



Joint Budget Committee Staff

Memorandum

To: JBC Members
From: Louellen Lowe, JBC Staff (303-866-2981)
Date: Thursday, February 27, 2025
Subject: [Early Intervention Services Funding and Cost Containment Measures](#)

Recent news reports have suggested that the State has cut or is cutting funding for the Early Intervention (EI) program. This is not accurate. However, JBC staff was notified on the evening of Wednesday, February 26th, that the Department is in the process of “restructuring the way services are delivered” as a cost containment measure in the current fiscal year to manage what it projects to be an approximate \$4.0 million shortfall in funding for the program in FY 2024-25. These cost containment measures will likely continue into FY 2025-26.

Summary and Key Points

- The Department is projecting an approximate \$4.0 million shortfall in funding for the Early Intervention (EI) program in FY 2024-25 based on current service provision and contract requirements.
- The Department announced the enactment of cost containment measures on Tuesday, February 25th which result in the elimination of certain workforce retention and recruitment incentives, the discontinuation of certain services not covered by Medicaid, the restriction of service delivery frequency, and the lengthening of timelines from the point of evaluation to service delivery. These changes narrow service provision to only that which is absolutely required.
- If the Department can successfully renegotiate contracts with Early Intervention Brokers, then the difference will be approximately \$2.0 million. If supplemental funding were to be provided for this program, it would need to be ongoing as this funding will count towards the Department’s federal Maintenance of Effort requirement.
- The anticipated number of children and families impacted by this change was unknown at the time of this document’s publication.

Funding for Early Intervention

In constant FY 2024-25 dollars, total funds appropriations for the EI program have increased annually by an average of 0.4 percent since FY 2020-21. This annual average accounts for reductions in EI services eligibility made in FY 2020-21 as a budget balancing measure. Over the same period of time, and also in constant FY 2024-25 dollars, General Fund appropriations for

this program have increased annually by an average of 2.4 percent. Appendix A includes total program funding since FY 2015-16.

On Monday, February 24, 2025, the Joint Budget Committee approved level General Fund appropriations and a very modest increase in cash funds appropriations from the Early Intervention Services Trust Fund for the EI program in FY 2025-26. The Committee did not approve a request to make the program a statutory entitlement. As a state entitlement, the program would be permitted to spend funds as necessary to support caseload increases and costs without seeking legislative approval to exceed its appropriation.

In FY 2023-24, the Department received an additional \$3.5 million General Fund which was approved as an annual appropriation for two years. The Department used this funding for provider recruitment and retention initiatives in the program. For FY 2025-26, the Department requested that this funding continue, which the JBC approved. However, in FY 2025-26, this funding will be utilized for direct services/caseload increases and not for workforce recruitment and retention. This nuance has added complexity to the misunderstanding about whether funds for this program had been or are being cut.

Cost Containment Measures

On the evening of February 26, 2025, JBC staff was made aware of service delivery changes that were being enacted effective March 3, 2025 as cost containment measures for the program. The Department has since indicated to staff that the need to enact such measures was driven by the following exigencies:

- Increased caseload
 - The number of average monthly enrolled eligible children served in FY 2023-24 included 10,515 children. The cumulative total was 19,517.
- Increased costs
 - The average yearly cost of EI services per child in FY 2023-24 was \$4,568. However, the costs of services for a child can vary significantly based on acuity of need.
 - A large driver of costs is for services that cannot be billed to Medicaid for children who are enrolled in Medicaid. For example, Medicaid cannot be billed for Developmental Intervention, which is an educational based general service. On average, Developmental Intervention services for children with Medicaid enrollment costs \$200,000 per month.
 - The number of children enrolled in Medicaid, which is billed before State resources are utilized, has also declined.
- Medicaid reimbursements not keeping pace with the cost of services.

A lesser contributing factor to the current circumstance is the expiration of federal stimulus dollars for this program. Prior to the pandemic, the Department anticipated carrying forward approximately \$1.0-\$2.0 million federal funds for this program; in recent years, due to stimulus funding, that carry forward amount grew to as high as \$8.0 million. In the current fiscal year, the Department carried forward \$6.3 million from FY 2023-24.

Stimulus funds were spread across 2.5 years to support all Early Intervention services. This allowed the Department to carry forward a larger fund balance amount of the base award. The carry forward balance in FY 2024-25 was only the base award as the stimulus funding was fully expended. The Department does not anticipate any federal funding to be carried forward from FY 2024-25 to FY 2025-26.

As recently as three weeks ago, the Department notified OSPB of the anticipated shortfall but indicated it would address the issue internally through cost containment measures and would not seek a supplemental. In a memo to providers on February 25, 2025, the Department notified constituents of the budget shortfall, indicating that it would be modifying service delivery effective March 3, 2025. This includes the following changes as stipulated in the memo:

- Immediate suspension of workforce retention and recruitment initiatives including the following:
 - Reimbursement of subcontracted providers for scheduled visits or an Individualized Family Service Plan (IFSP) meeting where the family cancels or does not show less than 24 hours from the scheduled visit. This does not include Evaluation Entities as payment for the percentage of no-shows is a contractual obligation;
 - Compensation of new providers for completing the required 15-hour Initial EI Provider Training and the follow-up training stipend for completing a survey after 6 months;
 - The \$30 stipend for subcontracted providers that are billing Medicaid for a speech and/or language session to help support the monitoring of IFSP outcomes; and
 - Subcontracted provider reimbursements for mileage and travel where applicable.
- Immediate changes to service delivery for the following:
 - Children enrolled in the EI program and also enrolled in Medicaid must be provided a service that is eligible for payment through Medicaid (OT, PT, SLP). This applies to any child enrolled in Medicaid regardless of whether the service is provided by a subcontracted provider or a provider employed by an EI Broker. Medicaid does not reimburse for certain services such as educational or social emotional learning services.

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- All children enrolled in the EI program will have their IFSPs updated to reflect a maximum of 16 (15 minute) units per month. For children where less than 16 units were identified to address the outcomes on their IFSP, additional services may not be added. Prior to this change, there was no limit.
- Children who have a third birthday on May 1, 2025, or later (Extended Part C) will have IFSPs that reflect the need for 4 units of service each month until the beginning of preschool special education in the fall. Extended Part C provisions extend early intervention services for children eligible for preschool special education. Previously, these were delivered at the same number of unlimited units as their Individualized Family Service Plan (ISFP). This lowers the number of visits.
- Beginning April 1, 2025, any child newly eligible for the EI program will have services begin no earlier than 28 days from the date the parent signed consent. This contains costs by limiting the number of potential service visits prior to the 28-day timeline. The requirement to provide services will not start until 28 days of parent consent.
- Funding for EI Evaluation Entities to complete evaluations is expected to be adequate for the remainder of FY 24-25, however, if an EI Evaluation Entity experiences higher than anticipated referrals and overflow evaluation options are not available, new evaluations may need to be delayed until the beginning of FY 25-26. Required federal timelines are not expected to be impacted which require the child's IFSP to be developed within 45 days from referral.

The changes above reflect a narrowing of service provision to only that which is required by the State.¹ Additionally, the Department had been working on, and in some areas had already implemented, a primary provider model of delivery in which one provider is assigned to a family to deliver services in consultation with a team of practitioners with the expertise needed to provide treatment.

The Department anticipates that contracts with EI Brokers could be underspent in the current fiscal year by as much as \$5.0 million and had aimed to renegotiate those contracts to shift a portion of that funding to direct services. Effectively, this would reallocate money that was anticipated to be underutilized but was bound up in the contracts to address shortfalls in service delivery.

¹ Program requirements include timely evaluation and assessment, service coordination, development and review of an IFSP and implementation of services based on the child's specific needs. These may include speech therapy, physical therapy, occupational therapy, and twelve additional services depending on the needs of the child and family.

Funding for FY 2025-26

Currently, the Department anticipates needing to sustain these cost containment measures into FY 2025-26. However, it's probable that even with these measures, the program may require additional funding to keep up with caseload increases and costs. The Department is working with HCPF to finalize a data sharing agreement which would provide necessary information to make more accurate projections for EI. Until that data can be retrieved, the Department indicates it cannot provide a good estimate for FY 2025-26.

Department Response to Recent Media

The Department of Early Childhood had prepared a press response; however, articles emerged before the information could be shared. Below is the response/statement from the Department:

"CDEC is working with local communities to ensure continuity of services, including expanding telehealth options and connecting families with Medicaid-enrolled providers. CDEC is working closely with the early intervention agencies to continue to explore all options to minimize the impact of these measures. We remain committed to exploring innovative solutions and strengthening partnerships to support children's development.

The Early Interventions (EI) initiative is experiencing higher-than-anticipated referrals, caseloads, and costs. CDEC remains committed to protecting current eligibility criteria, maintaining provider rates in compliance with state and federal law, and minimizing the impact of these changes on children and families. Our priority is to continue delivering high-quality services while managing the budget to sustain the program long-term.

To remain within the initiative's available funding and continue to prioritize direct services to all eligible families, the Department of Early Childhood has evaluated areas where the program is more generous than required in state or federal law. The Department is implementing temporary cost containment measures for the EI program, effective March 3, 2025, through FY 2025-26. These measures relate to short-term funding the Department provided for EI provider workforce support, rather than direct service provision.

The Department was appropriated \$87.4 million for the EI program, with approximately 70% of funding from the State. While eligibility changes have increased the state's share of service costs, the Medicaid share has remained flat. Part C funds are required to be used as the payer of last resort after all other funding is exhausted. This continues to present challenges in the availability of State funds to maintain the level of funding required for match to comply with federal funding requirements."