

California Works! Outcome-Based Funding

Background

On October 9, 2013, California Governor Jerry Brown signed legislation establishing an Employment First Policy that expands opportunities for youth and adults with intellectual and/or developmental disabilities (IDD) to achieve meaningful work.

...it is the policy of the state that opportunities for integrated, competitive employment shall be given the highest priority for working age individuals with developmental disabilities, regardless of the severity of their disabilities. This policy shall be known as the Employment First Policy." *Excerpt from the Lanterman Act: Welfare and Institutions Code 4869(a)(1).*

While the legislation established a clear vision, it did not provide direction as to the use of public resources to achieve its purpose. Funding mechanisms should be considered an integral part of a larger strategy to align policy priorities for competitive integrated employment (CIE). For funding to be a successful tool it requires supporting infrastructure at the individual, provider and state levels. According to the State Employment Leadership Network (SELN) key elements to consider for examining a funding structure for employment services include: service definitions; contract structure with clear intent on goals; billable activity and unit; funding sources and allocation; role of VR funding; relationship of level of need, provision of supports and funding; rates; and financial incentives.^{i,ii} A comprehensive approach and

review of the entire funding system by all state agencies is recommended to help ensure that individuals receive services that support a whole-life, community-centered approach to employment. Fragmented changes to one or two service rates has not been found to be sufficient to address the underlying funding issues faced by providers and service recipients.ⁱⁱⁱ

Several states have adopted outcome-based funding (OBF) for their employment services as an element of their states' work to increase competitive integrated employment. Achievement of the vision and aim of California's Employment First Policy requires a funding structure that provides sufficient resources and incentives focused on achieving CIE. This blueprint proposes a framework for California to develop and implement OBF as a mechanism for California to increase competitive integrated employment.

California's Current Funding Model for Employment Services

Funds for the DD system are received from both federal and state sources. For individuals who are eligible and enrolled in the Home and Community Based Services (HCBS) waiver, a combination of state funds and federal reimbursements is used to pay for both on the job supports and off the job services to help maintain employment. All other individuals receive services funded via state funding alone. In the current HCBS waiver utilized by DDS the Center for Medicaid and Medicare Services (CMS) has approved service definitions describing allowable pre-vocational and vocational services.

The funding of day and employment services is done through regional center budgets, which are divided into 2 parts, Operations and Purchase of Services (POS). Operations funding

supports the regional center's role in service coordination, resource development and quality assurance. Regional Center operations are underfunded with respect to the employment services that they were assigned for managing. Increased operations funding targeted at employment services may improve the availability and access to services for CIE. Purchase of Services (POS) funding secures community based services in three core areas: residential care, community programs, including day and employment programs, and transportation services. There are 45,000 vendors who provide services including private nonprofits, for-profit agencies, parents or other family members of DDS consumers. POS is a fee-for-service reimbursement mechanism with little measurement of program effectiveness or achievement of individual employment outcomes.

A number of other limitations in the use of fee for service employment services have been identified. A fee-for-service model may have the unintended consequence of producing disincentives to consumer independence when billable hours rather than successful long-term employment is fiscally rewarded. Currently there are no financial incentives for providers to implement strategies resulting in the fading of supports over time; replacement of the paid supports with "natural supports"; increasing the hours that supported employees work while reducing costs; preventing job loss, or achieving specific outcomes in a timely way,^{iv} Relevant to this discussion of the use of POS funds are the number of consumers served and the current comparison of funds used for day programs and employment services.

TABLE 1.

The Number Served and Expenditures by Day and Employment Programs FY 2013-2014^V

Type of Service	Number of Consumers Served	Total Expenditures in Millions	Number of Vendors
Day Services	73,435	\$874.9	2,075
Supported Employment	10,802	\$91.5	375
Work Activity Program	10,685	\$57.3	115

As can be seen in Table 1, the vast majority of working age individuals with developmental disabilities receives non-vocational day services, known as day programs. These have typically been traditionally segregated services offering training in life skills, center based activities such as arts, music classes and external activities such as day trips. The trend in service delivery over the last 5 years shows a steady increase in the number of consumers served in adult day programs and a decrease in the number receiving integrated employment services. In certain areas of CA, regional centers have experimented with having day programs offer integrated employment services for individuals who are not currently in supported employment.

TABLE 2.

Regional Center Per Person (16 or older) Purchase of Services (POS) Cost: Statewide

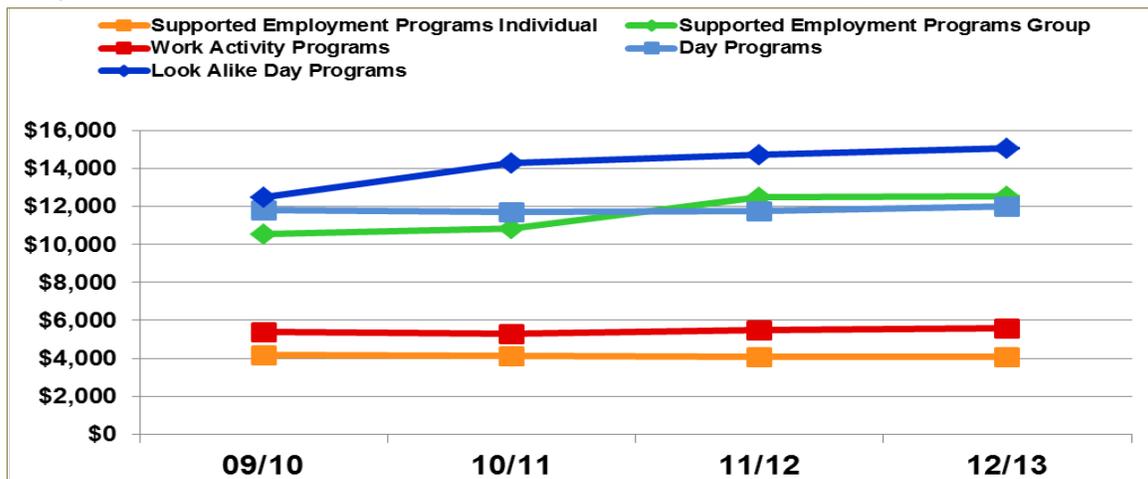


Table 2 shows how individual costs per consumer mirror this trend. In 2013 only 12% of the consumers received services in integrated employment services.^{vi} Recently, with the introduction of Tailored Day Services, a cost saving measure, some day programs have begun to provide customized services for individuals with IDD in employment and postsecondary education settings.

While there are a variety of rate setting mechanisms used by the Department of Developmental Services to establish rates for service providers in a wide variety programs, the rates for supported employment services are determined in state statute. Currently, there are intensive discussions underway about the impact of the longstanding underfunding of the service system. Over the last two decades there has been an erosion of funds as rates have failed to keep pace with cost of living. Rate cuts have at times occurred and only minimal increases have been secured over the last two decades.^{vii}

Models for Outcome-Based Funding: Wisconsin, Iowa, and Oregon Process

Today's fiscal climate, economic need, and state employment first policies have fueled an interest in and action in several states to implement performance-funding policies. These tie a portion of state appropriations to metrics that gauge performance on various indicators. CECY established a workgroup to examine funding methods aimed to increase the percentage of working age individuals with IDD in CIE. The workgroup had a particular interest in reviewing the performance funding policies in Wisconsin, Iowa and Oregon where they were implementing an outcome-based funding structure that incentivizes CIE. What follows is a summary of the salient information gained through

conversations with these states and specific recommendations for California.

Stakeholder Engagement Process: Each of the three states used development features in common that were anchored in stakeholder engagement. These features include the following:

- The outcome-based funding (OBF) was developed in a public process with stakeholder input.
- The OBF define services funded as a part of each state's Home and Community Services Waiver.
- Within the OBF several levels of funding are established that provide supports based both on consumer needs and on the outcomes achieved.
- The OBF developed support for CIE as an outcome regardless of level of the individual's disability.
- OBF can be built using any combination of Vocational Rehabilitation funds and/or Habilitation funds.
- Proposed OBF is being or was tested on a small scale and refined as needed before being rolled out statewide.
- The OBF includes the ability to respond quickly and nimbly to changes in a consumer's employment situation.
- The OBF includes options not available today in California that support employers in providing needed additional supports leading to independence on the job.
- The workgroup developing the OBF looked at other states and incorporated elements from them into the OBF.
- Funding for the service provider is tied to hours that consumers work, benefits received and the length of the time needed to reach a low level of maintenance supports or complete independence as opposed to the hours of services provided.
- Career exploration and pre-employment services, if needed, continue to be fee-for-service, time limited services provided

by either K-12 education, VR or Developmental Services as determined on a case-by-case basis.

- Clear roles and responsibilities are defined by MOUs at the state and local level prior to implementation of OBF.

Funding of the System: During conversations with these 3 states, it was clear that simply changing the funding model for existing employment services has not been sufficient to achieve the goals in each state.

Because these states were creating ways to support individuals at all levels of disability to achieve CIE, resources are allocated based on a formula that ties funding to both the specific outcome desired and the level of support required by the service recipients. In California, through the person-centered planning process, a determination of the level and type of supports necessary to achieve CIE would be foundational to a new OBF. The legacy person-centered planning process in California provides for the people who know an individual best to help in the process of developing a transition plan for each consumer. As part of the development of OBF for California, specific levels of support including the amount and types of services available would need to be standardized for use by the individual planning teams.

As part of the research into repurposing the employment funding available for long-term supports, a comparison calculation was completed using California fiscal details with the Wisconsin tiered rate system. Based on this analysis it was determined that the Habilitation funding within California's DDS system is not currently sufficient and additional funding would be necessary to begin the process of assisting individuals to transition into CIE. It is recommended that at least two methods of increasing funding

be included in the conversation to move to outcome-based funding. These two methods are:

- 1) Securing additional upfront funding prior to implementation; and
- 2) Using a 'money follows the person' approach for individuals currently receiving high cost day program services.

An Outcome-Based Funding Blueprint for California

CECY recommends the development and implementation of OBF to move the CA DD system forward. The following is a blueprint for the development of this funding mechanism in CA.

- Identified stakeholders should include participants from state agencies (DDS, DOR, CDE, and EDD), regional centers, representatives of local education agencies, consumers and families, and representatives of service providers and representatives of employers.
- A coalition of statewide partners that share responsibility for CIE outcome should be utilized for the purpose of developing:
 - Outcome-Based Funding model for California
 - Training for existing and new service providers engaged in helping consumers achieve CIE; and
 - The capacity for long-term technical assistance necessary to affect and maintain statewide change.
- The OBF model developed should be tested in several representative areas of CA.
- Information gathered by testing OBF should be used to refine the OBF prior to statewide implementation.
- Initial systems change funding should be provided to develop the infrastructure that supports CIE and transition away from higher cost services that do not lead to CIE.

- Data collection capacity should be developed to measure the desired outcomes including wages, hours worked, industry and work duties, benefits, length of employment and opportunities for raises, advancement and promotion (hard to measure opportunities).

If we are to succeed in meaningfully implementing California's Employment First Policy, we need to begin immediately setting up a stakeholder/public process that will lead us to make the above recommended changes to the way in which California funds supports for youth and young adults with IDD to move into CIE. This move should be done deliberately and with full consideration of the complex needs of the individuals affected. Through realization of OBF which incorporates the following four key points, California will be moving closer to a sustainable model to help move people with IDD forward in their lives.

Summary of Key Elements of Outcome Based Funding

- OBF should be developed in a public process with stakeholder input and tested on a small scale to make refinements before statewide implementation. It must also be packaged with other reforms, such as training and technical assistance to service providers.
- Rates and contracting structures should be consistent with the establishment of goals and benchmarks (payment points) for valued outcome measures.
- Payment to provider agencies should be based not on hours of job coaching, but on hours worked by the individual, the acuity of the individual, and the time it takes to reach a low level of sustained support.
- Payments to provider agencies should be reduced as natural supports increase over time.

Conclusion

The current funding of employment services does not incentivize the achievement of CIE for the individuals served by the regional center system. The recommendation presented here for outcome-based funding is one part of a holistic system designed to move the DD system from a system of care to a system that supports people with IDD to have a job, be fully integrated into the workplace and gain the benefits of employment including the opportunity for economic independence. The recommendations presented above suggest a process for developing OBF for the California DD System.

The **California Employment Consortium for Youth and Young Adults with Intellectual and Developmental Disabilities (CECY)** is a collaboration of 23 state agencies, centers, and organizations; families; and self-advocates with responsibilities for the education, rehabilitation, employment, and support of youth with disabilities. Our mission is to strengthen state policies and practices to increase the number of youth and young adults with IDD in integrated competitive employment. CECY is a 5-year (2011-2016) Project of National Significance Partnerships in Employment Systems Change grant by the Administration on Intellectual and Developmental Disabilities. This work was also supported by the Office of Disability Employment Policy, US Dept. of Labor, Vision Quest Employment First Initiative.

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