

Department of Developmental Services

2011-12 May Revision Highlights



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DEPARTMENT OF DEVELOPMENTAL SERVICES 2011-12 MAY REVISION HIGHLIGHTS

PROGRAM HIGHLIGHTS

The Department of Developmental Services (the Department) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that 245,000 persons with developmental disabilities receive the services and support they require to lead more independent and productive lives and to make choices and decisions about their lives. Proposed system-wide funding for 2011-12 is \$4.6 billion (\$2.6 billion General Fund).

California provides services and supports to individuals with developmental disabilities in two ways: the vast majority of people live in their families' homes or other community settings and receive state-funded services that are coordinated by one of 21 non-profit corporations known as regional centers. A small number of individuals live in four state-operated developmental centers and one state-operated community facility. The number of consumers with developmental disabilities in the community served by regional centers is expected to increase in fiscal year 2011-12 to 250,000. The number of consumers living in state-operated residential facilities will decrease by the end of fiscal year 2011-12 to less than 1,700.

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. 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 to address fiscal pressures, the Department with input from a workgroup comprised of regional centers, service provider representatives, advocacy groups, consumers and family members 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 GF 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. 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 by an additional 1.25 percent for a total reduction of 4.25 percent in FY 2010-11 and 2011-12.

Due to continuing and significant pressure on the GF, the Department's budget for FY 2011-12 faces continuing decreases of \$591 million GF (\$576.9 related to legislative actions and \$14.1 million in additional budget adjustments), in addition to reductions achieved through statewide budget items (e.g. state workforce reductions). This \$591 million GF reduction includes the continuation of the 4.25 percent operations and payment reduction, additional federal funding for developmental centers and regional

centers, continued funding from California First Five Commission, additional developmental center reductions, a decrease in the Prevention Program, cost avoidance and savings proposals that include a 15% cap on administrative costs, expanded audit requirements for regional centers and providers, improved third party liability efforts, expanded conflict of interest requirements and additional accountability and transparency requirements for regional centers and providers. As part of the recently adopted solutions, the Department's budget was reduced by \$189 million GF to meet Welfare and Institutions (W & I) Code Section 4620.3 (\$174 million GF) and an unallocated reduction in the developmental center budget (\$15 million GF). The Department's May Revision reflects budget solutions and policy proposals to fully achieve those GF savings.

COMMUNITY SERVICES PROGRAM

2010-11

To provide services and support to 242,977 persons with developmental disabilities in the community, the May Revision updates 2010-11 funding to \$4.1 billion total funds (\$2.1 billion GF). The May Revision includes a decrease of \$66 million total funds (\$51.1 million GF) for regional center operations (OPS) and purchase of services (POS). This is composed of:

Caseload and Utilization

\$49.7 million decrease (\$37.9 million GF) in regional center OPS and POS costs primarily due to updated caseload and utilization data, and reimbursement funding.

Community Placement Plan

\$12 million decrease (\$11.1 million GF) in Community Placement Plan (CPP) costs due to updated costs associated with individuals placed from Developmental Centers into the community.

Quality Assurance Fees (QAF) and Intermediate Care Facilities for individuals with Developmental Disabilities (ICF-DD) State Plan Amendment (SPA) Administration Fees

\$0.8 million decrease (\$0.2 million decrease (\$0.1 million GF) ICF-DD SPA regional center administration fees and \$0.6 million decrease (\$0.0 GF) in QAF) due to updated expenditures for day treatment and transportation costs of ICF-DD residents.

Control Section 15.30 Reduction Plans

A decrease of \$0.5 million GF in Information Technology costs for regional center operations projects to reflect Control Section 15.30 reduction plans.

Impacts from Other Departments

\$3.0 million decrease (\$1.5 million GF) to reflect costs that will not occur in 2010-11 associated with delays in the reduction proposals to the maximum monthly Department

of Social Services SSI/SSP program and the elimination of Adult Day Healthcare Centers (ADHC). The new implementation date for these proposals is July 1, 2011.

2011-12

For 2011-12, the May Revision projects the total community caseload at 249,674, an increase of 6,697 consumers or 2.8 percent over the revised 2010-11 caseload. While caseload increases, the May Revision projects savings of \$55.6 million GF due to updated reimbursement, expenditure and utilization change estimates. The regional center budget changes are:

Cost Containment Measures Pursuant to W & I Code Section 4620.3

Cost containment measures adopted by the Legislature pursuant to W & I Code Section 4620.3 require the Department to achieve GF savings of \$174.0 million. The savings target was reduced by \$55.6 million to reflect reduced expenditure savings in 2011-12, leaving \$118.4 million to be achieved through the proposals put forward by the Department with input from consumers, family members, advocates, service providers, regional centers, and others in the community. Proposals to meet these savings require on an annual basis \$1.5 million for additional federal funds. Proposals also reflect expenditure reductions in headquarter contracts, reduction and efficiencies in regional center operations, and reductions in purchase of consumer services. These proposals can be found at: <http://www.dds.ca.gov/PublicForums/Index.cfm>. As the proposals assume varying implementation dates in 2011-12, \$28.5 million GF will be achieved through one-time current year 2010-11 GF savings.

Caseload and Utilization

\$43.4 million decrease (\$56.5 million GF) in regional center OPS and POS due to updated caseload and utilization change.

Agnews Ongoing Workload

\$0.8 million decrease (\$0.3 million GF) and 31.5 positions to conform to the Legislative reduction in regional center OPS costs for Agnews ongoing workload. The reduction in positions includes 16.6 state employees in the community, 7.9 quality assurance and resource development personnel, and 7.0 client program coordinators.

Federal Medicaid Requirements for Regional Centers to Vendor Providers of Home and Community Based Services

\$1.0 million increase (\$0.5 million GF) to comply with March 2011 Trailer Bill Language (TBL) for Accountability and Transparency that requires regional centers to gather and review business ownership, control and relationship information, pursuant to federal law, from prospective and current vendors. Additionally, regional centers will be required to determine that all prospective and current vendors are eligible to participate as Medicaid service providers by verifying that they have not been convicted of a crime related to the Medicare, Medicaid or Title XX programs.

QAF and ICF-DD SPA Administration Fees

\$0.4 million increase in 2011-12 (\$0.5 million increase (\$0.0 GF) QAF and \$0.1 million decrease (\$0.1 million GF) ICF-DD SPA Administration Fees) to updated expenditures for day treatment and transportation costs of ICF-DD residents. These are fees related to increasing FFP for day treatment and transportation costs for residents of ICF-DDs.

DEVELOPMENTAL CENTERS PROGRAM

2010-11

To provide services and support for 1,970 residents of developmental centers (average in-center) the May Revision updates 2010-11 funding to \$601.8 million (\$279.1 million GF) and authorized positions to 6,210.6, a decrease of \$5.8 million (\$3.6 million GF). The decrease of 9 residents reflects adjustments to align the budget with updated population projections.

Reductions

- Staffing Adjustment reduction of \$3.3 million (\$1.4 million GF) due to an update for projected population; and
- Operating Expenses and Equipment (OE&E) Savings of \$2.5 million (\$2.2 million GF) which represents one-time reductions in Occupational, Physical, and Speech Therapy contracts, system-wide reductions in janitorial services, major equipment and general expenses.

These current year GF savings will be used to offset implementation lags associated with the policy proposals to save \$15 million GF in 2011-12.

2011-12

For 2011-12, the May Revision projects 1,752 residents of developmental centers (average in-center). Funding is decreases to \$577.2 million (\$296.5 million GF) and authorized positions decrease to 5,570.5. The developmental centers' GF budget has been reduced through Legislative actions and other statewide administrative savings.

Summary of Recently Adopted Legislative Actions:

- Lanterman Staff Reduction of \$2.1 million (\$1.2 million GF) which reflects a reduction of 28.0 positions in staffing retained for closure;
- Program and Unit Consolidations at the four developmental centers which reduce \$13.3 million (\$6.8 million GF) and 140.0 positions;
- An OE&E reduction of \$6.6 million (\$5.2 million GF);

- Reduced capital outlay projects at Fairview and Sonoma developmental centers for savings of \$11.1 million (\$11.1 million GF); and
- \$15 million (\$15 million GF) unallocated reduction.

The May Revision reflects the following reductions to achieve the unallocated reduction:

- Staffing adjustment of \$6.1 million (\$3.2 GF) reduction and a decrease of 82.0 positions;
- Agnews Closure update eliminates the Primary Care Clinic and Warm Shut down staffing at Agnews for a reduction of \$3.4 million in unmatched reimbursements and 30.5 positions;
- Porterville suspension of admission and reduce cap on residential population in the Secured Treatment Program to 230 residents (30 in transition program) from the current cap of 297 residents (30 in transition program) for savings of \$5.1 million GF and a decrease of 71.0 positions; and
- One-time OE&E reduction of \$4.2 million (\$3.1 GF).

May Revision Population Adjustments

The budget reflects an average in-center reduction of 31 consumers from the November Estimate (from 1,783 to 1,752). The number of consumers living in state-operated residential facilities will decrease by the end of fiscal year 2011-12 to 1,651.

LANTERMAN DEVELOPMENTAL CENTER CLOSURE UPDATE

The Department, working with regional centers, now anticipates the transition of approximately 64 residents to community living arrangements during 2010-11. The May Revision continues to anticipate the transition of another 100 residents to community living arrangements in 2011-12.

Due to the delay in the signing of the 2010-11 budget, there was a delay in initiating closure activity. As a result, Lanterman's population is higher than had been projected which resulted in an increase of 23 positions in 2011-12. The Department determined that 22 of these positions were not needed. OE&E was increased as OE&E is primarily tied to the costs to provide food, drugs, and clothing for residents and not tied to staffing.

Lanterman's allocation was also reduced by \$2.3 million (and 29 positions) to reflect the Legislative action to consolidate programs and units, and by \$2.4 million in OE&E reductions to meet the system-wide unallocated reduction.

The updated Lanterman allocation for 2011-12 reduces 159 positions and retains \$12.9 million (\$5.5 million GF) for the ongoing deliver of services to residents during the closure process, preparation for closure such as costs related directly to the transfer of residents to new living arrangements and costs for "cash out" of accrued leave for employees separating from state services due to retirement or layoffs. This includes 60 positions retained for closure activities.

CAPITAL OUTLAY

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

HEADQUARTERS

2010-11

In support of the Community Services and Developmental Center Programs, the budget updates the 2010-11 funding for headquarters operations to \$35.3 million (\$22.4 million GF), a decrease of \$0.5 (\$0.5 million GF) compared to the Governor's Budget, due to OE&E reductions that reflect Information Technology savings, rent reductions, and general expense related to the implementation of the Workforce Cap savings.

2011-12

The May Revision provides funding for 2011-12 headquarters operations of \$38.6 million (\$24.6 million GF). The Department's budget will be further reduced due to statewide reductions, such as hiring freezes, furloughs, and wage reductions. The Department proposes to reduce contracts and discontinue a non-mission critical project as part of the proposal for cost containment pursuant to W&I code section 4620.3.

FUNDING SUMMARY

(Dollars in Thousands)

	2010-11	2011-12	Difference
BUDGET SUMMARY			
COMMUNITY SERVICES	\$4,060,759	\$3,982,972	-\$77,787
DEVELOPMENTAL CENTERS	601,789	577,150	-24,639
HEADQUARTERS SUPPORT	35,297	38,607	3,310
TOTALS, ALL PROGRAMS	\$4,697,845	\$4,598,729	-\$99,116
FUND SOURCES			
General Fund	\$2,450,424	\$2,611,198	\$160,774 *
Reimbursements: Totals All	2,188,083	1,928,194	-259,889 *
<i>Home & Community Based Serv. (HCBS) Waiver</i>	1,184,481	945,081	-239,400
<i>HCBS Waiver Administration</i>	8,710	12,471	3,761
<i>Medicaid Administration</i>	13,381	12,308	-1,073
<i>Targeted Case Management</i>	154,566	132,492	-22,074
<i>Targeted Case Management Administration</i>	3,893	4,001	108
<i>Targeted Case Management SPA, ICF-DD</i>	3,605	3,067	-538
<i>Medi-Cal</i>	302,759	258,897	-43,862
<i>Title XX Social Services Block Grant</i>	225,060	225,060	0
<i>Self-Directed HCBS Waiver</i>	346	384	38
<i>Self-Directed HCBS Waiver Administration</i>	431	0	-431
<i>ICF-DD/State Plan Amendment</i>	57,590	48,928	-8,662
<i>Quality Assurance Fees (DHCS)</i>	33,811	9,959	-23,852
<i>Vocational Rehabilitation</i>	118	118	0
<i>Counties Children & Families Account</i>	50,000	50,000	0
<i>1915(i) State Plan Amendment</i>	120,383	164,907	44,524
<i>Impacts from Other Departments FFP</i>	0	16,037	16,037
<i>Money Follows the Person</i>	3,537	15,418	11,881
<i>Homeland Security Grant</i>	210	210	0
<i>1915(k) Medicaid State Plan</i>	0	1,200	1,200
<i>All Other</i>	25,202	27,656	2,454
Federal Trust Fund	54,793	54,799	6
Lottery Education Fund	372	372	0
Program Development Fund (PDF)	2,890	2,883	-7
Mental Health Services Fund	1,133	1,133	0
Developmental Disabilities Svs Acct	150	150	0
AVERAGE CASELOAD			
Developmental Centers	1,970	1,752	-218
Regional Centers	242,977	249,674	6,697
AUTHORIZED POSITIONS			
Developmental Centers	6,210.6	5,570.5	-640.1
Headquarters	380.5	380.5	0.0

* GF increase and Reimbursement decreases primarily reflect the end of enhanced FMAP under the American Recovery and Reinvestment Act (ARRA) on June 30, 2011.

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2011-12 MAY REVISION**

(Dollars in Thousands)

	2010-11	2011-12	Difference
Community Services Program			
Regional Centers	\$4,060,759	\$3,982,972	-\$77,787
Totals, Community Services	\$4,060,759	\$3,982,972	-\$77,787
General Fund	\$2,148,885	\$2,290,100	\$141,215
Dev Disabilities PDF	2,603	2,603	0
Developmental Disabilities Svs Acct	150	150	0
Federal Trust Fund	51,898	51,915	17
Reimbursements	1,856,483	1,637,464	-219,019
Mental Health Services Fund	740	740	0
Developmental Centers Program			
Personal Services	\$477,824	\$460,509	-\$17,315
Operating Expense & Equipment	123,965	116,641	-7,324
Total, Developmental Centers	\$601,789	\$577,150	-\$24,639
General Fund	\$279,132	\$296,464	\$17,332
Federal Trust Fund	529	530	1
Lottery Education Fund	372	372	0
Reimbursements	321,756	279,784	-41,972
Headquarters Support			
Personal Services	\$30,541	\$33,335	\$2,794
Operating Expense & Equipment	4,756	5,272	516
Total, Headquarters Support	\$35,297	\$38,607	\$3,310
General Fund	\$22,407	\$24,634	\$2,227
Federal Trust Fund	2,366	2,354	-12
PDF	287	280	-7
Reimbursements	9,844	10,946	1,102
Mental Health Services Fund	393	393	0
Totals, All Programs	\$4,697,845	\$4,598,729	-\$99,116
Total Funding			
General Fund	\$2,450,424	\$2,611,198	\$160,774 *
Federal Trust Fund	54,793	54,799	6
Lottery Education Fund	372	372	0
Dev Disabilities PDF	2,890	2,883	-7
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,188,083	1,928,194	-259,889 *
Mental Health Services Fund	1,133	1,133	0
AVERAGE CASELOAD			
Developmental Centers	1,970	1,752	-218
Regional Centers	242,977	249,674	6,697
Authorized Positions			
Developmental Centers	6,210.6	5,570.5	-640.1
Headquarters	380.5	380.5	0.0

* GF increase and Reimbursement decreases primarily reflect the end of enhanced FMAP under the American Recovery and Reinvestment Act (ARRA) on June 30, 2011.