



ANCOR

American Network of Community Options and Resources

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Briefing Report and Chartbook

**On The Growing Crisis
in Recruiting and Retaining
the Direct Support Workforce**

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EXECUTIVE SUMMARY

BDO Seidman, LLP (BDO) was engaged by the American Network of Community Options and Resources (ANCOR) to identify the impact that Medicaid funding has had on the ability of providers to successfully compete with other industries and professions for workers with common skill sets. Because payment for services to the developmentally disabled in many states is almost exclusively derived from a combination of state funds and Medicaid program payments¹, these funding levels are the primary determining factor in how much providers can afford to pay their workforce.

To identify competitive ability, we compared historical wage and benefit trends of the “Direct Support” workforce (the primary caregiver of services to the developmentally disabled) to comparable job categories in competitive industries.

The industries selected for comparison were “Public Direct Support Worker,” “Nursing Aides” and “Fast Food Workers.” The “Public Direct Support Worker” category represents “Direct Support” employees working for a local unit of government such as a county or municipality. Their compensation is supported, not only from state and Medicaid program payments, but also by tax dollars generated by the local unit of government, usually through property or sales taxes. Funding for “Nursing Aides” compensation is derived from numerous payers, including the Medicare and Medicaid programs, commercial insurance, and private sources. Compensation for “Fast Food Workers” is a function of the private sector marketplace relative to workforce supply and demand.

Because we were unable to obtain meaningful data directly from providers on compensation of “Direct Support Workers” over an extended period of years, we selected the U.S. Department of Labor (DOL) as the primary data source. We identified the job classification from the DOL that most closely mirrors that of the “Direct Support Workers” serving the developmentally disabled. Recently, the DOL’s, Bureau of Labor Statistics added a new occupation category, “Direct Support Specialist,” whose job description is an exact fit with

¹ Medicaid programs are jointly funded by the state and federal government with federal funding ranging from 50% to 76% of total program dollars.

the “Direct Support Worker.” Unfortunately, no historical data was available for this job category.

Consequently, we reviewed other Bureau of Labor Statistics job descriptions and identified the “Personal & Home Care Aides” classification as most closely representing the “Direct Support Worker.” Therefore, in this report the “Personal & Home Care Aides” category is the proxy for the “Direct Support Worker.”

Our key findings, summarized here, and more fully illustrated in the Chartbook at the end of this report, are as follows:

- Over the past decade, both the dollar amount and percentage increase in hourly wage rates for “Direct Support Workers” are far below that of comparable job categories as well as the national minimum wage.
- The agencies serving the developmentally disabled cannot attain and retain qualified employees when wages in competitive markets are increasing at a much faster rate.
- The demand for “Direct Support Workers” continues to increase faster than the civilian labor force and is compounded by an aging population and increase in individuals with disabilities seeking support services.
- The skyrocketing cost of health insurance premiums prevents agencies from improving their benefit offerings.
- State funded systems, including those that rely on Medicaid, are held to fixed appropriations based upon state public policy choices and economic conditions and are not as responsive as the private sector in adjusting to labor supply and demand factors. The demand for “Direct Support Workers” continues to increase while current funding levels are being held constant or declining.
- Without increased funding to improve the competitive position of private sector providers relative to workforce recruitment and retention, both access to and quality of services could be compromised in the future.

SCOPE AND METHODOLOGY

We attempted to obtain wage and benefit data for “Direct Support Workers” over an extended time period in comparison to job classifications in other industries requiring similar skill sets. Because this type of data was not readily available from providers, we used alternative sources of information, primarily data from the U.S. Department of Labor.

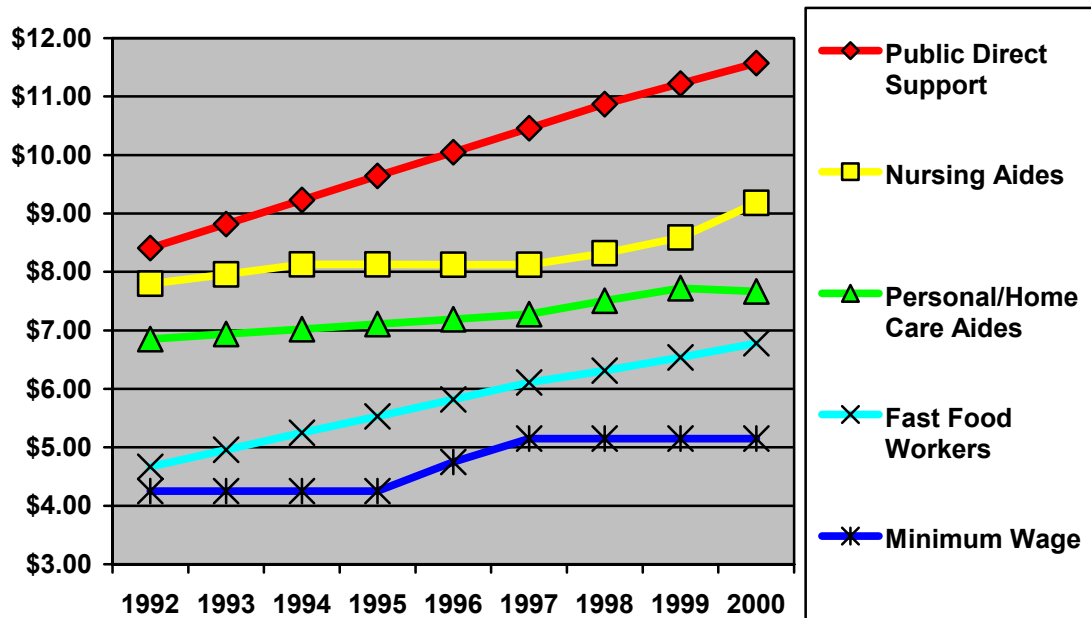
Using DOL Bureau of Labor Statistics job descriptions, we identified the job requirements for “Personal and Home Care Aides” as most closely representing that of the “Direct Support Worker.” Therefore, we used this category as the proxy for “Direct Support Worker.” We then compared wage trends for this category to other competitive job classifications requiring comparable skill sets. The comparative job classifications were “Public Direct Support Worker,” “Nursing Aides,” and “Fast Food Workers.” The “Public Direct Support Worker” category represents employees working for a local unit of government, not support workers employed by the private sector.

Using DOL national hourly wage data and other sources, we were able to compile comparative wage data over a nine-year period. Although we were not able to obtain comparative data on fringe benefits over an extended time period, we were able to compare 2001 fringe benefit costs for “Direct Support Workers” with other comparable job classifications and examined trends in health insurance premiums for single and family coverage.

Finally, we obtained DOL data on the job outlook and future demand for the “Direct Support” workforce, as well as the entire U.S. skilled labor force.

CHARTBOOK DETAIL

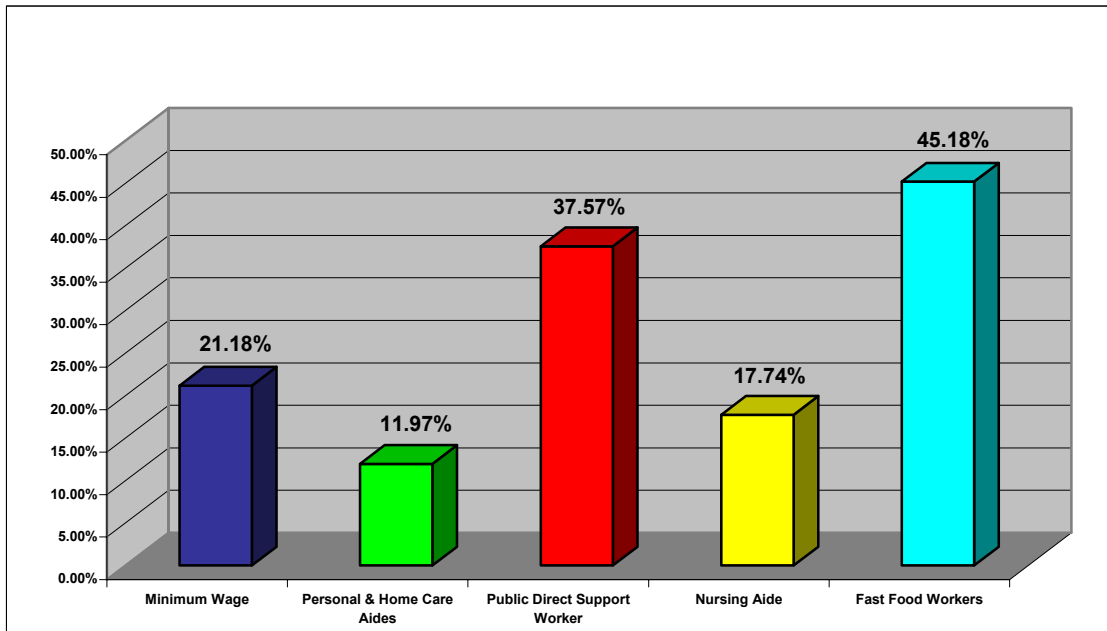
Chart 1 - Hourly Wage Trends of Competitive Job Categories



- The Bureau of Labor Statistics “Personal & Home Care Aides” category most closely represents the “Direct Support Worker” servicing the developmentally disabled. The wage data for 1997 through 2000, with the exception of “Public Direct Support Worker,” was obtained from the Bureau of Labor Statistics. The “Public Direct Support Worker” data and figures prior to 1997 were obtained from various research studies including:
 - David Braddock and Dale Mitchell, 1992, “Residential Services and Developmental Disabilities in the United States.”
 - Amy Hewitt and K. Charlie Lakin, 2001, “Issues in the Direct Support Workforce and Their Connection to the Growth, Sustainability and Quality of Community Supports.”
 - Sheryl Larson, Robert Prouty, and Barbara Polister of the University of Minnesota, 2001, “Residential Services for People with Developmental Disabilities: Status and Trends Through 2000.”
- The “Public Direct Support Worker” refers to employees of county and state operated programs and does not represent private company wages.

- Wage increases for “Personal & Home Care Aides,” the proxy for the “Direct Support Worker,” are far below the trends of other comparable job categories and the national minimum wage. The “Personal & Home Care Aides” hourly wage increased only \$0.82 over a nine-year period versus \$3.16 and \$2.11 for “Public Direct Support Worker” and “Fast Food Workers” respectively.

Chart 2 - Percentage Increase in Hourly Wages from 1992 – 2000

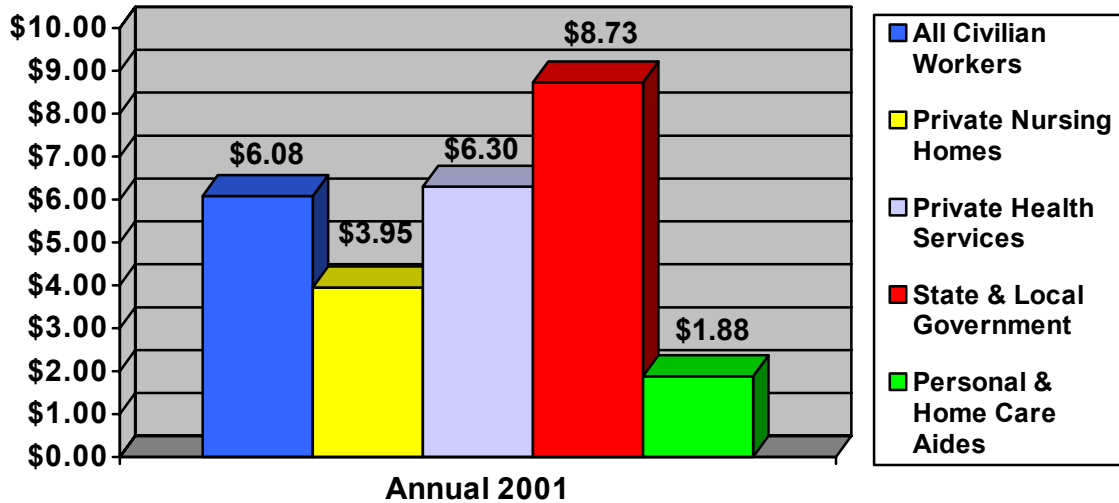


The Bureau of Labor Statistics “Personal & Home Care Aides” category is the proxy for the “Direct Support Worker” job description.

The “Public Direct Support Worker” refers to employees of county and state operated programs and does not represent private company wages.

- ◆ The percentage increase in hourly wages for “Personal & Home Care Aides” over the nine-year period was significantly less than increases in competitive job classifications. The percentage increases for the “Public Direct Support Worker” and “Fast Food Workers” were almost three to four times higher, respectively than the percentage increase in wages for “Personal & Home Care Aides.”
- ◆ The agencies serving the developmentally disabled cannot attain and retain qualified employees when wages in competitive markets are increasing at a much faster rate.

**Chart 3 - Cost of Employer Benefits Provided
to Employees Per Hour Worked in 2001**

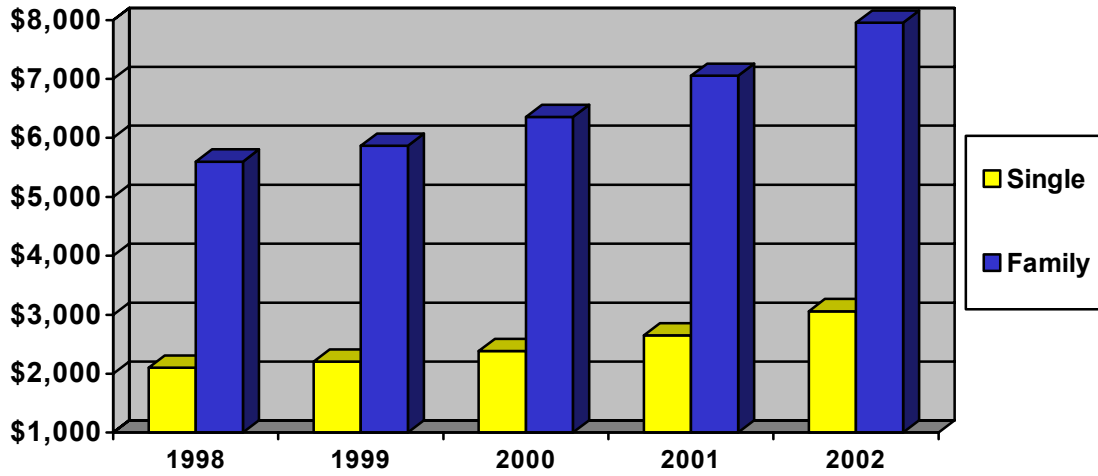


Data Source: U.S. Department of Labor, Bureau of Labor Statistics, Annual 2001 Employer Cost for Total Benefits per Employee Hour Worked. Total benefits include insurance, retirement and savings, legally required benefits, vacation, holiday and sick.

The 2001 employer benefit cost for “Personal & Home Care Aides” was obtained through surveys of companies that provide services to the developmentally disabled on a national or regional level. Bureau of Labor Statistics data was not available in 2001 for this job class.

- ◆ Benefits per hour provided to “Personal & Home Care Aides” are substantially less than those provided to other job classifications.
- ◆ Benefits provided are roughly 3½ times less than that provided to “All Civilian Workers” and less than half that of “Private Nursing Homes.”
- ◆ Health insurance represents a major component of employee benefit cost per hour. Many “Personal & Home Care Aides” cannot afford to pay the employee portion of health insurance premiums, meaning fewer employees participate in this benefit than in other industries.

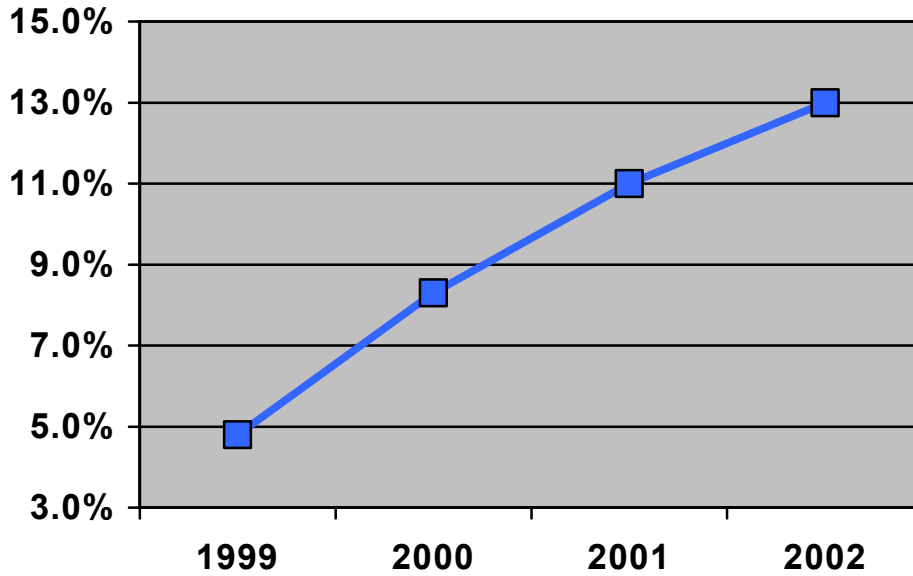
Chart 4 - Health Insurance Trend of Average Annual Premiums for 1998 – 2002



Data Sources: Kaiser Family Foundation 2001 & 2002 "Employer Health Benefits Annual Survey," Mercer Human Resource Consulting "Health Benefit Cost up 11.2% in 2001 – Highest Jump in 10 Years," and Hewitt Associates "Double-Digit Health Care Cost Increases Expected to Continue in 2002."

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- ◆ As health insurance premiums skyrocket, providers of services to the developmentally disabled cannot afford to pay the increased expense. In just three years, premium rates increased \$1,600 for family coverage and \$670 for single coverage.
 - ◆ These premium increases far exceed general inflation, requiring providers to increase the employee contribution, which "Personal & Home Care Aides" cannot afford.

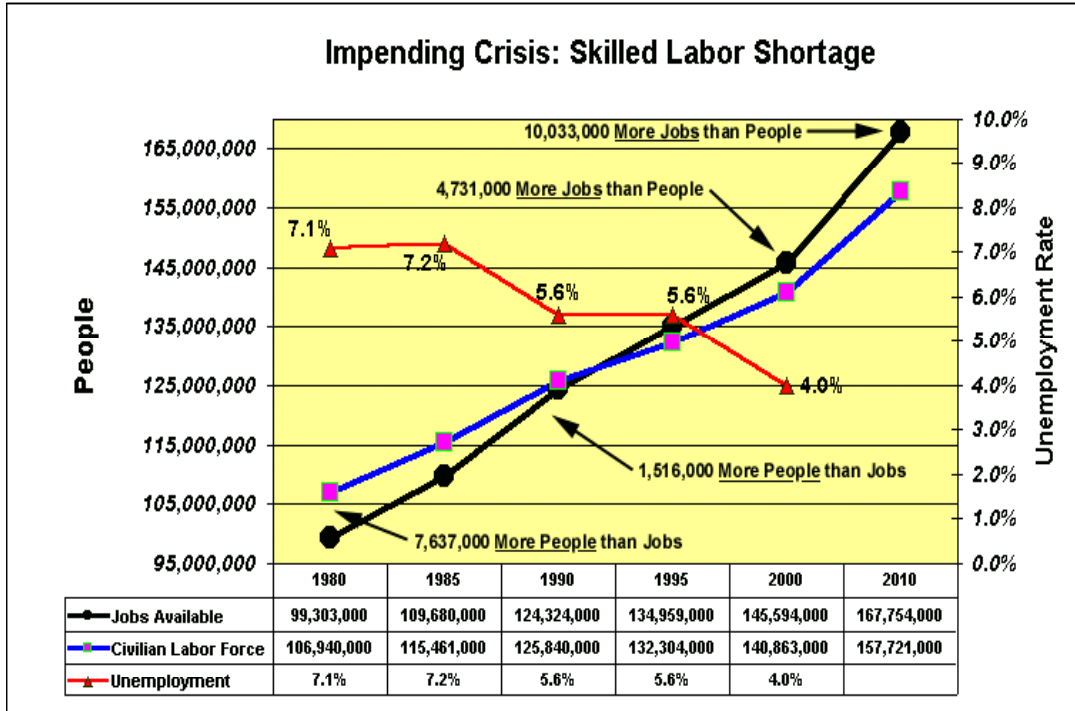
Chart 5 - Health Insurance Average Annual Premium Percentage Increases



Data Sources: Kaiser Family Foundation 2001 and 2002, "Employer Health Benefits Annual Survey," Mercer Human Resource Consulting, "Health Benefit Cost up 11.2% in 2001 – Highest Jump in 10 Years," and Hewitt Associates, "Double-Digit Health Care Cost Increases Expected to Continue in 2002."

- ♦ The premium increases have risen dramatically over the last several years. The 2002 premiums increased an additional 2% over the already double-digit 2001 increases.
- ♦ Providers serving the developmentally disabled struggle to improve their benefit packages to recruit employees and reduce turnover. However, skyrocketing health insurance premiums make this goal extremely difficult, if not impossible, to attain.

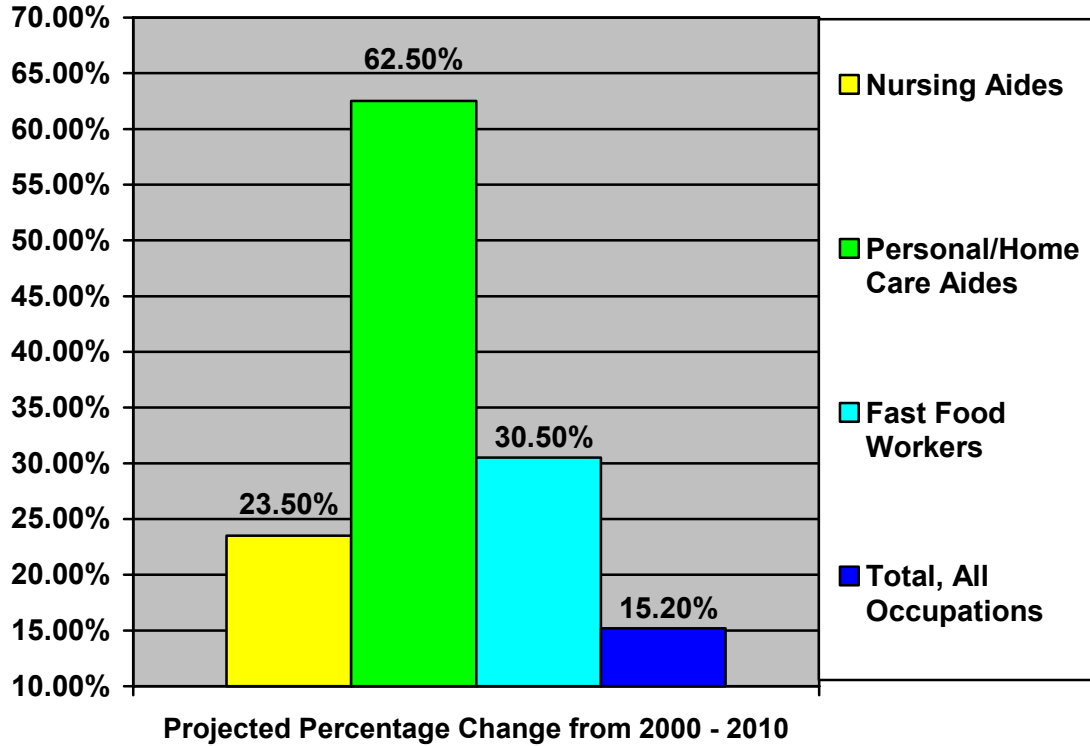
Chart 6 - Impending Crisis: Skilled Labor Shortage



Data Source: Roger Herman, Tom Olivo, and Joyce Gioia, "Impending Crisis – Too Many Jobs, Too Few People."

- ♦ The discrepancy between jobs available and the civilian workforce is growing exponentially. In 2000, there were 4.7 million more jobs available than people. By 2010, this number is expected to more than double to over 10 million.
- ♦ The "Direct Support" workforce crisis continues to grow as jobs available increase faster than the labor force.

**Chart 7 – Projected Increase in Demand for
Certain Job Categories 2000 - 2010**



The Bureau of Labor Statistics “Personal & Home Care Aides” category most closely represents the Direct Support Worker job description. The percentage change data is based upon the change in the projected number of thousands of jobs from 2000 to 2010 as reported in the Bureau of Labor Statistics 2002-03 “Occupational Outlook Handbook.”

- ◆ The “Direct Support” workforce ranks among the top 10 fastest growing occupations in the country according to the DOL.
- ◆ The U.S. Bureau of Labor Statistics projects the demand for this workforce to increase over 62% between 2000 and 2010.
- ◆ Higher than average employment growth, more competition for workers and high turnover will increase the number of “Direct Support Worker” vacancies.

CONCLUSION

- ♦ Labor statistics clearly indicate a growing need for “Direct Support Workers.” The severity of the crisis is compounded as the U.S. population ages and individuals with disabilities seek support services.
- ♦ Low unemployment, skyrocketing insurance costs and increased demand for service industry employees further challenge the recruiting efforts for “Direct Support Workers.”
- ♦ Publicly funded systems do not respond as quickly or as well to changes in workforce supply and demand as does the private sector. They are held to fixed appropriations and funding has not kept pace with inflation. The lack of adequate funding has put providers to the developmentally disabled at a distinct competitive disadvantage with other industries and professions competing for the same workforce. The problem is compounded by the slowing economy and increasing state budget deficits.
- ♦ Without adequate funding, providers will not have adequate resources to offer competitive wages and benefits to “Direct Support Workers,” resulting in further erosion of this workforce and possible adverse affects on quality and accessibility of services.