DBHDS

Virginia Department of
Behavioral Health and
Developmental Services

Report on Virginia's Part C Early Intervention System (Budget Item 315 H.2., 2012 *Appropriation Act*)

July 1, 2011 – June 30, 2012

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

October 15, 2012

1220 Bank Street • P.O. Box 1797 • Richmond, Virginia 23218-1797
Phone: (804) 786-3921 • Fax: (804) 371-6638 • Web site: www.dbhds.virginia.gov

COMMONWEALTH of VIRGINIA

DEPARTMENT OF
BEHAVIORAL HEALTH AND DEVELOPMENTAL SERVICES
Post Office Box 1797
Richmond, Virginia 23218-1797

JAMES W. STEWART, III
COMMISSIONER

Telephone (804) 786-3921
Fax (804) 371-6638
www.dbhds.virginia.gov

October 15, 2012

The Honorable Walter A. Stosch
Chair, Senate Finance Committee
General Assembly Building, Suite 626
Richmond, VA 23219

Dear Senator Stosch:

I am pleased to submit the Department's 2012 *Report on Virginia's Part C Early Intervention System* to comply with the reporting requirements of Item 315.H.2 of the 2012 *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.

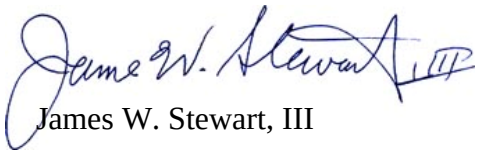
A total of 15,676 infants, toddlers and families received Part C early intervention services in the one-year period from July 1, 2011 – June 30, 2012. This number represents an 11.4% increase over the previous year. This continues the trend of significant growth of an almost 52% increase in the number of children served from FY2007 to FY2012, including 15% increase in the number of children served last year.

The fiscal climate in Virginia's Part C Early Intervention System became less stable in FY2012. Deficits in excess of $8.5 million are anticipated in FY2013 due to continued increases in the numbers of children eligible to receive Part C early intervention services. The increase is due primarily to Virginia's efforts to identify and enroll all eligible children per federal child find requirements. In addition, Virginia added prematurity as an automatic eligibility criteria for service in December 2010, which also may have contributed to the increase in children enrolled. At the same time, federal funding has remained static.

The Department, in collaboration with other state agencies and local stakeholders, is continuing to identify and evaluate possible sources of additional revenue and possible system changes needed to ensure the long-term financial stability of the Part C early intervention but additional state general funds will be required for Part C early intervention for FY2013.

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

Sincerely,



James W. Stewart, III

Cc: The Honorable Emmett W. Hanger, Jr.
The Hon. William A. Hazel, MD
Joe Flores
John Pezzoli
Janet Lung
Catherine Hancock
Ruth Anne Walker

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Fax (804) 371-6638
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October 15, 2012

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 2012 *Report on Virginia's Part C Early Intervention System* to comply with the reporting requirements of Item 315.H.2 of the 2012 *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.

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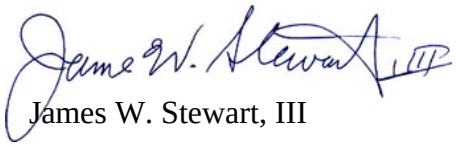

James W. Stewart, III

Cc: The Honorable Riley E. Ingram
The Hon. William A. Hazel, MD
Susan Massart
John Pezzoli
Janet Lung
Catherine Hancock
Ruth Anne Walker

Report on Virginia's Part C Early Intervention System

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EXECUTIVE SUMMARY

In the 2012 *Appropriation Act*, paragraph H.2. of Item 315 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 FY2012

The fiscal climate in Virginia's Part C Early Intervention System became less stable in FY2012. The September 30, 2011 end of funding for Part C under the federal American Recovery and Reinvestment Act (ARRA) and the rapidly increasing number of children receiving services in the Part C early intervention system resulted in significant and growing budget shortfalls. While the Medicaid revenue realized through the Medicaid Early Intervention Services Program continued to adequately fund services for children with Medicaid, the amount of funding (federal, state, local, private insurance, family fees) available for services to children without Medicaid and the reimbursement rate for service coordination for children with Medicaid are inadequate to cover the costs for these services. In FY2012, the Department was able to offset some of the local systems' budget shortfalls with one-time additional funds realized from vacant positions, efficiencies within the Department, and savings from the Department's facilities operations. However, three local systems reduced or cut services to eligible children and families in FY2012 due to budget shortfalls and in violation of federal Part C regulations.

Looking ahead, deficits in excess of $8.5 million are anticipated in FY2013 due to continued increases in the numbers of children eligible to receive Part C early intervention services and the expectation that none of the sources of additional funds that were accessed in FY2012 will be available in FY2013. The Department, in collaboration with other state agencies and local stakeholders, is continuing to identify and evaluate possible sources of additional revenue and possible system changes needed to ensure the long-term financial stability of the Part C early intervention but additional state general funds will be required for Part C early intervention for FY2013.

Data System Update

The existing early intervention data system, the Infant and Toddler Online Tracking System (ITOTS), was developed and implemented in 2001 primarily to meet annual federal reporting requirements related to child data. The system provides data on who is getting services and includes the number of children by local system, race/ethnicity, gender, age, and the reason for eligibility. Reports can be pulled for point-in-time data on who is being served, annual review, and limited trend data. ITOTS 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 in scope and, therefore, the analysis of the available data does not allow analysis of outcomes.

ITOTS allows for the collection of data on the services planned on each child's initial IFSP but does not provide for the collection of data on how those services change over time, on delivered services, or on payment for services. Because of the significant limitations of this system, there is no mechanism available for local systems or for DBHDS to get the kind of real-time, ongoing data that would be necessary to effectively and efficiently monitor service delivery for individual children, to study trends and patterns, or to monitor funding sources and service costs by child or by local system.

Between 2006 and 2010, a number of initiatives were implemented to analyze and improve ITOTS. Although data system improvements have been implemented to address data integrity and better reporting, fiscal constraints and competing data priorities within the agency led to delays in developing or purchasing a data system with the complete functionality necessary to enter and report on delivered services and to have more complete and accurate revenue and expense data. The cost of enhancing or replacing the ITOTS system is projected to be $961,500 in the first year and $161,500 in the second year.

Since 2011, the Health and Human Resources Secretariat has been 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 the Part C early intervention system) 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, ITOTS will continue to be used and 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 FY2012.

Total Revenue to Support Part C Early Intervention Services

Revenue Source	FY12 Revenue Amount
Federal Part C Funds	$ 9,545,592
State Part C Funds	$ 10,020,426
Federal ARRA Funds	$ 2,251,526
Other State General Funds	$ 712,630
Local Funds	$ 7,992,093
Family Fees	$ 702,005
Medicaid	$ 15,230,981
Targeted Case Management	$ 3,986,948
Private Insurance	$ 5,096,825
Grants/Gifts/Donations	$ 12,472
In-Kind	$ 322,604
Other	$ 1,575,081
Total	**$ 57,449,183**

In accordance with Item 315.H.2., the chart below provides detail about the total amount of federal and state Part C funds and ARRA funds expended in FY2012 for Part C early intervention services as reported by the 40 local lead agencies and 59 private providers.

Total Expenditures for all Part C Early Intervention Services

Assessment for Service Planning	$ 2,425,415
Assistive Technology	$ 46,784
Audiology	$ 11,719
Counseling	$ 138,152
Developmental Services	$ 4,084,723
Evaluation for Eligibility Determination	$ 799,184
Health	$ 138,183
Nursing	$ 9,346
Nutrition	$ 82,715
Occupational Therapy	$ 4,965,330
Physical Therapy	$ 6,376,486
Service Coordination	$12,307,059
Social Work	$ 30,260
Speech language pathology	$18,107,586
Transportation	$ 200,465
Vision	$ 22,112
Other Entitled Part C Services	$ 676,439
Total-Direct Services	**$50,421,958***

*The local lead agencies reported an additional $7,451,964 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 $57,873,922. **This is the first year in which reported expenditures exceeded reported revenue.**

Total Number of Infants, Toddlers and Families Served

A total of 15,676 infants, toddlers and families received Part C early intervention services in the one-year period from July 1, 2011 – June 30, 2012. This number represents an 11.4% increase over the previous year. This continues the trend of significant growth of an almost 52% increase in the number of children served from FY2007 to FY2012, including 15% increase in the number of children served last year. The increase is due primarily to Virginia's efforts to identify and enroll all eligible children per federal child find requirements. In addition, Virginia added prematurity as an automatic eligibility criterion for service in December 2010, which also may have contributed to the increase in children enrolled.

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 FY2012
Assistive Technology	19
Audiology	235
Counseling	2
Developmental Services	2,947
Health Services	0
Nursing Services	0
Nutrition Services	2
Occupational Therapy	2,163
Physical Therapy	4,154
Psychological Services	0
Service Coordination	15,676*
Sign Language and Cued Language Services	5
Social Work Services	31
Speech-Language Pathology	5,534
Transportation	0
Vision Services	94
Other Entitled EI Services	78

* All eligible children receive service coordination.

In addition to the services listed on IFSPs, a total of 9,882 children received an evaluation to determine eligibility and/or an assessment for service planning in FY2012.

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 Department commissioned 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 significantly increased the allocation of state general funds for use in the provision of early intervention services from $125,000 per year during 1992 – 2003 to $975,000 in 2004, and $3,125,000 in 2005. For FY2007, a total of $7,203,366 was appropriated. The 2012 *Appropriation Act*, under Item 315.H.2. (previously Item 334.K.), 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."*

In 2012, the General Assembly appropriated the state funds necessary to increase the Medicaid reimbursement rate for early intervention targeted case management from $120 per month to $132 per month for FY2013 (beginning July 1, 2012).

Report of Required Data

To the maximum extent possible, the following narrative, charts and other graphics respond to the legislative requirements as delineated in Item 315.H.2. 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 and 59 private providers.

Total Revenue Used to Support Part C Services

As noted previously, the ITOTS data system does not collect financial data for Part C early intervention 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	FY12 Revenue Amount
Federal Part C Funds	$ 9,545,592*
State Part C Funds	$10,020,426*
Federal ARRA Funds	$ 2,251,526*
Other State General Funds	$ 712,630
Local Funds	$ 7,992,093
Family Fees	$ 702,005
Medicaid	$ 15,230,981
Targeted Case Management	$ 3,986,948
Private Insurance and TRICARE	$ 5,096,825
Grants/Gifts/Donations	$ 12,472
In-Kind	$ 322,604
Other	$ 1,575,081
Total	**$ 57,449,183**

*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	$ 158,866	$ 155,304	$ 50,128
Arlington	$ 301,173	$ 325,673	$ 85,661
Augusta-Highland	$ 62,998	$ 61,586	$ 19,878
Central Virginia	$ 197,744	$ 237,001	$ 0*
Chesapeake	$ 182,128	$ 154,880	$ 49,991

Infant & Toddler Connection of	State	Federal	ARRA
Chesterfield	$ 281,527	$ 284,538	$ 70,215
Crater District	$ 100,764	$ 87,360	$ 28,197
Cumberland Mountain	$ 66,660	$ 65,166	$ 21,033
Danville-Pittsylvania	$ 70,633	$ 72,931	$ 19,198
DILENOWISCO	$ 110,574	$ 61,992	$ 20,009
Fairfax-Falls Church	$1,162,912	$2,056,293	$ 396,566
Goochland-Powhatan	$ 59,596	$ 58,259	$ 18,804
Hampton-Newport News	$ 474,790	$ 357,357	$ 61,441
Hanover	$ 112,501	$ 109,978	$ 35,498
Harrisonburg/Rockingham	$ 135,076	$ 120,257	$ 29,132
Henrico-Charles City-New Kent	$ 391,363	$ 486,418	$ 92,367
Loudoun	$ 205,978	$ 201,359	$ 64,993
Middle Peninsula-North Neck	$ 165,305	$ 182,063	$ 33,246
Mount Rogers	$ 103,062	$ 144,177	$ 19,504
Norfolk	$ 434,178	$ 188,544	$ 60,856
Portsmouth	$ 62,957	$ 56,417	$ 18,210
Prince William, Manassas and Manassas Park	$ 272,590	$ 386,478	$ 86,011
Rappahannock-Rapidan	$ 248,290	$ 131,173	$ 42,338
Richmond	$ 160,682	$ 135,819	$ 43,838
Shenandoah Valley	$ 347,328	$ 218,516	$ 35,929
Southside	$ 99,960	$ 60,196	$ 19,430
Staunton-Waynesboro	$ 59,890	$ 67,233	$ 16,294
the Alleghany-Highlands	$ 48,388	$ 47,304	$ 15,268
the Blue Ridge	$ 275,978	$ 445,287	$ 42,734
the Eastern Shore	$ 91,484	$ 131,530	$ 16,249
the Heartland	$ 118,590	$ 168,726	$ 23,492
the Highlands	$ 74,761	$ 88,024	$ 19,112
the New River Valley	$ 105,220	$ 102,862	$ 33,200
the Piedmont	$ 118,683	$ 68,079	$ 21,974
the Rappahannock Area	$ 298,146	$ 222,390	$ 71,780
the Roanoke Valley	$ 290,935	$ 206,478	$ 0*
the Rockbridge Area	$ 55,754	$ 54,503	$ 17,592
Virginia Beach	$ 383,811	$ 574,206	$ 106,609
Western Tidewater	$ 232,297	$ 175,264	$ 50,299
Williamsburg-James City-York Poquoson	$ 156,646	$ 174,830	$ 42,924
Total	**$ 8,280,218****	**$ 8,926,451**	**$1,900,000**

* The lead agency for each of these local systems is the Department of Health (VDH). Because of the steps necessary to transfer the funds between state departments, these local systems received a greater proportion of

federal and/or state funds rather than receiving ARRA funds since ARRA funds had to be used by September 30, 2011.
** This total includes the state general funds designated for Part C early intervention as well as one-time state funds available as a result of vacant positions, efficiencies within the Department, and savings from the Department's facilities operations.
***Please see Appendix A for a listing of the localities included in each system.

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 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 early intervention services for FY2012.

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 funds spent on each Part C direct early intervention service in FY2012, as reported by the 40 local lead agencies and 59 private providers.

Expenditures for Part C Early Intervention Services

Assessment for Service Planning	$ 2,425,415
Assistive Technology	$ 46,784
Audiology	$ 11,719
Counseling	$ 138,152
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Evaluation for Eligibility Determination	$ 799,184
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More specific information regarding the budget shortfalls in the Part C early intervention system are discussed in the *Overall Fiscal Climate for Part C for FY2012 and Beyond* section later in this report.

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.

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. In the meantime, the Department has made a modification for FY2013 to the quarterly reporting forms used by local lead agencies and private providers in order to further minimize the duplication of expense data.

Total Number of Infants and Toddlers and Families Served

Local lead agencies are required to enter into the early intervention 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 an 11.4% increase in the number of children served from FY2011 to FY2012. This continues the trend of significant growth of an almost 52% increase in the number of children served from FY2007 to FY2012, including 15% increase in the number of children served last year. The increase is due primarily to Virginia's efforts to identify and enroll all eligible children per federal child find requirements. In addition, Virginia added prematurity as an automatic eligibility criterion for service in December 2010, which also may have contributed to the increase in children enrolled.

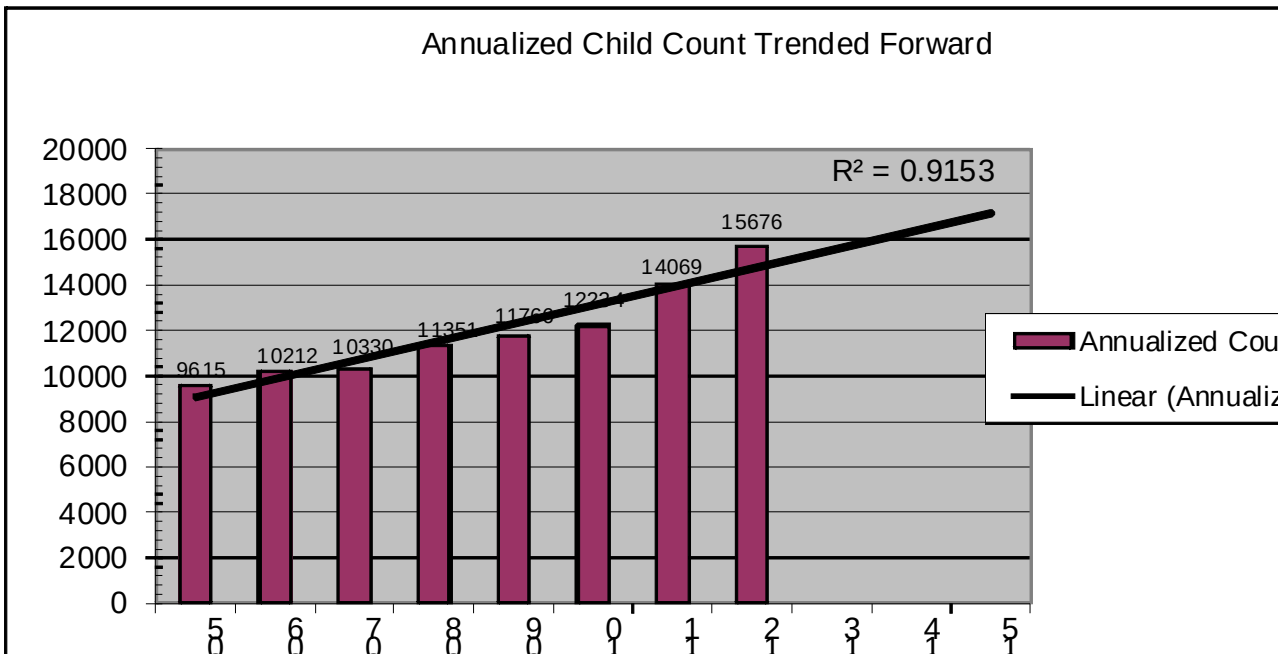
Total Number of Infants and Toddlers Served in Each Year

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
July 1, 2011 – June 30, 2012	15,676	1,797

* 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 early intervention 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 total number of children served each year (annualized child count), the chart below trends the projected number of eligible children served through 2015.



Services Provided to Eligible Infants and Toddlers

Efforts to include delivered service data on the quarterly expenditure reports from local lead agencies and private providers have resulted in inconsistent and duplicative counts. 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. 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, 2011 and June 30, 2012 who have each service listed on their initial IFSP. This is based on the percentage of children with initial IFSPs having those services listed on December 1, 2011.

Estimates of Total Number of Children Receiving Each Service:
July 1, 2011 – June 30, 2012

Type of Early Intervention Service	% of Children with an Initial IFSP Listing that Service on 12/1/11	Estimated # of Children with an Initial IFSP Listing that Service in FY2012 (% multiplied by Total Served)
Assistive Technology	0.12%	19
Audiology	1.5%	235
Counseling	0.01%	2
Developmental Services	18.8%	2,947
Health Services	0%	0
Nursing Services	0%	0
Nutrition Services	0.01%	2
Occupational Therapy	13.8%	2,163
Physical Therapy	26.5%	4,154
Psychological Services	0%	0
Service Coordination	N/A*	15,676
Sign Language and Cued Language Services	0.03%	5
Social Work Services	0.2%	31
Speech-Language Pathology	35.3%	5,534
Transportation	0%	0
Vision Services	0.6%	94
Other Entitled EI Services	0.5%	78

*All eligible children receive service coordination.

In addition to the services listed on IFSPs, a total of 9,882 children received an evaluation to determine eligibility and/or an assessment for service planning in FY2012.

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 with the National Early Childhood Technical Assistance Center to identify the most effective and efficient mechanism to accomplish this task.

Overall Fiscal Climate for Part C for FY2012 and Beyond

Medicaid revenue generated through the Medicaid Early Intervention Services Program continues to fully fund services (other than service coordination) for children with Medicaid. However, there was not sufficient funding available in FY2012 to fully support the costs of providing service coordination to Medicaid eligible children or to support the costs of providing

all appropriate services to children who do not have Medicaid. Specifically, the funding challenges in FY2012 included the following:

- Funding that had been available for the previous two years through the American Recovery and Reinvestment Act (ARRA) ended on September 30, 2011. Despite significant increases in Medicaid revenue, ARRA funds had helped to temporarily support over $3 million of early intervention service costs in both FY2010 and FY2011. That level of ARRA funding was not available in FY2012.
- Beginning October 1, 2011, the Medicaid Early Intervention Targeted Case Management Program was implemented to provide Medicaid reimbursement for service coordination for all children who are dually eligible for Medicaid and for Part C early intervention. Previously, these children had received Intellectual Disabilities Targeted Case Management or Mental Health Targeted Case Management. The new Early Intervention Targeted Case Management ensures eligible children and families receive service coordination that is appropriate to the needs of infants, toddlers and their families but provides a lower reimbursement rate than local systems were receiving under the other Targeted Case Management programs. As indicated in the Department's 2011 report on Virginia's Part C Early Intervention System, increasing the reimbursement rate for Early Intervention Targeted Case Management was a high priority since the $120 per month rate did not cover the expenses of providing this service, which are estimated at $175 per month, based on the recent cost study.
- In general, insurance companies pay lower rates for early intervention services than Medicaid does and do not reimburse at all for service coordination or developmental services. Federal and state Part C funds must be used to make up the difference between the insurance rate and the Medicaid rate and to pay for services that are not covered.
- There was a significant increase in the number of children served in the Part C early intervention system and no increase in federal or state funding for Part C. The increase is due primarily to Virginia's efforts to identify and enroll all eligible children per federal child find requirements. In addition, Virginia added prematurity as an automatic eligibility criteria for service in December 2010, which also may have contributed to the increase in children enrolled

As a result of the funding challenges listed above, 25 of the 40 local systems experienced budget shortfalls in FY2012. These shortfalls occurred despite the fact that the Department implemented a new allocation formula in FY2012 that took into account both the total number of children served and the number with Medicaid in order to proportionately direct more federal and state funds to local systems with fewer Medicaid children.

The Department was able to offset some of the local systems' FY2012 budget shortfalls with additional funds realized from vacant positions and efficiencies at the Department and savings from DBHDS facilities operations. However, three local systems reduced or cut services to eligible children and families in FY2012 due to budget shortfalls and were, therefore, in violation of federal Part C regulations.

Looking ahead, deficits in excess of $8.5 million are anticipated in FY2013 due to continued increases in the numbers of children eligible to receive Part C early intervention services and the expectation that none of the sources of additional funds that were accessed in FY2012 will be

available in FY2013. During the 2012 session, the General Assembly passed a budget amendment that appropriated the state funds necessary to increase the Medicaid reimbursement rate for early intervention targeted case management to $132 per month beginning July 1, 2012. This is projected to increase revenue by $549,504. These additional funds will help to shrink, but not close, the gap between revenue and the $175 per month expenses associated with service coordination for children with Medicaid. Department staff are discussing with the Bureau of Insurance, the Virginia Association of Health Plans, and the Virginia Interagency Coordinating Council ways to possibly improve private insurance reimbursement for early intervention services, though these efforts are more focused on long-term results. In order to address the expected deficit and ensure children and families receive needed early intervention services, additional state general funds will be required for Part C early intervention for FY2013.

Without additional funding, the following short-term consequences are expected:

- Children and families will wait for needed services;
- Center-based services will increase, rather than services in natural environments, which research shows is more effective;
- Higher case loads for service coordinator;
- Noncompliance with federal regulations and as a result, potential loss of federal funding; and
- Local lead agencies declining to continue in that role.

Conclusion

As demonstrated by the data reported above, the funding provided by the General Assembly permitted local Part C early intervention systems to provide a wide variety of needed supports and services to more than 15,000 eligible infants, toddlers and their families during fiscal year 2012. These funds also touched the lives of almost 1,800 additional infants, toddlers and families who received evaluations for eligibility determination and assessments upon referral to the Part C early intervention system even though they did not proceed on to receiving other early intervention supports and services. As the number of eligible infants and toddlers identified continues to increase, federal Part C funding levels remain static, and therefore, additional state Part C funding will be even more critical to ensure all eligible children and families receive timely and appropriate early intervention supports and services.

Appendix A
Local System Names and Included Localities

Local System	Localities Included
Alexandria	City of Alexandria
Alleghany-Highland	Alleghany County; Cities of Clifton Forge and Covington
Arlington County	Arlington County
Central Virginia	Counties of Amherst, Appomattox, Bedford and Campbell; Cities of Bedford and Lynchburg
Chesapeake	City of Chesapeake
Chesterfield	Chesterfield County
Williamsburg, James City, York	Counties of James City and York; Cities of Poquoson and Williamsburg
Heartland	Counties of Amelia, Buckingham, Charlotte, Cumberland, Lunenburg, Nottoway, and Prince Edward
Cumberland Mountain	Counties of Buchanan, Russell, and Tazewell
Danville-Pittsylvania	Pittsylvania County; City of Danville
Eastern Shore	Counties of Accomack and Northampton
Fairfax-Falls Church	Fairfax County; Cities of Fairfax & Falls Church
Goochland-Powhatan	Counties of Goochland and Powhatan
Hampton-Newport News	Cities of Hampton and Newport News
Hanover County	Hanover County
Harrisonburg-Rockingham	Rockingham County; City of Harrisonburg
Henrico, Charles City, New Kent	Counties of Henrico, Charles City, and New Kent
Highlands	Washington County; City of Bristol, Abingdon
Loudoun County	Loudoun County
Middle Peninsula-Northern Neck	Counties of Essex, Gloucester, King & Queen, King William, Lancaster, Mathews, Middlesex, Northumberland, Richmond, and Westmoreland; Cities of Colonial Beach and West Point
Mount Rogers	Counties of Bland, Carroll, Grayson, Smyth, and Wythe; City of Galax and Marion
New River Valley	Counties of Floyd, Giles, Montgomery and Pulaski; City of Radford
Norfolk	City of Norfolk
Shenandoah Valley	Counties of Clark, Frederick, Page, Shenandoah, and Warren; City of Winchester
Piedmont	Counties of Henry, Franklin, and Patrick; City of Martinsville
DILENOWISCO	Counties of Dickenson, Lee, Scott and Wise; City of Norton
Crater District	Counties of Dinwiddie, Greensville, Prince George, Surry, and Sussex; Cities of Colonial Heights, Emporia, Hopewell, and Petersburg
Portsmouth	City of Portsmouth
Prince William, Manassas, Manassas Park	Prince William County; Cities of Manassas, Manassas Park and Quantico

Rappahannock Area	Counties of Caroline, King George, Spotsylvania, and Stafford; City of Fredericksburg
Rappahannock-Rapid an	Counties of Culpepper, Fauquier, Madison, Orange, and Rappahannock
Roanoke Valley	Counties of Albemarle, Fluvanna, Greene, Louisa, and Nelson; City of Charlottesville
Richmond	City of Richmond
Blue Ridge	Counties of Botetourt, Roanoke and Craig; Cities of Roanoke and Salem
Rockbridge Area	Counties of Bath and Rockbridge; Cities of Buena Vista and Lexington
Southside	Counties of Brunswick, Mecklenburg, and Halifax; Cities of South Boston and South Hill
Augusta-Highland	Counties of Augusta and Highland
Virginia Beach	City of Virginia Beach
Western Tidewater	Counties of Isle of Wight and Southampton; Cities of Franklin and Suffolk
Staunton-Waynesboro	Cities of Staunton and Waynesboro