

House Committee on Finance and Appropriations
 Human Services Subcommittee
 Testimony of John L. Martin
 Director, Ohio Department of MRDD
 March 3, 2009

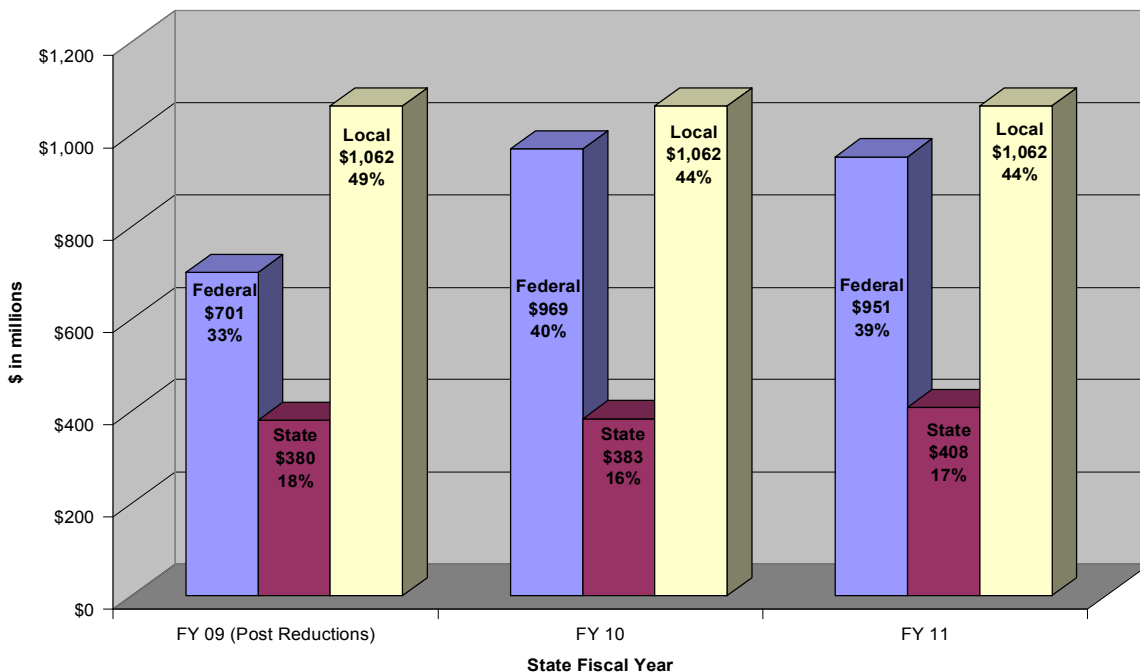
Chairwoman Bolon, Ranking Member Burke, and Members of the Human Services Subcommittee, thank you for giving me the opportunity to discuss the work of the Ohio Department of Mental Retardation and Developmental Disabilities and the 2010 and 2011 operating budget recommendations. I look forward to working with all of you on behalf of Ohioans affected by developmental disabilities.

INTRODUCTION

Ohio’s MRDD system is *the* safety net of funding, services and supports for nearly 80,000 Ohio citizens and their families. Our services and supports assure individual health and safety, foster community participation and promote employment opportunities. ODMRDD’s role is to provide leadership and oversight along with a share of the funding, and to coordinate the collaborative efforts of 88 county boards, thousands of private sector direct service agencies and independent providers, national, statewide and local advocacy organizations, state agencies and the federal government, and the individuals and families we serve.

Our budget directly supports more than 23,000 Medicaid-funded home and community based waivers, pays for operations at 10 developmental centers (DCs), provides subsidies to 88 county boards of MRDD, including funds for the family resource program, and pays for central office administration. In combination, the state, federal and local funds pictured below support thousands of jobs, both in the public and private sectors. These dedicated, caring professionals enable people to achieve success and improve the quality of life for individuals, families, and Ohio’s communities.

Total MRDD Budget FYs 2009-2011



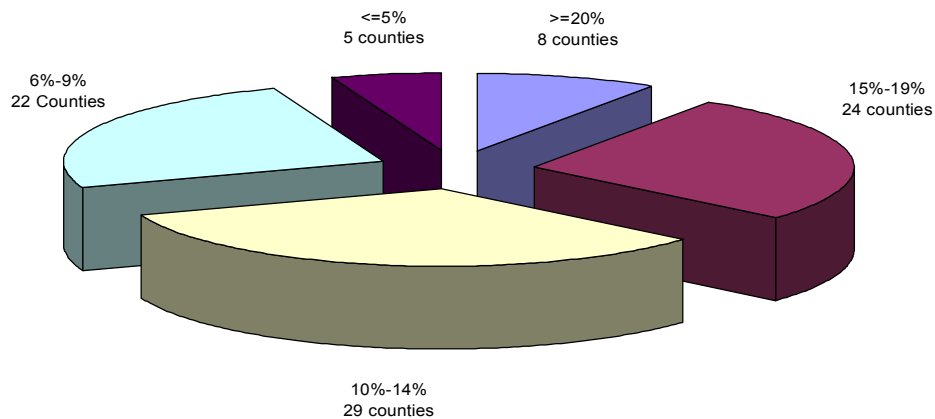
As you review our budget you will see how the combination of the state and federal funding provides important resources to assist county boards of MRDD, which raise much of the system’s funding locally. Taken together, these funds provide services and supports for 80,000 Ohioans. This would not be possible if we did not use these funds strategically, continuing to work with our local funding partners to address Ohio’s historical under-utilization of federal funding. One thing is clear: sustaining fiscal viability in the future is critical. In today’s testimony I will focus primarily on the services and programs funded by our budget and what we are doing about it, and will discuss three of the many challenges faced by our system.

CHALLENGES

Unstable Funding Streams

As the first chart above illustrates, you can see the role that local levy funds play in our system. These funds will be diminishing, however, beginning in 2012, as the 2005 tax reform changes in the tangible personal property tax occur. Apart from this, there are county-specific funding disparities, historical subsidy funding patterns, and unique delivery system attributes, as well. As a result, these anticipated losses in revenues will have different impacts in different counties:

Percentage of Local Revenue Lost Resulting from Tax Changes



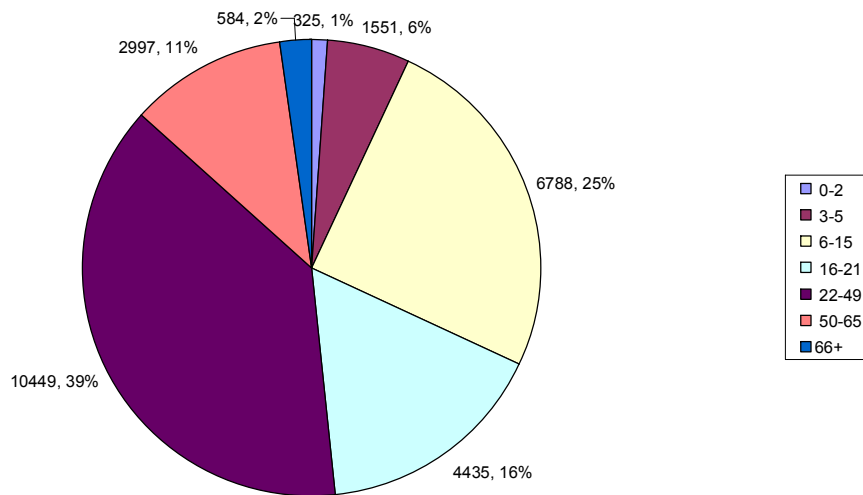
Direct Service Professionals Wage Stagnation

Direct service professionals are the backbone of our residential and home and community based waiver services. Day in and day out, these individuals do what it takes to ensure that individuals with developmental disabilities are healthy, safe, and supported in their daily achievements. Despite the critical nature of their work, they have the lowest wages and benefits in our system, a situation which over time we must remedy. We will review our reimbursement methodology to see what can be done and how soon.

Waiting Lists

We continue to have greater demand for services than we have resources to pay for them. The following chart illustrates this demand – as you can see, more than 27,000 are on waiver waiting lists.

**27,129 Individuals on Waiver Waiting Lists
by Age
(2/10/09)**



We have been making progress even in this difficult economic environment. Today I will report on what we have been doing in the current biennium, as Ohio’s MRDD community is working together to address the long-term fiscal sustainability of our system. I will explain our pathway to working through these challenges as we make changes to achieve the best possible and most sustainable uses of available resources. I will share how our response to the current budget’s reductions has been guided by the commitment to address long term fiscal sustainability, and how we continue to prepare our system to address both the constraints and the opportunities that lie ahead in the upcoming biennium, 2012-13, and beyond.

Finally, I will express why we believe the 2010 and 2011 budget recommendations are *critical* resources to continue the momentum launched by the MRDD Futures Committee toward a more sustainable approach and greater cost efficiencies.

2008-2009

MRDD Futures Committee

Two years ago House Bill 119 of the 127th General Assembly established the MRDD Futures Committee, in which constituents agreed on a long range strategic plan to guide continuous system improvement. Among other tasks, it was charged to review the effectiveness, efficiency, and sustainability of current uses of funding in the system. On March 28, 2008 a final report was delivered to Governor Strickland and the General Assembly, laying out concrete action steps to improve services, processes, and supports for individuals and families. We have provided the committee members with a CD of the final report and recommendations.

In Fiscal Years 2008-09, ODMRDD took additional important steps to address the fiscal sustainability of the system.

1. We were able to achieve compliance and better relations with the Centers for Medicare & Medicaid Services (CMS), the Ohio Department of Job & Family Services (ODJFS), and

sister state agencies through the Executive Medicaid Management Administration, and with the field through the MRDD Futures Committee. This was done through the on-time completion of the waiver reimbursement transition that had worn the patience of our federal funder and strained Ohio's credibility. As a result, we obtained federal permission to simplify some aspects of the payment system. The federal government approved renewal of the Individual Options waiver, and allowed for more Level One slots for county boards asking for them.

2. We completed and implemented agreement on a framework for how the state and county boards will meet our responsibilities for the state and local share of Medicaid waiver matching funds. ODMRDD, the county board association, and individual county boards are working closely together to ensure the viability of this funding partnership, even as we navigate these uncertain economic times.
3. The constituent-led MRDD Futures Committee completed its work on time and we are implementing its 31 *unanimous* recommendations. One of the most significant recommendations called for ODMRDD to use data to drive decision-making. We have analytical capacity now that we did not have two years ago and we use it to inform our collaborative decision-making processes with constituents.
4. ODMRDD, in cooperation with ODJFS, has improved business processes. One example of improvement is in the area of Prior Authorization, where we have reduced by 50% the average time to make a decision on a case. ODMRDD combined organizational units, and continues to co-locate employees, so staff is near those whose business practices are connected. We are working on consolidating business functions across agencies.
5. Funding is identified and a draft waiver description is being reviewed by families, other stakeholders, and ODJFS for submission to CMS for a new, more flexible, family-directed waiver for children with intensive behavioral needs, including those diagnosed on the autism spectrum.
6. In this biennium we have 20% fewer rules in our system, having rescinded many no longer being used, and are working with stakeholders to achieve greater regulatory relief going forward.
7. The MRDD system has contained the rate of growth in Individual Options Waiver costs. Over the last two years, we have seen a rate of growth of 1.37% at a time when the Medical Consumer Price Index increased 4%.
8. Finally, we are developing a suite of web-based integrated software tools, that when completed, will make a complex system much easier for county boards and providers to manage costs. For example we will soon have an on-line Cost Projection Tool (CPT) as an alternative to numerous county-specific CPTs. The work we are doing will prepare our information technology infrastructure for compatibility and eventually will dock with ODJFS' MITS system, which will create even greater efficiencies.

ODMRDD Response to Economic Downturn

In Fiscal Years 2008 & 2009, ODMRDD experienced three budget reductions as a result of decreased state revenue collections. A total of \$53.5 million in General Revenue Fund (GRF) appropriations was reduced over the two years.

In the first round, we decided to reduce the budget of central office and the DC's instead of funds that go to the county boards. There were several reasons for this. First, we sought to lead by example. Second, we hoped to avoid immediate impact on direct services for individuals being served, and the county boards and provider agencies serving them. We reduced our GRF central administration expenditures by 43%. Central office positions were reduced by 45. Ten DC's implemented a carefully thought-out census reduction plan; over time, 132 fewer individuals resided in the DC's. We did this by working with individuals and families who chose to return to the community; no one was forced to move. 286 positions were reduced. ODMRDD, county boards, private providers and advocates worked together and state-funded Martin waivers were used to finance services in the community.

In the second and third reductions, it was necessary to reduce subsidy funds given to county boards by nearly \$30 million. Again, in order to mitigate the impact as much as possible on the people we serve, and the potential disruption to the process of rebalancing the proportion of federal funding in our system, we helped county boards interested in maximizing federal revenue to do so.

This winter, ODMRDD convened a group of stakeholders, including leadership of MRDD system partners. We discussed the seriousness of the situation before us in light of the third budget cut. This group suggested that I work with stakeholder organizations to conduct a series of community forums across Ohio to discuss the budget.

More than 500 individuals, families, and service providers participated and offered ways to make the most of what we have, protect what is most important, and suggest ways we might do things differently. At each of the five forums, I provided an overview of the budget situation, a brief history of the how the eroding national economy has affected the Department and the State of Ohio, and asked participants two questions:

1. What are you most concerned about regarding the budget, that is, what aspects of the MRDD system do you think are most vulnerable/fragile?
2. What are your suggestions for how ODMRDD and the entire MRDD system can save money and be more efficient?

From these forums, we learned that the work of MRDD Futures Committee was valid, relevant, and provided the right path forward. We heard that families and communities alike value a continuum of options, including the developmental centers (DC), other residential options, and need better ways to assist individuals living with their families. We heard suggestions about sharing more services with others, when people want to make that choice, and when everyone involved agrees. We heard that by improving our use of technology and standardizing business practices, money could be saved over the long run.

Many of the suggestions can be pursued by continuing to implement the MRDD Futures recommendations. Others are new and we are evaluating every one of them, using our data to analyze their potential. We see opportunities for fine-tuning our service delivery models to create greater efficiencies.

This has been our overriding focus and will remain so over the next few years. The budget, as introduced, allows us to pursue this strategic path toward more of what the community needs and a firmer foundation for a sustainable financial structure for the future.

BIENNIAL BUDGET INITIATIVES

The 2010-2011 biennial budget, as proposed, continues funding for Medicaid waivers. The GRF appropriation for subsidies, DC's and central office are at levels lower than FY 2008. Medicaid waivers are funded with a combination of state, local, and federal dollars. The DC's are funded with state and federal dollars. These programs leverage federal funding through the Medicaid program. State and local resources provide matching funds that draw down federal reimbursement.

Federal Economic Stimulus Package

Our budget contains \$23.2 million from the stimulus package in FY 11. This amount enables us to fund the county board subsidy at 83% of the FY 09 appropriation in FY 11. Without this funding in FY 11, the county board subsidy level would drop from \$87 million to \$49 million, meaning county boards would have to reduce services, discontinue specific services, or reduce waivers. Nearly all of these would cause a loss of federal revenue. These funds will enable employment to continue for providers, provide relief for families, and meet our commitments to people with developmental disabilities.

The stimulus package also increases the federal matching rate for Medicaid services, or federal medical assistance percentage (FMAP). Our budget assumes an increase of approximately \$151 million due to the increase in FMAP over the 2 years. These federal funds will be drawn down for targeted case management, waivers (state and county board funded) and DC's once the non-federal share for these expenditures is provided. This reduces the amount required from our waiver and DC GRF line items to support Medicaid. In turn, this allows us to redirect the GRF to our county board subsidy and restore a significant portion of the FY 09 reductions. This brings our subsidy in FY 10 to approximately 95% of the FY 09 original appropriation. Once the stimulus package has ended, we will need to use state funds to once again provide the non-federal match to continue our current funding of over 23,000 Medicaid waivers and the DC's. This platform, as proposed, however provides funding for capturing more federal funding in the future.

We understand that this influx of additional federal dollars represents one time funding that enables us to offset GRF reductions, and so we will use 2010 and 2011 to make changes to our system so that it is more financially stable beginning in 2012.

Martin Settlement

In 2007, ODMRDD's operating budget was increased to fund the state's share of the *Martin v. Strickland* Settlement Agreement, reached in September 2006. This settled the class action lawsuit, originally filed in 1989 on behalf of institutionalized citizens with disabilities, and mandated the expansion of community residential services. The agreement offered new residential choices, including alternatives for individuals who currently reside in institutional settings, but does not require the closure of any public or private facilities. The settlement was conditional upon funding approval in Ohio's biennial budget and was negotiated among system stakeholders.

Under the agreement, the state supplies match for a total of 1,500 new Medicaid waiver slots for Ohioans to have home and community based services. The agreement helped many individuals who are on waiting lists for residential services, without requiring County Boards of MRDD to take on greater than anticipated waiver match obligations. The Administration maintains its commitment to fund 1,500 waivers with state dollars with \$36.0 million in funding per year. Funding in 2008 and 2009 assumed a staggered filling of the waiver slots. By June 30, 2009, all 1,500 slots will be filled and so we need to have the \$36.0 million which represents a full years funding.

New Futures Waiver

House Bill 562 (capital and other appropriations 127th General Assembly) dedicates a portion of the ICF/MR Franchise Fee, approximately \$1.0 million in each year, to fund a waiver for children with intensive behavioral health needs including individuals with an autism spectrum disorder. This funding level is proposed to continue in each year of the upcoming biennium. The waiver will serve approximately 100 children each year and will be a self-directed waiver. The Administration plans to have the waiver application to the Centers for Medicare and Medicaid this spring.

Developmental Centers

We expect individuals will continue to choose to move to the community; we will reduce census as this occurs. The proposed budget is calibrated to this process and maintains operations at our ten DC's.

Franchise Fee

The Administration has recommended that the developmental centers begin paying the franchise fee that other ICFs/MR pay. The bill provides for the ICF/MR franchise permit fee to be set at \$14.25 per bed per day effective FY 10 and create a new GRF line item to pay the fee in 2010 and 2011. Beginning in 2012, the expense of paying the fee will be included in the per diems for the developmental centers, and the Department will be able to draw down additional federal funds.

LANGUAGE CHANGES

More Voluntary Sharing of Services

ODMRDD is proposing to amend the definition of supported living in R.C. §5126.01 to raise the limit on the number of unrelated persons with mental retardation and developmental disabilities who may live together while receiving supported living from four to five. This is one way to save costs in the system. However, we must balance this with the ability for people, providers, and county boards to make this choice, so this is discretionary and not mandatory language.

Plan for Fiscal Sustainability

In order to be prepared for 2012, we included language stating, "By no later than December 31, 2009, the Department of Mental Retardation and Developmental Disabilities shall submit a plan to the Department of Job and Family Services to implement measures to address the fiscal sustainability of home and community-based services as defined in section 5123.01 of the Revised Code. This plan may include, but is not limited to, changes in funding ranges, rate methodology modifications and establishment of individual cost caps." As we implement the Futures committee work and consider the feedback from our statewide budget forums, we will examine these as ways to address fiscal sustainability further.

501 Subsidy Formula

County boards have been receiving the same amount from this subsidy since FY 2005. Given the fragility in the system and the financial situation of some of the county boards, we are proposing to consult with the county boards over the details of how to distribute them among the counties. This will help our local partners navigate these difficult economic times.

CONCLUSION

In 2007, ODMRDD established five goals that gave us the context in which we carry out our work. These goals are:

1. Less complex service delivery with fair and logical payment systems
2. Good stewardship of limited resources
3. Quality outcomes, through a combination of people and processes
4. Service delivery models designed in response to choices made by the people served in alliance with community supports
5. A system-wide vision developed with stakeholders

Although there are many challenges as we work to improve our system, we are doing it within the parameters of our five goals and the recommendations of the Futures committee. Over the past two years, we have had the opportunity to get to know and work in a spirit of cooperative optimism with our diverse community. I am struck by their wisdom, patience, and understanding. That is the strength of a community administered system, of which Ohio has perhaps the best. More than ever, we at the Department are convinced that our community's greatest asset is our people and the history of improvements they have made happen for individuals with developmental disabilities. I *know* that together, with these transitional resources, we can do what must be done.

We see ourselves making significant progress on the pathway toward a more efficient system -- one that makes the *best use* of available resources more attainable. If the economy turns around in the next biennium, we'll have a more efficient system that can serve more people. If economic recovery takes longer, we will be able to assure health and safety and keep our commitments to the individuals and families being served, Ohio's communities, and the people who care for them.

The budget before you underscores Governor Strickland's commitment to serving our most vulnerable Ohioans, and we urge its passage. Chairwoman Bolon, Ranking Member Burke, and members of the committee, thank you very much for your time and attention. I would be happy to answer any questions you may have.