CALEDON INSTITUTE OF SOCIAL POLICY

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Dollars for Service: aka Individualized Funding

introduction

Money or services? That is the great debate when it comes to deciding how best to meet human needs. Should poor and modest-income households receive money from government, thereby allowing them to purchase the goods and services they require? Or are their needs better met through the provision of goods or services that respond directly to certain requirements?

Nowhere is the debate more fierce than around the problem of poor kids. Some argue that child poverty should be addressed by getting more money into the pockets of low-income households through an enhanced Child Tax Benefit. It takes money to feed and clothe children. Others contend that child poverty is better tackled through the provision of services to ensure that the money actually 'gets to the children.'

Caledon has long supported the provision of income support directly to parents in respect of their children. However, we recognize the importance of a wide range of services, including high-quality, affordable child care. Clearly, the ideal solution is not an either/or position; child poverty must be tackled by a variety of effective programs and services.

There is a third option being explored throughout the country that represents a hybrid of both approaches. The option is called 'individualized funding' and it pays dollars directly to individuals. But it is not an income payment like the Child Tax Benefit or Old Age Security. Rather, individualized funding represents an amount of money paid *in respect of designated goods and services* that have been costed in relation to individual need. The model has been developed primarily around supports and services for persons with disabilities and is being employed in several provinces. But its principles can be applied more broadly to child care, training and postsecondary education.

what is individualized funding?

Individualized funding refers to the provision of dollars to allow the purchase of certain goods and services. It is currently used as a method of payment for helping offset the cost of personal supports. 'Personal supports' refer to a range of disability-related goods and services, including technical aids and equipment, homemaker assistance, attendant care and respite services which provide some relief for caregivers.

In order to arrive at the appropriate payment under individualized funding, an assessment is carried out - *with the involvement of the individual* - that determines which personal supports are required and, in the case of a service, how much assistance is needed. An amount is allocated for each component of need and a total is determined. The individual can then purchase the required supports according to his or her own preference.

The amount of payment is different for every person; it is determined on an individualized basis depending on specific needs. By definition, individualized funding requires differential treatment. In fact, this is precisely what individualized funding seeks to achieve: a personalized arrangement that responds directly to each individual's unique needs and circumstances.

The spotty and haphazard provision of personal supports throughout the country is a major concern. Canadians with disabilities face problems with respect to access, eligibility and the responsiveness of these supports. Individualized funding represents one way of addressing these problems.

But despite its strengths, individualized funding also has inherent weaknesses. These limitations should be clearly recognized and addressed before pursuing this financing arrangement more broadly in the disability field or in other areas of social policy, such as child care or education.

the strengths

i. access

Persons with disabilities often find it difficult to obtain personal supports. For one thing, these simply do not exist in some communities. Even when they are available in some form, they are always in short supply relative to the high demand.

The problem of lack of supply likely will be exacerbated by the introduction of the Canada Health and Social Transfer (CHST), a block fund for human services. The CHST, which took effect on April 1, 1996, replaced the Canada Assistance Plan (CAP), which had allowed Ottawa to share with provinces half the cost of welfare and social services, and Established Programs Financing (EPF), a block fund under which Ottawa transferred cash and taxing power to the provinces for health and postsecondary education. The CHST brought with it a large cut in federal transfers. On a year-over-year basis, the cumulative reduction in cash transfer payments over the life of the arrangement until 2002-03 will be an estimated $8 billion [Battle 1996].

The withdrawal of CAP is particularly problematic for persons with disabilities. CAP was the mechanism under which many personal supports were financed. CAP shared the cost of homemaker services that allow people with disabilities and the elderly to live at home by helping them with their shopping, cooking, cleaning and other household tasks. In some provinces, CAP shared the cost of attendant services that help people with disabilities live in the community by assisting them with the personal acti-vities of daily living - eating, bathing, dressing and grooming. CAP helped finance occasional relief or respite services for parents caring at home for children with severe disabilities. CAP shared the cost of medically-prescribed diets and medical supplies for certain households that could not afford these health-related costs. It also paid for wheelchairs, special eyeglasses and prosthetic appliances for people unable to purchase this disability-related equipment on their own [Torjman 1995a].

In response to the large cuts in federal transfers under the CHST, provinces likely will impose or raise user fees. But it is also possible that many forms of support will be substantially cut back or withdrawn entirely because CAP is no longer in place to share the costs.

Individualized funding has the potential to respond to this lack of services. It represents, in effect, a form of purchasing power which can create a greater supply of services.

Although it may sound somewhat simplistic, there is a supply and demand notion that comes into play here. The demand for services, backed by dollars, can help stimulate the supply of services. If consumers require various forms of assistance that are not available - and this is important particularly in northern and rural regions of the country - then the fact that governments provide funds directly to individuals for the purchase of these services may build up the marketplace for these supports - at least in theory. Moreover, an increased supply does not necessarily mean more of the same services. Individualized funding has the potential to promote the develop-ment of innovative responses to a given need.

A strong note of caution is in order at this point. Even though individualized funding can help create new services, it may not produce them right away or even in great numbers. Individualized funding can respond to access problems by generating a greater supply of goods and services to purchase - but there are also clear limitations to this form of financing, as discussed below. It is important to put this funding arrangement in perspective; it is not a simple or problem-free panacea.

ii. eligibility

The rules that govern access to personal supports often create problems for Canadians with disabilities. Consumers must qualify for these supports on the basis of several factors including cause of disability, age or level of income. Eligibility criteria often act to keep people off the system rather than ensure that they receive the goods and services they need.

For example, medical rules are in place to determine eligibility for many forms of support. A physician or other professional from a treatment team must conduct an assessment, make a referral or approve the request for service. The medical model has skewed the provision of personal supports in a number of significant ways. Medical diagnosis rather than functional ability is often used as the primary eligibility criterion for receipt of service. This medical gateway is employed despite the fact that most consumers can define their own personal support needs. They know well the activities they are able to carry out and those for which they require assistance. They do not need a physician or social service professional to diagnose or assess the extent of their capa-bilities.

Moreover, when traditional service providers carry out assessments, they generally determine consumer needs within the parameters of the services they themselves provide. For example, if an agency delivers homemaker assistance, a person's needs will be examined on the basis of a given number of hours of that particular service. A similar process is at work when needs assessment takes place within the health care system. When a health care worker identifies individual requirements, it is likely that needs will be construed as a designated number of hours of nursing or therapy services.

Needs assessment under individualized funding differs from traditional processes. The primary difference is that under a system of individualized funding, consumers play the central role in articulating their needs and determining the most appropriate ways to respond to these needs. The specified requirements may or may not assume the form of formal services. Often there are better solutions which do not involve traditional service providers at all.

Moreover, a specific medical diagnosis or label is only an incidental factor in identifying required supports. The presence of a certain condition is not the overriding consideration in needs determination. Under individualized funding, the presence of disability is the key criterion of need.

iii. responsiveness

Traditional services are frequently unresponsive to individual needs. In addition to being unable to select their own services, consumers typically have little say in how these are provided. Services are often delivered at the wrong time, in the wrong place and by persons over which consumers have little control. One serious problem is the restriction on where certain supports may be made available. Attendant services, for example, tend to be provided in the home. Yet these same services are required in schools, training programs, workplaces and recreation facilities. A person may need assistance at a place of work or at an educational institution rather than solely at his or her residence.

Service may be required very early in the morning, in the evenings or on weekends - something that is often difficult to arrange through traditional service provision. Individualized funding allows consumers to choose the services that best suit their needs and to determine when and where these are delivered.

Most consumers of personal supports are afraid to complain about a service that may not be appropriate. They fear personal reprisal or losing the assistance altogether. Individualized funding, however, effectively makes the individual not only the direct purchaser of goods and services but also the actual employer of the service provider. That position allows the individual to set out the terms under which the service is to be delivered and to change or terminate the contractual agreement if necessary. In fact, some recipients of individualized funding have been able to apply these employer skills more broadly and, in some cases, have set up their own business as a form of employment.

the weaknesses

i. myth of the marketplace

Despite the positive aspects of individualized funding, there are serious limits to what it actually can achieve - especially in the short term. It may not generate a new set of service arrangements right away or even in great numbers.

There is concern that individualized dollars encourage the private delivery and provision of service. As noted above, dollars in the hands of many individuals theoretically create a demand; a supply supposedly arises to meet that demand. The problem is that the supply is met largely through the private market or caregivers who offer their services for pay as private delivery agents.

There are serious problems with the myth of the 'marketplace' - i.e., that all you need is the dollars and suddenly the appropriate services will spring up. New services don't just appear because they are in demand in a given community. It may take months or even years of work to develop suitable supports.

Community-based housing with personal supports, for example, is in short supply. Accessible, affordable housing does not simply emerge because individuals happen to have some money. Many persons with disabilities actually use their individualized dollars to 'buy a bed' in a group home rather than live independently because it is their only choice; the group home may be physically accessible, may provide interpreter services, may be well located or may be less expensive than other options. Even consumers with individualized dollars often must accept institution-style living despite their preference for a private residence.

Moreover, individualized funding may work better when the required services involve no special certification. If, for example, consumers need cer-

tain forms of health-related assistance which employ medical equipment, provincial regulations may dictate who is authorized to provide these services and how consumers gain access to them. It may be more difficult to purchase controlled services with individualized dollars.

ii. quality control

This form of financing also gives rise to concerns about the lack of standards over the quality of service. Some consumers contend that quality control rests in their hands as the purchasers of services. But there is potential for poor quality and even abuse - with very few checks and balances in a marketplace delivery system.

Other consumers have argued that assuming the role of employer is an added burden they prefer not to carry. They worry about the potential instability of a private service arrangement. If, for example, an attendant gets sick, people who require assistance may be left completely vulnerable. It may not be possible to arrange alternate help unless a secure back-up system is in place. At least agency-delivered services ensure the availability of replacement or emergency care at all times.

Moreover, the delivery of services through agencies - be they government departments, non-profit organizations or private businesses - provides isolated individuals a base through which they can make contact with others in similar circumstances. This sharing and informal support are sometimes more significant in people's lives than formal services.

Individualized funding also can give rise to problems from the perspective of service providers. Attendants or homemakers who are hired by consumers outside the auspices of an agency or organization may receive lower pay and have few protections - e.g., Employment Insurance for which self-employed workers are ineligible to contribute and workers' compensation in the event that they are injured on the job (e.g., lifting or transferring an individual). For some service providers, the lack of job-related protections is compensated by the fact that they can choose their work hours and schedules, which workers typically are unable to do as part of an agency structure.

iii. accountability

One of the big stumbling blocks to a broader system of individualized funding is the issue of accountability - monitoring the use of public funds given directly to individuals. Governments are concerned that there be mechanisms in place to track very closely the use of monies paid in respect of designated services.

What is curious about this concern is that Canada already has an extensive system of individualized funding for the well-off. It's called the income tax system. Those with money can spend it as they see fit on a wide range of personal supports. They may deduct a certain portion of these costs from their income under the medical expenses tax credit, thereby lowering the federal and provincial income taxes they are required to pay.

Nobody carries out an exhaustive analysis of this spending on an individualized basis; only receipts need to be produced. No taxpayers have to appear before a committee to justify how they have spent their tax credit funds. Nobody has to submit monthly statements or be assessed by field workers.

Yet the story is quite different when it comes to giving money to people who can't afford to pay up front for these goods and services. There is an assumption that those who require public assistance must be scrutinized more closely; after all, if they knew how to manage their money, they wouldn't be poor in the first place. Unfortunately, the obstacles created in the name of accountability prevent the more widespread use of the individualized funding model.

conclusion

Individualized funding - the provision of dollars to allow people to buy goods and services - is one way to narrow the gap between the need for and supply of personal supports. By virtue of the fact that individuals are given purchasing power through the provision of direct dollars, they effectively create a demand for disability-related goods and services which can be met, in theory, through a market-based delivery system.

Moreover, individualized funding allows the consumer to become an employer who has control over the delivery of services rather than remain a passive recipient of various supports. The individual as consumer, and as employer, can create a set of arrangements most appropriate to his or her requirements. These arrangements can be far more flexible and creative than the choices currently available.

But individualized funding inadvertently can contribute to isolation. Service providers themselves may be left more vulnerable because they have fewer formal work protections under this type of financing arrangement. Perhaps the most serious problem with the approach is that it easily can become a replacement for public investment in the supply of disability-related goods and services. The traditional service system risks being turned into a 'marketplace' with individuals making private arrangements for supports over which there is no broader quality control. Moreover, there is no guarantee that private dollars actually can build a supply of services - at least in the short term.

In short, individualized funding can help respond to the wide gaps in the availability of disability-related goods and services. But while it can act as a supplementary and complementary financing arrangement, it can never replace a solid, publicly-funded infrastructure of personal supports.

Sherri Torjman

Reference

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Suite 620, 1600 Scott St.
Ottawa, Ontario Canada
K1Y 4N7

Ph: (613) 729-3340
Fx: (613) 729-3896
www.caledoninst.org