



PRACTICAL STRATEGIES TO FINANCE IPS ISSUE BRIEF

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Overview

IPS supported employment is an effective and relatively inexpensive service (Drake, Bond, Goldman, Hogan, & Karakus, 2016), especially compared to hospitalizations, emergency room visits, day programs, and other healthcare interventions that may be eliminated or attenuated by implementing IPS (Hoffmann, Jäckel, Glauser, Mueser, & Kupper, 2014). IPS costs approximately \$5,000 per person in the first year and typically accrues limited costs thereafter (Salkever, 2013). Nevertheless, financing IPS programs has been the primary implementation challenge.

The crux of the problem is that no single funding stream for vocational services is available in most states. Instead, individual programs must cobble together, combine, or “braid” funding from several different, sometimes unpredictable and incompatible sources, including Medicaid, state Vocational Rehabilitation funds, state mental health contracts, grants, and others. As detailed below, each of these sources has limitations. One underlying issue is that the organizations that may save money when IPS helps people find employment and begin to recover – such as hospitals, businesses, and disability programs – do not pay for IPS. Conversely, the organizations that pay for services may not realize the financial benefits, at least over the short term.

The process of billing several different sources for aspects of an intervention is inordinately complicated for a single provider. Small mental health agencies generally do not have the capacity to do this.

This issue brief provides information on different sources of funding for local organizations and state leaders.

Funding Sources

1) Federal-State Department of Vocational Rehabilitation (VR)

IPS programs can access funding from VR to support employment for people with disabilities. State VR agencies receive a favorable federal match, and local VR offices provide counseling, funding, and other resources. In IPS Learning Community states, mental health and VR have collaborative arrangements.

VR typically pays for services thru a contractual relationship with an agency, with agency staff providing the services after the VR counselor has created a plan. Agencies that are funded by VR are usually certified by an entity such as the Commission on the Accreditation of Rehabilitation Facilities or through state certification.

Advantages: VR has a consistent, unwavering, central mission to help people with disabilities with employment. This focus provides a tremendous advantage, because many other organizations, particularly health organizations, do not give consistent attention to employment. When good collaboration occurs, VR can help mental health programs fund IPS services.

Disadvantages: VR has limited funding and must attend to services for all disability groups. Many states have insufficient funds and must develop criteria, called Order of Selection, which identify as a service priority people with the most significant disabilities. VR funding attaches to specific milestones and is usually time-limited (though VR has limited funding for “extended services”). Finally, the amounts paid and content of milestones vary across states.

2) Medicaid

The federal Center for Medicare and Medicaid Services (CMS) provides healthcare insurance for people who are poor or disabled through Medicaid based on a federal-state match. States administer Medicaid based on negotiated agreements (State Plans or Waivers) with CMS that specify uses. State Medicaid contracts define what IPS services can be reimbursed.

Advantages: CMS has more extensive funding than VR, but Medicaid generally specifies that services must support medical needs. Medicaid contracts may, however, include a variety of options, waivers, and specific details that can extend funding to additional aspects of IPS services.

Disadvantages: Medicaid funding for most IPS employment services requires specific contracts such as the Medicaid Rehabilitation Option, 1915(c) Home and Community-Based Services Waiver, 1915(i) Home and Community-Based Services Waiver, Targeted Case Management, 1115 Demonstration waivers, or Research Demonstrations. States must negotiate these Medicaid contracts and balance services that consumers want (like employment) with services that agencies and states want (like access to expensive medications). Each of the Medicaid programs has limits, for example, the Rehabilitation Option pays for rehabilitation but not for habilitation; the 1915(c) Waivers may only cover services for people who require institutional levels of care; the 1915(i) Waivers are needs-based; and targeted case management covers only specific services. Moreover, states and local providers are often unclear about exactly what services can be covered and fear audits and penalties from CMS. The net effect of these restrictions is that Medicaid is the major source of IPS funds in most states but offers only partial coverage, typically for mental health supports rather than critical components of IPS such as job development.

3) State and County Government

State and county governments sometimes provide some funding to community mental health centers to help them cover the costs of IPS. As budgets have tightened in several states, these funds have been cut or eliminated. These arrangements typically involve contracts for specific services for a specific number of clients.

States have sometimes used savings from the closure of a state hospital or other windfall budget surpluses to provide one-time funding to mental health centers for special projects such as IPS.

Advantages: These funds can be abundant in wealthy counties. Government agencies are often positively involved in developing IPS structure, training, and monitoring through fidelity reviews as well as providing some funding.

Disadvantages: Less wealthy counties and states may not have discretionary funds. Many states have transferred control of their mental health budgets to managed care companies (MCO), accountable care organizations (ACO), and other entities. These organizations could define employment as a health outcome and pay for performance rather than amount of services. MCO's will require data about the fiscal advantages to the company as well as the enhanced wellness of their customers for providing the service. Educating MCOs and ACOs about the benefits of IPS is a developing strategy in some states. When state tax dollars are lower than expected, state governments often cut mental health and vocational services. Politics can also interfere with consistency of vision and funding in many states.

4) Substance Abuse and Mental Health Services Administration (SAMHSA)

Over the past years SAMHSA has used several mechanisms to help states start IPS supported employment programs. One ongoing mechanism is the Block Grant Program, through which each state receives an allotment to develop its state mental health services. Some states have used block grants to fund training, supervision, and technical assistance on IPS. One current block grant program, the 10% Set-Aside for Early Psychosis Programs, typically includes IPS supported employment as a core service. States are currently receiving funding to combat the opioid epidemic, which may be used for vocational services.

Advantages: States could align SAMHSA grants with other funding sources within their state plans. They could also do this in a way that creates simple billing for a service package, for example, paying for assertive community treatment or early psychosis treatments that include IPS. Managed care organizations could also combine funds and pay for a package of services. These arrangements could simplify billing for provider organizations and encourage providers to focus on outcomes rather than billing for individual services.

Disadvantages: Within states, vested interests compete for SAMHSA funds as well as state and county funds. SAMHSA grants often involve small amounts of money and limited time periods. Wealthy states often have better resources to compete for federal grants than less wealthy states.

5) Veterans Affairs Healthcare System (VA)

The VA provides IPS in every VA hospital system for people with serious mental illness and is extending IPS services to other populations, such as veterans with post-traumatic stress disorder or spinal cord injury.

Advantages: IPS services should theoretically be widely available within the VA system. The VA also continues to fund some outside services for eligible veterans.

Disadvantages: Only certain veterans are eligible for VA funds. The implementation of IPS within the VA has been uneven, and plans to fund services outside of VA are uncertain. Further, the VA provides a variety of employment services, including Compensated Work Therapy (sheltered employment), that compete with IPS for resources.

6) Social Security Administration (SSA)

Through the Ticket to Work and Self Sufficiency program, SSA makes funding available to establish employment networks of providers and to help all people who are on Social Security disability programs find employment services through these employment networks. The program creates incentives to assist people to move off of the cash benefits of Social Security disability programs. States have options about how to participate, and the creation of Employment Networks requires a great deal of complex paperwork.

Advantages: SSA has an abiding interest in helping people who are in Social Security programs to attain employment and to help others avoid the need to enter disability programs. The Ticket program has changed over time. The funds generated through the program can be used flexibly and are not considered double billing by Medicaid.

Disadvantages: States and programs have had difficulty setting up Employment Networks because the rules are complex, the milestone payments are small, and the milestones do not match the employment outcomes for people with serious mental illness. Most milestone payments available to IPS programs are limited to full-time stable employment, which only a small proportion of IPS clients attain. Only a small number of states have been able to use the Ticket to Work program to fund IPS programs. However, the regulations have evolved since the inception of the program in 2001. States that initially decided it was too cumbersome should examine the newer regulations.

7) Department of Labor' Office of Disability Employment Policy (ODEP)

ODEP promotes policies, works with employers, and coordinates federal agencies to help people with disabilities to achieve employment. The organization has directed a number important programs, such as the Campaign for Disability Employment, the Workforce Recruitment Program, and the National Employment First Leadership Community. Currently ODEP has several opportunities related to the opioid crisis, including programs to fund individuals affected by the crisis and those who want to enter the addiction treatment workforce. Services are coordinated through American Job Centers.

Advantages: The Department of Labor is a major funder of employment services in the U.S. ODEP funds a number of job service and training programs, and the American Job Centers are available in many communities. The Workforce Investment Opportunities Act mandates that the services be inclusive and accessible for people with disabilities. Collaboration with these entities could assist them to meet this mandate as well as open opportunities for clients.

Disadvantages: Historically, people with mental disorders have had difficulty accessing services through American Job Centers, and the available services may not align with IPS principles.

8) Housing and Urban Development (HUD)

Some agencies have paid for IPS employment specialists as part of supports within housing programs. HUD grants pay for homeless treatment teams that sometimes include a vocational specialist.

Advantages: Most people who are homeless want to work, and accessing employment services through housing programs may be more acceptable to some people than through mental health agencies.

Disadvantages: HUD funding does not specify IPS services and services may not follow the IPS model.

9) National Institute of Disability and Independent Living Rehabilitation and Research (NIDILRR)

NIDILRR funds research and demonstration grants on employment for disadvantaged groups, including people who have mental disorders. Grants are offered on a competitive basis once per year and typically last for three years.

Advantages: Research and demonstrations grants are excellent funding mechanisms for innovation.

Disadvantages: NIDILRR grants, like other research grants, are competitive and short-term. They require a new idea or implementation concept and some assurance of continued funding after the grant period.

10) National Institute of Mental Health (NIMH), National Institute of Drug Abuse (NIDA), National Institute of Alcoholism and Alcohol Abuse (NIAAA), and other research organizations

Many research organizations have funded and helped to develop IPS supported employment. All of the advantages and disadvantages described above for NIDILRR apply to these grants as well.

11) Self-pay

Families sometimes pay privately for IPS services because they have difficulty accessing IPS supported employment in public or non-profit agencies. Private-pay IPS programs are rare now, but they may become more common as families with private insurance that does not cover supported education and employment seek help for family members.

Advantages: Private programs have greater freedom to be innovative, to avoid the paperwork required by Medicaid and other funders, and to link with different mental health providers.

Disadvantages: Private services are not available in most areas, only families with resources can afford them, and private providers may have difficulty assembling and implementing team-based care.

12) Social Finance Organizations

“Pay for Success” programs use capital from private investors to finance evidence-based practices that help a federal, state, or local government reduce public expenditures, such as the costs of incarceration for repeat offenders (Lantz, Rosenbaum, Ku, & Iovan, 2016). If outcomes reach a pre-established threshold, government pays for the services and private investors realize a profit.

Advantages: If the current IPS Social Finance projects are successful and return a profit to investors, this model could be used in many areas.

Disadvantages: Pay for Success remains a largely unproven financing model. The model requires extensive networking, planning, and contractual commitments.

13) Philanthropy

Philanthropic organizations, including Johnson & Johnson Corporate Contributions, the Robert Wood Johnson Foundation, and many small foundations have funded IPS supported employment programs, typically as demonstrations. In fact, Johnson & Johnson funded and helped to develop the International IPS Learning Community. In some communities, the local community mental health center receives funding from the United Way and other charities, though rarely if ever are these funds specifically earmarked for IPS.

Advantages: Private foundations have considerable freedom to set their own rules for funding and monitoring. They are typically motivated to show social benefits rather than profits.

Disadvantages: Accessing funds from large philanthropies may be impossible for local agencies, and states or universities may need to take the lead. Finding local or family foundations may be more realistic for individual agencies, but these foundations typically give small awards.

Discussion

Although many sources of IPS funding exist, only a few are major contributors, including VR, Medicaid, and state/county funds. Very few sources currently pay for IPS as a bundled service. Other sources have potential to help with start-up funds and may become more significant in the future.

Combining funds from multiple sources is complex, probably too complex for most local agencies. In the future, managed care organizations, state authorities, or federal organizations will need to take the lead in developing a simple funding mechanism that supports integrated services like IPS.

References

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