DBHDS

Virginia Department of
Behavioral Health and
Developmental Services

Report on Virginia's Part C Early Intervention System (Budget Item 305 H.2., 2011 *Appropriation Act*)

July 1, 2010 – June 30, 2011

to the Chairs of the
House Appropriations and Senate Finance Committees
of the General Assembly

October 15, 2011

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COMMONWEALTH of VIRGINIA

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October 15, 2011

The Honorable Charles J. Colgan
Chair, Senate Finance Committee
General Assembly Building, Suite 626
Richmond, VA 23219

Dear Senator Colgan:

I am pleased to submit the Department's 2011 *Report on Virginia's Part C Early Intervention System* to the Chairs of the Senate Finance and House Appropriations Committees to comply with the reporting requirements of Item 305.H.2 of the 2011 *Appropriation Act*. In accordance with those requirements, this report includes data on the total revenues used to support Part C services, total expenses for all Part C services, total number of infants and toddlers and families served using all Part C revenues, and services provided to those infants and toddlers and families.

Please feel free to contact me if you have questions about the report.

Sincerely,

James W. Stewart, III

Cc: The Honorable R. Edward Houck
The Hon. William A. Hazel, MD
Joe Flores
John Pezzoli
Janet Lung
Ruth Anne Walker

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October 15, 2011

The Honorable Lacey E. Putney
Chair, House Appropriations Committee
General Assembly Building, Room 947
Richmond, VA 23218

Dear Delegate Putney:

I am pleased to submit the Department's 2011 *Report on Virginia's Part C Early Intervention System* to the Chairs of the Senate Finance and House Appropriations Committees to comply with the reporting requirements of Item 305.H.2 of the 2011 *Appropriation Act*. In accordance with those requirements, this report includes data on the total revenues used to support Part C services, total expenses for all Part C services, total number of infants and toddlers and families served using all Part C revenues, and services provided to those infants and toddlers and families.

Please feel free to contact me if you have questions about the report.

Sincerely,

James W. Stewart, III

Cc: The Honorable Harvey B. Morgan
Susan Massart
John Pezzoli
Janet Lung
Ruth Anne Walker

Report on Virginia's Part C Early Intervention System

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EXECUTIVE SUMMARY

In the 2011 *Appropriation Act*, paragraph H.2 of Item 305 directs the Department of Behavioral Health and Developmental Services to report the following information to the Chairmen of the Senate Finance and House Appropriations Committees on October 1 of each year: (a) total revenues used to support Part C services, (b) total expenses for all Part C services, (c) total number of infants and toddlers and families served using all Part C revenues, and (d) services provided to those infants and toddlers and families.

Overview of Fiscal Climate for Part C in FY2011

The fiscal climate in Part C remained stable in FY2011 due primarily to increased Medicaid revenue and the availability of additional funding for Part C under the American Recovery and Reinvestment Act (ARRA). On October 1, 2009 the Medicaid Early Intervention Services Program was implemented, and the reported amount of Medicaid revenue for Part C services quadrupled in FY2011 compared to FY2010 (though part of that increase can be attributed to more accurate data collection and reporting). ARRA funds were also a significant factor in the stable fiscal climate in FY2011 and supported over $3.7 million of early intervention services for infants, toddlers and families.

Looking ahead, the fiscal outlook for FY2012 is less certain with ARRA funding ending September 30, 2011. While the increased Medicaid revenue realized through the Medicaid Early Intervention Services Program will continue and will be a critical component in the long-term funding structure for Part C, the Department, in collaboration with other State agencies and local stakeholders, is continuing to closely monitor expenditure and revenue data to determine the amount and possible sources of additional revenue needed to ensure the long-term financial stability of the Part C system after the ARRA funding ends.

Data System Update

The existing early intervention data system, ITOTS, was developed and implemented in 2001 primarily to meet annual federal reporting requirements related to child data and now presents a number of challenges to the Department in meeting federal and state reporting requirements, including the following:

- Child data is collected in ITOTS only at entry into the early intervention system and is not collected as child status or service needs change.

- No financial data for Part C services is collected through ITOTS, resulting in a burdensome paper process for collection and reporting of comprehensive and reliable data related to the cost of providing services and the revenue sources that are accessed in providing services.

- ITOTS data reports are limited and the analysis of the data is burdensome.

Following a detailed analysis of ITOTS in the spring of 2006, a first phase of data system improvements were implemented to address data integrity and better reporting. As a second phase of the project, the Department further analyzed federal and state reporting requirements and other existing data systems within the Commonwealth and other states' Part C data systems to determine the most cost-effective data solution to meet the needs of the Virginia Part C system. Initial plans called for the functionality necessary to enter and report on delivered services and to have more complete and accurate revenue and expense data to be operational by July 1, 2009. However, fiscal constraints and the need to prioritize data system changes necessary for implementation of the Medicaid Early Intervention Services Program resulted in the need to postpone implementation of a new, expanded Part C data system.

The Health and Human Resources Secretariat is committed to developing a consistent, comprehensive and non-duplicative data system for use across Virginia's Health and Human Resources agencies rather than developing or enhancing program-specific data systems. Since many local agencies and service providers have or are in the process of developing and implementing electronic health record systems, the Department's focus on data collection for all programs (not just Part C) has shifted to identifying and implementing the most effective and efficient mechanism for importing the data already collected by local systems into a state database through which that data can be aggregated, analyzed and reported. Until such a system is implemented, the Department's challenges in meeting federal and state reporting requirements will continue.

Revenue and Expense Data

The table below shows revenue from all sources as reported by the 40 local early intervention systems for FY2011.

Total Revenue to Support Part C Early Intervention Services

Revenue Source	**FY11 Revenue Amount**
Federal Part C Funds	$ 8,914,088
State Part C Funds	$ 8,272,737
Federal ARRA Funds	$ 4,617,087
Other State General Funds	$ 774,342
Local Funds	$ 8,093,276
Family Fees	$ 371,738
Medicaid	$13,145,940
Targeted Case Management	$ 4,778,659
Private Insurance	$ 1,966,475
Grants/Gifts/Donations	$ 4,652
In-Kind	$ 282,511
Other	$ 1,461,662
Total	**$52,683,167**

In accordance with the budget language, the chart below provides detail about the total amount of federal and state Part C funds and ARRA funds expended in FY2011 for Part C direct services as reported by the 40 local lead agencies and 23 private providers.

Total Expenditures for all Part C Early Intervention Services

Assessment for Service Planning	$ 2,303,261
Assistive Technology	$ 64,600
Audiology	$ 10,253
Counseling	$ 111,785
Developmental Services (formerly called Special Instruction)	$ 3,813,546
Evaluation for Eligibility Determination	$ 687,516
Health	$ 55,451
Nursing	$ 3,555
Nutrition	$ 84,048
Occupational Therapy	$ 2,239,431
Physical Therapy	$ 4,076,249
Psychology	$ 0
Service Coordination	$10,063,508
Social Work	$ 15,041
Speech language pathology	$ 8,247,839
Transportation	$ 146,976
Vision	$ 18,313
Other Entitled Part C Services	$ 580,472
Total-Direct Services	**$32,521,844**

The local lead agencies reported an additional $7,005,624 of expenses related to the system components (administration, system management, data collection and training) that are critical to implementation of direct services. Therefore, total expenses are $39,527,468. As of June 30, 2011, there were $2,546,991 of unspent federal and state Part C funds that may have been obligated expenses as of June 30, 2011 but not reflected in the expenses reported above. Part C funds for FY2011 had to be obligated by June 30, 2011 but may be spent through September 30, 2011. In addition, the number of private providers that submitted the required quarterly expenditure reports in FY2011 was half the number that reported in FY2010. As a result, the total expenditures reported by private providers in FY2011 were over $9 million less than in FY2010. Together, these factors account for the difference between the $52 million in revenue and $32 million in expenses for early intervention services reported above.

Total Number of Infants, Toddlers and Families Served

A total of 14,069 infants, toddlers and families received Part C early intervention services in the one-year period from July 1, 2010 – June 30, 2011. This number represents a 15% increase over the previous year. This is a far greater increase than the approximately 4% increases seen in each of the previous 2 years.

The following table breaks down the services that were provided to Part C eligible infants and toddlers by the type of early intervention service determined to be needed in order to achieve the child's outcomes as listed on the child's Individualized Family Service Plan (IFSP).

Services Provided to Those Infants, Toddlers and Families

Type of Early Intervention Service	Estimated # of Children With Initial IFSP Listing That Service in FY2011
Assistive Technology	42
Audiology	253
Counseling	3
Developmental Services	2,532
Health Services	0
Nursing Services	0
Nutrition Services	14
Occupational Therapy	2,110
Physical Therapy	3,813
Psychological Services	0
Service Coordination	14,069*
Social Work Services	11
Speech-Language Pathology	5,276
Transportation	4
Vision Services	84
Other Entitled EI Services	98

* All eligible children receive service coordination.

In addition to the services listed on IFSPs, a total of 9,903 children received an evaluation to determine eligibility and/or an assessment for service planning in FY2011.

FULL REPORT

BACKGROUND

Congress enacted early intervention legislation in 1986 as an amendment to the Education of Handicapped Children's Act (1975) to ensure that all children with disabilities from birth through the age of three would receive appropriate early intervention services. This amendment formed Part H of the Act, which was re-authorized in 1991 and renamed the Individuals with Disabilities Education Act (IDEA). When the IDEA was re-authorized in 1998, Part H became Part C of the Act. IDEA was reauthorized most recently in December 2004. Virginia has participated in the federal early intervention program (under IDEA) since its inception.

General Assembly Guidance and Support

In 1992, the Virginia General Assembly passed state legislation that codified an infrastructure for the early intervention system that supports shared responsibility for the development and implementation of the system among various agencies at the state and local levels. The Department of Behavioral Health and Developmental Services (the Department), was designated and continues to serve as the State Lead Agency. The broad parameters for the Part C system are established at the state level to ensure implementation of federal Part C regulations. Within the context of these broad parameters, 40 local lead agencies manage services across the Commonwealth.

Subsequent to 1992, the General Assembly passed legislation establishing mandates for state employees' health plan and private insurance coverage for early intervention services, maximizing Medicaid coverage for Part C eligible children. In 2001, the General Assembly adopted legislation requiring a statewide family fee system.

In 2004, the Social Science Research Center commissioned a private consulting firm, through a contract with the Department, to conduct a cost study of Virginia's Part C Early Intervention System. Based on the projected number of eligible children and the average annual per child cost for early intervention services identified in the cost study, the General Assembly adopted Budget Item 334K and significantly increased the allocation of state general funds for use in the provision of early intervention services from $125,000 per year in 1992 – 2003 to $975,000 in 2004 and $3,125,000 in 2005. For fiscal year 2007, the General Assembly appropriated a total of $7,203,366. The 2011 Appropriation Act continues Budget Item 334K as Budget Item 305 H.2 and states:

> *"By October 1 of each year, the Department shall report to the Chairmen of the House Appropriations and Senate Finance Committees on the (a) total revenues used to support Part C services, (b) total expenses for all Part C services, (c) total number of infants and toddlers and families served using all Part C revenues, and (d) services provided to those infants and toddlers and families."*

Report of Required Data

To the maximum extent possible, the following narrative, charts and other graphics respond to the legislative requirements as delineated in Budget Item 305 H.2 of the 2011 Appropriation Act. The information provided for each reporting requirement includes identifying limitations in the data reported and future steps for addressing the limitations. The following data is based on reports received from the 40 local lead agencies. Please note that in FY2011 one local lead agency chose not to continue as a Part C local lead agency, and the affected catchment area was broken into two areas with two new local lead agencies. Therefore, there are now 40 local lead agencies for Part C rather than the 39 referenced in previous reports.

Total Revenue Used to Support Part C Services

As noted previously, the ITOTS data system does not collect financial data for Part C services. However, in its contracts with local lead agencies, the Department requires reporting of revenues from local lead agencies. In addition, revenue reporting is required from private providers.

Total Revenue

Revenue Source	FY11 Revenue Amount
Federal Part C Funds	$ 8,914,088*
State Part C Funds	$ 8,272,737*
Federal ARRA Funds	$ 4,617,087*
Other State General Funds	$ 774,342
Local Funds	$ 8,093,276
Family Fees	$ 371,738
Medicaid	$ 13,145,940
Targeted Case Management	$ 4,778,659
Private Insurance and TRICARE	$ 1,966,475
Grants/Gifts/Donations	$ 4,652
In-Kind	$ 282,511
Other	$ 1,461,662
Total	**$ 52,683,167**

* These figures are the amount of Part C funding actually received by local systems. In some cases, local systems had more funds than indicated in the allocation table below because they had retained earnings from the previous fiscal year.

The following table represents the federal and state revenue allocated by the Department to the 40 local lead agencies:

Funds Allocated by Local Lead Agency

Infant & Toddler Connection of	State	Federal	ARRA
Alexandria	$ 156,888	$ 155,681	$ 75,641
Arlington	$ 320,960	$ 373,925	$ 285,908
Augusta-Highland	$ 70,197	$ 87,577	$ 0*
Central Virginia	$ 151,988	$ 156,357	$ 113,059
Chesapeake	$ 205,720	$ 237,255	$ 131,970
Chesterfield	$ 267,536	$ 311,099	$ 182,732
Crater District	$ 124,084	$ 134,236	$ 72,825
Cumberland Mountain	$ 94,813	$ 97,715	$ 65,156
Danville-Pittsylvania	$ 96,895	$ 104,098	$ 55,524
DILENOWISCO	$ 84,510	$ 80,377	$ 41,040
Fairfax-Falls Church	$ 1,027,686	$ 1,354,340	$ 537,140
Goochland-Powhatan	$ 76,219	$ 67,165	$ 33,798
Hampton-Newport News	$ 243,164	$ 284,406	$ 152,490
Hanover	$ 127,578	$ 127,161	$ 57,133
Harrisonburg/Rockingham	$ 112,380	$ 115,385	$ 60,352
Henrico-Charles City-New Kent	$ 358,605	$ 428,720	$ 220,084
Loudoun	$ 198,242	$ 199,358	$ 103,002
Middle Peninsula-North Neck	$ 141,949	$ 190,285	$ 80,470
Mount Rogers	$ 95,655	$ 154,291	$ 55,122
Norfolk	$ 271,904	$ 333,875	$ 180,655
Portsmouth	$ 93,902	$ 101,909	$ 57,535
Prince William, Manassas and Manassas Park	$ 333,971	$ 397,913	$ 216,865
Rappahannock-Rapidan	$ 148,871	$ 154,583	$ 80,068
Richmond	$ 202,231	$ 248,456	$ 132,848
Shenandoah Valley	$ 144,307	$ 160,005	$ 171,668
Southside	$ 79,119	$ 71,528	$ 30,981
Staunton-Waynesboro	$ 39,279	$ 91,350	$ 56,732
the Alleghany-Highlands	$ 62,933	$ 50,750	$ 27,132
the Blue Ridge	$ 51,704	$ 269,427	$ 94,954
the Eastern Shore	$ 77,646	$ 215,036	$ 39,430
the Heartland	$ 90,053	$ 113,067	$ 41,040
the Highlands	$ 75,433	$ 67,409	$ 34,602
the New River Valley	$ 140,783	$ 157,742	$ 109,679
the Piedmont	$ 103,504	$ 110,367	$ 63,571
the Rappahannock Area	$ 267,051	$ 308,221	$ 135,994

Infant & Toddler Connection of	State	Federal	ARRA
the Roanoke Valley	$ 238,034	$ 283,795	$ 180,847
the Rockbridge Area	$ 86,967	$ 88,107	$ 43,051
Virginia Beach	$ 367,872	$ 509,257	$ 197,554
Western Tidewater	$ 193,591	$ 218,812	$ 115,071
Williamsburg-James City-York Poquoson	$ 155,994	$ 164,190	$ 74,032
Total	**$ 7,280,218****	**$ 8,775,230**	**$ 4,407,755**

* The Infant & Toddler Connection of the Valley split into two separate local systems, Augusta-Highland and Staunton-Waynesboro, during FY2011. ARRA funds were allocated to Staunton-Waynesboro with the federal and state Part C funds reallocated among the two systems to ensure both systems had sufficient funds.

** This figure includes unspent Medicaid match dollars.

Limitations: Although the Department continues to refine the instructions and technical assistance related to the quarterly reporting forms used by local lead agencies and private providers to report revenue sources, there remain limitations with this process for collection of revenue data. Because the local lead agencies and private providers each maintain separate billing and accounting systems, there is no method to reliably ensure non-duplication of reporting in revenue categories, with the exception of Medicaid and Medicaid Targeted Case Management revenue. Through a data exchange agreement between the Department of Behavioral Health and Developmental Services and the Department of Medical Assistance Services (DMAS) for implementation of the Medicaid Early Intervention Services Program, the Department is able to report the exact amount of Medicaid funds used to support Part C services for FY2011.

Future Actions to Address Limitations: Non-duplication of revenue reporting for other revenue sources can only be fully ensured once a reliable statewide mechanism is implemented to collect or import data from local systems on the source and amount of revenue for every service delivered. The Department is working to identify the most effective and efficient mechanism to accomplish this task.

Total Expenses for all Part C Services

The figures below show the amount of Part C funds spent on each Part C direct service in FY2011, as reported by the 40 local lead agencies and 23 private providers.

Expenditures for Part C Early Intervention Services

Assessment for Service Planning	$ 2,303,261
Assistive Technology	$ 64,600
Audiology	$ 10,253
Counseling	$ 111,785
Developmental Services	$ 3,813,546
Evaluation for Eligibility Determination	$ 687,516
Health	$ 55,451

Nursing	$ 3,555
Nutrition	$ 84,048
Occupational Therapy	$ 2,239,431
Physical Therapy	$ 4,076,249
Psychology	$ 0
Service Coordination	$10,063,508
Social Work	$ 15,041
Speech language pathology	$ 8,247,839
Transportation	$ 146,976
Vision	$ 18,313
Other Entitled Part C Services	$ 580,472
Total-Direct Services	**$32,521,844**

Note: The discrepancy between revenue and expenditures is due to a number of factors, including the following:

- Local lead agencies are required to address the systems components (administration, system management, data collection, and training) that are critical to implementation of direct services. Beyond the Part C funds spent for Part C direct services, the local lead agencies reported an additional $7,005,624 of revenue was used for these system component expenses. Therefore, the total of all reported expenses (Part C direct services and Part C system components) is $39,527,468.

- As of June 30, 2011, there were $2,546,991 of unspent federal and state Part C funds that may have been obligated expenses as of June 30, 2011 but not reflected in the expenses reported above. Part C funds for FY2011 had to be obligated by June 30, 2011 but may be spent through September 30, 2011.

- The number of private providers that submitted the required quarterly expenditure reports in FY2011 was half the number that reported in FY2010. As a result, the total expenditures reported by private providers in FY2011 were incomplete and over $9 million less than in FY2010. Because the quarterly Part C expenditure reporting is an extra and separate reporting requirement for private providers, submission of reports requires extensive follow up by Part C staff.

Limitations*:* Although the Department continues to refine the instructions and technical assistance related to the quarterly reporting forms used by local lead agencies and private providers to report expenditures, there remain limitations with this process for collection of expense data. Because the local lead agencies and private providers each maintain separate billing and accounting systems, there is no method to reliably ensure non-duplication of reporting of expenses associated with each service. In addition, the submission of the quarterly reporting forms is time-consuming and inefficient for private providers and results in difficulty in ensuring timely submission of these reports from all providers.

Future Actions to Address Limitations: Non-duplication of expense reporting can only be fully ensured once a reliable statewide mechanism is implemented to collect or import expenditure data from local systems. The Department is working to identify the most effective and efficient mechanism to accomplish this task.

Total Number of Infants and Toddlers and Families Served

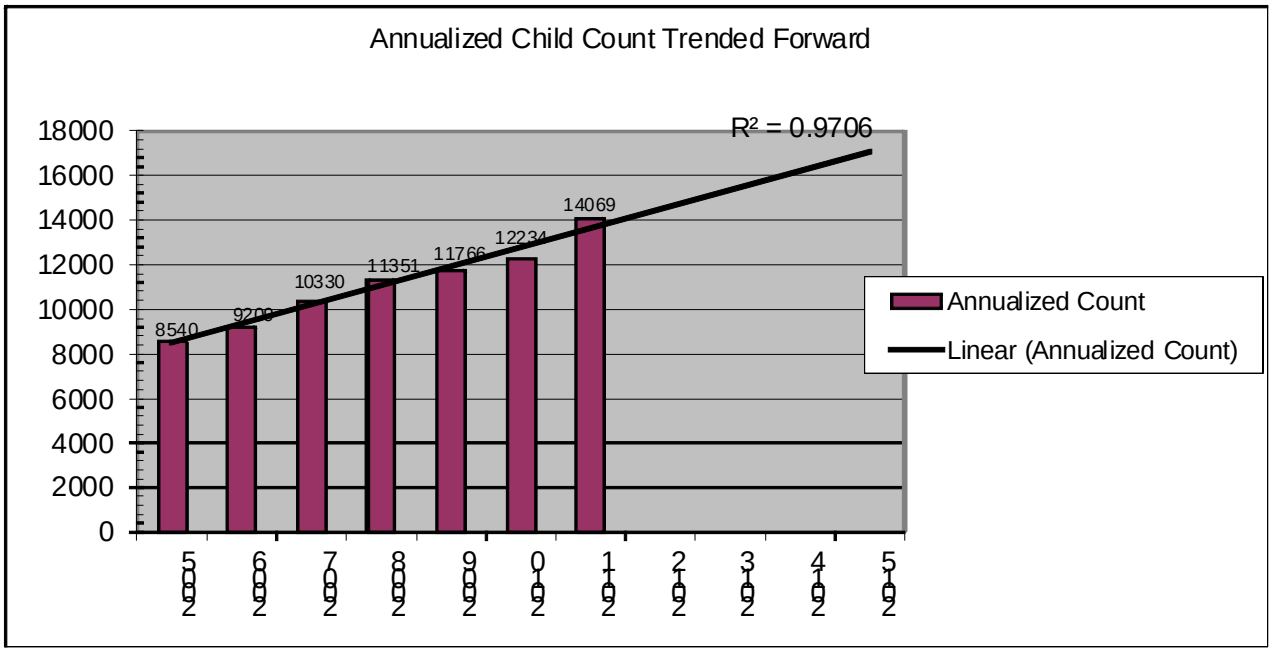
Local lead agencies are required to enter into the Part C data system, ITOTS, every child who enters the local Part C early intervention system. Local lead agencies must use quarterly ITOTS verification reports to confirm the accuracy of the data entered. The following table provides the total number of children served for each year, as reported from ITOTS. Please note that not all children who were served during that one-year period were served for the full year. There was a 15% increase in the number of children served from FY2010 to FY2011. This is a far greater increase than the approximately 4% increases seen in each of the previous 2 years. Local systems report that the most significant factor in this increase was the addition in December 2010 of three new automatic eligibility criteria related to premature infants. These infants, who may not be show actual developmental delays at the time of their initial referral to the Part C early intervention system and often would have been found ineligible prior to December 2010, are now found automatically eligible and can begin receiving services immediately. This change in eligibility criteria and other efforts leading to the increased child count in FY2011 are discussed further after the child count trend graph on page 11.

Total Number of Infants and Toddlers Served in Each Year

Year	Total Number Served – Eligible and Entered Services	Total Number Evaluated Who Did Not Enter Services*
Dec. 2, 2003 – Dec.1, 2004	8,540	
Dec. 2, 2004 – Dec. 1, 2005	9,209	
July 1, 2006 – June 30, 2007	10,330	
July 1, 2007 – June 30, 2008	11,351	1,760
July 1, 2008 – June 30, 2009	11,766	1,671
July 1, 2009 – June 30, 2010	12,234	1,494
July 1, 2010 – June 30, 2011	14,069	1,829

* These children received a multidisciplinary team evaluation to determine eligibility and, in some cases, an assessment for service planning, but did not enter services because they were either found ineligible for Part C, declined Part C services, or were lost to contact. Since evaluation and assessment, by federal law, must be provided at no cost to families, neither private insurance nor families can be billed for these services. Unless the child has Medicaid or Tricare, federal and state Part C funds are generally used to pay for evaluation and assessment.

Using the annualized child count, the chart below trends the projected number of eligible children served through 2012.



Improved child find has been a priority for Virginia's Part C system for the last several years. In order to increase the number of children served in Virginia's Part C system, the Department has continued to make public awareness materials available to local systems and collaborated with other State agencies to disseminate information about Part C early intervention services to physicians and other health care providers, families, and other referral sources. In addition, the Department supports development and implementation of local Service Enhancement Plans with improvement strategies designed to ensure identification of all eligible children in the local system's service area. Finally, in August 2010 the Department established the Early Intervention Prematurity Work Group to develop recommendations on potential revisions to eligibility criteria for preterm infants to ensure that those in need of early intervention are identified accurately and early. The Work Group included representation from the Virginia Interagency Coordinating Council (VICC), the Virginia Department of Health, early intervention providers, physicians, hospitals, and families. Based on the Work Group's recommendations, three new automatic eligibility criteria related to premature infants were added to Virginia's definition of eligibility for Part C in December 2010. Local systems report that these new eligibility criteria have significantly and positively impacted the number of children they are serving and the number of preterm infants receiving early and appropriate supports and services.

Services Provided to Eligible Infants and Toddlers

For FY2010, the quarterly reporting forms used by local lead agencies to report revenue and expenses were revised to also include reporting on the number of children receiving each service in the given quarter. Based on reviews and discussions with local systems in FY2011, the Department discovered significant inconsistencies in how local systems were reporting the number of children receiving services, despite technical assistance provided during FY2010 to address this issue. Given the concerns about the ability to report accurate data through this mechanism and the expectation at that time of having a more robust data system in the near future, the Department eliminated collection of delivered services data from the revenue and expense form for FY2011.

Until there is an electronic mechanism to collect reliable delivered service data from local systems, the Department will report estimates based on planned services data. This is the same process used for reporting prior to and through FY2009. The ITOTS data system provides a report of the number of children active on December 1 of a given year for whom the initial IFSP listed each type of early intervention service. The table below estimates the total number of children served between July 1, 2010 and June 30, 2011 who have each service listed on their initial IFSP based on the percentage of children with initial IFSPs listing those services on December 1, 2010.

Estimates of Total Number of Children Receiving Each Service:
July 1, 2010 – June 30, 2011

Type of Early Intervention Service	% of Children with an Initial IFSP Listing that Service on 12/1/10	Estimated # of Children with an Initial IFSP Listing that Service in FY2011 (% multiplied by Total Served)
Assistive Technology	0.3%	42
Audiology	1.8%	253
Counseling	0.02%	3
Developmental Services	18%	2,532
Health Services	0%	0
Nursing Services	0%	0
Nutrition Services	0.1%	14
Occupational Therapy	15%	2,110
Physical Therapy	27.1%	3,813
Psychological Services	0%	0
Service Coordination	N/A*	14,069
Social Work Services	0.08%	11
Speech-Language Pathology	37.5%	5,276
Transportation	0.03%	4
Vision Services	0.6%	84
Other Entitled EI Services	0.7%	98

*All eligible children receive service coordination.

In addition to the services listed on IFSPs, a total of 9,903 children received an evaluation to determine eligibility and/or an assessment for service planning in FY2011.

Limitations: The numbers provided above are only estimates and almost certainly underestimate the number of children receiving each service since some children whose initial IFSP does not list a service (e.g., physical therapy) may have that service added at a subsequent IFSP review during the 1-year period. The ITOTS data system captures only those planned services identified on a child's initial IFSP, with no updates of services added on subsequent IFSPs and no data on services actually delivered.

Future Actions to Address Limitations: Accurate reporting of the number of children actually receiving each early intervention service can only be fully ensured once a reliable statewide mechanism is implemented to collect or import delivered service data from local systems. The Department is working to identify the most effective and efficient mechanism to accomplish this task.

Impact of and New Developments Related to Expanded Medicaid Funding for the Part C System

The amount of Medicaid revenue for early intervention services increased significantly in FY2011, which was the first full year of implementation of the Medicaid Early Intervention Services Program that began on October 1, 2009. The more than quadruple increase in reported Medicaid revenue from FY2010 to FY2011 reflects a combination of a substantial increase in revenue and more accurate data collection and reporting.

In order for the system transformation changes implemented in FY2010 to result in the intended goal of establishing a more stable and equitable funding structure for Part C, there must be a change in how federal and state Part C funds are allocated to local systems. Some local systems have a higher population of children who are dually enrolled in Part C and Medicaid, while other local systems have a higher population of children without insurance or with private insurance that reimburses at a rate lower than Medicaid's. These revenue differences impact the proportion of Part C funding needed by each local system. For FY2011 local lead agencies received only three-fourths of their allocation of federal Part C funds up front. After the second quarter of FY2011, the Department reviewed local expenditures to date and data on Medicaid reimbursement received by each local system between October 1, 2009 and December 31, 2010. Local systems' allocations for the fourth quarter of FY2011 were then based on each local system's overall child count and number of children with Medicaid. The same factors used for the allocation of fourth quarter funds in FY2011 are being used for the full allocation of Part C funds for FY2012. Because this new allocation method results in very large changes in the amount of funding for some local systems, the relative weight of the factors was adjusted for FY2012 to allow time for local systems to accommodate these changes. The new allocation formula will be fully implemented for FY2013.

Collaborative planning continued between the Department of Behavioral Health and Developmental Services and the Department of Medical Assistance Services (DMAS) in FY2011 to develop an Early Intervention Targeted Case Management. This program will provide Medicaid reimbursement for service coordination for all children who are dually eligible for Part C and Medicaid. Previously, Medicaid reimbursement for service coordination was only available for those children who qualified for Intellectual Disabilities or Mental Health Targeted Case Management. The Early Intervention Targeted Case Management program will be implemented beginning October 1, 2011, and its benefits to the early intervention system and to eligible infants, toddlers and families include the following:

- Early Intervention service coordination will be required to meet a higher level of education and/or experience and training in order to be certified and provide service coordination in Virginia's Part C early intervention system; and
- Paperwork and documentation requirements associated with Targeted Case Management have been streamlined to reduce duplication and to better align with the needs and priorities of infants, toddlers and their families.

The revenue impact of the new Early Intervention Targeted Case Management program is expected to be fairly neutral statewide since the number of children who can access this service will be higher but the reimbursement rate is significantly lower than that for Intellectual Disabilities or Mental Health Targeted Case Management. Increasing the reimbursement rate is a high priority but will require the use of State Part C funds as match money.

Conclusion

To support the continued growth in the early intervention system, it is important to maintain State funding for direct services and infrastructure needs. As demonstrated by the data reported above, the funding provided by the General Assembly permitted local Part C systems to provide a wide variety of needed supports and services to more than 14,000 eligible infants, toddlers and their families during fiscal year 2011. These funds also touched the lives of over 1,800 additional infants, toddlers and families who received evaluations for eligibility determination and assessments upon referral to the Part C system even though they did not proceed on to receiving other Part C supports and services. As the number of eligible infants and toddlers identified continues to increase, federal Part C funding levels remain uncertain, and American Recovery and Reinvestment Act (ARRA) funding ends, state Part C funding is critical to ensure all eligible children and families receive timely and appropriate early intervention supports and services.

Funding available for Part C through ARRA provided critical bridge funding during FY2010 while the new rate structure under the Medicaid Early Intervention Services Program was implemented and increased Medicaid revenue was generated. Just over $3 million of ARRA funding was spent by local systems on Part C early intervention services for infants, toddlers and their families in FY2010. Despite a full year of increased Medicaid revenue, local systems still spent $3,752,996 of ARRA funding on early intervention services in FY2011. ARRA funds that remained unspent at the state and local levels as of June 30, 2011 were re-allocated among the 40 local systems for use during the first quarter of FY2012.

During FY2011 and the beginning of FY2012, ARRA dollars significantly enhanced Part C early intervention services in Virginia by expanding the services available to infants, toddlers and their families and by supporting improved professional development, public awareness and data collection in the Part C system. The Department, local service providers and families are appreciative of the continued financial support for Part C provided by the General Assembly.