

Valuing Early Childhood Developmental Services

Reimbursement Challenges for Early Intervention and Preschool Special Education Services in Monroe County

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Executive Summary

Parents, providers, and advocates have become increasingly concerned with the growing scarcity of Early Intervention (EI) and Committee on Preschool Special Education (CPSE) services for children in Monroe County. Many well-known providers have closed or ceased providing services like Occupational Therapy (OT), Physical Therapy (PT) and Speech Therapy to young children, and waiting lists for these services are growing throughout the community.

The Children's Agenda, in consultation with other early childhood services stakeholders like the Early Childhood Development Initiative (ECDI) and ROC the Future (RtF), decided to conduct an analysis of the cost and revenue structures of these "Related Services." The purpose of the analysis is to determine whether current reimbursement rates are sufficient to attract a large enough workforce to meet the needs of children exhibiting developmental concerns. Funding to support this study was generously provided by Rochester's Child at the Rochester Area Community Foundation.

Findings

- Research shows that intervening early to address developmental delays and disabilities is significantly more cost effective and successful than waiting until children reach school-age.
- Unfortunately, an increasing number of young children in Monroe County are unable to receive the specialized developmental services they need due to a shortage of providers who work in the Early Intervention (birth through 2 years old) and Preschool Special Education (3 and 4 year old) systems.
 - Approximately 20% of children in Monroe County birth to three years old spent time on a waiting list for Early Intervention Services in 2017
 - Approximately 10% of preschool age children in the City of Rochester were awaiting preschool special education services in March, 2018
- Low reimbursement rates for these services are a significant cause of this delay in receiving services.
 - Reimbursement rates for Early Intervention services have declined substantially since the mid-1990s, and do not cover the cost of providing those services to young children
 - Occupational Therapists, Physical Therapists, and Speech Therapists who work with young children are paid significantly less than their peers who work in school systems, hospitals, and adult rehabilitation programs and receive few, if any, employee benefits.
- A number of well-known and respected providers have stopped providing Early Intervention services in recent years, largely due to reimbursement cuts and new non-billable mandates.

Recommendations

1) Establish Reimbursement Rate Equity between EI and CPSE Services

There is a significant disparity between the reimbursement rate for Early Intervention and Preschool Special Education services. This \$18 per hour difference between the two systems

creates an incentive for organizations to prioritize CPSE cases over EI, and may contribute to the growing shortage of EI providers. It is also a reflection of the misalignment and lack of coordination between these two critically important systems that largely serve the same children. The Department of Health (DOH) and State Education Department (SED) should come together to develop a consistent level of funding for the EI and CPSE systems. Licensed professionals in these systems have the same education and credential requirements, and reimbursement methodologies should reflect that equity.

2) Significantly Increase EI and CPSE Rates

This study helps explain the precarious state of PT, OT, and Speech Therapy service provision for young children. Without raising reimbursement rates, the steady stream of providers exiting these services will accelerate, and waiting lists for services will grow significantly. Practitioners are paid significantly less than the regional median wage for their occupation and receive meager benefits. Employers struggle to remain solvent despite paying these lower wages.

The Children's Agenda's recommendation is to raise CPSE half hour rates by between 21% and 41% (depending on the service), and raise EI rates to that level. This would allow staff to be paid the regional median wage for their profession and receive competitive benefits.

The recommended old and new reimbursement rates are below.

Service Type	Early Intervention (1 Hour)		Preschool Special Education (30 minutes)	
	Current	Proposed	Current	Proposed
Occupational Therapy	\$86	\$131	\$52	\$65.50
Physical Therapy	\$86	\$147	\$52	\$73.50
Speech Therapy	\$86	\$126	\$52	\$63.00

3) Shift to a State Driven System

New York State should assume responsibility for setting rates and funding EI and CPSE services throughout the state. Doing so would reduce the complexity of these systems, and would allow the State Education Department and Department of Health to work more closely together and ideally begin to establish a single, unified system for addressing developmental concerns for children birth to five years old. This would simplify access to services for families, ensure greater continuity of care for children, and ensure children receive the support they need.

4) Establish a Statewide Related Services Rate-Setting Methodology

New York State should establish a statewide methodology that determines the appropriate reimbursement rate for all types of EI and CPSE services. This rate setting process should take into account provider costs, prevailing wages for particular occupations, and non-reimbursable activities that are nevertheless critical to the provision of services. It should be conducted regularly to account for changing costs and state mandates.

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Introduction

Parents, providers, and advocates have become increasingly concerned with the growing scarcity of Early Intervention (EI) and Committee on Preschool Special Education (CPSE) services for children in Monroe County. Many well-known providers have closed or ceased providing services like Occupational Therapy (OT), Physical Therapy (PT) and Speech Therapy to children birth to five, and waiting lists for these services are growing throughout the community. Many observers believe the reimbursement rates for these services are insufficient to cover costs and attract a sufficient number of licensed professionals to the early childhood sector.

The Children's Agenda, in consultation with other early childhood services stakeholders like the Early Childhood Development Initiative (ECDI) and ROC the Future (RtF), decided to conduct an analysis of the cost and revenue structures of these "Related Services." The purpose of the analysis is to determine whether current reimbursement rates are sufficient to attract a large enough workforce to meet the needs of children exhibiting developmental concerns, and if not, recommend a higher rate. Funding to support for this study was generously provided by Rochester's Child at the Rochester Area Community Foundation.

The Children's Agenda gathered information from nine local providers of Early Intervention and/or Preschool Special Education services to complete this analysis, including organizations of varying sizes and several sole proprietors. We also met with Monroe County officials, reviewed relevant state regulations and materials, and consulted with other advocates and experts in this field to inform our analysis.

Methodology

TCA met with and gathered information from leadership and finance staff at five organizational providers of early intervention and/or preschool special education services in Monroe County. We also surveyed four independent practitioners to understand the cost and expenses of these unaffiliated professionals. They all generously shared sensitive information about revenue, budgets, salaries, benefits, supervisory structures, and service delivery information. TCA standardized the information gathered from these providers, and incorporated their data into a model we developed to understand the cost of providing these services.

We reviewed and analyzed publicly available data from the US Bureau of Labor Statistics (BLS) and other sources to determine the market salary for Physical Therapists, Occupational Therapists, and Speech Therapists in the Rochester region and the cost of benefits for similar organizations.

Background

New York State's Early Intervention and Preschool Special Education programs are covered under the federal Individuals with Disabilities Education Act (IDEA). This 1986 legislation, built on an earlier law, ensures that children with disabilities are given an appropriate education that meets their specific individual needs. In New York State, the State Department of Health (DOH) oversees Early Intervention, which provides services for

children birth to age 3, while the State Education Department (SED), with funding and involvement from DOH, oversees services for 3 to 5 year old children with special needs.

Children with developmental concerns are identified by pediatricians, school staff, child care providers, and parents, and are referred to either the EI or CPSE system (depending on age) for an evaluation. In both systems, an evaluation is conducted, and a determination is made about whether the child qualifies for services. The determination is based on whether the child has a significant developmental delay in one or more functional areas of development or meets a classification of disability under the law (e.g. autism, deafness, orthopedic impairment, traumatic brain injury, etc.).

If a child qualifies for services, a qualified professional team will create a specialized plan to address the identified challenges. In the Early Intervention system, this plan is called an Individualized Family Service Plan (IFSP), while in the CPSE system, it is named an Individualized Education Program (IEP). This plan then details the frequency and duration of particular types of services. The law requires that children receive services in the least restrictive environment that is appropriate to meet their needs. Less restrictive programs allow children to receive services alongside other children who do not have special needs, while more restrictive programs are provided to children who require more specialized supportive services alongside other children with intense needs.

Related Services are seen as the least restrictive intervention for children who are identified as needing developmental services. These services are provided by licensed professionals who work with children in a one-on-one or small group setting. These services can be provided at home, a child care setting, or a preschool program. Related Services include Speech Therapy, Physical Therapy, Occupational Therapy, Vision and Hearing Education services, and Counseling. More intensive service settings includes Special Classes in an Integrated Setting (SCIS), Special Classes, and Residential Placements.

The services outlined in an IEP or IFSP should begin as soon as possible after the plan is developed.

The Importance of Early Childhood Developmental Services

Research shows that early detection and treatment of developmental delays and disabilities can improve cognition, social skills, school readiness, and family and child well-being.¹ The architecture of the brain is forming rapidly during a child's early years, and efforts to address developmental challenges have the greatest chance of succeeding during the first few years of one's life.² Early Intervention and Preschool Special Education Services are therefore both more effective than interventions among older children (to say nothing of adults) and extraordinarily less costly than years of school-aged special education.³

¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3586603/> and

² <http://www.nectac.org/~pdfs/pubs/importanceofearlyintervention.pdf>

³ <https://www.zerotothree.org/resources/83-making-hope-a-reality-early-intervention-for-infants-and-toddlers-with-disabilities#chapter-56>

The early years are a unique and time-limited opportunity to address developmental delays. It is therefore critical that these services are available as soon as children are identified as needing them.

What are Related Services?

Non-academic interventions such as Counseling, Special Education Itinerant Services (SEIT), Occupational Therapy (OT), Physical Therapy (PT), and Speech Therapy (Speech) for children with developmental concerns are referred to as “Related Services” in the CPSE system. For descriptive ease, this report will refer to that grouping of services as Related Services in both the EI and CPSE systems. This study focuses on the three of the most heavily used services – OT, PT, and Speech.

Growing Shortage of Services in Monroe County

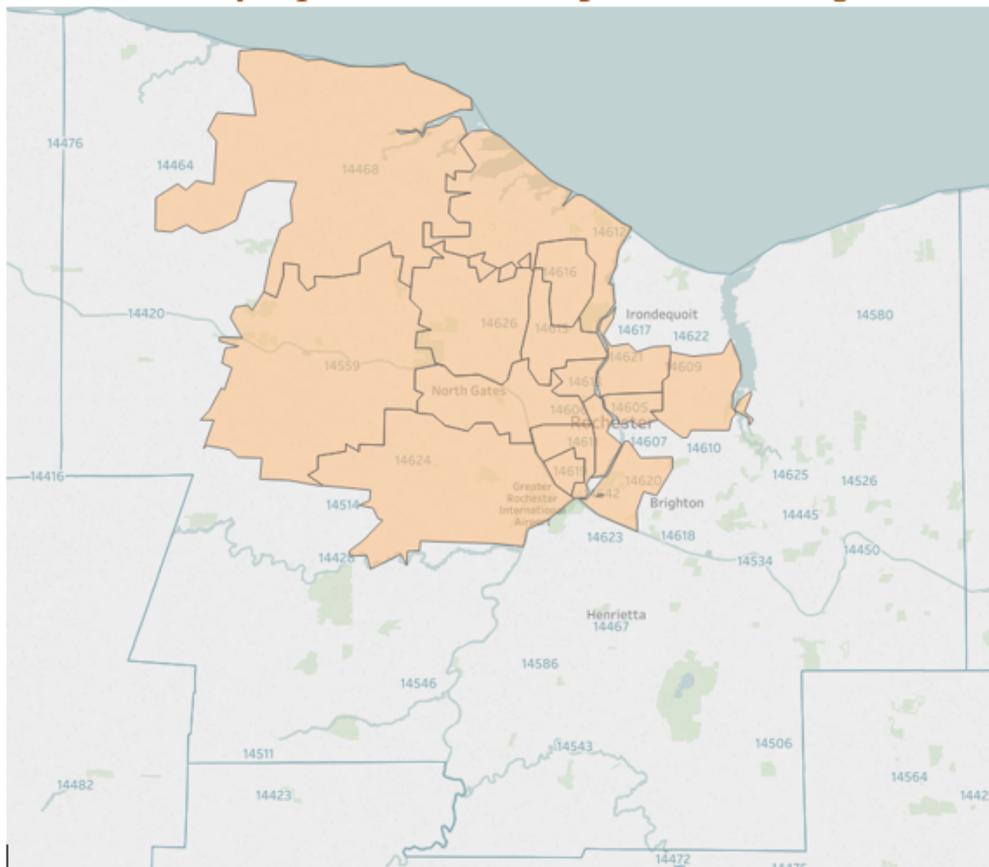
As noted above, it is critical that children receive appropriate services as quickly as possible to maximize the effectiveness of those interventions. A wait of three months for a one year old represents a quarter of that child’s life, and they are at risk of falling further behind developmentally while they wait for a provider to become available.

Unfortunately, in Monroe County over the past several years, an increasing number of children have been unable to receive services after being identified as needing them. According to data provided to The Children’s Agenda by Monroe County, 319 children under 3 years old, representing approximately 20% of County children identified as needing services, spent some time on a waiting list between January and July 2017⁴. The majority of these children (62%) were awaiting speech therapy services, although children were also waiting for occupational therapy, special education, physical therapy, nutrition, social work, and vision services. The length of time it took to secure services ranged from one week to six months.

The zip codes with the greatest number of children waiting for services throughout this period were concentrated in the City of Rochester and west-side suburbs. The map below highlights those zip codes with at least 5 children awaiting services at points-in-time in 2017 and 2018. While the shortages are more prevalent in the City of Rochester, children in west-side suburbs are increasingly waiting for services to commence as well.

⁴ According to Monroe County officials, New York State’s Early Intervention data system, called NYEIS, does not produce reports detailing how many children received services during a particular period. However, county officials shared that approximately 1,400 children have an IFSP at any given time. It seems reasonable to conclude that, given turnover in the program, roughly 20% of children in need of Early Intervention services spent some time on a waiting list during 2017.

Monroe County Zip Codes with Frequent EI Waiting Lists



The Children's Agenda also received information from Rochester City School District officials regarding the number of children awaiting preschool special education services. The scarcity of providers serving the City has caused school district officials to triage and prioritize services in certain settings. Specifically, the district has been more successful connecting children enrolled in Head Start and 3 and 4 year old pre-K programs to services than children at home with their parents or in home-based child care settings. As noted in more detail below, providers are not reimbursed for travel time, so it makes more economic sense to provide back-to-back services in a setting with many children rather than home-based settings with just one or two special needs children. In mid-March, 2018, over 70 children, approximately 10% of the preschool children in the district with IEPs, were awaiting services.

GROW-Rochester is a comprehensive developmental screening initiative managed by the Children's Institute. The effort attempts to ensure that three year olds in the City receive hearing, vision, dental, speech, cognitive, and social emotional developmental screenings. It also provides care coordination services for children and families referred to a formal CPSE evaluation and continues to track them until they begin services identified through their IEP. Data shared with the Children's Agenda by the GROW-Rochester initiative revealed that from July, 2016 through June, 2017 it took an average of 8 months for children who were screened as needing a formal evaluation to receive that assessment and begin

receiving needed services. While not a central focus of this study, inadequate reimbursement rates for EI and CPSE evaluations also appear to be the cause of significant delays in children receiving services within legally mandated timeframes.⁵

Recent Changes to Early Intervention Billing Process

According to several local providers and statewide advocates, the 2011 implementation of a statewide billing system (NYEIS), significant changes to New York State's public health law in 2013, and rate cuts in 2010 and 2011 (discussed in more length below) caused a decline in the number of Early Intervention providers in Monroe County and elsewhere in the state.

The 2013 change in New York State's public health law significantly shifted billing responsibilities from counties to providers directly. This effort, which came right after two provider rate cuts, was designed as mandate relief for counties. Previously, the providers submitted claims to the County, who would pay the provider and then submit claims to commercial insurance, Medicaid, and the state directly. The County would therefore bear the cost of the receivable and any payment delays from the various payers. In 2013, providers began billing these different payers directly through a centralized state contractor in Albany. This placed an increased administrative burden on providers and forced them to manage significant delays in provider payment, causing cash flow difficulties.

In 2013, Monroe County surveyed 16 individuals and organizations that had stopped offering Early Intervention services between 2009 and 2013. The results largely confirm what The Children Agenda learned from conversations with providers and statewide advocates. The top three reasons identified by survey respondents for discontinuing EI services were 1) changes in rates paid for EI services, 2) increase in the cost of doing business, and 3) amount of time required for non-billable services.

Employment Structures of Related Services Providers

One challenge associated with determining the true cost of providing EI and CPSE services is the considerable diversity of business models within these systems. The costs associated with providing early intervention and preschool special education services varies considerably based on the underlying organizational and personnel management structure of the entity providing services.

Our discussions with providers revealed three distinct business structures that provide early intervention and preschool special education related services.

Full Time Employees: A number of local providers employ their OTs, PTs, and Speech Therapists providing early intervention and CPSE related services as a full-time, salaried staff with benefits. These individuals are tightly integrated into the overall clinical and educational approach of their organization, and receive routine clinical supervision and

⁵ See - <https://www.democratandchronicle.com/story/news/investigations/2017/09/14/watchdog-crisis-special-ed-services-preschoolers-leaves-families-scrambling/620257001/>

professional development opportunities. While they are given billing targets and held responsible for meeting these expectations, their pay is not directly dependent on the number of clients they see in a day, week, or billing period. Rather, their employer assumes all of the risks associated with missed appointments, illnesses, and denied claims. These employees also receive the health care and retirement benefits that are regarded as standard within most professional workplaces. Some of these providers employ individuals full time for 10 months a year, and due to the preschool special education schedule, as per diems during the summer months.

Per Diem Employees: A number of local providers rely on a per diem model of service delivery to maximize the delivery of early intervention and preschool special education services, while also maintaining the financial viability of the organization billing for services. These employers pay employees a specific rate per unit of service delivered to children and families. The financial risks in this scenario are largely borne by the employee, as they are only paid for services delivered, not those that were cancelled or unbillable for whatever reason. However, per diem employees receive little or no health care or retirement benefits.

Independent Practitioners: A significant, yet shrinking, number of local EI and CPSE services are provided by independent practitioners who are not affiliated with any larger organization. These individuals handle all case activities themselves, including the delivery of services to children and the management of all paperwork and billing. These independent providers have lower overhead than larger organizations, but like larger organizations, also have to manage payment delays and denials, as well as insurance and other costs. Many independent practitioners, who do not have dedicated billing staff and struggle to endure payment delays, found it difficult to remain financially viable as the state implemented changes to the Early Intervention system over the past several year. Still, the 30-something independent providers in the County remain a substantial part of the EI and CPSE system in Monroe County.

Reimbursement for Early Intervention and Preschool Special Education

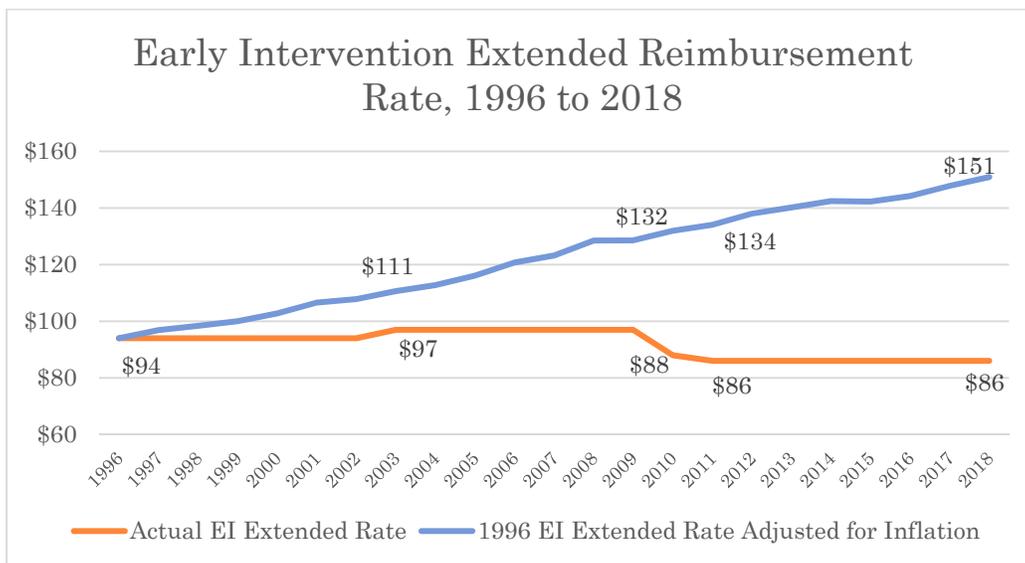
Early Intervention and Preschool Special Education reimbursement structures differ in key ways from one another, but also share common elements. These services can be provided to a child at home, in a child care program, or in a regular preschool program. The provider is paid a per diem rate for delivering the service outlined in the child's individualized plan. There is no separate reimbursement for travel, for supervision related to the case, paperwork, or billing. Instead, the per unit rate is expected to cover the costs of directly providing the service to a child and all indirect activities associated with it. Providers are not reimbursed for cancelled or missed appointments, only those where services were actually delivered.

Early Intervention Reimbursement Rates

There are 18 different rates associated with providing a range of early intervention services to children. These activities include service coordination, screening, evaluation, group and

individual activities. According to local providers, most ongoing OT, PT, and Speech services are billed to the “Extended Home and Community Based Individual Collateral Rate.” This one-on-one appointment between a therapist and a child (often accompanied by a parent), lasts for a minimum of 60 minutes and focuses on addressing the child’s developmental needs identified in the IFSP. Reimbursement rates for this service category are set by the New York State Department of Health and vary across the state. New York City providers receive \$105 per unit delivered, and providers in neighboring downstate counties are paid slightly above or below \$100. Providers in most upstate counties are paid considerably less, typically \$85 to \$88 per unit provided. Monroe County’s rate is \$86 per one hour unit.

Monroe County’s \$86 extended rate is considerably lower than it was 20 years ago. In 1996, providers received \$94 per extended visit. This increased to a high of \$97 in 2003 before New York State, in the midst of a state budget crisis, reduced the rate to \$88 in 2010 and \$86 in 2011. The rate has not risen since 2011. If that \$94 rate had increased with inflation from 1996 to 2018, providers would be paid \$151 per extended service. The chart below illustrates the steadily growing gap between what providers used to be paid and what they receive now.



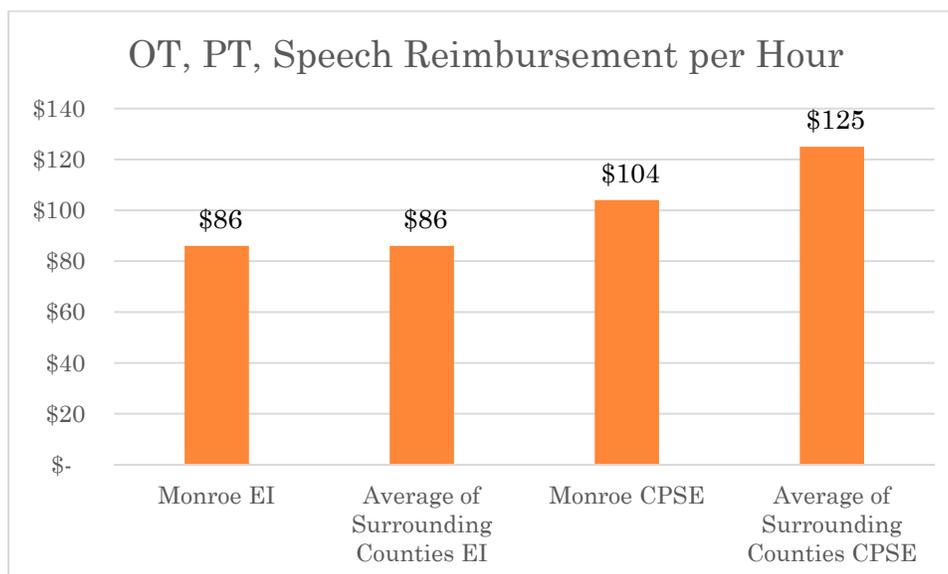
Committee on Preschool Special Education Related Service Reimbursements

The per diem reimbursement structure of the CPSE Related Services system is similar to the Early Intervention, but with a few notable differences. First, rates are set in half hour increments. Second, counties are responsible for establishing a local rate for each type of related service. This county-set rate is reviewed and approved by New York State. Monroe County’s rate for OT, PT, and Speech is \$52 per unit, slightly below the statewide median of \$54 (for OT and PT) and \$55 (for Speech). The County also pays \$45 per unit for other types of services like parent counseling, vision, and hearing services. Finally, most children only receive services for 10 months a year, as compared to a full year in the EI system.

Monroe County's related services rate is similar to other large upstate counties, but is lower than each of the five counties that border it. Theoretically, a physical therapist providing one hour of services to a child in the Village of Fairport will be paid \$104, while a physical therapist working 9 miles away in the Village of Victor will be paid \$140 for the same service. Both physical therapists will be paid more for an hour of physical therapy to a 3 year old than they would to a 2 year old receiving early intervention services. Counties in the Finger Lakes region also tend to pay higher rates for these CPSE services than other parts of the state. However, these rates are technically the *maximum* rate paid for a service in a county. According to some of the providers The Children's Agenda spoke with, in practice, these other counties in the Finger Lakes region often pay close to the same rate as Monroe. The table below shows the Related Services rates for Monroe, several other larger upstate counties, and those counties that border Monroe.

CPSE Related Service Rates: Monroe, Comparable, and Surrounding Counties			
County	OT	PT	Speech
Albany	\$55	\$55	\$55
Erie	\$50	\$50	\$50
Genesee	\$57	\$57	\$57
Livingston	\$65	\$65	\$65
Monroe	\$52	\$52	\$52
Onondaga	\$55	\$55	\$55
Ontario	\$70	\$70	\$70
Orleans	\$54	\$54	\$74
Wayne	\$59	\$59	\$59

It is worth noting that while the CPSE related services rate in Monroe County is lower than neighboring counties, one hour of CPSE services still pays more than an equivalent hour of Early Intervention services.



Billable Hours per Week

As noted above, for those providing Related Services, only time spent directly working on service plan goals with EI and CPSE service recipients is considered billable. A substantial portion of each day is spent on other activities, including staff meetings, paperwork, supervision, and travel to appointments. In addition, missed or cancelled appointments are a reality in this field, particularly for those individuals and agencies working in stressed communities and families experiencing poverty.

Full-time staff at provider agencies are typically assigned an average billing target of 25 hours per week, with an understanding that some percentage of appointments will be mixed. Interviews with provider staff revealed that approximately 85% to 90% of appointments are kept. The table below shows how much revenue a staff person providing individual services can generate in a week and year. The annual revenue number assumes a total of 25 days of non-billable time due to paid time off and holidays.

Category	Early Intervention	Preschool Special Education
Reimbursement Rate Per Hour	\$86	\$104
Billing Target	25	25
Successful Contact Rate	88%	88%
Revenue Per Week	\$1,892	\$2,288
Annual Revenue assuming 46 Billable Weeks Per Year	\$87,032	\$105,248 ⁶

Many agencies and individuals provide both EI and CPSE services, although the substantial difference in reimbursement between the two has caused some local providers to cease providing EI services over the past several years. The \$1,900 to \$2,300 in weekly revenue generated by these staff has to support their salary, fringe benefits, supervisory costs, other than personnel expenses, and administrative overhead.

Reimbursement Methodology Issues for Other Specialized Services

While not the direct focus of this analysis, the preschool special education classroom cost and reimbursement structure is also experiencing substantial financial challenges in the Rochester region. The reimbursement methodology places considerable financial strain on those providers who serve young children with the most significant developmental disabilities.

The payment structure for Special Classes in an Integrated Setting (SCIS) or Special Classes for providers is significantly different than for related services. In those classrooms, a 10 month (school year) and 2 month (summertime) rate is established to cover all academic and related services needed to educate and support the child. This rate is intended to cover the teacher, any classroom support staff, and other licensed professionals like OTs, PTs, and Speech Therapists. This rate is set by the State Education Department based on a Consolidated Fiscal Report (CFR) submitted by provider agencies and school

⁶ As noted above, the CPSE system operates on a 10 month year, plus school vacation period. In an effort to align this data with EI, we extended it to a full year of both revenue and expenses.

districts each year. In theory, this process should allow the reimbursement rate to cover agency costs as they rise over time, albeit on a delay. Escalating expenses could be the result of admitting students with greater needs, rising fringe benefit costs, increases in the prevailing wage for a field, or a multitude of other factors.

However, the Rate Setting Unit at the State Education Department imposes a cap on annual growth to this expense-driven reimbursement methodology. This cost screen prevents a provider's reimbursement rate from rising more than a small amount (typically 1.6% -2.7%) each year. However, there is no equivalent cap when costs are reduced. If a provider's expenses drop for whatever reason in one year (layoffs, reduced student needs, other cost savings, etc.), their reimbursement rate can be reduced by more than 2.7%. But then it cannot grow by more than that cap when costs rise again.

This dynamic, over the long term, presents a significant challenge to the financial viability of community based preschool special education providers. The consequence of this rate setting methodology is felt particularly harshly by those providers who today admit children with greater needs than when their reimbursement rates were originally set.

Cost of Services Estimate

As noted earlier, the diversity of business models within the EI and CPSE systems makes it difficult to establish a single "true cost" of services. Some providers rely nearly exclusively on salaried staff year round, others pay staff a salary during the school year and pay them as per diems over the summer months, while others primarily employ per diems to deliver services throughout the county.

For the purpose of this analysis, we are trying to determine what a fee-for-service reimbursement rate would need to be to support the following three conditions:

1. **Average Salary Equity:** The average salary of people providing EI and CPSE Related Services is equivalent to the average salary for those professions in the Rochester region.
2. **Fringe Benefit Equity:** Fringe benefits for early childhood special needs providers should be even to other non-profit human services and health care providers.
3. **Reimbursement Sufficiency:** Organizations should not have to rely on donations, endowment resources, or other revenue streams to fund the provision of these services.

Costs Associated with Providing Related Services

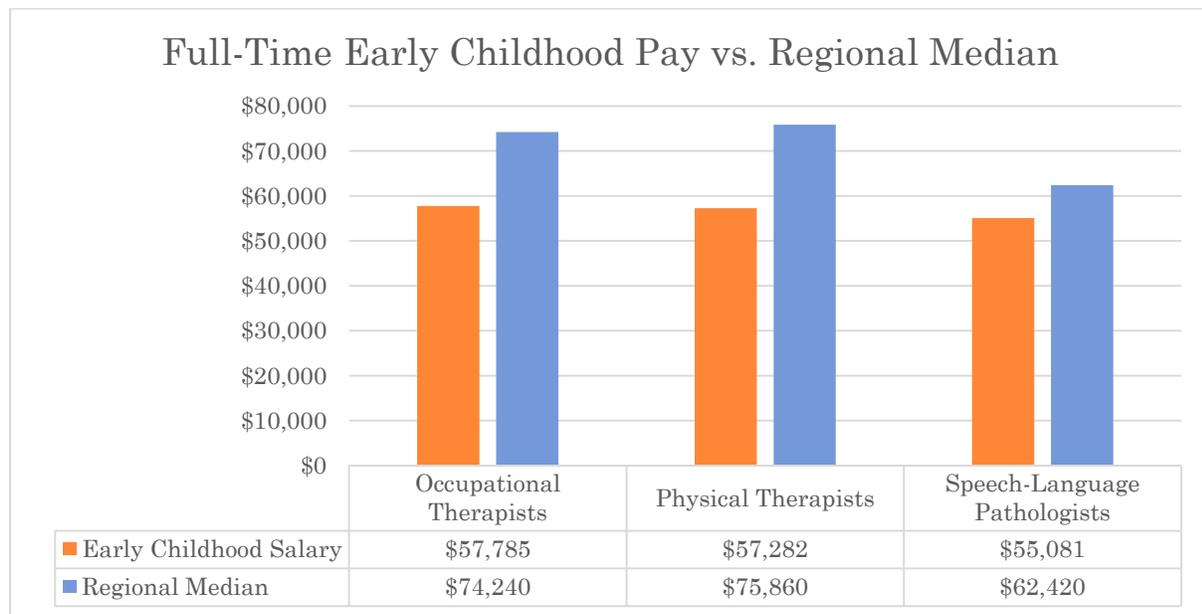
In consultation with providers, we were able to classify the costs associated with the provision of early intervention and preschool special education services into five categories. Please refer to the Appendix for a full explanation of each of the five categories of cost.

- Salaries
- Fringe Benefits
- Supervision Costs
- Other than Personnel Expenses (OTPS)
- Administrative Overhead

The United States Bureau of Labor Statistics (BLS) publishes detailed wage data by region and occupation. This includes information about Occupational Therapists, Physical Therapists, and Speech Therapists in the Rochester region. BLS also publishes information about fringe benefits by industry area.

Worker Salaries

Our research and conversations with a number of local providers indicates that licensed therapists working in the Early Intervention and Preschool Special Education systems are paid significantly less than their similarly licensed peers working in other settings such as hospitals, school-age systems, and rehabilitation facilities. The chart below details the average salary for each position (adjusted for a 12 month year) against the regional median⁷.



According to the data compiled by The Children’s Agenda, Occupational Therapists, on average, are paid 22% less than the regional median salary, while Physical Therapists are paid 24% less and Speech-Language Pathologists make 12% less than the regional median. The average salary for early childhood therapists in these three professions falls somewhere between the 10th and 25th percentile regionally, suggesting that these therapists, are quite underpaid relative to their peers working in schools, hospital systems, private practices, and rehabilitation programs.

Those local therapists employed on a per diem basis make (assuming they deliver the same number of services annually as full time staff) approximately \$6,000 more annually than those individuals employed as salaried staff. However, as discussed below, these per diem staff receive little or no employee benefits, and assume the risk of unsteady income due to client cancellations and other unforeseen circumstances.

⁷ https://www.bls.gov/oes/current/oes_40380.htm

Employee Fringe Benefits

Local Early Intervention and Preschool Special Education providers have considerably lower employee fringe (also known as employee benefit) rates than national averages for health care and education providers, government employees, and comparable non-profits in New York State.

Local providers with full-time employees offer extremely limited benefit packages relative to professional norms. The average fringe rate among EI and CPSE agencies surveyed was just **21%**, a figure considerably lower than available figures among many New York State non-profits (25%)⁸ and less than half the national figure for primary, secondary, and secondary education teachers (46%).⁹ These providers achieve this low fringe rate largely by offering little to no retirement benefits for their employees and bare-bones health care coverage.

Per diem employees receive very little or no fringe benefits beyond those that are legally mandated. There are costs associated with the employer share of Social Security and Medicare, as well as unemployment and disability insurance. This represents a fringe rate of approximately 9%, or 11 percentage points below their full time counterparts. This, when converted to real dollars, accounts for their higher take home pay.

Other than Personnel Services Costs

Many organizations allocate a share of non-personnel costs like mileage, rent, utilities, and office supplies to employees, typically on either a FTE or square footage basis. This expense was challenging to quantify uniformly, as each provider allocates expenses differently, or in some instances, not at all to Related Service providers. Our best estimate concludes that OTPS costs are approximately **8%** of staff salary expenses, meaning that a provider that spends \$1,000,000 per year on Related Services salaries will spend \$80,000 on OTPS expenses. This figure seems low, and could be due to the itinerant nature of these providers. They do not occupy much office space, are frequently in the field, and consume few office supplies.

Supervisory Costs

New York State requires that organizations providing EI and CPSE services have a supervisory structure for staff directly serving clients, but does not set a specific staff-to-supervisor ratio. Local providers therefore set their own standards for supervision, and approaches vary considerably across organizations. Many supervisory staff also handle their own, albeit smaller, caseload. While estimates varied considerably across the agencies we studied, the average percentage of supervisory cost as a share of direct service cost **11%**.

Administrative Overhead Costs

The final category that must be included in a cost of services study is organizational or administrative overhead. These are the central labor, fringe, and OTPS costs associated with operating the agency providing services. This includes the organizational leadership, receptionists, human resources, finance staff, and any other staff who serve the entire

⁸ See - <http://www.cofcca.org/wp-content/uploads/2011/11/COFCCA-Report-FINAL-10-19-12.pdf>

⁹ See - <https://www.bls.gov/news.release/ecec.t02.htm>

organization. Across the organizations we studied, Administrative Overhead represented **12%** of the total cost of staff, supervisors, fringe, and OTPS.

Total Cost of Service Estimate

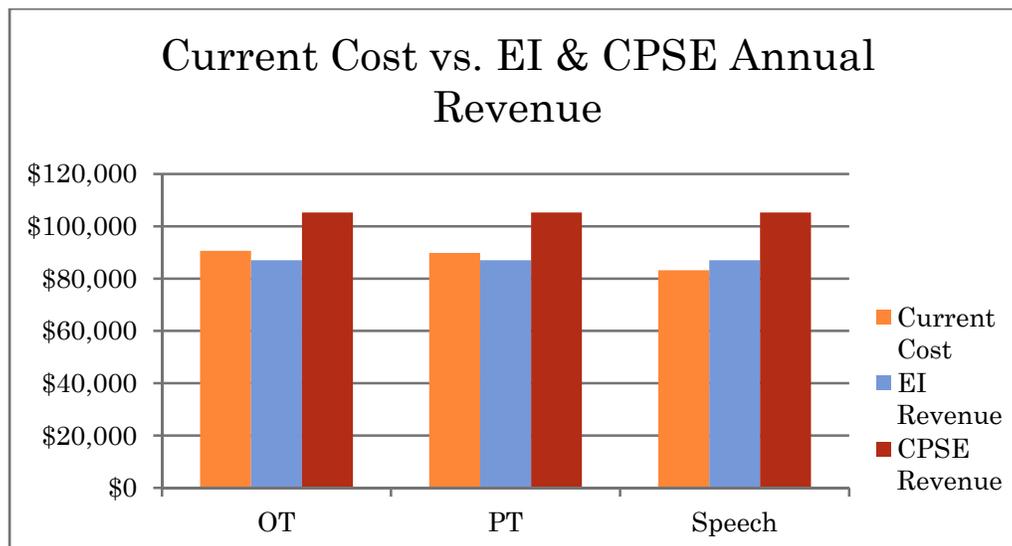
The primary goal of this study is to establish an estimate of the “true cost” of providing OT, PT, and Speech services in the Rochester region. To do so, we must first determine the current costs of providing those services locally, and then compare that cost structure to a theoretical cost structure based on the prevailing regional wage and benefits.

Total Cost with Existing Salary and Fringe

The table below shows the estimated average current cost of providing Related Services in the Rochester region. Occupational and Physical Therapy cost nearly \$90,000 per full time employee while Speech Therapists cost roughly \$83,000 annually.

Cost Category	OT	PT	Speech
Employee Salary	\$57,785	\$57,282	\$55,081
Fringe Benefits (21%)	\$12,135	\$12,029	\$11,567
OTPS (8%)	\$4,623	\$4,583	\$4,406
Supervisory Costs (11%)	\$6,356	\$6,301	\$6,059
Employee Subtotal	\$80,898	\$80,194	\$77,113
Administrative Overhead (12%)	\$9,708	\$9,623	\$9,254
Total Annual Cost	\$90,606	\$89,818	\$86,366

As the chart below demonstrates, the costs associated with providing Early Intervention OT and PT services are greater than the revenues generated from that system. Speech Therapy revenues are only slightly above costs. It is worth emphasizing that these EI services are only close to break-even because the salary and benefits offered to professionals working in the early childhood sector are substantially lower than those offered to their peers working in schools, hospitals, and with the elderly.



This helps explain why many providers have ceased offering Early Intervention services in recent years, and others continue do so only with per diem employees or by ensuring staff have enough CPSE cases to cover expenses.

By contrast, the revenue generated from CPSE Related Services billing does, due to the low salaries and benefits paid in this sector, appear currently sufficient to meet the costs associated with that system. The CPSE system, despite having a waiting list for services and a workforce, has not seen provider agencies leave the field in the same frequency as EI.

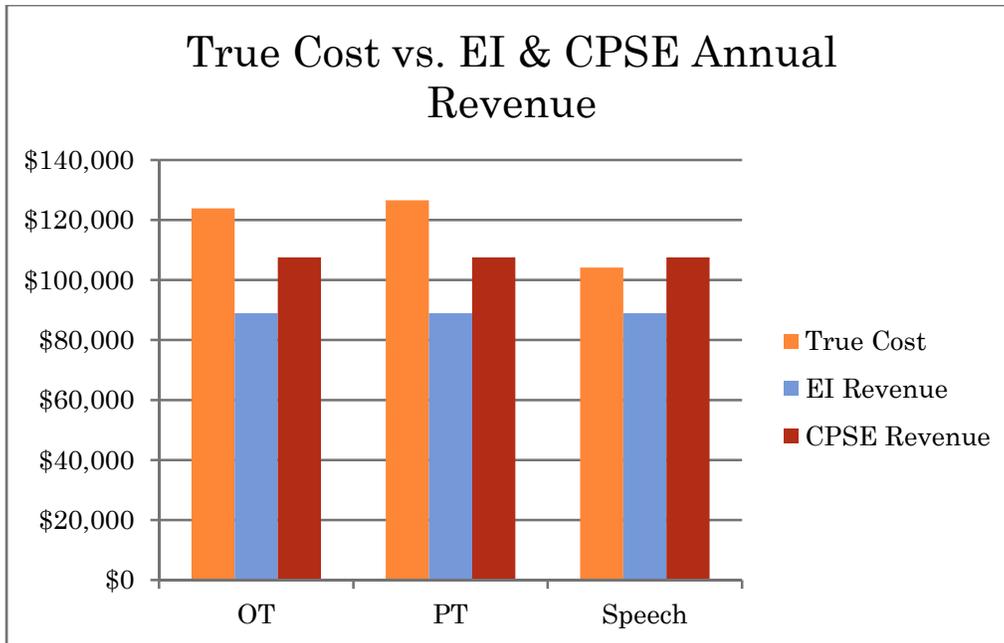
Total Cost with Average Salary and Fringe

As noted above, the “true cost” of these early childhood services should be seen as the cost of OT, PT, and Speech services at the typical salary and benefit rates for people in that field. These therapists are essentially subsidizing the cost of these services by working for less than they could in other systems. And while many do so as the result of a calling to this particular field and sector, it is difficult to meet the community wide demand for these critical services without paying a competitive salary.

The chart below estimates what the true cost of these three services would be if therapists were paid the regional median salary for their profession and the employee benefit rate were 30% rather than 20%. That higher fringe rate is still quite modest compared to the public sector, but is more in line with industry norms.

Cost Category	OT	PT	Speech
Employee Salary	\$74,240	\$75,860	\$62,420
Fringe Benefits (30%)	\$22,272	\$22,758	\$18,726
OTPS (8%)	\$5,939	\$6,069	\$4,994
Supervisory Costs (11%)	\$8,166	\$8,345	\$6,866
Employee Subtotal	\$110,618	\$113,031	\$93,006
Administrative Overhead (12%)	\$13,274	\$13,564	\$11,161
Total Annual Cost	\$123,892	\$126,595	\$104,166

As the chart below demonstrates, the true cost of these services is considerably greater than both EI and CPSE revenue for both OT and PT. The true cost of providing Speech Therapy is barely covered by CPSE revenue, but not by enough to protect providers from unexpected expenses.



Percentage Increase Needed to Account for True Cost

The table below shows an estimate of the percentage difference between the current and true cost of the three most common services provided to children in the Early Intervention and Preschool Special Education systems. This represents a simple estimate for a system-wide reimbursement rate increase that would be needed to support paying therapists a competitive wage in their field.

	OT	PT	Speech
Current Cost	\$90,606	\$89,818	\$86,366
True Cost	\$123,892	\$126,595	\$104,166
Percentage Increase Needed	36%	41%	21%

However, as noted in more detail in the recommendations below, The Children’s Agenda believes New York State and Monroe County should come together to establish a more logical and continuously supportive early childhood system for children with special needs from birth to school-age, and should not simply raise rates across the board to do so.

Independent Practitioner Cost Structure

Independent practitioners have a significantly different cost structure than agencies. These individuals are responsible for the provision of services, as well as all billing and administrative follow-up. As noted above, according to EI providers, the number of independent practitioners in Monroe County has declined since New York State shifted billing responsibilities from counties to EI providers.

The Children’s Agenda spoke to and surveyed a number of local independent practitioners to understand the time they spend directly working with clients, the time they spend on administrative tasks, and other costs associated with operating their business.

In many ways, the experience of independent practitioners mirrors that of agencies and organizational providers. Providers split their time between working with clients, traveling from site-to-site, and completing paperwork for billing and other purposes. The independent practitioners we surveyed spent almost 22 hours per week with clients, a figure similar to the agency-based provider mark. The table below details a breakdown of the average time spent by independent providers each week¹⁰.

Category	Hours
Time with Clients	21.7
Billing, Paperwork, and Other Business Activities	18.6
Travel and Miscellaneous Time	9.7
Total Hours Worked	50

Independent providers appear to have the potential to generate more income than their peers who work as per diem or salaried employees of agencies providing EI and CPSE services, mostly because their overhead is substantially lower. The table below shows the average annual total revenue and expense estimates provided to The Children's Agenda by several independent local providers.

Category	Amount
Annual Revenue	\$83,617
Business Related Expenses (Gasoline, Insurance, Accounting, Supplies)	\$11,336
Net Annual Income	\$72,282

This income (which we could not break out by discipline due to small sample sizes) is substantially higher than the pay received by therapists employed by local employers. However, these independent providers lack any organizational backing or promotion for their services, and have to manage delays in payment without any organizational resources or support. While independent practitioners (along with small agencies) comprise a significant and valuable share of Monroe County's EI and CPSE workforce, the growing bureaucratization of the health care and human services industries makes it difficult, absent significant changes in state and federal policy, to envision a substantial expansion of independent service provision in the County.

Recommendations

The purpose of this report was to document and analyze the cost and revenue structure of a specific part of the Early Intervention and Preschool Special Education systems – the ongoing provision of OT, PT, and Speech Therapy to children with special needs who do not require specialized classroom services. Providers, policymakers, and families have become increasingly concerned about the growing shortage of early childhood therapists, and have

¹⁰ Not all of the independent providers we surveyed work full-time. The figures submitted by the part-time independent provider were extrapolated out to meet the average time spent on various tasks by those individuals who identify as full-time early childhood therapists.

speculated that reimbursement rates are a significant cause of this growing shortage. Our analysis largely confirmed that suspicion. Our assessment of this issue also gave us the opportunity to develop four policy recommendations that would allow the early childhood system to better serve children with development delays or disabilities. Those recommendations are detailed below.

1) Establish Reimbursement Rate Equity between EI and CPSE Related Services

As noted throughout this report, there is a significant disparity between the reimbursement rate for Early Intervention and Preschool Special Education services. This \$18 per hour difference between the two systems creates an incentive for organizations to prioritize CPSE cases over EI, and may contribute to the growing shortage of EI providers. It is also a reflection of the misalignment and lack of coordination between these two critically important systems. No one we spoke with about this issue believes there is any fundamental difference in cost between the EI and CPSE systems. Indeed, many children have the same therapist as they transition from one system to the other. The activities carried out by that therapist do not change significantly when a child is 2 years and 11 months to when they are 3 years and 1 month.¹¹ And yet, the reimbursement rate is substantially different in the two systems.

To be sure, it would be challenging to establish and maintain rate equity between the EI and CPSE systems. Counties set the CPSE Related Services rates with approval from the State Education Department. The State Education Department is responsible for reimbursement methodologies for other types of Preschool Special Educational Services. The Department of Health is responsible for Early Intervention rates. This diffused responsibility makes it difficult to establish and maintain a more rational rate structure based on market rates and provider costs.

However, state policymakers have become increasingly focused on the importance of integrated early childhood policies and programs. Two state initiatives, the Medicaid First 1,000 Days and Board of Regents Early Childhood Blue Ribbon Committee, have identified the need to collaborate more closely on early childhood issues. And while neither effort identified Related Services reimbursement as a priority issue, they do provide a vehicle to develop a more rational process of setting and maintaining rates.

2) Significantly Increase EI and CPSE Rates

This study helps explain the precarious state of PT, OT, and Speech Therapy service provision for young children. Without raising reimbursement rates, the steady stream of providers exiting these systems will accelerate, and waiting lists for services will grow significantly. Practitioners are paid significantly less than the regional median wage for their occupation and receive meager benefits. Employers struggle to remain solvent despite

¹¹ As noted earlier in the report, one other significant difference between the EI and CPSE systems is that children under 3 can receive services year round, but 3 and 4 year olds only receive them for 10 months. While attempting to establish rate equity between the systems, SED and the Department of Health should also seek to find ways to ensure preschool children with special needs can continue to receive services during school break periods.

paying these lower wages. While reimbursement rate equity is needed between these two systems, it should also be accompanied by a substantial increase in each system.

As noted earlier in the report, OT and PT rates would need to increase by 26% and 41% respectively to allow staff to be paid the regional median wage and receive competitive benefits. Speech Therapy rates would need to increase by 21%. The Children's Agenda's recommendation is to raise the CPSE half hour rates by those amounts, and also increase Early Intervention rates to that level. The recommended old and new reimbursement rates are below.

Service Type	Early Intervention (1 Hour)		Preschool Special Education (30 minutes)	
	Current	Proposed	Current	Proposed
Occupational Therapy	\$86	\$131	\$52	\$65.50
Physical Therapy	\$86	\$147	\$52	\$73.50
Speech Therapy	\$86	\$126	\$52	\$63.00

This percentage increase should also be applied to the Early Intervention Basic service rate and the CPSE group services rate for each of the three service types.

This per unit rate increase would undoubtedly cost a substantial amount. However, there may be ways to offset some of these costs. First, according to a recent audit conducted by the New York State Comptroller¹², the State and counties collectively pay for roughly 50% of all EI services in the state. This occurs despite Medicaid and commercial insurers being primarily responsible as the "first-payer" of Early Intervention services.

The Department of Health and Public Consulting Group (the Early Intervention State Fiscal Agent that manages EI claims and payments) have been working to increase commercial insurance's share of the program's costs. According to the comptroller's audit, county officials, and providers, commercial health insurance companies frequently deny claims for a variety of reasons. Those denials include providers being out-of-network, small errors in billing information, and the insurance's determination that the services detailed in the child's service plan are not medically necessary.

Two solutions have been proposed by advocates and state lawmakers. First, New York State could pass legislation which mandates that commercial insurance providers pay for all services deemed appropriate through a child's IFSP, irrespective of the insurer's determination of medical necessity or the provider's out-of-network status. This would reduce the number of claim denials and shift some of the burden of payments away from the State and counties.

Alternately, the state could impose an annual fee on commercial insurers who operate in New York State. This "covered lives" assessment would charge commercial insurers collectively for the annual cost of EI services delivered to children on commercial insurance plans in New York State. They would then cease being responsible for individual claims. In

¹² <http://osc.state.ny.us/audits/allaudits/093016/15s22.htm>

either case, the additional funds from commercial insurers would be used to increase the per diem rate.

More significantly, research clearly shows that addressing development concerns during the earliest years of life is enormously cost effective compared to the cost of school aged special education services. Appropriately funding the early childhood system would reduce the number of children needing special education from Kindergarten through Twelfth grade, and would reduce the intensity of interventions for other students who will continue to need support services throughout their time in school (and often, beyond). The state and counties should consider pursuing opportunities like social impact bonds to fund the expansion of these services.

3) Shift to a State Driven System

Most counties in New York State lack the resources to determine the appropriate rate for different services. Many are also constrained by extremely tight budgets and property tax caps that limit their ability to generate significant new revenue. Counties, like school districts, also cannot control for the number of children who need services. It therefore makes sense for New York State to assume responsibility for setting rates and funding these services throughout the state. Doing so would also reduce the complexity of these systems, and would allow the State Education Department and Department of Health to work more closely together and ideally begin to establish a single system for addressing developmental concerns for children birth to five years old. Doing so would simplify access to services for families, ensure greater continuity of care for children, and ensure children receive the support they need.

4) Establish a Statewide Related Services Rate-Setting Methodology

New York State should establish a methodology that determines the appropriate reimbursement rate for all types of EI and CPSE services. This rate setting process should take into account provider costs, prevailing wages for particular occupations, and non-reimbursable activities that are nevertheless critical to the provision of services. It should be conducted regularly to account for changing costs and state mandates.

Appendix: Definition of Cost Categories Associated with Providing Services

Employee Pay – The monetary compensation paid to those individuals who directly provide services to children.

Fringe – The costs associated with non-pay benefits that employees receive. This includes health care, retirement, Social Security, Medicare, Unemployment Insurance, Disability Insurance, and other benefits like tuition reimbursement.

Other Than Personnel Services (OTPS) – All other expenses directly related to employees who directly provide services to children. This includes things like that employee's share of rent, mileage reimbursement for travel, office supplies, and utilities.

Supervision Costs – The costs associated with providing guidance and oversight to the services children receive.

Administrative Overhead – The costs associated with the centralized operations of an organization. This includes leadership salaries, finance and HR staff, and the OTPS and Fringe costs of those centralized staff.