LEFT OUT

The Impact of State Cuts to Early Childhood Intervention (ECI) for Young Texas Kids with Disabilities

November 2016

TEXANS CARE for CHILDREN

Methodist Healthcare Ministries
OF SOUTH TEXAS, INC.
"Serving Humanity to Honor God"

ACKNOWLEDGEMENTS

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About Texans Care for Children

We drive policy change to improve the lives of Texas children today for a stronger Texas tomorrow.

We envision a Texas in which all children grow up to be healthy, safe, successful, and on a path to fulfill their promise.

We are a statewide, non-profit, non-partisan, multi-issue children's policy organization. We develop policy solutions, produce research, and engage Texas community leaders to educate policymakers, the media, and the public about what works to improve the well-being of Texas children and families.

Funded by a variety of foundations and individual donations, our work covers child protective services, juvenile justice, mental well-being, health and fitness, early childhood, and the ways that each of those policy areas work together to shape children's lives and the future of Texas.

About Methodist Healthcare Ministries of South Texas, Inc.

Methodist Healthcare Ministries of South Texas, Inc. is a private, faith-based not-for-profit organization dedicated to creating access to health care for the uninsured in South Texas through direct services, community partnerships and strategic grant-making. The mission of the organization is "Serving Humanity to Honor God" by improving the physical, mental and spiritual health of those least served in the Rio Texas Conference area of The United Methodist Church.

Methodist Healthcare Ministries also works with similarly-focused organizations and state government in developing more socially conscious public policy. The purpose is to change legislative perspectives and policies so the root of the problems of the underserved is addressed for the long-term.

Our public policy agenda and advocacy efforts are guided by the Social Principles of The United Methodist Church and are carried out by increasing the public's understanding of how health policies impact their communities; strengthening and cultivating relationships with other groups concerned with health policy; and advocating for policies that enhance the health and well-being of families and their communities.

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EXECUTIVE SUMMARY

Brain science and child development research show that a child's experiences during the first years of life significantly influence her ability to succeed in school and the rest of her life.[1] For children with autism, speech or hearing difficulties, Down syndrome, or other disabilities and developmental delays, high-quality targeted intervention during the first three years of life is particularly important to help them be school-ready and reach their full potential.[2]

To ensure children have access to these critical services, federal law (IDEA Part C) requires state-administered early intervention programs to provide these supports to all eligible babies and toddlers. The Texas Early Childhood Intervention (ECI) program contracts with community organizations to serve children under age three with disabilities or developmental delays. Well-known Texas ECI contractors include Metrocare Services in Dallas, Any Baby Can in Austin, the Brighton Center in San Antonio, MHMR Tarrant in Fort Worth, Texas Panhandle Centers in Amarillo, and Easter Seals in Houston, Austin, and McAllen.

ECI is a comprehensive program that helps more than 50,000 Texas children meet developmental goals that reflect their disability or developmental delay, including learning to swallow their food, communicate with their families, walk, or develop the skills necessary to succeed in elementary school.

Our communities and our state benefit from ECI as children are more successful and self-sufficient, both as kids and adults. For example, research shows that effective early intervention reduces the need for costly special education services when participating children enter elementary school.[3]

While ECI has proven effective for participating children, starting in the 2011 state legislative session and continuing in subsequent years, state policymakers decreased ECI funding, reduced program eligibility, and added administrative requirements to ECI contractors.

The latest state policy changes include a reduction in Medicaid reimbursement rates for children's therapies offered through ECI and through private home health agencies. Because two-thirds of children in ECI are enrolled in Medicaid, the reimbursement rate reduction threatens access to ECI. Moreover, even while the population of children under three is increasing in Texas, the Legislative Appropriations Request submitted by the state Health and Human Services Commission (HHSC) for 2018-2019 does not include caseload growth, which will further strain already-stretched ECI contractors.

With implementation of the therapy rate reductions pending, in mid-2016 ECI contractors in Tyler, Wichita

ECI enrollment has dropped statewide with a disproportionate impact on Black families.

Falls, and El Paso notified the state that they would need to withdraw from ECI, a worrisome sign for the children in those regions and for the health of the state's ECI program. As this report goes to press, the Tyler region has had no ECI contractor since October 1, and families are scrambling to find suitable services for their children in both Tyler and Wichita Falls.

To understand the impact of the recent policy changes on children's access to ECI and develop policy recommendations for the future, Texans Care for Children interviewed ECI stakeholders across the state; reviewed publicly-available ECI information as well data obtained from the state; and in early 2016 surveyed all ECI contractors in the state.

Our research shows that during the period of funding cuts and policy changes from 2011 to 2016 there has been a downward spiral of support for young children with disabilities and developmental delays: narrowed eligibility; reduced staff for "Child Find" outreach efforts aimed at enrolling eligible children; reduced ECI enrollment statewide, with particular regions and communities hit hardest; increased staff caseloads that threaten program quality; and reduced enrollment projections that have led to further decline in funding.

Our research shows that state funding and ECI enrollment are falling while the child population is increasing:

- From FY 2010 to FY 2017, the Texas Legislature reduced state and federal funding for ECI from $160 million to $142 million, a decrease of 11 percent.[4,5]

- The decrease in ECI funding coincides with a statewide decline in the number of children receiving ECI services, from 59,092 in FY 2011 to 50,634 children in FY 2015[6], falling 14 percent, while the state's estimated population of children under age three increased 2.18 percent between 2011 and 2014.[7,*]

- Texas ranked 43rd nationwide for the percentage of children under age three enrolled in ECI in 2014.[8]

Particular communities in the state have been hit the hardest:

- Enrollment of Black children in ECI decreased 27 percent from 2011 to 2015, compared to a 14 percent decline among Hispanic children and an 11 percent decline among White children.[9]

- While statewide enrollment fell 14 percent from 2011 to 2015, the biggest enrollment declines among highly-populated counties were 37 percent in Collin County, 32 percent in Denton County, and 31 percent in Harris County during the same time period.[10]

Reduced state funding has had a negative impact on ECI contractors' ability to serve children:

- The number of community organizations offering ECI services has fallen by 23 percent since 2010, with only 47 existing ECI contractors across the state, and another scheduled to cease services November 1st.

- Due to the continuing fiscal constraints, in the last four years 43 percent of ECI contractors eliminated their dedicated Child Find outreach staff positions, which had worked with pediatricians, families, and child care centers to identify children with delays and disabilities and direct them to ECI services.[11]

* Data on the state's 2015 child population under age three is not yet available.

- Although ECI contractors now tend to serve higher needs children as a result of eligibility changes, 57 percent of programs report that caseloads for their Early Intervention Specialist (EIS) staff have increased in the last three years.[12]

The decline in funding, enrollment, and services is particularly concerning given the proven effectiveness of ECI. The state's performance reports on ECI found that:

- In 2014, 77 percent of children in Texas ECI demonstrated a significant increase in their acquisition of new skills and 45 percent exited the program with age-appropriate skills.[13]

The pending implementation of lower Medicaid reimbursement rates for certain children's therapies also threatens to further strain ECI services:

- Over two-thirds of ECI contractors expect to reduce the number (69 percent) and frequency (67 percent) of services to eligible families and children as a result of the rate reductions.

Our research also identified a number of ways that the complicated administrative and financial structure of the Texas ECI program puts a strain on ECI contractors that undermines services and could push more contractors to leave the ECI program.

Fortunately, state leaders and members of the Legislature have demonstrated an interest in addressing the challenges facing ECI during the 2017 legislative session. This report offers the following policy recommendations to state leaders to strengthen ECI, reverse the downward enrollment spiral, and help young children with disabilities and developmental delays reach their goals and fulfill their promise:

- Halt and evaluate pending pediatric therapy rate reductions to ensure they do not harm kids by reducing their access to ECI
- Boost funding for ECI to meet the needs of all eligible children
- Ensure sufficient funding for Child Find services
- Evaluate and address the causes of the disproportionate decline in ECI enrollment of Black children
- Measure ECI performance based on outcomes, not service hours
- Review and revise the ECI fiscal and administrative framework to improve efficiency
- Maintain current eligibility requirements for ECI
- Provide technical assistance to ECI contractors

To ensure Texas has a robust ECI system that helps young children prepare for school and reduces demand for costly special education services, we urge state legislators and state health and human services officials to take these steps to strengthen ECI.

ALAN AND ROSALBA'S STORY

Alan is a senior at his local public school, a hard-working Texas kid sitting alongside other students in regular high school classes.

Like other parents, Alan's mom, Rosalba, can look back at the people and moments that helped her son get to this stage of life. One of those moments was when Alan was five months old. His pediatrician noticed that Alan had some developmental delays and referred him to Early Childhood Intervention.

For the next three years, ECI therapists and Intervention Specialists worked with Alan and Rosalba to capitalize on Alan's strengths, increase his physical abilities, and provide case management support. Beyond the services, Rosalba says the ECI staff "cared a lot about [her] son and [her] emotional well-being."

Alan endured a lot. He underwent several surgeries and slogged through painful physical therapies. But ECI therapists made the work fun for Alan and modeled those skills for Rosalba, so that even now Alan enjoys physical therapy.

Another one of those moments was when it was time for Alan to start preschool. Rosalba faced the tough choice of whether to send him to school in a wheelchair. Fortunately, Rosalba did not have to make that decision alone. She opted for a wheelchair and Alan thrived, learning to safely and independently maneuver through his first school.

Rosalba says ECI helped her adjust her perspective so she could nurture Alan's continued development. She remembers that first wheelchair:

> *I didn't want to get a wheelchair because it felt like I was giving up on my hope that my son would walk. But [ECI] helped me see that I wasn't giving up on him or my dreams for him. They put things into perspective.*

Looking back, Rosalba credits ECI with helping Alan transition to the public school system. She's concerned about cuts to ECI and hopeful that other Texas children with disabilities and developmental delays receive the ECI support necessary to succeed in school the way Alan has.

BACKGROUND ON TEXAS ECI

Early Childhood Intervention (ECI) is a state-run program that serves children under age three with disabilities or developmental delays. It is partly funded by Part C of the federal Individuals with Disabilities Act (IDEA). Services are provided by community organizations ("contractors") that contract with the state. Texas Department of Assistive and Rehabilitative Services (DARS) managed ECI until it was transferred to the Health and Human Services Commission (HHSC) as part of a broader reorganization of the state's health and human services agencies in 2016. Children are eligible for ECI, regardless of family income, if they have one of the following:

- a medically diagnosed condition, such as Down syndrome, that is likely to lead to a developmental delay,
- impaired hearing or vision, or
- a developmental delay, such as a speech delay, of at least 25 percent.

Under Part C of IDEA, all babies and toddlers whose disabilities or delays fall within the state-defined eligibility criteria are entitled to receive the full array of ECI services they need. There is no cost to the family if the child is enrolled in Medicaid, while other families may be required to pay a Family Cost Share on a sliding scale.[14] ECI contractors use their ECI contract funds to cover the costs of services that are not reimbursed by families, insurance, or other sources.

ECI has proven to be a successful model.[15] ECI focuses on the first three years of life, when interventions are most likely to positively shape a child's brain architecture and trajectory in life. ECI is also effective because it coordinates multiple services; involves the child's parents, coaching them on how to support their child's developmental needs at home; and serves children at home, at child care, or in other settings that are comfortable and accessible for the child. ECI helps children meet developmental goals that too often are blocked by their disability or developmental delay, including learning to swallow their food, communicate with their families, walk, or develop the skills necessary to succeed in elementary school.

ECI also reduces demand for expensive special education services. A national study that tracked children from states' early intervention programs as they entered elementary school found that only 58 percent were receiving special educational services. Thirty-two percent of children were considered to no longer have a disability or developmental delay, while 10 percent had a disability or delay but did not receive special education services.[16]

In Texas ECI, the most common developmental delay among children is in speech and/or communication, while the most common medical diagnosis is chromosomal anomalies. Eighty-one percent of children enrolled in Texas ECI have a developmental delay. Among those with a developmental delay, 79 percent experience a delay in communication and/or speech. Speech and communication delays often coincide with other delays. Eighteen percent of enrolled children have a medical diagnosis that automatically qualifies them for the program. Of those with a medical diagnosis, the most common is Chromosomal Anomalies (such as Down syndrome), accounting for 20 percent.[17]

TEXAS ECI FUNDING REDUCTIONS

Despite the effectiveness of ECI and a growing child population, the Legislature has significantly reduced appropriations for the program. Appropriations for ECI fell from $160 million in FY 2010 to $142 million in FY 2017, a decline of 11 percent. There was a small but welcome increase in funding in FY 2015 as the Legislature fulfilled the agency's request for additional resources to serve the growing population of children in ECI with more complex needs. Nonetheless, in the full two-year budget for 2016-2017, ECI funding totaled $283 million, compared to $318 million the previous biennium and $326 million back in 2010-2011.[18,19] Meanwhile, the number of Texans under age three grew by an estimated 2.18 percent between 2011 and 2014.[20]

Coinciding with ECI budget cuts passed by the Legislature in 2011, DARS narrowed the eligibility criteria. As a result, children with certain delays and disabilities were no longer eligible for services. The changes led to a more significant decline in enrollment than had been expected. A study commissioned by DARS in 2008 estimated that the change in eligibility criteria would reduce ECI enrollment by approximately nine percent.[21] In fact, enrollment fell by 17 percent in 2012, one year after the eligibility change was made.[22]

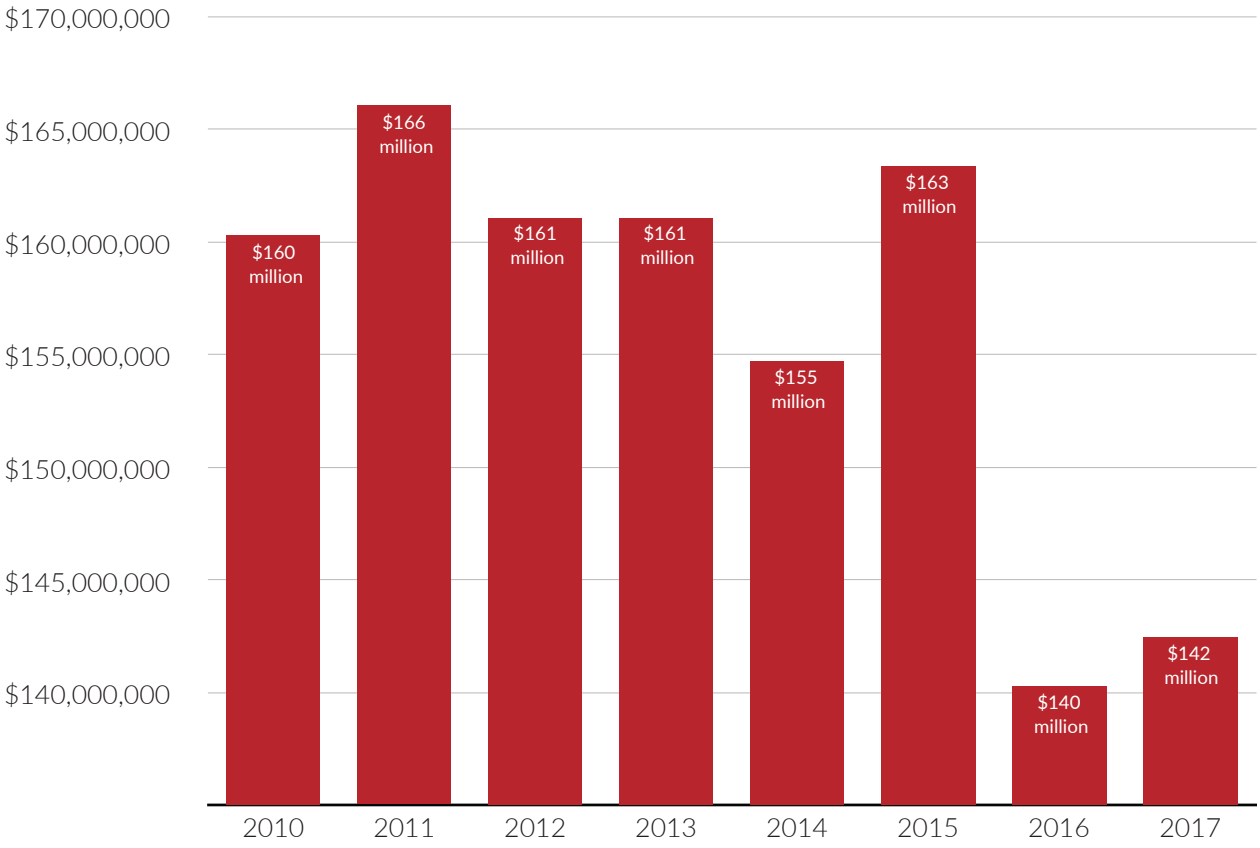
According to the 2013 DARS Sunset Self-evaluation report, future ECI budget cuts may again imperil access. The report states, "a significant reduction in funding may require ECI to further narrow eligibility and result in a reduction of children served."[23]

In fact, this option to further limit access to ECI is highlighted again in the Texas Health and Human Services FY 2018-2019 Legislative Action Request, which states: "If additional funding is not appropriated, the program may need to narrow eligibility criteria in order to serve all eligible children in fiscal year 2018."[24]

Reduced funding has led to a downward spiral of lower enrollment projections used to recommend even greater reductions in funding. As detailed in the following section of this report, Texas ECI enrollment declined 14 percent from 2011 to 2015 as the Legislature reduced ECI appropriations.[25] The decline in enrollment contributed to lower enrollment projections for FY 2016-2017, prompting legislators in 2015 to further reduce appropriations for the following biennium. For example, the Part C block grant, which the federal government allocated directly to DARS, decreased $7.3 million due to reduced caseload projections for FY 2016.[26] However, while ECI funding and enrollment has fallen, the population of young children in Texas has risen. This increase in the state's population under age three means that ECI enrollment should be increasing to ensure all eligible children receive ECI services, as required by federal law.

In 2015, the Legislature also required contractors to meet a controversial performance measure to achieve the release of $5.4 million in funding. A budget rider stipulated that the funding would only be available if ECI contractors increase average monthly service hours per child to 2.75 hours in FY 2016-2017. Stakeholders point out the number of service hours delivered is highly dependent on the needs of the child, the desires and schedules of the families, and the recommendations of doctors and therapists. Texas is the only state known to

Figure 1. Annual State Appropriations for ECI

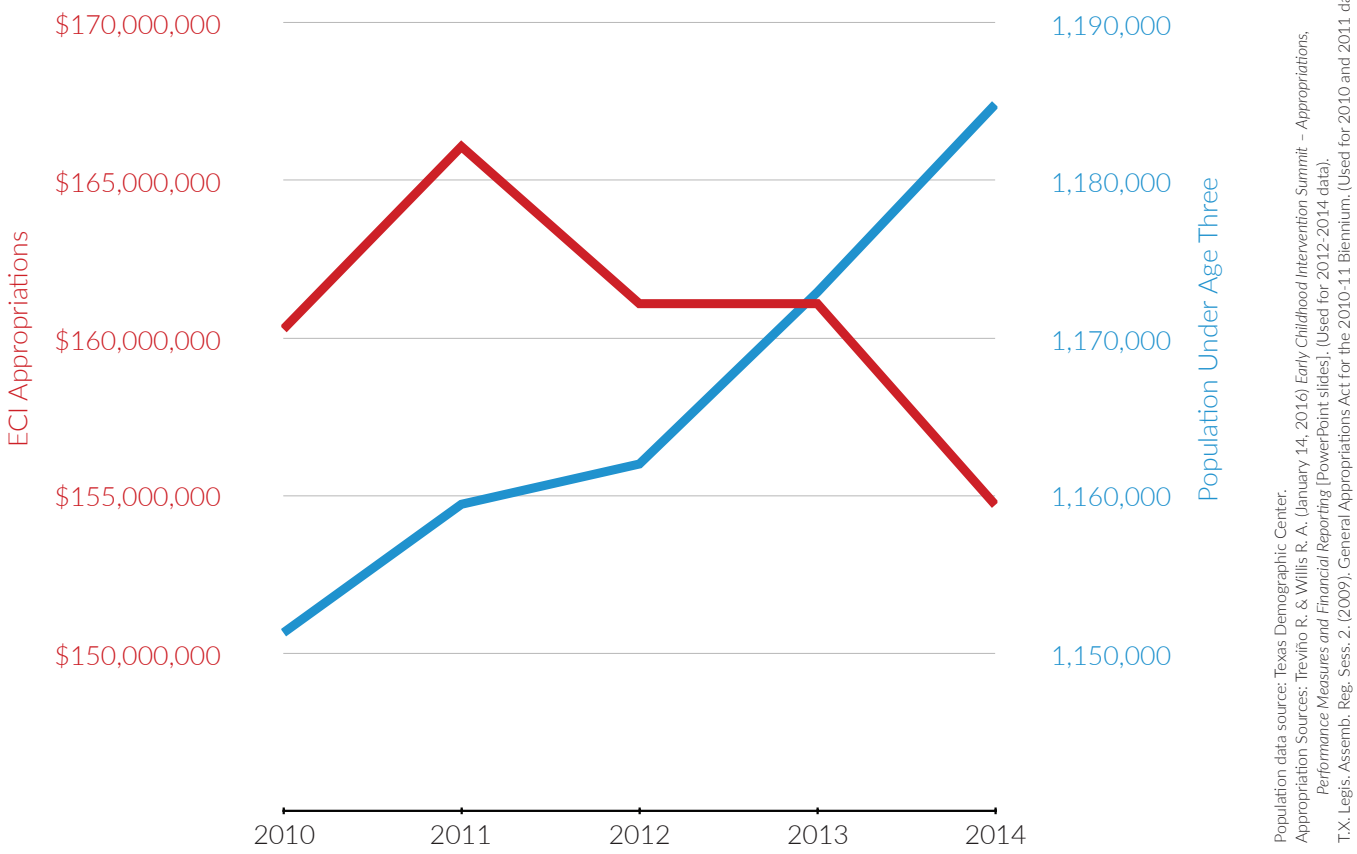


Sources: Treviño R. & Willis R. A. (January 14, 2016) *Early Childhood Intervention Summit – Appropriations, Performance Measures and Financial Reporting* [PowerPoint slides]. (Used for 2012-2017 data).
T.X. Legis. Assemb. Reg. Sess. 2. (2009). General Appropriations Act for the 2010-11 Biennium. (Used for 2010 and 2011 data).

use service delivery hours to measure ECI performance. Other states only use the national ECI quality indicators, which monitor progress and child outcomes rather than the number of service hours.

Additionally, in 2015, the Legislature passed Medicaid reimbursement rate reductions for pediatric therapies, including the physical, occupational, and speech therapies that ECI uses to help children reach developmental milestones. The rate cuts affect ECI contractors as well as private for-profit providers that offer pediatric therapies to kids enrolled in Medicaid. Following the legislative session, numerous state legislators, parents of children with disabilities, editorial boards for major Texas newspapers, and others spoke out against the rate cuts, warning that they are very likely to harm the health and development of children. A lawsuit brought by Texas families of children with disabilities and several private for-profit home therapy providers delayed the implementation of the rate cuts until July 2016 when

Figure 2. Growth of Texas Population Under Age 3 vs. ECI Funding, 2011-2014



Population data source: Texas Demographic Center.
Appropriation Sources: Treviño R. & Willis R. A. (January 14, 2016) *Early Childhood Intervention Summit – Appropriations, Performance Measures and Financial Reporting* [PowerPoint slides]. (Used for 2012-2014 data).
T.X. Legis. Assemb. Reg. Sess. 2. (2009). General Appropriations Act for the 2010-11 Biennium. (Used for 2010 and 2011 data).

the Texas Supreme Court accepted a petition to block implementation pending further review by the Court. On September 23, 2016 the Texas Supreme Court declined to hear the case on the merits, allowing the rate cuts to begin.

Compared to other states, Texas has assumed much less of the responsibility for funding ECI, instead heavily relying on the federal government. A 2014 survey of U.S. states and territories found that the total state funding for early intervention programs was $2.02 billion dollars compared to total federal funding of $1.13 billion dollars, nearly a 2:1 relationship.[27] However, in Texas the funding relationship is the opposite: in FY 2016, state funding for ECI totaled $48.3 million dollars while federal funding flowing through the state budget totaled $91.9 million, nearly a 1:2 relationship.[28]

MEET ZOE AND MATT

Every parent anticipates the joy and excitement of watching their child reach new milestones: the first word, the first step, the first day of school. But these milestones do not come easily to all families. For some, it requires hard work, patience, and the support of ECI therapists.

ECI parents like Matt Gage know the joy of reaching those goals.

Before his daughter Zoe was born, she was diagnosed with hydrocephalus, a buildup of excess cerebrospinal fluid on the brain. Following Zoe's birth, ECI worked with Zoe and her parents to develop a comprehensive, individualized family service plan. According to Matt, ECI was "right there, very quickly" to address the family's needs.

ECI staff provided weekly occupational, physical, and speech therapy to Zoe in her home, always engaging and educating Zoe's parents so they could reinforce therapies in Zoe's daily routines. Matt explains, "They gave us exercises to do with her between visits [and] taught us so many things that we wouldn't have known how to do to help Zoe."

For Zoe and her parents, ECI provided life-changing services and a path to many new milestones.

"See this – how she's holding herself up with little support from me – that's ECI. It took us months to get there, but now she can even let go with one hand."

- Matt, proud ECI parent

RESEARCH FINDINGS

ECI Enrollment and Services Have Declined Under State Funding Cuts

Despite a growing number of young children in Texas, the decrease in ECI funding coincides with a 14 percent decline in the number of children receiving ECI services. In FY 2011, 59,092 Texas children with disabilities and developmental delays were enrolled in ECI. Following the 2011 state funding cuts and eligibility changes, enrollment plummeted to 49,198 in 2012, a decline of nearly 17 percent. Enrollment remained relatively constant after 2012, but the drop between 2011 and 2015 was over 14 percent with 50,634 children participating in 2015.[29] Meanwhile, the state's population of children under age three increased by an estimated 2.18 percent from 2011 to 2014[30], which typically would result in a similar increase in the number of children requiring ECI services.

Enrollment decreases have disproportionally affected Black children. From FY 2011 to FY 2015, enrollment of Black children fell by 27 percent compared to a 14 percent decline among Hispanic children and an 11 percent decline among White children.[31] Meanwhile, from 2011 to 2014 the population of children under three in Texas increased by 3.0 percent among Black children and 2.1 percent among Hispanics while the population of White children under three decreased by 2.9 percent.[32]

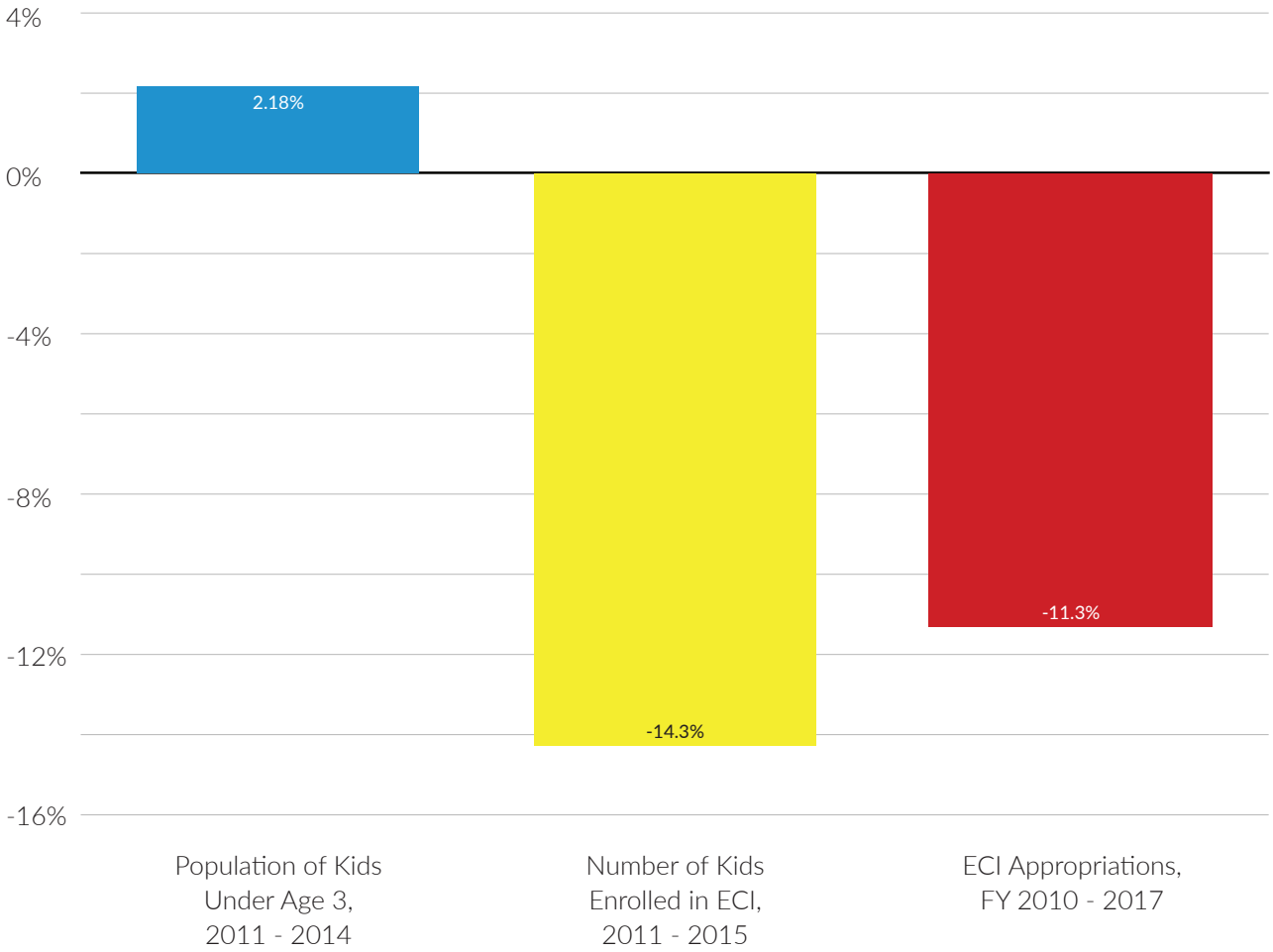
The decline in Black enrollment in the Gulf Coast region (HHSC Region 6)* and Central Texas (HHSC Region 7)** was particularly stark. In the Gulf Coast region, from 2011 to 2014, Black enrollment fell 42 percent (compared to 29 percent for Hispanic children and 14 percent for White children) while the number of Black children under three rose one percent in the area. In Central Texas, Black enrollment declined 31 percent during that time, an especially troubling statistic in light of the six percent rise in the region's population of Black children under age three. Statewide, Black children now comprise only nine percent of children enrollment in ECI, compared to 11 percent in 2011.[33,34]

Texas ECI enrollment fell from 59,092 in FY 2011 to 50,634 in FY 2015.

As the state's child population grew, Collin, Denton, and Harris Counties experienced the most significant enrollment reductions. While statewide enrollment fell 14 percent from 2011 to 2015, enrollment declined 37 percent in Collin County, 32 percent in Denton County, and 31 percent in Harris County during the same time period, representing the three highest enrollment decreases among the state's 25 counties with the

* Austin, Brazoria, Chambers, Colorado, Fort Bend, Galveston, Harris, Liberty, Matagorda, Montgomery, Walker, Waller, and Wharton counties.
** Bastrop, Bell, Blanco, Bosque, Brazos, Burleson, Burnet, Caldwell, Coryell, Falls, Fayette, Freestone, Grimes, Hamilton, Hays, Hill, Lampasas, Lee, Leon, Limestone, Llano, Madison, McLennan, Milam, Mills, Robertson, San Saba, Travis, Washington, and Williamson counties.

Figure 3. More Kids, Less Funding and Less Access to ECI

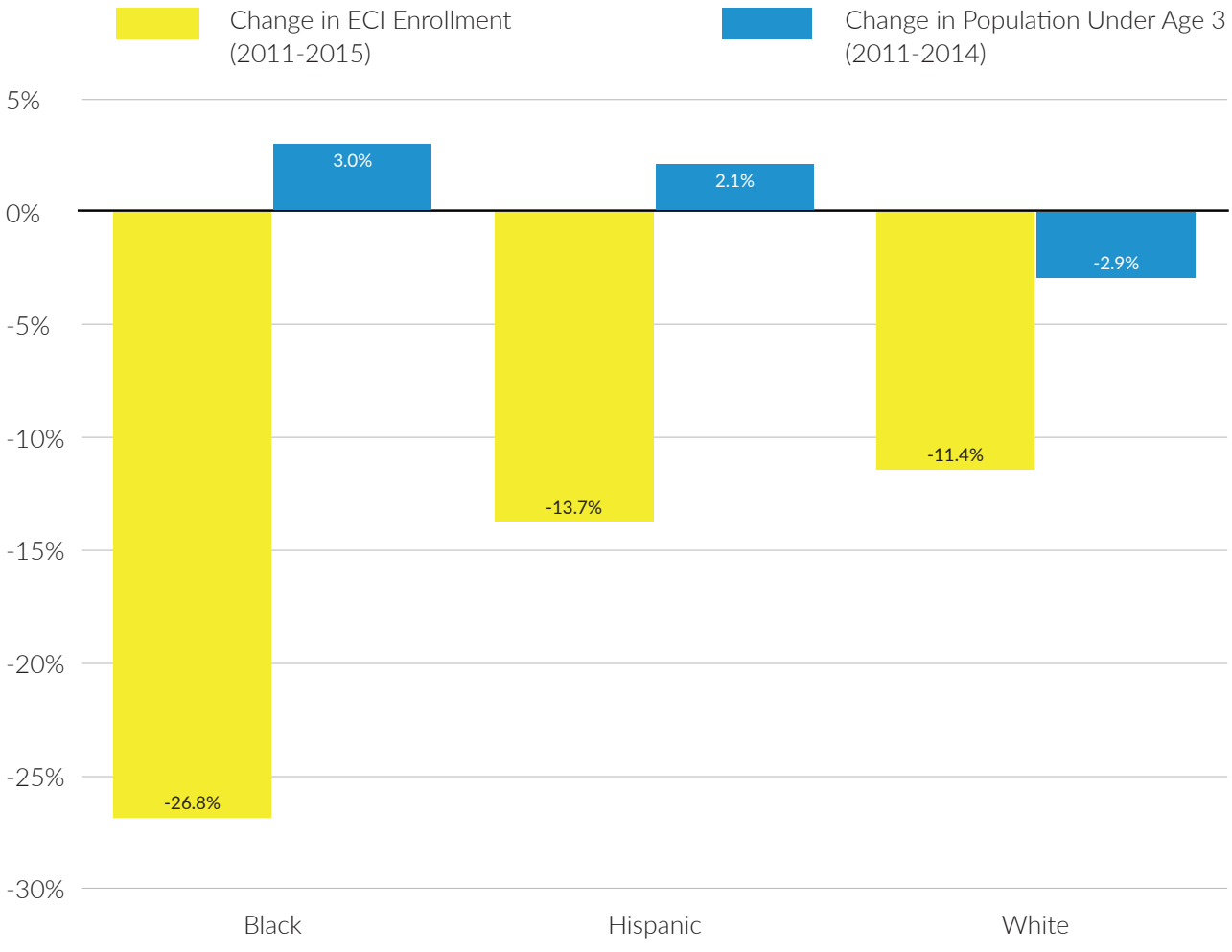


Note: Percentages are based on years of data available.
Sources: DARS ECI Public Information Request (2015); Texas Demographic Center Population Estimates (2016); U.S. Census Bureau (2010); Texas General Appropriations Acts between 2009 and 2016.

highest populations of young children. Other counties in large metro areas that saw significant declines include Williamson County (27 percent), Travis County (23 percent), and Dallas County (23 percent).[35] Moreover, the population under age three increased from 2011 to 2014 in many counties, including Harris (one percent), Dallas (six percent), and Travis (nine percent). In other areas, this population shrank. From 2011 to 2014, the population under age three declined by five percent in Collin County and six percent in Williamson County while remaining flat in Denton County.[36]

The enrollment trend was not uniform across the state. Some counties experienced worrisome but more modest declines in enrollment. Bexar County's enrollment, for example, fell by five percent during that period, although

Figure 4. Change in ECI Enrollment and Population Under Age 3, By Race/Ethnicity



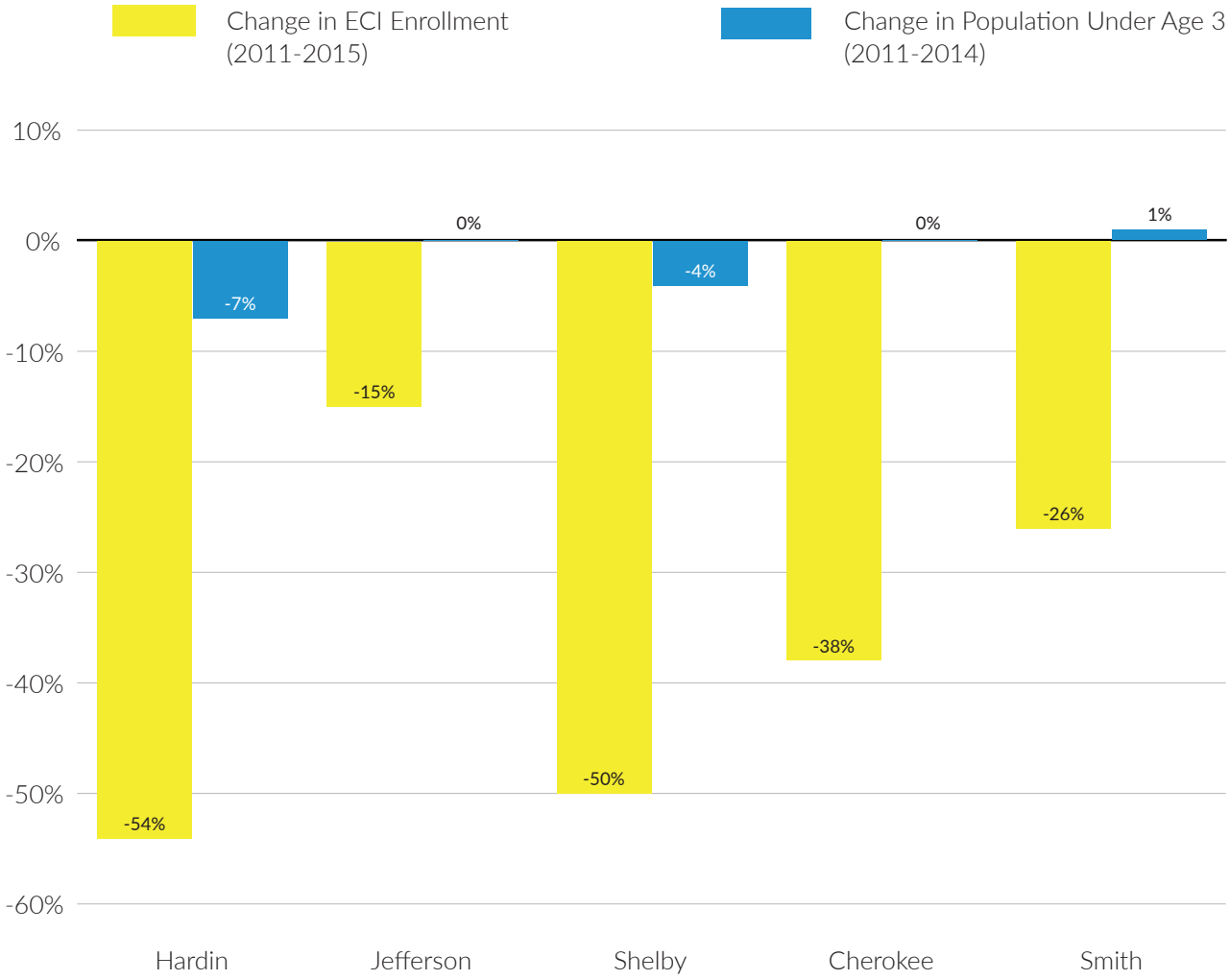
Sources: Public Information Request, DARS ECI, December 2015; Public Information Request, DARS ECI, April 2016; DARS ECIPerformance Reports 2011-2014.

its population under age three rose six percent from 2011-2014. Other counties saw enrollment growth. Among the 25 counties with the largest populations of young children, there were six that experienced overall enrollment increases from 2011 to 2015, most significantly in Cameron County (43 percent), McLennan County (22 percent), and Hidalgo County (21 percent).[37]

Compared to other states, Texas does a poor job of enrolling children in ECI. On a national level, Texas ranked 43rd for the percentage of children under age three enrolled in ECI in 2014. In FY 2014, Texas ECI served 2.05 percent of children under age three, well below the national average of 2.95 percent and the national leader of 8.89 percent.[38]

The number of ECI contractors in the state has declined since 2010. From FY 2010 to FY 2011, the number of organizations contracted to provide ECI services in Texas fell from 58 to 56. From FY 2011 to FY 2012, the number declined from 56 to 51. After contractors in Tyler and El Paso recently withdrew from ECI, the number fell from 49 to 47.[39] As we go to press, the Wichita Falls contractor is also ending its participation in ECI. If the state is unable to identify contractors to replace them, the children in those regions will have greater trouble accessing the therapies and support they need, and the total number of contractors statewide will fall to 46. While it is unclear how much of the reduction in the number of ECI contractors has affected the overall capacity of the

Figure 5. Spotlight on East Texas: Change in ECI Enrollment and Population Under Age 3, Select Counties

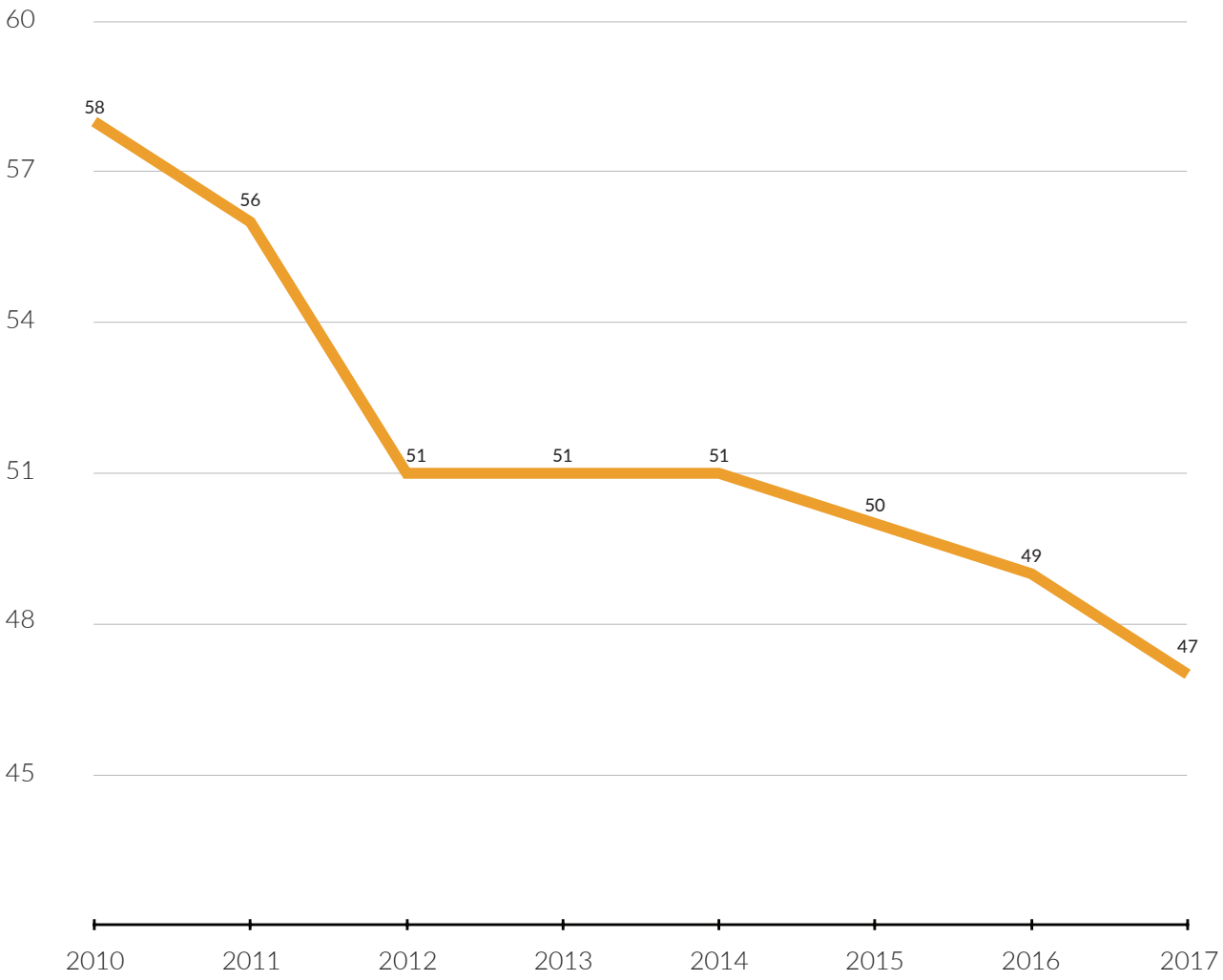


Source: Texas Demographic Center and April 2016 DARS Public Information Request

state's ECI program, when combined with other research findings, the loss of contractors is another sign that the state should make it a priority to strengthen the program.

As a result of reduced funding, there are significantly fewer resources devoted to Child Find efforts that seek to boost enrollment of eligible children. ECI contractors' Child Find staff work with pediatricians, child care providers, social service agencies, neonatal hospital staff, and others to ensure that parents of young children with disabilities and developmental delays are aware of ECI and have the support necessary to enroll their children. Federal regulations require the state to have a robust Child Find effort in place, which

Figure 6. Number of ECI Contractors, By Fiscal Year



Source: Public Information Request, DARS ECI, December 2015

Figure 7. Change in ECI Enrollment and Population Under Age Three, Counties with Largest Populations of Young Children

County	2011 ECI Enrollment	2015 ECI Enrollment	Change in ECI Enrollment 2011-2015	Change in Population Under Age 3 2011-2014
Collin	2219	1404	**-36.7%**	-4.6%
Denton	1319	901	**-31.7%**	0.1%
Harris	8731	6028	**-31.0%**	1.3%
Brazoria	705	513	**-27.2%**	-4.6%
Williamson	1000	728	**-27.2%**	-5.6%
Smith	339	252	**-25.7%**	1.2%
Travis	2377	1821	**-23.4%**	8.9%
Dallas	4416	3401	**-23.0%**	5.5%
Bell	1062	872	**-17.9%**	-1.1%
Brazos	332	275	**-17.2%**	21.8%
Montgomery	710	593	**-16.5%**	2.8%
El Paso	3377	2850	**-15.6%**	4.9%
Jefferson	426	362	**-15.0%**	-0.3%
Lubbock	1342	1245	**-7.2%**	7.0%
Hays	331	308	**-6.9%**	24.2%
Tarrant	4773	4446	**-6.9%**	-1.1%
Bexar	5635	5339	**-5.3%**	5.5%
Galveston	501	485	**-3.2%**	4.4%
Nueces	754	748	**-0.8%**	5.7%
Fort Bend	1020	1047	**2.6%**	-0.4%
Ector	185	190	**2.7%**	15.5%
Webb	771	830	**7.7%**	4.6%
Hidalgo	1407	1704	**21.1%**	0.9%
McLennan	425	520	**22.4%**	5.0%
Cameron	888	1269	**42.9%**	3.3%
TOTAL	**45045**	**38131**	**-15.3%**	**2.8%**

Source: Texas Demographic Center and April 2016 DARS Public Information Request

is critical for enrolling children in need of services. Yet, according to our 2016 survey of all ECI contractors in Texas, 43 percent eliminated their dedicated Child Find staff positions in the last four years. Currently, only 22 percent of ECI contractors have a dedicated Child Find staff person. Given this deterioration of outreach efforts, it is not surprising that Texas appears to be lagging in its identification of toddlers and infants with disabilities. In 2014, Texas identified disabilities among only 2.05 percent of the under-three population, while the national average was 2.95 percent.[40]

As a result of reduced funding, ECI providers have made numerous other changes to their staffing and services that may affect program quality and outcomes. Although ECI contractors now tend to serve higher needs children as a result of eligibility changes, 57 percent of programs report that caseloads for their Early Intervention Specialist (EIS) staff have increased in the last three years. Thirty-four percent have provided group sessions for families as a cost-containment strategy, reducing the number of individual family sessions. These changes raise the question of whether children are receiving the appropriate number, frequency, or quality of services due to the caseload strain on staff. On the other hand, a majority of programs have responded to funding reductions by providing greater training to billing staff and strictly monitoring utilities and/or supplies, approaches that may reduce costs with minimal impact on clients.

Texas ECI is Effective When Children Are Able to Enroll

ECI has a strong track record in Texas. Texas exceeds national targets for several quality indicators, but in other categories Texas scores just below performance targets while maintaining an upward trend since 2011. For example, according to DARS, 77 percent of children demonstrated a significant increase in their acquisition of new early language and communication skills and 45 percent exited the program with age-appropriate skills, in both cases matching the numerical targets set by the federal government. Contractors in Texas also have a 99.3 percent success rate completing every step the federal government requires them to take within 45 days of receiving a referral.[41]

ECI Contractors Face Significant Fiscal Challenges

Many ECI contractors report problems associated with the Family Cost Share that the state has required ECI to charge families since 2004. Families with an adjusted income below the federal poverty line, families of children in foster care, and families of children enrolled in Medicaid are exempt from the Family Cost Share. Other families, however, are required to pay a portion of the cost of their child's ECI services. Although there is a sliding scale for the Family Cost Share, families that are just above the poverty line (annual income of $24,300 for a family of four) are often on very tight budgets with little room for additional bills. Texas is the only state that requires a fee from families whose earnings are just above 100 percent of the federal poverty level.[42] According to ECI contractors, many lower and middle-income families experience sticker shock when they learn about the Family Cost Share payment and decide not to enroll in ECI. Seventy-one percent report that families have opted out of ECI due to Family Cost Share requirements.

ECI contractors report difficulties in collecting Family Cost Share payments, a challenge that affects their budgets.

Twenty-eight percent of contractors said they "rarely" and 17 percent said they "never" receive Family Cost Share payments that cover the administrative costs of collecting the payments. Only 13 percent said they often or always cover their Family Cost Share collection costs. A 2014 DARS evaluation of the Family Cost Share, on the other hand, concluded that it generates more revenue than expenses.[43]

The state also requires ECI contractors to collect unattainable levels of Medicaid reimbursements for Targeted Case Management (TCM), a key ECI service that coordinates a child's various providers. The Legislature increased TCM funds in the ECI budget in recent years, while the federal government narrowed definitions of what could be billed as TCM. In order to capture those dedicated TCM funds within Medicaid, the state set TCM billing goals that far exceeded what ECI contractors have legally been able to claim. These unspent TCM dollars may have given policymakers the false impression that ECI contractors can withstand budget cuts when, in fact, TCM billing is another example of how challenging it is for ECI contractors to make ends met.

The complicated and burdensome ECI finance system creates costly cash flow challenges for ECI's non-profit contractors. ECI contractors report that the reimbursements they receive for certain services do not cover their costs and often the payments from private insurance arrive late or not at all. According to a 2015 finance survey of Texas ECI contractors, private insurance paid only 37 percent of the total amount submitted for ECI claims.[44] In addition, ECI contractors often encounter months-long delays in receiving payments from private insurance sources (for those families with private insurance) and receiving mid-year funding adjustments from the state for enrolling more children than projected in their contracts. ECI contractors report that they keep costs down to a bare minimum while they are awaiting payments, possibly affecting the quality of the program and the resources they expend on Child Find community outreach. When they do receive late payments from insurance or the state, they report that it is often difficult to expend those dollars just before the end of the fiscal year (after services were provided), creating the illusion of excess funding at year's end. In our 2016 survey of ECI program directors, 67 percent reported that maintaining a positive cash flow is a constant challenge at their program.

Despite systematic challenges, Texas ECI contractors are cobbling together more sources of funding than their counterparts in many other states. Texas is one of only 25 states where contractors access private insurance and one of only 14 that access both private insurance *and* family fee funds.[45] And even though private insurers refuse many claims, revenue from private insurance in Texas currently accounts for 3.1 percent of ECI funding,[46] compared to 2.1 percent across the nation in 2014.[47] Moreover, last year contractors raised $5 million from other local sources such as donations or local public funds.[48]

The challenges of the ECI finance system force ECI's host agencies to carry the financial risk for a federally-required and publicly-administered program. Late reimbursements force many ECI contractors to request money from their host community agencies, such as the school district or non-profit organization that runs the ECI program and other children's services at the end of the fiscal year to cover unreimbursed funds. In 2014, for example, at least 22 of the state's 51 contractors turned to their host agencies to cover a total of $4 million of late payments or unreimbursed services through community donations and other local sources.[49] When umbrella organizations cover end-of-year expenses, they take on financial burdens as a result of ECI budgeting complexities and use local donations that could support other critical family support services. Finally, the fact that community agencies have to dip into their own budgets to keep the ECI program running may prove to be a disincentive for other community organizations to join the state's ECI system now and in the future.

Medicaid Reimbursement Rate Reductions Pose Additional Threats to Family Access to ECI Services

ECI program directors foresee additional harm to their programs as a result of the pediatric therapy rate cuts. In 2015, the Legislature approved reduced Medicaid reimbursement rates for pediatric therapies provided to children with disabilities by private home health agencies and by ECI contractors.

All ECI contractors agreed that the therapy rate cuts would pose financial hardship on the programs. Ninety percent report that, if the rate cuts are implemented, they will no longer be able to offer competitive salaries to therapists who are in high demand. Over two-thirds expect to reduce the number (69 percent) and frequency (67 percent) of services to eligible families and children. Since the vast majority (82 percent) of direct charges for ECI contract agencies are for personnel, the rate reductions will likely cause agencies to reduce their staff or hire less experienced therapists. Either option will likely have a direct and negative effect on the quality of the program and family access to effective ECI services.

Figure 8. Anticipated Impacts of Therapy Rate Cuts on ECI Programs and Families

Possible Impacts, According to ECI Program Directors	ECI Contractors that Agree
Cash collections from Medicaid will decrease significantly and pose financial hardship for the program	100%
Will have to consider reducing the number of therapists	81%
Will have to consider reducing salaries for therapists and/or staff	66%
Will not be able to offer competitive salaries to therapists and/or staff	90%
Will have to reduce the number of services to families	69%
Will have to reduce the frequency of services to families	67%

Source: Survey of Program Directors, conducted by Texans Care for Children, Feb. 2016

CONCLUSION AND POLICY RECOMMENDATIONS

The state's Early Childhood Intervention efforts are at a turning point. This report provides strong evidence that state funding cuts and policy changes have reduced children's access to ECI. State leaders must begin to repair the damage that has been done in recent years and identify ways to ensure all babies and toddlers with disabilities and developmental delays receive the therapies and supports they need. By strengthening ECI, state policymakers can give more children an opportunity to meet developmental milestones and be ready for school. Investing in these effective early interventions will also reduce these children's need for school-based special education services, translating into future cost-savings for schools and taxpayers.

To ensure young children with disabilities and developmental delays are on track to fulfill their potential, we recommend Texas policymakers take the following steps:

Halt and Evaluate Pediatric Therapy Rate Reductions to Ensure They Do Not Harm Kids by Reducing Their Access to ECI

The rate reductions should be postponed so that the Legislature can reconsider the issue in 2017 and protect ECI funding to ensure all eligible kids receive the full range of services they need.

Boost Funding for ECI to Meet the Needs of All Eligible Children

State appropriations should keep pace with the state's growing child population and allow contractors to rebuild their capacity to properly enroll and serve children in their communities. The state should seek to meet or exceed the national average of children under three served in ECI.

Ensure Sufficient Funding for Child Find Services

Given clear evidence that ECI contractors have reduced their Child Find outreach efforts due to insufficient funding, the state should ensure there is adequate funding in their state contracts to dedicate to Child Find community awareness and outreach efforts. Increased investment in Child Find will support better communication between ECI contractors and pediatricians and other referral sources and ensure all eligible children and families know about ECI and how ECI's comprehensive services can support healthy child development.

Evaluate and Address the Causes of the Disproportionate Decline in ECI Enrollment of Black Children

The state should examine possible reasons for the disproportionate decline in enrollment of Black children in ECI and develop recommendations to address it. These efforts should actively seek input from Black families as well as researchers, health leaders, early educators, and community organizations working with Black families.

Measure ECI Performance Based on Outcomes, Not Service Hours

The state should measure the effectiveness of ECI based on whether children are making progress and meeting developmental expectations. ECI contractors already track and the state already reports key outcome measures to the federal government. Those measures should be sufficient for state performance evaluation as well. Specifically, the state should measure ECI performance based on the existing data for (1) the percentage of children who demonstrate significant growth rate in social-emotional measures, use of language, and use of behaviors to meet the child's needs, and (2) whether children's development meets age expectations. Service hours should continue to be tracked by the state for the purpose of monitoring contractors and for federal reporting purposes.

Review and Revise the ECI Fiscal and Administrative Framework to Improve Efficiency

The Family Cost Share, the process of adjusting budgets during the fiscal year, and other fiscal and administrative procedures that pose a financial strain on ECI contractors should be reviewed to determine if they are serving the needs of the state and children with disabilities and developmental delays.

Maintain Current Eligibility Requirements for ECI

The Legislature should ensure that currently eligible children can continue to receive ECI services and fulfill their potential.

Provide Technical Assistance to ECI contractors

HHSC should provide additional support to contractors, especially those new to the program, to maximize reimbursement from Medicaid and private insurance and to address challenges associated with state fiscal and administrative requirements.

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