

Analysis

Item 3: Department of Human Services

Interim Reporting Budget Note – Intellectual and Developmental Disabilities

Analyst: Laurie Byerly

Request: Acknowledge receipt of a report on agency efforts to curb costs and manage the Intellectual and Developmental Disabilities' budget.

Recommendation: Acknowledge receipt of the report.

Analysis: The budget report for SB 5526, the primary 2017-19 budget bill for the Department of Human Services (DHS), included a budget note directing DHS to report, at each interim meeting, on efforts to curb costs in the Intellectual and Developmental Disabilities (IDD) program.

The agency's report recaps the IDD budget for the 2017-19 biennium, states forecast variance reports are tracking as expected, and provides a status update on key actions (reductions and investments) that were directed or approved in the budget. DHS also provides more detailed information on two key initiatives eventually anticipated to help manage the budget:

Needs Assessment – The Department indicates the Oregon Needs Assessment is on track for roll-out in July 2018 and will be implemented as an individual's service plan comes up for renewal. Potential issues that may affect the timeline include addressing revisions to the support planning process; modifying federal authorities and state rules; developing technical tools and training; and providing training system-wide.

Medicaid Waivers – IDD is working on changes to its federal waivers that would facilitate more control over enrollment of children entering services and eventually allow parental income to be factored into eligibility. This latter change will only be possible after federal maintenance of effort requirements lapse in 2019 and with state legislative support.

DHS is working with stakeholders on these and other initiatives, including a strategic plan that is expected to provide a framework for improving services while containing overall costs. Specific actions and/or associated savings have not yet been identified.

The Legislative Fiscal Office recommends acknowledging receipt of the report.

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Department of Human Services
Brickman

Request: Report on the implementation progress of the Office of Developmental Disabilities Services legislatively directed budget reductions and other actions to ensure long-term sustainability of the Intellectual/Developmental Disabilities (I/DD) program.

Recommendation: Acknowledge receipt of the report.

Discussion: During the 2017 Legislative Session, the budget report for Senate Bill 5526 included the following Budget Note directed to the Department of Human Services (DHS):

“The recommended budget includes a generic program reduction of \$12 million General Fund in lieu of more specific actions to curb program costs. While the Department has been working on sustainability options to offset program growth (primarily driven by the Community First Choice Option or “K Plan”) over the past two years, the results of that work has been met with a lukewarm response by the Legislature. Recently, it appears there might be other, more tenable program modification alternatives that would, however, require additional time to develop with and receive approval from the federal Medicaid authority. DHS is directed to pursue these alternatives, take management actions to suppress program spending, and implement the new assessment/planning process currently under development, no later than June 1, 2018. At each interim meeting, the Department will provide a status update on both these efforts and the program’s budget.

The program is hoping to achieve budget savings without having to make changes to the parental income disregard” or other eligibility criteria. However, if the target cannot be met by other actions, the program should consider and bring forward eligibility changes for legislative review and approval during the 2017-19 biennium. In addition, prior to taking any action that would close state operated residential facilities, the Department will report on its plan for that closure at the appropriate interim meeting; along with budget impacts, the report will include a description of how the closure will affect residents ,providers, and employees.”

This is the agency’s first interim report on these issues since Sine Die on July 7, 2017. Prior to the 2017 Legislative Session, the department was working under a Budget Note within their 2015-17 budget (House Bill 5026 (2015)) and a Budget Note in Senate Bill 5701 (2016), to address sustainability of this program as well as the Aging and People with Disabilities (APD) program and to cap the growth of these programs at 10 percent. DHS contracted with The Lewin Group to produce an independent study for potential recommendations to make both the APD and the I/DD programs more sustainable.

During the 2015-17 biennium, changes were made to both of these programs to address sustainability. With respect to the I/DD program, the department implemented a reduction in the hours assessed for I/DD clients in September 2016, for which a lawsuit was brought against the department. In July 2017, the department restored the reductions made and the judge in the case approved a six-month stay on the case while DHS works with Disability Rights Oregon (DRO) and other stakeholders to implement a new assessment tool. The department currently uses several assessment tools for the different services a person may use.

The current planning to address sustainability of the program involves the development of one uniform assessment tool, the Oregon Needs Assessment (ONA), for all potential I/DD clients. The department contracted with Mission Analytics for development of this tool and launched the pilot in 2016-17. Once completely implemented, the ONA will be used to establish service level groups within the I/DD client population, which will help establish the authorization of service amounts and rates. The department is currently working with the Human Services Research Institute to develop the model for these service level groups. The department is working with the Center for Medicaid Services and anticipates full implementation of the ONA and service level groups approach by July 2018.

The 2017 Legislature directed the I/DD program to implement \$12 million in General Fund reductions to the program, without providing specific direction as to what should be reduced. The department intends to meet this reduction through management actions, the implementation of the new ONA tool and other steps to curb cost growth. A little over two months have passed since Sine Die and the department is working with stakeholders, including a Vision Advisory Committee, to identify potential actions to achieve the \$12 million General Fund reduction.

Additionally, the department is currently working on potential Medicaid Waivers to the I/DD program to streamline the federal requirements under which services are provided. Primarily, the waivers are intended to provide more control over the enrollment of children into the program. Another option for the waiver is to allow parental income to be counted towards eligibility. The ability to count parental income for eligibility is not a possible option until the maintenance of effort requirements expire in 2019, and will require legislative action.

The department continues to work with its partners, stakeholders and others to identify efficiencies and potential reductions to meet the Legislative direction in its 2017-19 budget and will continue reporting to the Legislature on developments.



Oregon

Kate Brown, Governor

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August 21, 2017

The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Nancy Nathanson, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Re: Update on 2017-19 Legislatively Adopted Budget (LAB) and the 2017 budget note

Dear Co-Chair Devlin and Co-Chair Nathanson:

Nature of the Report

The DHS Office of Developmental Disabilities Services (ODDS) is presenting this update to the Emergency Board on the progress to implement the ODDS budget, legislatively directed budget reductions, and other actions to ensure long-term sustainability of the I/DD program.

Budget Note:

Intellectual and Developmental Disabilities - The recommended budget includes a generic program reduction of \$12 million General Fund in lieu of more specific actions to curb program costs. While the Department has been working on sustainability options to offset program growth (primarily driven by the Community First Choice Option or "K Plan") over the past two years, the results of that work has been met with a lukewarm response by the Legislature. Recently, it appears there might be other, more tenable program modification alternatives that would, however, require additional time to develop with and receive approval from the federal Medicaid authority. DHS is directed to pursue these alternatives, take management actions to suppress program spending, and implement the new assessment/planning process currently under development, no later than June 1, 2018. At each interim meeting, the Department will provide a status update on both these efforts and the program's budget.

The program is hoping to achieve budget savings without having to make changes to the “parental income disregard” or other eligibility criteria. However, if the target cannot be met by other actions, the program should consider and bring forward eligibility changes for legislative review and approval during the 2017-19 biennium. In addition, prior to taking any action that would close state operated residential facilities, the Department will report on its plan for that closure at the appropriate interim meeting; along with budget impacts, the report will include a description of how the closure will affect residents, providers, and employees.

Budget Summary

The Office of Developmental Disabilities Services (ODDS) strives to support choices of individuals with disabilities and their families within communities by promoting and providing services that are person-centered and directed, flexible, community inclusive, and supportive of the discovery and development of each individual's unique gifts, talents, and abilities.

For the 2017-2019 biennium, a total budget of \$2.7 billion dollars was approved for ODDS, which includes a \$885,640,676 general fund appropriation. Overall, the 2017-19 TF LAB is 17.0% higher than the 2015-17 LAB and 1.5% lower than the CSL. For General Fund, the 2017-19 LAB is 19.3% higher than the 2015-17 LAB and 0.8% lower than the CSL.

Based on Forecasting Variance Reports, ODDS has been tracking very closely to the forecast and will continue to monitor enrollment and program spending to the budget.

Agency Actions

Over the past several years ODDS has been working with its stakeholders to develop and implement strategies to stabilize and improve the I/DD service delivery system. The strategies have been aimed at achieving a more objective, transparent, and equitable use of resources to meet the needs of individuals with I/DD, while achieving long-term sustainability for the overall system. These actions also fulfill legislative directives to develop a single needs assessment, bend the cost curve for I/DD program, as well as to respond to the C.S. v Saiki Lawsuit filed by the Disability Rights Oregon (DRO).

In June 2017 Disability Rights Oregon and the Oregon Department of Human Services requested a six-month stay of DRO's lawsuit against DHS and ODDS. The judge approved the request. This means the lawsuit is on hold while ODDS continues its work with stakeholders and DRO to develop and implement an improved functional needs assessment and service planning process.

ONA and Service Planning Project

The 2013 Oregon Legislature (under SB5529) directed ODDS to implement a single, uniform needs assessment tool. To accomplish this, ODDS contracted with Mission Analytics to develop the Oregon Needs Assessment (ONA) tool. This tool was piloted and tested in 2016-2017 and will provide a uniform instrument for people with I/DD who receive services in all settings. The ONA will be used to create service level groups to inform the authorization of service amounts and rates. ODDS has contracted with the Human Services Research Institute (HSRI) to develop the model for developing service level groups. Implementation of the ONA for service level determination will work in conjunction with the ISP planning process. The ONA is currently on track for implementation beginning in July of 2018 with a person's plan renewal date.

ODDS continues to work through issues that may impact the project timeline. The summary of project actions that follow will all need to remain on track in order to ensure expected timeframes are met:

- Revise the Individual Support Plan process – As ODDS rolls out a new functional needs assessment, the individual planning process will be revised to refocus on individual strengths, community engagement, personal goals, and outcomes. Technical assistance from CMS, feedback from individuals served and families will inform this process. ODDS will use resources developed through the LifeCourse project and expertise embedded in Oregon's developmental disability community to guide this work. Implementation will occur in phases throughout the life of the overall project.
- Necessary changes to Medicaid authorities, as well as Oregon rules and regulations – In order to implement the ONA and new service planning process, the ODDS policy team will work with Oregon Health Authority (OHA) to align Medicaid authorities, regulations and administrative rules. These policy changes will take place over time, beginning in January 2018.
- Staffing and technology infrastructure development – There will be a considerable amount of technical development needed to support the changes to the rates and the new assessment tool. In absence of centralized Case Management System, ODDS IT staff will work to create interim infrastructure within existing eXPRS system to manage the new ONA assessment functions. The ONA will be administered by a specialized assessment staff as to be conflict-free in tying the assessment to service hours and rates. ODDS will need to develop training for the ONA and train new assessors. Work for these steps is underway.

- System-wide training – This initiative will change many of the procedures and processes used by ODDS, Service Coordinators, Personal Agents, provider agencies, individuals, and families. ODDS will work to develop a comprehensive communication strategy, informational materials that describe the new processes, and develop online and other types of training to support this significant systems change.

Legislatively Directed Budget Actions

The budget approved by the Subcommittee contained specific program reductions in Package 801. Below is the status of implementation of each item:

- Eliminating regional programs (\$4.1 million General Fund, \$7.1 million total funds) supporting crisis services, effective October 1, 2017.

To implement this reduction, ODDS is working closely with the region managers, CDDPs, Brokerages, and other stakeholders to implement a strategy for supporting children and adults who may require a new residential setting on an urgent timeline. Key to success of the new plan is for each CDDP and Brokerage to have a Designated Referral Contact within the office. Information about appointing that contact, expectations, etc., has been shared via an Action Request transmittal, APD-AR-17-042, on July 21, 2017. In August, ODDS began a ‘soft roll out’ in three regional areas in Oregon while collaborating closely with the existing regions, CDDPs, and Brokerages. As part of this soft roll out, ODDS will adjust as necessary while learning what works and what needs improvement.

- Reducing the family support program by half (\$1.3 million General Fund).

ODDS has notified CDDPs of the reduction in the family support program and reflected changes to funding in CDDP contracts.

- Capping Group Home and Supported Living bed hold payments at 21 days.

Effective September 1, 2017 Group Home and Supported Living providers will not be able to receive bed hold payments for absences in excess of 21 days per year. ODDS has issued a transmittal to providers to notify them of the change. This reduction will impact some providers more than others due to the medical and other needs of the population served.

- Decreasing the budget by \$2.2 million (\$4.7 million total funds) based on an effort to review inactive client records and remove clients from the caseload if they no longer need services.

ODDS is working with CDDPs and Brokerages to verify whether individuals who have not had a billing for service in the past year or more no longer need or want I/DD services and should to be exited from the program. Individuals will receive notifications and due process rights as part of the process.

- Reduce Services & Supplies by 3%.

ODDS is managing its Services and Supplies spending to ensure the targeted reduction is met in the 2017-19 biennium.

- The Subcommittee approved \$13.5 million General Fund (\$45.5 million total funds) to increase provider rates by five percent effective October 1, 2017.

ODDS will be implementing the 5% rate increase for providers of adult and children Group Home services, Supported Living services, Day Support Activities (DSA), and Employment Path services effective October 1, 2017. The required 30-day public notice will be issued August - September, 2017. Providers receiving the rate increase will be expected to comply with the requirements established by the HB2684.

Generic Reduction of \$12 Million General Fund

The legislature directed ODDS to implement a budget reduction of \$12.0 million General Fund through management actions, implementing a new assessment tool, and taking other steps to curb cost growth. In addition to the assessment and planning project described above, ODDS is working with stakeholders, including the Vision Advisory Committee, to identify management and additional actions to achieve the \$12.0 million general fund reduction target.

The Vision Advisory Committee includes representatives of the following partners and stakeholder groups:

- Adult Foster Home Provider
- Creating Opportunities
- Brokerage – Independence Northwest
- Family Action Coalition Team
- Albertina Kerr

- Partnerships in Community Living
- Community Access Services II, Inc.
- SEIU
- Association of Oregon Community Mental Health Programs
- Columbia County Developmental Disabilities
- AFSCME
- Brokerage Association – Oregon Support Services Association
- Self- Advocate
- Brokerage – Community Pathways
- Benton County Developmental Disabilities
- Oregon Council on Developmental Disabilities
- Oregon Rehabilitation Association
- Community Provider Association of Oregon (CPAO)
- Disability Rights Oregon (DRO)
- Small Provider Organization representative

The Committee has met numerous times since July 2015 with the express purpose of reviewing options for sustainability and planning for the future of the I/DD system. The Committee reached agreement on a vision, I/DD system values, and principles. Committee members are now actively working with ODDS on critical decisions around development and implementation of the new assessment tool and service planning process.

ODDS has also engaged a contracted strategic planning facilitator to work with stakeholders on developing and articulating a strategic vision for the I/DD service delivery system. The contractor will work with ODDS and stakeholders over the course of the next eight months. We expect the resulting strategic plan will support additional steps to improve services and contain overall costs.

Planning for Potential Eligibility Changes

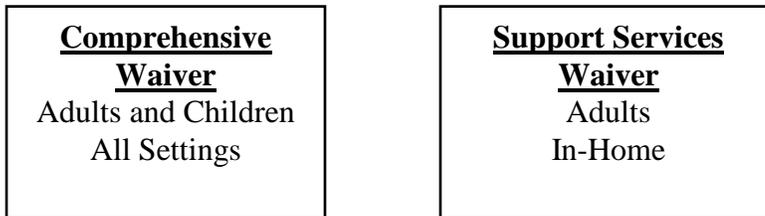
Medicaid Waiver Changes

The Office of Developmental Disabilities Services (ODDS) is planning to make changes to its Medicaid Waivers to simplify and streamline the federal authorities under which I/DD services are provided in Oregon. This approach would also allow ODDS to implement controls on over the enrollment of children into the in-home services program.

Currently, Oregon administers five 1915(c) Waivers, including a Comprehensive Waiver that serves children and adults and a Support Services waiver that serves

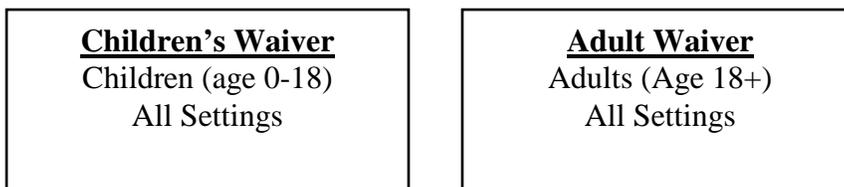
adults. The Comprehensive Waiver serves individuals of all ages (children and adults) in all setting types including group homes, foster homes, and the individual's or family's home. The Support Services Waiver only serves adults in in-home settings. Additionally, there are three model waivers that serve children with high medical and behavioral needs. The changes proposed below will not impact the three model waivers.

Current Structure:



ODDS is planning to submit necessary Waiver amendments to the Centers for Medicare and Medicaid Services (CMS) to convert the Comprehensive Waiver to serve children up to age of 18 in all settings, and to convert the Support Services Waiver to serve adults (18 and over) in all settings.

New Proposed Structure:



Under the new structure, ODDS will be able to implement better control on the number of children entering I/DD service system by regulating the number of slots available on the Children's Waiver. This change would specifically impact children whose families make more money than what would qualify them for Medicaid services under regular state plan eligibility rules.

Once approved by CMS, this structure would allow children already in services to remain on the Waiver while limiting the number of new children enrolling in the services. The Children's Waiver would have an enrollment cap equal to forecast as of July 1, 2018. Once all Waiver slots are used, ODDS will create and maintain a waiting list of children applying for Waiver services. ODDS will be able to establish reserve capacity for children in the child welfare system and children in crisis who

need access to residential services. This change will not impact children of families with incomes that qualify the child for Medicaid.

After September 30, 2019, when the ACA maintenance of eligibility (MOE) requirement ends- and if directed by the legislature- ODDS would remove the Waiver option to disregard parental income under the Children's Waiver. This would effectively remove about one-third of children receiving in-home services from I/DD services. If this measure is taken, all children receiving services would need to go through the eligibility re-determination under the new rules. Children who no longer qualify for Medicaid because of their parent's income would be exited from services.

Eligibility Rule Review

ODDS will review the current eligibility OAR (411-320-0080) to ensure that the intent of the federal statute and rules are clear in the Oregon Administrative Rules (OAR). ODDS will specifically evaluate how our level of care criteria aligns with the federal requirements; how we evaluate new DSM-5 diagnoses; clarify and add definitions of terms as required, and ensure our evaluation criteria is up to date. ODDS will work with stakeholders on any proposed rule changes that result from these discussions.

Action Requested

Acknowledge receipt of report.

Legislation Affected

None at this time.

If you have questions please contact Eric Moore at 503-884-4701.

Sincerely,



Eric Luther Moore, DHS Chief Financial Officer

cc: Ken Rocco, Legislative Fiscal Office
Laurie Byerly, Legislative Fiscal Office
George Naughton, Department of Administrative Services
Tamara Brickman, Department of Administrative Services