

**Department of Economic Security**  
**Developmental Disabilities**

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OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,921.9	1,907.9	1,889.9
Personal Services	11,235,200	9,484,100	9,484,100
Employee Related Expenditures	4,565,600	3,420,400	3,420,400
Professional and Outside Services	450,900	468,000	468,000
Travel - In State	294,000	300,000	300,000
Other Operating Expenditures	20,716,400	28,413,100	28,413,100
Equipment	398,600	396,000	396,000
<b>OPERATING SUBTOTAL</b>	<b>37,660,700</b>	<b>42,481,600</b>	<b>42,481,600</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Title XIX Long Term Care</b>			
Case Management - Title XIX	35,652,800	40,099,300	40,099,300
Home and Community Based Services - Title XIX	584,432,200	624,011,900	670,275,000
Institutional Services - Title XIX	17,085,600	15,747,900	16,575,700
Medical Services	109,294,400	137,509,400	147,324,200
Arizona Training Program at Coolidge - Title XIX	17,133,100	16,476,000	16,545,300
Medicare Clawback Payments	2,206,600	2,456,100	2,523,100
<b>State-Funded Services</b>			
Case Management - State Only	3,290,300	3,855,500	3,855,500
Home and Community Based Services - State Only	27,111,900	16,014,200	16,014,200
Institutional Services - State Only	139,400	144,900	0
Arizona Training Program at Coolidge - State Only	61,700	69,300	0
State-Funded Long Term Care Services	24,976,600	26,384,200	26,529,100
Autism Training and Oversight	0	200,000	0
Children's Autism Intensive Behavioral Treatment Services	1,350,100	0	0
Children's Autism Intensive Early Intervention Services for Toddlers	500,000	0	0
Arizona Early Intervention Program	1,843,700	1,843,700	1,843,700
<b>PROGRAM TOTAL</b>	<b>862,739,100</b>	<b>927,294,000</b>	<b>984,066,700</b>
<b>FUND SOURCES</b>			
General Fund	268,599,600	327,558,900	347,073,400
<u>Other Appropriated Funds</u>			
Long Term Care System Fund (Non-Federal Matched)	24,141,500	26,469,400	26,469,400
TTHCF Health Research Account	0	200,000	0
SUBTOTAL - Other Appropriated Funds	24,141,500	26,669,400	26,469,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>292,741,100</b>	<b>354,228,300</b>	<b>373,542,800</b>
<u>Expenditure Authority Funds</u>			
Long Term Care System Fund (Federal Match)	569,998,000	573,065,700	610,523,900
SUBTOTAL - Expenditure Authority Funds	569,998,000	573,065,700	610,523,900
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>862,739,100</b>	<b>927,294,000</b>	<b>984,066,700</b>
Other Non-Appropriated Funds	959,200	1,192,200	1,192,200
Federal Funds	19,283,700	39,402,100	39,402,100
<b>TOTAL - ALL SOURCES</b>	<b>882,982,000</b>	<b>967,888,300</b>	<b>1,024,661,000</b>

**CHANGE IN FUNDING SUMMARY**

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	19,514,500	6.0%
Other Appropriated Funds	(200,000)	(0.7%)
Expenditure Authority Fund	37,458,200	6.5%
Total Appropriated/Expenditure Authority Funds	56,772,700	6.1%
Non-Appropriated Funds	0	0.0%
Total - All Sources	56,772,700	5.9%

**COST CENTER DESCRIPTION** — The Division of Developmental Disabilities (DD) program provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Title XIX program services are funded through the Long Term Care (LTC) program. Title XIX is an entitlement program in which any individual meeting the financial and functional requirements must receive assistance. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the Federal Poverty Limit, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for Title XIX Program services. Besides contracting for services, the program: a) operates the Arizona Training Program at Coolidge (ATP-C) and smaller state-operated group homes, and b) provides case management services to recipients.

**Note: All policy issues are stated at the regular federal match rate.**

**Overview**

As of July 2009, the Division of Developmental Disabilities serves 30,262 clients, which includes 21,813 clients in the LTC program and 8,449 clients in the state-only portion. The primary disabilities of these clients are shown in *Table 1* and they fall into the age groups seen in *Table 2*.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	13,527	45%
At Risk	8,786	29%
Autism	3,920	13%
Cerebral Palsy	2,839	9%
Epilepsy	1,190	4%

<u>Age</u>	<u>Number</u>	<u>Percentage</u>
Under 21	19,867	66%
21 to 55	9,043	30%
Over 55	1,352	4%

The LTC program is funded from 2 sources: the General Fund (GF) and federal Title XIX capitation revenues received from the Arizona Health Care Cost Containment System (AHCCCS). The LTC appropriation includes the appropriation of GF monies and federal expenditure authority. The state is normally required to contribute about one-third of the cost of the LTC program.

As the AHCCCS-authorized provider of DD services, the Department of Economic Security (DES) receives federal monies through prepaid monthly capitation payments

based on rates for types of clients. The included amount makes the following assumptions:

- Caseload growth: Growth is estimated at 6.5% from June 2010 to June 2011. This caseload growth will result in an average monthly FY 2011 caseload of 23,830 clients.
- Capitation rate: The Baseline includes no increases for provider rate or medical inflation. In FY 2009 and FY 2010, the overall capitation rate declined because, in addition to a freeze on provider rates included in the budget, DES implemented a 10% reduction in provider rates as part of its implementation of its FY 2009 midyear agencywide lump sum reduction. The reduction has been continued into FY 2010 and is assumed to continue into FY 2011. The budget assumes that the administrative component remains flat at the FY 2006 rate.
- Federal Medical Assistance Percentage (FMAP): This rate will increase 65.75% in Federal Fiscal Year (FFY) 2010 to 65.85% in FFY 2011, which means the state will have to contribute slightly less in state monies to generate \$1 in total funds. These amounts do not include adjustments to the Medicaid matching rate under the American Recovery and Reinvestment Act of 2009. (Please see agency summary for more information.)

*Table 3* summarizes the average monthly caseload estimates for the Special Line Items. Please note that all clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

**Table 3**  
**FY 2011 Long Term Care Caseloads**

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	20,407
Institutional Services	101
Arizona Training Program at Coolidge	123 <sup>1/</sup>
Subtotal	20,631
Case Management/Medical Services only	3,199
<b>Total</b>	<b>23,830</b>

<sup>1/</sup> Represents the budgeted client caseload. See Table 6 for actual client caseload.

Table 4 summarizes member years, capitation rates, and the state and federal share of funding for the LTC program.

**Operating Budget**

The Baseline includes \$42,481,600 and 290.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$17,417,100
Long Term Care System Fund	25,064,500

This amount is unchanged from FY 2010.

*Background* – Of the total \$17,417,100 General Fund for the Division of Developmental Disabilities operating budget, \$13,170,900 is for the Title XIX Long Term Care program and the remaining \$4,246,200 is for state-funded services.

**Title XIX Long Term Care**

**Case Management – Title XIX**

The Baseline includes \$40,099,300 and 821.5 FTE Positions for Case Management in FY 2011. These amounts consist of:

**Table 4**  
**FY 2011 Long Term Care Capitation Rate Revenue**

<u>Capitation Category</u>	<u>Member Years</u>	<u>Monthly Capitation Rate</u>	<u>Title XIX Share</u>	<u>State GF Match</u>	<u>Total</u>
Enrolled and Ventilator Dependent	23,830	\$3,281.12	\$615,539,900	\$322,730,000	\$938,269,900
Administration			(5,001,900)	(3,753,700)	(8,755,600) <sup>1/</sup>
FFS/Reinsurance			2,826,000	1,467,200	4,293,200 <sup>2/</sup>
Cost Sharing			(2,840,100)	(1,474,500)	(4,314,600) <sup>3/</sup>
Clawback Payments			0	2,523,100	2,523,100 <sup>2/</sup>
Dual Eligible Part D Copay Subsidy			0	55,600	55,600 <sup>2/4/</sup>
<b>FY 2011 LTC Total</b>			<b>\$610,523,900</b>	<b>\$321,547,700</b>	<b>\$932,071,600</b> <sup>5/</sup>

<sup>1/</sup> Monies transferred to the Administration cost center for indirect costs associated with the Long Term Care cost program.  
<sup>2/</sup> Separate costs not included in the capitation rate.  
<sup>3/</sup> Reflects legislation passed in 2003 to impose cost sharing on families earning at or above 400% of the Federal Poverty Level (\$88,200 for a family of 4 in 2009).  
<sup>4/</sup> Monies included in the Home and Community Based Services Special Line Item.  
<sup>5/</sup> Monies are distributed amongst the program's operating budget and 7 Special Line Items.

General Fund	13,125,200
Long Term Care System Fund	26,974,100

These amounts are unchanged from FY 2010.

*Background* – In addition to providing case management services to an estimated 20,631 clients receiving direct services, this line item also provides case management services only to another 3,199 clients.

**Home and Community Based Services - Title XIX**

The Baseline includes \$670,275,000 and 99.2 FTE Positions for Home and Community Based Services (HCBS) in FY 2011. These amounts consist of:

General Fund	232,032,000
Long Term Care System Fund	438,243,000

FY 2011 adjustments would be as follows:

<b>Caseload Growth</b>	<b>GF 15,810,400</b>
	<b>EA 30,452,700</b>

The Baseline includes an increase of \$46,263,100 in FY 2011 for Caseload Growth. The Expenditure Authority funding is from the Long Term Care System Fund, which consists of the Title XIX Medicaid matching money.

This adjustment reflects 6.5% growth in the client population from June 2010 to June 2011 and no increase for the capitation rate or provider rates.

*Background* – Monies in this line item fund residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. Monies also fund staff in state-operated group homes, excluding the Arizona Training Program at Coolidge (ATP-C).

In FY 2010, the Legislature enacted a payment deferral of \$17,000,000. The deferral resulted in a one-time savings

in that amount from the General Fund in FY 2010. This was in addition to a \$25,000,000 payment deferral enacted in FY 2009. The Baseline continues the payment deferral in FY 2011. Of the total \$42,000,000 in deferred payments, \$16,900,000 is deferred from the Home and Community Based Services – Title XIX SLI. (Please see the Payment Deferral section in the DES Summary for additional information.)

Of the \$670,275,000 in this line item, \$658,571,900 funds HCBS services to clients enrolled in the LTC program; the other \$11,703,100 funds program staff.

Table 5 indicates how estimated caseloads are expected to be allocated among HCBS settings.

<b>FY 2011 Caseloads</b>	
<b>HCBS Setting</b>	<b>Clients</b>
At Home With Family	16,884
Adult Developmental Foster Home	549
Group Home	2,292
Child Developmental Foster Home	220
Independent Living	401
State-Operated Group Home	61
<b>Total</b>	<b>20,407</b>

***Institutional Services - Title XIX***

The Baseline includes \$16,575,700 and 77.7 FTE Positions for Institutional Services in FY 2011. These amounts consist of:

General Fund	5,581,900
Long Term Care System Fund	10,993,800

FY 2011 adjustments would be as follows:

<b>Caseload Growth</b>	<b>GF</b>	<b>282,900</b>
	<b>EA</b>	<b>544,900</b>

The Baseline includes an increase of \$827,800 in FY 2011 for Caseload Growth. The Expenditure Authority funding is from the Long Term Care System Fund, which consists of the Title XIX Medicaid matching money.

This adjustment reflects 6.5% growth in the client population from June 2010 to June 2011 and no increase for medical inflation.

*Background* – Monies in this line item fund residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C. The amount is estimated to serve 249 clients.

Of the \$16,575,700 in this line item, \$11,229,300 funds Institutional Services to clients enrolled in the LTC program; the other \$5,346,400 funds program staff.

***Medical Services***

The Baseline includes \$147,324,200 and 36.7 FTE Positions for Medical Services in FY 2011. These amounts consist of:

General Fund	49,162,800
Long Term Care System Fund	98,161,400

These amounts fund the following adjustments:

<b>Caseload Growth</b>	<b>GF</b>	<b>3,354,200</b>
	<b>EA</b>	<b>6,460,600</b>

The Baseline includes an increase of \$9,814,800 in FY 2011 for Caseload Growth. The Expenditure Authority funding is from the Long Term Care System Fund, which consists of the Title XIX Medicaid matching money.

This adjustment reflects 6.5% growth in the client population from June 2010 to June 2011 and no increase for medical inflation.

*Background* – Of the \$147,324,200 in this line item, \$143,022,700 funds Acute Care services to clients enrolled in the LTC program; the other \$4,301,500 funds the staff of the division’s Managed Care unit.

***Arizona Training Program at Coolidge - Title XIX***

The Baseline includes \$16,545,300 and 429.4 FTE Positions for ATP-C in FY 2011. These amounts consist of:

General Fund	5,458,200
Long Term Care System Fund	11,087,100

FY 2011 adjustments would be as follows:

<b>Shift Funding from ATP-C</b>	<b>GF</b>	<b>69,300</b>
<b>State-Only</b>		

The Baseline includes an increase of \$69,300 and 12 FTE Positions from the General Fund in FY 2011 to shift the funding from the Arizona Training Program at Coolidge – State-Only SLI to the Arizona Training Program at Coolidge – Title XIX SLI to consolidate the line items in the division’s budget to give the agency more flexibility in allocating available funding.

*Background* – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF/MRs or state-operated group homes (SOGHs). The amount does not include costs associated with case management, certain occupancy-related costs, other indirect administration, and Stipends and Allowances.



to the State-Funded Long Term Care Services SLI to consolidate the line items in the division's budget to give the agency more flexibility in allocating available funding.

This line item funded residential and day programs to clients with more severe developmental disabilities. These clients are in Large Group Living Facilities (LGLFs) or other nursing facilities.

**Arizona Training Program at Coolidge - State-Only**

The Baseline includes no funding for the Arizona Training Program at Coolidge – State-Only SLI in FY 2011. FY 2011 adjustments would be as follows:

**Shift Funding to ATP-C Title XIX GF (69,300)**

The Baseline includes a decrease of \$(69,300) and (12) FTE Positions from the General Fund in FY 2011 to shift this funding to the Arizona Training Program at Coolidge – Title XIX SLI to consolidate the line items in the division's budget to give the agency more flexibility in allocating available funding.

(See Arizona Training Program at Coolidge – Title XIX for more details.)

**State-Funded Long Term Care Services**

The Baseline includes \$26,529,100 and 2 FTE Positions for State-Funded Long Term Care Services in FY 2011. These amounts consist of:

General Fund	907,800
Long Term Care System Fund	25,621,300

FY 2011 adjustments would be as follows:

**Shift Funding from Institutional GF Services – State-Only 144,900**

The Baseline includes an increase of \$144,900 from the General Fund in FY 2011 to shift funding for the Institutional Services – State-Only program to the State-Funded Long Term Care Services SLI to consolidate the line items in the division's budget to give the agency more flexibility in allocating available funding.

*Background* – This line item funds a variety of services ineligible for Federal Fund reimbursement from AHCCCS. The most common service provided in this line item is room and board. The program also funds residential and day programs to clients with more severe developmental disabilities. These clients reside in Large Group Living Facilities (LGLFs) or other nursing facilities.

Of the \$26,529,100 in this line item, \$25,651,300 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$877,800 funds program staff.

Table 8 details the amounts of funding and uses for the State-Funded Long Term Care Services line item in FY 2010 and FY 2011.

	<u>FY 2010</u>	<u>FY 2011</u>
<b>Sources</b>		
<i>Long Term Care System Fund</i>		
Client Billing Revenue	\$18,000,000	\$18,000,000
Foster Care Client Trust	1,500,000	1,500,000
Estates, Trust and Annuities	600,000	600,000
Mesa Land	100	100
LTCSF Interest	1,000,000	1,000,000
Preadmission Screening and Annual Resident Review (PASARR)	<u>62,000</u>	<u>62,000</u>
Total – LTCSF	21,162,100	21,162,100
<i>General Fund</i>	<u>762,900</u>	<u>762,900</u>
<b>Total - Sources</b>	<b>\$21,925,000</b>	<b>\$21,925,000</b>
<b>Uses</b>		
Non-reimbursable LTC Services	\$25,968,400	\$25,968,400
Food	226,200	226,200
PASARR	62,000	62,000
Stipends and Allowances	<u>212,800</u>	<u>212,800</u>
<b>Total - Uses</b>	<b>\$26,469,400</b>	<b>\$26,469,400</b>

**Autism Training and Oversight**

The Baseline includes no funding for the Autism Training and Oversight program in FY 2011. FY 2011 adjustments would be as follows:

**Eliminate Program Funding OF (200,000)**

The Baseline includes a decrease of \$(200,000) from the Tobacco Tax and Health Care Fund - Health Research Fund in FY 2011 to eliminate the funding for the program. The Biomedical Research Commission has not distributed the funding from the Health Research Account in the 3 years that this appropriation has been included in DES' budget, arguing that this appropriation would violate the statutory purpose of the account.

DES was to have used these monies to train approximately 725 workers at \$275 per trainee for intensive behavioral treatment of children age 0 to 5 with autism.

**Children's Autism Intensive Behavioral Treatment Services**

The Baseline includes no funding from the General Fund for the Children's Autism Intensive Behavioral Treatment Services Special Line Item in FY 2011. This amount is unchanged from FY 2010.

**Fiscal Stabilization Fund GF 0**

The Baseline continues a decrease of \$(1,800,000) from the General Fund and the use of an equivalent amount of federal state fiscal stabilization funds to offset the decrease in FY 2011. ARRA provided Arizona with more than \$1,000,000,000, including \$185,000,000 that can be

expended for any state expenses. Of the \$185,000,000, approximately \$105,000,000 will be expended in FY 2010, including \$1,800,000 for Children's Autism Intensive Behavioral Treatment Services. The remaining \$80,000,000 (of the \$185,000,000) may be available for use in FY 2011. When General Fund money was originally appropriated for this program in FY 2008, it was intended to be a 3-year program. FY 2010 was the third year of the program. If the Legislature were to continue the program in FY 2011, the Fiscal Stabilization Fund could be a source of funding

This line item provides funding for autism services that utilize techniques of discrete trial and natural environment intensive behavioral treatment through applied behavioral analysis. This program provided services for 16 children in FY 2009.

***Children's Autism Intensive Early Intervention Services for Toddlers***

The Baseline includes no funding from the General Fund for the Children's Autism Intensive Early Intervention Services for Toddlers Special Line Item in FY 2011. FY 2011 adjustments would be as follows:

**Fiscal Stabilization Fund                      GF                      0**

The Baseline continues a decrease of \$(500,000) from the General Fund and the use of an equivalent amount of federal state fiscal stabilization funds to offset the decrease in FY 2011. ARRA provided Arizona with more than \$1,000,000,000, including \$185,000,000 that can be expended for any state expenses. Of the \$185,000,000, approximately \$105,000,000 will be expended in FY 2010, including \$500,000 for Children's Autism Intensive Early Intervention Services for Toddlers. The remaining \$80,000,000 (of the \$185,000,000) may be available for use in FY 2011. When General Fund money was originally appropriated for this program in FY 2008, it was intended to be a 3-year program. FY 2010 was the third year of the program. If the Legislature were to continue the program in FY 2011, the Fiscal Stabilization Fund could be a source of funding.

This line item provides funding for intensive early intervention efforts for autistic toddlers and preschoolers in a school-based setting. This program provided services for 200 children in FY 2009.

***Arizona Early Intervention Program***

The Baseline includes \$1,843,700 from the General Fund for the Arizona Early Intervention Program Special Line Item in FY 2011. This amount is unchanged from FY 2010.

Funding in this line item is used for children from birth to age 3 who have disabilities or developmental delays. This program is implemented through a partnership with the

Arizona State Schools for the Deaf and the Blind, Arizona Department of Education, Arizona Department of Health Services, and the AHCCCS.

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**FORMAT** — Agencywide Operating Lump Sum with Special Line Items by Program

**FOOTNOTES**

*Standard Footnotes*

For FY 2011, the Department of Economic Security shall not increase reimbursement rates for community service providers and independent service agreement providers contracting with the Division of Developmental Disabilities.

The Department of Economic Security shall report all new placements into a state-owned ICF-MR or the Arizona Training Program at Coolidge Campus in FY 2011 to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee and the reason why this placement, rather than a placement into a privately run facility for the developmentally disabled, was deemed as the most appropriate placement. The department shall also report if no new placements were made. This report shall be made available by July 15, 2011.

The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than 2%. Before implementation of any changes in capitation rates for the Long-Term Care program, the Department of Economic Security shall report for review the expenditure plan to the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee.

Prior to the implementation of any developmentally disabled or long-term care statewide provider rate adjustments not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include, at a minimum, the estimated ~~cost~~ IMPACT of the provider

rate adjustment and the ongoing source of funding for the adjustment, if applicable.

All monies in the Long-Term Care System Fund unexpended and unencumbered at the end of FY 2011 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System administration.

*Deletion of Prior Year Footnotes*

The Baseline would delete the footnote stating the intent of the Legislature that available surplus monies for developmental disabilities programs be applied toward the waiting list, as any available monies may be needed to reduce the statewide budget shortfall.