
Issue Brief – Contract Provider Rates

DEPARTMENT OF HUMAN SERVICES

DHS-09-00

CONTRACT PROVIDER RATES

The Department of Human Services (DHS) contracts with private and local providers for services. The Analyst does not make a recommendation since this issue brief is informational to provide Legislators with options for funding recommendations for contract providers.

OBJECTIVE

The purpose of this issue brief is to provide the Legislature with information about the local and private provider contract rates.

DISCUSSION AND ANALYSIS

DHS has five divisions that contract with private and local providers to provide services. One of the divisions is the Division of Juvenile Justice Services (DJJS). While DJJS is part of the Department of Human Services, its budget is reviewed in the Executive Offices and Criminal Justice Appropriations Subcommittee; therefore, it will not be part of this information.

Local Providers

Two divisions within DHS, the Division of Substance Abuse and Mental Health (DSAMH) and the Division of Aging and Adult Services (DAAS) contract with local providers for services.

DSAMH: Both mental health and substance abuse services are delivered either directly by the local authorities (counties) or through contracts with private providers (such as Valley Mental Health in Salt Lake County). Section 17-43 of the UCA requires counties to provide a minimum scope and level of service, and a minimum of a 20 percent county match. Local authorities set priorities to meet local needs but must submit an annual plan describing services they will provide.

DAAS: The division enters into contracts with local Area Agencies on Aging (AAAs) for delivery of services for the aging population of Utah. In Utah, there are twelve AAAs (local government units) under contract with DAAS. Five counties are separate service providers (Salt Lake, Davis, Tooele, San Juan and Uintah). One provider is a cooperative venture between Weber and Morgan Counties. The other six providers are associations of county governments:

Mountainland (Utah, Summit, Wasatch), Five County Assoc. (Kane, Iron, Washington, Garfield, Beaver), Six County Association (Juab, Millard, Sevier, Wayne, Piute, Sanpete), Southeast Association (Carbon, Emery, Grand), Uintah Basin (Daggett, Duchesne), Bear River Association (Cache, Box Elder, Rich)

The AAAs may enter into a contract to provide services after establishing a plan to provide services based on standards set by the Board of Aging and Adult Services. Under section 62A-3-105 of the UCA require a 15 percent match of service dollars and a 25 percent match of administrative dollars for funds provided by DAAS for contractual services.

Private Providers

Two divisions, the Division of Services for People with Disabilities and the Division of Child and Family Services contract with private providers for services.

DSPD: The Division has divided the state into three regions for service delivery. The regions contract for services with private providers and oversee and evaluate the quality of services delivered.

DCFS: The Division contracts with private providers for Out of Home Care services. This program includes care and maintenance costs such as room and board, personal care, clothing, and allowance. DCFS oversees and evaluates the quality of services delivered.

Historical Funding of Private and Local Providers

The Legislature historically funds a cost of living increase (COLA) for private and local providers based on the compensation component of their operating expenses.

Inflationary Increases in Operating Expenses

During the 2007 General Session, the Health and Human Services Appropriations Subcommittee heard testimony from the youth providers (DCFS and DJJS) and the disabilities providers (DSPS) that operating expenses such as rent, fuel, utilities, worker's compensation, health insurance, background checks, and liability insurance have increased while the contract rates have only increased to cover salaries.

Contract Study

The 2007 Legislature provided the contractors with a 6 percent cost of living increase and adopted the following 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.

The fiscal analyst reported the contract study to the Executive Appropriations Committee in October of 2007 with the following recommendations:

The Analyst recommended that the current methodology for calculating cost of living adjustments remain in place because of lack of sufficient documentation. The Analyst further recommended that the provider associations for youth and disabilities collect the necessary data for contract providers annually and submit the information as part of any requests for increased contract funding.

The Analyst reported to the Health and Human Services Appropriations Subcommittee on the study. At that time, the youth and disabilities providers brought documentation to support their arguments on employee turnover, low wages, and increases in operating expenses.

Options for Funding of Provider Rate

The subcommittee may make one or more of the following recommendations to the Executive Appropriations Committee:

1. Continue the same methodology for calculating provider rates with a 1% cost of living adjustment based on personal services of \$1,043,100 in General Fund for the Department of Human Services;
2. Provide a cost of living increase based on the providers' total budget with a 1% cost of living adjustment based on total operating expenses of \$1,396,400 in General Fund for the Department of Human Services;
3. Provide a different percentage recommendation for the personal services component and the operating expenses (non-personal services) component for a cost of living adjustment; and

The following table shows a 1% increase for providers based on personal services, operating expenses and total budget:

FY 2009 Department of Human Services Contract Providers 1% COLA (Excludes the Division of Juvenile Justice Services)					
Division	Program	% of Personal Services	GF Request based on % (Personal Services Component)	GF Amount of Operating Expenses	GF Amount if Based on Total Budget
EDO	Office of Public Guardian	67%	\$100	\$50	\$150
DSAMH	Mental Health Center (Includes Autism Contract)	80%	\$210,300	\$52,600	\$262,900
	Local Substance Abuse Services	80%	\$79,600	\$19,900	\$99,500
DSPD	Community Waiver Services	80%	\$279,400	\$69,900	\$349,300
	Brain Injury Waiver Services	80%	\$6,700	\$1,700	\$8,400
	Physical Disabilities Waiver Services	80%	\$4,200	\$1,100	\$5,300
	Non-Waiver Services	80%	\$24,300	\$6,100	\$30,400
DCFS	Service Delivery	69%	\$384,300	\$172,700	\$557,000
DAAS	Administration	65%	\$54,200	\$29,200	\$83,400
Total for DHS			\$1,043,100	\$353,250	\$1,396,350

4. Calculate all providers at the same percentage rate for cost of living adjustments.
5. Provide a cost of living adjustment for front line workers. To increase front line workers by \$1 for DCFS, the cost would be \$1,867,400 which represents about a 4.86 percent increase. To increase front line workers by \$1 for DSPD, the cost would be \$3,466,800 which represents an 11.02 percent increase.

RECOMMENDATIONS

The Analyst does not make a recommendation since this issue brief is informational to provide Legislators with options for funding recommendations for contract providers.