Options for Getting Purchasing Power into the Hands of Participants: Lessons from Participant Direction Programs

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The Community Living Assistance Services and Supports (CLASS) Plan – a groundbreaking component of the Affordable Care Act – creates a voluntary federally-administered insurance program to help individuals pay for needed assistance in a place they call home if they become functionally limited. Implementation will require knowledge translation from various sectors, including research and existing public and private programs. This Technical Assistance Brief Series seeks to answer questions pertinent to developing and implementing the program.

This brief describes the use of cash, debit cards and third party payers in various participant-directed programs and suggests how these findings can inform the design and implementation of the CLASS Plan.

Introduction and an Overview of Participant Direction

Individuals receiving benefits through the CLASS Plan will have a Life Independence Account, which will hold their authorized monthly benefit amount. This account can be accessed by the individual to purchase non-medical goods and services that support the person's independence at home or in another community-based residential setting. While specific rules and regulations have not determined how beneficiaries will access their Life Independence Account, the law states that they will have the option to use a debit card connected to their Life Independence Account.[1]

Parallels exist between the CLASS Plan and participant-directed home and community-based services offered to public program beneficiaries under the Cash and Counseling budget authority system.[i] Participant direction (also called self direction or consumer direction) empowers public program participants and their families by expanding their degree of choice and control over the long-term services and supports that they need to live at home. Participant direction programs have a rich history of program participants utilizing an authorized benefit amount to hire personal care assistants and select and purchase goods and non-employee services. These programs have grappled with identifying the best methods to support such purchases, including providing program participants with cash, issuing payments through a neutral third party, and providing a debit card for purchases. While these mechanisms tend to be used with low-income populations, the instruction is transferable beyond this demographic, including to the one served by CLASS. Experiences with payment mechanisms from public participant-directed programs can help inform implementation of CLASS.

[i] For additional information, see The SCAN Foundation's CLASS Technical Assistance Series Brief #8: ("How did Cash and Counseling Participants Spend Their Budgets, and Why Does That Matter for CLASS?").

Cash: The Cash and Counseling Experience

> **"The 2006 evaluation of the ICP found high satisfaction levels across participants, caregivers, and case managers, including improved quality of life and increased health and wellness for participants. Participants did report difficulty with the tax and recordkeeping requirements and the evaluation recommendations reported that many participants would prefer not to be responsible for those requirements."**

Cash and Counseling is one of the most flexible existing models of participant-direction, and offers participants budget authority with an individualized budget comparable in amount to what the individual would otherwise receive through state Medicaid services. Program participants develop a spending plan for administering the budget, and can use it to hire workers to provide personal assistance and/or to purchase other non-employee goods and services. This model was tested in three state Medicaid programs (Arkansas, Florida, and New Jersey) in the Cash and Counseling Demonstration and Evaluation (CCDE).[2]

During development of the Cash and Counseling program and throughout the program's pilot period, program designers sought to structure the program to provide meaningful choice and control to program participants, ensure service quality, provide program participants with ample support to maximize the program benefit, and monitor use of funds to avoid fraud and abuse. Early research on program participant preferences shaped the initial and ongoing development of the program. University of Maryland Center on Aging researchers conducted a three-part "preference study," and findings showed that 43% of prospective participants across age and disability levels wanted increased control over and choice of services that a "cashed out" benefit might offer.[3] "Cashed out" refers to converting a public program participant's need-based service authorization from a number of units of a particular type of care to the actual dollar value of those units. The participant can then determine, within parameters, how that dollar value is used to support the participant's independence.

When prospective program participants were asked if they wanted help or training with key fiscal and employer tasks, including issuing payments, managing worker payroll, deciding worker pay, and performing worker background checks, the vast majority of participants (76%) across all age and disability groups wanted assistance.[3] Once the program was operational and participants had to decide if they wanted the support of a Financial Management Services (FMS) provider, over 95% chose to use the FMS provider.[4]

To aid Cash and Counseling demonstration participants in using a cash benefit and assure that they were equipped to manage the requisite responsibilities, program designers offered two options: 1) neutral, third party, professional FMS, or 2) a training curriculum and readiness test for individuals who wanted to manage their own cash benefit. In concept, those interested in managing their cashed–out benefit would complete a user-friendly curriculum and take an open book "test" to show that they were prepared to maintain compliance with labor laws and appropriately manage tax requirements. If participants passed, they would proceed to manage their cashed out program benefit.[6] This approach yielded unintended results in that participants overwhelmingly chose the third party FMS and very few took the readiness test.[4] Ultimately, participants almost

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never handled cash advanced from their individual budgets, yet participants maintained choice of and control over their services. As there were so few people interested in managing their own cash benefit, states discontinued the first option. The curriculum originally designed for participants was adapted for organizations interested in providing third party FMS for the programs.

The Oregon Independent Choices program (ICP), which started as a Robert Wood Johnson Foundation supported pilot program under a Medicaid 1115 waiver, pays the entirety of the cash allowance benefit directly to enrolled participants. The ICP cash payments are electronically direct-deposited into program participants' own dedicated bank accounts, which are solely for ICP funds. Every six months each participant's case manager conducts a financial review separate from the regularly scheduled, annual needs assessment/reassessment. The case manager asks to see receipts, check registers for evidence of worker paychecks, and documentation that applicable payroll taxes were filed. Program participants may handle all of their own financial transactions, including paying applicable taxes for workers or they can access their cash benefits to pay for private accounting or tax preparation services. The 2006 evaluation of the ICP found high satisfaction levels across participants, caregivers, and case managers, including improved quality of life and increased health and wellness for participants. Participants did report difficulty with the tax and recordkeeping requirements and the evaluation recommendations reported that many participants would prefer not to be responsible for those requirements.[5]

In Massachusetts, the Executive Office of Elder Affairs administers a participant-directed Personal Care Attendant program for Medicaid state plan eligible elders to directly hire their own attendants. Operational for over a decade, this program offers program participants the option of using the services of an FMS to support payroll processing and employer administrative responsibilities or performing such responsibilities themselves. Those participants that choose to manage administrative responsibilities themselves must provide records for review quarterly. Of the 19,000 program participants in 2010, less than 1% chose to perform the payroll and employer administrative responsibilities themselves.[7]

Participant Use of the Individual Budget

Over 5,500 elderly and adult Medicaid individuals in Arkansas, Florida and New Jersey participated in the Cash and Counseling Demonstration and Evaluation (CCDE). Findings suggest that program participants place great value on having flexibility in the purchases they make with their individual budgets.[8] While hiring employees to provide personal assistance services is a common use of budget funds, equipment, goods, and non-employee services are also purchased to both substitute and complement human assistance. In the CCDE, about 25% of participants' budgets were used to purchase non-employee goods and services.[2]

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Participants report getting more for their money when they have control of how their budget is allocated. This is often achieved by comparison shopping and buying used goods. Participants have reported a desire to purchase goods they have found on the internet. Internet shopping facilitates efficient cost comparisons even across geographical areas, while allowing individuals to shop without leaving their homes.[9, ii]

Purchase of Goods and Services under Exceptional Circumstances

While the establishment of parameters of allowed goods and services in a participant direction program is valuable for efficiency, fraud prevention, and clarity, in some cases exceptions can be cost efficient and beneficial for participant quality of life. Unconventional goods have proven to be highly effective purchases under certain circumstances. For example, one individual with intellectual disabilities benefited from being outside at home, but was not safe from wandering into the street near his house. Rather than purchase more Personal Care Attendant time to watch the individual outside, the individual and his circle of support elected to utilize his budget to install a fence around the yard, thereby allowing outdoor activity and minimizing the risk of the individual wandering into the street. This purchase was only possible due to the program's adaptability on a case-by-case basis. Home improvements of this nature are generally not permitted in the program; however, by allowing an exception in this instance it proved to be life-changing and cost effective.[10]

Financial Management Services: Processes, Successes, and Limitations

In participant-directed programs, an FMS is almost always used to support financial accountability of participants' budget use and to aid in employment and payment issues, including hiring workers and payroll.[iii] FMS providers are responsible for monitoring participants' budgets to ensure that only approved items are paid for and in the amount approved. The FMS provider may perform a variety of administrative tasks to allow the participant to focus on his or her services and supports, while assuring compliance with recordkeeping, tax, and employment rules and regulations.

The use of FMS impacts the process used by participants to procure non-employee goods and services in participant-directed programs. The procedure most often carried out is a Requisition Process, outlined below:

[ii] For additional information, see The SCAN Foundation's CLASS Technical Assistance Series Brief #8: ("How did Cash and Counseling Participants Spend Their Budgets, and Why Does That Matter for CLASS?").

[iii] For additional information, see The SCAN Foundation's CLASS Technical Assistance Series Brief #10: ("Financial Management Services in Participant Direction Programs").

Requisition Process

1. Good or service is listed in participant's approved spending plan
2. Participant identifies desired good or service, including location from which to procure good or service
3. Participant submits a request to FMS to purchase desired, identified good or service
4. FMS verifies that participant's spending plan approves the good or service and that the budget includes sufficient funds to cover it
5. FMS issues check to seller of good or service
    a. FMS may mail check to participant and participant takes check to seller to pay for and obtain good or service
    b. FMS may mail check to seller of good or service directly

While the Requisition Process has worked well for many participant goods and services purchases, it is decidedly limited. One of the most prevalent issues with this process is retailers' inability to accept a check from a third party.[11] This is a routine occurrence when participants identify goods at large, corporate retailers, such as Wal-Mart©, The Home Depot© and Walgreens©. For participants in some geographic areas, such "Big Box" stores are the only non-internet or mail order options for buying certain goods. Additionally, prohibition of purchase from certain stores constrains participants' ability to effectively comparison shop.

Another frequently reported issue with the Requisition Process is that it generally prohibits participants from making internet purchases. A participant may find a great price on bulk incontinence supplies on eBay©, but eBay© cannot be paid by check from the FMS provider. This example suggests another issue with the Requisition Process: on-demand purchases (purchases that require fast access to funds) generally cannot be made. The time required for the participant to request the funds from the FMS and the FMS to verify that the request should be fulfilled and then write and mail the check can be prohibitive. In the eBay© example, after the time has passed to accommodate the Requisition Process, the bargain price on bulk products such as Depends© may not be available. Transportation issues are especially detrimental under the Requisition Process because transportation is regularly required without much notice, or provided in such a way that it is difficult to predict the final cost and request a check in an amount to cover that cost in advance (e.g., taxi fare).

In the CCDE, 10% of the budget in Arkansas and New Jersey and up to 20% in Florida could be used by the participant for on-demand expenses and would be reimbursed via the Reimbursement Process.[12] Nine months into the program, between 32% and 59% of participants reported making an on-demand purchase in the previous month.[2]

Cash disbursements to program participants to make purchases are less frequent. This is largely due to Medicaid

"With The Kent Card, participants' monthly benefit amounts (in part or in whole) are directly loaded onto a Visa debit card. Kent County provides a list of home care agency and non-medical goods and services vendors that are capable of processing program payments with The Kent Card."

rules for most waivers prohibiting cash disbursement and, in non-Medicaid programs, general policy concerns about monitoring participant purchases when advancements of cash occur. When cash is used, it most often takes the form of a participant being reimbursed. This is called the Reimbursement Process, and is outlined below.

Reimbursement Process

1. Good or service is listed in participant's approved spending plan
2. Participant identifies desired good or service, including location from which to procure it
3. Participant uses own money to purchase good or service
4. Participant submits receipt for good or service to FMS for reimbursement
5. FMS verifies that participant's spending plan approves such good or service and that budget includes sufficient funds to cover it.
6. FMS issues check to participant as reimbursement

The Reimbursement Process is nearly as imperfect as the Requisition Process. First, it relies on the participant having the money to purchase the good or service, and to be able to be without that money until the FMS provides reimbursement. For many program participants, this is impossible because their financial resources are such that they do not have funds to purchase items and wait for reimbursement. Second, the participant is at risk of making the purchase and not being reimbursed; since the purchase may be made without the FMS verifying that funds exist in the participant's budget to cover the good or service, if funds do not exist to cover the good or service, the participant will not be reimbursed.

Debit Cards and Participant Direction

Program administrators hypothesize that many of the challenges described above could be alleviated by a properly implemented debit card arrangement. Over the past 5 years, in an effort to reduce these complications, participant direction programs have explored the use of debit cards for participant goods and services purchases.

In Kent County, England's "Direct Payments" program (a program similar to the Cash and Counseling program, but providing less support to participants for financial management and less oversight on how funds are used), a debit card procedure has been implemented called The Kent Card.[13] With The Kent Card, participants' monthly benefit amounts (in part or in whole) are directly loaded onto a Visa debit card. Kent County provides a list of home care agency and non-medical goods and services vendors that are capable of processing program payments with The Kent Card. Program participants, however, are not limited to using those vendors but rather can use any vendor that can process Visa card payments. The Kent Card has been adopted enthusiastically by Direct Payments program participants. One important design feature of The Kent Card approach is that it does not have any proactive controls to manage purchases made. That is, The Kent Card can be used anywhere Visa is accepted, and the card does not prevent any types of purchases (e.g., those at liquor stores, casinos). Kent Card users must track their expenditures and make them available for program administrator review with presumably a penalty for improper expenditures. The key point, however, is that improper expenditures are not *prevented* by The Kent Card.

"'Transition funds' can be loaded to a debit card to be used for security deposits, utility connections, and household items. The debit card is never permitted to be used by the program participant, but rather is used by his or her care manager at the program participant's direction."

Debit cards have also been used in Illinois' Division of Mental Health Permanent Supportive Housing Bridge Subsidy Initiative, a program that supports individuals to establish decent, safe, and affordable permanent rental housing of their choice in the community. In this program, "transition funds" can be loaded to a debit card to be used for security deposits, utility connections, and household items. The debit card is never permitted to be used by the program participant, but rather is used by his or her care manager at the program participant's direction. Prior to using the debit card, a requisition must be submitted (see the above description of the Requisition Process) to the program administrator for approval. Following purchase with the debit card, the care manager must submit the receipt to the program administrator. Like Kent County, system controls do not exist on the debit card to prevent improper use of the card at the point of sale, and the process to monitor what is purchased with the card is through administrative review.

Given these challenges above, debit card use has not gained meaningful acceptance in participant direction programs.[14] However, significant interest in using debit cards remains; participant direction programs across the nation have explored using debit cards, but ultimately few have implemented them. At a 2009 conference on FMS in participant direction, a session on debit cards was one of the most highly attended of the conference. In the Veteran-Directed Home and Community Based Services program, a program for veterans modeled after Cash and Counseling, sites must pass a "Readiness Review" prior to serving veterans. Most sites report an interest in using debit cards for veteran non-medical purchases, but lack information on how to implement a debit card structure with requisite controls on allowed purchases.[15]

Considerations for CLASS Plan Design and Implementation

In developing the CLASS program, mechanisms used in participant direction programs can inform the use of debit cards, cash, and third party payers to maximize benefits while minimizing drawbacks. We recommend that program designers consider the following:

- Allow beneficiaries to access limited cash from their Life Independence Account using a debit card and an ATM machine.
    - The debit card could be programmed to prohibit a withdrawal of more than the standard allowed amount per month.

    - Participants could use cash for on-demand and incidental purchases and be required to keep receipts, but to minimize administrative burden, receipts would not be submitted to an FMS provider. In the case of an audit, a beneficiary may be asked to make receipts for cash purchases available for review.
- Develop an infrastructure similar to that used with Flexible Spending Accounts (FSA) for debit card use.[iv]
    - Beneficiaries could access their Life Independence Account at the Point of Sale using their debit cards.
    - At the Point of Sale, the card issuer will receive an authorization request and will compare the request to the Merchant Category Code to substantiate that the items purchased contain a code permitted for purchase in the CLASS program. Any items requested for purchase that do not hold a Merchant Category Code approved for purchase in CLASS will be denied at the point of sale.
- An FMS provider manages the participant's total spending plan and makes the majority of payments to employees.
    - An FMS provider ensures that the participant's spending plan, including that planned to be purchased by debit card, through an FMS payment or through some other payment mechanism, is adhered to.[v]
    - An FMS provider makes all payments to beneficiaries' employees to ensure that labor laws are adhered to, and to manage all payroll, tax and insurance withholding, filing and payment requirements on beneficiaries' behalves.
- Using either a Requisition Process or Reimbursement Process, an FMS provider substantiates purchases and makes payments for purchases made from sellers without a debit card capacity.
- Using either a Requisition Process or a Reimbursement Process, an FMS provider substantiates purchases and makes payments for those items that would be denied per their Merchant Category Code because the item is an unusual purchase (e.g., a fence around the yard allows the person to stay at home because it prevents him or her from wandering into the street).
    - These purchases may be denied at the point of sale with a CLASS debit card, but could be made with prior approval through the FMS provider. The FMS provider would purchase the item on the participant's behalf using his or her Life Independence Account funds, or the FMS provider would issue a check for the good or service payable to the seller, or the FMS provider would reimburse the beneficiary for the purchase.

[iv] For additional information, see The SCAN Foundation's CLASS Technical Assistance Series Brief #9: ("Debit Card Fundamentals and Their Use in Government Programs").

[v] For additional information, see The SCAN Foundation's CLASS Technical Assistance Series Brief #10: ("Financial Management Services in Participant Direction Programs").

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