

**A Report on Virginia's Part C Early Intervention System
(Budget Item 316 K.2, 2007 Appropriations Act)**

July 1, 2007 – June 30, 2008

**To the Governor and Chairmen of the House
Appropriations and Senate Finance Committees of the
General Assembly**

**Presented By
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Commissioner**

**Virginia Department of Mental Health, Mental
Retardation and Substance Abuse Services**

October 2008

Our vision is of a consumer-driven system of services and supports that promotes self-determination, empowerment, recovery, resilience, health, and the highest possible level of consumer participation in all aspects of community life including work, school, family and other meaningful relationships.

EXECUTIVE SUMMARY

Background

Congress enacted early intervention legislation in 1986 as an amendment to the Education of Handicapped Children's Act (1975) to ensure that all children with disabilities from birth through the age of three would receive appropriate early intervention services. This amendment formed Part H of the Act, which was re-authorized in 1991 and renamed the Individuals with Disabilities Education Act (IDEA). When the IDEA was re-authorized in 1998, Part H became Part C of the Act. IDEA was reauthorized most recently in December 2004. Virginia has participated in the federal early intervention program (under IDEA) since its inception.

General Assembly Guidance and Support

In 1992, the Virginia General Assembly passed state legislation that codified an infrastructure for the early intervention system that supports shared responsibility for the development and implementation of the system among various agencies at the state and local levels. The Department of Mental Health, Mental Retardation and Substance Abuse Services (the Department) was designated as the State Lead Agency. The broad parameters for the Part C system are established at the state level to ensure implementation of federal Part C regulations. Within the context of these broad parameters, 39 local lead agencies manage services across the Commonwealth. Some local lead agencies are the sole providers of early intervention services in their area while others support multiple providers.

Subsequent to 1992, the General Assembly passed legislation establishing mandates for state employees' health plan and private insurance coverage for early intervention services, maximizing Medicaid coverage for Part C eligible children. In 2001, the General Assembly adopted legislation requiring a statewide family fee system.

In 2004, the Social Science Research Center commissioned a private consulting firm, through a contract with the Department, to conduct a cost study of Virginia's Part C Early Intervention System. Based on the projected number of eligible children and the average annual per child cost for early intervention services (\$4,148 for the fiscal year 2002-2003) identified in the cost study, the General Assembly adopted Budget Item 334K and significantly increased the allocation of state general funds for use in the provision of early intervention services from \$125,000 per year in 1992 – 2003 to \$975,000 in 2004 and \$3,125,000 in 2005. For fiscal year 2007, the General Assembly appropriated a total of \$7,203,366. The 2007 Appropriation Act continues Budget Item 334K as Budget Item 316 K.1 and K.2 and states:

“By October 15 of each year, the Department shall report to the Chairmen of the House Appropriations and Senate Finance Committees on the (a) total revenues used to support Part C services, (b) total expenses for all Part C services, (c) total number of infants and toddlers and families served using all Part C revenues, and (d) services provided to those infants and toddlers and families.”

DMHMRSAS Activities

In order to report the data required by the budget language delineated in 316 K.2, the Department amended its fiscal year 2008 contract with local lead agencies to require additional reporting on revenues and expenses. However, the Department and the local lead agencies faced a number of challenges in reporting the required data including:

- ❑ No systemic collection of data regarding planned service levels,
- ❑ No systemic cost information captured,
- ❑ No systemic delivered service information, and
- ❑ No central listing of service providers.

In order to address these challenges, the Department completed an analysis in the spring of 2006 of the existing early intervention data system (ITOTS) and all federal and state reporting requirements; and, as a result, the Department developed a plan for enhancements to ITOTS that will facilitate data collection and reporting to meet requirements. The plan will be phased in. Implementation of the plan began by moving ITOTS into the Department on February 28, 2007 to ensure better control and a more cost-effective and efficient process for designing and implementing modifications to the system. Once the data plan is fully implemented, the Department will be better positioned to provide data to accurately and completely meet the legislative reporting requirements of Budget Item 316 K.2. In the meantime, the Department has taken steps to provide the most accurate data possible to address the reporting requirements of Budget Item 316 K.2. These steps included revisions to the expenditure report form and training for local systems toward the goal of more accurate reporting of revenue. The table below shows federal and state revenue from all sources as reported by the 39 local early intervention systems.

Total Revenue to Support Part C Early Intervention Services

Revenue Source	FY-08 Revenue Amount
Federal Part C Funds	\$9,881,918
State Part C Funds	\$7,203,365
Local Funds	\$8,370,228
Family Fees	\$322,915
Medicaid	\$1,095,727
Targeted Case Management	\$1,538,804
Private Insurance	\$1,049,697
Grants/Gifts/Donations	\$293,697
Other	\$624,754
Local report of aggregated non-Part C revenue	\$2,066,283
Total	\$32,447,388

In accordance with the budget language, the chart below provides detail about the aggregated amount of federal and state Part C funds expended in FY-2008 for Part C direct services. The figures represent the total Part C federal and state funds spent on specific direct services as reported by the 39 local lead agencies.

Total Expenditures for all Part C Early Intervention Services

Assistive Technology	\$44,475
Audiology	\$14,496
Evaluation & Assessment	\$992,858
Family training, counseling, home visits	\$97,339
Health	\$500
Nursing	\$500
Nutrition	\$1,035
Occupational Therapy	\$1,157,256
Physical Therapy	\$1,947,473
Psychology	\$2,000
Service Coordination	\$5,295,426
Social Work	\$13,160
Special Instruction	\$2,277,328
Speech language pathology	\$3,187,203
Transportation	\$49,864
Vision	\$32,240
Other Entitled Part C Services	\$452,236
Total-Direct Services	\$15,565,389

The local lead agencies reported an additional:

- \$15,953,808 of aggregated expenses. The local lead agency was unable to report the expense by category, but these expenses included the use of some non-Part C funds for Part C early intervention services.
- \$2,097,160 of expenses related to the system components (administration, system management, data collection and training) that are critical to implementation of direct services.

The total expenses in the Part C system exceeded the total revenue by \$1,168,969 in FY-08. This deficit was offset by carry-over of unspent federal and State Part C funds from FY-07. As expenses continue to increase and federal Part C funds decrease, Virginia's Part C system faces an increasingly challenging fiscal outlook.

Total Number of Infants, Toddlers and Families Served

A total of 11,351 infants, toddlers and families received Part C early intervention services in the one-year period from July 1, 2007 – June 30, 2008. This number represents a 9.9% increase over the previous year.

The following table breaks down the services that were provided to Part C eligible infants and toddlers by the type of early intervention service determined to be needed by the children in order to achieve the child's outcomes.

Services Provided to Those Infants, Toddlers and Families

Type of Early Intervention Service	Estimated # of Children with Initial IFSP Listing That Service 7/1/07 – 6/30/08
Assistive Technology	204
Audiology	341
Initial Evaluation/Assessment	7,811*
Family Training and Counseling	79
Health Services	2
Medical Services (for evaluation, diagnosis)	11
Nursing Services	2
Nutrition Services	68
Occupational Therapy	1,862
Physical Therapy	3,950
Psychological Services	2
Service Coordination	11,351
Social Work Services	125
Special Instruction	2,543
Speech-Language Pathology	4,801
Transportation	5
Vision Services	148
Other Entitled EI Services	68

* The enhanced ITOTS data system allows reporting of the actual number of initial evaluations/assessments completed from July 1, 2007 – June 30, 2008.

FULL REPORT

Introduction

In the 2007 Appropriation Act, paragraph K.2 of Item 316 directs the Department of Mental Health, Mental Retardation and Substance Abuse Services to report the following information to the Chairmen of the Senate Finance and House Appropriations Committee on October 15 of each year: (a) total revenues used to support Part C services, (b) total expenses for all Part C services, (c) total number of infants and toddlers and families served using all Part C revenues, and (d) services provided to those infants and toddlers and families.

Data System Update

The existing early intervention data system, ITOTS, was developed and implemented in 2001 to primarily meet annual federal reporting requirements related to child data and now presents a number of challenges to the Department in meeting federal and state reporting requirements, including the following:

- ❑ Child data is collected in ITOTS only at entry into the early intervention system and is not collected as child status or service needs change.
- ❑ No financial cost data for Part C services is collected through ITOTS, and, therefore, the Commonwealth is unable to determine reliably the cost of providing services or the resources that are accessed in providing services.
- ❑ Data reports are limited and the analysis of the data is burdensome.

A detailed analysis of ITOTS was completed in the spring of 2006. The resulting plan called for phased in data system enhancements that began with moving the ITOTS system into the Department on February 28, 2007. Moving the data system into the Department has ensured better control of the data and has provided a more cost-effective and efficient process for designing and implementing ongoing modifications to the system. This first phase of the data system improvements focused primarily on data integrity and better reporting rather than additional data elements. In State Fiscal Year 2008, the Department analyzed other existing data systems within the Commonwealth and Part C data systems from other states to determine whether any could be adapted to meet the needs of Virginia's Part C program. Multiple design documents were developed to provide the detail necessary to review Virginia's Part C data system needs against existing early intervention software from other states so as to determine the level of fit. The comparison of need and some level of cost assessment were completed for Part C data systems in Tennessee, New Mexico, Washington, New York, Oklahoma and Alaska. The Alaska system emerged as the leader on three fronts: alignment of functional need, development platform and cost. Discussion is underway with officials within Alaska's Department of Health to obtain the software, which is expected to be at no cost to Virginia. While there is decent alignment of the software with the broad functional components of the Virginia need, there will be a need for customization. The decision to use Alaska's system should positively affect the ITOTS enhancement timeline. Virginia's data system enhancement will be completed in phases with plans for an initial release by January 2009. The functionality necessary to enter and report on delivered services and to have more complete and accurate revenue and expense data is expected to be operational by July 1, 2009.

Report of Required Data

To the maximum extent possible, the following narrative, charts and other graphics respond to the legislative requirements as delineated in Budget Item 316 K.2 of the 2007 Appropriations Act. The information provided for each reporting requirement includes identifying limitations in the data reported and future steps for addressing the limitations.

The following data is based on reports received from the 39 local lead agencies. (Please note that in FY-08 one local lead agency chose not to continue as a Part C local lead agency, and another existing local lead agency took over the affected catchment area. Therefore, there are now 39 local lead agencies for Part C rather than the 40 referenced in previous reports).

Total Revenue Used to Support Part C Services

Revenue Source	FY-08 Revenue Amount
Federal Part C Funds	\$9,881,918
State Part C Funds	\$7,203,365
Local Funds	\$8,370,228
Family Fees	\$322,915
Medicaid	\$1,095,727
Targeted Case Management	\$1,538,804
Private Insurance	\$1,049,697
Grants/Gifts/Donations	\$293,697
Other	\$624,754
Local report of aggregated non-Part C revenue	\$2,066,283
Total	\$32,447,388

Note: Eleven local lead agencies were unable to report all revenue by category but did report an aggregated amount of non-Part C revenue used to support local Part C early intervention services.

The following table represents the federal and state revenue allocated by the Department to the 39 local lead agencies:

Funds Allocated by Local Lead Agency

Infant & Toddler Connection of	State	Federal
Alexandria	\$138,726	\$93,698
Arlington	\$280,764	\$282,678
Central Virginia	\$220,930	\$358,307
Chesapeake	\$216,489	\$162,304
Chesterfield	\$304,271	\$379,668
Crater District	\$121,532	\$187,277

Infant & Toddler Connection of	State	Federal
Cumberland Mountain	\$64,216	\$91,747
Danville-Pittsylvania	\$61,416	\$131,975
DILENOWISCO	\$101,651	\$125,330
Fairfax-Falls Church	\$918,964	\$958,367
Goochland-Powhatan	\$53,808	\$58,961
Hampton-Newport News	\$330,705	\$430,038
Hanover	\$92,046	\$55,881
Harrisonburg/Rockingham	\$120,027	\$145,723
Henrico-Charles City-New Kent	\$381,476	\$482,598
Loudoun	\$205,042	\$233,584
Middle Peninsula-North Neck	\$134,609	\$284,971
Mount Rogers	\$94,540	\$196,162
Norfolk	\$315,902	\$320,801
Portsmouth	\$139,710	\$256,784
Prince William, Manassas and Manassas Park	\$300,392	\$456,615
Rappahannock-Rapidan	\$162,863	\$146,702
Richmond	\$251,196	\$413,599
Shenandoah Valley	\$153,105	\$393,847
Southside	\$49,099	\$90,571
the Alleghany-Highlands	\$58,127	\$46,773
the Blue Ridge	\$152,053	\$357,766
the Eastern Shore	\$81,287	\$344,981
The Heartland	\$55,999	\$219,079
the Highlands	\$53,140	\$87,668
the New River Valley	\$131,114	\$204,622
the Piedmont	\$82,612	\$141,477
the Rappahannock Area	\$261,997	\$284,637
the Roanoke Valley	\$213,888	\$297,085
the Rockbridge Area	\$66,025	\$148,387
Valley	\$118,749	\$130,110
Virginia Beach	\$369,222	\$416,130
Western Tidewater	\$190,935	\$212,552
Williamsburg*James City*York Poqouson	\$154,738	\$252,463
Total	\$7,203,365	\$9,881,918

Limitations: As noted previously, the ITOTS data system does not collect financial cost data for Part C services. In its FY-08 contracts with local lead agencies, the Department required reporting of revenues from local lead agencies. Without a data system that allows for ongoing and consistent reporting of revenues, manual collection of revenue data for private providers is

time-consuming and costly. Revenue reporting from private providers was optional for FY-08, but there was significantly increased reporting of revenue by private providers in FY-08 compared to FY-07. Based on cost study research conducted in 2007, a national consultant has estimated the total number of dollars in Virginia's Part C system at \$35,000,000. Since the total revenue reported, \$32,447,388, is close to the estimated \$35,000,000, there appears to be improved accuracy of revenue reporting in FY-08.

Future Actions to Address Limitations: Barring unforeseen barriers, the Department expects to have access to accurate and complete revenue data from all providers, including private providers, through the enhanced Part C data system no later than fiscal year 2010.

Total Expenses for all Part C Services

The figures below show the amount of Part C funds spent on each Part C direct service in FY-2008, as reported by the 39 local lead agencies.

Expenditures for Part C Early Intervention Services

Assistive Technology	\$44,475
Audiology	\$14,496
Evaluation & Assessment	\$992,858
Family training, counseling, home visits	\$97,339
Health	\$500
Nursing	\$500
Nutrition	\$1,035
Occupational Therapy	\$1,157,256
Physical Therapy	\$1,947,473
Psychology	\$2,000
Service Coordination	\$5,295,426
Social Work	\$13,160
Special Instruction	\$2,277,328
Speech language pathology	\$3,187,203
Transportation	\$49,864
Vision	\$32,240
Other Entitled Part C Services	\$452,236
Total-Direct Services	\$15,565,389

Note: The discrepancy between revenue and expenditures is due to a number of factors, including the following:

- Local lead agencies are required to address the systems components (administration, system management, data collection, and training), which are critical to implementation of direct services. Beyond the Part C funds spent for Part C direct services, the local lead agencies reported an additional \$2,097,160 of revenue was used for these system component expenses.

- Similarly, some non-Part C revenue sources, such as local funds, may be used for expenses other than direct services and will, therefore, not be reflected in the table showing expenditures for Part C direct services.
- The local lead agencies reported an additional \$15,953,808 of aggregated expenses (the local lead agency was unable to report the expense by category, though these expenses included the use of some non-Part C funds for Part C early intervention services).

The total of all reported expenses (Part C direct services, Part C system components, other aggregated Part C expenses) is \$33,616,357. The total expenses in the Part C system exceeded the total revenue by \$1,168,969 in FY-08. This deficit was offset by carry-over of unspent federal and State Part C funds from FY-07. As expenses continue to increase and federal Part C funds decrease, Virginia’s Part C system faces an increasingly challenging fiscal outlook. This is further discussed in the section of this report titled *Impact of Virginia’s Part C System Transformation*, which begins on page 12.

Total Number of Infants and Toddlers and Families Served

Local lead agencies are required to enter into the Part C data system, ITOTS, every child who enters the local Part C early intervention system. In 2006, the Department implemented new quarterly ITOTS reports that local lead agencies must use to verify the accuracy of the data entered. As a result of the first phase of ITOTS enhancements, DMHMRSAS is now able to report annually on the total number of children who were served in the Part C system from July 1 – June 30, using all Part C revenues. The following table provides the total number of children served for each year, as reported from ITOTS. Please note that not all children who were served during that one-year period were served for the full year. There was a 9.9% increase in the number of children served from FY-07 to FY-08.

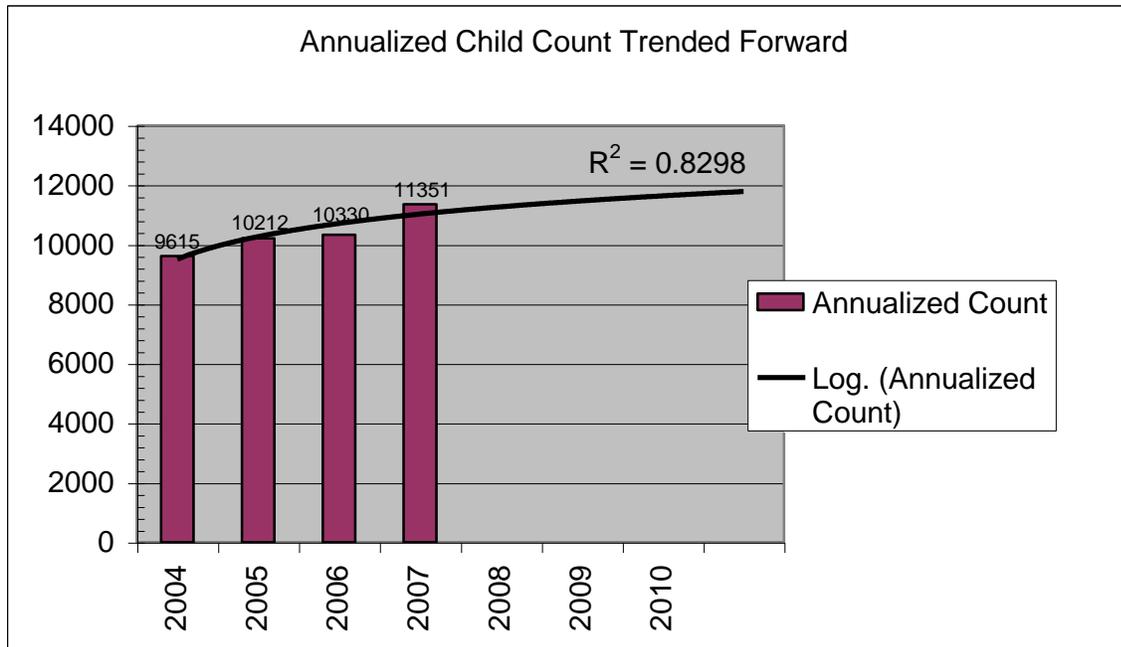
Total Number of Infants and Toddlers Served in Each Year

Year	Total Number Served – Eligible and Entered Services	Total Number Evaluated Who Did Not Enter Services*
Dec. 2, 2003 – Dec.1, 2004	8,540	
Dec. 2, 2004 – Dec. 1, 2005	9,209	
July 1, 2006 – June 30, 2007	10,330	
July 1, 2007 – June 30, 2008	11,351	1,760

* These children received a multidisciplinary team evaluation and assessment but did not enter services because they were either found ineligible for Part C, declined Part C services, or were lost to contact. Since evaluation and assessment, by federal law, must be provided at no cost to families, neither private insurance nor families can be billed for this service. Unless the child

has Medicaid, federal and state Part C funds are generally used to pay for evaluation and assessment. An additional 811 infants and toddlers received a developmental screening upon referral to Part C but did not proceed to evaluation and assessment. Screening is also provided at no cost to families and primarily funded through federal and state Part C dollars.

Using the annualized child count, the chart below trends the projected number of eligible children served through 2010.



In its Annual Performance Report to the U.S. Department of Education on February 1, 2008, DMHMRSAS, with broad stakeholder input, identified child find as a continuing priority area. Improvement activities have begun and include increased statewide public awareness efforts and local Corrective Action Plans/Service Enhancement Plans to increase the number of eligible children being served in Part C.

Services Provided to Eligible Infants and Toddlers

The ITOTS data system provides a report of the number of children active on December 1 of a given year for whom the initial IFSP listed each type of early intervention service. The table below estimates the total number of children served between July 1, 2007 and June 30, 2008 who have each service listed on their initial IFSP based on the percentage of children with initial IFSPs listing those services on December 1, 2007. The chart below provides estimates of both the number of children and which services were provided during a one-year period:

**Estimate of Total Number of Children
Receiving Each Service: July 1, 2007 – June 30, 2008**

Type of Early Intervention Service	Percent of Children with an Initial IFSP Listing That Service on 12/1/07	Estimated # of Children with Initial IFSP Listing That Service 7/1/07 – 6/30/08 (% multiplied by total served)
Assistive Technology	1.8%	204
Audiology	3.0%	341
Initial Evaluation and Assessment	N/A	7,811*
Family Training and Counseling	0.7%	79
Health Services	.02%	2
Medical Services (for evaluation, diagnosis)	0.1%	11
Nursing Services	.02%	2
Nutrition Services	0.6%	68
Occupational Therapy	16.4%	1,862
Physical Therapy	34.8%	3,950
Psychological Services	.02%	2
Service Coordination	100%	11,351
Social Work Services	1.1%	125
Special Instruction	22.4%	2,543
Speech-Language Pathology	42.3%	4,801
Transportation	.04%	5
Vision Services	1.3%	148
Other Entitled EI Services	0.6%	68

* The enhanced ITOTS data system allows reporting of the actual number of initial evaluations/assessments completed from July 1, 2007 – June 30, 2008.

Limitations: The numbers provided above are only estimates and almost certainly underestimate the number of children receiving each service since some children whose initial IFSP does not list a service (e.g., physical therapy) may have that service added at a subsequent IFSP review during the 1-year period.

Future Actions to Address Limitations: Barring unforeseen barriers, the Department expects to have access to updated and accurate service data for all eligible children through the enhanced Part C data system no later than fiscal year 2010.

Impact of Virginia's Part C System Transformation

In 2007, a stakeholder group, Solutions Consulting Group, LLC, and the Department completed an analysis of Virginia's Part C system of payments and made recommendations for improvements to that system. Based on those recommendations, the Department identified four (4) priority areas for additional development and implementation:

- ITOTS improvements to ensure the availability of complete and accurate data to address all federal and State reporting requirements. Work on this priority was described earlier in this report;
- A Medicaid – Early Intervention Initiative to expand Medicaid reimbursement for Part C early intervention services. This will include moving Part C services from outpatient rehabilitation into EPSDT;
- Revisions to the funding formula by which federal and state Part C funds are allocated to local systems to ensure equity and parity; and
- Revisions to Virginia's family cost participation practices to ensure consistency statewide and to ensure that no children and families are denied services because of an inability to pay.

Considerable time and effort have been applied to these priority areas and all are on target for implementation beginning July 1, 2009. These changes are expected to result in a Part C system of payment that facilitates the following:

- A funding structure for Part C that is more stable and equitable;
- Compliance with federal fiscal requirements and assurances (e.g., non-supplanting, maintenance of effort, etc.);
- Reimbursement for effective early intervention practices (e.g., teaming, consultation, provision of supports and services in natural settings, etc.);
- Provider recruitment and retention through improved reimbursement rates and training.

Virginia's Part C system faces a challenging fiscal outlook between now and the implementation of system changes on July 1, 2009.

- As noted in the expense section of this report, expenses reported by local systems exceeded reported revenue by over \$1,000,000 for FY-2008. This deficit was offset by carry-over of unspent federal and State Part C funds from FY-07. The amount of unspent funds from FY-08 available for carry-over into FY-09 is less than half what was available for carry-over from FY-07 into FY-08.
- The number of children and families served in Part C continues to increase as a result of stronger public awareness and other child find efforts implemented over the past 2 years.
- Federal Part C funds for Virginia have decreased.
- A significant financial investment is needed in infrastructure, in particular for expansion of the ITOTS data system and provider training, in order to implement the Medicaid- Early Intervention initiative and meet federal Part C requirements. Both the Medicaid – Early Intervention initiative and compliance with federal Part C requirements are essential to ensure necessary financial resources are available to support Virginia's Part C system.
- As a result of decreased federal funding and the need for infrastructure improvements, all local systems received slightly smaller allocations of federal Part C funds in FY-09 than in FY-08. Most are serving more children, with increases in children served ranging from 1% - 62% over the previous year.

- The cost of providing Part C supports and services in natural environments has increased with the rising cost of gasoline.
- In past years, there have been some additional Part C dollars available to local systems who run out of money during the fiscal year (due to unexpectedly high increases in child count, for instance). As a result of decreased federal funding and the need for infrastructure improvements, there are expected to be no additional funds available for local systems in FY-09.

In order to address these fiscal issues, the Department is working with local systems to examine Medicaid reimbursement and related data to assist in identifying steps that can be taken by local systems to maximize Medicaid reimbursement in FY-09.

Change in State Lead Agency

On June 25, 2008, Governor Kaine announced that the State Lead Agency for Part C in Virginia will shift from the Department of Mental Health, Mental Retardation and Substance Abuse Services to the Virginia Department of Health (VDH). This change is a step toward Governor Kaine's goal of coordinating all early childhood programs under one Office of Early Childhood Development to support all of Virginia's young children. Part C's location at VDH will support alignment with the Title V/CSHCN (Children with Special Health Care Needs) program, complementing the services provided by the Part C system for children 0-3 and providing the continuum of case management and service support for children from the time they exit this system through age 21. Co-location will facilitate intra-program referrals and coordination of services with an emphasis on reducing duplication while enhancing access and utilization. Departments of Health serve as the State Lead Agency for Part C in 40 states because of the benefits of such alignment.

A transition team and a stakeholder group have been established to complete the activities necessary to ensure a smooth transition of lead agency responsibilities to VDH no later than July 1, 2009. A written transition plan will guide this work and will help to ensure the interagency coordination necessary for the continued development and implementation of the system transformation efforts described above.

Conclusion

To support the growth in the early intervention system, it is important to continue to maintain funding for direct services and to allocate new funding for infrastructure needs. As demonstrated by the data reported above, the additional funding provided by the General Assembly permitted local Part C systems to provide a wide variety of needed supports and services to more than 11,300 eligible infants, toddlers and their families during fiscal year 2008. These funds also touched the lives of over 2,000 additional infants, toddlers and families who received developmental screenings, evaluations and assessments upon referral to the Part C system even though they did not proceed on to receiving other Part C supports and services. As the number of eligible infants and toddlers identified continues to increase and federal Part C funding decreases, state Part C funding is critical to ensure all eligible children and families receive timely early intervention supports and services. The Department, local service providers and families are appreciative of the continued financial support for Part C provided by the General Assembly.