

*Reinvestment Plan Guidelines  
for Support Block Services*

*Division for Developmental Disabilities*

*July, 2004*

*Introduction* -A Reinvestment Plan is a proposal to retain revenues left unspent from one fiscal year in order to expend them on approved purposes in the next fiscal year. Reinvestment Plans only apply to certain Support Block service programs. The term, 'deferred revenue' is used to identify revenues that exceed expenditures (costs) in a given fiscal year which may be requested for use in the next fiscal year via a reinvestment plan.

It is the intent of DDD that most service funds disbursed during a contract period should be utilized during the contract period for the provision of services. However, DDD recognizes that situations arise that result in unspent service revenues (such as, the cost efficient delivery of services, vacancies, delays in starting new services, provider turnover, and under utilization of services by consumers). DDD will identify these funds through the audit process and has developed the following guidelines regarding how these funds might be spent. A proposal for reinvestment plan funds must be submitted annually to the DDD and approved before the CCB may execute this plan.

State guidelines on reinvestment plans are needed for the following reasons.

1. To maximize funds that are used for the target population and to minimize state and federal funds going for other purposes.
2. To ensure that CCBs, as non-profit organizations, are using state and federal generated savings for purposes related to their non-profit status.
3. To comply with the legislative directive that there be a limit on overhead expenditures and that service revenues above expenses must not be used for administrative purposes.
4. To provide an incentive to CCBs to be efficient in their utilization of service funds.

## *Reinvestment Plan Criteria*

**Criteria for Reinvestment Plans** – DDD has established the following criteria for the Support Block reinvestment plan.

1. **Programs That Require Reinvestment Plans** –The CCB contract identifies the programs for which proposals must be submitted and be approved in order for a CCB to retain and expend deferred revenues from a prior year. Those programs include:

- a. **State Support Block programs**, including State Supported Living Services (SLS), Early Intervention (EI) and Family Support Services Program (FSSP).
- b. **Medicaid Supported Living Services (SLS)**. (Medicaid Children’s Extensive Supports (CES) is not included since it is reimbursed based on reported expenditures, so no unexpended service funds remain.)

Two reinvestment plans must be submitted: one for State applicable programs and one for Medicaid SLS. (See the Submissions section for more details.)

2. **Possible Uses of Reinvestment Plan Funds:** The following uses of deferred revenues may be proposed by CCBs within their reinvestment plans.

- a. **More Services** – Provide additional services to individuals currently enrolled in the program that provided the deferred revenues.
- b. **Waiting List** – Provide services to additional individuals who would be enrolled in the program that provided the deferred revenues.
- c. **Reserve Pool** – Development of crisis or emergency pools to fund fluctuations in service needs of individuals enrolled in the programs that provided the deferred revenue. Up to 10% of the contract line for the State Support Block or Medicaid SLS, in the fiscal year when the funds were generated, may be proposed for a reserve pool. (Assuming that deferred revenues are sufficient to cover that amount. The Medicaid and State SLS reserve pool may only be used to address needs of person enrolled in Medicaid or State SLS.
- d. **Use in Programs Other Than Where Revenues Were Generated** –
  - ❖ **State Support Programs (State SLS, EI, FSSP)** – Deferred revenues (see the definition of deferred revenues on page 6) from EI may be used to provide additional services or serve additional individuals in the FSSP program and conversely FSSP to EI. State SLS may **NOT** be used for either the EI or the FSSP programs.

- ❖ **Medicaid SLS – Medicaid SLS reinvestment plan funds may NOT be used to** provide additional services or serve additional individuals in other State or other non-SLS Medicaid funded programs. (The only way this may be accomplished is indirectly via the short-term contract shifts discussed below.)
- e. **Short-term Contract Shifts – On an exception basis only, if the CCB believes some of the current year contract would be better used short-term in the Comprehensive services block and there is sufficient deferred revenue to offset the reduction, then they can propose a short-term contract shift.**

For example, some proportion of the FY 2004 deferred revenue from Medicaid SLS may be applied to offset (reduce) FY 2005 Medicaid SLS contract funds. That then would free up FY 2005 Medicaid funds originally allocated to Medicaid SLS for use via a short-term contract shift in the Medicaid Comprehensive services block during FY 2005. In the FY 2006 contract, the funds would return back to Medicaid SLS.

The following guidelines apply to requests for such short-term contract shifts.

- ❖ Written justification is required to show the short-term need in the Comprehensive services area and that the funds are not needed in the support block where originally generated. If the shift is proposed in order to serve additional persons in the Comprehensive block, then the CCB must realize that any additional persons enrolled in that program cannot be terminated without appeal rights. However, since the funds are only short-term, the CCB can offset this increased risk eventually through attrition (i.e., not filling a future vacancy).
- ❖ Contract amendments for FY 2005 would be needed to affect such changes.
- ❖ Such shifts can only be accomplished within the same funding type (i.e. State Support to State Comprehensive, or Medicaid Support to Medicaid Comprehensive). This would be accomplished by decreasing the contract line in the affected support program in FY 2005 and a matching increase in the comprehensive line
  - ⇒ For Medicaid SLS, since the minimum number of persons to be served would remain unchanged a new lower average allocation rate would be calculated. The deferred revenue retained would be used to offset this short-term FY2005 contract reduction. The current year management fee will also be reduced since the CCB would have already received the management fee associated with the deferred revenue that allowed the shift.

⇒ For State Support Block programs, the 1/12 payment amount would automatically be adjusted once the contract amount was reduced and the minimum number of persons to be served would remain unchanged. The deferred revenue retained would be used to offset this short-term FY2005 contract reduction. The current year management fee will also be reduced since the CCB would have already received the management fee associated with the deferred revenue that allowed the shift.

## *Submission Instructions*

### **Submission of Reinvestment Plans by CCBs to DDD**

1. **Reinvestment Plan Format:** All reinvestment plans must include the cover pages noted in Appendices A (for state support services) and B (for Medicaid SLS) and shall include additional narrative pages explaining the plan.
2. **Schedule:** The preliminary reinvestment plans (one for State Support Block and one for Medicaid SLS) must be submitted by CCBs to DDD no later than October 1, 2004. **The final reinvestment plans are due two weeks after completion of the audit.** All deferred revenue must be identified in either audited or un-audited financial statements attached to this plan. (See accounting section below for more details.)
3. **Review of Reinvestment Plan Submissions:** DDD will review and provide preliminary approval or request changes within 45 days of receipt of the reinvestment plans. Final plan authorization will be dependent on the completion of the CCB audit.
  - a. DDD will review reinvestment plans to ensure compliance with the criteria outlined above.
  - b. DDD reserves the right to approve or disapprove individual components of the reinvestment plan, in approving or disapproving a plan in its entirety, or requesting changes.
  - c. DDD will work with CCBs regarding any plan components which are disapproved or where changes are requested.
4. **Amendments to Reinvestment Plans:** If the deferred revenue identified in the original reinvestment plan submission differs from that recorded in the final audited schedules, then an amended reinvestment plan must be submitted within **30 days following the final audits.** CCBs may also request amendments to reinvestment plans for other reasons once during the fiscal year.

## *Accounting for Reinvestment Plan Funds*

### 1. **Potential Reinvestment Plan Funds –**

- a. **Deferred Revenue** – Revenues (funds disbursed by DDD) for the applicable programs identified at the top that (1) are not spent by the contractor (CCB) by the close of the State’s fiscal year, (2) have not been adjusted by DDD based on applicable performance standards (contract control points), and (3) which are not designated as unrestricted revenue per below, must be accounted for as deferred revenue per contract **Exhibit B** and may only be utilized as approved via the reinvestment plan process.
- ❖ **Identifying Deferred Revenue** – Deferred revenue may be initially identified by utilizing un-audited financial data and adjusted after completion of the CCB audit (see amendment under Submission section above). Deferred revenue will be determined by audited schedules of revenue disbursed, compared to actual expenses by program and funding source minus unrestricted revenues per below.
  - ❖ **Excessive Deferred Revenue** – For FY 2004, deferred revenue is considered to be excessive when it exceeds 8% of the lesser of the contract amount or the current year program revenues dispersed (excludes recognized prior year deferred revenue). The FY 2005 contract will be reduced by the excessive deferred revenue amount.
  - ❖ **State and Medicaid** – two deferred revenue accounts will be maintained: one for State support block and one for Medicaid SLS.
- b. **Unrestricted Revenues** – Up to 5% of the amount disbursed in the State SLS program; 5% in the Children’s Support Programs (EI and FSSP); and, up to 5% of the amount disbursed in current year Medicaid SLS funds may be retained as unrestricted revenue if all performance standards (control points) are met for the programs per **Exhibit B** of the contracts. (This amount cannot exceed disbursed funds left unspent for the applicable program and it cannot exceed 5% of the contract amount.)
- ❖ The CCB will submit Deferred Revenue Worksheet detailing whether or not the performance standards were met for each program.
  - ❖ If the performance standards were met, the audit will identify the unrestricted revenue as earned in the fiscal year disbursed rather than being recorded as deferred revenue.
  - ❖ If the performance standards were not met, the audit will identify all excess revenues for the applicable programs as deferred revenue.

**2. Utilization of Deferred Revenues –**

- a. Deferred revenues must be expended for the program in which they were disbursed in the prior fiscal year with the exception of the 5% that may be retained as unrestricted (if performance standards measures are met) and approved reinvestment plans for the state support funds that are to be used for different state support programs than where earned.
- b. Expenses associated with current year services will be used to first offset any deferred revenue. The remaining expenses will be used to offset current year revenues and to establish the current year deferred revenue amount (if needed).
- c. Restricted Revenue for a Reserve Pool – A portion of deferred revenue (up to 10% of the prior year contract) may be restricted in the fund balance as a permanent reserve pool to be used for emergencies such as unanticipated changes in service needs. (One restricted account for a State support block reserve pool and one for a Medicaid SLS reserve pool.)

**3. Unapproved Deferred Funds –** Any portion of deferred revenues that are not approved via a reinvestment plan will be taken as a short-term adjustment in the FY 2005 contract.

- a. Contract amendments for FY 2005 will be needed to affect such changes.
- b. This short-term adjustment would be accomplished by decreasing the contract line in the affected support program in FY 2005 by the amount of the deferred revenue to be returned.
  - ❖ For Medicaid SLS, a new lower average allocation rate will be calculated, since the amount to be paid this fiscal year will be less.
  - ❖ For State Support Block programs, the 1/12 payment amount will automatically be adjusted once the contract amount was reduced.
  - ❖ The minimum number to be served within the Medicaid and State support blocks would remain unchanged.
  - ❖ The management fees associated with these adjustments will also be deducted from the contract for both the Medicaid SLS and the State Support Block programs.

Reinvestment Plan

**State SLS and Children's Support Block Form**

FY 2004

**Instructions:**

1. Complete this cover form. Note that there is a different form for State and Medicaid programs.
2. Rows A-F should come directly from your Deferred Revenue Worksheet-State as approved by DDD unless there is more recent audited financial information.
3. Attach additional narrative pages and any other documentation necessary to justify and explain your reinvestment plan proposal (see directions at bottom of 2<sup>nd</sup> page).
4. Submit no later than October 1, 2004 for deferred revenues from the prior fiscal year (services funds remaining unspent from previous fiscal year in State SLS, FSSP, and EI).
5. Submit to the attention of: Karen Thorson by mail (DDD, 3824 W. Princeton Circle, Denver, CO 80236) or fax (303/866-7470).
6. Direct questions to John Miles, 303/866-7459.

CCB: \_\_\_\_\_ Person completing form: \_\_\_\_\_ Phone: \_\_\_\_\_

Financial data on this form are for FY \_\_\_\_\_ and are based on (check one)

Audited Financial Statements (must be used if available)

Unaudited Financial Statement (an amendment will be required later if audited statements identify different amounts)

	State SLS	EI	FSSP	Total: EI and FSSP
<b><u>Background Amounts</u></b>				
<b>A. State Support Block Contract Amounts</b> - For fiscal year just ended. From line 9 of Deferred Revenue Worksheets. ("State Total" State Audit Confirm.)		\$	\$	\$
<b>B. Support Revenues</b> – From line <b>12R</b> of Deferred Revenue Worksheets (or from final audited information if different).		\$	\$	\$
<b>C. Support Expenditures</b> – From line <b>13</b> of Deferred Revenue Worksheets (or from final audited information if different).		\$	\$	\$
<b>D. Excess Revenue</b> – From line <b>14</b> of Deferred Revenue Worksheets (or from final audited information if different).		\$	\$	\$
<b>E. Excess Revenue to be Unrestricted</b> – From line 15 of deferred Revenue Worksheets (or from final audited information if different).				
<b>F. Excess Revenue to be Deferred</b> – From line <b>16</b> of Deferred Revenue Worksheets (or from final audited information if different).	\$			\$



CCB: \_\_\_\_\_

	State SLS	EI	FSSP	Total: EI and FSSP
<b>Reinvestment Plan -- Summary of Proposal</b>				
<b>G. More Services</b> – Additional services to individuals currently enrolled in the program that provided the deferred revenue.	\$	\$	\$	\$
<b>H. Waiting List</b> – Services to additional individuals beyond the current minimum # to be served who will be enrolled in the program that provided the deferred revenue.	\$ Add. # of individuals:	\$ Add. # of individuals:	\$ Add. # of individuals:	\$ Add. # of individuals:
<b>I. Reserve Pool – Funds to be restricted for meeting crisis or emergency needs of individuals enrolled in any of the State support service programs. This may be up to 10% of contract line total for State SLS or for the EI and FSSP Total for the fiscal year just ended.</b>	\$ Total reserve pool for State SLS:			\$ Total reserve pool for EI and FSSP:
<b>J. Services to Persons in Other Programs</b> – Additional services to additional individuals in state support services other than the area where the deferred revenue was generated – e.g. using deferred revenues from SLS on individuals in FSSP.	\$ Specify the increased # for State Comp	\$ Specify the increased # for FSSP	\$ Specify the increased # for EI	\$ Specify the total increased # for FSSP: EI:
<b>K. Mandatory Short-term Contract Reduction for Restricted Excess Revenue Above the Cap</b> – From Line 18 of the Deferred Revenue Worksheet.	\$	\$	\$	\$
<b>L. Short-term Contract Shifts</b> – Deferred revenues would be used to offset a short-term reduction in current FY State support services for shifting to current FY State Comp. Services- short-term. Note Minimum # to be served in current FY for support block would NOT be reduced. ( <b>Note:</b> short-term contract shifts will decrease the management fee associated with the shift.)	\$ If more persons would be served short-term in State comp. then provide # of new individuals: Attach narrative.			
<b>M. Total of Proposed Uses of Deferred Revenue</b> – Sum \$ amounts of rows G through L. Total cannot exceed row F.	\$	\$	\$	\$
<b>N. Deferred Revenue Not Proposed for Reinvestment Plan</b> – Total column is row F minus row M. Indicate preferred breakout of total by program columns (SLS, FSSP & EI). Note deferred revenues classified as excessive (above the 8% limitation) or not approved by this plan or not proposed for a purpose will be taken as a short-term adjustment (reduction) against current FY contract for the noted program(s).	\$	\$	\$	\$

Attach narrative to briefly explain each use of deferred revenue proposed above in rows G through L. Explain why the proposed amount is needed and how it will be used. Proposals for short-term contract shifts should include explanation of short-term need in the comprehensive services area and that funds are not needed in the support block where originally allocated. If additional persons in comprehensive are to be served with this shift, then the additional number should be provided along with the number of member days. If additional persons are not proposed, then the need for the rate increase should be explained. \_\_\_\_\_ # of narrative pages attached to this form.

**Instructions:**

1. Complete this cover form. Note that there is a different form for State and Medicaid programs.
2. Row A should come directly from your Deferred Revenue Worksheet-Medicaid as approved by DDD unless there is more recent audited financial information.
3. Attach additional narrative pages and any other documentation necessary to justify and explain your reinvestment plan proposal (see directions at bottom of page).
4. Submit no later than October 1, 2004 for deferred revenues from the prior fiscal year (services funds remaining unspent from previous fiscal year in Medicaid SLS).
5. Submit to the attention of: Karen Thorson by mail (DDD, 3824 W. Princeton Circle, Denver, CO 80236) or fax (303/866-7470).
6. Direct questions to John Miles, 303/866-7459.

CCB: \_\_\_\_\_ Person completing form: \_\_\_\_\_  
 Phone: \_\_\_\_\_

Financial data on this form are for FY \_\_\_\_\_ and are based on (check one)  
 Audited Financial Statements (must be used if available)  
 Unaudited Financial Statement (an amendment will be required later if audited statements identify different amounts)

Reinvestment Plan -- Summary of Proposal	Total for Medicaid SLS
<b>A. Excess Revenue to be Deferred</b> – From line <b>16</b> of Deferred Revenue Worksheet-Medicaid (or from final audited information if different).	\$
<b>B. More Services</b> – Additional services to individuals currently enrolled in Medicaid SLS.	\$
<b>C. Waiting List</b> – Services to additional individuals beyond the current minimum # to be served who will be enrolled in Medicaid SLS.	\$ Add. # of individuals:
<b>D. Reserve Pool</b> – Funds to be restricted for meeting crisis or emergency needs of individuals enrolled in Medicaid SLS.  <div style="text-align: right; margin-right: 50px;">Reserved Amount per Prior Year audit. →</div> <div style="text-align: right; margin-right: 50px;">Proposed additional amount reserved for current year. →</div> Total Reserved-not to exceed 10% of Medicaid SLS contract line for FY just ended.	Total reserve pool for Medicaid support:  \$ \$ \$
<b>E. Mandatory Short-term Contract Reduction for Restricted Excess Revenue Above the Cap</b> – From line 18 of Deferred Revenue Worksheet-Medicaid SLS.	\$
<b>F. Short-term Contract Shifts</b> – Note deferred revenues would be used to offset a short-term reduction in current FY Medicaid SLS funds for shifting to current FY Medicaid comprehensive services short-term. Note Minimum # to be served in current FY for support block would NOT be reduced. ( <b>Note:</b> short-term contract shifts will decrease the management fee associated with the shift.)	\$  If more persons would be served short-term in Medicaid comp., then provide # of new individuals: Requires Narrative.
<b>G. Total of Proposed Uses of Deferred Revenue</b> – Sum \$ amounts of rows B through F. Total cannot exceed row A.	\$
<b>H. Deferred Revenue Not Proposed for Reinvestment Plan</b> – Row A minus row G. Note deferred revenues not approved by this plan or not proposed for a purpose will be taken as a short-term adjustment (reduction) against current FY contract for Medicaid SLS.	\$

Attach narrative to briefly explain each use of deferred revenue proposed above in rows B through F. Explain why the proposed amount is needed and how it will be used. Proposals for short-term contract shifts should include explanation of short-term need in the comprehensive services area and that funds are not needed in the support block where originally allocated. If additional persons in comprehensive are to be served with this shift, then the additional number should be provided along with the number of months. If additional persons are not proposed, then the need for the rate increase should be explained. \_\_\_\_\_ # of narrative pages attached to this form.