

# *ID/A COALITION*

*THE INTELLECTUAL DISABILITIES AND AUTISM SERVICES COALITION OF PENNSYLVANIA*

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August 16, 2011

The Honorable Gary D. Alexander  
Secretary  
PA Department of Public Welfare  
333 Health & Welfare Building  
P.O. Box 2675  
Harrisburg, PA 17105-2675

Dear Secretary Alexander,

RE: Request for Reconsideration of Prudent Pay Policy for ID Waiver Providers

The Intellectual Disabilities and Autism (IDA) Coalition of statewide advocacy and provider associations representing people with intellectual disabilities is requesting that the recent decision to extend the Department of Public Welfare (DPW)'s "prudent pay" policy to ID home and community-based waiver providers be reversed. The application of a prudent pay policy to the providers of services to people with intellectual disabilities is not in the interests of the Commonwealth and is contrary to the efforts of DPW to eliminate wasteful spending.

Providers of Medicaid waiver services to people with intellectual disabilities have extremely limited cash resources. The cash position of ID service providers is uniquely different and more challenging than all other major groups of Medicaid providers:

- DPW is the only source of revenue for the overwhelming majority of these ID service providers. This circumstance sets these providers apart from hospitals, nursing homes, and physicians who receive payment from Medicare, commercial insurers, and private payers;
- DPW's payment policies, as administered by county mental health and mental retardation agencies for over four decades, denied to providers in a majority of counties in the Commonwealth the opportunity to develop any cash reserves. In Other county MH/MR agencies severely limited the development of cash balances for providers, in accordance with DPW regulations. As a result, the cash position of ID services providers is very different from, and more challenging than, that of providers of almost all other major human services administered by DPW.

The Commonwealth has historically been mindful of the unique cash position of ID service providers. From 1966 through 2009, the Commonwealth recognized the precarious cash position of ID providers through a key provision of the 1966 Mental Health and Mental Retardation (MH/MR) Act that authorized significant state cash advances to counties that were, in turn, made available on a routine basis to the mission-driven, mostly non-profit organizations providing services to people with intellectual disabilities. When DPW replaced county MH/MR agencies as the single payer for ID waiver providers beginning on July 1, 2009, the county-based cash advance system was replaced during FY2010 and 2011 by a DPW policy providing for Medicaid gross adjustments equal to prior years' cash advances received from counties by these providers. You may recall that during our meeting with you this past May, we emphasized the importance of continuing this policy in order to assure the fiscal stability of the ID waiver service system.

The only other source of working capital needed by large and small ID waiver providers to meet payroll and pay other necessary expenses has been bank lines of credit or other short-term borrowing facilities that charge these providers interest rates well above prime rates. Many providers are forced to use all or a substantial portion of their lines of credit for much of each fiscal year.

In recognition of the financial realities of Pennsylvania's community-based system of services for people with intellectual disabilities, prior DPW officials made a determination that in order to assure the financial stability of this particular community human service system, this set of Medicaid waiver providers should be exempt from the Department's prudent pay policies.

The members of the Intellectual Disability and Autism Coalition are therefore troubled by this dramatic change in policy. Without any prior consultation with stakeholders, DPW has decided that reimbursement for services already delivered by these providers be delayed for the foreseeable future by three weeks, beginning with services rendered on or after July 1<sup>st</sup>. It also seems that DPW's policy of providing annual gross adjustments to replace prior county cash advances has been abandoned without any notice or discussion with its private sector stakeholders.

These changes do not support DPW efforts in implementing a new payment system. As you and Deputy Secretary for Developmental Programs Kevin Friel are painfully aware, Pennsylvania's community-based system of services for people with intellectual disabilities is undergoing an extremely challenging and complex transition from county-based program funding to a state-operated fee-for-service payment system. This transition is far from complete, and the risks of service interruption and harm to waiver participants are not insignificant at this point in the process. It is clear that now is not the time to significantly increase these risks by eliminating the cash safety net that has been a key element of the fiscal stability of this service system for decades.

Moreover, the application of a prudent pay policy to ID services is not in the interests of the Commonwealth as a payer for these services. As the implementation of DPW's prudent pay policy forces ID providers to increase their use of bank lines of credit, the Commonwealth is simply replacing the tax-exempt "discount" on cash accessed by the state with cash borrowed by providers at rates of interest almost double the rates available to the state. We believe that a policy that results in millions of dollars of increased interest payments necessary to support the operation of a major state service system unnecessarily wastes taxpayer funds, and should therefore be reversed.

We urge your prompt attention to this matter. We have begun to receive reports that providers are utilizing all of their bank lines of credit and are at risk of being unable to meet payrolls in the coming weeks. We understand that DPW has decided to respond to any provider cash crises on a case-by-case basis. Although we are very appreciative of Deputy Secretary Friel's efforts to assist providers that find themselves in this position by approving requests for gross adjustments, a procedure that requires the continuous personal intervention by the Deputy Secretary to review and process requests for cash advances seems inappropriate in managing a \$2 billion system of services for some of the Commonwealth's most vulnerable citizens. Moreover, we believe that this practice will serve only to maintain providers close to the edge of not meeting their payrolls.

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THE ID/A COALITION CONSISTS OF STATEWIDE ADVOCACY AND PROVIDER ORGANIZATIONS ADVOCATING FOR SERVICES FOR PEOPLE WITH INTELLECTUAL DISABILITIES AND AUTISM IN PENNSYLVANIA.  
FOR ADDITIONAL INFORMATION, CONTACT ANY OF THE ORGANIZATIONS LISTED:

PA ASSOCIATION OF REHABILITATION FACILITIES (717.657.7608)  
PA WAITING LIST CAMPAIGN (877.372.WAIT)

DISABILITY RIGHTS NETWORK (1.800.692.7443)  
PA COMMUNITY PROVIDERS ASSOCIATION (717.364.3280)

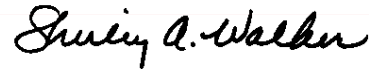
PA ASSOCIATION OF RESOURCES FOR AUTISM AND INTELLECTUAL DISABILITIES (717.236.2374) THE ARC OF PA (717.234.2621)  
UNITED CEREBRAL PALSY OF PA (717.975.0611)

We therefore are asking that in order to maintain the financial stability of the Commonwealth's system of community services for people with intellectual disabilities during this challenging period of transition from county-based program funding to state-operated fee-for-service payment, the community ID waiver providers continue to be exempt from the Department of Public Welfare's "prudent pay" policies.

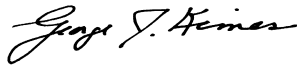
Sincerely yours,



Ilene Shane, Chief Executive Officer  
Disability Rights Network of PA



Shirley A. Walker, President and CEO  
Pennsylvania Association of Resources  
for Autism & Intellectual Disabilities



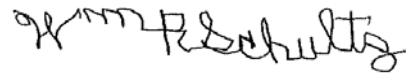
George J. Kimes, Executive Director  
Pennsylvania Community Providers Association



Eugene Bianco, President and CEO  
Pennsylvania Association of  
Rehabilitation Facilities



Maureen Westcott, Public Policy Advocate  
The Arc of Pennsylvania



William R. Schultz, Board President  
United Cerebral Palsy of Pennsylvania

cc. Deputy Secretary Kevin Friel

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