VD-HCBS Training Series

Defining Your FMS Strategy/Completing Your FMS Readiness Review
December 10, 2011
Trainers:
Lori Gerhard, Administration on Aging
Mollie Murphy, National Resource Center for Participant-Directed Services
Isaac Selkow, National Resource Center for Participant-Directed Services
Learning Objectives

At the end of this one hour session, participants should:

1. Understand what FMS is and why it is needed for a VD-HCBS program
2. Understand the implications of the different FMS options and approaches to implementing them
3. Be able to utilize lessons learned and recommendations from early experience with VD-HCBS
4. Know where to get more information and assistance with implementing FMS & completing the FMS Readiness Review
Agenda

• Definition of key terms
• Why FMS?
• Policy guidance and procedures
• Decision points
• Lessons learned and recommendations
• FMS Readiness Review
• Next steps and timelines
• Questions and answers
Definition of Key Terms

• **Financial Management Services (FMS)**
  – The participant-directed support that ensures payments to participants' service providers are appropriately managed, tax and insurance compliance is maintained and program fiscal rules are upheld.
Definition of Key Terms

• Fiscal/Employer Agent
  – One of the two accepted models of Financial Management Services in VD-HCBS. With this model, the participant directly hires, schedules and supervises his or her own workers, serving as the common law employer. This means that the participant has the highest level of control over his or her workers and service delivery, and is able to cater this to meet his or her own needs. To support the participant in this role, the F/EA takes on liability for the federal taxes and handles payroll duties so that the participant is able to focus on directing his or her services. This is the preferred model of FMS in VD-HCBS.
Definition of Key Terms

• Agency with Choice
  – A Financial Management services model that may only be used in VD-HCBS when state law prohibits the use of the F/EA model. This model involves a co-employer relationship, wherein the participant selects a worker to be hired, but the worker is employed by an agency. The participant can oversee some aspects of the worker's job. The agency oversees other aspects of the worker’s job and handles all administrative duties, including payments, insurance and tax compliance. This model is permitted when state law prohibits use of FEA model.
Definition of Key Terms

• Veteran-Directed Budget
  – These are the funds the Veteran uses to purchase services & goods in order to remain independent in the community. This amount also includes a “Respite/Emergency Back-up” fund (rainy day fund) and planned savings fund. The “Respite/Emergency Back-up fund” is used for care when providers are required as back-up for workers the Veteran hires, or for respite care. Planned savings are for purchases which cannot be supported in a single month’s budget.
  – The Veteran-Directed Budget must be established in dollars rather than units or hours. The Veteran should be able to re-allocate those dollars across approved services and supports as needed.
Definition of Key Terms

• **VD-HCBS Administration**
  - These are the funds paid to the Aging Network provider by the VAMC for the service coordination, Financial Management Services (FMS) and Aging Network provider's administrative costs. Services funded by the VD-HCBS Administration include assessment, options counseling/care management, Financial Management Services (FMS) and program administration.
Why FMS?

• The IRS has determined that, in general, workers in participant direction programs are NOT independent contractors and must be paid as employees of someone.

• The IRS has determined that, in most cases, the nature of the participant-directed work makes the workers the employees of the program participants (e.g. Veterans).

• When a worker is an employee, tax obligations must be met including withholding taxes, depositing and filing withheld and employer-owed taxes, managing required insurances etc.

• Most program participants are not in a position to handle these administrative tasks and their complexity can be best handled by experts in the field.
Why FMS?

• Having an FMS solution helps to ensure that regulation compliance is met, and fiscal accountability (including ensuring payments are made in accordance with participants’ individual budgets) is upheld.

• Having an FMS solution allows participants, their families and Options Counselors to focus on managing participant services and supports, rather than dealing with paperwork, payroll, taxes, insurance and other administrative tasks.

• Having an FMS solution helps the AAA or SUA ensure they are not “on the hook” with the IRS for something they do not expect.
Policy and Procedures

• In VD-HCBS, every program must have a solution in place to provide FMS.

• The model of FMS must be either Fiscal/Employer Agent or Agency with Choice.
  - When state law prohibits the F/EA model, then Agency with Choice Model is permitted

• FMS can be:
  - Contracted by the SUA or AAA with a vendor who specializes in FMS.
  - Provided internally by the SUA.
  - Provided internally by the AAA.
Policy and Procedures

• Prior to signing a Provider Agreement with a VA Medical Center, the VD-HCBS site must pass the FMS portion of the Readiness Review.

• After the program is operational, if the site switches or adds on a model of FMS (e.g. switches from F/EA to AwC, or begins offering AwC in addition to F/EA), a Readiness Review must be performed. Contact your Readiness Review contact.

• After the program is operational, if the site switches or adds on a new provider of FMS, a Readiness Review must be performed. Contact your Readiness Review contact.
Policy and Procedures

• FMS must be paid for out of the “VD-HCBS Administration” fee that the AAA or SUA is paid by the VAMC. The cost of FMS cannot be paid for out of the Veteran-Directed Budget under any circumstances.

• Employer tax and workers’ compensation insurance should be paid out of the Veteran-Directed Budget.

• Veteran-Directed Budgets must be established in dollars rather than “hours” or “units” of service. Veterans must be able to re-allocate those dollars across those services approved in their spending plans within each month.
Steps and Decision Points

• Step 1: Select a model of FMS: Fiscal/Employer Agent or Agency with Choice (only when state law prohibits use of F/EA). For more info, see: http://www.bc.edu/schools/gssw/nrcpds/tools/toolkit/fms-toolkit/choice1selectamodel.html#text-wrapping_text

• Step 2: Decide how FMS will be provided for your site.
  – Contract with a provider that specializes in it?
  – Identify a participant direction program in your state (or another state) and partner to use their FMS provider?
  – Provide FMS in-house at the AAA or SUA?
Steps and Decision Points

• Step 3: Develop a strategy for integrating FMS reporting with state’s overall QA plan

• Step 4: Develop a pre-procurement plan to determine how your program should operate. See resources here:
  http://www.bc.edu/schools/gssw/nrcpds/tools/toolkit/fms-toolkit/procurefms.html#text-wrapper_text

• Step 5: Select your FMS Provider or Develop FMS Capacity In-House. For more info, see:
  http://www.bc.edu/schools/gssw/nrcpds/tools/toolkit/fms-toolkit/procurefms.html#text-wrapper_text
  – For Step 3, that link provides check lists and other resources to support your efforts
Steps and Decision Points

• Step 6: Complete the FMS Readiness Review (available at participantdirection.org) and contact your Readiness Review contact
  – Complete written document
  – Follow up phone call with Mollie or Isaac from NRCPDS

• Step 7: Continue to implement your FMS solution and begin serving Veterans

• Step 8: Monitor the quality of your FMS solution and make changes as necessary
Lessons Learned

• Building internal FMS capacity at a AAA or SUA can be complicated. Know what you’re getting into before signing up to do your own FMS. For more information, see this TA presentation: http://adrc-tae.org/tiki-download_file.php?fileId=28898
Lessons Learned

• You must make some decisions about how you want your program to operate and the clearer you are about these before you begin working with an FMS provider, the better. For information on the decisions you need to make, see:
  http://web.bc.edu/libtools/downloadfile.php?filename=1309459804_EA.pdf

  – Use the resources in the FMS Toolkit to help you make these decisions.
  
  – The FMS Toolkit can be found here:
    http://www.bc.edu/schools/gssw/nrcpds/tools/toolkit/fms-toolkit.html
Recommendations

• Make contact with the VA Medical Center early in your program implementation process.

• Negotiate with the VA Medical Center regarding how the VD-HCBS will be billed. Consider cash flow management when determining the billing method. Billing based on approved spending plan with quarterly reconciliation enables the AAA/SUA to submit the invoice on the first day of the month after the month that services were rendered.
Recommendations

• This approach reduces the amount of cash that needs to be used to float the expenses until the reimbursement is received from the VAMC.

• Using the actual monthly expenditure billing approach slows the cash flow process because the AAA/SUA cannot issue the bill until after the monthly expenses are submitted.

• Begin working with your FMS provider to set up processes to support the selected method of billing.
Recommendations

• Determine how you will secure funds to pay for Veteran services before they are reimbursed by the VAMC.
  – Some FMS providers will advance funds for veteran services for an additional charge to the Aging Network site.
  – Some FMS providers will advance funds without an additional charge to the Aging Network site.
  – Some AAAs have gotten a loan or line of credit rather than paying the FMS provider to advance the funds.
  – Some Aging Network sites are able to use existing funds to cover the cost of Veteran services prior to reimbursement by the VAMC.
Recommendations

• Remember that FMS is not “just payroll.” An FMS provider generally does substantially more than a traditional payroll provider. Additionally, traditional payroll provider models are built on the provider working for an employer who is in a position to manage the administrative tasks of their business, so a payroll provider does not take on the liability that an FMS provider does. If your FMS solution is to contract with ADP or PayChex, review the FMS Toolkit.
FMS Readiness Review

• The FMS Readiness Review is a component of the total Readiness Review process.
• You must pass the FMS section of the Readiness Review in order to pass the entire Readiness Review.
• The FMS Readiness Review is conducted separately from the Program Readiness Review.
• After submitting a written FMS Readiness Review, a phone call is scheduled to discuss the written response.
• Clarifying information may be requested.
FMS Readiness Review

- The FMS Readiness Review has about 60 open-ended questions.
- These questions are intended to ascertain if your program is prepared to maintain compliance with Federal, State and Local tax rules, specifically as they pertain to participant-directed services.
- The Readiness Review will also be checking in to see that you have thought through the options in your program and developed an approach for them.
FMS Readiness Review

• The FMS Readiness Review also focuses on ensuring your FMS solution includes participant-directed components and meets the requirements of the VD-HCBS program. Specifically, we will be checking:
  – How are you paying for the administrative cost of FMS? It should be paid from the VD-HCBS Administration amount paid to the AAA/SAA monthly to administer the program
  – Can the participant select their own workers? Can the participant set the rate of pay for their workers? The answer to both should be “yes”.
  – Does the participant have a budget in dollars (not units) that he or she can manage?
## Next Steps and Timelines

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<thead>
<tr>
<th>Next Steps</th>
<th>Responsible Party</th>
<th>Timeline (in order to launch FY2011)</th>
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<tbody>
<tr>
<td>1. Select a model of FMS</td>
<td>AAA or SUA (depending on Business Model)</td>
<td>ASAP</td>
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<tr>
<td>2. Decide if you will procure services of FMS provider or create capacity “in-house”</td>
<td>AAA or SUA (depending on Business Model)</td>
<td>ASAP</td>
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<td>3. Develop a pre-procurement plan, making decisions on key points</td>
<td>AAA or SUA (depending on Business Model)</td>
<td>ASAP</td>
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<td>4. Select your FMS solution</td>
<td>AAA or SUA (depending on Business Model)</td>
<td>August 31, 2011</td>
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<td>5. Contact VA Medical Center and begin discussing billing processes</td>
<td>AAA or SUA (depending on Business Model) &amp; VAMC</td>
<td>August 31, 2011</td>
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<tr>
<td>6. Submit written FMS Readiness Review to NRCPDS</td>
<td>AAA or SUA (depending on Business Model)</td>
<td>September 15, 2011</td>
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<tr>
<td>7. Schedule and conduct FMS Readiness Review follow-up phone call</td>
<td>AAA or SUA (depending on Business Model) &amp; NRCPDS</td>
<td>September 20, 2011</td>
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<th>Next Steps</th>
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<th>Timeline (in order to launch FY2011)</th>
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<tr>
<td>8. Provide information requested during follow-up phone call to NRCPDS</td>
<td>AAA or SUA (depending on Business Model)</td>
<td>September 25, 2011</td>
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<tr>
<td>9. Pass program Readiness Review</td>
<td>AAA or SUA (depending on Business Model)</td>
<td>September 25, 2011</td>
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<td>10. Be part of “Flow Chart Conference Call”</td>
<td>AAA or SUA, VAMC, NRCPDS</td>
<td>September 27, 2011</td>
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<tr>
<td>11. Execute Provider Agreement with VAMC</td>
<td>AAA or SUA &amp; VAMC</td>
<td>September 30, 2011</td>
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# Future VD-HCBS Training Sessions

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<tr>
<th>Date</th>
<th>Topic</th>
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<tr>
<td>01/3/2012</td>
<td>VD-HCBS Flowchart Session</td>
</tr>
<tr>
<td>01/10/2012</td>
<td>Person Centered Planning &amp; Developing a Veteran Directed Budget</td>
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<tr>
<td>01/12/2012</td>
<td>Identifying Your VD-HCBS Business Model Pt 2</td>
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<tr>
<td>01/17/2012</td>
<td>Billing/Invoicing</td>
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<tr>
<td>01/19/2012</td>
<td>Cash Flow Management</td>
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<tr>
<td>01/24/2012</td>
<td>Completing Your VD-HCBS Program Readiness Review</td>
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<tr>
<td>01/26/2012</td>
<td>VD-HCBS Quality Assurance Program</td>
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<tr>
<td>01/31/2012</td>
<td>Data, Performance and Outcomes</td>
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<tr>
<td>02/02/2012</td>
<td>VD-HCBS Program Sustainability</td>
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<tr>
<td>02/07/2012</td>
<td>The Future of VD-HCBS</td>
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Questions and Answers
Resources and Assistance

For more information or assistance contact:

Mollie Murphy  
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617-953-3914

Isaac Selkow  
isaac.selkow@bc.edu
617-552-6814

Additional resources:

• **FMS Tool Kit:**  
  [http://www.bc.edu/schools/gssw/nrcpds/tools/toolkit/fms-toolkit.html](http://www.bc.edu/schools/gssw/nrcpds/tools/toolkit/fms-toolkit.html)

• **FMS Tool Kit Resources:**  

• **ADRC-TAE Resources:**  