Accelerating costs are driving some districts to outsource these services.

By Ron Schachter

An old saying goes, “When an irresistible force meets an immovable object, something has to give.” That adage is taking on new urgency for school districts as they grapple with the burgeoning costs of their special education programs.

The immovable object is the hard and fast rules of the federal Individuals with Disabilities Education Improvement Act. IDEA, last reauthorized in 2004, requires that qualifying students receive diagnostic testing, individual education plans (IEPs), and a potentially unlimited range of school-based special education services for as long as needed—from aides in the classroom to an array of physical, occupational, and speech and language therapies. “You can’t deny a child the services,” says George Giuliani, executive director of the National Association of Special Education Teachers (NASET).

The irresistible force takes the form of the ever-increasing numbers of special education students and the growing proportion of district budgets devoted to providing them with services. “If we don’t figure out how to get a handle on the skyrocketing costs of special ed, the budget will cannibalize itself as we cut general education programs,” worries Brian Osborne, superintendent of the South Orange and Maplewood (N.J.) School District. In less than a decade, that district’s special ed expenses have increased from 16 percent of the annual budget to 26 percent, and Osborne fears that the numbers will continue to rise.

“There’s exponential growth in the diagnosis of autism, and some of the students on the autism spectrum require a costly level of intervention that doesn’t seem to be attracting attention from...
the U.S. Department of Education or state legislatures,” Osborne says. School district administrators, he continues, are left to carry the burden.

At the same time, schools are absorbing a generation of students who were born prematurely. Whereas only 1 in 10 would have survived just a few decades ago, the rate has surged—thanks to medical advances—to 9 out of 10 today, according to the American College of Obstetricians and Gynecologists. That organization predicts that as many as half of those children will face problems in their physical or mental development and will likely need special education services in school.

Outsourcing, the Final Frontier
What’s a district to do? One recent answer has been to outsource a growing number of special education services in what could be considered the final frontier of an accelerating cost-savings movement that has seen districts place transportation, cafeteria and janitorial services in the hands of outside providers. “It’s not widespread yet,” NASET’s Giuliani says of outsourcing special education services, “but it’s becoming a way of doing things that used to be unheard of.”

Two years ago, facing the loss of $5.8 million—or 80 percent—of its state funding for the 2010-2011 academic year, South Orange/Maplewood’s Osborne took the controversial step of outsourcing the jobs of the 76 special education aides at the district’s nine schools. He points out that he was dealing with personnel different from the janitors, food service workers and cafeteria aides, and even computer repair technicians that the district was already hiring through outside contractors.

“We did this with trepidation because this service goes through the classroom door,” Osborne says. “It’s a lot closer to our core mission. Parents in our special education community protested the move and picketed the meeting at which we presented our proposals.”

South Orange/Maplewood outsourced the positions to the Essex Regional Special Services Commission, a nonprofit collaborative that provides a variety of services to 10 surrounding districts, including South Orange/Maplewood. Under the new arrangement, which now saves the district $1.5 million annually, the replaced aides reapplied for their positions, but without benefits and with a reduction in hours from 40 to 30.

“We made the decision at a time of incredible financial duress,” Osborne explains. “I still regret the degree to which finances had an impact on these employees, who are some of the lowest paid in the district. I honestly don’t know how healthy it is in the long run to have such a large class of employees without benefits, but given the economic realities we’re facing, this is one of many things we did to stay strong.”

The neighboring Montclair (N.J.) School District, as well as the Amesbury Public Schools and Newburyport Public Schools in Massachusetts, also have outsourced their special education aides over the past year.

Buying the Complete Package
Some school districts are going further than that, electing to outsource their entire special education programs. Last year, double-digit annual increases in special education costs prompted the Pendergast (Ariz.) Elementary School District outside of Phoenix to hire an outside provider to cover all of the special education services provided at its 14 schools.

After receiving 22 proposals, the district settled on Futures Education, a for-profit company based in Springfield, Mass., that provides all physical, speech and language, and occupational therapists. Futures, along with other for-profits such as Progressus Therapy in Tampa, Fla., and Total Educational Solutions in Pasadena, Calif., has become a leading destination for districts looking to outsource special education positions.
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Pendergast’s contract included a lead clinician to supervise the various therapists, a position missing in the past. “That was the piece that was really appealing—a person who oversees all of our clinicians and really does supervise these people,” says Paul McDonald, Pendergast’s assistant superintendent for administrative services, who adds that he stays in close touch with the personnel provided by Futures.

McDonald and the district’s special education director meet weekly with the lead clinician, who is also a member of the district leadership team. The various special education therapists, meanwhile, are integrated into the district’s staff meetings and trainings.

Even with the new lead clinician position, Pendergast’s fixed-cost contract with Futures has saved the district $100,000 annually, but McDonald finds the greatest value in the guarantee that he won’t have to pay more even if more students qualify for special education services. “The contract is based on our financial and clinical performance, and we guarantee the district cost savings per each child going into the program,” says Future’s founder and president, Peter Bittel.

“When Futures needs additional people to deal with a rising caseload, there’s no extra cost,” McDonald adds. “It’s also an open-door partnership in that, if we find a

Doing What Is Required Under Special Ed Laws

Rather than outsourcing special education services, districts such as the Scottsdale (Ariz.) Unified School District and the Simsbury (Conn.) Public Schools have been scrutinizing the scope and duration of the services they provide.

“We’ve really been proactive,” explains Scottsdale’s interim superintendent, David Peterson. “We’ve brought special education folks, curriculum folks and district administrators together, and we’ve done a lot to educate them about what IDEA is.” What they’ve done includes consulting legal counsel as to what the federal law requires of districts. “Sometimes it’s a matter of, ‘Do we have to do this?’” he says. “You can become too nurturing to a student.”

At the heart of Scottsdale’s approach are effective meetings among special education staff, teachers and parents to develop individual education plans without going overboard. “We have a constituency that has a high level of expectation, and parents are going to advocate—and they should—but we don’t have to agree with it,” Peterson says. “That’s part of the training for holding effective IEP meetings, because sometimes you can agree to something that is cost-prohibitive.”

There is also an ongoing dialogue between special education and classroom teachers, Peterson continues, “so they can say to parents these are the things we can do in the regular classroom without going outside of it.” The district engages parents early in the process of developing IEPs. “By being proactive [in engaging them early in the process], when we say, ‘This is what’s needed,’” parents will be more likely to agree.

In Simsbury, meanwhile, Superintendent Diane Ullman has led the effort to deploy resources more efficiently—without sacrificing quality—starting with well-defined criteria for the entry into and exit out of special ed. “We’re making sure that we’re using the same metrics in all special education therapies and making sure that the students getting those services still need them,” she says.

The district also has overhauled its early intervention program, replacing more than 30 paraprofessional aides assigned to individual students with eight “highly qualified” teachers of reading, who work with groups of two or three students. “The kids are getting better instruction from highly qualified people at a reduced cost,” Ullman points out, noting that the changes have saved the district $200,000 annually.

A review of the district’s speech therapy program differentiated the students who could be serviced in groups from those requiring one-on-one attention. “We went from 10 speech therapists to 6,” Ullman says. “Lo and behold, we saved another $300,000 a year.”

Between the 2007-2008 and 2010-2011 school years, Ullman reports, the percentage of the budget devoted to special education has declined from 19.6 percent to 18.2 percent. “There’s a sort of prevailing attitude that special education can’t be touched because of the laws,” she concludes, referring to money-saving changes in the district’s program. “But we’re also in an era where we have to scrutinize every last account.”
seeking savings in special ed

therapist not working well within our culture, he or she can be replaced. We’ve done that several times.”

In North Carolina, the rural Anson County School District an hour from Charlotte has forged a similar contract with Futures. Anson’s superintendent, Gregory Firn, who previously led districts in Connecticut and Washington state, where special education populations ranged between 10 percent and 12 percent of the student body, discovered a 20 percent rate when he came to Anson County in 2007.

The special education program also was devouring almost $7 million of the district’s $39 million budget. “Something just wasn’t right. We were expending a lot of money,” Firn recalls. “I couldn’t put my finger on the problem, and neither could my special education director.”

Firn hired Futures to analyze the school district’s special education services during the 2007-2008 school year, and in the following year he inked a fixed-cost contract for the company to take over the special education program. Over the past three years, Firn calculates, the district has saved $1.1 million.

But Firn says he has realized more than savings. Futures, which has analyzed special education programs for more than 200 school districts around the country, also helped define an “exit strategy”—based on more careful measures of student progress—for reducing the number of Anson County students receiving special education services, even before the term of their IEPs is up. “We know that it works better when we adopt the philosophy that special ed is a service and not a place,” explains Bittel.

Firn got that message. “It’s a different mindset sitting down with parents and saying our game plan is that, in X time, your child will be exiting the IEP,” he says.

Using the Internet

The Clinton-Massie Local School District in Ohio outsources physical and occupational therapy services to the Southwest Ohio Educational Service Center, an educational collaborative serving 14 surrounding districts. Specialists from the center visit Clinton-Massie’s schools, which saves the district money because there are not enough students needing those therapies to justify even part-time specialists on staff.

Clinton-Massie, which has 2,000 students, does use two of its own part-time speech and language therapists to service 28 students. But with increasing numbers of students needing speech and language therapy, Superintendent Michael Sander contracted with San Francisco-based Presence Learning earlier this year to deliver those services over the Internet to 14 additional students. The students work twice a week in front of computers connected to an Ohio-licensed speech therapist in an arrangement that combines distance learning and interactivity.

“If they’re working on short ‘a’ or short ‘e’ sounds,” Sander says by example, “the therapist [who is visible in a 3x5 rectangle box in an upper corner of the screen] can ask them to click on the correct sound. And when the therapist demonstrates how to pronounce the sounds, the students can hear and see it, just as if she was in the classroom.”

The outsourcing will save the district $35,000 a year compared to the salaries and benefits required to provide the additional therapy in-house. “It saves money,” notes Sanders, “but if it didn’t also meet the needs of the students, it wouldn’t be an option.”

Concerns About Outsourcing

While the outsourcing of entire special education programs is a new feature of the cost-stressed landscape of public schools, districts have for years outsourced “low-incidence” special education services for students with particularly severe physical, emotional or cognitive disabilities. These disabilities can range from autism and traumatic brain injury to significant visual, auditory or orthopedic impairments.

Sometimes those students attend special facilities outside of the district. At other times, their needs are met more economically by providing intensive occupational, speech and language, and physical therapy through local educational collaboratives that include—depending upon the state—educational service agencies, county offices of education, and boards of educational cooperative services.

In Hampden County, Mass., the Lower Pioneer Valley Educational Collaborative did some pioneering of its own in 2008 by
outsourcing those very services to Futures Education and replacing the dozen staff therapists who would travel to the collaborative’s seven member districts to service almost 180 students.

“Our cost savings have been significant year to year,” says Anne McKenzie, the collaborative’s executive director, who adds that Lower Pioneer Valley is the first such organization in the nation to take the outsourcing route.

Besides saving more than $100,000 annually for the collaborative and its districts, McKenzie has welcomed the supervisory services provided by Futures. She notes that as the only manager for the collaborative, she lacked the expertise to supervise a staff of licensed therapists. She adds that, in the year prior to outsourcing, her organization lost more than $50,000 in Medicaid reimbursements due to 173 cases of incomplete documentation. Those cases have plummeted by 90 percent, due to Future’s expertise in the reimbursement process.

The transition has not occurred without concerns on the part of superintendents and parents alike. “Superintendents were concerned that when you outsource services, the service provider may be less responsive than employees on staff,” McKenzie explains. “We did not find that,” she says, noting that the outsourced therapists have worked well in the schools they have visited and that administrators have been satisfied with their performance.

“The biggest concerns came from parents,” McKenzie continues, “because the school-based service providers had established relationships with their children. I took a lot of time explaining to parents how much parents have to fight for their child's needs to get met. Any change can be unsettling.”

In an ironic twist, in the Lee’s Summit R-7 School District in Missouri, Superintendent David McGehee has actually reduced the outsourcing of services for students with low-incidence special needs from 57 students seven years ago to 17 this year. The change became possible when local voters approved funding for a new central office, freeing up the former headquarters to serve as a building dedicated to more intensive special education services. Now the district relies more on itself and less on outsourcing, and at a $250,000 annual savings on those services.

“We weren’t necessarily satisfied with the outside services we were getting,” McGehee observes. “We do a better job of making sure our people are certified in the right areas. You don’t have control over that when you outsource.”

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