

REGIONAL CENTER OF ORANGE COUNTY

BUDGET & FINANCE FUNDAMENTALS

Board of Directors' Training

October 5, 2017

Regional Centers

- Created in statute (Lanterman Act is part of the State of California's Welfare and Institutions Code)
- Governed by statute, California Code of Regulations, and contract with the Department of Developmental Services

State of California Budget Cycle

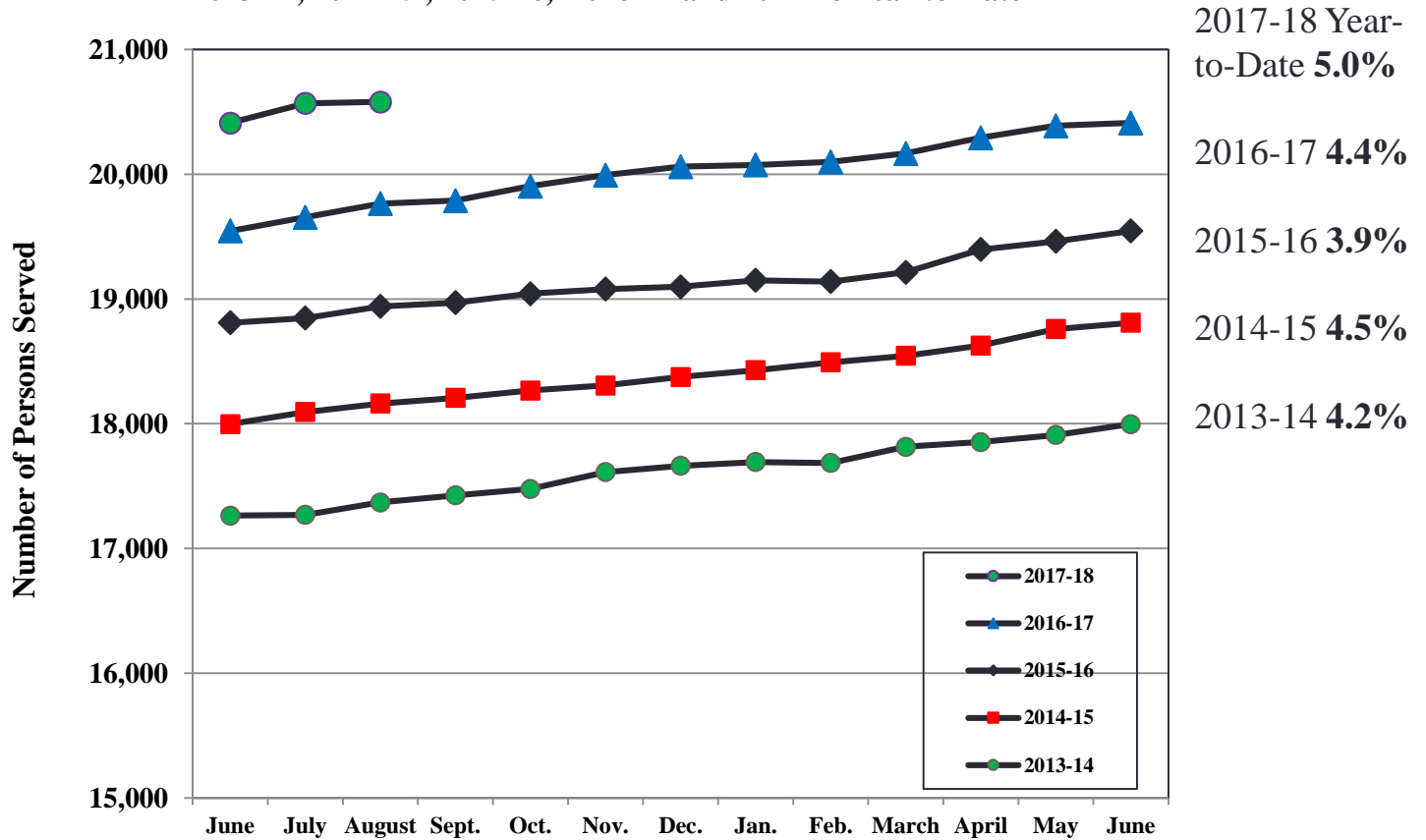
- The budget cycle begins in January with the Governor's budget for the upcoming fiscal year
- In May the Governor's budget is updated with new numbers and estimates
- July 1 is the beginning of the new fiscal year

DDS' Allocations to Regional Centers

- The State of California's Department of Developmental Services (DDS), part of the Health and Human Services Agency, prepares all the estimates for the Governor's budget
- DDS has all the Regional Centers' Purchase of Services (POS) and caseload information
- DDS determines the Operations allocation based on caseload and rent (DDS surveys regional centers)
- Preliminary allocation for the new fiscal year in June
- Planning allocation in late August / early September
- DDS controls timing of all subsequent allocations

Caseload for Fiscal Years

2013-14, 2014-15 , 2015-16, 2016-17 and 2017-18 Year-to-Date



Monthly Cycle of Expenditures and Reimbursement

- Individual Program Plan (IPP) is developed which includes RCOC-funded services:
 - RCOC sends an authorization for service to vendor
 - Vendor provides the service, then bills RCOC
 - RCOC pays vendor
 - RCOC submits a claim for reimbursement to DDS
 - DDS reimburses RCOC
 - Regional Centers operate on a cash basis with DDS - Regional Centers cannot request reimbursement until the service has been paid, i.e., expenditures equal reimbursement

Individual Program Plan Current Status - Day Program

C. attends My Day Counts' CCDAP program. C. states that she loves her day program. She has requested to start attending Mondays, Tuesdays, Thursdays, and Fridays; as Anaheim Senior Center can no longer accommodate C's needs. SC has spoken to My Day Counts and they are in agreement with her attending an additional day. ARG is awaiting to review the POS for the additional day; with a start date of 5/26/16. SC has made program and CCF aware of the start date for the 4th day. CCF also reports that they are fine with C. remaining home on Wednesdays as she goes with staff to do household shopping. C. continues to use ACCESS for transportation. C. reports that she no longer participates in the workshop, but does participate in paid employment 1 hour per week.

Authorization

DESCRIPTION OF SERVICES AUTHORIZED UNITS BUDGET CODE	ACCOUNT NO.	MAX NO. OF MONTHS	AUTHORIZED FROM - TO MAX UNITS/MONTH	UNIT COST	MAX AUTH AMOUNT
505 43	ACTIVITY CENTER 18.00 DAYS/MONTH/ 43020	\$1,000 12	ACTIVITY CENTER 7/01/16 6/30/17 18.0000	55.560	12,000.00

June Attendance/Billing

C.	6	DAYS 01-07:	.00	1.00	.00	.00	1.00	1.00	1.00
Inv#: 1654607, 93 Auth#:		DAYS 08-14:	1.00	1.00	.00	.00	1.00	1.00	.00
Srv/Sub Code: 505/		DAYS 15-21:	1.00	1.00	.00	.00	1.00	1.00	.00
Vendor Flags: NN		DAYS 22-28:	1.00	1.00	.00	.00	1.00	1.00	.00
Full Month: N/N Exit Date:		DAYS 29-31:	1.00	1.00	.00	.00			
							TOTAL UNITS:		18.00
							TOTAL AMOUNT:		1,000.00

Monthly Cycle

Step 1 - IPP, Day Program

Step 6 - DDS reimburses Regional Center \$1,000

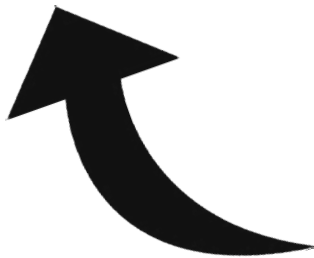
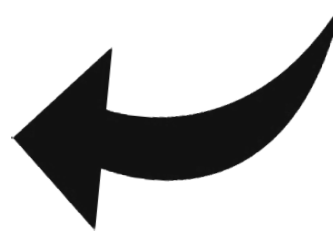
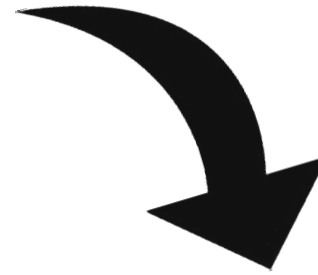
Step 2 - Day program service is authorized

Step 5 - Regional Center asks DDS for reimbursement of \$1,000

REGIONAL CENTER
EXPENDS \$1,000
STATE REIMBURSES \$1,000
EQUALS ZERO

Step 3 - Vendor provides service and then invoices Regional Center for \$1,000

Step 4 - Regional Center pays vendor \$1,000



RCOC's Net Assets

- RCOC's net assets are about \$41,000 in donations
- All the furniture and equipment belong to the State of California

POS Projections / Key Indicators

- Projections are based on actual expenditures in the current year
- Rate increases
- Anticipated growth in services
- Key indicators include:
 - Caseload growth
 - Changes in the source of funding, e.g., private insurance and Medi-Cal now pay for behavior services
 - Changes in utilization, Employment First, the number of persons served at less costly segregated Work Activity Programs is declining, the number of persons who are employed is increasing, i.e., expenditures are increasing

Key Relationships

- Department of Developmental Services (DDS):
 - Everything including Fairview Closure: Larry with DDS' Director (Nancy Bargmann), Chief Deputy Director (John Doyle), Deputy Director, Community Services (Brian Winfield)
 - Allocations: Bette with DDS' Deputy Director, Administration (Jean Johnson)
 - Cash Flow: Bette with DDS' Chief, Accounting Section (Tim Gonsalves)
 - Rates: Marta with DDS' Rate Section
- Providers: Larry, Janis, Bonnie, Bette and Marta all talk to providers all the time about services, payments, audits, etc. Vendor Advisory is a sounding board for most vendor issues.
- Union Bank has designated staff for Regional Centers: one for day-to-day issues and one for the line of credit. Union Bank has 13 centers; City National has seven; US Bank has one.

Board Packet Financial Information

- Monthly Sufficiency of Allocation Report:
 - Read the highlights first
 - Regional Centers operate on a cash basis with DDS, actual expenditures = claim for reimbursement
 - Projected expenditures are based on assumptions about growth, changes in rates and utilization

What Do Staff Worry About?

- The next recession...
- DDS has few tools to reduce Purchase of Service expenditures
- In the Great Recession, DDS implemented:
 - Payment reductions
 - Median rates
 - Unallocated reductions
- Regional Centers have no tools to reduce Purchase of Service expenditures due to previous court decisions, ARC v. DDS, and entitlement

Role of Auditors

- Independent auditors are expressing an opinion on the financial statements in accordance with Generally Accepted Accounting Principles (GAAP)
- DDS' auditors are testing RCOC's fiscal compliance with the State of California's Welfare and Institutions Code, California Code of Regulations, Title 17, the Home and Community-Based Services (HCBS) Waiver, and RCOC's contract with DDS

Fairview Closing

- Prior to the State's agreement with the Centers for Medicare and Medicaid Services (CMS) to close Fairview and Sonoma, Regional Centers and DDS mutually agreed on the number of persons who would leave the Developmental Centers
- DDS is now telling RCOC the number of persons who will leave Fairview by June 30, 2018
- DDS may allocate more Community Placement Plan money than RCOC can spend
- Creates a two-tiered system: start-up and development for community placement from Fairview vs. no start-up and development outside of community placement restricts development of new residential facilities for those who are already in the community
- Median rates, which DDS implemented on July 1, 2008 during the last recession, are still in place

In Conclusion

- “He who has the gold makes the rules.”
- DDS determines the amount and timing of allocations
- RCOC receives allocations and reports to DDS on the sufficiency/deficiency of the allocations
- RCOC pays vendors and then submits a claim for reimbursement to DDS
- RCOC processes a lot of money but doesn't keep any
- RCOC has no assets other than ~\$41,000 in its donations account
- We worry about the next recession

Questions?