Funding Supported Employment: Are There Better Ways?

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Abstract

This article describes different methods used by state Vocational Rehabilitation agencies to fund time limited supported employment services. Findings are reported from a survey of 385 vendored supported employment provider agencies regarding types of reimbursement method used, the influence of different types of methods on key consumer outcomes, and recommendations for improving funding systems. The findings consistently pointed to significantly more positive response of vendors to funding methods that incorporate negotiated rates at the individual provider level as compared to statewide fixed rates for all vendors. Statewide fixed hourly rates were found to discourage both conversion to community integrated employment opportunities and the reopening of supported employment cases after job loss. The same response pattern held true for respondents' perceptions of reimbursements covering the costs of services. Statewide rates for specified outcomes or for daily, weekly or monthly service units were found to cover the cost of services at levels significantly lower than the other funding methods.

Few Vocational Rehabilitation (VR) programs have grown as rapidly as supported employment, from fewer than 10,000 participants at the program's inception in 1986 to over 135,000 in 1995 (Wehman, Revell, & Kregel, 1997). To a substantial degree, this growth has been spurred by state systems change grants funded by the Rehabilitation Services Administration (RSA) under Title III of the Rehabilitation Act. The pur-pose of these grants was to modify existing service delivery systems for persons with severe disabilities to promote supported employment as an alternative to sheltered employment, work activity, and other segregated day programs (Wehman, 1989). States typically used these grants to build system capacities by increasing the number and competencies of vendored service providers, providing regional consultation services, and developing data management and program evaluation systems (West, Revell, & Wehman, 1992).

Supported employment is a VR service option designed for individuals who historically have not been given the opportunity to work competitively, or who have only worked inter-mittently in competitive settings, due to the severity of their disabilities (Federal Register, August 14, 1987). Supported employment com-bines time-limited training and adjustment services funded through the VR system, followed by ex-tended support services funded through another source (Wehman & Kregel, 1985). This collabora-tive support differentiates this option from other types of VR programs.

Identification of the most effective funding strategies for supported employment has long been an important issue for program administrators and advocates. Previous research on supported em-ployment funding has focused on two areas: **funding amounts and sources** (McGaughey, Kiernan, McNally, Gilmore, & Kieth, 1994; Revell, Wehman, Kregel, West, & Rayfield, 1994; Sale, Revell, West, & Kregel, 1992; Wehman & Revell, in press), and **cost-benefit analyses** of supported employment in relation to alternative programs (Baer, Simmons, Flexer, & Smith, 1995; Hill et al., 1987; Lewis, Johnson, Bruininks, & Kallsen, 1993; McCaughrin, Ellis, Rusch, & Heal, 1993).

With regard to the first area of research, funding for the program has increased dramatically since the program’s inception in 1986. For example, in 1986 federal and state VR agencies devoted approximately $1.3 million to supported employment agencies and consumers. In 1995, the total was over $133 million (Wehman et al., 1997). Perhaps most indicative of the program's impact on the vocational service system, funding from ex-tended services agencies has grown from $18 million in 1986 to over $366 million in 1995 (Wehman et al., 1997). Thus, each VR dollar leveraged an additional $2.75 from extended service funding agencies to provide ongoing support.

Benefit-cost studies, the second predomi-nant area of funding research, have tended to find that these expenditures are cost-beneficial to con-sumers and taxpayers in comparison to alternative programs (Baer et al., 1995; Lewis et al., 1993; McCaughrin et al., 1993; Thompson, Powers, & Houchard, 1992). The results of these analyses have generally shown that supported employment programs that focus on individual, as opposed to group, placement models improve consumer employment outcomes, cost less than other adult day programs, and generate savings for taxpayers.

Steps Involved in Developing Funding Mechanisms for Supported Employment

Funding agencies use a variety of approaches to purchase services. In the "time-limited" phase of supported employment, job development, place-ment, the arrangement of natural supports, and initial skill acquisition are generally funded through the VR system. After the individual has adjusted to the job setting, "extended services" are arranged and delivered through funds provided by another source, such as state mental health, mental retardation, and developmental disability agencies (Wehman & Kregel, 1985).

All approaches to funding time-limited services have three common elements. These com-ponents include: (1) defining the specific services, (2) defining the unit of service, and (3) establishing a cost for the defined service unit.

Defining services. Supported employment programs frequently provide community-based assessments; job development and placement services; job site training and support services necessary to assist the consumer to become stable in employment; related skill training and support that is integral to the individual’s employment success (e.g., transportation, money management, etc.); the identification and arrangement of natural supports both on and away from the work setting; and extended supports services for long-term job maintenance.

Defining service units. Once the services are identified, funding agencies can then define service units which subsequently form the basis for reimbursement. Service units are generally based on time, such as an hourly or daily unit of service, or based on a desired service outcome. For example, when conducting community based assessments for supported employment candidates, a local vendor of supported employment services can be reimbursed for the time involved in completing the assessment (time-based) or paid a flat fee based on the completed assessment (outcome-based).

Establishing a service unit cost. Once the unit of service is established, the final step is assigning a cost to the service unit. In funding approaches based on the amount of time the service is provided, costs are usually assigned on a fixed or negotiated basis. In a fixed rate system, the funding agency establishes a non-negotiable statewide fee level for all vendors of a specified service. In a negotiated rate system, the funding agency negotiates the fee rate for specified services with each vendor. Negotiated rates may be based on a specific cost formula established by the funding agency, or alternatively, through formal or informal discussions at a local/regional level between the prospective vendor and the funding agency.

In purchase of service systems using an outcome-based unit, the funding agency sets a fee for a series of services. For example, typical ser-vices and fees within the employment arena might include a community based assessment ($1,000), job development and placement ($1,500), and successful employment for a minimum of 90 days ($2,500). The vendor receives payment only if the service recipient successfully achieves a positive outcome from the service. These fee levels can be based on historical cost patterns or projected vendor budgets and can be heavily influenced by cost control efforts of the funding agency.

The previous section described the general process used by funding agencies to establish rates for services. This section will document how these principles have been applied in the funding of sup-ported employment services. Funding methods currently used by state agencies to fund time-limited services fall into three broad categories: fee for service agreements; contract or slot-based funding; and performance or outcome-based ap-proaches. Each of these will be briefly summarized below.

Fee for service agreements. In a fee for service agreement, the vendor receives payment of an agreed upon fee amount for the specific intervention time during which an employment specialist is engaged in providing services to a specified individual with a disability. This method breaks down the unit of service into small incre-ments, typically an hour, and tracks the length/ intensity of service provided to each participant.

Three fee for service alternatives are used by VR agencies. In the first, a statewide fixed hourly rate, the funding agency assigns a rate for a service to all vendors. The recent mean average fixed hourly rate, calculated from rates reported by 17 VR agencies nationwide, was $24.12 (Wehman et al., 1997). The second alternative, a negotiated hourly rate based on overall program costs, establishes a vendor specific rate with probable variations in the assigned rate from vendor to vendor based on differences in program costs and/or community level cost standards. The recent mean average negotiated hourly rate, calculated from rates reported by 25 VR agencies nationwide, was $31.47 (Wehman et al., 1997). The third alternative, negotiated hourly rates based on need and complexity of services, usually involves an effort by the funding agency to encourage vendors to respond to the needs of underserved persons by negotiating a higher hourly fee rate for the provision of comparatively more complex services. The same core service might carry different rates for persons with a severe and persistent mental illness or for persons who are considered severely mentally retarded.

Contract or slot based funding. Contract or slot-based agreements define a unit of service on a daily, weekly, monthly, or annual basis and make payments to the vendor based on participation by the individual with a disability in the service for that defined unit. In contrast to the hourly fee for service agreements, units of service in contract/slot based funding are not designed to specifically track intensity of services provided at an individual participant level. The contract/slot based approach funds services through agreements for services to a specified number of individuals in contrast to the individual participant service authorizations used with the hourly fee method.

Three types of contract/slot-based methods are used by VR agencies. The first, statewide fixed rate established for a daily, weekly or monthly unit of service, involves the funding agency establishing set rates used by all vendors of the same service. The second is negotiated rates where rates estab-lished with different vendors for the same service vary based on vendor costs and/or community level rate standards. The third is yearly contracts for a specified number of units of service or slots where the funding agency sets a contracted annual target service level with the vendor. For example, the funding agency might contract for ten supported employment slots with a vendor, and it is the vendor's responsibility to keep those slots filled with appropriate service recipients during the con-tract year. A second example involves the funding agency contracting for a specific number of successful supported employment placements. The vendor agency is then responsible for organizing its resources during the contract year for achieving these placements. Monthly payments are usually made to the vendor at 1/12th the annual contract amount, and this payment is not based on the specific levels of service or outcomes achieved for any one month.

Performance or outcome-based ap-proaches. In performance or outcome-based approaches, key service milestones are set with a payment level identified for each achieved mile-stone. Payments are made to the service vendor when the participant achieves each milestone. When a statewide fixed outcome rate is used, the funding agency defines the service outcomes and sets a specific fee for each outcome. In a nego-tiated outcome based approach, the funding agency might consider cost information from a vendor before finalizing a rate agreement. For example, a funding agency might establish a series of payment steps starting with assessment and goal setting and continuing through job placement, job retention for specified time periods, and finally successful movement to extended supported employment services for purposes of long term job maintenance. The funding agency would negotiate an overall reimbursement amount per individual who successfully completes the full series of out-comes. A series of payments would then be made to the vendor as the individual with a disability completes each of the defined outcome steps. These payments might be a set percentage of the overall amount, such as 15% for a successful assessment outcome or 20% for a successful job placement.

The type of funding mechanism used by state agencies to reimburse local provider organiza-tions for the delivery of supported employment services has more than just esoteric administrative implications. Wehman and Kregel (1995) have described a number of ways in which funding mechanisms can have a dramatic effect on the quality of supported employment services. For example, funding mechanisms may create in-equities in reimbursement rates between supported employment and facility-based vocational pro-grams such as activity centers and sheltered work-shops, making it less likely that agencies will convert segregated employment programs into inte-grated, community-based employment alternatives. Funding approaches that limit pre-placement activities such as person-centered planning and job development may unintentionally restrict consumer choice and self-determination. Similarly, funding mechanisms that fail to take into consideration the varying levels of support needed by individuals with disabilities may tend to exclude individuals with the most significant disabilities from partici-pation in the program. Finally, funding approaches that fail to take into consideration the post-place-ment support needs of individuals may unneces-sarily limit job mobility and career advancement.

The purpose of this article is to investigate current approaches used by state agencies to fund time-limited supported employment services from the perspective of local supported employment pro-vider agencies. Specifically, the results of in-depth telephone interviews with 386 local provider agencies in 40 states will be reported in terms of: (1) the types of funding arrangement most fre-quently used; (2) the relationship of various funding approaches to issues such as conversion, inclusion of individuals with the most significant disabilities, consumer choice and self-determina-tion, and career advancement, and (3) implications of findings for future efforts to improve supported employment time limited funding arrangements.

Participants

The survey participants were representatives of 385 randomly selected supported employment provider agencies located in 40 states. The mean supported employment caseload of responding agencies was 47.6 consumers. The mean supported employment staff size was 9.0, from a mean total agency staff size of 81.2. Additional characteristics of these agencies, their services, and consumers are presented in Table 1 below. Respondents were typically coordinators of the supported employ-ment program or executive directors of the agency.

Table 1

Characteristics of the Agencies Surveyed

1. Type of service catchment area:	
Urban	17.9%
Suburban	3.4%
Rural	38.8%
Mixed	39.8%
2. Disability groups served:	
Single disability group	32.5%
Multiple disability groups	67.5%
3. Specific disability groups served (agencies serving single groups only):	
Mental retardation	69.9%
Mental illness	23.6%
Other disabilities	6.5%
4. Supported employment service models utilized:	
Individual placement only	50.4%
Group placement only	1.3%
Individual and group placement	48.3%

Instrumentation

The data for this investigation were collected through the National Supported Employment Provider Survey conducted by the Rehabilitation Research and Training Center on Supported Employment at Virginia Commonwealth Uni-versity (VCU-RRTC). The National Provider Survey was developed by the VCU-RRTC to elicit information via telephone on a number of issues pertaining to supported employment service delivery, such as unserved and underserved popu-lations, use of natural supports, time-limited and extended services methods and funding, and use of Social Security Work Incentives.

The National Provider Survey was devel-oped through multiple levels of item submission and review both internally and externally. The sec-tion of the survey dealing with time limited funding provided eight options for specifying the type of primary funding method and an other option for unique funding methods. A pilot version of the National Provider Survey was administered by tele-phone to representatives of 10 supported employ-ment agencies in Virginia, who then assessed face validity and response difficulty for the items.

Procedure

Sample selection. The survey sample was drawn from the population of providers of supported employment services as defined and funded under Title VI(C) of the Rehabilitation Act. State VR agency staff responsible for their respective state supported employment programs were contacted and requested to provide a current list of public and private agencies vendored for supported employ-ment services in accordance with applicable state and federal VR regulations and policies. These lists were reviewed to insure that they were of recent origin and appeared to contain only names of providers of supported employment. Follow-up contacts for clarification were made for state lists that failed to meet these criteria. A total of 40 usable vendor lists were obtained for sampling. The survey sample was completed through random selection with substitution. An average of 20% of confirmed providers were sampled, with sample sizes within a state ranging from a minimum sample of 10% to a maximum sample of 25%.

Telephone surveys. Because of the exten-sive nature of the survey, telephone surveys were conducted over the course of approximately eight months by eight telephone interviewers. A survey script was developed that provided a consistent method for interviewers to identify appropriate respondents to the various minisurveys and lead respondents through the multiple sections. Most surveys required several telephone contacts to schedule and complete, with total survey time averaging approximately 45 minutes.

Data analysis. Quantitative data were aggregated using database and statistical software. Data analysis included computation of descriptive statistics (means and frequencies) and chi-square analyses. Responses to open-ended items were analyzed and interpreted qualitatively through inductive content analysis and analyst-constructed typologies (Patton, 1990).

Of the 385 agencies participating in this study, 315 (81.8%) were vendored to provide time-limited supported employment services, and pro-vided data for subsequent survey items. Although state VR agencies are the primary funding source for services, some vendors receive funding for time limited services from other state and local agencies.

Use of Funding Methods by Vendors of Time Limited Services

Representatives of the 315 agencies vendored to provided time limited services were asked to iden-tify the primary funding category through which each received funding. A summary of their responses is presented in Table 2. Among the three general funding categories for time limited service, fee for service agreements using hourly rates were most frequently reported (47.7%), followed by contract/slot based agreements using a daily or more extended time frame (27.2%), and outcome/ performance based agreements (14.3%). Other funding agreements were used by 10.8% of the sample. These other funding alternatives usually involved short term start-up grants used to help establish a vendorship, not sustain it.

Each of these three general categories of funding agreements encompassed a variety of specific funding methods. A key factor in the variation among funding methods is whether

Table 2

Primary Categories of Purchase of Service Agreements Used by Respon-dents Time Limited Services (N = 315)

Funding Category	**Percent of Agencies**
Category I. Fee for Service Agreements	47.7%
Category II. Contract/Slot Based Agree-ment	27.2%

Category III. Outcome/ Performance Based Funding Agreements	14.3%
Category IV. Other Funding Method	10.8%

payment rates were fixed or negotiated. Presented with nine specific funding alternatives, survey respondents were asked to identify the primary funding method used in securing payment for the provision of time limited supported employment services. Response rate on use of each follows.

Fee for service agreements. Table 3 on the following page presents the percent of the 150 respondents who picked one of the three fee for service alternatives as their primary funding method. Use of statewide fixed hourly rates (46.0%) was most frequently reported, followed by negotiated hourly rates based on overall program costs (36.7%). Negotiated hourly rates based on the expected complexity of employment services needed by identified groups or individuals was the least frequently used (17.3%) fee for service funding method.

Contract/slot-based funding. Table 4 on the following page shows the percent of 86 respon-dents who picked one of the three contract/slot based alternatives as their primary funding method. From this group, use of yearly contracts for a specified # of units (61.6%) was the most frequently reported contract/slot based funding method and was the third most frequently reported among the overall nine funding methods. Nego-tiated (23.3%) and statewide fixed (15.1%) rates were reported used with much less frequency.

Table 3

Use of Fee for Service Agreements as the Primary Funding Method for Time Limited Services (N = 150)

Fee for Service Funding Alternatives	Percent of Agencies
1. Statewide fixed hourly rate for all agencies in state.	46.0%
2. Negotiated hourly rate based on overall program cost.	36.7%
3. Negotiated hourly rate allowing different fees across disability groups or individuals based on complexity of employment service needed.	17.3%

Table 4

Use of Contract/Slot Based Agreements as the Primary Funding Method for Time Limited Services

(N = 86)

Contract/Slot Based Funding Alternatives	Percent of Agencies
4. Statewide daily, weekly, or monthly rate.	15.1%

5. Negotiated daily, weekly, or monthly rate.	23.3%
6. Yearly contract for specified # of units.	61.6%

Outcome/performance-based funding agreements. Forty-five respondents (14.4%) re-ported outcome/ performance based funding as their primary funding method. Of these, a nego-tiated outcome based funding method was reported by 32 (71.1%) of the respondents, while only 13 (28.9%) reported use of a state fixed rate outcome based method.

Impact of Funding Method on Services

To study the potential impacts of different funding methods on the delivery, quality and outcomes of supported employment services, respondents were asked a series of questions on key service delivery and program management areas. Responses from vendors indicating primary use of the other funding method category are not reported here. These methods were frequently used for start-up funding, and the temporary nature of this funding approach made it inconsistent with the funding methods included for analysis.

Eight follow-up questions were used to assess the potential impact of funding method on time limited services in two key areas. The first set of questions sought information on the extent to which type of funding method discouraged vendors from utilizing the following proactive service strategies: (1) serving persons with the most severe disabilities; (2) basing services on consumers' needs; (3) basing services on consumer choice; and (4) reopening cases when someone loses a job. The second set of questions addressed the impact of type of funding on key program management areas: (1) movement of individuals from segregated services to community based employment; (2) establishment of quotas by the funding agency for the number of persons placed or closed; (3) pres-sure by the funding agency for the vendor to close cases quickly to control costs; and (4) the extent to which reimbursements cover the vendors' costs.

Table 5 on the following page presents the overall rate of YES responses across all funding methods to each of these eight questions. On the key question regarding cost of providing services, 51.1% of the respondents indicated that current reimbursement method adequately covered costs of services. The YES responses for the other seven questions ranged from 22.6% on funding method discouraging basing services on consumer choice to 39.6% for discouraging movement of individuals from segregated services to community based employment. These response rates indicate a general belief by these vendors that type of funding method can place negative impositions on the delivery and management of time-limited services. Chi-square tests found statistically significant differentiation among the funding methods for four of the eight questions. Responses by specific funding method for these four questions are summarized in Table 6 on the following page.

Table 5

Impact of Funding Method on the Delivery and Management of Time Limited Services

Impact of Primary Funding Method	**Overall YES Response**
Discourages serving persons with the most severe disabilities	32.9%
Discourages basing services on con-sumers' needs.	32.8%
Discourages basing services on con-sumer choice.	22.6%
Discourages reopening cases when someone loses a job.	31.1%
Discourages movement of individuals from segregated services to com-munity-based employment.	39.6%
Sets quota for the number of persons placed or closed.	34.7%
Pressures program to close cases quickly to control costs.	27.5%
Reimbursements adequately cover costs of services.	51.1%

Discouraging movement from segregated services to community-based employment. Suc-cess in converting resources from segregated services to community integrated opportunities is a critical measure of the proactive responsiveness of supported employment services. Of the 315 respondents that provided time limited services, the 225 that operated programs offering segregated services responded to this question. Providers funded by a statewide fixed hourly rate indicated that this funding method discouraged movement from segregated services to community based employment at a significantly higher rate (57.1%) than other funding methods. In comparison, the negotiated rate per specified outcome method discouraged resource reallocation at a significantly lower rate (14.3%) than other funding methods and was therefore supportive of conversion.

Discouraging reopening cases following job loss. Supported employment is targeted to individuals with the most significant disabilities who have not been employed or have been em-ployed only intermittently in the competitive labor force. Supported employees as a group have limited job experience, and job loss will occur for some of them. Vendors of supported employment services need to be in a position to respond to job loss by reinitiating services. Providers funded by a statewide fixed hourly rate indicated that this funding method discouraged reopening cases of supported employees after job loss at a signifi-cantly higher rate (42.0%) than other funding methods. In comparison, the negotiated rate per specified outcome method discouraged reopening cases at a significantly lower rate (12.9%) and was perceived as most responsive of all funding methods for re-opening cases following job loss.

Establishing quotas. The establishment of placement quotas by funding agencies is frequently a responsible effort to match expected outcomes to planned expenditures. However, quotas can also limit the flexibility of vendor staff to provide the intensity of services required by each individual and can therefore potentially reduce the quality of services. Providers funded by yearly contracts for specified units linked this funding method to the establishment of quotas at a significantly higher rate (54.7%) than other funding methods.

Table 6

Impact of Funding Method on Program Management in the Delivery of Time Limited Services

Type of Funding Method	Discourages movement from segregrated services to community-based employment	Discourages reopening cases when someone loses a job	Sets quotas for the number of individuals expected to be placed or closed by program	Reimbursement is adequately cover costs of services
Statewide fixed hourly rate	57.1%	42.0%	25.0%	50.0%
Negotiated hourly rate based on over-all program cost	36.8%	37.0%	30.9%	48.2%
Negotiated hourly rate based on com-plexity of services	26.2%	19.2%	30.7%	65.4%
Statewide daily, weekly, or monthly rate	58.3%	38.5%	8.3%	15.4%

Negotiated daily, weekly, or monthly rate	33.3%	21.1%	20.0%	60.0%
Yearly contract for specified # of units	43.3%	22.7%	54.7%	39.6%
Statewide rate per specified outcome	57.1%	30.8%	41.7%	25.0%
Negotiated rate per specified outcome	14.3%	12.9%	50.0%	68.7%
F Score for re-sponses	19.00*	15.62*	21.89**	22.87**

* $p < .05$ ** $p < .01$

Extent to which reimbursements ade-quately cover costs. Funding methods that do not adequately cover costs restrict the quality and intensity of services. Over two-thirds (68.7%) of the vendors funded through negotiated rates per specified outcome indicated that this method provided reimbursements that adequately covered costs. This response rate was significantly higher than the response levels for other funding methods.

In comparison, only 15.4% of the vendors funded by statewide fixed daily, weekly or monthly rates and 25.0% of those funded by statewide rates per specified outcomes indicated that these methods adequately covered costs.

Recommendations for changes in time-limited funding methods. Each respondent was also asked to identify up to three changes or recommendations they would make to their state VR agency regarding funding that would improve service delivery. Responses were not differentiated among the specific funding methods. The most frequently indicated areas were: open up more funding for time limited services (18.7%); more agency control over use of funds (16.8%); increase fee-for-service rate (14.6%); change reimbursement method (11.4%); and speed up reimbursement process (10.5%). These responses reflect the perceived need for additional funding options for time limited services, a need for higher reimburse-ment levels for services provided, and a desire for the funding agency to be more flexible and responsive in funding of time limited services.

This study investigated the potential impact of type of funding method on the delivery and management of time limited supported employ-ment services. This topic has important impli-cations for public policy and funding related to employment opportunities for persons with disabilities. With regards to public policy, the Rehabilitation Act Amendments of 1986 and 1992 position supported employment services specifically to assist persons with the most severe disabilities who have been underserved or unsuc-cessfully served in community integrated compe-titive employment through traditional VR services. This legislation complements the Americans with Disabilities Act (PL 101-

336) in articulating a national disability policy to support community integration by stating that all persons with disabilities are presumed to be able to work with the availability of individualized services and supports. Administrative agencies have a responsi-bility to assure the quality and responsiveness of supported employment services to persons with the most significant disabilities.

In terms of public funding, state VR agencies are using increasing amounts of Title VI(C) and general case service funds for supported employment consumers and services (Sale, West, Revell, & Kregel, 1992; Wehman et al., 1997). The RSA has reported that state VR agencies closed 13,950 individuals successfully in supported employment in Fiscal Year 1994, representing 7.4% of all successful VR closures for that year, at a mean average expenditure of $4,763 in VR funds per person (U.S. Dept. of Education, 1996). The provision of supported employment services now involves a substantial and growing expenditure of public funds for a steadily expanding population.

The range of responses on the primary funding method study question is clear evidence that funding agencies use a variety of payment arrangements to reimburse vendors of time limited services. The findings of this survey confirm that use of an hourly fee for service rate is the predominant method of funding time-limited sup-ported employment services, reported by almost half (47.7%) of all respondents. Within this group, better than half (54%) were able to negotiate rates based on provider, community, or consumer characteristics. The majority (71.1%) of those providers funded under outcome or performance-based funding were also able to negotiate rates. However, less than one-fourth (23.3%) of agencies using contract or slot-based funding were able to negotiate rates, suggesting that these types of systems tend to use a top-down approach which does not allow vendors to influence rates to any substantial degree.

A significant and disconcerting finding from this survey is that almost half of all respondents believed that reimbursements for time-limited services did not cover their costs. Vendors are unlikely to voluntarily expand a service which they believe is underfunded and requires them to operate at a loss, regardless of benefits to con-sumers. Thus, supported employment staffing and consumers remain small in comparison to segregated, facility-based services where costs can be more readily controlled. This supposition is borne out by surveys of vendors and state agencies which indicate that the majority of consumers receiving extended employment services are served in sheltered employment and day activity pro-grams, with only 15-20% served in supported employment (McGaughey, Kiernan, McNally, & Gilmore, 1993; McGaughey, Kiernan, McNally, Gilmore, & Keith, 1995). When service access is limited in this manner, the right of consumers to choose supported employment as their service option is abrogated and efforts at systems change are impeded (Mank, 1994; West, 1995).

Is there evidence that the type of funding method utilized to secure time limited supported employment services can make a significant differ-ence in the quality and responsiveness of services? The findings consistently point to the significantly more positive response of vendors to funding methods that incorporate negotiable rate levels at the individual provider level as compared to estab-lishing statewide fixed rates for all vendors. The statewide fixed hourly rate is the funding method used most by agencies purchasing time limited sup-ported employment services. Statewide fixed hourly rates were found to discourage both conversion to community integrated employment opportunities and reopening of supported employ-ment cases after job loss at a level significantly higher than other funding methods analyzed. In comparison, negotiated rates for specified out-comes discouraged conversion and reopening cases at a level significantly lower than other funding methods. Within each of the three funding cate-gories, the statewide fixed rate options were viewed more negative in terms of conversion and reopening cases as compared to the negotiated rate option.

The same response pattern held true for the question on reimbursements covering the costs of services. Statewide rates for specified outcomes or for daily, weekly or monthly service units were both found to cover the cost of services at levels significantly lower than the other funding methods. Reimbursements through negotiated rates for specified outcome were seen by vendors to ade-quately cover costs at a level significantly higher than the other methods. As a group, the negotiated rates options were viewed more positively by vendors across the funding categories in terms of covering costs than the statewide fixed rate options.

There are a number of apparent reasons why negotiated rate options appear to be viewed by vendors as more responsive than statewide fixed rate options. The first is reimbursement level. As reported earlier in these study, the mean national negotiated hourly rate in FY 1995 was $31.47 as compared to $24.12 for statewide fixed hourly rates. A flexible rate structure based on an accurate consideration of service costs allows for the unique nature of a provider and its participant pool to be taken into account. Negotiated rates give consider-ation to differences across providers and commun-ities, such as the scope of services provided under the hourly rate, staff expertise, past success rates, problems encountered in serving consumers in rural areas, or other factors. Negotiated rates also allow for consideration of differences in costs in serving different groups of individuals. A provider might be drawing its population from a group of individuals currently in a segregated activity center who have limited or no competitive work exposure, or from those with very severe physical or cogni-tive disabilities. The support needs to assist these individuals move to community-based employment are relatively intense.

The second reason negotiated rates may be viewed favorably is flexibility and responsiveness toward vendors. Negotiated rate funding methods create an incentive for providers to serve persons with more challenging employment service needs and respond to individual needs, including replace-ment after job loss. Again, the rate negotiation process gives credence to the service, population, and cost history and projections for each provider. The vendor is not forced to move its program towards the outcomes achievable through a one-size-fits-all rate that is not truly reflective of the real costs of any specific agency. Instead, negoti-ated rates can positively address issues challenging the quality and growth of supported employment. The third reason is consumer responsive-ness. Confidence that service costs will be reim-bursed at an adequate level allows the provider to support self-advocacy efforts by the individual with a disability in exploring a range of job interests and taking a larger role in job and career decisions.

The potential impact of findings on state and national policies is clear and unambiguous. For supported employment and other competitive employment options to supplant segregation as the option of choice for persons with severe disa-bilities, agencies which provide these services must be reimbursed at levels which adequately account for service costs, including provider- and con-sumer-level variables and risks. When providers are able to negotiate with funding agencies, those variables can be more readily taken into account.

Another crucial policy issue is access to services for those with the most severe disabilities with presumably more complex support needs. Although this group is the target population of the supported employment program, they are often underrepresented (Revell et al., 1994; Wehman & Kregel, 1995). The findings of this investigation indicate that vendors who are able to negotiate rates have more financial incentive to include members of this group in their service populations. Thus, flexible reimbursement schedules based on consumer characteristics can be a positive strategy for achieving this critical mission of the program.

This study is an initial effort to analyze the impact of funding methods on the delivery and management of supported employment services. It presents information limited to views of providers of time limited supported employment services and does not present comparable information from funding agencies, VR counselors, or recipients of these services. More in depth definition of specific funding methods and their application is needed as well as analysis of cost and outcome information related to each.

Although the primary focus of the study was to survey agencies funded for time-limited services through state VR agencies, the findings have relevance for those funded through other means. For example, increasing numbers of agencies are receiving public and private funds for supported employment through Medicaid Home and Community-Based Waivers, worker's compen-sation and disability insurance, educational authorities, or other means. A logical assumption is that the same relationships between funding method and service quality would apply in those situations as well.

This study points towards clear patterns indicating that negotiated rate funding methods are more responsive to vendor efforts to convert re-sources, offer needed services to targeted popu-lations, and recover service costs. Negotiated rates are therefore a prime strategy in two key policy arenas: First, for promoting conversion of staff and other resources from segregated vocational programs to community-based employment; and second, for insuring consistent and successful implementation of the Rehabilitation Act with regards to consumer choice and self-determination, and competitive employment as a viable option for all.

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