



February 24, 2009

**The California State Legislature has just passed a budget requiring devastating cuts to services for people with developmental disabilities.**

**YOUR SERVICES ARE IN JEOPARDY!**

Very simply, the major cuts are:

- A 3% funding cut to all Regional Centers and all Regional Center-funded programs, scheduled to start on 3-1-09. This funding cut will impact every community program.
- An additional state-wide cut of \$100 million. The State Department of Developmental Services, working with stakeholders, must find ways to save this \$100 million. How this is to be done is not yet determined. But if a way is not found, the rates paid to community programs will be reduced by an additional 7.1% on September 1, 2009.

The 3% cut will be very, very difficult for local agencies to absorb. An additional 7.1% cut simply could not be managed. We must prevent this additional cut from happening.

Stakeholder Meetings are being held to ask for your input on how the cuts should be made. There will be one in **Oakland on Friday, February 27** from 3:30 until 6:30 at the State Building, 1515 Clay Street. There will be one in **Los Angeles on Monday March 2** from 1:00 until 4:00 at the Ronald Reagan State Building, 300 South Spring Street. Visit [www.dds.ca.gov](http://www.dds.ca.gov) for more information or call a local agency, Regional Center or Area Board. If you care about your services attend these meetings, whether you speak or not.

This document has been prepared to help you understand the magnitude of the crisis and the options we face.

**Let Your Voice Be Heard!**

We recommend that you read this entire document, but we understand that some of you may want to just see our suggestions for testimony at the stakeholder meetings. If you need more information about the suggestions, you will find it later in this document.

In your testimony as a stakeholder you may want to consider supporting these 3 suggestions:

1. Fully utilize every currently available method for bringing more federal money into the system.
2. Assure that whatever reductions are made are done in a way that involves all 4 parts of the system:
  - a. State Developmental Centers,
  - b. State Department of Developmental Services,
  - c. Regional Center Operations, and
  - d. Regional Center Purchase of Services – these are the funds that flow to Community Service Providers.
3. Given the many cuts already absorbed by the community service system and the much greater financial strength of the State Developmental Centers, achieve the \$100 million savings by reducing the budgets of the Developmental Centers. Given their long history of stable funding, the Centers are in a better position to absorb the reduction without jeopardizing the health and safety of consumers.

Many family members have asked for more information to better understand the issues involved in this crisis and the options that have been suggested.

This document is an effort to provide some information about these complex issues in a clear and relatively simple way. 4 topics are covered:

1. Basics about the system.
2. Dangers to Avoid
3. How the Money Flows
3. Ideas about how cuts could be made.

### **Basics about the developmental disabilities system.**

California's system of services for people with developmental disabilities is the only system in the United States where every person is legally entitled to the services they need. This entitlement is established by law in the "Lanterman Act" which is part of the California Welfare and Institutions Code. The Individual Program Plan (IPP) is the document that identifies the services each person is entitled to. The consumer and family are supposed to have the primary voice in what goes into the IPP.

In other states, the government can decide what services people receive and not everyone gets services. Other states have long waiting lists and people wait for years just to get any services at all.

But California's unique entitlement has created a financial dilemma: since every person with a developmental disability is entitled to services, and about 10,000 new people are eligible for services each year, the cost to the state continues to go up, even in years when state revenues are down.

The state tries to honor the entitlement, but it is difficult to do so when the budget is tight. So the state tries to cut costs by

reducing funding for various parts of the system. The system has 4 main parts:

1. State Developmental Centers - these are 4 large and 2 small institutions operated directly by the State, formerly referred to as “state hospitals.”

2. Regional Centers - California has 21 regional centers around the state. Regional Centers have two cost centers:

a. Operations - including case management services and administrative functions. Regional Centers are responsible for determining eligibility for services, for providing case management (your case managers) and for many administrative responsibilities.

b. Purchase of Services (POS)- Regional Centers purchase the services included in the individual's IPP. Most of the services are purchased from local community provider agencies.

3. Department of Developmental Services (DDS) - this is the state department in Sacramento that oversees the State Developmental Centers and the Regional Centers.

4. Community Service Providers - These are the local agencies providing direct services in the community. Regional Centers purchase these services with purchase-of-service (POS) dollars. The funds are used to pay for the direct service staff and the administration of the local agencies.

When the State has to cut back on spending, they have to decide which part of the system will be cut. They can reduce funds to operate the Regional Centers or the State Developmental Centers or the State Department of Developmental Services. Or, they can reduce funds that Regional Centers use to purchase direct services for consumers and families. There are three main ways to reduce the funds used to purchase services:

1. The number of people who are allowed into the system. Costs can be controlled by re-defining eligibility criteria. If the eligibility criteria are tightened, fewer people (mostly children) are eligible for services.
2. The amount of service each person receives. Costs can be controlled by giving each person fewer services.
3. The amount paid to service providers for the services they provide. Costs can be controlled by paying providers less for the services they provide.

### **Dangers to Avoid.**

As the stakeholder process unfolds and as various options to reduce funding are considered, there are several dangers in the process itself that could hurt the system deeply:

#1: Some of the options violate the IPP process more than others. These options could weaken California's precious legal entitlement to services for people with developmental disabilities.

#2: There are some influential people who may try to utilize this fiscal crisis to force the elimination of certain types of services that they do not like. Some may want to eliminate adult day programs or work activity programs because they see them as "segregated." Some may want to eliminate more expensive services such as Supported Living in order to reduce costs. These options are very offensive to the individuals who are currently receiving the services and to those who want them. Such options would cause great disharmony in the community and would be extremely disruptive and damaging to the individuals currently receiving them.

#3: There is a potential for individual Regional Centers to implement cost control measures independently, outside the IPP process, with no appeal rights for consumers and families. This

appears to be happening already in some areas, for example replacing existing programs with other services that are cheaper and less intensive. This will result in a further reduction in service quality and an even greater inconsistency of services from one Regional Center to another than is already the case.

#4: The local agencies providing community services have been underfunded for many years. Many organizations are barely surviving. The impact of each individual option on the overall financial stability of these agencies must be considered carefully in order to avoid the collapse of the community system.

**How the money flows.**

Right now there are about 230,000 children and adults being served by the Department of Developmental Services throughout California. The total budget for the system is around \$4 billion per year. Here is a rough idea of how the money is spent:

	<b>ANNUAL BUDGET</b>	<b># OF PEOPLE SERVED</b>	<b>AVE. ANNUAL COST PER PERSON SERVED</b>
<b>Department of Developmental Services</b>	\$30 Million	No Direct Services	N/A
<b>State Development Centers</b>	\$700 Million	Direct services for 2,700	\$270,000
<b>Regional Center Operations</b>	\$500 Million	Provide Case management for 227,000	N/A
<b>Community Service Providers</b>	\$3.2 Billion	Direct services for 227,000	\$14,000 (varies depending on how average is calculated)

When looking at the chart above it is helpful to remember these things:

California's spending per person on individuals with developmental disabilities in the community (that is, those not in the developmental centers) is much lower than in other states.

- Using the measure of "spending per \$1000 of state personal income", out of the 50 states, California ranks 34<sup>th</sup> in spending per person.
- Using the measure of "amount of federal funds spent per person for people with developmental disabilities", California ranks 48<sup>th</sup> out of the 50 states.

These figures show that California's spending per person in the community is very low, even though California has a much higher cost of living than most other states. The reason why our spending is so low is because we serve everyone who is eligible for services. In other states they only serve some of the people who are eligible while others wait for years on waiting lists.

Remember that in California the amount spent per person in the community varies greatly. The average figure of \$14,000 per person assumes that all eligible consumers are receiving services. But many need only case management and have no services purchased for them. The average can be as high as \$45,000 depending on how it is calculated.

There is a wide range of types of services purchased for individuals in the community. Some people with very great needs are served at a high cost, but many are served at very low costs. Many people have different opinions about whether some services are as important, or as good, as other services. But because of the way California's law is written the IPP has been the place where each individual and family answers these questions for themselves.

For the last 30 years, California has controlled its overall spending by keeping the rates paid to community service providers very low. This has been very difficult for community

service providers and has negatively impacted the quality of services. The biggest challenge for community service providers has been attracting and retaining qualified staff because the low rates result in very low wages.

In recent years, the state has also implemented a wide variety of additional cost control measures for Regional Centers and community service providers that have cut hundreds of millions of dollars and resulted in a badly underfunded, inadequate and unstable community service system. The \$100 million cut now being required will be a devastating additional blow to the community service system.

### **Ideas about how cuts could be made.**

The DDS report called "Controlling Regional Center Costs" lists 23 options for new ways to save money. (You can read the report at [www.dds.ca.gov](http://www.dds.ca.gov)). And there are many other options currently being discussed around the state. Most people agree that the ideas in the report are harmful to people with developmental disabilities and are not desirable.

Most of these options are complex, but there are common themes that run through many of them. Below is a summary of the options grouped into general categories by these common themes. You may want to testify about which of these options are the most or least offensive to you:

1. Tighten the definition of who is eligible for services (limiting the number of people who are allowed into the system).
2. Require families to contribute towards the cost of services using a "sliding scale" to determine how much.
3. Give Regional Center administrators more control over what kind of services will be available in their area or how much service an individual receives.

4. Give Regional Center administrators more control over what services are written into individual IPPs.
5. Put a "cap" on the number of people who can be served in the system. This means establishing waiting lists for services.
6. Require Regional Centers to purchase the lowest cost services available, regardless of the consumer or family's choice of service provider.
7. Reduce the amount paid to families when they arrange for or provide services themselves.
8. Further reduce the amount paid to community service providers for their services.
9. Further reduce the amount of money Regional Centers receive for their operations (e.g., case management).
10. Require more administrative "efficiencies" at Regional Centers and/or consolidate some Regional Center operations functions.
11. Reduce the amount of money the State Department of Developmental Services receives for their operations.
12. Reduce the amount of money the State Developmental Centers receive.
13. Reduce the amount of money that Regional Centers and DDS use for contracted services (e.g., client rights advocacy).
14. Eliminate services that are seen by some policy makers as being outdated.

15. Eliminate services that are seen by some policy makers as being too expensive.

After reading the information in this document you may have other suggestions to offer.

We want to refer you again to suggestions we made on page 2. We believe these are much less harmful than the 15 listed above.

Again, please remember that this situation is unprecedented and critical and it is vitally important for everyone who cares about people with developmental disabilities to participate in this process!