

EXECUTIVE SUMMARY

Having It Your Way: *Understanding State Individual Budgeting Strategies*

by

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INTRODUCTION

This report summarizes the results of a study of state individual budget development practices conducted by the National Association of State Directors of Developmental Disabilities Services (NASDDDS). The study was designed to describe state individual budgeting activities, to identify factors that are instrumental in implementing “effective” individual budgeting methodologies, and to provide information on approaches to transitioning from traditional, program funding to individual budgeting.

In total, 43 of the 51 state developmental disabilities (DD) program agencies (84%) responded to a survey on individual budgeting practices conducted by NASDDDS in the spring of 2002. The key findings from this survey are summarized below. In addition, nine states (Alaska, Connecticut, Kansas, Minnesota, Rhode Island, South Dakota, Utah, Vermont, Wyoming) participated in a more in-depth analysis of individual budgeting practices. Information on state individual budgeting practices was separated for analysis into three categories of state activity, including: (a) intake, eligibility determination and referral; (b) identification and assessment of needs, including the process for distinguishing a “need” from a “want;” and (c) establishing the amount of the individual budget. This final category included an examination of the processes states use to equate support needs to the scope and intensity of services required, to set the amount of the individual budget, and to modify an individual’s budget to address new or changing needs.

KEY FINDINGS

Individual Budget Availability. Individual budgeting options were available to people receiving publicly funded specialized DD services and supports in 75% of responding states. Within states, however, the extent of the availability of individual budgeting alternatives varied considerably, with the majority of states indicating that a basic individual budgeting process was in place but it was limited by geographical area or program type. Eligibility to receive an individual budget was influenced by the nature of the funding received and the type of program in which the person was enrolled.

Determining an Allocation Amount. The majority of states determine the services and supports an individual is to receive and establish his or her individual budget as part of an

integrated person-centered planning process. Almost seventy-percent of the states responding to the survey reported that individual budgets were arrived at through a developmental process based on discussions of the person's needs for support and assistance during the individual planning process. Approximately thirty-percent of the survey respondents separated the process of determining individual funding allocations from decisions regarding how an individual's funds are to be deployed. These states typically use standardized tools, such as the Inventory for Client and Agency Planning (ICAP), the Developmental Disabilities Profile (DDP) or another state-specific instrument as part of a process of arriving at an individual funding allocation or target budget.

Data-Based Methodology. States employ a variety of means to arrive at individual budgets for the people they support. Some states determine a single target budget amount through the use of standardized assessment tools and sophisticated data analysis techniques that are designed to produce an individual rate based upon several cost and service-related variables. Other states build individual budgets using qualitative methodologies that identify services and costs through carefully structured discussions of each applicant's needs and wants within the context of the person-centered-planning process. Sixty-six percent (66%) of the responding states indicated that they do not consider the individual budgeting approach currently used in their state to be data based.

Spending Cap. Almost seventy-five percent of state respondents reported that the process of individual budget development typically results in the establishment of a set amount of public dollars (a spending limit) to be made available to finance services for a particular eligible recipient. This amount, however, typically is subject to adjustment when there is a significant change in the individual's support needs.

Individual Budget Variability. In most states, the use of a single individual budgeting format is still the exception to the rule. State individual budgeting procedures vary across a number of factors, including by funding source, service category, provider type, and administering authority.

Negotiation and Approval. The majority of states set the overall amount of the individual budget through a process of negotiation between the various parties involved in the person-centered planning process. Some states include the individual and family in virtually all funding and service design decisions, while others separate statistically generated funding decisions from the process of selecting supports to meet identified needs. The final authority for approving individual budgets rests with the state in a majority of cases, followed by a county or municipal agencies, local committees or boards.

IMPLEMENTATION STRATEGIES: ANALYSIS OF STATE PRACTICE

Nine states (Alaska, Connecticut, Kansas, Minnesota, Rhode Island, South Dakota, Utah, Vermont, and Wyoming) participated in a more in-depth analysis of individual budgeting practices as part of this study. Similarities and differences in the individual budgeting processes used by these states are summarized below.

Identifying Needs. In each of the nine states, the process of individual budget development begins with an assessment of the person's strengths and needs for support and assistance. Although state needs-assessment methodologies differ, all of the various strategies are designed not only to identify specific needs for support, but also to achieve broader public policy objectives aimed at assuring: (a) equity in access to services; (b) fairness in fund distribution to provider organizations as well as to individuals receiving support; and (c) value, in terms of the cost-efficiency and effectiveness with which public funds are used. The majority of the nine states require the use of standardized assessment tools to evaluate need. Fewer states require the use of state-specific instruments or do not mandate the use of a particular assessment instrument.

Separating Needs from Wants. States described three basic approaches to establishing the funding amounts needed by individuals to meet person-specific needs and to distinguish what is needed from what might merely be wanted. The first method of making decisions regarding "wants" and "needs" incorporates person-centered planning as the primary component of the budget development process, relying upon the members of the individual's program planning team or his/her circle of support to sort out the essential paid support needs of the individual. The second approach uses a standardized needs assessment protocol to allocate statistically the amount of funding to be available to the individual based on his or her characteristics, circumstances, and other factors. Typically, such methodologies separate resource allocation from what might be viewed as more subjective discussions concerning the service needs and desires of the individual and his/her family. The third method combines elements of the other two approaches to inform decisions of the circle of support and individual program planning team.

Establishing the Individual Budget. Several of the nine states divide the individual budget development process into two separate steps, employing one methodology for determining the amount of funding the state will reimburse a county or designated provider agency for the services to be furnished, and another mechanism for determining the amount of the individual budget available for the person to control and manage. Individual budgeting methodologies additionally differ with respect to the order in which the various events occur in the budget setting process. Some states establish a total amount of funding at the beginning of the process, following the administration of a standardized assessment instrument, but before the development of the person-centered plan, while others set the budget at the end, based upon the services and supports identified through the person-centered planning process.

The process of establishing the individual budget requires mechanisms for assigning costs to the various supports that are included in the service plan. States assign costs to services on the basis of: (a) fixed rates determined through a statistical analysis of several variables demonstrated to be related to actual service costs; (b) cost payment standards limiting the use, frequency and duration of services or capping payment rates, or; (c) estimates of the costs regional agencies are likely to incur to provide the particular array of services and supports identified in the individual's plan.

Individual Budget Variability. Most of the nine states reported using forms, processes, and decision criteria that are standard across the state. In all but one of the states, the authority for granting final approval of individual budgets rests with the state itself, which was in close control of the budget decision-making process. Key informants in several of the nine states noted that differences in individual budget management and development practices do exist between state offices, counties, designated local agencies, or community provider agencies within their states, and that a certain amount of variability was to be expected. In most of the nine states participating in the in-depth review, the individual budgeting process provides latitude for the person receiving support to alter the composition of the services he or she receives, as long as the person's needs continue to be met.

OPERATIONAL ISSUES AND IMPLICATIONS

No particular budgeting approach appeared to resolve all the dilemmas involved in balancing expressed needs with inherent resource constraints. Regardless of the approach used, the result is still an approximation -- an estimate -- limited by time, place, and resources. Perhaps the best a state can do is to come up with a system that is *logical*, in that it makes sense to those who use it; *transparent*, in that decisions are based upon methodologies that are easily understood; *equitable*, in that the people using the system believe it gives them the same opportunity to receive assistance as anyone else; and *accurate*, in that the results of the funding methodology provide resources that are sufficient to meet the person's needs.

Developmental Versus Standardized Approaches. The results of this study indicate that the processes states use are quite complicated. In many states, the individual budget is built through a *developmental* process in which people receiving support and their planning teams actively participate in a series of structured decisions regarding: (a) the identification of personal needs, (b) the selection of services to address those needs and, (c) the determination of the level of funding necessary to ensure that identified needs are met. States employing standardized or statistical individual budgeting methodologies may address the same basic issues, but do so in a different manner by assigning variable weights to factors demonstrated to be related to service costs and individual functional characteristics. The statistical analysis that is performed essentially takes the place of the step-by-step decision making procedure used by states with developmental budgeting approaches. The variability that exists in the methodologies states use to determine the support needs of eligible individuals, to equate those needs to specific services and, finally, to set a level or amount of funding that is sufficient to pay for identified supports reflects the individual nature of each state's developmental disabilities service system. This variability provides a great deal of information regarding the implications of various budget setting methodologies to state officials interested in changing their individual budgeting methods or establishing an individual budgeting capability for the first time (see full report for a detailed description).

State and Federal Policy Implications. The results of the individual budgeting survey raise several issues of relevance to state officials contemplating the use of the new *Independence Plus* (IP) templates for Section 1915(c) and Section 1115 Medicaid waiver applications. The following issues are explored in detail in the full report:

- **Evidence-Based Rates.** The requirement that individual budgets be developed through a system that is based on “actual cost and utilization data” sets a standard that may be difficult for some states to meet. Although the draft materials produced by the Centers for Medicare and Medicaid Services (CMS) in connection with the Independence Plus template do not specifically identify the type of data that would be acceptable for the development of an individual budgeting format, two-thirds of the states surveyed in the course of this study reported that they did not consider their individual budgeting methodology to be “data-based.”
- **Consistent Process for Calculating Resources.** CMS’ draft Independence Plus application guidelines call for the development of individual budgeting processes that calculate the value of the resources available to each person in a manner that is consistent across the state or eligible population. Our findings suggest that the requirement for a uniform statewide process of budget development or review would be difficult to enforce and may interfere with the ability of states to experiment with new and promising budget development techniques.
- **Limiting Services and Budgets.** CMS has expressed concern about attempts in some states to limit services and cap spending through the individual budgeting process. Yet, almost seventy-five percent of the state officials reported that their state imposed an “authorized spending limit” or cap on the amount of the budget that would be approved for an individual to cover the costs of services. While state and federal officials alike recognize that such limits must be “soft caps” in the sense that the budget is a function of service need and may change as needs change, the final answer to the question of how much is enough is by no means clear.

FINAL OBSERVATIONS

This is a critical moment in the development of a national capacity to support self-directed services for persons with developmental disabilities; and a time when both state and federal officials must carefully sift through the lessons of long-term support policy and practice revealed by self-directed services demonstration activities to identify the central principles necessary for successful implementation. The problem is that national “best” practice and CMS policy regarding self-directed services are evolving at a rapid pace, making it increasingly difficult for state officials to develop programs that will meet, with certainty, yet unarticulated federal expectations. Traditionally, the role of state policy is to ensure equity and fairness by managing the response to service “demand” through a regulated fund allocation process and a strong relationship between the state and community service providers. Individual budgeting, potentially, can shift funding control to the individuals receiving support, thus enabling them to operate as consumers, choosing those providers that offer them the most attractive support alternatives. Under this approach, the provider now “works for” the individual who, as a consumer in control of portable funds, is empowered to select the provider that offers the greatest return on his or her investment. In this context, individual budgeting makes it possible for individuals to actually take control over the supports they receive. The presence of an individual budgeting process offers the

potential for an individual to become a consumer and control the expenditure of resources that have been allocated on his or her behalf.

But how effective a tool is it? Do state individual budgeting strategies empower individuals with disabilities to take charge of the supports they receive? Does the move toward individual budgeting force traditional systems of service delivery to change -- to increase their responsiveness to consumer needs, preferences, and desires for individual control? What role does individual budgeting play in self-direction? Finally, is individual funding the only viable approach to supporting the capacity of individuals to control their lives? The results of this study offer several alternatives that can be effectively employed by states to enable people receiving support to directly control and manage the resources allocated on their behalf. The shift to self-directed services and the implementation of individual budgeting methodologies requires states to change many of the fundamental policies and practices that have sustained developmental disabilities systems over the years. The results of this study also suggest that a successful transition cannot be achieved through incremental adjustments in the status quo, but rather require focused attention to fundamentally alter all aspects of program delivery.

The study results point to several areas of future study that have the potential to significantly expand knowledge and understanding of the individual budgeting process. Among the most obvious avenues of future investigation are: (a) the extent to which individual budgets are used to support the state's entire system of service delivery, (b) the scope of services typically included in or excluded from individual budgets, (c) the evidence used by states on which to base individual funding decisions, (d) the methods used to ensure equity in access to supports and funding, (e) the implementation of the individual budgeting process as perceived by the people involved and, (f) the effectiveness of individual budgets at reducing service costs.

See the full report for:

▶ **National Perspective on Individual Budgeting**

- ✓ Availability across the country
- ✓ Individual Budget Development Techniques
- ✓ Federal Implications

▶ **State Profiles: In-depth Review Current State Practices**

Alaska	Connecticut	Kansas
Minnesota	Rhode Island	South Dakota
Utah	Vermont	Wyoming

▶ **Implementation Strategies: Analysis of State Practice:**

- ✓ Identifying Needs
- ✓ Separating Needs from Wants
- ✓ Establishing the Individual Budget
- ✓ Individual Budget Variability

▶ **Operational Issues and Implications**

- ✓ Individual Budget Development
- ✓ Developmental Versus Standardized Approaches
- ✓ CMS Implications
- ✓ Evidence Based Rates
- ✓ Consistent Process for Calculating Resources
- ✓ Limiting Services and Budgets

▶ **Self-Direction Challenges**

▶ **Future Directions**

▶ **Appendices**

- ✓ Compendium of state individual budgeting policies and procedures, forms, documents, and materials.