Brief International Research Summary
Individualized Funding: Cost and Resource Issues
Tim Stainton, PhD
University of British Columbia

The vast majority of the literature to date indicates an overwhelmingly increase in positive outcomes for users of individualized funding (IF) on measures of quality of life, satisfaction, control, independence, health care utilization and satisfaction. (cf Conroy et al 2002; Dale et al 2004; Glasby & Littlechild, 2002; Stainton & Boyce, 2001; 2004)
To date there have been few studies which have examined in any detail the costs and resource issues around IF in a systematic manner. This brief will highlight what is available in the international literature, focussing on the US, and UK where the largest number of IF programmes have been implemented. In addition the populations studied vary from seniors, physical disability and developmental disabilities which may have an impact on costs, though to date no comparative studies exist comparing cost across different populations. It should be noted that even within these countries, a great deal of variation exists in the way IF programmes are implemented and administered and in relation to BC, have different policy and funding context.

COST COMPARISONS WITH STANDARD FORMS OF PROVISION

US

Two major sets of IF initiatives form the bulk of US programmes, *Cash and Counseling (CC)* which focuses on people with physical disabilities, chronic illness, children with developmental disabilities and seniors, and the Self-determination projects which focus on developmental disabilities In each case they have operated in multiple States with significant variation amongst the programmes.

Conroy et al (2002) is perhaps the best comparator as the population studied was similar to those served by CLBC and utilized comparison and control groups. Results varied but in the three States reported on he found:

- New Hampshire: 12.4%-15.5% cost reduction
- Michigan: Cost reduced by 6.7% on average with the greatest reduction amongst those with the highest (and costliest) needs.
- California: Cost rose for both the Self determination (IF) and control groups but cost rose at a rate 50% less for the self determination group and the study concludes that IF is a very effective break on cost escalation.

(Study can be accessed at: http://www.outcomeanalysis.com/DL/pubs/RWJ-SD-Final-Report.PDF)

Rigorous control group studies were conducted on the *Cash and Counseling* initiative in Arkansas by an independent research body. The Arkansas project shows CC in the first year was more expensive than traditional methods but the authors note that the level of

service was far higher in the control group. Despite this difference by year two the cost had reached relative neutrality. The authors conclude 'adopting a Cash and Counseling model of consumer direction *can* be a cost-effective way to substantially improve the access to care and well-being of people eligible for Medicaid personal care.' (Can be accessed at: http://www.cashandcounseling.org/original_demonstration/download.html)

UK

The UK literature on Direct Payments (DP) is generally less rigorous than the US and citing savings ranging from 30%-40% on support packages (Zarb & Nadash, 1994) to more cautious estimates which suggests that DP may not result in cost savings, but that they 'certainly represent value for money' (Taylor in Glasby & Littlechild 2002). It should be noted that DP schemes are required to be 'at least as cost effective' as services otherwise arranged.

Dawson (2000), in one of the more comprehensive evaluations of a DP scheme concludes that DP is a cheaper alternative to direct service, and that the scheme should become cheaper still over time. She does note, however, the difficulty in estimating all the related costs such as opportunity costs to the Local Authority, and indicates that the approaches used in the implementation can have a significant impact on the overall cost of such schemes. In a study of two Welsh DP programmes (Stainton and Boyce, 2001; Stainton et al, under review) findings were similar to Dawson and again confirm overall cost effectiveness of DP over traditional models.

FACTORS EFFECTING COST AND RESOURCES

As noted above the way in which IF is implemented can have significant impacts on cost outcomes. Areas where potential efficiencies are noted include: reduction of case management and related cost over time; more efficient use of resources by users when they have control; savings on administrative cost either directly by the government or contracted providers whose roles are significantly diminished in IF systems.

SUMMARY

- Virtually all the evidence across jurisdiction supports better outcomes (cost/benefit) with IF over conventional systems without significant cost differentials;
- Research evidence ranges from savings of 40% to slight initial increase with rapid reduction on initial costs;
- US and UK evidence suggests that over a relatively short time cost of IF systems produce increasing cost savings and efficiencies, though in some cases IF is initially cost neutral or slightly higher;
- Cost savings are dependent on implementation structures and realizing savings elsewhere in the system (i.e. reducing case management over time rather than operating a double system)

- Research indicates indirect savings in areas such as health care utilization, crisis etc.

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