An Evaluation of the Colorado Systems Change Project

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Prepared by:

Gary A. Smith
John M. Agosta
Reena Wagle

Human Services Research Institute, 8100 SW Nyberg Rd., 205, Tualatin, OR 97062.
(503) 885-1436/(503) 885-1536 (fax)

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Acknowledgements

We express our deep appreciation to the more than seventy Colorado stakeholders who willingly and graciously gave of their time to share their thoughts regarding the impact of the Systems Change Project.

The views expressed in this report are those of the authors and not necessarily those of Developmental Disabilities Services officials or the Colorado Department of Human Services.

I. Introduction

In 1997, Colorado Developmental Disabilities Services (DDS)/Department of Human Services (DHS) launched the "Systems Change Project." By way of this initiative, significant structural modifications were made in Colorado's community service delivery system for people with developmental disabilities. The state substantially revamped its payments for community services, adopting "per person" funding methods designed at once to contain costs and promote greater flexibility in service provision. Colorado also modified its Medicaid home and community-based waiver programs for individuals with developmental disabilities in order to align them with the Project's aims. Finally, the state's network of private Community Centered Boards (CCBs) was assigned increased responsibilities for managing the full range of community services in their geographic service areas. CCBs were repositioned as Managed Services Organizations that would operate under performance contracts to assure financial accountability. These changes were expected to improve the capacity, efficiency and effectiveness of the service system in supporting Colorado citizens with developmental disabilities and families.

In order to appraise the results of the Systems Change Project, the Colorado General Assembly's Joint Budget Committee (JBC) instructed DDS to arrange for an evaluation. DDS selected the Human Services Research Institute (HSRI) to conduct this evaluation. HSRI was charged with addressing three questions:

- Did the Systems Change Project accomplish its stated goals and the requirements identified in the Memorandum of Understanding with the JBC?
- What was the impact of Systems Change on the service system stakeholders (i.e., consumers and families, advocacy groups, CCBs, and subcontractors of CCBs)?
- What changes, if any, are recommended to address any shortcomings identified in the implementation of the Systems Change project?

This report contains the results of the HSRI evaluation of the Systems Change Project. It is divided into the following five major sections:

- Chapter II describes the System Change Project's origins and basis, including how Colorado's service system was structured previously and the problems that the System Change Project aimed to address.
- Chapter III examines how the Project addressed each requirement spelled out in the MOU and the extent to which each was met.
- Chapter IV summarizes the results of the interviews we conducted with stakeholders to obtain their views concerning the impact of the Systems Change Project. It is based on a more detailed report – **What Coloradoans Have to Say About Systems Change** – submitted by HSRI in June 2002 and included here in its entirety in Appendix B.
- Chapter V contains HSRI findings concerning the extent to which the Systems Change Project achieved its stated goals. Here, both the achievements of System Change and shortcomings in its implementation are identified.
- Chapter VI contains HSRI recommendations regarding potential steps going forward that might contribute to improved services and supports for Colorado's citizens with developmental disabilities.

The report also references two other reports that have been submitted to address other topics that HSRI agreed to investigate on behalf of Colorado. ***Gauging How Well Colorado Supports Its Citizens with Developmental Disabilities*** concerns the adoption of performance measures and their potential application in tying CCB funding to performance. ***Should Colorado Have an Ombuds Program for People with Developmental Disabilities?*** examines the potential benefits and drawbacks of Colorado's establishing an Ombuds Office for persons served in community system.

Methods

In its evaluation of the Systems Change Project, HSRI conducted the following activities:

- We obtained and reviewed an extensive number of documents concerning the Systems Change Project. These documents began with the **Invitation to Partnership** that set the stage for the Project through the final November 2000 **Progress Report** submitted by DDS to the JBC. In addition, a host of additional documents were reviewed, including documents prepared by DDS and others that were shared with us by stakeholders.
- Both in order to obtain information concerning the impact of Systems Change and secure a more complete understanding of how System Change has been carried out, HSRI staff interviewed more than 70 Colorado stakeholders during April and May 2002. Most of these interviews were conducted face-to-face with stakeholders in the Denver metropolitan, Fort Collins and Colorado Springs areas. These interviews furnished invaluable insights concerning the impact of Systems Change. The results of these interviews are contained in Chapter IV.
- The experiences of other states also were examined, especially states that have pursued system change initiatives with goals in mind that were or are roughly similar to the stated goals of the Systems Change Project. These experiences were assessed to obtain additional perspective concerning how these states tackled issues akin to those that Colorado addressed during Systems Change.
- Finally, because Colorado's funding of community services for people with developmental disabilities relies extensively on federal Medicaid dollars, relevant federal policies and requirements were reviewed, including recent policy developments. In addition, approaches used by other states in securing federal Medicaid dollars also were examined, especially with respect to applying "managed care"-like principles to the provision of Medicaid-funded home and community services.

It is important to note that this evaluation necessarily was limited by both time and resources. The evaluation is mainly qualitative and highly reliant on information gleaned from the stakeholder interviews and document review. It also is a retrospective evaluation rather than based on a pre/post appraisal of changes against an established system performance baseline. Assessing the impact of an initiative like the Systems Change Project more than five years after it started poses assorted problems, especially in separating the impact of the Systems Change Project from intervening developments that inevitably affect service system operations.

As best as possible, every effort has been made to separate Systems Change impacts from other factors that affected community services in Colorado at the same time and afterwards. For example, many stakeholders expressed serious concerns about whether funding is

adequate to meet the essential needs of individuals and families. In conducting the evaluation, we were mindful that the Systems Change Project principally affected how available dollars are managed but made no promises to boost overall funding. Nonetheless, it is difficult to completely isolate the effects of System Change from other factors.

II. Origins and Key Features of the Systems Change Project

Before turning to the evaluation results, we first describe the origins and basis of the Systems Change Project. In particular, what led Colorado to make fundamental alterations in its community service system for people with developmental disabilities? We also provide an overview of the salient features of Systems Change.

A. Colorado Before Systems Change

Colorado's community service delivery system for people with developmental disabilities was created in the 1960s. The system was configured around a network of designated "community centered boards." State law charged each CCB with organizing the provision of community services within its designated service area of one or more counties. Colorado law also specified that CCBs would be private rather than governmental entities and operate under the direction of a local board of directors. Colorado organized its system in a fashion parallel to California's. A few other states have adopted similar structures.[1] CCBs are the "single point of entry" to state-funded services in their service areas. By state law, CCBs are responsible for intake, eligibility determination and furnishing ongoing case management to individuals who receive services. CCBs also may provide other services directly to individuals or arrange/purchase services from other qualified providers. Fundamentally, the Colorado community system was designed to be decentralized and locally directed.

During the 1970s, Colorado began to tap into federal Medicaid funding to underwrite the costs of developmental disabilities services, first at its three large state-operated Regional Center facilities and then by qualifying/developing community residential facilities as Intermediate Care Facilities for the Mentally Retarded (ICFs/MR). In the late 1970s, the state considerably downsized the census of its Regional Center campuses by placing individuals in community group homes operated by CCBs and other provider organizations. The state also set up state-operated "satellite" group homes dispersed around each Regional Center. The reduction of Regional Center census spurred a significant expansion of community services. However, the introduction of Medicaid funding caused some splintering of the community system. In the case of ICFs/MR, contracting and purchase of services bypassed CCBs since the state directly entered into provider agreements with facility operators. The satellite group homes were not fully integrated into the community service system.

In the early 1980s, Colorado seized upon the newly enacted Medicaid home and community-based services (HCBS) waiver program to secure more federal dollars to underwrite a broader array of community services.[2] Except for a few large residential

[1] California's system was and remains organized around non-profit "Regional Centers." States that organize their systems in a fashion more or less similar to Colorado include Kansas (Community Developmental Disabilities Organizations), New Hampshire (Area Developmental Services Agencies), and Vermont (Designated Service Agencies), among others.. In other states, developmental disabilities services are managed directly by the state (most often through regional offices) or through "local authorities" that are governmental entities in their own right (e.g., county government human services agencies in Minnesota and Wisconsin) or non-governmental organizations (NGOs) that are controlled by local government (e.g., Area Programs in North Carolina).

[2] The federal Social Security Act was amended in 1981 to permit states to furnish home and community services as alternatives to Medicaid institutional services (i.e., services furnished in nursing facilities, ICFs/MR or long-stay

facilities, the state shifted the funding of private ICFs/MR to the HCBS waiver program, in part to unify system funding and program rules under a single federal Medicaid funding stream, overcome federal program restrictions that prevented the placement of individuals with certain disabilities in small group homes and move away from the "medical model" reflected in federal ICF/MR regulations. During the 1980s, Colorado was especially aggressive in leveraging state dollars via the HCBS waiver program to acquire federal Medicaid dollars to underwrite and expand community services.

The state designed its HCBS waiver program to operate through CCBs, with CCBs conducting intake and case management. The transfer of smaller private ICFs/MR to the HCBS waiver program brought them CCB case management responsibility. State rules and regulations governing community services were expanded significantly in order to ensure greater uniformity in the provision of services across the state. Colorado law also was revised extensively to more clearly specify the roles and responsibilities of CCBs as well as better delineate individual rights and other protections. However, system financial management (in the form of slot allocations, rate setting and contracting) became increasingly concentrated at the state level, principally due to federal statutory and regulatory requirements that prevented delegating such responsibilities to local entities like CCBs. As Medicaid funding grew, CCBs lost some of their authority to manage services at the local level.

During the 1980s, the state continued to reduce its Regional Center campus census and expand community services. It also launched various initiatives to broaden service options available to individuals in the community. These initiatives included launching the Community Integrated Employment (CIE) program, creating "personal care alternatives" to furnish intensive residential support in non-group home settings, and starting the Family Support program. One result of these initiatives was a proliferation of funding categories. Each initiative was accompanied by its own distinct rules and requirements.

In 1991, Colorado successfully competed to be one of eight states that secured federal approval to operate a pilot "Community Supported Living Arrangements" (CSLA) program.[3] Colorado seized on this opportunity to adopt new approaches for supporting individuals in the community. Prior to CSLA, Colorado's system had limited options available to support adults in the community apart from conventional agency-operated residential and daytime services programs. Many of the other states that implemented CSLA programs took the same tack – testing new, more person-centered and flexible approaches to supporting individuals in the community.

The Colorado CSLA program adopted the "support services model." Under this model, individuals and families were given considerable latitude in selecting from an array of services and supports but spending was contained by imposing a hard cost cap of no more than $20,000 per person. The program targeted adults who lived with their families and

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hospitals). Colorado's HCBS waiver program for persons with developmental disabilities became operational in 1983.

[3] In 1990, Congress approved CSLA as a "pilot program" to permit up to eight states to furnish Medicaid-funded supports to individuals in non-group home living arrangements. Via CSLA, states also were permitted to serve individuals without regard to whether they required institutional services. In the HCBS waiver program, "need for institutional services" was and remains a mandatory eligibility criterion. States had wide latitude in fashioning their CSLA programs, including selecting the benefits they would offer and individuals targeted for participation. Federal funding for the CSLA program ended in 1995.

excluded the provision of conventional residential services. The program was conceived as an alternative to the dominant "full services package" model where individuals received both residential and daytime supports. Prior to CSLA, the only service choices available were residential, day, transportation and limited "follow-along" support. Via CSLA, individuals not served in community residences could access additional services and supports over and above day services. CSLA offered the state the opportunity to strengthen services for individuals who lived with their families or on their own and thereby potentially avoid (or at least postpone) the provision of high cost residential services.

Colorado's "CSLA experiment" initially struggled because implementation hinged on refinancing existing state-funded services and the state was leery of relying too much on a federal funding source with uncertain prospects. Nonetheless, when federal CSLA funding ended in 1995, the results had been sufficiently encouraging to prompt the state to continue these services by creating a second HCBS waiver program, based in so far as possible on the essential features and principles of CSLA.[4] CSLA appeared to demonstrate that support services model led to lower demand for costly residential services by furnishing more robust supports to people who lived with their families. More importantly, individuals and families liked the broader array of services offered by CSLA. The "Supported Living Services" (SLS) waiver program continued the CSLA program and operated side-by-side with the state's existing waiver program (called the HCBS waiver or the "big waiver" and which ultimately was transformed into the Comprehensive Services Waiver via the Systems Change Project) that continued to offer residential, day and transportation as its sole services. The "big waiver" came to support only individuals who needed 24-hour supports and a "full service package." The SLS waiver program featured a relatively broad menu of services, excluded 24-hour supervised living arrangements and was cost-contained under a hard dollar cap.

The success of the support services model also prompted the strategic decision to concentrate future system expansion on the SLS waiver program in order to stretch state dollars over as many individuals as possible. The hope was that all individuals who were wait listed for services could at least be offered SLS, a goal that almost was achieved. Due to funding restrictions, growth in the Comprehensive Waiver Program was constrained in order to redirect community service demand toward the lower cost SLS waiver program.

Broadly, Colorado's developmental disabilities service system before the Systems Change Project had the following characteristics:

- The state had substantially reduced its use of institutional services. Relative to state population, fewer people were served in Colorado institutions than in the substantial majority of other states. This continues to be the case;
- Institutional census reduction also led to the state's considerably cutting back its own role as a direct service provider, relying more and more on CCBs and other private providers;
- Large amounts of dollars were shifted from state operated facilities to community services and new appropriations were earmarked to expand community services;

[4] Some other states (e.g., Wisconsin and Florida) that participated in the CSLA program took the same step and set up a second waiver program to continue supports to CSLA participants. Other states (most notably Maryland, Michigan and Rhode Island) integrated CSLA services, participants and service principals into their existing HCB waiver programs).

- The Medicaid program paid for a growing proportion of community services. The HCBS waiver program became the dominant financing source for community services; the number of privately operated ICFs/MR continued to shrink. Except for some types of adult daytime, family support, and early intervention services, most community services came to be underwritten through the HCBS waiver program;
- Colorado had earned a positive reputation among states for its efforts to promote community-integrated employment, scale back institutional services and support individuals with challenging disabilities in small community-integrated housing.

Throughout the 1980s and into the 1990s, the net effect of the changes in Colorado's system were to: (a) lower the per person costs of services (by reducing costly institutional and ICF/MR services and build out home and community-based services); (b) expand the number of people served statewide; and, (c) afford individuals a significantly wider array of community services and supports.

At the same time, the effects of increased reliance on Medicaid funding coupled with other program initiatives led to various system management issues. In particular:

- In order to maintain compliance with federal requirements but also keep CCBs in the loop, CCB contracts, Medicaid provider service agreements and service billing were jury-rigged in order to maintain a relationship between CCBs and other providers;
- The state also directly managed rate setting for residential services and negotiated payments for service vendors through CCBs. The state fixed rates for other others. CCBs had less direct say in resource management beyond the SLS waiver program;
- The proliferation of service categories posed other problems. With program "slots" tied to particular service categories, problems arose in aligning resources with individual needs. The state's categorical, program-based slot system was perceived as causing increasing problems concerning portability and flexibility, especially with regard to day services where a complicated maze of program and payment structures had emerged; and,
- Overtime, the system was perceived as having become increasingly complex and cumbersome. This caused problems in quickly deploying resources. Despite rising service demand and long waiting lists for services, dollars reverted. The ongoing expansion of the state's HCBS waiver programs, growth in the number of service providers, and diversification of services and supports taxed DDS own capacity to manage dollars and resources.

In the mid-1990s, then, Colorado found itself operating a system where DDS was heavily involved in the day-to-day management of services and dollars. More and more management responsibilities had gravitated to DDS. The role of CCBs as "local system managers" was less and less clear. The state controlled the dollars but CCBs were expected to conduct service planning and monitoring without their having significant direct authority over non-CCB providers. While various attempts were made to keep CCBs in the loop concerning the management of services in their service areas, these efforts often were makeshift at best and, at worst, caused even greater complexity in overall system management. There was a growing disconnect between the historical statutory role envisioned for CCBs and how the system actually was managed and operated. In addition, the system had become increasingly complicated and cumbersome in its operation.

B. Origins and Design of the Systems Change Project

In the mid-1990s, alarm bells went off in Colorado and elsewhere about upward spiraling Medicaid spending. A number of states – including Colorado – started to actively explore new strategies to contain Medicaid spending, including following the lead of the private sector to apply managed care to the provision of Medicaid services. There also was the serious potential that Congress would make radical changes in the Medicaid program by converting it to a "Medigrant" block grant. There were serious concerns in Colorado that developmental disabilities services would be swept up in a wholesale conversion of Medicaid services to managed care, including potentially bidding out the operation of the Colorado system to a for-profit managed care company. Colorado stakeholders feared that converting the system to managed care would result in service cutbacks and ultimately drain dollars out of the service system. The developmental disabilities system faced substantial cost containment pressures, in part due to its burgeoning waiting list for community services of all types.

In 1994, the Colorado legislature directed DDS to investigate adopting managed care capitation in paying for services for people with developmental disabilities. After DDS recommended against this approach, the legislature asked for recommendations to streamline services to reduce costs. In 1996, the legislature then called on DDS to prepare a plan for the funding of community services that would include: (a) fiscal and programmatic changes; (b) anticipated efficiencies; (c) a system for assurances and individual appeals; (d) timelines for implementation, including the submission of federal waiver requests; (e) justification for the proposed configuration of the service delivery system; and, (f) avenues for stakeholder involvement in formulating the plan.

The Systems Change Project emerged in response to this legislative direction and against the backdrop of burgeoning interest in managed care, both as a service delivery model and as a cost containment tool. The Systems Change Project was regarded as a way to reconfigure the community system along managed-care lines and address accumulated system management issues problems while preserving the existing system. The Project was a pro-active effort to restructure the system rather than allowing radical change to be externally imposed. In broad brush, Systems Change had four main design elements:

- First, community funding would be converted to two "blocks" – the Supports Block and the Comprehensive Block. This step was intended to eliminate the crazy quilt of program categories and funding rules that had built up over the years. It also was consistent with the goal of making funding more flexible and, thereby, promoting flexibility in service provision. The Comprehensive Block would furnish services only to individuals who required 24-hour supports. People previously in the "big waiver" who received only day-time services would be shifted to the Supports Block where expanded choices would be available to them via the SLS waiver program. This reconfiguration also intended to limit some of Colorado's liabilities (which will be discussed in more detail in the next Chapter). This reconfiguration also was designed to harmonize services and funding between Medicaid-eligible individuals and those supported with state-only dollars.
- Second, while DDS officials and some stakeholder groups opposed putting the Colorado service system "out-to-bid," the view emerged that some managed care methods and principles might potentially improve the efficiency and effectiveness of Colorado's system. For example, changing over from "fee-for-service" categorical

payment methods to an alternative "capitated" approach was seen as offering the potential for increasing the flexibility. Moreover, capitation appeared to offer a way for the state to extricate itself from its complicated, categorical slot-driven system. As a result, the design of the Systems Change Project including borrowing, adapting and applying some managed care strategies to community developmental disabilities services.

- Third, Systems Change recognized the importance of containment. By changing over from a fee-for-service arrangement to per person funding methods, the state could shield itself from increased per person costs due to changes in service utilization or service mix. Further directing service demand toward the SLS waiver program also was expected to have the result of dampening or at least delaying demand for more costly residential services and thereby holding down per person spending systemwide, at least in the near-term. SLS was not portrayed as the final solution to the state's waiting list problem; instead, it was regarded a way to offer more choices than day services alone that might contribute to postponing the need for costly residential services.
- Fourth, the Systems Change Project was undertaken in order to position Colorado to maximize federal Medicaid funds, especially respect to the relatively large number of individuals who were receiving day services underwritten solely with state dollars. To the extent that more federal dollars could be captured, the state would be able to offer enhanced services to individuals who were receiving only day services, reach more people on the waiting list, and address other issues without having to seek additional state dollars.
- Fifth, the Systems Change Project was seen by some (but not all) stakeholders as a way to realign system operations along lines more congruent with the statutory roles and responsibilities envisioned for CCBs. Systems Change was designed to relocate critical system management responsibilities from DDS to CCBs, including contracting and provider rate negotiation. CCBs would be positioned to operate in so far as possible as local managed care entities. The belief was that relocating financial management from the state to CCBs would result in available funds being deployed more effectively and efficiency since they would be managed by entities that had more intimate knowledge of the needs of individuals and families as well as local conditions. Systems Change therefore was designed to tie together financial and program management at the CCB/local level. This tie would be accomplished by CCBs becoming Managed Services Organizations (MSOs). Shifting responsibilities to CCBs also would enable the state to extract itself from close day-by-day system management and instead concentrate on broader system concerns and issues.

The Systems Change Project thereby was designed to alter both the flow and management of dollars in the Colorado system and assure cost containment. Managed care principles and methods provided some key concepts. CCBs would serve as local managing entities, in part to reflect their long-standing statutory role but also to position them to manage all local dollars. For its part, DDS would shift its role from closely managing services to overseeing the performance of CCBs.

As designed, the salient features of the Systems Project were as follows:

- The division of community funding into the supports and comprehensive blocks.

- "Per person" "wrap-around" funding would replace the state's making fee-for-service payments for numerous service categories. Whether in the Comprehensive Services Waiver or the SLS Waiver program, the state would pay a fixed amount to CCBs for each person served. CCBs, in turn, would negotiate payment rates with providers. The adoption of a per person funding mechanism insulated the state against spending increases stemming from service utilization changes and shifted budget management/control responsibilities from DDS downstream to CCBs. This mechanism also assured cost containment. Only legislatively authorized changes in per person funding levels or authorized slots would trigger increased spending.
- "Per person" funding also would be adopted to promote increased flexibility in supporting people with developmental disabilities both individually and collectively at the local level. In this respect, the design of the Systems Change Project was heavily influenced by the State's experience in operating the CSLA program. By shedding program categories, there would be more latitude to authorize different types of supports and vary funding levels based on a person's needs.
- In order to implement "per person" and position CCBs as managed care entities, the state would obtain federal approval to modify both of its HCBS waiver programs. These changes will be discussed in more detail in the next Chapter.
- In order to flow these "per person" payments through CCBs, they would be designated as "Organized Health Care Delivery Systems" (OHCDS), a Medicaid contracting device sanctioned by the federal government that permits positioning entities like CCBs to be conduits for Medicaid payments and contract with other provider agencies, including negotiating payment rates with them. OHCDS was seized upon as the mechanism to shift contracting and rate setting out of DDS to CCBs. This mechanism also will be discussed in more detail in the next section. In Colorado, the use of this arrangement was selected as the most apt way to position CCBs as MSOs under the provisions of federal Medicaid law.

In its design, Systems Change called for replacing fee-for-service with "per person" funding and extracting DDS from close system management of dollars by shifting responsibilities to CCBs that would operate in a fashion akin to managed care entities.

The design of Systems Change also was influenced by many other factors, including longstanding reservations among various stakeholders about CCBs. In particular:

- There were concerns – voiced principally by advocates but others as well – that positioning CCBs to control all dollars and services within their service areas would give them too much unchecked power, leaving open the possibility that the interests of CCBs would take precedence over those of individuals and families;
- There also were concerns that changing over to wrap-around per person funding could result in CCBs diverting "service" dollars to internal administration and away from direct services for individuals and families;
- There were other concerns that CCBs might contain costs by offering only minimal services to individuals and families rather than authorizing services and supports based on individual needs;
- Still more concerns arose from the fact that most CCBs furnish direct services. Some stakeholders feared that CCBs would cut back on services furnished by other

providers in order to increase their "market share" and dollar inflows. If this happened, the net effect would be reduced individual and family choice.

- Finally, in Colorado (as elsewhere), there was mounting interest in pursuing emerging new approaches that would enable individuals and families to have a more direct and authoritative role in managing their own services and supports. There was emerging advocacy for the state to sponsor a "direct funding" option that would bypass the CCB system and empower individuals and families to directly manage their own service dollars.

As a result, other alternatives to Systems Change were advanced, ranging from making no change at all to more radical proposals to dismantle the CCB-based system by having the state take over service coordination/case management (and thereby service authorization) or establish an independent third-party case management system to resolve the perceived conflict of interest in CCBs playing the dual role of both authorizing and providing services. The Systems Change Project rekindled much the same debate about the system's fundamental architecture and its distribution of responsibility and authority that first erupted during the 1980s.

Consequently, the Systems Change Project included some features to address some (but not all) of these concerns. These included:

- Hard and fast limits on CCB administrative expenses;
- A performance contract that required CCBs to hit pre-established marks in terms of a minimum number of individuals served and the proportion of state payments spent on direct services for individuals and families;
- Steps to strengthen grievance/complaint resolution mechanisms;
- Guidelines to promote even-handed distribution of dollars among individuals;
- The commitment that individuals and families would be able to exercise free choice of provider and the requirement that CCBs furnish information concerning available vendors and costs to that consumers could make informed choices;
- In the Supports Block, individuals and families were given the authority to prioritize their needs with available resources and select services; and,
- A promise to test alternatives such as vouchers that potentially would give individuals and families more direct control over their services.

Additionally, the Systems Change Project included a promise to reduce the waiting list by a modest amount to demonstrate improved efficiency and a commitment to institute performance tracking.

At the end of the day, the decision was for the Systems Change Project to continue Colorado's existing system architecture and expand the role of CCBs in managing services and dollars locally. The themes of the Systems Change Project were to promote simplicity, flexibility, cost containment and local decision-making. Accountability and other requirements were included to address stakeholder concerns.

The Systems Change Project primarily focused on changing money flow and the redistribution of management responsibilities between the state and CCBs. Both were complex undertakings. These changes were expected to benefit individuals and families

principally by increasing flexibility in the use of available dollars. The Project made no promises to improve the amount of funding available per person. A precondition for proceeding with the Project was that it would not cause a net increase in state General Revenue outlays for developmental disabilities services. Similarly, the project did not propose to fundamentally alter the basic array of services and supports available to people with developmental disabilities; the array remained largely unchanged except that over 2000 individuals receiving day only services could choose from the larger SLS array of services. Except for the relatively modest commitment to reduce the waiting list, the Project did not promise greater efficiency, as commonly understood. The Systems Change Project was intended to position Colorado's community service system to achieve the most beneficial use of available resources while guaranteeing cost containment.

The main design parameters of the System Change Project were compiled into a "Memorandum of Understanding" between the Department of Human Services and the Legislature's Joint Budget Committee. The Memorandum sanctioned CDHS/DDS taking several implementation steps. It also established the requirement that DDS report annually on its progress in implementing the Systems Change Project through 2000. The MOU also directed CDHS/DDS to explore in greater depth some issues that arose during the debate surrounding the Systems Change Project but which were unresolved. These included such issues as bidding out services, full capitation, separation of case management, competition at the CCB-level and the potential for folding in state operated services.

The implementation of Systems Change Project proceeded in two steps. In 1998, the SLS waiver was revamped and management of SLS dollars shifted to CCBs. Federal approval was secured to adopt per person funding and CCBs were recognized as Organized Health Care Delivery Systems. Revamping the waiver program also permitted expanding it by roughly 2,000 individuals and capturing additional federal Medicaid dollars. In 1999, the Comprehensive Services Waiver was modified and management of those dollars also shifted to CCBs. In its final 2000 progress report to the JBC, DDS declared that it had completed all the requirements contained in the MOU and, hence, implementation was complete. The Systems Change Project now has been in full-blown operation for a little over three-years.

In the next section, we report our assessment of CDHS/DDS implementation of the MOU elements. The following section presents our findings concerning the extent to which the Systems Change Project met its overall goals. In other words, did the implementation of the Systems Change Project yield the desired results?

III. MOU Implementation

Our first evaluation task was to determine whether DDS/DHS in fact met the requirements spelled out in the Memorandum of Understanding (MOU) with the Joint Budget Committee. The Systems Change Project was a complex undertaking that involved making many changes in Colorado's community developmental disabilities system. The MOU itself had many elements. This section reports our findings concerning MOU implementation, element by element.

MOU-A. Federal Approval of Block Funding - "The CDHS is authorized to seek federal approval for, and, if granted, implement, the collapse of the current system of full-package and day services and supported living services into two blocks: a comprehensive block and a supported services block. The goal of this collapse is to create local management flexibility in the administration of the resources. The change would begin with the Supported Services block. Federal authorization will be sought."

One of the main aims of the Systems Change Project was to roll up community developmental disabilities funding into two "blocks" and thereby replace the funding categories that had proliferated in Colorado over the years. One block would contain dollars earmarked for individuals who need a "full-package" of services (e.g., supervised residential and daytime services). The second block would contain dollars for "support" services for individuals who do not require a 24-hour supervised living arrangement, predominantly persons who live with their families. In order to accomplish this roll-up, the state had to modify its HCBS waiver programs.

The stage was set for segmenting funding between comprehensive and support services when Colorado secured approval of the SLS waiver program to continue the CSLA program. For all practical purposes, the state's existing "big" waiver program principally underwrote "full package" services (e.g., supervised residential services plus day services). The SLS waiver program did not include supervised residential services. As a consequence, in advance of Systems Change, DDS already had segmented HCBS waiver services into two distinct programs.

In order to make the Comprehensive Waiver Services program as "block-like" as possible and support per person payments, the "big" service waiver package was compressed into a single "comprehensive service" that included residential, day and therapy services. In addition, eligibility for this waiver program was limited to people who need/receive 24-hour residential services and the practice of enrolling persons for day services only into this program was ended. The latter change limited Colorado's liability. Federal policy then and now dictates that HCBS waiver participants have full access to the full range of services that a program offers. Enrolling individuals for day services only left the state liable for furnishing residential services to all "big" waiver enrollees. Reconstituting and more sharply targeting this waiver program removed this liability.

Through the Systems Change Project, the state also made important changes to the SLS waiver program. In particular, the types of daytime services that qualified for federal Medicaid funding was expanded, thereby triggering the capture of more federal dollars at no extra state cost via expanding the number of waiver participants by about 2,000.

Implementation of the Systems Change Project dictated that the state take additional steps. In order for funding to be more "block-like," payments would have to be recast rather than

continue to be segmented by specific service category. Moreover, a mechanism was needed to flow these "per person" payments to CCBs in a block-like fashion. In the beginning, DDS officials had hoped to obtain federal approval to pay out monthly 1/12th of each CCB's total dollar allocation and settle up with CCBs at year-end by determining whether they had furnished a sufficient volume of services to a minimum number of individuals. However, this proposal was rejected at the federal level.[5]

In the end, DDS secured federal approval of various HCBS waiver changes that resulted in as "block-like" a structure as could be achieved within the confines of the HCBS waiver program. The state segmented waiver services into two distinct programs. At the time, Colorado was relatively unique among the states in operating its Medicaid HCBS waiver program in this fashion. In recent years, other states have adopted the same strategy of operating distinct "full service" and "support" waiver programs. These states include Oklahoma, Oregon, Pennsylvania, Montana, Alabama and Ohio, among others.[6]

DDS proposed and the federal government ultimately approved an alternative funding arrangement (described in greater detail under MOU Element B below) that differed little in substance from the mechanism originally contemplated. At the end of the day, DDS succeeded in establishing two distinct funding pools and designed funding arrangements that were as "block-like" as possible.

MOU B. Capitated Type Payments - "Capitation is defined as a method of funding a managed care system which pays a provider (herein the community centered Board or its equivalent) a fixed amount per individual in a targeted pool (herein the appropriated caseload) for a defined range of services and a specified time period…The community services system is to move toward a capitated payment and billing system for both the comprehensive and supported living blocks with the understanding that capitation would first occur in the supported living block, and that movement toward greater risk assignment will be sought as a goal. The capitation methodology for developmental disabilities community services approved herein is not considered full capitation as the risk is limited to a specified number of service enrollees (versus potential enrollees) for both service blocks. The supported service block will limit risk based on the average cost of services. In accordance with Section 26-4-12(2), C.R.S., full capitation in the developmental disabilities service system shall require legislative review. Additionally, federal approval would be sought…"

Full capitation entails making an advance fixed payment per enrolled eligible to a managed care entity that is contractually obligated to furnish all necessary services specified by the funder to enrollees. The amount of the capitated payment to the managed care entity does not hinge on the cost or volume of services furnished to specific enrollees. Under full capitation, a managed care entity is "at risk" of financial loss to the extent that service utilization exceeds the expected level upon which the fixed per member payment was based. A managed entity stands to make a profit if it can hold down either utilization or

[5] Except in full-blown managed care arrangements, federal policy dictates that payments can only be made after the fact for services furnished to identifiable individual recipients. Arrangements such as that originally proposed by DDS are impermissible.

[6] However, these states have not adopted a capitated funding model along Colorado's lines.

costs. Full capitation provides incentizes to managed care entities to hold down costs by closely managing services utilization and seeking out lower-cost service suppliers.

The Systems Change Project did not propose nor use full-blown managed care/capitation for developmental disabilities services. At the time (and still today), federal Medicaid policy ties systemwide adoption of managed care and full capitation to full entitlement. Absent full entitlement (i.e., a state's serving all eligible individuals), there are federal policy barriers to employing conventional managed care contracting methods and full capitation. This is especially the case in the HCBS waiver program for a variety of technical reasons. Among the states, only Michigan and Arizona have secured federal approval to employ full-capitation.[7] DDS rejected full capitation due to funding limits. Colorado did not then (nor does it now) operate a "full service" system – otherwise eligible individuals are wait listed for services due to funding limitations. Additionally – due also to funding limitations – Colorado was unable to commit to furnishing all necessary services to individuals. In the MOU (element R), the legislature dictated that implementation not cause an increase in state general revenue spending. Full capitation would have required substantially more dollars, especially to expand services to wait-listed individuals who were Medicaid eligible and receiving no services or required additional services. Given funding restrictions and the terms of the MOU itself, the Systems Change Project was configured to ration services among eligible persons within an overall state-appropriated budget total with service expansion limited to any gains that could be had via Medicaid refinancing. Consequently, capitation had to be structured to permit CCBs to manage within dollars available.

Still, the Systems Change Project implemented a system of fixed payments per authorized HCBS waiver participant, although not in the exact form initially proposed. In the case of the SLS Waiver Program, CCBs receive a fixed monthly payment for each enrolled individual who receives services during the month regardless of the type or amount of specific services furnished to the individual. This payment was increased and standardized across CCBs as a result of the Systems Change Project. In the case of the Comprehensive Services Waiver Program, a wrap-around per diem payment is made for each participant who receives services based on actual provision of services, again regardless of the type and amount of services that are furnished to the individual. These per diem payments vary by CCB due principally to historical factors but the Systems Change Project permitted progress to be made in evening out these resources across CCBs.

In both instances, payments are "capitated" in the sense that their amount does not vary as a result of differences in individual service authorization or utilization. Payments also are not price sensitive. If the costs of services (whether furnished directly by a CCB or purchased from another vendor) increase (due either to increased vendor charges or

[7] Arizona operates its system under the federal Section 1115 waiver authority. Capitated payments are made by the Arizona Medicaid agency to the Department of Economic Security's Division of Developmental Disabilities, (DDD); the Division functions as the managed care entity for the state, including authorizing services and contracting for services. In Arizona, all individuals who meet "preadmission screening" criteria are entitled to services. Michigan operates its system under a Section 1915(b)/Section 1915(c) "combination" waiver program. In Michigan, Community Mental Health Service Programs (CMHSPs) were designated as the managing entities. CMHSPs receive capitated payments based on the total number of Medicaid recipients in their service areas (irrespective of whether the person has a developmental disability). CMHSPs are obligated to serve all eligible persons under their contracts with the State of Michigan. The capitation arrangement in Michigan is a "shared risk" arrangement. If CMHSP costs exceed a pre-designated level, the state provides additional funding. If costs drop below the lower threshold of the risk corridor, the state recoups excess payments.

increased service utilization by participants), the amount the state pays is unaffected. The payment system implemented by DDS does not expose the state to risk.

While the payment methods DDS implemented were not full-capitation, the state's contracts with CCBs exposed them to four types of risk in the Supports Block. First, if the overall volume of services a CCB authorizes to current participants exceeds what state funding will support, the CCB faces a potential deficit. Second, if approved vendor charges or a CCB's own cost of furnishing services is higher than expected, the CCB also may find itself short of funds. Third, if a CCB decides to "over serve" (by adding more individuals than the state contract minimum), it also may face a deficit if the costs of over service are not otherwise offset. Finally, if a CCB significantly "under serves" (e.g., does not achieve contractual minimums), then it faces the prospect of having to pay money back to the state. As a consequence, CCBs face some measure of financial risk in this system if they do not manage services well. This contractual mechanism is unique among the states.[8]

However, the absence of a requirement that CCBs furnish all necessary services means that their risk exposure is not great. CCBs have the latitude to limit the services they authorize and individuals/families are expected to prioritize their needs. In some cases, CCBs have overextended themselves and been forced to cut back on authorized services. DDS also on occasion has shifted dollars among CCBs to cover potential losses at some CCBs.

In the Comprehensive Block, CCBs are "at full risk for delivering all needed services …. for a specified number of individuals.[9]" If an individual needs additional supports and services, a CCB is required to pay for them but state payments to the CCB remain fixed. CCBs also have some measure of risk exposure because they are mandated under DDS waiting list guidelines to select the next person on the waiting list when a vacancy occurs regardless of that person's service requirements. However, risk exposure is not especially high in this block and CCBs control both payment rates and service authorization.

The payment system implemented in conjunction with Systems Change was as capitated as much as federal HCBS waiver policy would permit. With respect to the SLS Waiver Program, Colorado's system is unique among the states. No other state has adopted Colorado's method of making a bundled wrap-around payment. Similarly, the per diem payment method employed in the Comprehensive Services Waiver Program also is relatively unique, principally because Colorado was able to secure federal approval to consolidate all the services furnished in this program into a single wrap around coverage and thereby make a per person per diem payment.[10] Elsewhere, the federal government generally has not permitted states to consolidate service coverage in this fashion.

At the end of the day, the funding methods that DDS implemented in conjunction with Systems Change were as close to "capitation" as could be achieved within the limitations of federal HCBS waiver policy and the state's own resources. Payments are standardized by

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[8] More typically, the state itself shoulders risk and must manage its waiver programs statewide to remain within authorized funding levels.

[9] DDS (November 2000). "Final Progress on the Colorado Systems Change Project for Developmental Disabilities Services."

[10] Georgia operates an HCBS waiver program that offers one main wrap around service at a standard fixed daily that includes residential and day services. However, some other services are offered outside this bundled coverage.

enrollee and not sensitive to individual enrollee service consumption or costs. Risk – albeit not great – is lodged with CCBs not the state.

MOU C. Managed Service Organizations - "The CDHS shall continue to develop the managed services functions of the Community Centered Boards with the understanding that the issue of whether to bid out the managed care role will be reconsidered when a more fully capitated managed care proposal is considered."

Positioning CCBs to be "managed services organizations" (MSOs) was a central aim of the Systems Change Project. An MSO is an entity that manages service authorization, contracting and payments for services but is distinguished from other types of managed care organizations by not bearing risk or bearing only limited "managerial" risk.[11]

The objectives of the Systems Change Project included positioning CCBs to manage all state dollars in their service areas and assume responsibilities for contracting for services as well as assume other responsibilities. The MSO role ultimately was defined by DDS to include: (a) service development and procurement, (b) resource management/assignment, (c) service encounter data, billings and payments related to sub-contractors, (d) service area planning, (e) establishing required committees (such as the Human Rights Committee), (f) contract management, (g) information reporting to the state, (h) providing public information about services to their region, (i) waiting list management, (j) quality assurance activities, and (k) training.[12] Some of these MSO responsibilities were not new for CCBs. But many were. The Systems Change Project coupled these MSO responsibilities with existing CCB case management responsibilities and required CCBs to take steps to segregate both from its own provision of services through the "service arm" of the CCB.

In order to position CCBs as MSOs (especially to manage dollars and take over contracting), DDS had to overcome certain federal Medicaid policy barriers. Federal law[13] generally dictates that there must be a direct contractual relationship between each service vendor and the state Medicaid program. Federal policy also reserves to the state such functions as rate determination. Generally, federal policy does not permit a state to insert an intermediary organization (MSO or otherwise) into the contracting process or the flow of dollars between the state and the actual provider of services to Medicaid beneficiaries except via recognized managed care-contracting arrangements that were foreclosed to Colorado.

At the time, the only option available to support the state's objective was to constitute CCBs as "organized health care delivery systems" (OHCDS).[14] An OHCDS arrangement permits a state to contract with a provider organization to furnish services that the organization itself provides or those furnished by other vendors under contract with the organization. Under this arrangement, the state enters into a contract with the lead/OHCDS organization but not the other affiliated providers so long as they have an agreement with the OHCDS entity. Absent an OHCDS arrangement, positioning CCBs to manage contracts and determine

[11] MSOs are not at risk for overspending as a result of increased service utilization.
[12] DDS (November 2000). Op cit.
[13] Section 1902(a)(27) of the Social Security Act
[14] Prior to the implementation of the Systems Change Project, CCBs were positioned as "billing agents," a device that permitted flowing dollars through CCBs but which did not support CCB contracting or rate determination functions.

payment rates locally would have run afoul of several federal laws and regulations that prohibit the subcontracting of Medicaid services or would have prevented CCBs receiving payment for services rendered by other vendors.[15]

DDS qualified CCBs as OHCDS entities by virtue of the fact that all CCBs are vendors of targeted case management services. In order to qualify as an OHCDS, an organization itself must furnish at least one Medicaid service. In the case of targeted case management services, Colorado restricts the provision of these services to CCBs, as permitted under federal law, and then limited the designation of OHCDS entities to providers of targeted case management services. As a consequence, only CCBs can secure OHCDS status.

The use of the OHCDS contracting device enabled Colorado to position CCBs to be MSOs. Per participant payments could flow to CCBs as the sole "master provider" in each service area. In turn, CCBs then were positioned to contract directly with other vendors operating in their service areas instead of vendors contracting directly with the state.

Absent this OHCDS arrangement, the aim of positioning CCBs to function as MSOs would not have been feasible and consequently it would not have been possible to shift contracting, financial management and other responsibilities from DDS to CCBs. The OHCDS arrangement, in fact, was the "mechanical" linchpin for the implementation of the Systems Change Project. DDS thereby was successful in implementing this element of the MOU.

It is worth pointing out that DDS defined the MSO function more broadly than financial management. For example, CCBs were expected to conduct various quality assurance activities.

This MOU element along with MOU Element K required DDS to explore in greater depth the potential to fully capitate the developmental disabilities system. This question was addressed by DDS in its 1998 Progress Report. As previously noted, full capitation was not feasible because current systemwide funding levels were insufficient to support full-entitlement, a federal precondition for a state to shift the provision of developmental disabilities services to a full-risk, full-capitation system under applicable federal Medicaid waiver authorities. In our view, the DDS assessment of the barriers to implementing a fully-capitated system was well grounded and remains accurate today. As previously noted, only two other states have moved to full-capitation of developmental disabilities services and both operate entitlement-based systems. HCBS waiver programs operate under the provisions of Section 1915(c) of the Social Security Act. The waivers of federal Medicaid law that may be granted under the Section 1915(c) HCBS waiver statutory authority are limited and do not extend to the provisions of Medicaid law that must be waived in order for a state to operate a full-capitation system.

MOU D. Negotiated Rates - "The CDHS shall seek federal approval for, and if granted, provide authority to Community Centered Boards to individually negotiate rates with providers to the extent possible within federal requirements and within associated State guidelines."

[15] Under federal regulations, OHCDS is a contracting device but not a managed care arrangement per se. Service providers that affiliate with an OHCDS still must meet basic Medicaid provider requirements. An OHCDS arrangement cannot be employed to restrict the entry of providers into the marketplace.

Implementation of this element of the Systems Change Project was enabled by the OHCDS arrangement, for which CDHS/DDS obtained federal approval. CCBs could not have been positioned to negotiate rates with vendors serving their areas. Absent an OHCDS arrangement, provider rate setting defaults to the state. With the OHCDS arrangement, the OHCDS entity is free to establish and/or negotiate rates with its affiliated contracted vendors.

In implementing this element of the MOU, DDS issued guidelines for CCBs to follow in establishing payment rates. These guidelines dictated that CCBs establish transparent processes and ensure that rates were reasonably related to vendor costs. DDS reserved the right to examine the basis of CCB-established rates and establish rate ceilings. However, DDS steered clear of dictating that CCBs employ specific rate determination methods or superimposing formal "rate screens" across all CCBs.

MOU E. Resource Assignment - "Resource assignment on the level of funding by Community Centered Boards to individuals shall be established using state parameters developed by the CDHS. Opportunities for maximizing client choice shall be provided, within CDHS established guidelines, and consistent with the tenets of the Colorado System Change Project. These opportunities shall include, but not be limited to, opportunities for paid employment for adults."

DDS issued resource assignment guidelines for the Supports Block. These guidelines are principally procedural (e.g., CCBs must base resource assignment on a needs assessment and take into account various other factors). DDS stopped short of mandating that CCBs adopt a standardized resource assignment methodology (either imposed by the state or developed by the CCB itself) and considered but ultimately rejected establishing dollar resource allocation minimums in the Supports Block. The view was that establishing such minimums would tie CCB hands too much in balancing resources across all individuals. In essence, CCBs have the latitude to decide how they would manage allocated Supports Block dollars across all individuals they serve, "assigning resources that are reflective of needs while staying within funds available." [16] Establishing procedural guidelines satisfied the letter of the MOU. However, the lack of concrete guidelines also makes it difficult to assess the fairness or consistency of CCB allocation methods.

DDS also revised its "portability" guidelines concerning how dollars would transfer from CCB to CCB in the event that an individual moves from one service area to another. Under the Systems Change Project, while state payments to CCBs are standardized, individuals have differing resource allocations. The portability guidelines direct the CCBs involved to negotiate the amount of dollars transferred from one CCB to another based on the person's resource allocation. Colorado's system historically has operated awkwardly when individuals move from one CCB to another. However, it is reported that problems continue to arise in this arena.

DDS also has attempted to improve the equity of the distribution of resources across CCB service areas. Pre-Systems Change, the distribution of resources among CCBs did not align well with either population or the distribution of expressed service demand. In addition, there were significant differences across CCBs in per person allocation levels, due mainly to historical reasons. Limited progress has been made in this regard, especially with respect to

[16] DDS (November 2000). Op cit.

Comprehensive Services by increasing payment rates for many CCBs. DDS has attempted to direct new resources toward CCBs that have longer waiting lists relative to the number of people receiving services or fewer overall dollars indexed by population than other CCBs. However, because growth in Comprehensive Services has been limited, problems remain and progress in achieving a fairer distribution will be slow absent a major expansion of these services.

With respect to employment, DDS Progress Reports merely noted that employment supports are available to individuals in either block. DDS policy provides that individuals must be able to choose community employment among other day service options. DDS established a special funding mechanism designed to provide incentives to securing paid integrated community employment for individuals. However, by report, utilization of this incentive has been limited and it is widely regarded as ineffective. Implementation of the Systems Change Project eliminated pre-existing enhanced payments for employment services and supports, which included higher rates for integrated day services and policies that made it somewhat easier for vendors to pull down funds for people in integrated employment. As will be discussed in the next section, many stakeholders believe that the implementation of the Systems Change Project has made it more difficult to secure employment for individuals.

MOU F. Self-Determination - "The CDHS shall work toward implementation of service options such as vouchers, certificates, or other such self-directed mechanisms, allowing recipients of services to have more decision making in resource utilization within appropriate fiscal, programmatic, and liability constraints using the Community Centered Board/managed service organization structure of eligibility determination and resource allocation. Pilots of such options are encouraged, upon receipt of the necessary federal approval…Full risk is to be assumed by an individual utilizing a self-directed service mechanism."

The Systems Change Project was designed and implemented during the same period when "self-determination" for people with developmental disabilities was beginning to gain traction nationwide. Self-determination features individuals and families having a high level of direct control over public dollars in the form of an "individual budget" over which they have significant authority to decide the types of services and supports they will buy and who will provide such services. Individuals also are positioned to hire/fire support workers and supervise them directly. In order to facilitate self-determination, certain capabilities must be in place, including a method to establish individual budgets, solid person-centered planning, financial intermediary organizations to handle employment and payroll functions, and "support brokerage" to assist individuals and families. Many states have launched broad-scale self-determination initiatives, including Utah, Kansas, Connecticut and several others.

DDS portrayed self-determination as a "crucial aspect" of the Systems Change Project.[17] However, the Systems Change Project did not implement full-featured self-determination as commonly understood nationwide. The Systems Change Project did not include testing or piloting the direct funding option advocated by some stakeholders to enable individuals and families to bypass CCBs altogether so that they could manage their own dollars directly. Instead, DDS emphasized features of the Systems Change Project that were designed to

[17] Ibid.

promote individual and family choice of services and providers but not full-blown direct management of individual budgets by individuals and families.

There were some steps taken in Colorado toward improving individual and family control of services. For example, some CCBs have established mechanisms to employ individual and family-selected support workers. DDS also has created a framework for the operation of "micro-boards," which are a device that can enhance individual/family control over the provision of services. DDS also included vouchers as a payment option CCBs could use and required them to make information available upon request to individuals and families related to available providers and their rates. In addition, in the SLS waiver, DDS provided for Supported Living Consultants (SLC) to assist individuals in making choices in their lives. In some respects, in concept the SLC service is akin to "supports brokerage" in full-blown self-determination.

With respect to this MOU element, DDS adopted a narrow definition of self-determination. No pilots or tests of more full-featured self-determination were attempted during the implementation period or after.

MOU G. Performance Measures - "The CDHS will create and implement a quantifiable performance and outcome-based system to evaluate system progress, efficiency, and effectiveness and on which to base appropriations in the future as referenced in the CDHS' 1996 Long Bill Footnote 83 response."

In conjunction with the Systems Change Project, DDS specified various performance and outcome measures and established a performance and outcome-based system. Some of this system was already in place but new elements were added, principally measures linked to contractual performance requirements for CCBs concerning the number of persons served and direct services expenditures. This system's present capabilities are discussed in more detail in the report entitled ***Gauging How Well Colorado Supports Its Citizens with Developmental Disabilities.***

DDS recommended against basing future appropriations on quantifiable performance and outcome measures. We address this topic as well in the above referenced report.

MOU H. Overhead Limits - "CDHS will limit overhead expenditures to no more than 15 to 17 percent of the service rate and abide by the statutory limitation on Family Support Community Centered Board administrative costs of six percent, pursuant to the CDHS' 1996 Long Bill Footnote #85 response, and as approved by the Joint Budget Committee."

These overhead limits were implemented.

MOU I. Input - "CDHS shall continue to strive toward inclusiveness with all stakeholders and shall maintain opportunities for input, such as the Developmental Disabilities Services Advisory Council."

Throughout the period of implementation, the DDS Advisory Council (composed of representatives of major stakeholder groups) continued to function and continues to meet monthly. Several additional committees were formed to provide input to the design of various Systems Change Project dimensions (e.g., self-determination and quality assurance). Except for the Quality Assurance Committee, these Committees did not continue post-implementation. DDS also disseminated reports concerning the Project in

advance of implementation and throughout the implementation period and held several regional training/implementation sessions around the state. However, once the Systems Change Project was fully implemented, DDS' level of effort in securing broad-based ongoing systematic input from stakeholders decreased, particularly in obtaining continuous feedback concerning its success or identifying emerging new concerns.

MOU J. Annual Reporting - "There shall be annual review and reporting to the Joint Budget Committee and to the General Assembly, beginning November 1, 1997."

DDS met this requirement. Progress reports were prepared and submitted to the JBC in 1997, 1998, 1999 and 2000.

MOU K. Risk, Full Capitation, & Competition - "The CDHS shall furthermore, provide for additional evaluations and reporting on the following issues:

a. Further define risk, responsibility for risk, the ability to fully capitate the Developmental Disabilities system, including, but not limited to, utilization of the funding and provision of services for consumers in the Regional Centers (Class IV nursing facilities) within the community system. Any recommendations on the latter shall have no General Fund fiscal impact and shall consider the Class IV revenue indirect impact to the CDHS.

b. Review opportunities for competition at the managed service organization/Community Centered Board level."

As noted previously, DDS addressed the topic of full capitation in various progress reports. Issues related to the Regional Centers were excluded from the scope of this evaluation.

With regard to element K.b, DDS addressed this topic briefly in its Progress Reports. It recommended against competition among CCBs.

MOU L. Efficiencies & Waiting List - "The CDHS shall seek and report on program efficiencies achieved as a result of the streamlined funding and greater flexibility given to the local program managers (Community Centered Boards). The stated goal, two years after final federal approval, is to have achieved enough program efficiencies that, given current funding, savings of the equivalent of at least 10 percent of the current 1,249 adult waiting list would be achieved and redirected into care for individuals on the waiting list. This would mean serving either: (1) adults who are on the waiting list at that time; or (2) new growth to the waiting list (at least 50 per year projected). The targeted per person level of resources is estimated to be that equivalent to the FY 1998 proposed Minimum Support Services level."

The waiting list reduction goal set out in this MOU element was achieved during FY 1998-99.

DDS has ascribed various other efficiencies to the implementation of the Systems Change Project. In particular:

- Changes were made to the state's HCBS waiver programs to capture $11 million in additional federal Medicaid dollars by refinancing previously state-funded day services. This refinancing permitted about 2,000 individuals who had only received day services to access the full SLS service menu, provide services to people on the

waiting list through SLS, expand early intervention and comprehensive services and making additional improvements at no additional state General Fund cost. In part, Colorado was able to capture these dollars as a result of a change in federal law that allowed states to claim federal dollars for supported employment services furnished to a previously excluded class of HCBS waiver participants.[18] The state also successfully redefined daytime services to permit capturing federal dollars for some types of facility-centered services that previously were not eligible for federal financial participation.

- The Systems Change Project also eliminated duplicate payments for case management services.
- DDS also characterized the expansion of the "support services model" and capping the use of Comprehensive Services as steps that improved efficiency. DDS pointed out that had the state not emphasized the use of the supports model, it was likely that more individuals would have continued to languish on the waiting list with no support at all.

Capturing additional federal Medicaid dollars obviously made more efficient and effective use of state General Fund dollars. Obviously, this step benefited Coloradoans with developmental disabilities. At the same time, this laudable result did not entirely hinge on implementation of the Systems Change Project. The change in federal law noted above enabled nearly all other states to capture additional federal Medicaid dollars. The redefinition of other daytime services likely could have been accomplished with or without making the structural changes included in the Systems Change Project. However, the architecture of the Systems Change Project likely did contribute to Colorado's ability to acquire and put to use these dollars quickly.

Similarly, it also is true that the introduction and subsequent expansion of the "support services model" was beneficial and had the effect of enabling Colorado to reduce its per person cost of supporting individuals in the community. The claim that this model reduced somewhat or delayed demand for more costly services also is supported by evidence from other states. Clearly, absent expansion of the "support service model," it would not have been possible for the state to serve as many individuals for the same total amount of money. But, other states also have achieved similar results employing different strategies than those embodied in the Systems Change Project.[19] Hence, it may have been overly broad for DDS to portray these outcomes as a demonstration that the exact configuration of the Systems Change Project promoted greater efficiency. The "support services model" itself promotes efficiency but the surrounding architecture put in place to implement the Systems Change Project was not necessarily the most critical factor.

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[18] In the Balanced Budget Act of 1997, Congress removed the restriction that federal Medicaid dollars were only available to pay for supported employment services furnished to individuals who had been previously institutionalized in an ICF/MR or nursing facility. As a result of this change, states may now claim federal financial participation in the costs of supported employment services furnished to all HCBS waiver participants.

[19] For example, in the early 1990s, Kansas modified its HCBS waiver program to expand services to children and adults with developmental disabilities who live with their families while also significantly increasing the dollars available for "comprehensive-like" services and services for adults who live on their own. Kansas developed a markedly different funding arrangement that keyed resource authorization levels to living arrangement and intensity of disability but was not "capitated." This does not argue that the Kansas' approach is necessarily superior to Colorado's.

This MOU element focused on "program efficiencies" but did not address the effects of the Systems Change Project on "operational efficiency," except in dictating that CCB administrative costs be limited to a fixed percentage. As will be discussed later, operational efficiency may have suffered as a result of the Systems Change Project.

MOU M. Internal Evaluation - "At a point no greater than two years following implementation of this plan, the CDHS is to commence the following: (1) review whether changes are necessary and make recommendations to the Joint Budget Committee, accordingly; (2) evaluate the advisability and feasibility of bidding out the Community Centered Board function to allow for greater competition in the area of the managed service organization role; and (3) evaluate the merits of separating the Community Centered Board case management function from the service delivery function."

During the course of the implementation of the Systems Change Project, only a few modifications were made, principally the state's having to adopt a different payment/ capitation strategy for the Supports Block and employing the OHCDS device to position CCBs as MSOs. However, implementation required that DDS address a variety of additional topics that were not specifically identified in the MOU.

This MOU Element also mandated that DDS evaluate the pros and cons of bidding out the CCB function. This element was excluded from the scope of this evaluation.

The third topic (separation of the CCB case management function from the service delivery function) was addressed by DDS in Appendix B of the Final Progress Report. This topic has been excluded from the scope of this evaluation.

MOU N. Independent Evaluation - "The CDHS shall provide for an evaluation, by an entity independent from the Developmental Disabilities system and approved by the Joint Budget Committee, to begin two years after implementation, on the following (1) the success of the System's Change Project, based on the goals expressed in the Statement of Purpose; and (2) on recommendations for changes, including, but not limited to, whether to bid out the Community Centered Board function."

This report satisfies this MOU element.

MOU O. Tenets of MOU are Contingent on Federal Approval - - "Implementation of the tenets contained within this MOU are contingent upon the receipt of federal approval. To the extent that federal approval is not forthcoming, the CDHS shall make recommendations of the Joint Budget Committee in lieu of federal approval and this Memorandum of Understating shall be reevaluated accordingly."

As previously noted, DDS succeeded in securing federal approval to implement the salient features of the Systems Change Project in its HCBS waiver programs for individuals with developmental disabilities.

MOU P. MOU Applies Only to DD Service System - "The provisions contained within this document shall apply only to the ***developmental*** disabilities community services system administered by the CDHS and shall not apply to Medicaid medical services authorized in Sections 26-4-202, 26-4-203, 26-4-301.3, C.R.S. with the exception of Section 26-4-302(c)(II), C.R.S."

This element was implemented by confining system modifications to the CDHS/DDS operated HCBS waiver programs, which are cordoned off from other elements of the Colorado Medicaid program.

MOU Q. Insurance - "The CDHS shall keep the Joint Budget Committee regularly informed as to issues which arise or are resolved pursuant to Title 10 of the Colorado Revised Statutes."

No issues arose concerning insurance during the course of Systems Change Project implementation. Some managed care arrangements fall under the purview of state insurance law. The arrangement DDS implemented did not run afoul of such laws.

MOU R. No General Fund Increase - "The provisions contained in this MOU, and within the Colorado Systems Change Project that this MOU references, shall not result in any General Fund increase required for the Community Centered Boards for the implementation or management of this proposal."

Implementation of the Systems Change Project itself did not require increased General Fund expenditures. As a result of the day services refinancing previously described, DDS returned $400,000 in General Fund.

MOU S. Recommendations for Changes to the MOU - "Upon mutual agreement of the parties herein, the provisions of this MOU may be continued, modified, or discontinued, accordingly."

The MOU remained in effect and unchanged during the period of implementation.

Conclusion

The MOU between CDHS/DDS and the JBC sanctioned the implementation of the Systems Change Project. There is little doubt that the Systems Change Project was a complex undertaking that involved CDHS/DDS making a large number of substantial changes in service system operations and securing necessary federal approvals, including the go ahead to implement some changes that were unprecedented at the time. Principally, the MOU addressed the Project's principle structural features. In light of the constraints contained in federal Medicaid policies, CDHS/DDS implemented the MOU to the extent that was feasible. It succeeded in revamping its HCBS waiver programs in a fashion that enabled CCBs to assume various financial management responsibilities.

Except in a few areas (e.g., self-determination) where questions can be raised whether CDHS/DDS vigorously pursued the requirements of the MOU, CDHS/DDS can be judged as having successfully implemented and completed the requirements spelled out in the MOU. What was promised was accomplished.

IV. Stakeholder Views About the Impact of Systems Change

During April and May 2002, HSRI conducted extensive interviews of a cross section of system stakeholders, including: (a) DDS officials; (b) CCB managers; (c) non-CCB provider agency managers; (d) advocates; (e) family members of individuals receiving services; and, (f) individuals who receive services. Altogether, 76 stakeholders were interviewed. The table shows the distribution of these interviews across the various groups.

Stakeholder Group	Number Interviewed
Advocates	13
Families	14
Individuals Receiving Services	17
CCBs	18
Other Service Providers	10
DDS	10
Total	76

Each informant was asked to describe the impact of the Systems Change Project, including the extent to which its stated goals were achieved. In this Chapter, we summarize the views of stakeholders concerning the impact of the Systems Change Project. This summary in turn is based on our June 2002 report entitled: ***What Coloradoans Have to Say About Systems Change.*** That full report is in Appendix A and reports in more detail how these interviews were conducted and more completely the views of each stakeholder group.

Before turning to the summary of stakeholder views, it is important to point out the following:

- All informants were individuals who were involved in Colorado's service system pre- and post Project implementation.
- Except for individuals receiving services and families (who were randomly selected by DDS), each stakeholder group was allowed to select the informants we interviewed.
- Significant problems were encountered in conducting interviews of people with developmental disabilities and, to some extent, family members. As a consequence, we are not certain how representative the views of these two groups are.
- Since Colorado's system is decentralized and, thereby, to some extent the impact of the Systems Change Project depends on how it was implemented locally, we sought to diversify the interviews across CCBs to the extent feasible. However, the substantial majority of the stakeholders interviewed were concentrated along the Front Range. In addition, not all stakeholder groups were represented within each CCB service area.
- By and large, stakeholders were open and candid in expressing their views. In conducting these interviews, we committed not to divulge an informant's identity and, in reporting the results, we were careful to avoid references that might permit otherwise identifying an informant.
- We did not interview exactly the same number of informants in each group. But, we did not assign more weight to the views of groups that included more informants than others.

With the foregoing in mind, we describe how each stakeholder group assessed the impact of the Systems Change Project and then provide an overview of their views for each of the major goal areas.

Impact Assessment by Stakeholder Group

A. CCB Managers

As a group, CCB managers – more than the other stakeholder groups – are convinced that the Systems Change Project had had a positive impact on community services for people with developmental disabilities. CCB managers see the Systems Change Project as enabling them to manage more comprehensively the full range of services and supports in their service areas. In particular:

- They see many concrete benefits in the elimination of funding categories, especially in enabling dollars to be deployed in a more targeted fashion to meet the specific needs of individuals rather instead of locked into categories.
- These managers believe that CCBs were better positioned to meet the needs of individuals in their service areas as a result of their having greater authority over dollars.
- By and large, these managers believe that the reconfiguration accomplished through the Systems Change Project positioned the system to make better use of dollars than would have been possible, absent change.
- Most CCB managers believe that the Systems Change Project had resulted in individuals and families having more choices and more decision-making authority.
- Many CCB managers candidly admitted that their taking on the added MSO responsibilities had been a difficult challenge. This was especially true at the larger CCBs where non-CCB vendors provide a significant share of all services. Some CCBs had difficulties in transforming themselves into MSOs. Managers – by and large – believe that the initial implementation problems and growing pains were behind them and that they were now reasonably well positioned to meet their MSO responsibilities.
- CCB managers believe that they had properly separated MSO functions from their "services arms" and had taken appropriate steps to create a level-playing field in awarding business opportunities within their service areas.
- As a group, CCBs believe that the main shortcoming of the Project was the accompanying heavy burden of tracking the number of people receiving services, member months, and spending for services in the Supports Block. This tracking – coupled with CCBs having to absorb other MSO responsibilities – has placed substantial pressure on CCB administrative resources.
- Some CCB managers express serious concerns that DDS has been promulgating additional requirements and policies that add workload or reduce local flexibility.
- CCB managers report that the volume of consumer grievances and complaints had not changed appreciably or may have decreased as a result of the Systems Change Project.

- CCB managers note that the Systems Change Project did not directly address many significant problems in the community system, including overall funding levels, high case manager workloads, and direct service staff turnover. They acknowledged that these issues fell outside the scope of the Systems Change Project. However, they pointed out that these problems severely circumscribed their ability to meet the needs of individuals and families.

While CCBs managers clearly supported the state's launching the Systems Change Project and believe that the Project has had positive results, none believed that the Project could or would resolve all the problems that confronted the system.

B. Advocates

In sharp contrast to CCB managers, many advocates opposed the Systems Change Project when it was first proposed and almost all did not believe that the Project has contributed in any significant way to improving how well Colorado supports its citizens with developmental disabilities.

- Many advocates continue to believe that Colorado should have restructured its system differently by removing case management from CCBs altogether. In their view, the Systems Change Project erred in giving CCBs more authority.
- Many (but not all) advocates sharply criticized the performance of the CCBs with which they were familiar. They do not believe that CCBs pay sufficient attention to the rights of individuals and often CCB decisions are arbitrary. These advocates regard CCB decision making as insufficiently transparent.
- Several advocates contend that CCB administration has become bloated in the wake of Systems Change Project implementation. They suspect that CCBs are diverting vital service program dollars to administration.
- Advocates expressed deep concerns about the quality of services that individuals receive and are worried that the end result of the Systems Change Project was to sanction the provision of "maintenance" services rather providing services and supports that would promote valued outcomes for individuals.
- Some advocates are highly critical of the elimination of enhanced payments for employment services and believed that the Colorado system is moving backward rather than forward as a result of this change.
- Most advocates believe that the Systems Change Project did not pay nearly enough attention to self-determination and many continue to advocate for the creation of a direct funding option.
- Some advocates believe that DDS is not exercising sufficient oversight of CCB operations and is not responsive to complaints and grievances.

As a group, advocates did not attribute positive impacts to the Systems Change Project.

C. Non-CCB Service Agency Managers

Managers of non-CCB service agencies have mixed views of the impact of the Systems Change Project. Most (but not all) see the Project as having little or no direct benefit to their agencies or their ability to support individuals. In advance of implementation, this

informant group had not been especially sanguine that the Systems Change Project would have positive results.

- Some service agency managers are sharply critical of how some CCBs conducted the MSO function. They did not believe that there was a level playing field in the distribution of business opportunities between them and the CCB's own service arm.
- At the same time, other CCBs were identified as having made strides in working collaboratively with non-CCB providers in their service areas. At some CCBs, mutual problem solving is taking place.
- Some agency managers believe that issues were more easily resolved when they had a direct relationship with DDS. Post implementation, DDS has avoided interjecting itself into disputes between service agencies and CCBs.
- Differences among CCBs in how they conduct the MSO role were identified as causing some headaches for service agencies that operate across multiple service areas.
- Some agency managers observed that a byproduct of the Systems Change Project seemed to have been an expansion of CCB administration. A few managers were sharply critical of the amount of paperwork that they are required to submit to some of the CCBs and question the utility of some CCB oversight activities.
- A few managers believe that there has been degradation in service quality because it was no longer possible to offer some types of supports to individuals.

In the case of non-CCB service providers, the main impact of the Systems Change Project was the change from dealing directly with DDS to having to transact with one or several CCBs. Some of these informants believe this change had a negative impact; others were more neutral.

D. DDS Officials

As a group, DDS officials believe that – on the whole – the Systems Change Project had a positive impact on the service system. However, they point out that the Systems Change Project by itself could not and has not resolved all the issues and problems in community services.

- DDS officials believe that implementation of the Systems Change Project has solved the problem of reverting vitally needed dollars. The system is now putting virtually all available dollars to work in support of individuals.
- These officials believed that – on the whole – the simplification of funding streams has been beneficial. They remain convinced that the state's adoption of the "support services model" was positive and positioned the system to support as many individuals as possible within available dollars. They believe that most of this increased flexibility is the result of the expansion of the Supports Block rather changes made in the Comprehensive Block.
- They were concerned that the Systems Change Project has had negative consequences for integrated employment services. They also expressed concerns about the growing utilization of "community participation" services and whether these services are being used more to fill time than meet service needs.

- DDS informants did not believe that Systems Change Project had significantly increased self-determination. They mentioned that allowing for vouchers and transportation coupons were steps in the right direction but their use was very limited. They believe some features of the Project (supported living consultants, prioritization by individuals and families with SLS, etc.) have not been fully implemented as envisioned.
- DDS officials noted that some CCBs had problems in taking on the MSO role. However, DDS officials believed that many of these problems stemmed from the rapid-paced expansion of the Supports Block and were unlikely to be repeated in the future. In general, DDS officials believed that most CCBs have grown in their ability to effectively conduct the MSO role. However, some DDS officials expressed reservations about the variability of CCB rate setting and resource distribution practices and believe they warrant review.
- DDS officials were especially pleased about the impact of the steps that were taken to leverage additional federal Medicaid dollars and thereby enable more people to receive supports. They believe that the Systems Change Project positioned the state to secure these additional federal funds and acquiring these funds was a critical successful outcome of the Project.
- DDS officials acknowledged that the accountability requirements embodied in the Supports Block performance contract are complex and caused additional workload for CCBs. However, they also pointed out that these requirements were necessary to ensure that dollars were employed as intended while concurrently maintaining as much local flexibility as possible. They also noted that DDS must adhere to various conditions imposed by the federal government when it approved the HCBS waiver changes and that these conditions are the source of some of the current tracking burden. DDS officials expressed concerns that overhead demands were higher for CCBs as a result of the Systems Change Project and consequently have caused some CCBs to juggle dollars internally to cover these increased costs.
- DDS officials did not believe that the implementation of the Systems Change Project had had appreciable impact one way or the other on the overall quality of services in Colorado. In their view, high turnover in the community workforce problems coupled with other funding problems pose much more serious challenges to the system in maintaining or improving service quality. They expressed reservations about the capacity of DDS and CCBs to oversee quality. They also mentioned that the Systems Change Project may have focused too much on managing dollars rather than meeting individual needs.
- DDS officials acknowledged that, in concept, the Systems Change Project envisioned that the DDS role would change from close management of the system to adopting a more arm's length role of "managing managed care" that would concentrate on appraising CCB MSO performance. However, because DDS retains significant program approval/quality assurance responsibilities – including making sure that the state's HCBS waiver programs operate in compliance with federal requirements – DDS still must interject itself into system management at the "micro" level. While Systems Change relieved DDS of some responsibilities, DDS also experienced staff reductions and thereby lacks the capability to implement a full-blown performance and outcome-based contracting/performance management system.

On balance, DDS officials believed that the Systems Change Project had had a beneficial impact on the capability of the service system to meet the needs of people with developmental disabilities and families.

E. Individuals and Families

As noted in the accompanying report, our interviews with individuals and families were limited and we encountered problems conducting these interviews. We do not believe that these interviews were sufficient or fruitful enough to be regarded as representative and thereby fairly portray the impact of the Systems Change Project on these two critical informant groups. The views that were expressed were mixed. Some individuals expressed high satisfaction with their services and supports while others were considerably less happy. Some family members expressed satisfaction with how things are going; others clearly were frustrated about some of their experiences with the service system. Among the family members whom we interviewed, none could point to major improvements pre and post-implementation. However, this result may have been a by-product of the selection process (e.g., pre and post, their family members may have been receiving essentially the same services).

F. Crosscutting Themes

Several crosscutting themes emerged from our stakeholder interviews:

a. Few stakeholders believe that the Systems Change Project in and of itself has had a profound impact one way or the other on overall system performance.

While there is some sentiment that the Systems Change Project may have better positioned Colorado to make best use of its available dollars, the Project did not directly address some major critical issues that confront the service system however configured. These issues revolve around the overall amount of dollars available in Colorado for services for people with developmental disabilities. The depth and extent of these issues were documented in DDS response to Footnote 106 in the FY 2001 Appropriation Bill.[20] The Systems Change Project aided in extending services to more individuals by refinancing day services. The Project concentrated on reconfiguring system financial management but hardly any stakeholders believed that the restructuring itself could overcome the problems the system faced then and which persist. In its best light, the Systems Change Project is regarded as having yielded marginally better results than if no change had been made.

b. Stakeholders by and large do not believe that the system had become appreciably simpler.

There was general sentiment that the Systems Change Project simplified community funding streams and that shedding program categories was an improvement. However, CCB managers and other service providers point out that the Systems Change Project has its own complications. CCBs have had to implement internal control systems to ensure that they meet minimum state performance contract requirements on the one hand and on the other hand make sure that they do not over commit dollars. For some CCBs, putting these systems in place was a struggle. While Systems Change permitted switching to capitated

[20] DDS (2000). "Response to Footnote 106 of the FY 2001 Appropriations Bill: Capacity of the Community Service System for Persons with Developmental Disabilities in Colorado."

funding arrangements, federal approval was conditioned on the state's agreeing to collect "encounter data," a requirement that meant that the Systems Change Project could provide little in the way of relief in service provision documentation requirements. In addition, CCBs have had to establish mechanisms to negotiate rates and conduct quality oversight. Service providers that operate in multiple CCB service areas point to the complications that arise in having to meet each CCB's unique requirements, an outgrowth of each CCB making different choices in how it would manage services locally. For many of these providers, the system was simpler when they could go directly to DDS to resolve problems.

Some stakeholders also point out that simplicity and flexibility sometimes operate at odds with one another. Flexibility means that each individual or family has latitude in selecting services and supports along with vendors. It also means that service plans will vary considerably from person-to-person, thereby making it more complicated to track service use and resource consumption across all persons, especially in the Supports Block. The "support services model" has various advantages but also is very challenging to administer.

c. Most stakeholders believe that Systems Change Project has had little or no impact on the provision of Comprehensive Services.

By and large, stakeholders could not attribute any significant changes in the provision of Comprehensive Services as a result of the Systems Change Project. They tended to regard Comprehensive Services as affording few opportunities to significantly increase efficiency and effectiveness. Many are concerned that the quality of these services is eroding and expressed the concern that Colorado is becoming overly reliant on the "host home" model. However, these problems were not attributed to the Systems Change Project but instead to shortfalls in the amount of funding available for comprehensive services. Host home use is growing because it is the most affordable option. Some CCB informants indicate that there continue to be problems in efficiently and effectively employing Comprehensive Services resources but acknowledge that DDS has taken some steps to address these problems.[21]

Some service provider stakeholders believe that Systems Change actually reduced flexibility in the provision of Comprehensive Services. These stakeholders point out that, when they received standard payment rates for all the persons they served, they were better able to juggle resources to meet the needs of individuals.

d. Most stakeholders believe that the Systems Change Project has caused retrogression in the arena of employment services.

As noted previously, one of the steps taken in implementing the Systems Change Project was to eliminate enhanced funding specifically tied to community employment services. These dollars were rolled up into the two funding blocks. Most stakeholders view this change as having undercut provider incentives to secure integrated employment for people with developmental disabilities. Absent enhanced – albeit categorical – funding for community employment services, the use of facility-based or so-called "community participation" services has grown because both of these alternatives are less costly on an hourly basis and, thereby, enable providing more hours of service within available dollars,

[21] The problems relate to non-payment for "absent days," i.e., a residential slot is not occupied for some period but a provider still incurs ongoing operating costs. DDS adjusted the "program year" in order to address this problem but problems continue for various reasons. The root cause of this problem lies in federal policy and thereby cannot be readily overcome by states.

an especially important consideration for families who are left with having to make arrangements for their family members when they are not "in program." Stakeholders did not feel that the mechanism DDS created to provide some incentives for employment has been particularly effective.

There were a few stakeholders who expressed the countervailing view that the decline in community employment was due to other factors, including the lack of interest by individuals in work.

e. Views are decidedly mixed on whether the Systems Change Project has made the system more operationally efficient.

Many stakeholders believe that the Systems Change Project has led to increased CCB administrative spending. While CCBs have adhered to the limits on administrative spending spelled out in the MOU, they have had to expand their administrative operations in order to conduct the full range of their MSO responsibilities. Some service providers believe that Systems Change caused increased burdens for them in order to meet CCB reporting and service provision tracking requirements.

f. Views are decidedly mixed concerning how well CCBs are functioning as MSOs.

In concept, the Systems Change Project stipulated that CCBs would separate the MSO role from "service arm" operations. Especially with respect to Comprehensive Services, as MSOs, CCBs are expected to seek the best value for the dollar, irrespective of whether the CCB or another provider furnished the service. The expectation is that CCBs will operate a competitive marketplace. Services will be bid out and vendors selected on a value basis.

Views are very mixed concerning how well CCBs carry out this aspect of their MSO role. Some CCBs were regarded as doing a reasonably good job in maintaining a level playing field for all providers, including keeping an arms-length relationship between their service arms and the MSO function. Elsewhere, however, stakeholders point to examples that might indicate CCBs are manipulating rates and service offerings to the disadvantage of other providers. Hence, there appears to be unevenness among CCBs in how they conduct the MSO role.

g. Stakeholders generally acknowledge that the "menu of services" available in the Supports Block is flexible. However, there are questions about the appropriateness of the "support services model" as it has been implemented in Colorado.

At the end of the day, the design of the Supports Block forces individuals and families to "prioritize" their needs within a relatively narrow band of allocated resources. CCBs must manage allocated resources to ensure that they serve a sufficient number of individuals and, consequently, must guard against per person resource allocations ratcheting upward. Only so many dollars can be allocated to individuals and, as a consequence, it is a given that it is not possible to meet all needs.

But, some stakeholders believe that current funding levels in practice severely restrict the range of choices really available and thereby cause individuals to go without some vital supports. Examples were offered of persons who receive only a few hours of service each week but having to fend for themselves most of the time. Some stakeholders question the "support services model" because it has the effect of overriding individual needs and leaves

individuals and families with few guarantees. Most stakeholders, however, acknowledge that this problem is not a direct result of the Systems Change Project, which did not promise an increase in the amount of dollars available per person, only that available dollars would be stretched as far as possible.

h. By and large, stakeholders do not believe that the performance and outcome tracking system that DDS has implemented has had a significant impact.

By and large, most stakeholders are unfamiliar with the DDS performance and outcome tracking system and could not point to any examples where performance and outcome results had been employed to effect change or improvement. Few stakeholders seem to be aware of DDS performance/outcome tracking. Except for contractual financial performance requirements, other performance and outcome results seem practically invisible to stakeholders.

DDS stakeholders admit that performance and outcome results are not well integrated into other DDS quality management activities and have not been employed as the basis for focused quality improvement projects. DDS officials note that there are significant limits on the extent of the information that they can collect and how quickly results are available. As a consequence, there is a significant lag between when information is collected and when it is disseminated.

i. Stakeholders generally agree that the Systems Change Project has not resulted in the widespread adoption of the principles of self-determination.

A linchpin of self-determination is individual/family control over an individual budget. The families we interviewed did not know the amount of dollars available to meet the needs of their family members with disabilities. Some CCBs pointed to implementing practices that contribute to consumer choice and control over services, principally in facilitating the employment of individual/family-selected individual providers. By and large, however, most stakeholders believe that Colorado is well behind other states in embracing and promoting self-determination.

Summary

While the Systems Change Project was being formulated, there were divisions in Colorado about the direction the system should take. Many of these same divisions remain. Among stakeholders, views concerning the impact of the Systems Change Project are decidedly mixed. Some stakeholders believed that the Systems Change Project had beneficial impacts, including making full use of available resources and locating responsibility and authority at the local level instead of centralizing authority at DDS. These stakeholders believe that Colorado's service system functions more effectively and efficiently as a result.

Other stakeholders believe that the Systems Change Project was the wrong direction to take. Some of these stakeholders believe that the effect of the Systems Change Project has been to give CCBs too much authority to the detriment of individuals and families. CCB interests and objectives are regarded by these stakeholders as overriding responding to the needs of individuals and families. Some stakeholders believe that Systems Change failed to forthrightly address some of the major problems that were present in the community system and that these problems persist or have grown worse.

V. Did the Systems Change Project Achieve Its Goals?

The Systems Change Project altered Colorado's community service system in order to address several issues and problems. At the end of the day, the aim of the Systems Change Project was to better position the system to support people with developmental disabilities. The Project's premise was that making structural alterations principally in funding and system management would position the service system to operate more efficiently and effectively and concurrently improve flexibility in meeting the needs of individuals and enhancing their choices about supports.

In broad brush, the Systems Change Project posited that, if Colorado made certain structural changes in its community service system, the system would operate more efficiently and effectively in support of individuals with developmental disabilities and families. The key changes Colorado made were: (a) positioning CCBs as MSOs; (b) altering funding by adopting capitation; and, (c) securing federal approval to modify its HCBS waiver programs to support these structural changes.

The central purpose of this evaluation is to assess the extent to which the Systems Change Project achieved the four goals established for the project:

> **Goal 1** - To make the system simpler, more flexible, and more efficient while maintaining accountability and commitment to the DDS mission.
>
> **Goal 2 -** To increase decision-making at the local level in order to better individualize services and to provide more options and choice for individuals receiving services (and their families as appropriate).
>
> **Goal 3 -** To promote a fairer means of resource distribution to enable more people to be served off the waiting list.
>
> **Goal 4** - To maximize the use of available resources for the benefit of the people served.

These goals were stated in broad rather than concrete terms. Except with respect to the modest reduction in the waiting list that was promised and the limit on Supports Block administrative expense, neither the goals nor the MOU itself were expressed in measurable terms. As a consequence, it is not possible to determine in any quantitative fashion whether the project achieved its goals. Consequently, our appraisal must necessarily be qualitative. We offer the following observations organized by the goal to which they relate.

Goal 1 - **To make the system simpler, more flexible, and more efficient while maintaining accountability and commitment to the DDS mission.**

a. The state adhered closely to the MOU with the legislature in implementing the Systems Change Project. DDS did what it promised to do.

The Systems Change Project was a complex undertaking. Implementation involved making many changes and securing federal approval for many of them. The MOU with the legislature had many intertwined elements. It might have easily become unraveled. As discussed in Chapter III, DDS implemented each of the MOU elements. Modifications had to be made in the capitation funding mechanism and it was necessary to employ the OHCDS device in order to position CCBs as MSOs. Both of these modifications were necessary because federal Medicaid policy would not permit the state to proceed as it originally had

planned. In our view, the modifications that were necessary did not undermine essential features or objectives of the Systems Change Project. Also as previously noted, the agreement that DDS worked out the federal government included features that were largely unprecedented at the time and remain relatively unique today. This is especially true of the Supports Block (SLS waiver) funding mechanism and the contract provisions that hold CCBs at managerial risk. It was no easy feat for DDS to implement the MOU.

b. It is clear that the Systems Change Project substantially simplified state financial management and this simplification improved flexibility along some dimensions.

Before the Systems Change Project, Colorado's community funding system was especially complex. Over time, the number of funding categories had burgeoned and the system had become progressively unwieldy. At the end of the day, such proliferation of funding categories negatively affects overall system efficiency, distorts the distribution of resources among individuals and detracts from individualization of services. Colorado's system needed an overhaul. As a general matter, it is difficult to align dollars with individual needs in service systems that have segmented funding into multiple categories. There is mounting evidence that suggests that allocating resources by person rather than program or service category is absolutely necessary in order to individualize and customize service plans. Hence, it is fair to say that the broad effect of the Systems Change Project was improved the capacity of the service system to meet individual needs as flexibly as possible within dollars available.

c. On the whole, it is likely that the Systems Change Project has caused degradation in the operational efficiency of the Colorado system.

The Systems Change Project expanded the responsibilities of CCBs. Especially with respect to the Supports Block, it also demanded that they implement management control systems in order to ensure that they were meeting contract requirements. The contract requirements that were implemented in conjunction with the Supports Block were themselves not unreasonable. It was and remains appropriate to ensure that CCBs hit performance marks in their management of dollars. However, this intricate system of accountability is tied to a block of funds where resource consumption and utilization is more variable than the Comprehensive Services Block. As a result, the level of effort necessary for CCBs to manage the Supports Block is disproportionate to the amount of dollars in the block itself. This result is counterintuitive but it is the outgrowth of the fundamental design of the Systems Change Project. So far as we could tell, CCBs are adhering to and DDS is enforcing the administrative cost limits for the Supports Block contained in the MOU. However, we have concerns that one way some CCBs are coping with the Supports Block's management challenges has been to deploy SLCs to track service utilization and conduct other quasi-administrative activities.

Both advocates and non-CCB providers expressed serious concerns about the apparent growth in CCB administrative staffing. Such concerns are legitimate. However, given all the responsibilities that accompanied CCBs becoming MSOs, growth in CCB administration is not surprising. It also needs to be kept in mind that the number of individuals receiving services also increased and inherently highly individualized services are more costly to administer, track and bill. This does not necessarily imply that every CCB has structured its administration as cost-effectively as possible. However, one shortcoming of the design of the Systems Change Project appears to have been a failure to recognize that it would

necessarily cause CCBs to have to beef up their administrative staffing and capabilities in one fashion or another.

Arguably, then, the implementation of the Systems Change Project has caused degradation in system operational efficiency: the amount of administrative expense and effort necessary to serve a fixed number of individuals appears to have increased. To the extent that this degradation has occurred, it is important to recognize that it is the result of the Systems Change Project's design (e.g., the decision to emphasize individualized services and adopt a capitated payment with appropriate accountability mechanisms), thereby, may be difficult to overcome absent fundamental redesign, which would have other consequences. Whether operational efficiency can be improved going forward is a topic that will be addressed in the next chapter.

As a consequence, many CCBs have had to develop relatively elaborate systems in order to track in real time service use patterns by person and overall. During the implementation of Systems Change some CCBs encountered financial management problems. Service authorization levels proved to be too high once service utilization started to grow after the initial start up period. As a consequence, these CCBs had to retrench.

While Systems Change clearly simplified the flow of funds from the state to CCBs, it caused unexpected complications at the local level and likely has spawned increased administrative expenses at the CCB level in ramping up the necessary internal tracking systems. Ironically, this additional burden is most pronounced in the Support Block where funding levels are relatively low.

d. The Systems Change Project did not adequately stress performance measurement and quality improvement.

As previously noted, DDS struggled throughout the Systems Change Project and afterwards to collect and analyze performance information. Performance information is a vital tool in identifying performance and quality improvement opportunities. The Systems Change Project design did not incorporate a solid process for linking the measurement of performance and individual outcomes to an ongoing, continuous process of quality improvement.

In retrospect, this was a major shortcoming of the project. As noted before, the Project's goals were broad. Absent solid performance and outcome tracking, it is difficult for stakeholders to know in any systematic way what the impact of the Project has been or identify what steps to take to improve performance and outcomes via a systematic quality improvement process.

Going forward, it will be important for Colorado stakeholders to stress quality measurement and collaborate in identifying quality improvement opportunities. We also will return to this topic in the next Chapter.

e. The Systems Change Project appears to have led to a decline in efforts in Colorado to secure integrated community employment for people with developmental disabilities.

Colorado implemented special funding for employment services because it was evident that securing integrated employment for individuals was more costly – at least in the short run – than supporting individuals in facility-based and other types of day programs. Often times, legitimate public purposes require the use of categorical funding methods. Hence, it is not

surprising that rolling up dollars into the blocks and the termination of enhanced ear-marked funding for employment services would lead to a drop in the number of individuals receiving employment supports. Certainly, it was not intended that the Systems Change Project would have this outcome. As Systems Change has played out, continuing to earmark more dollars for employment would have resulted in fewer people being served or some individuals receiving more resources than others.

Goal 2 - To increase decision-making at the local level in order to better individualize services and to provide more options and choice for individuals receiving services (and their families as appropriate).

a. The Systems Change Project clearly better positioned CCBs to carry out the full range of responsibilities envisioned for them in Colorado law.

Prior to the implementation of the Systems Change Project, CCBs lacked full authority to manage the dollars flowing into their service areas. The Systems Change Project gave CCBs the latitude to manage payments for services and thereby gave them more latitude. The Project also centered financial accountability on CCBs and clarified roles and responsibilities between CCBs and the state.

b. At the same time, variation across CCBs has its pros and cons.

Enhanced local decision-making can have many positive results, especially in promoting innovation and creativity or enabling localities to pursue their own directions. At the same time, variation locality to locality can result in problems. Non-CCB service agencies that operate in several CCB service areas have to keep track of each CCB's unique requirements. In addition, given the nature of federal Medicaid requirements, there is a need for some measure of standardization across service areas. These requirements are a continuing source of tension in the system, causing DDS to enforce uniformity and CCBs and other providers to complain about losing flexibility. At the end of the day, this tension is difficult to resolve.

c. The expansion of SLS during the Systems Change Project obviously has contributed to many individuals having wider options and choice.

Before Systems Change many individuals received day services and nothing else. There is little doubt that broader array of services and supports available under the SLS program is a marked improvement. The system is more capable of delivering supports beyond day services that are critical for individuals and families. The absence of these supports was a noticeable shortcoming in the Colorado system which, prior to the Systems Change Project, was noticeably lacking in supporting people with developmental disabilities who live with their families or own their own and need supports over and above a day program. The refinancing that Colorado was able to achieve and the subsequent expansion of the SLS waiver program clearly was beneficial.

d. Evidence is mixed about the effects of the Systems Change Project on the Colorado services marketplace.

Over a period of many years, the number of service providers in Colorado has grown. Compared to several years ago, the Colorado marketplace is more diverse than in the past. The expansion of the SLS waiver program triggered the entry of additional vendors into the marketplace, thereby affording individuals and families more choices for obtaining services.

In SLS in particular, it is evident that some CCBs have adopted an open-market model where vendors can compete based on price and quality.

However, by report, there have been vendors that have gone out of business altogether (especially agencies that specialize in the provision of employment services) or have withdrawn from the Colorado marketplace altogether. The Comprehensive Services Waiver marketplace, however, may be compressing.

The loss of employment service vendors appears to be intertwined with the elimination of enhanced funding for employment services. The loss of other vendors cannot necessarily be attributed to the Systems Change Project since other factors may have led to this result. There is no especially overwhelming evidence that CCBs collectively have added market share, although there are questions about the practices of some CCBs.

It is likely that factors beyond the Systems Change Project have much more significant impact on the Colorado marketplace. Because funding is very tight and the Colorado market offers only limited growth opportunities (especially for residential services), it is unlikely that the marketplace can continue to attract new vendors. In a tightly funded market, it is more likely that the number of vendors will compress over time because of the economy of scale advantages enjoyed by larger vendors (be they CCBs or non-CCBs). There is some evidence that such compression is beginning to occur in the Colorado marketplace.

e. There is little doubt that the implementation of the Systems Change Project paid insufficient attention to self-determination.

Constructive steps have been taken in Colorado to enhance individual and family choice. The Systems Change Project affirmed that they could exercise free choice in selecting service vendors. Some CCBs have taken steps that enable people and families to identify and recruit individual support workers with the CCB then serving as the employing agency. However, these opportunities are unevenly distributed. Some CCBs have been more active in this regard than others. While clearing the way for the operation of micro boards is similarly constructive, not many have been established and it is unlikely – if the experience in other states is any indication – that many will be.

When the Systems Change Project was formulated, there were many questions about the feasibility or value of self-determination among several stakeholders. It was regarded as having uncertain benefits and the extent to which it could be implemented under federal Medicaid policy was far from clear. At the end of the day, self-determination hinges on consumer control over an individual budget and providing individual budgets can work at cross-purposes with some other Systems Change Project objectives.

Self-determination, of course, is no panacea and experiences elsewhere indicate that not all individuals and families want to take on all the responsibilities associated with self-direction of services. Still and all, where states have made concerted efforts to promote self-determination and modify their systems to accommodate it, the results have been positive, especially with respect to satisfaction levels.

Hence, it is fair to say that Colorado lags behind many other states in giving individuals and families the opportunity to direct their own services and the lack of focused attention paid to self-determination in the Systems Change Project is a shortcoming that deserves more attention going forward.

Goal 3 - To promote a fairer means of resource distribution to enable more people to be served off the waiting list.

a. Some progress has been achieved in more equitably distributing resources across CCBs but making more progress hinges on expanding the number of people served and other enhancements.

The uneven distribution of resources across Colorado has roots that go back many years and is the result of the uneven pattern of population around the state and broader funding limitations. As a consequence, measured against service area general population, some CCBs have fewer relative resources than others and have longer waiting lists. At the same time, no CCB has too many resources. Achieving a fairer distribution of resources hinges on additional funding to increase resources for CCBs that the least well resourced. Some progress in this regard has made as a result of refinancing. However, that card can be played only once.

DDS has made additional progress in evening out per person resource distributions, again partly as an outgrowth of refinancing and by standardizing resources in the Supports Block. But here again future progress will hinge principally on increasing overall resources.

In addition, the Systems Change Project clearly has better positioned the Colorado system to better match up needs and resources by overcoming some of the inherent flaws of categorical funding.

b. Whatever progress Colorado could make in serving people off the waiting list as a result of Systems Change Project implementation have been played out.

The Systems Change Project resolved a serious problem – namely, the reversion of dollars in the face of long waiting lists. One of the substantial benefits of the project is that dollars are deployed (and redeployed) more quickly and thereby being fully employed to purchase vital services and supports. CCBs have become more adept at managing Supports Block dollars. System refinancing also appreciably contributed to waiting list reduction.

However, these positive benefits of the Systems Change Project by and large have played themselves out. Like many other states, Colorado has exhausted its refinancing opportunities. Dollars now are in virtually full use. Going forward, wait list reduction will hinge principally on new budgetary authorizations.

Goal 4 - To maximize the use of available resources for the benefit of the people served.

a. The changes made in Colorado's HCBS waiver programs better positioned the state to maximize federal Medicaid funds and people benefited from these changes.

The acquisition of $11 million more federal dollars during the Systems Change Project obviously had a salutary impact. While the refinancing itself did not necessarily entail making all the changes it made as part of Systems Change, there is no doubt people and families benefited from this large infusion of new dollars at no cost to the state.

b. It is clear enough that the Systems Change Project assures cost containment for the state.

The funding mechanisms that have been adopted along with the participant limits that the state imposes on its HCBS waiver programs remove the potential that spending will exceed appropriations. Financial risk has been located with CCBs. At the same time, the funding mechanisms also make it much less likely that vitally needed funds will revert. Absent the new funding mechanisms, it would be difficult to fashion alternative methods of cost containment that would concurrently avoid reversions.

c. The design of the Systems Change Project hinges on the "support services model" and that model poses potential conflicts with the DDS mission.

Colorado's "support services model" ultimately is a service rationing model. Individuals and families are allocated resources and prioritize their needs within available resources. They can exercise choice in the selection of services and service provider. In the case of many individuals and families, this model has satisfactory results, especially when needs are not high or there are alternative resources and supports available. However, in other cases, individuals and families are placed in the position of going without supports that might be appropriate or vital because resources are not available.

The framework of the supports services models can lead to some serious problems. One problem is that the model does not assure that all individuals will receive a basic level of support based on their individual needs and circumstances. Another problem is that the model sets up the potential for conflict between family concerns and individual needs and preferences. For example, the family may have a priority that the individual participate in an activity outside the family home for as many hours a week as possible. This might prompt the family to select a low rate option. However, this option may not be the best for the individual but other more appropriate options might be more costly and thereby result in fewer hours of activity each week. The Supports Block emphasizes choice; however, legitimate questions can be raised about the interplay among funding, choices and meeting the fundamental needs of individuals.

As the Systems Change Project has played out, we are concerned that the operation of the Supports Block is resulting in a compression of the real volume of services and supports that individuals can receive. For example, the Systems Change Project dropped previous minimum hour requirements to draw down dollars. Those requirements clashed with the aim of making the system more flexible by expunging categorical funding requirements. At the same time, when vendor costs and charges increase but resource allocations do not keep pace, then fewer hours can be purchased or lower options are selected to maintain hours. In a strict dollar-rationing model, the result can be a progressive erosion of services. What's best for the person can lose out to what's affordable. For example, it appears that some "community participation" programs serve relatively large groups in order to keep costs down. However, this creates the danger that individualization and personalization will be lost.

Strictly speaking, of course, the foregoing problems cannot necessarily be laid at the doorstep of the Systems Change Project. Instead, they might be the result of longer-term funding trends and the Systems Change Project is bringing these problems to the fore. Whatever the root causes, the support services model is not anchored by fundamental standards of practice designed to assure that each person will receive essential services and supports based on his or her needs. Instead, the model rations services and supports in

order to achieve another equally legitimate aim – spread the available dollars over as many individuals as possible.

Going forward, Colorado stakeholders will need to grapple with the inherent conflict between operating a highly-budget limited support services model and making sure that the fundamental needs of each person are met. We believe this conflict poses thorny problems, including the extent to which the system is able to truly reflect the DDS mission.

Overall Appraisal

In our view, there is no doubt that the Systems Change Project was successful in addressing various problems that had arisen in the Colorado community service system. The Project was designed to overcome the inherent limitations of categorical funding and maximize individual and family choice within a tightly drawn cost-containment framework. On balance, the Project's design and implementation appears to have put the system in a better position to make best use of the dollars it has available to it to support people as well as possible. Alternative designs available to Colorado at the time (ranging from no change at all to adopting alternative approaches to funds management) quite possibly would have resulted in fewer people receiving supports or less effective use of available resources. The project was clearly responsive to legislative directions to contain costs and maintain accountability.

However, the Systems Change Project appears to have had negative consequences for operational efficiency. To some extent this problem was the outgrowth of promoting another critical aim – improving flexibility – as well as the performance contracting method that was chosen and federal accountability requirements. CCB performance as MSOs appears mixed and likely there are opportunities for improvement in this regard. It is clear that the Project had some unintended consequences (e.g., in the arena of employment services) and that the Project in and of itself could not completely overcome the effects of some broader systemic issues (e.g., in the arena of achieving a fairer distribution of resources).

At the end of the day and all things considered, the Systems Change Project can be judged as having met its basic goals.

VI. Going Forward

In this Chapter we offer our suggestions concerning steps Coloradoans should consider going forward concerning community services for people with developmental disabilities. We believe it might be most fruitful for Coloradoans to concentrate their attention on a limited number of topics.

A. Observations

Before turning to our specific suggestions, we offer several observations. **First**, the Systems Change Project was conceived more than five years ago, partly as a response to the threat that the system might be put out to bid to a managed care company. For a host of reasons, it is not feasible under federal Medicaid policy for Colorado to take this step and we believe it would be helpful to take this issue off the table because it continues to divert attention from addressing other important issues.

Second, at a global level, we did not identify any glaring "mechanical" problems in the financial management mechanisms implemented as part of the Systems Change Project – that is, shortcomings that, if fixed, would contribute appreciably to achieving substantially better results within the fundamental framework in which the Colorado system operates. In our view, DDS officials designed and implemented a set of mechanisms that took into account the state's critical objectives and the legislature's parameters while still satisfying federal requirements. While it might be better if some of the Support Block's administrative burdens could be reduced, we see no obvious ways this can be accomplished given current federal policy, the need to maintain accountability and some of the Project's broader design features (e.g., flexibility).

Third, Systems Change Project implementation remains work in progress at the local level. It is evident enough that some CCBs grew into their new MSO roles and responsibilities more quickly and adeptly than others. The conversion to the SLS waiver was a large undertaking. It might be an apt time to step back and take stock of where best practice exists and what the opportunities for improvement are in this arena.

Fourth, many of the problems that were surfaced by stakeholders were not the outgrowth of the Systems Change Project itself but instead revolve around longer-standing concerns and issues – right or wrong – such as CCB performance or the interplay between funding levels and what it is possible in Colorado to provide people with developmental disabilities and families. The Systems Change Project contained design features to address some concerns and yielded extra federal dollars. Still, these concerns and issues persist. We believe that addressing them must start with renewed dialogue and collaboration among Colorado stakeholders in order to resolve them.

Fifth, to the extent possible, we believe making substantial changes should be avoided for the time being until stakeholders have had opportunity to engage in that renewed dialogue and come into agreement about the fundamental outcomes that the community service system is seeking to achieve. This would include avoiding applying "band aids" that address symptoms but not the root cause source of concerns about performance and quality.

B. Our Suggestions

We have attempted to identify a <u>limited</u> number of suggestions that, if pursued, offer opportunities for addressing critical issues and problems in the post-Systems Change Project

era. We cannot emphasize strongly enough the importance of stakeholder collaboration in pursuing these opportunities. This is a recurring theme throughout these suggestions. It is important for Colorado's stakeholder community to work in concert in order to improve services and supports for people with developmental disabilities.

1. As a first order of business, we believe it especially important that system stakeholders collaborate in the development and adoption of a "quality framework" for community developmental disabilities services.

The Systems Change Project principally focused on changing the system's financial management architecture and the flow of dollars. It was designed to correct some accumulated problems, assure cost containment, and improve flexibility. The "mechanical" changes that were made by way of the Systems Change Project were complex and challenging to implement at both the state and local level.

The Project's design did not include a focus on quality nor did it include major changes in quality management systems. In their MSO role, CCBs are expected to operate local quality assurance systems. DDS continues its role of reviewing service agencies for compliance and granting them program approval as well as reviewing CCB operations to determine whether they comply with HCBS waiver requirements and other state requirements. It was expected that the Systems Change Project would better situate the system to achieve certain quality outcomes (e.g., more individualization) but these were very broadly drawn rather than expressed in concrete terms. DDS spelled out a limited set of various performance measures for the system and has continued to actively collect information about various dimensions of quality through its consumer surveys. However, as previously noted, this information is not especially visible throughout the system and has not been applied as part of a focused quality improvement endeavor.

A great many of the concerns that surfaced in the course of our stakeholder interviews revolve around the topic of quality, broadly defined. Stakeholders from many groups expressed that the implementation of the Systems Change Project had diverted attention away from supporting individuals to achieve the outcomes embodied in the DDS Mission Statement. Clearly, Systems Change Project implementation as well as other issues and problems have consumed a great deal of energy over the past several years. There are widespread concerns across all stakeholder groups about a loss of focus on the individual. Some trends (e.g., the displacement of integrated employment by other types of non-work activity such as community participation) were cited by many stakeholders as evidence of the declining quality. As we observed previously, the "support services model" poses thorny problems with regard to the extent to which individuals are able to receive the essential supports they need, a fundamental quality dimension.

These quality concerns revolve less around questions about whether individuals are safe and secure than how well the system supports individuals as envisioned in the DDS Mission Statement. Such questions include: Are individuals getting the services and supports they need and want? How effective are their services in achieving positive outcomes? How well is the system performing in aiding individuals to achieve these outcomes? These questions do not concern quality assurance narrowly defined as compliance with minimum standards but instead engage more overarching questions of outcomes and effectiveness.

Many states are in the midst of rethinking and revamping their quality management and improvement strategies. In part, this has been prompted by heightened federal emphasis concerning quality across the entire Medicaid program but especially with respect to the

home and community-based waiver program. There is little doubt that the federal Centers for Medicare and Medicaid Services (CMS, formerly the Health Care Financing Administration) has increased sharply its expectations concerning the scope of state community services quality management and improvement systems. CMS has substantially revised its protocols for reviewing HCBS waiver programs, begun furnishing technical assistance in quality management to states, and launched several other initiatives to promote quality in the HCBS waiver program.

However, states on their own are revamping their quality management and improvement strategies for reasons quite apart from CMS heightened interest in this topic. For example, about two-dozen states now participate in National Core Indicators (NCI, formerly the Core Indicators Project) where they collaborate in developing methods to collect, compare and share performance and outcome data. There is heightened interest in "data-based, data-driven" approaches to quality management and improvement, as evidenced by Pennsylvania's launching its "Transformation Project" to retool its data systems to integrate information across many dimensions of system operations, including quality and outcomes. Many of these initiatives have been sparked by the recognition that the fundamental changes have taken place in community service systems and dictate rethinking quality and how to maintain and improve it.

Given where Colorado stands today and the widely shared concerns among the state's stakeholders about the quality of community services, we believe that a first order of business going forward is for stakeholders to come together to develop and adopt a "quality framework" for community services. The purpose of such a framework is to identify the dimensions of quality that should command attention at all levels and spell out for each dimension the desired outcomes toward which the system is striving. We believe that the creation of such a framework would go a long way toward unifying the Colorado system by re-engaging stakeholders in a constructive dialogue about the system's purposes and aims.

A template of sorts already exists for such a quality framework. As part of its efforts to promote quality in the provision of HCB waiver services, CMS has disseminated an "HCBS Quality Framework" (Appendix B) that was developed in collaboration with the National Association of State Directors of Developmental Disabilities Services (NASDDDS) and the National Association of State Units on Aging (NASUA). The HCBS Quality Framework is intended to draw attention to critical dimensions of quality management and improvement. It expresses desired outcomes along each dimension (organized by domain and subdomains) in principally participant (person)-centered terms. A number of states already have employed the HCBS Quality Framework as a guide for appraising the status and scope of their quality management and improvement strategies and systems. The HCBS Quality Framework is not a regulatory document and it studiously steers clear of prescribing how the expressed desired outcomes must be achieved. One of the main reasons that CMS sponsored the Framework's development was to provide a common basis for dialogue about waiver quality management and improvement among the Agency, states and others.

We do not advocate that Colorado adopt the HCBS Quality Framework as its own framework. There are aspects of the HCBS Quality Framework that are closely tied to federal regulatory and policy elements in the operation of HCBS waiver programs. However, many of the domains and subdomains identified in Framework address generic dimensions of person-centered community service delivery. The HCBS Quality Framework,

however, might serve as a beginning point of reference for Colorado's developing its own quality framework.

The value in developing and adopting a quality framework is that it furnishes the opportunity for stakeholders to collaborate and come into agreement about essential desired outcomes and, thereby, pave the way for second-stage endeavors that might include focused attention on appraising where Colorado stands with respect to especially critical quality dimensions or launching quality improvement projects. A quality framework would provide Colorado stakeholders a tangible point of reference.

It has been many years since Colorado stakeholders have come together to engage in a thorough dialogue about the outcomes that the system is pursuing. The intervening years have seen considerable change. It may be a good time to regroup, take stock and come into agreement about a fresh set of desired outcomes. The collaborative development of a Colorado quality framework potentially would provide this opportunity and help redirect attention to the system's mission.

2. In a related vein, we urge that a major emphasis be placed on quality improvement at both the state and local levels.

A second stage quality-related endeavor that warrants serious consideration and discussion is Colorado's launching a structured quality improvement program at both the state and local levels. The purpose of such a program is to identify critical opportunities for improvement and launch well-defined, action-oriented projects aimed at securing these improvements. At the end of the day, improvements in service quality and system effectiveness begin by identifying opportunities for improvement and then conducting focused quality improvement projects. We believe that employing a quality improvement framework would offer Colorado stakeholders a constructive venue for addressing system problems and issues in a non-confrontational fashion. Obviously, launching a quality improvement program should follow the adoption of the quality framework discussed above.

Presently, there are no mechanisms in Colorado that pull stakeholders together to collaborate in identifying where improvements are needed and the strategies that might resolve them. When the Systems Change Project was first proposed, it sparked healthy debate in Colorado about potential system directions and helped surface potential problems. Stakeholders came together to grapple with many problems and issues. Post-implementation, however, it appears that there has been a decline in dialogue about the system's directions, strengths and problems and few focused efforts to engage in mutual problem solving.

We therefore recommend that DDS take the lead in establishing a **Colorado Quality Improvement Council**, composed of a cross-section of system stakeholders and charged with identifying current weaknesses or shortcomings in the community service system and selecting from among these two or three opportunities for improvement to address by launching focused systemwide quality improvement projects. The work of this Council would be facilitated by the adoption of more robust performance measures as described in our accompanying report on the same topic. Depending on what opportunities are selected and their scope, it may be feasible to launch two-three projects each year.

This same model might extend to CCBs as well by their forming up similarly local Quality Improvement Councils to engage in the same endeavor and thereby create opportunities for local stakeholders to work together collaboratively and proactively. Consideration might be

given to modifying state contracts with CCBs to require that each CCB conduct two locally identified quality improvement projects every one or two-years and report the results to DDS and the state Quality Improvement Council. DDS and the Council could then compile information about these projects and make it available as a way of disseminating information about the projects that are being pursued and their results. Another alternative would be for the state Quality Improvement Council to identify a topic that all CCBs must address while giving each CCB the latitude to identify one-two topics of its own choosing, a model roughly akin to one that CMS has pursued in managed care contracting.

There are many challenges in operating an effective quality improvement program. One challenge is identifying the strategies that will be employed and following through to make sure that they have been implemented. Effective quality improvement programs are databased and data-driven. They proceed first by measuring baseline performance so that the effect of the strategies selected can be measured and monitored. Sometimes information about baseline performance already is available. Other times, it is not and continuous or periodic data acquisition strategies need to be designed. In some areas, DDS already collects information; in others, it may not. Again, we discuss performance measures in our accompanying report.

For sure, launching a focused program of quality improvement will require additional resources in order to be successful. Due to staff attrition, it would be difficult for DDS to support the work of the Quality Improvement Council at present staffing levels. We therefore recommend that 1.0 FTE be added at DDS (at annual salary cost in the range of $50,000 plus fringe benefits and related operating costs) to provide dedicated staff support to the state Council and oversee the implementation of Council-selected projects. In our view, this level of staffing is the minimum required to begin a quality improvement program. It may be necessary and appropriate to add more staff and other resources down the road, depending on the scope and nature of the projects recommended by the Council. Clearly, any expansion of this activity should be subject to legislative review.

3. Colorado should give serious consideration to implementing a "direct funding"/self-determination pilot program.

In advance of Systems Change and ever since, advocates have called for Colorado to implement a "direct funding option." Through such an option, dollars would be allocated directly to individuals/families and they would have wide-ranging decision-making authority over them and shoulder associated responsibilities. Advocates believe that individuals and families should have the opportunity to self-direct and manage their own services and supports rather than the system's managing for them.

In the past, there was not widespread support for creating a direct funding/self-determination option in Colorado. In part this lack of support stemmed from the view that, through the Systems Change Project, Colorado had already structured its system to guarantee individual/family choice of both providers and services in the Supports Block and therefore a direct funding option was not necessary or would simply make the system more complicated. While the Systems Change Project was being designed, self-determination was in its infancy and there were uncertainties about how to opertionalize it and the interplay between federal Medicaid policy and active consumer direction of services. As a consequence, consideration of a direct funding/self-determination option went on the back burner.

A good deal has transpired since the Systems Change Project began – both in Colorado and nationwide – concerning self-determination. Our stakeholder interviews revealed interest in pursuing self-determination across stakeholder groups. Some CCBs have taken steps on their own to accommodate the employment of individual and family-selected workers. While interest in direct funding is not universal and there continue to be concerns in some quarters, stakeholders overall appear open to pursuing this option.

As noted above, when the Systems Change Project was designed, there was precious little experience across the country with self-determination/direct funding. Self-determination initiatives were just getting under way in several states, underwritten by grant dollars from the Robert Wood Johnson Foundation. These initiatives served as proving ground for self-determination, giving states and localities practical operational experience concerning the development and operation of the necessary support mechanisms (e.g., financial intermediaries), establishing and tracking individual budgets, and information about the extent to which self-determination promotes positive outcomes and improved satisfaction among individuals and families. In a nutshell, what was learned through these projects was that individuals and families who opted for self-determination tended on the whole to have relatively high levels of satisfaction. At the same time, it also was learned that not all individuals and families want to take on all the responsibilities that come with self-determination. The fear that individuals and families would not manage their dollars appropriately has proven to be overblown. Today there is an abundance of information about the operation and implementation of self-determination/direct funding. The original self-direction projects have continued to grow and expand. For example, Utah has operated family-directed services along direct-funding lines for several years and has been broadening self-determination to encompass a wider range of individuals. In Connecticut, the number of individuals directing their own services has climbed to over 600. Self-directed options also are available in some parts of Kansas and the state is planning to expand them across disability groups of all types and ages. There are many other states that have made a substantial commitment to promoting self-determination.

In May 2002, CMS released "Independence Plus" waiver application templates to provide guidance to states concerning how they can incorporate "individual or family-directed" services into their Medicaid programs. The templates speak to the use of individual budgets, consumer employment of workers, the role of financial intermediaries and person-centered planning. These templates are undergoing revision and will be reissued relatively soon. The release of these templates signals explicit federal support for implementing direct funding/self-determination in Medicaid home and community services.

One of the templates concerns furnishing "individual or family-directed services" via the operation of a dedicated HCBS waiver program. New Hampshire recently secured CMS approval to operate an Independence Plus HCBS waiver program on behalf of children with developmental disabilities. The other template provides guidance in establishing an individual/family-directed program under the federal Section 1115 research/demonstration waiver, an option that permits a state to obtain a wider range of waivers of federal Medicaid law than permitted under the HCBS waiver authority. In Colorado, Health Care Policy and Financing (HCPF) secured federal approval to operate a Section 1115 waiver program (the Consumer Directed Attendant Support Program) that enables individuals with physical disabilities to self-direct attendant and related services. HCPF submitted its waiver application and secured federal approval for this waiver program in advance of the release of the Independence Plus waiver templates. However, there are no appreciable differences

between the HCPF program and the recent CMS guidance contained in the Independence Plus 1115 waiver template. In the HCPF program, current recipients of home health services may voluntary transfer to the new program and are given a budget based on their previous cost history. In other words, their dollars follow them to the new program and the new program is designed to operate on a budget neutral basis. In implementing this program, HCPF has selected an organization to serve as a financial intermediary. This same organization has provided financial intermediary services for several years to families in Utah's HCBS waiver program for people with developmental disabilities and also provides such services in New Mexico.

We think the time is ripe for Colorado to give "direct funding" a trial run. There is no particular evidence to suggest that direct funding is especially risky and certainly the experiences of other states can provide guidance to ensure that a direct funding option has appropriate safeguards and accountability requirements. For a variety of reasons, we believe that the CMS Section 1115 waiver template potentially offers several advantages as a mechanism to initiate a direct funding option; however, there may be technical obstacles to employing this option in the case of HCBS waiver participants. Because there now is a financial intermediary now operating in Colorado, it might be possible to employ that intermediary for a direct funding option for people with developmental disabilities and families rather than starting up an entirely new organization. The Section 1115 authority (like the HCBS waiver authority) permits a state to obtain a waiver of statewideness, which would permit a direct funding option to be piloted in a few counties. However, the same waiver of statewideness is available through the HCBS waiver program. Either waiver authority permits a limit to be established on the number of program participants and can be constructed to limit access to individuals currently receiving services; hence, launching a Medicaid direct-funding/self-determination option in Colorado would not have to be made contingent on the appropriation of new dollars. A self-determination/direct funding option thereby would be budget neutral.

Crafting a pilot self-determination/direct funding option will entail addressing several questions. These include:

- **Scope**. The pilot program would have to be sized in advance of securing federal approval. A reasonable starting point might be in the range of 150-200 individuals. This figure can be changed post-federal approval as experience warrants. The program should be structured to operate an opt-in basis – that is, individuals and families self-select to transfer to the new program.
- **Location**. A pilot program can operate statewide or be limited (under a waiver of statewideness) to specific locations (e.g., a single CCB service area or the Denver Metropolitan Area counties). In the pilot stage, it might be better to limit the program geographically rather than attempt to operate on a statewide basis, which would complicate implementation. Here again, as experience warrants, any geographic limits can be modified post-federal approval of the initial waiver.
- **Benefit Package**. A benefit package will need to be crafted. The present SLS waiver package can serve as the starting point. That package already covers "supported living consultant" services, which in their original concept are akin to "support broker services" as defined in the Independence Plus template.
- **Financial Intermediary**. For a variety of reasons, it is necessary to offer financial intermediary services under the Independence Plus waiver program. These services

may be offered as a covered waiver service or federal funding is available to pay for these services as an administrative expense. In Colorado's case, the same level of federal financial participation is available under either option. It will be less complicated to secure these services as an administrative expense. This function may be put out to bid. The cost of these services hinges on the scope of financial intermediary functions. Typically, these costs are no higher than the present allowance for administrative expenses in the SLS program and can be lower depending, again, on the scope of functions conducted by the intermediary.

- **Role of CCBs**. Colorado law provides for only limited exceptions for operating community services that are detached from the CCB network, especially with respect to CCB case management responsibilities but otherwise as well (e.g., worker credentialing). The interface between the pilot program and the CCB network will require further investigation and problem solving.

These and other related topics and concerns are difficult to sort through in the abstract and should not be decided without stakeholders at the table. As a consequence, step one in pursuing a self-determination/direct funding option should be the convening of a stakeholder work group to sort out these questions and others to reach consensus concerning program design and critical implementation steps.

In order to move the development of a pilot program along, we recommend adding 1.0 FTE at DDS in a salary range of $50,000 - $60,000 (in order to hire an individual with requisite skills; additional dollars would be required for fringe benefits and necessary operating expenses) to support the work group, gather information (especially concerning the new CMS templates), draft the necessary waiver request and negotiate with federal CMS officials to secure the program's approval, prepare implementation guidelines and shepherd through implementation. For better or worse, implementation of a direct-funding/self-determination option is labor intensive because there are lots of "moving parts" and, while the CMS templates provide some level of guidance, they also have their own complications. Absent a dedicated DDS position to marshal the option through, the fear is that other competing priorities would prevent getting the option off the ground. Absent a dedicated staff resource, progress in implementing a self-determination option could easily become bottlenecked. Present DDS staff already is committed to other tasks. In addition, looming on the horizon is the renewal of the SLS waiver program that is sure to be preceded by a CMS-compliance review. This will further tax DDS staff resources. States that were involved in the Robert Wood Johnson Foundation self-determination project usually dedicated at least one staff person and they continue to dedicate staff resources to self-determination. For example, Utah continues to have a staff person dedicated full-time to self-determination.

In summary, we believe that Colorado's operating a pilot direct-funding option offers an important opportunity to test a different approach that offers considerable promise. However, considerable effort will be needed to see the design and implementation of such a pilot through.

4. Colorado should consider potential steps to improve system operational efficiency.

In the post-Systems Change era, it might be worthwhile to take a fresh look at operational costs in the community system. Heretofore, attention to this topic has mainly revolved capping CCB administrative expense. There is evidence that various features of the

Systems Change Project have increased costs at CCBs (to conduct the full range of their MSO responsibilities) and elsewhere. While questions always can be raised about the level and appropriateness of an organization's operational costs, it may well be time in Colorado to reframe thinking about how operational efficiency might be improved.

Along these lines, there may be three main possibilities that might be considered that could lower operational costs. We raise them as possibilities that may be worth exploring but acknowledge that they simply are possibilities:

- **CCB consolidation/merger**. In Michigan where more or less a full-blown managed care arrangement has been implemented in community mental health and developmental disabilities services, one of the effects has been to prompt the consolidation of Community Mental Health Service Programs (the state's local program authorities) from 45 to 20. These consolidations were largely voluntary and stemmed from the recognition that there were trade-offs between the costs of operating many distinct organizational units and making dollars available for individuals and families. There are pros and cons to consolidation/merger but it remains one potential avenue to lower system operational costs. There presently are 20 CCBs in Colorado and their size ranges from relatively small to very large. Some have very large service areas while others serve one county. In comparison to other states, the number of CCBs is not especially large. For example, in Kansas (a state that has a population 60% of that of Colorado), there are 28 Community Developmental Disabilities Organizations that have functions similar to CCBs. Similarly, New Hampshire – a small state – maintains a network of about a dozen Area Agencies. Nonetheless, CCB consolidation/merger may warrant discussion as a way to improve operational efficiency.
- **Standardization of Business Processes and Contracting Out MSO Functions**. Business processes vary across CCBs even though all CCBs have more or less the same basic responsibilities. To the extent that business and possibly other processes can be standardized among and across CCBs, they become amenable to being conducted on a consolidated basis, either through CCBs themselves by their spinning off them off to an administrative entity that they operate or outsourcing to an Administrative Services Organization (ASO). Either way, it may be feasible to operate some business processes more economically on a collective basis than for each CCB to directly conduct each process on its own. In addition, to the extent that business processes become more standardized, non-CCB service agencies that operate in multiple service areas will face fewer complications; and,
- **Outsourcing Shared State-CCB Functions**. There are a few functions that DDS and CCBs share, principally in the arena of quality assurance/management but others as well. There are bona fide reasons for this overlap but there also are costs. It might be fruitful to explore whether it is appropriate and feasible to outsource some of these functions to a third-party. For example, both Florida and South Carolina have outsourced significant quality management activities to third-party vendors.

We raise these possibilities to illustrate that there might be ways to lower system operational costs in Colorado without revisiting again same issues that have been explored in the past. We do not advocate that any one of these possibilities be pursued over the

others. However, we believe that it is important for Colorado to explore new possibilities that offer some prospects of affecting system operational costs but not necessarily services. Consolidation, standardization and outsourcing appear to be worthwhile avenues to explore.

5. As a final matter, in order to address ongoing issues and concerns about CCB performance, consideration might be given to instituting a performance audit program of CCB operations.

In Colorado, there continue to be major concerns surrounding the performance of CCBs. The implementation of the Systems Change Project does not seem to have quieted these concerns appreciably. It is difficult to determine one way or another whether the concerns are legitimate. For example, DDS survey data have consistently shown reasonably high levels of satisfaction across the system.

DDS conducts reviews of CCBs in order to assure that they comply with applicable state laws, contract requirements, and are administering HCBS waiver services properly. For a long time, Colorado also has mandated a third-party financial audit of CCBs. A potential option for assessing CCB performance might be to institute performance audits of CCBs, also by a third-party entity. We suggest this course primarily as a means for Colorado to secure a reliable independent appraisal of CCB performance and, hence, determine where strengths and weaknesses might actually lie.

A performance audit is different from a compliance audit or a financial audit. A performance audit assesses an organization's operations to determine whether it is effectively carrying out its responsibilities. Performance auditing identifies areas of organizational strength along with opportunities for improvement. Performance auditing is not undertaken as a regulatory or punitive device. However, performance auditing is only possible once agreement has been reached about what areas of performance are most critical and there is some measure of agreement concerning what outcomes will be present at a well-performing organization.

In order to institute a CCB performance audit program, it would be necessary for stakeholders to reach consensus about which elements of CCB performance are of priority interest and then in pragmatic terms define acceptable levels of or benchmarks for performance in the identified areas. The effectiveness of an auditing program hinges on the development of reasonably well-defined benchmarks or standards against which to appraise performance.

We believe that instituting third-party performance audits of CCBs could be a constructive step in Colorado to take to identify organizational strengths or areas where performance might be improved. Indeed, a collaborative process where stakeholders identify the critical elements of CCB performance and developing appropriate benchmarks would be beneficial in and of itself. By employing a third-party entity to conduct such performance audits, all stakeholders would be more confident of the results. In addition, properly conducted, performance audits can provide useful feedback to CCBs.

We believe a reasonable course for Colorado to take in this regard might be to conduct two-three performance audits initially, take stock of the results and then decide whether to institute a permanent program. The cost of a performance audit program should be shared between the state and CCBs. Depending on the scope of the performance audit and the size of the CCB, it can be expensive to conduct. We would estimate the costs at anywhere between $50,000 and $100,000 per CCB. Because of the potential costliness of

performance audits, we do not recommend conducting an annual performance audit of every CCB. Instead, if the decision were made to institute a permanent performance audit program, such a program should be conducted on a periodic, rotating basis (e.g., four-five CCBs each year).

An alternative to conducting a performance audit would be to institute continuous performance reporting by CCBs against the benchmarks upon which a performance audit would have been based. This approach would be more resource-intensive on the front-end but more economical over the long-term. It would also have the added advantage of providing a more continuous stream of information concerning CCB performance. It also could be linked with the data obtained via the DDS consumer surveys.

Appendix A

What Coloradoans Have to Say About Systems Change

Interim Report

June 28, 2002

Submitted to:

Developmental Disabilities Services

Colorado Department of Human Services

Prepared by:

Gary Smith
Reena Wagle
Sarah Knipper
Amber Cooper
John Agosta

Human Services Research Institute, 8100 SW Nyberg Rd., 205, Tualatin, OR 97062. (503) 885-1436/(503) 885-1536 (fax)

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I. Introduction

In 1997, Colorado launched the Systems Change Project. Through Systems Change, several significant changes were made in the management "architecture" of the state's community service delivery system for people with developmental disabilities. The aim was to increase flexibility, efficiency and choice within the system. These changes took the form of collapsing funding categories into two "blocks," assigning more responsibilities to the state's network of Community Centered Boards (CCBs) by positioning them as Managed Services Organizations (MSOs) and others.

Systems Change Project implementation was carried out under the terms of a Memorandum of Understanding (MOU) between the Colorado General Assembly's Joint Budget Committee (JBC) and the Department of Human Services (DHS)/Developmental Disabilities Services (DDS). The MOU spelled out the goals of the Systems Change Project along with requirements that DDS/DHS was expected to meet in implementing Systems Change.

Among its provisions, the MOU directed that DHS/DDS arrange for an evaluation of the Project. By competitive bid, DHS/DDS selected the Human Services Research Institute (HSRI) to conduct this evaluation as well as to address two other topics: (a) the potential benefits and drawbacks of Colorado's establishing an Ombudsman for developmental disabilities services and (b) the adoption of performance measures that would support the continuous evaluation of the performance of the Colorado service delivery system overall and at the CCB level.

HSRI will complete and submit a draft report to DDS concerning its full evaluation of the Systems Change Project. This report will address three questions:

1. Did the Systems Change Project accomplish its stated goals and the requirements identified within the MOU?
2. What was the impact of Systems Change on the service system stakeholders (i.e., consumers and families, advocacy groups, CCBs, and subcontractors of CCBs)?
3. What changes, if any, are recommended to address any shortcomings identified in the implementation of the Systems Change project?

As a central evaluation task, HSRI agreed to conduct extensive interviews of service system stakeholders in order to address the second question posed for the evaluation. HSRI also committed to prepare an interim project report about what stakeholders told us during these interviews.

This report summarizes what Coloradoans have to say about the impact of Systems Change. The report does not constitute the HSRI complete and final evaluation of Systems Change. Its main purpose is to document what stakeholders told us as an interim step in the completing the evaluation. The views of stakeholders are critical and will weigh heavily in the evaluation.

At the same time, it is very important to emphasize that in this document we are reporting the views expressed by stakeholders. We have not filtered these views concerning the impact of Systems Change by attempting to judge their accuracy or fairness. Indeed it was made clear to HSRI that we should err on side of inclusion in reporting the views of stakeholders.

The report organizes the results of these interviews by key informant/stakeholder group. The results are further broken down into: stakeholder views concerning the extent to which the Systems Change Project accomplished its goals, overall stakeholder appraisal of the effect of System Change on people with developmental disabilities and families, recommendations stakeholders have concerning potential improvements going forward, and other comments.

The next section provides information about whom we interviewed and how the interviews were conducted. The following section contains the results of the interviews.

II. Methodology

This section contains background information about who was interviewed and how the interviews were conducted.

A. Who Was Interviewed?

In accordance with the terms of the Request for Proposals (RFP), HSRI arranged for and conducted interviews of individuals in six key informants/ stakeholder groups:

- **DDS Officials**
- **CCB Managers**, including (a) Chief Executive Officers (CEOs), (b) Chief Financial Officers (CFOs), (c) case management department heads, (d) residential services program managers, and (e) day services program managers. We also interviewed Colorado Association of Community Centered Boards (CACCB) staff. Per the terms of the RFP, the CACCB nominated individuals to participate in these interviews. At the suggestion of the CACCB and with the concurrence of the DDS project manager, CFOs were added to the types of CCB managers interviewed.
- **Service Provider Agency Managers**. Managers of non-CCB service provider agencies (a.k.a., subcontractors) were nominated for interviews by the CACCB, the Colorado Association of Private Residential Agencies (CAPRA), and the Association of Providers of Supported Employment (APSE).
- **Advocates**. Advocates were nominated for interviews by the Colorado Developmental Disabilities Planning Council and The Arc of Colorado.
- **Families**. This group was composed of family members of individuals with developmental disabilities who receive services. Candidates for these interviews were selected at random by DDS.
- **Individuals with Developmental Disabilities Receiving Services**. This group was composed of individuals with developmental disabilities who receive DDS-funded community services. These individuals also were randomly selected by DDS.

The RFP required that HSRI interview a minimum number of individuals in each stakeholder/informant group. The RFP stipulated that the individuals interviewed must have had direct involvement in the Colorado system when Systems Change implementation began in 1997 and still have been involved after implementation was completed in 2000. With respect to individuals and families, this meant that the person receiving services must have been receiving services pre and post Systems Change. With respect to the remaining informants, nearly all had been in their present positions for many years or had held other positions in Colorado for several years. Many (but not all) informants provided direct input in one form or another to DDS during the period that the Systems Change Project was shaped. All the "professional" informants had a solid grasp of the changes that were implemented with Systems Change.

The RFP also required that the interviews of stakeholders be conducted face-to-face when the informant worked or resided within a one-hour drive of Denver. HSRI agreed to conduct face-to-face interviews of persons located in Denver and other Denver metropolitan area counties, Colorado Springs and Fort Collins. HSRI was permitted to interview stakeholders located elsewhere by telephone.

The following table shows the minimum number of individuals from each group to be interviewed as stipulated in the RFP, how many persons HSRI committed to interview in its response to the RFP, and the number who were actually interviewed, broken down by telephone and in-person interviews.

Stakeholder Group	RFP Minimum	HSRI Proposal	Persons Interviewed	
			In Person	Telephone
DDS Officials	10	10	10	0
CCB Managers/CACCB	10	15	17	1
Service Providers	10	10	10	0
Advocates	10	10	9	4
Families	10	20	6	8
Individuals	10	12	11	0
Total	60	77	63	13

In its response to the RFP, HSRI proposed to increase the number of CCB managers interviewed beyond the minimum. HSRI was concerned that interviewing a relatively small number of CCB managers might not permit obtaining the views of individuals across a sufficiently wide cross section of CCBs. Increasing the informants in this group permitted interviewing managers from eight of the twenty CCBs. The fact that the number of CCB managers interviewed was greater than the number in any other stakeholder group has no effect on the reporting of the results, which is aggregated by stakeholder group. At least two individuals were interviewed in each CCB manager category. We conducted face-to-face interviews of some managers from CCBs outside the Denver, Colorado Springs and Fort Collins areas while they were attending a CACCB meeting in the Denver area.

With respect to service providers, the subcontractors interviewed typically furnished services in more than one CCB service area and served individuals in both funding blocks. Many provided multiple types of services. A few specialized in one type of service or another.

With respect to advocates, HSRI interviewed more than the number proposed in our response. By and large, these advocates were located in the Denver and Colorado Springs areas. Several but not all were affiliated with local chapters of The Arc.

In its response to the RFP, HSRI proposed increasing the number of families who would be interviewed from 10 to 20 in order to achieve a wider cross section of family

views. HSRI also proposed employing telephone interviews in order to reach families from outside the Denver, Colorado Springs and Fort Collins areas in order to achieve greater diversity. However, problems were encountered in arranging and conducting these interviews.

In order to identify families, DDS randomly selected individuals receiving services. DDS then asked the CCB that serves the individual to supply family contact and other brief background information about the individual. The initial draw contained 20 individuals (ten in the Denver, Colorado Springs and Fort Collins areas and another ten from elsewhere in the state). However, a review of the information supplied by CCBs revealed that several individuals in this first draw had no involved family or that family member involvement appeared quite limited (e.g., the person's family lived in another state). At HSRI's request, DDS randomly drew another twenty individuals and HSRI contacted CCBs directly to obtain contact information for these families. Similar problems were encountered with this second draw – several individuals selected did not have involved family members.

Among the individuals who had involved family, several families declined the opportunity to be interviewed, as was their right. In a few cases, family members refused to be interviewed out of concern that what they said might adversely affect their family member's services. In other instances, the family simply turned down the opportunity. After consultation with the DDS project officer, we broke off efforts to continue to seek additional families to interview. While more family members were interviewed than specified in the RFP, fewer interviews were completed than HSRI proposed.

Not all the interviews of families who resided in the Denver, Colorado Springs and Fort Collins areas were conducted in person. We conducted telephone rather than face-to-face interviews out of respect for the wishes of family members. Some preferred to be interviewed by telephone.

In our proposal, HSRI set the objective of interviewing 12 individuals with developmental disabilities who receive services. We were able to interview 11. A twelfth person was slated for an interview but, at the last moment and after consultation with staff who knew the person, it was decided not to conduct this interview when we learned that participating in an interview might cause the person distress.

B. When and where were the interviews conducted?

The face-to-face interviews were conducted during weeklong trips by HSRI staff to Colorado in April and May 2002. In April, we conducted interviews of DDS officials, some CCB managers and advocates in the Denver area. In May, four HSRI staff returned to Colorado to complete the remainder of the face-to-face interviews in the Denver, Colorado Springs and Fort Collins areas. Telephone interviews were wrapped up in mid-June.

Face-to-face interviews were conducted at a time and location convenient to each informant. In the case of "professionals," these interviews generally took place at their offices. Professionals were most accommodating in making themselves available. In the case of individuals and families, we accommodated their wishes as to time and place for the interview. With respect to individuals, CCB personnel were very helpful in arranging for these interviews.

C. Interview Methods

In advance of conducting these interviews, HSRI project staff reviewed background information concerning the Systems Change Project provided by DDS. Based on this information, HSRI staff developed three open-ended survey tools/protocols, one each for individuals with disabilities and family members and one survey tool that was employed for the interviews of DDS officials, CCB managers, sub-contract providers and advocates. The four fundamental goals (see following chapter) of the Systems Change Project served as the framework for the probes in each survey tool.

Members of the "professionals" stakeholder groups (e.g., state officials, CCB managers, advocates and provider agency managers) were asked to appraise the overall impact of Systems Change on services and supports for people with developmental disabilities and invited to express any recommendations for changes going forward that would better enable Colorado to realize the Project's goals. Informants also had the opportunity to express any other views they had concerning community services.

We assured each professional informant that what he or she had to say about Systems Change would be held confidential and that they would not be identified by name, organizational affiliation or in any other way that would divulge their identity. Similar guarantees were made to families and individuals with developmental disabilities. HSRI also employed the interviews of professionals to secure an improved understanding of how the various elements of Systems Change were carried out "on the ground." The interviews with professionals took between 1 and 1.5 hours to complete.

The "professional" informants were candid and thoughtful in sharing their views regarding the impact of Systems Change. They were forthright in pointing out what they regarded to be both the positive impacts of Systems Change and identifying problems that had been experienced.

A different approach to the interviews was taken in the case of families. Going in, HSRI believed it unlikely that families would be familiar with even the broad contours of the Systems Change Project. Our interviews with families concentrated on asking them to describe the extent to which the services and supports furnished to their family member had changed and identify the extent to which some of the desired outcomes of Systems Change were present (e.g., greater choice and control in the selection of services and service providers). In other words, we probed how well these families' actual experiences matched the central goals of the System Change Project.

In the case of individuals with developmental disabilities, much the same approach was taken as with families except that there was greater emphasis on learning how individuals were supported and the extent to which their present situation appeared to match their expressed needs and preferences and the extent they made choices about their services. We did not ask individuals to compare their situation pre and post-Systems Change. Individuals who have a significant cognitive impairment often have difficulty recalling their situation several years past. In so far as possible, we attempted to structure these interviews as straightforwardly as possible by avoiding the use of jargon or complex concepts. HSRI paid each individual a stipend of $20 to compensate them for their time in participating in the interview.

Cautions and Other Issues

There are various cautions that relate to the information contained in this report. These include:

- Especially with respect to three groups of informants (CCB managers, advocates and service providers), it is important to keep in mind that, although a considerable number of individuals were interviewed, others members of these groups whom we did not interview might have different views.
- The number of individuals and families interviewed was quite small in comparison to the total number of persons who receive services. While these persons were selected randomly, their numbers were insufficient to draw any hard and fast conclusions about whether their experiences are typical of other individuals and families.
- There are inherent limitations in employing interviews (whether in person or by telephone) as a means of obtaining stakeholder opinions. The scope of topics that can be covered during an interview is necessarily circumscribed by time available. So far as possible, HSRI interviewers sought to adhere to the interview protocols so that the same questions would be covered. However, this was not always possible.
- The interviews of individuals with developmental disabilities yielded limited useable information. Many of the individuals selected for interviews had significant difficulties in comprehending the questions or expressing themselves despite best efforts to elicit their views. This was an unfortunate result since the views of individuals with developmental disabilities are enormously important in appraising the ultimate impact of an initiative such as Systems Change. This problem was an outgrowth of the random selection process. By luck of the draw, it happened that many of the individuals selected had difficulties in expressing themselves.

Especially with respect to families but also individuals, we strongly suggest that, in the future when Colorado engages in projects that seek the opinions of either stakeholder group, the possibility be left open of employing alternative methods rather than dictating specific methods. For the purposes of this evaluation, such methods as

convening focus groups composed of families and self-advocates or arranging for open forums potentially would have yielded more robust information. Conducting one-on-one interviews is costly and thereby sharply constricts the number of individuals who can be interviewed when funds are limited. Alternative methods often have a better benefit/cost ratio.

III. What Coloradoans Have to Say About Systems Change

A. Introduction

In broad brush, the Systems Change Project shifted and consolidated certain administrative and financial management responsibilities concerning the provision of community developmental disabilities services and supports from DDS/DHS to the state's network of CCBs. Reconfiguring how services were funded was fundamental to achieving the goals of the project. Multiple funding categories were collapsed into two basic blocks – Support Services (Supports) and Comprehensive (Comp) Services. The flow of dollars from the state to the local level was altered in order to increase flexibility in how dollars could be deployed in support of individuals. Colorado changed its Medicaid home and community-based waiver programs for people with developmental disabilities in order to implement key features of the Systems Change Project, including the "menu" of services offered.

Through Systems Change, CCBs were repositioned as "Managed Services Organizations" (MSOs) and given the responsibility for managing all the service dollars in their service areas. DDS/DHS instituted a new system of contracting designed to ensure that CCBs achieved threshold performance levels with respect to the number of individuals they support while concurrently limiting overall administrative expense. In many important respects, the Systems Change Project fundamentally altered the management "architecture" of community services in Colorado.

These changes were made in the expectation that they would result in the achievement of four fundamental goals that were spelled out in the MOU between the JBC and DDS/DHS. These goals were:

- To make the system simpler, more flexible, and more efficient while maintaining accountability and commitment to the DDS mission.
- To increase decision-making at the local level in order to better individualize services and to provide more options and choices for individuals receiving services (and their families as appropriate).
- To promote fairer means of resource distribution to enable more people to be served from the waiting list; and,
- To maximize the use of available resources for the benefit of the people served.

At the end of the day, the expectation was that reconfiguring the system's architecture would yield improved services and supports for people with developmental disabilities. A more efficient and flexible system would permit limited dollars to be deployed with better results than in the past.

Our interviews with stakeholders about the impact of Systems Change primarily revolved around the extent to which the implementation of the project succeeded in achieving these four fundamental goals as well as their appraisal of the overall impact

of the project on people with developmental disabilities. Coloradoans had a lot to say about Systems Change and the present status of community developmental disabilities services.

We present the results of our interviews by stakeholder group and to the greatest extent possible within the framework of the four fundamental goals of the Systems Change Project. While our interviews concentrated on the impact of Systems Change, respondents expressed views about issues that were important to them but not necessarily directly tied to Systems Change goals. Views of this type also are reported. It is important to note that we are reporting the unfiltered views of the stakeholders. We also have compiled stakeholder suggestions and recommendations for changes going forward that they believe would improve services and supports.

B. General Summary of Stakeholder Comments

Before turning to the group-by-group responses, it is useful to describe the extent to which there were common threads across the "professional" stakeholder groups or where there appears to be a substantial divergence of opinion.

Across the professional stakeholder groups (and often within each group), views were decidedly mixed concerning the extent to which the Systems Change Project had the result of enabling Colorado to better meet the needs of people with developmental disabilities. Only a few stakeholders declared that the Project was a clear success. Several believed that there was little significant impact one way or the other while some thought the Project as actually having detracted from the system's capability to effectively and appropriately support individuals and families in a fashion that adheres to the system's mission.

Several stakeholders in these informant groups expressed serious concerns about the fundamental health of Colorado's service system. Many were quick to assert that present funding levels pose real barriers to meeting the essential needs of individuals and assuring the quality of services. However, they noted that many of these problems stemmed from factors not directly tied to the design of the Systems Change Project.

With regard to the goal of making the system "simpler," there was relatively broad (but not universal) agreement that collapsing funding categories had been beneficial. Some informants, however, believed that the collapsing of funding categories had detrimental results, especially in the arena of integrated employment services.

There also was general agreement across the professional groups that the present system is complex to manage at the local level and that administrative burden had increased along several dimensions, especially with respect to the "Supports Block." This caused some stakeholders to question whether the system had become more efficient. Some informants also expressed the view that the system has become harder for individuals and families to understand. Many stakeholders believe the system has become efficient in rapidly deploying resources so that as many people as possible are

able to receive services and supports within available dollars. Many informants pointed out that, before Systems Change, dollars reverted not because they were unnecessary as a consequence of how they were allocated. However, this type of efficiency gain was noted more frequently with respect to the Supports than the Comp block.

With respect to the system's becoming "more flexible," many respondents believed that this result had been better realized in the Supports than the Comp Block. However, some stakeholders also stated that the benefits of this increased flexibility had not been fully realized. Several stakeholders expressed concerns that DDS/DHS has been taking steps that have the net effect of diminishing flexibility by imposing what they regard as overly rigid program requirements.

With respect to "accountability," views also were mixed. Performance contracting requirements were generally regarded as having increased accountability with respect to making sure that dollars were being deployed as intended. The system was regarded as making strides in meeting programmatic and fiscal accountability measures in selective areas, including some areas of contract performance and standards efficiency (e.g., minimum number of persons served, member months, etc.) Some stakeholders, however, expressed doubts about whether administrative cost limits were truly being observed and complained of growing bureaucracies at some CCBs. Concerns were expressed that the system had become overly focused on meeting the contract performance and standards efficiency measures to the detriment of focusing on personal and other programmatic outcomes. Others expressed reservations about the extent to which accountability extended to the individual level.

The "local choice" dimension of Systems Change evoked decidedly mixed views. Some stakeholders complained that variations in policies and practices CCB-to-CCB caused inefficiencies or resulted in uneven treatment of individuals area-to-area. However, other stakeholders believed that Systems Change had had positive benefits in enabling dollars to be managed flexibly within a service area to balance the needs of all individuals. Some examples were cited of CCBs that had initiated services and supports to meet needs that were specific to their service areas; others cited CCBs that lacked flexible local planning. Other informants pointed to CCBs testing new approaches in allocating dollars to better take into account the needs of individuals.

With respect to the goal "to provide more options and choices for individuals receiving services (and their families as appropriate)," there was greater agreement that this result had been achieved with respect to the Support than the Comp Block. Concerns were expressed about the growing reliance on the use of the "host home" model in the provision of Comp Services. Several stakeholders questioned whether there were sufficient case management resources available to give individuals and families the support they need to navigate the system. Some questioned whether individuals and families were receiving sufficient information to make fully informed choices concerning services, options and service providers. Many stakeholders did not believe that much progress had been made in the arena of self-determination while others pointed to steps taken at some CCBs to give individuals and families greater

choice and control in directing services and supports. Some stakeholders pointed out that there were difficulties in reconciling the needs of families and those of individuals.

Also with respect to choice, stakeholders expressed mixed views with respect to the effects of efforts to introduce more competition. On the one hand, many stakeholders pointed to an actual shrinkage in the number of providers of Comp services and employment services. Others were less concerned and attributed the shrinkage to various factors, including funding levels, a more competitive marketplace that eliminates less efficient providers or factors unique to certain providers. Some CCBs were regarded as having done a good job in keeping separate their roles as MSOs from their direct service delivery arms. Other stakeholders remain unconvinced about the fairness of competition in services that CCBs also provide. Some stakeholders expressed particular concerns that some individuals who have especially complex challenges are falling through the cracks in Colorado.

With respect to the goal to "promote fairer means of resource distribution," stakeholders also had mixed views. Some stakeholders complained about the lack of transparency in how some CCBs made decisions concerning how many dollars would be available to meet the needs of a person or the decision rules CCBs follow in deciding on the amount of services a person might receive. Other stakeholders pointed to historical factors as causing an uneven distribution of resources across CCB service areas. On the other hand, some stakeholders pointed out that progress was being made in achieving a more even-handed distribution of dollars across individuals and families. By and large, most stakeholders believed that whatever contribution Systems Change had to make in aiding Colorado to reduce its waiting list already had been realized and that future progress along these lines hinged on boosting system funding.

Many stakeholders acknowledged that Systems Change had permitted Colorado to draw in more federal dollars and thereby increase the number of individuals served. However, some stakeholders also pointed out that the state had pretty much exhausted its ability to leverage more federal Medicaid dollars, either to address the waiting list or address funding-driven issues in community services.

Broadly speaking what emerges when one looks across the professional stakeholder groups is that their views concerning the impact of Systems Change are more often than not mixed. Only a few believed that Systems Change had achieved all its goals. At the same time, few stakeholders believed that it would necessarily have been better for Colorado not to have pursued Systems Change at all or that rolling the clock back to the way things were before Systems Change would be better. Most stakeholders were somewhere in the middle: they believe that Systems Change had some or even considerable benefits but there remain opportunities for improvement going forward

In the following sections we report what stakeholders had to say about Systems Change by group.

C. DDS Officials

By and large, the DDS informants believed that overall the impact of Systems Change has been positive. DDS informants recognized that Systems Change fundamentally altered the state's role by devolving responsibilities to CCBs, especially in managing dollars and resources. At the same time, they pointed out that Systems Change still left DDS with substantial responsibilities in the arena of quality assurance, compliance with federal Medicaid home and community-based waiver requirements, ensuring that CCBs met their contractual obligations and performance measurement and monitoring. On the one hand, Systems Change demanded that they detach themselves from "micromanaging" services in favor of exercising broader policy making and oversight functions. They understood that Systems Change meant that problems and issues had to be worked out locally.

On the other hand, their remaining responsibilities do not permit their completely divorcing themselves from what is taking place at the local level. Some informants stated that they were still seeking to strike the proper balance between their "system manager" role and their system "oversight" and "regulator" roles. Some informants pointed out that it would have been virtually impossible for DDS to continue to carry out all the responsibilities it had taken on prior to the implementation of Systems Change absent a significant increase in staffing resources.

As a group, DDS officials were in general (but not universal) agreement that Systems Change had had a positive impact on community services. However, many admitted that there were more implementation challenges encountered than anticipated. Some believed that the full potential of Systems Change has yet to be realized because so much effort had to be expended in retooling the system in order to meet the accountability and other requirements of system change. Now that these changes have been made, they believe that the way has been cleared to better realize some of the goals of system change. Most informants regarded the fundamental concepts upon which Systems Change was based as sound. None expressed the view that it would be better for the system to return to the *status quo ante*. The following are the major areas discussed by state agency staff:

- CCB management of services
- Simplicity, flexibility and individualization
- Accountability
- Provider capacity
- Stakeholder collaboration
- Fairer resource distribution

1. CCB Management of Services

- There is great variation among CCBs in how well they are implementing Systems Change. Some were regarded as doing an excellent job or improving substantially in performing the MSO role. Others were viewed as having needing more improvement, especially with respect to fiscal management.

- Many CCBs had difficulties in setting up their management systems. These CCBs now seem to be getting their systems into place.
- Some CCBs experienced especially serious problems in managing resources. Some found it difficult to predict utilization levels and this caused them to exceed allocations. Other CCBs dealt with utilization uncertainties by adopting more conservative approaches that resulted in less than full utilization of resources. DDS reallocated resources as best it could to avoid financial hardship. Still, some CCBs were forced to make across the board reductions in resource allocations in order to balance spending and resources. DDS informants acknowledged that managing the Supports Block can be very challenging.
- Some state officials believe that Systems Change caused an increase in CCB overhead costs and that overhead costs were far higher than expected as a result of Systems Change. This increase causes CCBs to have to juggle dollars internally to meet cover their costs.

2. Simplicity, Flexibility and Individualization of Services

- In various ways, Systems Change simplified DDS' role in managing resources systemwide. The shift to two blocks with standardized dollar amounts attached to each reduced complications in tracking and managing multiple types of "slots", each with its own special requirements. Billing, tracking, fiscal management and reporting have become simpler according to most respondents in this group.
- However, respondents acknowledged that, while some of the complexity with respect to systemwide fiscal/financial management has been lifted off their shoulders, it was shifted to the CCBs and providers.
- According to DDS informants, increased flexibility has been achieved with regard to the Support Block but not Comp services. Systems Change generally was regarded as having little effect one way or another on the provision of Comp services.
- Some DDS informants expressed serious concerns that Systems Change has had negative consequences in the day services and community integrated employment arenas. Integrated employment is becoming a less frequent outcome for individuals. Decategorization of funding eliminated pre-existing financial incentives that had been used to boost employment opportunities. The mechanism that is presently in place to promote integrated employment has not been successful. This mechanism is not utilized extensively, principally because of the way that it is structured.
- DDS informants do not believe there is much in the way of self-determination occurring in the system. Some flexibility exists with respect to employing vouchers or transportation coupons, but these are limited.

Some DDS informants reported that some individuals and families express frustration with regard to choice and flexibility. Some informants believed that there may be even less self-determination than before Systems Change.

3. Accountability

- In terms of accountability, Systems Change has spawned an increase in data collection, but DDS informants do not regard these data as especially substantive or telling about important individual and programmatic outcomes.
- DDS informants believe that some CCBs are continuing to struggle with reporting requirements, especially as they pertain to spending and performance indicators.
- The quality and flow of data is not such that it is meaningful or supportive of quality improvement strategies.
- Many DDS informants stated that they did not have sufficient information about the status or underlying health of the service delivery system in Colorado today. Staffing issues at the state level were cited as a major reason why there is insufficient information on the status of services in Colorado. The same problem was cited with respect to DDS' ability to exploit the information that it has in hand.
- Some DDS informants do not believe that the system provides appropriate incentives or penalties for CCBs to provide or purchase high quality services or manage money effectively. One informant portrayed present mechanisms as analogous to "I'll pay you not to grow wheat."
- Some DDS informants felt that there has been insufficient leadership and direction on the state's part regarding how dollars should be used to obtain high quality and meaningful services for individuals. Some were especially concerned about the growing use of community participation services to fill time rather than concentrating on supports that positively contribute to individuals achieving key goals.
- Some DDS informants did not feel they had enough information to have a good picture of the actual services being provided. Most respondents agreed that more meaningful data needed to be gathered to evaluate the health of the system.
- Some informants felt that CCBs had been given potentially too much latitude to manage services without implementing mechanisms for performance accountability.
- The status of the performance indicators and measures that have been developed by DDS is unclear. The feedback loop is not being completed in a timely fashion from the state to CCBs and systemwide.

4. Provider Capacity

- According to some DDS informants, some CCB rate-setting and service pricing methodologies are not sound. Some believe that CCBs do not negotiate rates with providers to the extent necessary to foster provider capacity.
- DDS informants had mixed views of the extent to which CCBs were actively promoting a competitive marketplace environment in their service areas. Some CCBs appear to be more successful than others in attracting and keeping providers.
- At the same time, some state informants also believe that Colorado's funding levels pose obstacles to achieving provider diversity.
- Concerns were expressed about service quality, including the capacity of DDS and CCBs to exercise appropriate levels of oversight.

5. Stakeholder Collaboration

- Some informants believe that the role of the DDS Advisory Committee bears re-examination. The Advisory Committee has become more of a way to disseminate information than to secure advice.
- Some informants expressed concerns about the extent to which some CCBs are fostering stakeholder input and collaboration.

6. Fairer Resource Distribution

- Some headway, albeit limited, has been made with regard to the fair distribution of resources across CCBs, but there is a long way to go in this area. Absent a major infusion of new resources, informants do not believe much progress can be made in this arena.
- DDS informants acknowledged that the Resource Allocation Guidelines that were adopted by DDS are advisory only. Some believed that there should be more monitoring of resource allocations by CCBs in order to find out what is going on.

7. Other

- Some informants believe that inadequate attention was given to preparing in advance for the implementation of System Change, either at the state or local levels.
- Some informants believe that one of the negative aspects of Systems Change was that it caused too much focus to be put on managing dollars rather than concentrating on meeting the needs of individuals.
- Individuals with more severe disabilities are shuttled around the service system. There is a lack of clarity about where responsibility resides for meeting the needs of these individuals.

- State informants did not believe that the implementation of Systems Change had led to a substantial increase in grievances rising to the state level. However, they expressed puzzlement about why there was not greater use of impartial mediation at the local level since giving individuals and families access to an impartial mediator was expected to facilitate dispute resolution.

D. Community Centered Board Managers

Among the informant groups, CCB managers had the most positive view of the impact of Systems Change and, in particular, on improving their ability to meet the needs of individuals in their service areas. As one manager said, "Systems Change lets me manage." No CCB informant advocated undoing Systems Change. Overall, CCB managers believe that the best outcome of Systems Change was that it enabled them to serve more individuals in their service areas. The most common negative consequence of Systems Change cited by CCB managers is that it was accompanied by increased paperwork.

Most CCB managers stated that the implementation of Systems Change had proven to be very challenging. They pointed out that they had a difficult time initially because of the need to develop new management systems, utilization review functions, billing, and so forth. However, most now believe that they have the requisite management systems in place and continue to fine-tune them. It took different amounts of time for CCBs to grow into the MSO role. Some CCB managers pointed with pride to steps that they had taken as an outgrowth of Systems Change that benefited individuals in their service areas but would have been more difficult to pursue than in the past. The main areas that CCB managers addressed were:

- Simplicity, flexibility and individualization
- Provider capacity
- Accountability
- Checks and balances
- System efficiency
- Stakeholder collaboration
- Fairer resource distribution

As an aside, there is variability among CCBs along several dimensions, including size of CCB and whether it principally serves an urban or rural area. This variability means that some of the observations made by CCB managers do not necessarily extend to their counterparts at other CCBs. For example, CCB managers from smaller CCBs generally regarded the implementation of Systems Change as less complex than managers at CCBs that serve relatively large numbers of individuals.

1. Simplicity, Flexibility and Individualization

- CCB managers almost universally acknowledged that their MSO responsibilities were complex to carry out. At the CCB/MSO functional

level, Systems Change is by no means simple, according to most informants. CCB managers pointed out that they had to put new data systems in order to capture real time information concerning where they stood in meeting contract requirements and pay close attention to utilization on a person-by-person basis, especially in the Supports Block.

- CCB managers stated that it often has been difficult for them to predict utilization, especially in the Supports Block. In order to maximize resources available to individuals in their service areas, some had taken the risk of over-committing dollars with the expectation that some individuals and families would not make full use of their resources. Others followed a more conservative approach because they were not certain about future utilization patterns.
- One CCB manager observed, "Simpler and more flexible don't go together."
- CCB informants regarded the Supports Block to be very flexible and enabling them to better match available dollars with individual and family needs and preferences.
- By and large, CCB informants, however, did not believe that the services furnished through the Comp Block have become more flexible. Some informants stated that financial realities were leading to the stepped up use of host homes.
- CCB managers stated that the collapsing of funding categories made it more possible for them to align resources with the needs of individuals. Some pointed out that prior to Systems Change they frequently had to make individuals fit into whatever "slot" was available.
- All CCB informants felt that the simplicity and flexibility afforded by Systems Change was progressively eroding because of the increased paperwork they had to complete and the imposition of additional requirements by DDS. Informants perceived that policy changes by DDS were reducing their latitude in meeting the needs of individuals and families, and interfering with CCBs ability to create a responsive and individualized system for the people they served and their families.
- Some CCB informants had serious concerns about the reduced emphasis on community-integrated employment. Others, however, attributed declining utilization to various factors, including individual and family preferences and financial realities.
- At some CCBs, System Change was regarded as straining case management resources. The amount of time necessary to conduct planning meetings has increased, thereby making it more difficult for case managers to engage in other activities in support of individuals and families.

- Some informants expressed the view that the potentially overlapping roles of supported living consultants (SLC) and case managers needed to be clarified.
- Some CCBs pointed out that they had taken proactive steps to better enable individuals and families to direct their services and supports, principally by serving as employment agencies for consumer-selected workers. However, one informant voiced the opinion that Colorado had fallen behind other states in the extent to which it was promoting opportunities for self-determination and stronger efforts were needed in this arena.
- Some CCB informants reported that uncertainty about whether "choice" revolved around the individual or the family. Often the family, rather than the individual, seemed to be the dominant voice in making choices. With limited resources, tough decisions are forced to be made in securing a sufficient volume of supports when family members are not available.
- Some CCB informants also stated that flexibility may also suffer due to the inability to attract and keep providers in Colorado, especially in the smaller communities.

2. Provider Capacity

- Generally CCB informants believed that the number of providers had increased with respect to the Supports Block but declined or not increased in Comp Block.
- Some CCB informants reported that they were especially mindful of the need to keep separate their responsibilities as MSOs and "system managers" from their "service arm" operations. In one case, a "service arm" program manager described how s/he had to compete on equal footing with other providers in responding to RFPs issued by the CCB.
- Some CCBs have taken to permitting providers to set their own charges rather than establish a fixed price for some services. It is then left to the individual/family to decide whether the price charged is justified by the value received within total resources available. In some cases, the rates that CCBs pay are higher than when the state determined rates. Some CCB informants stated that higher payment rates are needed to secure sufficient providers.
- Informants from one CCB pointed out that it publishes all rates and also makes available a "report card" publication that assembles information rating and satisfaction information about all providers (including the CCB "service arm") in order to promote informed choice and competition.

- CCB managers reported difficulties in sustaining a broad base of providers, especially in Comp Services. They believe that it is difficult for smaller providers to survive.

3. Accountability

- CCB informants generally regard the present accountability mechanisms in the performance contracts to be appropriate.
- However, some CCB informants pointed out that these mechanisms dictated that they had to spend considerable time and resources collecting encounter data, cost and utilization data and this had the effect of diverting attention from providing comprehensive, quality services.
- Many CCB informants said that the performance indicators that have been developed by DDS are not well known or visible. There is no current linkage between these indicators and CCB and/or systemwide quality improvement activities.
- Some CCB informants reported that on their own they are collecting individual/family satisfaction data and other information related to service quality.

4. Checks and Balances

- CCB managers stated that they believed that there had been no appreciable change in the volume of complaints and grievances made by individuals and families as a result of Systems Change.
- Some CCB managers said that the volume of complaints may have dropped because families/individuals now have a more direct say over the services they receive.
- CCB informants reported instituting Resource Allocation Committees (RACs) to address situations when the amount of dollars made available to an individual or family may not be adequate. These RACs are an additional check and balance at the CCB level.
- CCB managers stated that there are ample and multiple complaint and appeal mechanisms in the present system for individuals and families. One manager counted off seven different mechanisms are available to address individual and family grievances and complaints.
- CCB managers reported that there had been little or no use of the independent mediation process developed in conjunction with Systems Change implementation.

5. Efficiency

- By and large, CCB managers strongly believed that Systems Change was permitting them to put dollars to work more quickly than was the case before Systems Change. They attributed this to the Block funding system

and the stripping away of funding categories, which they believed had caused dollars to "revert" in the past even though there were individuals who needed but were not receiving services.

- At the same time, some CCB managers reported that there continue to be problems in resource deployment in the Comp Block. These problems revolve around policies concerning vacancies. CCB informants acknowledged that DDS had attempted to address this problem but that it still has not been completely resolved.
- Some CCB informants noted that Systems Change brought with it additional administrative costs because of the intricate tracking that this is required and the shift of some responsibilities from the state to CCBs.
- Some CCB managers reported that only recently have they been able to bring automated data systems online to alleviate some of this administrative burden.
- Some CCB managers believe that a general atmosphere of mistrust has added to the inefficiency because DDS keeps increasing the number of regulations, rules and requirements.
- A CCB informant stated that in her/his view "efficiency" was being used synonymously with "cheaper services."

6. Collaboration

- CCB managers pointed to their holding public forums and open meetings as tools they employed to obtain input from other stakeholders.
- Some CCB managers think that some advocates are too quick to take their issues to the state rather than work out solutions at the CCB level.
- There is a sense on the part of some CCB managers that collaboration with DDS has diminished. They attribute some of this to the death of the DDS director who kept channels of communication open.
- Some CCB managers expressed frustration with the flow of rules and requirements from the state to them. To them, communication seems to be flowing in only one direction.

7. Fairer Resource Distribution

- Informants stated that the distribution of funding across CCBs had become somewhat fairer but has not leveled the playing field. More resources are needed in high growth population centers
- Some CCB managers stated that present resource allocation formulas do not sufficiently take into account differences in the costs of providing services in some areas. The formulas are not sensitive to the high cost of doing business in some parts of Colorado.

- However, CCB managers believed that in order to level the playing field, it would be necessary to increase the overall amount of money and resources in the system. Redistribution is not a solution.
- Many CCB managers believed that they were striking as good a balance as possible in allocating dollars among individuals and families in order to meet their most pressing needs.
- Some CCB managers pointed out that it was difficult to meet the needs of some persons without adversely affecting other individuals. Changes in resource allocations for one person have a ripple effect on other individuals.

E. Provider Agency Managers

As a group, service provider agency managers voiced mixed opinions concerning the impact of Systems Change. Some were neutral or somewhat positive concerning the benefits of Systems Change. A few, however, saw Systems Change as impeding their ability to effectively support individuals. This stakeholder group reported that they faced many challenges in building and maintaining relationships with CCBs as well as fitting themselves into a new marketplace that is designed to foster healthy competition. Some of these managers indicated that they saw potential in the system but were not often able to see it realized.

Especially among service agencies that operate in multiple service areas, comments about the impact of Systems Change were nearly always preceded by "It depends on the CCB." Some agency managers pointed out that there were difficulties and added costs that stemmed from the variability among CCBs in their policies and practices. The policies and practices of some CCBs were highly regarded, while those of others were sharply criticized. Some agency managers expressed serious concerns about the health of the service system and what they regarded as a reduced emphasis on the provision of high quality and individualized services and supports. The topics these managers addressed included:

- Simplicity, flexibility and individualization
- Efficiency
- Accountability
- Competition
- Stakeholder collaboration
- Checks and balances

1. Simplicity, Flexibility and Individualization

- Especially in the case of agencies that cross CCB service area lines, managers stated that the system has become more complicated for them. Instead of dealing mainly with the state, they have to transact multiple CCBs, each of which has different policies and practices.

- Informants noted that with the state out of the picture, they have had to forge better working relationships with CCBs.
- Most provider agency managers pointed out that the reporting and tracking requirements that the state imposes on CCBs are passed down to them as well along with additional requirements from CCBs.
- Some managers also said that they were having a difficult time planning their budgets as a result of Systems Change. Their revenues are fluctuating more and this is causing instability in their operations.
- Other managers said that one result of Systems Change was to reduce their ability to balance needs and resources across all of the individuals they serve. Prior to Systems Change, they were better able to shift dollars among individuals to meet needs.
- Some informants believe that the present emphasis in the system is on "doing more with less." The guiding force has become dollars rather than people. These informants believe that the system has lost sight of its mission. One manager saw the system as sliding downhill because there was not enough emphasis on excellence. It is becoming harder to provide individualized services.
- Most informants agreed that there was flexibility in the provision of services under the Supports Block. However, most did not believe that Systems Change had had much effect on Comp Block services.
- Some informants were especially concerned about the loss of financial incentives to provide community integrated employment services. They believe that the progress that was made in the past in this arena has been lost. They pointed out that many agencies that concentrate on providing employment services have gone out of business.
- Some managers stated that the choices people made were not necessarily informed decisions. Choices were sometimes made at a risk to health and safety and therefore weren't informed choices. Families have a hard time understanding the new system and have not been provided with training to help them understand it. In many cases, control over services lies with parents rather than the individual.
- Other informants said that there is sufficient choice but individuals/families don't access the full potential because they are unaware of options.
- With respect to Comp Services, some informants believe that choices are narrowing for financial reasons. The greater use of host homes is due to this reason. One said that some alternatives were becoming less and less sustainable at current funding levels.

- Many informants do not believe that self-determination has been realized for individuals.
- Some informants expressed the view that the portability guidelines were not working. This is because of the complexity of transferring dollars from one CCB to another due to provider rate variations, management differences, etc.

2. Efficiency

- Many informants stated that they have had to pay much closer attention to cost control as a result of Systems Change because there is so little give in the system.
- Some informants reported having to cut back on staff development and training because payments are so closely tied to the provision of billable hours.
- One informant bluntly stated that the only way to survive in the Colorado system was for agencies to become large because margins are so low.
- Most managers reported that meeting reporting and data requirements had increased their administrative expenses.
- Some informants voiced the concern that DDS was increasing requirements and thereby adding additional costs.
- Some respondents were sharply critical of what they perceive to be burgeoning bureaucracies at some CCBs. They believe that CCBs are spending a lot more time and money on administration and overhead costs. Some questioned the necessity of these expenses.
- Many managers perceived variability in the policies and practices of CCBs as adding costs. Efforts to standardize some policies and practices across CCBs have not yet been successful.
- Some managers do not believe that CCBs are employing technology as well as they could to improve efficiency. There is too much handling of paper. Some processes could be streamlined.

3. Accountability

- Many informants stated that accountability has taken the form of increased volumes of paperwork and documentation. They questioned whether the emphasis on this type of accountability added value.
- Some agency managers stated that there was not enough emphasis on program standards and quality improvement. The dots are not being connected concerning outcomes for individuals. There is too much emphasis on process quality control rather than service quality.

- Some agency managers perceived that the state has backed away too far from managing the system and leaving too much to CCB discretion. They question whether the state is equipped to manage the system as it has been reconfigured under Systems Change. CCB decisions are not receiving sufficient state oversight. There is not sufficient accountability for how CCBs are performing in their new role.
- Some agency managers reported that they had stepped up their own quality assurance and improvement activities. However, they were limited in what they could do in this regard because of resources.
- Some agency managers expressed the view that state quality reviews were not consistent. The outcome of a quality review seemed to hinge on the particular staff that conducted the review.
- There is an increased amount of paperwork and a burgeoning bureaucracy but the CCBs are not held accountable. Providers stated that there was not enough emphasis on performance standards and that there was no connecting of dots either. The state is not equipped to manage the overall system, and hence has backed off attempting to do so. Providers feel that the CCBs were not always well prepared to take on their new roles. The CCBs are left to make decisions with little state oversight.

3. Competition

- Some agency managers pointed to examples of CCBs that had done a relatively good job in implementing even-handed policies that have leveled the playing field between them and the CCB service arm. These CCBs have strived to make their provider selection processes more transparent.
- Other agency managers believe that the playing field is still not level at some CCBs. They think that CCBs are inappropriately holding onto their "market share."
- The request for proposal process is regarded as fairer at some CCBs than others, according to some informants.
- Agency managers believe that low payment rates create major obstacles to competition in the Colorado marketplace. The number of providers is shrinking because larger providers – including CCBs – are most able to do business in the system.
- Some agency managers expressed the view that there remains an inherent conflict in the role of the CCB as MSO and the CCB as a service provider. They pointed out that CCBs are setting their own rates as well as the rates of their competitors. There is suspicion that some CCBs are cost shifting to keep their rates down in order to maintain market share.

They also believe that CCBs have a competitive advantage because they are able to pull in other dollars to meet their costs.

- Among some agency managers, there is the suspicion that they are allowed to compete only if they do not make waves.
- Some managers say that at some CCBs it is taking too long to get decisions.
- In some cases, agency managers say they are in the dark concerning the processes that some CCBs follow in deciding on payment rates and resources. In some cases, rate and payment determination is regarded as arbitrary.

4. Collaboration

- Some managers reported that partnerships between some CCBs and provider agencies were improving. They cited examples of mutual problem-solving efforts, including collaboration in working out corrective action plans that were required as a result of a state quality review.
- Some managers, however, criticized certain CCBs for their lack of willingness to collaborate. They regarded these CCBs as acting like "disapproving parents" rather than seeking constructive relationships with provider agencies.
- Some CCBs were regarded as turning a deaf ear to provider agencies. In some cases, CCB decision-making was regarded as arbitrary and not collaborative.
- Local involvement was generally a mixed bag but the general opinion was that it had decreased. CCBs were not making an effort to facilitate stakeholder input. The move towards change had died down and so had the effort to include stakeholders.
- Because of the devolution of responsibilities to CCBs, some agency managers stated that they have stepped up their efforts to build better working relationships with CCBs.

5. Checks and Balances

- One informant stated the "state needs to police the system better." Some managers believe that there is insufficient accountability in terms of CCB decision making.
- Some informants stated that the state is not following up on complaints to the extent that it should.
- Some provider managers believe that the state has withdrawn too far in terms of system oversight and management. They think that the state ought to be more actively involved rather than simply telling providers to work out their problems with the CCB.

6. Other

- Provider agency managers had mixed views concerning whether System Change had been successful. One manager believed that Systems Change was well designed and thereby was optimistic about the future. A few managers believe that the overall impact of Systems Change was negative. Many managers thought that results of system change were less than they had expected when the Project began. One manager thought that Systems Change turned out better than s/he thought it would when it was first proposed.

F. Individuals with Developmental Disabilities

We previously discussed some of the challenges encountered in interviewing the individuals who were randomly selected to learn about the impact of Systems Change. There were only eleven people interviewed. Obviously, this limits the ability to generalize information that was obtained through these interviews.

Here we describe our impressions of what these individuals had to say about the services and support they are receiving.

- Very few of the individuals seemed unhappy with their services.
- Most knew who their case manager was and said that they were able to get in touch with the case manager.
- So far as we could tell, most of the individuals we interviewed did not appear to have had much choice in the services they received, daily decisions, or financial issues.
- Most commonly, decisions about services were made by their family members or agency staff.
- Many seemed to have little influence over their lives separate from their families/guardians.
- We met a person who was especially pleased about her/his situation. The person's living arrangement exactly suited his/her preferences. The arrangement seemed to be an especially good match for the person given the person's goals. It matched up with what s/he wanted. This person reported being able to take part in activities in the community that were what s/he really wanted to do. In the past, this person had had some problems but now seemed to be flourishing and was very happy about his/her life.

  The person sees the case manager often, knows and likes the current case manager. The person believes that s/he can look for and plan different services if s/he wants. For this person, the system is simple and flexible and geared to meeting his/her needs. The person said that the

case manager made it simple and the options open to him/her are flexible so that the person can achieve goals that are important to him/her.

- We met another person for whom things did not seem to be going so well. This person lives with a parent. The person was not receiving very much in the way of supports. The person said that s/he was only able to get out of the home two days a week. The person gets transportation to the doctor's office and a therapy visit one day a week. The other day the person is involved in a "community participation" program where the person rides around in a van and sees parks, museums, shopping, or movies. The person said that s/he did not get to pick the places where the day trip went even though the person had expressed preferences. The person said that s/he had all the services that s/he needs but feels kind of lonely spending so much time at home. The person thinks it would be better to spend more time in the community with other people. When asked if about whether any other options had been offered or shown, the person responded that his/her current supports was all that s/he knew about. For this person, the service system seemed complicated. The parent and the person could not figure out how to access any other services. The person did not know the case manager and, in fact, hadn't seen or heard from a case manager in quite some time.

Interviews with individuals reflected that the Colorado system seems to be supporting some people well and others less well. It seems capable of individualizing services in innovative ways that match up with individuals' needs and personal goals. On the other hand, in the case of some individuals, it does not appear to be doing a good job in addressing some needs, giving people information about options, or actively addressing their expressed preferences.

G. Families

As previously noted, the families who agreed to be interviewed were randomly selected. As a consequence, their distribution was not even across CCB service areas. Because of the small number of families interviewed, the results of these interviews have a "luck of the draw" element to them. At best, these results provide only weak indications of the impact of Systems Change on families. Nonetheless, the families we interviewed had many comments to offer about how well the system is supporting their family member with a disability and meeting their needs.

In the case of most of the families whom we interviewed by telephone, the family member was receiving Comp Block residential services. These families are not the primary caregivers. The families whom we interviewed by telephone were generally satisfied with the services that were being furnished to their family member with a developmental disability. The families whom we were able to interview in person included families whose family member received services in the Comp Block or the Supports Block. Generally speaking, these families who were interviewed in person

expressed lower satisfaction with services and supports. The comments of family informants focused on two main topics:

- Simplicity, flexibility and individualization
- Budget and finances

1. Simplicity, Flexibility and Individualization

- Some family informants expressed major concerns about host home services. One family had gone through a failed placement and was very frustrated about the lack of follow-up and the amount of time it was taking to restore services.
- Another family informant was satisfied with the family member's host home but pointed out that s/he kept on top of the situation and paid extra dollars to get better services. This informant expressed concerns about other individuals who were receiving host home services through the same provider.
- Some families reported that provider options were not available. One family stated that their CCB made all the provider decisions for them.
- Some family informants commented that a noticeable change over the past few years has been that more people are showing up at planning meetings.
- All families reported that there was a written service plan. However, some families said that they didn't always receive the services listed in their plan (e.g. respite care, reading instruction).
- Some family informants said that they had not noticed that the choice of services had changed over the past five years. They also hadn't noticed any major change in the planning process, except for the increase in the number of people in attendance.
- Most families interviewed said that they had sufficient influence in determining the individual's needs and services.
- However, some families said that the "bureaucracy" of the CCBs was the predominant influence over planning and services.
- Some family informants stated that there were services they or their family needed but were not receiving. In one instance, the family needed more respite care. Some informants expressed the view that this problem stemmed from the lack of services in the community and the under funding of the developmental disabilities system.
- One family stated that it was threatened with losing wait list status if it didn't agree to the one service option that was presented.
- Some family informants complained that they did not have adequate options and that emergency services were not readily available.

- Most family members stated that staff and providers were generally available to them when they needed them. However, a few families found it difficult to contact staff during holidays or off-hours.
- Some family members said that services were not always well coordinated and as a result there were gaps in their provision when workers did not show up.
- Some informants said that information was not forthcoming and that there too many people were involved in decision-making.
- Other respondents found there to be sufficient information, but that it wasn't particularly helpful. Most reported that this had not changed since the advent of Systems Change.
- One family informant expressed considerable frustration with the lack of assistance s/he was receiving from the CCB in locating services and select service providers. This single parent said that s/he did not have the time to sort options out because of job and never ending care-giving demands.
- Some family informants said that they thought that the system was easy to understand or navigate. However, this did not necessarily translate to more positive results.

2. Budget and Finances

- Except in one case, none of the families knew how many dollars were available for services and supports for their family member.
- The family member who what the budget was had experienced a reduction in the service plan and thereby learned that there was a total amount that could not be exceeded.
- Some families felt that the amount of money that was allotted for services was insufficient to cover necessary services.

H. Advocates

As a group, advocates were the most negative concerning the impact of Systems Change on services and supports for people with developmental disabilities. Some advocates had serious reservations about Systems Change from the outset and many of their same concerns remain. For some advocates, Systems Change did not go far enough or did not address some fundamental issues in the Colorado system that had been problems in the past. Most advocates voiced serious concerns about the health of the Colorado system. Some advocates portrayed the system as designed to give everyone a little but most people not enough. Most also believe that the system must concentrate more on whether people with developmental disabilities are experiencing valued outcomes in their lives. Some believe that effects of Systems Change have been to divert attention from critical outcomes to excessive focus on mechanical problems.

Some advocates sharply criticized the policies and practices of the CCBs with whom they were familiar. In other instances, advocates recognized the struggles that each stakeholder group was having with implementing Systems Change. Overall, advocates did not recommend turning back the clock since some of the problems they regard as especially serious were present in the past. However, some believed that different options needed to be considered. Responses from the advocate stakeholder group were focused mainly in these areas:

- Simplicity, flexibility and individualization
- Accountability
- Fairer distribution
- Stakeholder collaboration
- Provider capacity
- Checks and balances

1. Simplicity, Flexibility and Individualization

- Many advocates characterized the system as being simpler for the state and CCBs, but not for the individuals and families who use it. There is substantially more gate keeping, as well as a more cumbersome bureaucracy. These have undermined the potential for flexibility in meeting the needs of individuals and families.
- However, some advocates thought that the system is simpler and flexible for individuals/families who are strong advocates for their needs.
- For many advocates, systems change has caused energy and attention to be diverted away from whether individuals were experiencing valued outcomes to dealing with mechanical issues.
- Some advocates believe that the system has lost sight of the fundamental values that should frame services. The expectations for what can or should be accomplished on behalf of individuals are too low.
- Some advocates believe that Systems Change reduced individualization, especially in the arena of employment supports.
- Some advocates contend that CCBs using SLCs to help with their paperwork instead of being advisors to individuals.
- Some advocates are concerned that there are too few providers to offer meaningful choices to individuals and families.
- Most advocates believe that self-determination is practically non-existent. According to them final say over what individuals receive resides with the CCB not the person or the family. Even though the potential for self-determination exists within the framework of Systems Change, some advocates believe that many CCBs are only paying lip service to self-determination.

- Dollars available are a major impediment to flexibility and choice, according to many advocates. Some advocates stated that what they perceive as burgeoning bureaucracy is draining scarce dollars away from direct supports.
- Some advocates expressed serious concerns about people who are especially challenging to support falling through the cracks.
- Some advocates voiced serious concerns that the system was drifting backwards into segregated service models rather than promoting inclusion.
- Some advocates stated that there is insufficient attention paid to the quality of case management or the training of case managers. Availability and access to services are too dependent on whom the individual has as a case manager.

2. Accountability

- Most advocates did not regard CCBs as being more accountable as an outgrowth of Systems Change. Many do not believe that CCBS are accountable to the individuals they serve. Advocates distinguished between "paper accountability" and responsibility towards individuals and families.
- Some advocates said that the state does actively enforce policies or guidelines. They believe that CCBs are pretty much left to do what they please.
- For many advocates, it is unclear where the efficiencies are within the system. Many advocates believe that the result of Systems Change has been bigger bureaucracies.
- Many advocates believe that the state is not tracking service quality well enough. One informant expressed concern that the state had gone back to the "medical model." The dots are not being connected and data regarding performance does not available or published.
- Some advocates believe that the state has not laid out standards of performance.
- Among some advocates there is a sense that the state has "abandoned" the system.

3. Fairer Distribution

- Some informants thought that Systems Change had not improved the fairness of resource distribution. One informant thought that resources were as fairly distributed as they could be.
- Some advocates expressed a lack of confidence in how some CCBs were making decisions about the amount of money that was being made

available for services. Some said that the system is not transparent and therefore not accountable.

- In a similar vein, some advocates said that the state's resource allocation guidelines are either not well known or do not have the teeth necessary to be effective. The squeaky wheel gets the grease and this has not changed since systems change.
- Some respondents acknowledged that CCBs may be under-funded but administrative and overhead costs are eating far too much of what funds are available.
- There is the perception among some advocates that any savings that a CCB comes up with go to its own "bricks and mortar" rather than investing in people

4. Stakeholder Collaboration

- Some advocates believe that local processes for stakeholder involvement are absent or are not established regular practices. Some advocates want to see a process in place so stakeholders can participate in CCB decision-making.
- Some advocates believe that CCBs are too concerned about outsiders coming to take over and so "openness is very low." Some advocates expressed the view that CCBs seem mainly concerned with holding onto to control.
- Advocates said that their relationship with the state varies from open and comfortable to having no relationship at all.

5. Provider Capacity

- In the view of many advocates, the system is set up so that CCBs are the only player because they make placement decisions and are referral agents to certain providers as opposed to others.
- Many advocates see a huge conflict of interest when CCBs set their own rates and those of other providers. An example was cited of a CCB reducing the rates of all providers except their own service arm. One advocated asserted that there have been instances where families have found lower rate providers but CCBs have required them to use a provider charging higher rates.
- Some advocates believe that the market place is changing slowly but there still isn't a true competitive market place.
- Some advocates stated that sometimes individuals and families are in the dark about service rates and this makes it hard for them to make an informed choice.

- Some advocates said that many CCBs do not publish rate guidelines to facilitate choice. They said some CCBs promote the services they provide rather than other options.

6. Checks and Balances

- With respect to grievances and mediation, some advocates said that some families/individuals do not use it because they are fearful of retribution or that it too hard for them to understand and navigate.
- Some advocates offered examples of CCBs refusing or discontinuing services to some individuals without following due process guidelines.
- Some advocates believe that the absence of an alternative safety net leaves individuals/families too vulnerable to CCB decisions.
- Some advocates said that it takes too long to get decisions about complaints and grievances, both at the state and local levels.
- Some advocates said that some issues are being resolved by the state and CCBs but individuals are not included in the resolution discussions.

7. Other

- When Systems Change was proposed, most of the advocates we interviewed seriously or somewhat concerned that it would have negative results for the Colorado system. A few others had mixed feelings. When quizzed about whether Systems Change turned out as they expected, most said it had had the negative consequences they though it would and few thought that it turned out worse than they expected. One advocate thought Systems Change turned out better than expected because of emphasis CCB accountability and person-centered planning.
- Some advocates thought that there were some positive results because of Systems Change. One positive outcome was that Systems Change allowed people to start thinking differently about services and the system. Many advocates acknowledged that Systems Change enabled Colorado to extended services to more people via the SLS expansion. Systems Change also was regarded as causing greater attention to costs, efficiency, local control, the choices people potentially have, and greater flexibility. Some said that the expectations for Systems Change might have been too high and therefore were unmet.
- In terms of negative results, some advocates believe Systems Change caused a shift in focus shifted from individualized planning/services to too great a concentration on dollars and the CCB "corporate model." Some advocates see Systems Change as causing families and individuals have lower expectations and erosion in service quality. Many advocates believe that the lack of accountability for CCBs means that bad things can go unchecked.

I. Stakeholder Recommendations

During our interviews, we asked stakeholders to share their ideas about steps that should be taken in the "post-Systems Change" era to address shortcomings or improve services. These recommendations will be taken into account during the preparation of HSRI's final report concerning its evaluation of the Systems Change project. There were many stakeholder recommendations and they were varied. They included:

- Don't make any more changes to the system right now. Instead, fine-tune the changes already made.
- Give case managers substantially more training in order to help them understand self-determination and individual choice.
- Develop and/or clarify the distinct role of DDS within the new system.
- Increase stakeholder involvement in local decision making.
- Give more consideration to outsourcing performance tracking and quality monitoring.
- Perform a system "socially audit" to determine if the lives of people have changed. Outcomes cannot be measured because the "system has no clear vision." It is difficult to know if it is functioning without understanding the original vision.
- Pay more attention to program quality of DD services.
- Reduce the amount of paperwork required of CCBs and decrease the micromanagement of the system.
- Consider developing a "benefit" that falls between SLS and Comp services for individuals who don't need as many services as provided in the Comp Block but need more than those provided by SLS.
- Hybridize what we have done with two separate blocks and create a blend.
- Develop a systematic data system to track CCB expenditure patterns and streamline reporting.
- Create a "direct funding" option or pilot program that allows people to manage their own services directly without CCB involvement. Use this option to compare outcomes between the systems.
- Develop a process to compare CCB performance and create a repository for the best practices existing within some CCBs so others can benefit from them.
- Allow CCBs to move funding from SLS to Comp services and vice versa when one program has money left over and the other has people waiting for services.

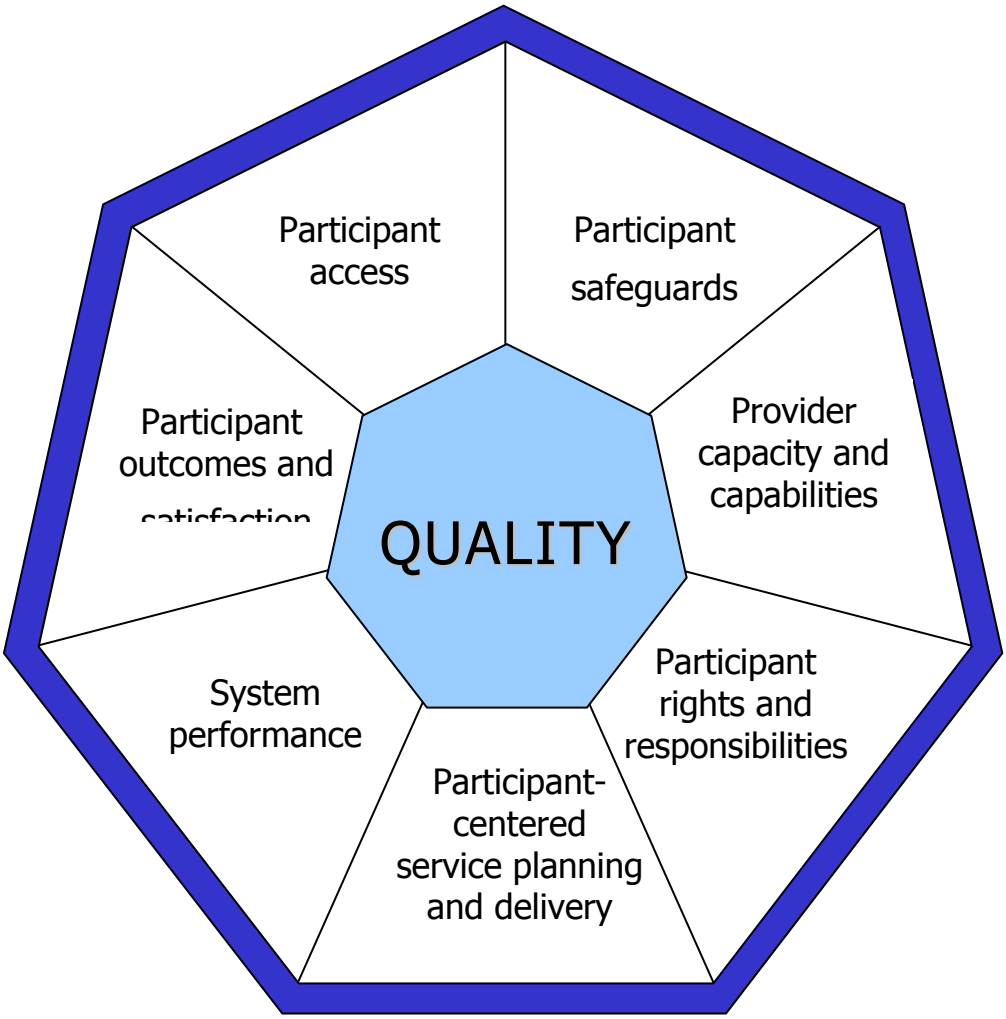
- Embrace self determination and help people achieve their dreams and aspirations.
- Rethink the case management system. Case managers are too bogged down in paperwork, etc. to be able to fully assist individuals in obtaining necessary services.
- Modify the SLC service to enable the SLC to act more as the individual's mentor. Currently, this concept is too limited.
- Mandate that there be a fiscal intermediary function statewide.
- Improve communication between state and CCBs regarding their individual concerns.
- Consider implementing a system of independent third party quality review to ensure the rights of the individuals served as well as the providers in the community.
- Request that more money be allocated to the DD system.
- Return to the person-centered philosophy. Stop worrying about paper compliance and start worrying about people.
- Make CCBs more accountable regarding how they are managing and providing services.
- Have effective, hands-on ways of monitoring quality. Create more accountability for the CCBs; they should also have risk.
- Rebuild incentives for employment in the system.
- Develop opportunities for collaboration amongst stakeholders to make things change for the best.
- Increase partnership, standardization, and more applicable technology.
- Enforce public policy, offer people experience in different settings, offer incentives for community services and employment.
- Make the system more transparent; develop standardized forms, rates, rate setting methodology, etc.
- Strengthen the role of the state in managing the system.
- Develop a process where individuals/families can challenge the system without fear of retribution.

Appendix B

HCBS QUALITY FRAMEWORK

The Home and Community-Based Services (HCBS) Quality Framework is intended to serve as a common frame of reference in support of productive dialogue among all parties who have a stake in the quality of services and supports for people with disabilities. The Framework focuses attention on the desired outcomes of HCBS quality management and improvement efforts. The Framework is not regulatory. It is not expected that every state or provider would be engaged in actively monitoring each and every sub-domain.

The Framework identifies seven broad quality domains and associated sub-domains.



Domains

HCBS QUALITY FRAMEWORK

Domain I: **Participant Access**

Desired Outcome: *Individuals have ready access to home and community-based services and supports in their communities.*

I.A Information/Referral

Desired Outcome: *Individuals and families can readily obtain information concerning the availability of HCBS, how to apply and, if desired, offered a referral.*

I.B. Intake and Eligibility

I.B.1 User-Friendly Processes

Desired Outcome: *Intake and eligibility determination processes are understandable and user-friendly to individuals and families and there is assistance available in applying for HCBS.*

I.B.2 Eligibility Determination

Desired Outcome: *Each individual's need and eligibility for HCBS are assessed and determined promptly*.

I.B.3 Referral to Community Resources

Desired outcome*: Individuals who need services but are not eligible for HCBS are linked to other community resources***.**

I.B.4 Individual Choice of HCBS

Desired Outcome: *Each individual is given timely information about available services to exercise his or her choice in selecting between HCBS and institutional services.*

I.B.5 Prompt Initiation

Desired Outcome: *Services are initiated promptly when the individual is determined eligible and selects HCBS.*

Domain II: Participant-Centered Service Planning and Delivery

Desired Outcome: *Services and supports are planned and effectively implemented in accordance with each participant's unique needs, expressed preferences and decisions concerning his/her life in the community.*

II.A Participant-Centered Service Planning

II.A.1 Assessment

Desired Outcome: *Comprehensive information concerning each participant's preferences and personal goals, needs and abilities, health status and other available supports is gathered and used in developing a personalized service plan.*

II.A.2 Participant Decision Making

Desired Outcome: *Information and support is available to help participants make informed selections among service options.*

II.A.3 Free Choice of Providers

Desired Outcome: *Information and support is available to assist participants to freely choose among qualified providers.*

II.A.4 Service Plan

Desired Outcome: *Each participant's plan comprehensively addresses his or her identified need for HCBS, health care and other services in accordance with his or her expressed personal preferences and goals.*

II.A.5 Participant Direction

Desired Outcome: *Participants have the authority and are supported to direct and manage their own services to the extent they wish.*

II.B Service Delivery

II.B.1 Ongoing Service and Support Coordination

Desired Outcome: *Participants have continuous access to assistance as needed to obtain and coordinate services and promptly address issues encountered in community living.*

II.B.2 Service Provision

Desired *Outcome*: *Services are furnished in accordance with the participant's plan.*

II.B.3 Ongoing Monitoring

Desired Outcome: *Regular, systematic and objective methods – including obtaining the participant's feedback – are used to monitor the individual's well being, health status, and the effectiveness of HCBS in enabling the individual to achieve his or her personal goals.*

II.B.4 Responsiveness to Changing Needs

Desired Outcome: *Significant changes in the participant's needs or circumstances promptly trigger consideration of modifications in his or her plan*.

Domain III: Provider Capacity and Capabilities

Desired Outcome: *There are sufficient HCBS providers and they possess and demonstrate the capability to effectively service participants.*

III.A Provider Networks and Availability

Desired Outcome: *There are sufficient qualified agency and individual providers to meet the needs of participants in their communities.*

III.B Provider Qualifications

Desired Outcome: *All HCBS agency and individual providers possess the requisite skills, competencies and qualifications to support participants effectively.*

III.C Provider Performance

Desired Outcome: *All HCBS providers demonstrate the ability to provide services and supports in an effective and efficient manner consistent with the individual's plan.*

Domain IV: Participant Safeguards

Desired Outcome: *Participants are safe and secure in their homes and communities, taking into account their informed and expressed choices.*

IV.A Risk and Safety Planning

Desired Outcome: *Participant risk and safety considerations are identified and potential interventions considered that promote independence and safety with the informed involvement of the participant.*

IV.B Critical Incident Management

Desired Outcome: *There are systematic safeguards in place to protect participants from critical incidents and other life-endangering situations.*

IV.C Housing and Environment

Desired Outcome: *The safety and security of the participant's living arrangement is assessed, risk factors are identified and modifications are offered to promote independence and safety in the home.*

IV.D Behavior Interventions

Desired Outcome: *Behavior interventions – including chemical and physical restraints – are only used as a last resort and subject to rigorous oversight*.

IV.E. Medication Management

Desired Outcome: *Medications are managed effectively and appropriately.*

IV.F Natural Disasters and Other Public Emergencies

Desired Outcome: *There are safeguards in place to protect and support participants in the event of natural disasters or other public emergencies.*

Domain V: Participant Rights and Responsibilities

Desired Outcome: *Participants receive support to exercise their rights and in accepting personal responsibilities.*

V.A Civic and Human Rights

Desired Outcome: *Participants are informed of and supported to freely exercise their fundamental constitutional and federal or state statutory rights.*

V.B Participant Decision Making Authority

Desired Outcome: *Participants receive training and support to exercise and maintain their own decision-making authority.*

V.C Alternate Decision Making

Desired Outcome: *Decisions to seek guardianship, surrogates or other mechanisms that take authority away from participants are considered only after a determination is made that no less intrusive measures are or could be available to meet the participant's needs.*

V.D Due Process

Desired Outcome: *Participants are informed of and supported to freely exercise their Medicaid due process rights.*

V.E Grievances

Desired Outcome: *Participants are informed of how to register grievances and complaints and supported in seeking their resolution. Grievances and complaints are resolved in a timely fashion.*

Domain VI: Participant Outcomes and Satisfaction

Desired Outcome: *Participants are satisfied with their services and achieve desired outcomes.*

VI.A Participant Satisfaction

Desired Outcome: *Participants and family members, as appropriate, express satisfaction with their services and supports.*

VI.B Participant Outcomes

Desired Outcome: *Services and supports lead to positive outcomes for each participant.*

Domain VII: System Performance

Desired Outcome: *The system supports participants efficiently and effectively and constantly strives to improve quality.*

VII.A System Performance Appraisal

Desired Outcome: *The service system promotes the effective and efficient provision of services and supports by engaging in systematic data collection and analysis of program performance and impact.*

VII.B Quality Improvement

Desired Outcome: *There is a systemic approach to the continuous improvement of quality in the provision of HCBS.*

VII.C Cultural Competency

Desired Outcome: *The HCBS system effectively supports participants of diverse cultural and ethnic backgrounds.*

VII.D Participant and Stakeholder Involvement

Desired Outcome: *Participants and other stakeholders have an active role in program design, performance appraisal, and quality improvement activities.*

VII. E Financial Integrity

Desired Outcome: *Payments are made promptly in accordance with program requirements.*