



## **CHALLENGES, PROGRESS AND OPPORTUNITIES**

### ***A Review of the Office of Developmental Programs Two Years After Transition***

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*As Secretary Alexander promised during his confirmation hearing, we are thoroughly reviewing the Department's fiscal situation. As this review has proceeded, the severity of that situation has become clearer to us. Today's testimony details the serious challenges facing ODP, the progress we have made, and the promising opportunities in front of us.*

*All of us want the same thing – to provide quality services for those in need through a sustainable, successful program with clear and fair rules of the road for families and providers to follow. Lack of clear rules carries a real price. With almost 16,000 persons with intellectual disabilities on the waiting list hoping to enroll in the system, the need for reform is urgent.*

#### **Background of Transition**

- The Department of Public Welfare's Office of Developmental Programs (ODP) provides services for persons with intellectual disabilities. It is the right thing to do and we are committed to ensuring the program can provide this assistance now and well into the future. ODP pays providers for these services with both state funds and Federal matching funds from the Centers for Medicare and Medicaid Services (CMS).
- ODP's services have been altered significantly since inception, moving from delivery in state facilities to a system primarily offering a wide array of services in the Community; and one administered by Counties to a State-wide program as of 2009.
- The systems, regulations, policies and practices to support this management transition required by the CMS have struggled to keep up with all of these changes while providing needed programmatic reforms.

#### **Forensic Review & Fiscal Challenges**

- While this transition was intended to ensure more uniformity of costs, fairness in services, flexibility in enrollment and competition among providers, the new statewide system has not yet fully realized its potential. We are thoroughly reviewing the ODP's finances and operations to better understand why and fix it.
- The current statewide system was set up with too few rules and regulations offering caregivers clear service definitions and other direction to ensure fair, efficient and effective business practices. The prior County-managed program provided fiscal controls that did not carry over to the state-run system. As a result, the state has paid

for many things beyond what the Federal government will match for reimbursement and an environment developed that allows waste and excess to stymie some of the good being done by the system and presents many challenges in the program's finances.

- We project that service utilization paid for by ODP will increase by \$58.5 million this fiscal year just for individuals already enrolled in ODP programs. This growth is not accounted for in ODP's current Consolidated Waiver budget of \$1.64 billion. These figures also do not include the approximately 16,000 individuals on the waiting list or the potential for an estimated \$134 million in other cost overruns in this fiscal year.
- The growth in services provided to individuals already in the system has been dramatic in recent years. While ODP's budget has increased by \$664 million, or 60%, from SFY 2004-2005 to 2010-2011, the number of individuals served only increased by 27% in that period. And 552 recipients had their individual service plans each grow by \$100,000 or more from one fiscal year to the next.

### **How Did We Get Here?**

- The transition, while necessary to comply with CMS requirements and continue receiving Federal matching funds, has been challenging and in fact led to rapidly increasing costs because of: Limited fiscal controls and managerial accountability coupled with an exception-driven culture; Unit service and rate growth; Waste, excess and poor fiscal governance, both on the part of some providers and on ODP; And the introduction of "revenue reconciliation" to ease the transition for providers.
- Without strong fiscal controls, it is not surprising that waste and excess crept into the system. Concerning examples of how state only funds were expended include but were not limited to paying providers for empty beds, even when these costs are not eligible for Federal matching funds, and approving use allowance payments through the cost reporting process for futons, video cabinets, parking lot paving, and mulch. In addition, cost report items approved by ODP include a patio, pool fencing, carpeting, driveway paving, chandeliers, luxury cars, and even flea dipping for a "therapeutic" cat.

### **Progress & Opportunities**

- As a result of the CMS review prior to the program renewal in 2005, a work plan was developed to address their concerns of inconsistencies. ODP has undertaken a number of efforts to improve the program and provide a transition to the state-run system.
- To further strengthen the integrity of this program, we will push for new regulations that ensure providers know the state's expectations for them and can be good corporate citizens. These regulations will give providers clear rules of the road and also reduce the exception-driven culture. Our goal is a sustainable and efficient system that provides high quality services to those in need and is accountable to the taxpayers.

- We believe there are also a number of opportunities offered by this transition. Persons with intellectual disabilities have more flexibility to move around the state and choose their provider. There are now more providers in more counties with more choices being offered to individuals in the system. And ODP now has data that allows us to identify expectations for providers that will lead to more consistency in standards of care, best business practices, and better state monitoring of providers.

## **Conclusion**

- Despite the good work many in the Department and the provider community have done over the years, there is a clear consensus that there is much more work to be done to preserve and improve services for some of our most vulnerable citizens.
- We understand that anytime there are discussions of changes, providers, families and advocates want to know that those changes will be for the better. Secretary Alexander wants to assure them, and the members of this committee, that we will ensure the forthcoming changes will improve ODP's operations and fiscal controls. Forthcoming changes will provide fair and reasonable rules for families and providers, ensure the program's integrity and ability to deliver quality, necessary services to those in need, and assure taxpayers that their money is being spent wisely and carefully.