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ABSTRACT

The fifth in a series of position papers on deinstitutionalization of persons in Ohio with developmental disabilities, this paper addresses administrative structure and finance requirements. The introductory section suggests the need for new administrative and fiscal models to keep pace with changes in service delivery strategies. The importance of basing fiscal and administrative decisions on sound programmatic principles is emphasized. The current administrative structure in Ohio and a proposed framework which would more clearly define functions and functional relationships at local and state levels are contrasted. Current funding mechanisms are then described, and national trends addressing the equity issue are noted. A series of financial recommendations, including recommendations for greater state involvement in the costs of services for persons with developmental disabilities, concludes the report. (CL)

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**Future Directions
in Administrative
Structure and Finance
Prerequisites for
Community-Based Service**

Prepared by
The Finance Subcommittee
Deinstitutionalization Task Force

Ronald E. Kozlowski, Project Coordinator
John Luteran, Subcommittee Co-chairperson
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**The contents of this paper reflect official policy and positions
of the Ohio Developmental Disabilities Planning Council.**

December 1983

"THE FUNDAMENTAL PROCESSES OF SOCIAL CHANGE TODAY START WITH DREAMS WHOSE MOTHER MAY WELL BE NECESSITY . . . FOR THAT REASON. GENERATING A FEASIBLE VISION IS THE MOST ESSENTIAL TYPE OF SIGNIFICANT SOCIAL ACTION."

**Richard Kostelanetz
1971**

"IT IS THE SMALLER POLITICAL UNITS—CITIES, COUNTIES, AND INDIVIDUAL COMMUNITIES—THAT ARE CLAIMING LOCAL AUTHORITY OVER, AND TAKING RESPONSIBILITY FOR, SOCIAL ISSUES THAT HIT HARD AT THE LOCAL LEVEL . . . IN POLICY MAKING, WE ARE GIVING UP THE GRAND, TOP-DOWN STRATEGIES IMPOSED FROM ABOVE AND SUBSTITUTING BOTTOM-UP APPROACHES, THAT IS, LIMITED, INDIVIDUAL SOLUTIONS THAT GROW NATURALLY OUT OF A PARTICULAR SET OF CIRCUMSTANCES."

**John Naisbitt
1982**

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The contents of this paper do not necessarily reflect the position or policy of the Ohio Department of Mental Retardation and Developmental Disabilities, and no official endorsement of the above agency should be inferred.

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PREFACE

Changes in the philosophy of services and a growing concern for the rights of persons with developmental disabilities have led to a national deinstitutionalization movement. Thus, the service system for Ohio's citizens with developmental disabilities is in a period of transition as the state moves from an institution-based to a community-based service delivery model. Although the deinstitutionalization movement has increased the move toward community-based services, numerous constraints continue to challenge this effort. With the transition in progress, the development of long- and short-term service development plans is critical to the evolution of a cohesive system that uniformly provides appropriate and adequate services. Identification of the nature and shape of the desired service system, the recognition of existing and potential constraints, and the development of an effective planning process must occur to assure that quality services are available now and in the future.

It is within this context that the Ohio Developmental Disabilities Planning Council created the Deinstitutionalization Task Force Project. The purpose of the project was to establish and provide staff support to a Deinstitutionalization Task Force, which was formally constituted in March 1981. The Task Force, composed of representatives from various agencies and consumer groups (see inside back cover), was charged with the responsibility to identify major issues related to deinstitutionalization and to develop recommendations for increasing the availability of appropriate services to persons with developmental disabilities.

Given its charge, the Task Force had two major options in terms of where to focus its attention: (1) on the nature or structure of the service system or (2) on the service process. Because of the scope and complexity of the issues related to deinstitutionalization, the Task Force decided to focus on the nature or structure of the service system. This approach was chosen because (1) an appropriate structure is a necessary condition for the development of quality, appropriate services and (2) many process guidelines and safeguards are already present in rules and regulations. By focusing on the structure of the service system, the Task Force could then develop a plan containing: (1) a broad outline of the proposed service system and (2) a broad outline of proposed planning strategies.

The Task Force considered this option as most consistent with the Developmental Disabilities Planning Council's advocacy function, in that the development of a broad outline of the proposed service system facilitates systemic change. Long-range service goals define how things "ought to be" and can be used to guide short-term transition planning.

The Task Force initially sought to identify the various legal and philosophical principles in the field of developmental disabilities and to define with a high degree of clarity the actual issues surrounding deinstitutionalization. These deliberations were based on experiences in Ohio and augmented by the experiences of some of the more active state programs outside of Ohio. The basic concepts that emerged were used then to guide the planning process.

Preface

This led to the second step, which was to apply these concepts to a service system for persons with developmental disabilities. The Task Force selected the following broad areas in which to concentrate its efforts: (1) the role of institutional services (2) residential services (3) adult services (4) informal and formal supports, and (5) administrative structure and finance. To provide broad-based professional and consumer input in addressing these general topical areas, a subcommittee structure was established. The following subcommittees were constituted by the Task Force:

- o Institutional Services Subcommittee
- o Community Services Subcommittee
- o Prevention of Institutionalization Subcommittee
- o Finance Subcommittee

This structure essentially provided a two-tier review process. Each subcommittee was charged with the initial development of a position paper on a selected topic. The Community Services Subcommittee was charged with initial development of position papers on two topics. The papers were then all submitted to the Task Force for review and/or modification, and subsequently adopted as official position papers of the Task Force. The five position papers provide statements of program philosophies and service strategies that can be used to develop quality services for persons with developmental disabilities. Each position paper contains a series of broad recommendations that the Task Force believes should be used in developing specific implementation plans.

The Task Force believes that the position papers describe a realistic direction for Ohio's service system and should be used as roadmaps for developing quality services for persons with developmental disabilities.

Papers in the series include:

- | | |
|-----------------------|--|
| Position Paper No. 1: | THE FUTURE OF INSTITUTIONAL SERVICES IN OHIO:
Do We Need to Plan for Institutional Services? |
| Position Paper No. 2: | RESIDENTIAL SERVICES IN OHIO: The Need to Shift from a Facility-Based to a Home-Centered Service System |
| Position Paper No. 3: | FUTURE DIRECTIONS IN ADULT SERVICES |
| Position Paper No. 4: | PROMOTING QUALITY COMMUNITY LIVING THROUGH FORMAL SUPPORT SERVICES AND INFORMAL SUPPORTS |
| Position Paper No. 5: | FUTURE DIRECTIONS IN ADMINISTRATIVE STRUCTURE AND FINANCE: PREREQUISITES FOR COMMUNITY-BASED SERVICE. |

Nisonger Center
The Ohio State University

Ronald E. Kozlowski
Project Coordinator

ACKNOWLEDGMENTS

The Deinstitutionalization Task Force Project was originally established through a letter of agreement between the Ohio Developmental Disabilities Planning Council, The Department of Mental Retardation and Developmental Disabilities, and the Ohio State University Research Foundation (Nisonger Center) to identify issues and develop recommendations relative to deinstitutionalization in Ohio. The products of the Task Force are the result of a collaborative effort by various individuals, representing a variety of organizations and agencies, who participated on the Task Force or its subcommittees, or otherwise provided assistance in developing the various position papers. Forty-two individuals, representing thirty-three organizations and agencies, contributed to the development of the five papers. Appreciation is extended to those individuals, who graciously gave their time, patience, and expertise.

A special mention is made of the sincere efforts that were put forth by Dr. Jerry Adams, who conceived the project and devoted tremendous personal energies toward making project activities viable. Succeeding Dr. Adams, Dr. Denis Stoddard also devoted much personal energy in supporting the project. Dr. William Gilbert and Dr. Henry Leland (Co-chairpersons) guided the Task Force through its deliberations and saw to it that the Task Force completed its tasks. Appreciation is also expressed to the Ohio Developmental Disabilities Planning Council for recognizing the significance of this project and providing funding for its activities, and adopting the position papers produced by the Task Force as official policy and position statements of the Council.

**TRANSITION TO
COMMUNITY-BASED
SERVICES**

Changes in philosophy of service and a growing concern for the rights of persons with developmental disabilities have led to a shift from an institution-based to a community-based service delivery strategy. In part, the success of community-based service delivery systems is dependent upon the ability of states and local communities to develop effective administrative and fiscal models to support this social change. The recent history of service delivery in many states can be characterized as a search for the "right" administrative and local solution. However, the philosophical, programmatic, legal, and social principles that have guided this transformation in service delivery have out-paced the ability of states and local communities to develop efficient and effective administrative and fiscal models. The rapidity with which this change has occurred is in part responsible for some of the discontinuity in the actual application of new principles and proven technologies.

The inability of administrative and fiscal models to keep pace with changes in service delivery strategies has resulted in a variety of stresses and strains in the service delivery systems. Among the most serious sources of these strains are parental concerns, fluctuating accountability, inadequate financing, conflicting priorities, and love-hate relationships between government and the private sector (Bradley, 1978; Gettings, 1981; Gettings, 1977).

PARENT CONCERNS

With the shifting of resources from state-operated institutions to community-based programs, some parents and families of the developmentally disabled are becoming increasingly anxious about the stability of community-based services. In some cases, this anxiety has manifested itself in opposition to deinstitutionalization. Parents have frequently (correctly or incorrectly) viewed state-operated institutions as a source of stability. It is understandable that these parents want some assurance of stability in community-based programs and in the state's continuing responsibility for the care of their sons or daughters.

ACCOUNTABILITY

In some states, efforts to decentralize the service delivery system, without adequate planning and changes in administrative structure and financing, have led to confusion over who is accountable for the care of persons with developmental disabilities. Often there is no pinpoint of responsibility and individuals are "shuttled" between various state and local agencies and providers. Moreover, because individuals have been transferred to community programs

Community-Based Services

prior to the development of appropriate safeguards assuring program quality, many states are now faced with the need to develop such safeguards after the fact.

INADEQUATE FINANCING

Instead of using a systematic approach to financing community services, local communities have been forced to rely on a variety of funding sources that make planning and coordination of service provision difficult, if not impossible. Often, these funding sources impose conflicting requirements and expectations, or create dual systems. Equally important is the fact that funding mechanisms have created inequities in the availability of services within the state. For example, a more comprehensive array of services can generally be found in wealthier urban areas than in less wealthy counties or towns. These inequities have often resulted in placing persons with developmental disabilities in communities other than in their county of origin.

CONFLICTING PRIORITIES

A nonsystematic approach to service delivery often results in a variety of conflicting program priorities. For example, state officials are under heavy pressure to depopulate or close state-operated institutions. However, local communities are pressured to provide day programs and residential services for persons living in the community.

Another pervasive, yet subtle, problem is that agency officials do not always appropriately experience the consequences of their actions. For example, officials in a state agency may purchase residential services independently of local governmental agencies and leave it to the local agency to provide day program services. Local officials may decide not to provide respite services, forcing some families to institutionalize their sons or daughters. In this example, the action of local officials has financial consequences that are inappropriately experienced at the state agency level. This is an example of how it is possible to make a cost-effective decision at one level of the service delivery system that ends up being a costly decision at another level.

PRIVATE SECTOR

The lack of a systematic service delivery framework often results in a love-hate relationship between the private sector and the public sector. The private sector is viewed in some states as a necessary evil in providing services to persons with developmental disabilities. This we-they

dichotomy between the public and private sectors is often reflected in such matters as the setting of rates and standards. This conflict can result in unrealistic restrictions on costs and programs, which may decrease the viability of nonprofit and profit service providers.

NEED FOR REAPPRAISAL

Ohio's service delivery system is experiencing many of the stresses and strains attributable to parent concerns, fluctuating accountability, inadequate financing, conflicting priorities and love-hate relationships between the public and private sectors. The effects of these stresses necessitate a reappraisal of Ohio's administrative framework and funding mechanisms for providing services to persons with developmental disabilities.

ROLE OF VALUES

Before analyzing Ohio's administrative structure and funding mechanisms, it is appropriate first to discuss the role of values in human services. It has been repeatedly shown that human services are an outgrowth of a community's beliefs, values, mores, and cultural norms. Traditional belief systems have resulted in designing and developing human services systems--prisons, health, welfare, education--that reflect societal attitudes, beliefs, and values at given points in time. The importance of values in guiding the development of a service system cannot be overstated (Pollard, Hall, & Keeran, 1979).

Although service systems for persons with developmental disabilities vary from state to state, one factor that has been found to prevail more than any other in systems that appear to be operating well is a well-developed and consistently used ideology or philosophical base that underlies the total service system (Lensink, 1980; Pollard, Hall, & Keeran, 1979). A strong ideological base is the measuring rod against which the service system, or changes in the service system, should be judged.

It has been stated often that program values and fiscal/administrative concerns are mutually exclusive. However, in the human services field and in the broader, private business sector, it has been repeatedly demonstrated that values and philosophical principles should not be subordinated to fiscal/administrative concerns. Fiscal and administrative decisions that are based on sound programmatic principles and values can result in responsible public policy.

BASIC PLANNING PRINCIPLES

A necessary first step in the development of a systematic approach to the delivery of services to persons with developmental disabilities is the delineation of principles upon which the service system must be built. These principles, which reflect basic philosophical and legal concepts in the field of developmental disabilities, should guide the planning, development, and implementation of appropriate services.

LEAST RESTRICTIVE ALTERNATIVE

Attaining the least restrictive alternative requires that services and supports be provided in the most age and culturally appropriate manner for meeting the person's needs for supervision and training, without imposing unnecessary modifications or denial of personal rights. A further consideration is that services be based on the person's needs and wishes—not just on the options currently available in the service system.

RIGHT TO SERVICES

Right to services concerns the right of persons with disabilities to receive services and supports that promote growth toward increased independence and competence. All persons with developmental disabilities should be provided adequate services and supports to allow them full participation in community life.

NORMALIZATION PRINCIPLE

Normalization refers to ". . . the utilization of as culturally valued means as possible in order to establish and/or maintain personal behaviors, experiences and characteristics that are as culturally normative or valued as possible" (Wolfensberger, 1980). This principle calls attention to (1) what the service system achieves for those to whom it provides services (the "goals") and (2) How the service system achieves these objectives (the "means" in the definition).

The service system should make available to persons with developmental disabilities patterns and conditions of everyday life that are as close as possible to the patterns and norms of the mainstream of society. Persons with developmental disabilities should be physically and socially integrated into society. The goals, objectives, and procedures must be as culturally normative as possible.

EQUAL JUSTICE

Adherence to the principle of equal justice requires that all persons with developmental disabilities be provided services and supports that will allow them an equal opportunity for growth and development. Each person with developmental disabilities, as do other members of society, has a right to receive services from publicly supported programs. They should be granted equal access to the judicial process in order to protect their rights. The concept of equal justice requires that long-range plans for the service system be based on the assumption that all persons can participate in community life.

RESPECT FOR HUMAN DIGNITY

Each person with developmental disabilities has a core of personal integrity and uniqueness that defines his or her individuality. Human dignity is closely related to a person's ability to make choices, select and maintain possessions, to be treated with respect, to live in surroundings that foster individuality and allow for privacy, to participate in the development of his or her own service plan, and to receive services and supports that are tailored to his/her unique needs. It is extremely important that persons with developmental disabilities, especially persons with severe disabilities, be treated with respect and served in settings that are positively valued.

DEVELOPMENTAL ASSUMPTION

The developmental assumption is based upon an acknowledgment of (1) life as change (all individuals, regardless of type or degree of handicap, have the potential for positive growth) and (2) development as modifiable (influenced through teaching, and by using and controlling physical, psychological, and social aspects of the environment). Each person with developmental disabilities, regardless of severity of handicap, is capable of growth and development if provided with appropriate services and supports. The rate and duration of change in the person's behavior can be modified by the service program. As the person grows and develops, the service system must allow more independence and provide less structure.

EFFECTIVENESS AND ECONOMY

Effectiveness and economy means that services and supports provided to persons with developmental disabilities are expected to have the greatest beneficial

Current Structure

impact and the costs of those services should be as economical, reasonable, and customary as possible. The service system must insure that services meet generally recognized service and cost standards.

CURRENT ADMINISTRATIVE STRUCTURE

Ohio currently does not have a well coordinated service delivery system. The present service system is a mixture of state-operated institutions; state-vendorized residential programs; Intermediate Care Facilities-Mentally Retarded (ICF-MR) residential programs; nursing homes; day programs operated by County Boards of MR/DD; and a wide variety of generic service providers. The variety of programs is not necessarily a problem. The main problem is that there has been little coordination of the various systems. For example, the state can develop vendor arrangements with local residential providers, independent of county plans. County programs can regulate admissions to day programs, independent of state priorities. In part, this lack of coordination is the result of an inadequate administrative structure to support a shift towards a truly community-based service delivery system.

ADMINISTRATIVE UNITS

Ohio has been in the forefront nationally in establishing lead administrative units at the state and county levels for services to persons with developmental disabilities. At the state level, the Department of Mental Retardation and Developmental Disabilities is the designated lead agency. The Ohio Revised Code, Section 5123, gives the Department of MR/DD broad responsibilities in terms of planning, developing, administering, and monitoring programs and services. Field offices (previously regional and district offices) are used to carry out some of the Department of MR/DD's responsibilities (case management, licensure, purchase of service, monitoring).

At the local level, County Boards of Mental Retardation and Developmental Disabilities are the designated agencies for planning, developing, monitoring, and providing services (Ohio Revised Code, Section 5126).

Although Ohio has a general administrative framework, consensus does not exist relative to specific functions, functional relationships, and assigned responsibilities between the administrative units. For example, where does ultimate responsibility lie for provision of service? For case management? For residential services? What is the relationship between the state and county administrative units in their respective planning and monitoring functions?

MAJOR CHALLENGE

The development of a community-based service delivery system for persons with developmental disabilities has been, and will continue to be, an evolutionary process that is impinged upon by a variety of legal, financial, and programmatic issues. A major challenge facing Ohio will be that of developing a service delivery system that clearly defines the functional relationships between its various administrative units.

PROPOSED ADMINISTRATIVE FRAMEWORK

The Deinstitutionalization Task Force recognizes that appropriate services are dependent in part upon an administrative structure that supports a community-based service delivery system—one in which the functional relationships between the various administrative units are clearly defined.

FUNCTIONS OF A SERVICE SYSTEM

In developing a proposed administrative framework, the Deinstitutionalization Task Force first identified the major functions generally assigned to a service delivery system.

- o Provision of services: the actual providing of service either directly or indirectly
- o Planning: the process of defining the goals and objectives of the system and the methods to achieve them
- o Quality Assurance: the process of establishing standards and regulating system activities to insure achievement of goals
- o Finance: the process of obtaining and managing fiscal resources to achieve system goals
- o Advocacy: the process of advocating on behalf of another; guardianship, protective services, legal rights, or protection and advocacy

PLANNING ASSUMPTIONS

The Task Force then developed a set of assumptions concerning the proper relationship between certain functions of a service delivery system and the structure for administering those functions.

- o Decentralization: Planning, development, and resource utilization decisions should be made at the level closest to where services are actually provided—the

Proposed Framework

county/multi-county level. This assures maximum citizen participation in decisions affecting services and provides increased responsiveness to citizen needs.

- o **Conflict of Interest:** An inherent conflict of interest exists when the state is charged with responsibility for setting standards and monitoring service provision, and is also directly involved in providing services.
- o **Advocacy:** The advocacy function can best be performed when it is outside the administrative control of the agencies responsible for planning, developing, and implementing services.
- o **Case Coordination:** Case coordination should be provided at the local level. A case coordination system should exist in each county/multi-county area.
- o **Minimum Service Level:** Each person with developmental disabilities is entitled to a minimum level of service, regardless of where he or she lives.
- o **Ultimate Responsibility:** Although the service system represents a joint, state and local partnership, ultimate responsibility for ensuring a minimum level of services resides with the state.
- o **Local Authority:** A single agency on the local level must have authority to plan, implement, and coordinate services for persons with developmental disabilities. That agency should be responsible for administering monies from MR/DD funding sources, and must coordinate its efforts with various generic agencies/providers.

FUNCTIONAL RELATIONSHIPS

Based upon the preceding assumptions, the Task Force prepared a simplified matrix of how administrative responsibilities could be allocated to the state and local levels (see figure 1). A model planning and budgeting process that reflects the proposed state and local administrative responsibilities is provided in Appendix A.

Figure 1

DECISION MAKING INFORMATION FLOW

<u>FUNCTION</u>	<u>LOCAL RESPONSIBILITIES</u>	<u>STATE RESPONSIBILITIES</u>
Provision of service	<ul style="list-style-type: none">● Provision of service directly, or indirectly through purchase of service● Coordination of service at local level● Community case coordination	<ul style="list-style-type: none">● No direct provision of service● Gradual phase out of developmental centers● Consultation to local agencies in service provision/development● Insure provision of minimum service level
Planning	<ul style="list-style-type: none">● Conduct local needs assessment● Establish local priorities● Assess availability of generic services● Develop comprehensive plan based on state guidelines	<ul style="list-style-type: none">● Establish state planning process (time frame, needs assessment instrument, format, evaluation design)● Establish minimum service level● Provide consultation to local units on planning process● Develop state plan based on county plans, divisional plans, state level initiatives● Approve/disapprove local comprehensive plans● Coordinate efforts with other state and federal agencies
Quality Assurance	<ul style="list-style-type: none">● Internal evaluation of service provision● Internal monitoring and external monitoring of contracted services	<ul style="list-style-type: none">● Establish standards● Coordinate with other state and federal agencies in developing standards, certification, etc.● Develop and administer licensure/monitoring process● Establish fiscal monitoring process● Monitor service provision statewide, both programmatic and fiscal
Financial	<ul style="list-style-type: none">● Single administrative unit responsible for coordination and utilization of financial resources at local level, (county level, general revenue funds, Title XX, etc.)	<ul style="list-style-type: none">● State level advocate for MR/DD funding● Develop unified funding formula, with broad input, for minimum services● Establish procedures for allocation of state funds● Allocate state funds based on state plan and MR/DD approved budget● Withhold funds for noncompliance with plan● Fund discretionary projects of statewide significance (research, manpower training, etc.)
Advocacy, Guardianship, Protection & Advocacy, Protective Services, Legal Rights		Responsibilities with separate agency/agencies, independent of local or state administrative structure

Proposed Framework

The matrix and model planning chart do not reflect a proposed change in the two-tier nature of the current administrative structure. Rather, they more clearly define the functions and functional relationships at the two levels. Key functions for the Department of MR/DD are summarized as follows:

- o Provide statewide planning based on local planning efforts
- o Develop rules and procedures governing the utilization of state MR/DD funds through a unified funding formula based on minimum service level
- o Establish standards for MR/DD services
- o Establish licensure rules and administer licensure process
- o Provide consultation to local agencies in service provision, planning, needs assessment
- o Coordinate intergovernmental activities among and within state agencies and departments
- o Monitor and evaluate service provision, programmatic and fiscal
- o Identify state-wide initiatives and fund projects utilizing discretionary funds (applied research, staff development, etc.)

Key functions for County (or multi-county) Boards of MR/DD are summarized as follows:

- o Develop comprehensive plans that include services to persons with developmental disabilities who are current county residents, persons receiving Purchase of Service or Title XIX (Medicaid) funding, and county residents in state developmental centers
- o Provide an array of services to persons with developmental disabilities either directly, indirectly, or through coordination of providers of generic services
- o Administer state, local, and federal funds, at the local level, for persons with developmental disabilities
- o Provide services in accordance with state standards and minimum service levels
- o Conduct internal evaluation of service provision

- o Establish internal and external monitoring processes

CRITICAL ELEMENTS

The proposed administrative framework incorporates the following critical elements:

- o Removing the state from direct provision of service and from contracting for services (phase out of developmental centers and transfer to local level of case coordination and purchase of service)
- o Placing prime emphasis on local decision making, planning, and coordination
- o Consolidating the administration of various funding mechanisms at the local level
- o Ensuring a minimum service level for all persons with developmental disabilities, regardless of where they live
- o Providing a more effective structure to coordinate service delivery

NEED FOR CONCERTED EFFORT

Changes in Ohio's present administrative framework will require a concerted effort on the part of the various organizations and agencies concerned with services to persons with developmental disabilities. A variety of administrative, attitudinal, legal, and financial constraints will need to be addressed. The various organizations and agencies will need to transcend individual self-interest in developing jointly negotiated strategies to overcome these constraints.

**FINANCING
COMMUNITY
SERVICES**

Changes in the state's administrative structure cannot be achieved unless there are also changes in how community services are financed. If local communities are to assume increased responsibility for meeting the needs of persons with developmental disabilities, they must possess sufficient resources to support their efforts. Therefore, an adequate funding mechanism must be available that reflects the needs of a community-based service delivery model.

PLANNING ASSUMPTIONS

The Finance Subcommittee reviewed present mechanisms for financing community services for persons with developmental disabilities and developed general

Financing

recommendations for developing appropriate funding strategies. To guide its deliberations the Subcommittee developed the following assumptions:

- o The transition to a community-based service system will continue, and the state's role in the direct provision of services will continue to decrease.
- o The Department of MR/DD's role in the service delivery system should be one of funding, quality assurance, state level planning, and coordination.
- o The state has a responsibility for ensuring that all persons with developmental disabilities are provided at least a minimum level of services regardless of where they reside in the state.
- o All levels of government—federal, state, and local (county)—have a responsibility for sharing in the financial cost of programs and services for persons with developmental disabilities.
- o An appropriate funding mechanism must specifically address (1) the financial needs of local communities in providing services to persons with developmental disabilities and (2) the issue of equity. In addition an appropriate funding mechanism must be politically practical, given the present economic conditions in the state.

OHIO'S FUNDING MECHANISMS

Under Ohio's present system, community-based programs are financed a variety of ways.

Residential Funding

Residential services are financed primarily through the Purchase of Service program (administered by the Department of MR/DD) and the Intermediate Care Facilities—Mentally Retarded (ICF-MR) program, administered by the Department of Public Welfare.

Day Program Funding

Funding for day program activities (habilitation, education, vocational, etc.) provided by the County Boards of MR/DD is highly dependent upon county-generated revenues (local levies). Historically, the state has provided funds to the county boards via three subsidies: the operating and transportation subsidies, both administered by the Department of MR/DD, and the education subsidy, under the auspices of the Department of Education. The operating

subsidy is the largest of the state's reimbursements. It is a flat grant subsidy, given on a per-client basis. Most recently, school-age persons were reimbursed at a rate of up to \$750 per person, and adults at a rate of up to \$1000 per person.

In all, the state's reimbursements amount to roughly 20% of all revenues available for county programs (based upon 1981 data). In addition to state and local funds, a small percentage of county program revenue comes from Title XX. Thus, the majority of funds available for county program activities are generated from the voted local levy. In FY81, approximately 65% (\$97.4M) of all revenue available to the County Boards of MR/DD was from voted local levies.

Variations in Funding Levels

The heavy reliance upon levy-generated revenue for financing day programs has led to the existence of a wide variation among Ohio counties in the amount of state and local revenue available per client. A recent study (Luteran, 1983) indicates that this is due to at least three factors:

- o Variations in the number of clients served
- o The ability of a county to generate revenue (property wealth)
- o The willingness and/or ability of a county to pass a levy

The Luteran study also indicates that many property-poor counties exert a higher tax effort, yet generate less revenue per client than many property-rich counties that can raise substantial revenue with much less effort.

The variations in per-client revenue are substantial. In FY81, for example, total reported revenue per client ranged from \$2,531 in Scioto County to \$12,666 in Lake County—a difference of \$10,135 (Ohio Department of MR/DD, 1982). The mean revenue per client was \$5,470. Although some of the differences were due solely to variations in tax effort, many were also attributable to variations in tax capacity (or property wealth). As the Luteran study indicates, when tax effort is held constant at a one mill tax rate, substantial variation remains in counties' ability to raise local revenue.

Impact of Parity

The funding of County Board of MR/DD school-age programs was recently changed when Amended Substitute House Bill 694 created unit funding as the basis for state reimbursement of school-age programs. Under unit funding, often referred to as "parity," the state reimburses on the

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basis of an education unit (comprised of a ratio of school-age clients per teacher). The annual unit funding is determined by multiplying the state minimum salary of the particular teacher by 1.15, then adding \$3000. Unit funding to County Boards of MR/DD is similar to that used by the Department of Education to fund special education units in local school districts.

Amended Substitute House Bill 291 funded parity at 25% in FY84 and 35% in FY85. It has been estimated that full parity funding will mean a net increase of approximately \$9 million to County Boards of MR/DD in FY84 and \$10 million in FY85 (Arndt, 1983). Although unit funding enhances the amount of revenue received by the County Boards, it does not address the inequities prevalent in the current system. The property wealth of the county still determines the amount that can be generated per client. Also, unit funding does not increase the state's share of the responsibility for funding adult programs. Over half of all persons served by County Boards of MR/DD are served in adult programs (Ohio Department of MR/DD, 1982).

EXPERIENCES OF OTHER STATES

Comparisons between the methods of financing MR/DD services in Ohio and in other states are difficult for a variety of reasons. First, Ohio is unique in the responsibility it gives to County Boards of MR/DD for the provision of education services to school-age persons. Moreover, Ohio possesses certain provisions of property tax law not encountered in other states, such as the House Bill 920 tax credit, and property assessment practices. Differences in organizational structure, as well as historical and socio-political factors make comparisons difficult. Yet, certain trends do emerge.

National Trends

In looking at national trends, it appears that many state governments have shown an increased willingness to assume a greater share of the cost of serving persons with developmental disabilities. In Michigan, Wisconsin, and Pennsylvania, the state matches local dollars on a 90-10 basis. Many other states approach or exceed a 50 percent effort by the state (Virginia--Community Service Boards provide a minimal match of 10 percent of total state and local funds; Texas--57 percent state share). Few approach the low level of state participation experienced in Ohio.

To date, little has been done to address issues related to the equity of funding methods for services, especially program activities at the local level (where local revenue is derived from voted levies). In some states, local

governmental units are not authorized to generate local revenues specifically for services to persons with developmental disabilities (Ohio Department of MR/DD, 1983). State dollars are generally distributed on a per-client basis. However, states that either provide a state match or distribute state funds on a per-client basis, with local revenue generated via levies, fail to address the equity concern. The "property rich" counties are able to generate more revenue per client with the same tax effort than are "property poor" counties. The national experience is similar to that found in Ohio.

Virginia Proposal

A recent Virginia proposal, not yet implemented, comes closest to addressing the equity issue. The plan calls for a method of distributing state dollars that takes into account, among other factors, a locality's: (1) ability to pay based upon property, income, and sales measures; (2) the differential costs of providing services (via a cost of living adjustment); and (3) the incidence of poverty in the area. These factors are used to determine the amount of state dollars needed to provide a minimum level of core services in the locality (Task Force on Core Services, 1982).

Although the Virginia proposal calls for equalization of the dollars available for the "minimum standard of services quality", it would do nothing to equalize the local dollars generated with tax efforts above that required. Thus, the Virginia proposal does not provide an incentive for increased tax effort to bring local programs above the minimum level. The wealthier areas would still be able to realize substantial revenue gains with little effort, while poorer communities would have to tax at a higher rate to generate a similar amount of revenue.

Deinstitutionalization Inducements

A few states offer inducements to promote deinstitutionalization. In Illinois and Michigan, for example, the state assumes 100% of the funding for persons placed in the community. In other states, the local community is charged part of the cost of maintaining a person in a state institution. In Michigan, counties are assessed 10% of nonreimbursable costs for county residents in state institutions. Most states, however, offer no incentives for deinstitutionalization.

**FINANCIAL
RECOMMENDATIONS**

Historically, funding strategies in Ohio for community-based services have failed to address:

- o Need for a state commitment to providing, at a minimum, a basic level of services
- o Need for a strategy that addresses the equity issue
- o Need for state incentives o promote deinstitutionalization (It should be note. that Amended Substitute House Bill 291 includes funding for impact grants—\$1,711,512 in FY84 and \$4,622,314 in FY85—to assist county programs in providing services to persons being placed from institutions into community programs)

The following recommendations are provided as a guide to the development of a comprehensive and equitable funding system for state revenues administered by the Ohio Department of MR/DD. Although the specific details of any funding scheme and its subsequent implementation are the result of departmental and legislative processes, these recommendations may be used as a basis to judge the appropriateness of any funding strategies under consideration.

o The State of Ohio should bear a greater share of the cost of providing services to persons with developmental disabilities.

Unlike many other states, where state funding provides substantial support for local programs, state revenues in Ohio represent a minimal share of the cost of providing services through County Boards of MR/DD programs. The state's financial commitment to persons with developmental disabilities must go beyond funding of state-operated institutions and must provide funding to enable community-based programs to provide adequate services.

o A minimum level of service should be available to persons with mental retardation and other developmental disabilities regardless of where they live in Ohio.

Although it can be argued that "equity" should translate into equal dollars per client, a politically realistic goal is the guarantee of a minimum level of service to all persons with mental retardation and other developmental disabilities, regardless of their place of residence. This "minimum service level" must be determined through a formal process. Until that package of "minimum" services is defined and a dollar figure assigned, an arbitrary minimum service level figure may be established and used as part of a funding scheme.

Recommendations

o The state's share of the cost of services should be the cost of providing minimum services throughout Ohio for persons with mental retardation and other developmental disabilities. Local communities should augment these services through local tax efforts.

It is recommended that the state's share of the responsibility for financing services be at an amount determined necessary to ensure a minimum level of services to all persons with mental retardation and other developmental disabilities. To maintain and encourage the counties' ability to provide services above the minimum level, the funding mechanism should allow local tax effort through a voted operating levy. The scheme should allow for state provision of a minimum service level regardless of local effort, but could require a minimum local tax effort for participation in the program. The funding mechanism will need to account for situations where a county fails to pass or renew its levies and thus does not meet the minimum tax effort requirement.

o A formal process should be developed to determine a reasonable, minimum service level.

The package of services that constitutes a minimum level of services must be determined via a formal process that includes the input of a variety of professionals and consumers. Input should be obtained from persons with developmental disabilities and their families, representatives of state and local agencies, and program professionals from the Ohio Department of MR/DD and from County Boards of MR/DD. Once a minimum service level is determined, an on-going review process will be necessary to adjust the minimum level in the future.

o The funding mechanism should be equitable and address the local communities' ability to generate revenue, as well as its local tax effort.

In this respect, "equalization" must be at the forefront of any funding mechanism. To encourage development of local services above the state-financed minimum, the state should reward tax effort. Thus, as tax effort increases, state support will increase. Yet, the state support should also depend upon the community's ability to generate revenue. Those "property poor" counties that generate proportionately less per client from a particular tax effort should receive more state dollars per client than the "property rich" counties. Fiscal constraints on the state may require that a ceiling be placed on the local tax effort that qualifies for state incentives.

Recommendations

o A unified funding mechanism should be developed that incorporates the various funding mechanisms currently administered by the Department of MR/DD (education, habilitation, and transportation subsidies; Purchase of Service).

A single funding mechanism will facilitate the efficient administration of fiscal resources at the local level. Thus, a single administrative unit will be responsible for the coordination and utilization of financial resources at the county/multi-county level (county levy, subsidies, purchase of services, federal funds). The federal, state, and local shares of financial responsibility for persons with developmental disabilities will then be based upon the total range of services received by the individual, not simply on specific services rendered by the agency.

o The funding mechanism should provide monetary incentives to encourage multi-county arrangements, efficient management, and purchasing of services in the community.

To ensure efficient provision of services and fulfillment of client needs, efforts must be taken to promote cooperative arrangements among counties, reward efficient management, and allow for purchase of services in the community. Multi-county arrangements are especially needed in those counties where so few persons with special needs reside that providing the services they need is not cost-effective.

o The funding mechanism should be flexible to allow for local control in determining how services are provided.

The current, flat grant subsidy provides an incentive for County Boards of MR/DD to keep persons within their county-operated programs, rather than seeking out more appropriate community services. For example, an adult might not be placed in an alternative, community work environment since funding for that client would be lost to the County Board of MR/DD. A funding mechanism should not be so rigid that it forces a particular type of local service provision, so long as minimum state standards for services are met.

o Cross-cutting initiatives at the state level are needed to coordinate and manage effectively the various programs and funding mechanisms that cross departmental lines.

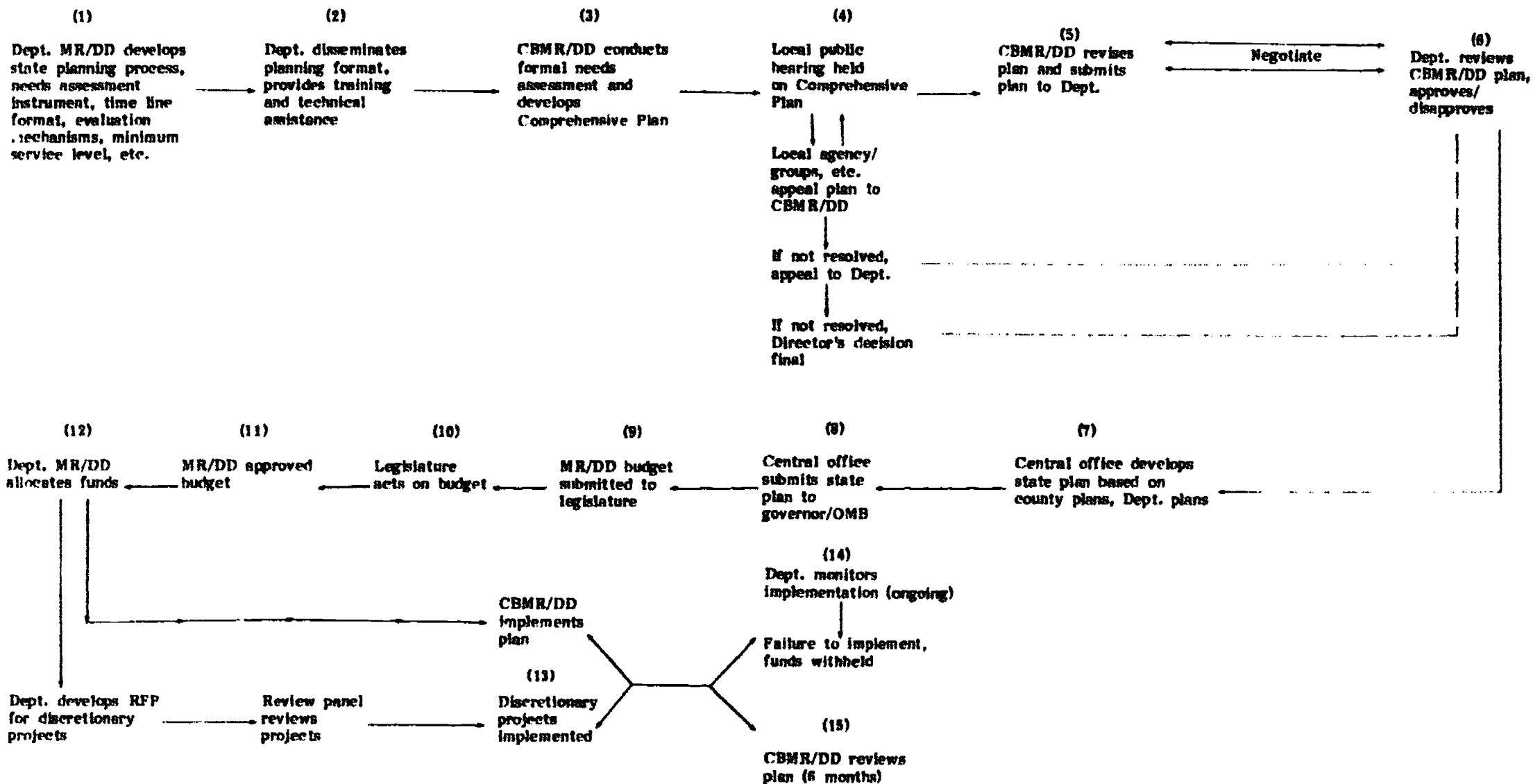
Programs and funding sources for services to persons with developmental disabilities are administered at the state level by several agencies. Particularly with the increased role of generic funding sources such as Medicaid and Title XX, effective interagency cooperation and coordination is necessary to ensure an optimal impact on the needs of persons with developmental disabilities. The fragmentation of the current system, with its lack of a clear delineation of responsibility for funding MR/DD services, points to the need for a comprehensive strategy that cuts across agencies and funding sources.

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APPENDIX A

SIMPLIFIED PLANNING AND BUDGETING PROCESS



SIMPLIFIED PLANNING AND BUDGETING PROCESS

1. The Department of MR/DD establishes a state planning process with input from County Boards of MR/DD (CBMR/DD), local providers, consumer organizations, DD Council, etc. The planning process delineates (a) timelines, (b) format, (c) required services to be addressed, (d) needs assessment instrument to be used at the local level, (e) mechanisms for evaluation, (f) target population, (g) minimum service level formula.
2. Department disseminates planning requirements and provides assistance to CBMR/DD in conducting needs assessment, planning, plan development, and state guidelines.
3. CBMR/DD conducts formal needs assessment and develops comprehensive plan based on findings and state guidelines. The plan delineates county priorities; plan for providing required services; unit costs; assessment of generic services; state, local, federal funding sources.
4. CBMR/DD disseminates plan to local providers, advocacy groups, parents, and others, then conducts public hearing. Local individuals or groups may appeal plan decisions first to CBMR/DD, then to central office. Decision of the director of the Department of MR/DD is final. Appeal process only used for substantive issues such as CBMR/DD's failure to plan for provision of required services.
5. Based on outcome of public hearing, CBMR/DD revises plan and submits it to Department.
6. Department reviews plan based on state guidelines and local needs assessment; approves/disapproves plan. If deficiency exists, Department negotiates with CBMR/DD to correct deficiency. Failure to have plan approved can result in withholding of state funds.
7. Central office develops state plan based on county plans, Department plans, and minimum service level formula.
8. Central office submits state plan to Governor, and Office of Management and Budget.
9. MR/DD budget submitted to legislature based on Department's state plan, which equates costs to needs.
10. Legislature acts on MR/DD budget.
11. Approved budget sent to Department
12. Central office allocates funds to CBMR/DD based on minimum service level formula, develops RFPs for discretionary projects.
13. CBMR/DDs and discretionary projects implement plans.
14. Department monitors and evaluates implementation. Failure to implement plan may result in withholding of state funds. CBMR/DD and discretionary projects may appeal to Director of Department on decisions that involve withholding of funds.
15. CBMR/DD and Department review plans every six months and develop amendments as needed. CBMR/DD amendments are submitted to Department for approval.

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