Using performance-based contracts and incentive payments with managed care: Increasing supported employment opportunities for people with developmental disabilities

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Abstract. Managed care delivery systems seem to be one of the primary vehicles that policymakers have selected to control the accelerating costs of public programs, including services to persons with developmental disabilities. The article provides a case example of a Colorado managed care organization that developed a performance-based funding system to improve supported employment services for individuals with developmental disabilities. The presence of achieved outcomes and quality indicators led to additional funding of service agencies. Contractors were given incentives for reaching certain milestones, such as job placement and job stabilization. To strengthen the milestone system, a three-day intensive skill-building training program was developed for the staff of service agencies to become or enhance skills as supported employment consultants. Service agencies with trained staff could bill at a higher rate for their services. Over a period of 3 years, this payment system led to a 37% increase in the number of long-term job placements in the community.

Keywords: Managed care, milestone payments, incentive payments, supported employment, developmental disabilities, consumer choice

1. Introduction

Legislators and bureaucratic policy makers must deal with a plethora of issues concerning the escalating costs of healthcare, rehabilitation, and habilitative services for many diverse populations – including people with developmental disabilities. Concerns about runaway and inflated costs of service delivery for special populations have sparked discussions, throughout the country, about the need to create state policies to scale down state general fund expenditures that are required for obtaining Medicaid matching dollars.

Managed care delivery systems seem to be one of the primary vehicles that policymakers have selected to control the accelerating costs of public programs, including services to persons with developmental disabilities. Given that this direction is a relatively recent trend, there is only a dearth of experience and a paucity of published reports on managed services for persons with developmental disabilities. This suggests that the basis for exploratory activity and policy decisions are being made without substantive evidence that people with complex conditions and long-term needs can be
appropriately served under treatment models that were
designed for acute medical care. Basically, these are
economically driven decisions that are founded on a
theory of cost-containment (NYSARC, 1998). Never-
theless, because long-term services for individuals with
developmental disabilities represent a disproportionate
share of Medicaid spending – approximately 10% of all
Medicaid outlays nationwide – states are taking a seri-
ous look at managed care models and their feasibility
for reducing service costs to this population [9].

Managed care’s emphasis on cost containment has
led many to express concern that Medicaid funded
program services and supports on behalf of people
with developmental disabilities will be severely cur-
tailed [7,10] and therefore, reasonable alternatives must
be sought [8]. In seeking alternatives, confusion ex-
ists about what type of services are permissible. In
other words, sometimes there are reasonable solutions
that would lead to cost efficiencies in service delivery,
but its application is hampered by complex Medicaid
Rules.

Because managed care services for individuals with
developmental disabilities are such a new-born en-
deavor there are no reliable service delivery models to
emulate. Given recent national reports that managed
care, in general, has led to reduced services and ques-
tionable outcomes [2], it may be surprising that this
paper’s emphasis is on the promotion of a managed
service delivery model that has the capacity to improve
supported employment outcomes. The basis for suc-
cess of this managed services program is an incentive-
based payment system and the flexibility to negotiate
rates for services. This paper is intended to contribute
to the sparse pool of knowledge about managed care
delivery of vocational services that is, in point of fact,
rooted in practice.

2. Colorado’s developmental disabilities system

The developmental disabilities service system in
Colorado is “community centered”, based on a time-
honored Colorado citizens’ belief in local control and
local decision-making [3]. For approximately 30 years,
the State of Colorado’s Department of Human Ser-
dvices (CDHS) has contracted with 20 private nonprofit
organizations to oversee and manage all aspects of
community-based services for people with develop-
mental disabilities. Each organization is responsible
for a geographical area in which they have statutory
authority to determine whether a person has a develop-
mental disability and is eligible for State- or Medicaid-
funded services and resource coordination (i.e., case
management). In addition to being the single point of
entry into the developmental disability service system,
each Community Centered Board (CCB) is responsible
for case management and a variety of direct care ser-
dvices, such as, vocational, residential, family support,
supported living, community participation, and early
childhood intervention (for children from birth to age
three). The CCB can either provide the services directly
and/or purchase services on behalf of their clients.

For almost two decades, Colorado’s expenditure for
community services and supports has exceeded its
spending on congregate services. However, its overall
spending for developmental disability services in 1996
was 35% below the national average [4] and funding
has not kept up with inflationary factors over the past
five years. The budget that drove services in the fiscal
year 2000, had a cost of living increase of only 2% and
there is a 1% increase projected for 2002–2003.

Decisions about the amount of money to be invested
in services are the responsibility of the legislature and
primarily its Joint Budget Committee (JBC). Since de-
velopmental disability services is not an entitlement
in Colorado, the legislature has not been compelled to
increase funding to satisfy the demand and needs of
its citizens. That circumstance may change as Col-
orado, as in many other states, is currently being sued
for its extensive waiting list. Until the courts man-
date any changes, there will probably be little improve-
ment to Colorado’s ranking of 44th in total develop-
mental disability program spending in the nation. In
fact, compared to the entire nation’s states, Colorado’s
community-based services program spending has been
below the national average for the 19 years (1977 to
1996) that data of this type has been collected [4].

As a fiscally conservative state, there are statutory
and constitutional limitations that impact the growth
of Colorado’s budget. Colorado’s budget is limited to
an annual growth rate of 6%. The budgetary in-
creases within this 6% cap generally favor the State’s
costs of capital construction, roads, prisons, and edu-
cation. Historically, human service programs have not
been high on the priority list of the legislature or the
executive branch whether controlled by Republicans or
Democrats.

In 1996, Colorado’s expenditure for services to indi-
viduals with developmental disabilities lagged behind
most of the country, except for supported employment
services. When comparing the mean cost of services
based on the number of citizens in the state general
population to the mean cost on a per citizen in the nation population, then Colorado’s spending for supported employment services was twice ($3.17) the national average ($1.55).

Prior to the July 1, 1998 implementation of Managed Services in Colorado, there were approximately 2,000 individuals in supported employment programs at an average cost of over $7,000 per individual. Furthermore, enrollment in supported employment services represented one-third of all the people participating in vocational day services. In 1996, the endeavor of job finding and supporting an individual once employed placed Colorado in the 11th position of community integrated employment efforts throughout the country [4]. In fact, one study concluded that “Colorado is among the leading states in the country in terms of the pace at which it has been able to transfigure its system of service for people with developmental disabilities to smaller, community-based and client-centered arrangements” [1].

3. Mandating managed care

Given the conservative environment, it was only a matter of time before Colorado’s state agencies were asked to ratchet down their spending by moving programs into managed care service delivery models. A University of California-Berkeley, Western Consortium for Public Health study issued a preliminary finding that Colorado’s 1995 legislative decision to move mental health services into managed care saved the state $6.5 million over the traditional fee-for-service Medicaid program. The dollar savings in mental health services reinforced interest in transitioning developmental disability services into a managed care program.

After two years of discussions and planning, the framework of managed care was infused into Colorado’s Home and Community Based Waiver program for individuals with mental retardation and other developmental disabilities. During the two-year planning phase that spanned 1997 and 1998, the Colorado Department of Human Service’s guiding document on transitioning to managed care services, the Blueprint for System’s Change, faced public scrutiny from individuals who receive services and their families, advocacy organizations, service providers, members of the state legislature, and various bureaucratic offices. Among the dissenters of the plan, the Colorado Developmental Disabilities Planning Council issued a position statement articulating its opposition “to managed care as an approach to providing services and supports to people with developmental disabilities” [6].

In due course, a public policy agreement, not a statutory directive, was reached between the Colorado Department of Human Services (CDHS) and the Joint Budget Committee of the State Legislature who controls the development of the State’s expenditure budget. Their joint Memorandum of Understanding (MOU) permitted CDHS to move the Blueprint forward without utilizing the formal bidding procedures for issuing contracts. Instead, the MOU permitted CDHS to appoint each of its existing 20 Community Centered Boards (CCBs) with the roles and responsibilities as Managed Service Organizations (MSOs), and to evaluate the progress of services after a two-year implementation period. CDHS adapted the term “Managed Care” into “Managed Services”, and chose not to fully capitate the system. The adaptation to “managed services” allowed CCBs the ability to sidestep the Colorado Insurance Commission’s industry requirements and regulatory rules for managed care organizations.

4. The managed care challenge: A case example

Denver Options, Inc. was appointed the Managed Service Organization, overseeing the coordination and service delivery within the City and County of Denver. As the MSO, Denver Options was given the responsibility for achieving the goals of the Colorado’s Blueprint by developing a new implementation system of care for approximately 20% of the State’s 11,000 individuals with developmental disabilities who are enrolled in community-based services.

One of the basic goals of the Blueprint was to permit greater flexibility in the management of the service system. Toward this end, the State collapsed more than 14 payment categories into two funded blocks of services, Comprehensive and Supported Living. The Supported Living Services block is aimed at individuals who need services during the day. Many individuals who are eligible for this service live independently or reside with their family. A person’s services are individualized to their needs and can range from personal care, home modification, and community accessibility to employment services.

The Comprehensive Services block is intended for individuals who need more extensive supports throughout the seven-day week and up to twenty-four hours a day. These services are either individual residential services, or shared residential services such as a
group home, an apartment with a roommate or living in the home of a paid (host) provider. Comprehensive services also include day and transportation services.

In the managed service environment, the State no longer dictates how much each CCB is to pay a provider agency for a given service. It is now the CCB-MSO’s responsibility to establish a mechanism for determining payment rates and negotiate payment schedules with service agency providers. The challenge of creating a payment system that can be fairly applied across all clients is a daunting task. At stake is the ability to pay for services throughout an entire year. A contract with Colorado provides the CCB-MSO with a pool of dollars to draw from to cover one-year’s worth of services for a targeted number of individuals. The CCB-MSO must manage its funds and payments to ensure continuing services.

Unlike systems with full capitation whereby the managed care organization would receive a fixed monthly payment and in return would provide a predefined scope of services for enrolled individuals on an as-needed basis, the CCB-MSO must serve a specified number of individuals with services tailored to each individual’s needs. Additionally, the CCB-MSO contract has predetermined the limits for administrative expenses and program profits, and the CCB-MSO only receives payments when services are delivered and billed accordingly. Although not having to serve everyone requesting services, a risk still exists through the obligation of serving a specified number of individuals at costs that might exceed the State’s allocation of funds. The CCB-MSO’s financial and service obligation includes intervening in emergency situations, covering certain medical costs and therapies, and purchasing durable equipment, such as, wheelchairs, lifts, and communication devices. Furthermore, if an individual terminates their services for any reason, moves out of state or dies, then the next person that is on the waiting list moves into services. The costs for serving that next person maybe considerably more than serving the previous client. A recent example can illustrate the point: one individual who recently came off of the waiting list was in need of comprehensive services. The individual’s care needs escalated the payment to $450 per day. In comparison, service costs for the individual who had terminated services was less than $100.00 per day. The CCB-MSO must cover the difference in cost but without any additional funding from the State or Medicaid. In this example, the cost of service increased by $10,000 per month ($120,000 a year). Bypassing the individual was not an option. Medicaid rules prohibit skipping over a person on the waiting list to locate an individual whose services would be less expensive.

Denver Options had previously developed a market-driven system that encouraged competition among its 35 service provider organizations. Under managed services, the level of competition intensified. In the new schema, consumers of services have fewer barriers in their ability to select from a multitude of providers of care. In adult services, resource coordinators provide each client with information that describes different provider agencies that specialize in services for individuals with developmental disabilities. The information includes their fee schedule and the result of their most recent evaluation from the State’s Quality Assurance Survey.

Although there are several service agencies specializing in developmental disability services, the client is not obliged to use these organizations for all of their support services. In fact, individuals receiving Supported Living Services can use the Yellow Pages for their guide in the selection of community support services, such as assistance with cooking, community participation, recreation centers, home cleaning, dental services, finance management, and more. Increasing the options for the client has also meant that the 35 service provider organizations no longer have a guaranteed base of funding in their service contract with the CCB-MSO. To survive, service provider organizations must adopt a new mindset about their customer, and face the realization that individuals want tailored services that fit their personal needs. Clients no longer have to accept a “one size fits all” approach for their services. The concept of “customer service” has been elevated to a level of importance, whereby agencies either meet the demands of the customers or lose the customer to a competing organization.

In the old system, service agencies would receive monthly payments even if they did not perform a service that month. In the new system, payment is fee-based with additional monies paid to the service agencies if they meet performance objectives. In other words, service agencies are only paid for the hours of services that they actually deliver, and the amount they receive depends on meeting certain performance indicators. Without a guarantee of funding or the ability to know how many clients will select them, some provider organizations have reduced the size of their staff and eliminated certain programs.
5. Performance-based funding

Clearly, combining fee-for-service and performance-based approaches makes a great deal of sense from both a financial and accountability perspective. It has also created a significant challenge and a philosophical dilemma for the CCB-MSO. If a provider organization has done a good job in developing an employment opportunity for a client, and there is the ability to fade out the job coach to only a few hours a month, then the provider’s achievement would lead to a reduction in their monthly revenues. Service agencies have gone from guaranteed funding of $600 a month to only being able to bill for the actual two or three hours a month needed for maintenance level support to the person on the job.

Building a better system has created a paradoxical situation. The less capable an organization is, then more working hours are required to find a person a job. A lack of competency in their own operation allows the service provider to bill for more hours of service compared to the efficient organization that makes a good job match and provides minimal job coaching support. The challenge is to keep a provider organization afloat when they have provided quality services, but are paid less money. How do you curtail the unintended consequence of creating a monetary incentive to not provide quality vocational services?

6. Incentive-based payments

In order to respond to these demanding questions, three-years ago we embarked on a nationwide search for existing supported employment programs that utilize milestone payment systems or performance-incentive contracts. Although performance contracting was beginning to emerge in foster care and other social services programs, we were unsuccessful in identifying incentive-based systems that were incorporated into supported employment programs for people with developmental disabilities. The closest model of services that we found were incentive-based payment systems for community rehabilitation providers that were beginning to emerge in state Vocational Rehabilitation (VR) agencies that provided time-limited services. The first milestone payment program was in Oklahoma’s Department of Rehabilitation Services, Community Rehabilitation Services Unit. Oklahoma’s program was initiated in 1992 with two pilot programs and was considered a model project at the time. Several other states have since adopted similar funding strategies which consist of paying contracted amounts as providers reach certain performance benchmarks (see [5]).

The Oklahoma funding structure was designed to serve job seekers with disabilities for only a short period of time. By definition, the VR system did not consider itself a funder of services for individuals in need of long-term supports. Participants in the program moved through milestones of determination of consumer needs, vocational preparation, job placement, job retention, and job stabilization. The majority of the payment for services were provided when consumer outcomes were obtained following the placement and periods of stabilization (plus 90 days). In this funding structure, milestone payments ended at the time the person became stable on the job and the case was closed.

The necessity for the CCB-MSO’s long-term, if not life-long, commitments to job seekers with developmental disabilities hampered the replication of the Oklahoma model. Despite its drawbacks, the Oklahoma model sparked ideas about structuring a Denver Options’ milestone payment system. Furthermore, certain observable trends in job placement services were not acceptable to the staff of Denver Options, and the opportunity to design a milestone system that would remediate and discourage certain practices seemed ideal. For instance, the traditional placements in janitorial, fast food, and hotel housekeeping (euphemistically referred to, as “filth, food, and folding”) were routinely attempted regardless of a job seeker’s expressed interests. Service agencies’ staffs were not providing individualized job development services based on a process of discovery. Denver Options did not want to financially reward agencies that would shortcut the job discovery process. In other words, we refused to accommodate a “fast” milestone payment for a job placement into a fast-food establishment (unless it was truly what the client had requested).

7. Barriers to supported employment

The concept of choice was often limited due to the job developers’ level of expertise, lack of comfort and limited skills in developing nontraditional jobs. Overall, there was a lack of understanding and familiarity with the purposes of recognizing the job seeker’s abilities and interests. As a result, job seekers might remain in an enclave or segregated setting while job development activities never became urgent.
Another troubling observation was related to Colorado’s booming economy and 2.1% unemployment rate. The labor pool of individuals that were attracted to direct care work was thinning. Various businesses were vying for staff and tried to attract them through increased salary offers, sign-on bonuses, and increased benefits. With many job options available, staff turnover in supported employment positions was as high as 200% in some agencies. With significant staff turnover, the process of developing employer relations and ultimately job development faltered and stalled. Oddly, this same demand and competition for workers presented a golden opportunity to place individuals with disabilities into jobs. Unfortunately, without appropriate supported employment personnel, the opportunity was lost.

8. Overcoming strategic issues

Several areas of concern were identified, as follows:

- Most of the service agencies’ supported employment staff were in need of both the basics and advanced training in assessment, job development and on the job supports.
- Employment consultants were in need of specific professional training in sales and marketing skills to effectively develop employment opportunities, matching job seekers contributions, conditions and preferences.
- Community rehabilitation programs needed the means to train and support professional employment consultants to reduce staff turnover.
- Supported employment managers needed skills and information to successfully train and coach their staff.
- A performance-based payment system was needed to tie outcomes and quality indicators to payments and financial rewards.

To address these strategic issues, two work groups were formed – one led by the Director of Denver Options’ Managed Services Department and the second was led by the Director of its national Center for Technical Assistance and Training (CTAT). The Managed Services Task Force focused on fiscal issues to determine appropriate levels of payment for contracted services and incentives for achieving outcomes. The CTAT group was charged with developing a training curriculum that would support a payment system that used incentives to achieve performance goals.

9. Denver Options’ performance-based payment system

Consistent with the concept of performance contracting systems, the Managed Services’ Task Force and CTAT designed a payment structure to pay contractors for reaching certain milestones, such as job placement and job stabilization. However, the system was also designed to reward quality indicators such as offering the job seeker choice, reasonable timeframes for assessment and placement, and successful placements with 20 or more paid work hours per week.

In an effort to encourage service providers to train and retain qualified staff, incentive payments could be earned by service agencies that employed employment consultants who successfully completed a three-day intensive skill-building training program. An incentive payment schedule was developed with timelines that mirrored the training curriculum. The training program was partitioned into three areas:

1) Discovery or the process of developing a relationship with the job seeker and identifying his or her interests, abilities and support needs,
2) Sales or the process of developing relationships with employers and identifying their needs for labor, and
3) On-the-job supports.

To become eligible for the enhanced payments, direct service staff such as employment consultants, job developers and job coaches had to successfully participate in the CTAT-led three-day intensive skill-based training program. The service agencies interested in having their staff qualified for enhanced payments were not required to send staff exclusively to CTAT; however, alternative training centers in the local area did not have a curriculum that focused on all of the learning objectives that Denver Options deemed important:

- Completing a functional community assessment
- Conducting interviews with job seeker and significant others
- Identifying conditions, preferences and contributions
- Facilitation of a career planning meeting utilizing person centered planning tools and techniques
- Documenting findings of assessment process and career planning process through the Individual Marketing Profile and career planning documents
- Identifying necessary accommodations
- Identifying appropriate disclosure techniques
– Identifying short-term and long-term employment support needs
– Developing networking strategies and plans
– Conducting informational interviews
– Identifying job features and its benefits
– Conducting effective cold and warm calls
– Developing a professional sales presentation
– Handling employer objections
– Closing the sale
– Conducting cultural and job analyses
– Carving jobs
– Developing customer service plans, including developing natural supports and coworker training
– Identifying social security benefits issues and work incentives applications

The CT AT -designed course requires each participant to complete and document an in-the-field assignment that demonstrates his/her ability to successfully follow the three-step process of discovery, sales and on-the-job support. Each assignment is reviewed and detailed feedback is provided to each participant. The participant must achieve a satisfactory “score” before their employer service agency can earn the higher payment rates.

In addition to the three-day employment consultant-training program, additional CT AT training for Supported Employment managers was developed with the support of the Colorado Department of Human Services’ Developmental Disabilities Services (DDS) division. Besides the basics of the supported employment process, the DDS sponsored training focused on enhancing managers’ skills for improving hiring practices and learning to use coaching models for supervision.

10. Job development and placement

To reinforce the idea that long-term job placements are often the result of a multi-step process that includes accurate assessments of an individual’s strengths, interests and prior experiences, a milestone payment strategy with added incentives was devised that mirrored the different phases of job development and job retention.

10.1. Phase I – Career planning

Providers would receive payment upon the completion of a thorough assessment. Additional funding would be available if providers arranged for individuals with disabilities to experience job tryouts (like a situational assessment) that would allow them to make more informed choices about their job interests. Funding was also available if providers completed an individual marketing plan. The purpose of the marketing plan is to ensure that providers are taking a thoughtful approach to the placement, and that they are assessing the likes and dislikes of each individual rather than placing them in any available job.

In the past, when providers received a flat monthly fee for job development (regardless of the amount of time and service that was actually provided), many individual’s with developmental disabilities found themselves in a perpetual “job development limbo”. Some providers seemed to always be “working on” job development, but never able to produce the final product – a job. In response, we offered additional funds if the service agency completed Phase I within a two-month period. The two-month timeframe was established to offer an incentive to make job placements a higher priority.

The service payment rates for Phase I were established by comparing job development rates from the State of Colorado’s Division of Vocational Rehabilitation. Additionally, Denver Options’ “in-house” experts on supported employment were asked to develop an initial rate structure. They estimated that on average it would take approximately 20 hours to complete Phase I, and initially recommended a payment of either $550 or $1,050 for its completion. The higher amount was reserved for the work performed by those qualified staff who successfully completed the CT AT course and could produce enhanced assessments. After evaluating feedback from service providers, the rates were reassessed by the workgroup and changed to $850 and $1,350 for the Phase I career planning services.

10.2. Phase II – Job placement

The Managed Services Task Force built in a financial incentive to encourage providers to achieve desired outcomes. Providers would receive monetary rewards if:

– They assisted the individual in securing employment that paid at least minimum wage.
– The position was located in an integrated work setting.
– Employment was for a minimum of 20 hours per week.
– Employment matched the client’s career choices.
– Wages were paid to the individual directly by the employer. (The importance of the employer providing payment and benefits directly to the individual with disabilities is an issue of “ownership” of a job. If a business contract is with a service provider to fill a set number of job tasks, then the job positions are “owned” and controlled by the service provider).

– The individual began working within 3 months after the career-planning phase was completed.

Providers could earn up to $1,000 depending on the number of outcomes achieved. For services delivered by CTAT-trained staff, service agencies could earn up to $1,200.

10.3. Phase III – Retention

The payment system offered incentives for job retention as a result of quality job coaching and good customer service to the employer. Initially, an incentive of $2,000 was paid if the provider helped an individual maintain employment for three consecutive months. However, after several months of operation, our providers expressed that this was not a fair milestone because individuals sometimes leave their employment through no fault of the provider. While this is certainly true in some cases, it does not apply to all situations. Bad job matches will also lead to expedited employee resignations or employer-initiated terminations. Rather than have an all or nothing approach for this phase, the amount of the incentive was increased and separated into three potential payments: $750 after the first full month of employment, $750 after the second month, and $1,000 after the third month of employment.

10.4. Phase IV – Retention

The milestone system provided incentive payments to providers that helped individuals maintain employment for an additional three months beyond Phase III. Since the providers’ fairness argument was successful in changing the structure in Phase III, the service providers used it again in Phase IV. To be consistent in our approach, $2,000 of the incentive payment was divided into three stages. Five-hundred dollars could be earned after each of the fourth and fifth months of steady employment. Following the sixth month, the service provider could receive an additional incentive payment of $1,000.

### Table 1: Annual staffing costs in addition to hourly wages

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer’s share of social security taxes</td>
<td>7.65%</td>
</tr>
<tr>
<td>Unemployment taxes</td>
<td>0.8% up to 10 K</td>
</tr>
<tr>
<td>Workers compensation premiums</td>
<td>0.30%</td>
</tr>
<tr>
<td>Health insurance</td>
<td>$2,096 per year</td>
</tr>
<tr>
<td>Dental insurance</td>
<td>$313 per year</td>
</tr>
<tr>
<td>Life and disability insurance premiums</td>
<td>$282 per year</td>
</tr>
<tr>
<td>Training</td>
<td>$200 per year</td>
</tr>
<tr>
<td>Rent (80 sq. ft. at $12/sq. ft.)</td>
<td>$1,000 per year</td>
</tr>
<tr>
<td>Secretarial support ($18,000 per 7 staff)</td>
<td>$2,571 per year</td>
</tr>
<tr>
<td>Supervision costs ($30,000 per 6 staff)</td>
<td>$5,000 per year</td>
</tr>
<tr>
<td>Administration</td>
<td>15%</td>
</tr>
<tr>
<td>Mileage</td>
<td>$600 per year</td>
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</table>

10.5. Phase V – Maintenance

After completing the career planning, job placement, and two job-retention phases, then the provider could bill on an hourly basis for the direct support they furnished to each employed client. The Managed Services Task Force wanted to ensure that the billing rate in this phase could provide for a competitive wage. This supplementary objective was intended to reduce staff turnover and to attract candidates with higher level qualifications who could improve the quality of service delivery to individuals with developmental disabilities. To build adequate rates, the workgroup started with a competitive human service wage identified from classified employment advertisements in the Denver metropolitan area.

Our estimated expenditure for one experienced supported employment staff person was based on staff wages plus the total of the costs associated with staffing a program, as outlined in Table 1. Using a standard 2,080 hour work year, 40 hours were subtracted for vacation, 40 hours subtracted for sick leave, and 80 hours subtracted for holidays – for a total of 1,920 possible billable service hours. By taking the total projected yearly expenditure for staff, and dividing by 1,920 hours, we calculated an hourly staffing cost for the supported employment service. Our initial staffing rates for maintenance services to support a person in a community job was $22 per hour. Of course, the hourly rate would be less if the staff person was not experienced and exhausted more non-billable hours for required training and additional supervision.

A $10 an hour premium was added for work performed by those staff that completed the CTAT training program; their billing rate would be $32 per hour. At the lower payment rate of $22 per hour, a service provider could pay a staff person approximately $12 per hour in wages and provide healthcare and life insurance benefits.
Table 2

<table>
<thead>
<tr>
<th>Months in employment</th>
<th>Reward in Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>12–35</td>
<td>$1,000</td>
</tr>
<tr>
<td>36–59</td>
<td>$1,500</td>
</tr>
<tr>
<td>60 or more</td>
<td>$2,000</td>
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</tbody>
</table>

Finally, by using the rate calculations and building scenarios based on minimum and maximum number of hours of services that could be delivered, we determined that our annual contract with the Colorado Department of Human Services provided a sufficient level of funding to support the new performance-based incentive payment system. Because experience has demonstrated that making projections of expenditures and what happens in reality never matches perfectly, we budgeted conservatively and examined our incentive expenditures and available cash flow on a monthly basis.

We also knew that some of our service providers might suffer financial losses. Service agencies that had worked diligently at placing people into supported employment in past years, and maintained these individuals in stable jobs, would see their revenue drop dramatically. The provider’s monthly income would shift from a guaranteed $600 a month per person served to a fee based on a billable rate of $22 or $32 per hour for just the few hours that were actually required to make certain there were no on-the-job problems. Not wishing to penalize service providers who had helped individuals with achieving longer-term employment, those service agencies received credit for successful job placements that occurred before the milestone and incentive system was developed. Service agencies were granted a premium (see Table 2) for their past accomplishments. This funding was in addition to the hourly service fees, milestone payments and additional incentive payments that providers could earn.

11. Three years of data

Our transition into an environment based on managed care concepts coupled with performance-based outcomes has yielded a wealth of fertile and qualitative information that previously did not exist. Because of the variability in the contextual approaches of the service providers and the unique characteristics of the clients, the employment consultants and employers, we could not apply the use of instrumentation or data collection standards with scientific validity. We did not find this troubling since achieving statistical significant outcomes would not ensure gains in performance. As illustrated in Table 3, the observable trends suggest that incentive systems can play an important role in meeting program goals.

Each year, there were more than 200 individuals enrolled in various phases of supported employment services. A service agency could receive additional incentive payments of $2,000 or more dollars if they helped individuals secure jobs that lasted for at least 6 months. Within a three-year period, there was an increase of 23 individuals who secured job placements that lasted at least 6 months. This represented a 37% increase in the number of long-term job placements since the introduction of a payment system that was based on a combination of hourly fees coupled with payments for achieving specific milestones and other accomplishments (see Table 4).

12. Final comments

The Blueprint for System’s Change gave the CCB-MSO increased authority and flexibility to design and reward valued outcomes within its managed care strategy. Introducing this sweeping change in the method of payments by withdrawing guaranteed funding and replacing it with paying hourly fees, making milestone payments, and providing additional financial incentives for longer-term job placements, required a great deal of interaction with our service provider community. Many service agencies were quite apprehensive about the changes, including the increased number of service provider options that an individual could select from outside of the traditional developmental disabilities ser-
vice community. Service agencies had to be reassured that it was not our intention to put them out of business. It was not our intention, however, we had stated that a few service agencies would likely fold or decrease in size if they could not transform their organization’s culture into a more customer sensitive environment, offering individualized programs and improving fiscal management practices.

On the other hand, we also predicted that some service agencies would succeed. For each of the 3 years, an average of 10 service agencies implemented inclusive service models. By developing and retaining meaningful jobs for individuals with developmental disabilities, the 10 service agencies increased their regular earnings by receiving incentive payments of more than $2,250 per person. These additional funds were meaningful to an agency’s budget that no longer operated under a guaranteed payment plan.

Under the new payment system, most service agencies experienced reductions in revenues. Some service agencies were earning only half of their previously guaranteed $7000 per year payment. However, by reaching milestones and earning bonus money for achieving specified outcomes, an agency could surpass their previous earning potential. Incentive funding raised the earning potential of a service agency to as much as $7,800 per year depending on the number of hours of services that were actually delivered and the outcomes that were met. In reality, the majority of service agencies rarely earned more than $6,000 per year, per person that they served.

A service agency would not likely survive without earning incentive payments. In other words, a service agency’s existence depends on their ability to provide individuals with developmental disabilities the services and supports that are necessary for obtaining and sustaining longer-term employment. Consequently, total incentive earnings increased from an annual average of $9,000 per service agency (in 1998–1999) to annual incentive payments averaging $19,275 per service agency (in 2000–2001). As a result of meeting the challenges to earn incentive payments, some service agencies' have benefited by improving their reputations and are gaining recognition as organizations that can help individuals with developmental disabilities find and maintain jobs.

Over all, our predictions were correct.

References