

CRANSTON SCHOOL COMMITTEE PUBLIC WORK SESSION

JANUARY 10, 2013

WILLIAM A. BRIGGS BUILDING (REED CONFERENCE ROOM)

845 PARK AVENUE

EXECUTIVE SESSION 5:00 P.M.

**PUBLIC WORK SESSION IMMEDIATELY FOLLOWING EXECUTIVE
SESSION**

**PUBLIC MEETING IMMEDIATELY FOLLOWING PUBLIC WORK
SESSION**

MINUTES

This Work Session was called to order at 5:00 p.m. on the above date with the following members present: Chairperson Iannazzi, Mr. Traficante, Mrs. Culhane, Mr. Gale and Mr. Colford. Absent were Mrs. Ruggieri and Mrs. McFarland.

The meeting was called to order and convened to Executive Session pursuant to RI State Laws –

- 1. PL 42-46-5(a)(1) Personnel**
- 2. PL 42-46-5(a)(2) Collective Bargaining and Litigation:**
 - a. (Contract Negotiations' Update – Secretaries)**

Call to Order - Public Session was called to order at 5:18 p.m.

The roll was called; a quorum was present. No votes were taken

during Executive Session.

Adjourn to Public Work Session

Public Work Session:

a. Medicaid Direct Services revenue update.

Dr. Lundsten stated - the reason we are here tonight it that on January 22 I will be presenting my budget. When I present the budget to you, you are going to see a line item on there that is less than what you anticipated in regards to the Medicaid direct services so we didn't want to surprise you. We wanted to bring that forth tonight to you. I know Joe (Balducci) has already given you some literature in regards to the budget and the concerns. Tonight we will discuss that and answer your questions in regards to the issues around Medicaid and how we are going to handle this.

Mr. Balducci passed out handout #1, Budget Analysis, 2012-2013 and handout #1a Year-to-Date Revenues & Expenditures as of December 31, 2012.

Mr. Balducci stated – the report is just the normal monthly December report. This report is just for informational purposes only and some of the issues we are running into with respect to Medicaid. What I would like to bring to your attention from this years' standpoint, the 2012-2013 budget and how we plan on handling this. The top section of the analysis (handout #1) is giving you the bad news. As Judy mentioned the Medicaid direct service revenue line is currently being

budgeted at \$1.4 million dollars, however, in speaking with representatives from PCG, who are here and will give you more information, we believe it is going to be somewhere in the \$800,000 range. That is a \$600,000 potential shortfall in a current year revenue line item. The next line down, Medicaid direct service accounts receivable 2011-2012; as part of the annual process of closing the books there are receivables that have to be established from one year to the next and last year was no different. We anticipated approximately \$1,2060,000 coming in regarding Medicaid direct services revenue for that year and we are pretty much done sending out the request to the state for reimbursement so unfortunately we did not receive, we don't believe we are going to receive \$356,276 so I put under parenthesis there - bad debt expenditure. The way I am going to handle it, is before I close the books I need to write off approximately \$356,276. I am not going to show that as a reduction of revenue, I am going to call that an unbudgeted expenditure called bad debt. That's one of the ways you can handle it. It is an acceptable approach from an auditing standpoint so I don't think there will any issues when the external auditors come in and audit the books for this year. The other situation, budget savings to be determined – in adopting this years' budget, if you recall we placed in a place-holder account approximately \$1.2 million dollars. The lion share of that was just the timing of when we settle with the custodians verses when we developed this years' budget. We developed this years' budget prior to us finalizing the custodian agreement but we knew that as part of the custodian agreement we were going to achieve significant dollars,

approximately \$900, and some odd thousand. So we took care of the first \$900,000 of the \$1.2. That left approximately \$300,000 still on the table and we still have one bargaining group that we are dealing with and we hope to achieve some budget savings when we finally wrap up with them. I am giving you the worse-case scenario. I am saying that before we close the books we're not going to achieve any of the \$300,000 so I'm putting it on for your discussion and just so you are aware of it.

As we have been talking every month, special education tuitions – it is a moving target but based on...as a matter of fact if you look at the November report you only see it being approximately \$718,000 but two weeks after I closed the month I get almost another \$100,000 dollars of student placements so that \$803,000 is as of today. If you do the math that is \$2 million dollars. How are we going to handle a \$2 million dollar shortfall in these areas – IDEA funds. That is a grant and basically in speaking with Cheryl (Coogan) it looks like we are going to be able to use approximately \$300,000 of IDEA grant dollars to help us pay for some of our outside special ed tuitions. We also have the city contingency account that was budgeted to handle the special ed tuition area of our budget. That stands at \$370,000 dollars as an available source of monies and right now the balance I am happy to report out through December of 2012 our health and dental payment of claims is running approximately \$1.8 million dollars less than budget. That is six months in and we have been trending approximately about \$400,000 except for July and August. I think starting in September we have been achieving somewhere between

\$300,000-\$400,000 monthly surplus in that area based on what we pay in as a premium and what the health collaborate pays out on our behalf. I will be able to use to balance the books before we close the year. Again we have a potential \$2 million dollar situation overage but we have approximately \$2.4 million that we can shift and use to cover these shortfalls. As Judy mentioned we did not want to wait until the evening of the budget presentation because it is going to be my recommendation when we present our budget to you that the Medicaid direct service line be reduced from \$1.4 down to \$800,000. We did not want that to be a surprise to you that evening so that's the reason we felt it was important to have this meeting beforehand. We do have representatives here from PCG that we have been meeting with on this issue practically monthly it seems and if there are no other questions on this analysis, by all means I would like to turn it over to them to give you some of the reasons why we all believe unfortunately that area of the budget is less than originally projected.

Chairperson Iannazzi asked – Joe how has your communication been with Mr. Strom relative to the city contingency account and the special ed shortfall.

Mr. Balducci stated – Bob and I talk every week. He knows there is a shortfall. He has asked for a copy of the December report and in it he will be able to see there is a shortfall and I will bring it to his attention. But again we have the \$370,000 which at some point I will be sending him over a bill to receive the money. He is aware of it. The good news from his standpoint, I think, in the September report we may have

identified that that area was almost a million dollars. I think from his standpoint he is going to be happy to see it is only \$700-800,000.

Mrs. Culhane asked – in your discussions with him have he acknowledged what he said at that finance committee meeting, well, we'll cover it, don't worry? Has he at least acknowledged that?

Mr. Balducci stated – at the request of the committee I did actually go back and take a look at the minutes of that budget hearing. Unfortunately the city does not use a stenographer during the meetings so it was Rosalba Zanni's shorthand and in it it did not say it.

Mrs. Culhane asked – is he remembering that or is he conveniently forgetting that?

Mr. Balducci stated – I have not pushed that issue with him but unfortunately based on what is written in the meeting minutes....the topic was discussed in it but clearly it does not state...

Mrs. Culhane stated – considering that I asked the question, and considering that we were all witnesses to it along with the city council I would like to push the issue and force Mr. Strom to be a man of his word and the city council to be people of their word. I don't know anyone else feels about that. He was so adamant about putting our worries to rest, don't worry the city will cover it. I would like him to be a man of his word and we were all witnesses to that.

Mr. Traficante asked – Joe in the budgetary ordinance, passed by the city council, it has to be indicated in that?

Mrs. Culhane stated – he is not disputing the \$370,000.

Mr. Traficante stated – it's got to be in writing.

Mr. Balducci stated- I will look.

Mrs. Culhane stated – the issue that I had posed to Strom at that meeting was – what happens if we go over. He stated, you're acting like if you go over that we're not going to cover it for you. The city's going to cover your bills. And my question was, yeah but you're budgeting for a certain amount. If we go over that amount what is going to happen? You've short-changed us \$300,000 or at this point it was \$500,000 and he said, don't worry, you know the city will cover your bills.

It was suggested that we look at the Herald too.

Mr. Gale stated there was but it was Stephanie saying that Mr. Strom said that.

Mrs. Culhane stated she would be more than happy to meet with him because she was the one who said it.

Mr. Gale stated – I seconded Stephanie's comment about pushing on it because I think that since last year you did ask what turns out to be a reasonable amount like \$650,000. Mrs. Culhane stated – it was the amount that was stated in the audit report, recommended by the mayors' auditors.

Mr. Gale stated – if they actually followed that this would not be an issue and something that we could take care of relatively easily I would like. I don't think it is fair for us that we have this savings that we have to use to cover what's really the city's responsibility.

Joe, I would just like to second that you talk to Mr. Strom about the city covering the cost.

Mr. Colford asked – the IDEA funds – are those set up for specific use? Are we taking that away from something else by utilizing those?

Mrs. Coogan stated – they are supplemental to service students under the Fund One. In this particular case there are some carryover funds, monies that I did not spend last year so we happen to have a little bit of money to be able to cover this. We are not diverting this only because there are some unexpended monies from last year but that doesn't always happen.

It was stated - If you did not have to spend that \$300,000 to make up for special education tuitions that would be used for other things.

Mrs. Coogan continued - Another fluke that occurred this year is we got hit with thirteen move-ins in a six week time period which is totally an unusual thing.

Mrs. Culhane stated – I get your point about saying we're taking it away from the kids but it's going to cover the kids' tuitions. It's monies that might have been used for a different purpose to keep in the district but these are children that become our responsibility when they move into the district so I am always leery when they say we take it away from the kids because it is still going to the kids just not staying in the district.

Mr. Gale stated – we're also not going as far as we could with the supporting the children because we have to use this money for something which I clearly see as the city's responsibility. I see your point but we could do more if we could keep this money basically.

Presentation by PCG

Introductions - Joe O'Connell, works with PCG on the Medicaid reimbursement for Cranston Public Schools, Adam Sholfy, Project Manager for the state of Rhode Island, Michelle Quinn-Davidson, Senior Consultant in charge of Connecticut, Rhode Island and Massachusetts.

Mrs. Culhane asked – I know we met you Mr. O'Connell but are you two new to the company since we started this contract?

Ms. Quinn-Davidson stated – yes, myself and Joe were here in the summer when we last came to the School Committee meeting. Adam has since joined us.

Mr. O'Connell stated – Peter Marshall who is the manager for the New England area for our company is stuck in traffic and he was here the last time. He should be here shortly.

Mr. O'Connell then started the presented (see handout #2) – on slide #3 we have two tables that represent reimbursements in fiscal year(FY) 12 and reimbursements in fiscal year 13. Table 1 FY 12 represents all reimbursements for dates of service from 7/1/2011 and 6/30/12. That equals up to a net amount of \$912,216 dollars. Table 2 is for FY13 that represents dates of service from 7/1/2012 to 12/31/2012 although it does not include all the services from that date to that date. We are still claiming for dates of service in September, October, November, December throughout the year as the state has a year deadline from which you can submit claims. That does not represent

all claims were done in those months by any stretch of the imagination. That equals out to a net amount of \$132,269 dollars.

At this point Chairperson Iannazzi asked Mr. O'Connell to go back to the initial presentation and explain what PCG does and also the initials (FFS – Fees for Service in-school and PD - Per Diem) for out of district tuitions that are being used so that the two new members to the School Committee could be brought up to date. Mr. O'Connell gave a brief overview to the new members. Mr. O'Connell then continued explaining slide 3. The \$132,269 that represents all payments those are in the door now. We have a claim that will be paid tomorrow that should be approximately \$10,000 which will get us at or above where we were last fiscal year. Historical comparison shows we are at approximately \$140,000 at this time last fiscal year. On slide 4 we get some of the reasons for differences between FY10 and FY 12. FY 11 we have some incomplete data because there was a switch between us coming in to do the claiming and moving from an in-district person doing that claiming. The state was nice enough to give us some information on FY10 so we could go back and compare and see where differences may be. The one that highlights the most is in FY10 for the per diem program 109 students were reimbursed so that means the claims went to the state and the state said yes this student is able to be reimbursed for - push that money back to the district. In FY12 63 students were reimbursed for so that is a difference of about \$328,000 net dollars in that per diem program. That was almost all the difference between the two school years. It is

not an issue of more students being pushed though it is more of an issue of more students getting claims back for, the state saying they are able to be claimed for. Also I think we mentioned this last time, the FY10 and FY11 included funds from the American Recovery and Reinvestment Act (ARRA) which was eliminated in FY12 and ARRA represents a reduction of approximately 20% annually or approximately \$160,000 net.

Slides 5 and 6 are revenue projections for the upcoming fiscal year based on fees for service and the next slide is the per diem program and this is based off of data we have received from the last school year now that we have historical data from the school department and we've done through one year of claiming this is where we anticipate revenue being at – at the end of the fiscal year so fees for service, revenue projections, net revenue, about \$407,000 and that is based off of services provided, and through various factors that get you down to that number, attendance rate, Medicaid eligibility, parental consent, documentation rate and then IEP rate as you can only bill for students that have an IEP. As you see those yellow cells those are areas when things can be changed that determine different factors on the net revenue. On the next page the per diem projection which has number of students in each of the schools that are in Rhode Island, the Service Rate that they reimburse on and then stepping through the same factors that we now see as accurate for the school district. The FFP Rate (Federal Financial Participation Rate) which is 50% and that is the highest rate you can get reimbursed at as half goes to the

state, half goes to the district. Total net revenue from the per diem program for tuition students is approximately \$132,000 and all told that is about \$840,000 in net revenue and that would be the projection for the upcoming fiscal year FY13.

Questions asked:

Are you billing on the number of school days or the number of days the children are in attendance there?

School days is the possible amount of school days that they have which also gets taken down into the attendance rate. We bill every single day we have a student. 96 is the number of our students.

What determines or who gets to determine the service rate? There is a huge disparity between the schools. Valley has one of their programs at \$170 and then you've got Trudeauau with \$72 what causes such a discrepancy?

That is their education rate or treatment rate set by state Medicaid and what services those schools provide.

Within 60 days all new students with IEP's are evaluated by Cranston Public Schools.

Chairperson Iannazzi asked - It was suggested that we budget Medicaid for next year for \$800,000 is that a number that PCG as a company feels comfortable with. Is it a realistic number to assume?

Mr. Marshall stated – we have been over this a lot in the last couple of

months as a group and I think in terms of budgeting purposes we do feel that is a safe number to use going forward. Our hope is to exceed that but we think that is a safe number to move forward with.

Mrs. Culhane stated – when you first presented to us we were looking at like pie in the sky numbers that you were going to present to us. When we budgeted each year we have had a shortfall each year. We have a shortfall this year based on the numbers you gave us last year so I am very, very, concerned and very guarded because from a strictly political standpoint I have parents beating down my door. I fought for my election based on the fact that I can't give kids music that I took away four years ago and I have to explain to them that a company that we contracted with has failed on every promise that they made to us from the beginning of the contract. So, I am very concerned and very leery as we are coming to the end of our contact with you because you have never come through with any of your promises. I understand all these variables and the things that can change but I need to know that \$800,000 is solid because if not I'm okay saying we need to budget less and I would rather come out with a surplus on top than have you guys be wrong again. I know Mrs. Ruggieri if she were here would reiterate the exact same tone that I am taking right now, very concerned and very guarded.

Mr. Balducci stated – if you look at 11012 I remember the day when we received approximately \$912,000 per PCG's projects for this year and I am more conservative than that so I am suggesting \$800,000 so

I think in the last couple of years we have been in that \$800-900 and again from a budgeting standpoint I would not be recommending it to the board unless I felt comfortable with it so again that is going to be my recommendation based on what I have actually seen happen in the past two years.

Mrs. Culhane stated – I would just like to know from the company why we're not getting the millions that you thought we might get at this point into the contract? What are the variables that you think are happening? Who is missing the mark?

Mr. Marshall stated – I think for the first time we are hearing from the school committee, we did provide, I can't remember the last time we gave this details, there is a reason we did this, not just so you can see the final number of \$840,000 if you add up slides 5 and 6 but these are the factors that go into this. There will be shifts in some of the number of services prescribed, number of students that will be serviced, and then certain factors that we highlight in yellow are ones that when we worked with the school department when we did our original projections we didn't have a history of the data, and we said what are these factors going to be here in Cranston and we plugged those in and the number we came out I think was probably \$1.2 million and so at the end of the day and a full year through - those numbers were too high. I guess what we would say we do use these to benchmark as we go forward in the year that these are the facts and we want to make this work for the school department. We are adding new services now that are being documented and being

brought in. Our figure was \$840,000; Joe says he's doing \$800,000, we did \$912,000 last year; we are hoping to exceed it.

Mr. Gale asked – what would it mean if we did budget lower? \$700,000 instead of \$800,000? Mr. Balducci stated – our budget is a best projection on a go-forward basis. The administration will be presenting a budget soon for the next six months I will have more updated information in certain areas, an example, state aid. I know based on the document given to me by RIDE last month, what our state aid increases are going to be for next year. There are two factors in that that will change that figure, actually may make it higher. I won't know that until May. We'll know in May if we are going to receive any additional dollars that we are asking for by the city. As part of that final reconciliation then I will be able to tell you what we may need to do based on certain assumptions.

Mr. Gale asked – where would you find the extra \$100,000 if we said that we were going to budget \$700,000 in the proposed budget? The budget you sent us we make the change. Where do you find that \$100,000 right now?

Mr. Balducci stated – two areas. I would either look at another revenue line and see how we are trending for this year and based on the assumption I made for next year and say okay maybe we can adjust that particular line up by \$50,000 and then look also on the expenditure side to look at certain assumptions and see if that area can be cut down by \$50,000. I may be recommending an increase in

revenue, decrease in expenditures to get to where we want to be as a school district at the end of the process. I would not be recommending something unless I felt comfortable with it.

Mr. Traficante stated – I don't disagree with what you just said a little while ago. I believe the number you gave us \$1.2. Unfortunately we compounded the problem by adding an additional \$200,000 to that particular number so that helped the issue as well. We have to bear some of the blame as well.

Dr. Lundsten stated – remember we also had the ARRA funding in there and then you take out the number of kids which is a little bit of a moving target, there is your difference.

Mr. Marshall explained to the new members how the monies are reimbursed and disbursed. Also, the CHIP program has been extended (part of the Affordable Healthcare Act) so that was one that potentially could have been axed but it was not.

Chairperson Iannazzi asked – are any of these areas targeted to be cut by the cuts that are supposed to take place by congress in two months if there is no congressional action?

Mr. Marshall stated – School based program, we don't feel there is going to be any impact in two months. There are other programs that will take a hit in Medicaid. All indications are that it won't. There is always the chance when the state does its' reviews of other districts

that there could be a service that they don't like what they are seeing in the district and they might put a halt on it while they go and review more districts, what the practice is for describing and delivering those services, are they really qualified for reimbursement but I don't foresee anything like that happening on any of these services that Cranston bills for. It's kind of a settled program now.

There were no other questions.

Adjourn Public Work Session to Public Meeting

Executive Session Minutes Sealed – January 10, 2013

A motion to seal the minutes of executive session was made by Mr. Traficante and seconded by Mrs. Culhane. All were in favor.

Adjournment.

A motion to adjourn was made by Mr. Traficante and seconded by Mrs. Culhane. All were in favor.

Respectfully submitted,

Andrea M. Iannazzi

Chairperson