



Early Steps Has Revised Reimbursement Rates But Needs to Assess Impact of Expanded Outreach on Child Participation

at a glance

In response to our 2006 report, the Department of Health has implemented a new provider rate structure for the Early Steps Program. The department also plans to implement a family cost-sharing system as part of a project to use a third-party administrator for billing. The department has modified its area office contracts to include data timeliness and provider monitoring standards. However, the department has not yet implemented sanctions for noncompliance with data entry timeframes and the monitoring requirements are not sufficient to ensure that providers are adequately monitored.

Despite efforts to better maximize federal funding, the program continues to accrue unspent federal funds due to differences between budget authority and federal grant amounts and a decline in child participation. The department has attempted to increase participation through revised provider rates and increased public outreach, and needs to assess the outcomes of its outreach efforts.

Scope

In accordance with state law, this progress report informs the Legislature of actions taken by the Department of Health in response to a 2006 OPPAGA report.^{1,2} This report presents our assessment of the extent to which the department's Early Steps Program has addressed the findings and recommendations included in our last report.

¹ Section 11.51(6), *F.S.*

² *Early Steps Faces Service Challenges; Has Not Used All Available Federal Funds*, [OPPAGA Report No. 06-14](#), February 2006.

Background

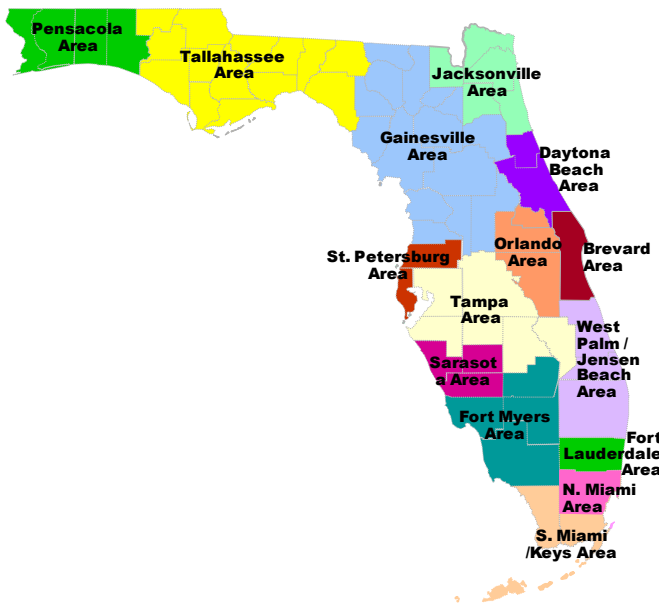
The Early Steps Program provides services to families with infants and toddlers from birth to three years of age who have developmental delays or disabilities.³ Part C of the federal Individuals with Disabilities Education Act (IDEA) governs Florida's Early Steps Program. The federal government provides grants to assist states in providing early intervention services.⁴ The program is an entitlement for every eligible child and has no financial eligibility requirements.

Children's Medical Services within the Department of Health administers Florida's Early Steps Program. The department contracts with hospitals, universities, and non-profit organizations, such as the Children's Home Society, to function as area offices in 15 areas across the state (see Exhibit 1). The department acts as the contract administrator for the area offices and monitors compliance with federal regulations, state policies, and contract requirements, and provides technical assistance and training. Area offices provide evaluations, assessments, and some early intervention services, but coordinate the majority of early intervention services through local community providers.

³ Early intervention services include case management; health services; medical services (for diagnostic/evaluation purposes); nursing services; nutritional services; psychological services; hearing services; physical, speech, and occupational therapy; and social services.

⁴ 34 *Code of Federal Regulations* Part 303.

**Exhibit 1
Early Steps Is Administered Through 15 Area Offices**



Source: Florida Department of Health, Early Steps Program.

Current Status

The program has addressed our recommendations to revise its provider rate structure and is in the process of developing a family cost-sharing system and contractual sanctions for failure to comply with data quality requirements. The program has not addressed our recommendations to establish specific standards for the frequency and intensity of provider monitoring. Despite efforts to better align its budget authority with available federal funds, the program’s accumulation of unspent federal funds has increased due to differences between budget authority and federal grant amounts and a decline in child participation.

The Early Steps Program revised its provider rate structure to reflect the natural environment service system

As recommended in our 2006 report, the program has implemented a new provider rate structure to reimburse providers for costs associated with its new service model.⁵ As noted in our prior report, the federal government has required state programs to shift from a clinically based approach to a natural environment service model in which providers

⁵ The program used a workgroup composed of state program office staff, area office staff, and a family representative to develop the new rate structure.

primarily serve children in their homes.⁶ The natural environment model requires significantly more travel than a clinically based approach and thus reduces the number of children a provider can serve each day. Also, the program implemented the new service model using a team approach in which a lead service provider would provide services in consultation with other providers. The program’s rate structure did not reimburse providers for having to serve children individually in their homes and the additional time for consulting with other providers on the team, which contributed to a decline in provider participation.

The program implemented a new rate structure in July 2007 that addressed provider concerns with the team approach to providing services in natural environments. The new rate structure reimburses providers for consultation among providers that are part of a child’s service team. The revised rate structure also addressed the wide variation among the area offices in travel reimbursement practices that was occurring at the time of our prior report. Currently, 11 of the 15 area offices reimburse providers 50 cents per minute of travel time.⁷ The program has not yet determined whether the revised rate structure has improved provider participation.

The Early Steps Program plans to implement a family cost-sharing system

Our 2006 report recommended that the Early Steps Program determine the feasibility of implementing a cost-sharing system in which parents contribute toward their children’s care if they can afford to do so.⁸ In response, the program researched other states’ experiences and concluded that family cost-sharing systems were typically revenue neutral and that the effect on child participation rates was mixed.⁹

In July 2007, the Department of Health began a project to outsource the billing system for the entire Children’s Medical Services program to a third-party administrator. As part of this project, the third-party administrator is to develop and manage a family cost-

⁶ The federal program has directed states to use the natural environment model since its inception, but Florida did not implement this approach until July 2004.

⁷ For the four remaining area offices, three offices have higher travel reimbursement rates, because they have historically paid providers more than 50 cents per minute, and one area office pays a flat rate that is less than 50 cents per minute because reimbursing based on travel time would create fiscal constraints.

⁸ Under a family cost-sharing system, families pay premiums for services according to a sliding-fee scale based on family income.

⁹ While recommended in the 2006 report, the program did not report its findings of this research to the Legislature.

sharing system for the Early Steps Program. In Fiscal Year 2007-08, the department updated its billing system to prepare for outsourcing. However, the Legislature did not approve its plan to issue an invitation to negotiate for a third-party administrator during Fiscal Year 2008-09. The department plans to request legislative approval to pursue outsourcing in Fiscal Year 2009-10.¹⁰

The program implemented timeliness standards for data entry but has not established penalties for noncompliance

Our prior report noted that substantial data problems hindered the department's ability to oversee the area program offices. For example, data on children's functional status was missing for 97% of client records in the program's database, preventing the program from determining the percentage of children who improved after receiving services. Similarly, the program reported that in Fiscal Year 2003-04, 20% of the client data was not entered in a timely manner and 32% was not accurate.

To address this problem, the program added a timeliness standard to area office contracts in July 2007. While the program had established this timeliness standard for area offices in Fiscal Year 2005-06, it did not previously include this requirement in area office contracts. During Fiscal Year 2006-07, the most recent year for which data is available, all but one of the area offices met the standard of submitting at least 90% of service data within 60 days after the end of the month in which services were provided.

However, the program has yet to implement our recommendation to contractually establish penalties for area offices that do not comply with the standard. Program managers told us that they are in the process of developing a sanctioning system for addressing failures to comply with federal reporting and area office contract standards, and they expect to implement sanctions by February 2009.

The program continues to lack provider monitoring standards

Our 2006 report noted wide variation in the processes that area offices used to monitor providers and recommended that the program modify its contracts with area offices to include minimum monitoring requirements. At the same time, the program began a federal performance initiative that requires each area

office to submit a report based on performance measures to the Tallahassee program office.¹¹ While this initiative included measures to track provider performance at the local level, it did not include some important aspects of provider monitoring. For example, the federal measures do not assess whether providers maintain required documents in client case files, comply with billing guidelines, or adequately train their staff.

Consistent with our recommendations to improve oversight, the program has modified the area office contracts to require the offices to submit monitoring plans at the beginning of each fiscal year and report on monitoring activities at the end of the year. However, the program has not established specific monitoring standards or reporting guidelines to address our concern about the wide variation in how the area offices monitor providers. Area offices may choose the method and frequency of their monitoring. As a result, information reported by the area offices is not comparable and varies in the extent to which it informs the central office about providers' performance and compliance with contract requirements.

To ensure that area offices adequately monitor providers, we continue to recommend that the department establish specific standards governing the frequency and intensity of provider monitoring activities in the area office contracts. To streamline area office responsibilities, the program could consider incorporating reporting requirements for provider monitoring into the federal performance reports.

Despite efforts, unspent federal funds have increased

Our 2006 report noted that because the Early Steps federal grant award exceeded the program's budget authority in Fiscal Years 2004-05 and 2005-06, the program had accumulated unspent federal funds. However, at the same time, some area offices were experiencing budget deficits. To address this problem, the program has requested increased budget authority to avoid accumulating unspent federal funds. The department requested an increase in recurring funds in Fiscal Year 2007-08 for \$1.6 million and an increase of \$3 million in non-recurring funds for Fiscal Year 2008-09. The Legislature appropriated both of the requests with non-recurring funds. The department also requested and received an additional \$3.1 million in budget authority from the Legislative Budget Commission during Fiscal Years 2005-06.

¹⁰ The Legislature's Technology Review Workgroup recommended that the Legislature not approve the department's request to outsource the billing system, citing insufficient justification for the expenses that would be incurred.

¹¹ The initiative includes 14 measures for a range of areas from child-level data to system-wide performance.

Despite these increases, the program is still experiencing difficulty in aligning its expenditures to available federal funding because the number of children the program serves has declined. As shown in Exhibit 2, the amount of unspent federal funds has increased from \$2.9 million in Fiscal Year 2005-06 to \$5.5 million in Fiscal Year 2007-08.¹² The program has difficulty spending its federal funds because the number of children with active care plans has declined. The number of children birth to three-years old with active care plans has declined from 14,719 in Fiscal Year 2003-04 to 11,691 children in Fiscal Year 2007-08.

**Exhibit 2
The Early Steps Program’s Unspent Federal Funds Increased to \$5.5 Million in Fiscal Year 2007-08, While the Child Participation Rate Has Declined¹**

	Fiscal Year		
	2005-06	2006-07	2007-08
Federal grant award	\$22,136,190	\$22,138,291	\$22,723,694
Unspent federal cash reserves	2,879,161	2,324,741	5,466,398
Total federal funds	\$25,015,351	\$24,463,032	\$28,190,092
Total budget authority	\$23,973,748	\$22,337,867	\$23,275,627
Number of children (birth to 3 years old) with active case plans ²	12,037	11,468	11,691

¹This exhibit displays the federal Part C grant award figures.

²In accordance with federal requirements, the program calculates the number of children with active care plans on one day in the fiscal year, and thus this number does not reflect the total number of children served at various times during the year.

Source: OPPAGA analysis of Department of Health documents.

Program administrators identified two reasons for the decline in the number of children served. First, the program is using more sensitive evaluation

¹²According to program managers, the federal government has not required the state to return unspent federal funds.

instruments that have resulted in deeming fewer children as eligible for services. As a result, the percentage of assessed children that were found to be ineligible increased from 15.65% in Fiscal Year 2004-05 to 19.77% in Fiscal Year 2006-07. Second, administrators hypothesize that some families may not have liked the switch to the natural environment service model and used other resources to pay for services.

The program is addressing declines in child participation by revising provider rates and developing marketing strategies to increase public awareness of the program. As discussed earlier, the program revised its provider reimbursement rates in July 2007. This should encourage provider participation and willingness to refer more children to the program. The program also completed an analysis of the referral sources for children referred in Fiscal Years 2005-06 and 2006-07, which found a decrease in referrals from neonatal intensive care units and families who contact the program on their own initiative. To increase public awareness, the program has conducted outreach activities such as making presentations to provider associations and distributing materials to area offices to assist in annual public awareness campaigns. In June 2008, the program sent materials to birth hospitals to include in newborn information packets. The program is using a comprehensive statewide marketing plan that continues through 2010.

Despite a slight increase in the number of children with active care plans from Fiscal Year 2006-07 to Fiscal Year 2007-08, child participation rates have still declined significantly over the past three years. Given this situation, the program should evaluate the effectiveness of its outreach activities in increasing child participation rates.

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

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