

Community-Based **Alcoholism & Substance Abuse** Services
Fee for Services Conversion



Barbara Flynn Currie
Majority Leader

Illinois House of Representatives
93rd General Assembly

July 2004

**Community Based Alcoholism & Substance Abuse Services
Fee for Services Conversion**

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING, is entered into this 2nd day of July, 2004 by and between the Illinois Department of Human Services Division of Alcoholism and Substance Abuse (hereinafter “the Department”), the Governor’s Office of Management and Budget, Mattie Hunter, Vice-Chairperson of the Senate Health & Human Services Committee, Dale Righter, Republican Spokesperson of the Senate Health & Human Services Committee, Rosemary Mulligan, the Republican Spokesperson for the House Special Committee on Fee-For-Service Initiatives and Barbara Flynn Currie, Chairperson of the House Special Committee on Fee-For-Service Initiatives, and hereinafter referred to as “the parties.”

WITNESSETH

WHEREAS, the State of Illinois has an obligation to provide for the health, safety, and welfare of its citizens;

WHEREAS, The Department is charged with designing, coordinating and funding a comprehensive and coordinated community-based and culturally and gender-appropriate array of services throughout the state for the prevention, intervention, treatment and rehabilitation of alcohol and other drug abuse and dependency;

WHEREAS, effective March 16, 1999, Executive Order #9 designated Division of Alcoholism and Substance Abuse as the lead agency for all substance abuse issues for the State of Illinois. As such, Division of Alcoholism and Substance Abuse is responsible for coordinating the efforts of all state programs dealing with problems created by substance abuse;

WHEREAS, the Division of Alcoholism and Substance Abuse is responsible for identification of service needs, planning and coordination of all state program efforts, the licensing of non-acute care treatment services, the maximization of new and existing resources, the purchase of service for those without resources, the expansion of accessible and appropriate community-based prevention, intervention and treatment efforts to meet the needs of the citizens of the State of Illinois;

WHEREAS, thirty percent of current funding from the Division of Alcoholism and Substance Abuse is already fee-for-service and ninety-five percent of all services are rate based;

WHEREAS, a fee-for-service payment methodology gives providers greater discretion in spending general revenue funds earned for capital or facility improvement, travel and other expenditures that are not allowed under grant funding methodology;

WHEREAS, it is the agreement of the parties that this Memorandum of Understanding is entered into in order to make a smooth transition to a fee-for-service payment methodology; but it is not intended to expand entitlement programs beyond those that already exist, or may in the future be enacted, under federal or state law.

The Parties Agree to these Good Faith provisions:

1. That a modification and enhancement of the current payment practices related to the Illinois Department of Human Services Division of Alcoholism and Substance Abuse in Fiscal Year 2005 is designed to address issues related to cash flow;
2. Service Assurance as a contract designation will continue. In most cases the entire amount of the contract will be the amount for service assurance as a dedicated fund. The provider will receive the contract designation upon meeting established criteria. Service Assurance providers can deliver services in any mix of treatment and intervention;
3. The Division of Alcoholism and Substance Abuse is committed to a simplified system by which providers could earn contract dollars to support a fee-for-service reimbursement system. Division of Alcoholism and Substance Abuse staff, starting in February of 2004, began work to streamline and simplify all contractual documents, fund lines and funding expectations in order to provide increased flexibility for providers to earn the dollars and more efficient reimbursement. A number of funding tags are to be eliminated and the number of contract exhibits are to be reduced by 59%. The majority of the general revenue funds will be combined into one fund line per contract. This amount, along with the SAPT (Block Grant), ASAF (federal grant) and Pooled Loan amounts will be identified in the contract for each provider;
4. The Division of Alcoholism and Substance Abuse Help-Line will provide assistance to providers and enhance contract assistance with a manager assigned to monitor the contract and quickly resolve data or other service delivery problems;
5. The Division of Alcoholism and Substance Abuse will evaluate service delivery to identify and resolve potential problems on a monthly basis. The evaluation will also serve to identify opportunities to enhance funding and deliverables;
6. Each provider's rights and obligations with respect to the Department are set forth in its annual award agreement with the Department, and nothing in this memorandum shall impose any contractual obligations upon the providers or grant to the providers any rights as a third party beneficiary or any related rights with regard to the fee-for-service conversion;

The Parties Agree:

7. The Department will make periodic progress reports to the Governor, the House Special Committee on Fee-For-Service Initiatives (or its successor in the 94th General Assembly, if any) and the Senate Health & Human Services Committee over the next several months, specifically including reports in September, October, November, and December of 2004;
8. Providers that have a total non-Medicaid Division of Alcoholism and Substance Abuse budget equal to or less than two hundred and fifty thousand dollars (\$250,000) will have the option of converting to fee-for-service on July 1, 2004 or remaining on an advance and reconciliation for Fiscal Year 2005. Each provider's rights and obligations with respect to the Department are set forth in its annual award agreement with the

Department, and nothing in this Memorandum shall impose any contractual obligations upon the providers or grant to the providers any rights as a third party beneficiary or any related rights with regard to the fee-for-service conversion. The Division of Alcoholism and Substance Abuse will evaluate the services delivery against disbursement for possible fee-for-service conversion in Fiscal Year 2006;

9. The evaluation by the Division of Alcoholism and Substance Abuse of the change to a fee-for-service payment methodology will be in writing. The evaluation will be made in consultation with the stakeholders;
10. In an effort to sustain providers the Division of Alcoholism and Substance Abuse may advance funding to fee-for-service providers in circumstances in which there is an existing and significant negative impact to the clients (i.e. the processing of the Department's Automated Reporting and Tracking System is delayed beyond the normal monthly processing schedule);
11. The Department will process billing information and vouchers for payment to providers in a timely and efficient manner. Beginning January 1, 2005, the Department will identify providers who experience severe financial hardship as a result of a conversion to a fee-for-service payment methodology pursuant to criteria and procedures established for that purpose. The Department will request the assistance of the Illinois Office of the Comptroller, as necessary, to give providers experiencing severe financial hardship priority payments in accordance with established inter-agency policies and practices;
12. A provider retains the option of receiving a two-month advance of contract funding at the beginning of Fiscal Year 2005. This two-month advance is repayable over no more than a twenty four month period. Providers may choose to repay the advance in one year or elect not to receive the advance. This advance will not be offered to current fee-for-service providers;
13. If additional funding is included in the Fiscal Year 2005 budget, the Department's restrictions on Medicaid allocations in provider contracts will be upwardly adjusted;
14. Providers may submit the Department's Automated Reporting and Tracking System diskettes weekly. The Division of Alcoholism and Substance Abuse will have a Management and Information Systems staffer dedicated to the Department's Automated Reporting and Tracking System to process all diskettes and send weekly error reports to the providers that submitted the diskettes;
15. Fiscal Year 2005 appropriation lines in the Division of Alcoholism and Substance Abuse accounting system are to be combined to allow for a significant reduction in the number of lines per contract. The intent of this is to allow for a significant reduction in the number of lines per contract which will, in turn, decrease administrative processing time and facilitate easier disbursement and fewer separate checks for providers;
16. If the Governor's Office of Management and Budget imposes a general reserve requirement across most or all State agencies, this reserve will not be imposed upon Alcohol and Substance Abuse care providers;
17. Any written report agreed to be provided by any party to this Memorandum of Understanding

must also be provided to the Speaker of the House, the House Minority Leader, the President of the Senate, and the Senate Minority Leader.

IN WITNESS WHEREOF, the Parties have caused this Memorandum of Understanding to be executed by their authorized representatives on the 2nd day of July, 2004.

For the Governor's Office of Management and Budget:



John Filan, Director

For the Department of Human Services:



Carol L. Adams, Secretary



Barbara Flynn Currie, Chairperson
House Special Committee on Fee-For-Service Initiatives



Rosemary Mulligan, Republican Spokesperson
House Special Committee on Fee-For-Service Initiatives



Mattie Hunter, Vice-Chairperson
Senate Health & Human Services Committee



Dale Righter, Republican Spokesperson
Senate Health & Human Services Committee