

Value-Based Payment Methodologies to Advance Competitive Integrated Employment: *A Mix of Inspiring Examples from Across the Country*

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Foreword

For more than two decades, I have spoken with anyone willing to listen about the idea of “Income Generation for All.” During these thought-provoking conversations, I am often asked if I truly mean to be saying that ALL people can work and earn a competitive income. I used to quickly and enthusiastically respond, “Yes, all people can be successful with the right supports around them.” Through the years, however, I have found that our focus needs to be on something even more fundamental: ensuring everyone with a disability is *given the chance* to succeed in competitive integrated employment. I have also come to recognize that giving people “a chance” means ensuring they have the supports, opportunities, and most importantly - *the encouragement* - to try competitive integrated employment.

As professionals of all stripes in the world of supports and services for people with disabilities, if WE don’t believe people with disabilities can succeed in competitive integrated employment, then who will? It has to be US, in partnership with the people we serve, that forge the path to success.

At Oakland Community Health Network, we provide funding and oversight of service contracts for more than 27,000 people with intellectual or developmental disabilities, mental health needs, and substance use disorders. For many years, we have had the privilege to work with and benefit from the insight of Dr. Lisa Mills. Prior to meeting Dr. Mills, our employment services were historically funded using fee-for-service reimbursement methodologies. This practice promoted data, claims and service volume; but didn’t distinguish quality or actual employment outcomes.

Dr. Mills helped us realize the old saying is true, “You get what you pay for!” We soon made the informed decision to more clearly define our desired Supported Employment service outcome: competitive, integrated employment for ALL people. This included more transparent incentives for providers who excelled at delivering quality employment outcomes for individuals we mutually support, including those individuals with the most significant and challenging impact of disability.

Our Supported Employment service providers are now paid based on the hours people we serve work in competitive, integrated jobs in our local community. Higher rates are paid for those with greater needs, as we remain fully committed to the promotion of income generation as a valued outcome for ALL people, regardless of their level of disability. We have learned that to successfully advance our Employment First values, meet policy expectations, and achieve systems transformation that truly delivers a better quality of life and increased economic self-sufficiency for people with disabilities, we needed to thoroughly analyze our funding methodologies.

The exciting ideas and approaches outlined in this guide will help you explore the mission of your work in a new and invigorating way. You may scratch your head at times when asking yourself and your teams, what are we incentivizing via our current payment structures? And like so many other important times and tipping points in the history of the disability rights movement, you should be prepared to remind yourselves of the famous Maya Angelo quote, “*You do the best you can until you know better, and then when you know better, you do better.*” It is the evolution of doing better and helping more and more people achieve employment success that makes the work we get to do every day so exciting, worthwhile, and fun.

*Annette Downey, Executive Director and Chief Executive Officer
Oakland Community Health Network, Oakland County, Michigan*

I. Introduction

Why This Guide Was Created

This guide was created to assist state agencies and other funding sources (e.g., managed care organizations, county governments, school districts, etc.) that serve people with disabilities and purchase, or plan to purchase, services that support competitive integrated employment participation.

Throughout the country, the emphasis on public programs increasing competitive integrated employment outcomes among people with disabilities, especially those with mental health disabilities, has continued to grow. This expectation was fueled by a steady growth in research demonstrating the broad and varied benefits of working for people with disabilities, including benefits associated with improved health, mental health, independence, inclusion, financial security, and mobility, to name just a few. The strong connection between such benefits and reduced costs or more cost-effective outcomes for public programs also continues to be demonstrated through both research and practice.

Many states have established laws, executive orders, regulations, and policies prioritizing competitive integrated employment supports and outcomes for people with disabilities served by public programs. At the same time, the U.S. Congress has passed new laws (e.g., the Workforce Innovation and Opportunity Act of 2014) and the federal government has promulgated new regulations (e.g., the Medicaid Home and Community-Based Settings Rule) and released new guidance requiring greater efforts to ensure the growth of competitive integrated employment opportunities for people with disabilities served by Workforce, Vocational Rehabilitation, Education, Mental Health, and Medicaid programs.

At the same time, there has generally been a broader focus on the adequacy of rates paid for Medicaid waiver services. In recent years, the Centers for Medicare and Medicaid Services (CMS) has emphasized the critical importance of rate sufficiency in Medicaid Home and Community-Based Services (HCBS) Waiver programs. Additionally, the Rehabilitation Services Administration (RSA) placed new expectations on states to establish statewide fee structures based on an accurate understanding of contracted vendor costs associated with quality service delivery that produces desired outcomes. There are now either federal requirements or strong expectations that these programs have funding structures to support the use of evidence-based practices (e.g., Individual Placement and Support (IPS), Customized Employment) including practices that address people with more significant disabilities who in past decades were presumed unable to be competitively employed.

Against this backdrop, as expectations around competitive integrated employment for people with disabilities continue to grow nationally, state agencies and other entities that directly contract for and purchase services for people with disabilities have begun to look closely at their funding structures, including reimbursement rates and rate methodologies, that may be impacting their efforts to grow competitive integrated employment participation among people with disabilities.

In 2012, the U.S. Department of Labor's Office of Disability Employment Policy (ODEP) launched the Employment First State Leadership Mentoring Program (EFSLMP) to support states in a broad-based way to advance competitive integrated employment for people with disabilities. Under this approach, publicly-financed systems are supported to align policies, service delivery practices, and reimbursement structures to promote integrated employment as the priority option with respect to the use of publicly-financed day and employment services for youth and adults with significant

disabilities.¹ State agencies from around the country and across systems were invited to apply to be part of the EFSLMP, benefitting from training, technical assistance, and subject matter experts assigned based on each state’s unique self-assessment and plan for advancing competitive integrated employment. Starting in 2018, EFSLMP, rebranded as Visionary Opportunities to Inspire Competitive Employment (VOICE), placed a particular focus on increasing competitive integrated employment opportunities for people with mental health disabilities, and starting in 2019, the mental health state agency was either the lead or co-lead for all EFSLMP/VOICE activities, including rate reimbursement restructuring.

Not long after the creation of the EFSLMP/VOICE initiative, it became clear that many states involved wanted to address their funding structures, not just *how much* they paid for various services, but *how* they paid—in other words, the specific methodology they used to pay. The focus quickly included paying for outcomes in addition to the traditional focus on purchasing services. Whether the agencies had never paid for outcomes and had only paid for services, or they had a history of paying for milestones or outcomes, many were interested in developing new and innovative ways to align financial incentives for service providers around achieving outcomes linked to increasing competitive integrated employment participation among people with disabilities, including those with mental health disabilities.

This overall emphasis on funding structures led to an effort coined as “**Rate Restructuring.**” With the emphasis on changing or creating new reimbursement methodologies, the work encompassed far more than the name it was given; but nonetheless, the idea of “Rate Restructuring” stuck and gained substantial momentum over the years.

While many examples of new models for setting rates and designing reimbursement methodologies were developed, through direct or indirect support from EFSLMP/VOICE, there is no existing, single publication where all of this work is featured. This guide is intended to be just that: a single resource that captures a substantial variety of the approaches to “Rate Restructuring” that have been developed and implemented across the country.

As the author of this guide, I am privileged to have been directly involved in almost all of the examples featured. There is no doubt that early adopters influenced later adopters, and that successive efforts appear to have yielded approaches that address some of the real or perceived shortcomings of the earliest innovators in this area.

What I most want the reader to recognize, by reading this guide, is that there are many ways to use payment structures and financial incentives to promote competitive, integrated employment for people with disabilities. The first step is recognizing when existing payment structures and incentives do not contribute to (and perhaps may even undermine) the outcomes desired. The second step is **setting aside** the belief that cheap is cost-effective, **embracing** the belief that penny-wise can often be pound-foolish, and **rejecting** the assumption that what our money can produce in terms of quality and outcomes is purely determined by how much money we have, not by how we **use** the money.

As Albert Einstein once said: “*The true sign of intelligence is not knowledge but imagination.*” He also spoke another profound truth that underpins this work: “*We cannot solve our problems with the same thinking we used when we created them.*” For me, this is the difference between devising changes with the assumption that our core model must remain in place, versus starting with the end in mind, and assuming much of our core model could (and perhaps should) be replaced with a new approach

¹ <https://www.dol.gov/odep/topics/employmentfirst.htm>

that more directly ensures our investments and efforts are sharply focused on the end state we want to achieve.

Disclaimers

This guide does not provide an exhaustive description of each example that has been included. What this guide does offer, however, are descriptions of varying lengths for each example, based largely on how different from traditional approaches the examples are, and how different each example is from the rest of the examples in the guide. As a reader, you may still walk away with questions. However, unlike many brief webinars or conference presentations, it is hoped that this guide offers a more robust description of each example, allowing for a level of reader understanding that can meaningfully and effectively inform your work in this area going forward.

Additionally, it is important to note that some of the examples and models presented were developed nearly a decade ago. Not all information may be perfectly accurate as of the publication of this guide. Things change in every state and every system. As far as possible, we have confirmed these strategies are still being utilized in the place where they were developed. Outcome data presented is clearly dated, and if the date associated with certain outcome data is not recent, please note that outcomes may have changed.

Few of the more significant change examples in this guide were accomplished without stakeholder input. Many involved extensive stakeholder input, data collection and analysis, and piloting or impact modeling. These key elements of strong models are elaborated upon in this guide, but incorporating these approaches requires time, something that is often compromised in the systems and organizations we work in. It is further recognized that sometimes opportunities to make meaningful and much needed changes present themselves without much notice and compromises are made to avoid missing these opportunities. If this guide is used to seize a time-limited opportunity, make a commitment that initial implementation will be considered phase one and adjustments will be made to refine and improve upon what is initially created.

What has been learned through all of the experience contained in this guide is that every local system is best to develop its own customized strategies with its stakeholders. However, reinventing the wheel or not building upon other systems' experiences and ideas is certainly not the optimal approach. When learning about others' approaches, listening is critical- not seeking to outright copy, however attractive and simple that may seem, but instead seeking to pull out key elements of these other approaches that make sense to build into your own solutions.

Finally, a significant lesson learned is that both funders of services and providers of services tend to want rate structures and reimbursement models that are highly advantageous to them. While this isn't surprising, it is clear that when funders and providers do not look for balanced approaches to changing rates and reimbursement models, the strategies developed are not likely to be successful. It can be difficult for a funder or provider to let go of the model that provides optimal benefit for them in order to reach a compromise that ensures *both* parties benefit, and therefore *both* parties are willing and motivated to participate in implementing the new rates and/or reimbursement models with fidelity to the intended outcomes.

Recommendations for Making Best Use of this Guide

This guide is most valuable if it is read (or skimmed) in its entirety to allow the reader to begin by gaining a sense of the wide variety of ways that funding structures can be designed or changed to advance competitive integrated employment opportunities and outcomes for people with disabilities. There is no one right way to do “Rate Restructuring,” and it is certainly possible that more than one method can lead to the same desired outcomes.

Beyond this recommendation, the Table of Contents is organized so the reader can identify specific sections of the guide that address rate and reimbursement models specific to certain programs (e.g., Medicaid; Vocational Rehabilitation). While best and evidence-based practices can typically be purchased by all programs that serve transition and/or working-age people with disabilities, the reader may get the most benefit by closely reviewing the sections that address the program in which they participate or work.

Before you start reading, be willing to reckon with the idea that money does drive behavior, as much as we might wish it did not, especially in services for people with disabilities. In three decades working in the field of disability, I have found that almost every time someone asks why something is not happening or is not happening more for people with disabilities, the answer will often include, if not start with, a reference to the funding structure such as: the reimbursement rates are too low; there is no way to pay for that; what a provider has to do to get paid is too hard; there is no financial incentive to do that; and it’s cheaper to do something else.

Some say money drives behavior in our field because there simply isn’t enough of it. Others believe money would be a driver of behavior even if it were plentiful. Regardless of which opinion you hold, money drives behavior; but this can be a force for progress if we pay attention to *how* money drives current behavior and how that behavior drives the current opportunities and outcomes available to people with disabilities.

The reality is that there are financial incentives and disincentives in every rate and reimbursement structure that exists in programs serving people with disabilities. Even individual budgeting and self-direction models have incentives and disincentives for people with disabilities. Given this, the key question is whether those financial incentives and disincentives align with the opportunities and outcomes that are desired from the services being purchased. If you start with this frame of reference, this guide should be a helpful resource.

*“In three decades working in the field of disability, I have found that almost every time someone asks why something is not happening, or is not happening more, for people with disabilities, the answer will often include, if not start with, a reference to the funding structure. Answers like these are all too common in so many states: the reimbursement rates are too low; there is no way to pay for that; what a provider has to do to get paid is too hard; there is no financial incentive to do that; it’s cheaper and easier to do something else. I have resisted but ultimately accepted that **money does drive behavior**, as much as we might wish it did not, especially in services for people with disabilities.”*

- Lisa A. Mills, Ph.D., Author

II. The Role of Funding Models in Advancing Competitive Integrated Employment and Employment First Systems Change

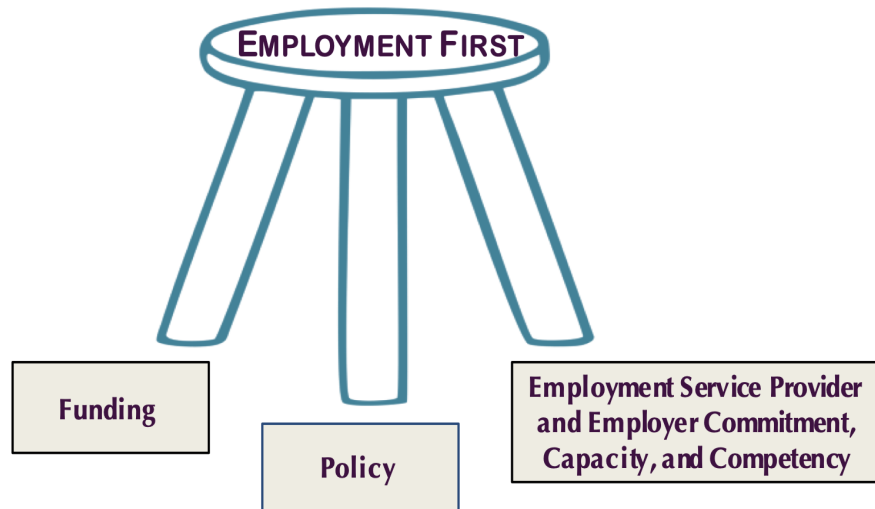
When studying funding structures across many different states and programs, it is readily apparent that there are financial incentives and disincentives in every rate and reimbursement structure that exists in programs serving people with disabilities. Even individual budgeting and self-direction models have incentives and disincentives for people with disabilities due to the fact that many of these programs use historical (i.e., typical/status quo) service utilization and costs to set budget amounts while including few, if any, clear incentives for individuals who choose self-direction to go in non-traditional directions with their lives (e.g., to pursue competitive integrated employment). Given these realities, the key question is whether those financial incentives and disincentives align with the opportunities and outcomes that are desired from the services being delivered.

What is desired in the way of opportunities and outcomes from publicly funded services is often expected to be defined by each person with a disability rather than the system funders (representing taxpayers) and stakeholders. Some will say that expecting people with disabilities supported by public programs to work in competitive integrated employment is disrespecting their right to choose. Choice has become a lightning rod concept. Those comfortable with the expectation that people with disabilities should work and contribute to their full ability are typically those who recognize first, that people are capable, and second, that real equality and full inclusion will only come when responsibility, as a key dimension of citizenship, is encouraged and effectively supported. **We do a great disservice to people with disabilities and advancing their right to full equality when we encourage them, in the name of choice, to abdicate their responsibility to contribute.** We do a great disservice (and indeed injustice) to people with disabilities when we discourage a person capable of competitive integrated employment (with or without reasonable accommodations and/or other services and supports) to opt out of such employment.

While benefits and program rules may currently create barriers to full employment, there is without a doubt, still an opportunity for every person with a disability to earn something as part of contributing to the broader society through work in competitive integrated employment. With Social Security reform that is likely inevitable, and Medicaid's increasing focus on the importance of employment, there is broad certainty this opportunity will only increase.

Full inclusion will come when we no longer need the word "inclusion" since there will be no opposite state of exclusion. Competitive integrated employment actively counters exclusion, and changes the perceptions of everyone, paving the way to exclusion becoming a thing of the past. To advance Employment First, we must not be shy about the expectation that **people with disabilities have something of value to contribute to the broader society, and therefore it is appropriate to expect that people with disabilities will have the opportunity to make that valuable contribution through employment**, just like the overwhelming majority of working-age people in our country without disabilities. Funding models must align with these expectations, and **the dollars allocated must come to be recognized as dollars invested, not just dollars spent.** Making smart investments to advance Competitive Integrated Employment and Employment First starts with recognizing, as mentioned above, that money does drive behavior, and there are financial incentives and disincentives in every rate and reimbursement structure that exists in programs serving people with disabilities. Our task is carefully aligning the financial incentives (and as necessary, disincentives) to create funding models that realize the investments we want and need to make.

The three-legged stool is used as a metaphor for many things. If we think about Employment First as a three-legged stool, funding for employment services and supports would represent one of the legs, with policy as the second, and commitment/capacity/competency as the third (applying to both providers of employment services and employers). Note, the three-legged stool assumes commitment, capacity, and competency of individuals with disabilities already exists, if they have access to effective employment services and supports *and encouragement* to contribute what they have to offer the world.



Yet while the absence or severe lack of funding for employment services and supports is clearly a problem that will interfere with the achievement of increased competitive integrated employment participation by people with disabilities, the presence of what is construed as adequate, or even generous, funding for employment services and supports is not, in and of itself, a catalyst for increased competitive integrated employment.

The presence of funding creates potential; it does not guarantee outcomes.

This is where funding models—how the funding is made available, for what purposes, at what payment levels, for how long, etc.—become critical for advancing Employment First systems change. **Contrary to our typical assumptions, less funding, used through more effective funding models, has the potential to produce better competitive integrated employment outcomes than more funding distributed through less effective funding models.** This is not always welcome news to some Employment First stakeholders. Funders who have maintained they cannot advance Employment First, because they do not have the amount of funding they perceive as necessary to do so, might find their funding is actually adequate if it is used in a different way. Providers who have maintained they cannot advance Employment First without more revenue may find that by redirecting and repurposing their existing revenue, they can actually do much more to advance Employment First.

Apart from these sometimes “inconvenient” truths, another significant factor that combines with a funding model to create the strongest inter-related drivers of behavior—among both funders and

providers-is **how hard it is to do something, particularly something different**. At a very basic level, you can pay me more to do something you want me to do than you pay me to do something else; but if it's harder and may cost more to do what you want me to do, and it is different from what I am comfortable and experienced doing, there may not be any real incentive for me to do that, even though you are offering to pay me more.

Supporting people with disabilities in more individualized ways is typically seen as harder than serving people in traditional programs. One difficulty is developing and supporting individualized opportunities in the broader community that involve partnerships with employers, other community organizations, and a variety of members of the broader community. Even if people with disabilities don't use or attend traditional programs, there is more comfort and experience with serving them in their own homes as opposed to supporting them in the broader community. There are many reasons why providing supports in the broader community, including supports for competitive integrated employment, is seen as harder. One obvious reason is that the infrastructure of provider agencies is not built to support this kind of service provision, and thus requires significant restructuring and internal organizational change to optimize an organization's ability to provide individualized, integrated supports in the best possible ways. Add to this the challenge of inertia. Research has shown that larger service provider organizations, who are likely to have the resources to more successfully implement change, are challenged more by inertia than smaller organizations that typically lack the resources to underwrite their change efforts.²

Further, everything just mentioned is also true for funders of services: their systems are not set up to support these kinds of approaches to service provisions; it is hard to implement policy and system changes, in addition to funding changes, to support providers to go in these critical directions. And most funders are large organizations, often governmental entities, which are known to experience more challenges with inertia than other types of organizations.

While there is no intent here to take the reader down a proverbial "rabbit hole" with regard to the interconnectivity between funding models and the challenges associated with changing from familiar systems, programs, and practices to less familiar and initially more challenging ways of doing things, it seems clear that **devising effective funding models requires heightened awareness of these other ubiquitous influencers**.

Returning to the topic at hand, no one likes to hear "it depends" when they ask a question and really want to know the answer. This guide is focused on shedding light on the complexities that make "it depends" a common answer in this arena. One basic observation from experience is that things are not often as they seem. What is true may not be obvious, nor intuitive; yet in other ways, what is true is often very much aligned with common sense.

As a fundamental starting point, one simplistic assumption that must be put aside is this: if one reimbursement rate or milestone payment is higher than another, there must be an incentive to provide the service that is paid at the higher rate or payment. This is simply not true. Below is a simple illustration to prove this point.

The incentive to the provider is clearly not to provide the service that has the higher hourly rate.

² Proehl, Rebecca Ann. *Organizational Change in Human Services*. Sage Sourcebooks for the Human Services, © 2001 Sage Publications.

	Facility-Based Day Habilitation	Supported Employment Individual Job Coaching
Reimbursement Rate Per Service Hour	\$7.00/hour	\$28.00/hour
Minimum Staffing Ratio	1:8	1:1
Total Cost Per Staff Hour (all costs)	\$40.00	\$27.00
Total Billable Per Staff Hour	\$56.00	\$28.00
Net Income Per Staff Hour	\$16.00	\$1.00

Another common, but simplistic assumption that goes hand-in-hand with the one just mentioned is this: if one reimbursement rate or milestone payment is higher than another, the service that is paid at the higher rate or payment must be more expensive and less cost-effective. This is also not true. Below is another simple illustration that proves this point.

	Facility-Based Day Habilitation	Supported Employment Individual Job Coaching
Reimbursement Rate Per Service Hour	\$7.00/hour	\$28.00/hour
Assumptions	Less expensive/ More cost-effective	More expensive/ Less cost-effective
Weekly Hours of Participation in Day Habilitation or Paid Integrated Work	20	20
Weekly Hours of Service Required	20	4
Total Service Cost Per Week	\$140.00/week	\$112.00/week
Facts	More expensive/ Less cost-effective	Less expensive/ More cost-effective

The actual reality is that the service costing more per hour ends up being less expensive and more cost-effective because the service is focused on maximizing the independence of the person, and his/her ability to rely on supports other than paid support, through various strategies such as systematic instruction, assistive technology, engagement of natural supports present in the setting, and supporting the person remotely when possible.

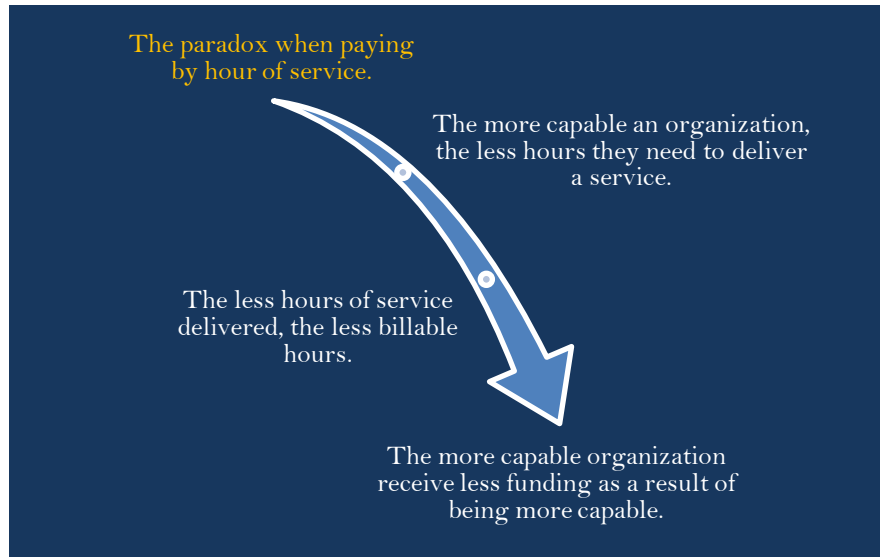
Common Funding Challenges Inhibiting Growth of Competitive Integrated Employment Services and Outcomes for People with Disabilities

Without a doubt, the most dominant funding challenge interfering with the advancement of competitive integrated employment is the use of fee-for-service, regardless of system. The ultimate counter-productive funding model is fee-for-service with face-to-face only billing permitted. Yet this is the legacy in many states due in large part to how traditional Medicaid services (acute and primary healthcare) have been historically purchased.

As we continue these discussions around the need to move away from fee-for-service in long-term services and supports (LTSS) programs, particularly in the ways that providers of direct services are

paid, many still wonder why fee-for-service is such a problem for the funding of competitive integrated employment services. Fee-for-service is not well aligned with the delivery of competitive integrated employment services, especially Supported Employment services, for several reasons:

- A fundamental expectation in Supported Employment is that on-the-job supports (job coaching) will fade over time. If providers are reimbursed based on hours of service, there is no financial incentive to get people jobs where fading is possible: namely jobs that are well-matched to a person's abilities, in workplaces where natural support potential exists. There is also no incentive to implement effective strategies to fade once a person is on the job. The provider experiences a reduction in funding by doing these things. In contrast, providers who do a poor job matching and who do not implement strategies to fade experience no reduction in funding.
- Many fee-for-service approaches allow billing only for face-to-face service delivery, which is not desirable for many aspects of Supported Employment services. We know that the critical, early stages of job development are typically done without the individual present. It is also the case that once an individual is settled into his/her job, the most effective supports are often the least intrusive, involving check-ins with the individual and the employer, and other assistance provided most cost-effectively through the delivery of support that is not face-to-face. A policy that allows billing only for face-to-face can encourage unnecessary and potentially intrusive supports while discouraging the use of supports that may not be face-to-face but may be more appropriate and more cost-effective. Providers who invest in and learn to use innovative technology to provide supports via cell phones, tablets, Skype, etc. are not rewarded for adopting these approaches in a fee-for-service arrangement.
- The fee-for-service approach includes no incentives to increase the hours that supported employees work, particularly if this can be done without increasing the need for on-the-job supports. Low hour jobs in Supported Employment are a chronic problem nationally, and it appears that incentives are needed to reverse this trend. Increasing the hours that people work is not rewarded in a fee-for-service approach that pays for service hours delivered by the provider.
- A fee-for-service approach does not include strong incentives for providers to prevent job loss, and there are often difficulties with providers getting timely approvals from case managers to temporarily increase job coaching hours to prevent job loss. This means the provider either chooses to provide the extra supports without having a way to get reimbursed for that emergency support or awaits the authorization by which time the supported employee may have lost his/her job.
- A fee-for-service approach to job development/placement does not reward providers for achieving the outcome in an efficient manner. The longer it takes a provider to find a person a job, the more revenue they receive. In contrast, providers who are highly competent in doing job development/placement and who get people jobs in less time are rewarded with a lower reimbursement.



Ultimately, a fee-for-service approach to purchasing competitive integrated employment services is likely to result in the most capable organizations, which require the least hours to deliver the service due to their capabilities, ending up with the least billable hours and thus the lowest reimbursement for their work. This means the more capable organization receives less funding as a result of being more capable.³

Despite the federal government’s commitment to value-based purchasing and moving beyond fee-for-service, in Medicaid particularly, there also remains an inadvertent disconnect between this commitment and the federal billing code structure, which has not been updated to reflect this commitment. With regard to services that support competitive integrated employment, some states have demonstrated leadership to move the system forward by establishing an “each” code to allow for outcome-based reimbursement. Other states have adopted monthly rather than 15-minute, hourly, or daily billing codes to allow for maximum flexibility in service provision aligned with the patterns of people’s work schedules and unique support needs. Still other states are using a 15-minute or hourly unit of service code to pay for units worked by a person with a disability (the supported employee). None of this is ideal; but in bridging the past with the future, it represents the determination of states to progress forward in moving to outcome and value-based payment models as a key strategy for advancing competitive integrated employment.

The Rise of Value-Based Purchasing in Publicly Funded Services

Perhaps not surprisingly, the call for moving beyond fee-for-service first began in the traditional Medicaid arena. Paul Keckley, a nationally recognized long-standing expert economist on healthcare, told CNN more than two decades ago:

“The number one thing that needs to happen as part of health care reform: We need to change incentives from doing more to being paid for performance...in other words, we need to end fee for service.”

³ Credit goes to Denver Options (now called Rocky Mountain Human Services) for this profound yet common sense realization.

Since that time, and with clear momentum prior to that, both the commercial healthcare industry and the federal Medicaid program have moved away from fee-for-service. Much of the efforts are labeled “value-based purchasing,” which involves tying payments to **performance** and ensuring the payment structures reward providers for high-quality performance. This contrasts with the traditional approach that makes payments based solely on the **volume** of service delivered, which, in many cases, does not signify or equate with best practice, cost-effectiveness, or quality.

It didn’t take long for state Medicaid-funded long-term services and supports (LTSS) systems to also move in this direction, but this was largely limited to states implementing risk-based managed LTSS programs. The introduction of managed care organizations (MCOs) changed the way states paid for LTSS, from fee-for-service to capitated funding; but for a long time, it did not change how services were purchased from the actual providers of these services. They continued to be paid on a fee-for-service basis by the MCOs that now administered the funding through contractual relationships with states. This is still the case in many managed LTSS programs, but more recently, there has been increasing attention paid to the need for “trickle-down payment reform.”⁴ These reforms move away from traditional fee-for-service reimbursement, to reimbursement models that are more focused on rewarding direct service providers for: the outcomes they support, including assisting individuals with disabilities to achieve and maintain competitive integrated employment; utilization of—and fidelity to—best and evidence-based practices associated with positive outcomes for individuals; and achievement of quality as opposed to compliance.

It is worth noting here that most references to “quality” in services and programs for people with disabilities are usually still references to compliance. As part of our efforts to move toward more value-based funding models that advance outcomes like competitive integrated employment, it will be imperative that the differentiation between compliance and quality begins to be made, and references to quality come to no longer represent simple compliance. The ability to reward high performers, an essential tenet of value-based purchasing, requires defining quality as outcomes and performance that go beyond basic compliance.

National experience thus far in using value-based purchasing to pay LTSS providers has been largely with providers of institutional LTSS—most notably, nursing homes. Using value-based purchasing to pay LTSS providers of HCBS is still in its infancy nationally, but the good news is that a fair portion of the work being done is focused on employment services as a jumping-off point for expanding the use of value-based purchasing more broadly within HCBS.

The Utility of Value-Based Purchasing in Advancing Competitive Integrated Employment and Employment First Systems Change

With regard to competitive integrated employment services, including Individual Supported Employment services, if we look back at the past 35 years, we see different systems funding employment services and supports in different ways; but we can see very early use of value-based approaches to reimbursement. Oklahoma led all states in the country in moving to outcome and milestone-based payment structures for employment services. In 1995, with approval from the federal Medicaid agency, the Oklahoma Developmental Disabilities Services (ODDS) agency implemented reimbursement for Supported Employment services based on hours worked by the person with a disability. In 1997, the Oklahoma Department of Rehabilitation Services (ODRS) implemented the first

⁴ Credit for the coining of this helpful phrase goes to Matt Salo, Executive Director of the National Association of State Medicaid Directors.

milestone payment system in the country, generating payments to providers at specific pre-defined milestones that correlated with an individual successfully progressing through the vocational rehabilitation (VR) process. As with many formative efforts, these early uses of value-based purchasing were clearly innovative for their time. However, the lessons that can and have been learned from critiquing these pioneering models continue to be very important to the work being done today.

ODDS implemented one flat payment per hour worked by a supported employee in a competitive integrated job and one flat payment per hour worked by a supported employee in a small group Supported Employment arrangement (not meeting the definition of competitive integrated employment). They were light years ahead of the rest of the country in recognizing that paying based on hours worked (rather than hours of service) would incentivize two key quality outcomes: supporting individuals in maintaining their employment and maximizing their paid work hours. However, the rates established inadvertently created an incentive to develop more group Supported Employment options rather than competitive integrated employment options. The table below, similar to the illustration introduced previously, shows how the differential rates created this incentive:

	Group Supported Employment (GSE)	Individual Supported Employment (ISE)
Reimbursement Rate Per Hour Worked by the Supported Employee	\$12.00/hour	\$17.20/hour
Average Staff Support Time as Percentage of Hours Worked	100%	60%
Minimum Staffing Ratio =	1:8	1:1
Estimated Cost Per Staff Hour (all costs)	\$30.00	\$28.66
Total Billable Per Staff Hour (1:8 GSE; 1:1 ISE)	\$96.00	\$28.66
Net Income Per Staff Hour (1:8 GSE; 1:1 ISE)	\$66.00	\$0.00
Total Billable Per Staff Hour (1:6 GSE; 1:1 ISE)	\$72.00	\$28.66
Net Income Per Staff Hour (1:6 GSE; 1:1 ISE)	\$32.00	\$0.00
Total Billable Per Staff Hour (1:4 GSE; 1:1 ISE)	\$48.00	\$28.66
Net Income Per Staff Hour (1:4 GSE; 1:1 ISE)	\$18.00	\$0.00
Total Billable Per Staff Hour (1:3 GSE; 1:1 ISE)	\$36.00	\$28.66
Net Income Per Staff Hour (1:3 GSE; 1:1 ISE)	\$6.00	\$0.00

As illustrated in this table, even group Supported Employment at a 1:3 ratio yields net income for the provider despite the estimated cost per staff hour being higher for group Supported Employment.

It may be argued that assuming an average of 60% support - as a proportion of hours worked -for people in Individual Supported Employment (competitive integrated employment) is too high and providers could typically reduce support, thus allowing them to net income from the payment per hour worked. While it is true that if the average coaching level is below 60%, the provider would net income from the payment model (see table below for illustration), the *flat* payment does not take account of the length

of time people have held their jobs. The flat payment created an inadvertent disincentive to get new people into competitive integrated employment since people typically need higher levels of support when they are new to a job and lower levels of support as they keep their job over time. The flat payment, based on a 60% average, requires a provider to accept the possibility of a net loss in the short-term in hopes of seeing a net gain in the longer term. Unfortunately, many providers of service, and also funders, are averse to or financially unable to support a higher investment in the near-term in hopes of recouping the initial net loss in the longer term.

	Individual Supported Employment	Individual Supported Employment
Reimbursement Rate Per Hour Worked by the Supported Employee	\$17.20/hour	\$17.20/hour
Average Staff Support Time as Percentage of Hours Worked	40%	30%
Minimum Staffing Ratio =	1:1	1:1
Estimated Cost Per Staff Hour (all costs)	\$28.66	\$28.66
Total Billable Per Staff Hour	\$43.00	\$57.33
Net Income Per Staff Hour	\$14.34	\$28.67

As well, the flat payment model did not provide any adjustment for the acuity (level of disability and corresponding support needs) of individuals served in competitive integrated employment. This inadvertently created an incentive for providers to seek out people with lower acuity to maximize the likelihood that their supports would quickly decline to 60% or less and remain at those lower levels over time. The combination of these inadvertent disincentives—to get new people into competitive integrated employment and to serve people with higher acuity—did not spur the desired growth of competitive integrated employment. Meanwhile, the growth of group Supported Employment was incentivized and thus grew much more rapidly over time. These are the kinds of subtleties that are important to address in funding models developed now and in the future. We have the benefit of learning from Oklahoma’s trailblazing experience, not only in recognizing that their fundamental model (paying based on hours worked) has tremendous value for Employment First, but also identifying that key details of the model itself will benefit from adjustment when replicated elsewhere.

ODRS led the nation in establishing a reimbursement model for VR services that is now commonplace in most states. Milestone payments for progress toward competitive integrated employment, and securing as well as stabilizing this employment, put the focus on getting to the desired outcomes of services rather than maintaining service provisions when it isn’t necessary. In milestone systems, preliminary services necessary prior to actual job seeking have limited completion timeframes, helping to ensure that people with disabilities did not experience a lack of immediate progress after deciding to pursue competitive integrated employment.

Further, providers are rewarded for efficient job placement, incentivizing them to have strong relationships with employers in the local area. A trailblazer like ODDS no doubt recognized some of the shortcomings of a flat milestone payment structure; namely, the disincentive for providers to serve people who were perceived to require more service to complete the milestones and, achieve and

stabilize in employment. ODRS acted on this by establishing separate milestones for individuals who qualified for VR funded Supported Employment services and recognizing that flat milestones for Supported Employment services would cause unintended consequences for people with relatively high acuity as compared to others qualifying for Supported Employment. Consequently, ODRS was one of the first VR agencies in the country, and is still one of the few, that has tiered rates for Supported Employment services based on acuity. They have regular and high needs Supported Employment milestone rates, with ODRS counselors given policy, training, and ultimately discretion, to determine which ODRS consumers require the high needs milestone rates.

It is doubtful either of Oklahoma's state agencies could have anticipated these issues when they first created their pioneering alternative models to traditional fee-for-service, but experience is often the best teacher in finding effective funding models. **While quite often a challenge for government agencies, being nimble and willing to adjust any models implemented based on the actual outcomes (especially unexpected outcomes) is critical for long-term success.**

Since the millennium, most state VR agencies have moved to milestone payments. However, many still recognize there is room for further improvement of their models to better advance the program's desired outcomes, including sustained employment for a broader range of eligible individuals with disabilities. Additionally, VR agencies are seeking to create funding structures that support the use of newer, evidence-based practices including Customized Employment⁵, Individualized Placement and Support (IPS), Project Search, and Progressive Employment, given the impact use of these practices can have on VR program outcomes.

Medicaid programs serving people with disabilities have increasingly focused attention on increasing competitive integrated employment opportunities and outcomes since the millennium. The efforts of the developmental disabilities state agencies in Washington and Vermont began well before the millennium. And in 2002, Tennessee's Developmental Disabilities agency was the first agency in the country to adopt an Employment First policy. Many state agencies subsequently followed suit, and soon governor's executive orders and state legislation appeared reinforcing commitment to Employment First. But experience in the early years demonstrated that a policy, executive order, or even legislation in and of itself was not enough to improve opportunities and outcomes. As time has passed, it has become increasingly clear that funding structures, for both employment services and alternative services, play a significant role in whether opportunities and outcomes actually increase. While some will say, "it's all about the money," that is not true. There are definitely other key factors that impact Employment First efforts. But we cannot underestimate the importance of funding structures, recognizing and accepting that money does drive behavior. It is clear that the principles of value-based purchasing are increasingly being applied to funding structures for employment services. Where services that support alternatives to competitive integrated employment are included in the overall effort, desired impacts appear more likely to be achieved.

Many Systems, Many Approaches, Many Opportunities for Innovation

This guide includes many examples of innovation in funding models—both payment rates and payment methodologies—from multiple systems that serve people with disabilities and pay for employment services and supports. For some systems, it is their sole purpose; for other systems, it is part of a larger mandate. The opportunities for innovation are plentiful, especially when processes are undertaken to

⁵ The Workforce Innovation and Opportunity Act (2014) requires all state VR agencies to offer Customized Employment services.

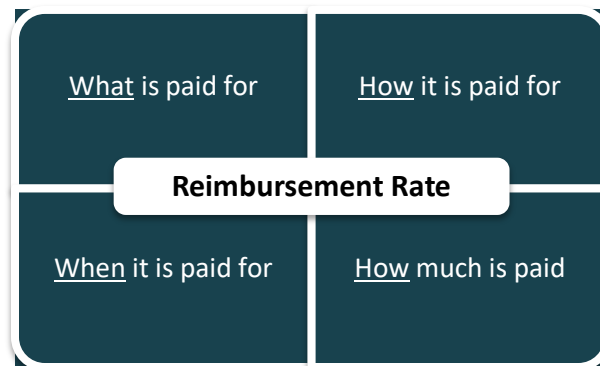
devise new approaches that engage all key stakeholders, collect and use relevant data, and start from the right perspective.

Inertia can cause many of us to recoil from the challenges we face in devising funding model changes that are likely to be viable and effective. This guide will hopefully show there are multiple ways to create funding solutions to advance Competitive Integrated Employment and Employment First that are affordable and effective.

III. Designing and Implementing New Reimbursement Methodologies and Restructuring Reimbursement Rates to Advance Competitive Integrated Employment and Employment First: Lessons Learned on Process

Introduction

Across the country, it is abundantly clear that a growing number of state agencies that serve people with disabilities, and intermediaries such as counties or statewide/regional MCOs, are interested in developing new and innovative ways to design reimbursement methodologies for direct services that support competitive integrated employment, and by association, services that support the alternatives or precursors to competitive integrated employment. In using the phrase “reimbursement methodologies,” the specific focus is on what is paid for, how it is paid for, when it is paid for. Attention is also focused on a complementary activity: realigning reimbursement rates which specifically addresses how much is paid within the context of a specific reimbursement methodology. It should be noted that reimbursement rates cannot be evaluated without a full understanding of the reimbursement methodology to which the specific reimbursement rates apply.



As part of a broader focus on payment reform and value-based purchasing, there is a growing desire to align financial incentives for direct service providers with the achievement of outcomes linked to increasing competitive integrated employment participation among people with disabilities. As mentioned earlier in this guide, there are many ways to use payment structures, differential rates, and financial incentives to secure better outcomes for people with disabilities. Many assume this means the only option for getting better outcomes is to spend more. However, instead of *spending more money* (especially if your system doesn't have more money available), it pays to instead *spend more time* understanding, at a deep level, how existing reimbursement structures and differential reimbursement rates may offer financial incentives that do not contribute to (and perhaps may even undermine) the better outcomes that are desired.

“Doing something well, that does not produce the best possible outcomes, does not make it valuable, just because it is done well.”

- Adapted from Tim Ferriss, American bestselling author and entrepreneur

After *spending more time* understanding what is currently in place, the next essential steps are:

- **Setting aside** the belief that cheap is cost-effective
- **Embracing** the belief that penny-wise can often be pound-foolish, and
- **Rejecting** the assumption that what our money can produce in terms of quality and outcomes is purely determined by *how much* money we have, not by *how we use* the money.

Lessons Learned on Process

Most people believe that desired outcomes should guide any processes that are undertaken; but all too often, the process ends up defining the outcomes that result. Poor process can kill a good idea before it even has time to develop and take root. An effective process for designing and successfully implementing good changes—in reimbursement methodologies and rates for services that impact the advancement of Employment First—is the topic of this part of the guide. Using hindsight, it is typically possible to see which processes advanced desired outcomes and which processes did not. What can be learned from using the author’s hindsight was condensed into ten key principles for designing and implementing new reimbursement methodologies and restructuring rates to advance Employment First.

Principle #1: Clearly Define Intended Outcomes with Firm and Unwavering Support for the Value of Competitive Integrated Employment in the Lives of People with Disabilities.

“Know where you are going, even if you don’t know how to get there.”

- Frank Cianciulli, Entrepreneur and Chairman and CEO of The Wish Group

Many times, it’s easier to define where the system should ideally be than it is to define the path to getting there from where a system is currently. It is essential that those leading any process designed to create change in reimbursement methodologies and rates for services that impact the advancement of Competitive Integrated Employment and Employment First begin by clearly stating the intended outcomes for the process. In other words, what change(s) is desired, including clearly defining how we will know we have succeeded. Allowing confusion, lack of clarity, and multiple perceptions about desired outcomes - although sometimes to avoid conflict about the fundamental need to advance Employment First - is likely to doom even the most well-executed processes undertaken.

Some may argue against an approach that emphasizes being crystal clear from the outset about the desired outcomes of the process undertaken to create change in reimbursement methodologies and rates. They may contend that clearly articulating the end goals can create challenges with obtaining consensus around engaging in the process of designing and implementing changes. Yet with Employment First, experience has taught that achieving consensus on outcomes, *as part of* the process of redesigning reimbursement methodologies and rates, is often unlikely. Efforts often focused on this approach typically end up bogged down by debates about desired outcomes and other priorities of participants, distracting attention from the development of the best funding strategies and payment structures to advance Competitive Integrated Employment. With strong clarity about desired outcomes, experience has taught there are always a sufficient number of stakeholders willing to engage in the

process because they are supportive of the intended outcomes being articulated from the outset of the process.

Principle #2: Stop the “Blame Game” in Order to Create the Atmosphere for Successful Collaboration.

“To solve a problem, you have to recognize your share of responsibility. If you only blame others, you will never solve it.”

- TheDailyQuotes.com

Be conscious of proverbial “finger-pointing” and blaming of partners that can exist in any organization. This can inadvertently result in a highly challenging environment.

To maximize the possibility of success, it is essential that those leading any process designed to create change in reimbursement methodologies and rates for services that impact the advancement of Employment First begin by turning their pointing finger back toward themselves, and by doing so, own their part of the responsibility for not already having the outcomes they want. From experience, it is clear that this sets the stage for partners to engage in the process with a different attitude from the beginning.

A focus on establishing or pointing out blame works against encouraging mutual accountability, which is essential for a successful process aimed at developing effective reimbursement methodologies and rates for services that impact the advancement of Employment First. Everyone involved in the process must recognize they must “give something to get something,” and they must be willing to change their own ways, not just focus on changing others’ ways. This leads to the third principle.

Principle #3: Commit to Making Changes, Not Just Talking About Them.

“All talk is just that: talk...If you want things to get better, take action.”

- Larry Winget, Bestselling Author and Motivational Speaker

Nothing undermines a collaborative process like a leader that isn’t really interested in or committed to implementing the results of the process. It’s unfortunate, but sometimes processes are undertaken (including long and involved processes) that are designed to pacify critics rather than create a roadmap for change. Unfortunately, these processes only pacify critics temporarily, and critics often end up more critical than they were before the process was undertaken, particularly if the process leads to no change. **Ultimately, it is better to decline to engage in a process than to engage in one where it’s been predetermined (or it’s highly likely) that the results will not be implemented in any meaningful way.**

Before engaging in a process to develop effective reimbursement methodologies, reimbursement rates, and payment structures for services that impact the advancement of Employment First, it is critical for leaders or conveners of the process to be certain they want to make some kind of meaningful and deliberative changes (in the near term, not at some undetermined future point).

Principle #4: Don’t Make Presumptions About the Scope of Change that Will Result from the Process.

“Your present circumstances don’t determine where you can go; they merely determine where you start.”

*- Nido Qubein, Businessman, Motivational Speaker and
President of High Point University*

Sometimes, change efforts—especially those focused on effective reimbursement methodologies, reimbursement rates, and payment structures for services that impact the advancement of Competitive Integrated Employment and Employment First—result in certain funders (i.e., state agencies or intermediaries like counties or MCOs) unexpectedly “leapfrogging” over others that have historically been considered far more advanced. For those with long-standing, positive reputations, there is the well-recognized danger of “resting on one’s laurels.” Sometimes getting too comfortable with celebrating past achievements inadvertently stifles opportunities for innovation in a system that would otherwise be highly likely to make a success of such an effort and yet again, be an example for others to follow. For other funders, there sometimes seems to be a paralysis that sets in a fear that because no one can know for certain the impact that will come from any change, it is better not to make changes. This typically causes tangible problems and barriers to progress and go unaddressed for months, years, and sometimes, even decades. It is not just the challenge of inertia; hindsight suggests that it is more about the fear of unintended impacts that causes systems to resist making meaningful changes.

Experience suggests that no state agency, county, or MCO should ever begin a change process, focused on advancing Employment First through reimbursement methodology changes and rate restructuring, with the assumption that only small changes are possible and prudent. In fact, small changes often require much effort: unfortunately, far more effort than what is proportionate with the impact of these changes. Existing payment structures, processes, and culture often necessitate a more significant and broad-based set of changes to create a meaningful impact and advance desired outcomes. This is where the “leapfrogging” becomes possible, indeed probable.

Through the process, it may become clear that incremental or phased-in change is the best way to accomplish effective and lasting change; but making more significant changes that significantly realign financial incentives or significantly redefine what is reimbursed and why, should never be precluded based on some assumption that such change can only be implemented by those entities that are already near the front of the pack. In fact, some of the examples in this guide demonstrate how innovative changes in rate structures and reimbursement models can be implemented by funders not historically recognized for being on the cutting edge.

Regardless of where any funding source starts, the opportunities to innovate and adopt progressive new reimbursement methodologies and rate structures are always equally present. No matter where a system or organization has been or is today, there are readily available ways to find out what others are doing elsewhere to adopt a well-informed perspective on the opportunities for change. This leads us to the fifth principle.

Principle #5: Turn Outward for Inspiration, but then Be Sure to Turn Inward to Build Effective “Homegrown” Changes that Partners Can Embrace.

“There is no substitute for the superiority of designing change using well-informed and local stakeholders; but stakeholders with both characteristics are critical for success.

- The Author

When sharing examples of reimbursement methodologies and rates, and payment structures from elsewhere with a particular funder, there is always keen interest and typically a sense that different approaches for elsewhere hold more promise than a funder’s current approach. While this may be true, it is also critical that each funder take the time necessary to develop a customized (i.e., homegrown) approach for implementation in their state, region, or county. As mentioned previously, what has been learned through all of the examples and experiences discussed in this guide is that every local system is best served by developing its own reimbursement rate and payment structure changes, ***in collaboration with its stakeholders***. This ensures the opportunity for stakeholder buy-in, which is essential for success. However, completely reinventing the wheel or not building upon other systems’ experiences and strategies is certainly not the optimal approach. When learning about others’ approaches, experience suggests the importance of listening hard, understanding at more than a superficial level, and not seeking to outright copy - however attractive and simple that may seem. Instead, ***engage in learning with a set of trusted and committed stakeholders and together, seek to pull out key elements of these other approaches that make sense to build into your own solutions.***

A word about trusted and committed stakeholders: These stakeholders share a funder’s commitment to Competitive Integrated Employment and Employment First and the desired outcomes for the process of designing a new approach to payment structures, including reimbursement methodologies and rates for services that impact the advancement of competitive integrated employment. These stakeholders are also making a positive impact already on the goals of Employment First in their unique ways. They have the respect of their peers and are committed to bringing along as many of them as possible to build the broadest possible stakeholder buy-in for implementing the outcomes of the process. They also have experience to draw on and a willingness to find common ground to chart a path forward. ***These types of stakeholders exist in every state, and as part of a successful process, it is critical that those leading and convening the process involve these stakeholders as part of the fundamental process design.*** This is essential and when this is done carefully, and from an early point in the process, it is indicative of a desire for a successful outcome and the real, impactful changes that typically flow from a successful process.

As efforts turn inward to a focus on homegrown strategies, experience suggests it is beneficial to have the process facilitated by a neutral external party with relevant subject matter expertise. This helps tremendously with setting a positive tone for constructive collaboration, focusing everyone’s energy on the opportunity and tasks at hand, and providing input (as needed) to the group process to keep the process moving and evolving. Most everyone knows bringing in someone from “somewhere else”—especially someone with subject matter expertise—seems to bring a greater sense of importance to the process. To the extent, the process can also be co-facilitated by someone local who holds a high-level leadership position and who is recognized as someone able to take recommendations and proposed

changes forward to final decision-makers. The process is also likely to be much more successful both in terms of buy-in among those participating and the outcomes becoming real systems change.

Principle #6: Assist Providers of Relevant Services to Evaluate and Understand Their Costs of Doing Business in Different Ways.

“The true costs to deliver services cannot be found in typical financial reports produced by human service organizations and their auditors. The key is getting away from big picture analysis and analyzing income and expense at the individual service level.”

- The Author

A major challenge and/or opportunity is getting providers of direct services comfortable and enthusiastic about moving to new payment structures, including new reimbursement methodologies and associated reimbursement rates. Often, what prevents providers feeling comfortable and enthusiastic is a long history of being paid in a particular model, and the inevitable investment providers have made in maximizing their ability to operate successfully with this payment model. This is especially the case if the long-standing model has been fee-for-service. Based on experience, if the traditional payment model has been fee-for-service with billing only permitted for face-to-face service delivery time, the challenge is even greater.

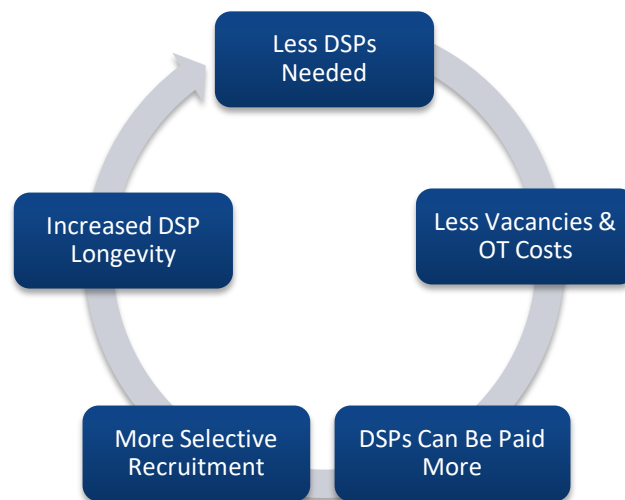
Author’s Note: *Both people who work for provider agencies and those who work for funders can initially struggle with the “appropriateness” of paying differently, including paying for outcomes rather than service, if that is a model being considered as part of the realignment of financial incentives and application of value-based purchasing principles. It is important to take time for stakeholders to understand and consider the potential benefits of paying in a very different way. Experience suggests the value of paying differently must be revisited often with repeated opportunities for stakeholders to ask questions and contemplate the rationales and likely impacts for themselves. A lesson learned is to constantly bring the conversation back to intended outcomes for making changes to payment structures. Some questions that have proven helpful in guiding the conversations include:*

- *What if reimbursement structures were more directly linked to the achievement and maintenance of key outcomes that are desired from services? What kind of new flexibility might this create for providers, and what kind of new accountability for investments might this create for funders? Would those receiving services be more or less likely to get frustrated with the process of receiving services to reach their desired goals and outcomes?*
- *Shouldn’t providers excelling in the application of best practices and production of quality outcomes receive greater financial remuneration for performing in this way?*
- *What if measurable progress toward outcomes, achievement of outcomes, and sustaining outcomes were the triggers for reimbursement rather than service delivery or process milestones that weren’t necessarily tied to achievement of outcomes?*

As appropriate time and effort is put into allowing all stakeholders involved to consider, in more than a superficial way, the merits of adopting a different payment structure, stakeholder engagement in designing the best possible alternative payment structure will begin to grow and emerge, leading to a process that results in positive outcomes.

It may be the case that providers of direct services have based their approach to budgeting on maximizing the volume of services delivered. They may be using volume-based budgeting to cover the ongoing costs for their administrative structure, setting annual targets for the volume of services provided—rather than the net income generated—to create their balanced operating budgets. In this situation, *it may be particularly difficult for a provider to understand how delivering less service would be an advantage to them financially*. They see maintaining or even increasing the volume of service delivered as critical for sustaining their organization. Getting beyond this is critical for provider buy-in for payment structure reform.

Recent experience in particular suggests tying the change in thinking—from a focus on maximizing the volume of service delivered to a focus on maximizing net income from a potentially lower amount of service delivered—to the direct service workforce crisis. Providers who feel the biggest impact from the direct service workforce crisis are those that provide the most units of service (units of time) as they need the most direct support workers to do this. New reimbursement models and payment structures that are not so directly tied to the amount of service provision time (and instead more directly tied to the outcomes produced by effective and efficient service provision) can actually allow a provider to *increase net income by providing less service*. While it certainly can be counter-intuitive for a system that may have a long and exclusive history of fee-for-service or other payment structures that inadvertently incentivize higher amounts of service delivery, it can also introduce a path forward that can reduce the negative impact of the direct service workforce shortage. If less service needs to be provided, the following “knock-on” effects can occur (as shown in the chart), starting with the need for less direct service professionals (DSPs).



Overall, assisting providers in focusing on **net income** rather than **gross income** allows providers to begin to see that a smaller, better-resourced organization with a flatter organizational structure and better paid, more experienced staff might more effectively sustain the organization and support investment in innovation.

Consider this simple comparison:

	Provider A	Provider B
Amount of Services Delivered	2,000 hours	1,000 hours
Payment Per Unit of Service	\$7.00	\$14.00
Total Gross Income	\$140,000	\$140,000
Gross Cost Per Unit of Service	\$6.75	\$11.75
Net Income Per Unit of Service	\$.25	\$.25
Total Net Income	\$500	\$2,250

In this example, providing fewer units of service, paid at a higher reimbursement rate, ultimately creates more net income for the provider, despite the fact the gross income paid to each provider (the total expenditure by the funder) is the same. What defines the financial benefit to the provider is not gross income. In this example, there is no difference in gross income. What defines the financial benefit to the provider is actually net income.

In this next example, a three-part comparison between Supported Employment revenue is made: one provider being paid based on hours of service is compared to a provider being paid based on the hours the supported employee works:

	Provider A	Provider B
Joe Works 24 Hours Per Week	24 hours	24 hours
Joe Needs 12 Hours Coaching Per Week	12 hours	12 hours
Rate Per Hour of Job Coaching	\$36.00	N/A
Rate Per Hour Worked by Joe	N/A	\$18.00
Total Income	\$384.00	\$384.00
Income Per Hour of Job Coaching	\$36.00	\$36.00

If the provider assists Joe to get more hours at his job, but the provider does not have to increase his job coaching hours, consider what happens in the two payment models:

	Provider A	Provider B
Joe Works 30 Hours Per Week	30 hours	30 hours
Joe Needs 12 Hours Coaching Per Week	12 hours	12 hours
Rate Per Hour of Job Coaching	\$36.00	N/A
Rate Per Hour Worked by Joe	N/A	\$18.00
Total Income	\$384.00	\$540.00
Income Per Hour of Job Coaching	\$36.00	\$45.00

In these examples, the provider earns more net income as Joe moves closer to full employment, particularly if the provider can help Joe achieve this without the need for coaching supports: a win-win in terms of quality outcomes.

If the provider is able to utilize additional best practice strategies to further reduce Joe’s need for job coaching, consider what happens in the two payment models:

	Provider A	Provider B
Joe Works 24 Hours Per Week	24 hours	24 hours
Joe Needs 8 Hours Coaching Per Week	8 hours	8 hours
Rate Per Hour of Job Coaching	\$36.00	N/A
Rate Per Hour Worked by Joe	N/A	\$18.00
Total Income	\$288.00	\$384.00
Income Per Hour of Job Coaching	\$36.00	\$48.00

In these examples, the provider can earn more net income, not by providing more service, but rather by focusing on two best practices of Supported Employment job coaching: fading (providing less service) and assisting the supported employee in maximizing his/her hours working.

These examples are by no way exhaustive but are provided to illustrate the critical importance of assisting providers in thinking about the primary importance of net revenue rather than gross revenue, and the advantages they may experience if they are able to earn greater net revenue by providing fewer units of service through payment structure changes. Assisting providers in doing these sorts of comparisons is essential for paving the way to adopting new reimbursement methodologies and rate structures that reward quality over quantity - a key principle of value-based purchasing.

Principle #7: Use a Transparent and Logical Approach to Understanding Provider Service Delivery Costs.

“A lack of transparency results in distrust and a deep sense of insecurity.”
- Dalai Lama

It is very important that reimbursement structures and rates are built to support and reward/incentivize best practices that are proven or widely accepted to lead to desired outcomes rather than practices that, while they may be common in the current system, are not recognized as best practices for the types of services being provided. It is unfortunate that in many ways, practices have come to mirror the incentives that are created by traditional reimbursement structures, which are often counter to desired outcomes.

Agreeing on the actual and appropriate cost to provide specific types of services to advance Competitive Integrated Employment and Employment First is critical, regardless of the reimbursement structure that is ultimately designed and implemented. **An effective reimbursement methodology that defines what is paid for, how it is paid for, and when it is paid for, will not have the desired impact if assumptions about the cost of service delivery that are incorporated into the model are not accurate.** (Author’s Note: I have observed costs for service delivery set too high and too low. Both

were problematic for different reasons and negatively impacted the success of what were otherwise effective reimbursement methodologies.)

Experience suggests traditional cost reporting (for retrospective reimbursement) will not typically provide the kind of targeted cost data that is needed to establish an accurate understanding of a provider's cost to deliver a particular service. Cost reporting often reflects broad categories of expenses, which do not allow the specificity that is needed. Data collection tools typically need to be created for use as part of a "Rate Restructuring" initiative that seeks to establish a prospective payment structure. The data collection tools can and should be simple; everyone should understand the various cost elements that are included, including why they are included.

It's important not to bypass this critical step in the process. For funders, there may be hesitation about asking providers for cost data. While there can be an assumption that providers will inflate their costs to drive up service delivery dollar figures that are incorporated into the new reimbursement methodology, experience in multiple states has demonstrated this does not occur. If it does, the provider is an outlier, and the inflation in their reported costs is easily identifiable when compared to their peer's reported costs.

Once provider cost data is obtained, it is important to keep in mind that this reflects **current costs**, which may need to be adjusted to fully support the implementation of **best practices** that are proven to lead to desired outcomes. It is critical to set the cost of delivering the service to be factored into the reimbursement model in a way that ensures it covers the costs of providers implementing best practices and allows a reasonable net income margin for provider reinvestment in continuous innovation.

It is generally accepted that a higher wage is required if best practices are expected from staff performing services. The higher wage is necessary to employ staff who are performing above expectations in terms of facilitating desired outcomes, or are likely to perform above expectations due to greater experience and/or more education/training. For a variety of reasons, the appropriate wage level may not be reported in providers' current costs. Current reimbursement rates may not support employment of staff who are likely to know and competently utilize best practices. Current program requirements may not require staff with qualifications, experience, and/or training in best practices, and thus, providers are not currently employing staff at this level (and do not have the associated costs involved); or both of these factors may be present. Thus, it is typically necessary to consider the appropriate wage for people delivering services and associate this wage with appropriate expectations regarding qualifications, experience, and/or training. Experience suggests it is neither appropriate to build a higher wage into the reimbursement model without requiring that it be tied to a person having some enhanced level of performance, qualifications, experience, and/or training (that typically requires payment of the higher wage); nor to require all staff delivering the service to have an enhanced level of performance, qualifications, experience, and/or training without reflecting that in the wage rate incorporated into the reimbursement model.

Some argue that simply paying for outcomes will take care of ensuring provider staff are appropriately paid and competent in implementing best practices, but this has not proven to be universally true. Some programs find they have a relatively poor rate of achievement of successful outcomes, yet the system continues to function, and a higher-than-optimal failure rate is actually accounted for in the rate structure, resulting in little need for providers to increase their ability to produce successful outcomes. Other times, providers cannot meet demand due to the inability to efficiently and effectively produce outcomes, and providers may simply drop out of the network rather than correct

the problem. All of these realities mean that while paying for outcomes may be far better than fee-for-service, it alone will likely not be enough to ensure high-quality outcomes are consistently achieved. That is, all reimbursement structures delivering services to advance Competitive Integrated Employment must ensure that staff will be paid adequately based on performance and that they have necessary qualifications, experience, and/or training, to implement best practices that lead to desired outcomes.

In general, funder “fear” with regard to establishing robust assumptions about providers’ costs to deliver a service is typically based on the assumption that a fee-for-service, rather than an outcome-based reimbursement methodology, will be used. In Section 5 of this guide, some of the approaches highlighted are designed to mitigate the fear (and likelihood) that setting reimbursement based on assuming a higher cost of service delivery will necessitate higher spending by the funder. **Higher spending is often driven by the presence of the wrong incentives in a flawed reimbursement model, not the cost of service delivery factored into the model.** If a funder adopts a different reimbursement model that incorporates an appropriate cost for best-practice service delivery, the cost-effectiveness that the funder needs can be achieved while providers are adequately reimbursed for the service they do deliver, allowing them to implement best practices which lead to desired outcomes.

Principle #8: Return to Desired Outcomes and Use Backward Reasoning to Arrive at the Reimbursement Methodology that is Best and Logical Approach to Achieving Desired Outcomes.

“Stop getting the wrong things done.”

- Michael Hyatt

In Michael Hyatt’s book *Free to Focus*,⁶ he argues that productivity is not about doing things faster. Rather it’s about **achieving more by doing less as a result of focusing on getting the right things done**. For Hyatt, increasing productivity is largely about what someone is not doing. Many times, reimbursement structures in service systems for people with disabilities focus energy and effort on things that don’t facilitate the outcomes desired from services. Quite frankly, they focus effort (what people do) on engaging in activities and documenting time on these activities - not on the achievement of outcomes. In a milestone payment structure, they focus effort on the process milestone as an end in and of itself, not necessarily the ultimate outcome desired. **Staff delivering services and people receiving services may feel like they are always busy doing something, but not busy achieving something.**

Once many of the strategies discussed in the principles above are incorporated into a process of developing a reimbursement methodology and corresponding payment rates to advance Competitive Integrated Employment and Employment First, it’s critical to return to Principle #1. That is, -what are the intended outcomes of the process that were established at the outset: what change(s) is desired, and how will we know we have been successful; and how will we know that the reimbursement methodology and payment rates put in place have created the change(s) that is desired.

It’s essential that the process progresses by returning the focus to the specific outcomes that are desired and using backward reasoning to define the reimbursement methodology (i.e., what is paid for, how it is paid for, and when it is paid for) that quite frankly, aligns most with common sense and logic.

⁶ Hyatt, Michael. (2019) *Free to Focus*. Grand Rapids, Michigan: Baker Books.

Backward reasoning is a fancy term for simply working backward from a goal to define how to achieve the goal.

Principle #9: Adopt the Right Amount of Sophistication in the Reimbursement Model, Avoiding Too Much Complexity and Too Much Simplicity.

“Increasingly, people seem to misinterpret complexity as sophistication.”

*- Niklaus Wirth,
Renowned Swiss Computer Scientist*

“For every complex problem, there is an answer that is clear, simple...and wrong.”

*- H. L. Mencken,
American Political Journalist*

Across states, it seems clear that almost any reimbursement model feels complex and difficult to fully understand for those not familiar with it: particularly for those not paying or being paid in the model. The reality is that while it is challenging for all parties to understand and adjust to a new reimbursement model (regardless of whether it's thought to be simple or complex), after a period of time “in the model,” it becomes second nature for those involved. **The inevitable challenges with transitioning to a new reimbursement model (the learning curve) should not lead to the development of models that prioritize simplicity over the achievement of fairness, effectiveness, and cost-effectiveness.**

Fairness: The concept of fairness is primarily about addressing risk adjustment in reimbursement models and payment structures in order to ensure providers who serve individuals with disabilities who have the highest challenges, or who are at the most challenging points in the process, are appropriately rewarded and compensated for doing this. In a system where we lack sufficient capacity, it is attractive and relatively easy to “cherry pick” from the crowd of people who need assistance to achieve competitive integrated employment, valued social roles in their communities, and an ability to live where and with whom they wish - this latter goal made possible largely through achievement of the two former goals. When we focus reimbursement methodologies and payment structures on outcomes, building in this kind of risk adjustment is imperative. Often, simple reimbursement models fail to do this. In competitive integrated employment, we see payment rates that aren't adjusted based on the level of challenge to serve the person, and that aren't adjusted to reflect differences in the number of hours people supported may work, as two common examples.

Risk adjustment is a basic principle in healthcare that “adjusts” payments to insurers based on the assumption that individuals with more significant healthcare conditions will cost more to serve than the typical population that is served. Since outcome-based reimbursement models (as opposed to fee-for-service) typically involve a risk-based component for providers of service, the primary message here is that an effective reimbursement model and payment structure must factor this into the design.

Effectiveness: The concept of effectiveness largely concerns the question of whether the reimbursement model and payment structure can produce the desired outcomes, which go beyond simply measuring whether more people are using and receiving the services. Outcomes that matter in advancing Competitive Integrated Employment and Employment First often include one or more of the following:

- Are more people working?
- Are people who have typically been working now working higher hours?
- Are fewer people losing their jobs for preventable reasons?

- Are people who are working able to work more independently as they hold their jobs for longer periods?
- Are people who are working able to earn increasingly more as they hold their jobs for longer periods?
- Are more people, not yet working, making an informed choice about working?
- Are more people, not yet working, choosing to establish a goal to seek work?

As value-based purchasing increasingly takes center stage, the importance of public investments leading to certain measurable and desirable outcomes is becoming paramount. No longer is a public investment considered a wise investment when it results in service delivery, but does not also produce desired outcomes. A new reimbursement methodology or payment structure that is too simple in its design often ends up leaving one or more incentives or disincentives to achieving the desired outcomes unaddressed, thus compromising the overall impact the new model ultimately has.

Cost-Effectiveness: Warren Buffet once said: *“Cost is what you pay; value is what you get.”* This profound yet simple quotation reminds us of the critical difference between a service that is low-cost and a service that is truly cost-effective. When something is cost-effective, it is said to produce the highest value in relation to the investment made. This helps explain why something that is the most cost-effective may not always be the lowest cost option available. Instead, cost-effectiveness can only be determined by comparing the amount of the investment and the value that resulted from the investment, and then—among options—identifying the one that returned the greatest value proportionate to the investment. This isn’t to say that cost-effectiveness is therefore not relevant for systems or programs with limited resources. On the contrary, measuring cost-effectiveness is critical to help systems and programs with limited resources understand which investments best maximize desired outcomes: in other words, which expenditure gets the “biggest bang for the buck.” There is an assumption that a larger investment might be justified and made if the return on that investment is proportionately higher than what a smaller investment would have produced. However, the critical focus on cost-effectiveness ensures that the principles of fairness and effectiveness discussed above are not considered in isolation. It further ensures that the measure of success for a new reimbursement methodology or payment model is not simply whether more money is being spent on certain types of services. It’s critically important that changes in overall investments are not looked at in a simplistic way, but instead are understood in terms of changes in the average, per person costs, recognizing the value of growth in overall spending if it is proportionate with an increase in the number of people receiving the services. Additionally, changes in overall investments should consider the average cost per outcome (e.g., the outcome-based unit, such as an hour worked or a dollar earned).

Principle #10: If the Effort is Worth Undertaking, It’s Worth Doing It Right Rather than Knowingly Shortchanging the Process.

“Details matter. It’s worth waiting to get it right.”

- Steve Jobs

Sometimes, in the process of devising a new reimbursement methodology and payment structure, the work involved in “getting it right” can seem like too much effort or something that requires too much time. Leaders or others involved may lack the “staying power” to plow through the very challenging aspects of defining a better reimbursement methodology or payment structure, especially working to

achieve consensus with stakeholders. Sometimes, there may be a reluctance to do the billing/claims systems and information technology work necessary to implement a better reimbursement methodology or payment structure. Other times, there may be a reluctance to do anything that may require seeking the approval of the federal government or state legislature or promulgating new administrative rule or code changes to advance Employment First through a new reimbursement methodology or payment structure.

A few strategies that can be built into the process to “get change right” include:

- Piloting all or a portion of the changes proposed with willing providers who are interested in seeing the impact of a different reimbursement methodology and payment structure on the way they deliver services and their costs of doing business.
- Allowing a length of time where providers experience “side-by-side billing” which allows them to continue delivering services while being able to compare their reimbursements under both the current and proposed reimbursement structures.
- Facilitating key parts of the process to occur simultaneously in order to move the entire process along more expeditiously without shortchanging any critical part of the process.
- Having leaders and facilitators of the process empowered to identify when more time is needed for certain parts of the process in order to protect the integrity of the overall process (e.g., more time for stakeholder consultation; more time for billing systems changes, etc.).
- Devising short-term, temporary “workarounds” for certain aspects of the changes being made in reimbursement methodologies and payment structures, so that the bulk of the changes can be put in place while some elements that require longer-term policy, structure, or funding changes can still be worked on without putting the entire new initiative on hold.

IV. If Cost Neutrality is Essential: Strategies for Rebalancing Existing Funding

Some programs, but certainly not many, have new funding allocated to assist with advancing Employment First. Most states face the challenge of addressing funding for Employment First without new and additional dollars available. In these situations, funding realignment typically involves rebalancing of existing funding for employment and day services.

Rebalancing primarily involves adjusting reimbursement rates for the various employment and day services to align financial incentives with optimal, preferred, and priority outcomes. In an Employment First state or program, these outcomes are competitive integrated employment outcomes. Traditionally, services that have not resulted in or directly supported competitive integrated employment outcomes were the most highly utilized. In some cases, this was because reimbursement rates for services that lead to or directly support competitive integrated employment were not sufficient to drive strong provider interest in delivering these services. This is not always because rates for integrated employment services are too low. Sometimes, the rates for other services (i.e., facility-based and non-work services) are more generous than they appear, causing providers to want to remain invested in providing these services as the norm.

In a cost neutral environment, incentivizing day and employment service providers to adopt a greater focus on the provision of services that lead to and directly support competitive integrated employment outcomes requires careful rebalancing of available resources. The process requires review (and collection if necessary) of data on the typical cost of providing each service. The cost will vary based

on the locality, staffing ratios required, whether transportation to/from the service is included in the rate, and other factors.

With data collection from service providers, data analysis can identify where certain existing reimbursement rates may be higher or lower than necessary. This process allows the state or funding entity to adjust reimbursement rates to more appropriate levels. Savings from any rates adjusted down are used to increase rates for other services. These other services would receive a rate increase based on data analysis, which shows the rates for these other services are currently inadequate or are not set at a level to create the desired incentive for providers to increase their willingness and capacity to provide these services.

Case Example: Iowa

In Iowa, rates for facility-based prevocational services that required a minimum 1:15 staffing ratio (1 staff person for every 15 individuals receiving services) were deemed too high in relation to the cost to provide the service at this minimum staffing ratio. This conclusion was further verified by comparing Iowa’s facility-based prevocational service rates to the rates paid by other states with similar or identical minimum staffing ratios. When facility-based prevocational service rates were reduced accordingly, the savings were reinvested in:

1. Ability to fund a time-limited, 1:1, community-based prevocational service authorization for a career exploration and planning process for each person receiving prevocational services to enable each person to make an informed choice about their desire to obtain competitive integrated employment, and if interest is confirmed, to develop an initial plan to achieve competitive integrated employment. Maximum authorization = 34 hours in a 90-day period. Exploration process included the following expectations and time/cost assumptions:

Informed Choice Expectations	Estimated Hours
Initial meeting with family/guardian to explain career exploration service, purpose, how it will be provided, and find out their questions / concerns / hopes. [Include in the annual plan meeting]	1 hour for the provider who will already be attending the annual plan meeting
Orientation to Supported Employment and how it works (including VR services) and basic benefits education (meeting with family / guardian and individual)	2.5 hours
Career Exploration including "abridged" Discovery process (8 hours) that informs focus for 3 to 5 business tours, informational interviews, job shadows which involve set-up, prepping person, and debriefing with person after the experiences	16 hours
Meeting with family/guardian and individual to provide re-education or additional education on competitive integrated employment and Individual Supported Employment services (including use of reasonable accommodations and assistive technology), VR, and basic benefits education	2.5 hours
Written report: Either report on service process/outcomes (if no interest in CIE) or initial plan to achieve CIE (if interest in CIE confirmed)	4 hours
TOTAL	34 hours of 1:1 Prevocational Service

Note: This is 34 hours of prevocational services that would have otherwise been authorized during the same timeframe at a normal rate. These hours are authorized at a 1:1 rate to allow completion of the above, time-limited Career Exploration / Planning process.

- Cost difference: Calculate the net cost by taking the 1:1 rate multiplied by 34 and subtracting the regular prevocational service rate multiplied by 34.

Iowa Example: Net one-time cost difference per person = \$961.18

$$(\$38.27 \times 34 \text{ Hours} = \$1,301.18) - (\$10.00 \times 34 \text{ Hours} = \$340.00) = \$961.18$$

2. Enhanced Job Development and Job Coaching rates for individualized Supported Employment services enabling people to obtain and maintain competitive integrated employment, established based on cost reporting from providers and new (increased) education/training requirements put in place for staff providing Job Development and Job Coaching services. The fee-for-service billable hour rates were set at \$66.13 for Job Developer and \$45.16 for Job Coach.

- Job Development service limited to one initial 40-hour authorization with one extended authorization (if needed) of an additional 20 hours. Sixty (60) hours set as maximum total hours per year per waiver participant.
- Job Coaching service authorized through the monthly unit with five authorization levels based on the range of hours of job coaching as needed:
 - Tier 1 = Minimum 1 contact/month \$67.67
 - Tier 2 = 2-8 hours/month \$361.58
 - Tier 3 = 9-16 hours/month \$722.15
 - Tier 4 = 17-25 hours/month \$1,129.18
 - Tier 5 = 26 or more hours per month \$45.16/hour

Job Coaching must be reauthorized every 90 days. The intent of the model is that providers will transition people from higher tiers to lower tiers over time.

Iowa Medicaid reports they are currently in the process of doing data analysis to determine the rate and frequency at which people are moving through the tiers. Tier 1 was included to encourage providers to maintain contact, because it is easier and less costly to help people keep their jobs and prevent adverse outcomes (e.g., losing hours, losing jobs, leaving jobs for fear of losing benefits) than to have to reopen a case and start over with job development after a job loss that could have been avoided.

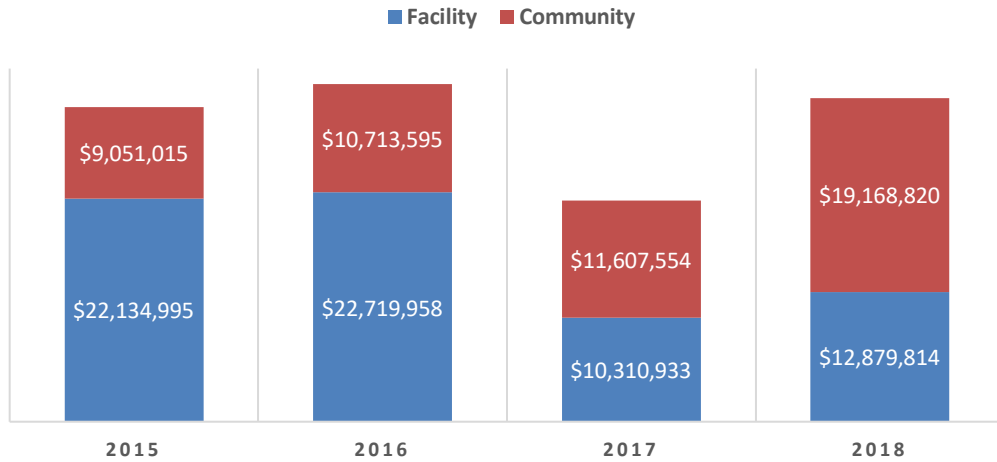
- Total maximum monthly cost per individual for all Supported Employment services set at \$3,059.29 per month.

In addition to these changes, Iowa Medicaid also rebalanced rates for Small Group Supported Employment. Iowa Medicaid recognized that one flat reimbursement rate per 15-minute unit for any group, from as small as two to as large as eight, created a likely financial incentive for providers to develop larger groups. Therefore, Iowa Medicaid created tiered rates based on group size in order to eliminate any financial incentive for providers to develop and expand the number of larger groups as compared to smaller groups:

- Tier 1 - Groups of 2-4 = \$2.84 per member per 15-minute unit
- Tier 2 - Groups of 5-6 = \$1.77 per member per 15-minute unit
- Tier 3 - Groups of 7-8 = \$1.26 per member per 15-minute unit

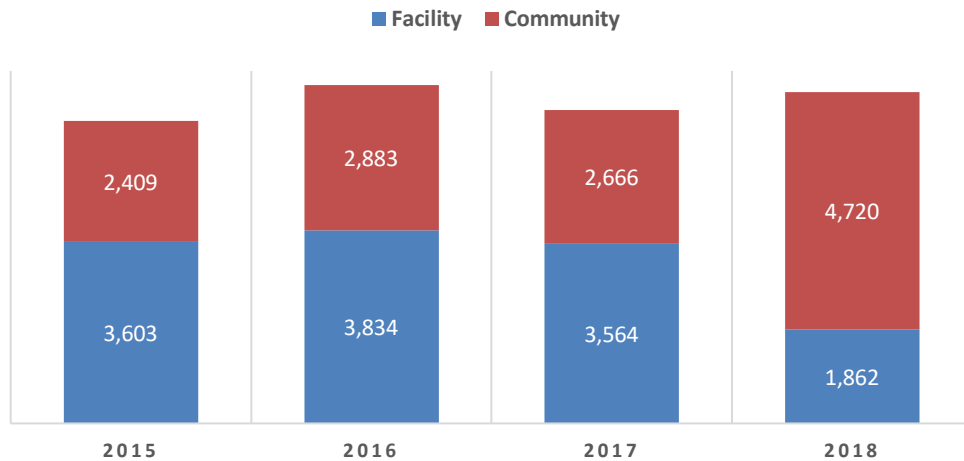
The overall impact of the cost-neutral rebalancing done in Iowa, implemented in May 2016, is illustrated by the figure below that shows the portion of overall employment service expenditures that were spent on community employment (Individual and Small Group SE) went from 29% in 2015 to 60% in 2018.

Employment Service Expenditures, Medicaid & MHDS Regions



Prior to the change, data from 2015 shows the number of individuals funded by Medicaid working in community employment as 2,409 (Individual and Small Group). By 2018, the data chart below shows that this number had increased to 4,720.

Persons Receiving Community and Facility-Based Employment Services



Case Example: Oakland County, Michigan

In Michigan, Oakland Community Health Network (OCHN), the managed care entity responsible for contracting for day and employment services for people with intellectual and developmental disabilities (IDD), collected cost data from providers of Skill Building (prevocational) and Supported Employment services to determine appropriate rates that incentivized services to support competitive integrated employment and community-based Skill Building services. The result of the cost data analysis enabled OCHN to establish new rates based on comprehensive rate models for Facility and Community-Based Skill Building, Individual Supported Employment, and Small Group Supported Employment. OCHN was able to reduce the rate for facility-based Skill Building to only cover the calculated cost to provide the service. They reinvested the savings to establish:

- An enhanced reimbursement structure for individual Job Coaching (built on \$38.61 as the calculated hourly cost) to support competitive integrated employment as the priority outcome.
- An option for providers to provide Skill Building services in the community, consistent with best practices and HCBS Settings Rule expectations. This involved setting differential rates for Community-Based Skill Building as compared to Facility-Based Skill Building. While Facility-Based Skill Building moved to one flat rate, tiered Community-Based Skill Building rates were created based on staffing ratios to encourage smaller group service models and to incentivize the provision of Skill Building in the community rather than in a facility:

Group Size	Rate (\$)
1:2 Ratio	\$4.42 per 15 min unit
1:3-4 Ratio	\$2.71 per 15 min unit
1:5-6 Ratio	\$1.97 per 15 min unit

Note: Above rates are based on the calculated cost of \$33.72 for a community-based Skill Builder service hour plus add-ons for administration that are adjusted incrementally based on group size.

Case Example: Tennessee

Sometimes, it may also be the case that data analysis reveals staffing ratios for certain types of employment and day services that are more intensive than they need to be and what is typical nationally. The lower than necessary minimum staffing ratios result in the need for higher than necessary reimbursement rates because providers have increased costs associated with lower minimum staffing ratios. In these situations, provider costs to deliver the service can be reduced to allow for a corresponding reduction in reimbursement rates by establishing revised minimum staffing ratios that are still sufficient to meet the need but are higher than previously required ratios. This change can create savings that a state can then use to ensure adequate and/or incentivized rates for services that lead to or support competitive integrated employment.

In Tennessee, 1915c waiver staffing ratios for facility-based Day Services were recognized to be lower (more intensive) than what is typical nationally and what was deemed necessary based on individuals' measured acuity, particularly for individuals in the lower acuity groups who were still participating in facility-based Day Services. (*Note: acuity refers to the level of disability and corresponding intensity of supports needed.*) Tennessee had a rate structure that established five acuity levels for facility-based Day Services with a different day rate for each level based on the expectation of lower (more intensive) staffing support being provided to people with higher acuity as compared to those with lower

acuity. Tennessee chose to preserve the existing expectations for staffing intensity for those at the two highest acuity levels (Levels 4 and 6) and establish higher (less intensive) minimum staffing ratios for those with lower assessed acuity.

Assessed Acuity Level	Existing Minimum Staffing Ratio	Existing 15-Minute Unit Rate	New Minimum Staffing Ratio	New 15-Minute Unit Rate
Level 1	1:8	\$1.31	1:10	\$1.04
Level 2	1:6	\$1.65	1:8	\$1.30
Level 3	1:4	\$2.23	1:6	\$1.74

Note: All of these rates were increased, after this rate restructuring was done, as the result of a legislative appropriation to increase direct support worker wages to \$10.00 per hour as of 7/1/2018.

This change allowed Tennessee to step down these rates for facility-based Day Services and use the savings to partially fund establishing higher rates for Individual Supported Employment job coaching and adding three time-limited Individual Supported Employment services to the waivers that could advance people toward competitive integrated employment: Employment Exploration; Discovery; and Job Development.

Employment Exploration: This is a time-limited 30-day service designed to facilitate increased opportunities for waiver participants and their families/guardians to make a genuinely informed choice about competitive integrated employment. As a matter of policy, Tennessee considers a person who has completed Employment Exploration to have made an informed choice about competitive integrated employment. However, it is important to note that this point-in-time choice is not treated as static or final. Individuals are permitted to repeat Employment Exploration after one year has passed if reengagement at a future point has the potential to lead to a choice to pursue competitive integrated employment.

Discovery: This is a time-limited 90-day service designed to ensure a waiver participant (and his/her guardian/family if involved) *and anyone doing job development/placement for the individual* fully understands, *prior to any efforts to secure employment*, the waiver participant’s interests, strengths, abilities, and conditions for success related to competitive integrated employment.

Job Development: If not available to a waiver participant through the state VR agency, this is an available service paid on an outcome basis with *three tiered outcome payments* depending on the acuity of the individual, as determined through the same process used to place an individual in specific levels for other day/employment services.

When added to the 1915c waivers, these three services were modeled after identical services Tennessee had already implemented in its Medicaid 1115 demonstration waiver for people with IDD that was specifically designed to advance Employment First. This 1115 demonstration waiver - “Employment and Community First CHOICES” - and the three pre-employment services - Employment Exploration, Discovery, and Job Development - are discussed in more detail elsewhere in this guide in the section on Outcome-Based Reimbursement. The more detailed discussion includes an explanation of the outcome payments, how they were developed for each of the pre-employment services, and what criteria are used to determine when payment is made. It was deemed critical to align the outcome payment and service expectations, including reporting expectations, with those in the 1115

demonstration waiver because they used many of the same service providers to ensure consistency across programs purchasing like services.

Case Example: Central Wisconsin

In Wisconsin, Inclusa is the managed LTSS entity operating in 52 of Wisconsin's 72 counties and is responsible for contracting for day and employment services for people with IDD and physical disabilities. In an effort to identify rate and reimbursement structure changes that could advance competitive integrated employment opportunities for individuals with disabilities served, Inclusa worked with providers to evaluate rates for Individual Supported Employment services, Group Supported Employment services, and Prevocational services. Through the process, Inclusa identified an important and necessary adjustment to existing rates that needed to be made to allow the organization to establish an equitable rate structure for all providers delivering Individual Supported Employment services.

Inclusa recognized that different providers of Individual Supported Employment job coaching were being paid different hourly fee-for-service rates for the same service, based on historical contracting and prior to managed care, that typically permitted rates individually negotiated with each provider. There was a range with most providers paid similarly, but there were some distinct outliers including one provider that was being paid \$5/hour more than any other provider and up to \$10/hour more than the lowest paid providers. In an effort to establish a more equitable playing field for providers, Inclusa did an analysis to determine if the provider being paid the highest rate was producing more cost-effective and higher quality competitive integrated employment outcomes than other providers. The results of the analysis did not show that the provider with significantly higher rates was producing outcomes that justified the higher rate. As a result, Inclusa reduced this provider's rate to be in line with the average for all providers and used the savings to bring up the rates of the providers who were being paid below the average.

Case Example: Huron County, Michigan

In Michigan, Huron Behavioral Health (HBH), the managed care entity responsible for contracting for day and employment services for people with IDD and serious mental illness (SMI), reviewed their purchasing strategy for "Skill Building": facility-based services intended to enable people to acquire the skills for successful participation in competitive integrated employment. These services involved individuals served by HBH working in businesses owned and operated by the service provider where people worked in the provider's facility. In a review of its rates and rate methodologies, HBH recognized they were paying the provider 1:1 support for each individual receiving skill building supports; therefore, not taking into account individuals who had lower support needs.

HBH undertook an objective evaluation of each individual using an acuity tool designed specifically to predict vocational support needs and determined that individuals had support needs that were not all consistent. The acuity tool helped them divide acuity needs into three levels. While HBH had been reimbursing for all of the individuals receiving these services based on the highest level of need (1:1), they recognized that the actual supports being provided were not (and did not have to be) 1:1. Thus, they moved to establish three reimbursement rates based on measured acuity and a staffing intensity/ratio appropriate for that acuity.

Facility-Based Skill Building (Minimum Staffing Ratio)	Staff Hour Total Cost (including building space)	Base Hourly Reimbursement Per Person Served
Low Acuity (1:8)	\$28.25	\$3.52
Medium Acuity (1:6)	\$28.25	\$4.72
High Acuity (1:3)	\$28.25	\$7.05

As part of this transition, they utilized extensive staff, administration, and building cost data submitted by the provider agency to establish the Staff Hour Total Cost in the table above.

HBH also implemented an add-on to the rates when the provider is expected to provide transportation of the individual to/from the service. These changes did not impact the amount of service any individual was receiving, but did create savings for HBH, which they reinvested in four strategic ways:

1. Separate rates for community-based Skill Building services to encourage and financially support the provision of Skill Building services in the community. Such community-based service provision is consistent with both the Medicaid Home and Community-Based Services Settings Rule⁷ and best practice in relation to facilitating the intended outcome of the service, which is an achievement of competitive integrated employment. Note the community-based Skill Building rates allow for smaller staffing ratios to help ensure an effective and quality service. Rather than incorporating building costs, HBH incorporated costs related to transportation during service delivery and participation costs that are associated with some valuable community-based activities.

Community-Based Skill Building (Minimum Staffing Ratio)	Staff Hour Total Cost (including travel during service)	Base Hourly Reimbursement Per Person Served
Low Acuity (1:4)		\$7.16
Medium Acuity (1:3)	\$28.66	\$9.56
High Acuity (1:2)	\$28.66	\$14.32

2. Increased rates for Individual Supported Employment services to increase opportunities for individuals served to obtain and maintain competitive integrated employment. HBH chose to implement outcome-based reimbursement for these services but utilized provider-reported data to align the underlying fee-for-service rate with provider costs.

Through the collection of data on every job coach the provider employed, HBH was able to accurately identify a weighted average cost per hour of job coaching service for all costs other than job coach mileage for Supported Employment individual job coaching.

⁷ <https://www.medicaid.gov/medicaid/hcbs/guidance/hcbs-final-regulation/index.html>

Job Coach	Hourly Wage Avg = \$10.93	% FTE	Hrs/ Week	Admin as % of wage + benefits	Productivity Adjustment	Hourly Cost	Weekly Cost
A	\$9.70	0.70	28.0	70.4	1.4508	\$26.33	\$737.24
B	\$9.70	0.50	20.0	97.7	1.3158	\$27.92	\$558.40
C	\$12.75	0.25	10.0	146.7	1.3245	\$46.75	\$467.50
D	\$11.00	0.73	29.2	59.9	1.4286	\$27.50	\$803.00
E	\$10.00	1.00	40.0	37.8	1.4760	\$28.07	\$1,122.80
F	\$11.55	0.38	15.2	97.3	1.2876	\$26.37	\$552.82
G	\$12.75	0.25	10.0	146.7	1.3245	\$46.75	\$467.50
H	\$9.70	0.45	18.0	108.3	1.3636	\$30.58	\$550.44
I	\$12.35	0.70	28.0	50.8	1.2844	\$28.44	\$796.32
J	\$9.70	0.45	18.0	108.3	1.3793	\$30.93	\$556.74
K	\$9.95	0.73	29.2	66.1	1.4286	\$25.89	\$755.99
Total			245.6				\$7,368.75 Avg \$30/week

They added an amount for mileage to the weighted hourly rate and arrived at a total hourly cost of \$32/job coach hour. To incentivize best practices, including fading and assisting people to maximize their employment, HBH converted the fee-for-service hourly rate into a payment-per-hour-worked by the supported employee, adjusting fading expectations based on both acuity and length of time the supported employee has held the job. They maintained the previous hourly job coaching rate (\$22/hour) as the exception rate for supported employees with exceptional circumstances not permitting fading otherwise typical for individuals with similar acuity and similar time on the job.

Acuity Tier	0-11 Months on Job	12-24 Months on Job	25+ Months on Job
High	85%	75%	65%
Medium	65%	55%	45%
Low	45%	35%	25%
Exception	\$5.50/15 min F2F	\$5.50/15 min F2F	\$5.50/15 min F2F

Acuity Tier	0-11 Months on Job	12-24 Months on Job	25+ Months on Job
High	\$27.20	\$24.00	\$20.80
Medium	\$20.80	\$17.60	\$14.40
Low	\$14.40	\$11.20	\$8.00
Exception	\$5.50/15 min F2F	\$5.50/15 min F2F	\$5.50/15 min F2F

Through the collection of data on every job developer the provider employed, HBH was able to accurately identify a weighted average cost per hour of job development service for all costs other than job developer mileage for Supported Employment individual job development.

Job Developer	Hourly Wage Avg = \$18.25	% FTE	Hours /Week	Admin as % of wage + benefits	Prod Adj	Hourly Cost	Weekly Cost
DM2	\$20.00	0.5	20	41.7	1.3423	\$47.85	\$957
LS2	\$16.50	0.5	20	58.1	1.2158	\$34.70	\$694
Total			40				\$1,651 Avg \$41.28/week

They added an amount for mileage to this weighted hourly rate and arrived at a total hourly cost of \$45/job developer hour. To incentivize outcomes from job development services purchased (when service is not available to individuals through the state’s VR program), HBH established outcome payments that could be earned by the provider when a person completes the first week on their job. These rates are also tiered based on acuity to reflect the assumption that people with higher acuity will require more job development time to find and obtain competitive integrated employment successfully.

Acuity Tier	Average Hours @ \$45/Hour	Outcome Payment (payable after one week on job)
High	60	\$2,700
Medium	40	\$1,800
Low	25	\$1,125

- Adjustment of rates for small group Supported Employment, utilizing the weighted average cost per job coach hour (\$30) as explained above and setting the staffing ratio to 1:4 based on data submitted by the provider. HBH also incorporated an add-on for transportation provided to/from the provider’s facility into the rate (assuming transportation to/from places where the small groups worked would be covered by the provider’s contract with those businesses). This rate building methodology allowed HBH to ensure there was no inadvertent incentive for the provider to support people in small group (work crew/enclave) employment rather than competitive integrated employment.
- Four innovative pay-for-performance contract incentives to increase opportunities for individuals served to obtain and maintain competitive integrated employment. During the process of collecting and analyzing the provider’s data to develop the above payment structures, HBH also recognized there were specific areas where they wished to incentivize higher quality. Rather than establishing new performance measures in their provider’s contract without attaching any financial incentive or compensation for the provider meeting these performance measures, HBH chose to implement new performance measures related to competitive integrated employment that included pay-for-performance provisions.

The first performance measure focused on increasing job coach wages and reducing administrative costs charged to the Supported Employment program by the provider. In the first year of the new contract, the provider was able to earn an end-of-year performance-based payment if they reduced administrative expenses such that they were able to increase every job coach’s hourly wage by at least 15 percent.

The second performance measure focused on assisting five HBH consumers, who were working in microbusinesses and earning less than minimum wage, in transitioning to competitive integrated employment or self-employment where they earned at least minimum wage. In the first year of the new contract, the provider was able to earn an end-of-year performance-based payment if they assisted all five HBH consumers in making this transition to competitive wage employment.

The third performance measure focused on increasing the hours of nine individuals working very low hours in community-based minimum wage employment. In the first year of the new contract, the provider was able to earn an end-of-year performance-based payment if they assisted at least seven of these individuals to achieve community-based minimum wage employment of at least 15 hours/week.

The fourth and final performance measure focused on ensuring all job coaches had training in best practices for job coaching. To this end, HBH established a contractual requirement that job coaches must have successfully completed best practice training in order to be paid by HBH, starting with the second year of the new contract. To incentivize and support the provider in ensuring all of their existing job coaches met this requirement by the start of the second year of the contract, HBH committed to reimbursing the provider for the successful completion of the training by up to ten job coaches, offering \$500 per job coach to cover the cost of the training/test fee and the job coach time to complete the course.

Overall, this is an excellent example of how rate restructuring and careful, strategic rebalancing of existing funding can create significant financial incentives for increased competitive integrated employment and community-based service provision. As a further example of the funder's commitment to the provider's successful transformation, HBH implemented the new, reduced facility-based Skill Building rates over a two-year transition period, phasing in the step-down of their rates on a quarterly basis while they offered the incentivized rates for Individual Supported Employment services from the start of the new contract.

V. If New Funding is Available: Funding Realignment Strategies

Sometimes, a state or other funding entity is fortunate to have new funding available to invest in increasing competitive integrated employment outcomes and other services that are proven to lead to competitive integrated employment. In managed care, the new funding may be available as a result of a Pay-for-Performance (P4P) initiative focused on competitive integrated employment. If the P4P includes incentive dollars (new funding in addition to capitation rates paid to MCOs), this represents new funding for competitive integrated employment. In other situations, a state legislature may appropriate new funding to support increased investment in competitive integrated employment services or services that generally support increased community-based service provision.

In these situations, it may seem simple to devise a plan for investing new dollars. The strategy is often just to increase existing fee-for-service reimbursement rates for providers, but experience suggests this may not be the most strategic way to utilize new money.

Case Example: Central Wisconsin

In Wisconsin, Inclusa is the managed LTSS entity operating in 52 of Wisconsin's 72 counties and is responsible for contracting day and employment services for people with IDD and physical disabilities. When the state long-term care agency implemented a P4P focused on competitive integrated employment, which included incentive dollars above the capitation rate, Inclusa was strategic in

considering how to make additional investments to increase the number of members in competitive integrated employment. Rather than simply raising reimbursement rates for Supported Employment individual job coaching, they recognized the number of working-age members they had who were not on a path to obtaining competitive integrated employment: some of whom had yet to articulate an interest in competitive integrated employment. Therefore, Inclusa made strategic investments in services and supports designed to: (a) increase interest for those who hadn't previously expressed interest; and (b) enable people interested to further clarify their employment goal and further develop their skills for competitive integrated employment while beginning to actively seek this employment. Examples of the strategic investments made include making the following activities reimbursable services and amending provider contracts to facilitate the use of these service options:

- Job shadowing
- Initial work incentives and benefits education (myth-busting conversation)
- Discovery (Customized Employment strategy that is an evidence-based practice)
- Community-based prevocational services

To assist members already working in competitive integrated employment, Inclusa focused on encouraging and assisting these members to increase their hours worked. To facilitate this, Inclusa made time-limited assistance from a qualified Job Developer available to any member who needed or wanted help with approaching their employer about getting more hours.

Note: Inclusa also designed an innovative approach to ensuring providers in their network are incentivized to provide Supported Employment-Individual Job Coaching services and are financially rewarded for implementing job coaching best practices. This is discussed later in this guide in the section on Outcome-Based Reimbursement Strategies.

Case Example: Alabama

In Alabama, attention to full compliance with the Medicaid HCBS Settings Rule has recently taken center stage. In the state's intellectual disability waivers, the predominant day services are Day Habilitation, representing 99.9% of expenditures for day and employment services. The typical Day Habilitation model is facility-based. The state wanted to ensure Day Habilitation offered maximum opportunities for community integration. The state recognized that community-based Day Habilitation services could support people to gain experience, skills, and confidence in participating in their communities, thus making integrated employment a more likely possibility.

Initially, the state devised a plan to use new funding to increase rates for Day Habilitation so the minimum staffing ratio could be changed from 1:16 to 1:8. In considering the potential impact of this approach, the state recognized that simply increasing the rate for facility-based Day Habilitation would not necessarily guarantee any provider increased community integration opportunities for participants. Further, they recognized that increasing the rates across the board would not ensure the new dollars actually went to supporting integrated service provision, and to the providers that made the investment and effort to shift their service provision in this way. As a result of this analysis of likely impact, the state revised its plan and instead created two distinct Day Habilitation rates: one for facility-based service provision and one for community-based service provision.

This approach ensured that when increased funding is paid to a provider, it is the direct result of the provider increasing community-based service provision. This approach also allowed flexibility for individuals served to vary their schedules based on individual preferences and when specific types of

community opportunities are available to them. It also allowed the state to track individual levels of community integration and to monitor how people’s time spent in the community is changing over time.

Service-Funding Level	15 Min/Hourly Rates for Facility-Based Time	Facility-Based Minimum Staffing Ratio	15 Min/Hourly Rates for Community Access Time	Community Access Minimum Staffing Ratio
Day Habilitation Level 1	\$1.94 / \$7.76	1:15	\$4.16 / \$16.64	1:4
Day Habilitation Level 1 w/Transportation	\$2.26 / \$9.04	1:15	\$4.80 / \$19.20	1:4
Day Habilitation Level 2	\$2.74 / \$10.96	1:12	\$4.76 / \$19.04	1:3
Day Habilitation Level 2 w/Transportation	\$3.05 / \$12.20	1:12	\$5.40 / \$21.60	1:3
Day Habilitation Level 3	\$3.53 / \$14.12	1:8	\$5.94 / \$23.76	1:2
Day Habilitation Level 3 w/Transportation	\$3.84 / \$15.36	1:8	\$6.58 / \$26.32	1:2
Day Habilitation Level 4	\$4.53 / \$18.12	1:1 (min 75% of time)	\$9.06 / \$36.24	1:1
Day Habilitation Level 4 w/Transportation	\$4.85 / \$19.40	1:1 (min 75% of time)	\$9.70 / \$38.80	1:1

Alabama’s Division of Developmental Disabilities also chose to apply new funding to key service categories designed to support competitive integrated employment. Rather than using new funding to give relatively small, inconsequential, across-the-board rate increases to all services, the agency chose to prioritize competitive integrated employment and invest the new dollars in more impactful rate increases for the following key services:

- Individual Supported Employment Job Coaching rate increased by 50%
- Benefits and Career Counseling rate increased by 100% to support this work being done by a certified Work Incentives Benefits Counselor
- Personal Care on the Worksite rate increased by 38%

All of these targeted rate increases support increasing provider capacity to deliver these services to more waiver participants which supports the state’s efforts to promote the benefits of competitive integrated employment in person-centered planning processes.

VI. Fee-for-Service Reimbursement: Innovations to Incentivize Increased Competitive Integrated Employment

Many programs still pay direct service providers using a fee-for-service reimbursement model. The drawbacks of fee-for-service have been widely discussed in both the VR and Medicaid realms. Research has shown that fee-for-service incentivizes quantity over quality, encouraging providers to perform as many services as possible for maximum reimbursement, which can negatively affect quality and cost of care.⁸⁹ My detailed analysis of the reasons fee-for-service is not a good payment model for Supported Employment, written back in 2014, is still very relevant today.¹⁰ Recognition of the profound disconnect between the best practices and quality outcomes associated with Supported Employment and what fee-for-service reimbursement incentivizes has led funders to consider new approaches. Outcome-based approaches are discussed elsewhere in this guide, but some innovations done with the fee-for-service reimbursement structure are discussed here. These examples provide options for incrementally moving away from fee-for-service and supporting providers to make this change successfully.

Case Example: Tennessee

In Tennessee's 1915c intellectual disability waivers, day and employment services were paid historically through day (per diem) rates. Six hours of service had to be provided in order for a day to be billable. The state made the day rates for Individual Supported Employment higher than all other day rates to incentivize community employment. They also set Community-Based Day Services rates higher than the rates for Facility-Based Day Services to incentivize community service provision.

Providers were able to bill the day rate associated with the type of service in which the individual spent the most amount of time on a given day. For example, if an individual spent 3.25 hours in Community-Based Day Services and 2.75 hours in Facility-Based Day Services, the provider was able to bill the Community-Based Day Services rate. A similar approach was taken for Supported Employment, but with a further incentive which allowed the provider to bill the higher Supported Employment day rate if an individual spent just two of the six hours in Supported Employment. Unfortunately, in this model, six hours of service delivery was still required so fading of job coaching did not typically occur, and data showed that the average hours people worked stayed very close to the two-hour minimum required to bill the Supported Employment day rate.

Supporting people in small groups (up to 3) became the norm, whether the service was Community-Based Day Services or Supported Employment. In 2012-2013, Tennessee was serving nearly 7,000 individuals with intellectual disabilities (ID), and this is how service utilization looked:

⁸ <https://www.americanprogress.org/issues/healthcare/reports/2019/04/10/468290/state-options-making-wise-investments-direct-care-workforce/>

⁹ Maura Calsyn and Emily Oshima Lee, "Alternatives to Fee-for-Service Payments in Health Care: Moving from Volume to Value" (Washington: Center for American Progress, 2012), available at <https://cdn.americanprogress.org/wp-content/uploads/2012/09/FeeforService-1.pdf>.

¹⁰ http://thecpsd.org/wp-content/uploads/2017/03/Policy-Brief_Can-Supported-Employment-Flourish-in-a-Medicaid-Fee-for-Service-System.pdf

Service	Utilization
Community-Based Day	89.6%
Facility-Based Day	50.0%
Individual Supported Employment (1-3 ppl)	16.0%
Supported Employment Small Group (4+ ppl)	3.0%

Note: Individuals receiving multiple services are counted twice in these percentages.

With over \$103 million being spent annually on employment and day services for people with ID, the balance of investment looked like this in 2012-2013:

Service	Balance of Investment
Community-Based Non-Work	65.4% of total funding
Facility-Based Work & Non-Work	23.4% of total funding
Individual Supported Employment	10.3% of total funding
Supported Employment Small Group	0.8% of total funding

In-Home Day Services were then added to the waiver. The utilization for this service was higher than expected. Despite the intent to limit In-Home Day Services to people with a unique need for this, the service grew rapidly in the first years it was available while Supported Employment participation continued to remain low. The state then implemented a policy that if any portion of the six-hour billable day was in-home, the entire day could only be billed under In-Home Day Services. Unfortunately, rather than correcting the initial over-utilization of this service that occurred, utilization continued at the same levels, while data subsequently collected in 2017 showed that people receiving In-Home Day Services rarely left their homes for any portion of the day.

There was minimal positive change in competitive integrated employment numbers between 2012-2016 when the state began considering the development of an alternative funding model. As of 2015, only 14% of working-age adults enrolled in the ID waivers had a job in the community. Additionally, data collection done during 2017 affirmed the bulk of the service hours provided for days paid under the Supported Employment-Individual rate (72% of total hours) were actually not Supported Employment services. Overall, there was a recognition of the need for change in order to advance Employment First.

Tennessee is implementing three key changes to facilitate an impactful change.¹¹

First, Tennessee redesigned services to transition all day rates to 15-minute unit rates. This was done to ensure payments for services better matched actual services provided and to allow greater flexibility for waiver participants in terms of when they could receive day/employment services and how much service they received in a given day. The move to 15-minute unit rates will also allow providers to bill for services provided on days where a full six hours of service was not needed or desired by the waiver participant.

¹¹ Implementation effective date was January 1, 2020. Federal CMS approval was already received.

Second, Tennessee chose not to create a flat fee-for-service 15-minute unit reimbursement rate for individual Job Coaching, even though this is typical nationally. While there was a desire to move directly to an outcome-based reimbursement model (e.g., paying for job coaching based on hours worked by the supported employee), Tennessee recognized providers were not ready for such a significant shift, and the state lacked the data necessary to build an outcome-based rate model. *The state recognized the first thing that it needed to do was implement a reimbursement model that encouraged and rewarded fading of job coaching supports resulting from the use of best practices.*

Since historically there was an absence of emphasis regarding the best practice expectation of fading, particularly because a billable day typically required six hours of face-to-face service, Tennessee needed a reimbursement model that included incentives for fading, but still utilized a familiar fee-for-service structure. **The interim model developed uses tiered fee-for-service rates for Job Coaching that essentially reimburse the provider at a higher level if more fading is achieved, and at a lower level if less fading is achieved.**

The model is risk adjusted in two ways to ensure no cherry picking of easy to serve individuals occurs, resulting in waiver participants with high acuity being unable to access Supported Employment job coaching. First, the model is risk adjusted based on the person's acuity so that fading expectations are lower for people with higher acuity and vice versa. Second, the model is risk adjusted based on the length of time the person has held the job so that fading expectations are greater as the person holds the job longer and vice versa.

Below is a table showing the reimbursement structure. Note that acuity levels 1-3 are the lowest levels while acuity level 6 is the exception category with no fading expectations, but rather a corresponding reimbursement rate and associated staffing ratio that does not financially incentivize inappropriate use of this level. Note also that while the model expects fading to continue over time, resulting in a lower percentage of hours the person works where a job coach needs to be present, the model still allows for the possibility that fading may be less than expected. This gives providers a safety net, but reimburses the provider at a rate more aligned with a personal assistance rate if the service is not resulting in the outcomes typically associated with the provision of job coaching (namely fading).

This model does not have mechanisms built in that incentivize providers to assist supported employees to increase their paid work hours. (Outcome-based models discussed elsewhere in this guide do have this incentive already built in.) However, this model does offer a fee-for-service approach that has incentives for fading job coaching: a core principle of ensuring evidence-based practices are utilized and long-term cost-effectiveness can be assured. The model also includes a low level of ongoing support to prevent job loss, track both supported employee and employer ongoing satisfaction, and ensure income reporting to Social Security is done regularly. This "Stabilization and Monitoring" payment level has minimum monthly contact requirements but also ensures a provider is available to respond as and when needed (without the need for service reauthorization process), and there are regular efforts to ensure all parties continue to be happy with the employment situation. Experience across the country suggests it is "penny-wise and pound-foolish" to force fading of job coaching to zero rather than providing this highly cost-effective level of ongoing support to prevent the loss of competitive integrated employment. Re-employment after job loss is expensive, not to mention the negative impact on both the supported employee and employer, which might often be prevented if ongoing monitoring of the situation is being done by a Supported Employment provider agency.

Months on job	Coach hours as % of work hours	Level 1-3	Coach hours as % of work hours	Level 4	Coach hours as % of work hours	Level 6 (2:1 staffing required; all F2F)
1-6 months		\$6.50 (\$26)	100%	\$6.50 (\$26)	100.00%	\$8.91 (\$35.64)
7-12 months	80-100%	\$5.00 (\$20)	90-100%	\$5.00 (\$20)	100.00%	\$8.91 (\$35.64)
	60-79%	\$5.75 (\$23)	80-89%	\$5.75 (\$23)		
	< 60%	\$6.50 (\$26)	< 80%	\$6.50 (\$26)		
13-24 months	60-100%	\$5.00 (\$20)	75-100%	\$5.00 (\$20)	100.00%	\$8.91 (\$35.64)
	40-59%	\$5.75 (\$23)	60-74%	\$5.75 (\$23)		
	< 40%	\$6.50 (\$26)	< 60%	\$6.50 (\$26)		
25+ months	50-100%	\$5.00 (\$20)	65-100%	\$5.00 (\$20)	100.00%	\$8.91 (\$35.64)
	30-49%	\$5.75 (\$23)	40-64%	\$5.75 (\$23)		
	< 30%	\$6.50 (\$26)	< 40%	\$6.50 (\$26)		
Stabilization & Monitoring	< / = 1 hr/wk	\$130/month	< / = 1 hr/wk	\$130/month		N/A

Note: Face-to-face service delivery is not required to bill, but time billed must be for activities that meet the definition of Job Coaching and that are done based on the needs of, and for the benefit of, the specific waiver participant for which the time is billed. A unit of a job coach's time may not be billed to more than one waiver participant. Service documentation must support billing consistent with these expectations.

Third, Tennessee implemented quality incentive payments in addition to fee-for-service when waiver participants work higher than average hours in competitive integrated employment.

As mentioned above, the tiered, fee-for-service job coaching reimbursement model does not have mechanisms built in that incentivize providers to assist supported employees to increase their paid work hours. Therefore, Tennessee opted to establish specific quality incentive payments where Supported Employment providers are making atypical efforts resulting in a supported employee working higher than average hours in competitive integrated employment. These quality incentive payments can be earned up to twice a year in addition to any fee-for-service job coaching payments due to the provider for services provided.

With average hours in competitive integrated employment at 11 hours/week, Tennessee established two quality incentive payment levels:

- \$1,500 if a person worked between 390 and 519 hours in the prior six-month period: an amount equating to an average of at least 15 but less than 20 hours per week.
- \$2,000 if a person worked 520 hours or more in the prior six-month period: an amount equating to an average of at least 20 hours per week.

Retroactive payment based on cumulative hours worked in the prior six-month period made it much easier for the provider and case manager to measure hours worked, versus an approach that required average weekly hours worked to be calculated. Further, the payment authorization based on prior documented performance ensures that the payments are only made when the quality outcomes have been achieved.

Substantial rebalancing of spending made implementation of the above strategies possible in a cost-neutral change process. Rebalancing came through ensuring that 100% of the prior investment in Supported Employment services (via per diem day rates) is actually going to the provision of Supported Employment services rather than going primarily to other services which was the reality under the day rate structure.

Tennessee also took steps to avoid what is common in many states: rates established for Supported Employment-Small Group that inadvertently incentivize Small Group opportunities over individual competitive integrated employment opportunities and rates that further incentivize large groups over small groups. To encourage meaningful opportunities for interaction of Group Supported Employment participants with other supervisors and workers in the same workplace (consistent with federal guidance), and to ensure opportunities for Group Supported Employment participants to interact with members of the broader community not receiving HCBS (consistent with HCBS Settings Rule standards), Tennessee decided to reduce the maximum group size to four (4) with the minimum size being two (2) people in its 1915c ID waivers. They further wanted to ensure that there was no financial incentive for providers to create larger groups, so they established three 15-minute unit rates based on group size. The highest rate is set for groups of two, and the lowest rate is for groups of four.

Before the Change

Group Supported Employment	Per Diem (Day) Rate Per Person	Average Per Diem Total Provider Income for Group
Group Size 2-3	\$83.24	\$208.10
Group Size 4-8	\$47.63	\$285.78

After the Change

Group Supported Employment	15-minute Unit Rate Per Person	Average Total Hourly Provider Income for Group
Group Size 2	\$3.98	\$31.84
Group Size 3	\$2.66	\$31.92
Group Size 4	\$1.95	\$31.20

Note: The state ensured that anyone working in a small group larger than four had a transition plan in place before the funding for groups larger than four ended.

Case Example: North Carolina

In North Carolina, Individual Placement and Support Supported Employment (IPS-SE) is funded in part through a state dollar funding stream. This funding stream is administered by the state’s Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMHDDSAS). IPS is also funded with Medicaid (b)(3) funds. In 2016, the Division set out to develop funding mechanisms for state-funded IPS that support the development and provision of high fidelity IPS-SE services that aligns with federal and state policies, regulations, and guidance.

The Division was guided by a recognition that reimbursement policies play a critical role in supporting the growth and development of a competent, statewide IPS-SE service provider network. Further, they recognized that research has shown traditional fee-for-service models utilizing flat reimbursement rates do not incentivize or support IPS-SE services at a high level of fidelity. Further, as a state that also has Medicaid managed care, including managed LTSS, with regional MCOs that administer state and Medicaid-funded IPS-SE services, they recognized that CMS expects states that utilize managed care to support community integration and the federal agency’s expectations include:

- Rates must be sufficient to encourage adequate MCO and provider participation to ensure all individuals with disabilities have access to services
- States should employ performance-based incentives to encourage providers that achieve desired outcomes.

As a first step in moving toward an outcome-based payment structure, North Carolina’s DMHDDSAS decided to begin by incentivizing IPS-SE providers to achieve the highest possible fidelity. They already had a fairly simplistic model that did incentivize fidelity and recommended paying a higher fee-for-service unit rate for IPS-SE services to providers with IPS teams that had met fidelity versus those that had not.

Billing Code	IPS-SE Team Fidelity Rating	Rate per unit
YP630	Met Fidelity	\$19.02/unit
YP630	Not Met Fidelity	\$14.22/unit

However, this structure only incentivized providers to achieve “Fair” fidelity, the lowest fidelity ranking. Achieving “Fair” fidelity was considered to meet fidelity and therefore qualify the provider for the higher unit rate. There was no further incentive to achieve fidelity higher than “Fair.” This funding structure provides no financial incentive for teams to actively work towards improving their fidelity score. Research has consistently shown that higher fidelity scores result in improved employment outcomes for individuals receiving services. As such, DMHDDSAS developed the following rate recommendations to implement statewide for state funded IPS-SE services:

Tiered Rates for IPS-SE based on Tiered Fidelity Evaluation Score

Certification	Score Range	Rate
No Certification	Rating below 74	\$14.22/unit
Fair Fidelity Level	Rating 74-99	\$19.02/unit
Good Fidelity Level	Rating 100-114	\$21.87/unit
Exemplary Fidelity Level	Rating 115-125	\$27.33/unit

Note: Trained DMHDDSAS teams conduct annual fidelity reviews.

Rates are based on the IPS-SE team’s most recent fidelity score, as determined by a trained, state fidelity team. The IPS-SE team can bill for services at that rate until a subsequent fidelity evaluation has been completed.

DMHDDSAS maintains responsibility for scheduling fidelity evaluations with IPS-SE teams and communicating final scores to both the team and the LME-MCO. LME-MCOs are responsible for submitting rate adjustment forms to DMHDDSAS, identifying the IPS-SE team, their billing rate (if it has changed), and the effective date of the rate change. IPS-SE providers have the ability to retroactively submit billing to the first day of the on-site fidelity evaluation if their rate has increased. If the provider’s rate has decreased as a result of their fidelity evaluation, the provider may be subject to payback for the difference going back to the first day of the on-site review if the LME-MCO seeks to pursue payback.

Transitioning to Milestone-Based Reimbursement

In July of 2019, DMHDDSAS launched a pilot of a milestone-based payment structure for IPS-SE with one of its LME-MCOs and an IPS-SE provider. DMHDDSAS worked closely with North Carolina Division of Vocational Rehabilitation Services (DVR) and North Carolina Medicaid to ensure as much alignment as possible between the milestones paid by both programs for IPS-SE and to support braiding of funding around the entire IPS-SE process.

IPS PROCESS	DMHDDSAS MILESTONES	NC DVR MILESTONES
Engagement	<p>\$380 Milestone</p> <p>OUTCOME - Individual agrees to receive services from the IPS-SE team, and to either find employment or continue their education. Also, individual agrees to have a shared case with DVRS to access additional benefits.</p> <p>LIMITS: Can be authorized maximum of three (3) times for one individual.</p>	No Milestone
Intake/Career Profile	<p>\$760 Milestone</p> <p>OUTCOME – Identification of an employment/education goal, development of a plan to support the individual in meeting that goal.</p> <p>LIMITS: Can be authorized once per individual.</p>	No milestone
Job Development /Retention	<p>\$1,600 Milestone</p> <p>Only funded by DMHDDSAS if this service is needed again, after it was funded by NC DVRS.</p> <p>LIMITS: Can be authorized a maximum of five (5) times.</p>	<p>\$3,200 (Initial Payer)</p> <p>OUTCOME - Individual is placed and maintains employment for 3 days.</p>
Successful Closure	<p>\$1,000 Milestone</p> <p>Only funded by DMHDDSAS if this service is needed again, after it was funded by NC DVRS.</p> <p>LIMITS: Can be authorized a maximum of five (5) times.</p>	<p>\$2,000 (Initial Payer)</p> <p>OUTCOME - Individual continues to maintain employment 90 days after entering vocational recovery/stabilization.</p>
Successful Sustained Closure	<p>\$2,000 Milestone</p> <p>OUTCOME - Individual continues to maintain employment 120 days after meeting the Successful Closure Milestone</p>	No Milestone
Vocational Advancement	<p>\$1,110 Milestone</p> <p>OUTCOME – Individual either receives a promotion (internal or external) or successfully completes an education program that improves their qualifications.</p>	No Milestone

VII. Vocational Rehabilitation

Innovations in Reimbursement Models and Cost Sharing Agreements to Advance Competitive Integrated Employment

Vocational Rehabilitation (VR) agencies are agencies for whom Employment First has been something of a “way of life.” Helping people with disabilities achieve employment has been these agencies’ primary purpose since they were created. However, the passage of the Workforce Innovation and Opportunity Act¹² in 2014 sharpens the focus on competitive integrated employment, including Customized Employment (CE), and charges VR agencies, for the first time, with engaging people with disabilities to curtail the use of subminimum wage. VR agencies are increasingly encouraging individuals with the most significant disabilities (among those typically deemed to have most significant disabilities under VR Order of Selection criteria) to consider and pursue competitive integrated employment - individuals who would historically have gone into or stayed permanently in subminimum wage employment. VR agencies are recognizing a need to realign the services they purchase from contracted providers to ensure evidence-based practices for facilitating competitive integrated employment for individuals with this impact of disability.

Case Example: Arkansas Rehabilitation Services

After the passage of the Workforce Innovation and Opportunity Act in 2014, Arkansas Rehabilitation Services (ARS) recognized its new obligations to offer CE services and recognized these services were increasingly considered an evidence-based practice for individuals with disabilities. At the same time, ARS recognized the need to transition its contracts with Community Rehabilitation Providers (CRPs). ARS wanted to emphasize the expectation of integrated service provision, the use of evidence-based practices, and the expectation for increased successful outcomes among consumers served by ARS through its contracts with CRPs.

Up to this time, ARS paid CRPs primarily for assessment and work adjustment services that took place in facility-based work settings. The initial referral of a consumer for a 10-day assessment by the CRP often meant this assessment was done in the facility-based setting, and a referral for continued participation in that facility-based setting through work adjustment typically followed. After the maximum of 60 days of work adjustment was typically authorized, the consumer often moved into extended services, continuing to be served in the CRP’s facility-based setting. The reimbursement structure used for these CRP facility-based services was not outcome or milestone-based, except for the competitive employment placement which was rarely paid. All other rates were per diem rates. The services and reimbursement structure were as follows:

CRP Services (Prior to 2017)

Assessment - an investigative goal-directed process identifying and measuring the individual’s work-related behaviors, including but not limited to, job readiness, transferable skills, social skills, and vocational interest, in order to determine the need for placement or additional rehabilitation services.

Rate: \$45/day (10 days maximum; Total reimbursement = \$450)

Work Adjustment - a system of goal-directed services or groups of services directed toward enhancement of the individual’s job seeking and job-keeping skills that facilitate movement toward a satisfactory vocational placement.

¹² Public Law 113-128 (29 U.S.C. Sec. 3101, et. seq.).

Rate: \$45/day (60 days maximum; Total reimbursement = \$2,700)

Facility-Based (Sheltered) Extended Services - a continued goal directed service to increase the skills, abilities, job keeping skills, and opportunities for employment for individuals that facilitate movement toward a satisfactory vocational placement, which may be provided in the community.

Rate: \$24/day (120 days maximum; Total reimbursement = \$2,880)

Competitive Employment - refers to work in the competitive labor market that is performed full or part time in an integrated setting, and for which an individual is compensated at or above the minimum wage for 20 hours or more. Work performed must be compensated with the same benefits and wages as other workers in similar jobs receive. This includes sick leave, vacation time, health benefits, bonuses, training opportunities, and other benefits.

Milestone Payment: \$1,000

Despite requiring a plan for how competitive employment would be achieved when the per diem services described above were authorized, ARS found that few successful competitive integrated employment placements resulted from a significant ARS investment in “in-house” CRP services. The lack of successful (Status 26) closures resulting from these services was consistent with research that has found services delivered in these settings do not often result in competitive employment outcomes.¹³ With the passage of the Workforce and Innovation Opportunity Act (WIOA) and the focus on moving away from facility-based service models, ARS took a bold step and developed a new set of services for CRP contracts (other Supported Employment providers could also opt to provide these services) called “**ARS Employment First (E1st) Career Pathways.**”¹⁴ Implemented in 2017, all of these services must occur in the community (not in facility), and distinct services include:

Benchmark 1: Discovery Process Service (completed over a four-to six-week timeframe)

Discovery Process Service (DPS) is a person-centered, comprehensive employment planning service to assist ARS clients in determining their employment preferences and career direction, resulting in the development of the Individual Career Profile. DPS is a time-limited service consisting of gathering information about the individual’s interests, strengths, likes, dislikes, skills, abilities, types of preferred work environments, and supports available if needed for successful employment.

Outcome Payment: \$1,750 (Estimated Average Level of Effort: 60 Hours at \$29/hour)

Benchmark 2: Employment Path (Pre-vocational) Services (up to 100 hours over 20 service days)

Employment Path Services provide learning opportunities, including soft skills, work-based experiences/internships, including volunteer opportunities, where the individual can develop work-related strengths and skills contributing to employability in integrated community settings. This service will be available after the individual has attempted two job experiences and the vendor has identified extensive work skills that are essential for the individual to work successfully.

Outcome Payment: \$2,000 (Minimum reimbursement if full 100 hours provided: \$20/hour)

¹³ Cimera, R. E., Wehman, P., West, M., & Burgess, S. (2012). Do sheltered workshops enhance employment outcomes for adults with autism spectrum disorder? *Autism: The International Journal of Research and Practice*, 16(1), 87–94. See also “Centers Offer Employment and Support Services to Workers with Disabilities, But Labor Should Improve Oversight.” (GAO 01-886, September 2001).

¹⁴ https://arcareeducation.org/docs/default-source/arkansas-rehabilitation-services/2019-ar-field-policy-manual---final.pdf?sfvrsn=72014116_2

Benchmark 3: Job Development/Placement Service

Job Development/Placement Service focuses on creating job opportunities by utilizing the Individual Career Profile with the goal of obtaining employment. The process of obtaining a job may involve one or more of three approaches: independent job searches, assisted job searches, and arranged job searches. Once an approach is identified, a Job Development Plan is jointly created by the individual and his/her support team to outline the specific activities for pursuing employment.

Outcome Payment: \$1,000

Benchmark 4: Employment Closure (90 Days): Successful Competitive Integrated Employment

The individual has stayed employed for a minimum of 90 days, working 20 hours a week and not less than the higher of the Fair Labor Standards Act or the rate specified in the applicable state or local minimum wage law. Monthly reports are required.

Outcome Payment: \$3,000

TOTAL FOR ALL MILESTONES: \$7,750

Individual Job Coaching Hourly Rate (as needed on a case-by-case basis): \$26.00

Important Note: The Employment First (E1st) Career Pathways milestone services were not designed for individuals who require intensive job coaching to learn and stabilize in their job. If a consumer who starts in the E1st Career Pathways services is subsequently identified as needing more intensive initial job coaching to achieve stabilization, the ARS counselor will transition the case to Supported Employment, so the milestone payments include this job coaching. ARS also maintains an hourly job coaching service for unique situations that don't fit either the E1st Career Pathways milestones or the Supported Employment milestones.

Overall, ARS's shift to purchasing only community-based services aligns with best practices leading to a higher likelihood of competitive integrated employment outcomes. The shift to a benchmark structure puts the focus on outcomes and progress towards competitive integrated employment, rather than a focus on per-diem service delivery. Further, ARS was already reimbursing for Supported Employment and other services through milestones, so this introduced CE on the same platform, and transitioned CRPs to a milestone-based approach that rewarded outcomes.

Braiding Funding to Support Multi-Funder Cost Sharing Rather than Cost Shifting

Many other state VR agencies are now building capacity to serve individuals who also receive Special Education and/or Medicaid long-term support services through Medicaid State Plan or HCBS Waiver programs, some of which are administered through managed care. The need for effective cost sharing and braiding of funding and services is critical to maximize the number of individuals that can be successfully served with the available resources. While VR agencies have typically had cooperative relationships with Special Education programs, it has not always resulted in effective braiding of funding and resources. Even newer for VR is building such a cost sharing arrangement with state Medicaid agencies or their contracted MCOs. State-level Memorandums of Understanding have more recently focused on including provision for cost sharing, which has facilitated greater braiding of services and resources in the field.

Case Example: Iowa Vocational Rehabilitation Service and Iowa Medicaid

Iowa Vocational Rehabilitation Service (IVRS) and Iowa Medicaid (IME) recognize that people are more likely to succeed in employment when funding and services available through both IVRS and Medicaid are shared. Each program has limitations, but together they can provide holistic support for someone with a disability who wants to find and keep community-integrated employment. To advance these shared beliefs, IVRS and IME outlined, in a Resource Sharing agreement, their funding obligations when paying for Supported Employment services (SES) for a mutual client served by both agencies.¹⁵

The Resource Sharing agreement guiding efforts today was adopted in January 2015 and still represents one of the best national examples of a collaborative effort by a state VR and Medicaid agency. To satisfy the requirement, each has to explore “comparable benefits and services” and address the “payer of last resort” issue. By establishing the Resource Sharing agreement, IVRS and IME outlined their respective funding obligations when paying for SES for a mutual client served by both agencies. The agreement includes some braiding arrangements IVRS put in place prior to 2015 to address its obligations under the WIOA and to align with guidance provided by the Rehabilitation Services Administration before the passage of WIOA. In the 2015 Resource Sharing agreement, the two agencies established or reconfirmed division of payment responsibility for:

1. Individuals with disabilities under age 24 who are eligible for both IVRS and IME state plan habilitation or waiver and who require SES:
 - Established IVRS as the payer of first resort for individualized services necessary to obtain and stabilize in competitive integrated employment.
 - Established IME as the payer of first resort (for those enrolled in IME state plan habilitation or waiver) for individualized services necessary to maintain competitive integrated employment after stabilization.
2. Individuals with disabilities age 24 and above, who are eligible for both IVRS and IME state plan habilitation or waiver and who require SES:
 - Established IME as the payer of first resort for job development and job coaching.
 - Established IVRS funds may pay for CE (supplemental payment in addition to IME job development funding for customization negotiation with an employer) and for services other than job development and job coaching available through IME (e.g., Discovery).

IVRS Discovery Service

Discovery is a person-centered approach that leads to generating information to design a pathway to a career that focuses on the individual's interests, talents, and contributions (not limitations). Discovery services are appropriate for job candidates who haven't worked, worked primarily in segregated settings, or had little vocational success. Candidates who know their vocational goal or have a successful work history are not appropriate for Discovery. The results from Discovery are used to identify a job candidate's skills, interests, abilities, conditions, contributions, and support needed for employment—all of which lead to a more compatible job match.¹⁶

¹⁵ Section H of Habilitation Provider Manual found at: <file:///C:/Users/Lisa/Documents/5a%20EconSys/Rate-Reimbursement%20Guide/State%20Specific%20Info/Iowa/Iowa%20Habilitation%20Services%20Provider%20Manual.pdf>

¹⁶ https://ivrs.iowa.gov/sites/default/files/documents/2019/04/responsibilities_for_discovery_services.pdf

Reimbursement: Up to 12 hours.

All hours paid at \$38.28/hour. Maximum reimbursement: \$459.36.

IVRS Customized Employment Service

The purpose of CE is to create employment through negotiation or job carving instead of using the traditional approach. CE matches a person to an existing job, or a new position may be developed. CE is provided in conjunction with SES and involves revising a job description and/or exploring work opportunities that don't currently exist.¹⁷

Reimbursement: Up to 10 hours in addition to Job Development that provides up to 60 hours.

All hours paid at \$66.12/hour. Maximum reimbursement: \$4,628.40.

1. Individuals with disabilities eligible for IVRS who are on a waiting list for an IME waiver:
 - Established individuals can be served by IVRS and clarified that until waiver funds are available, IVRS may fund all SES, which may include job development, CE, and job coaching. Further clarified that services for SES are authorized by IVRS until the time waiver funds become available. If or when that occurs, IVRS would cancel any unused authorizations for remaining services so that waiver funding could begin, except in IVRS cases involving SES for individuals under age 24.
2. Individuals with disabilities who are IVRS-eligible but who do not qualify for IME state plan habilitation or waiver:
 - Established IVRS may fund all SES, which can include job development, CE, and job coaching.
 - Established that identified source for long-term job coaching services is required for IVRS SES, to the extent needed by the individual. Funding (or sources) to provide these services can include county funding, natural supports, PASS, IRWE, MH worker, independent living, or other no-cost resources.

To further ensure braiding and coordinated service delivery could occur, IVRS participated with IME in the process involving stakeholders which led to the changes described in this guide (See other Iowa Case Examples). At the time, IVRS chose to adopt the same hourly fee-for-service reimbursement rates as IME adopted for services performed by a qualified Job Developer and qualified Job Coach. Identical services available through both IVRS and IME were paid for in a very similar, if not identical way, to ensure consistency across the agencies and for providers contracting with both entities.

Case Example: Tennessee Vocational Rehabilitation and Tennessee Medicaid

With the passage of the Workforce Innovation and Opportunity Act in 2014, a new requirement for state VR agencies was established which required every VR agency to enter into a formal cooperative agreement with the state Medicaid agency with respect to the delivery of VR services, including extended services for individuals with the most significant disabilities who have been ***determined eligible for Home and Community-Based Services*** (HCBS) under a Medicaid waiver, Medicaid State plan amendment, or other authority related to a State Medicaid program.¹⁸

Up to that point, there was virtually no state VR agency that had a Memorandum of Understanding (MOU) specifically with their Medicaid counterpart other than Iowa. The next trailblazer was Tennessee where the Medicaid agency (TennCare) and the Tennessee VR agency signed an expansive and detailed

¹⁷https://ivrs.iowa.gov/sites/default/files/documents/2019/04/responsibilities_for_customized_employment_services.pdf

¹⁸ LEAD Center Policy Brief at: <http://drivedisabilityemployment.org/sites/default/files/MOU%20Summary.pdf>

MOU with regard to individuals with IDD, which still serves as a national model. Similar to Iowa, Tennessee's agreement detailed cost sharing and coordinated service delivery in a way that had rarely been seen nationally in typical MOUs between state VR agencies and partner agencies (e.g., IDD agencies; state education agencies).

The Tennessee MOU¹⁹ established that the Medicaid-funded program would provide, as needed, Employment Exploration and Discovery²⁰ prior to Tennessee VR assuming responsibility for funding the services an individual with IDD needs to obtain competitive integrated employment. The MOU further outlined timeframes for each agency executing their agreed responsibilities with regard to a "common customer": an individual with IDD eligible for and enrolled with both programs. There was critical attention paid to the sequencing of services so that a common customer would not experience a significant gap in progress in the process of achieving competitive integrated employment. For example, the MOU expected that a referral to Tennessee VR would occur when the Discovery service was initiated so that by the time the Discovery service concluded (90 days), the VR application and eligibility determination would be done, and the results of Discovery could be used in moving directly to development of the Individual Plan for Employment (IPE). Importantly, although many times overlooked, the MOU also addressed how individuals would be supported to achieve their career advancement goals.

Case Example: Oregon Vocational Rehabilitation and Oregon Developmental Disability Services

As part of the Oregon Department of Human Services' efforts to advance competitive integrated employment and increase access to Supported Employment services for individuals with IDD, the Oregon Office of Vocational Rehabilitation Services (OVRs) and the Oregon Office of Developmental Disability Services (ODDS) entered into a formal agreement identifying service and payment responsibilities for common customers. In this agreement, ODDS committed to providing Discovery services²¹ and then referring individuals to OVRs which committed to using the results of Discovery and providing Supported Employment Job Development and initial Job Coaching services until the individual reaches stabilization in his/her competitive integrated position. ODDS committed to then provide any long-term Supported Employment Job Coaching and/or related supports the individuals needs to maintain the competitive integrated position.

This division of responsibility created a fair division of the overall financial investment for a common customer, and also aligned with each agency's policies with regard to specific services they had the ability to purchase and specific timeframes within which they were required to operate. These commitments are captured in the current Inter-Agency Cooperative Agreement²², as well as a commitment by ODDS, to develop a plan to address employment service needs of individuals with IDD, which may include the provision of Job Development services. If OVRs goes into Order of Selection, certain individuals with IDD may be placed on an OVRs waiting list as a result.

¹⁹ The MOU can be found at: <https://www.tn.gov/content/dam/tn/tenncare/documents/VocationalRehabilitationMOU.pdf>

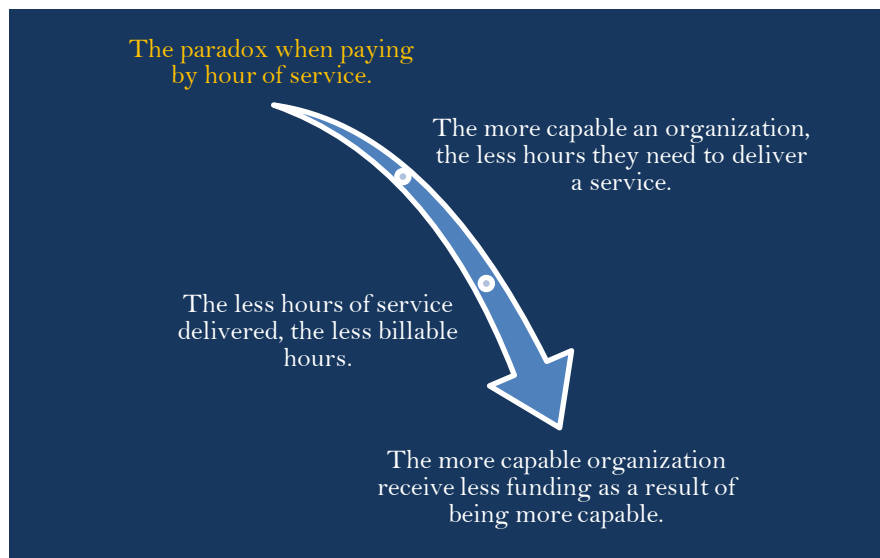
²⁰ The Tennessee Employment Exploration and Discovery services are described in detail elsewhere in this Guide.

²¹ The Oregon Discovery service is described in detail elsewhere in this Guide.

²² The Agreement can be found at: <https://www.oregon.gov/DHS/EMPLOYMENT/VR/CooperativeAgreements/ODDS-VR-MOU.pdf>

VIII. Outcome-Based Reimbursement: Innovations to Incentivize Increased Competitive Integrated Employment

By far, experience keeps on demonstrating that one of the essential keys to increasing competitive integrated employment outcomes is aligning the reimbursement structure with best practice service provision. There exists a powerful disconnect between what fee-for-service reimbursement incentivizes and what are recognized best practices and quality outcomes associated with Supported Employment. As a quick summary of the issue discussed earlier in this guide, the illustration on the right is most instructive.



I believe this reality has been clear to Supported Employment providers for a long time. They are faced with the prospect of investing in learning and implementing best practices and achieving desired outcomes as a result, including: efficiently securing job opportunities; effectively supporting new employees with disabilities to learn their jobs; enabling supported employees to rely on technology and/or natural supports; and maximizing their ability to work in competitive integrated employment without a paid Supported Employment job coach. In a fee-for-service model, the provider is rewarded for all of this by receiving less funding. In fact, funding for a successful supported employee may stop altogether.

The provider implementing best practices also assists supported employees to increase their hours worked over time, and likewise, there is no financial reimbursement for this recognized quality outcome. With free choice of provider as a policy in both Medicaid and VR, and no mandatory requirement that individuals with disabilities work if a job is available for them, there is no guaranteed flow of new referrals to keep the cash flow going for a provider executing best practices and consistently producing high-quality outcomes. They virtually put themselves out of business in a fee-for-service reimbursement structure.

This reality is one reason why many providers of Supported Employment are not willing to make it their primary or sole line of business. They see no way to survive as an organization by doing this. As a result, they typically maintain their contracts to provide other services (including, unfortunately,

services that typically divert people from participation in competitive integrated employment) because these other services do not have expectations of fading paid supports. The absence of fading expectations essentially guarantees a steady and ongoing cash flow for the provider in a fee-for-service reimbursement structure.

A small but exciting side note: Conversations are beginning about why such expectations don't exist in other services, and outcome-based or incentive reimbursement models are beginning to emerge that are focused on rewarding providers of other types of services for enabling individuals to be less dependent on paid staff through the use of training/teaching skills for independence, implementing technological supports, and/or increasing/engaging natural supports. The same combination of best practice strategies used in Supported Employment is transferable to other services. The potential is yet unrealized, but there is no doubt that developing reimbursement models that reward providers for these outcomes will be a critical part of realizing the potential that clearly exists.

If there is a desire to substantially increase competitive integrated employment outcomes, and not just in a temporary burst that cannot and will not be sustained over time, this reality must be tackled head-on. This recognition has led a growing number of funders to consider new approaches. In multiple places, outcome-based reimbursement approaches for job coaching have developed.

Case Example: Central Wisconsin

A decade ago, a conversation started at the 2009 National Association of People Supporting Employment First (APSE) conference in Milwaukee, Wisconsin, about how reimbursement strategy might play a role in increasing competitive integrated employment outcomes. This was, of course, 15 years after Oklahoma's Division of Developmental Disabilities implemented the first model in the country that reimbursed for Supported Employment based on hours worked by the supported employee rather than hours of service provided by the Supported Employment agency job coach. The Oklahoma trailblazing model is discussed in the introduction section of this guide. After the conversation at the 2009 National APSE conference, Inclusive, the MCO at that time operating only in central Wisconsin, serving people with intellectual, developmental, and physical disabilities, reached out about the possibility of working collaboratively with their Supported Employment providers to try to develop an alternative to fee-for-service.

By way of context, in Wisconsin, each MCO is responsible for contracting with an adequate provider network and setting rates for services that are appropriate for the geographic area in which they are operating. There is no requirement that providers of like services are paid identical rates, although rate standardization is something many of the MCOs have implemented within their service areas.

The outcome-based reimbursement model was developed through a workgroup process. The process used by Inclusive brought their providers together with their provider network and fiscal team to consider the options for taking a different approach. Inclusive was motivated to develop the model because they recognized that there were fundamental flaws in paying for Supported Employment based on hours of service. Within the previous fee-for-service model, they were not incentivizing providers to do effective job training, engagement of natural supports, and implementation of assistive technology that could together allow for the fading of the job coach. Inclusive also acknowledged that the Individual Supported Employment providers producing the best outcomes (high hour jobs; long-term employee stability; and maximum fading) were experiencing an ongoing reduction in funding from the MCO, while those providers who were producing the poorest outcomes did not experience this reduction in funding.

One of the top-performing providers commented: “We can’t keep doing this. We are putting ourselves out of business by doing a good job.”

In addition, the authorizations based on hours of service caused problems when a supported employee unexpectedly needed some additional on-the-job supports. Providers reported consistent problems getting care managers and teams to respond in a timely manner and approve authorizations for temporary increases in supports. This led to some individuals losing their Supported Employment positions, whereas this could have been avoided under a different payment model.

Time on Job	0-11 Months	12-24 Months	25+ Months
Level of Disability			
Tier 1			
Tier 2			
Tier 3			
Tier 4			

Development of a Model to Ensure Fairness and Pay for the Best Possible Outcomes

In reviewing and considering the Oklahoma model, the stakeholder group concluded that a core of the approach—paying based on hours worked—had great merit. At the time, a national expert on rates in managed long-term care reviewed the basic premise of the approach and concluded:

“What is a key difference in the system being considered by Wisconsin is that part of the compensation, the billable unit, is shifted to a measure of the time the service consumer spends on the job, being measured in hours. The benefits of this approach are significant. If the outcome desired is time spent in a paid working hour, setting that hour as the basis for compensation for efforts to achieve this outcome is ideal.”

- John Villegas-Grubbs²³

However, Inlusa’s collaborative workgroup wanted to improve upon the Oklahoma model, concluding that a model should be created which could account for the level of disability of each individual being supported so there would be no disincentive to serve individuals with more significant support needs and barriers. They also agreed that the model would better ensure cost-effectiveness and encourage providers to bring new people into Supported Employment if the outcome-based rates could also reflect the length of time each person has been on their job.

In order to develop a model with this level of sophistication, there was a need to establish anticipated support levels for people with varying levels of disability and at various points in the life of their job. Support levels were defined as the percentage of time an individual worked where provider support (either face to face or on behalf of the individual) was needed to ensure the individual maintained his/her employment.

²³ Villegas-Grubbs, John. (2009). Report on Supported Employment Services: Outcomes-based Funding. November 2009.

A matrix was created that established four tiers of disability and three phases of employment. Tier 1 represents individuals with the most significant disabilities and support needs, while Tier 4 represents individuals with the least significant disabilities and support needs.

Defining Tier Values

To establish a method for placing individuals into the appropriate tiers, the MCO utilized data from the state’s Functional Screen. This is a level of care assessment similar to the Supports Intensity Scale, which Wisconsin created to:

- Determine eligibility for long-term care;
- Determine which eligible individuals meet institutional level of care and which do not; and
- Determine the per-member, per-month capitated rates paid to each MCO.

Monthly Budget Amounts	Low	High	Difference
Tier 1	\$7,927	\$10,502	\$2,575
Tier 2	\$5,351	\$7,926	\$2,575
Tier 3	\$2,775	\$5,350	\$2,575
Tier 4	\$199	\$2,774	\$2,575

Establishing Support Percentages

As a first step for determining the average support level needed for individuals in each of the four tiers, Functional Screen data on existing Individual Supported Employment participants was used to place each of these individuals in one of the four tiers based on the monthly budget amount in their Functional Screen. Then, providers were asked to report current data on the number of hours the individual worked per week, the amount of support (face to face or time on behalf of) that the provider was currently providing, and the length of time the individual had held his/her current job.

Support hours reported by providers were reduced where necessary to remove any time reported for providing transportation for a supported employee to get to or from their job, any time spent on job development (e.g., if someone was seeking a second job or different job), any time spent providing personal care, and any time providing support for activities other than work. All of these billable supports were reclassified and authorized under a separate, more appropriate billing category when the outcome-based Supported Employment model was implemented. The data then was used to average the amount of support being provided to individuals in the various disability tiers and various stages of employment. The results were shared with providers and discussed as part of agreeing to a set of average support percentages to use in establishing outcome-based payments per hour worked.

While there were some anomalies in the data on existing participants in Individual Supported Employment, the data reinforced the expectation that people with higher levels of disability require more supports while people with lower levels of disability require less supports. The data also reinforced the expectation that people at earlier stages in their jobs require more support while people at later stages in their jobs require less support. With these validations, a model reflecting

these expectations was developed for use in establishing the payments per hour worked that would be implemented.²⁴

Time on Job	0-11 Months	12-24 Months	25+ Months
Level of Disability			
Tier 1	95%	78%	60%
Tier 2	80%	60%	45%
Tier 3	60%	40%	30%
Tier 4	35%	30%	24%

The final percentages arrived in the above table were adjusted to ensure that there was sufficient incentive to bring new people into Supported Employment. This meant ensuring that the support percentages for the 0-11 Months timeframe were set slightly higher than the actual percentages for existing Individual Supported Employment participants. The final percentages were also adjusted to ensure that there was sufficient incentive to serve individuals in Tier 1, none of whom were yet involved in Individual Supported Employment. This meant ensuring that the support percentages for the Tier 1 individuals were set high enough to reflect the types of individuals in this tier.

Arriving at the Payments Per Hour Worked by the Supported Employee

At the time that this new outcome-based model was developed, the MCO was contracting with Supported Employment providers on an individual basis. This meant every provider had negotiated a different hourly fee-for-service reimbursement rate. While the rates were not widely spread to limit the amount of change providers were experiencing, the MCO used each provider’s existing reimbursement rate per hour of service (coaching) to calculate the outcome rates. As an example, assuming an underlying fee for service rate of \$32/hour of job coaching service, the outcome-based rates were calculated as follows:

	0-11 Months on Job	12-24 Months on Job	25+ Months on Job
Tier 1	\$30.40	\$24.96	\$19.20
Tier 2	\$25.60	\$19.20	\$14.40
Tier 3	\$19.20	\$12.80	\$9.60
Tier 4	\$11.20	\$9.60	\$7.68

These rates are calculated by taking the job coaching target percentage for each tier/phase, as outlined in the table on the previous page, and multiplying that percentage by the cost per hour of job coaching: in this example, \$32/hour is used.

²⁴ The MCO also was able to determine that, at the time, the average support percentage for everyone participating in Individual Supported Employment was 30%. This meant that on average, people in Individual Supported Employment were working three hours for every hour of paid support they received. This demonstrated the service was priced comparably, on a cost-per-hour-of-participation basis, to group employment, segregated employment, and non-work alternatives.

Note: The assumption that an hour of job coaching time cost the provider \$32 was based on 2011 provider operating costs and based on the assumption that any service *on behalf of the individual* is billable, not only face-to-face time.

Ongoing Payment for Job Coaching

Payment is made based on supported employee hours worked, regardless of how much job coaching the person may be receiving from the provider. A required minimum monthly check-in ensures that there is proper support for the prevention of job loss and ongoing ability to identify opportunities for increased hours and/or advancement. Within this model, there is an inherent financial incentive to maximize the person's hours worked and minimize job coaching supports as hours worked will be made on an ongoing basis, according to the matrix, if the person remains employed in his/her job.

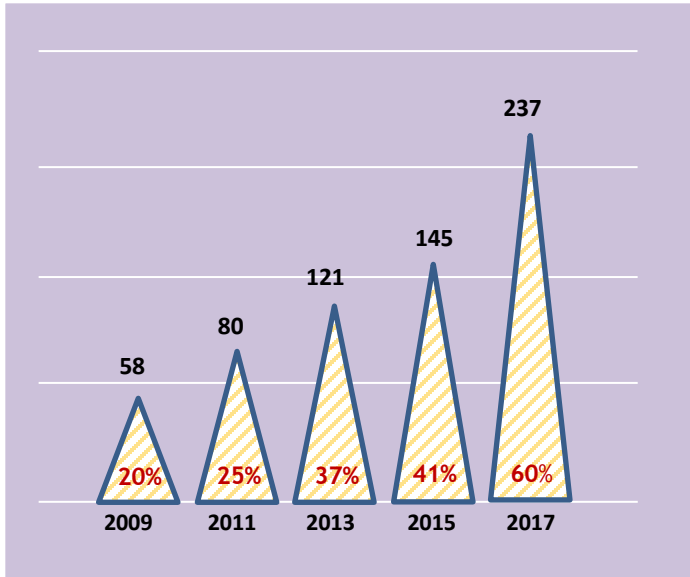
Required for all Medicaid waiver funded services, ensuring cost-efficiency is done by evaluating the overall financial outcomes for each provider at reasonable intervals. The model is risk-based for providers, so fading for an individual supported employee, to the point that the provider is receiving more income than the job coaching actually costs, may very well be offset by another individual supported employee for whom fading is not as great. Therefore, the provider's overall financial outcomes are assessed to determine if the target fading percentages and the underlying fee-for-service base rate is still appropriate. By policy, a provider's net income may not exceed a certain percentage in order to ensure the model is still cost-efficient. Ultimately, the periodic evaluations will show if the target fading percentages and/or the underlying fee-for-service hourly rate need adjustment, or if each provider is within the range of allowable net income, thus still ensuring the provider has sufficient incentive to achieve the best practice, high-quality outcomes desired.

Addressing Changes in Level of Disability over Time

Each individual's Functional Screen is updated annually, or when a significant change in support need occurs. Providers have the ability to request a review at any time they observe a significant change in support needs that are expected to last longer than six to eight weeks. Information collected from both the provider and the member-centered team is utilized to determine whether there will be a tier level change. This updating helps ensure every Supported Employment participant is in the appropriate tier for the purposes of establishing the outcome-based reimbursement per hour worked that is paid to the Supported Employment provider.

Impact of the Change to Outcome-Based Reimbursement for Job Coaching

Because this payment model has been in place since 2012, providers have been paid in this model for a period of time sufficient enough to accurately assess the impact. Inlusa did an evaluation of impact at two points: 25 months after the change; and 6 years after the change. ***After 25 months, Inlusa saw a 35% growth in the number of individuals working in competitive integrated employment, and after 6 years, they saw a nearly 71% growth,*** demonstrating that the initial growth was not just a "honeymoon period" as is typical after a big shift in approach. Further, the cost-efficiency and cost-effectiveness of the reimbursement model was also confirmed. The average cost per supported employee hour worked was \$9.75, while the average cost for both Day Services and Prevocational Services was higher.



Note: Black numbers represent the growth in numbers of individuals supported to work CIE, and the percentages represent the portion of total agency revenue coming from the provision of CIE services.

Inclusa also found evidence that this outcome-based reimbursement model supports provider transformation. The largest employment and day service provider that was moved to outcome-based reimbursement for Individual Supported Employment was able to **increase the number of people supported in competitive integrated employment by 300%**. Additionally, the percentage of total revenue that this provider received by providing competitive integrated employment services tripled, demonstrating the rebalancing toward Employment First that had been accomplished.

When Inclusa introduced the model to a second area of the state, this one much more rural, it was unknown whether the outcomes would be as impressive. However, after two years of implementation in the far northwestern part of Wisconsin, Inclusa saw the number of members working in competitive integrated employment in that area of the state grow by just under 32%.

Outcome-Based Reimbursement for Job Development

In collaboration with its providers, Inclusa recognized that there are situations where the typical payer for Job Development services was not available to an Inclusa member, including the Wisconsin Division of Vocational Rehabilitation (DVR). While not expected to be a commonplace situation, Inclusa worked with providers to develop an outcome-based payment structure for Job Development. This payment structure worked to incentivize achievement of successful job placement and encourage placement to be made in a timely manner by structuring a reimbursement model that initiates payment when the job is secured, rather than—as is the case in fee-for-service—having payments stop when the job is secured.

Inclusa adopted the same approach to placing members in acuity tiers and created four tiered payments for successful job placement, paying a higher amount for a person with higher acuity and vice versa.

Acuity Tier	Outcome Payment for Successful Job Development/Placement
Tier 1 (Highest Acuity)	\$1,600
Tier 2	\$1,200
Tier 3	\$900
Tier 4 (Lowest Acuity)	\$650

Inclusa specifically set the rates at a level lower than the milestone payment offered by DVR to ensure there would be no incentive for providers to bypass DVR. To further ensure DVR would be fully utilized, Inclusa trained its Care Managers (Case Managers) to track any member engaged with DVR and contact DVR if any party informed the Care Manager that DVR was closing the member’s case unsuccessfully (without the member having secured competitive integrated employment). When Care Managers implemented routine follow up with the local DVR office, they were able to prevent cases from being closed and/or get cases reopened quickly, which further ensured DVR was always leveraged as the primary payer for Job Development.

Case Example: Oregon

As part of advancing Employment First, in 2013, the Oregon Office of Developmental Disabilities Services (ODDS) began considering the inclusion of outcome-based reimbursement for employment services in its 1915c waivers. Consulting on Employment First with ODDS from 2013 to 2015, I had the opportunity to work with the agency to develop its waiver changes to advance Employment First including “Employment Path” services, one of the first examples in the country of a Prevocational Service that did not utilize sheltered work as part of its service model. In addition to job coaching, the changes also included outcome-based reimbursement models for Supported Employment-Individual services and the inclusion of two pre-employment services (Discovery and Job Development). ODDS began by considering the Wisconsin model described above, developed by Inclusa, and built its own model based on the Wisconsin approach.

Discovery

ODDS opted to develop a waiver “Discovery” service to ensure the waivers could purchase the evidence-based process known as Discovery, first conceived by Michael Callahan of Marc Gold and Associates,²⁵ and subsequently recognized by ODEP and other federal agencies (including CMS and RSA) as the first strategies in a comprehensive CE process. In 2015, Oregon became one of the first states to have Discovery as a distinct, covered service in its waiver and to receive approval to pay for this service on an outcome basis.

ODDS recognized the value of paying for Discovery on an outcome basis to ensure the process of moving people from interest in competitive integrated employment to achieving such employment that would not be delayed for reasons otherwise within the control of ODDS. Unfortunately, using fee-for-service to purchase pre-employment services discourages completion of the service as payment based on service stops when the service stops. By comparison, using an outcome-based payment encourages completion of the service in a timely manner because payment starts, rather than stops, when the

²⁵ <http://www.marcgold.com/>

service is completed. However, in order for an outcome-based payment for Discovery to be effective, regardless of whether Medicaid, VR, or any other funder may be paying, it is critical that a few things are clearly defined for all service providers, including:

- The required elements of the service process that are the minimum that must be completed;
- The results of the service in terms of gathering information and learning that occurs, which at minimum, must be addressed in the Discovery Profile Report that is submitted at the end of the service (Note: a required template for the Discovery Profile report helps ensure all essential elements of a complete Discovery Profile are addressed).

Additionally, to design an effective outcome-based payment for the Discovery pre-employment service, a number of factors must be factored into the payment, including:

- The average amount of service a provider is expected to need to deliver in order to complete the service, taking account of the pre-established required service process elements and required minimum contents of the Discovery Profile Report as described above;
- The appropriate cost per hour of service for a qualified staff person to deliver the service, based on minimum qualifications established by the funding source.

Initially, ODDS determined, based on national experience with the implementation of Discovery services, that 40 hours would be the average number of hours that would be required to complete a quality Discovery process, including all non-face-to-face time as well as the time to write the Discovery Profile Report. Based on the acuity of the individual served, time to complete ranged from 35 hours (lowest acuity) to 45 hours (highest acuity) with the average set at 40 hours. ODDS further determined the per-hour, gross cost for a qualified staff person to complete Discovery was \$40.00/hour. Thus, the outcome payment for Discovery was initially set at \$1,600. In more recent re-evaluations of the model, ODDS opted to establish three-tiered outcome payments for Discovery, based on acuity and provider cost reporting. This also resulted in an increase in the gross cost per hour for a qualified staff person to deliver the service:

Discovery Acuity Tier	Tier 1 (Lowest Acuity)	Tier 2-3 (Medium Acuity)	Tier 4-6 (Highest Acuity)
Original Average Hours to Complete Service	40	40	40
Original Gross Cost Per Staff Hour	\$40	\$40	\$40
Original Outcome Payment	\$1,600	\$1,600	\$1,600
Revised Average Hours to Complete Service	35	40	45
Revised Gross Cost Per Staff Hour ²⁶	\$49.39	\$49.39	\$49.39
Revised Outcome Payment	\$1,728.65	\$1,975.60	\$2,222.55

Revised rates were implemented in November 2016.

²⁶ See: <https://apps.econsys.com/vrn/50 States VR Rates and Services.xlsx> for detail of the revised costs per staff hour.

Job Development

While ODDS did enter into a formalized agreement²⁷ with the Oregon Office of Vocational Rehabilitation Services (OVRs) which specified that, for DD waiver participants, ODDS would be the first payer for Discovery and OVRs would be the first payer for Job Development, ODDS opted to include Job Development services in its waiver to allow for waiver funding of Job Development when and if an individual was not able to access these services through OVRs (e.g., in an Order of Selection situation). ODDS opted to develop and implement an outcome-based reimbursement for Job Development to incentivize achievement of successful job placement over the ongoing provision of service without such an outcome. Similar to Discovery, use of an outcome-based payment encourages completion of the service in a timely manner because payment starts, rather than stops, when the service is completed.

In the ODDS model for Job Development, payment is tiered based on acuity, similar to the Wisconsin model. However, distinct from the Wisconsin model, the total payment is also divided into two partial payments to the provider: (1) when an individual successfully obtains competitive integrated employment; and (2) when an individual successfully completes 90 days on the job. Establishing tiered payments mitigates against “creaming,” helps ensure equal access to Job Development services for individuals at the highest acuity levels, and further ensures that providers are appropriately reimbursed based on the acuity levels of the individuals they serve. Dividing the overall reimbursement for Job Development into two payments puts appropriate emphasis on a person’s initial retention of a job in addition to the importance of securing that job.

Job Development Acuity Tier	Tier 1 (Lowest Acuity)	Tier 2-3 (Medium Acuity)	Tier 4-6 (Highest Acuity)
Average Hours to Complete Initial Placement	40	50	60
Gross Cost Per Staff Hour	\$49.43	\$49.43	\$49.43
Outcome Payment for Initial Placement	\$1,977.20	\$2,471.50	\$2,965.80
Average Hours to Ensure 90 Days Retention	25	30	40
Gross Cost Per Staff Hour ²⁸	\$49.39	\$49.39	\$49.39
Outcome Payment for 90 Days Retention	\$1,235.75	\$1,482.90	\$1,977.20
Total Outcome Payment	\$3,212.95	\$3,954.40	\$4,943.00

Revised rates were implemented in November 2016.

Job Coaching

With regard to job coaching, ODDS used the Wisconsin (Inclusa) model described above as a starting point for considering its approach to outcome-based reimbursement for job coaching. Similarly, they established both tiered and phased reimbursement rates per hour worked by the supported employee. As mentioned previously, reimbursement based on supported employee hours worked creates a

²⁷ Current version of Agreement can be found at: <https://www.oregon.gov/DHS/EMPLOYMENT/VR/CooperativeAgreements/ODDS-VR-MOU.pdf>

²⁸ Ibid.

financial incentive for providers to assist people to increase their hours worked over time. It also creates an incentive for providers to prevent job loss.

The tiered and phased reimbursement per hour worked represents a more sophisticated model than the flat-rate model originally developed by Oklahoma, which allows for the following:

- Tiered rates based on acuity prevented “creaming” to help ensure equal access to Job Coaching services for individuals at the highest acuity levels.
- Phase rates based on the length of time a person holds a job ensured overall, long-term cost-effectiveness by basing rates on expectation of fading occurring over time.

ODDS initially established two phases in its outcome-based job coaching reimbursement model: Initial (Months 1-6 on Job) and Ongoing (Months 7+ on Job). In updating the approach in late 2016, ODDS time-limited the “Ongoing” phase and added a third “Maintenance” phase: Initial (Months 1-6 on Job); Ongoing (Months 7-24 on Job), and Maintenance (Months 25+ on Job).

ODDS used its six acuity tiers and initially established a separate payment per hour for each tier. In updating the model in late 2016, they combined Tiers 2 and 3 and combined Tiers 4, 5, and 6. Using provider cost reporting, they determined the cost of an hour of job coaching based on the acuity of the person being supported.

Job Coaching Payment Per Hour Worked	Tier 1 (Lowest Acuity)	Tier 2-3 (Medium Acuity)	Tier 4-6 (Highest Acuity)
Job Coach Hourly Wage Rate Assumed	\$17.85	\$17.85	\$17.85
Cost Per Job Coach Hour of Service ²⁹	\$51.70	\$57.35	\$64.41
Fading Target for Initial Phase (1-6 Months on Job)	60%	80%	100%
Payment Per Hour Worked - Initial Phase (1-6 Months on Job)	\$31.02	\$45.88	\$64.41
Fading Target for Ongoing Phase (7-24 Months on Job)	50%	70%	90%
Payment Per Hour Worked - Ongoing Phase (7-24 Months on Job)	\$25.85	\$40.15	\$57.97
Fading Target for Maintenance Phase (25+ Months on Job)	40%	50%	80%
Payment Per Hour Worked - Maintenance Phase (25+ Months on Job)	\$20.68	\$28.68	\$51.53

Rates were implemented in November 2016.

²⁹ Ibid.

In the table above, it's very important to note that the calculated average cost per hour of job coaching services is based on the assumption that the **average hourly wage paid is \$17.85**. It is also important to note that ODDS had earmarked funding added to their budget that could only be used for Supported Employment-Individual services. This allowed them to build a rate model with generous assumptions related to pay and benefits, as well as **more conservative assumptions for fading** than should otherwise be possible with best practice implementation of Supported Employment services. Further, the assumptions for fading were based on actual experience with individuals that were working in Individual Supported Employment situations when the model was developed. While using actual data in this way is **encouraged** when building a valid outcome-based reimbursement model for job coaching, *the reader is **strongly cautioned** against setting fading targets solely based on actual experience if there is evidence that best practices for fading have not traditionally been used. Thus, greater fading should be expected with the introduction of a reimbursement model that rewards fading.* The danger of setting fading targets higher than what best practices should otherwise allow is that the ability to achieve strong cost-effectiveness and cost-efficiency in the reimbursement model is likely compromised. Thus, it will take more dollars to serve the same number of people than in a model where the fading targets are set more appropriately. However, it is still the case that any outcome-based reimbursement model for job coaching is more likely to produce more fading and achieve far greater overall cost-effectiveness than any fee-for-service reimbursement model that ensures equal access to all individuals with disabilities, regardless of acuity.

Case Example: Tennessee Employment and Community First Choices

In July 2016, Tennessee's Medicaid agency (TennCare) launched the first HCBS program for people with IDD that was designed specifically to advance Employment First and full community inclusion. The program, "Employment and Community First CHOICES," is established under the Medicaid 1115 demonstration authority and is an extension of the state's managed care system for administering Medicaid programs. TennCare also has a strong commitment to value-based purchasing, which created the opportunity to embed outcome-based reimbursement for pre-employment services into the program

Employment Exploration

This is a time-limited 30-day service designed to facilitate increased opportunities for Employment and Community First CHOICES participants and their families/guardians to make a genuine **Employment Informed Choice** about competitive integrated employment. This service ensures the participant (and his/her guardian/family if involved) fully understands:

- The opportunities, services, and supports for competitive integrated employment that exist locally
- The availability of work incentives and dispelling of common myths associated with the interplay between disability benefits and working for competitive wages
- Preliminary identification of a person's interests and abilities that are transferable to competitive integrated employment

While this service is not appropriate for someone who knows they want to work in competitive integrated employment, it does address many people who are not sure or believe, based on limited information, that they do not want to work in competitive integrated employment. This service fills a great need that HCBS programs for people with IDD have typically been unable to address through traditional Supported Employment service offerings.

An outcome payment was established based on the assumption that a qualified job coach would perform the service and 40 hours would be the average length of time necessary to perform the service, including all hours - not only face-to-face hours. A rate model was built to determine an appropriate total cost for a Job Coach hour of service, and this was multiplied by 40 hours to arrive at the outcome payment.

Employment Exploration	Performed by Qualified Job Coach
Cost of Job Coach Hour of Service	\$27.27
Average Hours to Complete Service	40
Outcome Payment for Service	\$1,091

To ensure that any outcome-based payment made for completion of the Employment Exploration service results in a minimum standard for the service process and outcomes, TennCare developed an Employment Exploration report template. Its use is required with the outcome payment payable upon submission of a complete and acceptable Employment Exploration report. The report template requires Job Coaches to record their actual time delivering the service so the state can check and verify its assumptions about the average number of hours required to deliver the service over time. Mileage involved in delivering the service is also tracked to validate assumptions over time.

Discovery

This is a time-limited 90-day service designed to ensure an Employment and Community First CHOICES participant (and his/her guardian/family if involved) *and anyone doing job development/placement for the individual* fully understands, *prior to any efforts to secure employment*, the individual’s interests, strengths, abilities, and conditions for success related to competitive integrated employment.

This service is appropriate for a person who knows they would like competitive integrated employment but is unsure as to what type of employment and what type of employer/workplace would be the best fit where they would be most likely to succeed.

An outcome payment was established based on the assumption that a qualified job developer would perform the service and 50 hours would be the average length of time necessary to perform the service, including all hours - not only face-to-face hours. A rate model was built to determine an appropriate total cost for a Job Developer hour of service, and this was multiplied by 50 hours to arrive at the outcome payment.

Discovery	Performed by Qualified Job Developer
Cost of Job Developer Hour of Service	\$30.00
Average Hours to Complete Service	50
Outcome Payment for Service	\$1,500

To ensure any outcome-based payment made for completion of the Discovery service results in a minimum standard for the service process and outcomes, TennCare developed a Discovery Profile template. Its use is required with the outcome payment payable upon submission of a complete and acceptable Discovery Profile report. The report template required Job Developers to record their actual time delivering the service so the state could check and verify its assumptions about the average number of hours required to deliver the service over time. Mileage involved in delivering the service was also tracked to validate assumptions over time.

Job Development

If not available to an Employment and Community CHOICES participant through the VR agency, this is an available service paid on an outcome basis with *three tiered outcome payments* depending on the acuity of the individual, as determined through the same process used to place the individual in specific levels for other day/employment services.

Each of the three-tiered outcome payments assumes a qualified Job Developer provides the service, and securing the outcome (the competitive integrated employment opportunity) takes, on average, a certain number of hours, including all hours—not only face-to-face hours. The average hours vary based on the acuity of a person: it assumes a person with higher acuity will take longer to successfully place in competitive integrated employment than a person with lower acuity: 80 hours for highest acuity; 60 hours for middle acuity; 40 hours for lowest acuity. A rate model was built to determine an appropriate total cost for a Job Developer hour of service, and this was multiplied by the average hours to arrive at the outcome payment for each acuity tier.

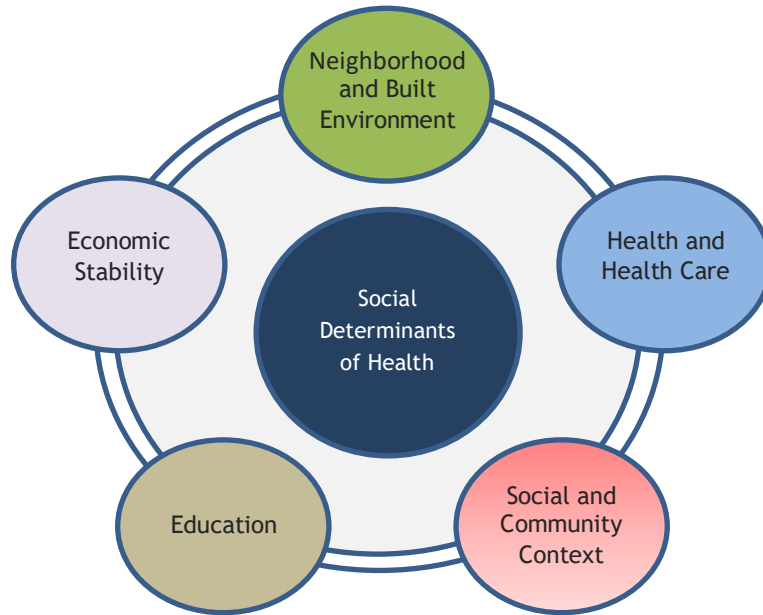
Job Development	Performed by Qualified Job Developer
Cost of Job Developer Hour of Service	\$30.00
Average Hours to Complete Service – Low Acuity	40
Outcome Payment for Service – Low Acuity	\$1,200
Average Hours to Complete Service – Medium Acuity	60
Outcome Payment for Service – Medium Acuity	\$1,800
Average Hours to Complete Service – High Acuity	80
Outcome Payment for Service – High Acuity	\$2,400

The outcome payment is payable upon submission of a complete and acceptable documentation of the competitive integrated employment opportunity that is secured and aligned with the individual's preferences and goals.

Case Example: Oakland County, Michigan

In 2015, I was assigned as a Subject Matter Expert to the Oakland County Community Health Network (OCHN) as part of the ODEP Employment First State Leadership Mentoring Program. OCHN functions as both a Pre-Paid In-Patient Health Plan and as a Community Mental Health Service Provider (CMHSP) in Michigan's regional and county-based Medicaid managed care program serving individuals with SMI and IDD. The Medicaid program uses a 1915b/1915c waiver combination.

OCHN was very aware of the fact that participation in competitive integrated employment advances social determinants of health. In this regard, they recognized that employment has proved, through research, to positively impact overall health and mental health, social connectedness, housing stability, and reduced hospitalizations.



OCHN recognized that investing in competitive integrated employment services would produce outcomes that improve an individual’s quality of life and reduce expenditures OCHN would otherwise need to make to address the impact of unemployment in individual lives. OCHN engaged in the Employment First rate-reimbursement “restructuring” with four interconnected goals:

1. Increasing competitive integrated employment outcomes for individuals served;
2. Establishing outcome-based reimbursement approaches for Supported Employment to incentivize and reward Supported Employment providers implementing best practices and producing high-quality outcomes;
3. Rebalancing existing overall investment in employment services for people with IDD to advance both Employment First and community integration, consistent with the Medicaid HCBS Settings Rule (discussed elsewhere in this guide); and
4. Increasing the effectiveness of the partnership with Michigan Rehabilitation Services (MRS) and the results achieved through the Inter-Agency Cash Transfer Agreement (ICTA).³⁰

³⁰ In Michigan, an Inter-Agency Cash Transfer Agreement (ICTA) involves an agency, other than MRS, providing services to people with disabilities entering into a written agreement with MRS that involves the agency transferring some of its budgeted state dollars to MRS, allowing MRS to use those dollars to draw down additional federal match (\$8 federal can be drawn down for every \$2 state). In return, MRS agrees to provide services, as specified in the agreement, to people with disabilities enrolled with and served by the agency providing the state dollars.

Moving to Outcome-Based Reimbursement for Supported Employment Services for Individuals with Severe and Persistent Mental Illness

In 2015, OCHN was funding Supported Employment services for individuals with SMI through the use of the evidence-based Individual Placement and Support (IPS-SE) model. OCHN was paying IPS-SE services on a fee-for-service basis, with billing limited only to face-to-face service delivery time. They reported getting good outcomes for a number of years, but they were not seeing results improving as time passed. OCHN was also concerned that they were not seeing their providers increasing capacity to serve consumers even though demand for IPS services was increasing. *It's important to note that MRS had no role in funding IPS services, and this is still typically the case in Michigan.*

After learning about the potential advantages of outcome-based reimbursement, OCHN chose to work with its providers to develop a milestone-based funding structure for IPS-SE. They wanted to shift from paying for service to paying for and rewarding outcomes expected from those services. OCHN also wanted to incentivize timely and efficient completion of services associated with each milestone in the IPS process. This better ensured that consumers remained engaged and committed to working in competitive integrated employment (reducing the drop-out rate) and better ensured consumers achieved competitive integrated employment as quickly as possible (rapid placement). This also laid the groundwork for IPS providers to become comfortable with a milestone-based payment structure, thus paving the way for IPS providers to be successful if and when MRS begins purchasing IPS-SE services at a future point.

OCHN worked with providers to go through the following process:

- They started by identifying and agreeing with the key milestones in the IPS process.
- They then used information from providers and their own claims data to arrive at the average number of hours of staff time needed to complete each milestone.
- They used provider cost and claims data to determine the hourly cost of staff time.
- They multiplied the average number of hours needed to complete the milestone by the hourly cost of staff time to arrive at the base milestone payment.
- They factored in an adjustment to certain base milestone payments to account for an anticipated drop-out or failure rate, and to arrive at the final adopted milestone payments.

As the following table depicts, OCHN also incorporated specific quality incentives into the milestone-based reimbursement model:

1. They established a second set of adopted milestone payments that were set at a higher level for IPS-SE providers who achieved and sustained a higher than “Fair” fidelity in the annual fidelity reviews that are a key part of implementing the IPS-SE model. Higher fidelity (a score of 100 or higher) is associated with higher quality in both service delivery and outcomes.
2. They added specific quality incentive payments that could be earned in addition to the adopted milestone payments if the outcome for a consumer met specific requirements. These included:
 - a. If a consumer obtained competitive integrated employment during the Vocational Assessment/Profile milestone, thereby making the Job Placement milestone payment unnecessary, OCHN paid a quality incentive in addition to the Vocational Assessment/Profile milestone. The quality incentive payment was also tiered based on fidelity score.

- b. If a consumer obtained competitive integrated employment that offered employer-provided healthcare and/or a wage of \$13/hour or higher during the Job Placement milestone, OCHN paid a quality incentive in addition to the Job Placement milestone. The quality incentive payment was also tiered based on fidelity score.
- c. For the Job Retention Milestone, OCHN implemented tiered rates based on the weekly average hours worked by the consumer to reflect higher support likely to be needed for consumers working higher hours and to remove any disincentive to assisting consumers to work at higher hours.
- d. OCHN also chose to establish a milestone payment for reemployment after job loss. This could only be earned if reemployment was achieved within 90 days of job loss, thus incentivizing provider efforts to facilitate reemployment as quickly as possible after job loss. This milestone also included tiered incentive payments, based on fidelity score, if a consumer got a job with employer-provided healthcare and/or wage of at least \$13/hour.

Milestone	Current Fidelity Score: 115-125	Current Fidelity Score: 100-114	Current Fidelity Score: 74-99	Notes
Engagement	\$ 260	\$ 250	\$ 200	Submission of Completed Engagement Smartsheet Form Required for Reimbursement.
Vocational Profile and Job Search Plan	\$ 1,360	\$ 1,300	\$ 1,000	Submission of Completed Vocational Profile and Job Search Plan Smartsheet Form Required for Reimbursement.
Bonus: Rapid Job Hire	\$ 840	\$ 800	\$ 600	No Job Placement Service Necessary.
Job Placement: 14 Days	\$ 3,310	\$ 3,200	\$ 2,600	Submission of Completed Job Placement Form Required for Reimbursement. Paid after 14 days on the job.
Bonus: Wage is \$13 per hour or above	\$ 645	\$ 600	\$ 400	Bonus Reimbursement: Paid if employee's wage is \$13 per hour or above.
Job Retention: 120 Days				Submission of Completed Job Retention Form Required for Reimbursement. Reimbursement Paid after 120 days on the job.
30+ hours a week	\$ 1,655	\$ 1,600	\$ 1,300	
20-30 hours a week	\$ 1,260	\$ 1,200	\$ 900	
<20 hours a week	\$ 970	\$ 900	\$ 600	
Job Leave and Re-employment Within 90 days of Leave Date	\$ 1,040	\$ 1,000	\$ 800	Submission of Completed Re-employment Form Required for Reimbursement.
Re-employment Bonus: Wage is \$13 per hour or above	\$ 550	\$ 500	\$ 300	Bonus Reimbursement: Paid if employee's wage is \$13 per hour or above.

Source: OCHN; originally implemented in October 2017; updated October 1, 2018.

In the first nine months of implementation, OCHN saw a meaningful increase in the number of individuals receiving IPS-SE services and the number of milestones that were being met in the IPS process. The chart below illustrates the data and demonstrates that the goals of increasing capacity to serve and increasing outcomes achieved were both realized.

What can we tell from the data?

Milestone	People Meeting Milestones	Milestones Met
1. Engagement	494	535
2. Vocational Profile	260	26
3. Job Placement	129	138
4. Retention	67	69
5. 90-Day Re-Employment	21	21
Grand Total	597	1,028

Source: OCHN; originally implemented in October 2017; updated October 1, 2018.

Moving to Outcome-Based Reimbursement for Individual Supported Employment Job Coaching for Individuals with IDD

After learning about the potential advantages of outcome-based reimbursement, OCHN also chose to undertake a process with its IDD Supported Employment providers to develop an outcome-based reimbursement for Individual Supported Employment Job Coaching services that enabled consumers with IDD to work in competitive integrated employment. Like Oregon, OCHN began with the Wisconsin (Inclusa) model as a starting point and engaged in a similar process with providers, including similar data collection and analysis, to build a new outcome-based reimbursement model that paid Supported Employment Job Coaching providers based on the hours worked by supported employees rather than hours of Job Coaching service.

Determining Cost per Hour of Job Coaching

Based on Job Coach staffing costs submitted by each provider agency, OCHN determined the cost per billable hour to be \$38.61. This includes the assumption that the hourly wage is \$13.50, and 69.25% of Job Coach time is billable based on provider-reported productivity adjustments. The detailed table below also includes figures for annual staff training and transportation.

Staffing Reimbursement Rate (per billable hour): Job Coach	
A. Base Staffing Cost (Wages, Benefits & Administration) per hour	\$24.29
B. Productivity Cost per hour	\$10.78
C. Staff Training Cost per hour	\$0.14
D. Transportation Cost per hour	\$3.40
Total Staffing Reimbursement Rate per billable hour	\$38.61

Details for Staffing Reimbursement Rate (per billable hour): Job Coach

A. Base Staffing Cost (wages + benefits, etc.) per billable hour	\$24.29
Hourly Wage	\$13.50
OCHN DCW (continuation)	\$0.50
MDHHS DCW (state portion)	\$0.50
Total, Hourly Wage	\$14.50
Benefits, payroll taxes, workers comp, unemployment, FICA (34%)	\$4.93
Total Hourly Wage + Benefits, etc.	\$19.43
Overhead / Administration (25%)	\$4.86
Base Staffing Cost per billable hour	\$24.29
B. Productivity Cost per hour	\$10.78
Hours per year	2,080
B1. Hours per workday	8.00
a. Less Hours for Administrative Tasks Not Billable to Specific Individual—staff mtgs, supervision (10%) per workday (= 8*0.10)	-0.80
b. Less Hours for Absentee Rate—for people served (7%) per workday (= 8*0.07)	-0.56
c. Less Hours for Uncompensated Care (1%) per workday (= 8*0.01)	-0.08
Hours Staff In-Service/Training (after first year) per year	26.00
d. Less Hours Staff In-Service/Training (after first year) per workday [= (26/2,080) * 8]	-0.10
Days Paid Time Off (Vacation, Holidays, Paid Sick Time, Personal Days) per year	30.00
e. Less Hours Paid Time Off per workday [= (30*8/2,080) * 8]	-0.92
B2. Less Hours for Productivity Adjustment (per workday) (=B1-a-b-c-d-e)	-2.46
B3. Hours Billable per workday (B1-B2 = 8.00-2.46)	5.54
B4. Base Staffing Cost per workday (= A*B1 = \$24.29*8)	\$194.32
B5. Base Staffing Cost per workday billable hours (= B4/B3)	\$35.07
Less Base Staffing Cost per hour (A)	-\$24.29
Productivity Cost per hour	\$10.78
C. Staff Training Cost (per hour)	\$0.14
C1. Staff Training Cost per Year	\$200.00
C2. Billable Hours per Year	1,440.00
Staff Training Cost per hour (= C1/C2 = \$200/1,440)	\$0.14
D. Transportation Cost per hour*	\$3.40
Miles per Work Week	200.00
Federal Mileage Reimbursement Rate per Mile	\$0.54
Work Weeks per Year (Less Staff In-Service & Paid Time Off)	45.35
Billable Hours per Year	1,440.00
Transportation Cost per hour	\$3.40

* Staff and person served (if needed) travel between job / community sites

Incorporating Risk Adjustment: Establishing Acuity Tiers for Individuals Served

OCHN established three acuity tiers for individual supported employees to create a risk-adjusted model that prevents “creaming” for providers. OCHN opted to use an assessment tool designed specifically to measure the intensity of supports needed by people with IDD working in competitive integrated employment. The acuity tool (see next page) was originally developed for use in Dane County, Wisconsin and had been in use for over 20 years prior to OCHN adopting it. Both the funder of Medicaid wavier long-term supports and Supported Employment providers considered it a reliable tool. This was evidenced by the county consistently maintaining a competitive integrated employment rate between 60 and 70% among working age adults with IDD served by the Medicaid waiver as compared to 12% nationally.³¹ Further, the acuity tool has been used for transition age youth, with Dane County achieving 92-93% of youth with IDD leaving the school system and entering the adult system with competitive integrated employment as compared to 26% nationally.³² OCHN made minor adaptations to the tool by updating the language and creating a supplemental set of examples to facilitate accurate completion of the tool. These are integrated into a seamless online tool that is completed for each individual.

The OCHN contracted Supports Coordinators/Case Managers are responsible for completing the acuity tool. OCHN requires it be updated at least annually for those who are receiving Individual Supported Employment services. It is also updated if there is a significant change in an individual’s disability or related conditions. Providers may request a review of the acuity score if they have concerns about an individual’s assessed acuity.

Establishing Phases for Employment

OCHN decided to adopt the same employment phases used in the Wisconsin model:

- Phase One: 0-11 Months on the Job
- Phase Two: 12-24 Months on the Job
- Phase Three: 25+ Months on the Job

Adopting three phases, like the Wisconsin and Oregon models, means fading expectations can be stepped down twice throughout someone holding a particularly competitive integrated job. There is an option to adopt more phases, which allows for the step-down fading expectations to be introduced over a longer duration, making the steps down gentler for providers. A key principle of the model, however, is that supports are never completely zeroed out in order to ensure the following:

1. The employer and supported employee have ongoing access to support as needed;
2. The provider is in place to regularly monitor the satisfaction of both the employer and the supported employee to prevent an otherwise preventable job loss.³³

³¹ This statistic taken from 2016-2017 National Core Indicators Adult Consumer Survey of over 21,500 individuals with IDD in 39 states. NCI is the only national survey that measures competitive integrated employment distinct from other types of Supported Employment. See: https://www.nationalcoreindicators.org/upload/core-indicators/NCIEmployment_Update3_DataBrief.pdf

³² Hunt, Douglas (November 2016). Dane County’s Approach to Seamless Transition. See also: http://www.ddnetworkinc.org/uploads/3/4/1/9/34192144/17-01-20_building_on_the_dane_county_difference.pdf

³³ This has been a long-standing expectation of VR Supported Employment providers, which can be found in federal regulations, but this is essentially an unfunded mandate, as VR does not fund this expectation once a case is closed.

IDD Employment Supports Acuity Tool

1. Name:	Date:	2. Support Level:	Low	Med	High
Con ID:	Point Total	9-22	23-36	37+	
3. Supports Coordinator:		4. Support Level Score:			
<p>Instructions: Please circle the most accurate responses in the columns below. Please total the responses and enter this score in box 4. Then circle the corresponding low, medium, or high category in box 2. Remember that for questions 5-9 a score of "Hi" on one or more questions will automatically result in a Support Level of "High" being indicated/circled in box 2.</p>					

Columns

I.	II.	III.	
Circle One			
1	2	3	1. Sensory Functioning (Vision / Hearing) No Sensory Impairment. Impairment is corrected with glasses or hearing aid. Impairment is not correctable.
1	5	9	2. Language and Communication Able to use intelligible speech to communicate; usually in sentences. Communicates verbally using a few words and/or short phrases. Communicates using an augmentative system or has no formal system of communication.
1	2	3	3. Ability to Read and Write Reads and writes or uses alternative system (e.g., Braille, large print). Reads and writes single words or simple phrases used in daily activities. Does not read or write.
1	2	3	4. Community Travel Can drive or use public transportation without training or assistance. Accesses community with training and/or some assistance. Always requires assistance/supervision from other to access community.
A rating in the third column for factors listed below, automatically results in Support Level rating of Hi			
1	5	Hi	5. Medical No current medical needs, or manages current medical needs without assistance. Current medical needs can be managed with intermittent assistance by non-medical staff. Is Medically fragile and requires staff available at all times.
1	5	Hi	6. Mobility and Personal Care Ambulatory without assistance. Ambulatory with adaptive aides/occasional staff help. Or, requires regular help w/personal care. Unable to ambulate independently and requires continuous assistance.
1	5	Hi	7. Skills Development Can master complex skills independently (e.g., 10 or more steps). Can master tasks and routines with intensive training. Currently requires assistance to complete majority of tasks.
1	12	Hi	8. Adaptive Devices Does not require any job adaptations. Able to work independently with adaptive equipment (e.g., jigs, etc.) Unable to work independently & requires personal assistance to complete majority of tasks.
1	12	Hi	9. Behavioral Support Able to work independently. Any interfering behaviors are redirectable by employer's staff. Able to work independently with intermittent intervention from CMH network staff. Unable to work independently without regular intervention by CMH network staff.
Support Level Total			

3. The incentives for providers to fade, built into the overall model, are not significantly undermined by termination of job coaching as a penalty for providers who achieve superior fading outcomes.
4. The risk-based model is fair to providers by ensuring upside gain can offset downside risk.
5. The value of the outcome - competitive integrated employment - is recognized in the payment structure, including the value of the benefits to the person and indirect cost savings for the program, created when a person has access to competitive integrated employment.

Setting Target Fading Percentages for Each Acuity Tier and Each Employment Phase

Using data collected from providers on the current job coaching supports provided to individuals with IDD already working in competitive integrated employment (with Supported Employment job coaching services), OCHN established fading percentages for each Tier and Phase. Built into the model are the logical expectations that fading will be greater for people who have lower acuity and who have held their jobs longer.

	Phase 1 0-11 Months on Job	Phase 2 12-24 Months on Job	Phase 3 25+ Months on Job
High Acuity	85%	65%	45%
Medium Acuity	70%	45%	25%
Low Acuity	60%	35%	15%

Calculating the Payment Per Hour Worked Based on \$38.61 Cost Per Job Coach Hour of Service

As a final step, OCHN multiplied the cost of a Job Coach hour of service by each target fading percentage to arrive at the payment per hour worked for each Tier/Phase combination.

	Phase 1 0-11 Months on Job	Phase 2 12-24 Months on Job	Phase 3 25+ Months on Job
High Acuity	\$32.82 /hour worked	\$27.03 /hour worked	\$23.16 /hour worked
Medium Acuity	\$25.09 /hour worked	\$17.37 /hour worked	\$13.51 /hour worked
Low Acuity	\$17.37 /hour worked	\$9.65 /hour worked	\$5.79 /hour worked

This ensures that if the Job Coaching provided to an individual in a particular Tier/Phase hits the target percentage (i.e., the coaching provided is done for that percentage of time that the individual is working), the provider will receive compensation equal to their Job Coaching costs. If they fade more, their compensation would exceed their Job Coaching costs, and if they fade less, their compensation would be less than their Job Coaching costs. Thus, the incentive is to find ways to maximize fading, which is aligning the financial incentive with best practice outcomes. As an example:

John is in the Medium Acuity group, and he has held his job for 18 months.

Using the table in the prior section above, his target fading percentage is 45%. This means the target for the Job Coach is to coach John 45% of the time he is working. (Remember, coaching includes all time the Job Coach spends on behalf of John, not just face-to-face time.)

If John works 20 hours a week, the 45% target would equate to 9 hours a week of Job Coaching.

If the Job Coach coaches John 9 hours/week, the weekly cost to the agency is \$38.61 X 9 hours = \$347.40.

Using the table immediately above, John's payment per hour worked is \$17.37.

If John works 20 hours/week, the weekly payment to the agency is \$17.37 X 20 hours = \$347.40.

If the fading target is met, the income from the payment per hour worked covers the job coaching costs.

If coaching is less, the cost to the agency for the coach is less; but the payment per hour worked remains the same. Thus, the agency earns net income as a result of fading more than the target percentage.

In contrast, if coaching is more, the cost to the agency for the coach is more; but the payment per hour worked remains the same. Thus, the agency experiences a net loss as a result of fading less than the target percentage.

The need for an agency to achieve at least the targeted fading percentage, and ideally fade a greater amount, results in the agency putting more emphasis on finding the right job match and on using all of the best practice strategies that result in the job coach being able to fade.

Revising the Inter-Agency Cash Transfer Agreement to Launch a Customized Employment Pilot Initiative with Michigan Rehabilitation Services, Focused on People with IDD

As part of the larger change effort OCHN undertook to increase competitive integrated employment opportunities and outcomes for the individuals with disabilities it serves, they also considered how they might better leverage their Inter-Agency Cash Transfer Agreement (ICTA) with Michigan Rehabilitation Services (MRS). The partnership was viewed as valuable, but the outcomes from the existing ICTA were not as good as OCHN hoped they would be. Additionally, OCHN recognized that if all of their efforts around the IDD services and provider network were going to be effective, they needed to ensure individuals with IDD had a way to obtain competitive integrated employment and for providers to get reimbursed for learning and using best practices to assist individuals in obtaining this employment. After consideration, OCHN decided to approach MRS about redefining the terms of the ICTA and used the cash transfer to support access to CE services for individuals with IDD served by OCHN.

The focus on CE made sense for several reasons. First, WIOA had passed in 2014, requiring all state VR agencies to offer CE services. MRS did not yet pay for CE, but using the ICTA in this way would be an opportunity for MRS to do so on a pilot basis. Second, there continues to be evidence from across the country that CE is recognized as an evidence-based practice for people with IDD. Third, a large provider affiliated with OCHN had been participating in the SourceAmerica "Pathways to Careers" initiative,³⁴ which utilizes a high-fidelity CE approach. That provider had experienced significant early success and was a strong proponent for the value and effectiveness of CE in dialogue with both peer providers and MRS.

OCHN worked with MRS to develop the framework for the CE pilot, adopting the sequence of services typically associated with CE process and adopting milestone rates that were based on rates in place by other state VR agencies for "like" services and the assumptions underlying these rates with regard to:

- Average time involved to complete the milestone

³⁴ <https://www.sourceamerica.org/pathways-careers>

- Qualification of staff delivering the CE services and appropriate hourly wage for these staff
- Total hourly cost for staff delivering the CE services

MRS-OCHN Customized Employment Pilot Milestone Schedule:

1. Discovery and Profile \$1,600

Discovery and written Profile is to be completed within 60 days. MRS will generate a Vendor Authorization for Purchase at the time of referral (prior to beginning service) to be paid within 30 days of submission of an invoice with a completed Profile.

2. Internship for Experience, Skill-Building, and Employer Reference

By way of MRS Vendor Authorization for Purchase standard:

- \$500 paid upon identifying and securing an internship opportunity for the individual.
- \$1,000 paid upon completion of at least a 24-hour internship (12-15 hours/week), service and submission of an acceptable report summarizing the internship and learning, including a letter of reference from the employer.
- Stipend paid for the individual commensurate with the minimum wage per hour and related employer payroll costs paid upon completion of the internship and the submission of an acceptable report.

3. Customized Supported Employment Placement (C-SEP)

- \$1,000 upon individual completing 1 month on the job(s) that is at least 12 hours per week.
- \$1,200 upon individual completing 2 months on the job(s), working an average of at least 1) hours per week.
- \$1,400 upon individual completing 3 months on the job(s), working an average of at least 12 hours per week.

Note: Job Training and Coaching costs will be separately reimbursed as described below.

4. Job Analysis, Training, Coaching, and Support/Facilitation of Natural Supports

Will be authorized and paid by MRS at a customary and typical hourly rate.

Total Cost Per Case for All Milestones Outlined Above:

Recording at least 12 hours per week on the job →\$6,700 + Job Coaching/Supports and stipend commensurate with minimum wage for all hours worked.

Job Training/Coaching Beyond Four Weeks:

Job Supports, including Job Coaching, needed beyond four weeks on the job(s) shall be the responsibility of OCHN and shall be authorized on the individual's Medicaid Waiver Plan of Service.

Providers:

Two providers contracted with both OCHN and MRS for Supported Employment, who had both the capacity and interest in providing CE services to individuals with IDD served by OCHN, were recruited and offered expert technical assistance during implementation from CE in return for:

- Having existing Supported Employment staff sufficient to handle anticipated referrals for CE.

- Committing to providing staff to receive CE referrals who were already certified in CE or committed to obtaining the certification in a timely manner.
- The willingness to commit the time of appropriate administrative and Supported Employment staff necessary to participate fully in the CE Pilot, including participation in CE training, technical assistance via phone or in-person, monthly or quarterly pilot steering committee meetings, evaluation activities, etc.
- The willingness to commit financial resources to match (dollar for dollar) a grant to the vendor from the Michigan Developmental Disabilities Council to underwrite the costs of staff certification (if staff is not already certified) and additional technical assistance and training from a CE expert during the pilot.
- The commitment to ensuring sufficient Supported Employment Job Coaching staff necessary to provide the Job Analysis, Training, and Support/Facilitation of Natural Supports service individuals placed into customized Supported Employment positions during fiscal year 2017, and commitment to ensuring these Job Coaches have training and technical assistance to implement best practices outlined in the Job Analysis, Training, and Support/Facilitation of Natural Supports service description.

Overall, OCHN understood that a multi-faceted approach to aligning financial incentives for increasing competitive integrated employment, addressing both its SMI and IDD populations and using outcome and milestone-based reimbursement models, designed in collaboration with employment service providers and funding partners, put appropriate emphasis on services that lead to successful outcomes. Additionally, the OCHN rebalancing of employment service reimbursement rates, including appropriate cost-justified reductions in facility-based prevocational (Skill Building) rates and the creation of separate rates for Community-Based Skill Building, was critical in ensuring the changes as a whole had the desired impact and providers were clearly incentivized to develop and expand capacity to deliver services supporting competitive integrated employment and community integration. This rebalancing was consistent with the Medicaid HCBS Settings Rule, Title II of the Americans with Disabilities Act, the Workforce Innovation and Opportunity Act, and evidence-based practices for advancing competitive integrated employment for both people with SMI and IDD.

IX. Establishing Funding Streams Dedicated Solely to Advancing Competitive Integrated Employment

Case Example: Delaware Pathways to Employment 1915i State Plan Amendment

In January 2015, the Delaware Department of Health and Social Services—the single state Medicaid agency—received approval for the *Pathways to Employment* Medicaid 1915i State Plan Amendment³⁵ permitting it to offer a new set of HCBS services solely and specifically focused on advancing competitive integrated employment:

- Employment Navigator (Case Manager focused on competitive integrated employment)
- Career Exploration and Assessment
- Benefits Counseling (Focus on work incentives)
- Financial Coaching Plus

³⁵ https://dhss.delaware.gov/dsaapd/files/pathways_amendment.pdf

- Orientation, Mobility, and Assistive Technology
- Individual Supported Employment
- Small Group Supported Employment (Maximum group size is four; minimum wage or higher required; outcome expected to be competitive integrated employment in individualized position)
- Non-Medical Transportation
- Personal Care (including option for self-direction)

All of the services are defined specifically to address the supports needed for obtaining and maintaining competitive integrated employment.

Two divisions within DHSS administer the program: The Developmental Disabilities Division and the Aging and Adults with Physical Disabilities Division. **The program serves individuals, ages 14-25, who have a desire to work in a competitive work environment** and for which the services provided are not otherwise available to the individual under either special education and related services as defined in section 602(16) and (17) of the Education of the Handicapped Act (20 U.S.C. 1401(16) and (17)) or VR services available to the individual through a program funded under section 110 of the Rehabilitation Act of 1973 (29 U.S.C. 730). Specifically, the program serves the following target populations:

- **Individuals who are Visually Impaired:** Individuals who are unemployed, underemployed, or at risk of losing their job without supports.
- **Individuals with Physical Disabilities:** Individuals whose physical condition affects their ability to live independently, who need ongoing assistance with at least one of the Activities of Daily Living (ADL), and who are at risk of being unable to sustain competitive employment without supports.
- **Individuals with Intellectual Disabilities, Autism Spectrum Disorders, or Asperger’s Syndrome:** Individuals with significant limitations in adaptive function and/or who need assistance with at least one area of ADL, and/or who have difficulty understanding and interpreting social situations and are unlikely to be able to obtain or sustain competitive employment without supports.

A program like this enables a state that may have limited new financial resources to create access to services that support competitive integrated employment in a way that ensures the new investment goes exclusively to advancing competitive integrated employment. The 1915i State Plan Amendment option also allows the state to establish a specific target population(s) even though offering the services through the Medicaid State plan requires the state to make the program an entitlement (no waiting list permitted) for those specified target populations. These unique features allow a state to establish a pure *Employment First* HCBS option.

Case Example: Georgia “Employment Express” Competitive Integrated Employment Program

“Employment Express” is a new funding structure administered by the Georgia Department of Behavioral Health and Developmental Disabilities (GDBHDD) and involves a collaborative partnership with the Georgia Vocational Rehabilitation Agency (GVRA). The program went live statewide on March 1, 2018. The goal of the two agency’s collaboration is to support individuals with significant IDD in

finding and maintaining competitive integrated employment.³⁶ The Employment Express Funding Track (EEFT) is designed to fund extended/long-term Supported Employment supports in a way that provides a quick path to competitive integrated employment.

Persons with IDD who want to work in the community and are determined pre-eligible for GDBHDD Medicaid Waiver services can bypass the Planning List and be immediately referred to the Georgia Vocational Rehabilitation Agency (GVRA) for funding of the early phase of Supported Employment supports to achieve competitive integrated employment. The GDBHDD then funds the extended phase of Supported Employment supports through this state funding structure, which includes the provision of Support Coordination to address employment/career goals, needs related to job loss, and other unmet needs not related to employment.

A strong example of sequencing³⁷ of resources and services, GVRA provides the early supports up through on-the-job stabilization, which can occur as early as 60 days after an individual begins in a competitive integrated job. At this point the “Employment Express Funding Track” state funding is offered by the GDBHDD. This funding is available as long as the job lasts and is paid at a monthly maintenance rate to the Supported Employment provider.³⁸ To qualify, the individual supported must be working an average of 10 or more hours per week and Supported Employment (including Support Coordination) must be the only GDBHDD-funded service the person receives.

While this model does not leverage federal funding except for the GVRA-funded portion of the services, the use of state funding by GDBHDD to create the immediate availability of supports to sustain competitive integrated employment for individuals with IDD who need long-term support advances Employment First³⁹ in a critical way.

X. Models for Paying Employers to Assume the Post-Hire Roles Typically Filled by Employment Service Provider Agencies

As the efforts to increase opportunities for competitive integrated employment steadily continue to grow, there are obvious system capacity issues that begin to surface or show themselves more prominently. For a variety of reasons, it is clear in many places around the country that there is not enough willing, able, and available providers of Supported Employment services. If providers are present, they often do not have adequate staff trained, experienced, and available to deliver the various services individuals with disabilities need to explore, obtain, and maintain competitive integrated employment. This problem is acute when it comes to job coaching and the provision of needed training and on-the-job support once a person obtains competitive integrated employment. The direct service workforce crisis in the broader field of disability services⁴⁰ directly impacts Supported Employment providers. Many agencies do not have sufficient job coaching staff due to this crisis and other factors.

³⁶ <https://gvs.georgia.gov/dbhddgvra-supported-employment-collaboration-individuals-intellectual-developmental-disabilities>

³⁷ Sequencing is the author’s concept and is distinguished from braiding in that funding and services for competitive integrated employment are provided, by two or more funding sources, in a sequential rather than concurrent fashion.

³⁸

https://dbhdd.georgia.gov/sites/dbhdd.georgia.gov/files/related_files/site_page/Guide%20to%20Employment%20Express.pdf

³⁹ Georgia has an Employment First Law as of May 2018. See: <https://gvs.georgia.gov/press-releases/2018-05-08/georgias-employment-first-act-becomes-law>

⁴⁰ https://acl.gov/sites/default/files/programs/2018-02/2017%20PCPID%20Full%20Report_0.PDF

As is often the case, out of crisis comes some of the most innovative, common-sense solutions. Across the country, there is increasing awareness that employers (supervisors, co-workers) are typically the best sources of training and on-the-job-supports for people with disabilities. This is the case for many reasons:

- Those who work for the company know best how the company expects the work to be done, and they know from experience how training of new employees is best carried out to ensure those employees do the work the way the company expects it will be done.⁴¹ If someone who works for the company teaches a person with a disability, the training is done the way all new employees receive training. While accommodations may be provided (e.g., communication; extended training period; adaptive equipment; support from a Supported Employment Specialist), approaching training this way is much more likely to lead to an employee with a disability experiencing long-term success than if a job coach that does not work for the employer assumes primary responsibility for training.
- When natural trainers (i.e., whoever would train any new employee filling the position the person with a disability is filling) provide the training, this creates the opportunity for the natural people in the workplace to understand how to communicate with, and effectively train and supervise/direct, the employee with a disability. It also allows the employee with a disability to understand how to communicate with the natural people in the workplace. Without a third party (e.g., job coach) trying to act as a go-between rather than supporting this natural process, the groundwork is laid for the employee with a disability to receive the natural supports needed to be successful on the job in an effective way.
- There is a shortage of job coaches, especially in rural areas.
- Some workplaces are crowded, and the presence of a job coach creates issues for other employees.
- Some employers do not want job coaches employed by other agencies in their workplaces.
- Many supported employees would rather not have a “special” person that is in the workplace with them to provide them the support they need.
- If people need intermittent support during their shift, or support only at the beginning and/or end of their shift, using Supported Employment funding to send a job coach (travel time + travel expense) to the workplace to offer, for example, 15-minutes of support in each hour, is not cost-effective as compared to being able to reimburse the employer for a co-worker or supervisor providing the 15-minutes of support that is needed each hour.

These are the most common reasons there is increasing attention being paid to using funding streams for competitive integrated employment (namely Supported Employment funding streams) to compensate employers directly when they assume the primary and ongoing responsibility for training and supervising an employee with a disability, including the extra training and support that that

⁴¹ The use of natural people (supervisors; co-workers) using natural means to train an employee with a disability on the natural ways that the company expects the work to be done is the underlying principle of The Seven Phase Sequence for Systematic Instruction developed by Michael Callahan of Marc Gold and Associates. See: <https://static1.squarespace.com/static/57fa78cd6a496306c83a2ca7/t/5830f9bee4fcb5e251c81780/1479604673136/The+Seven+Phase+Sequence+for+Balancing+Naturalness+and+Individual+Needs.pdf>

employee may need to be successful on the job. Examples of ways to compensate employers directly are discussed below.

1. Vocational Rehabilitation and American Job Center On-the-Job Training Options

Paying employers for on-the-job training (OJT) is something both VR agencies and American Job Centers can do.⁴² By using this strategy, employers are assured the new hire learns the company's work processes and the company's way of getting the work done. OJT allows for an individual to be hired who might not otherwise have been hired due to a lack of experience and skills. The new hire who receives OJT has an enhanced opportunity to learn the job and achieve performance that enables them to retain the job.

Further, businesses that participate in internships for people with disabilities are 4.5 times more likely to hire a person with a disability.⁴³ Because of its similarity to internships, OJT is assumed to produce similar outcomes.

There are a variety of ways OJT is implemented across the country. American Job Centers follow the WIOA.⁴⁴

OJT is defined as training by an employer that is provided to a paid participant while engaged in productive work in a job. The training provides knowledge or skills essential to the full and adequate performance of the job. The training is made available through a program that provides reimbursement to the employer of up to 50% of the wage rate of the participant (in some cases 75%) for the extraordinary costs of providing training and additional supervision related to the training. The training is expected to be limited in duration as appropriate to the occupation, content of the training, prior work experience of the participant, and the service strategy appropriate to the participant. For information on OJT in your state, review your WIOA State Plan at <https://www2.ed.gov/about/offices/list/osers/rsa/wioa/state-plans/index.html>.

The federal regulations further expect that OJT will only be implemented with employers who intend to provide continued long-term employment, with wages and benefits, to the employee for which the OJT payment is made. OJT may also be used when a worker is not a new hire, but instead needs OJT to learn new technologies, new production, or service procedures introduced by an employer, or the worker is moving into a new position with the same employer that requires additional skills. Local Workforce Development Boards administering the funding available for OJT may also define other purposes for appropriate use of OJT in their local area.

As an example of structuring OJT as an outcome-based reimbursement, one of Tennessee's Local Workforce Development Boards (Area 12) uses a performance-based OJT payment. They only reimburse the employer if the employee completes the entire training program.⁴⁵

Where state VR agencies use OJT, the exact requirements vary by state.

⁴² American Job Centers can provide a range of employment services through programs funded under the Workforce Innovation and Opportunity Act.

⁴³ EARN (Employer Assistance and Resource Network for Disability Inclusion). www.askearn.org

⁴⁴ Workforce Innovation and Opportunity Act Section 3 (44) or 20 CFR § 680.700

⁴⁵ https://www.tn.gov/content/dam/tn/workforce/documents/On-the-job_training_Margaret_Prater_Kristie_Bennett_min.pdf

Some states (e.g., Florida Division of Vocational Rehabilitation⁴⁶) do not require the employer to commit to hiring a person. They describe OJT as an opportunity for the employer “to see if the job and your business are a good fit with the trainee.” In the OJT option, Florida’s Division of Vocational Rehabilitation may provide:

- Reimbursement for the trainee’s salary and taxes the employer must pay on this salary.
- Support services (uniforms, tools, bus passes)
- Job-site assessment and any needed accommodations other than those typically implemented by the employer (e.g., modification of job duties; changing style of training and/or communication)

Other state VR agencies that provide OJT require the commitment of the employer to hire the person after training if the person is satisfactorily performing the essential functions of the job.

In New York, OJT funded by the state VR agency is specific training provided in an actual work setting by an employer, related to the particular job for which the consumer is hired. *It includes a commitment by the employer to retain the consumer as an employee after successful completion of training if the consumer is meeting the essential performance standards of the job.*⁴⁷ New York’s VR agency partially reimburses the employer for training expenses: either through the partial payment of the wages of the consumer or the wages of the supervisor or co-worker providing the training and related supervision. The expectation is that the OJT payment to the employer is reduced over time as the trainee becomes more proficient in the skills required to achieve a competitive level of performance. No more than 50% of the training costs may be reimbursed over the entire duration of the training period.

2. Using Medicaid to Pay Employers for Job Training and Coaching Supports

In September 2011, the Centers for Medicare and Medicaid Services (CMS) published an informational bulletin⁴⁸ that included clarifying that it is permissible for states to use Medicaid Supported Employment service dollars to pay an employer for supports provided by a supervisor or co-worker in lieu of using a traditional Supported Employment provider agency to provide these supports. The guidance in this Informational Bulletin is now in the CMS 1915c Home and Community-Based Waiver Technical Guide (Version 3.5):

“Statewide rate-setting methodologies, which are further described in I-2-a of the waiver application, may be used to embrace new models of support that help a person obtain and maintain integrated employment in the community. These may include co-worker support models...” [Page 153]

Case Example: Oklahoma

Again, it is important to acknowledge the state of Oklahoma in blazing a trail on this approach. Oklahoma’s Developmental Disabilities Services Division created the “Contracts with Industry” initiative over a decade ago, using Medicaid Waiver Supported Employment dollars to pay employers

⁴⁶ <http://www.rehabworks.org/ojt.shtml>

⁴⁷ https://ocfs.ny.gov/main/cb/vocrehab_manual/08-37_OnTheJobTraining.htm

⁴⁸ <https://downloads.cms.gov/cmsgov/archived-downloads/CMCSBulletins/downloads/CIB-9-16-11.pdf>

directly for supports that would have otherwise been provided by a traditional Supported Employment agency.⁴⁹

Case Example: Wisconsin

Since the CMS Informational Bulletin was released in 2011, some states have specified this option in their approved service definition for Supported Employment in their Medicaid Waiver.

One such state is Wisconsin, where the approved service definition for their 1915c waiver serving people with IDD and physical disabilities includes this language:

“Individual employment support services may be provided by a co-worker or other job site personnel provided that the services are not part of the normal duties of the co-worker, supervisor, or other personnel and these individuals meet the qualifications established below for individual providers of this service. Employers may be reimbursed for Supported Employment services provided by co-workers.”

As a result of this language being included in the approved service definition, Wisconsin has seen an expansion of what it calls the “Partners with Business” model that pays employers for co-worker and/or supervisor support, above and beyond natural supports provided to any supported employee working in competitive integrated employment.

Partners with Business began in Dane County, Wisconsin more than a decade ago as part of a larger effort to assure thoughtful, intentional implementation of Supported Employment best practices to:

1. Ensure good job matches;
2. Empower employers to directly train and supervise their employees with disabilities;
3. Cultivate inclusion and natural supports;
4. Maximize independence of employees with disabilities; and
5. Pave the way to negotiate formal paid coworker supports as an ongoing option.

In Partners with Business, the supports negotiated are always based on the individual needs of the worker. Supports are determined through a collaborative assessment with the employer - using workplace & task analysis, observation, and discussion. The reimbursement amount is negotiated and based on the support time that is needed and the employer’s costs for a coworker(s) to provide the support (wages and overhead). In Dane County, the results in terms of cost-effectiveness have been significant. Below are some examples:

PARTNERS WITH BUSINESS PROFILE FOR JANA:

Employment situation: Jana works at a local community center 4 days a week from 9:00 to 11:30. Her responsibilities include room set up, light cleaning, and assistance with senior meal programs.

Need for paid on-the-job support: After conducting an analysis of Jana’s on-the-job support needs, and determining that her needs are being met naturally, it is determined that Jana needs 30 to 45 minutes of support during each 2.5-hour shift to accomplish all of her job responsibilities.

Traditional agency support using a job coach on site

https://apps.econsys.com/ta-planner/Contracts_with_Industry.pdf⁴⁹.

	Cost per Year
2.5 hrs. x 4 days x 52 weeks x \$27/hour	\$14,040
Mileage to/from site (60 miles/week)	\$1,404
Total	\$15,444

Support provided through the Center staff

	Cost per Year
45 min. x 4 days x 52 weeks x \$14.67/hour	\$2,289
SE agency follow-along (1 to 2 hours/month at \$27/hour)	\$648
Total	\$2,937

PARTNERS WITH BUSINESS PROFILE FOR TRAVIS:

Employment Situation: Travis has been hired to complete food prep tasks 3 hours a day, 5 days a week, in a small diner located in his hometown, which is 20 miles from the closest Supported Employment agency.

Need for paid on-the-job support: Travis needs intermittent support to complete his work, including cues on how to prepare specific food items that vary depending on the day's menu. Travis needs help setting up his food prep tasks, but once set up, he can work independently to complete the task. Total direct support over the 3-hour shift is between 45 minutes and 1 hour.

Traditional agency support requires job coach on site

	Cost per Year
Job coach on site (3 hrs. x 5 days x 52 weeks x \$27/hour)	\$21,060
Round-trip mileage to worksite (200 miles/week at 45/mile)	\$4,680
Total	\$25,740

Support provided through the Kitchen staff

	Cost per Year
1-hour x 5 days x 52 weeks x \$20/hour	\$5,200
SE agency follow-along (1 to 2 hours/month at \$27/hour)	\$648
Total	\$5,848

PARTNERS WITH BUSINESS PROFILE FOR DAN:

Employment Situation: Dan works at a small metal shop that fabricates benches, bike racks, etc. Dan works 30 hours per week in the machine room, assisting with clean-up throughout the day. He also performs light cleaning tasks around the office, including the break room, reception area, windows, etc. Dan needs less than 30 minutes per day of support.

Need for paid on-the-job support: Dan needs intermittent support with problem-solving and prioritizing tasks. Dan also needs help on occasions when he cleans in the reception area to ensure that he follows through on tasks such as wiping down the office windows. Required daily support is 30 minutes or less.

Traditional agency support (daily spot check)

	Cost per Year
Job coach visits site (.5 hrs. x 5 days x 52 weeks x \$27/hour)	\$3,510
Round-trip mileage to worksite (30 miles/week at 45/mile)	\$702
Total	\$4,212

	Cost per Year
Support provided through the Metal Shop staff* *(When asked if they needed compensation for the 30 minutes per day of support required, the employer declined, offering to provide the support at no charge.)	\$0
SE agency follow-along (1 to 2 hours/month at \$27/hour)	\$648
Total	\$648

As the success in Dane County increased, interest in expanding the approach to more parts of the state grew. The Wisconsin Board for People with Developmental Disabilities (Wisconsin’s federally funded Developmental Disabilities Council) spearheaded the effort to educate state legislators on the value of the model and the good outcomes it was producing. They tied the need for this initiative to address the direct service workforce crisis. They had employers who had direct experience of doing Partners with Business share their stories. As a result, the legislature passed a bill⁵⁰ that included funding in a recent state budget to support expansion of the model via five pilot sites in the state.

Wisconsin MCOs responsible for administering HCBS services for people with IDD and physical disabilities, under the state’s 1915b/c Medicaid Waivers, are now developing strategies to incorporate Partners with Business into their contracting processes for Supported Employment services. One critical element for success is designing methods for this arrangement to be put in place without requiring the employer to become a Medicaid provider. This appears to be essential for maximizing the use of this model. Thus far, Wisconsin MCOs have looked to Tennessee’s approach (described below) and adopted models that utilize contracted Supported Employment providers to set up the arrangements, pass through payments to the employer appropriate for the support being provided, and monitor the arrangement to ensure its continued success over time.

Case Example: Tennessee

In 2016, when Tennessee’s Medicaid agency (TennCare) launched its new managed care HCBS program for people with IDD - Employment and Community First CHOICES - it included a distinct service called “Co-Worker Supports” in the array of employment services available. They adopted the following service definition:⁵¹

“This service involves a provider of Job Coaching for Individualized Integrated Employment entering into an agreement with an individual’s employer to reimburse the employer for supports provided by one or more supervisors and/or co-workers, acceptable to the individual, to enable the person to maintain individualized integrated employment with the employer. This service cannot include payment for the supervisory and co-worker supports rendered as a normal part of the business setting and that would otherwise be provided to an employee without a disability. As well, additional natural

⁵⁰ <https://docs.legis.wisconsin.gov/2017/related/acts/323>

⁵¹ <http://www.tennesseejobs.org/so-what-services-are-available-with-employment-and-community-first-choices-part-3/>

supports for the individual, already negotiated with the employer, and provided through supervisors and co-workers, are not eligible for reimbursement under Co-Worker Supports. Only supports that must otherwise be provided by a Job Coach may be reimbursed under this service category. Co-Worker Supports would be authorized in situations where any of the following is true:

- 1. From the start of employment or at any point during employment, if the employer prefers (or the individual prefers and the employer agrees) to provide needed Job Coach supports, rather than having a Job Coach, either employed by a third-party agency or self-employed, present in the business. Fading expectations should still be in place to maximize independence of the employed individual.*
- 2. At any point in the individual's employment where needed Job Coaching supports can be most cost effectively provided by Co-Worker Supports and both the employer and individual agree to the use of Co-Worker Supports. Fading of Job Coaching supports may or may not still be occurring, but Co-Worker Supports should always be considered when ongoing fading of Job Coaching has stopped occurring.*
- 3. For individuals who are expected to be able to transition to working only with employer supports available to any employee and additional negotiated natural supports if applicable. In this situation, Co-Worker Supports are authorized as a temporary (maximum 12 months) bridge to relying only on employer supports, and additional negotiated natural (unpaid) supports if applicable, to maintain employment.*

The supervisor(s) and/or co-worker(s) identified to provide the support to the individual must meet the qualifications for a legally responsible individual as a provider of this service. The provider is responsible for ensuring these qualifications are met and also for oversight and monitoring of paid co-worker supports.

The amount of time authorized for this service is negotiated with the employer and reflective of the specific needs the individual has for co-worker supports above and beyond negotiated natural supports and supervisory/co-worker supports otherwise available to employees without disabilities. An add-on to the 15-minute unit rate for the employer is applied to cover the service provider's role in administering Co-Worker Supports."

As noted above, to create a viable reimbursement model for this service, TennCare devised an approach that allowed for a customized 15-minute unit rate, which reimbursed the employer and provided an administrative fee to the Supported Employment agency. The actual rate for each individual is based on the gross cost to the employer for co-worker support (i.e., the wage of the co-worker plus applicable employer taxes), plus a flat provider administration fee of 60 cents per 15-minute unit of co-worker support.

Overall, to ensure success of these types of models, all implementers described above require background checks to be kept on record for co-workers and/or the supervisor identified as providing the support to the employee with a disability. Further, the Supported Employment agency ensures the identified co-worker and/or supervisor providing the supports receives basic training on Supported Employment best practices, the individual they are supporting, and how to contact the Supported Employment agency if they have issues, questions, or concerns. Employers are trained and supported to provide needed documentation of supports in order for payment to be made by the Supported Employment provider.

All of the models discussed in this section lead us to envisioning a very different potential future for how OJT and supports can be provided to individuals with disabilities as we anticipate more and more individuals choosing to pursue and successfully obtaining competitive integrated employment.

XI. What's Next? Pushing the Envelope on Funding Models to Advance Competitive Integrated Employment and Employment First

Building on examples, like those in Section 5 of this guide, naturally lead thinkers to the next level of innovations that have not yet been developed. In this section, a few of those potential innovations are discussed, including the reasons why these are needed.

1. Incorporating Incentives for People with Disabilities into Competitive Integrated Employment Payment Models

In today's health care environment, it has become common for health maintenance organizations (HMOs) to offer financial incentives to health plan participants for engaging in activities that improve health and reduce otherwise avoidable health care costs. The logic behind this is obvious, and the payment structure used in managed care brings the flexibility needed to offer these kinds of incentives. This entire guide has been focused on aligning reimbursement models, rates, and financial incentives for providers of services that advance Competitive Integrated Employment and Employment First. Yet there is growing awareness that many people with disabilities themselves need appropriate incentives around competitive integrated employment for much the same reasons: because historically, the incentives have not existed, and the disincentives that have existed have mainly discouraged participation in competitive integrated employment.

As efforts to advance Employment First continue to ramp up nationally, an obvious question is: where are the incentives for people with disabilities to "take the leap" and commit to the process of finding and working in competitive integrated employment? Just like service providers, incentives to engage are important for people with disabilities, beyond the promise of the good outcomes that will result.

Some initial efforts that can be built upon include:

- Social Security Administration Ticket to Work efforts that involved Employment Networks (ENs) sharing Ticket payments earned with Ticket holders (persons with disabilities) recognized that the Ticket payments earned for competitive integrated employment outcomes were due, in large part, to the efforts of the Ticket holders themselves.
- Tennessee's Employment and Community First CHOICES program model that offers enrollees access to higher total hours of service per week to support time spent in activities outside the home, if competitive integrated employment participation is part of those activities.
- Oregon's Medicaid 1915c Waiver program for people with IDD that tiers maximum hours per week a person can receive day and employment services supports based on how much time the person is working in Supported Employment.

While some may argue such incentives are inappropriate, they mirror incentives to work that exist or are being developed in other public programs. Given there is almost universal agreement that there should not be disincentives to work in public programs, the debate is really only about whether incentives are necessary, beyond and in addition to removal of disincentives, to truly achieve the purpose and intent of each public program - and to overcome the long history and impact of the ubiquitous disincentives that have pervaded certain programs. Considering the history in the field of disabilities and the fact that incentives are being used for the general population, it seems likely that such incentives would be beneficial in advancing Employment First, particularly in the short-term.

To date, it seems there have been too many efforts to remove disincentives - that have not moved Employment First forward - to conclude that the creation and use of incentives is not also necessary.

As efforts move forward around innovation in reimbursement methodologies, rates, and payment structures, it is essential that the envelope be pushed around using funds to directly incentivize individuals with disabilities.

2. Sub-Capitation in Managed Long-Term Services and Supports

Sub-capitation is an approach used in managed health care and can occur in managed long-term services and supports (MLTSS) if an entity being paid under a capitated system (e.g., a managed care organization) contracts with providers of service on a similar capitated basis, sharing a portion of the original capitated premium. Providers paid under sub-capitation may be paid on a PMPM (per member per month) basis, similar to how states pay MCOs operating MLTSS programs.

Currently, there is minimal use of sub-capitation in MLTSS programs. Since competitive integrated employment is an area in the MLTSS program design that CMS identifies as a priority if the MLTSS program serves to transition working-age individuals with disabilities, sub-capitation is a strategy worth exploring as it may apply in advancing Employment First. While the principles of conflict-free case management are critical, it is not typically desirable for an MCO to subcontract its support coordination/care management functions to a provider of direct services. Sub-capitation is an approach that could be used to pay providers of employment services on an outcome basis, permitting the provider to adjust supports to an individual based on actual need and utilize a range of innovative, cost-effective approaches to providing needed supports to meet the person's goal/outcome related to competitive integrated employment. Such goals/outcomes could include obtaining, maintaining, and/or advancing in such employment. Sub-capitation specific to competitive integrated employment can avoid issues associated with the limitations of fee-for-service reimbursement and billing requirements related to face-to-face service delivery discussed elsewhere in this guide. States and their contracted MCOs could likely innovate around the use of sub-capitation and effectively advance Employment First.

3. Strategies for Consumer/Self-Direction Models of Purchasing

As more work is done to develop better reimbursement models, rates, and payment structures to advance Employment First, particularly in the Medicaid arena, there is increasing interest in how to translate the basic concepts of value-based purchasing and outcome-based reimbursement to consumer or self-directed funding models, particularly full budget authority models. On a broader, philosophical level, the lack of expectations or incentives for individuals (as discussed previously in this section of the guide) to utilize their budget to support their pursuit of, and participation in, competitive integrated employment has contributed to some consumer/self-directed supports programs having lower competitive integrated employment rates than programs using more traditional purchasing strategies. This stems to some extent from the loss of focus on the key self-determination principle of responsibility in favor of a predominant emphasis on other self-determination principles. Tom Nerney, one of the most well-respected experts on the history and roots of self-determination, describes the principle of responsibility as “responsibility for *both* the wise use of public dollars *and the civic obligation to contribute* to and be part of one's community” [emphasis added]. While Nerney, who passed away in 2018, did much to impact national thinking during the late 1990s and early 2000s when the concept of Employment First was still largely unknown, the self-determination movement which led to today's consumer/self-directed services was always premised on the expectation of responsibility and using individualized budgets in part to contribute back to one's community.

Two key issues with consumer/self-direction budgeting models impact their current ability to advance Competitive Integrated Employment and Employment First:

- The lack of individual budget setting mechanisms to adjust based on particular incentives a consumer/self-directed program may want to put in place (e.g., an incentive to pursue and work in competitive integrated employment). This stems largely from budget setting mechanisms using historical utilization and cost data to set individual budgets, thus inadvertently basing budgets on what has been a historical lack of participation in competitive integrated employment among people with disabilities. As an innovative alternative, individual budget setting approaches could be adjusted based on the specific goals and outcomes articulated in each individual's person-centered plan. Adjustments in projected utilization and costs associated with such utilization could then be made, with particular attention to the key cost differentials (as compared to historical costs) associated with choosing certain goals/outcomes that have not been historically common but are aligned with the policy goals of the funding agency. One such outcome would be competitive integrated employment.
- The lack of education and support that individuals participating in consumer/self-direction receive on how they can use their funding to pay direct service providers in ways other than fee-for-service in order to get better outcomes for themselves from the services they receive. Almost universally, people with disabilities engaged in consumer/self-direction programs receive very little, if any, training on how to contract effectively with providers of service.

In some consumer/self-direction programs, states or intermediary funders (e.g., counties; MCOs) limit the reimbursement models that can be used (and sometimes pre-establish reimbursement rates or rate ranges that can be paid) by consumers with budget authority who wish to purchase certain types of services. States that do this may do so in part to protect individuals who are consumer/self-directing from unscrupulous service providers that may try to negotiate rates with individuals that are far higher than what the provider is paid through traditional purchasing arrangements (assuming the rates paid through traditional arrangements are not significantly lower than what is fair to providers). Unfortunately, an inadvertent consequence is that individuals are not able to adopt different reimbursement models or rates that are tied to higher quality service and desired outcomes.

As an innovative alternative, states or intermediary funders could permit a consumer/self-directing individual to use a performance or outcome-based payment model, and could ensure the individual (and any people assisting the individual with the option to self-direct such as spouses, other family members, legal guardians, or people assisting through a supported decision-making arrangement) is given information, training, and access to assistance to understand and select from among the options for performance or outcome-based reimbursement of service providers and assistance, as needed, to manage the arrangement over time. Support brokers, if properly funded to fulfill the role in an effective and meaningful way, are well placed to assist individuals with providing information, training, and assistance, if they are first trained on the options for performance or outcome-based reimbursement of service providers.

These three areas of particular interest to the author in relation to pushing the envelope on funding models to advance Employment First are by no means meant to be exhaustive in terms of defining all of the ways to push the envelope in the future. As discussed in the final section of this guide, there is still much work to do in fully realizing the benefits of alternative reimbursement methodologies, rate settings, and payment structures in supporting the work to advance Competitive Integrated Employment and Employment First nationally.

XII. Conclusion

Despite the range of examples featured in Section 5 of this guide, it seems clear that the field of disabilities and its multiple funders/purchasers have only scratched the surface of value-based purchasing and payment reform, often called “Rate Restructuring,” in the Employment First efforts that ODEP has supported in the past decade. While multiple funding streams exist that can support Employment First, and consequently multiple purchasers of services designed to advance Employment First, there still is evidence in many states that the service provider network is shared to a great extent.

The multiple funding streams, and the separate funders/purchasers that exist as a result, have unfortunately struggled with coordinating their approaches to defining and purchasing services. There have been long-standing challenges with working out an appropriate division of responsibilities for common customers with disabilities, emphasizing cost-sharing rather than cost-shifting. Yet, all funders/purchasers generally agree on the need for reimbursement methodologies, rates, and payment structures that:

- Incentivize desired outcomes;
- Use evidence-based and otherwise authenticated best practices that lead to desired outcomes; and
- Ensure equal access to competitive integrated employment for all individuals with disabilities, regardless of the level of disability or life complexities that people may face.

When it comes to facilitating competitive integrated employment, it seems clear that no funders/purchasers would say they are achieving the performance and outcomes they desire from their systems of services. Many service providers agree, but there are often differences in viewpoints as to why outcomes are not better. Over time, the debate has become stale in many places, with funders/purchasers saying we need better service providers while service providers say we need better funding and funding rules. Moving forward requires both parties to see that the two needs are not mutually exclusive, but are, in fact, closely inter-related.

In reality, increasing funding for all service providers will not ultimately improve outcomes, regardless of their relative ability to utilize best and evidence-based practices to produce desired outcomes. Too much new investment will inadvertently go to perpetuating ineffective practices if new funding is not used to design and implement performance-based reimbursement models and rate structures. Simply paying more will not guarantee better outcomes, as much as common sense might suggest this would be the result.

It is also equally true that if funders/purchasers wait for higher-performing service providers to appear within systems that continue to operate with the same reimbursement models and rate structures, they will likely be waiting indefinitely. Many existing service providers have the capacity to become high performing service providers if they are transitioned to operating with new reimbursement models and rate structures that tie funding to outcomes and that create appropriate performance incentives. These structures enable the provider organizations that are capable of high performance to direct their energies and resources toward achieving this performance, rather than following the existing requirements and incentives in traditional reimbursement models and rate structures.

Without a doubt, what is needed is a performance-based approach, developed collaboratively with appropriate risk adjustment and the commitment of partners to continue to refine the approach over

time, as necessary, to achieve the clearly delineated and desired outcomes that are central to Competitive Integrated Employment and Employment First efforts across this country. Performance-based models can advance competitive integrated employment, making it a possibility for all people with disabilities, an outcome people with disabilities desire for themselves, and an outcome service providers are focused on facilitating. While this involves charting new courses, which can make both funders/purchasers and providers reticent, decades of doing it the way we have done it up until now have proven such a change in approach is essential.