The Rising Cost of the Early Intervention Program

THE STATEWIDE EARLY INTERVENTION PROGRAM (EIP) provides services to all families of children under the age of 3 with developmental disabilities. Although it is a federally mandated program, much of the spending comes from the city and state budgets. Spending for the program has grown rapidly in recent years, driven not only by an increase in the number of participants but also by higher costs for the services provided.

From 1999 to 2004, EIP expenditures in New York City rose by 150 percent to reach over $500 million a year. After a relatively modest decline in spending in 2005, EIP is expected to cost more than $550 million this fiscal year. More than three-quarters of the program’s costs are funded by the city and state, and EIP now accounts for roughly one-third of the Department of Health and Mental Hygiene’s (DOHMH) budget.

Authorized by the federal Individuals with Disabilities Act of 1987 and implemented in New York in 1993, the Early Intervention Program offers eligible children and their families a variety of services aimed at minimizing the potential for developmental delays, reducing the need for special education services for school-aged children, and enhancing families’ capacities to meet the needs of their children. In New York, the state Department of Health coordinates the statewide network of early intervention services, with administration falling on the shoulders of local health departments. Eligibility requirements and covered services are determined by the state. Early intervention services are provided to all of New York’s eligible children at no cost to their families.

Early Intervention in New York City. Locally, the Early Intervention Program is administered by DOHMH, which contracts with approximately 166 agencies across the five boroughs for evaluation, service coordination, and service provision.

Children who are potentially eligible to receive early intervention services are evaluated by a team from one of the agencies hired by DOHMH to determine eligibility. Families can choose a particular agency to carry out the evaluation, or they may elect to be assigned to an agency. A child is considered eligible if he or she is diagnosed with a physical or mental condition that has a high probability of resulting in developmental delay, or he or she has not reached expected milestones for his or her chronological age in cognitive, physical, communication, emotional, or adaptive development.

Once a child has been evaluated and determined to be eligible for services, the agency develops
an Individualized Family Service Plan that outlines the range of services to be provided. The exact combination of services provided is tailored to each child’s specific needs.

Among the services offered are speech therapy, physical therapy, age-appropriate special instruction, psychological services, and respite care to give the families of children with multiple or severe disabilities some time off. Each family is also assigned a service coordinator from an agency that is not providing direct services to the child.

The majority of children in the Early Intervention Program receive more than one service; the two most common services provided to children are speech therapy and special instruction. Roughly two-thirds of the children enrolled in EIP at any given time receive speech therapy and special instruction, and about 45 percent of all children enrolled in EIP receive occupational therapy services.

Services can be provided in the child’s home or day care site, at the provider’s offices, or a combination of the two. Families can choose their service coordinators and service providers from the list of agencies under contract with DOHMH, and they are permitted to change their service coordinators or service providers at any time.

When EIP was first launched in 1993, the vast majority of children received services at agency facilities. Since 1997, however, more children have been receiving services at their homes and day care centers. Many child development professionals, and parents of children with developmental disabilities, believe these are the best settings for the programs to be effective. It is also in accord with federal requirement that early intervention services be provided in the most natural setting possible. But providing care at many diverse locations may also be adding to the cost of the program.

At the end of 1997, 49.8 percent of the children enrolled in EIP received services exclusively at home and at day care while 40.1 percent received services at an agency facility. The remaining 10.1 percent of children received services both in the home and at an agency facility. By the end of 2004, an overwhelming 83.7 percent of children received services exclusively at home and day care while only 8.0 percent were receiving services at a provider’s facility. Another 8.3 percent of children received services both at a facility and in the home.

The pattern in the city is consistent with national trends. Analysis of data maintained by the federal Department of Education reveals that children enrolled in early intervention programs increasingly received services in home and day care settings only. In 1997, 60.1 percent of all children in the United States participating in an early intervention program received services only in the home; by 2003, the last year for which data is available, that figure had risen to 80.6 percent.

### Early Intervention Enrollment in New York City

By all estimates, enrollment in the Early Intervention Program in New York City has increased dramatically since the program’s inception. According to DOHMH figures, between fiscal years 2000 and 2004, the total number of children receiving either an evaluation or some type of EIP service increased by 61.7 percent, from 30,859 to 49,884.

The most complete dataset available on enrollment trends follows children who are referred to EIP and begin services in a given year. According to this measure, which is found in the annual Mayor’s Management Report, the number of children referred to the Early Intervention Program for evaluation increased by 73.2 percent between 1999 and 2005, rising from 13,622 new evaluation referrals in 1999 to 23,599 in 2005. In the same period, the number of children found eligible and for whom a service plan was developed nearly doubled, growing from 8,677 children in 1999 to 16,001 in 2005.

### Funding the Early Intervention Program

As enrollment in EIP has increased, the cost of the program as a percentage of the entire Department of Health and Mental Hygiene budget has also grown. In 1999, EIP accounted for only 16.5 percent of the agency’s total budget; by 2005, EIP had grown 32.2 percent of the entire agency budget.

Between 1999 and 2004, total EIP expenditures, which include federal, state, and local funds, rose nearly 150 percent.
increasing from $208.7 million to $520.0 million. This rapid growth in EIP expenditures can be explained by two factors: the dramatic increase in the number of children served by the program in a given year along with steady growth in the cost of providing services to each child. As stated earlier, total enrollment in EIP increased by 61.7 percent between fiscal years 2000 and 2004. In the same time period, the average cost of providing services to a client grew by 22.2 percent, from $8,533 per child in 2000 to $10,424 in 2004.

In 2005, however, total expenditures for EIP fell to nearly $464.2 million, a 10.8 percent reduction. This reduction can be explained by a change in the state regulations regarding children who reach the age of 3 and are shifted into the state-funded preschool intervention program from EIP. This streamlined process has led to a faster transition from EIP once children turn 3 than in previous years, thereby reducing the total cost of the program. Expenditures for EIP are expected to increase again in 2006 to $553.8 million, reflecting continued growth in both enrollment and the cost of service provision per child.

Sources of Funding. Although the Early Intervention Program began as a federal initiative, the lion’s share of the costs has been split between the state and local governments. In 1999, New York State and local funds that flowed directly to EIP accounted for just over three-quarters of early intervention spending in New York City. Because many of the EIP clients also qualify for Medicaid, however, a portion of the EIP costs are covered through Medicaid rather than paid directly as city and state health departments expenses. When Medicaid contributions are included, state and local funding for the program in 1999 rose to 87.6 percent of the total early intervention budget. The remaining 12.4 percent of funding for the program came from the federal government, almost all of it in the form of Medicaid contributions.1

More recently, the city has aggressively enrolled all eligible uninsured children in Medicaid, thereby increasing federal funding for the Early Intervention Program. In 1999, Medicaid payments from all sources—federal, state, and local—accounted for 23.6 percent of the total EIP budget, or $49.3 million. Due to expanded Medicaid eligibility and DOHMH’s enrollment efforts, by 2005, Medicaid funding rose to $210.1 million, covering 45.3 percent of total early intervention expenditures. Although the increase in Medicaid funding means that the state and the city continue to contribute the largest share of EIP’s funding, by 2005, federal funding had risen to approximately 23.0 percent of the early intervention budget, nearly double the federal share in 1999.

The Early Intervention Program also receives a very small amount of funding from insurance companies for early intervention services. Since 1999, DOHMH has been more aggressive in its attempts to recover service costs for children who have private insurance. Despite a twelve-fold increase in the amount of funding recovered from third party insurers for EIP services, from about $54,000 in 1999 to more than $715,000 in 2005, revenues from private insurance companies still account for less than 1 percent of the entire EIP budget.

Under current New York State law, municipalities are required to seek reimbursement for services provided to children covered by private insurance, but even when early intervention services are covered by their plans, insurance companies routinely deny claims submitted by municipalities for EIP services. Most commonly, insurers cite the lack of pre-approval for services provided and the provision of home-based services as reasons to deny EIP claims submitted by the various municipalities. As in recent years, the Governor’s Executive Budget for 2006-2007 includes legislation aimed at increasing insurance companies’ reimbursement levels for EIP services. If approved by the legislature, the measure would save the city an estimated $3.8 million in fiscal year 2007 by shifting costs to the insurance companies.

In previous years, the Governor’s Executive Budget has proposed legislation that would create a copayment system, much as other states do, for higher-income families with a child enrolled in early intervention services. Although the proposal was not included in Governor’s budget this year, IBO estimates that establishing a 20 percent copayment for services to families who earn more than 200 percent of the federal poverty level and whose children are covered under their private health insurance plans would save the city more than $9 million annually.2 The state government would also benefit from such an action, saving almost $13 million annually on

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**Early Intervention Expenditures by Funding Source**

<table>
<thead>
<tr>
<th>Dollars in millions</th>
<th>1999</th>
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<td>State Funds</td>
<td>88.1</td>
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<td>195.9</td>
<td>204.7</td>
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<td>Local Funds</td>
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<td>115.0</td>
<td>123.0</td>
<td>166.4</td>
<td>176.7</td>
<td>210.1</td>
<td>164.8</td>
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<td>Federal Funds</td>
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<td>35.3</td>
<td>51.8</td>
<td>50.4</td>
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<td>104.4</td>
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<tr>
<td>Insurance or Other Payer</td>
<td>0.1</td>
<td>0.1</td>
<td>0.6</td>
<td>0.4</td>
<td>0.5</td>
<td>0.7</td>
<td>0.7</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>208.7</strong></td>
<td><strong>263.3</strong></td>
<td><strong>306.1</strong></td>
<td><strong>384.0</strong></td>
<td><strong>475.8</strong></td>
<td><strong>520.0</strong></td>
<td><strong>463.9</strong></td>
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**SOURCES:** IBO, Department of Health and Mental Hygiene.

**NOTE:** Federal, state, and local spending each include their share of Medicaid expenditures for EIP.
services to New York City children alone.

Transitions and Outcomes. Once a child reaches age 3, he or she is no longer eligible for Early Intervention Program services. If a child still requires services, however, he or she may be referred to the state-run Committee on Preschool Special Education (CPSE) for evaluation. CPSE services are provided by the state Department of Education to children between the ages of 3 and 5. Since fiscal year 2003, a total of approximately 18,900 children have moved from the Early Intervention Program to the CPSE-run program.

Despite the stated goals of EIP—to minimize or prevent developmental delays and to reduce the need for special education services later in the child’s life—there are currently no indicators available to determine the efficacy of the program. Data on the Early Intervention Program are collected and analyzed by the New York City DOHMH while data on the children who transition to the CPSE program are maintained by the State Education Department. Because the administrative data systems for these two programs are not integrated, it is impossible to track children from EIP through the CPSE program and later through elementary school. The creation of an integrated database that follows children from early intervention through the school system would not only allow public health officials to assess the effectiveness of the current program, but also to design a program that best suits the needs of the children it serves.

Conclusion. Since 1999, the Early Intervention Program has grown dramatically, both in total enrollment and expenditures. Despite a slight decrease in program costs in 2005 due to a change in state regulations, IBO expects the program to continue growing steadily in the next few years. To alleviate some of the financial burden EIP places on the city, DOHMH has implemented a program in recent years aimed at enrolling uninsured EIP children in Medicaid, thereby shifting some of the program’s costs to the federal government. Although the initiative has been largely successful, the state and city are still responsible for more than three-fourths of EIP’s total funding. Further savings to the city are most likely to result from changes to state law that would require either greater reimbursement for EIP services from private insurers or copayments from the families themselves.

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END NOTES

1 Each state participating in the Medicaid program is entitled to receive federal matching funds, known as the Federal Medical Assistance Percentage (FMAP), for actual expenditures. New York State’s federal matching rate is 50 percent. While Medicaid is a federal- and state- funded program in most other states, New York State requires localities to share the cost of providing Medicaid services. In the case of early intervention services, New York State covers 25 percent of the costs for Medicaid-eligible children, localities cover another 25 percent of the costs, and the federal government picks up the remaining 50 percent.

2 Assumes one child in early intervention services per family. The federal poverty level for a family of four was $19,350 in 2005.