



**DDSN FY21/22 Budget Presentation  
to  
Healthcare Subcommittee of the  
Ways and Means Committee,  
South Carolina House of Representatives**

**January 19, 2021  
Mary Poole, State Director**

# Key Officials

- Mary Poole – State Director
- Pat Maley – Deputy State Director
- Chris Clark – Chief Financial Officer
- Nancy Rumbaugh – Budget Director
- Kimberly McLeod – Legislative Affairs Officer

# DDSN Mission Overview

- DDSN currently has 38,215 individuals with intellectual disabilities, autism, head & spinal cord injuries, and related disabilities eligible for services.
- DDSN's FY20 \$710 million expenditures provided services to 21,126 consumers through a variety of resource mechanisms:
  - ❑ Medicaid At-Home Waivers (8,242);
  - ❑ Medicaid Residential Waivers (3,934);
  - ❑ Medicaid Community Intermediate Care Facilities (474);
  - ❑ Medicaid Regional Center Intermediate Care Facilities (658);
  - ❑ State funded equivalent Waiver services (282);
  - ❑ Early Intervention (3,474); and
  - ❑ State Funded Family Support (4,062).
- DDSN's \$710 million in annual expenditures were for:
  - ❑ Contracted services (DSN Board, Private Provider, and Other) (83.5%),
  - ❑ DDSN operated Regional Center Intermediate Care Facilities (14%),
  - ❑ DDSN operated Autism residential homes (0.2%), and
  - ❑ DDSN's overhead (2.3%).
- Inasmuch as Medicaid Waivers are not a Medicaid entitlement service, DDSN maintains a waiting list for each specific Waiver which are: Intellectual Disabilities/Related Disabilities (4.8 years); Community Supports (3.2 years); and Head and Spinal Cord Injuries (started waiting list in November 2020).

# DDSN Continues to Operate in a High Change Environment

- Senate’s and House’s FY18 legislative oversight performance reviews suggested DDSN move away from its tendency to manage providers as if extensions of DDSN and towards promoting provider competition to benefit from market forces. A key component was moving away from the current capitated “Band” payment system and to a transparent fee-for-service payment model, which is well underway.
- DDSN historically plagued by stakeholder friction due to lack of transparency, problematic processes, and reactive management. DDSN is proactively addressing agency-wide issues through a continuous improvement effort (see recent Accountability Reports).
- DDSN financial health is improving due to extensive efforts to maximize Medicaid revenues and lower costs.
  - ❑ In FY20, DDSN reversed many years of DDSN generating operational losses [FY17 (-\$14 million); FY18 (-\$10.2 million); FY19 (-\$4.1 million)] by ending FY20 with a positive operational surplus of \$3.8 million. The net change in FY20 from FY19 was \$12.3 million surplus after factoring in timing of liability changes between FYs.
  - ❑ Despite our efforts, DDSN is still not in a healthy financial position. Issues include inadequate reserves to run an agency operating Medicaid programs. Cash reserves are needed to address fluctuating revenue flows and unexpected expenses (e.g., SCDHHS unfunded rate increases). Additionally, we have current contingent liabilities in the form of 8 years of one-way cost reports yet to be settled; 4 years of potential unpaid CMS recoupments; and 868 legislatively funded Waiver slots not yet awarded.
  - ❑ The increased FMAP (6.2%) will help in the short-term, but it is not a long-term solution – rate increases to further maximize Medicaid match are needed.

# FY21/22 Budget Summary

Priority	Description of Agency Need	State Funds Medicaid Total
1	<u>Residential Service Rate Increase:</u> The SCDHHS rate study (Mercer Report) recommended a residential market rate increase estimated at \$31.9 million (12.3% increase). DDSN's \$10 million request is a conservative amount to start to close this funding gap. DDSN anticipates using DDSN's current unmatched costs in the DDSN delivery system to justify an additional \$10 million residential rate increase request to SCDHHS without the need for additional appropriated state funds. (Recurring)	\$2,900,000 <u>\$7,100,000</u> \$10,000,000
2	<u>State Plan Rate Increases for Three Services Impacting DDSN Waiver Service Costs:</u> SCDHHS increased three state plan fee-for-service rates in FY21 impacting DDSN, which provides the same services. These services (impact) are: Private Duty Nursing (15%; \$3.75 million state funds); Attendant Care (5%, \$1.28 million state funds); and Adult Day Healthcare--Transportation (15%; \$105,000 state funds). Inasmuch as DDSN provides these same services in its Waivers, DDSN will need additional funding to support these statewide rate increases. However, based on actual utilization experience for the first four months of FY21 for these services, DDSN downwardly revised SCDHHS's projections to \$1.5 million state; \$3.5 million Medicaid; and \$5.0 million total for FY22. (Recurring)	\$5,135,000 <u>\$12,525,000</u> \$17,660,000
3	<u>Appropriation Transfer from DHHS for First Filled Slots:</u> The \$1,808,437 state funds requested is SCDHHS's estimate of recurring state funds needed for DDSN to pay the state match for new Waiver consumers' medical state plan costs beginning in FY 22. This is an annual recurring appropriation transfer between SCDHHS and DDSN, which has recently been integrated into the annual budget appropriation request. (Recurring)	\$1,808,437 <u>\$4,391,210</u> \$6,199,647
4	<u>Respite Service Rate Increase:</u> Respite is a highly valued and sought after service, but DDSN's Respite Program has inefficiencies and access problems. DDSN proposes raising the Respite rate from \$12.69 to \$15.41, which will increase participation by local providers and Boards to generate increased assess and consumer choice; reduce Medicaid recoupment/compliance risk to maintain training and employment standards; ease access logistics for families; and removes consumers' civil liability risk currently existing in family directed respite. (Recurring)	\$2,090,000 <u>\$5,083,733</u> \$7,173,733
5	<u>Early Intervention (EI) Utilization Increase:</u> DDSN anticipates a conservative 13% increase in FY22 utilization due to serving an increase in consumers (ages 3-6). Absent an increase in funding, DDSN anticipates EI Program changes to keep funding at the FY20 level. DDSN has absorbed the past three FYs' increases in consumers and utilization from its base funding, which were 18% (FY18), 30% (FY19) and 8% (FY20). (Recurring)	\$ 755,000 <u>\$1,018,035</u> \$1,773,035
6	<u>Increase and Improve Access to Residential Supports:</u> FY20 ended with 76 individuals with disabilities on its Critical Needs List with a 158 days average time pending of the list. This request will provide necessary residential supports and services to 28 individuals with specialized needs, who are the most difficult to place from the Critical Needs List with an average time pending of 327 days. (Recurring)	\$ 807,312 <u>\$1,964,100</u> \$2,771,412
7	<u>HASCI Waiver Slots Utilization Increase:</u> DDSN needs 43 new HASCI Waiver slots to meet FY22 anticipated consumer needs. (Recurring)	\$ 430,000 <u>\$1,046,141</u> \$1,476,141
8	<u>Electrical Grid – Coastal Center:</u> This 53 year-old system requires replacement. This capital issue has escalated in priority due to the increasing risk of a catastrophic failure during a wide spread power outage inasmuch as DDSN's reliance on contractors, rather than Dominion Electric, for repair services. (Non-Recurring)	\$1,500,000 \$0 \$1,500,000
9	<u>South Carolina Genomic Medicine Initiative:</u> This initiative will combine clinical care, a "multi-omics" technological approach and big data/machine learning to create a powerful, and unique resource serving patients, healthcare providers, and state agencies. This is the second annual \$2 million request in a five year plan to fund this project with \$10 million from the State. (Non-Recurring)	\$2,000,000 \$0 \$2,000,000
10	<u>Greenwood Genetic Center Base Budget Increase:</u> SCDDSN has been supplementing the GGC funding with its own general state appropriations in excess of the appropriations it receives for GGC programs (\$4,934,000) and can no longer afford to do so. Contracts were restructured to bring state funding in line with the amount provided. This resulted in a decrease in funding to GGC. Requesting an increase in recurring base appropriation. (Recurring)	\$ 750,000 \$0 \$ 750,000
<b>Total Funds Requested</b>		\$18,175,749 <u>\$33,128,219</u> \$51,303,968

# 1. Residential Service Rate Increase - \$2.9 M

(recurring)

- SCDHHS's rate study report (Mercer Report) indicated DDSN's residential rates were too low and an increase was justified.
- DDSN proposes a strategy of raising rates in a 2-3 year plan coordinated with SCDHHS.
- \$2.9 million dollars in new state funds along the Medicaid match will generate a first year \$10 million dollar system-wide increase.
- There is excess cost currently in the delivery system to justify a \$10 million residential rate increase without additional appropriations, but this effort has stalled.

## 2. State Plan Rate Increases for Three Services Impacting DDSN Waiver Service Costs- \$5.135 M

(recurring)

- SCDHHS increased three state plan and Waiver service rates for private duty nursing, Adult Day Healthcare transportation, and attendant care; all were fully implemented on 7/1/20. SCDHHS's estimated rate increase impact on DDSN was as follows:
  - ❑ An increase of 15% to private duty nursing will generate an estimated 100% increase in utilization.
  - ❑ Adult day healthcare transportation rate to increase 15%, which is estimated to increase utilization by 30%.
  - ❑ Attendant care rate to increase by 5% which will generate an estimated 10% increase in utilization.
- SCDHHS projected DDSN's increased costs at \$5,135,000 state funds, \$12,465,000 Medicaid match, and \$17,600,000 total. However, based on actual utilization experience for the first four months of FY21 for these services, DDSN downwardly revised SCDHHS's projections for FY21/22 to \$1.5 million state; \$3.5 million Medicaid; and \$5.0 million total. The utilization of these services continues to be subject to the course of COVID. We will continue to monitor service levels as COVID dissipates. (Recurring)

### 3. Appropriation Transfer for First Filled Slots - \$1.8 M

(recurring)

- Each FY SCDHHS provides DDSN with an estimated state fund base increase for each new Waiver individual to pay for their Medicaid medical state plan costs.
- The \$1.8 million is composed of \$1 million and \$800,000 requests not appropriated for FY 21/22 and FY20/21, respectively. SCDHHS paid DDSN \$800,000 in “one-year” money for FY20/21, but SCDHHS needs to transfer a like amount in FY21/22 recurring funds to adjust its base appropriation.

# 4. Respite Service Rate Increase- \$2.09 M

(recurring)

- Respite is a highly valued and sought after service, but DDSN's Respite Program has inefficiencies and access problems. Consumers were authorized \$29.9 million in needs-based respite, yet consumers only used \$19.4 million in services (65%). Consumer utilization is hindered because a large majority of Respite providers and DSN Boards exited providing this service due to the low rate (mandatory caregiver rate without adequate additional revenue for overhead) and high risk (worker's comp & civil liability).
- Waiver individuals and their families, by default, had to overly rely on taking on the role of employer for Respite caregivers. This model works for some, but it can be inefficient for many others due to high Respite caregiver turnover; reliance on finding their own caregivers; and caregiver training and background checks must be coordinated through a remote third party Internet vendor. Further, this consumer employer model shifts caregiver civil liability risks to Waiver individuals and their families.
- DDSN proposes raising the hourly unit rate from \$12.69 to \$15.41. The increase is required to pay a minimum \$12.00/hour rate to the caregiver, employment taxes, adequate risk insurance, provider costs, and a fair equity return. An increase in participation by local providers and DSN Boards generates increased consumer choice; reduces compliance risk to maintain training and employment standards; and eases access logistics for families.

# 5. Early Intervention Services for Three to Six Year Old Children - \$755 K

(Recurring)

- The explosive growth of the SCDHHS BabyNet program feeds directly into DDSN's age 3-6 Early Intervention services.
- DDSN has absorbed the past 4 years of increased costs due to increases in the number of consumers served and the increased utilization from its base funding, FY17-13%, FY18-18%, FY 19-30%, and FY20-8%.
- DDSN cannot maintain current services in this popular program without obtaining additional funding to support the increases we continue to experience.
- A \$755,000 dollar increase in state funds will allow DDSN to increase funding by \$1.77 million with a Medicaid match. It will meet the estimated FY22 program expansion and address unfunded increases over the past several FYs.

# 6. Increase and Improve Access to Residential Supports- \$807 K

(Recurring)

- An increase of \$807,312 will allow DDSN to develop residential care options for 28 individuals in high need categories, including 8 with Traumatic Brain Injuries, 8 Autistic youth, 8 requiring high/intensive staffing levels, and a new initiative with the Department of Mental Health to serve 4 high management dually diagnosed individuals.
- At the end of FY20, DDSN had 76 individuals on its Critical Needs List (CNL) awaiting residential services with an average wait time for placement of 158 days. Recently (12/31/20), the CNL had an unusual decrease to 41 individuals with a wait time of 96 days due to the extended impact of COVID-19 deterring interest in congregate residential settings. Despite these changes, DDSN has identified persons with unique needs that require residential placement development specifically designed to serve them.

# 7. HASCI Waiver Slots - \$430 K

(Recurring)

- DDSN started FY21 with 50 funded HASCI Waiver slots available. These slots have all been awarded at this time, which required us to start a waiting list in November 2020.
- The \$430,000 in state funds will permit funding 43 new HASCI Waiver slots to address the waiting list and hopefully sustain the agency throughout FY22.

# 8. Electric Grid for Coastal Center - \$1.5 M

(Non-Recurring Capital)

- DDSN owns and operates the Electrical Grid at Coastal Center. This system is 54 years old and is non-compliant with Dominion Electric of SC specifications.
- The current condition creates the possibility of a catastrophic power failure at the Coastal Regional Campus.
- The \$1.5 million capital request is a complete replacement of the outdated system.

# 9. SC Genomic Medicine Initiative, GGC - \$2.0 M

(Non-Recurring)

- This Genomic Medicine Initiative will combine clinical care, a “multi-omics” technological approach, and big data/machine learning to create a powerful and unique resource serving patients, healthcare providers, and state agencies. This bold initiative is being pursued to significantly increase the diagnostic yield for individuals with intellectual disabilities and autism, with the ultimate goal of providing information necessary to provide personalized and precise medical treatment and management for patients with disabilities and autism.
- The request of \$2,000,000 non-recurring state funds is in conjunction with funds from the private sector.
- This would be the third \$2,000,000 investment in a projected five year plan. It should be noted, GGC’s FY21 \$2,000,000 request is still pending.

# 10. Greenwood Genetic Center Base Budget Increase- \$750 K (Recurring)

- This increase will support the Greenwood Genetic Center (GGC) to provide metabolic disorders curative treatment, genetic services, and testing to uninsured and under-insured patients in SC.
- GGC and DDSN underwent contract restructuring during FY21 to properly account for how Medicaid matches GGC expenditures, which reduced GGC's contract revenue by over \$3 million. DDSN has been supplementing GGC's legislatively dedicated state funding with its own state appropriation and can no longer afford to do so.
- GGC is expecting to recover some of this \$3 million contract reduction through increased Medicaid matched billable activities.

# Proviso Requests

- DDSN has no new proviso requests this year.

Questions?

Thank You!