Department of Mental Retardation and Developmental Disabilities

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- Eliminates the Community Alternative Funding System (CAFS) program
- Transfers the State Use program to the Department of Administrative Services
- Creates a three-year, 200 bed ICF/MR Conversion Pilot Program

OVERVIEW

Duties and Responsibilities

The Ohio Department of Mental Retardation and Developmental Disabilities (ODMR/DD) is the primary state service agency for Ohioans with mental retardation or other developmental disabilities (MR/DD). The Department provides services to approximately 1,500 individuals at 11 regional developmental centers and 11,300 people through two home and community-based Medicaid waivers: Individual Options (IO) and the Level 1.

The Department also provides subsidies to Ohio's 88 county boards of MR/DD for residential and support services. County boards provide a variety of community-based services including residential support, early intervention, family support, adult vocational and employment services, and service and support administration. In fiscal year (FY) 2003, 68,896 people received services through county board programs.

Agency in Brief

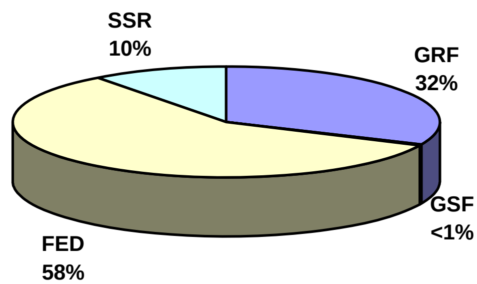
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3,915	$1.12 billion	$1.10 billion	$352.88 million	$353.40 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

In FY 2006, the enacted budget provides $1.12 billion for ODMR/DD, a 1.4% decrease from FY 2005 estimates. In FY 2007, this figure decreases to $1.10 billion, a 2.0% decrease from FY 2006 appropriations.

The following chart shows the funding sources of the Department's budget for FYs 2006-2007:

Chart 5
Sources of ODMR/DD Budget
FYs 2006-2007



For FY 2006, GRF appropriations total $352.9 million, an increase of 0.4% over FY 2005 estimates. For FY 2007, GRF appropriations increase by 0.2% to $353.4 million. In total, GRF funds make up approximately 32% of the Department's budget. For the most part, the enacted budget provides for level GRF funding.

For FY 2006, Federal Special Revenue (FED) appropriations total $652.7 million, a 9.2% decrease from FY 2005 estimates. For FY 2007, FED appropriations total $630.6 million, a decrease of 3.4%. In total, federal funds represent approximately 58% of the Department's budget. The decrease in federal appropriations is directly related to the termination of the Community Alternative Funding System (CAFS) program. Recently, the federal government informed the Ohio Department of Job and Family Services (ODJFS) and ODMR/DD that the state would no longer receive federal Medicaid reimbursement for CAFS services. Thus, the enacted budget repeals all statutes governing the CAFS program. In FY 2004, the CAFS program generated approximately $206 million in federal Medicaid reimbursement.

For FY 2006, State Special Revenue (SSR) appropriations total $114.3 million, an increase of approximately 85.3% from FY 2005 estimates. For FY 2007, SSR appropriations are flat funded. In total, SSR appropriations represent approximately 10% of the Department's budget. For the most part, the increase in SSR appropriations occurs in line item 322-624, County Board Waiver Match, Fund 5Z1. Fund 5Z1 receives dollars pledged from county boards from their GRF subsidy allocations to pay the nonfederal share of Medicaid waiver expenditures. County boards are required by state law to pay the nonfederal portion of Medicaid waiver expenditures. However, ODMR/DD is administratively responsible for paying the provider for services rendered. Thus, to make the process more efficient, county boards pledge funds from their GRF subsidy allocations, which is then used by the Department to pay the county's waiver match obligations. If a county's GRF pledges will not pay for all match obligations, the county board remits local funds to cover the remaining match. Currently, approximately 3% of all county board match obligations are paid by local funds.

For FY 2006, General Services Fund (GSF) appropriations total $2.2 million, a decrease of approximately 41.0% from FY 2005 estimates. For FY 2007, GSF appropriations total $1.6 million, a decrease of 26.8%. In total, GSF appropriations represent less than 1% of the Department's budget. The decrease in GSF appropriations can be attributed to the transfer of the Family and Children First initiative and the Intersystem Services for Children program to the Ohio Department of Mental Health (ODMH). In the past, ODMR/DD was the fiscal agent for these programs.

Budget Issues

Elimination of the CAFS program

The CAFS program was Ohio's rehabilitation option (42 CFR 440.130(d)) under Medicaid. The CAFS program was an optional Medicaid state plan service that provided federal Medicaid reimbursement to county boards of MR/DD, local school districts, and other providers for eligible services provided in certified habilitation centers. Reimbursable services included physical therapy, occupational therapy, speech therapy and audiology, psychology, nursing, skills development, active treatment, social work/counseling, service coordination, and transportation. The CAFS program also provided skills development for individuals enrolled on Medicaid waivers and active treatment services for individuals residing in ICFs/MR.

The original intent of the CAFS program was to generate federal Medicaid reimbursement for MR/DD services provided by county boards. Thus, in 1989, Ohio added the CAFS program to the state Medicaid plan. In 1992, school districts became eligible to receive CAFS reimbursement for services provided in school settings. The CAFS program provided a mechanism for schools to receive federal Medicaid reimbursement for services required by the federal Individuals with Disabilities Education Act (IDEA). Local county boards and school districts are required by state law to provide the nonfederal matching funds. In Ohio, CAFS services were only available to individuals with MR/DD.

During the previous biennium, Ohio requested an amendment to the state Medicaid plan concerning the CAFS program. The amendment would have eliminated nutrition services and made changes to the reimbursement method. In anticipation of federal approval, ODMR/DD promulgated rules implementing the proposed amendment. However, the Centers for Medicare and Medicaid Services (CMS) found many aspects of the proposed rules to be out of compliance. The CMS informed ODMR/DD that implementation of the rules would jeopardize federal reimbursement for the program. Additionally, CMS stated that many aspects of the CAFS program were noncompliant with federal Medicaid law. The concerns of CMS centered on fundamental Medicaid requirements pertaining to comparability of services, free choice of provider, and overall service eligibility.

Ultimately, most of CMS' concerns arose from the misapplication of home and community-based (HCBS) Medicaid waiver rules to a state Medicaid plan service (i.e., CAFS). Federal requirements are different for HCBS Medicaid waivers and state plan services. Medicaid state plan services must follow four basic principles: (1) services must be available on a statewide basis (statewideness), (2) services cannot be arbitrarily limited to any specific illness or condition, (3) consumers must be able to freely choose from any able and willing provider (free choice of provider), and (4) services must be available to every consumer on Medicaid for whom the service is medically necessary (comparability). These federal requirements apply to all Medicaid state plan services unless a "waiver" has been granted. A HCBS Medicaid waiver, by definition, allows these requirements of Medicaid to be "waived." This allows states to cover a wider range of services that may not be covered under the state plan and target specific populations of individuals (e.g., individuals with MR/DD) who would otherwise need care in an institution. States have the flexibility to design each waiver program and select the mix of waiver services that best meet the needs of the targeted population.

According to the Department, making CAFS compliant with CMS requirements was not fiscally possible. As a state plan option, CAFS services were an entitlement available to any Medicaid-eligible individual needing CAFS services. Although local county boards and school districts were statutorily responsible for the nonfederal match, the state was ultimately responsible since CAFS was an entitlement under the state Medicaid plan. If a county board was unable or unwilling to meet the match obligations, the state paid the nonfederal share of CAFS expenditures. Thus, the state's potential fiscal liability grew since neither the number of providers nor the number of individuals served could be controlled.

The CMS informed ODJFS and ODMR/DD that it would no longer provide federal Medicaid reimbursement for the CAFS program effective July 1, 2005. Thus, the enacted budget repeals all statutes regarding CAFS and certified habilitation centers, effectively terminating the program at the end of FY 2005. The following details the provisions of the enacted budget resulting from the termination of the CAFS program.

- The enacted budget includes language allowing habilitation centers to continue to provide Medicaid targeted case management (TCM) services until the earlier of (1) an amendment to the state Medicaid plan is approved that provides that only county boards of MR/DD may provide Medicaid TCM services or (2) the habilitation center ceases to meet certification requirements.

- The enacted budget eliminates state law giving county boards Medicaid local administrative authority regarding Medicaid case management services. The CMS raised concerns about the delegation of authority by the state Medicaid agency (ODJFS) and ODMR/DD to county boards of MR/DD. Specifically, CMS is concerned about the multiple roles of county boards in individual service plan development, case management, and financier of Medicaid waiver services.

- The enacted budget allows a county board of MR/DD to pledge funds from its state subsidy allocation to cover the cost of providing the nonfederal match for active treatment services a county provides to residents of the Department's developmental centers.

- The enacted budget increases the administrative fee county boards of MR/DD are charged for all Medicaid paid claims for case management services and home and community-based services that the Department administers to 1.5% (from 1%) of the total value of paid claims. The additional revenue collected from the administration fee will be used to offset some of the lost revenue associated with the loss of the 4% fee charged on all CAFS claims. The Department collects approximately $7.0 million annually from the 4.0% CAFS fee. In FY 2004, the Department paid $5.1 million in nonfederal matching funds for CAFS services. Thus, the net revenue gain from the 4% CAFS fee was $1.9 million in FY 2004. In FY 2004, ODMR/DD collected $3.2 million from the 1.0% fee. With the proposed increase, the Department would generate approximately $1.6 million in additional revenue. Thus, the net effect of losing the CAFS fee and increasing the administration fee would be a revenue loss of approximately $300,000. According to the Department, to absorb the revenue loss, central office will undergo a comprehensive reassessment of jobs during the biennium, which will end with layoffs, early retirements, and job abolishment.

Intermediate Care Facilities for the Mentally Retarded (ICF/MR) Reform

The enacted budget creates an ICF/MR Conversion Pilot Program. Ultimately, the goal of the pilot program is to study the effects and feasibility of converting the current state ICF/MR entitlement program to a facility-based Medicaid waiver. The bill mandates that the pilot program be implemented for no less than three years and limits participation to 200 voluntary individuals. According to ODMR/DD, services for individuals participating in the program will not be interrupted. The following details the provisions of the enacted budget concerning the ICF/MR Conversion Pilot Program.

- The bill requires that the Department seek federal authorization to (1) establish the ICF/MR Conversion Pilot Program under which individuals receive home and community-based services rather than ICF/MR services and (2) refuse to enter into or amend a Medicaid provider agreement with the operator of an ICF/MR if the provider agreement would authorize the operator to receive Medicaid payments for more ICF/MR beds than the operator receives before the pilot program begins implementation. The bill requires that the Department notify the Governor and General Assembly when the Department seeks the federal authorization.

- The bill creates the ICF/MR Conversion Advisory Council, which is made up of various stakeholders, to consult with ODJFS on the rules implementing the program.

- The bill requires that ODJFS submit the waiver application and state Medicaid plan amendment needed for the program by July 1, 2006, or as soon thereafter as practical, but not later than January 1, 2007.

- The bill requires ODJFS to consult with the Council before submitting the waiver application and state Medicaid plan amendment needed for the program.

- The bill authorizes ODJFS to assign the administration of the pilot program to ODMR/DD and transfer funds to pay for the nonfederal share of the pilot program's costs to ODMR/DD.

- The bill mandates that ODMR/DD will become responsible for a portion of the nonfederal share of Medicaid expenditures for ICF/MR services provided by an ICF/MR that reconverts to providing ICF/MR services if the program terminates rather than expanding statewide and provides that ODMR/DD's responsibility for the nonfederal share is to go into effect not later than two and one-half years after the program's termination.

- The bill authorizes ODMR/DD or ODJFS, whichever administers the program, to make adjustments to the program, other than adjustments that expand the size or scope of the program, after consulting with the Council.

- The bill requires ODMR/DD or ODJFS, whichever administers the program, to conduct written evaluations of the program, in consultation with the Council, no sooner than the last day of the program's first year and no sooner than the last day of the program's second year.

- The bill provides that an ICF/MR that converts to providing home and community-based services under the program may reconvert to providing ICF/MR services after the program terminates unless the program is implemented statewide or the ICF/MR no longer meets the requirements for certification as an ICF/MR.

- The bill permits no more than 200 individuals to participate in the pilot program at one time.

- The bill requires that the program be implemented for not less than three years and explicitly states that the program is not to be implemented statewide unless the General Assembly enacts law authorizing statewide implementation.

The pilot program will change how participating ICFs/MR are funded, which may have an impact on revenues. As with all Medicaid waivers, an individual's room and board costs are not covered outside of an institution. Individuals may have to use their own resources to help cover such costs, which may include social security benefits, federal Supplemental Security Income (SSI), or other similar supplements. Since the waiver has yet to be designed, the extent of any potential fiscal impact on ICF/MR revenues or state ICF/MR expenditures cannot be estimated. If the facility waiver is eventually implemented statewide, it is expected that the state would eliminate ICFs/MR from the state Medicaid plan. According to the Department, the conversion would give the state increased control over the growth and costs of the system, which ODMR/DD expects to result in long-term savings.

Transfer of the State Use Program

The enacted budget transfers the State Use program from ODMR/DD to the Department of Administrative Services (DAS). The State Use program is a procurement set-aside program that provides a vehicle for government agencies to purchase products and services through one of more than 100 qualified nonprofit agencies that employ persons with severe disabilities. State law requires state and local governmental agencies to purchase certain products and services from these qualified nonprofit work centers. According to the Department, the purpose of the transfer is to better service the business functions of the program by streamlining management functions and taking advantage of the resources available to other DAS-administered set-aside programs (e.g., the Minority Business Enterprise program). These changes are designed to increase work opportunities for people with disabilities and to reduce bureaucracy. The goals and purposes of the program will remain the same.

Transfer of the Ohio Family and Children First Program

The enacted budget transfers the administrative duties of the Ohio Family and Children First Cabinet Council, including the Intersystem Services for Children program, to the Ohio Department of Mental Health (ODMH). Formerly, ODMR/DD was the fiscal agent for this program. The Office of Family and Children First (OFCF) is a network of various state agencies and private organizations that work to align resources and activities around a shared vision for meeting the needs of children. The goal of the Cabinet Council is to streamline and coordinate existing government services for families seeking assistance for their children by (1) making recommendations to the Governor and the Ohio General Assembly regarding the provision of services, (2) advising and assessing the coordination of service delivery to children, (3) encouraging coordinated efforts at the state and local level to improve the social service delivery system, and (4) developing programs and projects to encourage coordinated efforts at the state and local level. All initiatives of the OFCF are funded through the participating state agencies and come from a variety of funding sources. According to ODMR/DD, the program will serve the same population and will be a better alignment of services for children in need.

Service Contracts

The enacted budget eliminates a requirement that the Department adopt rules governing contracts between a county board and a provider of services. Recently, CMS raised concerns about these required service contracts as a violation of the free choice of provider tenet of Medicaid. Furthermore, a lawsuit, *Thompson v. Hayes et. al*, was filed in the Franklin County Court of Common Pleas against ODJFS, ODMR/DD, and some county boards concerning the legality of these contracts.

To remedy this situation, the enacted budget permits ODMR/DD to enter into an agreement with a county board under which the Department is to pay the nonfederal share of Medicaid expenditures for ODMR/DD-administered home and community-based services. Previously, county boards of MR/DD directly contracted with providers and paid the provider for services rendered. This provision allows county boards to enter into an agreement with ODMR/DD in which the Department would contract with the provider and pay for services rendered. County boards would then transfer the funds to ODMR/DD. Thus, the provision would not effect the amount of money paid to a provider, but would change the entity responsible for payment.

Waiver Provider Certification

The enacted budget revises the law governing the certification of home and community-based services providers by allowing ODMR/DD to issue time-limited provider certification. This change allows the Department to suspend a provider's certification prior to an administrative hearing if there is a serious risk to the health and welfare of an individual. Previously, ODMR/DD did not have the authority to suspend a provider's certification until the completion of an administrative hearing. According to the Department, this process can take anywhere between six and nine months. Under the bill, an expedited hearing process is triggered if a provider's certification is suspended before the completion of an administrative hearing.

The Department believes this provision is fundamental because it provides sufficient fiscal protection for county boards of MR/DD that can no longer contract directly with service providers (see above). The ability to contract directly with providers was a key fiscal safeguard for county boards when they agreed to put up local levy dollars as match for Medicaid waivers as part of Medicaid redesign. Without the ability to directly terminate a contract that is funded with local levy dollars, many county boards would be forced to take their local levy funds off the table.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Early Intervention Services

Purpose: To develop an Individual Family Services Plan for children, birth through age two, who are at risk of or are diagnosed with a developmental delay.

The following table shows the line items that are used to fund the Early Intervention Services program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$438,349	$442,290
GRF	322-501*	County Boards Subsidies	$7,307,934	$7,307,934
		General Revenue Fund Subtotal	**$7,746,283**	**$7,750,224**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$792,098	$793,180
3G6	322-639*	Medicaid Waiver	$6,828	$19,402
3M7	322-650*	CAFS Medicaid	$41,536,235	$34,591,243
325	322-608*	Grants for Infants and Families with Disabilities	$541,934	$554,253
		Federal Special Revenue Fund Subtotal	**$42,877,095**	**$35,958,078**
Total Funding: Early Intervention Services			**$50,623,378**	**$43,708,302**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Early Intervention Services program series:

- ***Community Alternative Funding System (CAFS)-Early Intervention***
- ***Early Intervention***
- ***Subsidies to County Boards of MR/DD-Early Childhood Services***

Community Alternative Funding System (CAFS)-Early Intervention

Program Description: The CAFS program provides federal Medicaid reimbursement to county boards of MR/DD, local school districts, and nonprofit organizations for medical and support services provided to persons with MR/DD in certified habilitation centers. This is an optional state Medicaid plan service and serves as a mechanism for the reimbursement of costs associated with the provision of Medicaid-approved services delivered by habilitation centers. Reimbursable services include physical therapy, occupational therapy, speech therapy and audiology, psychology, nursing, skills development, active treatment, social work/counseling, service coordination, and transportation.

The Early Intervention (EI) part of the CAFS program provides federal Medicaid reimbursement to county boards of MR/DD, private providers, and public children services agencies for costs incurred providing EI services. County boards of MR/DD make up approximately 50% of all providers of EI services in Ohio. The significant services provided under CAFS for EI services are physical therapy, occupational therapy, speech therapy, audiology, and service coordination.

Implication of the Enacted Budget: The CMS recently found the CAFS program to be out of compliance with federal Medicaid requirements pertaining to comparability of services, free choice of provider, and overall service eligibility. The CMS informed ODJFS and ODMR/DD that it would no longer provide federal Medicaid reimbursement for the CAFS program effective July 1, 2005. Consequently, the enacted budget repeals all statutes regarding CAFS and certified habilitation centers, effectively terminating the program at the end of FY 2005. The enacted budget includes appropriations in FY 2006 and FY 2007 to account for residual claiming that will occur during the biennium.

According to the Department, making CAFS compliant with CMS requirements is not fiscally possible. As a state plan option, CAFS services are an entitlement available to any Medicaid-eligible individual needing CAFS services. Although local county boards and school districts are statutorily responsible for the nonfederal match, the state is ultimately responsible since CAFS is an entitlement under the state Medicaid plan. If a county board is unable or unwilling to meet the match obligations, the state must pay the nonfederal share of CAFS expenditures. Thus, the state's potential fiscal liability grows since neither the number of providers nor the number of individuals served can be controlled.

Early Intervention

Program Description: The Early Intervention (EI) program was established in 1987 by Federal Part C of the Individuals with Disabilities Education Act (IDEA). The Act grants federal funds, which come from the U.S. Department of Education, to states to provide services and supports to infants and toddlers, birth through age two, with developmental delays or risk factors associated with such delays. Infants, birth through age two, who have or are at risk for developmental delays, receive such services as language stimulation and communication skills training, physical development, social-emotional development, cognitive development, and sensory development.

In Ohio, EI services are provided through a network of state agencies as part of the Ohio Department of Health's (ODH) "Help Me Grow" initiative. The Governor has designated ODH as the lead agency for providing EI services. Consequently, ODH is charged with the general administration, supervision, and monitoring of EI services. The ODMR/DD receives a portion of the federal funds from ODH to provide training and technical assistance to county boards to ensure compliance with all federal and state statutes regarding EI services. County boards of MR/DD are specifically targeted with these funds because they are the largest providers of EI services in Ohio (approximately 50%).

Implication of the Enacted Budget: The enacted budget provides for current service levels. The funding does not provide any direct EI services. These are federal funds that are used to pay for the personnel needed to provide training, consultation, and technical assistance to county boards of MR/DD to ensure statewide compliance with all relevant federal and state regulations. As stated above, money is transferred from the federal Department of Education to ODH and then to ODMR/DD. The level of services is determined by an interagency agreement between ODH and ODMR/DD and will remain constant in the next biennium.

Subsidies to County Boards of MR/DD-Early Childhood Services

Program Description: This program distributes GRF state subsidies to the 88 county boards of MR/DD. County boards of MR/DD are mandated to provide early childhood services, supported home services, adult services, and special education programs to Ohioans with MR/DD.

State law requires county boards of MR/DD to provide early childhood services. The goal of this program is to provide a per enrollee subsidy for each child served by a county board of MR/DD or through a contract between a county board and a private provider. Subsidies are distributed according to the formula set forth in section 5126.12 of the Revised Code. Under the Revised Code, the state subsidy is $950 per child under age three. Subsidy payments are combined with local levy funds to provide the match for federal financial participation.

Implication of the Enacted Budget: The enacted budget provides funding in GRF line item 322-501, County Boards Subsidies, of $32.2 million in each fiscal year. Of that total, approximately $7.3 million will be used to fund early childhood services subsidies. With the funding, the Department will provide a prorated early childhood services subsidy to county boards. All of the subsidy funds will be used to maintain current levels of service.

As discussed above, section 5126.12 of the Revised Code mandates that the Department pay $950 per child less than three years of age. In FY 2003, the number of children under three enrolled in county board programs was 9,861. Based on these numbers, approximately $9.4 million would be needed to fully fund the early childhood subsidy formula. The enacted budget falls approximately $2.1 million short of fully funding the formula. Furthermore, any increase in the early childhood population since FY 2003 would further elevate the statutory funding level. According to the Department, the statewide average cost for early childhood services is approximately $6,000 per individual, which far outweighs the statutory per child subsidy.

According to the Department, the funding levels will put more pressure on local levy dollars to support the increasing demand for services. In recent years, the county board population has steadily increased, while state funding has decreased. Between FYs 1994-2003, the county board population increased 59.9% (43,090 to 68,896), while funding in line item 322-501, County Boards Subsidies, decreased 11.6% ($37.1 million to $32.9 million) when adjusted for inflation.[20] When state funding is reduced, the burden falls on locals to make up for any funding gaps. Thus, county boards are serving an increasing number of individuals with reduced amounts of state funding. The loss of CAFS funding and the implementation of the new waiver reimbursement methodology may exacerbate this trend as county boards may see losses in revenue and increased waiver costs.

[20] The JPG chained price index for government purchases of goods and services, which is generated by the U.S. Bureau of Economic Analysis, was used to adjust for inflation. The numbers presented are the real expenditures expressed in FY 1994 dollars.

Program Series 2 Education and Related Services

Purpose: To support programs that target children ages 3 through 21 with MR/DD who are eligible for a free and appropriate education through Ohio's public school system.

The following table shows the line items that are used to fund the Education and Related Services program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$332,249	$335,327
		General Revenue Fund Subtotal	**$332,249**	**$335,327**
State Special Revenue Fund				
5S2	590-622*	Medicaid Administration & Oversight	$38,566	$39,625
		State Special Revenue Fund Subtotal	**$38,566**	**$39,625**
General Services Fund				
4J6	322-645	Intersystem Services for Children	$300,000	$0
4V1	322-611	Family and Children First	$40,000	$0
		General Services Fund Subtotal	**$340,000**	**$0**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$425,029	$426,437
3G6	322-639*	Medicaid Waiver	$6,828	$7,208
3M7	322-650*	CAFS Medicaid	$41,548,407	$34,591,243
325	322-608*	Grants for Infants and Families with Disabilities	$17,365	$17,955
325	323-608	Foster Grandparent Program	$575,000	$575,000
		Federal Special Revenue Fund Subtotal	**$42,572,629**	**$35,617,843**
Total Funding: Education and Related Services			**$43,283,434**	**$35,992,795**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Education and Related Services program series:

- ***Community Alternative Funding System (CAFS) - Education***
- ***Office of Family and Children First***
- ***Intersystem Services For Children***
- ***Foster Grandparent Services***

Community Alternative Funding System (CAFS) - Education

Program Description: The CAFS program provides federal Medicaid reimbursement to county boards of MR/DD, local school districts, and nonprofit organizations for medical and support services provided to persons with MR/DD in certified habilitation centers. This is an optional state Medicaid plan service and serves as a mechanism for the reimbursement of costs associated with the provision of Medicaid-approved services delivered by habilitation centers. Reimbursable services include physical therapy, occupational therapy, speech therapy and audiology, psychology, nursing, skills development, active treatment, social work/counseling, service coordination, and transportation.

The education part of the CAFS program provides federal Medicaid reimbursement to county boards of MR/DD and certified school districts for costs incurred providing CAFS services to children ages 3 through 21.

Implication of the Enacted Budget: The CMS recently found the CAFS program to be out of compliance with federal Medicaid requirements pertaining to comparability of services, free choice of provider, and overall service eligibility. The CMS informed ODJFS and ODMR/DD that it would no longer provide federal Medicaid reimbursement for the CAFS program effective July 1, 2005. Consequently, the enacted budget repeals all statutes regarding CAFS and certified habilitation centers, effectively terminating the program at the end of FY 2005. The enacted budget includes appropriations in FY 2006 and FY 2007 to account for residual claiming that will occur during the biennium.

According to the Department, making CAFS compliant with CMS requirements is not fiscally possible. As a state plan option, CAFS services are an entitlement available to any Medicaid-eligible individual needing CAFS services. Although local county boards and school districts are statutorily responsible for the nonfederal match, the state is ultimately responsible since CAFS is an entitlement under the state Medicaid plan. If a county board is unable or unwilling to meet the match obligations, the state must pay the nonfederal share of CAFS expenditures. Thus, the state's potential fiscal liability grows since neither the number of providers nor the number of individuals served can be controlled.

Office of Family and Children First

***Program Description*:** The Office of Family and Children First (OFCF) is a network of various state agencies and private organizations that work to align resources and activities around a shared vision for meeting the needs of children. The OFCF supports the work of the Governor's Family and Children First (FCF) Cabinet Council. The Governor's FCF Cabinet Council consists of the directors of various state agencies that provide support to multineed children. The goal of the FCF Cabinet Council is to streamline and coordinate existing government services for families seeking assistance for their children by: (1) making recommendations to the Governor and the Ohio General Assembly regarding the provision of services, (2) advising and assessing the coordination of service delivery to children, (3) encouraging coordinated efforts at the state and local level to improve the social service delivery system, and (4) developing programs and projects to encourage coordinated efforts at the state and local level.

There are also 88 local county FCF councils. The local FCF councils are charged with: (1) evaluating and prioritizing services for children and families, (2) filling service gaps whenever possible, (3) inventing new approaches to achieve better results, (4) ensuring ongoing input from a broad representation of families, (5) maintaining an accountability system to monitor progress in achieving results, and (6) referring to the FCF Cabinet Council those children for whom the county council cannot provide adequate services.

The OFCF, and the entire FCF local and state framework, is not a program, but rather an initiative to coordinate a variety of services for children and families, especially those that are at risk and/or low-income. All initiatives of the OFCF are funded through the participating state agencies and come from a variety of funding sources.

Implication of the Enacted Budget: The enacted budget transfers the administrative duties of the OFCF to the Department of Mental Health. Previously, ODMR/DD was the fiscal agent for this program. According to ODMR/DD, the program will serve the same population and will be a better alignment of services for children in need.

Intersystem Services For Children

Program Description: The Intersystem Services for Children program coordinates services for children requiring help from more than one state agency. This prevents these children from suffering service lapses because of conflicting agency mandates. Intersystem funds are used to provide short-term supports of no more than 12 months to the child and respective family. The short-term support gives counties time to develop the necessary means to meet the child's long-term needs. The goal of the program is to help local FCF councils to work collaboratively to build local capacity to serve multineed children, while keeping the children in their own home.

The ODMR/DD administers intersystem funds on behalf of the Governor's FCF Council. The local FCF council submits referrals to ODMR/DD for the disbursement of Intersystem funds. By doing so, the FCF council certifies that the respective county does not have the resources to support the child. Local agencies are required to provide at least a 50% match of the state funds to have a request approved. On average, 65 counties access Intersystem funds.

Intersystem funds are initially transferred from the Ohio Department of Education to ODMR/DD. The local FCF council submits a funding request to the FCF Cabinet Council that stipulates the services and supports needed for the child and the total cost of the services. State funds are then allocated based on the child's living situation. More state funds are authorized (50%) if the services support the child within the child's own home. Fewer funds are authorized (25%) if the child will be removed from the child's own home. The remainder of the funding must come from local match and is usually a result of pooled resources from the county FCF council.

Implication of the Enacted Budget: The Intersystem Services for Children is being transferred to the Ohio Department of Mental Health (ODMH). The ODMR/DD has been the fiscal agent for this program since FY 1993. In FY 2004, approximately $3.2 million was spent in line item 322-645, Intersystem Service for Children. The funds in this program are used to support grants to local FCF councils. The program serves multineeds children requiring services from more than one public agency. According to ODMH, the program will continue to serve the same population. The ODMR/DD will continue to provide its monetary contribution to the OFCF.

Foster Grandparent Services

Program Description: The Foster Grandparent program provides volunteer opportunities for lower-income senior citizens aged 60 years or older to assist children with MR/DD. At the same time, the program provides one-on-one supportive services for children who have special needs or who are disadvantaged. This program is part of the National Senior Service Corps. There is a national network of similarly structured volunteer organizations sponsored and operated by state and local governments throughout the United States. This program provides supportive services to approximately 450 children with special needs at 50 community-based volunteer stations (located in 9 counties) from 125 foster grandparents.

Funds for this program come from a federal grant provided by the Corporation for National and Community Service. Only 90% of the program's operating budget can come from federal funds; therefore, a state match of 10% is necessary.

Implication of the Enacted Budget*:* The enacted budget provides for current service levels to be maintained. During the biennium, the primary focus of this program will be to increase the number of volunteer sites at early childhood and family centers.

Program Series 3 Employment and Skills Development Services and Supports

Purpose: To provide nonresidential services for individuals with MR/DD, ages 16 and older, who require skill development or support in order to gain meaningful, competitive employment or to live independently in a safe and healthy environment.

The following table shows the line items that are used to fund the Employment and Skills Development Services and Supports program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$746,956	$755,325
GRF	322-501*	County Boards Subsidies	$24,885,608	$24,885,608
GRF	322-503	Tax Equity	$14,500,000	$14,500,000
		General Revenue Fund Subtotal	**$40,132,564**	**$40,140,933**
State Special Revenue Fund				
5S2	590-622*	Medicaid Administration & Oversight	$111,424	$115,099
		State Special Revenue Fund Subtotal	**$111,424**	**$115,099**
General Services Fund				
4U4	322-606	Community MR and DD Trust	$300,000	$50,000
		General Services Fund Subtotal	**$300,000**	**$50,000**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$1,580,323	$1,582,456
3G6	322-639*	Medicaid Waiver	$85,576	$103,082
3M7	322-650*	CAFS Medicaid	$42,839,657	$34,591,244
325	322-608*	Grants for Infants and Families with Disabilities	$180,784	$185,178
325	322-612	Community Social Services Program	$11,500,000	$11,500,000
		Federal Special Revenue Fund Subtotal	**$56,186,340**	**$47,961,960**
Total Funding: Employment and Skills Development Services and Supports			**$96,730,328**	**$88,267,992**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Employment and Skills Development Services and Supports program series:

- ***Community Alternative Funding System (CAFS)-Adult Habilitation***
- ***Subsidies to County Boards of MR/DD-Adult Services***
- ***Tax Equity***
- ***Social Services Block Grant (Title XX)***
- ***Community MR/DD Trust Fund***

Community Alternative Funding System (CAFS)-Adult Habilitation

Program Description: The CAFS program provides federal Medicaid reimbursement to county boards of MR/DD, local school districts, and nonprofit organizations for medical and support services provided to persons with MR/DD in certified habilitation centers. This is an optional state Medicaid plan service and serves as a mechanism for the reimbursement of costs associated with the provision of Medicaid-approved services delivered by habilitation centers. Reimbursable services include physical therapy, occupational therapy, speech therapy and audiology, psychology, nursing, skills development, active treatment, social work/counseling, service coordination, and transportation. CAFS also provides skills development for individuals on home and community-based waivers and active treatment services for individuals residing in ICFs/MR.

The adult habilitation part of the CAFS program provides federal reimbursement to Medicaid-certified habilitation centers for services provided to individuals age 16 and older who are eligible to receive services from a county board of MR/DD.

***Implication of the Enacted Budget**:* The CMS recently found the CAFS program to be out of compliance with federal Medicaid requirements pertaining to comparability of services, free choice of provider, and overall service eligibility. The CMS informed ODJFS and ODMR/DD that it would no longer provide federal Medicaid reimbursement for the CAFS program effective July 1, 2005. Consequently, the enacted budget repeals all statutes regarding CAFS and certified habilitation centers, effectively terminating the program at the end of FY 2005. The enacted budget includes appropriations in FY 2006 and FY 2007 to account for residual claiming that will occur during the biennium.

According to the Department, making CAFS compliant with CMS requirements is not fiscally possible. As a state plan option, CAFS services are an entitlement available to any Medicaid-eligible individual needing CAFS services. Although local county boards and school districts are statutorily responsible for the nonfederal match, the state is ultimately responsible since CAFS is an entitlement under the state Medicaid plan. If a county board is unable or unwilling to meet the match obligations, the state must pay the nonfederal share of CAFS expenditures. Thus, the state's potential fiscal liability grows since neither the number of providers nor the number of individuals served can be controlled.

Subsidies to County Boards of MR/DD-Adult Services

Program Description: This program distributes GRF state subsidies to the 88 county boards of MR/DD. County boards of MR/DD are mandated to provide early childhood services, supported home services, adult services, and special education programs.

State law mandates that county boards of MR/DD provide adult services and supportive home services. Adult services include habilitation, prevocational and vocational skill development, job coaching, job development, supported employment, vocational assessment, and employment in sheltered workshops. The primary goal of this program is to provide a per enrollee subsidy for each adult served. Subsidies are distributed according to the formula set forth in section 5126.12 of the Revised Code. Under the Revised Code, the state subsidy is between $1,000 and $1,500 for persons who are at least 16 years of age or older. The variance is based on whether or not the county board is eligible to bill for Medicaid reimbursement for the individual. Subsidy payments are combined with local levy funds to provide match for federal Medicaid reimbursement.

***Implication of the Enacted Budget**:* The enacted budget provides funding in GRF line item 322-501, County Boards Subsidies, of $32.2 million in each fiscal year. Of that total, approximately $24.9 million in each fiscal year is for adult services. With the funding, the Department will provide a prorated adult services subsidy to county boards. All of the subsidy funds will be used to maintain current levels of service.

As discussed above, R.C. section 5126.12 mandates that the Department pay between $1,000 and $1,500 per adult, depending on the Medicaid eligibility of the individual. In FY 2003, enrollment in county board adult services programs totaled 29,834. Based on these numbers, fully funding the adult services subsidy formula would take somewhere between $29.8 million and $44.8 million, depending on the eligibility of the individual. Thus, the enacted budget falls short of the statutory subsidy level by somewhere between $4.9 million and $19.9 million. Furthermore, the estimate is based on FY 2003 enrollment data. Any subsequent increase in enrollment would drive the estimated subsidy shortfall higher. According to the Department, the statewide average cost for adult services is approximately $12,000 per individual, which far outweighs the statutory subsidy.

According to the Department, the funding levels will put more pressure on local levy dollars to support the increasing demand for services. In recent years, county board population has steadily increased, while state funding has decreased. Between FYs 1994-2003, the county board population increased 59.9% (43,090 to 68,896), while funding in line item 322-501, County Boards Subsidies, decreased 11.6% ($37.1 million to $32.9 million) when adjusted for inflation.[21] When state funding is reduced, the burden falls on locals to make up for any funding gaps. Thus, county boards are serving an increasing number of individuals with reduced amounts of state funding. The loss of CAFS funding and the implementation of the new waiver reimbursement methodology may exacerbate this trend as county boards may see losses in revenue and increased waiver costs.

Tax Equity

Program Description: Under this program, GRF funds are distributed to help equalize funding among county boards of MR/DD by providing additional subsidy funds to tax-poor county boards. Tax equity funds subsidize the costs of county board services for adults age 22 or older. Tax equity disbursements are determined by a formula outlined in R.C. section 5126.18.

Implication of the Enacted Budget: The enacted budget funds GRF line item 322-503, Tax Equity, at $14.5 million in both fiscal years. All of these funds will be used to maintain current service levels.

Since FY 2001, state subsidies to county boards have been reduced by $49.3 million. Thus, county boards are being forced to serve an increasing number of individuals with reduced state funding. The Department believes this has resulted in counties using tax equity dollars to shore up reductions in state funding. As a result, poorer counties are not able to expand waiver services or address residential services waiting lists. According to the Department, tax equity funds are the only way to ensure equity in funding to counties with failing tax levies.

Social Service Block Grant (Title XX)

Program Description: County boards of MR/DD receive federal Title XX, or Social Service Block Grant, funding. Services covered under Title XX include counseling, daycare for adults and children, education, training, employment, home health, information and referral, protective services for adults, recreation, and transportation.

[21] The JPG chained price index for government purchases of goods and services, which is generated by the U.S. Bureau of Economic Analysis, was used to adjust for inflation. The numbers presented are the real expenditures expressed in FY 1994 dollars.

The ODJFS receives Title XX funds from the federal government and transfers a portion of the money to ODMH and ODMR/DD. Revised Code section 5101.46 mandates that the Department of MR/DD receive 14.57% of Title XX funds.

Implication of the Enacted Budget: The total amount of the funding for this program will go toward maintaining current service levels. The federal government has steadily decreased the amount of Title XX dollars to the states over time. In FY 1994, Title XX dollars for the Department totaled $16.5 million. By FY 2005, Title XX dollars decreased by 41.8% to $10.3 million. County boards replace Title XX funds with local money whenever possible. County boards that cannot afford to do so have reduced Title XX services.

Community MR/DD Trust Fund

Program Description: The Community MR/DD Trust Fund, created by R.C. section 5123.352, provides temporary funding assistance to county boards of MR/DD. The funds can be used for short-term interventions for individuals with MR/DD; emergency respite care; Family Support services; Supported Living; staff training; short-term early childhood services, adult services, and case management when local levy funds are insufficient to meet the needs of the services due to three or more levy failures within two years; and to keep individuals in the community to avoid unnecessary institutionalization. The Director of MR/DD is required to grant the funding based on the availability of funds and departmental priorities.

Implication of the Enacted Budget: Funding comes from unencumbered, unexpended GRF moneys left over at the end of every fiscal year. Only GRF funds, excluding debt service payments are eligible for transfer to the Community MR/DD Trust Fund. The Director of Budget and Management determines the amount of funds transferred to the Community MR/DD Trust Fund. These funds will be used to provide funding for residential supports that may not be available because of funding gaps. In FY 2006, approximately $1.0 million was transferred to the MR/DD Trust Fund.

Program Series 4 Residential Services and Supports

Purpose: To provide residential and related supports to individuals of all ages who reside in a variety of settings including licensed facilities, supported living arrangements, their own homes, or with family.

The following table shows the line items that are used to fund the Residential Services and Supports program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$2,375,060	$2,343,772
GRF	322-413	Residential and Support Services	$7,423,021	$7,423,021
GRF	320-415	Lease-Rental Payments	$23,296,200	$23,833,600
GRF	322-416	Waiver State Match	$103,090,738	$104,397,504
GRF	322-417	Supported Living	$43,160,198	$43,160,198
GRF	322-451	Family Support Services	$6,938,898	$6,938,898
GRF	323-321	Residential Facilities Operations	$101,764,366	$100,457,600
		General Revenue Fund Subtotal	**$288,048,481**	**$288,554,593**
State Special Revenue Fund				
221	322-620	Supplemental Service Trust	$150,000	$150,000
4K8	322-604	Waiver-Match	$12,000,000	$12,000,000
489	323-632	Developmental Center Direct Care Support	$12,125,628	$12,125,628
5H0	322-619	Medicaid Repayment	$25,000	$25,000
5S2	590-622*	Medicaid Administration & Oversight	$5,562,589	$5,463,484
5Z1	322-624	County Board Waiver Match	$82,000,000	$82,000,000
		State Special Revenue Fund Subtotal	**$111,863,217**	**$111,764,112**
General Services Fund				
152	323-609	Residential Facilities Support	$912,177	$912,177
4B5	320-640*	Conference/Training	$225,000	$225,000
488	322-603	Provider Audit Refunds	$350,000	$350,000
		General Services Fund Subtotal	**$1,487,177**	**$1,487,177**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$6,468,840	$6,392,197
3A4	322-605	Community Program Support	$1,500,000	$1,500,000
3A4	323-605	Developmental Center Operations Expenses	$120,000,000	$120,000,000
3G6	322-639*	Medicaid Waiver	$370,356,997	$370,191,460
325	322-608*	Grants for Infants and Families with Disabilities	$83,963	$85,938
		Federal Special Revenue Fund Subtotal	**$498,409,800**	**$498,169,595**
Total Funding: Residential Services and Supports			**$899,808,675**	**$899,975,477**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Residential Services and Supports program series:

- ***Developmental Centers***
- ***Family Support Services***
- ***Supported Living***
- ***Residential Facilities Waiver (RFW)***
- ***Individual Options (IO) Waiver***
- ***Level One Waiver***
- ***Miscellaneous-Residential Supports***
- ***Debt Service***

Developmental Centers

Program Description: The Department currently operates 11 developmental centers, which are located regionally throughout Ohio and accessible to all 88 counties. The developmental centers serve individuals who require comprehensive program, medical, and residential services in an institutional setting. Developmental centers are required to provide the following services: protection from harm, skills development, health care, behavior support, therapy, and residential support. In addition, developmental centers also provide self-directed community transitions and community consultation and assistance. Each developmental center is Medicaid-certified, which signifies compliance with mandated federal government standards.

Implication of the Enacted Budget: GRF line item 323-321, Residential Facilities Operations, is the main source of personnel expenditures for the developmental centers. Funding in this line item decreases by 1.3% in FY 2006 and another 1.3% in FY 2007. The funding will be used to maintain current program and certification levels. Furthermore, the funding level covers the 4% wage increase that occurred at the beginning of the current fiscal year.

The decreases in appropriations reflect the closures of Springview and Apple Creek developmental centers in FY 2005 and FY 2006, respectively. The Department expects to reduce developmental center staffing levels by approximately 515 individuals. The census at the developmental centers will continue to decrease as more individuals are moved into other settings because of the closures. According to the Department, funding will follow the displaced individuals. Thus, a portion of the developmental center budget will follow the individuals that choose to leave the developmental center system (e.g., transition into the community). In future budgets, the Department will request appropriations based on the displaced individual's final placement.

Family Support Services

Program Description: The Family Support Services program funds respite services, home modifications, adaptive equipment, special diets, parent education/counseling, and other specialized supports to assist families in their efforts to care for family members with MR/DD. Often times, family support funds are the only support individuals on county board waiting lists receive. The overall goal of the program is to prevent or reduce more costly residential care by enabling families to meet the needs of the individual within their own home. If a family is able, the family may be required to pay a prorated share of the expenses.

Implication of the Enacted Budget: Funds in GRF line item 322-451, Family Support Services, are allocated to county boards of MR/DD based on a formula that takes into account average daily membership, county poverty, and county population. The enacted budget provides funding in GRF line item 322-451, Family Support Services, of $6.9 million for both fiscal years. At this funding level, the number of individuals served under this program will remain relatively constant. However, there may be an overall reduction in services as more families enroll in the program. The growing enrollment forces county boards to serve an increasing number of families with flat state funding. Consequently, the amount of money allocated per family goes down. This, in turn, reduces the amount of services received.

Supported Living

Program Description: The Supported Living program provides residential services and supports to individuals with MR/DD in community-based settings who do not receive or require more structured services such as those provided through a Medicaid waiver or in a licensed facility. Supported living funds may be used for services such as home accessibility adaptations, assistive equipment, and room and board subsidies. The goal of the Supported Living program is to provide assistance to individuals with MR/DD to enable the individual to remain in their own home while avoiding more costly residential services.

Implication of the Enacted Budget: Funding in GRF line item 322-417, Supported Living, increases by 1.3% to $43.2 million in FY 2006 and is flat funded in FY 2007. The funding will be used to meet current service levels.

Since FY 2001, state subsidies to county boards have been reduced by $49.3 million. If county boards do not have the local funds to make up for any lost state revenue, services are reduced. According to the Department, the number of individuals served by this program decreased 3% during the last biennium.

Residential Facilities Waiver (RFW)

Program Description: The RFW is a home and community-based Medicaid waiver regulated by the Department. This waiver provides community-based residential services in licensed facility settings to Medicaid-eligible individuals that cannot live independently. Individuals on the waiver are able to live in one of over 1,200 smaller homes licensed by the Department. Services covered by the waiver include direct supervision, skill development, transportation, adaptive equipment, supported employment, supplies, and homemaker/personal care. Although room and board is not covered under the waiver, funds are used to cover the portion of the room and board costs that the personal resources of the individual cannot support. In FY 2004, the RFW served approximately 2,525 individuals with MR/DD in 66 of Ohio's 88 counties. The average yearly per enrollee cost of the waiver was $34,934 in FY 2003.

The Department recently transitioned the individuals served by the RFW onto the Individual Options (IO) waiver as part of the Medicaid redesign initiative. The redesign calls for the implementation of a three-waiver system consisting of a Level 1 waiver, Level 2 wavier, and Level 3 waiver. The Level 1 waiver has an individual cost cap of approximately $5,000. The current IO waiver will be split into the Level 2 and Level 3 waivers. The Level 2 waiver will have an approximate cost floor of $5,001 and a cost cap of approximately $66,000. The Level 3 waiver will have an aggregate cost cap equaling the average cost of state institutionalization. The Level 3 waiver's aggregate cost cap means that a particular individual's cost may exceed the average cost of institutionalization, as long as the average of all enrollees does not exceed the waiver's cost cap. Eventually, when all three waivers are fully implemented, enrollees will be transferred to one of the three aforementioned waivers based on individual service needs.

Implication of the Enacted Budget: The Department recently transitioned all RFW enrollees to IO waivers. The funding level will support IO waiver services for all current RFW enrollees.

Individual Options (IO) Waiver

Program Description: The IO waiver is a home and community-based Medicaid waiver that provides federal financial reimbursement for certain Medicaid services for eligible persons residing in noninstitutional settings. Services covered on the IO waiver include supported employment, specialized medical and adaptive/assistive equipment, environmental modifications, home-delivered meals, homemaker/personal care, respite care, and transportation. The individual pays costs associated with room and board (e.g., rent, utilities, food, etc.). In FY 2004, approximately 7,275 individuals with MR/DD received services through the IO waiver in all 88 Ohio counties. The average yearly per enrollee cost of the waiver was $43,618 in FY 2003.

Implication of the Enacted Budget: The enacted budget includes a 3.9% increase in GRF line item 322-416, Waiver State Match, in FY 2006 and a 1.3% increase in FY 2007. The funding increase accounts for individuals moving into the community as a result of the developmental center closures. The Department believes that the enacted budget will maintain current service levels.

According to the Department, getting the Level 3 waiver in place is a vital component of further waiver expansion. Currently, some county boards are leery of enrolling additional individuals on the IO waiver due to the lack of a concrete cost cap. Some county boards are afraid of having open-ended waiver obligations, which last for the lifetime of the individual, when future funding levels are unknown. The loss of CAFS funding may exacerbate this trend as county boards may see losses in revenue and increased waiver costs. When the Level 3 waiver is implemented, a cost cap will be put on the IO waiver. This may alleviate some of these concerns.

Level 1 Waiver

Program Description: The Level 1 waiver is a home and community-based Medicaid waiver that provides federal financial reimbursement for certain Medicaid services for individuals who continue to live with a family member who provides natural support. Individuals on this waiver must have a network of friends, neighbors, or family that can safely and effectively provide the necessary care at no cost to the system. The Level 1 waiver has a $5,000 annual cost cap for homemaker/personal care, institutional respite, informal respite, and transportation. The Level 1 waiver has a $6,000 cost cap for personal emergency response systems, specialized medical equipment and supplies, and environmental modifications. The Level 1 waiver has an $8,000 cost cap for emergency assistance.

The Level 1 waiver was implemented as part of the Medicaid redesign initiative. Medicaid eligible individuals with MR/DD who receive low-level support from programs entirely funded by GRF and local levy funds (e.g., Supported Living) are directed to the Level 1 waiver to maximize federal reimbursement.

Implication of the Enacted Budget: The enacted budget will maintain current service levels. The Department expects more individuals to enroll on the Level 1 waiver during the biennium. However, the number of individuals enrolling will depend on the resources of the respective county board, as county boards are responsible for all Level 1 match obligations.

The Department received federal approval for 5,000 Level 1 slots (3,000 in FY 2004, 1,000 in FY 2005, and 1,000 in FY 2006). According to the Department, enrollment on the Level 1 waiver has been greatly affected by county board budgetary concerns. The Department believes the $5,000 cost cap is not sufficient to assure the health and safety of many individuals. Furthermore, the cost cap is so low that counties are forced to choose between eligible services to keep some individual's costs under the cap.

The Department believes a higher cost cap is needed. Also, CMS has identified some structural problems with the Level 1 waiver and has asked the Department and ODJFS to address these concerns.

Currently, there are a large number of unfilled Level 1 slots, which is a fiscal liability for the Department. The CMS expects costs to be controlled by containing enrollment. The CMS allocates a specific number of waiver slots to states based on need and available funding. Thus, when states receive waiver slots, they are expected to fill them. The Department is considering petitioning CMS to suspend enrollment on the Level 1 waiver while all of these concerns are addressed.

Miscellaneous-Residential Supports

Program Description: These funds are for subsidy payments that are not part of other departmental programs. These payments include subsidizing the administration of individuals enrolled to receive IO services in a licensed facility, subsidizes room and board for individuals on the IO waiver that were formerly on an OBRA waiver or are *Sermak* class members, and pays for psychological evaluations for any individual with MR/DD prior to admission into a nursing facility.

Implication of the Enacted Budget: The enacted budget provides for current service levels to be maintained.

Debt Service

Program Description: This program covers debt service payments on bonds issued for long-term capital construction projects.

Implication of the Enacted Budget: The enacted budget provides for continued funding levels for this program.

Program Series 5 Constituents Supports/Advocacy

Purpose: To support advocacy and protective services for individuals with MR/DD of all ages.

The following table shows the line items that are used to fund the Constituents Supports/Advocacy program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$624,766	$630,666
GRF	322-405	State Use Program	$20,000	$0
GRF	320-412	Protective Services	$2,463,000	$2,463,000
		General Revenue Fund Subtotal	**$3,107,766**	**$3,093,666**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$571,248	$578,319
3A5	320-613	DD Council Operating Expenses	$895,440	$895,440
3A5	322-613	DD Council Grants	$3,204,240	$3,204,240
3G6	322-639*	Medicaid Waiver	$2,466,414	$2,466,604
325	320-634	Protective Services	$100,000	$100,000
325	322-608*	Grants for Infants and Families with Disabilities	$505,810	$486,389
		Federal Special Revenue Fund Subtotal	**$7,743,152**	**$7,730,992**
Total Funding: Constituents Supports/Advocacy			**$10,850,918**	**$10,824,658**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Constituents Supports/Advocacy program series:

- ***Protective Services***
- ***Employment and Training for Persons with Severe Disabilities (State Use Program)***
- ***Independence Plus Initiative Grant***
- ***Ohio Developmental Disabilities Council***

Protective Services

Program Description: Under this program, the Department contracts with Advocacy and Protective Services, Inc. (APSI), a nonprofit agency, to provide a statewide system of protective services for persons with MR/DD. Advocacy and Protective Services, Inc., provides guardianships, limited guardianships, interim guardianships, financial management, and protector services to individuals with MR/DD upon referral or appointment by a probate court**.**

Implication of the Enacted Budget: Historically, the Department's contract with APSI included only the state share of the contract (approximately 40%). APSI could then bill Medicaid for service coordination through the CAFS program, thereby receiving federal Medicaid reimbursement (approximately 60%).

However, CMS informed the Department that billing Medicaid for service coordination for individuals residing in ICFs/MR would no longer be allowable. Individuals residing in ICFs/MR constitute approximately 60% of APSI's clients. Thus, the revenue loss to APSI would have been significant and may have compromised service levels. The Department maintained federal reimbursement by funding APSI's contract in full, not just the state portion. These costs were then included in the Department's Medicaid administration claim. However, a percentage of federal reimbursement is lost in this process because reimbursement rates for administrative expenses are lower than rates for actual services (50% v. 59%). The Department received Controlling Board approval to use $359,387 in FY 2004 and $454,670 in FY 2005 of non-GRF fee revenue from the CAFS program to fully fund APSI's contract. However, the CAFS revenue will no longer be available upon its termination at the end of FY 2005. Consequently, the enacted budget increases appropriations in GRF line item 320-412, Protective Services, by $454,670 to fund APSI's contract in full for the biennium. The increased GRF appropriation only fully funds the contract and will not provide for additional services.

Currently, 4,083 individuals receive protective services from APSI. The number of individuals currently served constitutes a 15% increase since FY 2003 (3,549 to 4,083). Furthermore, the number of individuals served by APSI has increased 26.4% since FY 2001 (3,230 to 4,083). The Department estimates continued growth in this program because of the aging "baby boomer" generation that may soon be unable to care for their children with MR/DD. Furthermore, individuals with MR/DD are also living longer. Thus, APSI is experiencing a predictable number of yearly case referrals (approximately 200 per year) without a comparable loss of cases.

Employment and Training for Persons with Severe Disabilities (State Use Program)

Program Description: The State Use program is a procurement set-aside program that provides a vehicle for government agencies to purchase products and services through one of more than 100 qualified nonprofit agencies that employ persons with severe disabilities. These funds support the State Use Committee, which is the sole administrative body responsible for regulating the program. The Committee determines the suitability of products and services available through the State Use program. Once placed on the procurement list, the purchase of these products and services is exempt from the competitive bidding process required by state, county, and local governments. In FY 2003, there were approximately 3,271 persons with a severe disability employed in activities directly related to the State Use program. Mandatory sales of products and services to state and local agencies exceeded $30 million in FY 2003. Individuals with disabilities participating in the State Use program collected approximately $8.4 million in wages paid.

Funding for the State Use Committee is used to pay for the necessary staff for the facilitation, organization, and administration of the program. The central nonprofit agency for the State Use program is OIH, Inc. OIH, Inc. receives a commission based on the prices of goods and services sold. In FY 2003, OIH, Inc., received over $1.6 million in commission.

Implication of the Enacted Budget: The enacted budget transfers the State Use program from ODMR/DD to the Department of Administrative Services (DAS). According to the Department, the purpose of the transfer is to better service the business functions of the program by streamlining management functions and taking advantage of the resources available to other DAS-administered and other set-aside programs (e.g., Minority Business Enterprise). These changes are designed to increase work opportunities for people with disabilities and to reduce bureaucracy. Otherwise, the goals and purposes of the program will remain the same.

Independence Plus Initiative Grant

Program Description: The Department has been awarded a Independence Plus Initiative Grant by the federal government to assist in developing a home and community-based Medicaid waiver in which services are "self-directed" by the individual. A waiver of this type does not currently exist for individuals with MR/DD in Ohio.

Implication of the Enacted Budget: The grant funds will be used for training and consultation with system stakeholders to assist in developing the waiver, conducting an independent evaluation once the waiver is in its demonstration stage, and providing stipends to individuals with MR/DD to participate in meetings. The grant funds also provide for a grant coordinator, equipment, and travel expenses. The Independence Plus grant will eventually lead to the expansion of waiver options for persons with MR/DD.

Ohio Developmental Disabilities Council

Program Description: The Ohio Developmental Disabilities Council (DD Council), appointed by the Governor, serves as an advocate for all persons with developmental disabilities. Members are people with developmental disabilities, parents, guardians, representatives from state agencies, and nonprofit organizations that provide services to individuals with developmental disabilities. The DD Council is a federal program in which the Department serves as its fiscal agent. The DD Council emphasizes education and early intervention, quality assurance, childcare, health, employment, housing, transportation, recreation, and other community services.

Funding for the Council comes primarily from federal grants. Of the amount funded, 70% must be in grants, while the remaining 30% can be used for operating costs. Of that 30%, the state is required to match it at 25%.

Implication of the Enacted Budget: The enacted budget provides for current service levels to be maintained. Funding for the DD Council comes primarily from federal sources. State matching funds pay the rent for the Council's offices, expenses associated with meetings, in-state travel expenses, and an amount roughly equivalent to one FTE. Federal funds are used to pay staff salaries, as well as maintenance and equipment. Federal funds are also used for 30 grant awards focusing on ideas designed to promote systems change in Ohio.

Program Series 6 Compliance and Quality Improvement

Purpose: To oversee the MR/DD service system, monitor the health and welfare of individuals with MR/DD, and assure continued compliance with regulations and continuous quality improvement.

The following table shows the line items that are used to fund the Compliance and Quality Improvement program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$4,840,497	$4,850,494
GRF	322-452	Service and Support Administration	$8,672,730	$8,672,730
		General Revenue Fund Subtotal	**$13,513,227**	**$13,523,224**
State Special Revenue Fund				
5S2	590-622*	Medicaid Administration & Oversight	$2,287,421	$2,381,792
		State Special Revenue Fund Subtotal	**$2,287,421**	**$2,381,792**
General Services Fund				
4B5	320-640*	Conference/Training	$75,000	$75,000
		General Services Fund Subtotal	**$75,000**	**$75,000**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$3,655,354	$3,720,303
3G6	322-639*	Medicaid Waiver	$839,927	$974,244
325	322-608*	Grants for Infants and Families with Disabilities	$433,309	$433,452
		Federal Special Revenue Fund Subtotal	**$4,928,590**	**$5,127,999**
Total Funding: Compliance and Quality Improvement			**$20,804,238**	**$21,108,015**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Compliance and Quality Improvement program series:

- ***Service and Support Administration***
- ***Quality Assurance and Quality Improvement in Home and Community-Based Services Grant***
- ***Major Unusual Incidents (MUI)***
- ***Provider Certification***
- ***Licensure***
- ***Accreditation***

Service and Support Administration

Program Description: This program subsidizes the cost of service and support administration that is required to be provided by each county board of MR/DD. Service and support administration, under the mandate of Am. Sub. H.B. 94 of the 124th General Assembly, replaced traditional case management services. Before the change, CMS' audit of the RFW concluded that Ohio "did not provide quality case management/service coordination." Consequently, the Department instituted many reforms to address CMS' concerns. The individual service and support administrator (SSA) provides a single point of accountability at the local level for individuals with MR/DD and their families. The SSA is responsible for coordinating each individual's services across the MR/DD delivery system. Service and support administration is required to be provided to any person on a Medicaid home and community-based waiver and any eligible individual age three or older who requests such service.

Funding for the Service and Support Administration program is a mix of GRF, local levy dollars, and federal financial participation.

Implication of the Enacted Budget: The enacted budget may provide for current service levels. According to the Department, reductions in state funding over previous biennia forced county boards to use local funds to support this program during the previous biennium. This enabled service levels to be maintained despite the reduction in state funding. However, decreases in state funding put more pressure on local levy dollars to make up for any gaps. In the absence of local funding, the ratio of SSA's to clients increases.

Section 5126.15 of the Revised Code mandates that, subject to available funding, county boards receive the greater of $20,000 or $200 times the county board's average daily membership. County boards do not receive a per person subsidy for children under the age of three. In FY 2003, the county board population was 68,896, of which 9,861 were children under the age of three. Thus, in FY 2003, the county board population for which to calculate the service and support administration subsidy is approximately 59,035. Assuming each county board would exceed the $20,000 threshold, it would take approximately $11.8 million to fully fund the statutory formula. The enacted budget falls short of the statutory subsidy level by approximately $3.1 million. Furthermore, the estimate is based on FY 2003 enrollment data. Any subsequent increase in enrollment would drive the estimated subsidy shortfall higher.

Quality Assurance and Quality Improvement in Home and Community-Based Services Grant

Program Description: These funds are a Real Choice Systems Change Research and Demonstration grant awarded by the CMS. According to the Department, the purpose of the grant is "to design and implement a quality information management system in which data generated by the service system can be interpreted into an integrated knowledge profile that identifies areas of improvement in effectiveness and efficiency specific to the management and delivery of services and supports to individuals with disabilities."

Implication of the Enacted Budget: This program is funded by a federal grant. The grant will provide funding for five counties to participate in a pilot project designed to coordinate the collection of quality assurance and quality improvement data. There is a 5% in-kind match required for the grant. The Department fulfills this requirement through the use of staff time funded by GRF line item 320-321, Central Administration.

Major Unusual Incidents (MUI)

Program Description: The fundamental way the Department attempts to ensure the health and safety of its clients is through the tracking, reporting, and investigation of MUIs. An MUI is an alleged, suspected, or actual occurrence of an incident that adversely affects the health and safety of an individual, including acts committed or allegedly committed by one individual against another. The MUI program manages the MR/DD Employee Abuser Registry, conducts conflict investigations, conducts certification training for county board investigative agents, provides training and technical assistance on health and safety issues, manages the Department's hotline, and conducts compliance activities for county boards of MR/DD and providers for their "protection from harm" systems.

Providers of services are required to document and report all MUIs within 24 hours. Incidents can occur in any setting and include any event that is inconsistent with the individual's normal routine. Incidents are reported to the appropriate county board of MR/DD, which is required to investigate the incident and report its findings to the Department. The Department may conduct a separate review or investigation of any MUI if necessary. If an individual has more than three MUIs in any six-month period, that individual's record is automatically flagged and the Department investigates further.

Implication of the Enacted Budget: The funding will be used to maintain current service levels. The MUI unit will monitor provider compliance, manage the Abuser Registry, and ensure MR/DD providers remain properly certified.

Provider Certification

Program Description: The Department is charged with certifying agencies and/or individuals that seek to provide home and community-based services funded by a Medicaid waiver (RFW, IO, or Level 1), the Supported Living program, or the CAFS program. The program is charged with developing and implementing standards for initial and continuing certification for providers. Providers are monitored and reviewed on a regular basis to ensure compliance with federal and state regulations.

Implication of the Enacted Budget: These funds will be used to maintain current service levels. Budget reductions have not allowed staffing vacancies in this program to be filled. However, the number of applicants seeking certification annually increases. Measures will be taken during the biennium to develop methods to reduce the need to hire additional staff through the use of technology. Furthermore, the Department plans to reorganize some staff activities to increase efficiency.

Licensure

Program Description: The Department is charged with licensing agencies and/or individuals that seek to become providers of licensed residential facilities. These facilities include ICFs/MR and facilities where individuals are supported through home and community-based services. The Department conducts on-site reviews of the facilities and program services to ensure compliance with licensure standards. The Department develops and implements standards for initial and continuing licensure for residential facilities. Licensees are monitored and reviewed on a regular basis to identify any deficiencies in the provision of services and to ensure any previous deficiencies have been corrected. If a deficiency is detected, the provider must submit plans of compliance to the Department.

Implication of the Enacted Budget: These funds will be used to maintain current service levels. Budget reductions have not allowed staffing vacancies in this program to be filled. However, the number of applicants seeking licensure annually increases. Measures will be taken during the biennium to develop methods to reduce the need to hire additional staff through the use of technology. Furthermore, the Department plans to reorganize some staff activities to increase efficiency.

Accreditation

Program Description: The Department is charged with performing compliance reviews on the programs and administration of county boards of MR/DD. As required by state statute, all 88 county boards of MR/DD are accredited in accordance with standards developed by the Department. In order for a county board to be accredited, it must operate in compliance with minimum standards established in federal and state regulations.

Implication of the Enacted Budget: These funds will be used to maintain current service levels. Budget reductions have not allowed staffing vacancies in this program to be filled. However, the number of applicants seeking accreditation annually increases. Measures will be taken during the biennium to develop methods to reduce the need to hire additional staff through the use of technology. Furthermore, the Department plans to reorganize some staff activities to increase efficiency.