



State of Nevada
Department of Administration
Division of Internal Audits

Audit Report

**Department of Health and Human Services
Nevada State Health Division
Early Intervention Services**

Report No. 13-01
December 2012



STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
Division of Internal Audits

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MEMORANDUM

TO: The Honorable Brian Sandoval, Governor
The Honorable Brian K. Krolicki, Lieutenant Governor
The Honorable Ross Miller, Secretary of State
The Honorable Kate Marshall, State Treasurer
The Honorable Kim Wallin, State Controller
The Honorable Catherine Cortez Masto, Attorney General
Dana Bridgman, CPA, Public Member

FROM: Steve Weinberger, CPA, Administrator
Division of Internal Audits

DATE: August 13, 2012

SUBJECT: Audit Release

We are pleased to present to the Executive Branch Audit Committee ("Committee") the enclosed audit report on the Nevada State Health Division, Early Intervention Services ("Agency"). At the request of the Agency, we are submitting this report to the Committee members prior to the next meeting of the Committee. Pursuant to Nevada Revised Statutes 353A.085, once the final audit report is submitted to the Committee, the contents of the report become public.

Although final audit reports are typically submitted to the Committee and are publicly released during a Committee meeting, occasionally the Division releases a report in advance of a regularly scheduled Committee meeting when circumstances warrant such release.

If you have any questions or comments about the audit, please contact me or Warren Lowman, Executive Branch Auditor, at 687-0120.

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Early Intervention Services

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**Objective 1: Can Nevada More Efficiently Manage
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The Division should determine its statutory and other requirements for providing Early Intervention Services (EIS). State law and community concerns may require the Division to retain a minimum capability to provide services when no other provider may be available. Decisions should also consider the impact on current State employees and allow families continued choice in providers.

Transition to Community Providers.....page 6

Once the Division has determined its requirements, it should transition to community providers for delivering EIS to eligible families, which could save up to \$4.6 million annually. Nevada pays 40 percent more than other Western states and almost 30 percent more than if EIS were provided by community providers. The transition to community providers will depend on the growth of the provider network and a thorough plan that reassures families and helps guide providers' investment decisions. The pace and extent of the transition should be determined through a broad consensus of the EIS community. The Division has a leading role in facilitating the consensus.

Evaluate Lowering the Rate Paid to Community Providers.....page 7

The Division should evaluate the rate paid to community providers for EIS and could save up to \$3.1 million annually by paying a rate for children in the program consistent with the average paid by other Western states. Nevada pays a flat rate of \$565 per child each month. In addition to the fee paid by the State, providers also receive additional revenues of between 20 – 30 percent from Medicaid, private insurance and other sources, on average per child.

**Objective 2: Can Nevada More Effectively Manage
Early Intervention Services?**

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The Division should improve the assessment process for determining which services a child needs to achieve EIS goals to assure families are receiving the services they require. The amount of services a child receives varies depending on the provider. The State provided almost 25 percent more services to families than For-Profit providers and 15 percent more than Non-Profit providers. The State provided 34 percent more

treatment time to families than For-Profit providers and 12 percent more time than Non-Profit providers. The child's progress is measured on achieving developmental milestones not the effectiveness of the number, type and duration of services the family receives to achieve the milestones. There are no effectiveness measures for the varying amount of services a child may receive.

Enhance Review of Services.....page 10

The Division should enhance review of services being provided to assure families are getting the services they require and to minimize the amount of time children wait for therapies. On average, the Division over serviced families and community providers under serviced families. Better managing resources would allow two of three providers in the south to eliminate their wait period by not over servicing and using those resources for children waiting for specific therapies or therapists.

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INTRODUCTION

At the direction of the Executive Branch Audit Committee, we conducted an audit of the Nevada State Health Division, Early Intervention Services. Our audit addressed the following four questions:

- ✓ What is the Division's role?
- ✓ What services must the Division provide?
- ✓ Is the State the proper level of government to provide these services?
- ✓ If State government is the appropriate level of government, is the Division carrying out its duties efficiently and effectively?

Division's Role and Public Purpose

The Early Intervention Services (EIS) program is an expansion of the 1975 federal Individuals with Disabilities Education Act (IDEA), which assures a free appropriate public education for all students with disabilities in need of special education services. In 1986, the U.S. Congress mandated a range of services be provided to infants and toddlers with disabilities through early intervention. These services may include:

- Assessments.
- Physical or occupational therapy.
- Speech or language therapy.
- Nutrition counseling.
- Audiology.
- Family training, counseling and home visits.

Children from birth to 3 years of age and their families are eligible to receive EIS if they meet Nevada's criteria. There is no cost to families for the services. Once the child reaches age 3, families may transition to IDEA services provided by local school districts.

The State has two roles in delivering EIS: providing services and administering the program:

- The Nevada State Health Division (Division) had historically provided all EIS. The Division's EIS providers are organized into three regions: Southern region (Clark County, Las Vegas and environs); Northwest

region (Washoe County, Reno, Carson City and environs); and Northeast region.

In 2006, the Division began contracting out a portion of EIS to community providers. At the time of our audit, the provider network had grown to four providers in the north, five in the south, and the Division was providing all services in Nevada's frontier counties.¹ There were no community providers available in the frontier counties.

Over 2,800 children² were receiving EIS statewide. The Division served approximately 60 percent of children in the program. The fiscal year 2012 EIS budget is almost \$25 million.

- Nevada's EIS coordinator's office in the Department of Health and Human Services, Aging and Disabilities Services Division is the lead agency for administering EIS. The coordinator is responsible for oversight and monitoring of federal funds, providers and policy, as well as other management activities.

The public purpose of the federal legislation and EIS program is to provide financial assistance to states to:

- Maintain and implement a statewide, comprehensive, coordinated, multidisciplinary, interagency system of EIS for infants and toddlers with disabilities and their families.
- Facilitate the coordination of payment for EIS from federal, state, local, and private sources (including public and private insurance coverage).
- Enhance the states' capacity to provide quality EIS and expand and improve existing services provided to infants and toddlers with disabilities and their families.
- Enhance the capacity of state and local agencies and service providers to identify, evaluate and meet the needs of historically underrepresented populations, particularly minority, low-income, inner-city, and rural populations.

¹ The Division defines Rural Counties as: Douglas, Lyon and Storey; Frontier Counties as: Churchill, Elko, Esmeraldo, Eureka, Humboldt, Lander, Lincoln, Mineral, Nye, Pershing and White Pine; Urban Counties as: Carson City, Clark, and Washoe.

² 2,879 children received EIS in 2011: Northwest and Southern regions, 1,730; Northeast region (frontier counties), 100; Community Providers, 1,049.

Scope and Objectives

We began the audit in October 2011. Our audit addressed whether the State can more efficiently and effectively manage EIS. We reviewed and discussed the Division's procedures with management and staff, collected and reviewed cost and program data, and sampled individual case files of children receiving EIS. We also surveyed other states to determine best practices.³ We concluded field work and testing in May 2012.

Our audit focused on the following objectives:

- ✓ Can Nevada more efficiently manage early intervention services?
- ✓ Can Nevada more effectively manage early intervention services?

We performed our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*.

The Division of Internal Audits expresses appreciation to the Division's management and staff for their cooperation and assistance throughout the audit.

Contributor to this report:

Warren Lowman
Executive Branch Auditor IV

³ We received information from Colorado, Idaho, Illinois, Montana, Oregon, Texas, Utah, and Washington.

Nevada State Health Division Response and Implementation Plan

We provided draft copies of this report to Division officials for their review and comments. Their comments have been considered in the preparation of this report and are included in Appendix A. In its response, the Division accepted each of the recommendations we made. Appendix B includes a timetable to implement our recommendations.

NRS 353A.090 specifies that within six months after the Executive Branch Audit Committee releases the final audit report, the Administrator of the Division of Internal Audits shall evaluate the steps the Division has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The Administrator shall report the six-month follow-up results to the Committee and Division officials.

The following report contains our findings, conclusions, and recommendations.

Can Nevada More Efficiently Manage Early Intervention Services?

Nevada can more efficiently manage Early Intervention Services (EIS) by determining its requirements, transitioning to community providers and lowering the monthly rate paid to providers. Better managing the EIS program would allow savings to be used for other State priorities. These changes could benefit the State by up to \$7.7 million annually.

The federal government and Nevada fund EIS. In fiscal year 2012, the State General Fund provides approximately 87.5 percent (\$21.9 million) of the program's resources and federal funding makes up the other 12.5 percent (\$3.1 million). Our audit also found Nevada pays 40 percent more than other Western states⁴ and almost 30 percent more than if EIS were provided to eligible families by community providers. Exhibit I shows the cost comparison for providing EIS.

Exhibit I

Cost Comparison

	Western States	Community Providers	Nevada
Annual Cost per Child	\$5,652	\$6,780	\$9,450

Determine Requirements

Decisions about transitioning to community providers require the Division to determine the level of services the State must provide to meet statutory requirements, federal regulations and other considerations. For example, NRS 442.750 requires the Division to ensure EIS providers for children with autism spectrum disorders possess the appropriate level of knowledge and skills. Additionally, the EIS community⁵ generally believes the State may need to retain a minimum capability to provide services when no other provider may be available.

⁴ We received EIS cost information from Colorado, Montana, Oregon, Texas, and Washington.

⁵ The EIS community may consist of parents, providers, educators, State officials, medical specialists, and other family members and concerned citizens.

Transition to Community Providers

Nevada should transition to community providers to more efficiently use EIS resources. We did not include children in the Northeast region (frontier counties) in the transition because of a lack of community providers at the time of our audit. The Division has several considerations when transitioning to community providers that may result in savings to the State General Fund, to include: transitioning all services and managing the pace of transition.

- We estimate the Division could save the State General Fund up to \$4.6 million⁶ annually by transitioning services to community providers that are currently provided by the State. Once the Division determines its requirement to deliver EIS, remaining services may be transitioned to community providers.
- The pace of transitioning will be affected by the ability of community providers to service more families. The community provider network is growing throughout Nevada. At the time of our audit, one additional community provider began servicing families in the Northwestern region. Another provider in the Southern region told us they planned to expand their participation to the north. One community provider had plans to expand into the rural areas. No community providers said they had plans to expand into the Northeast region (frontier counties.)

The Division will need to produce a transition plan that reassures families, allows for thorough planning by the EIS community and meets statutory and federal requirements. As the transition occurs, a policy that helps community providers predict numbers of children they will service and also guide investments will be necessary for overall planning purposes.

The Division should transition to community providers for EIS in a way that supports the emerging provider network (including the rural and frontier counties), considers the impact on current State employees and allows families continued choice in providers. The pace and extent of the transition should be determined through a broad consensus of the EIS community. The Division has a leading role in facilitating the consensus.

⁶ \$4.6 million equals the difference (\$2,670) between the cost for Nevada to provide services (\$9,450) and what Nevada pays community providers (\$6,780), times the number of children served by the Northwest and Southern regions (1,730) in 2011.

Evaluate Lowering the Rate Paid to Community Providers

The Division should evaluate the rate paid to community providers for EIS. Nevada pays a flat rate of \$565 per child each month for EIS. Other states, on average, pay 16.6 percent⁷ less. There is no differentiation for the type, number or duration of therapies a child receives. We estimate the Division could save the State General Fund up to \$3.1 million⁸ annually by paying a rate for all children in the program consistent with the average paid by other Western states.

Officials from community providers told us the Nevada rate was higher than other states' rates they received for services. These officials also told us they are able to collect between 20 – 30 percent from other revenues⁹ per child, on average, in addition to the flat fee they receive. After reducing the rate Nevada pays, providers can still receive an actual rate of \$617 per child each month. Exhibit II summarizes a possible adjustment to the current rate.

Exhibit II

Adjusted Rate for Early Intervention Services

	Monthly	Annual
Current Nevada Rate per Child	\$565	\$6,780
Adjusted 16.6 % (Western states)	\$ 94	
Adjusted Nevada Rate	\$471	\$5,652
Adjusted 25.87% (revenues currently collected) ^a	\$146	
Actual Rate for Provider	\$617	\$7,404

^a Adjustment based on the average percent of revenues collected by other Western states.

A fee-for-service model would achieve similar savings.

A fee-for-service model may be less costly. We surveyed other Western states; all used community providers that were paid by the service they provided. On average, other states' costs were 16.6 percent lower than Nevada's for community providers. A similar savings for Nevada would be about \$3.1 million

⁷ The 16.6 percent is the difference (\$1,124) between the annual rate Nevada pays community providers (\$6,780) and the average rate paid by other Western states (\$5,656).

⁸ \$3.1 million equals 2,779 children, times \$94 (16.6 percent of \$565 monthly fee) savings over 12 months.

⁹ Other revenues include Medicaid, private insurance and other sources.

annually by using a fee-for-service model. This is the same amount of savings the State can achieve by lowering the monthly rate.

Recommendations

1. Determine the Division's statutory and other requirements and transition remaining Early Intervention Services (EIS) to community providers.
2. Evaluate lowering the monthly rate paid per child to community providers for EIS.

Can Nevada More Effectively Manage Early Intervention Services?

Nevada can more effectively manage Early Intervention Services (EIS) by improving the EIS assessment process and enhancing review of the services families receive. Better managing the EIS program would assure Nevada families receive the services they require.

Improve the Assessment Process

The Division should improve the assessment process for determining which services a child needs to achieve EIS goals and assure families are receiving the services they require. Children are initially assessed for their eligibility to receive EIS and at least annually thereafter when they are in the program. The assessment is completed by a team of experts.¹⁰ In general, teams working for the State assess children the State services and teams working for community providers assess the children they service.

Our review found the amount of services a child receives varies depending on the provider. We reviewed the amount of services provided to families by the State, Non-Profit and For-Profit community providers. Exhibit III summarizes services children received from their providers.

Exhibit III

Provider Comparison

Provider	Services per Child	Annual Treatment Time
State	3.25	51 hrs. 8 min.
Non-Profits	2.75	45 hrs. 4 min.
For-Profits	2.50	33 hrs. 48 min.

Our review shows:

- Families receiving EIS from the State got almost 25 percent more services than families receiving services from a For-Profit provider and 15 percent more than from a Non-Profit provider.

¹⁰ The team assessing the child's eligibility for EIS may include the parents, family doctor, pediatrician, EIS provider doctor, educational specialists, State officials, and others.

- Families receiving EIS from the State got 34 percent more treatment time than families receiving services from a For-Profit provider and 12 percent more time than families receiving services from a Non-Profit provider.
- While providing more services, the Division also spends almost 30 percent more per child per year than community providers are paid for the same services.

We attempted to determine the outcomes of therapies based on the varying degree of services families receive; however, EIS management and reporting systems do not capture data to measure outcomes of services. The management and reporting systems measure the child's progress based on achieving developmental milestones, not the effectiveness of the number, type and duration of services the family receives to achieve the milestones. For example, management and reporting systems do not measure if the For-Profits are as effective as the other providers even though they provide fewer services per child, on average. Likewise, there is no measure to show if the Division's greater number of services helps children achieve developmental milestones at a faster rate.

The Division should include its review of improving the assessment process as part of our first recommendation to determine requirements. For example, the Division may propose the State retain responsibility for the initial and/or subsequent assessments of children receiving EIS and/or contract for a single provider to do assessments statewide. This would help assure children are assessed with consistency.

Enhance Review of Services

The Division should enhance review of services being provided to assure families are getting the services they require and to minimize the amount of time children wait for services.

We reviewed the amount of EIS families received and found, on average, the Division over serviced families and community providers under serviced families. Families that were over serviced received additional therapies and/or more time than agreed to on the Individual Family Service Plan (IFSP). Families that were under serviced received fewer therapies and/or less time than agreed to on the IFSP. The IFSP is developed jointly by the assessment team and parents. The plan identifies the specific therapies, therapeutic session time and duration of each therapy the child will receive. Exhibit IV summarizes our findings.

Exhibit IV

Individual Family Service Plans

Provider	Percent Over (Under) Servicing Families
State	3.1
Non-Profits	(5.3)
For-Profits	(2.2)

We reviewed individual files and noted discrepancies between the IFSP and management and reporting systems. Of the Division files we reviewed, about 50 percent had errors; almost 20 percent of community providers' files had errors. These errors included incorrect entries for type, time and/or duration of therapies.

In general, reviews between the IFSP and management and reporting systems' information are conducted by the child's case manager. There was no indication in either the individual file or management and reporting systems that supervisors or managers reconciled to assure families receive the services they require. Reconciling the IFSP and management and reporting system will help reduce the extent providers over or under service families.

Managers at all levels must enhance their review of therapies being provided to assure families receive the services they require. Better managing resources at the provider level will allow the Division to more effectively administer the EIS program statewide.

Better manage resources to minimize the time children wait for services.

Federal guidelines for EIS do not allow a wait list for children to receive services. In some cases, once a child is assessed eligible for EIS, the child may wait for a specific therapy or therapist to become available. Generally, in cases when a child must wait, the family is offered compensatory services to mitigate the time therapies were not available. Compensatory services are measured in additional time or sessions over a certain time period.

Our audit found some children wait for services in the south. Three providers: the Division, a Non-Profit and a For-Profit, had wait periods for some children to receive services. We found the Division and For-Profit provider could have eliminated their wait period had they better managed their resources by not over servicing and using those resources for children waiting. Exhibit V summarizes the wait time for children to receive EIS.

Exhibit V

Wait Time for Services

Provider	Average Wait Time for Services	Total Wait Time as Percent of Services	Percent Over (Under) Servicing Families
State	2 mos. 18 days	6.9	5.5
Non-Profit	3 mos. 5 days	3.4	(3.8)
For-Profit	1 mo. 27 days	1.2	1.3

The Division should enhance review of services at all levels to assure data used to manage, direct and plan Nevada's EIS is accurate and reliable. Enhanced reviews will provide for a more consistent assessment process, assure families are receiving the services they require and minimize wait times.

Recommendations

3. Improve Early Intervention Services (EIS) assessments to assure families are receiving the services they require.
4. Enhance review of services to assure wait times are minimized and families are receiving the services they require.

Appendix A

Nevada State Health Division Response and Implementation Plan

BRIAN SANDOVAL
Governor
MICHAEL J. WILLDEN
Director

STATE OF NEVADA



RICHARD WHITLEY, MS
Administrator
TRACEY D. GREEN, M.D.
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June 21, 2012

TO: Warren Lowman
Executive Branch Auditor IV

From: Richard Whitley, MS *rw*
Health Division Administrator

Subject: Early Intervention Services Audit - Attachment A

We appreciate the work on this audit and the findings. Please find the agency response below. Thank you for the opportunity to articulate our planned actions.

Recommendations:

1. Determine the Division's statutory and other requirements and transition remaining Early Intervention Services (EIS) to community providers.

Statutory reference to the EIS program in NRS is limited to chapter 442 and the definition refers to the federal Part C definition. The Governor's and legislatively approved biennial budgets has been the form of public policy governing budget account 3208. Over the past three biennium's, the legislature has approved the Governors' budgets putting all new general fund dollars towards the growth of the private sector partnership.

The Health Division will collaborate with the Aging and Disability Services Division to develop a communication plan specific to implementing a pilot program in SFY13. The pilot will be to assure reasonableness of the operational plan, associated costs and any potential savings, as well as compliance with federal requirements for parental notice and all relevant Part C regulations. The goal would be to assure the ability to transition all services, except service coordination, over to the private sector beginning July 1, 2013, assuming the Governor and legislature approve

the budget documents requesting this change in funding.

This evaluation will be completed by December 31, 2012.

2. Evaluate lowering the monthly rate paid per child to community providers for EIS.

An evaluation of reducing the private sector rate specific to the pilot above will be completed by July 31, 2012. By December 31, 2012, the Division will evaluate the procedure codes used by the EIS program for billing third party payers and compare them to the states referenced in the audit document footnote. In addition, the Nevada Medicaid reimbursement rates for these same codes will be compared to those other state Medicaid reimbursement rates, as one mechanism for comparing market values.

Please note that our assumption is that the audit calculations were achieved by taking total revenue dollars supporting EIS programs, subtracting general fund and Part C grant funds from that total and assuming the difference is related to revenues generated by billing and/or sliding fee scales. We will be contacting the other states to determine if they have other federal or local dollars (e.g. county or municipal funds) supporting the program and assess which states may have sliding fee scales that drive up the average amount collected by the program for revenue.

3. Improve Early Intervention Services (EIS) assessments to assure families are receiving the services they require.

This recommendation is timely for process improvement in our pilot. The Health Division will work with Part C staff on this recommendation, as Part C is responsible for program compliance and federal assurances. It would be important for them to train the private sector providers and the state service coordinators at the same time so we can work towards more consistency.

On June 18th, the State and all private sector providers met and spent considerable time deliberating the best model to be used in the pilot and in the next biennium for determining eligibility and development of the initial IFSP. The final consensus was for the private sector and state service coordinator to jointly determine eligibility and develop the IFSP. The rationale was efficient use of the family's time and if the private sector has potentially under-prescribed services and the state has potentially over-prescribed services historically, that the two entities partnering may result in the best product on behalf of the child's needs.

4. Enhance review of services to assure wait times are minimized and families are receiving the services they require.

In discussing this issue with staff, it appears that much of the problem is related to the fact that service coordination is not input into TRAC. If a comparison of progress notes is made against TRAC data, there will often be more progress notes, as service coordinators (SC) serve as both

Page Three
June 21, 2012

SC and they perform TRAC documented specialized instruction. They would document both services in the progress note but not in TRAC.

We do believe that it will be timely for Part C staff to complete additional training as a part of the pilot to assure that the quality assurance activities performed by all providers include evaluating these details so no child waits for a service that is over-provided for another child. We will also evaluate whether there is a software solution to track SC activities so that can assess what portion of this issue is attributable to the problem described above.

This activity will be evaluated by November 30, 2013.

RW:mw

Cc: Mike Willden, Director, Department of Health and Human Services
Mike Torvinen, Deputy Director, Fiscal Services, DHHS
John Borrowman, Budget Analyst IV, Budget Office
Laura Freed, Senior Program Analyst, LCB
Mary Wherry, Deputy for Clinical Services
Phil Weyrick, ASO IV, Health Division

Appendix B

Timetable for Implementing Audit Recommendations

In consultation with the Division, the Division of Internal Audits categorized the four recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The Division should begin taking steps to implement all recommendations as soon as possible. The Division's target completion dates are incorporated from Appendix A.

Category 1: Recommendation with an anticipated implementation period of less than six months.

<u>Recommendation</u>	<u>Time Frame</u>
2. Evaluate lowering the monthly rate paid per child to community providers for EIS. (page 8)	July 2012

Category 2: Recommendations with an anticipated implementation period exceeding six months.

<u>Recommendations</u>	<u>Time Frame</u>
1. Determine statutory and other requirements and transition Early Intervention Services (EIS) to community providers. (page 8)	July 2013
3. Improve EIS assessments to assure families are receiving the services they require. (page 12)	July 2013
4. Enhance review of services to assure wait times are minimized and families are receiving the services they require. (page 12)	Nov 2013

The Division of Internal Audits shall evaluate the action taken by the Division concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Committee and the Division.