

# Theme 3: Fiscal Policies And Sustainability

**According to the Community Supports for Wraparound Inventory, success in the area of fiscal policies and sustainability in wraparound is achieved when *the community has developed fiscal strategies to meet the needs of children participating in wraparound, and methods to collect and use data on expenditures for wraparound-eligible children.***

Successful wraparound projects require funding and fiscal policies that embrace wraparound values. A key question is whether you can do wraparound planning without funding. The answer to that is “it depends.” First, it depends on how much capacity you want to build. If you are looking to establish wraparound in your system as an exception to basic care and use it sparingly you can probably garner enough staff resources to follow the process, but it will probably be inconsistently achieved. Second, it depends on the current degree of flexibility of your system’s resources. If you are in a system that has maximized flexibility so that every dollar is seen as flexible and is able to follow the child and family, then you probably don’t need

additional funding to implement a high-quality wraparound process. If, however, you are looking to make wraparound regularly available within a typically siloed system, then you probably need to assign initial dollars while working to create more flexible fiscal policies over time.

This section addresses some of the most important questions that typically arise when communities are developing strategies related to fiscal policies and sustainability.

## 1. How have communities used available funding streams to finance and sustain wraparound?

The *Resource Guide to Wraparound* contains a number of chapters that focus on this important question. The chapters are found in section 5d of the *Resource Guide*, and include:

- » “Developing, Financing, and Sustaining Wraparound: Models for Implementation”
- » “Private Provider & Wraparound Flexibility”
- » “The Wraparound Orange County Model”
- » “Developing, Financing and Sustaining County-Driven Wraparound in Butler County, Ohio”
- » “Funding Wraparound is Much More than Money”
- » “EMQ Children & Family Services: Transformation from Residential Services to Wraparound”

## 2. What are some of the key wraparound capacities that we will need to fund?

There are a number of options that states can pursue to support and/or incentivize the development of local or county wraparound efforts. Regardless of whether the funding strategies are implemented at the state or local level, it is local leaders who are responsible for creating capacities that are necessary and desired in their wraparound project. This means that the local effort should be responsible for ensuring the following capacities are met:

- » **Funds are available for the cost of doing wraparound.** Certain func-



tions and responsibilities are implied in any wraparound project. These functions include facilitation of teams, meetings and plans; care coordination including organizing, arranging and modifying services, supports and interventions; and infrastructure necessary for managing and supervising wraparound. Most projects also include provision of peer-to-peer support to families as a key capacity for wraparound implementation. These key capacities are generally budgeted in the personnel line associated with a wrap-around project and may take the form of FTEs in each of the named areas. Communities vary in terms of how the staff roles are structured and arranged but a local

contract manager or program developer should ensure that there are sufficient fiscal resources for staffing roles so that that key wraparound tasks can get done efficiently and effectively.

- » **Funds are accessible for needed supports and services.** Contract managers should recognize that wraparound is not a treatment or specific type of program. The wraparound process cannot stand alone like other programs and services that may be funded. As a planning process, wraparound seeks to coordinate and integrate a range of services and supports. This means that contract managers should think through how to ensure that funding is available to pay for services, interventions, and supports that are needed to fulfill wraparound plans, including supports that are not reimbursable via traditional systems.
- » **Funds are flexible enough to implement the strategies that teams choose for wraparound plans.** A key ingredient of wraparound projects is the presence of funds that can be used to support and purchase a range of options for and with the family. Some communities manage this by creating a line item within a contract that is designated as a flexible fund category. Others will find a way to braid service dollars that are not necessarily flexible to pay for the services and supports that are needed. This sort of approach is used by Wraparound Milwaukee,

which functions as the care management entity for children in the mental health system in Milwaukee, Wisconsin. In Wraparound Milwaukee, Wraparound teams identify necessary services and supports. Results from those team meetings are identified in the management information system that allows individual providers to be paid by central administration. A range of existing funding streams have been pooled, allowing the project to match a funding source with the planned expenditure. In addition, the capacity to pay for services or interventions exists by always having an “other” category.

### 3. How do we know when to use flexible funds?

Wraparound managers are often faced with issues pertaining to adequate and appropriate management of flexible funds. In the early stages of wraparound implementation, it is not unusual for flexible funds expenditures to be considered frivolous, and this can lead to a period of tightening down on flexible fund policies. Wraparound managers will do well to establish a clear logic for expending flexible funds. One example of such logic is listed below:

Does the intervention, planned interaction or expenditure...

- » **...Build on family strengths?** It’s helpful to check to make sure that the strengths are functional and real and were identified prior to the decision to pursue the service/support that requires funds, rather than having strengths filled in to justify a service, support, or intervention.
- » **..Add value to the stated mission?** Does the intervention or planned action seem as if it will get the team and plan closer to the mission or outcome that is being pursued? This would presuppose that the team has developed a mission statement. The mission should be compatible with the conditions that brought the family to the attention of the system in the first place.
- » **...Meet identified child and family needs?** Does the intervention directly address a need that has been stated as unmet and targeted by the team? The team should be able to identify the action and state how it will address identified needs.
- » **...Represent a culturally competent direction?** Does the planned action or

intervention fit well with the family? The action should be relevant to family members' sense of their own identity and should fit with how they experience their own community. Characteristics to consider include ethnicity, class, age, location, spirituality, nationality and traditions, among others. Interventions should be chosen which are compatible with the family's self-definition.

- » **...Build on community capacities?** Does the intervention empower the community and those in it to care for and support the child and family? For example, has the caseworker ensured that a landlord is given a chance to help out rather than first requesting flexible funds to cover a family's housing-related costs? Projects should check to make sure that system resources in terms of people, money and expertise are being used to create community caring.
- » **...Represent a good deal for the investment?** The planned action should be reviewed to ensure that it represents a good deal for the price. This is true for flexible fund expenditures, staff investment of time, referrals to categorical services and any other endeavor that a staff member could undertake. When pursuing the right price, the results of the investment should also be considered so that the bid that wins out won't always be the lowest one, but rather the one that yields the best outcome for the investment.

#### 4. What are some of the most common fiscal cautions and pitfalls?

- » **Over-relying on any one funding stream.** Administrators must recognize that wraparound is a planning and organizing process that seeks to incorporate, integrate and create a range of supports in order to meet a family's needs. Since wraparound is an integrative model it stands to reason it requires an integrated funding stream. The question for funders is how much integration they need in order to construct a coherent funding platform. Integrating Medicaid funding to pay for medically necessary services and supports through a wraparound planning process while using general fund services to pay for all or a portion of staff time may be enough integration. Other sites may pool a wider range of funding streams. Successful wraparound projects find a way to harness multiple funding streams to pay for services and project operation.
- » **Falling into the Medicaid trap.** Medicaid is frequently used within wraparound projects. Some functions within the wraparound process itself may indeed be

billable to Medicaid. Others are close but require staff and administrative time to make them fit. Still other wraparound functions don't line up with Medicaid rules and regulations. Billing Medicaid may seem like a good idea but good managers should identify whether the cost of making the proposed intervention fit within billing definitions outweighs the potential revenue. Likewise, funders should create opportunities for some staff time to be billed to other revenue sources so that the support activities of wraparound can be integrated with the clinical activities. Maintaining the right balance between support and clinical intervention will ensure that the wraparound project functions effectively.



» **Over-managing flexible funds.**

Heightened sensitivity to public perception causes some sites to create so many rules and requirements that flexible funds fail to be used flexibly. This can often build resentment on the part of staff and families, who feel like rules are applied arbitrarily. Rules are fine but you should consider how rules can reinforce wraparound practice and principles.

» **Under-managing flexible funds.**

Some sites will under-manage flexible funds by providing no guidelines for their use. When this happens, family access to flexible funds may be random and projects face the risk of running out of the resource. When this happens, flexible funds no

longer function as a tool but instead become a barrier that keeps families and those hired to help from having candid, honest conversations.

- » **Stopping at flexible funds rather than building flexibility in funding.** Flexible fund pools can be a powerful tool in wraparound. These pools are usually somewhat limited when compared to sources of inflexible funding. Wraparound is as much a system change strategy as a process for supporting children and families. Ultimately, wraparound projects should work towards building as much flexibility in funding throughout the system as possible. This means that projects

will have to rely less on the wraparound flexible fund pool as the system adapts and becomes more flexible.

## 5. What are some fiscal options for state leaders?

Local wraparound initiatives are correct in recognizing that state-level fiscal policies and supports are often critical to ensuring local wraparound sustainability and success. In many states, state-level leaders have spurred the development of community capacity for wraparound by developing fiscal incentives for implementation. Examples of these incentives include:

- » **Redirecting existing funds.** One option available on a state level is to create new opportunities for local communities to support wraparound by using existing funds from existing funding streams. For example, some states have chosen to create avenues for local jurisdictions to spend what would have been spent on residential care on wraparound infrastructure instead. This typically involves one of two scenarios: (1) redirecting the state and county share of the residential budget, or (2) pursuing some sort of federal waiver that allows for spending certain federal funding sources more flexibly.
- » **Making grants.** Some state leaders will provide grant funds to local jurisdictions and providers to build a core wraparound capacity. In some cases, this grant making will involve funding the entire project including staff costs, program costs, and projected service costs and often, flexible funds costs.
- » **Building incentives.** Many state leaders find they don't have the funds for fully building wraparound capacity, and they also correctly worry that using grants to promote wraparound development may undermine the sustainability of the projects that are created with temporary funding. As a result, some states have used an approach in which they provide incentives to local jurisdictions to begin to build wraparound capacity. This frequently involves hiring some initial staff, such as a local project coordinator or wraparound facilitators, or creating some seed funds for the development of a flexible fund pool that can be used to secure other local commitments.

The following table provides more details on the advantages and disadvantages of each of the above state-level options for funding local wraparound initiatives.

**Options for Funding Wraparound Capacity:  
Strategies for State Leadership**

Option	Description	Advantages	Disadvantages
Redirecting Existing Funding	In this option, existing funding streams are redirected to creating wraparound capacity in local communities. This might require a legislative change that allows certain budgetary lines to be redirected (as in the case of HB 1741 or SB 163 in California) or creates redirection through administrative rule changes.	<ul style="list-style-type: none"> <li>» Local jurisdictions make a choice to stop something in order to build something else; clarifies wrap-around as more than just an option</li> <li>» Assures sustainable funding streams by redirecting existing resources rather than creating new resources</li> </ul>	<ul style="list-style-type: none"> <li>» Often requires formal action such as legislative or formal rule change</li> <li>» Can take more time</li> <li>» Some communities may not come on board as they can't imagine losing some existing capacity to build this new capacity</li> </ul>

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**Options for Funding Wraparound Capacity:  
Strategies for State Leadership (continued)**

Option	Description	Advantages	Disadvantages
Making Grants	This typically involves providing funding for the entire wrap-around operation, including personnel, programmatic and individual family costs.	<ul style="list-style-type: none"> <li>» Full-service funding can allow projects to begin without having to scrimp, save and cut corners</li> <li>» Reluctant or slow implementers may jump on board faster because of the presence of full funding from grant sources</li> </ul>	<ul style="list-style-type: none"> <li>» May be difficult to keep program going after the grant funding expires</li> <li>» Reduces incentives for local agencies and partners to work together to build local capacity, because funds are provided from an external source</li> <li>» Local project may not feel “ownership” – rather, it is owned by the funding source</li> </ul>

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**Options for Funding Wraparound Capacity:  
Strategies for State Leadership (continued)**

Option	Description	Advantages	Disadvantages
Building Incentives	This strategy involves the state developing some sort of incentive to subsidize wraparound project development. This limited funding is typically designed to assist with initial outlay of development costs including personnel or flexible funding costs. (Examples of this model can be found in states such as Michigan and Wisconsin, with their early efforts to create capacity for flexible, collaborative, community based programming.)	<ul style="list-style-type: none"> <li>» Creates seed money so local jurisdictions can get started</li> <li>» Allows states to monitor development closely to ensure the wrap-around project is compatible with customary wrap-around expectations</li> <li>» Can stimulate cross-site development by bringing seed projects together from time to time</li> </ul>	<ul style="list-style-type: none"> <li>» May not fully address the issue of how to build adequate capacity for full wraparound implementation</li> <li>» Providing circumscribed and limited incentives may cause the project to “get lost in the shuffle” of other funding streams and projects, restricting momentum toward fully supported wraparound</li> </ul>

## 6. What are some examples of state action to facilitate wraparound funding?

Some examples of state legislation and other state supports to wraparound in the above areas are provided below.

### **Redirecting existing funding.**

- » In 1997, wraparound was established in California under Senate Bill (SB) 163 (Chapter 795, Statutes of 1997) which allows California counties to develop the Wraparound Model using State and county Aid to Families with Dependent Children – Foster Care (AFDC-FC) dollars. This legislation permits counties to use the wraparound funding for planning and services delivery instead of use for placements of children/youth in high-end group homes (Rate Classification Level (RCL) 12-14.) For a summary of SB 163, and a link to the bill itself, see [www.dss.cahwnet.gov/cfsweb/PG1320.htm](http://www.dss.cahwnet.gov/cfsweb/PG1320.htm).

### **Making grants.**

- » In 2007, the Washington Legislature passed Second Substitute HB 1088, which declared an intent to substantially improve the delivery of children’s mental health services in Washington state, established an Evidence-Based Practices Institute, and provided that educational service district boards may respond to a request for proposal for operation of a wraparound model site under this act and, if selected, may contract for the provision of services to coordinate care and facilitate the delivery of services and other supports under a wraparound model. To view a summary of HB 1088 with links to the bill itself, see <http://apps.leg.wa.gov/billinfo/summary.aspx?year=2007&bill=1088>.
- » In Massachusetts, The *Children’s Behavioral Health Initiative* (CBHI) is an inter-agency initiative of the Commonwealth’s Executive Office of Health and Human Services, whose mission is to strengthen, expand and integrate Massachusetts state services into a comprehensive, community-based system of care, and to ensure that families and their children with significant behavioral, emotional and mental health needs obtain the services necessary for success in home, school and community. The CBHI provides funds to over 30 local Community Service Agencies to implement core elements of the Initiative, including the wraparound process.

## **Building incentives.**

- » In Michigan, the Division of Community Services in the Department of Human Services is involved with the statewide development and implementation of the wraparound process for children and families at risk of placement. For a summary of the methods through which the state provides support to local implementation, see [www.mi.gov/dhs/o,1607,7-124-5452\\_7124\\_7210-15379--,00.html](http://www.mi.gov/dhs/o,1607,7-124-5452_7124_7210-15379--,00.html).

More complete examples of state fiscal models for sustaining wraparound implementation can be found on the NWI website at [www.nwi.pdx.edu/financesustainability-additional.shtml](http://www.nwi.pdx.edu/financesustainability-additional.shtml).

## **7. What is the “take-home” message?**

Funding and fiscal policies have to be addressed if wraparound is to be sustained on a significant scale in your community. In addition to providing funding and ensuring flexibility, wraparound projects need to have access to information about how much is being spent, on what services/supports, and for whom. Only this kind of information can truly inform you about key facets of your implementation, including what is working (what’s not) and how it is working (how it isn’t). Effective and hands-on management of fiscal resources will help you create the needed match between family needs and services, supports and activities.