



SB 1552

SUPPORT LONG-TERM FUNDING FOR THE I/DD SYSTEM – FUND THE STATE’S RATE REBASE STUDY

The State’s Rate Rebase study shows that the system of services for individuals with I/DD is \$100 million to \$150 million underfunded. Please support **SB 1552** to provide **\$50 million in FY 2021** to begin to bring up reimbursement rates to recommended levels.

BACKGROUND

Although the Legislature and the Executive have provided funding that works to address the state’s minimum wage increases, funding levels for services to individuals with intellectual and developmental disabilities (I/DD) are far below the recommended levels set in the state’s Rate Rebase study. Prior to the Great Recession, reimbursement rates for services to individuals with I/DD were between 90% to 100% of the recommended levels. Today reimbursement rates are as low as 44.69% of recommended levels, with services being, on average, 76.15% of recommended levels, known as the benchmark.

UNASSIGNED AUTHORIZATIONS

The I/DD service system continues to see high numbers of unassigned authorizations – meaning an individual is assessed for needing a certain service and has requested it but a service provider has not accepted the authorization to provide the service. In other words, the individual is not receiving the service. In State Fiscal Year 2019, there were, on average, **over 1,700 unassigned authorizations** across I/DD services and across the state each day. Maricopa county had the highest number of average daily unassigned service authorizations. Comparatively, Maricopa County has approximately 4.7 times more average daily unassigned service authorizations than Pima county and 8.9 times more than Pinal county.¹

DIRECT CARE WORKER (DCW) SHORTAGE

Service providers continue to be unable to keep and attract qualified direct care workers and professional staff due the underfunding of the system. The additional funding provided to address Prop. 206 statewide and Prop. 414 in Flagstaff has been greatly appreciated; however, reimbursement rates for hourly services still do not cover the cost of the state’s or Flagstaff’s minimum wage.

The State’s Rate Rebase study states: “Navigant and the Division believe it is critical to build in a sufficient wage in each rate model to promote access and quality of the services provided. We recognize that **most of the duties of the direct care worker for HCBS [home and community based] services require an hourly wage that is above the minimum wage to attract committed and qualified candidates**. Further, the ability of employers to offer a competitive wage impacts employee turnover, training costs, and overtime pay.”²

One Provider’s Current Experience

- Overtime costs are up 41% from last year.
- Only 30% of the individuals who apply for a job meet the minimum requirements (can pass the background checks).
- Only 65.4% of new hires make it past the first 30 days of employment; only 49% of those applicants will still be with the provider at 90 days; only 33% of them will be there at 6 months; and 15% make it 1 year.

AVERAGE DAILY UNASSIGNED SERVICE AUTHORIZATIONS BY SERVICE CODE GROUP, SFY 2019¹

Service Code	Average Unassigned Service Authorizations Per Day
Therapies	960
Respite	264
Habilitation Hourly	216
Early Childhood	58
Day Treatment	58
Transportation	40
Nursing	37
Attendant Care	30
Employment	23
Habilitation Daily	17
Room/Board	10

VACANCY RATES AND TURNOVER FOR DIRECT CARE WORKERS IN AZ

The 2018 National Core Indicators Staff Stability Survey³, shows that as of December 31, 2018, Arizona's average full-time **vacancy rate** for a direct care worker providing services to individuals with I/DD was **7.3%**; the part-time DCW vacancy rate was 9.3%. The report also states that Arizona had an average turnover rate of 38.4% for direct care workers. A survey of a sample of AAPPD providers shows that the turnover has likely risen since 2018 – **the average turnover reported for 2019 is 66%, as reported by the AAPPD members.**

MINIMUM WAGE COSTS NOT FULLY COVERED, CONTINUE TO INCREASE, CAUSE WAGE COMPRESSION CONCERNS

The current reimbursement rates do not cover the minimum wage increases that have occurred (see table below). The increased minimum wage also contributes to wage compression within a provider agency's staff. Newly hired, less experienced staff may be brought in at or near the new minimum wage; however, staff who have worked for the agency for a longer period may not have seen their wages increase at the same rate as the minimum wage. As a result, staff are generally making the same amount regardless of their experience and skill.

This wage compression results in increased staff turnover and ultimately a change in caregiver for the DDD member. Ideally, as wages become higher than minimum wage, providers will be more likely to retain their staff and provide consistent, high-quality

December 2018 to December 2019, CPI rose 2.3%.

Minimum wage could go up to \$12.30 January 1, 2021.

care to members. Higher employee retention would also decrease overall administrative costs including training and onboarding.¹

In addition, the statewide minimum wage will likely increase again on January 1, 2021. Proposition 206 requires an inflationary adjustment to the minimum wage.

AVERAGE DAILY UNASSIGNED SERVICE AUTHORIZATIONS BY COUNTY, SFY 2019¹

Maricopa	1,116
Pima	236
Pinal	126
Yuma	71
Mohave	50
Cochise	35
Coconino	25
Graham	22
Yavapai	22
Navajo	22
Gila	12
Santa Cruz	11
Greenlee	8
La Paz	5
Apache	4

1 - AZ DES/DDD Home and Community-based Services Provider Rate Certification Report SFY 2019
 2 - https://des.az.gov/sites/default/files/media/SFY_2020_Supplemental_Materials_Version_1.pdf
 3 - <https://www.nationalcoreindicators.org/upload/core-indicators/2018StaffStabilitySurveyReport.pdf>

	Benchmark Rate (recommended rate in the Rate Rebase Study)	Hourly Wage Incorporated in the Benchmark Rate	Percent of Benchmark for the DCW Wage (the wage is what percent of the total rate)	January 1, 2020 Adopted Rate (actual rate being paid for service)	Amount of Funding Provided for Wages in Adopted Rate Using Same Ratio for Hourly Wage in Benchmark
Attendant Care	\$23.23	\$12.00	51.66%	\$18.72	\$9.67
Habilitation Support	\$28.54	\$13.32	46.67%	\$22.99	\$10.73

WHAT IS THE RATE REBASE

DES is required by statute (A.R.S. 36-2959) to contract with an independent consulting firm for an annual study of the adequacy and appropriateness of reimbursement rates to providers of service to individuals with intellectual and developmental disabilities. The statute also requires “a complete study of reimbursement rates” be completed no less than once every five years. This “complete study” is known as the **Rate Rebase**.

The statutorily required Rate Rebase study recommends the rate that the Division of Developmental Disabilities should pay for contracted services to individuals with intellectual and developmental disabilities, absent any fiscal constraints. The study creates a recommended rate for each service – this is the **benchmark rate**. The **adopted rate** is the rate that is actually being paid to service providers.

For more information, please contact Stuart Goodman or Brandy Petrone at (602) 277-0911.