

STATEMENT OF NEED AND FISCAL IMPACT

A Notice of Proposed Rulemaking Hearing or a Notice of Proposed Rulemaking accompanies this form.

Dept. of Human Services, Children, Adults and Families, Office of Vocational Rehabilitation Services OAR Chapter 582

Agency and Division

Administrative Rules Chapter Number

Amend OVRS standards for provision of services and rates of payments; amend vendor selection policies.

Rule Caption (Not more than 15 words that reasonably identifies the subject matter of the agency's intended action.)

In the Matter of: **582-070-0010, 582-070-0020, 582-080-0010, 582-080-0020, 582-080-0030, 582-080-0040, 582-085-0004.**

The proposed rules are available on the OVRS website at www.oregon.gov/DHS/vr/prop_rulechanges.shtml

Statutory Authority: **ORS 344.540**

Other Authority:

Stats. Implemented: **ORS 344.511-344-690 & 344.710-344730**

Need for the Rule(s): **The Office of Vocational Rehabilitation Services (OVRS) of the Department of Human Services (DHS) invoked an Order of Selection on January 15, 2009 (an Order of Selection is required when resources do not allow OVRS to serve all eligible individuals). In order to realize administrative and service cost savings to preserve resources and serve current clients, the proposed rules revise the process for selecting and contracting with qualified providers of vocational rehabilitation services. The revisions will maximize existing DHS resources that assist OVRS in the vendor selection process, implement a system of performance-based contracting in order to improve employment outcomes, promote vendor efficiency in service delivery, and provide consumers and counselors greater flexibility in selecting vendors based on client need and choice.**

Documents Relied Upon, and where they are available:

OVRS State Plan: 2009 State Plan available upon request by contacting OVRS at (503) 945-6253.

2010 Draft State Plan available online at www.oregon.gov/DHS/vr.

Fiscal and Economic Impact:

OVRS estimates that the proposed rules will not have significant effect on business or significant adverse effect on small business.

Statement of Cost of Compliance:

1. Impact on state agencies, units of local government and the public (ORS 183.335(2)(b)(E)):

OVRS estimates that the proposed rules will not have significant adverse effect at the agency level since the rules simply change the process for recruiting, purchasing, and maintaining OVRS vendor services, many of which are already in place. The rules provide a more flexible and efficient vendor recruitment process allowing OVRS to tailor performance standards on a vendor-by-vendor basis, using the DHS contracting process and existing DHS resources. This process supplants the former standardized OVRS Certified Rehabilitation Provider (CRP) vendor approval process which required all vendors to conform to standardized application requirements.

Traditionally, OVRS has paid most providers by the hour. Under the proposed rules, OVRS has the latitude to elect to enter into a variety of service agreements, including performance-based contracts. Under performance-based agreements, vendors are only paid upon reaching certain performance and outcome benchmarks such as placement of clients in employment. While OVRS may incur increased short-term costs due to an initial widened vendor recruitment pool and reduced long-term costs due to market-driven vendor attrition over the next three to five years, OVRS is not yet able to forecast the long-term economic benefits.

There should be no significant impact on other state agencies, local government, or the public in general. However, the public stands to benefit when qualified vendors are recruited from a greater pool of candidates attracted by publication of requests for proposals as posted on ORPIN (Oregon Provider Information Network) and market place competition enhances service delivery. Certainly, the inherently competitive nature of the market place will promote competent vendor performance, thus benefiting OVRS consumers seeking quality services.

2. Cost of compliance effect on small business (ORS 183.336):

Small business vendors (50 employees or less) are no longer subject to the time-consuming OVRS CRP approval process and potentially confusing distinctions between Category A (includes, but not limited to, medical, psychiatric, psychological, vocational, evaluative, and child care) and B providers (includes, but not limited to assessment, job development, supported employment, and certain professionals). Insurance requirements have been clarified. One to three-year contract amendment options have replaced the CRP two-year renewal requirement.

a. Estimate the number of small businesses and types of business and industries with small businesses subject to the rule:

Currently, OVRS purchases services and products from more than 5,000 active providers. While OVRS does not have the data to determine how many qualify as small businesses, it is likely that the majority fall into that category (sole proprietorships, LLC's, self-employed contractors etc.).

b. Projected reporting, recordkeeping and other administrative activities required for compliance, including costs of professional services:

Vendors currently paid hourly through existing contracts or fee-for-service authorizations may have to reformat their reporting and accounting practices to accommodate new performance standards requirements such as milestone payments (payment predicated upon service events such as employment). Vendors may incur time and expense responding to requests for proposals, but OVRS does not have information to determine the individual or aggregate cost of such activity. Since most vendors do not submit regular operational expense reports to OVRS, the cost of compliance on small businesses cannot be determined. However, since vendors are already managing their business operations and OVRS already requires regular reporting for audit purposes, any adjustments should be negligible.

c. Equipment, supplies, labor and increased administration required for compliance:

OVRS estimates that no additional costs will be incurred.

How were small businesses involved in the development of this rule?

The State Rehabilitation Council (SRC), OVRS Administrative Rules Advisory Committee, reviewed the proposed rules changes on 01/02/2009 and approved the rules on 02/06/09. Approving SRC members included small business owners, business and employment developers, and service providers.

Administrative Rule Advisory Committee consulted?: **Yes - State Rehabilitation Council (SRC), per federal mandate.**

If not, why?:

	Mark Masthoff	06/15/09
Signature	Printed name	Date

Administrative Rules Unit, Archives Division, Secretary of State, 800 Summer Street NE, Salem, Oregon 97310. ARC 925-2007