



**MISSOURI SENATE**  
JEFFERSON CITY

**JAMES L. (JIM) MATHEWSON**  
MAJORITY FLOOR LEADER  
83RD GENERAL ASSEMBLY

21ST DISTRICT  
SEDALIA, MO 65301

September 23, 1985

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Center for Human Services  
Mr. Roger Garlich, Director  
600 East 14th Street  
Sedalia, Missouri 65301

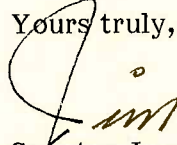
Dear Roger,

For the past several years, you and others within my district and the state have made me aware of the continuing problems with the stability of the funding/contracting process between the department of Mental Health and approved community providers.

I had hoped that your participation on the department-wide Purchase of Service committee would resolve this issue. Apparently, it has not. Therefore, I am requesting that you and a cross-section of other knowledgeable and experienced MR-DD community providers provide me with your perspective of the problem and potential solutions in the interest of stabilizing community programs and services for the mentally retarded and developmentally disabled citizens of this state.

I will appreciate your report no later than November 15, 1985.

Yours truly,

  
Senator James L. Mathewson  
Majority Floor Leader  
83rd General Assembly  
21st District

JLM:agl

November 15, 1985

Senator James L. Mathewson  
Majority Floor Leader  
83rd General Assembly  
Room 319, Capitol Building  
Jefferson City, MO 65101

Dear Jim,

In response to your letter dated September 23 in which you requested a community provider perspective on how to stabilize MR/DD community-based programs, we are pleased to present you with the attached paper, "How to Achieve Financial Stability for Community-based MR/DD Services in Missouri", A Plan for Change.

This paper outlines specific problems and recommended solutions which, if enacted administratively or legislatively, would vastly improve the stability of community services and would also bring these services into a more equitable relationship with state operated services of the same or similar nature.

We think it is also important for those reading this paper to recognize the experience, background, breadth of involvement, and expertise of the contributors in the field of MR/DD. Collectively, the authors represent over 137 years of widely diverse experience with MR/DD service delivery systems. The scope of this experience has included the "hands-on" operation of residential programs (i.e. group homes, apartments, respite care services, independent living assistance), vocational programs (i.e. sheltered workshops, vocational training services, rehabilitation services) child development programs (i.e. developmental preschool, infant stimulation, therapy services, parent training), and ancillary programs (i.e. recreation, transportation). Additionally, a major portion of this experience, in addition to "program" development, has been in the administration and management of service systems, including liaison with local, state, and federal agencies involved in planning and financing service programs.

The contributors to this paper are:

Bob Bartles - Executive Director, Macon County Commission for DD  
Macon, MO Citizens; Past Inpatient Coordinator, Mark Twain  
Mental Health Center; Past Assessment Team  
Coordinator, Hannibal Regional Center; Past Clinical  
Services Director, Pike County Work Activities  
Center. 7 years experience in MR/DD delivery  
systems.

- Roger A. Garlich - Executive Director, Center for Human Services, Sedalia, MO  
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Executive Director, Center for Human Services, Sedalia, Missouri; Past-President, Missouri Association of Sheltered Workshop Managers; Past-President, Missouri Association of County Developmental Disabilities Services; Chairman, Central Missouri's Regional Planning/Advisory Council on Developmental Disabilities; Member, Department of Mental Health 1985 POS committee; 24 years experience in MR/DD delivery systems.
- Richard I. Goldbaum - Ph.D., Executive Director, Productive Living Board for the Developmentally Disabled, St. Louis County, MO  
St. Louis County, MO  
Ph.D., Executive Director, Productive Living Board for the Developmentally Disabled, St. Louis County; Former Executive Director, St. Louis Association for Retarded Citizens/Rainbow Village; Former Director, Social Services at St. Louis State School/Hospital; Member, Region XI Planning/Advisory Council on Developmental Disabilities; Past-President, Missouri Chapter of the American Association on Mental Deficiency; 17 years experience in MR/DD delivery systems.
- C. Duane Hensley - Ph.D., Executive Director, Jackson County Board of Services for the Developmental Disabled; Former Director, Missouri Department of Mental Health; Former Director, Missouri Division of Mental Retardation/Developmental Disabilities; Member, Region IV Planning/Advisory Council on Mental Retardation and Missouri Chapter of American Association on Mental Deficiency; 22 years experience in MR/DD delivery systems.  
Kansas City, MO
- Randall S. Kindred - Executive Director, Jasper County Sheltered Facilities Association, Inc.; Past-President, Missouri Association of County Developmental Disabilities Services; Member, Executive Committee of American Association on Mental Deficiency; Member, Department of Mental Health Select Task Force on a Model Service Delivery System (1981) and Rate Reimbursement Committee (1985); 11 years experience in MR/DD delivery systems.  
Joplin, MO
- Karl Morris - Executive Director, Concerned Care, Inc., Clay County; President, Missouri Chapter, National Association of Private Facilities for the Mentally Retarded (NAPFMR) member, National Board; Member, Department of Mental Health Select Task Force on Model Service Delivery System (1981); Experienced Consultant and author in the field of MR/DD, Teaching family model; 20 years experience in MR/DD delivery systems.  
North Kansas City, MO
- David J. Richter - Executive Director, St. Louis Office of MR/DD Resources; Executive Committee Member, Region XI Planning/Advisory Council on Developmental Disabilities; Member, St. Louis Metropolitan Council for  
St. Louis City, MO

MR/DD; Member, Missouri Association of County Developmental Disabilities Services; Chairman, Region XI Regionalized Budget Committee; 24 years experience in MR/DD delivery systems.

Les Wagner - Executive Director, Boone County Group Homes; Columbia, MO President, Missouri Chapter of American Association on Mental Deficiency; Past-President, Missouri Association of County Developmental Disabilities Services; Member and Planning Committee Chairman, Central Missouri Regional Planning/Advisory Council for Developmental Disabilities; 12 years experience in MR/DD delivery systems.

Thank you for the opportunity to provide this input with the goal of stabilizing MR/DD community programs.

For the Committee,



Roger A. Garlich  
Chairman

HOW TO ACHIEVE FINANCIAL STABILITY  
FOR COMMUNITY-BASED MR/DD SERVICES  
IN MISSOURI

A PLAN FOR CHANGE

Presented to:

SENATOR JAMES L. MATHEWSON

MAJORITY FLOOR LEADER

83rd GENERAL ASSEMBLY

JEFFERSON CITY, MISSOURI

NOVEMBER 15, 1985

## A. SUMMARY OF THE ISSUE

Of the nearly 108 million dollars appropriated by the Missouri General Assembly for MR/DD services this fiscal year, planned expenditures for institutional care are \$55½ million or 52.5% of available dollars, while 48.5% or \$52½ million was appropriated for community-based programs. Currently, Missouri has an institutional population of 1,868 persons and 8,433 persons receiving services in a wide variety of community service programs. (1)

Those dollars appropriated for community services are controlled and allocated through the Central Office of the Department of Mental Health. This central office system of allocation is, for the most part, cumbersome, slow, and unresponsive to the service delivery needs represented by the Regional Advisory Councils, the primary planning body composed of consumers, professionals, and interested and knowledgeable citizens.

From our perspective this method of allocation, coupled with other major problems identified in this paper in the areas of budgeting/costing, contracting, and reimbursement, has resulted in a highly unstable service delivery and funding system. These problems have contributed to and/or allowed:

1. Inconsistent and interrupted services to MR/DD clients
2. Criticisms of DMH fiscal accountability and misunderstandings of legislative intent
3. Unpredictable business relationships between community providers and DMH
4. Disregard for regional planning/budgeting, resulting in arbitrary allocations of funds among regions
5. On-going financial crises or insolvency problems for community-based service providers
6. Discriminatory funding practices and lack of long-term commitment for community services vs. state operated services
7. Creation of financial disincentives for capitalization of facilities, equipment, and new service programs by local SB 40 tax boards and/or the private sector

In short, the current funding system does not work efficiently and effectively and results in a chaotic, unstable delivery system for community-based services.

- (1) Missouri Department of Mental Health, Division of MR/DD, October 1985.

## B. SPECIFIC MAJOR PROBLEMS AND RECOMMENDED SOLUTIONS

### 1. Competitive Bidding of Human Services

#### The Problem

Recent attorney general opinions No. 7-85 and No. 100-85 conclude that "community placement services" and "POS services" heretofore directly purchased by the Department of Mental Health are pro

professional and technical services falling under the term "contractual services" which is further defined in Section 34.101.4, RSMo 1978, to mean "supplies" and must be competitively bid unless the Department of Mental Health is granted a waiver of competitive bid procedures from the Office of Administration under Section 34,100, RSMo Supp. 1984.

It is the position of this committee that the notion of competitive bidding of human services is not in the best interest of the MR/DD citizens of this state, the Missouri taxpayer, nor the community providers. This position is based on the following reasons:

- a. Competitive bidding may eliminate a choice of local "vendors" and could result in a huge for-profit conglomerate seeking a statewide "low-ball" bid for all services, virtually eliminating locally responsive choices.
- b. It is extremely difficult to develop bid "specifications" for human services which define people relationships, and methodologies for the care and treatment of developmentally disabled people. We do not currently bid education, legal, or health services. Experts, consulting to the National Conference of Legislators, during a workshop at the State Capitol on Mental Health Coordination held in September, 1985, advised that competitive bidding may result in higher costs for services and extensive appeals/litigation.
- c. Currently, 62 Missouri counties and the City of St. Louis have adopted local property tax levies to support community services for the developmentally disabled. Additionally, private investors have made substantial capital commitments. Literally millions of dollars have been invested in local facilities, equipment, and staff to enhance the scope and quality of services. A competitive bid process could, conceivably, negate the impact of these investments, resulting in tremendous financial losses to private investors, local taxpayers and non-profit corporations who have heavily subsidized these programs over the past 30 years. These community service delivery systems have been individually tailored and carefully designed for a specific purpose and have no other "customers" other than the MR/DD citizen and his/her family.
- d. Since the human service field ordinarily attracts young professionals who are "career" oriented, a competitive bid system would cause a very unstable employment market with lack of job security and would force the best qualified to seek employment opportunity outside of Missouri.
- e. Competitive bidding may disrupt the planning/budgeting relationship now statutorily required in Missouri.

- f. If one accepts the idea of competitive bidding as being in the best interest of the state for both economic and quality reasons, then it holds true that state operated services in the mental health field should also be competitively bid.

#### The Solution

The Missouri General Assembly pass new legislation statutorily prohibiting the competitive bidding of community services, including POS and residential placement, for the MR/DD citizens of the state.

### 2. Central Office Allocation of Financial Resources

#### The Problem

Another specific problem, which we feel is very much a part of the overall funding issue, relates to the allocation of financial resources by the DMH central office.

The eleven regional advisory councils are statutorily mandated to conduct needs assessments and submit regional plans for the continuation, enhancement, and expansion of services. Any new service dependent upon DMH funding must be included in the plan at the local level to be considered for funding. Regional plans list program expansion items in priority order. Each program expansion recommendation includes an estimated cost to DMH. In past years, as soon as the planning and budget development processes moved out of the regions and into the DMH central office, dollar amounts ceased to be linked in any way to the needs of individuals, agencies, or regions. This total lack of linkage persists through the DMH budget request, the governor's recommendations, lump sum appropriations bills, and right on through the DMH internal allocation process. The planning effort is wasted and the allocations tend to be impacted more by chance, politics, and the demands of crisis management than by the stated needs of the disabled citizens in each region.

Once appropriations bills are signed into law, the internal DMH allocation process gets underway in earnest. As a result of the severing of linkages to the planning process, allocations to the regional centers are made arbitrarily. The regional centers often do not receive their allocations of program funds until 60 to 120 days into the fiscal year. The DMH central office retains control over those allocations, however, and frequently on one day's notice shifts funds from one regional center allocation to another. The stability of ongoing services and the reliability of regional center commitments to expanded services are constantly undermined. The development of needed new services is stunted by the understandable caution of the community provider. Many times funds are "turned back" at the end of the year which were desperately needed, but which became entangled in a web of shifting spending plans.



### The Solution

Three things need to be done to correct the inefficient and destabilizing processes described above.

- a. The costed priorities which make up the heart of the regional plan documents should, in some form, follow the budget throughout its development period. The MR/DD division, DMH, the Governor, and the General Assembly should have, at their fingertips, knowledge of exactly what they are leaving in and what is being cut out, by project, by region.
- b. The budget and appropriations bills should (1) separate MR/DD community placement from CPS community placement; (2) separate MR/DD POS funds from CPS POS funds; (3) should include a separate line item for each regional center for community placement program funding; and (4) should include a separate line item for each regional center for purchase-of-service program funding.
- c. Adherence to those regional line items by the DMH central office should be mandated for the first nine months of the fiscal year. Commitments made by the regional centers based on their line item appropriations should be honored without fail, even in the last three months of the year. Funds appropriated to a regional center for a project which is not going to come together could be either redirected to a similar new project or returned to central office control.

These solutions, when implemented, will not only result in vastly improved operation of the community placement and POS programs, but should also promote the development of much more open, careful, and accurate figures in other parts of the budget.

### 3. Costing and Contracting

#### *The Problem*

Approved vendors (community providers) of the Department currently develop their budgets according to a unit cost system for POS and a line item budget for community placement. Both processes allow the use of an "occupancy" factor generally accepted between 90 and 95 percent. This means that the department pays an "extra" cost of 5 to 10 percent for each service purchased, provided the vendor is able to maintain 100 percent attendance on the client's part. Often times, due to illness, weather conditions, or other mitigating circumstances, attendance falls below these parameters, resulting in a loss of billable units and financial hardship to the vendor. This is especially true of group services where the cost of the service is fixed regardless of whether or not there are 15 or 20 people in attendance.

To the contrary, should no one show up for appointments at a state operated facility, the facility and staff receive payment regardless.

### The Solution

The community-based delivery system should be treated no differently than the state operated delivery system in terms of cost reimbursement. Therefore, we recommend the following actions.

- a. The Missouri General Assembly statutorily require a uniform budget/cost reporting system for community and state operated services.
- b. The community provider should be reimbursed in an amount equal to his budgeted or negotiated rate so long as that rate does not exceed
  - 1) the state cost for providing the same service, utilizing comparative data from the uniform budget/cost reporting system, or if there is no comparable state service . . .
  - 2) an amount not to exceed the 75th percentile of statewide provider costs for the same service, except for unique situations with the approval of DMH Central Office.
- c. The community provider should be issued annual contracts for those services which are needed and expected for a one-year term (i.e. residential, adult group training, preschool, etc.)

#### Note:

*When budgeted on an annualized basis, these services will save the state 5 to 10 percent of costs if kept at maximum occupancy by casemanagers.*

#### 4. Timely Payment and Cash Flow

##### *The Problem*

Wide degrees of variance exist relative to the timeliness of reimbursement for services rendered. Under the current system, vendor invoices flow to the Regional Center for processing, then to the central office for processing, to the Office of Administration for payment and ultimately to the community provider. If the Regional Center decides to "batch" (complete large numbers of vendor invoices) before mailing to the central office, or if a key state employee is ill or on vacation, reimbursement for services delivered may take 75 to 90 days to process, which is in violation of the current state statute requiring payment within 30 days or the addition of interest for late payment.

Additionally, there is no standard method of reimbursement department-wide, as drug and alcohol, psychiatric services, and MR/DD all have differing methods of reimbursement, with some being processed directly through the central office, while others must traverse a "regional system."

The Solution

Where permitted by law or contract authority, community providers should:

For Long-Term Annual Contracts:

- a. Be paid equal monthly payments for total program costs, for residential and group services, monitored by the Regional Center.

For Unit Cost Contracts:

- b.1 Be paid pre-authorized monthly units by the 30th of each month to be reconciled during the following month (POS).

or

- b.2 Receive payment of invoiced costs through the central office first with paid invoices then distributed to regional centers for encumbrance/budget tracking (POS).

5. Summary

In short, we request immediate administrative and/or statutory action to:

- a. Prohibit competitive bidding of MR/DD community services in this state.
- b. Require regional line item budgeting for community services with uniform budget/cost reporting data for both state-operated and community-operated programs.
- c. Provide long-term, annualized commitments for residential and other "group" services in equitable relationship to state-operated programs.
- d. Implement timely payment of vendor invoices.

It is the community provider perspective that unless and until the reforms outlined above are implemented, the Missouri MR/DD community delivery system will continue to be:

- 1) Unstable for clients and their advocates.
- 2) Inequitable compared to the state operated system.
- 3) Operating in a climate which promotes distrust and adversarial relationships.

We offer these recommended solutions in the spirit of advocacy, full and equal partnership with the department, and for the preservation of local initiatives to sustain high quality community services to the MR/DD citizens of this state.