

**A Report on Virginia's Part C Early Intervention System
(Budget Item 316 K.2, 2009 Appropriations Act)**

July 1, 2008 – June 30, 2009

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

**Presented By
James S. Reinhard, M.D.
Commissioner**

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

October 2009

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

EXECUTIVE SUMMARY

In the 2009 Appropriation Act, paragraph K.2 of Item 316 directs the Department of Mental Health, Mental Retardation and Substance Abuse Services (now called the Department of Behavioral Health and Developmental Services) to report the following information to the Chairmen of the Senate Finance and House Appropriations Committee 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 FY2009

As indicated in the Department's October 2008 Report on Virginia's Part C Early Intervention System, Virginia's Part C system faced a challenging fiscal situation in FY2009:

- The amount of unspent funds from FY2008 available for carry-over into FY2009 was less than half what was available for carry-over from FY2007 into FY2008;
- Federal Part C funds for Virginia have decreased. As a result, all local systems received slightly smaller allocations of federal Part C funds in FY2009 than in FY2008;
- Governor Kaine's October 2008 Budget Reduction Plan for Fiscal Year 2009 included an across the board State General Fund reduction of 5% in (SGF) grants to localities. As SGF dollars for Part C services are in this category, many local lead agencies had to make cuts in state funding for Part C;
- Whereas there has previously been a large amount of additional federal Part C funds available to assist local systems that experienced budget shortfalls during the fiscal year (due to an unexpectedly large increase in child count, for example), in FY2009 there was only \$1,075,000 in additional federal Part C funds available. Even with this additional one-time funding, a number of local systems received less Part C funding in FY2009 than they had in FY2008;
- The number of children and families served in Part C continued to increase; and
- Costs associated with meeting the requirement to provide services in natural environments continued to increase.

Extensive efforts were made at both the state and local levels to minimize the impact of budget reductions and other fiscal constraints by looking further at possible reductions in administrative costs, including administrative costs in direct services, such as staff travel not related to serving children and families, attendance at conferences, and consolidating managerial, supervisory, and administrative support functions wherever possible. The Department also worked closely with local systems to examine Medicaid reimbursement and related data to assist in identifying any steps that could be taken by local systems to maximize Medicaid reimbursement in FY2009. Despite these efforts, the fiscal challenges impacted Virginia's Part C system in a number of ways, including the following:

- The additional \$1,075,000 that could have been used to accomplish the comprehensive data system enhancements planned for implementation July 1, 2009 was allocated to local systems to provide needed services to infants, toddlers and their families;
- Some local systems were cited for noncompliance with the federal Part C natural environment requirements because local Part C budget shortfalls necessitated moving services into clinic settings in order to ensure services to all eligible children;
- Some local provider positions were eliminated due to lack of funding;

- Two local lead agencies determined they were no longer able to meet state and federal Part C requirements given the level of funding available and decided not to continue serving in that capacity; and
- The Annual Early Intervention Conference, which is part of the federally-required Comprehensive System of Personnel Development and provides 10-15 hours of continuing education on evidence-based practices to early intervention providers, was cancelled.

Toward the end of the fiscal year, Virginia received its allocation of American Recovery and Reinvestment Act (ARRA) funds for Part C. A portion of these funds were allocated to local systems that identified a need for additional funds to ensure services to eligible infants, toddlers and families for the remainder of the fiscal year. This allocation of ARRA funds enabled some local systems to move services from clinic settings back into natural environments.

Moving into FY2010, the remaining ARRA funds will provide critical bridge money to help stabilize the Part C system as we implement a series of system transformation initiatives designed to facilitate long-term stability for the funding structure that supports the Part C early intervention system (please see *Impact of Virginia's Part C System Transformation*, which begins on page 14).

At the local level, ARRA funding will not only help to ensure necessary early intervention services are available and provided in natural environments in FY-2010 and FY-2011, but will also support provider training and child find efforts that will have a positive impact on services to children and families. At the state level, ARRA funds will be used for data system and workforce development and to strengthen the system of monitoring and oversight.

Together, the efforts supported under the ARRA bridge funding followed by the ongoing increase in Medicaid are expected to have a lasting effect on the early intervention services system by facilitating expansion of the provider network, increased training opportunities for providers, improved compliance with federal and state Part C requirements, and identification of and availability of supports and services for all eligible children and families.

Data System Update

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

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

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 analyzed other existing data systems within the

Commonwealth and other states' Part C data systems in State Fiscal Year 2008 and, based on that analysis, took steps to acquire the software from the Alaska Part C data system for use and customization in Virginia. 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, for the following reasons, the enhancements necessary to ensure complete and reliable reporting of the data required in K.2 of Item 316 have been postponed to FY2011:

- The State General Fund reduction required in Governor Kaine's October 2008 Budget Reduction Plan for Fiscal Year 2009 resulted in many local lead agencies having to make cuts in state funding for Part C. In order to minimize the impact of these reductions on services to infants, toddlers and their families, the Department allocated additional federal Part C funds to local systems. This reduced the funding available for data system enhancements.
- As described later in this report, the Department of Behavioral Health and Developmental Services and the Department of Medical Assistance Services have collaborated to expand Medicaid reimbursement for Part C early intervention services through the new Medicaid Early Intervention Program, which begins on October 1, 2009. In order to implement this new program, some changes were required in ITOTS to ensure collection and exchange of necessary data between the two departments. These data system enhancements were prioritized in FY2009 since the additional revenue available through the Medicaid Early Intervention Program is critical to ensuring adequate funding for early intervention services in the Commonwealth.

With the data system changes completed to allow for the exchange of provider and child enrollment data with the Department of Medical Assistance Services and reimbursement for a broader array of early intervention services through Medicaid, the Department will resume work in FY2010 on the broader data system enhancements necessary to meet federal and state reporting requirements. This work will be supported with funding received for Part C through the American Recovery and Reinvestment Act (ARRA) and is targeted for completion in FY2011.

DBHDS Activities

The Department has taken a number of steps to continue improving the scope and accuracy of data available for reporting the required information. ITOTS improvements targeted for implementation on July 1, 2009 have been delayed due to fiscal constraints and the need to prioritize data system changes necessary for implementation of a Medicaid Early Intervention Initiative that will significantly increase Medicaid revenue for Part C early intervention services. However, with implementation of the Medicaid Early Intervention Initiative on October 1, 2009 and availability of funding for Part C through the American Recovery and Reinvestment Act (ARRA), work on ITOTS expansion has recommenced and is scheduled for completion in FY2011.

In the meantime, the following reporting improvements are being implemented in FY2010:

- The revenue and expenditure reporting form and process have been 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, has been implemented and will facilitate providers' ability to report accurate financial data on a quarterly basis.
- Through a data exchange agreement between the Department of Behavioral Health and Developmental Services and the Department of Medical Assistance Services (DMAS), the Department will be able to report the exact amount of Medicaid funds used to support Part C services each year.

Revenue and Expense Data

The table below shows federal and state revenue from all sources as reported by the 39 local early intervention systems for FY2009.

Total Revenue to Support Part C Early Intervention Services

Revenue Source	FY09 Revenue Amount
Federal Part C Funds	\$9,782,026
State Part C Funds	\$7,104,850
Federal ARRA Funds	\$ 555,107
Local Funds	\$8,131,851
Family Fees	\$ 358,611
Medicaid	\$1,486,253
Targeted Case Management	\$1,948,032
Private Insurance	\$1,052,112
Grants/Gifts/Donations	\$ 371,286
Other	\$1,424,765
Local report of aggregated non-Part C revenue	\$5,276,318
Total	\$37,491,211

In accordance with the budget language, the chart below provides detail about the aggregated amount of federal and state Part C funds expended in FY2009 for Part C direct services. The figures represent the total Part C federal and state funds spent on specific direct services as reported by the 39 local lead agencies.

Total Expenditures for all Part C Early Intervention Services

Assistive Technology	\$ 92,554
Audiology	\$ 8,533
Evaluation & Assessment	\$ 909,382
Family training, counseling, home visits	\$ 89,164
Health	\$ 4,220
Nursing	\$ 500
Nutrition	\$ 734

Occupational Therapy	\$1,060,017
Physical Therapy	\$1,812,654
Psychology	\$ 4,372
Service Coordination	\$4,852,787
Social Work	\$ 6,600
Special Instruction	\$2,319,073
Speech language pathology	\$2,980,410
Transportation	\$ 36,575
Vision	\$ 77,818
Other Entitled Part C Services	\$ 315,352
ARRA Funds for Services	\$ 535,771
Total-Direct Services	\$15,106,516

The local lead agencies reported an additional:

- \$23,161,710 of aggregated expenses. The local lead agency was unable to report the expense by category, but these expenses included the use of some non-Part C funds for Part C early intervention services.
- \$2,139,927 of expenses related to the system components (administration, system management, data collection and training) that are critical to implementation of direct services.

The total expenses in the Part C system exceeded the total revenue by \$2,916,942 in FY2009. This deficit increased from the \$1,168,969 deficit reported in FY2008 and highlights the fiscal challenges the Part C system faced in FY2009.

Total Number of Infants, Toddlers and Families Served

A total of 11,766 infants, toddlers and families received Part C early intervention services in the one-year period from July 1, 2008 – June 30, 2009. This number represents a 3.7% increase over the previous year.

The following table breaks down the services that were provided to Part C eligible infants and toddlers by the type of early intervention service determined to be needed in order to achieve the child's outcomes and 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 with Initial IFSP Listing That Service 7/1/08 – 6/30/09
Assistive Technology	188
Audiology	318
Initial Evaluation/Assessment	7,609*

Family Training and Counseling	35
Health Services	0
Medical Services (for evaluation, diagnosis)	4
Nursing Services	0
Nutrition Services	71
Occupational Therapy	1,600
Physical Therapy	3,236
Psychological Services	0
Service Coordination	11,766
Social Work Services	106
Special Instruction	2,200
Speech-Language Pathology	4,177
Transportation	2
Vision Services	129
Other Entitled EI Services	71

- The ITOTS data system allows reporting of the actual number of initial evaluations/assessments completed from July 1, 2008 – June 30, 2009.

As demonstrated in the Annualized Child Count Trend chart on p. 12, Virginia’s Part C system was serving 1.92% of the Commonwealth’s birth to three population. This compares to 2.53% of the birth to 3 population receiving Part C services nationally and 2.56% in the group of states with broad eligibility definitions similar to Virginia’s. 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.

FULL REPORT

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 2009 Appropriation Act continues Budget Item 334K as Budget Item 316 K.1 and K.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 316 K.2 of the 2009 Appropriations Act. The information provided for each reporting requirement includes identifying limitations in the data reported and future steps for addressing the limitations. The following data is based on reports received from the 39 local lead agencies.

Total Revenue Used to Support Part C Services

Revenue Source	FY09 Revenue Amount
Federal Part C Funds	\$9,782,026
State Part C Funds	\$7,104,850
Federal ARRA Funds	\$ 555,107
Local Funds	\$8,131,851
Family Fees	\$ 358,611
Medicaid	\$1,486,253
Targeted Case Management	\$1,948,032
Private Insurance	\$1,052,112
Grants/Gifts/Donations	\$ 371,286
Other	\$1,424,765
Local report of aggregated non-Part C revenue	\$5,276,318
Total	\$37,491,211

Note: Fourteen local lead agencies were unable to report all revenue by category and reported at least some of their revenue as an aggregated amount of non-Part C revenue used to support local Part C early intervention services.

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

Funds Allocated by Local Lead Agency

Infant & Toddler Connection of	State	Federal	ARRA
Alexandria	\$138,726	\$113,241	
Arlington	\$266,726	\$327,954	
Central Virginia	\$220,930	\$278,954	
Chesapeake	\$216,489	\$195,682	
Chesterfield	\$304,271	\$423,383	
Crater District	\$121,532	\$201,889	
Cumberland Mountain	\$64,216	\$87,267	
Danville-Pittsylvania	\$61,416	\$116,596	\$25,000
DILENOWISCO	\$96,568	\$129,603	
Fairfax-Falls Church	\$995,818	\$857,262	\$30,000
Goochland-Powhatan	\$51,118	\$66,063	\$39,491

Infant & Toddler Connection of	State	Federal	ARRA
Hampton-Newport News	\$314,170	\$468,979	
Hanover	\$87,984	\$69,970	
Harrisonburg/Rockingham	\$120,027	\$113,936	
Henrico-Charles City-New Kent	\$362,402	\$481,884	\$153,000
Loudoun	\$205,042	\$261,230	
Middle Peninsula-North Neck	\$134,609	\$216,404	\$40,000
Mount Rogers	\$89,805	\$129,021	
Norfolk	\$300,107	\$370,609	
Portsmouth	\$139,710	\$272,801	
Prince William, Manassas and Manassas Park	\$300,392	\$506,708	
Rappahannock-Rapidan	\$162,863	\$170,059	
Richmond	\$238,636	\$460,890	
Shenandoah Valley	\$153,105	\$238,062	
Southside	\$46,644	\$97,155	\$50,000
the Alleghany-Highlands	\$55,221	\$53,668	
the Blue Ridge	\$152,053	\$333,434	
the Eastern Shore	\$77,223	\$180,943	\$111,280
The Heartland	\$53,199	\$227,034	\$16,000
the Highlands	\$53,140	\$61,562	
the New River Valley	\$124,558	\$191,764	
the Piedmont	\$82,612	\$136,351	\$19,336
the Rappahannock Area	\$248,897	\$317,941	
the Roanoke Valley	\$203,194	\$331,057	\$35,000
the Rockbridge Area	\$66,025	\$79,286	\$36,000
Valley	\$112,811	\$145,826	
Virginia Beach	\$354,222	\$553,463	
Western Tidewater	\$181,388	\$241,924	
Williamsburg-James City-York Poquoson	\$147,001	\$272,171	
Total	\$7,104,850*	\$9,782,026	\$555,107

* While the Department originally allocated to the local lead agencies the full \$7,203,366 in state general funds appropriated for Part C, some local lead agencies had to reduce their state general funds for Part C to meet the required 5% reduction in state general funds grants to localities.

Limitations: As noted previously, the ITOTS data system does not collect financial cost data for Part C services. In its contracts with local lead agencies, the Department requires reporting of revenues from local lead agencies. Revenue reporting from private providers remained optional for FY2009. Based on cost study research conducted in 2007, a national consultant

has estimated the total number of dollars in Virginia's Part C system at \$35,000,000. Since the total revenue reported, \$37,491,211, is close to the estimated \$35,000,000, there appears to be reasonable accuracy of revenue reporting in FY2009.

Future Actions to Address Limitations: Barring unforeseen barriers, the Department expects to have access to accurate and complete revenue data from all providers, including private providers, in FY2010 through the enhanced revenue/expenditure reporting requirements that went into effect on July 1, 2009. Private providers participated in development of a revenue and expense reporting form that facilitates providers' ability to report accurate financial data on a quarterly basis. The Department will continue to explore the possibility of electronic collection of revenue and expense information as an enhanced data system is developed in FY2010 and FY2011.

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 Program, which begins October 1, 2009, the Department will be able to report the exact amount of Medicaid funds used to support Part C services each year. The Medicaid revenue data from DMAS for FY2010 will reflect three of the four quarters and will be complete beginning in FY2011.

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 FY2009, as reported by the 39 local lead agencies.

Expenditures for Part C Early Intervention Services

Assistive Technology	\$ 92,554
Audiology	\$ 8,533
Evaluation & Assessment	\$ 909,382
Family training, counseling, home visits	\$ 89,164
Health	\$ 4,220
Nursing	\$ 500
Nutrition	\$ 734
Occupational Therapy	\$1,060,017
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Psychology	\$ 4,372
Service Coordination	\$4,852,787
Social Work	\$ 6,600
Special Instruction	\$2,319,073
Speech language pathology	\$2,980,410
Transportation	\$ 36,575
Vision	\$ 77,818
Other Entitled Part C Services	\$ 315,352
ARRA Funds for Services*	\$ 535,771
Total-Direct Services	\$15,106,516

* Local systems that received ARRA funds for FY2009 were not required to report on their use of those funds until October 1, 2009. One local system reported in time to include their expenditures in the appropriate line items in the table above. The remaining ARRA funds are reflected in the *ARRA Funds for Services* line item.

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

- Local lead agencies are required to address the systems components (administration, system management, data collection, and training), which are critical to implementation of direct services. Beyond the Part C funds spent for Part C direct services, the local lead agencies reported an additional \$2,139,927 of revenue was used for these system component expenses.
- Similarly, some non-Part C revenue sources, such as local funds, may be used for expenses other than direct services and will, therefore, not be reflected in the table showing expenditures for Part C direct services.
- The local lead agencies reported an additional \$23,161,710 of aggregated expenses (the local lead agency was unable to report the expense by category, though these expenses included the use of some non-Part C funds for Part C early intervention services).

The total of all reported expenses (Part C direct services, Part C system components, and other aggregated Part C expenses) is \$40,408,153. The total expenses in the Part C system exceeded the total revenue by \$2,916,942 in FY2009. This deficit increased from the \$1,168,969 deficit reported in FY2008 and highlights the fiscal challenges the Part C system faced in FY2009. Just under \$1 million of this deficit was offset by carry-over of unspent federal and State Part C funds from FY2008. In addition, many providers generously agreed to lower their rates to the Part C system to ensure continued services to children and families despite the deficit situation. A number of system transformation initiatives targeted at stabilizing the funding structure for Part C are being implemented in FY2010 and are discussed in the section of this report titled *Impact of Virginia's Part C System Transformation*, which begins on page 14.

Total Number of Infants and Toddlers and Families Served

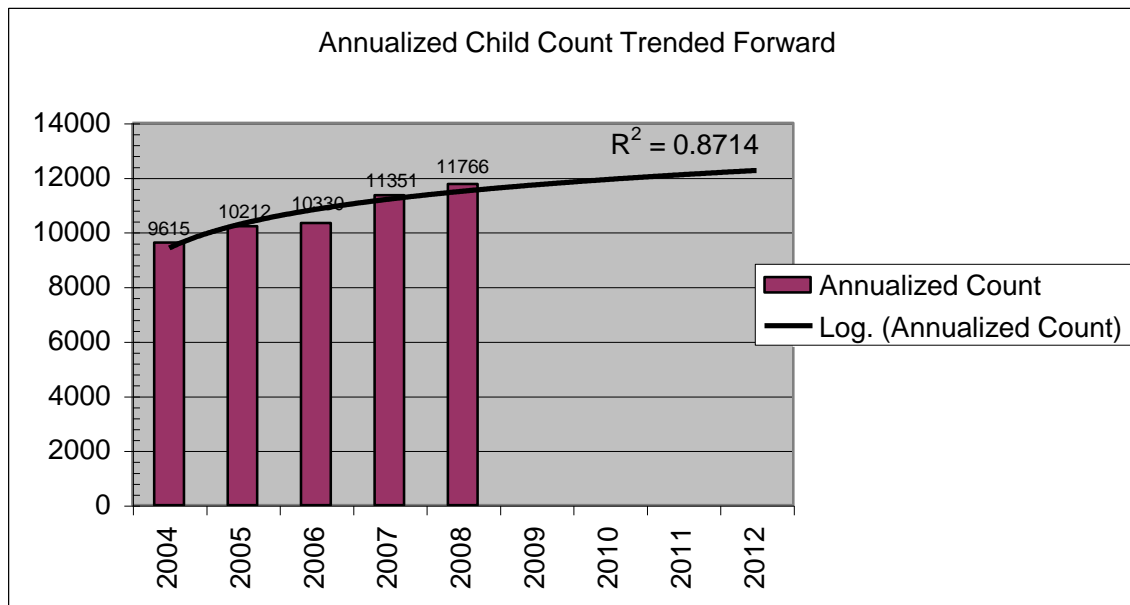
Local lead agencies are required to enter into the Part C data system, ITOTS, every child who enters the local Part C early intervention system. In 2006, the Department implemented new quarterly ITOTS reports that local lead agencies must use to verify the accuracy of the data entered. As a result of the first phase of ITOTS enhancements, 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 3.7% increase in the number of children served from FY2008 to FY2009.

Total Number of Infants and Toddlers Served in Each Year

Year	Total Number Served – Eligible and Entered Services	Total Number Evaluated Who Did Not Enter Services*
Dec. 2, 2003 – Dec.1, 2004	8,540	
Dec. 2, 2004 – Dec. 1, 2005	9,209	
July 1, 2006 – June 30, 2007	10,330	
July 1, 2007 – June 30, 2008	11,351	1,760
July 1, 2008 – June 30, 2009	11,766	1,671

* These children received a multidisciplinary team evaluation and assessment but did not enter services because they were either found ineligible for Part C, declined Part C services, or were lost to contact. Since evaluation and assessment, by federal law, must be provided at no cost to families, neither private insurance nor families can be billed for this service. Unless the child has Medicaid or Tricare, federal and state Part C funds are generally used to pay for evaluation and assessment. An additional 794 infants and toddlers received a developmental screening upon referral to Part C but did not proceed to evaluation and assessment. Screening is also provided at no cost to families and primarily funded through federal and state Part C dollars.

Using the annualized child count, the chart below trends the projected number of eligible children served through 2012.



Based on point-in-time data for December 1, 2007 (the most recent year available with national comparison data), Virginia’s Part C system was serving 1.92% of the Commonwealth’s birth to three population. This compares to 2.53% of the birth to 3 population receiving Part C services

nationally and 2.56% in the group of states with broad eligibility definitions similar to Virginia's. 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.

Services Provided to Eligible Infants and Toddlers

The ITOTS data system provides a report of the number of children active on December 1 of a given year for whom the initial IFSP listed each type of early intervention service. The table below estimates the total number of children served between July 1, 2008 and June 30, 2009 who have each service listed on their initial IFSP based on the percentage of children with initial IFSPs listing those services on December 1, 2008.

**Estimate of Total Number of Children
Receiving Each Service: July 1, 2008 – June 30, 2009**

Type of Early Intervention Service	Percent of Children with an Initial IFSP Listing That Service on 12/1/08	Estimated # of Children with Initial IFSP Listing That Service 7/1/08 – 6/30/09 (% multiplied by total served)
Assistive Technology	1.6%	188
Audiology	2.7%	318
Initial Evaluation and Assessment	N/A	7,609*
Family Training and Counseling	0.3%	35
Health Services	0%	0
Medical Services (for evaluation, diagnosis)	0.03%	4
Nursing Services	0%	0
Nutrition Services	0.6%	71
Occupational Therapy	13.6%	1,600
Physical Therapy	27.5%	3,236
Psychological Services	0%	0
Service Coordination	100%	11,766
Social Work Services	0.9%	106
Special Instruction	18.7%	2,200
Speech-Language Pathology	35.5%	4,177
Transportation	0.02%	2
Vision Services	1.1%	129
Other Entitled EI Services	0.6%	71

* The ITOTS data system allows reporting of the actual number of initial evaluations/assessments completed from July 1, 2008 – June 30, 2009.

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

Future Actions to Address Limitations: Barring unforeseen barriers, the Department expects to have access to updated and accurate service data for all eligible children through an enhanced Part C data system no later than FY2011. In the meantime, to improve State reporting on the number of children receiving each service, the Department has developed and implemented a new revenue and expense reporting form that requires local lead agencies and private providers to report the number of children receiving each service in each quarter of the fiscal year beginning in FY2010.

Impact of Virginia's Part C System Transformation

In FY2009 work continued on the Part C System Transformation, which is 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 participation practices to ensure consistency statewide and to ensure that no children and families are denied services because of an inability to pay.

The timeline for implementation of these initiatives are as follows:

- The Medicaid Early Intervention Program begins on October 1, 2009. This program accomplishes the following critical and significant improvements in Virginia's Part C system:
 - Increases the reimbursement rate for physical therapy, occupational therapy and speech-language pathology services;
 - Adds Medicaid coverage for 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;
 - Establishes standard rates for early intervention services that will be 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;
 - Establishes an early intervention rate structure that is consistent with Part C service delivery requirements and effective practices. For instance, the increased reimbursement rate takes into account travel costs associated with provision of services natural environments. 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; and
 - Facilitates recruitment and retention of service providers by offering reimbursement rates that are now much more competitive with other service delivery systems than has been true in the past.
- ITOTS improvements related to the Medicaid Early Intervention Program are in place, with a broader enhancement of the data system scheduled to occur in FY2010 and FY2011;
- An initial change in the method for allocating federal and state Part C funds was implemented July 1, 2009. The funding formula itself remained the same to help ensure stability while the other changes to the financial system are implemented. However, local lead agencies received only three-fourths of their allocation to allow for a reconciliation process in the fourth quarter of the year that will ensure remaining Part C funds are available to those local systems that need them (based on other available sources of revenue, including Medicaid). Additional changes to the funding formula

and/or allocation method will be considered for FY2011 based on data available from FY2010; and

- Revisions to Virginia's family cost participation practices are expected to be in place in the second half of FY2010.

Overall, the changes being implemented as part of the system transformation are expected to result in a Part C system of payment that facilitates the following:

- A funding structure for Part C that is more stable and equitable; and
- Compliance with federal fiscal requirements and assurances (e.g., non-supplanting, maintenance of effort, etc.);

To complete the funding structure, it will be necessary in FY-2011 to work with the Bureau of Insurance to have private insurance companies implement the standard early intervention rates. In the meantime, since private insurance companies do not typically reimburse for services in natural environments, Part C funds (federal, State, or ARRA) will be used to bring the third party payor reimbursement up to the standard rate.

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 11,700 eligible infants, toddlers and their families during fiscal year 2009. These funds also touched the lives of almost 2,500 additional infants, toddlers and families who received developmental screenings, evaluations and assessments upon referral to the Part C system even though they did not proceed on to receiving other Part C supports and services. As the number of eligible infants and toddlers identified continues to increase and federal Part C funding decreases, state Part C funding is critical to ensure all eligible children and families receive timely early intervention supports and services. Funding available for Part C through the American Recovery and Reinvestment Act (ARRA) will provide critical bridge funding during the next year while the new rate structure under the Medicaid Early Intervention Program is implemented and increased Medicaid revenue is generated. The Department, local service providers and families are appreciative of the continued financial support for Part C provided by the General Assembly.