Summary

The Utah Division of Services for People with Disabilities, DSPD, received a $5,395,200 state fund appropriation ($18,177,900 total funds) during the Legislature’s 2015 General Session. This appropriation was intended to raise wages for direct care service staff in the DSPD contracted private provider system based upon public input from families and providers that turnover rates in the system were excessive, often exceeding 100 percent annually. The DSPD contracted providers presented a three year plan to receive $15 million in state funds ($50 million in total funds). The first year appropriation resulted in a 10.5 percent rate increase to services identified as having a direct care component. Along with the increased appropriation, the Legislature passed intent language requesting DSPD and providers to report to the Office of the Legislative Fiscal Analyst (LFA) by September 1, 2015. Intent language also provided that no portion of these increases should be allocated to administrative functions or provider profits. This issue brief summarizes the information provided to the LFA and poses at least seven budget policy questions for Legislators to consider. The report, titled Budget Adjustment Update: Direct Care Staff Salary Increase, can be found at http://le.utah.gov/interim/2015/pdf/00003955.pdf.

Questions

1. Given the implementation and status reported as of September 1, 2015, does the Legislature want to:
   a. Proceed with the second year of the three year plan as outlined at $5 million in state funds per year?
   b. Pause and see how the system responds given that clients are now being placed?
   c. Slow down by providing a reduced amount that will still keep the direct care staff pay rates moving forward?

2. Did the methodology used result in funds going to address the expressed issue of low pay for direct care workers? How will the Legislature know?
   a. In the report it indicates that DSPD will be monitoring: 1) provider reporting on turnover, use of funds appropriated for a direct care salary increase, average wage, and starting wage; and 2) the longitudinal effects to the stability of the direct care system by participating in the Staff Stability Survey as part of the National Core Indicators.
   b. DSPD states, “Although the rate increase has been implemented, the entire appropriation will not be fully disbursed through the system until the Fiscal Year 2016 has ended and all service billings have been received and reimbursed. At that point, the data can be fully analyzed and accurate reporting will be sent to the committee. The sample size and time frame of current data gathered is too small to make assumptions about the full impact to service delivery.”

3. Did the funds appropriated go too far and provide salary increases for individuals beyond what was necessary? How will the Legislature know?
   a. Did any of the funding go to staff unrelated to the described issue?
   b. Did any funding go to administrative functions or provider profits?
4. *Did the initial reported information verify the concern that a significant number of direct care staff were being paid $8 per hour, or near that amount, as represented?*
   
a. How well do starting wage rates, as frequently discussed, reflect wage issues for providers as a whole?

5. *Given the proposed funding plan is significant and would be enough to fund the entire DSPD critical needs waiting list as represented during the 2015 General Session, how can the Legislature know when it has adequately addressed the DSPD provider system direct care worker wage issue, thus allowing it to turn its budget efforts to other important funding issues?*
   
a. Is it a matter of reaching a certain average hourly rate paid to direct care staff (noting that Utah has the 14th lowest average weekly wages nationally for all industries and establishments)? The Utah State Developmental Center offers a starting wage for direct care staff of $11 per hour. The contracted provider plan would raise an $8 per hour rate to around $12 per hour.

b. Is it a matter of reducing turnover rates to some acceptable level? The Utah State Developmental Center has a three year average turnover rate of 45 percent.

6. *The Division of Services for People with Disabilities, in conjunction with providers, implemented a methodology to benefit direct care workers based upon the definition of 60 percent of work being related directly to clients. Does the committee want to narrow that definition if and when future appropriations are provided?*
   
a. For example, the committee could direct DSPD to exclude behaviorists from receiving the increased appropriation for direct care staff.

7. *Are private providers using appropriate methods to recruit given that some families using the self-administered services model report no issues in recruiting using various internet sources and college campuses?*

**OVERVIEW**

The Utah Division of Services for People with Disabilities, DSPD, received a $5,395,200 state fund appropriation ($18,177,900 total funds) during the Utah State Legislature’s 2015 General Session. This appropriation was intended to raise wages for direct care service staff in its contracted private provider system based upon public input from families and providers that turnover rates in the system were excessive, often exceeding 100 percent annually. DSPD contract providers presented a three year plan during the 2015 General Session to receive $15 million in state funds ($50 million in total funds). This resulted in a 10.5 percent rate increase for services with a direct care component. Along with the increased appropriation, the Legislature passed 2015 General Session intent language requesting DSPD and providers to report to the Office of the Legislative Fiscal Analyst (LFA) by September 1, 2015. Intent language also provided that no portion of these increases shall be allocated to administrative functions or provider profits. The report can be found at [http://le.utah.gov/interim/2015/pdf/00003955.pdf](http://le.utah.gov/interim/2015/pdf/00003955.pdf).

**Methodology for Determining Application of the Rate Increase**

DSPD explained its methodology for determining how to apply the additional funding as follows: “Previous rate increases for DSPD programs were applied to all services. DSPD applied the ... appropriations only to those services with direct care components ... for the purpose of increasing the salaries of all Contractor

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staff positions which spend 60% or more of their time providing direct care to Persons (direct care staff positions) . . . This resulted in a 10.5% rate increase . . . No portion of these increases shall be allocated to administrative functions or provider profits.”

**Methodology for Monitoring Accurate Application**

The department met with providers to determine a reporting methodology that would ensure rate increases reached direct care staff. “The average wages in the calendar year preceding the rate increases were determined to provide a baseline for tracking how the appropriations affected the wages of direct care staff.” Quarterly reporting was implemented to collect data.

**Service Rates**

The DSPD contracted private providers are reimbursed using a rate system where rates are established for a wide variety of services and settings. DSPD states that, “the services, rates, and other components are . . . reviewed and approved by the Centers for Medicare and Medicaid Services (CMS) and audited to established standards. In this structure, national, state, and private interests review the effectiveness of service code rates when delivering a particular service needed in the State . . . Administrative overhead is generally thought to account for 20% of the rate.”

**Turnover Rates**

Turnover rates among DSPD contract providers became the flashpoint for an issue that DSPD and contract providers jointly described as follows: “The private provider system faces problems attracting staff to work with the vulnerable population in DSPD services. Additionally, retaining these direct care staff has become problematic. The issue of stagnant wages is evidenced by direct care staff turnover rates and the significant differences between starting wages in this critical industry when compared to unskilled entry level positions in other industries. Due to the concerns for quality of care in the system, many stakeholders helped craft and support an appropriation with the sole purpose of raising direct care service wages.” During the 2015 General Session, the Social Services Appropriations Subcommittee received input from families and providers that turnover rates in the system were excessive, often exceeding 100 percent annually. By comparison, the Utah State Developmental Center, which pays a starting hourly rate of $11 per hour for its direct care staff, has only a 45 percent turnover rate when averaged over three years and only a 35 percent turnover rate during the recently completed FY 2015.
**Provider Profits in a Closed Market**

DSPD offered the following to describe the overall business model for participant entities: providers accumulate profits by having the “freedom to structure the business organization as they feel will best suit their mission and goals . . . Providers realize profits by maintaining a positive margin between what is expended by providing services and the funding they receive from DSPD, private fund raising, donations, and other business ventures . . . Not-for-profit and public providers may take advantages of public saving schemes not offered to for-profit providers. Donations and grants may provide revenue for providers. These choices directly affect what expenses companies realize and what resources will be left for profit or reinvestment in the company . . . Utah’s network of providers has variations in their business decisions, strategies, and environmental factors. These variables may lead to different profit margins between providers and between fiscal reporting cycles.”

**Appendix A – Average Starting Wage For Utah and Surrounding States**

The following average starting wage information for Utah and surrounding states was provided by the American Network of Community Options and Resources (ANCOR) which is a national, nonprofit trade association representing more than 800 private community providers of services to people with disabilities. These 800 private providers serve over 400,000 individuals with disabilities. This information has been coupled with average 2012 weekly wages for the same comparative states. When looked at nationally, Utah is one of 17 states with an average starting wage below $8.50 per hour.
## Average Starting Wage
### Community Disability Providers

<table>
<thead>
<tr>
<th>State</th>
<th>PVT Entry Hourly</th>
<th>Average Weekly Wages by State *</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>$8.27</td>
<td>$877</td>
<td>Arizona</td>
</tr>
<tr>
<td>Colorado</td>
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<tr>
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<td>$9.86</td>
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</tr>
<tr>
<td>Wyoming</td>
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<tr>
<td><strong>Border States Average</strong></td>
<td><strong>$8.94</strong></td>
<td><strong>$831</strong></td>
<td></td>
</tr>
</tbody>
</table>

Entry hourly wage information was provided by ANCOR (American Network of Community Options and Resources). The data includes the state average starting wage for direct care providers, and was collected by ANCOR from providers across the United States. ANCOR is a national, nonprofit trade association representing more than 800 private community providers of services to people with disabilities, serving over 400,000 individuals with disabilities.

* Data is from Governing, Average Wages by State, 2012 data (http://www.governing.com/gov-data/wage-average-median-pay-data-)

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**Table 2**

**APPENDIX B – PROVIDER INITIATED CONTRACTS TERMINATED IN PAST 5 YEARS**

Table 3 displays DSPD provider-initiated contract terminations from 2010 through 2014.
**Direct Care Salary Increase Report Summary**

**Table 3**

*Source: Utah Division of Services for People with Disabilities*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number</th>
<th>Amount Paid Previous Fiscal Year</th>
<th># of Clients Previous Fiscal Year</th>
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<tr>
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<tr>
<td>2011</td>
<td>4</td>
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<tr>
<td>2014</td>
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<td>$248,386</td>
<td>82</td>
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