DaSy The Center for IDEA Early Childhood Data Systems

Understanding and Using Fiscal Data: A Guide for Part C State Staff

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Introduction

This document, *Understanding and Using Fiscal Data: A Guide for Part C State Staff*, is intended to provide an overview of the critical role of fiscal data in state Part C systems. Information contained in this document will support the ability of state Part C lead agency staff to better understand strategic fiscal policy questions, the fiscal data elements needed to address those questions and the resulting benefits of using these data. Fiscal data provide powerful information for decision-making, program management, and policy-making. The use of these data, especially when paired with child and family demographic data and data about services, can help state Part C staff and stakeholders better understand the dynamics that will influence the Part C program and its financing.

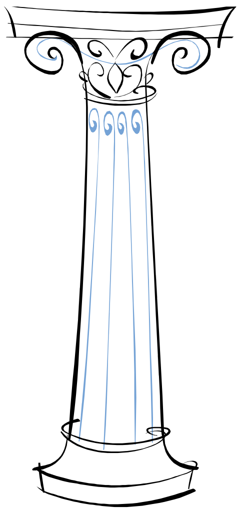
Fiscal and related data are critical in supporting financial management strategies, including developing and improving methods for collecting, allocating, and managing the funds used to support the Part C system. Demographic data can be used to forecast the revenue needed to meet the needs of the Part C program, and ultimately, for program planning and strategic financial planning, including budget development. Financial and related data also can be used identify, diversify, and expand funding sources to support and sustain the Part C program – for example, to increase Medicaid and/or Temporary Assistance for Needy Families (TANF) funding, and to maximize potential revenue from third party payers.

Understanding and Using Fiscal Data: A Guide for Part C State Staff is divided into four sections that include:

- The rationale for collecting fiscal data;
- What fiscal data should be collected and where that data can be located;
- Sample templates for planning data analysis; and
- A glossary of fiscal terms that are important to establish common terminology.

This document is intended to serve as a basic introduction to fiscal analysis for state Part C staff. The information presented will give state Part C lead agency staff a starting point for understanding how fiscal data can support strategic financial planning for the state's part C program.

The Importance of Fiscal Data



"What is the financial obligation for my system?"

"How much funding will I need to cover the increasing number of children in my system?"

"Which fund sources are being utilized?"

"What is the average cost per child?"

"What is the amount and percentage of funding by fund source?"

"What does the percentage of revenue from each program fund source look like compared to the percentage of children eligible for the program?"

These questions and many others are critical for appropriate fiscal management of each state Part C early intervention system. Regardless of the Part C lead agency (Health, Education or Other), eligibility criteria, or the state service delivery structure, the Part C Coordinator and other lead agency staff need to have a thorough understanding of all aspects of the financing mechanisms that support both high-quality services and the infrastructure needed to achieve positive outcomes for infants and toddlers with special needs and their families.

The fiscal challenge for every Part C Coordinator is to develop a comprehensive picture of the fiscal obligations (payments for infrastructure and direct services) of their state Part C system. States can begin to understand their financial obligations by incorporating the following cost information into their data system(s):

1. Total number of service units, both planned and actually delivered;
2. Service Coordination expenses;

3. Costs related to the first 45 days including evaluation costs for children who are not determined to be eligible;
4. State and local infrastructure and obligations (e.g. contracts for data management, technical assistance, and professional development, and monitoring activities);
5. Part C lead agency administrative costs; and
6. Part C local agency administrative costs, including cost allocation for overhead costs, CEO and executive staff compensation.

Without an understanding of the current costs needed to support the Part C system, appropriate budget development, funding allocation, and program and project development will be difficult. The traditional methodology for identifying total system costs by reviewing audited financial statements cannot be applied by most state Part C early intervention systems because of the diverse service delivery and funding methodologies across states. In addition, the expense of implementing a formal cost study may be beyond the financial capacity of many states. Without knowing the costs of providing the six components identified above, it is not possible to appropriately plan for increasing child counts or ensure that Part C lead agency obligations related to meeting the IDEA Part C statutory and regulatory requirements are funded at a level that will promote high quality services and optimal child and family outcomes.

In addition to cost information, the Part C lead agency will need to collect accurate information about the constellation of revenue sources that are utilized to support costs of the Part C system. In all states, funds for the Part C system come from a variety of sources. By Congressional intent, Part C was designed to coordinate already existing federal, state and local resources. While some of the federal fund sources will be common across most states such as Federal Part C and Medicaid, other fund sources will vary depending on the state Part C lead agency, historic funding patterns, and states' systems of payment policies. In order to maximize the use of the many types of available funds, information and data about each child's differing programmatic eligibilities (e.g. Medicaid, SCHIP, CSHCN etc.) and fund sources (private insurance, Title V Maternal and Child Health programs, developmental disabilities agencies, etc.) used by the individual states will need to be included in the Part C data system.

Based on preliminary findings from the 2014 Finance Survey conducted by the IDEA Infant & Toddler Coordinators Association (ITCA), most states can report the names of the fund sources that are utilized at either the state or local level. However, of the 47 states responding to the survey, only 15 states (32%) can actually report the dollar value generated by each fund source. Revenue information should be tracked on an individual child/family basis for all sources, such as Medicaid, state funds, private insurance, etc., with efforts made to collect data about all sources of program revenue including local available funds to pay for services and support program infrastructure and operations.

What Data Should be Collected

Regardless of the methodology a state uses to pay for service provision (central finance, fee-for-service, capitated rate or grants/contracts), there are common data elements that should be collected to support effective fiscal management. Part C state leadership need to obtain this information, on an annual basis, at a minimum, whether these data elements are included in an online data reporting system or in paper format. The basic fiscal data important to Part C are revenue and expenditure data overall, and by fund source, including:

- IDEA/Part C, State dedicated funding;
- public insurance;
- private insurance; and
- all other federal, state and local fund sources.

These fiscal data should be available in aggregate amounts at the state level and also disaggregated for each local program.

In addition to these financial data, child/family demographic data should also be collected and used, such as data that relate to whether children/families have special or complex needs, socioeconomic data such as family income and family size to determine federal poverty levels, and whether children are enrolled in Medicaid or other public insurance, or have private insurance coverage.

Finally, data about services, those planned and those actually delivered, need to be collected because personnel and services costs are the primary cost drivers of the Part C program.

Table 1. Essential Data Categories and Data Elements for Fiscal Data Analysis

Data Category	Elements	Location of Data
Child and Family Demographics	• Child Name • Diagnosis (ICD 9/10) • Program Eligibilities • Family Income • Primary Home Language	• Child Record

Data Category	Elements	Location of Data
Service Data	• Frequency/Intensity of Services Authorized • Frequency/Intensity of Services Delivered • Type of Services (already included in new version)	• IFSP
Program Data	• Charges by Service Billed • Revenue Received by Source	• Local Provider Agency fiscal records
Lead Agency Data	• Staff Administrative Costs • Infrastructure Obligations and Payments	• State Lead Agency Fiscal Records

While a growing number of states have developed electronic data systems that provide a wealth of programmatic and fiscal information, not every state has the comprehensive information that would support optimal analysis at the Part C lead agency level. Knowing where the information is located will support the Part C lead agency's ability to answer important fiscal policy questions. Fiscal and related data elements are not always universally collected and located in the Part C early intervention data system(s) in states. Often, these data are available via local program collections, county or provider fiscal reports, and service provider/practitioner data collections. Some data may be collected and entered into the state data system while other data elements will need to be gathered through other means (e.g., spread sheets, document review).

When considering mechanisms for collection of important data elements for answering key questions, the Part C lead agency should determine if these data are collected as part of contract and procurement collections and processes-during budget cycles or end-of -year fiscal efforts. These data collections occur in different ways for a Part C system where services are administered in a grant/contract methodology versus a fee-for-service methodology. Once the Part C lead agency has the ability to collect and analyze the data, basic fiscal policy questions as well as more complicated questions can be addressed. The Part C lead agency will be well on its way to greater fiscal accountability and effective strategic financial planning.

Data Analysis Templates

In this section, a data analysis planning and analysis template is shown with three examples to illustrate how states can use the template to plan, collect, and use financial data to answer important cost questions.

Example 1: Financial obligation

Policy Question 1:

What is the financial obligation for my system?

Data Elements Needed for Analysis:

The data elements needed to identify the level of financial obligation for a state's Part C early intervention system include the following:

- Child Data:
  - Program eligibility
- Planned Service Data *for Fee for Service Structures*
  - Units of service authorized
  - Service rates (by service type in some states)
- Units of Service Delivered by Service Type
- Grant/Contracts amounts and payments rendered *for Grants/Contract Payment Structures*
- Administrative Costs Data:
  - Fiscal obligations-such as training contracts, data contracts, monitoring expenses that are not directly related to service provision.
  - Lead Agency personnel/salary obligations

Analysis, Recommendations, and Considerations:

Scenario A: Fee-for-Service Payment Structures

In order to begin the process of answering- *What is the financial obligation for my system?* the Lead Agency must tackle this issue on two data fronts:

- Collecting at any point in the fiscal year:
  - the amount of service units authorized coupled with service rates for these obligated services; and on
  - direct service obligations of the Part C lead agency.

Considerations:

- Measuring the financial obligations for a state's Part C early intervention system requires looking at the data by fiscal year. For this analysis, the Part C lead agency should have a data collection system that allows the collection of service units authorized. These units should identify dates for service authorizations and tie those dates to the fiscal year time frame.
- These authorized service units represent the "upper limit" of service authorizations. No system experiences a 100% ratio of delivered service units to planned service units. However, these direct service authorized units represent the total possible obligations of the Part C service system.
- Service rates must also be captured and analyzed as part of any such effort. Essentially, taking the authorized services units for "the remaining time" for the current fiscal year multiplied by the service rate = the maximum size of the direct service obligation costs in a system that uses a fee for service funding methodology.
- Multi-year analysis can help states get more precise cost estimates for budget development. That is, developing an understanding of the percentage of service units *delivered* as compared to service units *planned* is an important analysis needed to obtain more precise budget projections in fee-for-service payment systems.
  - The Part C lead agency also must add to these direct service cost obligations all non-direct service cost obligations such as personnel development contracts/obligations, monitoring, and other Part C lead agency fiscal obligations-such as training contracts, data contracts, monitoring expenses that are not directly related to service provision to get a comprehensive picture of the total cost obligations.

Scenario B: Grants/Contract Payment Structures

In order to begin the process of answering *What is the financial obligation for my system?* the Part C lead agency must tackle this issue on two data fronts:

- Collecting at any point in the fiscal year:

- the amount of remaining contract payments due to service providers via grants and contracts. This model assumes "capitated" contracts/grants whereas contractors must abide by contractual amounts/obligations, and
- the fiscal obligations-such as training contracts, data contracts, monitoring expenses that are not directly related to service provision.

Considerations:

- Measuring the financial obligations for a state's Part C early intervention system requires looking at the data by fiscal year. For this analysis, the lead agency should have a data collection system(s) that allows the collection of all grant/contracts obligations and payments rendered.

The Part C lead agency also must add these direct service cost obligations to all cost obligations such as personnel development contracts/obligations, monitoring that are not related to the provision of service and other Part C lead agency costs to get a comprehensive picture of the total cost obligations.

Example 2: Cost per child

Policy Question 2:

What is the average cost per child for children served in the state's Part C program?

Data Elements Needed for Analysis:

The data elements needed to identify the number of children served and the amount of revenue are:

- Child Data:
  - IFSP date (or enrollment date)
  - Units of service delivered by service type and date
- Services Data:
  - Service rate by service type
- Program Data:
  - Grant/Contracts amounts and payments rendered *for Grants/Contract Payment Structures*
- Administrative Costs Data:
  - Fiscal obligations, such as training contracts, data contracts, monitoring expenses not directly tied to service provision
  - Lead Agency personnel/salary obligations

Analysis, Recommendations, and Considerations:

1. Determine the total number of children served by the Part C program by counting the number of children with an active IFSP anytime in the 12-month reporting period (that is, enrolled in the program during the reporting period).
2. Determine the total expenditures during the reporting period. Total expenditures may be determined differently depending on the reimbursement methodology used in the state. See two scenarios for methods based on a) Fee-for-Service or b) Grants/Contracts.
3. Divide the total expenditures by the number of children served to calculate the average cost per child served.

Scenario A: Expenditures Based on Fee-for-Service Payment Structures

- Determine the total number of service units provided in the 12-month period.
- Determine the total reimbursement for service units provided (number of service units provided in the 12-month period multiplied by reimbursement per unit of service for each service type).
- Determine all other expenditures for services not reimbursed on a fee-for-service basis, e.g., eligibility determination.
- Determine the other expenditures of the Part C lead agency not directly tied to service provision.

Considerations:

- For this analysis, the Part C lead agency should have a data collection system that allows for the collection of service units authorized and services provided. These units of service should reflect the service type (e.g., physical therapy, special instruction etc.) and the dates of service.
- Service reimbursement rates must also be captured and analyzed as part of any such effort.
    - The Part C lead agency must add to these direct service expenditures all fiscal obligations-such as training contracts, data contracts, monitoring expenses that are not directly related to service provision and other Part C lead agency expenditures to get the total expenditure amount for the state Part C program.

Scenario B: Expenditures for Grants/Contract Payment Structures

- Determine the amount of contract payments made to local programs/entities via grants and contracts. This model assumes "capitated" contracts/grants whereas contractors must abide by contractual amounts/obligations.
- Determine the Fiscal obligations-such as training contracts, data contracts, monitoring expenses that are not directly related to service provision along with

any other expenditures of the Part C lead agency.

Considerations:

- For this analysis, the Part C lead agency should have a data collection system(s) that allows for the collection of payments rendered for grant/contracts.
- The Part C lead agency must add to these direct service cost obligations all cost obligations such as personnel development contracts/obligations, monitoring and other Part C lead agency costs to get a comprehensive picture of cost obligations

Overall Considerations:

- A measure of the average cost per child is important because it provides information on the cost of providing services to children. These data can be used for projecting future expenditures and evaluating performance.
- The state Part C staff should be able to determine the average cost per child for each local program/entity. The Part C state staff can then compare the average cost per child for each program with data on service levels and characteristics of the children/families served to examine cost efficiency.
- If the state has expenditure data by revenue source, a separate cost per child may be calculated based on State/Federal funds (e.g., from the State Legislature, the U.S., Department of Education, Title XIX/Medicaid and other State/Federal sources) versus local funds (e.g., city/county funds, family cost participation, private insurance and other local sources).
- Note that the average cost per child is based on the number of children served but includes expenditures for children who were referred and evaluated and may not have been eligible, or were eligible and did not enroll in services. This is an important point when explaining these data.

Example 3: Additional funding needed

Policy Question 3:

How much additional funding will the state need to cover the increased number of children (as a result of changing eligibility criteria or increased child find) entering my Part C system in the next fiscal year?

Data Elements Needed for Analysis:

The data elements needed to identify the amount of funding that will be needed to reimburse providers for an increased number of children are:

- Child Data:
    - Program eligibility

- Service Data:
    - Referral date
    - Eligibility determination date
    - IFSP date
    - Units of service authorized by service type
    - Units of service delivered by service type
- Program Data:
    - Revenue received by source

Analysis, Recommendations, and Considerations:

Once the average cost per child has been determined, the process of estimating the total additional state funding needed to meet the Part C lead agency's obligations for an increasing number of children in the Part C system can begin. Whether reimbursement is distributed on a fee-for-service basis or by grants/contracts, the process remains the same.

1) Determine the average cost per child.
2) Multiply the increased number of children by the average cost.
3) Determine the percentage of children with other program eligibilities.
4) Determine what percentage of the average cost per child is paid for by each fund source
5) Subtract the anticipated revenue (from the other sources) from the total cost of the additional children to be served in the next fiscal year.

The resulting balance will be the new funds needed to pay for the additional children to be served in the next fiscal year.

Considerations:

- The financial program eligibility for each child needs to be identified. Understanding the percentage of children by fund source ensures that the Part C lead agency understands how many children have no other program eligibility and will need to have their services fully reimbursed with state funding. Monitoring these data over several years allows for trend analysis and more appropriate budget projections. Reimbursement from any specific fund source should have some correlation to the percentage of children with that program eligibility.

- The ability to identify the average reimbursement per child by each funding source will allow for projections of anticipated reimbursement from that fund source.
- The number of children transitioning from Part C compared to the number of children projected to enter Part C: If the rate of entry is increasing but the rate of transition matches the rate of entry, the lead agency should not see an overall

increase in needed funding. If the rate of entry exceeds the rate of transition, the lead agency will need to identify new funding or cut its obligations in other system components.

- The amount of additional state funds needed can be estimated by analyzing the program eligibilities of the enrolled children. Tracking program eligibility allows for trend analysis. If over several years, the Medicaid enrolled population has been 60%, the lead agency can expect that same figure with the expanded population. Being able to calculate the per-child reimbursement from Medicaid allows the Part C lead agency to reduce the additional state funding needed by that amount.

Glossary

Analysis - A systematic examination and evaluation of data or information, by breaking it into its component parts to uncover their interrelationships. *http://www.businessdictionary.com*

Audit - Systematic examination and verification of a firm's books of account, transaction records, other relevant documents, and physical inspection of inventory by qualified accountants (called auditors). *http://www.businessdictionary.com*

Budget - An estimate of costs, revenues, and resources over a specified period, reflecting a reading of future financial conditions and goals. *http://www.businessdictionary.com*

Capitation - A method of payment for health services in which an individual or institutional provider is paid a fixed amount for each person served, without regard to the actual number or nature of services provided in a set period of time. HMOs characteristically use this payment method. *A Glossary of Fiscal Terms and Acronyms in Money Matters (August 1998) MN House Fiscal Analysis Department on Government Finance Issues.*

Contract Financing Payments - Funds transferred from a contractee to a contractor as advance payments, interim payments, performance-based payments, progress payments, and/or other such payments. *http://www.businessdictionary.com*

Cost, Administrative - An expense incurred in controlling and directing an organization, but not directly identifiable with financing, marketing, or production operations. The salaries of senior executives and costs of general services (such as accounting and contracting) fall under this heading. See *Cost, Indirect* and *Cost, Fixed.* *http://www.businessdictionary.com*

Cost, Direct - An expense that can be traced directly to (or identified with) a specific cost center or cost object such as a department, process, or product. *http://www.businessdictionary.com*

Cost, Fixed - A periodic cost that remains more or less unchanged irrespective of the output level or sales revenue, such as depreciation, insurance, interest, rent, salaries, and wages. *http://www.businessdictionary.com*

Cost, Indirect (Non-Direct) - An expense (such as for computing, maintenance, security, supervision) incurred in joint usage and, therefore, difficult to assign to or identify with a specific cost object or cost center (department, function, program). Indirect costs are usually constant for a wide range of output. See *Cost, Fixed.* *http://www.businessdictionary.com*

Cost, Infrastructure – An expense for the maintenance or purchase of relatively permanent and foundational capital of a project that underlies and makes possible all its economic activity. *Adapted from http://www.businessdictionary.com*

Cost, Total - The addition of all costs-direct and indirect. *http://www.businessdictionary.com*

Expense - Money spent or cost incurred in an organization's efforts to generate revenue, representing the cost of doing business. Expenses may be in the form of actual cash payments (such as wages and salaries), a computed expired portion (depreciation) of an asset, or an amount taken out of earnings (such as bad debts). *http://www.businessdictionary.com*

Expenditure - Payment of cash or cash-equivalent for goods or services, or a charge against available funds in settlement of an obligation as evidenced by an invoice, receipt, voucher, or other such document. *http://www.businessdictionary.com*

Fee-for-service - A method of purchasing health care services under which a physician or other practitioner charges separately for each patient encounter or service rendered, as opposed to the capitated method of payment. *A Glossary of Fiscal Terms and Acronyms in Money Matters (August 1998) MN House Fiscal Analysis Department on Government Finance Issues.*

Federal Poverty Guidelines (FPG) - An index of poverty in the United States that is updated annually; the measure forms the basis of eligibility for a number of means-tested programs. *A Glossary of Fiscal Terms and Acronyms in Money Matters (August 1998) MN House Fiscal Analysis Department on Government Finance Issues.*

Revenue - The income generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of an organization before any costs or expenses are deducted. Revenue is shown usually as the top item in an income (profit and loss) statement from which all charges, costs, and expenses are subtracted to arrive at net income. *http://www.businessdictionary.com*