

# PAR Mail 2011-257

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## **ODP Deputy Secretary Offers No Relief from Cuts - Our Advocacy is Critical!**

In a lengthy discussion yesterday morning in Pittsburgh between PAR and Deputy Secretary Kevin Friel, he readily acknowledged the seriousness of the decision that was made to add a -6% rate adjustment factor (RAF) to the -2.5% RAF that had already been applied to rates. The main problem that the RAFs appear to be addressing is that ODP made commitments and authorized services and added persons to the waiver that resulted in costs in the range of \$100,000,000 - \$200,000,000 greater than the legislative appropriation that ODP was given to live within.

PAR also ascertained that the department is not taking any other path that would mitigate the financial impact through FY11-12. PAR notes that in the past, other Medicaid programs would be given supplemental appropriations to cover added costs of Medicaid entitlements that were unanticipated but that resulted from meeting the changing needs of people in Medicaid entitlement programs. Last year and this year, DPW chose not to submit a request for a supplemental appropriation for ODP's Medicaid waiver programs.

PAR suggested a number of alternatives that we recommended should be discussed with stakeholders. The recommendations would be intended to help reduce some of the complexity of the system without damaging services. The goal is that everything possible be done to reduce the negative impact on consumers and families of this decision, so new thinking must be part of addressing the enormity of this challenge. Among the alternatives presented was the concept of a comprehensive residential service definition that would afford more flexibility and reduce the burden of the 17,000 rates that have added to administrative cost and programmatic inflexibility. This concept has been discussed with the PAR membership and has been approved by the PAR Board for discussion with the broader community of stakeholders.

Regarding whether revenue reconciliation is guaranteed this year: this is still an unanswered question. However, if revenue reconciliation is achieved by ODP, Mr. Friel noted that the total payouts will still have to be within the appropriation. PAR discussed the importance of revenue reconciliation for this year even under these new circumstances. Many providers have reported that without the flexibilities of revenue reconciliation, especially given the blow of the rates, their organizations' viability will be even more severely threatened.

PAR spent time discussing the loss of the continuing participation allowance and the impact of such a decision on future development to meet waiting list needs. Deputy Friel noted that the action to cut the continuing participation allowance by 100% should be revisited in the

regulations this year since he does not want to encourage leasing over purchasing. Not only does leasing add immense costs, but it was the subject of an audit in which DPW's Bureau of Financial Operations (BFO) modeled leasing vs purchasing and strongly recommended purchasing, whenever feasible, for the long-term savings that accrues as a result of that choice.

PAR also discussed new models and possible pilots to see if they have applicability to the ID system to enable people's needs to be supported more cost-effectively since there is no way that providers can absorb a hit to funding that is this massive.

PAR noted the terrible blow to the families and consumers that are waiting for services. The loss of capacity in the existing system will have the effect of stopping development for new services. Important flexibilities that existed under the program-funded model of reimbursing providers for services are gone. There are no longer the advances from counties that helped providers with cash flow issues. There is no longer a continuing participation allowance which helped provide money for down payments for the development of homes for people coming from the waiting list who needed residential services. The state instituted "prudent pay" which is the imprudent policy of delaying payments to providers for weeks so that the state can accrue more interest earnings. What is imprudent is that this policy then creates the need for providers to borrow more money from banks to cover the costs during the delay which results in more debt service which increases the cost of providing services.

This is a call to action.

Providers are urged to reach out to their families, legislators and members of their communities to communicate how these decisions will impact existing services, jobs, the ability to accommodate any expansion to address the needs of people who are currently on the waiting list. They will not know and they cannot help if you don't tell them.

PAR members can use the PAR Action Center ([www.par.net/actioncenter](http://www.par.net/actioncenter)) to send personalized communications to your legislators and Governor Corbett and to send letters to the editor to your local papers.

PAR will continue to share sample letters and editorials as we receive them, but do not wait! Define the impact for your own organization, the people you support and the people you employ and let your legislators know. It is clear that advocacy from every and any angle is essential.

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