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A Framework for Developing and Sustaining a Part C Finance System

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Introduction

Typically, Federal entitlement statutes reflect a traditional program approach, with separate program funds attached to the legislative intent. The Part C provisions of PL 99-457, the Individuals with Disabilities Education Act (IDEA), however, were envisioned by Congress in an unprecedented manner. Part C legislation was designed to establish an interagency, coordinated system of resources (including finance), supports and services, with financing attached to the legislation that reinforced this approach. Part C funds were uniquely designated to support the development and maintenance of a coordinated infrastructure and “to facilitate the coordination of payment for early intervention services from Federal, state, local and private sources (including public and private insurance coverage).” The financial crisis that faces state lead agencies today is the gap between Congressional intent and current reality.

This paper summarizes the fiscal challenges that this legislation presents and proposes a framework for analyzing, adjusting, and maintaining a flexible and self-regulating finance system to support Part C early intervention services for infants and toddlers and their families. The framework design features four phases of work to help agencies understand the issues and make informed decisions for on-going development and support of a Part C finance system.

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Background:***The Interagency Financing Puzzle***

The intent of a Part C interagency finance system is reflected in the partnerships that Congress identified in the statute and was reinforced in the current regulations.¹ Statutory language included “payor of last resort”² restrictions to ensure that infrastructure dollars not be used to pay for direct services unless all other funding sources have been accessed. Statutory language also included the requirement that there be a single line of responsibility in a lead agency for general administration and supervision of programs and activities³. Language in the regulations establishes the prohibition against supplanting (§303.124) and the designation regarding financial responsibility (§303.143); requires Inter-agency Agreements that define financial responsibility (§303.523); discusses the payor of last resort requirements (§303.527); and specifically assigns the state lead agency with the responsibility for the identification and coordination of resources (§303.522). This last section states:

- (a) *Each lead agency is responsible for –*
- (1) *The identification and coordination of all available resources for early intervention services within the State, including those from Federal, State, local and private sources; and*
 - (2) *Updating the information on the funding sources in paragraph (a)(1) of this section, if a legislative or policy change is made under any of those sources.*
- (b) *The Federal funding sources in paragraph (a)(1) of this section includes –*
- (1) *Title V of the Social Security Act (relating to Maternal and Child Health);*

- (2) *Title XIX of the Social Security Act (relating to the general Medicaid Program, and EPSDT);*
- (3) *The Head Start Act;*
- (4) *Parts B and H (now C) of the Act;*
- (5) *The Developmental Disabilities Assistance and Bill of Rights Act (PL 94-103); and*
- (6) *Other Federal programs.*

The “other Federal programs” include a variety of existing and future programs (such as Title XXI State Children’s Health Insurance Program, known as S-CHIP) that were not on the landscape when Part C was written. Title IV Child Welfare of the Social Security Act is not specifically mentioned in the statute or regulations but has been a funding source for several states, depending on their eligibility criteria (Shackelford, 2006) and the role that child protective services/foster care plays for potentially eligible children. It is also the only true “uncapped” Federal entitlement program that continues to exist, although the opportunity to access Title IV has become more restricted.

Because of the family nature of Part C, local partnerships have extended to: community supports; faith-based supports; child care; Women, Infants and Children (WIC); food stamps; housing; migrant services; and mental health services among others. The variety and extent of partnerships vary from state to state and community to community. In addition, the 2003 Child Abuse Prevention and Treatment Act (CAPTA) required that states that receive CAPTA funds develop provisions and procedures for the referral of a child under the age of 3 who is involved in a substantiated case of abuse or neglect to Early Intervention Services funded under Part C of IDEA. This important piece of legislation requires that a state’s Department of Social Services work in collaboration with the lead agency for

¹ 34 CFR Part 303, 1999

² PL 108-446, Section 640

³ PL 108-446, Section 635(a)(10)(A)

Part C to help in meeting the needs of this specific population.

Working with Federal, state and local partners demands a strategic process to develop an integrated finance system. Some partnerships may result in an exchange of resources and services without money changing hands (e.g., Title V/Children with Special Health Care Needs (CSHCN) care coordination, Early Head Start (EHS) developmental services, WIC, etc.) and support the development of a comprehensive Individualized Family Service Plan (IFSP).

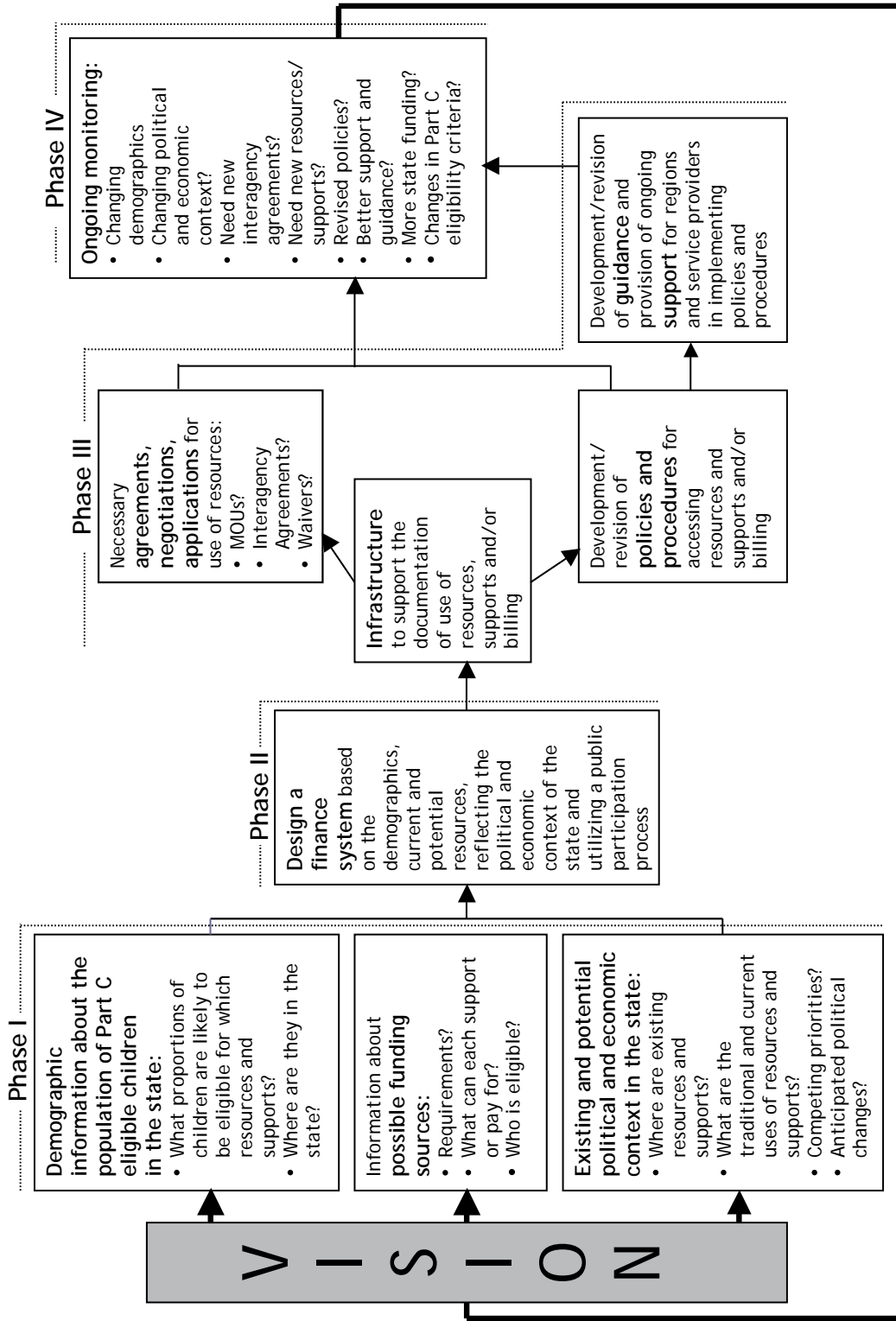
As states adopted the requirements of PL 99-457, the majority of them used existing service delivery structures to implement early intervention services. Funding for those services also reflected historical practice. State services for infants and toddlers with disabilities were established in a variety of programs, including, but not limited to, those conducted by developmental disability agencies, health departments and local educational agencies. Resources for these programs followed traditional program funding methods established at the Federal and/or state level. In implementing Part C, only a few states moved to develop an interagency finance system. Most states continued to operate their Part C system in many of the same ways they used to provide early intervention services prior to Part C. In those states, both service delivery and the mechanism for financing those services tended to remain in individual program silos. Typically, states placed the highest priority and the majority of their energy into getting eligible children into services, and they used their Part C allocation to fund direct services. As a result, much of the development work related to interagency partnerships and a coordinated infrastructure was not adequately addressed.

Today, 20 years later, states face increasing numbers of children who are eligible for Part C services, recent downturns in state fiscal affairs and, for many states, the erosion of partnerships that were intended to be part of the interagency coordinated effort. States struggle with the need to restructure components of their system and how to finance it in order to maintain their current eligibility and participation in Part C.

The Finance System Framework

To change their current finance system, Part C system stakeholders must undertake a strategic planning process that establishes a basis for decision-making and action. To that end, the authors of this paper have developed a Framework for Developing and Sustaining a Part C Finance System, shown in Figure 1 on the following page. The Framework, consisting of four phases, provides a logical process for analyzing the existing finance system and making informed decisions about the changes that may be needed.

Figure 1
 Framework for Developing and Sustaining a Part C Finance System



Phase I -- Establishing Baseline

This plan for refining a finance system assumes that decisions are based upon the vision of the system and an analysis of three major planning elements. These three planning elements establish baseline information in order to develop or revise a state's Part C finance system. The three elements are:

- Demographic Information about the current and potentially eligible children;
- Information regarding resources and supports and their specific requirements, funding and eligibility criteria; and
- Political and Economic Contextual Information that will guide strategic planning.

Demographic Information

The first critical element to analyze is child demographics in the state: Who are the eligible children? Where are they? And what are their pre-existing or potential eligibilities? Other programs that children may already be enrolled in include Food Stamps, WIC, Early Head Start, child care, faith-based initiatives, foster care and child protective services. All of these play a role in the interagency partnerships that form the basis of the finance system.

It is important to look not only at the children currently enrolled in the Part C system but also at other children who may also be eligible but have not currently been identified.

Projections of the number of potentially eligible children should include a review of data that may be indicators of the numbers of children who meet the state's criteria for eligibility, including: low birth weight, maternal education, lack of prenatal care, parental mental illness, maternal tobacco and/or alcohol use during pregnancy, child abuse and neglect, and other variables

known to have an impact on child development. Understanding the characteristics of the eligible population is important in identifying and projecting systems needs. And it is also crucial in identifying potential partners in the coordinated system of supports. For states that serve an at-risk population outside of Part C, an examination of low-birth-weight rates, abuse and neglect rates, and teen pregnancy rates can support population projections and the total funds that may be necessary to serve them. Each potential indicator for prevalence and subsequent funding needs to be considered on a state by state basis due to varying demographics across states.

Funding Source Information

The second element to analyze relates to Federal, state and local funding sources. The information gathered from the demographic analysis will assist state staff in prioritizing potential funding sources. Each potential funding resource should be analyzed to identify: What are the funder's eligibility criteria? What can the funder pay for or provide directly? How many children will be affected by that resource? What are the funder's reporting requirements, and can the Part C system meet those reporting requirements?

This analysis will allow an individual state to identify which fund source has the appropriate cost-benefit ratio, in order for the state to pursue and prioritize its efforts. For example, a state without an electronic data system may not want to pursue Title IV-A (Temporary Assistance to Needy Families, or TANF), a fund source with substantial data requirements. States where Title V does not pay for direct services may not choose that funding source for services. It is important to note that partnerships with these entities will remain important, but not as a fund source for direct services.

States must also weigh the impact of pursuing current untapped resources in terms of fiscal, legislative and service provider efforts. It is important to look at the fiscal partnerships that can support child and family services; it is equally important to look at potential funding sources that can support infrastructure expenses, such as training, monitoring/supervision, screening, etc. Too often states have only focused on direct service funding and have ignored the opportunity to develop partnerships that would allow the leveraging of funds across infrastructure and direct services.

A variety of Federal and state sources have been identified as potential partners for resources supports and services for a community-based system (See Table 1). These funding sources were originally identified through Project Care (Georgetown University) and subsequently revised by Solutions Consulting Group. Each individual state and territory should identify its unique resources that should be included in the development of its finance system. Bear in mind that it is the *total* early intervention system that needs to be supported.

The funding sources can become partners to support various aspects of the Part C System. Developing partnerships is more than an exchange of money; rather, it can be a mutually agreed-upon support or service that is within the scope and responsibility of the partner. Some of these same funding sources can also support infrastructure costs, outreach, child find and central directory services, identification and eligibility determination, service coordination/case management, and specialized services.

Table 1
Potential Funding Sources

University extension services
Healthy Start
Parents as Teachers
Public School Prevention Initiative
Healthy Families
Early Head Start
Head Start
Special state appropriations
Family Preservation and Support
Juvenile Justice/Prevention Funds
Community Grants (PL105-20)
Native American Child Protection Grants
Family Violence Prevention and Services
Refugee Supports and Services
S-CHIP, Title XXI
Locally raised revenue/Contributions
Title XIX Medicaid EI services
Title XIX Medicaid Administrative
CAPTA
No Child Left Behind
Even Start
Medicaid Targeted Case Management
Title XIX
Title IV-E
Title IV-A TANF
Title V CSHCN
Americans
Family Fees Cost participation
Part C Federal Funds
Part C State Funds
Part B 619
Part B
Child Care Development Funds
WIC
TRICARE (formerly CHAMPUS)
Family Private Insurance
Title V MCH
Lottery funds
Tobacco Settlement Funds

Source: SOLUTIONS Consulting Group, LLC

There are many challenges in developing these partnerships. Local provider systems often lack the administrative capacity to manage multiple fund sources with differing access and reporting requirements. Many of the identified funding sources have income requirements—and may have other requirements—related to the use of private insurance or family cost participation. Historically, early intervention services have been provided without requiring any income declaration or cost participation. In developing a finance system, states will have to examine these issues and make critical decisions related to funding compatibility.

Furthermore, it is critical to identify where the funding sources are located. What are their current priorities? Is there the potential for a partnership that would benefit both programs? What are their reporting requirements? Does the state’s current system have the capacity to meet the funder’s reporting requirements? How are funds, services or supports accessed? How is reimbursement distributed to providers? These are some of the critical questions to be answered as states decide whether to develop the potential for coordination.

A hierarchy exists for Part C fund source utilization (Kates, 1998). The hierarchy begins with existing child and family eligibilities. By Federal regulations, Part C systems cannot pay for services for which a child is otherwise eligible from another source. Figure 2 outlines a hierarchy that reflects federal statutory language as well as the authors’ experiences in working with a variety of states. It is designed to be applied on a child-by-child basis, considering the state’s policies on family cost participation and other state and local fund sources.

Applying the following hierarchy assumes that many children who enter the Part C system are also already eligible for other programs. Funding early intervention

services for each child would follow an ordered sequence of exploring potential eligibilities and the family’s available resources, preserving the Part C payor of last resort obligation.

Figure 2
Existing Child/Family Eligibilities

F	Family Cost Participation Including Co-Pays, Deductibles, Sliding Fee Payments
U	
N	
D	Private Insurance
I	S-Chip
N	TRICARE (formerly CHAMPUS)
G	Medicaid - Title XIX
H	Title V/Children with Special Health Care Needs
I	Temporary Assistance To Needy Families
E	
R	Title IV-E Child Welfare
A	
R	Other State And Local Fund Sources
C	State Part C Funds
H	
Y	Federal Part C Funds

Source: SOLUTIONS Consulting Group, LLC

An ideal interagency system, as outlined by Congress⁴, would make it possible to access appropriate funding, as defined by each child’s existing eligibilities. The reality of current state financing strategies falls far from the ideal. Many states face significant budget deficits. State partners are experiencing their own stressors with decreasing funding and increasing populations. As a result, states are frequently challenged to patch together sufficient funds to meet their existing resource needs.

Political and Economic Contextual Information

The third element a state must analyze as part of the Finance Framework relates to the political and economic context of the state. It is critical to conduct continuous environ-

⁴ PL 108-446 631(b)(1)(2)

mental scans of these issues to make sure that state systems stay in a proactive mode.

As previously stated, many states are facing major budget deficits and are threatened with reductions in their current funding levels. Even in those few states where a budget crisis is not imminent, the current priorities for allocating funds may not include the Part C program. There will always be priorities and programs competing for limited state funds. One strategy that is sometimes considered but not recommended is playing the trump card of "entitlement." This can be a dangerous stance to take. While this strategy may work on a short-term basis, it places equally deserving populations in competition for the same limited funds. If a cut in spending is required of all state programs, forcing other programs to take the Part C portion of the cut because "entitlement" shelters one program will not win friends or allies, and creates an adversarial relationship between system partners.

A more proactive and collegial approach is to anticipate the potential impact of political change, which may occur at the department level or at the governor's level. New state administrations may emphasize different priorities from their predecessors. Part of the challenge in establishing a more stable finance system is to build constituencies that advantage all children and families as well as other sectors of the population in order to be less vulnerable to the winds of change.

Phase II -- Designing the Finance System

After the analysis of the three planning elements has been completed, states are ready to develop a plan to address the changes to the finance system that need to occur. In addition to incorporating the information that has been gathered, the design of the finance system needs to be in alignment with the vision and values that have been established for the total system. Public participation will be important in this

process, as any change in the current system will be met with applause by some and resistance by others. States need to ensure that both sides are well represented. The decision making process should be transparent and owned by the community. If any group or individuals feel left out of the process, they are unlikely to support the systems change.

Phase III -- Adjustments to the System

Four considerations must be addressed: infrastructure, interagency agreements, policies and procedures, and guidance and support.

The first consideration deals with *infrastructure* issues that are critical to the success of the system design. Identifying a mechanism for payment (contracts, grants, vouchers central finance, etc.) is one such component. A second infrastructure component is a data system. The necessity of acquiring an adequate data system cannot be underestimated. The ability to access certain fund sources, for example, requires a data system that can identify charges by individual child and individual service. Data systems can provide state Part C systems with critical information related not only to fund sources and reporting requirements but also to supervision and monitoring responsibilities.

It is also important to keep a record of those resources and supports in which funds may not change hands, but the services and effort would be reflected in the IFSP. (In the latter case, for example, such information could be recorded electronically and cost information extrapolated according to some agreed upon formula.)

A second design consideration involves interagency partners in the finance system who will need to negotiate and establish *agreements* that define the terms of the

partnership. The agreements must have a degree of specificity that establishes the terms of the partnership and makes the agreement enforceable.

Based on the agreement, the third design feature of *policies and procedures* needs to be developed in order to implement the agreement. The interagency agreement established the conceptual basis for the interagency relationships; the policies and procedures create the mechanism for implementation and establish the rules for accountability. Moreover, they take the state-level agreements and translate them into implementation at the local level.

The fourth design consideration pertains to *guidance and support* strategies. Both parties to the agreement will need to develop training and technical assistance at the state, local and provider level so that the terms of the agreement may be implemented. Supports or training needed by local administrators or providers include procedures for accessing funds, for billing, and for conforming to the reporting protocols established for the state's data system.

Phase IV -- Ongoing Monitoring

The Finance Framework includes an ongoing process that incorporates a continuous reexamination of the continually changing context. Funding sources come and go. Changing demographics and changing political and economic contexts require that the finance system be continuously monitored and analyzed. Also, programs at the state and Federal level change or are redefined, meaning that they may not continue as viable resources for Part C. The converse is true, as well: When a provider's needs change, some state or Federal programs may not continue to be suitable for it.

As conditions in the state change, the monitoring system will need to address these questions: Does the current funding config-

uration adequately cover the costs of the services needed by the current Part C population? If not, why not? Are alternate funding sources or new interagency agreements needed? Are new or revised policies required? Do local providers or administrators need additional support and guidance in accessing appropriate funding sources? Do the components of the Part C system need to be examined and reevaluated in light of the current economic reality?

Conclusion

Key stakeholders in any state's Part C system must establish an ongoing finance and resource framework, make a list of funding priorities, and conduct continual examinations of various resources, supports and services that may contribute to a coordinated interagency service system. New partnerships may be cultivated at the state and local level on a continuing basis. The shift or change in population may provide new resources, or may call for the use of resources in a different way. Maintaining updated information for analyzing demographics, resources and supports, and monitoring the political and economic context, described in this paper, will form the basis of a strategic process that can be used to make needed changes and maintain an interagency approach to resource development and appropriate utilization.

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Credits

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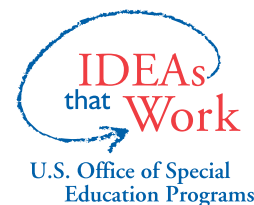
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