REVIEW OF SERVICES AND BENEFITS FOR THE DEVELOPMENTALLY DISABLED DEPARTMENT OF DEVELOPMENTAL SERVICES REGIONAL CENTERS

516-107
AUGUST 1980

FINANCIAL AND PERFORMANCE ACCOUNTABILITY
DEPARTMENT OF FINANCE
STATE OF CALIFORNIA

State of California

Memorandum

Date : September 5, 1980

To : David E. Loberg, Ph.D., Director
Department of Developmental Services

From : **Department of Finance**
Financial and Performance Accountability

Subject: Final Report on Services and Benefits for Developmentally Disabled

This report describes the services purchased for clients, the sources of funding these services and the providers of services for developmentally disabled. We make recommendations which we believe will improve coordination and service delivery in this extremely complex system.

We would like to acknowledge the significant steps the Department has taken as well as the efforts underway to improve the service delivery system. A copy of your response to our recommendations is appended to this report.

We appreciate the cooperation and assistance we received from the staff of the Department, Regional Centers and vendors who gave generously of their time in the course of this review.

R. Cutting

Richard L. Cutting, Chief
Financial and Performance Accountability
(916) 322-2985

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Department of Developmental Services administers the Lanterman Developmental Disabilities Services Act, which establishes a service delivery system for persons with developmental disabilities throughout the State. This report is an extension of our April 1979 report on regional center operations concentrating on issues at the regional center and vendor level.

Observations and Problems:

- The purchase of services by regional centers is adversely affected by a lack of an encumbrance system to allow accurate budget projections to prevent interruption of client services. Additionally, placement agreements are vague in terms of responsibilities of regional centers and vendors to each other and to the client. This vagueness carries over into the descriptions of services contracted for and results in licensing and case management personnel interpreting and enforcing regulations in an inconsistent manner. The result is varying levels of service to clients.
- Persons with developmental disabilities are served by numerous State, Federal, local and private agencies, each with its own service delivery network. There is no one agency responsible for coordinating this labyrinth resulting in uneven funding of vendors and services to clients. We found that client third party benefits such as private medical insurance, veterans administration, etc., were not adequately identified by regional centers and resulted in State expenditures which include regional center funds or Medi-Cal, being utilized contrary to legislative intent.

- We found that regional centers were paying the full cost of board and care for clients whose parents or guardians refused to allow the client to file a SSI/SSP application. In other instances, a trust had been established for the client which made him ineligible for SSI/SSP and the trust could not be used for client support. In both situations, State funds were then used to pay for the full cost of client board and care.
- We were unable to make comparisons of providers' costs of providing services purchased by regional centers due to a lack of a uniform accounting system. This has been identified previously by the Department as a major problem in conducting rate studies.
- Client SSI/SSP funds are frequently handled by a representative payee who is to pay the vendor the funds for board and care. This amount is supplemented with State funds paid by the regional center. In numerous instances, representative payees failed to pay the vendor and the regional centers generally do not assist the vendor in collecting the SSI/SSP. Since the placement agreement for the client is between the vendor and the regional center there is a question of the regional center being liable to the vendor for the unpaid amount.

In summary, improvements are needed in accountability for services to be provided and fiscal accountability for the cost of providing the services.

Specific recommendations for improvement are included in the report.

We recommend the Department standardize criteria and service definition for vendors and with other regulatory agencies develop a uniform training program for persons responsible for enforcing both facility and program regulations. Procedures and instructions regarding eligibility for and services provided by third party benefits should be developed by the Department. We also make recommendations to improve accountability for client funds and for the appropriate use of client personal and incidental funds. Of greatest importance would be the Department developing information for case managers and vendors on the major benefit and funding resources available.

CHAPTER I

INTRODUCTION

Background

Services for persons with developmental disabilities are provided by the Lanterman Developmental Disabilities Act, Division 4.5 of the Welfare and Institutions Code. The administration of the service delivery system by the Department of Developmental Services was described in our report Fiscal and Program Compliance Review of Department of Developmental Services Regional Center Operations. In that report we indicated that approximately 65 percent of the funds appropriated for regional center operations were for purchase of services and were relatively uncontrolled by the department. For FY 1979-80, this would be $95.3 million of the $146.7 million General Fund appropriation. This report examines the regional centers' control of and procedures for expenditure of these funds and the administration and utilization of third party benefits, primarily SSI/SSP funds which exceed $31 million.

Scope and Methodology

Services to persons with developmental disabilities are funded by the Departments of Developmental Services, Social Services, Health Services, Rehabilitation, and Education through a wide array of public and private agencies. Many of the clients and providers of services are served or funded by one or more of these departments. This review of services and benefits for Developmentally Disabled was initiated to:

. Determine the funding sources and costs of providing the purchased services.

. Determine what benefits clients are eligible for and receiving and the order of use of these benefits thereby maximizing the use of Federal and third party funds before State funds.

. Review accountability for and appropriateness of expenditures of the clients' SSI/SSP (including Personal and Incidental) funds.

This report is an extension of our April 1979 report on regional center operations[1/] and examines the service delivery system at the regional center and vendor level. The issues presented in this report were identified and, in some instances, broadly discussed in our original report as they related to the Department. This report addresses these issues in more depth as they relate to regional centers, vendors and most importantly to the client. In this phase, five regional centers and twenty-four vendors were selected for onsite review. The vendors selected were primarily residential care providers but who also offered or operated other services such as work activity centers, workshops, day care and specialized services. The licensed capacities of the facilities ranged in size from four to 190.

This report is based on information collected from 12 of the 21 regional centers which spent 63 percent of the amount appropriated to operate regional centers and served 59 percent of the clients in the program in Fiscal Year 1978/79.

1/Fiscal and Program Compliance Review of Department of Developmental Services Regional Center Operations, Department of Finance, Fiscal Management Audits, April 1979, 02-516-032.

Our review concentrates on the controls and procedures utilized by regional centers and the Department to:

- Purchase services for clients.
- Utilize client third party benefits.
- Determine vendor funding sources.
- Determine vendor cost of providing services.

Information for this report was collected from review of client records at regional centers and interviews with regional center administrators and staff. Vendor administrators were interviewed and financial statements analyzed as available. No attempt was made to evaluate the quality or effectiveness of services provided. Comments regarding services and needs are based upon observations and information expressed by the professional personnel of the agencies reviewed.

CHAPTER II

REGIONAL CENTER PURCHASE OF SERVICE

The purchase of client services, as practiced by regional centers, results in interrupted services for clients due to poor encumbrance systems producing inaccurate budget projections. Placement agreements are generally vague as to the responsibilities of regional centers and vendors to each other and to the client. Varying levels of services are provided clients due to vague descriptions of the services contracted for and inconsistent interpretation and enforcement of regulations by licensing and case management personnel. The system in use is described in the following sections.

Purchase of Service

Regional centers can only purchase services for clients from approved vendors which may be facilities, businesses, or individuals. This approval process, called vendorization, is designed to set a rate structure and to determine that vendors, facilities, and individuals have the appropriate licenses, certifications, or other qualifications. When approved, a vendor is placed on a vendor panel and any regional center can then purchase the approved service or material. Currently, some 12,000 vendors are listed on the vendor panel, ranging from individuals such as occupational therapists to residential facilities and includes some department stores.

Vendorization begins with a provider wanting to provide services to a regional center client or the regional center staff seeking a provider for a service they want for a client. The provider then prepares an application, in some instances including a cost statement, and submits it to the Regional Centers Branch. Regional Centers Branch verifies the information, licenses, certifications, staffing ratios, etc., and approves or disapproves the application. When approved, a number is assigned and the provider and regional center notified.

At the regional center, the purchase of service for a particular client generally begins with the preparation of an Individualized Program Plan (IPP) which is based on an interdisciplinary team's evaluation of the client. In the IPP the client's needs and programming are described for the coming 12 month period. Annually the IPP is reviewed by the interdisciplinary team, the client, and/or relatives and all approve the plan. Only services in the approved IPP may be purchased for the client.

Each regional center has developed its own forms and procedures for authorizing a purchase of service and recording the obligation (encumbering) for the period of service. The process can be described, generally, to commence with a case manager initiating an authorization for purchase of service which describes the needed service, proposed vendor, period of service and reimbursement rate. This authorization is reviewed usually by a committee composed of the Chief Counselor, Administrator and the Director of the Regional Center. The approved authorization serves as the basis for preparing a placement agreement with the provider.

Placement Agreements

Most placement agreements take the form of a contract between the regional center and the provider of care. These contracts show the total rate to be paid, usually broken down to its component parts of regional center funds (basic rate and specialized services), SSI/SSP and others. The contract will include a description of services to be provided by the vendor. The description of services varies between regional centers with some using vague terms such as "residential care appropriate for the client," while others describe in great detail the services expected for residential care. Frequently, the IPP is included as part of the contract or at least given to the provider as the goals and expectations for the client for the next year.

Vendors in the regional center system are usually licensed by another State department, namely Department of Social Services, and are subject to their regulations contained in Title 22, California Administrative Code. As a vendor, they are also then subject to the Department of Developmental Services regulations, found in Title 17, California Administrative Code, for their particular category. In both instances, the regulations are rather broad in describing services, qualifications of personnel and documentation to be maintained. This then allows wide latitude, between regulatory offices and even personnel within an office, in applying the regulations to a vendor's operation.

Examples include:

- One large family home reported that licensing staff informed them they had to have a psychologist on staff one hour per week per child. The facility was told this requirement was not waivable but no regulations were presented to support this requirement. Other large family homes visited were not subject to this requirement. According to the vendor, it would cost an additional $1,500 to $1,700 per month to meet this requirement.
- A small board and care facility is required by the licensing worker to use a licensing form to record client Personal and Incidental (P&I) fund expenditures but the form supposedly is not available from licensing. Nor are similarly licensed facilities required to use this form. Regulations only specify the type of documentation needed, not the format of the record.
- Differing instructions on what can be purchased with P&I funds, for instance, purchase of non Medi-Cal funded medications. Some facilities reported P&I funds could be used for medications, spare glasses, etc., while others reported that their licensing or case management personnel would not allow such uses of client P&I funds.
- The Department of Developmental Services has a policy that after five or seven client absences in a month, depending on program type, the rate paid a vendor will be prorated. The regional centers though use various criteria for prorating. Some centers use hours, some days and these are as variable as 21 days; 30 days or a variation using 4.3 weeks based upon an annual computation. One regional center has tried to have facilities prorate the monthly rate for client home visits of only one or two days.

We recommend that the Department of Developmental Services:

II-1. Develop a model placement agreement and require all regional centers to use the model. Such an agreement should include:

- Specific identification of who will be paying the vendor, the amount to be paid and when.
- Vendor responsibilities in assisting the client in accomplishing the IPP.
- Records to be maintained by the vendor, including forms to be used, detail to be kept, etc., and record retention requirements.
- Regional center responsibilities to the client and the vendor, for example, periodic visits by the case manager, technical assistance or training available to the vendor.

The above are not all inclusive but are representative of the areas that appear to cause confusion and frustration among vendors and regional center case managers.

II-2. Develop criteria that describe services in sufficient detail to identify adequately the services being purchased and eliminate confusion over responsibilities.

II-3. Review the regulations applicable to vendors to clarify unclear items or interpret intent and work with other regulatory bodies to develop uniform regulations and requirements.

II-4. Work with other regulatory bodies to develop a uniform training program for persons responsible for enforcement of regulations.

Benefit--Will eliminate unnecessary regulations and promote uniformity in the regional center service delivery system.

Encumbrances

The Purchase of Service Authorization or the Placement Contract serves as the documentation for the accounting office to encumber the amount authorized for the remainder of the fiscal year. Most regional centers write contracts and authorizations for services for a one year period and repeat the process each year for every client.

The effectiveness and accuracy of the encumbrance process is dependent upon the case manager reporting any changes in a client's program and on the accounting staff making any monthly adjustments promptly and properly. Unfortunately, the encumbrance systems in use are generally inaccurate. As a result, regional centers cannot accurately plan during the year, resulting in starting and stopping client services as budget projections change during the year. The most likely services to be affected are specialized services, workshops and day activity programs.

The impact on the provider is seen most readily when more than one regional center is purchasing his services. The regional centers attach different importance to specialized services and the request for services will vary. But the provider usually does not distinguish between his clients and continues the same level of service for all and then relies on raising the funds elsewhere. To the provider, particularly a large one, the problem is twofold. First, intermittent service results in inequities and hinders client progress and, second, their staff provides treatment for clients for which the facility is not reimbursed. Staff usually do not treat the clients according to funding source but rather as part of a group.

The lack of an effective encumbrance system also seems to contribute greatly to the annual request for a deficiency appropriation for purchase of services. Of the FY 79-80 request for $6.2 million, $3.8 million are for purchase of services. The regional centers will disagree with this statement maintaining that the initial budget appropriation was not sufficient. The fallacy of this argument is shown by the regional center's own purchase of service expenditures. Generally, at the beginning of the fiscal year, it is easy to get any service authorized; however, in the third quarter when funds tighten up, service cuts begin.

II.5. We recommend that the Department of Developmental Services accelerate its efforts to develop and implement a standardized encumbrance system for regional centers and monitor regional center performance.

Benefit--Will improve financial management of regional centers and eliminate start-stop services for clients.

CHAPTER III

THIRD PARTY BENEFITS

There is no one agency that has or assumes responsibility for coordinating the funding of services among vendors. The vendors are left to fend for themselves in a labyrinthine service delivery and funding system. The result is a system providing varying levels of service and of payment for services.

The Lanterman Developmental Disabilities Services Act states, "It is the intent of the Legislature that rates of payment for out-of-home care shall be established in such ways as to assure the maximum utilization of all Federal and other sources of fundings, to which persons with developmental disabilities are legally entitled, prior to the commitment of State funds for such purposes." (Section 4683, Welfare and Institutions Code.)

Client Benefits and Funding Sources

Persons with developmental disabilities are eligible for services provided by a number of different State departments. Eligibility for services changes with client age and living arrangement for some programs. The funding of programs is even more complex than the program sources themselves as Federal, State and local government cost sharing ratios change by program. The Department of Developmental Services, through its contracts with regional centers, is to coordinate the use of these services and only then to use its funds to purchase services to fill any gaps.

Some of the departments involved in providing services to persons with developmental disabilities besides Developmental Services are:

- Social Services
- Health Services
- Education
- Rehabilitation
- Mental Health

Clients are also eligible for benefits administered by Federal agencies, some of which are provided through or in addition to those provided by the State agencies above. Federal programs include:

- Supplemental Security Income/State Supplemental Payment Program (SSI/SSP)
- Veterans Administration
- Civilian Health and Medical Program for the Uniformed Services (CHAMPUS)
- Social Security

In addition to the State and Federal programs, clients may have private insurance benefits, particularly medical coverage. An indeterminate number of charitable organizations such as United Way, Cerebral Palsy, Spastic Children's Foundation, etc., also provide benefits to these clients.

The programs and agencies above are not meant to be all inclusive but to be indicative of the agencies involved in this complex service delivery system for persons with developmental disabilities. Coordination of these agencies' services to the developmentally disabled is in itself a complex task but is further complicated by the delivery systems established for each program. Programs such as Education and Rehabilitation have their own network of providers and means of distributing funds. Since no centralized system for coordination exists, the level of services and related state costs are difficult to determine.

For example, we found regional center vendors being paid by the regional center to provide educational services, while others providing similar service did not get paid. In other cases, the vendor provided educational services with no reimbursement from regional centers or the educational system for children found unacceptable for public schools. Yet another residential school vendor would only accept regional center clients if the school district they came from provided additional funds to bring the facility rate up to $1,800 per month. Other vendors reported that the local school district provided teachers and in some cases aides but the vendor had to provide space, supplies and equipment which were costs not allowed in the regional center rate.

III.1. We recommend that the Department take the lead in developing information for client case managers and vendors on the major benefit and funding sources available.

Benefit--Will provide a more uniform level of service for clients and ensure the use of third party resources prior to expending State resources.

Financial Information

We found that virtually no regional center used the financial information collected to determine third party benefits (such as private medical insurance), other than SSI/SSP due a client.

To determine third party benefits, the Department has developed a financial information form that is completed as a part of the client intake process. The manner of accomplishing collection of the information is left to the individual regional centers. Some regional centers hand out or mail the forms to parents or guardians to complete and return. Others have the intake counselors gather the information and in a few instances, revenue coordinators conduct a financial interview. We found no instance where a regional center attempted to verify the information collected. The primary use of the information is to determine financial participation of parents of minor children placed in out-of-home care.

III-2. We recommend that the Department develop (and enforce) uniform procedures and practices regarding collection of and use of financial information for clients.

Benefit--Will promote uniform collection practices and increase third party benefits for client use.

Private Medical Insurance

None of the 12 regional centers visited had a vigorous program to assure that client benefits, such as private medical insurance, were used instead of regional center funds or Medi-Cal. No procedures have been established to identify clients with third party coverage and to report them to Department of Health Services, Recovery Section, so that Medi-Cal can bill the private insurance carrier for medical coverage. We reviewed the client files in various regional centers for 286 of the 12,368 clients in out-of-home placement in June 1979. Of 286 client files reviewed, most did not contain sufficient information to determine if they had third party benefits. We were able to identify 32 clients with such coverages and inquired of Health

Recovery if they knew of these clients. In no instance had the third party coverage been reported to Health Recovery, yet these clients were receiving medical benefits from Medi-Cal. Medi-Cal was able to provide us with the paid claims records for 22 of the 32 clients. These 22 clients received $11,503 in services during the twelve month period ending December 1979 from Medi-Cal without any effort to recover from third party insurers.

While our sample is too small to extrapolate results to the entire population, it would appear the amounts involved represent significant expenditures of State funds. Of the over 12,000 clients in out-of-home placements, approximately 2,000 are 18 or under, for whom the State collects parental fees. Some portion of these parents will have medical insurance coverage and, for some clients, the benefits could be continued after they reach their majority as is explained below.

Most group health plans have provisions to continue a totally disabled dependent beyond the normal limits of the policy, age 21. Such continuation must be requested within a specified timeframe per the group contract. The carrier will usually require documentation of the disability and the date the disability occurred. Frequently, it is possible to continue health coverage even if the parent changes health plans. Many, if not most, regional center revenue coordinators and many families are not aware of these provisions. As a result, health plan coverages are not continued and Medi-Cal becomes the health plan at added cost to the State.

Some providers indicated that they had clients with private medical insurance and they used it as much as possible. Some had the parent or guardian take the client to appointments while others indicated their staff took clients. Those taking clients to appointments indicated it was expensive in terms of staff time, particularly for emergency care and that they were not reimbursed for this time in the rates which is a disincentive to use private insurance. In some instances, providers knew a client had private coverage but used Medi-Cal informing us that Medi-Cal was recovering these clients' expenses from the private insurance. Our check with the recovery unit indicated that none of the 32 clients above was known to them. Medi-Cal appears to regional centers as a no-cost-item as the Department of Health Services budgets the General Fund share of Medi-Cal costs. Accordingly, there is little incentive for the regional center to assure that third party insurance is used before Medi-Cal.

Each regional center is staffed with at least one revenue coordinator responsible for third party benefits, primarily Social Security and SSI/SSP, and parental fees. The department's efforts to date have centered on developing an effective program to determine parental liability and collect these fees. No instructions or manuals have been prepared and distributed to revenue coordinators regarding private insurers. The department's Patient Benefits and Accounts Branch, through its functional supervision of State Hospital Trust Offices over the years, is knowledgeable concerning private and third party insurers and has the expertise to prepare such instructions or manuals.

Additionally, it appears that the current staffing criteria of one revenue coordinator per 400 clients is adequate for parental fee collection but appears to allow little staff time to maximize the potential benefits to the State from pursuing private insurers.

We recommend that the Department:

III-3. Develop a manual of instructions regarding private medical insurers for revenue coordinators.

III-4. Develop with Department of Health Services and regional centers, a process to insure Medi-Cal is informed of clients with private medical insurance so that recovery actions can be taken.

III-5. Study the potential benefits to the State of continuing private medical insurance into adulthood for eligible clients. This might include the State or regional center paying the carrier or reimbursing the parent or guardian for the cost of an additional participant in the plan.

III-6. Review the rate structure for out-of-home care providers to determine the amount of the rate component for provider expense incurred in taking clients to medical appointments. Special exceptions should be considered for extraordinary expenses incurred by the provider.

Benefit--Will reduce the amount of State funds used for medical coverage already provided by private insurers and provide incentive for providers to use private insurance first.

CHAPTER IV

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT PROGRAM (SSI/SSP)

State funds have been used by regional centers to pay for client board and care when SSI/SSP benefits have been lost due to the client's or their guardian's actions or inaction.

Persons with developmental disabilities are eligible, generally, to receive SSI/SSP benefits which provide funds for board and care and personal and incidental (P&I) needs. If a client accumulates assets or funds in excess of $1,500, eligibility is lost until the excess assets are reduced below $1,500.

Some regional center clients, although a relatively small percentage, have trust funds that have been established by family members which make them ineligible for SSI/SSP benefits. Some of these family members have refused to allow the trust to be used for board and care and will not change the trust to make the client eligible for SSI/SSP. In other cases, parents or guardians have refused to file an application for a client's SSI/SSP benefits and the regional center then pays the full cost of a placement outside the home. Thus, the State, in both cases, pays the full cost of board and care having to forego the Federal participation of SSI/SSP.

One regional center, Inland Counties, has sought and received approval from the Social Security Administration for a trust procedure that does not cost the client SSI/SSP eligibility even though assets exceed the $1,500 limitation. This trust operation is currently underway.

We recommend that the Department:

IV-1. Determine if they have the authority to establish regulations that would require all clients to file for and use all resources and benefits due them before State funds are used to purchase services.

Alternately, if the Department does not have regulatory authority, they should seek legislative changes to accomplish this.

IV-2. Review the trust operation of Inland Counties and consider advising other regional centers of this program so they could replicate this trust arrangement so that clients could keep a trust and still receive SSI/SSP benefits.

Benefit--Will increase Federal participation in the care of clients and allow a reduction in State support or an increase in services with the funds freed.

<u>Personal and Incidental Funds (P&I)</u>

There are no formal guidelines as to what may be purchased with P&I funds causing confusion among vendors and resulting in some clients not getting items they could use or in the vendor paying for the items out of his own funds.

The SSI/SSP amount paid to or on behalf of a client includes an amount for P&I needs. This amount, currently $47.00, is for personal needs items which are not normally provided by the facility, such as cosmetics, electric shavers, personal clothing, craft materials and recreation. The P&I fund amount paid is set by the State and is considered to be paid from the State share. Social Security does not have specific guidelines for the use of these funds other than the overall regulations for SSI/SSP funds. A record of all expenditures is to be maintained by the representative (rep) payee and an accounting made to Social Security upon request.

Examples of the specific concerns of vendors follow:

- One facility had a music group that had won numerous awards and traveled frequently to perform yet were not allowed to charge cleaning or purchase of uniforms to client P&I funds; these costs were considered facility costs, yet not reimbursable in the regional center rate.
- Another item of confusion was whether purchase of non-Medi-Cal paid medications was chargeable to P&I funds or a facility cost.
- Some vendors discourage clients from purchasing items such as bicycles and other toys that might be used by other than the purchaser because of problems of who benefits from the purchase, the client or others in the facility. Also, they are concerned about liability for the item if it is stolen or broken.

Guidelines have been prepared for State hospitals to use in making purchases with a client's P&I funds. These guides have been prepared by Patient Benefits and Accounts.

IV-3. We recommend that the department consult with the Department of Social Services to determine what is appropriate use of P&I funds. Guidelines should be prepared and disseminated to regional centers and vendors on the use of P&I funds.

Benefit--Will promote consistency in the use of P&I funds and will allow clients to receive maximum benefit from these funds while protecting regional centers and vendors from divergent interpretations of appropriate use of P&I funds.

P&I Funds Accountability

We found that while vendors were not rep payee for SSI/SSP they were usually sent the P&I amount by the rep payee and were expected to maintain the required records. This is particularly true where a regional center is rep payee. Some vendors do not accept P&I funds preferring instead to use their funds for client personal needs and then bill the rep payee on a monthly basis.

Vendors do incur additional costs by administering P&I funds, primarily the cost of a bond required by licensing regulations when the amount of P&I funds handled exceeds a specified amount. Vendors reported differing requirements for record keeping, including specific forms (as previously stated on Page 7). Vendors are seldom asked for an accounting of funds by regional centers or Social Security Administration. In fact, since the regional center or others are rep payee there is some question of who is liable for the funds and who is required to maintain accountability.

IV-4. We recommend that the department review the practice of regional centers being rep payee for a client yet delegating administration of the funds to a vendor to determine with whom liability for expenditure of the funds and responsibility for accountability rests.

Benefit--Will establish clear responsibility and liability for client P&I funds.

CHAPTER V

COST OF VENDOR SERVICES

The lack of uniform accounting systems and specificity of services made analysis and comparison of vendor cost data meaningless.

In conducting this review, we intended to determine the provider's cost of providing the services purchased by regional centers. For this purpose, we reviewed 24 facilities, 22 of whom provided residential care; the other two were day-care and work-training providers. Twenty of the facilities provided us with revenue and expense data which we analyzed. This objective was not attainable due to the lack of uniformity in classification of costs by program or service. While costs could be arbitrarily classified for the purpose of analysis, the variances in programs or services made this a futile effort. The department's April 16, 1979 Residential Care Rate Study for FY 1979-80 identifies, as a limitation of the fiscal review, "poor condition of records at some of the facilities." Previous rate studies also cited the lack of a uniform accounting system for vendors as a major problem in setting rates.

V-1. We recommend that the department develop a basic accounting manual for residential facilities that would standardize the accounting practices and solve the common accounting problems they face. Such a manual could be similar to the Department of Rehabilitation publication, A Basic Accounting Manual for Rehabilitation Workshops, A Guide for Workshop Bookkeepers.

Benefit--Will enable facilities to keep better accounting records and improve the data used in future rate studies by the department.

The issue of program or service specificity only serves to compound the accounting system problem. As we describe in Chapter II, Page 6, the services a vendor is providing for a particular rate vary greatly. When a vendor does not maintain cost accounting records that allow identification of costs with a particular service, the analysis of vendor costs by facility type and size are incomparable.

The rate of payment is to include an adequate amount for the basic living needs, defined as housing, food, clothing, and personal care, of persons with developmental disabilities. (Section 4681 (a), Welfare and Institutions Code.) Rates are also to be established for facilities providing special services. Special services are defined in Section 4681 (b), Welfare and Institutions Code to include, "...therapeutic, educational, training, or other services required in the individual program plan of each person." The department has defined special services to include six services: Independent Living Skills, Sensory Motor Development, Educational Training, Behavioral Intervention, Behavioral Modification, Work Activity and Vocational Training. It is extremely difficult at a facility to distinguish the special services from those some facilities provide as part of the established rate. This difficulty is complicated by the the lack of cost systems identifying costs of a certain service which makes cost analysis difficult at best and meaningless at worst.

In summary, there is no accountability in terms of cost to provide a given service nor is the level of services to be provided considered in setting a given rate. Until the service level for a rate is specified and a uniform accounting system is in use, the regional centers and the State will not know the true cost of providing services to persons with developmental disabilities.

We recommend that the department:

V-2. Describe the services to be provided in the facility rate in a manner that distinguishes these services from special services.

V-3. Develop and publish specific criteria to be met for each specialized service authorized.

Benefit--Will eliminate confusion over services being purchased and will aid in developing meaningful cost data for analysis and rate setting.

Payments to Vendors

Payment of the prescribed vendor rate is generally composed of State funds paid by the regional center (RC) and SSI/SSP funds (State and Federal) which may be paid by the client or payee. When the regional center is rep payee there is no problem with this system. In some instances though, someone else is rep payee and the regional center pays only the difference between the rate and the SSI/SSP amount to the vendor. The vendor is then responsible for collecting the SSI/SSP from the rep payee. Numerous instances were found where the rep payee had not paid the vendor and the vendor was left with the loss. Most regional centers will not take any action to assist the vendor in collecting the SSI/SSP. Since the basis for payment is the placement agreement between the vendor and the regional center placing the client, there is a question of regional center liability for the unpaid amount. In those cases where the placement agreement is also signed by the rep payee it would seem the vendor has legal recourse against the rep payee. To date, vendors have not pursued the question of liability but as the amounts increase or vendors become financially pressed, the likelihood of claims increases.

We recommend that the Department:

V-4. Determine if the placement agreements used by the regional centers create a liability for any unpaid client costs which were to be covered by SSI/SSP funds.

V-5. Develop instructions for the regional centers regarding rep payee failure to forward SSI/SSP funds to a vendor. This could include the regional center applying to Social Security to take over as rep payee.

Benefit--Will help ensure client benefits are properly used and the vendor properly paid.

1680P

State of California **Department of Developmental Services**

Memorandum

APPENDIX A

To : Richard L. Cutting, Chief
Financial and Performance Accountability
Department of Finance
1025 P Street, Room 283

Date : August 12, 1980

Subject : DOF--Financial and Performance Accountability (Draft Report)

Telephone: ATSS (473-) 3131
(323-) 3131

From : Office of the Director

Thank you for the opportunity to review the draft report prepared by your Agency titled "Review of Services and Benefits for Developmentally Disabled." I have a number of comments specific to the content of the report and I have also taken the opportunity to indicate what action has been taken to correct some of the problems identified.

The format for my comments will follow the same format as in your report. If you need clarification on any of these comments please contact Paul Carleton, Community Services Division at 323-4824.

Sincerely,

for David E. Loberg, Ph.D.
Director

Attachments

EXECUTIVE SUMMARY

Following are general comments in relation to the items addressed in the Executive Summary. Responses to the specific items will be covered in more detail when addressing the body of the report itself.

OBJECTIVES AND PROBLEMS

The Department is developing a uniform accounting system which will be implemented throughout the regional center system beginning during the current Fiscal Year. This system will provide many positive benefits in both the management of the regional center system and in the service delivery to clients. The issue of placement agreements is being addressed by the Department with the expectation that a standardized placement agreement will be finalized and implemented in the near future.

There is no question that the service delivery system is many faceted with, at times, a seeming lack of coordination. However, this Department has made great strides in coordinating service delivery to regional center clients. This is evidenced by the number of interagency agreements which have been entered into with other service agencies. These include agreements with the Departments of Education, Health Services and Rehabilitation. Agreements are also being negotiated with the Departments of Social Services and Mental Health covering a wide variety of issues. In addition, regional centers have taken responsibility in coordinating and acting as the focal point for service delivery to regional center clients. However, the issue of uneven funding of vendors should be addressed on a much larger scale rather than as it simply relates to regional center clients. Individuals with a developmental disability represent only a small fraction of the population being served by the various vendor agencies. These and other providers also serve many non-developmentally disabled individuals with differing needs and thus differing controls and rate structures. To some degree this problem is being addressed by SCR 22 which calls for a review of the rate system for all community care facilities.

In relation to the issues which you have raised regarding the SSI/SSP system, the specific problems which you address are relatively insignificant in terms of the administration of the total program. However, the Department does recognize that problems still exist in this area and we have taken and are continuing to take specific action which I have addressed further in the response to the body of your report.

In summary, as you will see when you get further into the responses, the Department has made efforts to improve accountability both in service provision and fiscal controls.

CHAPTER I

INTRODUCTION

Background

Use of the word "uncontrolled" is misleading since the Department does not have direct control over the expenditure of funds for purchase of service. The Department provides guidelines to regional centers, however, expenditures are based on individual client program plans. Furthermore, the Attorney General's Report, dated May, 1978, limits the Department's authority and control of the regional centers.

CHAPTER II

REGIONAL CENTER PURCHASE OF SERVICE

The Department recognizes that poor encumbrance systems do contribute to the problems addressed in this Section. However, there are many other factors involved that may result in intermittent services for clients. For example, increased demands for additional services, and the fact that more resources are being made available results in an even greater unforeseen demand on the regional center budgets.

Purchase of Service

The Department has partially addressed this problem by issuing guidelines to the regional centers regarding purchase of discretionary and nondiscretionary services, requiring the regional centers to develop a basic habilitation plan and fund nondiscretionary services as a first priority as documented in the individual program plan (IPP). In addition, the Department is currently developing a standard accounting system which will include an encumbrance system. A draft of this standard uniform accounting system has been issued and will be implemented within the current Fiscal Year.

Placement Agreements

The Department has developed a model placement agreement and staff is currently working with the Department of Social Services for finalization and implementation. Specifically this agreement will address who will be paying the vendor, the amount to be paid and when, and the Center's responsibility in assisting the client and the vendor in accomplishing the IPP objectives.

II-1. The Department is currently working on out-of-home placement guidelines which address the issue of clearly delineating regional center responsibility to the client and vendor. These guidelines are currently being reviewed by the Department's Legal staff and will be issued in the near future.

II-2. The Department has recently developed and issued a new IPP Manual which specifies the procedure for identifying and describing the specific services to be provided in meeting individual client objectives. These procedures call for the participation of all involved parties followed by a written document which clearly spells out responsibilities.

II-3. A total rewrite of Title 17, Vendor Regulations, has been completed in draft. These new regulations will clarify qualifications and standards for participation in the regional center program. In addition, new descriptions and procedures covering specialized services have also been drafted. Both of these packets are in the process of being reviewed by Legal staff. They will be issued in the near future.

II-4. It is important to clarify that there are two enforcement bodies, each of which is responsible for enforcing its own regulations. One is the licensing agency with the licensing regulations and the other is the regional centers with vendorization regulations. These regulations address different issues; therefore, there cannot be a single training plan. The Department has developed a training manual for use by regional centers.

Encumbrances

The statement was made that the lack of an effective encumbrance system also seems to contribute greatly to the annual request for a deficiency appropriation for purchase of service. While this may be partly true, an even greater contributing factor has been the absences of any authority for the Department to shift funds between regional centers. The Department in reviewing the regional center claiming process has been able to fairly accurately predict when a regional center is short of purchase of service funds and where there might be a surplus. However, without the authority to shift these funds between regional centers and the fact that regional centers traditionally have chosen to "play it safe" and not voluntarily give up any of their allocation, the Department has been put in a position of supporting deficiency appropriations. However, the 1980/81 Governor's Budget does give the Department authority to shift purchase of service funds between regional centers as necessary.

II-5. A draft of the standard uniform accounting system has been issued and will be implemented within the current Fiscal Year.

CHAPTER III

THIRD PARTY BENEFITS

Client Benefits and Funding Sources

In terms of the lack of coordination of funding sources, this is a much broader issue than can be addressed by this Department. The Legislature has recognized this and has contracted for a study of all community care rate problems as addressed in SCR 22. This Department has been and will continue to fully cooperate in this study.

III-1. The Department has taken the lead in developing information for dissemination to regional centers regarding the various funding sources and service programs available to regional center clients. As indicated earlier interagency agreements have been developed with regional center participation with numerous other state agencies. These agreements as well as information on other third party benefits have been made available to regional centers through both the Regional Center Operations Manual (RCOM) and other informational and policy manuals.

Financial Information

III-2. Currently the Department requires the regional centers to complete financial information on all minors in out-of-home placement and has provided training and necessary forms for this procedure. However, there is currently no requirement to complete this type of information on any other clients. The Department will pursue, during the next contract negotiations with the regional centers, inclusion of this requirement for all regional center clients.

Private Medical Insurance

III-3. A Manual of Information has been developed and issued to the regional centers regarding third party benefits entitled: "Third Party Payor Manual for Regional Centers".

III-4. A method for identifying Medi-Cal eligible individuals with private medical insurance has been in existence for years as part of the Medi-Cal Eligibility Determination Process. It is an automatic system with the information being coded on the Medi-Cal card and requires no additional action. Medi-Cal Eligibility is responsible and any concerns on this Program should be addressed to the Department of Health Services.

III-5. Most third party insurance plans provide for the automatic continuation of coverage of minor disabled dependents of beneficiaries when they reach age of majority. There is no need for the State to consider studying this issue at this time.

III-6. The Department has already reviewed this problem and has determined that care providers shall be afforded additional funds for transportation expenses that are incurred. This will be included as an amendment in the Regional Center Operations Manual (RCOM) as a manual revision.

CHAPTER IV

SSI/SSP PROGRAM

IV-1. There are provisions in the Regional Center Operations Manual (RCOM) (which is an extension of the contract) that require the regional center to file for SSI/SSP benefits on all clients placed in community care facilities. There are relatively few situations that occur where the client or the parent refuses to cooperate in filing for SSI/SSP. When this does occur and the regional center is unable to resolve the problem, staff from the Department contacts the client or parent on an individual basis to resolve the issue. There is the increasing situation of the undocumented alien who is not eligible for SSI/SSP and, therefore, applications cannot be made in these situations.

IV-2. The Department has reviewed the trust operations of Inland Counties Regional Center for 1979 and has developed a written report which has been disseminated to the other regional centers. Regional centers have been encouraged to adopt the system used by Inland Counties Regional Center.

Personal and Incidental Funds (P & I)

The Social Security Administration does have specific guidelines for the use of Personal and Incidental (P & I) funds as does Licensing and Certification. These agencies are responsible for monitoring P & I expenditures. In addition the Regional Center Operations Manual (RCOM) addresses the proper uses of P & I funds, the procedures for handling P & I allowances and places responsibility on the regional center to assure that the P & I allowance is actually spent on the client.

IV-3. The Department will coordinate with the Departments of Health Services and Social Services to assure that their current policies and procedures relative to expenditure of P & I funds are reflected in the RCOM.

Personal and Incidental (P & I) Funds Accountability

IV-4. Current licensing regulations specify the requirements for record-keeping regarding Personal and Incidental (P & I) funds. As representative payee, the regional center has been given the responsibility (as specified in the RCOM) to be accountable for reviewing the expenditures of P & I funds. The Department recognizes that facilities incur additional costs when administering P & I funds. These costs are covered as part of a health facilities rate. However, they may or may not be included in the community care rates depending on the size of the facility. Again SCR 22 is addressing the community care rate issue and will be looking at all aspects of facility cost.

Cost of Vendor Services

V-1. The Department has developed a basic accounting manual for residential facilities. However, because of the relative unsophistication of many of the care providers business practices this manual has not gained widespread acceptance. The Department will continue to work with care providers associations in order to make the manual more usable.

V-2.
V-3. The Department has developed and published criteria which clearly defines each specialized services category. This criteria is currently being updated and will again be issued in the near future.

CHAPTER V

COST OF VENDOR SERVICES

V-4. The Department agrees that the placement agreement by the regional centers should be clear as to liability for any unpaid client costs. The Department will follow up with a review of placement agreements currently being used by regional centers and will be finalizing, in conjunction with Licensing and Certification, a standard placement agreement to be used by the regional centers.

V-5. The Department will develop instructions for regional centers regarding representative payee failure to forward SSI/SSP funds to the vendor. The Department will develop contract language for negotiation for the 1981/82 regional center contracts that will address this issue.

DISTRIBUTION

5 - Department of Developmental Services

3 - Legislative Analyst's Office

2 - Office of Auditor General

2 - Secretary, Health and Welfare Agency

1 - Program Budget Manager, Department of Finance

3 - State Library, Governmental Publications Section