



Alliance for the Betterment of
Citizens with Disabilities

Empowering People: Providers Shaping Policies

From Contract Based to Fee for Service

An improved but complex model that is more vulnerable to profits and losses

The switch from contract based to a Fee-for-Service (FFS) system standardized rates and increased flexibility, consistency, and quality of services to provide more freedom of choice to the individual. The switch also brought additional federal Medicaid dollars into New Jersey, effectively doubling the funding available to the state to sustain and expand services. The provider was permitted to retain earnings “to proactively address planned capital expenditures (something the contract-based model did not permit).”¹

But the consequence for agencies is more far reaching than increased access to and flexibility with funds. Unlike under contract, FFS providers no longer get paid in advance, have guaranteed service demand, receive additional funds for capital costs, emergencies, and growth, while taking on the additional responsibilities of Medicaid compliance and society’s goal to integrate individuals with IDD into the community.

A Substantial Change in How Agencies are Paid and Fill their Programs.

The Need for Executive Talent, Expanded Administration, and Operational Overhaul

Under the contract with the state, at the beginning of the month agencies received their prospective predetermined payment for all services which were to be provided to a fixed number and roster of individuals. After successful completion by the state of an audit of the agency’s programs, services, financial and regulatory records, the contract was renewed annually. Payment was made in advance, cash flow was predictable, and the approved annual contract was a sign that the agency was doing things right.

Under FFS, agencies receive payment after the provision and documentation of services and the review and submission of claims. Individual choice dictates that agencies continuously compete with other agencies and with families to fill their programs. Payment is merely evidence that the agency has submitted billing because if an error or an overpayment is identified in a future audit by OMIG or CMS, Medicaid dollars may be recovered. Payment is made after service is rendered and billing is complete, cash flow is unpredictable, and liability is stretched out into the future.

¹ Standard Fee Rating Setting: Frequently Asked Questions (FAQ), Department of Human Services, Division of Developmental Disabilities. 2013.

There's no doubt that a global pandemic made the value of an experienced hand on the finance helm very evident. But there's more to the rise of the CFO than an economic crisis. Under contract in a steady operation, a director of finance could handle the financial requirements of budgeting, forecasting, the monthly closing, annual audits and tax reporting. But in the uncertain revenue world of FFS, agencies have no choice but to look for more seasoned talent to ensure that revenues and expenses stay in balance, oversee financial planning/cash flow and analysis functions, obtain funding,² work with department heads to analyze financial data and craft budgets, attest to accuracy of reports (which have increased significantly since agencies have more control over revenue), and consult with boards and the CEO on strategy.

In addition, as a Medicaid provider to avoid potential liability and ensure they can properly defend themselves against all False Claims Act whistleblower cases agencies maintain their records for a minimum of 10 years. As a result, agencies require a huge investment in documentation and billing, internal audits and inspections, corporate compliance, infrastructure, quality control, electronic medical records, and good governance.

Finally, "choice" has replaced fixed attendance rosters with competition to attract individual customers to the agency. Agencies now have staff responsible for satisfaction surveys, marketing, advertising, and sales as well as service development, to keep pace with trends and changes in service needs.

A Profound Change in Service Goals

The Need for Upgraded Skill Sets of Direct Care Workers and Overcoming Cultural Barriers

HCBS is non-clinical and focuses on quality of life rather than medical necessity. It is not simply about delivering services, but about empowering the individuals to make life choices. Under FFS, staff no longer just care for and manage the individual, they care for, support, and empower the individual. These goals and requirements demand additional skills and qualifications from the staff such as adaptability, confidence, spoken and written communication skills, competency development, innovation, knowledge, and leadership. Agencies are also charged with the progression from supporting individuals' participation in the community to their inclusion and integration, overcoming not just physical and economic but cultural barriers. External cultural barriers are broken not only on a systemic level by the agency CEO and their staff working with the community leadership and at large, but by the individuals and their direct care staff. To develop and support a more sophisticated direct care workforce, agencies must make an additional investment in education, training, technology and oversight.

² A major source for funding is obtaining and maintaining homes and program sights. Under contract the state bought the homes, and the agency provided the services. Compared to FFS which requires that agencies buy, open, maintain and service the homes.

Transforming Executive Leadership
The Shift from Moderate to Maximum Risk and Responsibility.

The provision of services under the contract-based system had its challenges. Often the funding agencies received was not enough to fully cover costs, which required agencies to fundraise and diversify their services across divisions and departments. Growth was very difficult because agencies did not have enough assets to apply for bank loans and private investors showed no interest because there was little opportunity for growth.

In retrospect, it's astounding how rapidly, substantially, and substantively agencies have had to evolve into a much more complex delivery system under FFS. Good executive leadership has always been the link between the inside and the outside of the organization, costs and results, and present and future sustainability, whether under contract or FFS. But under FFS leadership has had to re-envision, lead, and manage their agencies within a model that is not only more vulnerable to profits and losses but to political and social critique.