

Senate Finance and Financial Institutions Committee
 Testimony of John L. Martin
 Director, Ohio Department of MRDD
 April 30, 2009

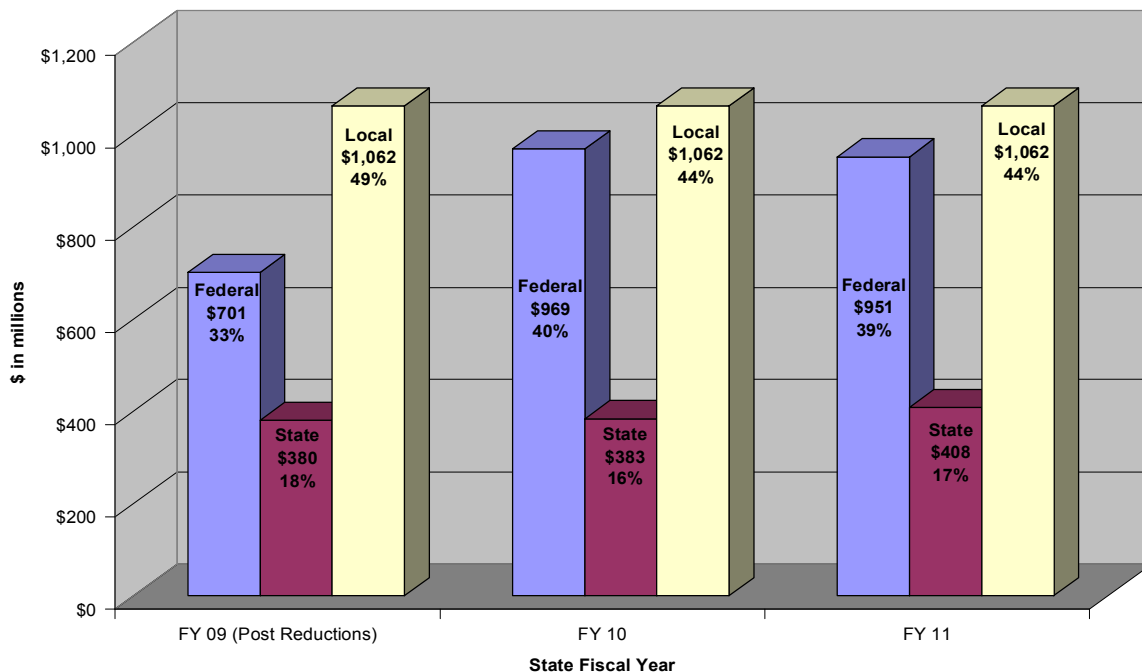
Chairman Carey, Ranking Member Miller, and Members of the Senate Finance and Financial Institutions Committee, thank you for giving me the opportunity to discuss the work of the Ohio Department of Mental Retardation and Developmental Disabilities and the 2010 and 2011 operating budget recommendations. 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 more than 80,000 Ohioans and their families. Our services and supports assure personal 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 of MRDD, thousands of private sector direct service agencies and independent providers, national, state, and local advocacy organizations, state agencies, 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. Dedicated, caring, direct service 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

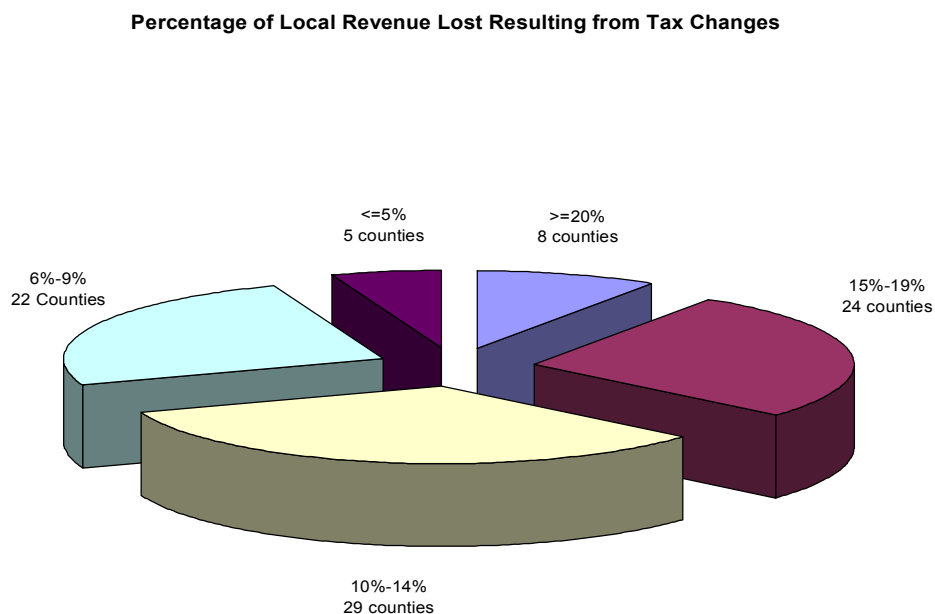


As you review our budget you will see how the combination of the state and federal funding provides important resources to assist County Boards, which raise much of the system’s funding locally. Taken together, these funds provide services and supports for more than 80,000 Ohioans. This would not be possible if we did not use these funds strategically, continuing to work with our local funding partners to address Ohio’s historic under-utilization of federal funding. One thing is clear: sustaining fiscal viability in the future is critical.

CHALLENGES

Unstable Funding Streams

As the first chart 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:



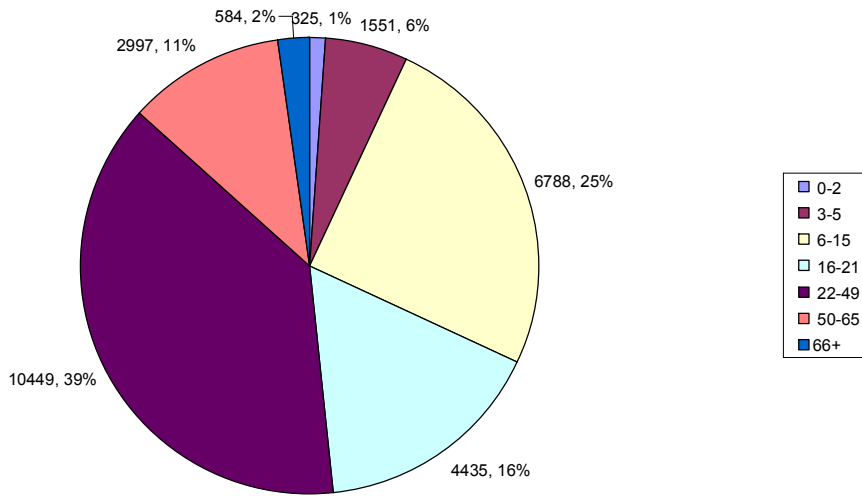
Direct Service Professionals Wage Stagnation

Direct service professionals are the backbone of our residential and home and community-based waiver services. Day in and day out, these individuals ensure that people with developmental disabilities are healthy, safe, and supported in their daily lives. 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 quickly.

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 we have 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 to continue the momentum 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 stakeholders in the developmental disability community 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.

Just this week, we have released a detailed Progress Report on the advancement of the recommendations since the March 2008 Report was released. We have provided the committee members with a CD including the Final Report, recommendations, and Progress Report.

Fiscal Sustainability

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

- 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 of completing the transition we obtained 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 of MRDD.
- We completed and implemented an agreement on a framework outlining how the state and County Boards will meet responsibilities for the state and local share of Medicaid waiver matching funds. ODMRDD, the Ohio Association of County Boards of MRDD, and individual County Boards are working closely together to ensure the viability of this funding partnership.
- 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 are using it to inform collaborative decision-making processes with constituents.
- Funding is identified for, and a draft waiver description is being reviewed by families, other stakeholders, and ODJFS for submission to CMS, for a new, more flexible and family-directed waiver for children with intensive behavioral needs, including those diagnosed on the autism spectrum.
- The MRDD system has contained the rate of growth in Individual Options Waiver costs. During the past two years, we have seen a rate of growth of 1.37% at a time when the Medical Consumer Price Index increased 4%.

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 reducing funds that go to the county boards. There were several reasons for this. First, we sought to lead by example. And 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 was reduced by 45 positions. 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 using a Medicaid waiver; no one was forced to move. Developmental Center staff was reduced by 286 positions.. ODMRDD, County Boards, private providers and advocates worked together, and state-funded Martin waivers were used to finance services in the community.

To manage 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 on the people we serve, we helped County Boards interested in maximizing federal Medicaid revenue to do so.

This winter, ODMRDD convened a group of stakeholders including the 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 in these forums, and offered ideas 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 how the eroding national economy has affected the Department and the State of Ohio, and asked participants these 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 the input gathered at these forums, we were reassured that the work of the MRDD Futures Committee had provided the right path forward. We heard that families and communities alike value a continuum of options, including the DC's, other residential options, and 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, which we have made available on our website, can be pursued by continuing to implement the MRDD Futures recommendations. Others are new and we are evaluating them, using 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.

ADMINISTRATIVE EFFICIENCIES

A significant emphasis has been put upon the vital area of administrative efficiency. Administrative efficiencies allow more individuals to be served without sacrificing oversight on health and safety issues.

- 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.
- 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. We have agreed with our constituents to give ourselves a firm deadline to achieve this. I am confident we can do it.
- 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 soon will 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, to create even greater efficiencies.
- We are proposing to remove barriers in the Ohio Revised Code to allow County Boards of MRDD to share Superintendents, Medicaid services managers, and Business managers. The decisions to collaborate and share administrative oversight have been made at a local level. The Department's role has been to facilitate these processes and to remove operational barriers, not to dictate what should or should not be done. Our experience has shown us that a top down, cookie cutter approach from Columbus often has unintended consequences.

FINDING THE BEST USE OF AVAILABLE RESOURCES

One of the more challenging and rewarding efforts of the past year has been to explore concrete with our stakeholders opportunities that will afford the best use of available resources.

- With the goal of increasing efficiency while protecting access to services, ODMRDD is exploring potential amendments to the Individual Options Waiver that would permit remote monitoring of individuals being served, create a new adult family care service, and incorporate a daily reimbursement rate for individuals attending camp.
- ODMRDD's Decision Support Team, which serves as a clearing house for data collection and analysis, conducted numerous analyses used to inform decision-making regarding costs by service setting size, Individual Options Waiver costs by county, the impact of changes in Federal Medical Assistance Percentage, factors included in hourly rates for services, and local/state per capita funding levels by county. Team members are currently reviewing and analyzing suggestions submitted at the five regional budget conversations conducted in January 2009.
- Work with the field to explore increased use of the Adult Foster Model.
- ODMRDD and County Boards worked together to develop the Individual Data System, a person-centered data portal that will become the single point of entry for accessing individual records to create, review, monitor, and/or update information about individuals served. The system consolidates the former Individual Information Form application and will incorporate

the Acuity Assessment Instrument, Waiting List, Preadmission Screening/Resident Review, and Ohio Developmental Disabilities Profile applications. This user-friendly system will house all individuals' data in one place and expedite data entry and reporting. System testing is underway with the system to “go live” planned for late summer 2009.

- County Boards participating in the county collaborative project are mapping business practices, including waiting list management, for the purpose of identifying opportunities for improvement, efficiencies, and collaboration.

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

Over the biennium, the federal stimulus is 5.57% of our total budget. Our budget contains \$23.2 million from the stimulus package in FY 2011. This amount enables us to fund the County Board subsidy at 83% of the FY 2009 appropriation in FY 2011. Without this funding in FY 2011, 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 two years. These federal funds will be drawn down for targeted case management, waivers (state and County Board funded) and DC's. 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 2009 reductions. This brings our subsidy in FY 2010 to approximately 95% of the FY 2009 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 more than 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 onetime funding that enables us to offset GRF reductions, and so we will use FY 2010 and FY 2011 to make changes to our system so that it is more financially stable beginning in FY 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, so we need to have the \$36.0 million which represents a full year's funding.

New Futures Waiver

House Bill 562 (capital and other appropriations 127th General Assembly) dedicates a portion of the ICFMR 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 from Developmental Centers, and 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 Developmental Centers begin paying the franchise fee that other ICFsMR pay. The bill provides for the ICFMR franchise permit fee to be set at \$14.25 per bed, per day, effective FY 2010, 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, an estimated \$3.5M in 2012 and an estimated \$4.5M in 2013.

LANGUAGE CHANGES

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 Ohio 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 further ways to address fiscal sustainability.

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.

AMENDMENTS

Since our testimony in the Ohio House, we have worked collaboratively to address several issues in our original budget proposal.

Increased Voluntary Sharing of Services

Originally proposed 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 other developmental disabilities who may live together while receiving supported living from four to five. We have decided to remove this proposal at the request of the developmental disability community, who have said there are other ways to save costs in the system, and they have pledged to work with us to implement them.

Summary Page for Individual Service Plans

This amendment requires a County Board of MRDD to include with each Individualized Service Plan a summary page, agreed to by the County Board, provider, and individual, clearly outlining the amount, duration, and scope of services to be provided under the Plan. This should improve efficiency.

County Board of MRDD Business and Medicaid Services Managers

This amendment revises the conditions by which a County Board of MRDD may satisfy a requirement to have a Business manager and Medicaid services manager. It allows for more than one County Board of MRDD to share Business and Medicaid services managers, increasing administrative efficiency.

County Board Levy Failure

Revises the law governing the rules the Ohio Department of Mental Retardation and Developmental Disabilities must adopt regarding the failure of a county property tax levy for services for individuals with mental retardation or other developmental disability. This allows counties if they are in financial distress not to fill an open waiver following a disenrollment in an existing slot.

Departments of MRDD and Job & Family Services

Provides the funding mechanism for conversion of ICFMR beds to home and community-based services for the FY 2010-FY 2011 biennium.

Department of Mental Retardation and Developmental Disabilities

Increases GRF line item 322501, County Board Subsidies, by \$2,706,310 in FY 2010. This is a technical correction. This amount should have been in the as introduced version of House Bill 1.

Fiscal Plan for Home and Community-Based Waiver Services

Specifies that recommendations to be made under the bill for modifying the methodology used in establishing payment rates for providers of home and community-based services under ODMRDD-administered Medicaid waivers may include recommendations for modifying the methodology's components that reflect (1) wages and benefits for persons providing direct care and (2) training and direct supervision of those persons.

CONCLUSION

In 2007, ODMRDD established five goals that gave us the context within 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 MRDD Futures Committee. During the past two years, we have had the opportunity to 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. 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 and the people who care for them.

The budget before you underscores Governor Strickland's commitment to serving our most vulnerable Ohioans, and we appreciate the House's willingness to accept amendments agreed to by the Department and constituents. We urge its passage. Chairman Carey, Ranking Member Miller, 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.