

## BRIEF

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# Flexible Funds for Customized Goods and Services

Flexible funds for customized goods and services have been recognized as an essential component of effective systems of care. The May 2013 Joint Bulletin issued by Centers for Medicare & Medicaid Services (CMS), Substance Abuse and Mental Health Services Administration (SAMHSA), Coverage of Behavioral Health Services for Children, Youth, and Young Adults with Significant Mental Health Conditions, states:

*"The experience of the CMHI and the PRTF demonstration showed that a number of other home and community-based services have significantly enhanced the positive outcomes for children and youth. These services include: intensive care coordination (often called wraparound service planning/facilitation), family and youth peer support services, intensive in-home services, respite care, mobile crisis response and stabilization, and flex funds."<sup>1</sup>*

Flexible funds (flex funds) can fill gaps in the system of care by facilitating the purchase of goods or services that would otherwise not be available to a family. The approach to flex funds should be individualized, whereby the funds are used to build on family strengths and as a mechanism to enhance the family's engagement with the network of services and supports. Flex funds can further the coordination and integration of community supports, and allow for creativity in meeting the needs of the youth and their families. Purchases may include clothes for youth transitioning from placements, routine activities like enrollment in summer camp or mentoring experiences, and in some communities, the funds can be accessed for rent or utilities in a crisis situation. Typically, funds are not used for ongoing expenses, but are more often one-time or occasional costs that connect to the needs identified by the youth with input from the team and family. Flex funds are often used as a last resort when other sources cannot meet the identified need. Within a wraparound team approach, flex funds are used strategically to put services and supports into place while the team continues to work on the plan to sustain the service/support beyond the availability of flex funds.

A number of factors should be considered when establishing the use of flex funds within a system of care. Clear definitions, roles, policies, and procedures are needed to help families and staff understand what an appropriate use of the funds is and maintain accountability for the funds. Striking a balance between flexibility in the use of funds, and concurrently establishing parameters to satisfy monitoring and regulatory requirements, can be an intense and challenging process for all stakeholders.

This document highlights key considerations and gives examples from states implementing the use of flex funds within a system of care. Communities interested in enhancing a pre-existing flex funds program or those endeavoring to build a new flex fund program, may find this document a useful tool in thinking through the many components.

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## Defining Allowable Goods and Services

States and communities vary in what is defined as an allowable flex funds expense. The definition of allowable goods and services may be set by the funding source, and layers of accountability built into the system's structure may affect interpretation of the definition. If the funds are embedded within a Medicaid reimbursement process, the use of funds will be tied to the plan of care and have specific limitations. In Maryland, for example, the State's 1915(i) Home and Community-Based Services Medicaid State Plan Amendment specifies that the funds (Customized Goods and Services) must be used to support a child or youth's plan of care and that the "item or service must aim to decrease the need for other Medicaid services, promote inclusion in the community, or increase the participant's safety in the home environment."<sup>2</sup> In this example, the State, with federal approval, governs the definition of flex funds, including unallowable costs, many of which are standard disallowances for public funds, for example, the purchase of drugs, alcohol or tobacco, or paying off bad debt. Flex funds that are made possible through grant funding may have more local flexibility in defining the terms of use, but are often still closely monitored through contracting authorities and grant-funding agencies.

Other states and communities give more specific lists of allowable purchases, or categories of purchases, along with guidance on unallowable costs. Connecticut spells out four overarching allowable expenditure categories: Non-clinical Services, Supervised Companionship, Supervised Activities, and Clinical Services, as shown below.<sup>3</sup>

Connecticut Department of Children & Families – Eligible Services for Flex Fund Reimbursement:
<ul style="list-style-type: none"> <li>■ Non-clinical: Clothing, educational expenses, housing, security deposits, utilities, musical instruments, automobile, transportation, furnishing/appliances, fines, etc.</li> </ul>
<ul style="list-style-type: none"> <li>■ Supervised Companionship: Mentoring, coaching, music lessons, tutoring, etc.</li> </ul>
<ul style="list-style-type: none"> <li>■ Supervised Activities: Camp, after school recreational or educational activities, participation on an athletic team, scouting, hobby clubs, etc.</li> </ul>
<ul style="list-style-type: none"> <li>■ Clinical Services: Funds cannot be expended on clinical services customarily covered by insurance until and unless that coverage has been exhausted or in cases where there is no insurance or the service is not covered.</li> </ul>

Oklahoma's System of Care Flex Fund Guidelines outline emergency scenarios that may warrant use of flex funds, as well as routine requests and disallowable costs.<sup>4</sup>

Oklahoma's System of Care CGS guidelines specify use of funds for emergency scenarios, such as:
<ul style="list-style-type: none"> <li>■ Help with rent to avoid eviction</li> </ul>
<ul style="list-style-type: none"> <li>■ Car repairs to ensure access and transportation to medical/behavioral health care</li> </ul>
<ul style="list-style-type: none"> <li>■ Emergency medical or dental care</li> </ul>
<ul style="list-style-type: none"> <li>■ Durable goods to furnish or appropriately equip a home</li> </ul>

## Funding Limitations

In addition to defining allowable costs, the funding source will often establish limits on the amount of funds available for use. Funding sources used by states and communities include block grants, SAMHSA CMHI grants, state appropriations, and Medicaid programs, such as 1915(i) Home and Community-Based Services state plan option or 1915(c) Home and Community-Based Services Waivers. The funding source may determine what limits will be required based on criteria such as timeframes, identified populations of focus, or client income. Typically, flex funds are used as a last resort when other financial sources, including the family's resources, cannot meet the identified need. Many

communities do not allow the use of flex funds for clinical services where third party reimbursement is available, for example, through private insurance or Medicaid.

Maryland's CMS-approved 1915(i) Medicaid State Plan Amendment specifies a flex fund maximum of \$2,000 per child per year. This fiscal limit was calculated based on years of administering flex funds through SAMHSA Systems of Care grant projects across the state and the 1915(c) PRTF Demonstration Waiver. The funds are further limited to a subpopulation of youth with Serious Emotional Disturbance who meet certain high-need clinical criteria and whose family income does not exceed 150% of the Federal Poverty Level. In this example, Maryland has controlled costs by restricting the eligible population and setting an annual cap.

South Carolina's Medicaid 1915(c) PRTF Waiver, referred to as CHANCE, capped the available funds at \$1,940 over an individual's lifetime.<sup>5</sup> Kentucky is an example of a blended funding model where a combination of block grant and state-appropriated funds is disbursed annually through community mental health centers to support children and the youth they serve. In Kentucky, the distribution can vary year-to-year based on available funding and system priorities.

### Processes for Approving and Disbursing Funds

States and communities establish their own policies/procedures for submission and approval of requests and disbursement of funds. Whether launching or redesigning a process to access flex funds, key considerations include the system's approach and goals in providing the funds, documentation standards, the parties involved in the approval process, the payment entity, forms of payment, and requirements of the regulatory and financing bodies.

In the case of Wraparound Milwaukee, this organization has established a clear process for accessing and monitoring the use of flex funds from approving a request, to payment and documentation. A tiered approval process was established which allows the care coordinators to make small purchases, but requires more extensive review of larger requests.<sup>6</sup>

Often states have a layered approval process. In Maryland, local mental health authorities are charged with developing their own process that aligns with the 1915(i) state regulation for approval and monitoring of funds. Care coordination providers are accountable to certain parameters too, including the development of internal policy and procedures for managing the requests for flex funds and forwarding requests to the appropriate local authority for review.

Processes for disbursement of flex funds are dependent upon which entity within a SOC holds the funding. In some arrangements, the funds are held by the local care coordination provider organization, such as a Care Management Entity (CME), which manages an internal approval process for requests, processes direct reimbursement for the requests, and monitors appropriate use of funds. Monitoring of funds in this type of circumstance may also occur by an outside entity, such as the agency contracting and financing the CME services. However, the day-to-day oversight and administration funds are managed by the provider in the example of a CME.

In other arrangements, the funds, and sometimes the approval mechanism, lie outside the local provider of care coordination. The fiscal impact on a provider organization in this arrangement should be considered, along with the turnaround time required to obtain

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A common practice with flex funds is to set a dollar amount threshold that would prompt additional layers of review prior to approval. This can save time and facilitate a faster turnaround of requests, while still ensuring robust reviews of larger purchases.

Wraparound Milwaukee permits care coordinators to make out-of-pocket purchases of less than \$50.00 to meet the child's needs. Purchases that exceed that amount must be made by check to the family or vendor. *An expense greater than \$200.00 prompts a special review and requires approval by a supervisor.* Many programs establish a tiered process like this to allow *smaller expenses to be more easily authorized and larger expenses to be more rigorously reviewed.*

approvals and access to funds. Some requests for flex funds can be time sensitive or even critically urgent, so systems should adopt the most efficient process possible, particularly if emergency requests are a part of the program. Providers who are not administering the flex funds, or otherwise holding the funds, may need to advance payment for a request and seek reimbursement later. The financial implications of such an arrangement should be explored before final processes for disbursement are determined.

## Summary

The definition of flex funds and how they are implemented with families can vary according to the system structure, funding source, and quality oversight mechanisms. In some circumstances, a single entity may manage the finances, set policy and process guidelines, and monitor appropriate use of funds. In other places, there is involvement from several entities with differing roles, adding to the complexity of oversight and accountability.

*While not an exhaustive list, these bulleted items represent many of the questions that a system of care must answer in order to establish an effective and efficient process for flex funds:*

■ Allowable vs. unallowable costs
■ Documentation needed to make a request (e.g., request form, plan of care, evidence of other resources exhausted, documentation of plan to sustain support)
■ How to file documentation after an approved purchase (e.g., receipts)
■ Who is authorized to request funds
■ Who is authorized to approve funds
■ Timeline for authorization and disbursement of funds
■ Disbursement means (e.g., cash, check, gift card)
■ To whom the disbursement is made (to vendor, to provider or the family)
■ Emergency needs (Will the flex funds be available for emergencies?)
■ Cap on funds (per member per year, lifetime, etc.)
■ Appeals process for denied requests
■ Auditing expectations

The challenge for systems of care is to develop policies and processes which both preserve family voice and choice, and flexibility in accessing needed supports, while putting appropriate accountability measures into place to comply with broader requirements. Using a collaborative process, especially in systems where multiple entities will have a role in the management of flex funds, will ensure that the values and philosophy of systems of care are fully realized through a well-designed flex fund program.

## References

<sup>1</sup> Joint bulletin coverage of behavioral health services for children, youth and young adults with significant mental health conditions. (2013, May 7). Retrieved from <http://medicaid.gov/Federal-Policy-Guidance/Downloads/CIB-05-07-2013.pdf>

<sup>2</sup> Maryland 1915(i) Home and community-based state plan amendment. (2014, October 1). Retrieved from [http://dhmh.maryland.gov/bhd/Documents/1915\\_i\\_ApprovedSPA.pdf](http://dhmh.maryland.gov/bhd/Documents/1915_i_ApprovedSPA.pdf)

<sup>3</sup> Connecticut department of children & families: Flexible funds for non-DCF children. (2014, July 29). Retrieved from <http://www.ct.gov/dcf/cwp/view.asp?a=2558&q=314362>

<sup>4</sup> Oklahoma systems of care flex fund guidelines. (2009, September). Retrieved from <http://www.ok.gov/odmhas/documents/Flex%20Fund%20Guidelines.pdf>

<sup>5</sup> PRTF alternative CHANCE waiver provider manual. (2014, February 1). Retrieved from <https://www.scdhhs.gov/internet/pdf/manuals/PRTF/Section%204.pdf>

<sup>6</sup> Wraparound Milwaukee policy & procedure: Discretionary funds. (2014, October 31). Retrieved from <http://wraparoundmke.com/wp-content/uploads/2013/07/015-Discretionary-Funds.pdf>

## ABOUT THE NATIONAL TECHNICAL ASSISTANCE NETWORK FOR CHILDREN'S BEHAVIORAL HEALTH

The National Technical Assistance Network for Children's Behavioral Health (TA Network) operates the National Training and Technical Assistance Center for Child, Youth, and Family Mental Health (NTTAC), funded by the Substance Abuse and Mental Health Services Administration, Child, Adolescent and Family Branch. The TA Network partners with states, tribes, territories, and communities to develop the most effective and sustainable systems of care possible with and for the benefit of children and youth with behavioral health needs and their families. The TA Network provides technical assistance and support across the country to state and local agencies, including youth and family leadership organizations.