

Testimony of Kevin L. Miller, Director
Ohio Rehabilitation Services Commission

In the spirit of Governor Kasich's approach of "a new way and a new day," the Rehabilitation Services Commission (RSC) is pleased to present our 2012/2013 budget. My name is Kevin Miller and I am the Director of RSC.

Background

Allow me to begin by providing some background information on who we are and what we do. RSC is responsible for assisting individuals with disabilities to live independently, gain meaningful employment or receive disability benefits. This is accomplished through two major programs, Vocational Rehabilitation (VR) and Disability Determination.

VR is an eligibility-based program designed to assist individuals with disabilities to become competitively employed. Currently, the federal authorizing legislation is part of the Workforce Investment Act. The VR Program is funded through a very favorable match program which allows every state dollar invested to leverage three dollars and sixty-nine cents in federal funds. During Fiscal Year 2010, we served **over 50,000 Ohioans** under this program.

In cases for Social Security disability, our Division of Disability Determination evaluates and finalizes medical cases that can help an individual maintain independence. During Fiscal Year 2010, we determined the eligibility of a record **200,000 claimants**.

In addition to these major programs, RSC has other programs that contribute toward our mission of partnering with individuals with disabilities to achieve quality employment and independence outcomes. I am sure you have heard about such examples as the Personal Care Assistance Program, the Independent Living Program, and the Community Centers for the Deaf. We highly value these programs and have worked hard to keep them at level funding.

In addition to serving individuals with disabilities, we recognize the importance of our relationship with the business community. Our agency can provide companies throughout the State of Ohio with qualified job applicants, test and train prospective employees and give guidance on accommodation and job retention strategies.

Budget Detail, Implications, and Options

The total budget recommended for RSC in State Fiscal Year 2012 is \$250.8 million while the budget for State Fiscal Year 2013 is \$250.7 million. For each year of the biennium, approximately 5.3% or \$13.2 million is General Revenue. By contrast, 83.8% or \$210.1 million is in federal funds. The bulk of the remaining funds, approximately 10%, appear in State Special Revenue. Spending authority for third-party cooperative arrangements is in that fund group.

The House budget keeps funding at RSC requested levels for most programs. These include Disability Determination, Personal Care Assistance, the Community Centers for the Deaf, Independent Living and the Independent Living/Older Blind. We do not anticipate major operational impacts for these programs.

At the same time, we do have additional work to do with regard to the vocational rehabilitation program budget. There are several key issue areas that must be managed in order for RSC to be successful.

It must be stated clearly that the budget, *as passed by the House*, will not allow us to draw down all of the projected available federal funds. There is still an estimated \$28.4 million in federal funds that could go unmatched each year. If we do nothing, these funds can be matched and drawn down by other states. That happened last year when West Virginia received \$28 million in reallocation funds as part of the \$33 million that Ohio was unable to match. I do not want West Virginia, or any other state, to benefit from Ohio's inability to plan effectively.

An option to draw the projected remaining \$28.4 million is to delve deeper into third-party arrangements. As required by the Ohio Revised Code, RSC is aggressively pursuing such agreements with other state agencies such as ODADAS. We currently have approximately 43 third-party arrangements which generated approximately \$8.0 million in match and \$30 million in federal funds last federal fiscal year. The ODADAS project will generate approximately \$9 million in match funds or \$33 million for this federal fiscal year and has the benefit of being a state-wide program, a requirement of the Federal Rehabilitation Act.

These arrangements offer an excellent alternative toward expanding the reach of vocational rehabilitation beyond our agency. Ohio is not the only state that has turned to the valuable resource of third-party arrangements as a means to provide services to individuals with

disabilities. I have received information from numerous states regarding their use of this funding and service delivery mechanism.

I have to share that there are significant federal concerns with this approach. Based upon guidance from the Rehabilitation Services Administration (RSA), many of the current third-party arrangements could be in jeopardy. The primary issue is the inclusion of private dollars in the required state match that draws federal funds for these projects. RSA recently issued a monitoring report to another state which included a cease and desist order related to the use of private funds as a part of the state match.

We are working with RSA to take corrective action but remain concerned that not all of the current arrangements will survive in their present form. Those that do will require an elevated level of monitoring and auditing. Pending the outcome of the RSA discussions, we are *optimistically* estimating match from these arrangements at the \$10 million currently in the budget. That could leave us approximately \$7.7 million short of full match.

Federal Order of Selection rules require that our agency establish a state-wide waiting list if there are not sufficient financial resources. RSC is required to serve those most in need first. This is a requirement statewide. We have an assessment tool that determines three classifications of consumers. The two (2) classifications being served are persons with the Most Significant Disabilities (MSD) and persons with Significant Disabilities (SD). RSC must ensure that all individuals with the Most Significant Disabilities are served first. If there are not enough resources to go around then eligible consumers go on a wait list. I am proud to say that Ohio has managed to serve all eligible individuals with the Most Significant Disabilities. We have not, however, been able to serve those individuals with Significant Disabilities since 2009. By federal statute, if there are individuals with the Most Significant Disabilities in one corner of Ohio who cannot receive services, **all** those in the second category must wait statewide, *even if services are available in another area of the state*, until persons with the Most Significant Disabilities are served. As a result, Ohio has 4,000 individuals on a waiting list. This is the biggest issue for our third-party partners.

The way to solve this is continuous management of the waiting list to prevent a backlog for those individuals who have disabilities. In order to do that, we need maximum funding for RSC counselors as well as third-party arrangements that meet the federal requirements. We cannot operate merely as a contracting agency for third-party arrangements. The Federal Rehabilitation Act requires that we serve all eligible individuals and not just specific

populations such as people with developmental disabilities or mental illness. With the budget, *as passed by the House*, we could potentially lose 49 counselor positions. This would mean an additional 3,000 individuals with disabilities would be added to the current waiting list. The waiting list would also now include individuals with the Most Significant Disabilities.

With no additional state matching funds available to draw available federal funds, RSC has proposed modifying the percentage of funds (match plus federal) that we retain for vocational rehabilitation programming from the current 13% up to a maximum of 25%. This proposed change was in the Governor's recommended budget but was cut in the budget as passed by the House.

These funds will be used for counselor costs, support costs, and case services costs. This is not an administrative fee. We are calling this initiative **Project S.O.L.V.E.** which stands for State Outreach for Local Vocational Equality. It is our way of making sure that state-wide waiting lists are effectively managed and that all individuals with the Most Significant Disabilities are served. We want to make sure that we limit the amount of time one has to wait for services because of a backlog anywhere in the system or because there is no third-party arrangement to serve someone with a specific type of disability.

Maximizing the available case services dollars also remains a priority of our agency. We are moving away from the open market concept to one of cost containment that is based on negotiated provider fees and requests for proposals. We are looking to best practices by other states, other Ohio state agencies, and even insurance companies. Our research indicates that Ohio is the only state in the country that still uses the open market concept. It has contributed to wide variations in payments for the same service. It also means that there are no cost control measures that our agency can use to ensure consistency in service delivery.

As we develop and implement the fee schedules later this year, we will make reasonable allowances for variations between urban and rural costs and other factors such as disability specific needs. This is also required by federal rules. What we need to avoid, as we go forward, are unexplainable variations in fees. As part of our internal review, we assessed all available services and costs and discovered that, as an example, currently job coaching costs can range from a low of \$20 to a high of \$120 per hour. This service is one of the most commonly used by our counselors and those individuals who have disabilities.

RSC will still look for additional savings. I have pushed our staff and will continue to push staff to look at ways to be more efficient with our funds. We are reviewing all travel, phone,

vehicle and discretionary costs for opportunities to push funds into direct services for individuals with disabilities. As an example of this strategy, we expect to reduce the number of field offices from 33 to 14 over the next several months which will result in an approximate savings of \$1 million. This will mean a new business model of embedding counselors into the community to improve access to individuals with disabilities. At the same time, we expect to get savings from implementing fee structures and requesting proposals for services to maximize the use of the case services dollars we assign to counselors. Finally, we are reducing staff costs based upon our revised business model. At the 25% level we still project reducing staff in support areas. **With this percentage change and the reduction of overhead, we will not have to reduce any positions that provide direct services to Ohioans with disabilities. I must reiterate again, the percentage change is not for administrative costs.**

I want to emphasize that RSC only intends to keep the percentage required to serve the Most Significantly Disabled (MSD) and those who are Significantly Disabled (SD). This includes a variety of individuals with disabilities and does not limit services to those with a particular disability (i.e. blind or hearing impaired). We want to be honest brokers, which is critical for an agency in the process of repairing its public image. The remaining percentage will be made available for third party agreements.

As an example, if the associated costs for our agency to serve individuals who are MSD/SD are 19% this year, 81% will be available for third-party agreements that comply with federal requirements. This allows for competitive grants that target critical vocational rehabilitation needs awarded to vendors based on performance in the previous contract year. For example, successful third-party vendors could receive a share of any available funds based upon their percentage of all individuals with disabilities served by successful contracts during that period. Of course the funds would need to be spent on allowable vocational rehabilitation costs.

Closing

In closing, I want to stress that our agency is working hard to ensure that services to individuals with disabilities are being provided as broadly as possible in the most efficient and effective manner. We will continue to challenge the old ways of doing business, find innovative ways to meet the needs of those we serve and will continue to make other adjustments as this agency transforms under Governor Kasich's vision. I believe this is

reflected in the recent partnership with ODADAS that was mentioned in the state-of-the state as a means to draw \$33 million dollars this fiscal year.

This budget presents some challenges but also affords an opportunity to work with the provider community and other state agencies to serve Ohio's population with disabilities to enter the workforce. **We will do this without asking for additional General Revenue Funds. We must also do this in full compliance with federal requirements.**

This is not about increasing the size or span of control of our agency. Rather, it is about providing the best possible services to individuals with disabilities without being placed on the wait list. My commitment is that the funds related to the percentage will ONLY be used for direct services i.e. field staff counselors, their related case load costs and for accountability of the third-party arrangements. They will not be used for administrative costs.

Our agency appreciates your continued support of our mission and vision and respectfully requests your support for the budget **as originally recommended by the Governor.**

Thank you for your time today and I would be happy to answer any questions you may have.