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DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF MENTAL RETARDATION SERVICES
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***Division of Mental Retardation Services Lifts Rate Reduction
Cooperative Effort between Division and Providers Proves Successful***

The Tennessee Division of Mental Retardation Services (DMRS) is removing a 6.1 percent rate reduction in payment to providers beginning with the month of May. The reduction, implemented January 1st of this year, was a result of DMRS being over budget in its Statewide Home and Community-based (Main) Waiver. Tennessee spends more than 46 other states in service provision for persons with mental retardation.

"I am very pleased to be able to rescind the 6.1 percent rate reduction," said DMRS Deputy Commissioner Stephen H. Norris. "I understand the difficulty it placed on providers; it was a difficult decision, but one that had to be made to return our division to budget.

"We have worked closely with providers in affecting cost reduction and their input has proven invaluable. On behalf of everyone at DMRS, I thank them for their commitment and dedication exhibited over the past months."

The removal of the reduction and full reimbursement for qualified claims is effective for the months of May and June and the first quarter of Fiscal Year 2008-2009 (July, August and September). Following the fiscal year's first quarter, the financial status of DMRS will be reevaluated based on the average daily cost of services.

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DMRS implemented measures to affect cost reduction and will soon have in place additional tools, protocols defining medical necessity, to curtail expenditures.

“It is my hope that the average daily cost of services in the Main Waiver will continue trending downward, and that the controls we have implemented and those we will have in place soon will maintain expenditures at the desired level,” said Norris. “It must be clearly understood, it is more critical now than ever before that we manage within budget.”

The state of Tennessee is experiencing an overall \$495 million shortfall in revenue collection for the current fiscal year and will reduce its budget for Fiscal Year 2008-2009, which begins July 1st, by nearly \$500 million. The state fiscal climate was the main reason Norris did not request additional funding for DMRS rather than put in effect the rate reduction.

The DMRS budget for fiscal year 2007-2008 was crafted in August and September of 2006 and based on the previous seven months' actual expenditures. An average of \$209 per day was projected for persons receiving services. Expenses steadily increased each month to an average of \$233 in October.

The budget overrun required immediate attention. If no action was taken a supplemental appropriation of \$15 million would have been required to close the fiscal year within budget.

Over the last four fiscal years Governor Phil Bredesen and the state legislature have provided with more than \$170 million in additional funding. Also, DMRS has worked to stretch its funding. Thirty-three million state dollars were redirected into the waiver services to take advantage of a federal match, which added two dollars for every state dollar.

In addition to considering the state's fiscal forecast Norris maintained a supplemental appropriation would not remedy the problem stating, “It would be a temporary solution which would keep our division in a position that is inconsistent with our obligation to be a good steward with taxpayer dollars.” Norris has also been adamant that the budget overrun prevents assistance for the 6,041 persons on the DMRS Waiting List for services.

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In addition to the rate reduction, DMRS put into effect an in-house administrative cost reduction program. There is a five percent reduction in total annual expenditures at the division's regional offices, developmental centers and central office and there are restrictions on the purchase of goods and services, hiring and travel. The program remains in effect.

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