



DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

Don Jordan, Secretary

House Social Services Budget Committee

March 18, 2009

Maintaining High Level Community Supports through Extraordinary Funding

For Additional Information Contact:
Katy Belot, Director of Public Policy
Docking State Office Building, 6th Floor North
(785) 296-3271



Maintaining High Level Community Supports through Extraordinary Funding

House Social Services Budget Committee March 18, 2009

Thank you for the opportunity to appear before your committee to provide information regarding my decision to take a special look at Community Living Opportunity, Inc.'s (CLO) reimbursement from the Department of Social and Rehabilitation Services (SRS).

At the time I made my decision I had been working with staff and members of the Board of Directors of CLO for approximately one year regarding long term financial issues. Their concern, as it was communicated to me, was that our reimbursement did not cover the costs they incurred for providing services to the populations served by CLO. A review of the history of costs and reimbursements revealed that for most of the organization's 30 year history costs of providing services had exceeded reimbursement from SRS for both their intermediate care facilities/ for mental retardation (ICF/MR) or the services provided under the Home and Community Based Services Waiver for individuals with a developmental disability (HCBS/DD).

During this time I had SRS staff meet with CLO on several occasions and asked SRS staff to do a number of analyses regarding their clients, services, expenses and revenue. To perform these reviews we used CLO financial reports, ICFs/MR rate studies and biennial HCBS/DD rate studies. In particular, I looked at whether:

- CLO's expenditures for administration and overhead were consistent with similar organizations? It was determined that CLO's overhead costs were consistent.
- Were rates paid to ICFs/MR adequate to cover the services required? These were determined to be adequate.
- Were rates paid to HCBS/DD providers adequate to cover the costs of services provided? Although there was a need to increase rates for staff salaries to be competitive with state hospitals and the labor market, this did not explain the annual losses by CLO.

A central contention of CLO has been that the mix of clients served is significantly different from that of other community service providers (CSPs) and due to this they are disadvantaged by the current payment system. As background, SRS reimburses HCBS/DD provider based on a five tier system, with reimbursement increasing from tier 5 (needing the least services) to tier 1 (needing the most services). In addition, there is a provision in the rate structure for "extraordinary rates" for those requiring significantly more services than that anticipated by the rates established.

From the review of service needs of clients served, I determined that in fact only one other CSP – Creative Community Living, Inc. (CCL) - had a similar mix of clientele (both serve a disproportionate number of Tier 1



and 2 individuals). So a more detailed review of their client revenue was undertaken. One item which stood out is the large difference in the number of clients on extraordinary payments for CCL compared to CLO.

Based on this, I asked SRS staff to review client files at CLO to determine if other clients merited extraordinary payments. From this review it was recommended that 43 of 58 clients, whose files were reviewed, have the basis of their payments moved from regular tiers to extraordinary. I directed SRS Community Supports and Services staff to take the actions necessary to implement their recommendations. To make sure this action did not disadvantage other CSPs or clients I also directed that the 10 individuals currently on the waiting list for extraordinary payments also be moved to that payment.

This action will annually increase CLO's revenue by approximately \$713,000 AF (\$285,000 SGF). For FY 2009 the total increased revenue to CLO will be approximately \$465,000 AF (\$186,000 SGF). The SGF to fund this decision was moved from an SRS administrative account to the SRS Community Supports and Services budget to fund this action. No other client of SRS was disadvantaged by this action. In fact this action increases the pool of funds available to all DD providers.

What this straight factual account does not convey is the commitment by CLO staff and their Board of Directors to serving Kansans with the most significant and challenging disabilities. At every step of my review process this was consistently demonstrated. I have to say that a significant factor in my decision to keep working with CLO and studying their situation was driven by my increasing understanding of their special place in the service system for individuals with developmental disabilities and what a loss to Kansans their financial failure would be.

Although I made this as a unilateral decision without consultation with the various CDDOs covering the areas served by CLO, each of the CDDOs will have the opportunity to review these decisions on an annual basis. Since every individual consumer's HCBS/DD case is reviewed annually by the CDDO. At that time, each CDDO has the responsibility to review the reimbursement for appropriateness and consistency with SRS policies and procedures. At that point any disagreements with CDDOs can be addressed.

The question has been raised as to whether this was an exceptional decision. SRS periodically acts to address financial issues with our business partners. We are committed as an organization to have robust, financially viable business partners. Therefore, we regularly work with various entities to address their financial concerns. The actions may include consultation provided by SRS staff, SRS organizing special consulting relationships with other entities, decisions to forgive overpayments owed to SRS or even direct financial assistance. The primary consideration is maintaining a viable service network for SRS clients. These requests are judged on a case-by-case basis.

As a result of the concerns expressed I recently requested that the Kansas Health Policy Authority obtain the services of an outside expert to review the individual case decisions made by SRS staff for consistency with the policy defining the criteria for extraordinary payments. This review should occur in the near future.

I will now stand for questions.