



**STATE OF VERMONT**  
JOINT FISCAL OFFICE

**MEMORANDUM**

To: Joint Fiscal Committee - Pursuant to Sec. E. 333(a) (1) of Act 50 of 2013  
Date: July 23, 2013  
Subject: Developmental Services - FY14 Budget Savings Target

Sec. E.333(a) (1) of the budget bill requires JFO, F&M, AHS, and DDAIL to review the FY13 fiscal close of Developmental Services and present an update of the estimate regarding the FY14 budget savings target.

The FY14 budget as passed includes a savings target of \$2.5 million. This is approximately 1.5% on the overall DS budget. Total DS appropriations have been:

| FY09 Final | FY10 Final | FY11 Final | FY12 Final | FY13 Final | FY14 Passed |
|------------|------------|------------|------------|------------|-------------|
| \$134.85 m | \$144.91 m | \$148.62 m | \$151.54 m | \$160.98 m | \$169.88 m  |

FY13 came in \$272,626 below expectation, this experience in the absence of any other changes or updates results in an adjusted FY14 savings target of \$2.23 million. Actual experience in the initial months of FY14 will inform whether there is a need for further adjustment.

In its simplest form, the DS budget is comprised of the individual service budgets for eligible Vermonters less available equity funds. Equity funds are the base funds that get reallocated when an individual leaves the system (moves out of state, death, etc.). Services are provided by the Designated (10) and Specialized Service (5) Agencies. These agencies conduct the intake and assessment and determine financial and clinical eligibility based on the System of Care Plan which identifies and prioritizes the range of fundable services. A local agency funding committee makes recommendation for new or enhanced client services to the state Equity or Public Safety Committees. While each request is specific to the approved service needs of the individual, each DA is ultimately paid based on their actual cost structure including administration. The overall DS budget is limited by the funds appropriated by the legislature. Reductions are made through a rescission process in the System of Care when resources are lower than the projected amount for approved individual budgets.

In addition to the \$6.1 million caseload increase initially budgeted, the FY13 BAA increased appropriations by another \$3.0 million for caseload. These increases were the

net of projected caseload and projected equity. The Department tracks the annualized, approved incremental changes to individual budgets as well as available equity resources on a monthly basis. This tracking is the source of the \$272,626 adjustment to the FY14 target.

The as passed FY14 appropriation is based on several components:

1. The FY12 base
2. Plus the \$11.39 m 3-yr average increase for caseload for FY10, FY11 and FY12<sup>1</sup>
3. Less \$3.91 million of projected equity funds base on a three year average
4. Plus the same \$3 million that was added in the budget adjustment
5. Less the \$2.5 million savings target
6. Plus \$1.875 million added for the SFI/CCC population (this is non-DS caseload)
7. Plus \$2.94 million for a provider rate increase beginning in November 2013
8. Then a small number of minor adjustments – mostly net neutral

The adjustment to the savings target is based solely on the FY13 close out position. Actual experience in the first four or five months of FY14 will inform if further adjustments are needed. For example, in FY13 the actual equity amount available was \$5.6m, the FY14 level of equity will need to keep pace to avoid additional pressure in the program. The overall budget timeframe, means there is a one year lag in the actual data available for the three year average. If a 2-yr and 3-yr average is updated with FY13 experience, a range of potential additional trend pressure could be between \$900k and \$2.2 million potentially impacting FY14 and likely impacting FY15 in some measure.

#### Attachments

- 1 – Language from Budget Bill
- 2 – FY13 and FY14 DS Budget Build Summary
- 3 – FY13 DS Caseload Monitoring – Final

#### **Sept. 2013 - Caseload and Utilization Review Required by Sec. E.333(a) (2)**

For the required caseload and utilization review, the fiscal group has begun reviewing and mapping in more detail the overall DS business/budget process, within that context we will be looking at both the caseload and utilization components. The purpose of the mapping is both to inform our analysis and identify the points in the process where recommended policy changes could impact the caseload estimating model.

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<sup>1</sup> This includes both the regular DS caseload as well as the public safety caseload

**ACT 50 of 2013 – Budget Bill**

**Sec. E.333 Disabilities, aging, and independent living - developmental services**

(a) The Department of Disabilities, Aging, and Independent Living, the Agency of Human Services, the Department of Finance and Management, and the Joint Fiscal Office shall:

(1) After review of preliminary fiscal year 2013 close out of the developmental services appropriation unit, present an estimate to the Joint Fiscal Committee at its July 2013 meeting regarding the amount, if any, of the fiscal year 2014 Developmental Services program budget that needs to be addressed through administrative or operational changes in order to manage the service needs within the appropriated funds;

(2) Review the methodology for forecasting both the caseload and utilization for developmental disabilities programs and shall report any recommendations for changing this methodology to the Joint Fiscal Committee at its September 2013 meeting;

(3) Recommend a consensus estimate for the fiscal year 2015 developmental services caseload, utilization, and budget to the Emergency Board at its January 2014 meeting.

(b) In anticipation that there will be some fiscal year 2014 amount of administrative or operational changes needed to manage the service needs within the appropriated funds, the Secretary of Human Services, or designee shall convene a Work Group to:

(1) assess whether the methods of developmental service case planning and oversight should be revised;

(2) assess whether alternate practices could be identified, resulting in more cost-effective use of the resources available for developmental services;

(3) determine what changes could be reasonably implemented in fiscal year 2014 to manage the service needs within the appropriated funds and identify the fiscal year 2014 amount, if any, of budgetary management that will be accomplished through existing System of Care Plan rescission processes based upon the estimate provided in subdivision (a)(1) of this section;

(4) report to the Joint Fiscal Committee at its September 2013 meeting on subdivisions (b)(1)–(3) of this section;

(5) identify cost-effective, innovative models of care and develop recommendations as to how these models could be implemented in Vermont; and

(6) inform participants working to update the System of Care Plan for June 2014 on these findings and recommendations.

(c) There is created a Work Group composed of the following members:

(1) the Secretary of Human Services or designee, who shall be chair;

(2) the Commissioner of Disabilities, Aging, and Independent Living or designee;

(3) the Director of Developmental Services or designee;

(4) two members appointed by the Vermont Council of Developmental and Mental Health Services;

(5) two members appointed by the Developmental Disabilities Council who may be any combination of a parent of, a family member of, or a person living with a disability; and

(6) up to three additional members appointed by the Secretary or designee deemed desirable for policy expertise or stakeholder input.

(d) For fiscal year 2014, no modifications or rescissions to the System of Care Plan shall be initiated until September 1, 2013.

(e) The members of the Work Group created in subsection (c) of this section, shall be appointed as soon as is practicable following the effective date of this section. Members of the Work Group who are not employees of the State of Vermont and who are not otherwise compensated by their employer or association for their participation in the Work Group shall be reimbursed at the per diem rate set forth in 32 V.S.A. § 1010.

DAIL DS Budget History FY10 through FY14

|   | GF         | SF         | FF         | GC             | MCO          | Total          |
|---|------------|------------|------------|----------------|--------------|----------------|
| <b>FY09 As Passed Budget</b>              | \$ 185,693 | \$ 185,463 | \$ 370,740 | \$ 136,660,734 | \$ 1,303,340 | \$ 138,705,970 |
| 2008 Rescission                           | (2,037)    |            |            | (4,978,040)    | (15,181)     | (4,995,258)    |
| Regular Caseload Pressure                 |            |            |            | 4,000,563      |              | 4,000,563      |
| Public Safety Caseload                    |            |            |            | 1,130,450      |              | 1,130,450      |
| Other                                     | (11,031)   | (170,000)  | (10,883)   | 1,310,185      | (250,000)    | 868,271        |
| <b>Legislative Changes</b>                |            |            |            |                |              |                |
| 50% June Grads Restoration                |            |            |            | 959,373        |              | 959,373        |
| <b>FY10 As Passed Budget</b>              | \$ 172,625 | \$ 15,463  | \$ 359,857 | \$ 139,083,265 | \$ 1,038,159 | \$ 140,669,369 |
| Rescission                                | (49,933)   |            |            |                |              | (49,933)       |
| Regular Caseload Pressure                 |            |            |            | 3,337,173      |              | 3,337,173      |
| High School Graduates Caseload            |            |            |            | 1,788,020      |              | 1,788,020      |
| Public Safety Caseload                    |            |            |            | 1,555,344      |              | 1,555,344      |
| Other                                     | (17,500)   |            |            | 1,567,777      |              | 1,550,277      |
| <b>Legislative Changes</b>                |            |            |            |                |              |                |
| Other Grant restoration                   |            |            |            | 1,072,223      |              | 1,072,223      |
| <b>FY11 As Passed Budget</b>              | \$ 155,125 | \$ 15,463  | \$ 359,857 | \$ 148,353,869 | \$ 1,038,159 | \$ 149,922,473 |
| Challenges for Change                     |            |            |            | (2,525,307)    |              | (2,525,307)    |
| Regular Caseload                          |            |            |            | 4,088,883      |              | 4,088,883      |
| High School Graduates Caseload            |            |            |            | 1,975,433      |              | 1,975,433      |
| Public Safety Caseload                    |            |            |            | 1,630,042      |              | 1,630,042      |
| Unified Services/equity Caseload          |            |            |            | 1,100,000      |              | 1,100,000      |
| 5% Reduction to absorb caseload pressures |            |            |            | (7,694,358)    |              | (7,694,358)    |
| Other                                     |            |            |            | (648,319)      | 592,201      | (56,118)       |
| <b>Legislative Changes</b>                |            |            |            |                |              |                |
| 50% restoration of Caseload reduction     |            |            |            | 3,847,179      |              | 3,847,179      |
| <b>FY12 As Passed Budget</b>              | \$ 155,125 | \$ 15,463  | \$ 359,857 | \$ 150,127,422 | \$ 1,630,360 | \$ 152,288,227 |
| Regular Caseload (including HS Graduates) |            |            |            | 4,163,857      |              | 4,163,857      |
| Public Safety Caseload                    |            |            |            | 1,976,292      |              | 1,976,292      |
| Other                                     |            |            |            | (1,225,000)    |              | (1,225,000)    |
| <b>FY13 As Passed Budget</b>              | \$ 155,125 | \$ 15,463  | \$ 359,857 | \$ 155,042,571 | \$ 1,630,360 | \$ 157,203,376 |
| SFI/CCC                                   |            |            |            | 1,875,000      |              | 1,875,000      |
| Regular Caseload (including HS Graduates) |            |            |            | 5,399,080      |              | 5,399,080      |
| Public Safety Caseload                    |            |            |            | 2,084,765      |              | 2,084,765      |
| DS FY13 BAA Caseload Need                 |            |            |            | 3,000,000      |              | 3,000,000      |
| System of Care Plan Reductions            |            |            |            | (2,500,000)    |              | (2,500,000)    |
| DS contract Increase                      |            |            |            | 81,600         |              | 81,600         |
| Medicaid Rate Increase                    |            |            |            | 3,252,614      | 51,510       | 3,304,124      |
| Other                                     |            | 58,000     |            | (258,246)      |              | (200,246)      |
| <b>Legislative Changes</b>                |            |            |            |                |              |                |
| Medicaid rate increase change to Nov.     |            |            |            | (361,402)      | (5,723)      | (367,125)      |
| <b>FY14 As Passed Budget</b>              | \$ 155,125 | \$ 73,463  | \$ 359,857 | \$ 167,615,982 | \$ 1,676,147 | \$ 169,880,574 |

Budget Adjustments

|                       | GC             | Total          |
|-----------------------|----------------|----------------|
| Rescission            | (49,933)       | (49,933)       |
| Other                 | 4,291,500      | 4,291,500      |
| <b>FY10 BAA</b>       | \$ 143,324,832 | \$ 144,910,936 |
| Challenges for Change | (2,525,307)    | (2,525,307)    |
| Other                 | 1,221,979      | 1,221,979      |
| <b>FY11 BAA</b>       | \$ 147,050,541 | \$ 148,619,145 |
| Other                 | (750,000)      | (750,000)      |
| <b>FY12 BAA</b>       | \$ 149,377,422 | \$ 151,538,227 |
| DS Caseload           | 3,000,000      | 3,000,000      |
| Other                 | 775,754        | 775,754        |
| <b>FY13 BAA</b>       | \$ 158,818,325 | \$ 160,979,130 |

**Equity Fund Committee Fund Approval Summary - Funds Available Compared to Funds Approved (Annualized)**  
**6/24/2013**

FY13 Funds      \$ 8,135,470      \$ 2,316,442

| APPROVALS | New Caseload-Equity-HS Gr |               | Public Safety |              | Total Plan    | Total Approved | over/(under) |
|-----------|---------------------------|---------------|---------------|--------------|---------------|----------------|--------------|
|           | Plan                      | Approved      | Plan          | Approved     |               |                |              |
| May-12    | \$ 848,780                | \$ 848,870    | \$ -          | \$ -         | \$ 848,780    | \$ 848,870     | 90           |
| Jun-12    | \$ 777,341                | \$ 736,520    | \$ 157,353    | \$ 157,353   | \$ 934,694    | \$ 893,873     | (40,821)     |
| Jul-12    | \$ 682,640                | \$ 738,771    | \$ 90,379     | \$ 90,379    | \$ 773,019    | \$ 829,150     | 56,131       |
| Aug-12    | \$ 529,701                | \$ 946,364    | \$ 261,892    | \$ 261,892   | \$ 791,593    | \$ 1,208,256   | 416,663      |
| Sep-12    | \$ 529,701                | \$ 1,377,034  | \$ 180,682    | \$ 134,866   | \$ 710,383    | \$ 1,511,900   | 801,517      |
| Oct-12    | \$ 529,701                | \$ 776,554    | \$ 180,682    | \$ 711,534   | \$ 710,383    | \$ 1,488,088   | 777,705      |
| Nov-12    | \$ 529,701                | \$ 714,180    | \$ 180,682    | \$ 855,257   | \$ 710,383    | \$ 1,569,437   | 859,054      |
| Dec-12    | \$ 529,701                | \$ 644,574    | \$ 180,682    | \$ 282,142   | \$ 710,383    | \$ 926,716     | 216,333      |
| Jan-13    | \$ 529,701                | \$ 334,037    | \$ 180,682    | \$ 210,383   | \$ 710,383    | \$ 544,420     | (165,963)    |
| Feb-13    | \$ 529,701                | \$ 505,925    | \$ 180,682    | \$ 110,510   | \$ 710,383    | \$ 616,435     | (93,948)     |
| Mar-13    | \$ 529,701                | \$ 492,865    | \$ 180,682    | \$ 155,155   | \$ 710,383    | \$ 648,020     | (62,363)     |
| Apr-13    | \$ 529,701                | \$ 859,404    | \$ 180,682    | \$ 277,138   | \$ 710,383    | \$ 1,136,542   | 426,159      |
| May-13    | \$ 529,701                | \$ 1,462,351  | \$ 180,682    | \$ 11,150    | \$ 710,383    | \$ 1,473,501   | 763,118      |
| Jun-13    | \$ 529,701                | \$ 854,916    | \$ 180,682    | \$ 17,286    | \$ 710,383    | \$ 872,202     | 161,819      |
|           | \$ 8,135,470              | \$ 11,292,365 | \$ 2,316,442  | \$ 3,275,045 | \$ 10,451,912 | \$ 14,567,410  | \$ 4,115,498 |

| REVENUE | Equity Revenue |              | Public Safety - Revenue |            | Total Plan   | Total Received | over/(under) |
|---------|----------------|--------------|-------------------------|------------|--------------|----------------|--------------|
|         | Plan           | Received     | Plan                    | Received   |              |                |              |
| Jul-12  | \$ 327,859     | \$ 348,278   | \$ 28,346               | \$ 31,718  | \$ 356,204   | 379,996        | 23,792       |
| Aug-12  | \$ 327,859     | \$ 148,342   | \$ 28,346               | \$ -       | \$ 356,204   | 148,342        | (207,862)    |
| Sep-12  | \$ 327,859     | \$ 157,622   | \$ 28,346               | \$ -       | \$ 356,204   | 157,622        | (198,582)    |
| Oct-12  | \$ 327,859     | \$ 729,765   | \$ 28,346               | \$ 116,247 | \$ 356,204   | 846,012        | 489,808      |
| Nov-12  | \$ 327,859     | \$ 551,350   | \$ 28,346               | \$ 25,568  | \$ 356,204   | 576,918        | 220,714      |
| Dec-12  | \$ 327,859     | \$ 691,598   | \$ 28,346               | \$ 74,979  | \$ 356,204   | 766,577        | 410,373      |
| Jan-13  | \$ 327,859     | \$ 457,386   | \$ 28,346               | \$ 78,085  | \$ 356,204   | 535,471        | 179,267      |
| Feb-13  | \$ 327,859     | \$ 258,049   | \$ 28,346               | \$ 34,874  | \$ 356,204   | 292,923        | (63,281)     |
| Mar-13  | \$ 327,859     | \$ 597,637   | \$ 28,346               | \$ 166,632 | \$ 356,204   | 764,269        | 408,065      |
| Apr-13  | \$ 327,859     | \$ 560,145   | \$ 28,346               | \$ -       | \$ 356,204   | 560,145        | 203,941      |
| May-13  | \$ 327,859     | \$ 254,609   | \$ 28,346               | \$ 246,661 | \$ 356,204   | 501,270        | 145,066      |
| Jun-13  | \$ 327,859     | \$ 133,032   | \$ 28,346               | \$ -       | \$ 356,204   | 133,032        | (223,172)    |
|         | \$ 3,934,303   | \$ 4,887,813 | \$ 340,150              | \$ 774,764 | \$ 4,274,453 | \$ 5,662,577   | 1,388,124    |

Forecasted Ending Balance per Spending Plan    \$ (2,727,374)

| ACTUAL FUND BALANCES - FY13 |                      |                    |
|-----------------------------|----------------------|--------------------|
|                             | Equity Fund          | Public Safety      |
| New Funds in FY13           | \$4,513,857          | \$1,976,292        |
| Expenditures                | \$ 11,605,055        | \$ 3,275,045       |
| Revenue                     | (\$4,887,813)        | (\$774,764)        |
| <b>AVAILABLE BALANCE</b>    | <b>(\$2,203,385)</b> | <b>(\$523,989)</b> |

BAA Resources Available                                    \$ 3,000,000

Difference (surplus/deficit)                                \$ 272,626