

# **Self-Directed Support Corporations**

**Inclusion Research Institute**

1436 Independence Ave, SE

Washington, DC 20003-1536

202-546-4464; fax 202-546-4465

# **History and Values of Self-Directed Support Corporations**

## What Is a **Self-Directed Support Corporation**?

- A **not-for-profit** corporation that you establish.
- A **person-centered** corporation that uses Home and Community Based Waiver (Medicaid) dollars (or other funding).
- A **legal entity** with a **board of directors** that manages the support system for a person with a disability.

## How does an **SDSC** help a Person with Disabilities?

- Offers **control and freedom** for a person with disabilities
- Friends and family who know the individual the best are involved and can serve on the **Board of Directors**
- Board members serve on a volunteer basis so there is **no conflict of interest**

## How does an **SDSC** help a Person with Disabilities?

- Supports are designed using the **principles and tools of Self-determination** to meet the individual's unique support needs
- **SDSC** helps get supports or assists the person find an independent support broker

# Principles of Self-determination



*Freedom*

**To Live a Meaningful Life in the Community**



*Authority*

**Over Dollars Needed for Support**



*Support*

**To Organize Resources in Ways That are Life Enhancing and Meaningful**



*Responsibility*

**For the Wise Use of Public Dollars**



*Confirmation*

**Of the Important Leadership That Self Advocates Must Hold in a Newly Designed System**

## How does an **SDSC** differ from Traditional Support Services?

- **SDSC** board members (provider) **serve only one person** and must commit to the person receiving supports
- The **SDSC** **custom designs the supports** around the person's needs, wants and dreams and desires

## How does an SDSC differ from Traditional Support Services?

- Since support services are provided to only one person, States may choose to be **more flexible** with regulations
- An **SDSC** must follow the same regulations as other State-approved providers

**Creating  
a  
Self-Directed Support  
Corporation**

# How do You Create an **SDSC**?

- **Step 1:** Identify individuals to serve on the **SDSC** Board of Directors
- **Step 2:** Begin the process of incorporation
  - Develop Articles of Incorporation and by-laws
  - The **SDSC** becomes a not-for-profit

## How do You Create an **SDSC?**

- **Step 3:** Apply for a Medicaid Provider License through your State to become a provider that is truly person centered and meets the needs of the person with the disability
- **Step 4:** Develop an individual budget for the person with the disability

# **Step 1: Identify Board Members**

- **A Board has an **odd** number of directors (3, 5, 7, 9)**
- **Person with the disability:**
  - **May choose to be President of the Board, or serve as a member or not**
  - **Is the focus of the Board**
- **The Board listens and learns from the individual, who gives the board its mission**

**To help the individual:**

  - **Realize their dreams**
  - **Become as independent as they can be**
  - **Fully participate in the community**

## **Who are Good Candidates to serve on the Board?**

- **People that *know and care* about the individual with the disability**
- **People who *share a vision* for the person with the disability and believe in them**
- **People that are willing to *commit their time***
- **People who can *provide a fiscally responsive support system* for the person with the disability**

## Step 2: Begin the Process of Incorporation

- Write **Articles of Incorporation** and file these with the proper agency in the State
- Develop **by-laws** that govern how the Board will operate
- Establish the **SDSC** as a **not-for-profit**  
(unlike a 501(c)(3) SDSCs are not tax exempt, however Medicaid dollars are used as an operational expense, taxes are paid only on dollars remaining at the end of the year)

## Step 3: Apply to Become a Licensed Medicaid Provider

- **Get an application** for a Provider License
  - The process is different in each State so contact the office that handles Medicaid Waiver Services
- **Get approved** as a Medicaid Provider through your State, you must follow their regulation process
- Most States require providers to be licensed, however some **States may “waive”** this for an **SDSC** that serves one person

## Does an **SDSC** speed up the Eligibility or Funding Process?

- **SDSC** does **NOT** change any status in the eligibility process
- **SDSC** can be formed before the funding is approved so that when the person is eligible for Medicaid dollars, the **SDSC** is already established

## Step 4: Develop an Individual Budget

- Each State has a **different budget system** so learn about your State's budget process through the agency that oversees Medicaid Waiver Services
- **Create an Individual Budget** to meet the needs of the person with the disability
- Follow your State's process to **get approval** of the budget

**Operating  
a  
Self-Directed Support  
Corporation**

# Board of Directors Meeting

- Meetings can be **monthly or quarterly** (each board can decide what makes sense for the person with the disability)
- Meetings are held in the person's home or where the person feels the **most comfortable**

# Formal vs. Informal Board Meetings

- **Formal** Board meetings can be held with one person recording the minutes of the meeting
- **Informal** meetings can be held through teleconference or e-meetings (for e-meetings, the e-mails become the minutes)

## How does the Board Operate?

- The Board identifies what is important to the person receiving the supports (i.e., **PATH plans** or essential lifestyle plans).
- The Board is not paid, keeping them **free of conflict of interest**. They participate because they care about the person.
- The Board **keeps records**, manages the **budget** and ensures that policies and procedures are followed.

## What Regulations Govern how an **SDSC** Operates?

- Follows the **accounting** requirements of federal and your state governments
- Yearly audits **assure accountability** to the state and federal governments that their funding is being spent effectively
- Follows labor **laws** and nursing regulations

# Identifying and Getting Support Services

- The **SDSC** is responsible for **arranging supports** for the person with the disability.
  - Control is vested in the person with the disability
- Supports are **custom designed** and the budget is based on the needs of the person.
- Services can be arranged through an outside support **broker**, house **manager** or the **Board** itself.

## What does this mean for Traditional Providers?

- Providers **can contract** with an SDSC to provide a full array of services (fiscal intermediary services, support brokerage, nursing and transportation services)
- Providers can also **un-bundle** their **services** and offer a wide range of support options for the **SDSC** to choose
- Providers can become the **training agents** for **SDSC** employees

## What does this mean for Traditional Providers?

- **Provider Associations** can assist a person with disabilities establish an **SDSC**
- Providers may have opportunities to assist in a “**systems change**” for people with disabilities
- Providers will still be needed for individuals that want more **traditional support services**

## What does this mean for the Government?

- This is a **“person centered approach”** for providing support services.
- The person with the disability is empowered to control their budget while **cutting administrative costs**.
- An **SDSC** offers true accountability since it is subject to the **same audits and reviews** by State agencies as any other licensed service provider.

## **SDSC's are Built on the Tools of Self-determination.**

Since the **SDSC** is a provider for one person you have:

- **An Individual Budget** since the **SDSC** only serves one person
- **Support Brokerage** which can be done through flexible means
- **Fiscal Intermediary** which can be a local bank, payroll service or a local CPA

## How does payroll work under an **SDSC**?

- An **SDSC** follows all payroll service responsibilities.
  - Payroll can be done by a **fiscal intermediary** such as a bank, a payroll service or other type of fiscal intermediary.
  - The fiscal intermediary service takes out the proper payroll taxes for employees of an **SDSC**.

- **The State monitors the SDSC like they would another provider in their State.**
- **The State may choose to be more flexible or place some other requirements on SDSCs.**
  - **States may require more non-family members on the board to protect the individual from being overpowered by family members.**
  - **States may waive the “inspection” policies by licensure.**

## Is an **SDSC** right for Everyone?

- **Not everyone** with a disability or special needs will want to set up an **SDSC**
- The **SDSC** approach is **another option** that provides an opportunity for public dollars to serve the person with the disability as closely as possible.
- The **SDSC** approach also provides **accountability** to the state and federal governments.

**Jackie L. Golden**

**Inclusion Research Institute**

1436 Independence Ave, SE

Washington, DC 20003-1536

Phone: 202-546-4464;

Fax: 202-546-4465

<http://www.inclusionresearch.org>

## **Frequently Asked Questions and Answers:**

### **Q: What is a Self-directed Support Corporation?**

A: In simple terms a Self-direct Support Corporations is simply a provider agency for one person, a person with a disability.

You follow your state guidelines in becoming a provider agency; the difference is that you are only doing this for one person.

### **Q: What the difference between a Self-directed Support Corporation and a microboard?**

A: The Self-directed Support Corporation is very similar to the microboard concept.

The microboard concept originated from British Columbia through an organization named Vela ([www.microboard.org](http://www.microboard.org)). Vela is a non-profit society that has been established since 1989 and assists individuals with disabilities and families establish their microboards.

The concept of microboards spread quickly into the United States but also with it came the realization that the United States dollars are attached to many regulations and do not flow to the individual that easily without the assurance that the regulations of the state and federal governments would be followed. So the term Self-directed Support Corporations was established to provide the United States with the assurance they need for public dollars to flow.

The term microboard is also being confused with the term microenterprise.

**“A microenterprise is a supported self-employment arrangement involving a person with a disability as the developer and owner of their own small business.”**

....Center for Self-determination ([www.self-determination.com](http://www.self-determination.com))

### **Q: Why would you want to set up a Self-directed Support Corporation?**

A: For the person with the disability, it may be that the person wants more control over their support networks, be totally in charge of their supports. It may be that the state has had trouble providing services that the person wants or really needs in their life and the Self-directed Support Corporation is a way to obtain these supports.

Some states have had trouble changing their support networks to follow a more self-determined approach to supports using the tools of self-determination.

In the United States we are trying to change our support networks to promote true systems change and develop systems that are truly person centered. However, many states are still struggling with the systems change and people with disabilities want to take control now. Using the SDSC model you can use existing systems to deliver services with the control given to the person with the disability.

**Q: What are the tools of self-determination?**

A: These are the tools necessary to support the principles of self-determination. The tools consist of three major areas an individual budget for each person with a disability, support brokerage and a fiscal intermediary that is free from conflict of interest.

See tools of self-determination from the Center for Self Determination:  
<http://www.self-determination.com/publications/tools.htm>

**Q: What are the principles of self-determination?**

A: The principles of Self-Determination come from an initiative funded by the Robert Wood Johnson Foundation to change the support services for individuals with disabilities.

Below the principles are taken directly from the Center for Self-determination ([www.self-determination.com](http://www.self-determination.com))

**Principles of Self-Determination:**

**Freedom**

to live a meaningful life in the community

**Authority**

over dollars needed for support

**Support**

to organize resources in ways that are life enhancing and meaningful

**Responsibility**

for the wise use of public dollars

**Confirmation**

of the important leadership that self advocates must hold in a newly designed system

**Q: How does a Self-directed Support Corporation work?**

A: You form a small board around the person with the disability. The board members should be people that know and care about the individual with the disability. These board members will make a commitment to honor

The board can be as little as three people, but you really don't want more than 9 people on the board. So in short you may select 3, 5, 7 or 9 people to be on the board of directors.

The board will ensure that the public dollars spent to support the person with the disability will be an investment in his future and will support him to obtain a life that makes sense for him.

**Q: Can the person with the disability be the President of the board?**

A: The person with the disability can be the President of the board, may choose to be just a voting member, or may not sit on the board at all, depending on the situation.

The SDSC board will only consist of people who know and care about the person with the disability and are willing to make the personal commitment of time to spend with him or her. This commitment of personal time will be the most important commitment of board members

**Q: What is the personal cost of setting up a Self-directed Support Corporation?**

A: The costs of setting up a SDSC is in the setting up of the agency. These vary from state to state, but the main cost is the incorporation process. This is done through the state entity that oversees the taxation and assessment process. Usually the cost is anywhere from \$40.00 to about \$150.00.

Many states provide you with guidelines in setting up a new charter "incorporation" but you may wish to seek legal counsel in doing this process. If you use an attorney you may wish to see if you can find someone who is willing to do this "pro-bono" (no charge) or at a lesser fee.

**Q: Where does the funding to support the individual come from?**

A: Usually funding for the supports that the person with the disability requires are through the Home and Community Based Waiver services of the state. This means that it is Medicaid that is the funding source.

The Home and Community Based Waiver dollars come from two sources: state and federal Medicaid dollars. The states are responsible for writing their own waivers in the way that makes sense for them and are responsible for matching the federal dollars. Each state's match is different and because the states write their own waivers, you will find that each state's waivers may have different policies and regulations in place.

Yet, the funding stream for the Self-directed Support Corporation is the same as any other provider agency.

**Q: What is a provider agency?**

A: A provider agency is the group that is usually certified by the state and licensed through the state to provide support services to an individual with a disability.

Some examples of provider agencies that you may have heard about are

United Cerebral Palsy

The Arc

Easter Seals

Epilepsy Association

The Self-directed Support Corporation is simply a provider of support services, yet the major difference is that you become a provider for only one person and this person is at the center of those supports.

**Q: Can the person with the disability direct the agency?**

A: Yes, the Self-directed Support Corporation is set up to give as much control to the individual with the disability. The SDSC is extremely customized, so it is what makes sense for the individual with the disability.

**Q: Does this mean that the person with the disability must direct the agency or must sit on the board of directors?**

A: This is an individual situation decision. Remember the SDSC is set up to enhance the person with the disabilities life and is designed on what makes sense for the person. It is important to remember that the person with the disability is always the center of the board, but doesn't have to actually run the board.

**Q: Does the Self-directed Support Corporation operate as a not-for-profit and does this mean that they don't have to pay taxes?**

A: Each state is different regarding the requirement of being a for-profit or a not-for-profit. Remember the mission of the board is to support using public dollars, so you will probably seek to become a not for profit. Also remember that you can be a not for profit yet not be tax exempt. Being a small board to supply supports to only one person this would mean that you do not qualify to obtain a tax-exempt status under the 501c3 guidelines of the Internal Revenue Services. Even though you are using public dollars that are not taxable, the fact remains that you are only serving one person, which prevents you from obtaining a tax-exempt status.

You support dollars for the person with the disability are usually coming from Medicaid under the Home and Community Based Waiver. Medicaid dollars are not taxable, so the money that comes in to support the individual with the disability also goes directly out for those supports and this would mean that at the end of the year it is balanced out. Basically what comes in to support the person is paid directly out for those supports and at the year there is nothing left.

You can fund raise as a not-for-profit, but any funds that are brought into the agency are totally taxable.

**Q: How much time does it take to set up a Self-directed Support Corporation?**

**A:** This varies from state to state. Each State has a network agency that oversees the establishment of new providers. Some states have provider assistance to assist new providers of support services. You can locate your states agency through the Self-directed Support Corporation web page under the state update page.

Some states have formed associations or have provided assistance to individuals wanted to follow the approach of a microboard or a Self-directed Support Corporation.

The State of Tennessee has formed the Tennessee Microboard Association ([www.tnmicroboards.org](http://www.tnmicroboards.org)) The Tennessee Microboard Association assists people in their efforts to form a microboard or SDSC.

The state of Missouri has established a resource center for developmental disabilities. See: [www.moddrc.com](http://www.moddrc.com) (Welcome to the Missouri Developmental Disabilities Resource Center) The direct link to the microboard information is as follows:  
[www.moddrc.com/Information-Disabilities/TopicPages/Microboards.htm](http://www.moddrc.com/Information-Disabilities/TopicPages/Microboards.htm)

You must understand that if you seek to establish a Self-directed Support Corporation it will require you to do your homework. You must ask yourself is this truly the direction you wish to follow? The Self-directed Support Corporation approach isn't for everyone. It does require a commitment, legal operations and work.