

3. As long as it meets the consumer's needs, regional centers will attempt to have consumers who share a home use the same SLS provider.

J. Utilization of Neighborhood Preschools ($8.9 million)

Some toddlers served by the regional centers currently attend segregated infant development programs. This proposal supports a different service delivery model whereby families, through the Individualized Family Services Plan/Individual Program Plan, will be able to have their toddler attend local preschools with the regional center also providing necessary supports.

K. Group Training for Parents on Behavior Intervention Techniques ($6.4 million)

At the time of development, review or modification of the Individualized Family Services Plan/Individual Program Plan, the regional centers will be required to consider providing group training to parents in lieu of providing some or all of the in-home parent training component of the behavior intervention services. Similar programs have been found to be successful and cost effective because parents who attend group training on behavioral interventions can better support their children.

L. Behavioral Services ($19.3 million)

This proposal establishes the following specific standards to be used by regional centers in purchasing behavioral services:

1. Consistent with the need established in the consumer's Individualized Family Services Plan/Individual Program Plan, regional centers can purchase Applied Behavior Analysis or Intensive Behavior Intervention services if the service provider uses evidence-based practices and the services promote positive social behaviors and help address issues with learning and social interactions.

2. In order to purchase Applied Behavior Analysis or Intensive Behavior Intervention services, parents of children receiving services must participate, as described, in the established intervention plan.

3. Applied Behavior Analysis or Intensive Behavior Intervention services may not be used for purposes of providing respite, day care, or school services, or solely as emergency crisis services. These services, when identified in the Individualized Family Services Plan/Individual Program Plan, are available through other appropriate providers.

4. Once a consumer's treatment goals, as identified in their Individualized Family Services Plan/Individual Program Plan, have been achieved, regional centers will discontinue purchasing a particular Applied Behavior Analysis or Intensive Behavior Intervention service. The planning team must review progress regularly and change the service if it is not effective.

5. Regional centers will evaluate the Applied Behavior Analysis or Intensive Behavior Intervention hours for each consumer at least every six months.

M. Early Start – Eligibility Criteria ($15.5 million)[1]

The Early Start program in California provides services to infants and toddlers under the age of 3 who are ‘developmentally delayed’ or have an ‘established risk’ or are ‘at high risk’ of a developmental delay. For toddlers who are ‘developmentally delayed’, this proposal would limit eligibility for entry to the Early Start program after 24 months of age to only those toddlers who have a 50% or greater delay in one domain, or, 33% or greater in two domains. The current threshold is 33% in one domain regardless of age. The age of the infant/toddler at the time of the initial referral will be the age for consideration of eligibility.

Under the $100 million cut, eligibility for toddlers aged 24 months or greater who were ‘at risk’ of a developmental delay was eliminated. Elimination of eligibility for Early Start services for ‘at risk’ infants and toddlers was proposed under the $234 million cut. However, a new prevention program was authorized to provide specific services to infants and toddlers affected by this change, as described in the next proposal.

N. Early Start Program Proposals ($19.5 million)

This set of proposals limits services and eligibility for the Early Start program and establishes an alternative program that may be available for consumers no longer eligible for the Early Start program, as follows:

1. Beginning October 1, 2009, and with the exception of durable medical equipment, regional centers will not purchase services that are not required under the federal Early Start grant program. These services include: child care, diapers, dentistry, interpreters, translators, genetic counseling, music therapy, and respite services not related to the developmental delay.

2. The Department will establish a Prevention Program to be available at each regional center for infants and toddlers who do not meet the federal Early Start Program or Lanterman Act eligibility requirements. The prevention program will at a minimum include intake and assessment, case management, and referral to appropriate generic resources. During their participation in the prevention program, if an infant or toddler becomes eligible for the federal Early Start program or Lanterman Act services, regional centers will be able to serve them in those programs.

3. Beginning October 1, 2009, current or prospective infants and toddlers who are ‘at risk’ for developing a developmental disability will not be eligible for Early Start services. However, services for these infants and toddlers may be available through the new prevention program as described above.

[1] Savings includes $13.4 million in purchase of service and $2.1 million in Regional Center Operations

O. Early Start – Use Private Insurance ($6.5 million)

As is currently required of families with children over 3 years of age, this proposal would require parents of children under 3 to ask their private insurance or health care service plan to pay for medical services covered by the insurance or plan. Intake and assessment will remain free.

P. Expansion of In-Home Respite Agency Worker Duties ($3.0 million)

This proposal would allow respite workers to assist consumers with colostomies/ileostomies, catheters, and gastrostomies, consistent with the abilities of trained day program staff. These duties are currently performed in the home by licensed professionals at significantly greater cost. The respite worker must be trained by a licensed professional and will receive an increase in compensation of $.50/hour for the time performing these duties.

Q. Parental Fee Program ($900,000)

Parents of children under the age of 18 living in any out-of-home care arrangement (e.g. community care facility, developmental center, etc.) pay a monthly fee that varies by family size and income. These fees have not been updated since 1989, except for an increase in the maximum fee amount in 2003. This proposal updates the fee using the most current United States Department of Agriculture data on the cost of raising children. Parents with income below the current Federal poverty level will not be assessed a fee. The fee increase for maximum fee would increase from $662 to $1,875 per month for the highest income families. (For example, a family of four making $146,000 will be assessed the maximum fee.) The children currently in an out-of-home care arrangement will be phased-in over three years, with one-third of the increase each year. Parents whose children move to an out-of-home care arrangement after July 1, 2009 will pay the full updated fee amount.

R. Individual Choice Budget (no savings until implemented)

The Department, in consultation with stakeholders, will develop a new service delivery model that provides consumers and families with an “Individual Choice Budget.” This new service delivery model will provide individuals with resources to obtain quality services and supports within a defined budget, while providing choice and flexibility that, in total, saves money in purchase of service expenditures. At such time as this model is implemented and is deemed by the Department to be achieving specific levels of savings, some or all of the cost savings strategies in the following sections (respite service standards and temporarily suspended services) will sunset. . The Department will continue to meet with stakeholders to further develop and refine this proposal.

S. Respite Program- Temporary Service Standards ($4.8 million)

This proposal establishes specific standards to be used by regional centers in authorizing respite services:

1. Regional centers may purchase respite services when the needs of a consumer are greater than that of an individual of the same age without developmental

disabilities. Regional centers can grant exemptions to this rule under certain circumstances.

2. Consistent with the need for respite services established in the Individualized Family Services Plan/Individual Program Plan, no more than 21 days of out-of-home respite services in a fiscal year, or 90 hours of in-home respite services in a three-month period, may be purchased by a regional center. Regional centers can grant exemptions to this rule under certain circumstances.

3. Day care services cannot be used in-lieu of respite services.

These standards will be lifted upon certification of the Director of DDS that the Individual Choice Budget has been implemented and will result in state budget savings sufficient to offset the costs of sun setting the standards.

T. Temporarily Suspend Services ($27.4 million)

The following services will be temporarily suspended pending development of the Individual Choice Model, as described above, that achieves a level of savings sufficient to offset the costs associated with providing these services. Although these remain important services, the current fiscal situation warrants this action until the alternative Individual Choice Budget savings proposal is implemented.

1. Social/recreation activities, except those vendored as community-based day programs.

2. Camping services and the associated travel.

3. Educational services for minor, school-aged children.

4. Non-medical therapies (specialized recreation, art, dance, music, etc.)

Exemptions may be granted by the regional center director in limited and unique circumstances.

This suspension of services will be lifted upon certification of the Director of DDS that the Individual Choice Budget has been implemented and will result in state budget savings sufficient to offset the costs of providing the suspended services.

U. Quality Assurance Consolidation ($2.0 million)

Funding for two separate quality assurance studies will be combined and reduced to fund an improved unified quality assurance system that will be implemented by January 1, 2010. The existing studies include the ‘Movers Study’ which evaluates consumer satisfaction for individuals who have moved from a developmental center into a community based setting, and the Life Quality Assessment (LQA) which surveys consumers in the community regarding their quality of life.

V. Suspend Wellness and Physician Training Program ($1.3 million)

The Wellness and physician training program funding will be suspended. Wellness funds were used by regional centers for development and implementation of new clinical services and training for consumers, families, and providers. Physician training included contracts with University of California medical schools for various trainings provided to health care professionals on developmental disabilities.

W. Eliminate Triennial Quality Assurance Review ($1.0 million)

Regional centers are currently funded to perform quality assurance evaluations of community care facilities at least once every three years. The funding for these triennial evaluations will be eliminated. However, regional center will maintain other quality assurance activities, including quarterly consumer visits (two must be at the consumers' place of residence), and annual facility monitoring visits. In addition, the California Department of Social Services conducts annual licensing visits of these facilities.

X. Reduction in One Time Regional Center Funding ($3.5 million)

Annually, the Department provides limited funds to regional centers with specific costs associated with required office expansions or relocation needed to better serve consumers. This proposal further limits the availability of this funding.

Y. Additional Regional Center Operations Budget Savings ($7.0 million)

In addition to the 3 percent cut and the reduction in Operations funding associated with items M, W, and X above, the Regional Centers operations budget will be further reduced by $7.0 million.