



**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

February 29, 2008

The Honorable William Purcell, Co-Chair  
Appropriations on Health and Human Services  
North Carolina General Assembly  
Room 625, Legislative Office Building  
Raleigh, NC 27603

Dear Senator Purcell:

The Department of Health and Human Services, Division of Public Health and the Early Intervention Branch of the Women's and Children's Health Section respectfully submits the attached Early Intervention Report due March 1, 2008. This report was prepared in response to House Bill 1473, Section 10.21 (b).

If you have any questions regarding this report, please contact  
Dr. Deborah Carroll, Early Intervention Branch Head at (919) 707-5520 or via email at  
Deborah.Carroll@ncmail.net.

Sincerely,

A handwritten signature in cursive script that reads "Dan Stewart for".

Dempsey Benton

DB:dc

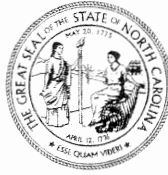
Attachment

cc: Leah Devlin, D.D.S., M.P.H.  
Kevin Ryan, M.D., M.P.H.  
Dennis Harrington  
Dan Stewart  
Jim Slate  
Sharnese Ransome  
Jennifer Hoffman  
Melvin Lee  
Lee Dixon  
Deborah Carroll  
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603

An Equal Opportunity / Affirmative Action Employer





**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

February 29, 2008

The Honorable Doug Berger, Co-Chair  
Appropriations on Health and Human Services  
North Carolina General Assembly  
Room 622, Legislative Office Building  
Raleigh, NC 27603

Dear Senator Berger:

The Department of Health and Human Services, Division of Public Health and the Early Intervention Branch of the Women's and Children's Health Section respectfully submits the attached Early Intervention Report due March 1, 2008. This report was prepared in response to House Bill 1473, Section 10.21(b).

If you have any questions regarding this report, please contact  
Dr. Deborah Carroll, Early Intervention Branch Head at (919) 707-5520 or via email at  
[Deborah.Carroll@ncmail.net](mailto:Deborah.Carroll@ncmail.net).

Sincerely,

A handwritten signature in cursive script that reads "Dan Stewart for". Below the signature, the name "Dempsey Benton" is printed.

Dempsey Benton

DB:dc

Attachment

cc: Leah Devlin, D.D.S., M.P.H.  
Kevin Ryan, M.D., M.P.H.  
Dennis Harrington  
Dan Stewart  
Jim Slate  
Sharnese Ransome  
Jennifer Hoffman  
Melvin Lee  
Lee Dixon  
Deborah Carroll  
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603

An Equal Opportunity / Affirmative Action Employer





**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

February 29, 2008

The Honorable Beverly M. Earle, Chairman  
Appropriations Subcommittee on Health and Human Services  
North Carolina General Assembly  
Room 634, Legislative Office Building  
Raleigh, NC 27603

Dear Representative Earle:

The Department of Health and Human Services, Division of Public Health and the Early Intervention Branch of the Women's and Children's Health Section respectfully submits the attached Early Intervention Report due March 1, 2008. This report was prepared in response to House Bill 1473, Section 10.21(b).

If you have any questions regarding this report, please contact Dr. Deborah Carroll, Early Intervention Branch Head at (919) 707-5520 or via email at [Deborah.Carroll@ncmail.net](mailto:Deborah.Carroll@ncmail.net).

Sincerely,

A handwritten signature in cursive script that reads "Dan Stewart for".

Dempsey Benton

DB:dc

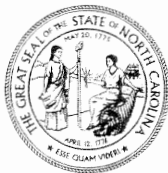
Attachment

cc: Leah Devlin, D.D.S., M.P.H.  
Kevin Ryan, M.D., M.P.H.  
Dennis Harrington  
Dan Stewart  
Jim Slate  
Sharnese Ransome  
Jennifer Hoffman  
Melvin Lee  
Lee Dixon  
Deborah Carroll  
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603

An Equal Opportunity / Affirmative Action Employer





**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

February 29, 2008

The Honorable Bob England, M.D., Chairman  
Appropriations Subcommittee on Health and Human Services  
North Carolina General Assembly  
Room 2219, Legislative Building  
Raleigh, NC 27601

Dear Representative England:

The Department of Health and Human Services, Division of Public Health and the Early Intervention Branch of the Women's and Children's Health Section respectfully submits the attached Early Intervention Report due March 1, 2008. This report was prepared in response to House Bill 1473, Section 10.21(b).

If you have any questions regarding this report, please contact  
Dr. Deborah Carroll, Early Intervention Branch Head at (919) 707-5520 or via email at  
Deborah.Carroll@ncmail.net.

Sincerely,

A handwritten signature in cursive script that reads "Dan Stewart for".

Dempsey Benton

DB:dc

Attachment

cc: Leah Devlin, D.D.S., M.P.H.  
Kevin Ryan, M.D., M.P.H.  
Dennis Harrington  
Dan Stewart  
Jim Slate  
Sharnese Ransome  
Jennifer Hoffman  
Melvin Lee  
Lee Dixon  
Deborah Carroll  
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603

An Equal Opportunity / Affirmative Action Employer





**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

February 29, 2008

The Honorable Verla Insko, Chairman  
Appropriations Subcommittee on Health and Human Services  
North Carolina General Assembly  
Room 307-B1, Legislative Office Building  
Raleigh, NC 27603

Dear Representative Insko:

The Department of Health and Human Services, Division of Public Health, and the Early Intervention Branch of the Women's and Children's Health Section respectfully submits the attached Early Intervention Report due March 1, 2008. This report was prepared in response to House Bill 1473, Section 10.21(b).

If you have any questions regarding this report, please contact Dr. Deborah Carroll, Early Intervention Branch Head at (919) 707-5520 or via email at [Deborah.Carroll@ncmail.net](mailto:Deborah.Carroll@ncmail.net).

Sincerely,

A handwritten signature in cursive script that reads "Dan Stewart for".

Dempsey Benton

DB:dc

Attachment

cc: Leah Devlin, D.D.S., M.P.H.  
Kevin Ryan, M.D., M.P.H.  
Dennis Harrington  
Dan Stewart  
Jim Slate  
Sharnese Ransome  
Jennifer Hoffman  
Melvin Lee  
Lee Dixon  
Deborah Carroll  
Legislative Library (2)

Location: 101 Blair Drive • Adams Building • Dorothea Dix Hospital Campus • Raleigh, N.C. 27603

An Equal Opportunity / Affirmative Action Employer





**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

February 29, 2008

Mr. Lynn Muchmore, Director  
Fiscal Research Division  
Room 619, Legislative Office Building  
Raleigh, NC 27601

Dear Mr. Muchmore:

The Department of Health and Human Services, Division of Public Health and the Early Intervention Branch of the Women's and Children's Health Section respectfully submits the attached Early Intervention Report due March 1, 2008. This report was prepared in response to House Bill 1473, Section 10.21(b).

If you have any questions regarding this report, please contact  
Dr. Deborah Carroll, Early Intervention Branch Head at (919) 707-5520 or via email at  
Deborah.Carroll@ncmail.net.

Sincerely,

A handwritten signature in cursive script that reads "Dan Stewart for".

Dempsey Benton

DB:dc

Attachment

cc: Leah Devlin, D.D.S., M.P.H.  
Kevin Ryan, M.D., M.P.H.  
Dennis Harrington  
Dan Stewart  
Jim Slate  
Sharnese Ransome  
Jennifer Hoffman  
Lee Dixon  
Melvin Lee  
Deborah Carroll  
Legislative Library (2)





**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

February 29, 2008

The Honorable Joe Hackney, Speaker of the House  
North Carolina House of Representatives  
Room 2304, Legislative Building  
Raleigh, NC 27601

Dear Representative Hackney:

The Department of Health and Human Services, Division of Public Health, and the Early Intervention Branch of the Women's and children's health Section respectfully submits the attached Early Intervention Report due March 1, 2008. This report was prepared in response to House Bill 1473, Section 10.21(b).

If you have any questions regarding this report, please contact  
Dr. Deborah Carroll, Early Intervention Branch Head at (919) 707-5520 or via email at  
Deborah.Carroll@ncmail.net.

Sincerely,

A handwritten signature in cursive script that reads "Dan Stewart for".

Dempsey Benton

DB:dc

Attachment

cc: Leah Devlin, D.D.S., M.P.H.  
Kevin Ryan, M.D., M.P.H.  
Dennis Harrington  
Dan Stewart  
Jim Slate  
Sharnese Ransome  
Jennifer Hoffman  
Melvin Lee  
Lee Dixon  
Deborah Carroll  
Legislative Library (2)





**North Carolina Department of Health and Human Services**

2001 Mail Service Center • Raleigh, North Carolina 27699-2001

Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Dempsey Benton, Secretary

February 29, 2008

The Honorable Marc Basnight, President Pro Tem  
North Carolina Senate  
Room 2007, Legislative Building  
Raleigh, NC 27601

Dear Senator Basnight:

The Department of Health and Human Services, Division of Public Health and the Early Intervention Branch of the Women's and Children's Health Section respectfully submits the attached Early Intervention Report due March 1, 2008. This report was prepared in response to House Bill 1473, Section 10.21(b).

If you have any questions regarding this report, please contact  
Dr. Deborah Carroll, Early Intervention Branch Head at (919) 707-5520 or via email at  
[Deborah.Carroll@ncmail.net](mailto:Deborah.Carroll@ncmail.net).

Sincerely,

*Dan Stewart for*  
Dempsey Benton

DB:dc

Attachment

cc: Leah Devlin, D.D.S., M.P.H.  
Kevin Ryan, M.D., M.P.H.  
Dennis Harrington  
Dan Stewart  
Jim Slate  
Sharnese Ransome  
Jennifer Hoffman  
Melvin Lee  
Lee Dixon  
Deborah Carroll  
Legislative Library (2)





Report to the General Assembly  
Early Intervention Reporting and Evaluation

Provided by The Early Intervention Branch, Women's and Children's Health Section,  
Division of Public Health

March 1, 2008

As a part of the requirements of Session Law 2007-323, Section 10.21.(b), the North Carolina General Assembly has requested a report regarding early intervention services. The information provided below has been gathered from the Early Intervention data, survey information, and billing data.

HB 1473 Section 10.21.(b): In order to reduce the amount of State funds appropriated for the Child Development Service Agency program and to increase the amount of receipts collected for the services provided by this program, a portion of the funding for the Child Development Service Agency is designated as a nonrecurring appropriation for the 2007-2008 and the 2008-2009 fiscal years. To achieve the purposes of this action by the General Assembly, the Department of Health and Human Services, Division of Public Health, shall engage in vigorous efforts to collect additional Medicaid and other third-party reimbursements from clients and their families. These efforts are necessary to offset any potential shortfall and may yield additional revenue that could be used to provide increased services to additional children. The Department of Health and Human Services, Division of Public Health, shall report on these efforts and the results to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than March 1, 2008.

**Reimbursement History**

Since FY 2004-2005, overall revenue from Medicaid and other third party payors (e.g., private insurance of enrolled children's families) to the Early Intervention (EI) Branch's Children's Developmental Service Agencies (CDSAs) has steadily increased. The CDSAs were previously Developmental Evaluation Centers (DECs) but became local lead agencies for the birth to three early intervention program as of July 1, 2004. Fourteen (14) of the 18 CDSAs are directly operated by the EI Branch of the Division of Public Health (DPH), Women's and Children's Health Section, whereas 4 of the 18 CDSAs are contracted through the EI Branch. Since 2005-2006, all 18 CDSAs have reported reimbursement data to the EI Branch. Data on the following pages is shown for FY 2004-2005, 2005-2006 and FY 2006-2007 as well as projected revenue for FY 2007-2008 for Medicaid reimbursement.

Finance Officers were assigned to each CDSA during FY 2004-2005 to help organize, monitor, and follow up on reimbursement activities, and additional billing staff were added to the CDSAs during FY 2006-2007. Training and technical assistance from the EI Branch Operations Unit specific to the programmatic issues of reimbursement has begun, and will continue. Collection and analysis of data regarding clinical billing is a key factor in this effort.

## **Efforts to Collect Additional Medicaid and Other Third-Party Reimbursement**

### **General Financial Information**

Families are asked to provide financial information to CDSAs upon entering the program. The early intervention program is governed by the federal Part C of Individuals with Disabilities Education Act (IDEA), and therefore must request, but not require, disclosure of a family's financial information. CDSAs provide service coordination, evaluations, and when no other appropriately qualified community based provider is available, other early intervention services such as speech, physical, or occupational therapy.

Certain services are required by IDEA to be provided at no cost to the family of the child. This "no cost to families" requirement includes service coordination, which is a required service for every child referred to and/or enrolled in the program. Medicaid reimburses the Early Intervention Branch's CDSAs for service coordination under a case management definition for children enrolled in the Medicaid program.

Services for a referred or enrolled infant or toddler are reimbursed through Medicaid, private insurance, or family self-pay on a sliding fee schedule, and are otherwise paid for through federal allocation or state appropriations. Medicaid is the primary payment source for the early intervention program, as it is the payment source for sixty-five percent (65%) of the infants and toddlers served by the program and this percentage consists of sixty-one percent (61%) of the families having only Medicaid and four percent (4%) having a combination of Medicaid with other insurance. Private insurance is the next highest payment source, at twenty-two percent (22%). Private insurance is a very low proportion of reimbursement to the early intervention program, due to the fact that the largest amount of service billed for and reimbursed to the early intervention program is service coordination (case management), and private insurance typically does not pay for this service. Four percent (4%) of families are self-pay; and service coordination is not billed when families are self-pay, as it must be provided at no cost to the family. Nine percent (9%) of families have chosen not to disclose financial information.

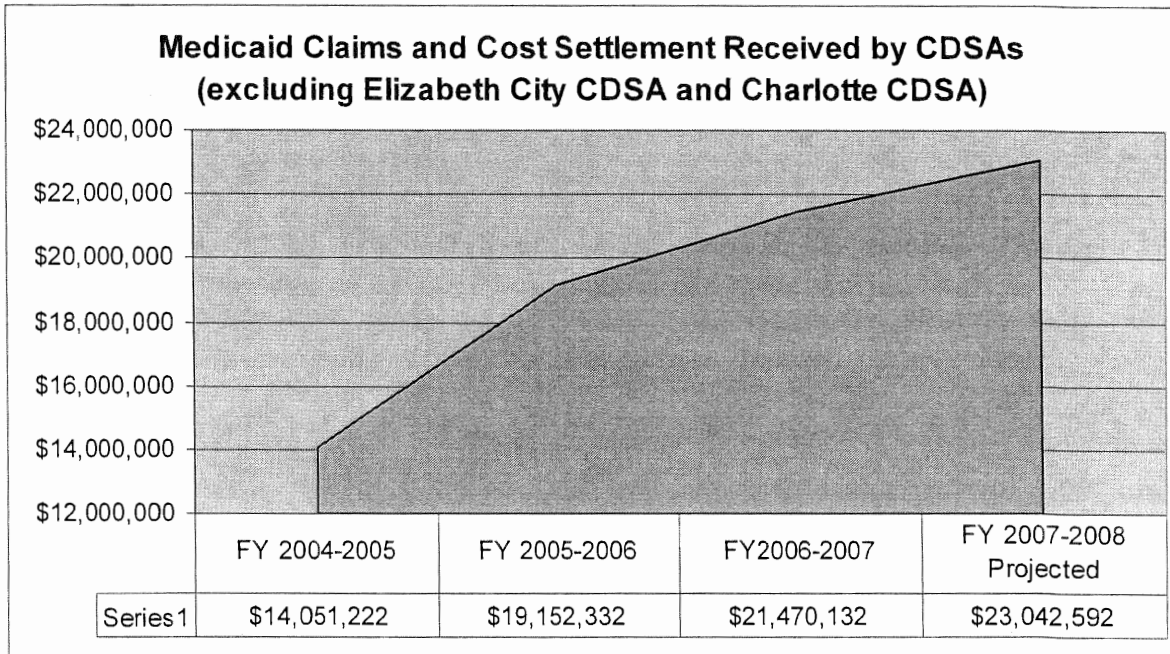
### **Medicaid Reimbursement**

Analyses of Medicaid reimbursement show that technical assistance from the EI Branch is a high priority need. The Health Services Information System (HSIS) shows Medicaid billed units and those units that are paid versus unpaid. Initial analyses indicated that 93% of Medicaid units for 2006-2007 were paid. Technical assistance by the EI Branch has included reporting this information to CDSAs and requiring follow-up for each potentially denied claim per the cost settlement analysis.

Revenue from Medicaid claims for 2006-2007 equaled \$10,920,059 whereas the cost settlement realized in 2006-2007 (based on prior year earnings) for 16 of the 18 CDSAs was \$10,550,073. (The EI Program receives Medicaid claims revenue and cost settlement for two of the four contract CDSAs.) Medicaid reimbursement is projected to increase for 2007-2008 (see Figure 1). Medicaid cost settlement is based on analyzed cost of providing services compared to Medicaid rate paid at service delivery. Additionally, current settlement received represents the federal share only and is comprised of sixty-two percent (62%) of each dollar of settled cost. These numbers show that the cost for providing services for early intervention is not met by the Medicaid rate. The Division of Public Health has initiated discussion with the Division of Medical Assistance on this issue.

**Figure 1**

*Figure 1 demonstrates revenue received from Medicaid receipts from claims and cost settlement across a three year period and projected revenue for 2007-2008. The projected income was calculated by using the actual revenue received July 2007 through December 2007 and multiplying by two.*



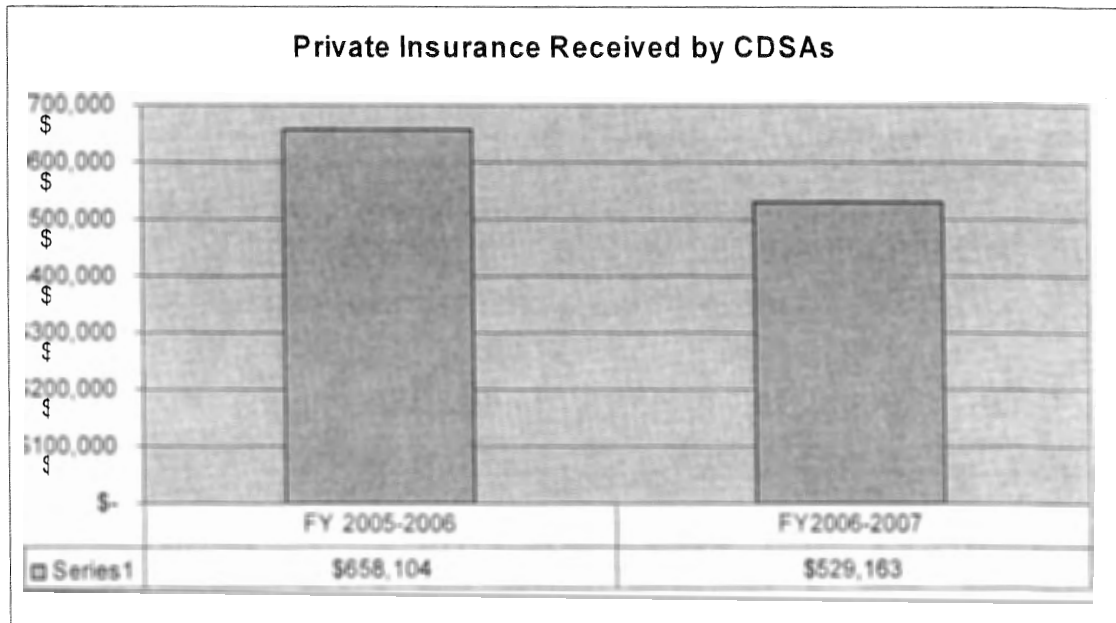
#### Other Third Party Reimbursement

As noted above, the early intervention program is governed by federal legislation (IDEA). IDEA requires that a family's permission be obtained prior to billing the family's private insurance. The majority of families permit the early intervention program to bill (88%), and only 12% of families who have private insurance decline to have their insurance billed. Although most families allow their private insurance to be billed for services provided by the early intervention program's CDSAs, the amount that is actually reimbursable is much less than the amount that is reimbursed by Medicaid, due to the fact that service coordination (case management) is not a covered service in most private insurance plans.

Of the number of infants and toddlers enrolled in the early intervention program (15,000 for FY 2006-2007), only 22% of families have private insurance (approximately 3300 families). Eighty-eight percent of these families allow billing of their private insurance (approximately 2900 families). The CDSA bills private insurance for the evaluations associated with the 2900 families, and a limited number of therapies when there is no appropriately qualified community service provider available to deliver these therapies. Evaluations and therapies are typically reimbursable by private insurers, whereas, as noted above, service coordination is not. Figure 2 shows the amount that is currently reimbursed by private insurers.

**Figure 2**

*Figure 2 demonstrates revenue received from other third party reimbursement sources (e.g., private insurance) for services performed by staff at CDSAs. In fiscal year 2006-2007, Blue Cross Blue Shield changed payment procedures due to CDSAs not being in network with Blue Cross Blue Shield. This change means that the CDSAs must bill as an out of network provider of early intervention services.*

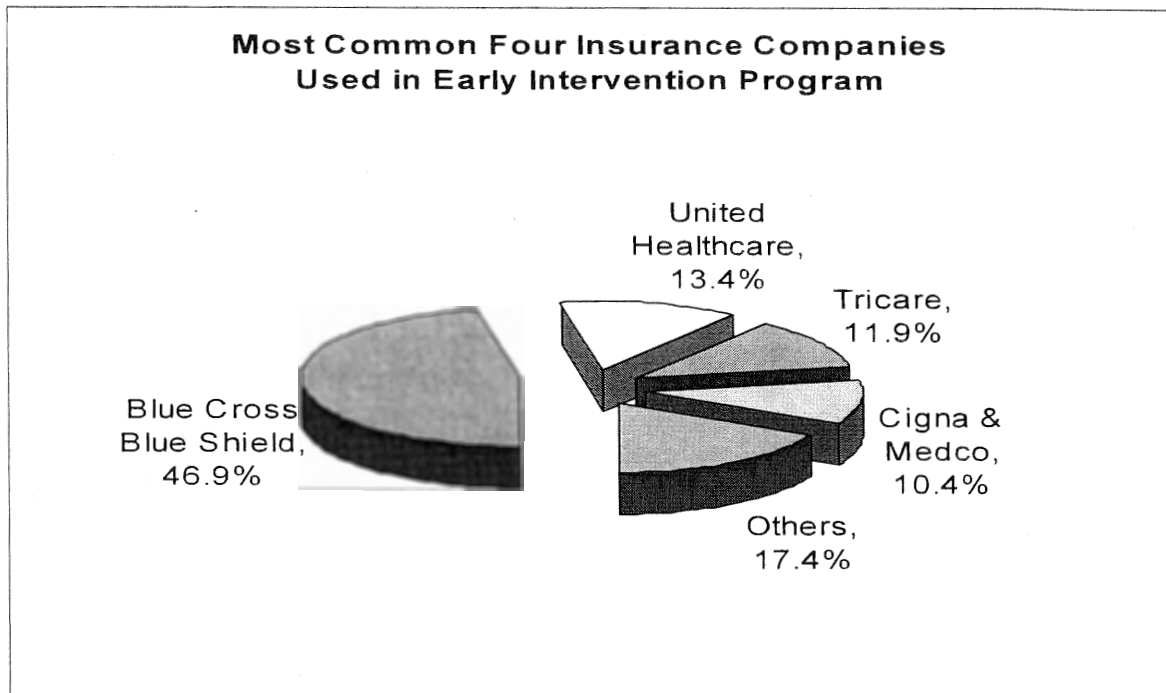


As described above, the possible reimbursement amount from private insurance is limited. Where this reimbursement is available, however, the early intervention program has investigated possible activity to maximize it. In summary, the following has occurred:

- First, the program has investigated private insurance reimbursement policies, which are quite complex. Most private practitioner offices include a high proportion of billing staff to initiate and maintain private insurance coverage for services, and a number of consultant companies specialize in this type of support for private practitioners.
- Secondly, the early intervention program has analyzed data on the private insurance companies that insure the families of children served by the program, in order to investigate the possibility of initiating and maintaining in-network status. As of October 2007, the most common private insurance companies used by families in the early intervention program statewide are Blue Cross Blue Shield, United Healthcare, Tricare, and Cigna/Medco (see Figure 3). These companies represent 83% of families who have private insurance.
- Finally, the early intervention program is investigating two strategies to increase reimbursement from private insurers: 1) accessing the services of a reimbursement consultant or consultants who specialize in state government practice (as compared to private practitioners), and 2) seeking additional reimbursement and/or increased rates for reimbursement through the initiation and maintenance of private insurance in-network status for all 18 CDSAs.

**Figure 3**

*Figure 3 shows the most common insurance companies for families in the early intervention program (October 2007).*



### **Analysis of Reimbursement Trends**

The EI Branch is implementing a focused and three-pronged approach to maximizing reimbursement. These efforts focus on the payment sources and the share that these sources pay for early intervention services.

First, maximization of Medicaid reimbursement through data collection, analyses, and technical assistance was implemented in 2006-2007 and resulted in additional focus through the EI Branch Operations Unit and the DPH Budget Office. These monitoring efforts continue on both the 2006-2007 cost settlement data and the 2007-2008 data (as noted in the projections for reimbursement for 2007-2008 above).

Second, the Division of Public Health has initiated discussion with the Division of Medical Assistance on the rates for early intervention services through several connected activities, including cost reporting and settlement. Each of these broad efforts is aimed at the largest pay source for the early intervention program.

Third, DPH is exploring additional consultation, as well as, an in network status for the CDSAs with respect to private insurance companies. This effort has focused first on the largest private insurance payor source, Blue Cross Blue Shield.

### **Conclusion**

This report to the North Carolina General Assembly includes amounts of reimbursement from Medicaid and private insurance revenue, the analysis of how those amounts have changed across fiscal years, and the immediate and ongoing efforts in place to increase Medicaid and other third-party reimbursements. For any additional information, please contact Dr. Deborah Carroll, Early Intervention Branch Head, at (919) 707-5520 or by email at [Deborah.Carroll@ncmail.net](mailto:Deborah.Carroll@ncmail.net).