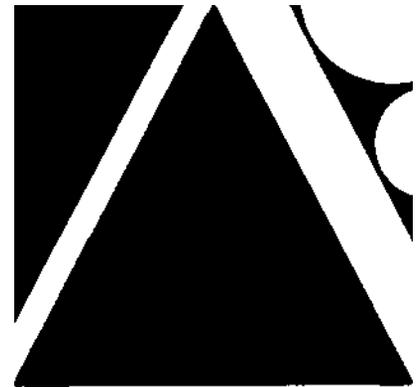
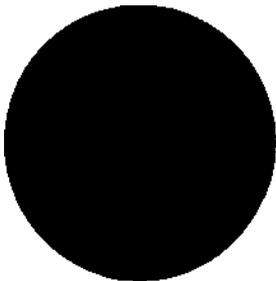
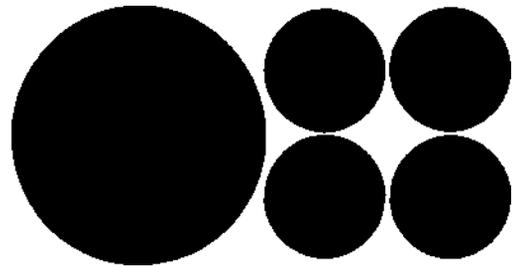
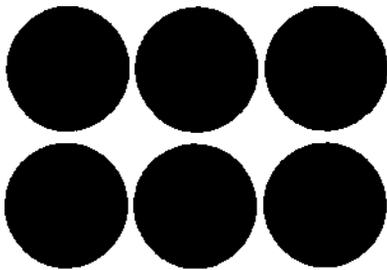


NATIONAL ASSOCIATION OF
STATE MENTAL RETARDATION
PROGRAM DIRECTORS, INC.



**FEDERAL
FUNDING
INQUIRY**

**SUPPORTED EMPLOYMENT: FEDERAL POLICIES
AND STATE ACTIVITIES RELATED TO
INTEGRATED WORK OPPORTUNITIES FOR
PERSONS WITH DEVELOPMENTAL DISABILITIES**

(c) Prepared by the
National Association of State
Mental Retardation Program
Directors, Inc.
113 Oronoco Street
Alexandria, VA 22314

Price: \$20.00 per copy

The opportunity to work in a real job which pays a fair wage is a major aspect of all our lives, not just the lives of the disabled. It is more than apparent to me, after talking with many disabled people, and with friends and advocates of disabled individuals, that sustained employment is a critical avenue to virtually every other successful aspect of life. Employment, more than anything else, can be the key to enhancement of one's self image and sense of individual dignity, to coping with loneliness and to moving toward a richer quality of life.

Charles S. Robb
1984

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PREFACE

One of the most exciting and promising developments that has occurred over the past few years is the new emphasis on assisting persons with severe handicaps to obtain remunerative employment. Although a great deal has been written about this rapidly evolving area of programming, most of it has concentrated on techniques for integrating and maintaining severely disabled persons in the general work force. To the extent that federal and state policy implications have been explored, they generally have been approached from the perspective of a particular program or piece of legislation. Few attempts have been made to demonstrate the linkages between policies governing various federal-state programs which, individually and collectively, have a bearing on whether persons with severe disabilities are employable. Furthermore, relatively little attention has been given to the effects of this new trend on state and local agencies other than vocational rehabilitation agencies and, to a lesser extent, secondary special and vocation education programs.

The present report represents an initial effort to fill this gap in the professional literature. It is intended to serve a dual purpose. First, in Part One of the report, recent federal legislation is summarized in an attempt to demonstrate the variety of ways in which existing federal policies impinge on efforts at the state and local level to place severely handicapped persons into community jobs. Second, Part Two of the report summarizes the current activities of state mental retardation-developmental disabilities agencies in the area of supported employment programs, based on a state-by-state survey conducted by the National Association of State Mental Retardation Program Directors during the spring and summer of 1986.

The report draws no conclusions and contains no recommendations, since it is intended simply to offer readers a descriptive analysis of current events. However, two basic lessons can be drawn from this study. First, any attempt to articulate a coherent set of federal policies aimed at opening up employment opportunities for persons with severe handicapping conditions must encompass a wide range of existing laws and programs. A more traditional, piecemeal approach will prove unsuccessful; therefore, it is important that we understand the interrelated nature of current federal policies and adopt a holistic approach to their solution. Second, interagency collaboration is usually an essential ingredient in any effective statewide strategy for accessing vocational training, employment and ongoing support services for individuals with severe handicapping conditions. As Part Two of the report demonstrates, state mental retardation/developmental disabilities agencies have a critical role to play in this process, even through federal policymakers frequently are not fully apprised of this fact.

It is hoped that this report will contribute to a greater awareness of the role state MR/DD agencies can and should play in helping severely disabled workers to find and retain jobs. Also,

we trust that readers will gain a better appreciation of the various federal policies which influence the availability and accessibility of employment opportunities for individuals with severe disabilities.

The authors wish to express their appreciation to the many state officials who participated in the survey which formed the basis for Part Two of this report. In addition, we appreciated the suggestions offered by various state and national leaders who were kind enough to share with us comments on an earlier draft of Part One of the report. This feedback was extremely helpful to the authors in preparing the final manuscript.

Robert M. Gettings

Ruth E. Katz

April, 1987

I. INTRODUCTION

Over the past few years, there has been a veritable explosion of activities, nationwide, aimed at expanding employment opportunities for persons with severe mental and physical disabilities. One important aspect of this new programmatic thrust has been the emergence of the concept of supported employment services.

The purpose of this section of the report is to explore the implications of relevant federal programs and policies governing the provision of supported employment services to persons with developmental disabilities. Special attention will be given to the impact of legislation recently enacted by Congress as well as proposals likely to be introduced during the current Congressional session. Before examining particular federal laws, however, it is important that the reader understand the general context in which this examination was undertaken.

Because the needs of severely disabled persons are so diverse and because recent events have tended to occur in a piecemeal fashion, without benefit of a common set of organizing principles, it has become increasingly difficult to achieve a consensus regarding the meaning of supported employment. What began as a reasonably well targeted attempt to expand the range of disabled persons considered capable of engaging in compensable work in integrated employment settings has taken on many of the characteristics of a national bandwagon, with everyone seemingly out to define his or her activities in terms of the now fashionable goal of employing persons with severe handicapping conditions. The resulting problems can be categorized as follows: Definitional Issues. As will become apparent in Part

Two of this report, the concept of supported employment has assumed an almost chameleon-like character, taking on different meanings depending on the interpreter. Generally, however, most experts would agree that the factors which distinguish supported employment from more traditional types of rehabilitation services are: (a) the nature of the individual's handicapping condition (i.e., it must be severe); (b) the type and locus of employment (i.e., it must be competitive employment in an integrated work setting); (c) the comparison with past practices (i.e., historically such recipients would not have qualified for placement outside of a sheltered workshop or work activities setting); and (d) the nature and longevity of supportive services required by the individual (i.e., recipients generally will require ongoing supportive services in order to remain gainfully employed in an integrated setting). These concepts are reflected in the language of the

Rehabilitation Act Amendments of 1986 (P.L. 99-506), which define the term "supported employment to mean ...competitive work in integrated work settings --

- (A) for individuals with severe handicaps for whom competitive employment has not traditionally occurred, or
- (B) for individuals for whom competitive employment has been interrupted or intermittent as a result of a severe disability, and who, because of their handicap, need ongoing support services to perform such work. Such term includes transitional employment for individuals with chronic mental illness."1

One would hope that this new statutory definition would result in greater nationwide uniformity in the use of the term "supported employment." But, there are several features of the definition that suggests that the current ambiguities will remain. For example, there are widely divergent views on how the concept of a "severe handicap" should be operationalized.

Similarly, the meaning of "competitive" employment is subject to interpretation, especially when one is dealing with clients who require ongoing support services. Finally, the characteristics of the service population and their related goals will vary considerably depending on how the phrase "needing ongoing support services" is interpreted.

- Target Populations. Closely related to these definitional ambiguities is the question of the appropriate target populations for supported employment services. Discussions leading to the enactment of the 1986 Rehabilitation Act amendments underscored the fact that there are sharply contrasting views regarding the aims of such services. Some see supported employment as a new set of techniques for helping traditional groups of rehabilitation clients to access jobs, while others are convinced that the intent is to extend services to groups of clients who previously have been considered ineligible for rehabilitation services.

Section 7(18) of the Act, as amended by P.L. 99-506.

Given the varying needs of persons who meet the statutory definition of an "individual with severe handicaps", it is not surprising that there are differences of opinion regarding the goals of supported employment services. Often, persons with severe physical disabilities have quite different aspirations and needs than comparably handicapped persons with chronic forms of mental illness or a developmental disability. Obviously, the extent and types of services they require also will vary, although both may be characterized as forms of supported employment.

Divergent viewpoints, however, also exist with regard to the application of the supported employment concept to particular disability groups. For example, while persons with mental retardation constitute one of the principal target populations for supported employment services, it is important to recognize that not all mentally retarded individuals require or can benefit from such services. Some - especially those with mild to moderate disabilities -- can participate in transitional training and placement services sponsored by state vocational rehabilitation agencies or JTPA projects; others will be too severely handicapped to benefit from work-oriented training of any type and, thus, will need a daytime program that emphasizes the acquisition of basic life skills.

- Intersecting Authorities. As the succeeding sections of this report will demonstrate, the provision of supported employment services is affected by policies governing a wide variety of federal-state programs -- vocational rehabilitation, Social Security/SSI, Medicaid, developmental disabilities, housing, wage and hour rules, the Javits-Wagner-O'Day program, etc. Each of these programs has its own basic statutory mission and operating imperatives, which, in many instances, are only tangentially related to the placements and retention of severely handicapped individuals in integrated work settings. As a result, the task of synchronizing interagency policies and activities to facilitate this goal is an extremely complicated undertaking. Not only is it necessary to overcome the usual barriers to interagency and intergovernmental communication, but often fundamental differences in the statutory and regulatory aims of disparate programs must be bridged.

See Part One, section II for a discussion of the revised definition of this term, contained in Section 7(15) of the act, as amended by P.L. 99-506.

Locus of Organizational Responsibility. Because policies governing funding for initial training and ongoing support services must be coordinated with the clients' entitlements to medical and food assistance, no one agency at the state or federal level is in a position to unilaterally initiate supported employment programs for persons with severe handicapping conditions. At the federal level, the Rehabilitation Services Administration now has the clearest statutory mandate to support such services. But, if Medicaid policies discourage states from claiming reimbursement for long term support services on behalf of clients engaged in supportive employment or if such clients are subject to the precipitous loss of SSI benefits when their earnings reach a minimal threshold level, even the best efforts of RSA are likely to be thwarted.

Similarly, at the state and local level, unless a variety of agencies find ways of synchronizing their activities, it will be difficult, if not impossible, to mount a broad-scaled supported employment program. A particularly critical element is the linkage between initial vocational training and the continuing support services necessary to sustain employment (case management, counseling, housing, transportation, etc.). The importance of such cross-agency collaboration is underscored by the number of states which have established interagency task forces and committees to coordinate the establishment of supported employment services.

Federal policymakers are sometimes prone to overlook the critical role state mental health and developmental disabilities agencies can and must play in the initiation of supported employment programs for persons with severe mental handicaps -- primarily because there is no direct statutory or regulatory linkage between these state agencies and the Rehabilitation Services Administration. Yet, as the locus of service delivery has shifted from institutions to community-based programs over the past decade, state MH and MR/DD agencies have assumed an expanded role in financing and coordinating the delivery of vocationally-oriented services to severely mentally handicapped persons. Indeed, in a number of states these agencies now are the primary funding source for vocational services to such persons. Consequently, the task of redefining role responsibilities and bridging the gap between the various loci of responsibility at the federal and state levels will be among the special challenges of initiating supported employment programs.

Despite all the potential barriers to establishing supported employment services, however, most knowledgeable observers agree that the new emphasis on placing severely disabled persons into integrated work settings represents a step in the right direction. It offers such persons an opportunity to exercise greater independence, achieve higher levels of economic and social self-sufficiency and gain an enhanced feeling of self-worth. Hopefully, this report will contribute, in some small way, to the removal of existing impediments to change by highlighting the ways in which federal policies must be modulated in order to facilitate the integration of persons with severe handicaps into the work force.

REHABILITATION

- A. Background. Historically, eligibility for federally-assisted vocational rehabilitation services has been restricted to individuals who, in the judgment of state officials, can be expected to achieve employability. Because such decisions are largely judgmental and heavily influenced by the current availability of resources, there have always been variations between states (and even between individual rehabilitation counselors) with regard to the types of handicapped clients selected for services.

In 1973 Congress rewrote the basic statute authorizing federal assistance for rehabilitation services, and, in the process, required state VR agencies to give priority to individuals with the most severe handicaps (P.L. 93-112). The primary motivation for this change was the recurring accusation that severely handicapped clients were generally denied services by state VR agencies. Subsequent amendments to the Act over the next decade reinforced this emphasis on severely disabled clients, but did not alter the requirement that applicants be found to be feasible candidates for employment in order to receive services.

Meanwhile, for over a decade, the federal Rehabilitation Services Administration has been underwriting the cost of research and demonstration projects aimed at developing and field testing improved methods of assisting severely handicapped persons to become gainfully employed. One aspect of this work -- what has come to be known as supported employment -- has been carried out primarily through the four rehabilitation research and training centers which specialize in studies involving developmentally disabled persons (i.e., the University of Oregon, Texas Tech University, the University of Wisconsin and, more recently, Virginia Commonwealth University). Research and demonstration activities at these centers have been supplemented by occasional project grants awarded by RSA under its special demonstration authority and interagency collaborative projects involving VR, MR/DD and education agencies, as well as developmental disabilities councils, in several states (e.g., AZ, PA and WA).

Supported employment, however, did not become a national priority until 1984, when Congress, at the request of the Reagan Administration, included \$4.2 million in RSA's budget for a series of special demonstration projects. These funds were later

supplemented by \$500,000 in project funds appropriated under the Developmental Disabilities Act and RSA awarded grants to ten state agencies late in 1985. These three-year grants were intended to stimulate systemwide conversion of pre-vocational daytime services to a supported work format, rather than to simply demonstrate, once again, that severely handicapped persons can be gainfully employed in competitive work settings.

In the FY 1986 budget, Congress more than doubled the amount set aside for supported employment projects (\$9 million). Although the total was subsequently trimmed to \$8.6 million as a result of the first round of Gramm-Rudman-Hollings cuts, RSA, in October, 1986, awarded grants to 17 additional states (bringing the total number of states with systemwide development grants to 27).

B. Recent Legislation. On October 21, 1986, President Reagan signed into law the Rehabilitation Act Amendments of 1986 (P.L. 99-506). This legislation includes a variety of changes in prior law which are aimed at expanding employment opportunities for persons with severe mental and physical handicaps. Among the most significant changes are:

- the establishment of a separate, new formula grant program under Part C of title VI "...to assist states in developing programs... for training and traditionally time limited post-employment services "leading to supported employment for individuals with severe-handicaps (Section"631). Under this new authority, each state will be allotted funds to support such services, based on its relative population; however, no state will receive less than \$250,000. [N.B., Congress has appropriated \$22.1 million for this new program in FY 1987.] To be eligible for a Part C grant, a state must submit a supplement to its state VR plan for the provision of training and post-employment services leading to supported employment. The plan supplement must cover a three-year period (with annual updates) and include certain specified information about the nature and scope of planned activities. Services which may be delivered under this new program include, but are not limited to: evaluation of rehabilitation potential; provision of skilled job trainers for intensive on-the-job training; systematic training; job development;

follow-up services; regular observation or supervision of the individual at the job site; and, other services needed to support the individual in employment. Since services funded under the Act are time-limited, states are required to spell out in their state plan supplements the funding sources that will be available to continue needed services to the affected clients.

- the addition of explicit authority for states to use basic VR (Title I) funding to provide supported employment services for severely handicapped individuals. Section 634(c), of the Act, as amended, makes it clear that Part C, Title VI funds are intended to complement, not substitute for, activities funded under the basic state VR grant program. In addition, states are granted permission to fund supported employment services with Title I dollars under Section 637 of the Act.

a revised definition of the term "individual with a severe handicap". The basic definition of this term was revised by adding functional criteria of disability to the existing list of handicapping conditions which might result in a severe handicap. In addition, a separate definition is added for purposes of programs funded through Title VI of the Act. An "individual with a severe handicap" is defined, for the latter purposes, as "an individual whose ability to function independently in family or community or whose ability to engage or continue in employment is so limited by the severity of his or her physical or mental disability that independent living rehabilitation services are required in order to achieve a greater level of independence in functioning in family or community or engaging or continuing in employment."

the addition of a definition of "employability" to the Act. Under this definition, an individual is considered employable if, with the provision of vocational rehabilitation services, he or she "...is likely to enter or retain, as a primary objective, full time employment, and, when appropriate, part time employment, consistent with the capacities or abilities of the individual in the competitive labor market or any other vocational outcome the Secretary may determine consistent with this Act." Under prior law, an

individual was determined to be eligible for VR services on the basis of "employability," but the term was not defined in federal statute, thus leaving it to the interpretation of each participating state. By adding this new definition, Congress has attempted to make it clear that part-time employment may be a viable outcome of vocational rehabilitation services, depending on the capabilities of the disabled individual.

- the addition of a definition of "supported employment" to the Act (see Section I for this new statutory definition). The Act also makes clear that, for purposes of programs funded under the Act, supported employment "...may be considered an acceptable outcome for employability" (Section 7(18)).
- a requirement that states include in their state rehabilitation plans "...the results of a comprehensive, statewide assessment of the rehabilitation needs of individuals with severe handicaps." States also must justify their policies governing the order in which applicants are selected for rehabilitation services.
- the addition of supported employment as an area of research fundable by the National Institute on Disability and Rehabilitation Research.
- the addition of an explicit authority for supported and institutional employment demonstration grants under the existing special grant authority (Section 311). These grants may be awarded to public and non-profit rehabilitation facilities, designated state VR units, and other agencies to: (a) identify community-based employment models that can be replicated; (b) identify impediments to the development of supported employment programs (including funding and cost considerations); and (c) develop a mechanism to explore the use of existing community-based programs. Grants also may be awarded under this new authority to cover the costs of providing technical assistance to the states and other provider agencies assisted with funds under Part C of Title VI.
- amendment of the personal training provisions of the Act to include training for individuals who will be able to: (a) assess, identify and meet the rehabilitation needs of persons with severe handicaps; and, (b) provide training for personnel providing supported employment services.

Since P.L. 99-506 was signed into law, the Rehabilitation Services Administration has held a series of forums across the country to gather public input on the contents of regulations implementing the 1986 amendments to the Act. Work is now underway on the development of these regulations. It is anticipated that all the regulations except those governing Title VI will be published in proposed form by June, 1987, while the title VI regs will be published in August, 1987. Meanwhile, most states are in the process of preparing plans for initiating new and/or expanded supported employment services as authorized under this legislation.

- C. Implications. While the 1986 amendments to the Rehabilitation Act constitute a major step toward improving supported employment opportunities for developmentally disabled persons, they can hardly be viewed as a panacea. Under P.L. 99-506, federal assistance for supported employment activities is limited to initial training and short-term, post-employment follow-up services. Any ongoing services and social supports required by severely handicapped individuals participating in supported work programs must be paid for primarily through other federal, state, or local programs or private funding sources. Since, by definition, participants in supported work require at least some ongoing services, due to the severity of their handicapping conditions, identifying a reliable funding source(s) to meet such costs is absolutely crucial to the success of efforts, nationwide, to open up employment opportunities for severely disabled workers in integrated settings.

In the remaining sections of Part One, we will explore current and pending policies governing potential sources of federal support to meet the ongoing service needs of severely handicapped workers. However, before doing so, it should be made clear that, by limiting the focus of attention to federal policies, we do not intend to denigrate the importance of state, local and private funding sources, or suggest that the federal government should be expected to shoulder the primary share of the cost of such services. The reality, however, is that federal funding policies have a major influence on the availability and distribution of other public and private financing; and, as long as federal statutes reflect a bias in favor of one form of spending over another (e.g., long term care vs. goal-oriented developmental services) it is unrealistic to expect that state, local and private funding agencies will be able to compensate for such ill-conceived, shortsighted federal policies.

III. MEDICAID

A. Background. Historically, only medical and remedial costs have been treated as reimbursable expenses under the federal-state Medical Assistance program. Yet, the authorizing statute (Title XIX of the Social Security Act) has permitted social and supportive services to be claimed as allowable Medicaid expenses since the inception of the program in 1965, provided such services were a necessary but subordinate part of furnishing an eligible recipient with needed medical and remedial care. Indeed, the enactment clause of Title XIX specifies that the purpose of the program is to enable the states to furnish:

...(1) medical assistance on behalf of families with dependent children and aged, blind, or disabled individuals whose income and resources are insufficient to meet the costs of necessary medical services; and (2) rehabilitation and other services to help such families and individuals attain or retain capability for independence or self-care...(emphasis added).³

In the case of non-elderly, developmentally disabled recipients, however, it has become increasingly difficult to distinguish between Medicaid reimbursable and non-reimbursable long term care (LTC) services. Because of the rapid evolution which has taken place in program philosophy and content over the past ten years, attempts to classify LTC services, for purposes of Medicaid reimbursement, in terms of the setting in which services are provided (e.g., an institution vs. a community facility), the professional qualifications of persons under whose supervision services are furnished (i.e., medical vs. non-medical personnel) or the nomenclature used to describe such services (medical/remedial vs. habilitative) has become fraught with pitfalls. It is particularly difficult to differentiate between non-reimbursable "education" or "rehabilitation" and reimbursable "habilitation" services delivered by providers of Medicaid long term care services.

The origins of the present controversy concerning the scope of Medicaid reimbursable long term care services can be traced to two key Congressional actions. First, in early 1972, President Nixon signed into law (P.L.

92-223) a bill authorizing the states to claim Title XIX reimbursement for intermediate care facility services to mentally retarded persons, as an optional coverage under their state Medicaid plans. The statutory language permitting such coverage defined an ICF/MR as an institution providing "...health or rehabilitative services for mentally retarded individuals..." and persons with related conditions. The inclusion of the term "rehabilitative services" constituted a major departure from the basic operating premise of prior Medicaid LTC policy (i.e., medical services had to be the focal point of institutional care) and signified a recognition on the part of Congress that the primary need of most developmentally disabled persons who require long term care services is for growth enhancing, habilitative services, rather than medical care.

Second, in 1981 Congress authorized the Secretary of Health and Human Services to approve, at the request of a state, waivers of otherwise applicable Medicaid provisions in order to permit the state to furnish Title XIX-reimbursable home and community-based services to recipients who otherwise would require care in a SNF, ICF or ICF/MR-certified institution.⁵

In order to qualify for such waivers, a state must meet a number of conditions, including the presentation of evidence that the per capita cost of waiver services will not exceed the comparable cost of institutional care. For purposes of the present discussion, however, the important point is that the Section 2176 waiver authority marked the first time that Congress granted states specific statutory authority, under certain

Section 1905(d), Social Security Act, as amended.

⁵Section 2176, P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981.

limited circumstances, to furnish long term care services in non-institutional settings. The significance of this action lies not only in the setting in which services are provided (i.e., the individual's home/community vs. an institution) but in the fact that a single provider of services is no longer required to furnish or procure the full range of services a recipient may need (i.e., a recipient's service package may be "debundled" and provided separately by any number of service vendors).

When HHS issued initial regulations governing the operation of ICF/MR facilities in January, 1974, included was a provision prohibiting Medicaid payments for education and vocational training. This provision (which is still in effect) is based on a long-standing public assistance policy that actually pre-dates the enactment of Title XIX. At present the regulatory language reads as follows:

Payments to institutions for the mentally retarded or persons with related conditions and to psychiatric facilities or programs providing inpatient psychiatric services to individuals under age 21 may not include reimbursement for vocational training and educational activities.

Questions arose concerning the distinction between reimbursable habilitation costs and non-reimbursable education expenditures almost from the onset of the ICF/MR program. In response to these recurring inquiries, the Health Care Financing Administration and the Bureau for Education of the Handicapped, in November, 1978, jointly issued clarifying guidelines

Even prior to the enactment of the Section 2176 waiver authority, a few states claimed reimbursement for selected categories of community-based long term services on behalf of developmentally disabled recipients, usually under 42 CFR 440.90 (clinic services), 42 CFR 440.130 (d) (rehabilitative services), or 42 CFR 440.170(f) (personal care services). Although HCFA, from time to time, has questioned the legality of such claims, in 1985 the 6th U.S. Circuit Court of Appeals upheld the right of Ohio to amend its state Medicaid plan in order to cover rehabilitation services provided through habilitation centers, in accordance with 42 CFR 440.130(d) (State of Ohio v. U.S. Department of Health and Human Services, U.S. Court Circuit Court of Appeals for the Sixth Circuit, Docket No. 84-3181, dated May 17, 1985).

⁷42 CFR 441.13(b)

which specified, in part, that state interagency agreements distinguishing between education-related and habilitative-medical services for purposes of providing and paying for services on behalf of school-aged children residing in ICF/MR facilities would be honored by BEH and HCFA, provided they were in written form and conformed to all applicable federal, state and local requirements.

For the next several years, few problems arose; but, after the HHS Grant Appeals Board upheld HCFA's disallowance of Medicaid payments to ICF/MRs in Oklahoma and Massachusetts during 1982 and 1983, respectively, the problem once again reached national prominence. Relying principally on the appeals board's reasoning in the Oklahoma and Massachusetts cases, the Office of the HHS Inspector General began to recommend that HCFA disallow millions of dollars in payments to ICF/MR facilities, nationwide, on the basis of reviews conducted by OIG auditors. Indeed, the Inspector General estimated, at one point, that the federal government could save \$585 million in ICF/MR outlays over a five-year period if HCFA took a "structured approach" to disallowing educational and vocational training claims by such facilities. Early in 1985, HHS Inspector General Richard Kusserow agreed to discontinue further ICF/MR audits of allegedly erroneous claims for educational and vocational training costs pending the issuance of clarifying policies or judicial interpretations of the statutory intent of Congress, after a confrontation with Senator Weicker, Chairman of the Senate Labor/HHS/Education Appropriations Subcommittee. As a

⁸Action Transmittal No. 78-104, Health Care Financing Administration, dated November 29, 1978.

⁹HHS Grant Appeals Board, Decision No. 367, dated December 17, 1982 (Oklahoma) and Decision No. 438, dated May 31, 1983 (Massachusetts). A federal district court judge later reversed the Board's decision in the Massachusetts case, holding that the subject children were receiving reimbursable habilitation services, not education (Civil Action No. 85-2523-G, United States District Court for the District of Massachusetts). The decision is currently under appeal to the U.S. circuit court.

Internal memorandum from Richard Kusserow, HHS Inspector General, to HCFA Administrator Carolyne Davis, dated September 18, 1984.

result, the Secretary of Health and Human Services, Margaret Heckler, directed HCFA to promulgate new guidelines governing payments for habilitation services in ICF/MR facilities. HCFA issued the first installment of these guidelines (dealing with the difference between education and habilitation) in September, 1985.¹¹ Parallel guidelines governing vocational training and habilitation were issued in September, 1986.¹² While these guidelines clarify some aspects of current policy, they leave a number of significant ambiguities. For example, the suggested process for determining whether Medicaid payments are allowable for services to clients engaged in vocational training programs is based largely on professional judgments that may be disputed.

Meanwhile, many of the same issues have been raised during HCFA reviews of states' requests for home and community care waivers. During the early months of the program, HCFA officials requested and received from the Office of General Counsel an informal legal opinion that educational, vocational and pre-vocational training were non-allowable expenses under the waiver program.¹³ Later in the preamble to final regulations implementing the waiver program, HCFA formalized this interpretation, offering the following rationale:

...qualifying services under Section 1915(c) of the Act must be directly related to the ultimate goal of the home and community-based services; that is, enabling the recipients to accomplish those day-to-day tasks necessary for them to remain in the community and avoid institutionalization. We do not believe that prevocational and vocational training and education activities are commonly furnished as a means of avoiding institutionalization. Individuals would not, in the absence of such services, require institutionalization. Therefore in applying our regulations, which define home and community-based services, we have interpreted Section 440.180 as

Section 4396, State Medicaid Manual. Health Care Financing Administration, Department of Health and Human Services, at conveyed by Transmittal No. 16, dated September, 1985,

¹²Section 4397, State Medicaid Manual, at conveyed by Transmittal No. 21, dated September, 1986.

Memorandum from Allan Gressin, BPS/HCFA to Donald Young, Acting Director, HCFA's Office of Coverage Policy, dated December 23, 1981.

excluding these services because they are not cost effective alternatives to institutionalization.¹⁴

When the House Subcommittee on Health and the Environment held hearings during the Summer of 1986 on HCFA's management of the Section 2176 waiver program, several witnesses called for a statutory definition of the term "habilitation" in order to clarify the intent of Congress regarding the scope of Medicaid reimbursable services. As a result of this testimony, a statutory definition of the term was included in the 1985 reconciliation bill (H.R. 3128). The final version of that legislation, entitled the "Consolidated Omnibus Budget Reconciliation Act", was signed into law by President Reagan on April 7, 1986 (P.L. 99-272). Section 9502(a) of the Act reads as follows:

For purposes of paragraph (4MB), the term "habilitation services", with respect to individuals who receive such services after discharge from a skilled nursing facility or intermediate care facility --

(A) means services designed to assist individuals in acquiring, retaining, and improving the self-help, socialization, and adaptive skills necessary to reside successfully in home and community-based settings; and

(B) includes (except as provided in subparagraph (C)) prevocational, educational and supported employment services; but

(C) does not include --

(i) special education and related services (as defined in section 602(16) and (17) of the Education of the Handicapped Act (20 U.S.C. 1401(16),(17)) which otherwise are available to the individual through a local educational agency; and

(ii) vocational rehabilitation services which otherwise are available to the individual through a program funded under section 110 of the Rehabilitation Act of 1973 (29 U.S.C. 730).

¹⁴50 Federal Register, p. 10020.

There are several significant features of this statutory definition which should be pointed out. First, it explicitly authorizes Medicaid payments for educational, prevocational and supported employment services on behalf of certain Medicaid waiver recipients. Second, it applies only to HCBC recipients who resided in a Medicaid-certified institution prior to entering the waiver program (i.e., it does not apply to waiver recipients who were deflected from institutional placement). Third, it does not apply to developmentally disabled residents of ICF/MR facilities or other non-waiver-funded activities. And, finally, Medicaid reimbursement is only available for those habilitation services to eligible waiver recipients that are not otherwise available through local educational agencies or vocational rehabilitation agencies.¹⁵

Proposed Legislation. In recent years, several more far-reaching proposals to restructure Medicaid benefits for persons with developmental disabilities have been introduced in Congress. The measures which have attracted the most attention are the Community and Family Living Amendments of 1985 (S. 873/H.R. 2902) and the Quality Services for Disabled Individuals Act of 1985 (S. 1948). Both bills would allow states to cover a wide range of home and community-based services for developmentally disabled persons under their Medicaid plans, rather than as part of HHS/HCFA-approved waiver requests. The effect would be to shift considerable responsibility to the states, since the Secretary no longer would have discretionary authority to approve coverage on a case-by-case basis.

HCFA is expected to issue regulations elaborating on the intent of this new definition some time in 1987. Meanwhile, it is effective upon enactment of the legislation and, consequently, a state may seek to amend its existing waiver program to cover such services at any time.

Technically, S.1948 (Weicker) would mandate that states cover home and community services under their Medicaid plans, while S.873 (Chafee)/H.R. 2902 (Florio) would require the provision of only certain services (i.e., case management, individual and family support services and protective intervention). However, since, effective October 1, 1988, participating states would be obligated under S. 873/H.R. 2902 to provide an array of community and family support services, in practice the difference between mandated and optional services probably would not be of great significance.

The Community and Family Living Amendments, co-sponsored by Senator John Chafee (S. 873) and Representative James Florio (H.R. 2902), would permit the states to offer a wide array of non-institutional services for severely disabled persons under their Medicaid programs, including:

specialized vocational services which will enhance the independence, productivity, and community integration of a severely disabled individual, including employment training, support necessary to maintain the employment of such individual, and other training and therapeutic activities specified in the written plan of habilitation or rehabilitation developed with respect to such individual and for which the individual is not eligible under the Rehabilitation Act.

The Quality Services for Disabled Individuals Act, as introduced by Senator Lowell Weicker, Jr. (S. 1948), incorporates a definition of habilitation services that is modeled after the definition contained in Section 9502(a) of COBRA, with several notable exceptions.¹⁸ First, the definition would not be limited to persons who were previously institutionalized, although eligibility for Medicaid-reimbursable home and community-based services would be restricted under the terms of the bill to developmentally disabled persons who otherwise would require care in a Title XIX-certified institution and could be served at no greater cost than in a community setting.¹⁹ Second, vocational, as well as prevocational and supported employment services, would be treated as Medicaid reimbursable. And, third, a state would not be required to establish that habilitative services were unavailable through the local public schools or vocational rehabilitation agencies in order to claim Title XIX reimbursement.

¹⁷Section 2 of S.873, which would add Section 1919(a)(2)(U) to the Social Security Act.

¹⁸Section 201 of S.1948, would add Section 1920(a)(4) to the Social Security Act. Coverage of community-based prevocational and vocational services for mentally ill recipients also would be authorized under Section 302 of the bill, which would add a new Section 1921(d)(2)(A) to the Act.

¹⁹Section 201 of S. 1948, which would add a Section 1920(d)(3)(A) (ii) to the Social Security Act.

Neither S. 873/H.R. 2902 or S. 1948 progressed beyond the committee referral stage during the 99th Congress. Revised versions of both measures, however, are expected to be introduced during the 100th Congress (possibly as a single, consolidated bill).

- C. Implications. Over the past decade, Medicaid has become the predominant source of federal support for long term care services on behalf of developmentally disabled persons. According to state-by-state expenditure data collected by Braddock, et. al., 80 percent of all federal aid to the states for community MR/DD services in FY 1986 was derived from Medicaid payments -- up from 47 percent in FY 1980.²⁰

The enactment of the new COBRA definition of habilitation services represents an important breakthrough, since it constitutes the first tangible sign of Congressional recognition that: (a) some Medicaid-eligible, severely handicapped persons will require ongoing social supports in order to engage in remunerative employment; and (b) employment can be a socially and economically desirable alternative to traditional long term care services for a significant number of severely disabled, non-elderly adults. The limited scope of the new definition's applicability, however, practically ensures continued ambiguity and controversy in this area of policy, especially in view of the fact that the term habilitation services now carries different meanings for developmentally disabled recipients with similar needs, depending on their current or past history of institutionalization and source of Medicaid funding.

Because of the persistent problem of the federal deficit, the barriers to enacting sweeping Medicaid reform legislation -- especially legislation involving expanded eligibility and/or broad access to currently unavailable services -- will be formidable. Thus, it will be necessary to form a legislative proposal that constitutes a cost-effective alternative to existing law or pursue incremental changes as opportunities present themselves. Examples of the former strategy would

Excluding income maintenance payments and education aid.
Braddock, David, Richard Hemp and Glenn Fujiura, Public Expenditures for Mental Retardation and Developmental Disabilities in the United States: State Profiles, Second Edition, Public Policy Monograph No. Institute for the Study of Developmental Disabilities, University of Illinois at Chicago, September, 1986.

include legislation that encourages the states to: (a) establish or expand programs to prevent the out-of-home placement of developmentally disabled children; (b) use foster care, supervised apartments and other creative alternatives to more costly congregate care settings, wherever feasible; (c) convert existing day programs to a supported work format in order to increase the earning capacity and reduce the dependency of recipients; and (d) place institutional residents in less costly, more appropriate community settings, wherever feasible. An illustration of the latter strategy would be to seek legislation to expand the applicability of the COBRA definition of habilitation services to all waiver and ICF/MR recipients.

IV. SUPPLEMENTAL SECURITY INCOME

- A. Background. For disabled and blind persons in most states, eligibility for Medicaid benefits is directly tied to the SSI test of disability. However, a state may limit Medicaid coverage of SSI recipients by applying more restrictive eligibility criteria that it had in effect prior to January 1, 1972.

States that use the SSI criteria, must extend Medicaid benefits to all SSI recipients. At present, 36 states and the District of Columbia use the federal SSI test of disability in determining eligibility for Medicaid services. The states which apply a separate, more restrictive test of Medicaid eligibility (generally referred to as the Section 209(b) states) are: Connecticut, Hawaii, Illinois, Indiana, Minnesota, Missouri, Nebraska, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, Utah and Virginia.

According to Title XVI of the Social Security Act, to be eligible for SSI benefits a disabled individual must be "...unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months..."²¹ Generally, under Social Security Administration regulations, earnings from work that average more than \$300 a month are deemed to demonstrate an individual's ability to engage in substantial gainful activity (S6A), except if such work is performed during a trial work period.

As part of the Disability Amendments of 1980 (P.L. 96-265), Congress authorized a three-year demonstration project (under Section 1619 of the Act) to determine whether disabled SSI recipients would enter or reenter the work force if they were allowed to retain their SSI benefits and/or Medicaid eligibility status. Because the demonstration program was poorly publicized and SSA had insufficient data to properly evaluate the results, in 1984 Congress extended the program for an additional 3i years (or through June 30, 1987).

Section 1614(a)(3)(A) of the Social Security Act, as amended.

Under Section 1619(a) of the Act, an SSI recipient, who has not recovered from his/her disabling condition and continues to meet other eligibility rules, may receive special cash benefits when they engage in SGA. As the individual's earnings increase, his/her cash benefits are reduced according to regular SSI program rules. However, because the SGA test is disregarded, a recipient with only earned income may receive up to \$765 a month in wages during calendar year 1987 before federal cash benefits are reduced to zero.

Even if an individual becomes disqualified for cash benefits due to excess countable income, he/she may be eligible to retain Medicaid coverage while continuing to work. Under Section 1619(b) of the Act, a working disabled or blind individual under 65 years of age may qualify for continued Medicaid benefits even after SSI benefits are discontinued due to excess income. To qualify for extended Medicaid coverage under Section 1619(b), a person must: (a) have a disabling condition; (b) require Medicaid benefits in order to work; (c) be unable to afford equivalent medical coverage without assistance; (d) meet all non-disability requirements for SSI payments other than earnings; and (e) have received a regular or special SSI cash benefit in the month immediately prior to qualifying for coverage under Section 1619(b).

- B. Recent Legislation. On November 10, 1986 President Reagan signed into law the "Employment Opportunities for Disabled Americans Act" (P.L. 99-643). This new law makes permanent work incentives for disabled and blind SSI recipients and also simplifies procedures for taking advantage of these provisions.

Under prior law, when an individual moved from regular payment status to Section 1619(a) status and later became unable to work, he or she was required to re-apply for SSI benefits (unless a special 15 month re-entitlement period applied). Similarly, if a recipient moved from Section 1619(a) status (special cash benefits) to Section 1619(b) status (Medicaid coverage only), he/she could not return to Section 1619(a) status without reestablishing eligibility for regular SSI benefits.

P.L. 99-643 repeals provisions of the Act authorizing a trial work period and automatic reentitlement to benefits for SSI recipients, effective July 1, 1987. Instead, a recipient who demonstrates the capacity to engage in SGA will automatically be moved to the special benefit status of Section 1619(a) or (b), unless

his/her earnings are high enough to raise total countable income above the level of eligibility for this status. In recognition of the fact that severely disabled persons often face setbacks in their attempts to engage in gainful employment, the legislation allows recipients to move back and forth between SSI, Section 1619(a) and Section 1619(b) status without reestablishing eligibility. Actual determinations of eligibility will only be required under limited circumstances (although the Secretary retains the authority to conduct continuing disability reviews on a periodic basis or when there are indications that an individual's medical condition may have changed).

The legislation specifies that a disabled person who becomes ineligible for SSI or Section 1619 benefits for less than 12 months may be reinstated without having his/her disability status redetermined. However, a disabled recipient's medical condition will have to be reviewed within twelve (12) months after he/she enters the special Section 1619 status. The purpose of this review is to determine whether the individual continues to have the disabling mental or physical impairment that formed the original basis of his/her eligibility. The criteria to be used in conducting such reviews is the "medical improvement standard" mandated by Congress under the Social Security Disability Benefits Reform Act of 1984 (P.L. 98-460).

P.L. 99-643 also specifies that publicly funded attendant care or personal care services, as well as federally administered state supplemental payments, are to be taken into account (along with SSI and Medicaid benefits) in determining whether an individual's earnings provide a "reasonable equivalent" of benefits that would be available to him/her in the absence of such earnings. The cost of certain work expenses and the cost of achieving plans of self support also may be excluded in making these determinations. Finally, the information and data upon which "reasonable equivalent" decisions are made must be updated at least annually.

The Secretary of Health and Human Services is obligated, under the terms of this 1986 legislation, to notify disabled and blind SSI recipients of their potential eligibility under Section 1619 at the following times:

- when benefits are initially awarded (in the case of recipients age 18 or older);
- when the individual's earned income first exceeds \$200 a month; and

periodically thereafter (i.e., as long as the individual has earned income of \$200 or more per month, regardless of his/her age).

Finally, P.L. 99-643 includes language which requires Section 209(b) states to offer Medicaid coverage to all Section 1619-eligible recipients, effective July 1, 1987.

Implications. Adequate statutory protections against the precipitous loss of cash benefits and medical coverage must be part of any broad-scaled effort to open up employment opportunities for severely disabled adults. Such safeguards are particularly crucial in the case of developmentally disabled individuals who may qualify for supported employment since, in most instances, they can be expected to: (a) have a significantly reduced earning capacity, even under optimal circumstances; and (b) are more likely to need a wide range of medical, social and support services for an indefinite period of time (indeed, often for the rest of their lives) to remain employable.

The permanent authorization of the Section 1619 work incentives should make it possible for more severely disabled persons to test their capacity to engage in gainful employment without fear of jeopardizing existing cash benefits and medical coverage. Because of the temporary nature of the former pilot program, many SSI recipients were concerned that, if they engaged in "substantial gainful activity" they might be subject to the abrupt loss of benefits when the temporary authority expired.

The fact that the Social Security Administration will be obligated to inform SSI recipients of their potential eligibility for Section 1619 benefits should lead to increased participation in the program. Service providers and advocates have reported that local SSA claims representatives often know little about Section 1619 and, consequently, do not make SSI recipients and their representatives aware of the potential benefits of these work incentives.

Finally, the relative facility with which a recipient will be allowed to move back and forth between regular benefit status and Section 1619(a)(b) status should encourage recipients with marginal work capabilities to enter (or reenter) the labor market. Under the original pilot project, if a recipient tried to work and failed, after temporarily having earnings in excess of

SGA, he or she was forced to reapply for SSI benefits. Reestablishment of SSI eligibility is no longer required under the 1986 amendments.

It is important, however, to keep in mind that P.L. 99-643 does not alter the basic test of SSI eligibility. As the Senate Finance Committee noted in its report on the legislation (S. 2209):

It is not the Committee's intent to expand the purpose of the program or to depart in any way from the original intent that this special work incentive provision should be viewed as a separate program for those who first have qualified for regular SSI benefits on the basis of their having a severe physical or mental impairment that prevents them from engaging in substantial gainful activity. It is not intended to be a step in the direction of a broader definition of disability for the social security programs. The Committee recognizes that Section 1619, in providing benefits or Medicaid eligibility to some people who could no longer qualify as regular SSI applicants (because they have proven their ability to engage in substantial employment), will create some anomalous situations. The Committee believes however that the acceptance of some anomalies is a reasonable price to pay for a program which, without an expansion of the basic SSI program, removes substantial disincentives to work attempts by the most highly motivated disability recipients (pp. 3-4, S. Rept. No. 99-466).

Another shortcoming of the 1986 legislation is that its work incentive provisions apply only to disabled and blind SSI recipients and not to OASDI (Social Security) beneficiaries (i.e., unless they also are entitled to receive SSI benefits). Thus, there is considerably less opportunity for an OASDI beneficiary to retain benefits while engaging in substantial gainful activity.

The expansion of Section 1619 work incentives to the program would be particularly beneficial for physically handicapped and chronically mentally ill beneficiaries, since such individuals would be much more likely to have worked prior to becoming disabled and, therefore, would be entitled to higher monthly benefits. By contrast, those developmentally disabled recipients who qualify for OASDI benefits generally do so on the basis of a fully insured parent's retirement, death or disability (i.e., the DD individual is normally eligible

for adult-child benefits); consequently, they usually receive lower benefits and, thus, may also be entitled to a partial SSI payment which would qualify them for Section 1619 benefits. Still, the estimated number of developmentally disabled OASDI beneficiaries was 473,000 in FY 1985²² and at least some portion of these individuals undoubtedly would benefit if work incentives similar to those authorized under Section 1619 were to be applied to Social Security recipients.

²²Braddock, David, Federal Spending for Mental Retardation and Developmental Disabilities, Public Policy Monograph Series No. 7, Institute for the Study of Developmental Disabilities, The University of Illinois at Chicago, p. 223.

V. OTHER AFFECTED PROGRAMS

While the federal programs that are likely to have a primary impact on the establishment of supported employment services were discussed in the three preceding sections of this report, there are other federal statutes and regulations which may have some bearing on the provision of employment-related services for severely disabled persons in integrated work settings. The relevant provisions of these laws/regulations will be discussed below.

A. Social Services. In the late 1960's and early 1970's federal social services grants to the states under Titles IV-A and XVI of the Social Security Act became a major source of funding for community-based services to mentally retarded and other developmentally disabled persons. However, after program appropriations were capped in 1972 (P.L. 92-512), the legislative authority shifted to Title XX of the Act in 1974 (P.L. 93-647) and the program converted to a block grant authority in 1981 (P.L. 97-35), federal social services dollars began to decline as a proportion of all support for state-local MR/DD services. According to Braddock, the percentage of total funding for community MR/DD services derived from federal Title XX aid declined from 16.7 percent in FY 1977 to 4.3 percent in FY 1986.²³

Prior to the enactment of legislation authorizing social services block grants, eligible Title XX recipients included: (a) SSI and AFDC recipients; and (b) other needy persons whose income did not exceed an established percentage of the state's median income, as determined by the state (but not exceeding 115 percent of the state's median income, adjusted for family size). But since 1981, the states have been permitted to establish their own eligibility criteria. The former 25 percent state-local matching requirement also has been eliminated. This additional flexibility, however, has been accompanied by lower federal funding levels.

Employment services have been a permissible use of Title XX funds since the inception of the program and, over the years, many states have devoted a portion

Public Expenditures for Mental Retardation and Developmental Disabilities..., Second Edition, Ibid., p. 65.

²⁴Expenditures for educational services, on the other hand, have generally been prohibited. The present Act, for example, forbids the expenditure of Title XX funds for educational services that are "...generally available...without cost and without regard to...income" (Section 2002(a)(10)).

of their federal allotments to underwriting the cost of sheltered workshops, work activities centers and similar employment training programs for developmentally disabled persons. But, in recent years, as Title XX dollars have become increasingly scarce (due both to reductions in federal funding and the diversion of state allotments to other, more traditional welfare functions), many states have turned to Medicaid as an alternative funding source for community day and residential services. This trend has accelerated in recent years -- especially with regard to daytime habilitation services -- largely as a result of the establishment of the Medicaid home and community care waiver program.

The growing reliance on Title XIX as a funding source for community DD programs has magnified the importance of the Medicaid prohibition against payments for vocational training services, since states have been shifting from a source of funding where employment-related services are a permissible use of federal dollars to one where they are not. In view of the fact that earnings often increase substantially when developmentally disabled clients are shifted from sheltered to integrated work settings, the recent emphasis on supported employment services can be expected to further exacerbate this problem (i.e., because client earnings no longer can be said to be incidental to service training objectives).

Beneficiary Rehabilitation Program. Parallel provisions in Titles II and XVI of the Social Security Act stipulate that all non-elderly disabled recipients of OASDI and SSI benefits must be referred to the state vocational rehabilitation agency and must agree to participate in a rehabilitation program, if accepted (Sections 222 and 1615 of the Act, respectively). The Secretary of Health and Human Services also is

²⁵Braddock, Ibid.

National Association of State Mental Retardation Program Directors, An Update on the Medicaid Home and Community Care Waiver Authority, July, 1982;; NASMRPD, Federal Administrative Constraints on State Medicaid Outlays for MR/DP Recipients April, 1985, pp. 17-28; "Home and Community-Based Services Waiver Program", in An Analysis of Medicaid's Intermediate Care Facility for the Mentally Retarded (ICF/MR) Program (Editors: K. Charlie Lakin, Bradley Hill and Robert Bruininks), Center for Residential and Community Services, University of Minnesota, September, 1985.

authorized to reimburse a state rehabilitation agency for 100 percent of the cost of rehabilitation services rendered to an SSI or OASDI beneficiary, but only after the beneficiary has participated in "substantial gainful activity" for nine months or more.

Prior to 1981, each state rehabilitation agency was entitled to reimbursement regardless of the outcome of a client's rehabilitation program and, in fact, received from SSA an annual allotment based on its estimate of the number of OASDI and SSI recipients that would receive rehabilitation services during the fiscal year. However, as part of a sweeping cost-cutting package adopted by Congress in that year, funding for the OASDI and SSI Beneficiary Rehabilitation programs was restricted to reimbursement after-the-fact (Section 2209, P.L. 97-35). As a result, the number of program recipients and the levels of federal aid have declined precipitously. According to Braddock, federal support for the rehabilitation of SSI recipients dropped from \$55.0 million in FY 1980 to an estimated \$3.7 million in FY 1985, while, during the same period, rehabilitation funding for OASDI beneficiaries plummeted from \$113.3 million to \$8.2 million.²⁷

The number of developmentally disabled SSI and OASDI recipients assisted through the Beneficiary Rehabilitation programs has always been relatively small (estimated by Braddock at 12.0 percent of the total), since generally recipients with a prior work history and physical limitations have been perceived to be better candidates for rehabilitation services. However, under current circumstances, state rehabilitation agencies have little incentive to serve any disabled OASDI or SSI recipients -- regardless of the nature or extent of their handicapping conditions -- since federal funding is not forthcoming unless the rehabilitation program is successful.

During the 98th, 99th and 100th Congress, Senator Donald W. Riegle, Jr. (D-MI) has introduced a bill designed to revamp existing procedures for determining eligibility and providing rehabilitation services to disabled OASDI and SSI recipients. The latest version of this measure, entitled the "Social Security Disability Beneficiary Rehabilitation Act of 1987", (S. 178) was introduced on January 6, 1987. It would

²⁷Braddock, D. Federal Spending..., Ibid., p. 217.

require SSA, as part of a revised disability determination process, to evaluate the rehabilitation potential of all disabled persons applying for Social Security or SSI benefits and refer them for appropriate services depending on their rehabilitation/habilitation needs. SSA would be authorized to reimburse state VR agencies as well as private providers for the cost of vocational rehabilitation and independent living services furnished as the result of such referrals.

No action has been taken on the Riegle bill to date and there is little prospect that it will be enacted into law in the near future, due to uncertainty regarding the cost consequences of the legislation. Yet, clearly, any comprehensive strategy for expanding employment opportunities for severely disabled adults must involve improved methods of compensating rehabilitation/habilitation providers that furnish employment-related services for non-elderly disabled OASDI and SSI beneficiaries. Such incentives should extend to helping developmentally disabled (and other severely handicapped persons) enter or re-enter the work force, even though they may be incapable of full-time employment and/or require ongoing supportive services to remain employed. One of the critical issues that will have to be addressed is the criteria used in selecting beneficiaries for SSA-reimbursable rehabilitation services. At present, beneficiaries are enrolled in rehabilitation programs only if there are reasonable expectations that they will be capable of gainful employment (i.e., will achieve economic self-sufficiency) -- a test that excludes most developmentally disabled OASDI/SSI recipients, including many with potential for some level of productivity.

Developmental Disabilities. In order to draw a statutory distinction between the purpose of the developmental disabilities and rehabilitation programs, states were prohibited from using federal DD dollars for vocationally-oriented services prior to 1984. Indeed, one of the four priority services identified in the authorizing statute was non-vocational social-developmental services (Title V, P.L. 95-602).

In the 1984 amendments to the Developmental Disabilities Assistance and Bill of Rights Act (P.L. 98-527), however, Congress substituted "employment-related services" for "non-vocational social developmental services" and shifted the overall emphasis of the federal-state program toward assisting developmentally disabled persons in achieving "increased independence, productivity and integration into the community"

(Sections 101(b) and 121 of the Act). One of the principal reasons for this new emphasis was the belief that a significant number of developmentally disabled persons could be placed in competitive or supported employment settings with proper training and, in many instances, ongoing social supports.

The basic federal-state DD grant program, however, is not intended to provide long term ongoing support for service programs; instead the limited federal funds available (\$56.5 million in FY 1987) are used to stimulate comprehensive planning and interagency collaboration as well as demonstrate improved programming techniques. In many states developmental disabilities councils have been instrumental in promoting new and expanded supported employment services for DD persons over the past few years; but, the bulk of the funding for such programs has to be obtained through other federal, state and local sources.

- D. Housing. One of the most crucial social supports required by a developmentally disabled person in order to remain employable is an appropriate community-based living environment. The proper type of housing will vary according to the needs of the individual, but persons participating in supported employment generally will require a sheltered or semi-sheltered living setting, in which they can receive social supervision and habilitative training.

Under current federal housing laws two or more unrelated handicapped persons (including persons with developmental disabilities) may be treated as a "low income family" for purposes of participating in federally subsidized housing projects. The term "handicapped" refers to persons with a physical or mental impairment which: (a) is expected to be of long-continued and indefinite duration; (b) substantially impedes the individual's ability to live independently; and (c) is of such a nature that the person's abilities could be expected to be improved by more suitable housing conditions.

Over the past decade, hundreds of local MR/DD agencies have accessed a variety of federal programs administered by the Departments of Agriculture and Housing and Urban Development to finance existing, newly constructed and rehabilitated housing units for low income developmentally disabled persons. In recent years, however, it has become increasingly difficult to obtain federal housing subsidies, primarily because

Congress, at the urging of the Reagan Administration, has repeatedly cut the level of federal funding for such programs.

Partially as a consequence of the deep cuts in federal housing programs, state and local service providers have become even more reliant on Medicaid payments -- both through the ICF/MR program and HCBC waiver program -- to finance community-based residential services for MR/DD clients. Even in those increasingly rare cases where local non-profit agencies qualify for federal rent subsidies (usually as the result of Section 202 loans), agency officials are finding, in a growing number of instances, that it is necessary to certify the facility as a Medicaid (ICF/MR) provider in order to generate sufficient operating revenues.

For years, HUD officials were reluctant to authorize subsidies for Medicaid-certified group homes since: (a) "health care facilities" were not considered to be family housing; and (b) the tenants' contribution toward rent was reduced to zero, since residents of Medicaid-certified facilities are no longer entitled to receive SSI benefits (except for a personal needs allowance), which frequently constitutes their only source of income. In 1983, however, HUD and HHS officials agreed that Section 202 group home projects for the developmentally disabled could be certified as ICF/MR providers as long as the state Medicaid agency agreed to include in the facility's reimbursement rate the 30 percent contribution of eligible residents.²⁸

In 1986, the U.S. House of Representatives approved a bill (H.R. 1) which, in effect, would have legitimized the informal administrative arrangement between HUD and HHS/HCFA. A bill to reauthorize the federal housing program, which contains an identical provision, was reintroduced on the opening day of the 100th Congress (H.R. 4).

- E. Food Stamps. Food stamps are another social benefit available to low income developmentally disabled persons living in the community. Under the Food Stamp

²⁸Exchange of correspondence between Philip Abrams, HUD Assistant Secretary for Housing-Federal Housing Commissioner, and Carolyn Davis, Administrator, Health Care Financing Administration, HHS, dated August 30 and September 30, 1983, respectively.

Act, as amended, direct assistance is provided to Individuals and families who otherwise would be unable to purchase quantities of food adequate to meet their minimum nutritional needs. Federal coupons may be used in lieu of cash to purchase food at participating retail stores. In addition, certain elderly and handicapped persons (and their spouses), who cannot prepare their own meals, may use the coupons to pay for meals delivered to their homes by authorized meal delivery agencies.

Under the Food Stamp Amendments of 1979 (P.L. 96-58), the definition of the term "eligible households" was modified to permit residents of community living arrangements for blind and disabled persons to qualify for food stamps. To be eligible for food stamps, residents of a community living arrangement must be recipients of SSI or OASDI benefits and the home must: (a) be operated by a public or non-profit agency; (b) have 16 or fewer residents; and (c) be certified or licensed by an appropriate state agency. Each otherwise eligible blind or disabled person is treated as an individual household for purposes of determining his/her monthly coupon allotment.

In addition, the 1979 amendments redefined the term "food" to include meals served in group living arrangements and the term "retail food store" to apply to such facilities. Although the Agriculture Department does not collect data on the number of developmentally disabled food stamp recipients, Braddock has estimated that the dollar value of food stamps awarded to mentally retarded individuals in FY 1985 represented approximately 1.5 percent (or \$166.9 million) of total food stamp expenditures (\$12.2 billion)."

Obviously, in weighing the factors necessary to allow severely disabled persons to participate in the workforce, entitlement to food stamps is not as important as access to appropriate housing and needed training and supportive services; but it may be a necessary, albeit small, ingredient in a comprehensive strategy.

Federal Procurement. The Wagner-O'Day Act of 1938, as amended, authorizes a program under which federal agencies may procure selected commodities and services from qualified workshops serving blind and other severely handicapped individuals. The primary objective of the program is to increase employment opportunities for such individuals. Procurement activities are supervised by a 15-member interagency Committee for Purchases from the Blind and Other Severely Handicapped. The National Industries for the Blind and the National Industries for the Severely Handicapped are separate, non-profit entities which coordinate the award of government contracts to sheltered workshops, nationwide.

The Act originally authorized the purchase of goods from workshops for the blind. But the legislation was amended in 1971 (P.L. 92-28) to extend participation to workshops serving other severely handicapped persons, including a large number of developmentally disabled persons. Over the past few years, a growing number of workshops have been contracting with federal agencies to provide various services in government buildings. Many of these contracts cover the provision of janitorial services by developmentally disabled workers. Workers are paid wages commensurate with their productivity, while the workshop furnishes supervision, training and necessary supportive services to the disabled employees.

Wage and Hour Policy. Federal policies governing minimum wages and hours also influence the availability of jobs in the general work force for persons with severe handicapping conditions. Until recently, Section 14(c) of the Fair Labor Standards Act required employers to pay handicapped workers at least 50 percent of the federal minimum wage (currently \$3.35 per hour) under special certificates, issued by the Labor Department, unless the state vocational rehabilitation agency certifies that the individual is so disabled that he or she is incapable of producing enough to justify such earnings. The 50 percent wage floor was originally intended to protect handicapped workers from being underpaid. But in the interim, it became largely an administrative burden for sheltered workshops, since, according to Department of Labor statistics, 87 percent of all handicapped workers with special earning certificates now are exempted from the 50 percent requirement. These severely handicapped clients qualify for work activity center certificates, which establish no minimum wage floor.

Last year, Congress approved legislation which authorizes the Secretary of Labor to issue a single type of special minimum wage certificate for handicapped workers (P.L. 99-486); authorized wage rates under such certificates are to be based on the productivity of the individual handicapped worker. As under prior law, wages must be "...commensurate with those paid to non-handicapped workers, employed in the vicinity in which the individuals under the certificate are employed, for essentially the same type, quality and quantity of work..."

P.L. 99-486 also repeals the previous requirement that persons employed in work activities centers be physically separated from other sheltered workshop employees. During floor debate on the measure it was argued that the present requirement can lead to segregation of severely handicapped employees, thus denying them the potential benefits of working with more productive employees.

- H. Job Training and Partnership Act. Some local rehabilitation facilities have used JTPA funds as an effective tool for placing handicapped persons into competitive jobs. The basic aim of the Job Training and Partnership Act, enacted into law in 1982 (P.L. 97-300), is to train and place economically disadvantaged persons into the work force through joint public-private sector initiatives.

The central administrative figure in the operation of the JTPA will be the governor of each state. All significant funding and operational decisions pass through the chief state executive's office, including: (a) review and approval of state/local job training plans; (b) designation of service delivery areas; (c) appointment of state council representatives; (d) monitoring of program compliance; (e) establishment of state fiscal guidelines; and (f) distribution of JTPA grant monies received from the federal government.

At the local level, decisions regarding the allocation of federal funds are made by Private Industry Councils (PICs). For this reason, membership on the council is often a key to accessing JTPA funds on behalf of handicapped trainees/workers.

Under the provisions of the Act, the term "economically disadvantaged" is defined to include, in cases permitted under Labor Department regulations, adult handicapped individuals who either qualify for federal,

state or local welfare payments or meet alternative economic need criteria spelled out in the Act, but who are members of families"...whose income does not meet such requirements" (Section 4(8)(E) of the Act). The term "handicapped individual" is defined as a person with "...physical or mental disability which for such individual constitutes or results in a substantial handicap to employment" (Section 4(10)).

For the most part, JTPA funds have been used to place workers with mild and moderate handicaps into community jobs. But, a few enterprising rehabilitation facilities are beginning to use program funds to place severely disabled individuals into supported employment.

- I. Targeted Jobs Tax Credit. Congress has authorized a special tax credit to induce business to hire certain categories of chronically unemployed workers, disadvantaged youth, welfare recipients and other hard-to-place persons (including handicapped individuals). As part of the Tax Reform Act of 1986 (P.L. 99-514) this so-called "targeted jobs tax credit" was extended for an additional three years (or through December 31, 1988). The amount of the credit for the first year, however, was reduced from 50 to 40 percent of the first \$6,000 in wages and the credit for the second year of employment was repealed. In addition, before a business may qualify for a credit, a worker must have been employed for at least 90 days (14 days in the case of a summer youth worker) or have completed at least 120 hours of work for the employer (20 hours in the case of a summer youth employee). A credit equal to 85 percent of the first \$3,000 in wages is available to firms hiring summer youth employees.

Used in conjunction with other forms of funding, the tax credit can be a useful device in encouraging employers to hire handicapped workers.

- J. Transition from School to Work. The federal Office of Special Education and Rehabilitation Services has given high priority to facilitating the transition of handicapped adolescents from secondary school to adult life through a series of special demonstration projects over the past few years. The growing national focus on this area of policy has led a number of state legislatures to enact laws aimed at improved interagency coordination and planning on behalf of handicapped adolescents and young adults. The Massachusetts so-called "Turning 22" act was one of the earliest state laws of this type. It establishes a Bureau of Transitional Services in the Executive Office of Human Services and requires

each local school system to report the names of students who will need adult services two years before they are due to graduate or attain age 22. Transition and adult service plans must be prepared on behalf of each student whose name is reported.

The Carl Perkins Vocational Education Act of 1984 (P.L. 98-524) also mandates that: a vocational assessment be prepared on each handicapped or disadvantaged student enrolled in a vocational education program. The law specifies that this assessment, conducted by the local education agency, must include a review of the student's "interests, abilities and special needs in respect to the successful completion of a vocational education program..."

These and related developments suggest that, in the years ahead, increased attention will be given to collaborative efforts by the public schools and adult service agencies to assure that handicapped youth experience a smooth transition from the educational system to the work force or other appropriate adult roles in society.

VI. CONCLUSION

The primary aim of this section of the report has been to demonstrate the various, often interrelated, ways in which federal policies can influence -- either positively or negatively -- the establishment of supported employment programs for developmentally disabled individuals across the nation. Because of the number and complexities of the programs involved, it was not possible to delve into all of the possible nuances of policy surrounding each program. However, it is hoped that the primary message will be clear: a successful strategy for promoting more and better employment opportunities for severely handicapped workers, especially those who will require ongoing social supports and assistance, must: (a) address the disincentives and/or absence of incentives currently built into a wide variety of federal programs, rather than assuming that the answer lies in changing the statutory authority of one program or another; and (b) adopt a holistic approach that contemplates a carefully synchronized set of modifications in relevant federal statutes and regulations.

I. INTRODUCTION

A. Factors Leading to the Preparation of This Survey

Although there has been significant progress in assisting developmentally disabled institutional residents to move into smaller, more homelike residences over the past fifteen years, the development of vocational services has lagged behind. Data collected in 1983 by the U.S. Commission on Civil Rights, for example, indicate that 50 to 80 percent of working age adults who report a disability are unemployed. Furthermore, those disabled adults who do gain entry into publicly supported day and vocational training services often receive low wages, and experience slow movement, if any, toward full-time, integrated employment (U.S. Department of Labor, 1979). Frequently, they are isolated from their non-disabled peers, performing "deadend" jobs in sheltered workshops.

In recent years, however, the federal government, as well as state agency officials, have begun to refocus their efforts to assist disabled individuals -- including those with severe impediments to engaging in competitive employment -- to reap the rewards of working in the mainstream of society. One important aspect of this new trend is to the development and enhancement of "supported employment" programs.

"Supported employment" has been defined as "competitive work in integrated settings for individuals with severe handicaps for whom competitive employment has not traditionally occurred... and who, because of their handicap, need intensive, ongoing support services to perform such work." However, due to varied interpretations of what constitutes supported employment, who is best suited to deliver such services, the types of individuals who constitute the proper target population and the appropriate sources of funding, it is difficult to develop a clear, nationwide picture of the scope and progress of the supported employment initiative.

This survey grew out of an inquiry posed to the Association by the staff of the Senate Subcommittee on the Handicapped, as they began to draft the "Rehabilitation Act Amendments of 1986." "How many states," they asked, "are actively converting day activity programs for developmentally disabled individuals to a supported employment format, and what is the success rate of these new programs?" The NASMRPD staff were able to respond generally, that most states reported a strong philosophical commitment, to work-oriented services. However, to develop a more specific

response, a series of questions was posed to state directors of mental retardation/developmental disabilities programs as part of a structured telephone survey. The purpose of this report is to summarize the results of that state-by-state survey, in order to offer readers a more complete picture of nationwide trends in rapidly changing areas of programs for adults with developmental disabilities.

Federal Activities. As enthusiasm for and commitment to supported employment programs has grown at the state and local level, there has been a parallel growth in interest at the federal level. Several new Congressional and Administration initiatives are underway which should stimulate expanded supported and competitive employment opportunities for individuals with severe handicaps. Among these new developments are:

- a stronger federal legislative authority to fund short-term supportive employment training under the "Rehabilitation Act Amendments of 1986" (P.L. 99-506);
- new statutory authority to finance ongoing pre-vocational and supported employment services on behalf of certain developmentally disabled recipients under Medicaid home and community care waivers (Section 9502(a), P.L. 99-272);
- the awarding of special demonstration grants by the U.S. Department of Education's Office of Special Education and Rehabilitative Services (OSERS) in an effort to stimulate the development of statewide supported employment programs serving severely handicapped individuals;
- a new initiative by OSERS, through special grants and other stimulating activities, to facilitate the transition of handicapped adolescents from school to work;
- a nationwide effort to locate suitable employment opportunities for developmentally disabled persons, spearheaded by the Administration on Developmental Disabilities in the U.S. Department of Health and Human Services;
- new legislation which affords severely disabled SSI recipients stronger protections against the precipitous loss of cash benefits and Medicaid coverage when they enter (or reenter) the work force (P.L. 99-643).

The implications of these and other recent federal policy developments are discussed in Part One of this report.

- C. Methodology. From April 3 through 7, 1986, the Association's staff conducted a series of structured telephone interviews with each member state agency (i.e., each of the 50 state mental retardation/developmental disabilities agencies) regarding efforts in their respective jurisdictions to establish and maintain supported employment programs and/or convert existing day service programs to a supported employment format.

The interviewees were contacted by telephone and asked the following questions:

- Is there an effort underway in your state to convert day services to supported employment programs?

If so, please describe the nature and extent of this effort.

Which state agencies and regional/local organizations are involved in these activities?

- 0 Do you have any comparative data regarding the costs of day services versus supported employment services?

During the original survey period, we talked to MR/DD officials in 41 states. The draft report was then sent out to all the states for review and revision. In addition, details were gathered from the states that had not participated in the original survey.

All the information that was collected during the course of the survey is summarized in the state-by-state summaries which appear in this part of the report. The name of the key contact person in the central office of the MR/DD agency also is included in each state summary.

- D. Limitations of the Study. A report of this type is limited by its very nature.

First, the information constitutes a "snapshot" in time, reflecting the status of events as of the Spring of 1986. The reader, therefore, should keep in mind that the information contained in the present report will be quickly outpaced by events especially in a

rapidly evolving area of programming such as supported employment.

Second, as we conducted the survey, we noted discrepancies in the manner in which states tend to define the term "supported employment", and the program models which they encompass under this rubric. For example, one state reported limited progress in initiating supported employment programs, but an increased reliance on a work crew model. "The work crew model is a form of sheltered employment," the respondent from that state noted. Conversely, the respondents in several other states viewed the work crew model as an integral part of the state's new emphasis on supported employment.

In reviewing definitions of supported employment, one notes a similar lack of agreement on how to differentiate between supported employment and other types of work training programs. Recently, NASMRPD analyzed four federal and eight state-specific definitions of supported employment. The differences between these definitions highlight the difficulty of developing accurate state-by-state comparisons when key terms are not uniformly defined.

Third, there is precious little comparative cost data on the operation of supported employment programs, and that which does exist, reflects only relative expenditures within a particular state or area of a state, and, therefore, may not be applicable to the situation in other jurisdictions.

Fourth, our source of information, in all cases, was an official in the state MR/DD agency. To the extent that officials in other state agencies (most notably the state vocational rehabilitation agency) may have different perspectives on recent developments, such viewpoints are not reflected in our state summaries. Similarly, the focus is limited almost exclusively to the specific trends in employment programs for developmentally disabled persons. To the extent that states have initiated supported employment programs for other groups of severely handicapped individuals (e.g., chronically mentally ill and physically disabled persons), it is not summarized in this report.

Finally, the questions we posed to the respondents were general in nature, they required subjective responses. Consequently, most of the information we received was impressionistic and anecdotal. Clearly, it is quite possible that other observers in the same state may

have had different impressions or emphasized different points.

Despite these limitations, NASMRPD feels that the findings of this telephone survey will offer readers a better sense of the general direction of the changes that are occurring in employment-related programs for developmentally disabled persons than is currently available through other published and unpublished studies. Furthermore, readers may be able to informally assess the progress of their own state's efforts in relationship to other states and learn of new strategies for promoting the expansion of employment programs in their respective jurisdictions.

II. STATE DESCRIPTIONS

Alabama. The State Department of Mental Health and Mental Retardation has made a significant commitment during the past few years to assist mentally retarded individuals in successful transitions to employment programs. These efforts have included:

- redirecting funds appropriated for institutional construction projects to community-based facilities. Among the new facilities that are being constructed are nonprofit work centers and group homes. The new work centers designed to accommodate an additional 500 clients, will serve as a vital link between day activity and supported employment programs. In FY 1984-85, there were 2,234 clients served in community activity centers, 122 in residentially-based work centers, and 132 in community work centers.
- the Alabama Developmental Disabilities Council has sponsored two conferences to inform employers and other interested persons about supported employment and related tax incentives. Three additional conferences are scheduled during the current fiscal year.
- several successful work stations in industry projects are underway in the State, including major projects at Jones Manufacturing and Morrison Cafeterias.
- DMH/MR has collaborated with the State Division of Vocational and Rehabilitation Services, in submitting a proposal for an OSERS supported employment grant. Referred to as Project ACCESS, the grant would fund the provision of supported work services through the state's regional MR service system.
- DMH/MR's Office of Applied Research is involved in two cost studies: one to determine what accounts for cost differences across institutional facilities and the other to identify the causes of cost variation in community day and residential programs.

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Alaska. Alaska is one of the original ten states which was awarded a federal (OSERS) grant to stimulate the development of supported employment programs, statewide. These funds will allow the state to convert day activity programs to a supported work format, with the savings used to finance further expansion in work opportunities for severely handicapped persons.

The project is a collaborative effort between the State's Divisions of Vocational Rehabilitation and Mental Health and Developmental Disabilities. The two agencies will coordinate their efforts to develop supported work centers capable of assisting clients who are currently being served by DVR or DMHDD. State officials estimate that by the end of five years, 40 percent of all individuals currently served in sheltered workshops and day activity programs will be receiving supported work services. Also as part of the project, a rural service delivery system will be developed, as will materials describing how to replicate such other programs in other sparsely populated states.

In addition, the Division of Developmental Disabilities has modified its regulations to make it easier for day providers to offer supported work services. Our respondent used the example of the largest workshop in the state (in Anchorage), which now has over half its clients working in private industry with back-up support from the program. Similar developments are beginning to occur in other parts of the state as well.

DDD officials stress that this movement is limited to the DD service system, however; the Division of Vocational Rehabilitation has not changed its practices regarding services to developmentally disabled persons, except through its participation in the federally funded project.

In Alaska, there have been discussions of merging the DD and VR divisions. But, the controversy surrounding who VR should serve poses a barrier to any such reorganization.

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Arizona. Arizona is another of the original ten states receiving a five-year OSERS grant to convert day services to supported work programs. Even before the state obtained this funding, the Division of Developmental Disabilities was using Title XX monies to develop work stations-in-industry, enclaves and work crews.

The OSERS project will utilize a cooperative funding strategy which includes: (a) time-limited vocational rehabilitation services which focus on initial training and stabilization of a handicapped person in a competitive job; and (b) redirecting existing day and vocational service funds from a variety of sources to provide supported employment and long-term followup. Four components of this model are expected to facilitate placement of severely handicapped individuals into competitive work settings:

direct job placement through a careful client-employer match;

- on-the-job training;
- ongoing and intensive support (similar to services typically provided in day activity programs) in a real work setting;
- followup and advocacy to ensure the client experiences a stable work pattern that is beneficial to both the client and the employer.

"Because Arizona does not use Medicaid," our respondent said, "we never really had typical adult day programs. Our focus has been on employment or pre-vocationally related services since 1975. Even 'socialization' was a work-related goal. Now, we are moving even further away from work activity, prevocational training and long term workshops to encourage service providers to rethink what they do." Officials believe that the state's eligibility requirements (i.e., 2 standard deviations below the mean I.Q. and three deficits in life skills) tend to restrict service access to more severely disabled clients.

DDD has been developing indices of work performance and plans to build these measures into provider agency contracts. Additionally, licensing of residential facilities was mandated by the State Legislature last year; it is hoped that mandatory licensure of day programs will follow, enabling the Division to require employment-focused programs.

DDD is also developing non-vocational day programs for medically fragile clients. Since many of the clients in this category elect not to work, due to the disincentives (loss of SSI benefits), the program will be similar to "day care" with fees.

Finally, DDD is involved in several collaborative efforts with other agencies. They include the following:

- the Division of Vocational Rehabilitation is the lead agency in the OSERS grant, but DVR and DDD have enlisted the cooperation of representatives of the Behavioral Health Division and the Joint Training Partnership Act office. (The latter serves chronically mentally ill persons).

"VESPERS" is a cooperative project run by DDD, DVR, Special Education and Vocational Education. (It is hoped that JTPA, Corrections and Behavioral Health will soon join the project). Under this project, the schools develop employment-related goals for adolescents enrolled in special education programs and determine who will have responsibility for job training and/or supported employment services after graduation. A document on this transitional program is available from the Department of Economic Security; in addition, the University of Illinois awarded DDD three mini-grants for conferences on VESPERS.

- Arizona had a "STETS" grant years ago which put "quite a few" clients into supported employment.

Two years ago DDD and DVR started a joint project under which clients who are eligible for services from both agencies enter through VR, where their vocational assessments are completed (using Section 110 funds), training costs are shared between the two agencies, VR closes the case and DDD assumes responsibility for the provision of long term support. So far, about 65 clients have received such services.

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Arkansas. In 1985 Arkansas completed a pilot supported employment project, but it was not re-funded in 1986. The state rehabilitation agency and the and DD Council are trying to launch new pilot programs.

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California. In 1978, the California Health and Welfare Agency, which oversees both the Department of Rehabilitation and the Department of Developmental Services, transferred all responsibility for "work programs" (including supported employment) to the Department of Rehabilitation. DDS was designated the sole agency responsible for other day services, including day activity centers, adult development centers, behavioral intervention services, sensory motor programs, etc. Through its twenty-one regional centers, DDS serves approximately 400 day program centers throughout the state.

When interest in supported employment programs began to escalate (approximately two years ago), the issue of which state agency is best suited to provide these services surfaced. Current authority lies with DoR, since supported employment is "work related"; however, many individuals in the state believe that DoR does not serve severely disabled clients, many of whom are prime candidates for supported employment programs.

The situation is further complicated by Section 9502(a) of COBRA, which allows states to claim Medicaid reimbursement for supported employment services provided to formerly institutionalized clients through a home and community care waiver program (see Part One of this report for additional details). DDS is the agency which administers the DD waiver program; yet, according to Health and Welfare Agency policy, it cannot provide "work" programs.

To begin addressing this problem, in January, 1986, DDS issued a day service policy regarding community integration

and training in "natural environments". However, the Governor of California recently signed into law a bill supported by DoR, which includes a definition of supported employment that, despite its positive aspects: (a) sets twenty hours per week as the standard for supported work; and, (b) includes actual rates (\$4 per hour for enclaves and work crews, and \$20 per hour for "individual placements"). Transportation and other support services for clients which are provided by the DDS Regional Centers are not built into these costs.

The DDS scheduled two public hearings in late October, 1986 (cosponsored by DDS and DoR) to hear testimony from providers, consumers, advocates and other interested parties regarding problems in moving toward a system which places more emphasis on supported employment.

DDS officials also are developing a proposal for the long term restructuring of day programs in the state. During the course of this one-year project, the current system and related reimbursement methodologies will be examined. This analysis will include an examination of demographics, as well as issues related to retirement, demonstration models and the number of severely disabled clients who will turn 22 over the next five years. In addition, the report will examine the activities and funding streams of related service systems in the state (e.g., DoR, Education, Parks and Recreation, Aging, etc.). Finally, a long term plan will be prepared, which may possibly include a dual system, under which DoR serves mildly handicapped clients in work related programs, while DDS provides supported employment services to more severely handicapped individuals. The DoR effort will be aided considerably by a five-year OSERS grant, which will be used to support 3,000 to 5,000 clients in more than fifty new supported work projects.

No comparative cost data exists at the present time, although reimbursement rates paid for all types of day programs, including supported employment services, range from \$17 to \$32 a day.

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Colorado. In June, 1984, the Colorado Division for Developmental Disabilities announced that 20 percent of new day services authorization would be reserved to initiate a Competitive employment and Maintenance Services (CEMS)

program to initiate a formal supported work program in Colorado. This initial allocation of \$200,000 resulted in projects located in thirteen catchment areas serving 114 persons. It was supplemented with an additional \$150,000 in FY 1985-86 that enabled the program to be extended to an additional seven catchment areas. By the end of FY 1985-86, some 245 persons were being served in these programs.

In May, 1986, the Division announced a major initiative in supported employment. In particular:

- the program was retitled Community Integrated Employment (CIE).

the Division established the objective that at least 25 percent of all adults funded by the Division be enrolled in CIE programs by January, 1988.

- the Division provided that funding allocated to sheltered services could, upon submission of a proposal and program plan, be reprogrammed to CIE services.

Since announcing this initiative, the dollars allocated for supported employment have risen from the \$350,000 provided in the predecessor CEMS program to slightly over \$500,000 with numerous additional proposals under consideration. One community-centered board has stated the objective to move the majority of adults served from sheltered to integrated employment. The Division expects to achieve the 25 percent target.

Co-jointly with its own efforts, the DDD, the Colorado Division of Rehabilitation, and the Colorado Department of Education collaborated in April, 1986 to establish the Rocky Mountain Resource Training Institute (RMRTI) to serve as a focal point for technical assistance in supported employment. Shared funding enabled this capacity to be established. The RMRTI provides technical assistance to vocational rehabilitation, school programs, and Division funded community agencies.

In August, 1986, the state was awarded a five-year OSERS grant that will be managed by the RMRTI. The OSERS grant will enable the scope of RMRTI activities to be broadened.

Thus far in Colorado, expansions into supported employment have yielded cost/case levels of approximately \$2000-\$3000 per person versus minimum support levels of \$4000 per year in sheltered settings. Supported employment programs in Colorado include a variety of models.

While Colorado collects significant levels of data on supported employment, including wages, hours, degree of integration, and level of service agency effort, the State does not plan to undertake a major analysis of that information until at least the end of 1987. While the low costs experienced thus far are encouraging, most persons currently served are higher functioning.

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Connecticut. In June 1985, the Department of Mental Retardation embarked on a statewide supported employment initiative. It was decided that none of the FY 1986 funds (\$6.4 million) would be used to expand sheltered workshops or work activity centers. At least half of the new funds were earmarked for purchase of supported employment services. To date, this initiative has been a single-agency effort.

Approximately 500 persons were targeted by DMR for placement in supported employment services by June 30, 1986. As of April, 1986, supported employment contracts covering commitments to place 468 people in supported employment programs had been signed with provider agencies, with additional contracts to serve 200 more expected to be negotiated during the final quarter of the State's fiscal year. Individuals to be served include recent special education graduates, clients deinstitutionalized from state facilities, those in sheltered workshops and many who have been unserved in the community.

The state applied for one of the OSERS grants last year. Although they were not awarded a grant, a Corporation for Supported Employment (as outlined in the grant proposal) was established. The purposes of CSE are to assist workshops to convert to a supported employment model, to aid in the establishment of new supported employment providers and to work with private employers statewide. Represented on the Board of CSE are the DMR, VR, the Department of Mental Health, ConnARF, private providers, as well as private businesses. Funding for the CSE comes from DMR, the state ARC, and the state DD Council. DMR expects a line item in its FY 1987 budget to fund the CSE.

The state currently has approximately 3,500 individuals in private sheltered workshops and 1,800 in DMR-operated day programs. The average cost of a sheltered workshop program

in Connecticut is \$8,000 per client, per year. Preliminary data indicate that the supported, competitive or individual placement model costs approximately \$6,000 per person, per year, enclaves cost \$8,100 per person per year and work crews cost \$8,200 per person per year.

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Delaware. Although Delaware officials point out that they are not actively converting day services to supported employment, they are trying to set up work-related programs for developmentally disabled adults. Most of these programs are designed to serve community residents who were formerly institutionalized.

The State's total day program population is about 450. Approximately 20 slots have been reserved for supported employment this year (to "try it out on a small scale"). Traditional day programs are operated by the State; the supported employment programs will be provided primarily through non-profit vendors, since private agencies can exercise more flexibility. The Delaware Division of Mental Retardation does operate a mobile work crew directly; it was originally based at the State's one institution, Stokey Center.

DMR is working with the Division of Vocational Rehabilitation to develop "Transition Project", a collaborative effort by the school system, DMR and DVR to screen and provide appropriate post-school services to graduating special education students.

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District of Columbia. The Developmental Disabilities Administration of the District of Columbia has a two-year project (starting in FY 1986) under which DDA officials are working with the DC schools to place 20 people in supported work programs. The Vocational Rehabilitation Agency has

been awarded a grant from The National Association for Persons with Severe Handicaps (TASH) to train these clients in janitorial and office skills.

In addition, DDA is working with 15 people from the blind population to train them for jobs in the laundry room at D.C. General Hospital.

The D.C. government is funding the supported employment programs directly. Our respondent estimates that it costs \$63,000 per year to serve ten supported work clients. By comparison, it takes about \$68,000 per year to fund traditional day services for 10 clients.

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Florida. Florida is not actively engaged in converting day services to supported employment. However, between 1973 and 1977 the State was able to make a large number of "job placements" and establish several new employment training programs, as the result of two grants. There are currently just under 30,000 clients receiving state-supported day services in Florida, at a cost of approximately \$6,000 per client, per year.

The Florida Developmental Services Program Office has assembled a group of representatives from several state agencies (including DVR and Education) to develop plans and policies in the area of supported employment. The group meets once every six weeks. Early products of this inter-agency collaboration include preparing coordinated FY 1987-89 budget requests and developing outcome measures for developmental training programs, which encourage providers to use supported employment as an outcome.

The Florida Division of Vocational Rehabilitation is using establishment grants to fund supported employment programs and permits such placements to be counted as a case closure. DVR officials are anxious to move quickly to incorporate supported employment into their service system.

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Georgia. The Georgia Office of Mental Retardation Services is actively involved in closing day service centers and redirecting state funds to placement of clients in supported employment programs. OMR uses the job coach model and operates one work crew, which is defined as an enclave. Most OMR clients have no involvement with vocational rehabilitation services. In a survey of its regional offices and the 130 day service centers throughout the state, OMR officials have determined that "everyone is on the bandwagon to convert to supported employment." In fact, in next year's OMR budget, active conversions will be a line item.

There is an interagency committee on transitioning special education students from school to work: the committee includes representatives of OMR, DVR, education, OMH, corrections and youth services. This committee monitors statewide progress in developing supported employment options for individuals exiting the school system.

The University Affiliated Program at the University of Georgia maintains a central database on all DD community clients, statewide. Early analyses indicate that there are 5,500 people in day services at an average annual, per capita cost of about \$7,000,200 people in OMR-funded workshops and 300 in DVR-supported workshops at a cost of \$2,900 per client, per year. No costs or population statistics are available on supported employment at this time.

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Hawaii. The Community Services for the Developmentally Disabled Branch in the State Department of Health contracts with non-profit agencies to operate day services, including several supported work programs. Our respondent said that supported employment is a priority objective for the Branch in FY 1986-87. Currently the Maui Association for Retarded

Citizens (MARC) is using day activity money to fund supported employment services. They are working with the Maui Hyatt Hotel to train clients (on the job) for gardening, cleanup, and kitchen work. The hotels are unionized in Hawaii, which creates a major barrier to placement in this important segment of the State's economy. Clients usually are placed in specially created jobs and are not trained in unionized work. Thus, they have difficulty becoming part of the hotel's regular workforce.

MARC also has had success with an enclave at a plant nursery with clients performing a variety of job tasks.

Other non-profit agencies have placed clients in local restaurants, to train them in kitchen work.

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Idaho. Idaho has contracted with sheltered workshops to convert ten percent of its currently funded projects to supported work programs. Also, the Developmental Disabilities Council is funding programs to train clients in potato processing plants located in Eastern Idaho.

A statewide conference was held in May, 1986, to learn more about supported work programs in other parts of the United States. Participants discussed selected models to help them decide on future program options.

The Idaho Departments of Public Education, Vocational Rehabilitation and Health and Welfare are working with disabled clients as part of a school-to-work transition project. Our respondent said this program was "going very well".

The respondent also reported that the state pays approximately \$22 a day per client for sheltered workshop services. In supported work programs, he said, it costs about \$30 a day to train one client. State officials would like to develop more precise data on the costs incurred in running supported work programs.

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Illinois. Through a cooperative arrangement with the Department of Rehabilitation Services (DORS), the Illinois Division of Developmental Disabilities has funded 29 local agencies to provide supported employment services. This effort, which utilizes VR Section 110 funds, began in September, 1985; at the present time, 100 clients are receiving (or have received) such services. Clients may earn below the minimum wage and services are continued for as long as they are needed by the client.

The 29 agencies which were selected to operate supported employment programs (from among 200 day service providers throughout the state), continue to run other types of day programs.

DORS also funds separate "supported work" projects, but unlike the collaborative DMHDD-DORS initiatives, services are time limited and clients must be capable of earning the minimum wage or above to qualify.

According to our respondent, local supported work collaborations also exist. For instance, a provider agency may work with its local Private Industry Council, set up under the Jobs Training Partnership Act (JTPA) to serve mentally disabled clients.

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Indiana. Although the Division on Developmental Disabilities is not converting day programs to a supported work format per se, it is offering agencies more flexibility in determining how they spend their state funding allocations. Beginning July 1, 1986, agencies may choose to spend a portion of dollars allocated under their annual contract with DDD for supported employment services. It is anticipated that most agencies will take advantage of this option, although there is great anxiety about funding

because Indiana has traditionally depended heavily on Title XX dollars. Unlike some states, in Indiana the percentage of adult clients in large non-vocational activity programs is not sizeable. Furthermore, for some years local provider agencies have been involved in sponsoring work crews, work enclaves, Projects with Industry and locating job placements. Nonetheless, the new initiative has spawned a number of innovative activities.

Last fall, the Governor, by executive order, established a Governor's Policy Steering Committee on Supported Employment to synthesize the activities of all relevant state agencies. This group has not yet issued its final report, but is working closely with the Governor's Planning Council on Developmental Disabilities.

The Council last summer funded a major statewide strategy conference on employment programs for developmentally disabled adults and has since sponsored three regional conferences in cooperation with the President's Committee on Employment of the Handicapped, held three other regional training sessions on school-to-work transition services, and co-sponsored conferences on the "Wehman" and "Vermont" Models, in collaboration with the Department of Mental Health.

The Division on Developmental Disabilities has also written and disseminated a position paper promoting supported employment and has outlined a proposal for collaborative action between the Department of Education, the Indiana Rehabilitation Services and the Department of Mental Health.

During the last session of the General Assembly, a bill was passed which requires state agencies to share and coordinate information on the transition of handicapped adolescents and young adults from school to work. This law is just now going into effect.

Meanwhile, among the relevant state agencies, considerable energy is being devoted to pinpointing the complementary role of each agency within the total service system; also under discussion is the idea of approaching the General Assembly with a joint request for specific supported employment funding. During the next biennium funding cycle DMH/DDD officials expect to include supported employment as a separately funded category of service. Sheltered workshop services are likely to be divided into: (a) short term, highly intensive services designed to move people towards competitive work; and (b) a long term component to be used only after unsuccessful efforts to move a person to a competitive setting over a two-year period.

Currently, a number of model programs are in operation across the State. DOE has funded four programs to help special education students move successfully from school to supported work. The DO Council has funded three transition and/or supported work projects. These efforts are beginning to have a more generalized effect. For example, job placements, with or without ongoing support, have increased significantly, with over 235 disabled persons being placed by sheltered workshops during a recent six-month period. These activities have led a number of local agencies running sheltered workshops to reconsider increasing their facility expansion plans and either scale down or redirect funds to competitive job activities.

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Iowa. All policy for the Iowa Division of Mental Health Resources is set by the state's MH/MR Commission, which consists of representatives of service providers and developmentally disabled consumers. In 1985, the Commission set two major goals for the state's DD system: (a) to focus attention and resources on developing employment programs for adults; and (b) to assist young disabled persons to successfully bridge the school-to-work transition.

DMHR was assigned responsibility for working on the former goal, while the DD Council was to address the latter goal.

Expansion of supported employment and other work-related service options are among the areas emphasized in DMHR's FY 1986-87 "request for proposals" dealing with community services for mentally retarded and other developmentally disabled persons. The exact amount of funding that will be available for new MR/DD programs is unclear at the present time, but estimates indicate that it would be between \$21,000 and \$52,000.

The Office of Vocational Rehabilitation is not currently involved in supported employment activities in Iowa. The DD Council, on the other hand, has funded a conference to stimulate the passage of a "transition bill." Transition from school to work also is a key component of Iowa's major new "bill of rights" legislation.

The approximate average per capita cost of work activity center services is \$22.27 per day, compared to about \$11 per day per client for supported employment services, our respondent indicated.

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Kansas. The Kansas Department of Social and Rehabilitative Services funds enclaves in industry and mobile work crews in scattered locations across the state. DSRS contracts with 28 community mental retardation centers, some of which provide day and/or residential services directly and others of which contract with private non-profit agencies to operate service programs. About five of the 100 providers offer one of the supported employment options described above (serving a total of 20 clients). In addition, one of the community MR centers has had a great deal of success with placing clients in competitive jobs in industry. [N.B., These clients remain on DSRS roles for other necessary supports.]

The three levels of day programs are basic skills, work activity and vocational training (the last encompasses sheltered workshops). The total daily client enrollment is around 5,000 persons, and the cost for day services is estimated to be \$22 per day, per client. Reliable comparative cost data is expected to be available next year, since the state is implementing a new information system beginning on July 1, 1986.

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Kentucky. The Kentucky Vocational Rehabilitation Agency and the Division of Mental Retardation are the primary partners in a five-year OSERS supported employment project. Entitled "Project Asset", federal grant funds will be used to hire five regional coordinators (working through VRA) to develop new supported employment programs and convert

existing day activity and sheltered workshop programs to supported employment services, in both rural and urban areas.

The consortium is designed to: (a) create supported employment models in areas of high unemployment, poor transportation systems and limited service delivery capabilities; (b) create supported employment models applicable to the needs of rural settings; and (c) encourage communities that have abundant non-agricultural employment to provide needed services to handicapped individuals.

Over the last four years, DMR and VRA have had agreements in various parts of the state, under which VRA evaluated and trained clients and DMR assumed responsibility for long term support to clients who were placed in jobs. Approximately 100 clients have received this configuration of services in three areas of the state.

In addition, as part of the OSERS grant, a state-supported employment council, consisting of representatives of various state and provider agencies (including sheltered workshops), has been established to review state policies, statutes and regulations related to day services, and make recommendations regarding how such policy and laws might be made more reflective of the focus on supported employment.

There are currently approximately 1,000 individuals receiving DMR-supported day services, with lengthy waiting lists for such services (1,400 persons in one county alone.) The overall goal of Project Asset is to place 1,350 persons in supported employment; however, the conversion of all existing day program slots is not expected.

Early cost data indicate that training and placement in supported employment runs approximately \$3,500 to \$4,000 per year, per client while day services/sheltered employment runs about \$6,600 annually. One official added the caveat that the current figures reflect placement of higher functioning clients, not those with severe handicaps who may cost more.

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Louisiana. The State of Louisiana has traditionally depended heavily on the oil industry. Recent drastic declines in oil prices have had a negative impact on all

services in the State, including day services for developmentally disabled individuals. Consequently, the Office of Mental Retardation and Developmental Disabilities has not been able to offer any expansion funding, and continuation funding may be cut by as much as 20 percent. Such conditions suggest a rather bleak future for all programs, including employment-related services.

Local chapters of the Louisiana Association for Retarded Citizens are the primary day service providers. OMRDD contracts with 51 ARCs across the state for day services. Four of these units have received grants from the state DD Council this year to expand their services to provide supported employment using the job coach model. The four DD Council grantees serve approximately one-quarter of all day service clients in the state; out of a statewide day service population of 2,800, approximately 50 have received supported employment services thus far. Like all other programs in Louisiana, much of the effort must be directed toward "Gary W" class members.

The State ARC has circulated a policy paper on supported employment, stating that no more sheltered workshops should be constructed. OMRDD informally supports this policy, although even if they did not, officials point out, there would be no money to build workshops anyway.

Discussions with the Office of Vocational Rehabilitation concerning cooperative arrangements with respect to supported employment are in the embryonic stages -- no agreement is expected in the near future. Currently OVR evaluates clients referred by OMRDD and determines if they are eligible or ineligible for VR services. Although the education agency in one parish (near New Orleans) operates a school-to-work transition program, there are no similar statewide efforts.

State officials report that their reimbursement system is being changed from cost-based to payments per unit of service. It is hoped that in future years individual costs for each model of day services will be isolated.

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Maine. The Maine Bureau of Mental Retardation has successfully utilized a job coach model to place clients in supported employment. The model described in a recent grant

proposal submitted to HHS/OHDS involves the provision of technical support (a trainer) to assist staff members of existing day services agencies to become job coaches. During the training period, BMR also will reimburse the agency for a replacement to do the day service worker's job, so the agency does not suffer during the transition. Even if grant funding is not received, BMR hopes to proceed with this model to some degree.

In addition, for the past two years, the Maine Legislature has appropriated funds for adolescents and young adults aging out of the school system. The model described above was used, and during that time 65 full-time (more than twenty hours per week) and 12 part-time positions were created. The funding for this effort came from BMR (\$200,000) and OVR (\$200,000) for year one. Each agency will contribute \$300,000 during year two. Also in the "aging out" arena, a bill has been proposed in this session of the Legislature to establish five aging out coordination centers throughout the state. These centers already exist for preschool services and they have proven successful. Our respondent indicated that he felt it was important not to link aging out and supported employment, since they are separate initiatives. The goals are similar but the needs and characteristics of the clients, and, consequently, the services offered, are quite different.

Early cost data indicates that a supported employment placement costs approximately \$3,000 per year, while a day services placement averages \$6,800 (range: \$6,000 to \$8,000).

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Maryland. Another recipient of a five-year OSERS grant for supported employment, Maryland plans to convert 65 percent of its existing day service slots to supported employment and use 85 percent of its expansion money to fund supported employment. Right now there are approximately 4,500 clients receiving state supported day services.

Under the OSERS project, the State Developmental Disabilities Administration and the Division of Vocational Rehabilitation will cooperate in modifying existing statutes, policies and procedures in order to increase incentives and lower barriers to supported employment. The

project will attempt to convert the present service delivery system of segregated workshops to one which assists individuals to succeed at integrated employment sites. This will be accomplished through interagency collaboration, enabling change to occur at the local level through public/private sector partnerships.

A major goal of the OSERS project during year one is to have DVR consider supported employment as a type of case closure, after which DDA assumes financial responsibility for supporting ongoing services. The lead agency in the OSERS program is DVR, with cooperation from DDA, the Governor's Office, the UAF at the University of Maryland, the DD Council and parents and consumers. Data will be analyzed by the University of Maryland to assess the impact of the project.

Officials of the Developmental Disabilities Administration are facilitating this change by meeting with officials and providers in each of the state's four regions. They are stressing the importance of supported employment and the fact that it will be a focal area for expansion funding.

In addition, the University Affiliated Program at the University of Maryland is cooperating with MRDDA and DVR in helping agencies convert to supported employment. Staff sit down with providers to determine what types of assistance they require (e.g., a van, a staff member, etc.) and help them obtain it.

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Massachusetts. For the past four years the Massachusetts Legislature has funded the Bay State Skills Corporation to provide supported and competitive employment programs for mentally retarded clients. Funding for this quasi-public corporation is a line item in the budget of the state's Office of Economic Affairs.

To be eligible for BSSC services, an individual must be mentally retarded. The agency boasts a 60 percent placement rate into private industry. Last fiscal year, it served a total of 335 clients. Of those clients 60 percent were Massachusetts Rehabilitation Commission clients, 20

percent were Division of Mental Retardation clients and 20 percent were clients of other state agencies. BSSC completes all the arrangements with private businesses and provides ongoing support services for clients.

In addition, DMR funds a variety of day programs, including several supported work projects based on the enclave model. Data from last October reveals the following information on client participation and costs:

<u>Title</u>	<u>No. of Clients</u>	<u>Cost per Day</u>
Intensive day services (state funded)	32	\$49
Day Habilitation (state funded only)	36	\$35
(Medicaid funded)	800	
Day Activity Programs	1,330	\$30.65
Work Activity	1,191	\$24
Sheltered Workshops	1,571	\$18.36
Supported Employment	476	\$20.69

Finally, DMR is at work on a policy paper regarding supported employment, with the goal of establishing such services as a line item in its budget. "We'd like to have this as an option for even the most severely disabled clients," said one official.

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Michigan. Michigan is another of the original ten states that received OSERS supported employment grants. The Department of Mental Health and the state vocational rehabilitation agency are the two primary agencies involved in an effort to convert all day services into supported employment programs within ten years. In the first five years, all day service expansion dollars will be channeled, as a first priority, into employment or supported employment programs. For example, next year's expansion money will automatically fund any expansion that meets DMH's criteria for supported employment (within budgetary constraints). Other day services will be funded only if there are not enough supported employment projects proposed.

Over the ten-year period, DMH will establish policies and offer mini-grants to encourage conversions. During the last year, several hundred day service slots have been converted to supported employment slots (out of a total client population of approximately 13,000).

Finally, as a result of this project, supported employment will be added as a new service option for clients of Michigan Rehabilitation Services and the Michigan Department of Mental Health. The plan to achieve this new option includes six components:

- development of state level interagency agreements;
- affiliation with a major university to provide technical assistance, training and evaluation;
- establishment of a statewide advisory and coordinating group;
- development of local plans for program installation;
- recruitment of employers; and
- coordination of local level service planning and delivery activities.

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Minnesota. Minnesota is using its five-year OSERS grant to focus on the most severely disabled clients in the system. At the end of the five-year funding period, there will be approximately forty supported employment centers throughout the state; in the first year there will be six to eight such centers, with at least one focusing on the population transitioning from special education.

Officials anticipate that this project will increase the diversity, quantity and quality of paid, integrated work opportunities for persons with severe disabilities. Eligible participants will be individuals with severe disabilities who require ongoing support to secure and maintain employment, including persons who currently reside in institutions.

The project is intended to change policies, restructure funding and increase the number of qualified personnel ready to implement work-related programs. Among the strategies that will be used to achieve these objectives include: statewide training for consumers and parents on supported employment options, training and technical assistance for staff of agencies converting to supported employment, and allocation of funds for immediate conversions and to start new supported employment programs.

There are also "pockets of supported employment" throughout the state, funded by the Division of Retardation Services as well as through grants from the DD Council. Right now, about 15 to 20 developmental achievement centers have been able to use such funds.

Another effort underway in Minnesota is that the licensing system for developmental achievement centers is being changed to conform to the goals of the OSERS grant. Previously, day activity centers had been licensed as child day care centers.

Approximately, 4,500 clients are enrolled daily in day services and supported employment in Minnesota. The state channels funds to non-profit developmental achievement centers through county welfare agencies. Counties also monitor the centers. About half of the funding for day services across the state is derived from Medicaid ICF/MR payments.

No cost data is available, because the current reimbursement system is not conducive to comparing day services and supported employment costs. [N.B., Providers receive either a "full day rate", "a half day rate" or a "transportation rate."] It is anticipated that data soon will be available as a component of the OSERS project.

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Mississippi. The Mississippi Bureau of Mental Retardation is developing a policy that will require all of the state's 37 work activity centers (which serve a total of 981 clients to maintain a job placement (supported employment) component. If, at the end of the fiscal year, a center cannot furnish documentation that it has placed one to two

percent of its clients in supported employment programs, the center will not be refunded during the upcoming year. "We wanted to set the percentage higher," explained one state official, "but Mississippi has the highest unemployment rate -- 12 percent -- in the nation and it would be impractical to set the threshold higher.

To accomplish this end, BMR officials are using Title XX funds to allow each program to hire a full-time employee who will be a combination job developer/job coach. Additional funds will be available to help work activity centers cover costs related to a client's competitive employment (e.g. transportation, safety shoes, etc.).

Although the Department of Vocational Rehabilitation and BMR do not have a formal cooperative agreement, BMR has informed rehabilitation officials that they may want to provide some services (e.g., counseling) to clients after placement, and if so, the case may be considered a VR closure.

In addition, BMR and VR officials have a "working agreement" that before BMR serves a client, VR will evaluate him or her and provide formal, written notice that the client is not "rehabilitatable". This eliminates duplication of services, and results in VR serving approximately 20 to 25 percent of the clients who are referred from BMR.

Approximately 50 clients are currently participating in supported employment programs. Although comparative cost data is unavailable, BMR officials estimate that each supported employment placement costs less than the \$3,735 spent annually on each work activity center client.

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Missouri. In June, 1985, the Missouri Planning Council for Developmental Disabilities, in coordination with the Division of Mental Retardation and Developmental Disabilities, established a statewide employment task force. Members included: parents and representatives of the Division of Mental Retardation and Developmental Disabilities, the Division of Vocational Rehabilitation, the Division of Special Education, the Governor's Committee on the Employment of the Handicapped, Senate Bill 40 Boards, Regional Developmental Disabilities Councils and others.

The task force's mission is "to develop and to advocate for implementation of a long-range plan for appropriate employment of mentally retarded and other developmentally disabled Missourians, with special emphasis on severely disabled persons". As of April, 1986, the task force had employed a consultant. The consultant's contract calls for the completion of a comprehensive statewide needs assessment to obtain information which can be used to develop a state plan for expanding the range of employment options and related services. The plan, scheduled for completion by March 31, 1987, will identify appropriate employment models and opportunities, address financing options, recommend legislative and policy changes, and assess attitudes of employers and employees.

In addition to the task force's efforts, the Division of Mental Retardation and Developmental Disabilities and the DD Council are represented on the Missouri Task Force on Transition from school to work. That interagency group expects to complete work on a statewide plan by July, 1986.

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Montana. Supported employment currently is provided in Billings (18 clients) and in Bozeman (10 clients) to a total of 28 individuals. The annual cost per client is \$3,196.00.

Vocational Placement and Job Training (supported work) provides an alternative to workshop/work activity centers for DD individuals needing long-term vocational services. The target population includes clients who currently are enrolled in DD-funded day programs. Applicants other than those served by day programs, are given second priority for inclusion in the project. The VPJT program locates paid jobs in community employment, selects appropriate clients through screening committees, trains the client to do the job, and provides needed support and advocacy to the individual and to his/her employer.

During the current biennium, the Division of Developmental Disabilities plans to support seven new projects, serving a total of 46 new clients. Transitional Living Services will be developed simultaneously in the same locations. There are no plans to convert day services and, in fact, the number of day program slots is being expanded.

Supported employment is considered a transition service. There is a state level Transition Committee, consisting of a representative from Vocational Rehabilitation, Developmental Disabilities, and the Office of Public Instruction, which meets regularly to coordinate supported employment initiatives as well as other activities aimed at smoothing the transition from school to adult life. At the local level, placement agencies, rehabilitation agencies, providers and DDD staff meet regularly to discuss client needs and to advocate for needed services.

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Nebraska. All services to persons with developmental disabilities in Nebraska are provided through six regions in the state, each guided by a local governing board. Two of the six regions have not pursued the supported employment concept, three are quite interested, with plans to have half their programs make supported employment placements and reduce workshops, and one region is attempting to convert to a total supported employment system (with no traditional day services).

One experimental project is a self-supported, client-owned business that manufactures waterbeds. It employs approximately fifteen clients. In addition, reported our respondent, the state has in place all types of employment options -- from large enclaves, to client-owned businesses to single placements.

The state MR/DD plan includes the goal of converting the system to supported employment services. Nebraska includes clients with severe handicaps in its efforts due to "a push from The National Association for Persons with Severe Handicaps (TASH)" and the fact that some severely handicapped persons have good work skills and no behavior problems. "We are seeing a lot more severely mentally retarded people placed in work stations than ever before," notes one official.

The Department of Vocational Rehabilitation does not take a predominant role in serving persons with mental retardation, since it considers them to be clients of the Department of Institutions. The Department of Education,

on the other hand, has established a statewide advisory group on school-to-work transition projects and operates several transition programs. The schools appear to be well aware of the potential problems and many are pilot-testing new programs to resolve them.

Nebraska officials have recently begun a new automated system to collect data on the 2,300 clients in state-funded community services. In early 1986, fifteen percent of the clients were involved in some type of employment services.

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New Hampshire. Although New Hampshire applied for but did not receive a five-year OSERS grant, the State Division of Developmental Services elected to go ahead with its program plan anyway. Consequently, efforts are underway to convert all existing habilitation and work activity centers to supported employment sites. For clients with severe medical needs, clinic services will be expanded, but the goal will be to place these clients in supported employment.

Supported employment, or work in non-center based sites, will be accomplished differently by each provider agency, working with the area agency and the central office of DDS. For example, one workshop in the state just built a new facility a year ago. With technical assistance from state DDS staff, the provider is now planning to sell the new facility and serve clients in real work settings. Further assistance is being provided through a grant from Syracuse University.

DDS cost data indicate that sheltered workshop clients cost between \$32 and \$50 per day, while clients in supported employment cost between \$35 and \$55 per day. New Hampshire

is currently examining its ratesetting system with the possibility of revising it; one outcome of this effort will be more precise comparative data on program costs. Cooperation with other state (or local) agencies varies by region. However, DDS has signed an interagency agreement with DVR and the DO Council to work toward increased collaboration. DVR will not allow supported employment as a closure at this point. As one official remarked, "VR serves people they consider to be severely disabled. That's not what we call severely disabled."

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New Jersey. New Jersey has several projects underway to promote supported employment for DD clients. First, the state Division for Developmental Disabilities requested, but did not receive, funding from OSERS for its mobile crew program. DDD officials intend to develop the program anyway. The program will involve 24 clients with the goal of clients earning the minimum wage or more.

Through Project HIRE, DDD contracts with the state ARC and UCP units to locate and provide on-the-job training through the use of job coaches. This program has been in place for 8 months; thus far, 98 clients have obtained employment with earnings of minimum wage or above. If necessary, these clients will receive case management and other support services for the rest of their lives.

DDD opens new day programs annually to meet the needs of deinstitutionalized individuals. Typically, clients move from these habilitation programs into a workshop supported by the State Division of Vocational Rehabilitation. For clients who are not eligible for DVR services, however, DDD will focus on assisting them to become capable of earning at least the minimum wage, rather than on providing day activities.

Finally, DDD operates five labor crew programs directly and contracts out two more. The Division or its contract agencies provide the transportation for the crews, which do janitorial or grounds maintenance work. Each of the seven centers serves between 24 and 30 individuals.

Current day service costs in New Jersey are approximately \$8,000 annually. Although there is no comparative cost

data for supported employment programs, state officials feel certain that it is more cost efficient. They believe that the costs of supported employment will be about half of those for day services, which would roughly equal what it costs to purchase extended employment services from sheltered workshops.

Our respondent in New Jersey pointed out that the state is planning to move 1,600 clients out of state-operated residential facilities (between 1984 and 1989) and day programs will have to be substantially expanded to serve these individuals.

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New Mexico. The Developmental Disabilities Bureau has no formal supported employment programs at this time. However, many of the day service contractors are evolving various alternatives to traditional sheltered workshops. It is estimated that these new options will serve approximately 100 clients, statewide. The total work activities/sheltered workshop population in the state is approximately 1,000.

New Mexico applied for, but did not receive, an OSERS supported employment grant; if the grant had been awarded, it would have funded the conversion of three day programs to supported employment services. Due to severe statewide budgetary cutbacks, however, no new innovations, or collaborative efforts are planned. Nevertheless, the DD Bureau "would be responsive" to any initiatives by current providers to offer supported employment services.

In July, 1986, the University of San Francisco Rehabilitation Administration Program presented a three-day workshop on supported employment for community DD agencies and state personnel. The conference was co-sponsored by the Bureau of Developmental Disabilities and the state vocational rehabilitation agency.

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New York. New York is in the early stages of changing the direction of its day programs -- from day activities to supported employment. Out of the approximately 2,300 new day program slots budgeted for FY 1985-86, 500 new supported work slots will be funded, at a total cost of \$20 million in state funds. By the end of FY 1991, the state plans to have 20,000 to 25,000 persons in its day programs (including all models). A recently issued request for proposals outlines plans for additional expansions of supported work programs during FY 1986-87. The intent of this \$3 million RFP is to at least double the number of clients enrolled in supported employment programs (to 1,000).

Officials of the Office of Mental Retardation and Developmental Disabilities have been meeting with officials of the Office of Vocational Rehabilitation in an attempt to define supported employment as a VR closure. After OVR provided the client with initial (short term) training, OMRDD would take over with ongoing support services.

Preliminary cost data indicate that day treatment costs are approximately \$12,000 per year, while supported employment costs are about \$6,000 annually, per client.

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North Carolina. In January, 1986, several North Carolina agencies launched a one-year, pilot project for supported work programs. The state office of the Job Training Partnership Act (JTPA) program, the state MH/MR Division, the Vocational Rehabilitation Division and the DD Council all committed dollars to fund supported work programs. Existing day service funds are also being utilized.

Since the inception of this initiative, twelve day activity programs have been converted to supported employment programs. Some of the models in use include: mobile crews; job coaches; and, work stations in industry. Four additional sites will be converted before the end of 1986.

These projects are based on interagency agreements between DVR and DMHMR under which DVR funds initial job training and closes the case once the client's work skills are stabilized, and then DMHMR funds ongoing support services. Last year, interagency agreements were accomplished at the

state level. Now, a blueprint for a local agreement has been developed; the result is that the local DMHMR-funded programs and DVR representatives have authority to enter into such agreements without central office approval.

"Providers have embraced this concept", according to our respondent, "because it gives them more flexibility. North Carolina's traditional day activity program providers are bound by rigid rules. This program reduces paperwork and offers them new start-up funds and new DVR and DMH dollars."

Costs have not been tallied for the supported employment demonstrations; however, it is known that \$14 million is spent statewide on approximately 100 day activity programs, while about \$71,000 was used to fund the first eight supported employment programs which have, thus far, placed 40 clients. Average day activity costs per client are \$289 per month, in programs that utilize a one-to-ten ratio of staff to clients.

North Carolina also has established a Vocational Alternatives Task Force co-chaired by DMHMR and DVR, with representatives from industry, Associations for Retarded Citizens, and the public schools, to: (a) identify public and private resources to fund supported employment programs; (b) reduce regulatory barriers to the utilization of joint funding; (c) disseminate information and provide technical assistance for supported employment programs; (d) plan supported employment related staff training; and (e) evaluate the existing demonstration projects.

Staff training in supported employment is an area of primary concern for North Carolina officials. The DD Council committed \$50,000 in 1985 to train parents, business representatives, day service providers and provider agencies in the concept and practice of supported employment. Professionals will receive in-service training and on-site technical assistance for supported employment.

In addition, DMHMR has encouraged the development of programs at two universities within the state to train professionals to work in supported employment. Undergraduate and graduate students will be offered degrees in special education with a concentration in supported employment.

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North Dakota. North Dakota plans to move between 100 to 120 clients out of day activity programs and into supported employment by June 30, 1987. The state has awarded six grants (for a total of \$700,000) to non-profit providers to test regional supported employment programs.

The Vocational Rehabilitation Division also is contracting with providers and writing a paper outlining the aims of supported employment services. They also are writing program descriptions for providers and employers to use in organizing supported employment programs.

The North Dakota Developmental Disabilities Division is in the early stages of implementing an interagency agreement involving the Division of Vocational Rehabilitation, special education and vocational education. The primary aim of the agreement is to help handicapped adolescents make the transition from school to work, beginning with planning at age 14.

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Ohio. A major goal of the Ohio Department of Mental Retardation and Developmental Disabilities is to provide meaningful employment for Ohio's adults with disabilities. In keeping with this goal, over the past several years DMRDD has focused its efforts on developing the resources and philosophies for a variety of models, including supported employment. Based on the objective of assisting individuals to engage in meaningful work, the Department plans to undertake the following funding initiatives:

- For FY 1988-89, DMRDD will spend \$1.9 million for ten community employment demonstration grants. These proposed projects will provide funding for staff salaries, travel, supplies and in-service training to expand community employment opportunities within integrated community job sites.
- The Department will provide \$190,000 to fund the Association for Retarded Citizens on-the-job training project in FY 1988-89. The purpose of this program is to provide incentives to employers to hire individuals with developmental disabilities.

Wage supplements will offset the cost of the extended training requirements needed to reach acceptable performance criteria.

- One million dollars will be available to expand the resources of County Boards of Mental Retardation and Developmental Disabilities for developing community employment options.
- The eighty-eight County Boards will receive a total increase of \$4.8 million for case management in FY 1988-89. The purpose is to enable case managers to respond to an anticipated increase in enrollment and an expanded eligibility group.

Projected expenditures for adult services are shown below. Of that figure, the expenditures for follow-up services will be as indicated. Follow up services will be available to the individual, his/her family, or employer, at home, in the community or on the job, for four years after placement.

<u>Year</u>	<u>Total Adult Services Expenditures</u>	<u>Follow up Services Expenditures</u>	<u>Individuals in Follow-up</u>
FY 1987	\$20.9 million	\$782,000	652
FY 1988	\$22.6 million	\$1.2 million	985
FY 1989	\$24.4 million	\$1.8 million	1,487

A minimum of four hours per month of follow up services must be provided by County Boards, according to state law.

The Department participates in a state level advisory council on supported employment and is attempting to develop interdepartmental agreements to provide increases in variety and quantity of employment services. In addition, the Department has appointed a technical advisor to the Developmental Disabilities Council's Employment Committee.

Further, three adult services staff members have been identified to offer statewide technical assistance and training in community employment options. Their efforts will focus on assistance to individuals served, employers, community agencies, families and residential providers.

Department staff have developed a seventy-page manual, Community Employment: Resources at Work to assist staff in establishing and operating community employment programs. Four slide/tape presentations on various aspects of community employment were designed to accompany the manual.

Finally, the DMRDD recently developed a project with the goal of designing a model program for the transition of severely handicapped youth from school to the community. Initially, the model will be implemented in a rural part of the state with a high unemployment rate. It will include school and family training in community employment and redesign of the school program to take into account employment and other community services and increase community-based training for severely handicapped students.

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Oregon. The Oregon Mental Health Division, working in cooperation with the Division of Vocational Rehabilitation, has special appropriations during the current biennium (beginning July 1, 1985) to provide supported work services for 252 developmentally disabled clients. DVR provides the initial training and MHD arranges job placements and covers ongoing support costs.

In addition, MHD has funds in this biennium's budget for a pilot project for transitioning handicapped high school students to adult life. Two hundred clients with developmental disabilities who have been placed by school districts in jobs, but need ongoing support will receive it with MHD providing the necessary funding.

Finally, MHD is encouraging work activity centers to offer supported work for their clients, by allowing flexibility in setting up crews in industry or other types of part-time or full-time employment outside the workshop. Our respondent said that there are now about six centers with structured programs serving 30 to 40 clients and a number of others which have some supported work activities underway.

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Pennsylvania. The Pennsylvania Office of Mental Retardation participates in a statewide employment task force, which consists of representatives of OMR, the Office of Vocational Rehabilitation, the Office of Mental Health, the Bureau of Special Education, private industry councils, consumers and others. Each of the major agencies contributes funding. During the first year, the efforts of the task force are expected to result in five or six projects which will serve approximately twenty clients each.

In addition, the Supported Employment Task Force recently hired a nationally known expert to coordinate the work of the task force and the activities of providers selected to implement special projects.

OMR and OVR also have jointly funded 27 industry integrated projects over the last three years, serving a total of approximately 500 clients in work stations in industry, enclaves, job coach and work crew settings. This activity is the result of a position paper on adult services developed by OMR. Pennsylvania serves approximately 14,000 clients in day services (including supported employment). No cost comparison data is available.

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Rhode Island. The Division of Retardation (DOR) has approximately 2500 adults involved in day activity programs including 300 people residing at the single state institution -- the Ladd Center. The average per diem cost of adult developmental programs is \$34.00 and for work activities \$13.00 per day. Supported employment programs exist in many areas of the state, but for limited numbers of people. Some of the programs are McDonalds Corporation's McJobs program, Windows Too (a home industrial cleaning business), Chaves Horticulture Center and A New Leaf (horticultural businesses), Pandoras Products (Italian products), Cookie Place (cookies, pastries, croissants), and various other work stations and individual placements. Approximately 75 to 100 clients of the 2500 developmentally disabled clients receiving day services are involved in supported work at any given time.

The Division of Retardation is presently involved in an active interagency planning effort with the DD Council, the Division of Vocational Rehabilitation and various mental

health and developmental disabilities provider agencies. Activities include organizing a specific technical assistance system and the organization of a professional policy team to review current policies and make recommendations for changes aimed at supported employment opportunities.

The DD Council has agreed to allocate 50 percent of all federal funds for day services to supported employment projects beginning in FY 1987.

Finally, Rhode Island developed a film, entitled "The Rhode Island Zone", a takeoff on the old "Twilight Zone" series. It offers a creative approach to promoting the hiring of people with various disabilities. Presently, a marketing plan is being prepared for a statewide promotion of the film, with the joint participation of local chambers of commerce.

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South Carolina. South Carolina supported employment programs began approximately three years ago. They include:

The Job Coach Program, which is funded in cooperation with JTPA. Twelve projects currently are in existence and each is expected to serve approximately 12 individuals each year.

- The Follow Along Program, which is available once an individual client has been placed in a competitive job through the Job Coach or other programs. An individual receiving follow-along receives assistance to the extent necessary. Support may be provided on a long term basis. There are approximately 200 individuals in independent job placements who receive these follow-along services. Job Coach and Job Follow Along programs appear to be very cost efficient and are operating at approximately one-third the cost of regular day programs.
- Enclaves and Job Crews, which provide supported work services for clients enrolled in work activity/sheltered workshop programs, in enclaves in private industries. This effort is just beginning and there are less than a half-dozen such programs at the

current time. The cost of this program is not significantly less than the cost of regular day programs, however.

Transition From the Public School, which assists handicapped adolescents and young adults to make the transition from school to work. The Department of Mental Retardation's Case Management Program has as one of its major objectives coordination with the local school district, several years prior to a student's completion or graduation. Coordination usually takes the form of the case manager attending IEP meetings and participating in the development of the client's long range plan with appropriate special education and in some cases vocational rehabilitation and vocational education personnel.

- Traditional Day Time Programs, which include adult development programs, work activity programs, and sheltered workshop programs. Approximately 3200 individuals receive services through these programs. One of the major initiatives of DMH's current development plan is to make work the major component of day programs. Over the last three years the percentage of clients receiving work-related programs has increased from approximately one-third to two-thirds.

The Developmental Disabilities Council and the University Affiliated Program have encouraged appropriate state/federal agencies to participate in the development of supported employment programs. Along with DVR and DMR they submitted a proposal for a five-year OSERS supported employment grant that was not funded.

The Department of Vocational Rehabilitation operates work activity programs for approximately 220 individuals under contract with DMR. In addition, vocational rehabilitation officials have recently initiated two job coach programs for their 220 work activity clients, with funding arranged through contract with DMR. While DVR will make evaluation and other services available to clients that have a clear vocational potential, they do not see any long-term role for their agency in the supported employment area.

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South Dakota. According to our respondent, South Dakota is starting, on a small scale, to move clients into supported work programs. Last year they placed 25 (out of 1,200) people in competitive employment. The federal Administration on Developmental Disabilities has awarded the state \$70,000 in grants to develop strategies for moving clients into competitive jobs. Most of the jobs clients have gone into, to date, have been in janitorial services.

The state Office of Vocational Rehabilitation has provided \$250,000 in grants to agencies to improve current day care facilities.

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Tennessee. Tennessee officials say they are moving toward more vocationally-oriented day services. Until July, 1985, day services in the state were provided almost completely by the Department of Human Services, with Title XX funding. The Office of Mental Retardation provided only supplementary services. At the beginning of the 1986 fiscal year, however, responsibility for day services was transferred to OMR. State funds will be used to operate the programs. With the change to state funding, provider agencies gained flexibility and have branched out quite a bit. OMR redefined day activities into three components: developmental services, sheltered workshops and job placement. In addition, OMR rewrote the state's quality assurance standards in order to emphasize movement toward vocational programming.

Although OMR's two principal funding priorities are children's services and adult day services, it is anticipated that existing providers will elect to provide more vocationally-oriented programs. The expansion focus covers the "whole gamut of adult services", so existing providers, will just add to their continua of services. New providers on the other hand, will most likely begin with developmental services. Our respondent said this would be more likely, since new providers usually develop in counties where there are no services whatsoever; clients in these counties probably have had few day services, so they may need to start at the day program level.

One interesting supported employment model utilized in the Nashville area over the last year is Partners in Employment

(PIE). The PIE program trains employees in the community (e.g., a worker on a factory assembly line) to be the job coach, or "partner" of a handicapped trainee. The "partner" receives supplemental pay and the trainee receives on-the-job training at very little cost to the operating agency.

Since this is the first year OMR has operated day programs of any kind, cost data and client characteristics are unavailable. However, it is known that the range of costs for day services is from \$186 to \$350 per client, per month.

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Utah. The State's Divisions of Rehabilitation Services, Services to the Handicapped, Mental Health and Special Education are collaborating on a five-year OSERS supported employment grant project.

This project will develop, field test, implement, evaluate and document a statewide program of supported employment services for severely handicapped persons. It will: (a) include intra- and inter-agency agreements governing procedures, policies and staff training to facilitate needed systems changes; (b) develop eighteen supported employment models in which 144 severely handicapped individuals will be employed; (c) conduct a public education campaign; and (d) evaluate the overall project with the aim of creating a statewide supported employment program.

In addition, Utah has a 2-year grant to initiate work-related transition programs for high school age handicapped clients (17-22 years of age). The goal is to place 100 clients in such transition programs. Special education departments in the high schools are cooperating with the Division of Services to the Handicapped to implement this program. Utah is also developing enclaves, mobile crews and job coach programs.

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Vermont. The Vermont Department of Mental Health has committed \$1 million of its day services dollars to work-related programs for mentally retarded persons. The Office of Community Mental Retardation Programs is working collaboratively with the State Office of Vocational Rehabilitation to fund six competitive employment projects.

The model, called "Transition", is employed by all six providers. It involves placing and training clients on job sites. The client's salary is paid by the employer even though, at the beginning, the job coach usually performs most of the work. Each of the six programs provides about one placement per month. OCMRP officials are careful to point out that job developers and job trainers hold two very different positions. Developers are "salespeople", while trainers are human service professionals.

The OVR component of these projects originally was funded through VR establishment grants. Now these dollars are part of the agency's regular budget. OCMRP and OVR officials have agreed that the OVR contribution will always result in a case closure, then OCMRP will assume responsibility for ongoing support services.

Thus far in Vermont, approximately 100 severely handicapped individuals have been placed in supported employment using this model. OCMRP maintains longitudinal comparative cost data. It has been found that during the first year supported employment costs more than traditional day service programs, because services are quite intensive. However, after three years, individuals in supported employment cost considerably less to serve. The table below illustrates the three-year cost comparisons, figured on an annualized basis:

<u>Year</u>	<u>Day Activity Costs</u>	<u>Transitional Work Costs</u>
One	\$5,000	\$6,024
Two	5,000	1,104
Three	5,000	276

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Virginia. Another recipient of an OSERS grant, the Virginia Departments of Mental Health-Mental Retardation and Rehabilitation Services will collaborate over the next five years to convert approximately 50 sheltered workshops and day developmental services to supported work programs. DMHMR employs a Director of Supported Work and five regional staff members who are responsible for working with Community MH/MR Service Boards, local DRS offices and local provider agencies to identify client needs, choose a supported employment model and help selected providers to implement the model. After the conversion is completed state and local agencies will be responsible for maintaining the new services.

Activities under the grant will include providing mechanisms for funding local service components of supported work, targeting public dollars currently used to fund day services into supported work, generating a capacity for the provision of work opportunities and services through cooperative efforts with potential employers and dissemination of information and assistance to a broad national, state and local audience. The project will build in demonstration activities in the area of supported employment that are already taking place in the State.

For several years, DMHMR has had a cooperative agreement with DRS under which rehabilitation officials train severely handicapped clients, place them in supported employment, close the case and then DMHMR provides continuing support services. Efforts are now underway to facilitate the transition of students leaving the public schools. DMHMR, DRS and Department of Education officials are involved. Meanwhile, DMHMR recently issued a policy statement emphasizing that a complete continuum of services must be available for all transitioning students.

Officials estimate that approximately 200 developmentally disabled individuals (out of 5,000 currently served in all day programs) were participating in supported employment programs prior to the OSERS grant.

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Washington. In 1982, the Washington State Division of Developmental Disabilities decided to refocus its day programs to employment-related programs. The first step in the process was to develop a written policy statement with the following major features:

- client benefits would be measured in terms of competitive job placements and wages;
- services would be redefined to be expressed in terms of client outcomes;
- people with severe handicaps would become a priority;
- the emphasis would be on quality not quantity of services;
- priority would be given to job placements in the competitive labor market;
- a regional and statewide tracking system reflecting outcome data, would be developed; and
- recognition that total statewide change would take five to six years.

The Washington Division of Developmental Disabilities usually contracts with counties, which in turn contract with day service provider agencies. A total of 85 providers serve 3,300 adults, 85 percent of whom receive work/employment-related services.

Several key events in the State have influenced the change to supported employment. First, in 1975 an electronic sub-assembly shop was established which employs only those individuals who other programs had stated were incapable of work. In addition, that same year the University of Washington started a program to train severely disabled persons in food services.

A conference focusing on employment outcomes (the Ellensburg Conferences) has been held for direct service staff every year since 1978. In 1980, the state DD Council funded six employment projects. In 1981, DDD began

contracting with an outside professional to assist local day service agencies in completing the transition to employment services. Finally, in order to receive expansion funds for supported employment, agencies must agree to a performance-based contract.

At the present time, there are 30 agencies in Washington that are contracted to provide employment-related support services; most are single purpose businesses that help clients obtain and keep jobs. Some were originally developed by work activity centers and spun off as independent businesses later.

Washington is another recipient of an OSERS supported employment grant. The aim of the grant is to provide 1,000 new supported employment opportunities for individuals with severe disabilities by 1991. Specific activities include: (a) establishing a Business Task Force to forge an ongoing relationship between business and social services agencies; (b) conducting an advertising campaign to locate jobs; (c) using state and local set-aside programs; (d) offering incentives to employers through lobbying efforts with state and federal legislators; and (e) offering ongoing publicity for participating employers.

The state maintains a comprehensive data system, however, at present, the data cannot be accurately distilled to reflect program costs. Officials believe that supported employment costs are about \$20 to \$22 per client per day; "sheltered workshops receive considerably less because they are not as highly valued," our respondent told us.

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West Virginia. West Virginia is beginning to train providers in the local counties to implement supported work programs. The Office of Developmental Disabilities Services is cooperating with local school systems to establish a school-to-work transition program. They have sent representatives to Richmond, VA to learn how to assist trainees.

West Virginia's goal is to implement more community-based services. DDS is emphasizing the construction of more group homes with state funds. Developmentally disabled

individuals work in industrial production lines, house-keeping, and food services. This particular aspect of the supported work program has been quite productive, our respondent reported.

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Wisconsin. Although Wisconsin applied for but did not receive an OSERS supported employment grant, the Division of Community Services and the Division of Vocational Rehabilitation have been working cooperatively for over two years to create supported employment opportunities for persons with severe disabilities. The most recent effort is a cooperative supported employment demonstration project involving the Division of Vocational Rehabilitation, the Division of Community Services and the Wisconsin Community Development Finance Authority (WCDFFA). WCDFFA is a quasi-public agency with authority to develop community-supported, profit-making businesses which will create job opportunities for disadvantaged and handicapped individuals. They receive financial support from a variety of Wisconsin corporations and can call upon these corporations to provide technical assistance to new businesses.

The project is expected to result in the creation of not-for-profit agencies designed to provide job coaches or other necessary long-term support services needed by employees or employers in supported employment, as well as new small businesses which will hire supported employees. These businesses will be profit-making subsidiaries of existing not-for-profit agencies, such as rehabilitation facilities or community economic development organizations.

Furthermore, WCDFFA will provide training, technical assistance, ongoing consultation, and monetary assistance to county human service/unified board staff and local vendor agencies in how to provide job coaching and other necessary services which will make supported employment successful.

In recent years, other activities related to supported employment have included the following:

- The Vocational Training Task Force. The Vocational Task Force was responsible for identifying issues

and recommending strategies to increase the availability of integrated work options for persons with severe disabilities. Twenty-eight persons participated in the Task Force, representing local service delivery personnel, employers, parents, consumers, advocates, and state and county administrative personnel.

- DVR/DCS Project Study. The purpose of the project is to: (a) review the current roles and responsibilities of DVR and the DCS/Community Service Boards in providing vocational services; and (b) develop recommendations regarding how these two service delivery systems can coordinate and improve services. This will be done through a review of current vocational services and a study of the coordination of services. The project also will review DVR employment initiatives and discuss possibilities for improved funding coordination.
- Training Project. Fourteen counties are participating in training and followup services directed at developing community-based vocational options for persons with severe developmental disabilities. The training, jointly sponsored by the State Developmental Disabilities Council and the Wisconsin chapter of TASH, includes staff from community MH/DD service boards, providers of adult vocational services, schools, and DVR staff.
- "In-House" Supported Employment. The purpose of this proposal is to make the Department of Health and Social Services (and all DHSS agencies) available to agencies in Dane County (Madison area) that are looking for sites to provide training for potential supported employment clients. Each division has appointed a coordinator/contact person as a liaison to community agencies which provide supported employment services.
- DVR Innovative Projects. The purpose of these nine projects is to develop local resources to improve and expand services to individuals with severe disabilities, to provide information regarding successful options to transition clients to work, and to provide employment training services, dollars and policy incentives for changing patterns of service delivery over predetermined time periods (i.e., 24 months).

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III. SUMMARY

A. Supported Employment Models. In reviewing the states responses to the telephone survey on supported employment, we found that the most commonly used supported employment modalities are: the Job Coach, Mobile Crew and Enclave models. These models have been described and evaluated in the professional literature (Wehman, Kregel and Barcus, 1984; Bellamy, 1979). Rather than provide detailed explanations of the models, this section will summarize for readers the extent and status of their implementation in the states.29

1. The Job Coach Model. Approximately three quarters of the states use the Job Coach Model to provide supported employment services. This model involves job development (a job developer locates a job in the community), placement of the client on the job, and one-to-one training by a job coach. The job coach is usually a human services professional who, prior to client placement, has conducted a task analysis of the job and is prepared to train the client in each work task. During the first few weeks or months of a client's placement, the job coach is at the client's side almost all the time. Since this model usually includes a guarantee to the employer that the job will be done, the job coach may have to perform a significant portion of the work during the early days. Eventually, however, the coach fades out and the new employee performs the job on his or her own. In most cases, the coordinating agency maintains ongoing contact with the employee to provide him or her with the supports necessary to retain the job (such as counseling, social skills training, transportation, etc.).

For more information on these models, readers are referred to the following publications: Competitive Employment for Persons With Mental Retardation: From Research to Practice, Paul Wehman, Ph.D., and Janet W. Hill, M.S.Ed. (Eds.), Rehabilitation, Research and Training Center, School of Education, Virginia Commonwealth University, 1985; and Critical Issues Related to Supported Competitive Employment, Sherril Moon, Patricia Goodall, Paul Wehman (Eds.), Rehabilitation Research and Training Center, School of Education, Virginia Commonwealth University, September, 1985.

One drawback of the Job Coach Model is that it involves intensive one-to-one training during the first few weeks or months, so each job coach may only train a limited number of clients in any given year. For example, in the Vermont job coach program, each instructor is expected to train a total of twelve clients annually.

Furthermore, due to the intensive nature of the training, job coach programs are relatively expensive during the initial year of each client's involvement. The data on Vermont's "Transition" program, for example, indicate that the model costs approximately twenty percent more than traditional day activities programs during year one. However, by the third year of a client's participation, ongoing support costs run at about eight percent of the cost of day activities services.

In describing their implementation of job coach programs, it is interesting to note that, states organize and deliver such services in different ways. For instance, in the Vermont "Transition" program, there is a careful delineation between the job developer, a "salesperson" whose primary role is to interest potential employers in hiring severely handicapped clients, and the job coach, a human services professional responsible for assisting a client to acquire the skills necessary to perform the particular job.

By contrast, in Mississippi (and other states) the role of the job developer and job coach are often performed by a single staff member.

The Mobile Work Crew. While all respondents saw the job coach model as a method of achieving supported employment, some respondents characterized mobile work crews as a form of sheltered, non-integrated employment, while others felt it belonged in the category of supported employment.

The Mobile Crew model involves a small (usually four to six workers) single-purpose business, most commonly in groundskeeping or janitorial work, which performs these service jobs in community settings. Experience indicates that individuals with severe disabilities and behavior problems may be appropriately employed in this model.

Clients receive wages for their work, and they are closely supervised by agency staff. In addition,

there are some opportunities for community integration (e.g., clients work in "regular" office buildings, eat lunch and take breaks in the community, etc.).

A large number of the state officials we spoke to during the information collection phase of this survey reported that they use the mobile crew model. Often this option evolved as an additional service offered by sheltered workshops.

In addition, several states pointed out that the Mobile Work Crew model is an excellent option to use in rural areas. For instance, Kansas and Alaska have begun to develop mobile crews and plan to create more of them in the future. Other, more urbanized states, such as New Jersey also make use of the model, but there is more flexibility for providers to use other supported work models as well. In rural states -- especially those with high unemployment rates -- the mobile crew model often is the only option for employing severely disabled adults in non-sheltered settings.

3. The Enclave. An enclave is a group of individuals with severe disabilities who are trained and supervised to perform specific tasks but work in typical industrial settings employing non-handicapped workers. This model maintains many of the benefits of integrated employment while providing the continuous, ongoing support that is required by some disabled individuals, particularly those with significant behavioral problems or severe disabilities, in order to achieve long term success in the job market.

Fewer states that participated in this survey indicated that they have work enclaves, compared to those which operate job coach and mobile crew programs. One might speculate that the reason this model is underutilized is the high cost of maintaining work enclaves. For example, in Connecticut a "job coach" placement costs approximately \$6,000 per year, while a placement in an enclave runs about \$8,000 per year.

This model requires a major commitment of resources in order to plan an enclave and locate a business interested in hosting it. In addition, the state agency (or provider) must be able to assume the staffing costs for the enclave supervisor, at least

until the enclave has proven profitable enough for the company that it is willing to assume these costs.

Officials from six of the states we interviewed for this survey mentioned the use of the enclave model as a form of supported employment (Hawaii, Louisiana, Oregon, Pennsylvania, South Carolina and Virginia). Furthermore, most of them reported using the enclave option on a limited scale (e.g., less than five sites throughout the State).

Possible Explanations for Interstate Variations in Supported Employment Activities. In reviewing the states' responses to this telephone survey, it should be readily apparent to the reader that most states are moving in the direction of providing supported employment services. Variations in scope of activities and the types of service offered, however, also becomes obvious. For instance, Delaware reports that it will attempt, for the first time, to place twenty clients in supported employment this year to try it out on a small scale," while Colorado used all of its day service expansion dollars in FY 1986 to offer supported employment services to an additional 150 clients. Still other states (North Carolina, for example) have made major philosophical and financial commitments and begun to initiate radical systemic changes although the actual number of clients placed in supported employment programs remains limited.

In this final section of the report, we will examine some of the reasons for interstate differences in the rate of program implementation.

1. Availability of OSERS Dollars. Forty-eight states reportedly applied to OSERS for supported employment administration grants in 1985, but only ten states were awarded grants.³⁰ When we discussed supported employment programs with state officials, frequently one of the first topics to come up was the OSERS demonstration project. Respondents answered the request to "tell me about supported employment programs in your state" with either

prior to the completion of our interviews, an additional 17 states were awarded OSERS supported employment grants (AR, CO, CT, DE, FL, IL, KS, MT, NH, NV, NC, ND, OK, OR, PA, VT and WI) The results of this second round of awards, therefore, are not reflected in our survey findings.

"well, you know, we are one of the ten OSERS grantees," or "we applied for the OSERS funding to enhance our supported employment programs, but we didn't receive a grant."

The MR/DD agencies in the ten states which were awarded OSERS grants generally seem to be further along in conceptualizing approaches to implementing supported work programs statewide, and developing related interagency agreements. Of course, to some extent, this conclusion may represent a "chicken and egg" phenomenon, since it seems highly likely that states with an established base of activities were in the best position to qualify for funding during the initial round of OSERS awards.

Since coordination between the MR/DD, vocational rehabilitation and special education agencies within a state was a prerequisite to qualifying for an OSERS grant, most of the awardees have established working agreements under which the VR agency will place and initially train clients, then the MR/DD agency will assume responsibility for funding ongoing support services to ensure that severely handicapped persons are able to maintain employment.

We also noted that the OSERS grantees appeared to have more confidence in their ability to meet their goals of placing large numbers of clients into competitive work and converting traditional day activity services to supported work programs.

Other states reported that they plan to implement the program proposed to OSERS, or at least components of it, with available state dollars; however, the assurance of seed money funding over a five-year period, seemed to increase the prospects of success.

2. State Legislative or Executive Mandates. Another reason that states vary in their capacity to implement supported employment programs is the existence or lack of existence of a mandate from the state legislature or Governor. For example, the Massachusetts Legislature enacted a "Turning 22" law in 1984. This law mandates specific cooperative arrangements between the public schools and the adult service system. Enhanced communication regarding the imminent graduation of special education students is facilitated by a state-funded

school-to-work transition office. The result, thus far, has been greatly improved planning for community residents who will need adult services. The Maine and Indiana legislatures also have passed laws or appropriated funds to implement "aging out" programs.

A few other states reported that there have been recent executive orders mandating the development of supported employment programs. Several agencies in Indiana, for instance, were directed by the Governor last year to participate in a "Policy Steering Committee on Supported Employment." Although executive orders do not carry the full force of law, they can be powerful catalysts for systemic change. In a similar vein, revised state standards, such as those governing South Carolina's case management program, may be a vehicle for promoting school-to-work transitional planning.

A number of state MR/DD agencies report that they and/or DD Council officials have been working with the state legislature to encourage the enactment of laws and appropriations related to the provision of supported employment services. Judging by the progress in states that do have such laws, the implementation of supported work programs appears to positively correlate with legislative and gubernatorial involvement, although such involvement does not seem to be a precondition of success in this area of programming.

State Government's Basic Philosophy Regarding Day Services. The commitment to move toward supported employment programs is often related as much to philosophical concerns regarding normalization and community integration as it is to the cost-effectiveness of such programs. There is a general trend toward more normalized and integrated day service programs in all states. Some states appear to be able to embrace the "normalization" concept more wholeheartedly and translate it into actions that change the state's programming options.

Indiana, Massachusetts and South Carolina are examples of states that have been able to translate philosophy to practice due to legislative/executive support. Pennsylvania, Vermont, Michigan and Virginia are states with strong community activism and considerable expertise in supported employment; consequently, supported employment in these states has tended to advance more rapidly.

Another issue is the size of the bureaucracy and of the service delivery system. For instance, Vermont and Rhode Island have a slightly easier time effectuating changes, because the systems are small and serve relatively few clients compared to other states. Conversely, California, which has a vast day service system for developmentally disabled clients, (with 17,000 clients enrolled) faces a much larger task when it seeks to alter the complexion of its existing service system.

Finally, the commitment to supported employment of various agencies and actors within the system may be constrained by other factors operating within the state. For instance, job developers in New Hampshire, a state with an unemployment rate of under two percent, have a considerably easier task than job developers in Mississippi, where unemployment is about twelve percent.

Degree of Reliance on Medicaid. The extent to which a state relies on Title XIX funding to support day services to clients with developmental disabilities can have a significant impact on the implementation of supported employment and other vocationally-related services, due to Federal constraints on the use of Medicaid dollars for such purposes. As noted in Part One of this report, the enactment of a broader definition of "habilitation services", applicable to certain recipients of Medicaid home and community care waiver services, makes it possible for some developmentally disabled persons to receive Medicaid-funded services while participating in supported employment programs. However, it is only a partial answer to existing Medicaid policy disincentives to training DD clients to engage in remunerative employment.

Potential Loss of SSI Benefits. Fear that severely handicapped persons will not remain employed over the long term has discouraged many state and local providers from considering supported employment options, especially when earnings may place existing social entitlements (particularly SSI benefits and Medicaid coverage) in jeopardy. As noted in Part One, legislation has been on the statute books since 1980 which is designed to circumvent the precipitous loss of SSI and/or Medicaid benefits as a severely disabled individual's earnings increase above the "substantial gainful activity" level.

Some states and local jurisdictions have been more adroit than others at using this provision of the Social Security Act (Section 1619), thereby making it somewhat less risky for potential recipients of supported employment services to enter the work force. Michigan, for example, established a statewide interagency task force several years ago, with the mission of removing barriers to the employment of severely disabled persons. As a result of this task force's work a streamlined process has been developed for identifying and qualifying potential recipients of Section 1619 benefits.

Resistance on the Part of Providers. In most of the states we interviewed, our respondents reported strong state agency and provider support for the concept and practice of supported employment. However, a couple of respondents said that politically powerful networks of traditional day service providers resisted changes in the current program focus. Modifying the status quo, they argue, could lead to a reduction in sheltered contract work for clients who, inevitably, will need to remain in this type of work environment.

With fiscal incentives, day service providers are more inclined to offer clients more integrated employment opportunities. For example, North Carolina and Michigan have altered policies governing the funding of day services so that supported employment options are emphasized. A number of other respondents indicated that they were heading in this direction.

Degree of Interagency Coordination in the State. Respondents to the telephone survey who indicated a high degree of interagency coordination within their states seemed to be making more progress in developing supported employment programs and placing high numbers of clients in them. This is especially true for the recipients of the OSERS supported employment grants, since the funding awards were contingent on interagency cooperation. However, in other states with solid interagency agreements, progress towards a "real work" orientation seems to be just as pronounced.

Connecticut, for example, established a Corporation for Supported Employment to assist in the conversion of sheltered workshops to a supported work

approach. The Department of Mental Retardation, as well as the Office of Vocational Rehabilitation, the DD Council and other agencies are represented on the board of this corporation. Other states such as Massachusetts and Wisconsin have had initial success in developing quasi-governmental corporations to facilitate interagency cooperation.

Florida and Indiana are examples of states which have established working interagency task forces on supported employment. Membership on these task forces includes DD officials, as well as representatives from public and private mental health, education and rehabilitation agencies. The goal is to coordinate long term planning and budget requests, and to make day to day operational changes in policies which will facilitate the growth of supported employment opportunities and placements in the state.