

Interoffice



MEMORANDUM

TO: Parents, Families and Guardians of individuals served by the Mahoning County Board of MRDD and other interested parties

FROM: Larry A. Duck
Superintendent

SUBJECT: CAFS Funding Problems

DATE: April 12, 2005

Background: There have been many news reports in recent weeks about loss of CAFS funding for public schools and County Board of MRDD. The purpose of this letter is to provide information that will answer some of your questions.

What is CAFS? CAFS stands for Community Alternative Funding System. It is a type of Medicaid funding that was created in Ohio in 1992 to provide funding for disabled school age children and individuals eligible for services from County Board of MRDD. Local schools and Boards of MRDD provide 40% of local funds in order to receive the 60% in matching funds from the Federal government.

What is the problem with CAFS? The Federal Medicaid agency called Community Medicare and Medicaid Services (CMS) told Ohio for several years the program had problems.

(1) Medicaid (CAFS) is an entitlement program that should be available to anyone eligible for Medicaid. But in Ohio, the CAFS program is limited to school age children and MRDD clients. That excludes one-million people who have Medicaid cards, but are not school children or MRDD clients. CMS told Ohio to expand the program to include all eligible persons or change the program so it would comply with rules that allow a limited group of consumers to be served (by using a waiver). Otherwise, CMS threatened to stop paying the 60% federal match dollars. When the changes did not occur, CMS said they would stop paying Federal match money as of June 30, 2005.

(2) CMS also had concerns in 2004 about the rates it was being charged for services. The old system of reimbursement was based on a "cost-driven" system. CMS paid 60% of the providers cost of services. This resulted in different rates in each county and rewarded providers who had high cost to deliver services. CMS wanted standard reasonable rates for all providers. A study was done and in 2004 the rates were established statewide. This resulted in a reduction of CAFS reimbursement in 2004. MCBMRDD lost approximately \$1.1 million per year as a result of "the new rates."

(3) A third problem is many private providers of MRDD services are billing CAFS. The state issues “habilitation center” contracts to these providers. The state (ODMRDD) must pay the 40% match because county boards of mrdd refuse to pay match money for private providers or sign their hab center contracts for CAFS services. This cost to the state (ODMRDD) has risen to \$7,000,000 this year and is growing bigger every month as more and more providers learn how to seek this type of funding. In order to match private provider funding ODMRDD has reduced county board funding.

How Much Money is Lost? The estimated statewide loss to public schools is \$67 million and \$125 million to MRDD County Boards. MCBMRDD will lose at least \$3 million per year based on our 2005 estimate of CAFS receipts. We also lost nearly \$1.1 million in 2004 due to the reduction in reimbursement rates. It is reported that Trumbull County MRDD will lose \$2.8 million and Columbiana will lose \$900,000. This problem affects all county boards of MRDD in Ohio.

Can the State make up the money? (see attached chart) They say NO. The State of Ohio is having a difficult time balancing its budget. The proposed ODMRDD budget from the Governor for 2006-07 is only a 0.2% increase over both years. Both Ohio and Federal governments are cutting back on Medicaid spending. State funding for MRDD has dropped from 28 % in 1987 to 11% in 2003 (see chart). County funding for local services has grown from 60% to 70% in that time.

Could Feds change their mind and extend the program? They have extended for several years and this year said the program must be changed or else they would stop paying the 60% Federal funds. We have to make plans based on CMS's stated intention to end program on June 30, 2005.

What about the Schools' lawsuit? Several school districts filed a lawsuit on March 18 to try to block the state rules shutting down the CAFS program. That case is being reviewed by a judge. The Ohio MRDD Superintendents wanted to join this case as an “intervenor.” This would mean the 88 county boards of mrdd are not a plaintiff or defendant, but we are an “interested party” that could be affected by the ruling on the schools lawsuit. This will cost nearly \$80-\$100,000 for legal representation. It would permit mrdd to participate in the case to try to influence and monitor the case as it proceeds thru the courts. However, a recent ruling said the MRDD Boards must enter as either a plaintiff or as a defendant, but not as an intervenor. The Superintendents' Association does not believe the lawsuit can force the Federal government to continue the CAFS funding. The Superintendents' Association is concerned the State may resolve the lawsuit by giving the school system money in the next budget to make up for some or all of the lost CAFS money for schools.

What does CAFS pay for? For our county there are three main services: (1) professional services such as PT, nursing, etc., (2) transportation, (3) active treatment (adult day programs).

What replacement funding or alternatives are there? There have been reports in other newspapers that said MRDD had found alternatives. That is misleading and gives false hope. The MRDD system needs replacement of the \$125 million it will lose per year, which does not exist at this time. There have been several alternatives discussed:

(1) Putting active treatment adult day services on a waiver. That could happen but only one fourth of clients have waivers;

(2) include transportation as administration cost reimbursement or pay per person on a per mile reimbursement. The problem with this is it only brings in 30% of current income for transportation cost. It also involves a lot of administrative paperwork which will not be easily done;

(3) consumers could use their Medicaid card to obtain services through a private provider. This will not be as convenient as the current setup. There will also be limits on the amount of services a consumer would receive without going to private pay.

What is the County Board doing to respond to loss of CAFS? I am involved in a county board's association committee in Columbus that monitors Medicaid policies and provides recommendations to State officials about funding and policy affecting mrdd clients. The Superintendent Association will continue to advocate for additional funding. The Board and Administrators are doing four things at this time:

- (1) estimating amount of lost funds for half of 2005 and all of 2006,
- (2) identifying what services the county board is mandated to provide in order to stay in compliance with state MRDD statutes;
- (3) estimating savings that would result from staff layoffs and/or changes in programs and services;
- (4) prioritizing what alternatives could be offered (if any), if programs or services were cut.

What is the time frame for making important decisions about cutbacks? The State budget of Ohio must be approved by June 30, 2005. The CAFS program is set to be terminated on June 30, 2005. The Board must take action to prepare for the lost funds based on these important time frames:

4/30/2005 - provide notice to school personnel by April 30 of "Reduction in Force" notification. This means those staff would not return after the school program starts in September 2005.

5/31/2005 - provide notice to administrative employees of nonrenewal of their management contracts. Managers' one year contracts run through August 31, 2005. They must receive notice of non-renewal by June 1 or the contract automatically renews.

9/1/2005 - This is the earliest date MEADD employees could be laid off under our current collective bargaining agreement, with a 60 day advance notice of layoff per labor agreement.

How much money must be cut from the budget? Our budget for 2005 is \$25,850,000. Marty Picciano, Director of Administrative Services and I have estimated we would have \$21 million in revenue in 2006 assuming our 3-mill levy is renewed in November 2005. Our spending projection for 2006 cannot exceed \$21,000,000. So, an estimated \$4.85 million must be cut, or other sources of revenue must be found.

Will the Board seek additional levy millage to make up the lost funds? Not in November 2005. Mahoning County voters have been supportive of renewals of levy issues for MRDD and schools. It would be risky to seek additional millage or even a replacement levy in 2005. We have a 2-mill renewal levy coming in November 2006. MCBMRDD will focus on renewal of the 3-mill levy in November 2005 and look at its funding needs in the beginning of 2006.

Could the Board use its “carryover funds” to balance the budget? This is not a good option. The Board actually has less than \$1 million in available carryover funds. The remaining carryover funds are set aside to pay for obligations for building improvements such as LKS roof, new buses, new habilitation center at 153 Javit Court, and the Meshel MASCO roof, parking lot and nurses’ clinic. There are other obligations, such as payoff of employee paid leave balances (owed upon retirement), client emergency residential placement funds, etc. The Board passed a policy in May 2004 that requires the Board not approve deficit spending budgets. Carryover funds or other one-time revenue sources are to be used only for capital improvements, and other long-term liabilities of the Board, but should not be used for annual operating expenses.

What can parents do? We suggest parents, families and guardians to the following:

(1) Write a letter to Governor Taft,

- (A) ask Governor Taft to put replacement funds in the state budget to make up for the lost CAFS funds;
- (B) tell how losing services would affect your son or daughter. Tell your story about how county board services help your family. Include picture and tell how important the funding is to the care of your son or daughter.

(2) Help MCBMRDD pass its renewal levy in November 2005. The County Board will need volunteers to help with our renewal campaign. If you would like to help, please mail the enclosed sign-up sheet

(3) Stay informed by visiting our website, and reading our mailings and flyers.

A community forum for parents, families and guardians will be held at Leonard Kirtz School on April 20, 2005, from 7:00 p.m. to 8:30 p.m. to provide updated information and answer questions.