

Utah's Division of Services For People with Disabilities **2010 Legislative Presentation**

My name is Alan Ormsby, and I am the Director of the Division of Services for People with Disabilities. I am so pleased to have the opportunity to speak to you today regarding the great work that our Division does on behalf of Utahns with a disability. Our mission is to promote opportunities and provide supports for persons with disabilities to lead self-determined lives.

Essentially, we offer limited services to people with disabilities through 3 Medicaid waivers. A "waiver" is just shorthand for a state asking Medicaid to waive their standard rules requiring institutional care. Waivers are requested because the state believes it has a better and less costly way for people to get mandatory services – that is, living in their own home or in the community. And for those few people who can't be served safely in the community, we operate the Developmental Center. People who receive our services are carefully assessed and must meet strict eligibility guidelines, so we believe our services are properly scoped.

First, let me take a moment to tell you about our FY2010 results. Like all state agencies, our Division took extensive and difficult cuts last year. I want to thank this committee for intervening on our behalf and recommending no deeper across the board cuts for FY10. We really appreciate your judicious use of the Developmental Center Trust Fund, which has \$2.4 million remaining after the protecting us in FY2010.

Our leadership team responded to last year's cuts with a highly-principled, carefully considered approach. Our principles were (1) minimize cuts to people's services; (2) preserve employee livelihood as much as possible; and (3) prepare for a future of reduced budgets.

We implemented the cuts through re-engineering our Division - primarily by freezing hiring, closing eight offices, reorganizing and privatizing a large number of our employees. To date, we have cut 122 state and regional positions by encouraging private employment. Last year at this time, we had around 270 state and regional positions. Now we have about 150.

Let me turn now to our FY2011 budget. We have two large backfill amounts that will require service cuts. Until now, we have not had to cut any waiver services because our employee cuts satisfied the shortfall. But the looming cuts will require service cuts. We have strategies in mind to implement the cuts in the least harmful way...again, our guiding principle will be minimizing cuts to people's services. We will need policy guidance from this committee on where and how to impose the cuts. We will need flexibility to impose the cuts to ensure that no one service is devastated.

I want to direct you to the chart entitled "DSPD General Fund Comparison." This shows our General Fund cuts since FY2009, and it shows your options with respect to where additional cuts may be implemented. Our cuts in FY2011 are \$1.95 million and

\$1.545 million to provider rates. This will be a further cut on top of last year's \$1.5 million cut to provider rates, mainly implemented in the Community Supports Waiver. I have spoken with many providers who have confided that an additional cut will put them out of business. Already, I am aware of one provider that is failing. As predicted, it is the smaller, more rural providers who will be the first to fail, jeopardizing our ability to provide services statewide. Providers employ over 9000 workers state-wide. They are hurting. We are meeting with them to try to streamline our processes and monitoring requirements. The \$1.95 million is targeted in one appropriation unit – DSPD's regional employees. I have graphically represented the \$1.95 m with this black box. But as you can see from what is remaining, it would be almost impossible for us to take another \$1.95 million in cuts solely against our employees.

We have eliminated almost 50 % of our state and regional employees. We now have about 150 remaining state and regional employees. Every remaining employee is critical, and cuts to our staff will put our entire system at risk of failure. We simply will not be able to administer our program and meet our federal assurances. So we are requesting legislative authority to empower us to further re-engineer our system and take the cuts across our full budget, giving us the flexibility to minimize the negative impacts.

One caveat: almost all of the options require approval from our partners at the Department of Health and CMS. Medicaid rules do not allow us to just make across the board cuts. We have to work through a process with Medicaid. This process takes time, and approval is not guaranteed. So if you grant us the flexibility to re-engineer, what are the tools in our toolbox? As I see it, there are 4 categories to cut, and at least 2 options for increasing revenues, and I am sure you have additional ideas. I'll start with the cuts:

First, we can look at rates. Our providers took a \$1.5 million rate cut last year and are confronting another \$1.545 m rate cut going into FY2011. I do not think it is possible for them to take an additional across the board rate cut and stay in business. But there are targeted rates that could be cut, such as support coordination. Our case load ratios are on the low side and our rates are on the high side of our surrounding states, but we have high expectations and demand a lot of service in exchange. Based upon your policy guidance, we could reduce contractual obligations, lower rates and increase case load ratios. There is a tradeoff, of course; we'd have less health and safety oversight and greater risk of financial fraud and abuse. Similarly, if you wanted us to reduce the amount of monitoring we do, we could. For instance, we ask our providers to submit a report called the Labor Usage Report. It ensures that the state is actually getting the units of service that we are buying, and it helps identify health and safety concerns. We could loosen the requirements and develop an alternate monitoring system, but again, there is risk.

Second, we can review existing services and ratios to ensure that a person's need matches their current services. We started this process with Utilization Reviews last year. Based on your guidance, we could push the reviews more aggressively. We could eliminate most 1 on 1 services and single person programs, requiring roommates. Some people will not succeed, and this may put pressure on institutions.

Third, we can re-engineer our Community Supports Waiver. We are very interested in making long-term adjustments to our big waiver to provide more low-cost, preventive services. Amendments will take time, and we need a good assessment tool to be sure we are providing the right level of service. So we are testing a needs assessment tool called the Strengths-Based Objective Tool. We are seeing good results, but are just now finalizing the testing to ensure its statistical validity for rate setting. In the meantime, you could tell us to eliminate whole classes of service, like eliminating “intensive” rates (which are higher rates based on very complex behaviors or medical conditions). We could eliminate certain medical codes (which would shift the burden to Medicaid State Plan), eliminate after school programs, eliminate non-work based day supports, eliminate certain respite services, or even eliminate one or both of our small waivers. Again, there are difficult trade-offs, and we need your guidance.

Finally, we could look to the Developmental Center. Last year, we were told that USDC was “off the table.” But there are steps we could take, again, with your policy direction, to enhance efficiencies there. I’ll start with the least difficult and complex options. We could eliminate certain services that are not available to people receiving services in the community, like hydrotherapy and animal therapy. We could contract out the services of many of our professionals. We could mothball some of the less used buildings, like the auditorium. Finally, we could reduce the number of licensed beds. At the second tier, we could do all of the above and transition up to 30 people into the community, allowing us to close units and reduce the number of employees there. At the third tier, we could change the mission of the Center to serving only those who cannot be served in the community. This would require significant study and building up community alternatives. Changes at tier II and III will require at least a year...and the costs won’t disappear entirely, but community supports will be less costly.

OK, so those are the possible cut scenarios for your consideration. But keeping the positive in mind, there are possible revenues to soften the cuts. First, the federal stimulus will reimburse our Division about \$1.4 million more than our base. Legislative intent language now requires that we give back any federal stimulus greater than our base. Changing that intent language would be a significant mitigation to our cuts. Second, we have received a lot of positive feedback from families that some would be willing to provide voluntary donations. We have never asked for voluntary donations, and there are strict Medicaid rules we’d have to follow, so we don’t know how much might actually come in. With that, I’ll be happy to answer questions.

