



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY
MICHIGAN REHABILITATION SERVICES

SUSAN CORBIN
DIRECTOR

December 1, 2021

RE: STANDARDIZED RATES OF PAYMENT

Dear Service Providers,

In 2017, the Rehabilitation Services Administration (RSA) conducted a review and on-site monitoring of the Michigan Rehabilitation Services (MRS) program as authorized under Title I of the Rehabilitation Act. As a result of that review, one major finding was identified related to the reasonableness of rates of payment for Vocational Rehabilitation (VR) services.

During the on-site visit, RSA learned that while MRS has a written policy that governs the rate-setting methodology used to assign costs for purchased VR services, our policy lacks procedures and internal controls to ensure rates for purchased VR services are reasonable and necessary, consistent with Uniform Guidance; "therefore, MRS cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, MRS has not complied with the VR administration and internal control requirements set forth at 34 C.F.R. § 361.12 and 2 C.F.R. § 200.303(b), respectively."

Federal Requirements for Rates of Payment

Federal regulations require MRS to establish procedures that enable it to administer the VR program in an efficient manner to ensure it can carry out all VR functions properly (34 C.F.R. § 361.12). Furthermore, Uniform Guidance provisions at 2 C.F.R. § 200.303(b) require MRS to establish internal controls that ensure the agency complies with all federal requirements. As a result, we are mandated to establish and maintain written policies that govern the rates of payment for all purchased VR services (34 C.F.R. § 361.50(c)(1)).

Establishing Rates of Payment & Meeting Customer Needs

We partnered with Public Consulting Group, Inc (PCG) to assist us in meeting federal cost principles requiring that costs be allowable, reasonable, and allocable to the program (2 C.F.R. §§ 200.403 through 200.405).

During the process of rate development, PCG met with providers such as Centers for Independent Living (CILs) and Community Rehabilitation Organizations (CROs) to understand how services are provided.

To understand the impact of implementing standard rates of payment, PCG conducted an in-depth data analysis of our case management system data to determine what services we authorize for, what vendors we currently work with, what is involved in providing those services, and how the current associated fees will differ from the new rates. PCG also conducted statewide focus groups with our VR counselors to fully grasp the service authorization process and how it would be affected by implementing standard rates of payment.

As we work to meet federal requirements, our staff are encouraged to continually demonstrate all VR services are provided at the least cost to the agency that meet our customers' needs. Furthermore, staff are expected to explore comparable benefits and services wherever possible and appropriate according to policy. Finally, while working with our customers, we expect staff to continue to facilitate customers' informed choices to ensure they are involved in selecting required VR services, service providers, costs, accessibility, duration of potential services, and qualifications of potential service providers, etc. (34 C.F.R. § 361.52 through 34 C.F.R. § 361.53).

Next Steps

Over subsequent months, we will be communicating with you our efforts to rollout standardized rates of payment in phases and provide you with opportunities to share your feedback. Review the attached "High-level Timeline for Phased Rates" and "Communication to Service Providers" for further information.

We thank you for partnering with us to provide VR services to MRS customers. With your help, we are able to deliver services to thousands of eligible individuals that directly contribute to their success in obtaining and maintaining competitive integrated employment and self-sufficiency.

Sincerely,

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Phased Rates Timeline

