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Study of Local and Private Contract Providers

Agenda

- Purpose
- Background and History
- Methodology
- Limited Findings
- Recommendations

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Intent Language

"It is the intent of the Legislature that the Office of the Legislative Fiscal Analyst conduct a study of contract rates of local and private providers for the Departments of Health and Human Services and submit a written report to be presented with recommendations to the Health and Human Services Appropriations Subcommittee by the 2008 General Session."

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Contractors' Assertions

1. Reimbursement rates are inadequate to cover operating expenditures.
2. Providers are experiencing high employee turnover and vacancy rates.
3. Contractors with DCFS and DJJS are not renewing contracts or are accepting more out-of-state clients.
4. The methodology to calculate the Cost-of-Living-Adjustments (COLA's) do not reflect actual costs.

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Purpose of the Study

1. Are the reimbursement rates adequate?
2. Should the methodology for calculating COLA's be changed?
3. Are providers experiencing high turnover rates?
4. Are providers accepting more out-of-state clients?

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Contract Information

- 626 state contracts with local and private providers.
- 90 percent are with Department of Human Services:
  - Division of Child and Family Services (319)
  - Division of Juvenile Justice Services (136)
  - Division of Services for People with Disabilities (111).

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State Funds

- DCFS - $29,044,086 which represents 41% of their total General Funds
- DJJS - $21,950,700 which represents 29% of their total General Funds
- DSPD - $33,137,600 which represents 71% of their total General Funds

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Total Clients Served

- DCFS – 9,527/year
- DJJS – 835/day
- DSPD – 4,449/year

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Examples of Types of Services

1. DSPD – respite care, supported employment, supervised or supported living.
2. DCFS – Out of Home Care
3. DJJS – Early Intervention and Correctional Facilities.

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Current COLA Methodology

Personnel Costs as a Percent of the Total Operating Budgets Based on the 2001 Study Prepared by the LFA	
Entity	**Percent**
Local Mental Health Authorities	75%
Local Substance Abuse Authorities	75%
Local Area Agencies on Aging	65%
Local Health Departments	71%
Division of Services for People with Disabilities	80%
Division of Child and Family Services	69%
Division of Juvenile Justice Services	65%
State Office of Rehabilitation	N/A*
* Calculations are based on actual personnel service costs	

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Operating Expenses

- Operating expenses have increased and are not covered by the COLAs.
- Contractors are have experienced salary compression to offset operating expenses.
- Some contractors are accepting more out-of state clients or are not renewing contracts.

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Methodology for the Study

- What is the total number of contracts including contact information?
- How is the contract rate determined? (See Appendix A and page 3)
- Submit a survey to contractors. (See Appendix B)

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Analysis of Data

1. Are the contract rates adequate to cover the expenditures?
2. Is the methodology for calculating the COLA appropriate?
3. Has there been a high turnover in staff?
4. Are providers turning away state contract clients to accept more out of state clients?

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Limited Survey Results

- Of the 566 contracts analyzed (DCFS, DJJS and DSPD); only 22 responses (3%) were useable.

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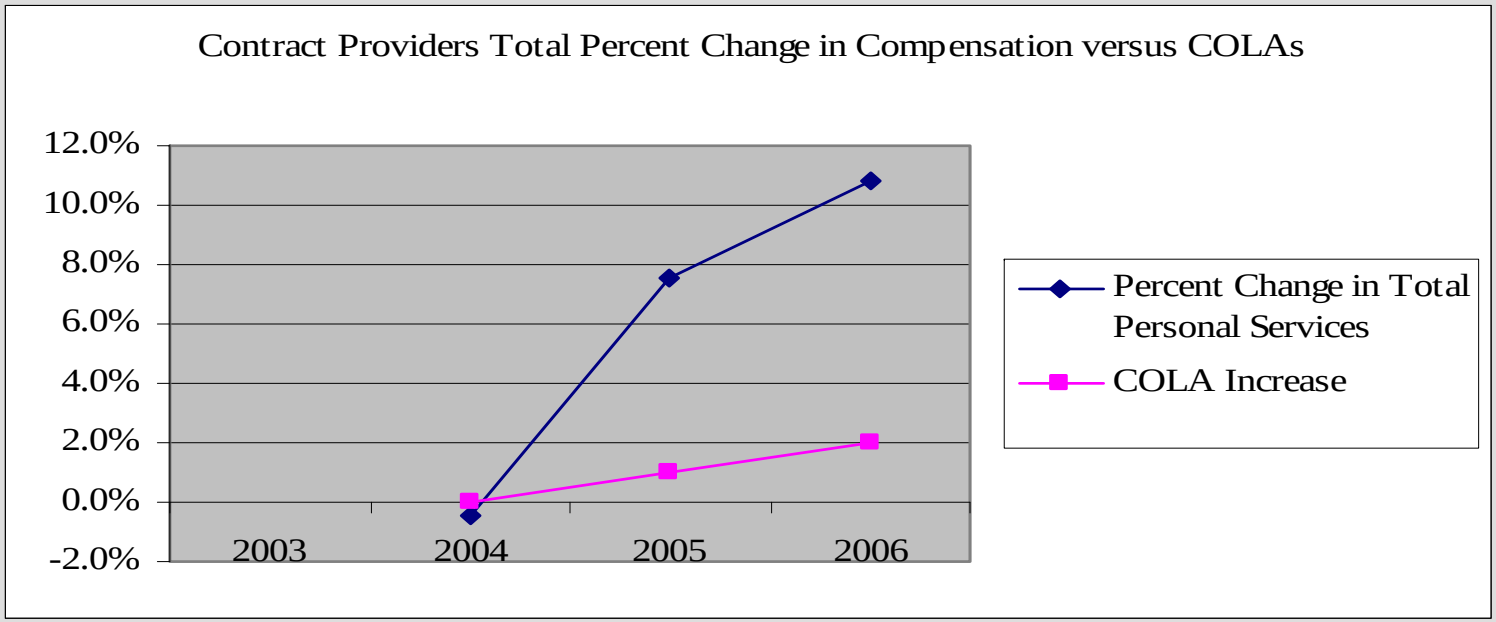
Are the contract reimbursement rates adequate?

- Once a provider contracts with the State, they accept the contract rates.
- The following chart shows the change in compensation versus the COLAs.



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Should the methodology for calculating the cost of living adjustments be changed?

- Consistent with the statute in the Budgetary Procedures Act (UCA 63-38), the methodology should remain the same for COLAs for local and private providers.

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Are the providers experiencing a high employee turnover rate?

- The 22 respondents show that in FY 2006, 726 staff left their employ.
- The reasons varied with the three largest being:
  - 283 changed position
  - 184 left because of wages
  - 167 were terminated

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Are the providers accepting more out-of-state clients and turning away state contracts?

- 8 out of 455 contractors refused to renew contracts because of the low rates.
- 2 contractors are limiting services to State clients to accept more out-of-state clients which pay more.

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Recommendations

- The current methodology for calculating the cost of living adjustment should remain the same.
- The Youth Provider Association and the Utah Association of Community Services should collect the necessary data for contract providers annually and submit the information as part of any request for increased contract funding.

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