

# **DBHDS**

Virginia Department of  
**Behavioral Health and  
Developmental Services**

## **Report on Virginia's Part C Early Intervention System (Budget Item 305 H.2., 2010 Appropriation Act)**

July 1, 2009 – June 30, 2010

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

**October 15, 2010**



# COMMONWEALTH of VIRGINIA

DEPARTMENT OF

BEHAVIORAL HEALTH AND DEVELOPMENTAL SERVICES

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JAMES W. STEWART, III  
COMMISSIONER

October 15, 2010

The Honorable Charles J. Colgan  
Chair, Senate Finance Committee  
General Assembly Building, Suite 626  
Richmond, VA 23219

Dear Senator Colgan:

I am pleased to submit the Department's 2010 *Report on Virginia's Part C Early Intervention System* to the Chairmen of the Senate Finance and House Appropriations Committees to comply with the reporting requirements of 2010 Budget Item 305. In accordance with the requirements of Budget Item 305 H.2, the Department's report includes data on the total revenues used to support Part C services, total expenses for all Part C services, total number of infants and toddlers and families served using all Part C revenues, and services provided to those infants and toddlers and families.

Please feel free to contact me if you have questions about the report.

Sincerely,

A handwritten signature in cursive script that reads "James W. Stewart, III".

James W. Stewart, III

Cc: The Honorable R. Edward Houck  
Joe Flores  
John Pezzoli  
Janet Lung  
Mary Ann Discenza  
Ruth Anne Walker



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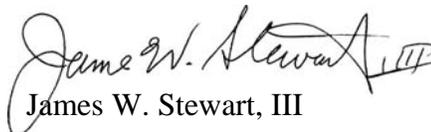
The Honorable Lacey E. Putney  
Chair, House Appropriations Committee  
General Assembly Building, Room 947  
Richmond, VA 23218

Dear Delegate Putney:

I am pleased to submit the Department's 2010 *Report on Virginia's Part C Early Intervention System* to the Chairmen of the Senate Finance and House Appropriations Committees to comply with the reporting requirements of 2010 Budget Item 305. In accordance with the requirements of Budget Item 305 H.2, the Department's report includes data on the total revenues used to support Part C services, total expenses for all Part C services, total number of infants and toddlers and families served using all Part C revenues, and services provided to those infants and toddlers and families.

Please feel free to contact me if you have questions about the report.

Sincerely,

  
James W. Stewart, III

Cc: The Honorable Harvey B. Morgan  
Susan Massart  
John Pezzoli  
Janet Lung  
Mary Ann Discenza  
Ruth Anne Walker

# **Report on Virginia’s Part C Early Intervention System**

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## **Executive Summary**

In the 2010 *Appropriation Act*, Item 305 H.2. directs the Department of Behavioral Health and Developmental Services to report the following information to the Chairmen of the Senate Finance and House Appropriations Committees on October 1 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.

## **Overview of Fiscal Climate for Part C in FY2010**

After experiencing budget reductions and significant fiscal constraints in FY2009, the fiscal climate in Part C was much more stable in FY2010 due primarily to increased Medicaid revenue and the availability of additional funding for Part C under the American Recovery and Reinvestment Act (ARRA). On October 1, 2009 the new Medicaid Early Intervention Services Program was implemented, and the reported amount of Medicaid revenue for Part C services more than doubled in FY2010 compared to FY2009. ARRA funds were also a significant factor in the improved fiscal climate in FY2010 and supported just over \$3 million of early intervention services for infants, toddlers and families.

Looking ahead, the fiscal outlook for FY2011 remains positive with Medicaid revenue expected to further increase (since the new Early Intervention Services Program will be in effect for the full year and the expected slow start-up period for the new program has past) and ARRA funding continuing. While the increased Medicaid revenue will continue and will be a critical component in the long-term funding structure for Part C, the ARRA funding ends September 30, 2011. The Department, in collaboration with other state agencies and local stakeholders, is closely monitoring expenditure and revenue data to determine the amount and possible sources of additional revenue needed to ensure the long-term financial stability of the Part C system after the ARRA funding ends.

## **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. This data system 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 data for Part C services is collected through ITOTS, resulting in a burdensome paper process for collection and reporting of comprehensive and reliable data related to the cost of providing services and the revenue sources that are accessed in providing services.
- ITOTS data reports are limited and the analysis of the data is burdensome.

Following a detailed analysis of ITOTS in the spring of 2006, a first phase of data system improvements were implemented to address data integrity and better reporting. As a second phase of the project, the Department further analyzed federal and state reporting requirements and other existing data systems within the Commonwealth and other states' Part C data systems to determine the most cost-effective data solution to meet the needs of the Virginia Part C system. Initial plans called for the functionality necessary to enter and report on delivered services and to have more complete and accurate revenue and expense data to be operational by July 1, 2009. However, fiscal constraints and the need to prioritize data system changes necessary for implementation of the Medicaid Early Intervention Services Program resulted in the need to postpone implementation of a new, expanded Part C data system to FY2011. Extensive work on the design specifications was completed in FY2010, and plans for development of the new data system are under review and awaiting administrative approval at this time. This work is being supported with funding received for Part C through the American Recovery and Reinvestment Act (ARRA).

While awaiting the new, expanded Part C data system, the following reporting improvements were implemented in FY2010:

- The revenue and expenditure reporting form and process were revised to require reporting of the number of children receiving each service in each quarter of the fiscal year.
- A separate revenue and expense reporting form, developed in collaboration with private providers, was implemented to facilitate providers' ability to report accurate financial data on a quarterly basis.
- A data exchange agreement between the Department of Behavioral Health and Developmental Services and the Department of Medical Assistance Services (DMAS) significantly increased the scope, specificity and accuracy of available data related to the amount of Medicaid funds used to support Part C services each year.

**Revenue and Expense Data**

The table below shows revenue from all sources as reported by the 39 local early intervention systems for FY2010.

*Total Revenue to Support Part C Early Intervention Services*

<b>Revenue Source</b>	<b>FY10 Revenue Amount</b>
Federal Part C Funds	\$9,087,761
State Part C Funds	\$6,861,337
Federal ARRA Funds	\$4,301,650
Local Funds	\$7,727,982
Family Fees	\$ 485,983
Medicaid	\$3,656,354
Targeted Case Management	\$2,576,568
Private Insurance	\$2,512,116
Grants/Gifts/Donations	\$ 22,668
In-Kind	\$ 210,504
Other	\$2,800,611
<b>Total</b>	<b>\$40,243,534</b>

In accordance with the budget language, the chart below provides detail about the total amount of federal and state Part C funds and ARRA funds expended in FY2010 for Part C direct services as reported by the 39 local lead agencies:

***Total Expenditures for all Part C Early Intervention Services***

Assessment for Service Planning	\$ 2,112,026
Assistive Technology	\$ 64,222
Audiology	\$ 8,239
Counseling	\$ 183,757
Developmental Services (formerly called Special Instruction)	\$ 3,514,105
Evaluation for Eligibility Determination	\$ 370,422
Health	\$ 32,426
Nursing	\$ 498
Nutrition	\$ 57,461
Occupational Therapy	\$ 3,011,633
Physical Therapy	\$ 4,062,847
Psychology	\$ 0
Service Coordination	\$ 8,552,563
Social Work	\$ 17,579
Speech language pathology	\$ 8,143,435
Transportation	\$ 19,200
Vision	\$ 20,912
Other Entitled Part C Services	\$ 1,404,581
<b>Total-Direct Services</b>	<b>\$31,575,906</b>

The local lead agencies reported an additional \$5,916,344 of expenses related to the system components (administration, system management, data collection and training) that are critical to implementation of direct services. Therefore, total expenses are \$37,492,250. As of June 30, 2010, there were \$2.6 million of unspent federal and state Part C funds that may have been obligated expenses as of June 30, 2010 but not reflected in the expenses reported above. Part C funds for FY2010 had to be obligated by June 30, 2010 but may be spent through September 30, 2010. The expenses from this spend-down period are not reported to the Department by local systems until November 15, 2010. This \$2.6 million of unspent Part C funds together with approximately \$900,000 of unspent ARRA funds account for the difference between the \$40 million in revenue and \$37 million in expenses reported above.

**Total Number of Infants, Toddlers and Families Served**

A total of 12,234 infants, toddlers and families received Part C early intervention services in the one-year period from July 1, 2009 – June 30, 2010. This number represents a 4% increase over the previous year.

The U.S. Department of Education compares states based on the percentage of the state's birth to three population served in the Part C system on December 1 of each year. Based on the most recent data available, Virginia's Part C system was serving 1.99% of the Commonwealth's birth to three population. This compares to 2.66% of the birth to 3 population receiving Part C services nationally. These numbers demonstrate that, despite recent increases, there are still significant numbers of infants and toddlers in Virginia who are potentially eligible for Part C services but not yet receiving those services.

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 in order to achieve the child's outcomes as listed on the child's Individualized Family Service Plan (IFSP).

*Services Provided to Those Infants, Toddlers and Families*

Type of Early Intervention Service	Estimated # of Children Receiving the Service in FY2010 (% multiplied by Total Served)
Assessment for Service Planning	9,296
Assistive Technology	196
Audiology	12
Counseling	184
Developmental Services (formerly Special Instruction)	2,484
Evaluation for Eligibility Determination	13,720
Health Services	4
Nursing Services	24
Nutrition Services	86
Occupational Therapy	1,248
Physical Therapy	2,068
Psychological Services	0
Service Coordination	12,234*
Social Work Services	6
Speech-Language Pathology	3,132
Transportation	281
Vision Services	49
Other Entitled EI Services	2,043

\* All eligible children receive service coordination.

# Report on Virginia's Part C Early Intervention System

## I. 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, now called the Department of Behavioral Health and Developmental Services (the Department), was designated and continues to serve 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.

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 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 2010 *Appropriation Act* continues Budget Item 334 K. as Budget Item 305 H.2 and states:

*“By October 1 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.”*

## 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 305 H.2 of the 2010 *Appropriation 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.

### II. Total Revenue Used to Support Part C Services

As noted previously, the ITOTS data system does not collect financial data for Part C services. However, in its contracts with local lead agencies, the Department requires reporting of revenues from local lead agencies. Previously optional, revenue reporting from private providers was required for FY2010. The quarterly reporting forms used by local lead agencies and private providers were enhanced for FY2010 to better ensure the completeness and accuracy of the data.

#### Total Revenue

Revenue Source	FY10 Revenue Amount
Federal Part C Funds	\$ 9,087,761
State Part C Funds	\$ 6,861,337*
Federal ARRA Funds	\$ 4,301,650
Local Funds	\$ 7,727,982
Family Fees	\$ 485,983
Medicaid	\$ 3,656,354
Targeted Case Management	\$ 2,576,568
Private Insurance	\$ 2,512,116
Grants/Gifts/Donations	\$ 22,668
In-Kind	\$ 210,504
Other	\$ 2,800,611
<b>Total</b>	<b>\$40,243,534</b>

\* The balance of the State general funds designated for Part C was used for the required FY2010 Medicaid match for the Medicaid Early Intervention Services Program and is reflected in the Medicaid revenue line.

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**

<b>Infant &amp; Toddler Connection of</b>	<b>State</b>	<b>Federal</b>	<b>ARRA</b>
Alexandria	\$134,861	\$155,055	\$ 65,654
Arlington	\$296,528	\$396,708	\$109,174
Central Virginia	\$130,291	\$336,430	\$117,747
Chesapeake	\$210,464	\$270,520	\$137,441
Chesterfield	\$249,151	\$319,181	\$199,140
Crater District	\$132,646	\$149,281	\$ 75,844
Cumberland Mountain	\$108,444	\$96,557	\$48,194
Danville-Pittsylvania	\$111,233	\$113,816	\$57,826
DILENOWISCO	\$90,046	\$84,125	\$42,741
Fairfax-Falls Church	\$771,905	\$1,101,049	\$559,400
Goochland-Powhatan	\$79,452	\$69,280	\$35,198
Hampton-Newport News	\$240,612	\$437,583	\$158,811
Hanover	\$113,809	\$117,116	\$59,502
Harrisonburg/Rockingham	\$115,971	\$123,713	\$62,854
Henrico-Charles City-New Kent	\$336,037	\$451,143	\$229,208
Loudoun	\$167,091	\$211,137	\$107,271
Middle Peninsula-North Neck	\$146,771	\$227,522	\$83,805
Mount Rogers	\$111,685	\$112,992	\$57,407
Norfolk	\$281,700	\$370,316	\$188,143
Portsmouth	\$112,959	\$117,940	\$59,921
Prince William, Manassas and Manassas Park	\$325,307	\$444,544	\$225,856
Rappahannock-Rapidan	\$141,048	\$164,127	\$83,386
Richmond	\$230,018	\$265,980	\$223,669
Shenandoah Valley	\$142,585	\$323,641	\$0**
Southside	\$78,430	\$63,507	\$32,265
the Alleghany-Highlands	\$66,988	\$49,485	\$25,142
the Blue Ridge	\$156,803	\$194,643	\$98,890
the Eastern Shore	\$88,267	\$230,827	\$41,065
The Heartland	\$92,038	\$111,774	\$42,741
the Highlands	\$80,739	\$70,929	\$43,536
the New River Valley	\$154,655	\$184,745	\$98,309
the Piedmont	\$119,132	\$130,312	\$66,206
the Rappahannock Area	\$230,848	\$278,768	\$141,631
the Roanoke Valley	\$172,380	\$315,883	\$133,740

<b>Infant &amp; Toddler Connection of</b>	<b>State</b>	<b>Federal</b>	<b>ARRA</b>
the Rockbridge Area	\$95,158	\$88,249	\$44,836
Valley	\$108,682	\$116,291	\$61,083
Virginia Beach	\$307,748	\$404,956	\$205,742
Western Tidewater	\$190,393	\$235,880	\$119,842
Williamsburg-James City-York Poquoson	\$138,462	\$151,756	\$158,430
<b>Total</b>	<b>\$6,861,337*</b>	<b>\$9,087,761</b>	<b>\$4,301,650</b>

\* The balance of the State general funds designated for Part C was used for the required FY2010 Medicaid match for the Medicaid Early Intervention Services Program.

\*\* The Infant & Toddler Connection of Shenandoah Valley had no local lead agency for most of FY2010 and was administered directly by the Department. Without a local infrastructure in place, there was no mechanism to determine an appropriate and effective use of ARRA funds for FY2010.

**Limitations:** Although the quarterly reporting forms used by local lead agencies and private providers to report revenue sources were enhanced for FY2010, there remain limitations with this process for collection of revenue data. Because the local lead agencies and private providers each maintain separate billing and accounting systems, there is no method to reliably ensure non-duplication of reporting in revenue categories, with the eventual exception of Medicaid and Medicaid Targeted Case Management revenue. Through a data exchange agreement between the Department of Behavioral Health and Developmental Services and the Department of Medical Assistance Services (DMAS) for implementation of the new Medicaid Early Intervention Services Program, the Department is able to report the exact amount of Medicaid funds used to support Part C services for three of the four quarters in FY2010 (the new Medicaid program began October 1, 2009). The Medicaid revenue reported in the “Total Revenue Used to Support Part C Services” table of this report reflects the amount reported to the Department by DMAS for the period October 1, 2009 – June 30, 2010 and the amount reported to the Department by the 39 local lead agencies for the period July 1, 2009 – September 30, 2009.

**Future Actions to Address Limitations:** The Department will have access to complete and accurate Medicaid revenue data directly from DMAS in FY2011. Non-duplication of revenue reporting for other revenue sources can only be fully ensured with a new, enhanced Part C data system that requires entry of the source and amount of revenue for every service delivered.

### III. 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 FY2010, as reported by the 39 local lead agencies and 54 private providers.

#### Expenditures for Part C Early Intervention Services

Assessment for Service Planning	\$ 2,112,026
Assistive Technology	\$ 64,222
Audiology	\$ 8,239
Counseling	\$ 183,757
Developmental Services (formerly called Special Instruction)	\$ 3,514,105
Evaluation for Eligibility Determination	\$ 370,422

Health	\$ 32,426
Nursing	\$ 498
Nutrition	\$ 57,461
Occupational Therapy	\$ 3,011,633
Physical Therapy	\$ 4,062,847
Psychology	\$ 0
Service Coordination	\$ 8,552,563
Social Work	\$ 17,579
Speech language pathology	\$ 8,143,435
Transportation	\$ 19,200
Vision	\$ 20,912
Other Entitled Part C Services	\$ 1,404,581
<b>Total-Direct Services</b>	<b>\$31,575,906</b>

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) that 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 \$5,916,344 of revenue was used for these system component expenses. Therefore, the total of all reported expenses (Part C direct services and Part C system components) is \$37,492,250.
- 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.
- As of June 30, 2010, there were \$2.6 million of unspent federal and state Part C funds that may have been obligated expenses as of June 30, 2010 but not reflected in the expenses reported above. Part C funds for FY2010 had to be obligated by June 30, 2010 but may be spent through September 30, 2010. The expenses from this spend-down period are not reported to the Department by local systems until November 15, 2010.
- There were also just over \$900,000 of ARRA funds that were unspent as of June 30, 2011 and that may be carried over into FY2011.

**Limitations:** Although the quarterly reporting forms used by local lead agencies and private providers to report expenditures were enhanced for FY2010, there remain limitations with this process for collection of expense data. Because the local lead agencies and private providers each maintain separate billing and accounting systems, there is no method to reliably ensure non-duplication of reporting of expenses associated with each service. In addition, the private provider reporting form documents all expenses, including those paid for by the local lead agency using Part C funds; but the private provider reporting form used in FY2010 did not require reporting of the amount of Part C funds received by the provider. Therefore, some part of the expense reported by the private providers is a duplication of the expenditures reported by the local lead agencies. The Department estimated the amount of this duplication by subtracting the total revenue reported by the private providers from the total expenses reported by the

private providers since Part C funds are used as payor of last resort to ensure the provider is reimbursed at the standard early intervention rate (and this standard rate is used as the basis for reporting expenses). This estimated amount was then eliminated from the total expenses to report the figures in the table above.

**Future Actions to Address Limitations:** Non-duplication of expense reporting can only be fully ensured with a new, enhanced Part C data system that requires entry of delivered service data. Until then, to accurately eliminate the duplication of reporting of private provider expenses paid with Part C funds, the private provider reporting form has been revised for FY 2011 to require the private provider to report the total amount of Part C funds received.

**IV. Total Number of Infants and Toddlers and Families Served**

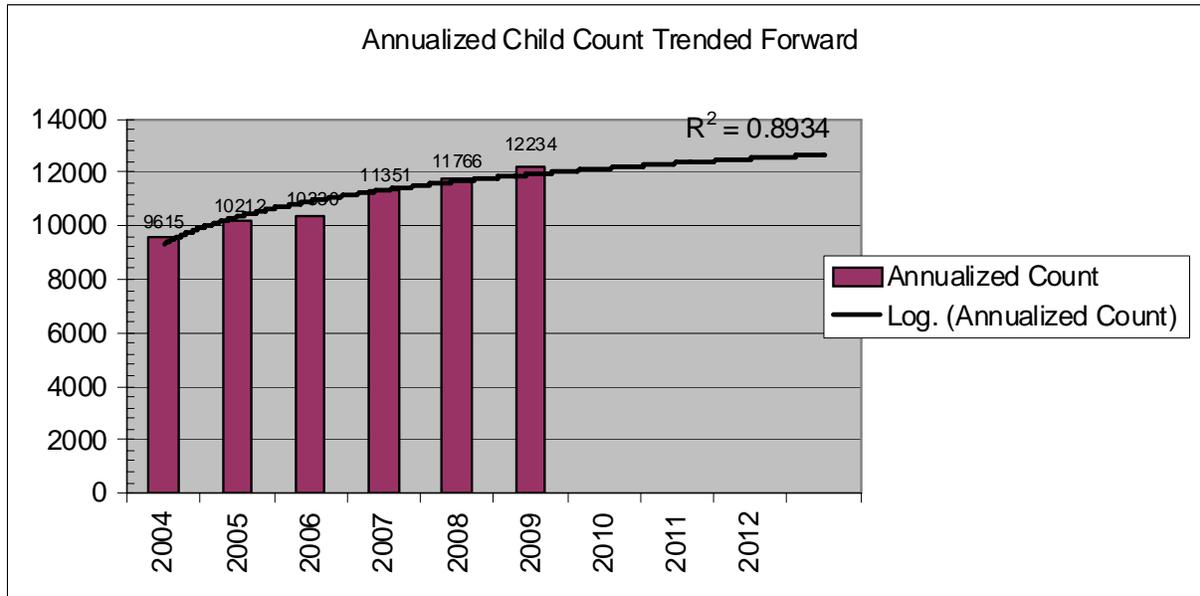
Local lead agencies are required to enter into the Part C data system, ITOTS, every child who enters the local Part C early intervention system. Local lead agencies must use quarterly ITOTS verification reports to confirm the accuracy of the data entered. As a result of the first phase of ITOTS enhancements, the Department is 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 4% increase in the number of children served from FY2009 to FY2010.

**Total Number of Infants and Toddlers Served in Each Year**

<b>Year</b>	<b>Total Number Served – Eligible and Entered Services</b>	<b>Total Number Evaluated Who Did Not Enter Services*</b>
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
July 1, 2008 – June 30, 2009	11,766	1,671
July 1, 2009 – June 30, 2010	12,234	1,494

\* These children received a multidisciplinary team evaluation to determine eligibility and, in some cases, an assessment for service planning, 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 these services. Unless the child has Medicaid or Tricare, federal and state Part C funds are generally used to pay for evaluation and assessment. An additional 698 infants and toddlers received a developmental screening upon referral to Part C. 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 2012.



Based on point-in-time data for December 1, 2009 (the most recent year available with national comparison data), Virginia’s Part C system was serving 1.99% of the Commonwealth’s birth to three population. This compares to 2.66% of the birth to 3 population receiving Part C services nationally. These numbers demonstrate that, despite recent increases, there are still significant numbers of infants and toddlers in Virginia who are potentially eligible for Part C services but not yet receiving those services. In order to increase the number of children served in Virginia’s Part C system, the Department continued to make public awareness materials available to local systems and collaborated with other State agencies to disseminate information about Part C early intervention services to physicians and other health care providers, families, and other referral sources. In addition, the Department supported development and implementation of local Service Enhancement Plans with improvement strategies designed to ensure identification of all eligible children in the local system’s service area. The Department, with advice and assistance from the Virginia Interagency Coordinating Council, is exploring the potential impact (on children and on the system) of eliminating the current policy of age adjustment for children born prematurely and examining other aspects of eligibility for this group of children to ensure that those in need of early intervention are identified accurately and early.

**V. Services Provided to Eligible Infants and Toddlers**

In previous years, the Department has been able to provide only estimates on the number of children receiving each service since the ITOTS data system only collects data on the planned services listed on each child’s initial IFSP. For FY2010, the quarterly reporting forms used by local lead agencies to report revenue and expenses were revised to also include reporting on the number of children receiving each service in the given quarter. Based on questions received from local systems, the Department had concerns about the accuracy of the data reported on the number of children served in at least the first two quarters of FY2010. Since technical assistance was provided to address reporting questions, the data from the 4<sup>th</sup> quarter is more reliable and is used below to estimate the total number of children receiving each service during the fiscal year. Since this data is based on delivered services (rather than on planned services, which was the data used in previous years), it is believed to provide a more accurate picture of the number of children receiving each service.

**Total Number of Children Receiving Each Service:  
July 1, 2009 – June 30, 2010**

<b>Type of Early Intervention Service</b>	<b># of Children Receiving the Service in the 4<sup>th</sup> Quarter</b>	<b>% of Open Children Receiving the Service in the 4<sup>th</sup> quarter</b>	<b>Estimated # of Children Receiving the Service in FY2010 (% multiplied by Total Served)</b>
<b>Assessment for Service Planning</b>	2,324	N/A*	9,296
<b>Assistive Technology</b>	122	1.6%	196
<b>Audiology</b>	7	0.1%	12
<b>Counseling</b>	116	1.5%	184
<b>Developmental Services</b> (formerly Special Instruction)	1,529	20.3%	2,484
<b>Evaluation for Eligibility Determination</b>	3,430	N/A*	13,720
<b>Health Services</b>	2	0.03%	4
<b>Nursing Services</b>	15	0.2%	24
<b>Nutrition Services</b>	55	0.7%	86
<b>Occupational Therapy</b>	770	10.2%	1,248
<b>Physical Therapy</b>	1,269	16.9%	2,068
<b>Psychological Services</b>	0	0%	0
<b>Service Coordination</b>	N/A	N/A**	12,234
<b>Social Work Services</b>	4	0.05%	6
<b>Speech-Language Pathology</b>	1,930	25.6%	3,132
<b>Transportation</b>	176	2.3%	281
<b>Vision Services</b>	30	0.4%	49
<b>Other Entitled EI Services</b>	1,258	16.7%***	2,043

\* Assessment for Service Planning and Eligibility Determination are generally one-time services that are better estimated by multiplying the number of children receiving the service in the 4<sup>th</sup> quarter by 4 to estimate the total number of children receiving the service in FY2010.

\*\* All eligible children receive service coordination.

\*\*\* There was a significant increase from FY2009 to FY2010 in the percent of children receiving other entitled EI services. Because the FY2010 reporting form eliminated the option of reporting aggregate expenses for local systems whose accounting did not allow identification of the specific service purchased, the increase in other entitled EI services most likely represents use of this category to capture what were formerly called aggregate expenses for direct services rather than an actual increase in other entitled EI services.

**Limitations:** The numbers provided above are only estimates. The ITOTS data system captures only those planned services identified on a child's initial IFSP, with no updates of services added on subsequent IFSPs and no data on services actually delivered. While the quarterly reporting form provides data on the number of children actually receiving each service, there is no mechanism to verify the accuracy of the number reported by local systems on the quarterly reporting form.

**Future Actions to Address Limitations:** Accurate reporting of the number of children actually receiving each early intervention service can only be fully ensured with a new, enhanced Part C data system that requires entry of delivered service data. In the meantime, in an effort to improve the accuracy of available data, the Department has expanded the instructions and provided statewide technical assistance to local systems for recording on the quarterly reporting form the number of children receiving each service.

## **VI. Impact of Virginia's Part C System Transformation**

In FY2010 work was finalized on the Part C System Transformation, which was designed to address four (4) priority areas identified by the Department, in conjunction with a stakeholder group and Solutions Consulting Group, LLC:

- A Medicaid Early Intervention Program to expand Medicaid reimbursement for Part C early intervention services;
- ITOTS improvements to ensure the availability of complete and accurate data to address all federal and State reporting requirements;
- 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 share practices to ensure consistency statewide and to ensure that no children and families are denied services because of an inability to pay.

After more than two years of collaborative planning between the Department of Behavioral Health and Developmental Services and the Department of Medical Assistance Services (DMAS), the new Medicaid Early Intervention Services Program was implemented on October 1, 2009. This initiative is expected to have a lasting effect on the early intervention services system by facilitating expansion of the provider network, increasing training opportunities for providers, improving compliance with federal and state Part C requirements, and ensuring availability of supports and services for all eligible children and families. The following significant improvements were achieved in FY2010 through implementation of the Medicaid Early Intervention Services Program:

- The Medicaid reimbursement rate for physical therapy, occupational therapy and speech-language pathology services increased;
- Medicaid coverage expanded to include developmental services (previously called special instruction), counseling services, nursing services, psychological services and social work services provided in accordance with a child's Individualized Family Service Plan (IFSP) under Part C;
- Standard rates were implemented for early intervention services and are used statewide regardless of the reimbursement source (e.g., Medicaid, private insurance, family fees, Part C funds, etc.). This ensures equity and parity across local systems and providers and maximizes use of available funding. The standard rates are consistent with and support Part C service delivery requirements and effective practices. For instance, the increased reimbursement rate takes into account travel costs associated with provision of services in natural environments, which is required by federal Part C regulations and supported by research on effective practices. The new rates also account for and, therefore, support the kind of routine consultation and teaming among service providers that are necessary for effective service provision;

- An early intervention certification process was implemented on October 1, 2009 to ensure all personnel providing services to Part C eligible children and their families have a core set of knowledge related to infant and toddler development, family-centered practices, Virginia's Part C practice manual, and the requirements and expectations for personnel providing services in Virginia's Part C system. As of September 1, 2010 there were 1,165 certified early intervention specialists, early intervention professionals and early intervention service coordinators in Virginia;
- Simplified requirements to enroll as a Medicaid provider were implemented under the Medicaid Early Intervention Services Program, facilitating an increase in the number of provider agencies that can bill Medicaid for Part C services;
- The number of potential new providers inquiring about participating in the Part C system increased; and
- The amount of Medicaid revenue reported increased significantly, from just under \$1.5 million in FY2009 to over \$3.6 million in FY2010. The increase in Medicaid revenue reflects both improved accuracy in revenue reporting for FY2010 and an actual increase in Medicaid revenue. Both are important improvements. More accurate revenue reporting facilitates better budget planning and use of Part C funds at both the state and local levels. The actual increase in Medicaid revenue expands the availability of federal and state Part C funds as payor of last resort for services for children without insurance and for service not covered by private insurance. Medicaid revenue is expected to further increase in FY2011 since the new Early Intervention Services Program will be in effect for the full year and the expected slow start-up period for the new program has past.

Additional changes and improvements implemented in FY2010 as a result of the system transformation initiative include the following:

- ITOTS improvements related to the Medicaid Early Intervention Services Program were implemented and work continued toward development of the new, expanded data system;
- Family cost share practices were revised and clarified to ensure consistent implementation statewide, supporting an equitable assessment of the family's ability to pay and ensuring Part C funds are used as a payor of last resort; and
- The Department held discussions with the State Corporation Commission, Bureau of Insurance, and with the Medical Directors of the Virginia Association of Health Plans about:
  - How to better align payor processes with the needs of infants, toddlers and families and Part C requirements; and
  - The possibility of private insurance plans covering the same Part C services as Medicaid covers and at the same standard early intervention rates.

These initial meetings were only a first step, and additional work will be necessary in FY2011.

In order for the system transformation changes to result in the intended goal of establishing a funding structure for Part C that is more stable and equitable, there must be a change in how federal and state Part C funds are allocated to local systems. Some local systems have a higher population of children who are dually enrolled in Part C and Medicaid, while other local systems have a higher population of children without insurance or with private insurance that reimburses at a rate lower than Medicaid's. These revenue differences impact the proportion of Part C funding needed by each local system. While the Department initially expected to make small changes in the allocation method for FY2010, it was necessary to keep the funding formula and allocation method the same through FY2010 to help ensure stability while the other changes to the financial system were being implemented. However, for FY2011 local lead agencies received only three-fourths of their allocation of federal Part C funds up front. After the second quarter of FY2011, the Department will review local expenditures to date and data on Medicaid reimbursement received by each local system between October 1, 2009 and December 31,

2010. Local systems' allocations will then be adjusted, as needed, for the 4<sup>th</sup> quarter based on this data and using the 25% of federal Part C funds that were not allocated at the beginning of SFY 2011. Additional changes to the funding formula and/or allocation method will be considered for FY2012 based on data available from FY2011.

## **VII. Conclusion**

To support the continued growth in the early intervention system, it is important to maintain state funding for direct services and infrastructure needs. As demonstrated by the data reported above, the funding provided by the General Assembly permitted local Part C systems to provide a wide variety of needed supports and services to more than 12,200 eligible infants, toddlers and their families during fiscal year 2010. These funds also touched the lives of over 2,000 additional infants, toddlers and families who received developmental screenings, evaluations for eligibility determination, and assessments upon referral to the Part C system even though they did not proceed on to receiving other Part C supports and services.

Funding available for Part C through ARRA provided critical bridge funding during FY2010 while the new rate structure under the Medicaid Early Intervention Services Program was implemented and increased Medicaid revenue was generated. Just over \$3 million of ARRA funding was spent by local systems on Part C early intervention services for infants, toddlers and their families in FY2010.

As the number of eligible infants and toddlers identified continues to increase, federal Part C funding decreases, and American Recovery and Reinvestment Act (ARRA) funding ends, state Part C funding is critical to ensure all eligible children and families receive timely and appropriate early intervention supports and services. Since demand for Part C funding increased at a faster rate than federal and state resources were allocated, \$3 million in ARRA funds were used to provide Part C early intervention services in FY 2010. While it was helpful to have the temporary ARRA funding, the underlying need remains.

The Department, in collaboration with other state agencies and local stakeholders, are closely monitoring expenditure and revenue data, with particular attention to Medicaid revenue data, to determine the amount of additional revenue needed to ensure the long-term financial stability of the Part C system once the ARRA funding ends. The Department, local service providers and families are appreciative of the continued financial support for Part C provided by the General Assembly.