As of May 31, 2005, the Division provided services to about 24,700 people in Arizona with developmental disabilities. Those with developmental disabilities include:

- Children under 6 years of age with strong potential that they are or will become developmentally disabled.
- Those with mental retardation, cerebral palsy, epilepsy, or autism that:
  - Manifests itself before age 18.
  - Is likely to continue indefinitely.
  - Substantially limits functioning in three or more major life areas, such as self-care, communication, mobility, and independent living.

**Division contracts for services**—The Division provides most of its services through contracts with 827 agency and 2,500 individual service providers. However, there have been long-standing concerns over the rates the Division pays these providers. In 1994, legislation was passed requiring the Division to develop equitable rate schedules.

**Consultant developed new rates**—In July 2003, a consultant experienced in developing rates for other states and Arizona agencies developed a new rate schedule for the Division.

The consultant used a zero-basis approach. Rather than trying to modify existing rates, the consultant built the new rate model from scratch using current data.

The new rate model applies to rates for such services as:

- Home-based, such as respite.
- Residential, such as group homes.
- Professional, such as nursing.
- Day treatment and training.

The new rate model does not apply to:

- Speech, physical, and occupational therapy.
- Employment-related services.

However, the Division’s consultants are currently working on a rate model for these services.
Division adopted lower rates—Once the consultant established benchmark rates, the Division determined the actual rates it would pay based on its available funding. Initially, in fiscal year 2004, the rates were set at 93 percent of the benchmark rates, but with increased appropriations have risen to 97.61 percent of fiscal year 2005 benchmarks for services provided in fiscal year 2006.

**Table 1:** Examples of Hourly Benchmark and Adopted Rates for Fiscal Year 2005

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Benchmark Rate</th>
<th>Adopted Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day treatment—adults</td>
<td>8.20</td>
<td>8.60</td>
</tr>
<tr>
<td>Home-based attendant care</td>
<td>14.75</td>
<td>14.12</td>
</tr>
<tr>
<td>Nursing—short-term</td>
<td>37.21</td>
<td>35.28</td>
</tr>
<tr>
<td>Habilitation—group home</td>
<td>17.79</td>
<td>17.73</td>
</tr>
</tbody>
</table>

Division adjusted disputed rate—After the new rates were developed, providers expressed concern about the day treatment and training rate. After the Division and its consultant met with providers and re-examined the rate, the rate for fiscal year 2005 was modified. The Division also contracted with a second consultant to review the model, who confirmed in November 2004 the general rate-setting model’s overall soundness.

**Recommendation**

The Division should:

- Continue its efforts to develop new rates for therapy and employment services.

**Division Can Improve Availability of Therapy Services**

The Division provides three therapy services—speech, physical, and occupational. These services are critical to the development of children with developmental disabilities and can be important to help adults maintain their level of functionality. However, therapy services are the greatest unmet need.

**Division cannot measure unmet need**—Although many people eligible for therapy services are not receiving them, the Division cannot accurately identify how many individuals are affected. The Division maintains a waiting list; however, as we found in our 2000 audit, the waiting list is incomplete and inaccurate. It does not capture all individuals waiting for services or their unmet needs.

Most individuals sampled are waiting for services—Because the waiting list is inaccurate, we selected a sample of 30 individuals and found 19 were waiting for one or more therapy services.

Rates and other issues affect availability—Several factors contribute to the shortage of therapy services:

- **Pay**—The Division’s rates for therapy services have not been assessed since 1996. The Division pays $57.20 per in-home service hour, and other employers pay from $70 to $120 per hour.
- **Therapist shortage**—There is a shortage of therapists in many areas of the State, especially speech therapists.

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1 Of the remaining 11 individuals in our sample, 5 were waiting for services other than therapy, and 6 were not waiting for services.
• Travel and safety—Under federal law, therapists must provide services in the clients’ homes. This increases travel time and raises safety concerns.

• Paperwork—Providers stated that the Division requires more paperwork, and filing insurance claims is more complicated.

• Scheduling—School-aged children require after-school services. However, this complicates scheduling for the therapist, and many will not accept evening appointments.

Division efforts to address problems—The Division is taking steps to address the shortage of therapy services. It is having therapists train family members how to work with clients to reduce the need for frequent therapist visits. It is also trying to recruit new therapists and trying to assist therapists in making insurance claims. However, the Division could better use its Web site to help families identify which therapists are available and at what dates and times.

Division staff report that there are no speech therapists in Yuma.

Recommendations

The Division should:

• Ensure its waiting list for services is kept current and accurate.

• Address outdated rates paid to therapists.

• Assist providers with paperwork, claims, and other administrative requirements.

• Improve its Web site to provide more information about providers’ availability.

Division Can Improve Its Billing Practices

Over 80 percent of the individuals who receive services do not have to pay for them. However, in four situations, state and federal laws and regulations require some recipients to pay for some services. These situations are:

• Residential services—Individuals in residential services who receive social security must pay a portion of their room and board costs.

• Arizona Long Term Care System cost—Depending on income, individuals in skilled nursing and other facilities must pay for part of their cost of care.

• Estate, trust, annuity billing—Individuals who have an estate, trust, or annuity of more than $2,000 must pay for all services.

• Fee for service—Individuals with income over 200 percent of the poverty level pay a portion of their care using a sliding fee scale.

We found that, in most cases, the Division generally does a good job of assessing fees. However, in the case of residential services, we sampled 24 individuals and found that 16 should have been assessed a total of $26,000 in fees but had not been. In addition, we found that the Division should have billed 4 additional individuals for fee-for-services.

While the amount that the Division could have billed from our sample was not large, it represents services the Division could have provided. For example, $26,000 could provide over a year of room and board for 4 individuals in a Maricopa County group home.

Failing to bill can also create a hardship for individuals when the error is finally discovered. In one instance, the Division discovered unbilled services accruing over 3 years that totaled $24,000.
We also developed information on the status of the Division’s implementation of fiscal intermediaries and the status of the Coolidge facility.

**Fiscal intermediaries**—Some individuals receiving services prefer to hire individual providers instead of agencies. In the past, the Division treated these providers as independent contractors, paying them directly and making the providers responsible for paying appropriate taxes. However, the IRS considers these providers as employees of those they serve and not as independent contractors. As a result, the individuals with disabilities or their families were responsible for withholding and other taxes.

Fiscal intermediaries solve this dilemma. A fiscal intermediary is an agent for individuals receiving services who performs the accounting functions required of employers, including payroll, payroll taxes, workers’ compensation, and unemployment insurance. The Division pays the intermediary, who pays the

The Division should:

- Ensure that it bills for residential services in all appropriate cases.
- Ensure fee-for-service billings are accurate.

**Other Pertinent Information**

We also developed information on the status of the Division’s implementation of fiscal intermediaries and the status of the Coolidge facility.

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**Arizona Training Program at Coolidge**—The State has ceased operating institutional facilities in Phoenix and Tucson, but continues to operate a facility at Coolidge. The number of residents has declined from 1,108 in 1970 to the current 137 individuals. As the number has declined, the cost per individual has increased. In 1996, the cost was $78,250 per person. In 2004, the cost was about $108,500 per person. Most residents’ families prefer to have the facility as a residential option, and the Division has no plans for closing it even though it would mean a savings of about $2.7 million annually to the State’s General Fund.