

Medicaid Funding for Early Steps, Part C of the Individual with Disabilities Education Act

Overview

The purpose of the Federal Individuals with Disabilities Education Act (IDEA), Part C program is to improve the developmental outcomes of infant and toddlers age birth to 36 months with developmental delays and established conditions. Families and caregivers are provided with services and supports to enable them to enhance their child's development within their everyday routines, activities, and places. Each state must select a lead agency to administer the program. In Florida, the Department of Health, Children's Medical Services, Early Steps serves as the lead agency. The program contracts with privately operated Local Early Steps (LES) offices that are selected through competitive procurements. Direct services are provided by staff employed by the LES or through providers enrolled in Early Steps. Therefore, the operation of the program is privatized. Services are provided by teams of early interventionists, speech, occupational, and physical therapists, and other practitioners. Federal regulations require services that are family centered and rendered through family centered teams.

Services and supports are based upon an assessment that reflects the strengths and needs of the family. The Individualized Family Support Plan (IFSP) is completed in partnership with the family, team members, and other involved parties such as child care providers. The plan specifies how the various services and supports will be rendered in a systematic manner based upon the most effective way to integrate the necessary interventions within the family and child's daily routine. Interventions provided in this manner are cost effective. Research reported by the World Health Organization shows that early identification and treatment of children who are at risk of developmental delay produces economic benefits up to \$17 for each \$1 spent on the programs. The earlier the intervention, the lower the overall cost.

The financing strategies, conceptualized in the Federal act, envisioned that resources necessary to address the multiple needs of children and their families would be provided by several different agencies. The federal legislation explicitly states that the lead agency is responsible for the identification and coordination of all available resources for early intervention services including those provided through other federal resources. The IFSP is intended to be the authorizing document for these services. Therefore, inclusion in the IFSP determines medical necessity for services. Part C funds are considered "payor of last resort" with the expectation that other programs will contribute resources to the program. IDEA Section 640 prohibits states from reducing medical or other assistance available to children in Part C or to alter eligibility under Title V of the Social Security Act (relating to maternal and child health) or Title XIX of the Social Security Act (relating to Medicaid for infants or toddlers with disabilities) within the State.

Medicaid funds many of the fundamental services needed by Medicaid eligible children in Early Steps. For example, young children with developmental delays frequently require therapy services such as speech, occupational, and physical therapy and early childhood mental health

services. These services are often included in the IFSP with the expectation that these services are provided in the natural environment and closely coordinated with other services and the family. Early Steps contracts with therapists to provide the services and supports and requires that the therapists bill Medicaid for Medicaid reimbursable services. The therapist must enroll as a Medicaid provider and directly bill Medicaid when the child is enrolled in Medipass (fee-for-services); or become an approved provider by the health plan and obtain payment for the services from the managed care plan if the child is enrolled in managed care. This reimbursement mechanism has proven difficult for many reasons, as listed below:

1. For the therapy services, the description and location of service in the Medicaid State Plan is not in tandem with the requirements of the Part C regulation for services to be family centered, provided in the natural environment, and focused on providing the parents with the skills necessary to address the needs of the children.
2. The provider enrollment process is inefficient. The provider must enroll in both Medicaid and Children's Medical Services, and be selected to be on Medicaid managed care plan's provider network. This is time consuming for the providers, and costly for the state to process all the enrollment applications.
3. Managed Care Organizations (MCOs) are not required to recognize the IFSP as the authorizing entity for medical necessity for the services and do not have adequate numbers of care coordinators to participate in the IFSP development. Therefore the MCOs may deny services or approve services for a different number of units than those recommended on the IFSP.
4. Providing therapy and mental health services for young children with developmental delays and their families requires special competencies. These competencies are not required in the Medicaid State Plan. Unfortunately, in many areas of the state the therapist and mental health practitioners providing Early Steps services are not part of the MCOs network of providers.
5. When services determined necessary during the development of the IFSP are not funded through Medicaid, Early Steps pays for the service.

In addition to the regular Medicaid State Plan services, there are two Medicaid programs covered under the State Plan available only through the Early Steps program. These include the array of services under the *Medicaid Early Intervention Services Coverage and Limitations Handbook* (EI) and Targeted Case Management (TCM). Unlike the traditional approach to providing clinic based therapy and mental health services, EI services are intended to be provided in accordance with the federal directives for Part C, including a focus on the family routines and service provision in the natural environment. The TCM program is also available for children served by Early Steps; Federal regulations permit TCM services to be rendered to specified populations. Local Early Steps providers are the only providers that are permitted to render this TCM service.

Issue Description

Children's Medical Services, Early Steps, is dependent upon Medicaid services to provide the necessary evaluations, family centered planning, and services for Part C Medicaid eligible children. Due to the difficulties with the intended financing practices, historically low funding, and the current economic downturn, Early Steps is facing very serious financial shortfalls. The

practice of Early Steps paying for Medicaid compensable services for Medicaid recipients is exacerbating the situation. Also, the program relies on Medicaid for the Early Intervention services that are included in the Medicaid state plan. Note that the Early Steps program is required to provide the state match for services provided under the *Medicaid Early Intervention Services Coverage and Limitations Handbook* through their appropriations. Finally, the program uses the Medicaid Targeted Case Management program to provide the Family Service Coordination for children who are Medicaid recipients.

Currently, many of the State Plan services are included in contracts of capitated managed care organizations such as Health Maintenance Organizations (HMO) and Provider Service Networks (PSNs). The Early Intervention services and Targeted Case Management are outside of the capitated plans' covered services and provision of the services is not dependent upon approval of the primary care physician under the Medipass program managed care organization.

Florida's long term plan is to reform the way Medicaid services are delivered across the state. The purpose of the reform is to establish predictable expenditure patterns, provide high quality services, and ensure that the services for high cost populations (chronically ill, elderly, and persons with disabilities) are well coordinated. When this reform is implemented statewide, most children and families will receive Medicaid services through either an HMO or PSN. As stated above, the managed care organizations are not directly involved in the IFSP planning process and do not automatically accept IFSP recommendations as a statement of medical necessity. Therefore, stakeholders are concerned that, when Medicaid Reform is implemented, access and coordination of Medicaid State Plan services may become more difficult to obtain for children and families in the Early Steps program.

As discussed above, services should be provided by coordinated teams of practitioners with the composition of team membership based upon the individual needs of the children and families. The teams must work as a cohesive unit with the goal of assisting the families in learning how to help their child's development through family based interventions that the families can provide on a regular basis during everyday routines and activities. Although many Medicaid reimbursable services are included on the IFSP, the authorization of services remains with the MCOs. This practice, coupled with different modes of service delivery, may negatively impact the ability to provide uniform and cooperatively operating teams for Early Steps children enrolled in Medicaid and is in conflict with Part C Federal regulations that the IFSP is the authorizing document for Part C services.

There is also concern that, when Medicaid Reform is implemented, all Medicaid funded services will be covered in the contracts for the HMOs and PSNs, including those under the *Medicaid Early Intervention Services Coverage and Limitations Handbook* and Targeted Case Management. Early Steps must operate as a uniform program in accordance with all the federal regulations. Dispersing the Early Intervention and TCM services throughout multiple HMOs and PSNs would make it impossible to operate the program. LESs would have to get prior

approval to provide those services that are the core of eligibility determination, service planning, and the provision of supports and services. Early Steps would be responsible for determining the need for services, leaving the HMOs and PSNs responsible for the payment. The HMOs and PSNs would also have to ensure that the services were provided in a family centered manner and that all the service documentation is in accordance with the Federal Part C requirements.

Proposed Solution

Many states have struggled with the inconsistencies in the Part C financing design and the realities of service delivery throughout the nation. Other health and social service agencies are funded to provide specific services to specific populations in accordance with their eligibility criteria and often do not see early intervention as part of their core mission. In Florida, Medicaid has been a cornerstone of early intervention services, yet many of these services are provided through an array of managed care organizations, resulting in fragmented service delivery and inadvertent cost shifting to the Early Steps program.

Several states have determined that expecting providers to bill multiple programs and Medicaid plans has put an undue burden on the providers and caused serious disruption of services. Part C services should be provided through a family centered team that works in tandem to support the family and child. Services are provided in the setting that best meets the needs of the child and family, such as in a child care setting, home, play group, etc. It is impossible to create an individualized team to work with the family when the “team” consists of multiple providers, some of whom are enrolled with some managed care plans and some who are enrolled with others. The service coordinators find it extremely difficult to locate the appropriate therapist to conduct the evaluations and, later, to provide services. To address this issue, several states have developed centralized billing mechanisms that allow the Part C program to bill the various programs for services.

These billing systems create uniform payment mechanisms for the providers and enable the service coordinators to arrange for team members based on the needs of the child and family rather than the Medicaid managed care plan in which the child and family are enrolled. The centralized billing system would be a viable option in Florida if Medicaid services were paid on a fee-for-service basis. However, with the expansion of Medicaid Reform, the fee-for-service payment method will be phased out. HMOs and PSNs may not want to be responsible for services when the need for services is identified outside of their organization. Therefore, even with a centralized billing mechanism, it is likely that the same cumbersome practices of prior authorization, time limited authorizations, and denials would occur. It is not feasible for the HMOs and PSN representatives to be on every individualized Part C team. Yet, if they are not actively involved in the decision making, it is unlikely that they will accept the determination of medical necessity of services in the IFSP.

Given the probability of Medicaid Reform in the next year or two, the best solution would be one that provides a financing option that is based upon sound managed care principles. Early Steps is a program operated as part of CMS which operates a PSN for children with special health care needs enrolled in the CMS program. All Medicaid enrolled children who are found eligible for Early Steps are eligible for the CMS program and enrollment in the CMS Network is a potential option for the families. CMS is uniquely positioned to provide managed care services to these children. More families would likely choose CMS if specific outreach mechanisms were put in place to educate them about the benefits of CMS at the time that they are determined eligible for Early Steps.

Even though many families will choose CMS, some families will prefer to be enrolled in either an HMO or another PSN. If the family is enrolled in CMS, CMS has the capacity to manage both their physical health care and work with Early Steps to ensure that they receive the range of necessary coordinated therapeutic services. At this point, CMS is not able to help Early Steps arrange for services for families enrolled in other managed care plans. To address this issue it is recommended that a per member per month capitation rate be developed for the state plan services (primarily therapy services) provided to children in the Early Steps program. CMS would receive this per member per month payment and would manage the funds for Early Steps. The HMOs and PSNs would not be responsible for providing those services covered in the CMS capitated payment while the child is enrolled in the Early Steps program.

As with other managed care programs, CMS has not been responsible for managing Medicaid Early Intervention services and Targeted Case Management; however, they have the proven ability to manage care and would be able to work closely with Early Steps to ensure that each of the LESs were able to access TCM and the necessary array of Early Intervention services. To finance this arrangement, CMS could receive an enhanced rate to cover these additional services for children enrolled in Early Steps.

In summary, below are the three recommendations to enable early intervention and therapeutic services to be appropriately provided to children in the Early Steps program:

1. CMS will ensure that families are aware of the option to enroll their children in the CMS Network and that they are informed about the advantages of the managed care network designed to serve children with special health care needs.
2. CMS will receive a per member per month capitation payment for each child enrolled in Early Steps (not enrolled in the CMS Network) that would cover the Medicaid eligible state plan services routinely provided to children in the Early Steps program.
3. In addition to this payment, CMS would also receive an enhanced rate for TCM and Early Intervention services. Using a central billing mechanism similar to those used in other states, the LES would bill CMS for the Medicaid compensable services provided to each Medicaid enrolled child.

Advantages of this payment system are as follows:

- Improved outcomes from children and families because services will be well coordinated and provided specifically based upon their assessed needs.
- Reduced inadvertent cost shifting of Medicaid compensable services to state revenue appropriated to CMS/Early Steps.
- Reduced cost of prior authorization, multiple billing mechanisms, delay in payments, requested reconsiderations of denials, etc.
- Reduced inefficiencies in arranging for evaluation and services.
- Improved access to Medicaid services and the provision of services through a coordinated and uniform family centered practice modality.
- Simplified enrollment of providers and assurance that the providers have the capacity to work with young children with developmental delays and their families.
- Improved integration of CMS and Early Steps to provide a comprehensive array of services for children with special health care needs.
- Improved Early Steps performance on federal standards.
- Long term cost savings related to future savings of early intervention services.

Data Analysis

The analysis also shows that, for five LESs, Early Steps (non-Medicaid Reform area) paid \$540,322 for Medicaid-funded services. Since this area serves about a quarter of the total population, this loss of Medicaid funding suggests that Early Steps spent over \$2.16 million dollars to purchase services that should have been Medicaid compensable. In the Medicaid Reform areas, that amount of cost shift was about \$412,000; however, this area accounts for only 16% of the state. If this figure is used, the estimated loss revenue increases to about \$2.6 million.

Although the final capitation will be determined by AHCA, estimates were completed to show the possible impact. Early Steps staff completed a data analysis to estimate the PMPM for general State Plan services (non-EI and TCM). This analysis was based upon data in the Early Steps Data System as of December 21, 2010, from five LESs chosen because they represent various geographic areas of the state and reportedly had a 90% level of data entry for Medicaid data. Using the statewide data for case months, case months for children enrolled in Medicaid and with an IFSP were generated. These estimated case months were used to calculate an estimated per member per month (PMPM) for children. The analysis included a total estimated Medicaid PMPM as well as separate calculations for expenditures paid by Medicaid and not paid by Medicaid. Below is a chart displaying the estimated PMPM rates.

Figure 1--- Estimated PMPM for Children served by Early Steps with an IFSP and a Medicaid number for generally available state plan services.

Estimated Capitation Rate for Children in five LESs in Florida for general Medicaid Services.
\$56.98 PMPM

These figures, however, only portray part of the problem. As discussed above, even when the Medicaid compensable services are funded through Medicaid, the mode of service delivery is not in line with the desired family centered team approach in the natural environment. Also, hours of work are spent locating a therapist that was Medicaid enrolled or on the managed care network. Additionally, prior approval, concurrent approvals, and denial reconsiderations cost the therapists several hours of work and, therefore, money.

To achieve full effectiveness, Early Steps services must be provided as part of a team approach with all services carefully coordinated and aligned in a family centered manner. To achieve this level of coordination with managed care organizations would require that the HMOs or PSNs be very involved in the evaluation and IFSP development, implying that they would need to assign a care coordinator to each of these cases. This would likely be too costly for the organizations. To reduce unnecessary administrative and clinical costs, it is recommended that, while the child is in Early Steps, the child receive all the related general State Plan services through CMS/Early Steps and not through the managed care plans. Based upon the expenditure analysis, CMS would receive a PMPM rate of \$56.43 for each Medicaid enrolled child with an IFSP whose family did not choose a CMS Network as the managed care plan.

In addition to the general State Plan services discussed above, Medicaid also funds services through the *Early Intervention Services Coverage and Limitations Handbook* (Early Intervention Services) and Targeted Case Management. AHCA completed a data analysis of the total expenditures of these programs for fiscal year 2009-10 and found that the expenditures of these two services totaled \$12,944,837, serving 23,918 Medicaid enrolled children in the Early Steps program for TCM and 13,910 for EI services. Targeted Case Management and Early Intervention Services are the backbone of the program. These services must continue to be under the management of CMS/Early Steps. Therefore, it is proposed that an enhanced Early Intervention PMPM rate be established to cover these services and that these funds be provided to CMS on a monthly basis for children enrolled in Medicaid and Early Steps. CMS will be

responsible for managing the funds for both the children enrolled in CMS as well as for children enrolled in other managed care plans. This will allow the funds to be included in a managed care plan, yet still be coordinated and available to provide Early Steps services in accordance with the federal Part C requirements. AHCA calculated the statewide annual expenditures for these services with a total of \$12,944,827. The number of case months for fiscal year 2009-10 was calculated by Early Steps. This figure was applied to the total amount of the expenditures for EI and TCM with a resulting PMPM rate of \$79.72.

In summary, it is recommended that AHCA calculate a prospective managed care rate for specific state plan services for children in Early Steps and for the EI and TCM services for Medicaid enrolled children in Early Steps. Based upon the preliminary estimates, the PMPM would be about \$56.98 for the general state plan services and \$79.72 for EI and TCM services.

Action Steps to Address the Proposal:

- Provide Medicaid with an electronic file of all children enrolled in Medicaid and Early Steps and ask them to determine a capitation rate for the general state plan services received by children in Early Steps (physical therapy, speech therapy, occupational therapy, mental health services, etc.).
- Request that Medicaid also calculate a capitation rate for EI and TCM services for Medicaid and Early Steps enrolled children.
- Determine the estimated loss of funding associated with lack of access to Medicaid state plan services.
- Obtain necessary approval for this proposal.
- Develop financing mechanisms with AHCA for CMS to receive the enhanced rate for children dually enrolled in CMS/Early Steps and to manage the PMPM payment for children enrolled in Early Steps and Medicaid but not enrolled in CMS.
- Develop a mechanism with CMS for the centralized billing of Medicaid compensable services.
- Create outreach procedures to ensure that families enrolled into Early Steps are informed about the advantages of enrolling their child in the CMS program.

Bibliography

World Health Organization's Commission on the Social Determinants of Health, (2007). *Early child development: A powerful equalizer*. Accessed January 6, 2011, at:
http://www.who.int/social_determinants/resources/ecd_kn_report_07_2007.pdf

Talking Points --- Early Steps and Medicaid Reform

Key Principles of Early Steps

- Early Steps is a Part C program authorized and regulated under the Individuals with Disabilities Education Act (IDEA).
- The program's efficacy is based upon the provision of services through family centered, coordinated teams of early interventionists and therapists trained to work with young children and their families.
- The services are geared to strengthening the families' capacity to address their children's unique developmental needs.
- Services are rendered in the families' natural environments and integrated in the families day to day routines.
- Services are recommended and approved through a family/team assessment and planning process which results in services authorized on the Individualized Family Support Plan (IFSP)

Early Steps Financing

- Early Steps relies primarily on federal and state appropriations to the Department of Health, and Medicaid to fund child and family services.
- Medicaid funds individual services for the children such as physical, occupational, speech and mental health therapies for the children, Early Intervention services specifically designed for children in Early Steps and Targeted Case Management.
- Early Steps authorizes and manages the services under the *Medicaid Early Intervention Services Coverage and Limitations Handbook* and Targeted Case Management that are funded through Medicaid.

Issues

- The Early Steps program has been paying for a substantial amount of Medicaid compensable services for Medicaid eligible children because Early Steps providers have not been successful in billing Medicaid for the services. There are several factors that contribute to this problem:
 - Medicaid does not specifically state in the Medicaid requirements that IFSP is the authorizing document for state plan services covered by the managed care plans and that the IFSP development process is the formal method to determine medical necessity.
 - Managed care organizations are often unfamiliar with Early Steps and do not have an adequate number of staff to participate in the IFSP development process so they are uninvolved in service selection and approval. Therefore, their decisions

to approve, deny and/or set limits on services are not based upon the IFSP process.

- Managed care organizations are not required to enroll the therapists that are selected to work with Early Steps and are part of the Early Steps teams.
- The expansion of Medicaid Reform may result in additional services being covered by the managed care plans. Stakeholders are concerned that the special early intervention program and targeted case management services provided only to Early Steps enrolled children would be included in all the managed care organizations. This would make it impossible to continue to operate the program in accordance with federal mandates.
- Children's Medical Services (CMS) Network which has the potential to manage care for children in Early Steps but families receiving services from Early Steps may not realize that if the child is Medicaid eligible, the child is eligible for the CMS Network.

Solution

- The CMS Network is an experienced managed care program that is able to manage Medicaid services needed by children in Early Steps such as the therapies and early childhood mental health services.
- All families with children found eligible for Early Steps and who are Medicaid eligible should be informed about their choice to enroll in the specialized CMS Network.
- For children enrolled in other health plans, the CMS Network should receive a per member per month capitation for general Medicaid services (the families' managed care plan would not be responsible for providing these types of services while the child was in Early Steps but would provide all the other covered Medicaid services under the plan). CMS should manage these funds for Early Steps and ensure that the funds are available for the appropriate provision of therapeutic services within the Early Steps model of service delivery.
- The CMS Network should receive a per member per month capitation payment for the Early Intervention and Targeted Case Management Services for all Medicaid enrolled children in Early Steps. These funds would be available for children enrolled in the CMS Network and those enrolled in other health plans. The child would not be required to be enrolled in the CMS Network to receive these services.
- CMS Network should coordinate the provision of these services through family centered teams with Early Steps.

Something New for Families



State of Florida
Department of Education

The goal of early intervention and preschool programs is to improve the lives of young children, including children with disabilities, and their families. Florida's Department of Health, Children's Medical Services, Bureau of Early Steps, and the Department of Education, Bureau of Exceptional Education and Student Services, want to make sure that we are providing high quality programs. One way for us to know whether our programs are making a difference is to measure the progress that children make during their time in these programs. Another way is obtain input from families. We want to tell you about how we will be collecting this information.

How will we measure children's progress?

We will assess every child in the Early Steps program and in the school districts' preschool programs for children with disabilities. We will use an assessment called the Battelle Developmental Inventory, 2nd Edition (BDI-2).

What does the BDI-2 measure?

It measures children's social skills, communication skills, motor skills, cognitive/thinking skills, and self-help skills.

When will this happen?

We will assess children when they begin one of the programs and again when they leave the program.

How will we gather information from families?

We will ask families to fill out a survey.

How will we use this information?

We will report overall information on children's progress and family input to the federal government, to local programs, and to the public. This information helps federal, state, and local agencies determine how effective our programs are and how they can be improved. We will not report information on any individual child or family.

Where can families get more information on program quality?

Every year, information on Early Steps and on the school districts' programs is put in a report called the *Annual Performance Report*. These reports are posted on the following Web sites:

- The Early Steps Web site at <http://www.cms-kids.com/earlysteps/reports/index.html>
- The Department of Education Web site at <http://www.fldoe.org/ese/>

Where can families find local contact information?

Local Early Steps

<http://www.cms-kids.com/contact/earlysteps.pdf>

School District Prekindergarten Program for Children with Disabilities

<http://www.fldoe.org/ese/pdf/Pre-K%2007-08.pdf>

Early Steps Promo Orders 2011 with Shipping Info

LES	Contact	Address	PENCILS	STICKERS
Western Panhandle	Penny Geiger	Sacred Heart Hospital, 5150 Bayou Blvd., Suite 1-N, Pensacola, FL 32503	1250	2,000
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