

Workgroup 4 Recommendation: Payment and Incentives

Workgroup Focus Area: Individuals and their families experience consistent, transparent, accountable, and data-driven systems that focus on outcomes.

Workgroup Priority #3: Strengthen DDS, regional center, vendor, and provider accountability for achieving equitable and person-centered outcomes.

Priority #3 Plain language version: Make sure DDS, regional centers, vendors are responsible. They need to provide the services they are supposed to. They need to give fair and person-centered results.

Step 1: Define a Universal Goal for the Priority (Where we want to be)

People get the services and supports they need, when they need them, so they can lead the lives they want.

Recommendation: The overarching goal is to align payments in the developmental services system with good performance and the achievement of quality outcomes. Better connecting financial and other incentives and penalties to organizational results will incentivize and support systemic advancement and stronger outcomes at the systemic and individual levels over time. Aligning expectations and outcomes across measurement and payment systems will support better coordination of efforts at the statewide, regional center, service provider, and planning team levels.

Coordinated financial and other incentives will:

- Better align the efforts of regional centers, service providers, and planning teams to achieve coordinated quality outcomes that stakeholders agree are the right ones. Each entity bears responsibility for its role in contributing to the achievement of the overall goals of the service system. Through modification of the existing Regional Center Performance Contract goals, Regional Center Performance Measures, and service provider Quality Incentive Program payments to ensure each is contributing to the overall systemic goals, greater progress can be made.
- Ensure payment structures support achievement of the stated goals. Shifting from payment primarily for units of service to incentivizing better outcomes requires balancing system capacity with incentivizing each entity to stretch to contribute to systemic goals. As levels of performance are identified ranging from basic standards to high-performance, service provider funding should sustain organizations consistently meeting standards and reward those demonstrating statistically significant high performance. Similarly, regional centers need to be provided the financial resources to support their operations related to service coordination, intake timeliness, and resource development. Achievement of preferred outcomes requires the organizational investment of funding in training, personnel, individual staff incentives, and development of innovative practices, so incentive payments must be structured to support that progress.
- Be designed in collaboration with stakeholders and subject matter experts. Stakeholders, including those served by the system and their family members, should be consulted in a variety of accessible ways, including surveys and focus groups, about their overall expectations and experiences with service providers and regional centers. This data should be supplemented with information about federal expectations and the perspectives of policymakers about their overall goals for the service system. State and national subject matter experts should then be consulted regarding designing payment systems that support the greater achievement of the desired outcomes at the individual, organizational, and systemic levels.
- Be informed by data elements that evolve with time and are systematically measured and tracked with a robust IT system. Once desired outcomes are identified, individual, organizational, and systemic achievement of them should be systematically measured using consistent and transparent data elements that are captured, analyzed, and reported in updated IT systems. As outcomes are identified that do not currently have strong data collection measures necessary for the administration for value-based payments, it may be necessary to use interim measures that approximate the information being sought (e.g., satisfaction rates).

Step 2: Develop a Problem Statement for the Priority (Where we are now)

Historic payment structures for service providers in California's developmental services system have been based on a fee-for-service model with payments made based almost exclusively on units of service provided. While service rates were initially tied to the cost-of-service provision, a variety of rate freezes and cost-control measures during the Great Recession led to significant gaps in between service expectations and reimbursement. A 2019 study revealed underfunding of service providers of \$1.8 billion annually and recommended connecting service rates to publicly available cost inputs. Beginning in 2022, rates were incrementally adjusted to begin aligning them with the study's recommendations with agreement that at full

implementation in 2025 a portion of the rate (10%) would be tied to each provider's service outcomes through the Quality Incentive Program.

Similarly, regional center operational funding has been based largely on a formula once tied to the anticipated state cost of performing the same functions, including service coordination, intake, resource development, and maximizing federal billing. In response to economic downturns in the state, the formula first stopped adjusting with anticipated state costs and then was further reduced as various cost containment measures. Upward adjustments have been made to provide funding for additional expectations and, especially in recent years, to support greater levels of service coordination, but the underlying formula has not been adjusted holistically. Regional center outcomes have been measured through non-monetary reporting known as the "Performance Contract" that addresses areas such as intake timeliness, living arrangements in small or homelike settings, employment rates for those served, and equity measures.

In the Fiscal Year 2021-22 Budget Trailer Bill Language ([AB 136](#)) there was agreement to begin aligning funding for both service providers and regional centers with outcomes through the Quality Incentive Program and Regional Center Performance Measures respectively. For each, a stakeholder committee was established to inform the development of priorities and financial incentives for each, in many cases based on data that was available or could be collected through minor augmentations of existing antiquated data systems. The history of existing funding structures and outcomes measures has resulted in the following:

- Underlying funding structures that are not adjusted with time to support sustainable delivery of expected services and outcomes.
- A variety of measures and incentives that focus on different measures of success. Regional center performance contract measures are non-monetary but allow for ready comparison across centers. Regional Center Performance Measures continue to evolve with each year of implementation and are a mixture of monetary incentives and non-monetary recognition. The Service provider Quality Incentive Program began as monetary incentives above the established rate for specific service outcomes in certain services and non-mandatory reporting but are now being used to allow service providers to achieve their full reimbursement rate.
- Unaligned measures and reporting that do not all contribute to the same, well-identified outcomes for those served by regional centers and their families.
- Incentive funding supported through withholding from rather than augmentation of base funding, which does not allow for the systematic rewarding of excellence for organizations or their workers.

Step 3: Identify the Root Causes of the Problem

The root causes of the problems include the following:

- Funding structures that became antiquated with time. As base funding for regional centers and service providers fell behind the cost of providing the expected services and supports, service capacity and the ability to provide expected person-centered supports to individuals served and their families diminished. Recent historic investments in the service system have begun to reverse this trend, but without commitment to updating funding in response to escalating costs continues to pose a challenge for long-term sustainability.
- A lack of cohesive outcomes expectations. There are a variety of performance expectations for both regional centers and service providers that are not well-coordinated, many of which are compliance based. Current performance measures and incentive structures are not based on comprehensive systemic goals with well-defined measurements that recognizes the role of each in supporting individuals and their families to achieve those outcomes.
- Antiquated data collection and IT systems. Current service performance and incentives are based on readily available or easily measurable data due in large part to the developmental services system's insufficient IT system.

Who is being left behind:

The current payment and incentive structure leaves behind many groups of individuals and families, including the following:

- People with higher-intensity support needs. Incentives that reward organizations for the number or percentage of people achieving a certain outcome (e.g., competitive integrated employment) may inadvertently leave behind those whose level of support needs are higher than others.
- People from communities that are more expensive to serve. This can include those in rural areas where insufficient demand for certain services does not support its development, people in high-cost urban areas with higher labor and real estate costs, and individuals with preferred languages other than spoken English given the higher labor and other costs associated with bilingual service delivery.

Step 4: Recommendations to Achieve the Goal

The establishment of payment and incentive structures that support sustainability, service availability, and systemic, organizational, and individual outcomes would be developed in five phases as follows:

1. Establish sustainable formulas and a funding commitment that support meeting expected standards and contributing to overall outcomes, including adjustments to base funding levels as cost inputs change.
2. Through a comprehensive and transparent stakeholder process supplemented by an analysis of federal and policymaker expectations, clearly define anticipated systemic outcomes.
3. Determine the role of each entity (e.g., DDS, regional center, service provider) in achieving the expected outcomes and develop coordinated measures to establish the relative success of each in carrying out its mandates. The developed measures must include the capacity to evaluate a variety of performance levels ranging from compliance with basic requirements to high-level performance.
4. Align incentive payments with high-quality performance to support innovation and strong individual outcomes that align with the priorities established in step #2. Make incentive payments when regional centers and providers meet high quality standards. Have consequences when they do not meet high quality standards.
5. Evaluate whether the needs of certain populations (e.g., geographic, linguistic, support needs intensity) require the establishment of differential funding or incentive structures to support their service access and achievement of outcomes at parity with others served, and if yes, develop funding models that better support them.

While the implementation phases above logically flow in sequence, there may be opportunities to address certain steps concurrently, such as the commitment to sustainable funding formulas in tandem with the establishment of comprehensive outcome expectations and measures.