

National Advocacy Campaign



*Direct Support Professionals
make a difference. Shouldn't
they also make a living?*

American Network of Community Options and Resources

By empowering people with disabilities, Direct Support Professionals strengthen all of America.

August 2005 Update

Briefing Report and Chartbook on Wage and Benefits Trends Affecting the Growing Crisis in Recruiting and Retaining the Direct Support Workforce

**PREPARED FOR THE AMERICAN NETWORK OF COMMUNITY OPTIONS
AND RESOURCES (ANCOR) BY
BDO SEIDMAN, LLP, ACCOUNTANTS AND CONSULTANTS**

ANCOR

American Network of Community Options and Resources



BDO Seidman, LLP
Accountants and Consultants

Table of Contents

<u>Description</u>	<u>Page(s)</u>
ANCOR EXECUTIVE SUMMARY	1-6
EXECUTIVE SUMMARY	7-8
SCOPE AND METHODOLOGY	9
CHARTBOOK DETAIL	10
Chart 1 - Hourly Wage Trends of Competitive Job Categories	10
Chart 2 - Percentage Increase in Hourly Wages from 1995 – 2003	11
Chart 3 - Health Insurance Trend of Average Annual Premiums for 1998 – 2004	12
Chart 4 - Health Insurance Trend of Average Annual Premium Increases	13
Chart 5 - Impending Crisis: Skilled Labor Shortage	14
Chart 6 - Projected Increase in Demand for Certain Job Categories 2002 – 2012	15
CONCLUSION	16

ANCOR EXECUTIVE SUMMARY

We've come along way from "where it used to be," when the warehousing of people with mental retardation and other developmental disabilities was painfully routine. Today, seasoned professionals and families alike are deeply grateful for the advances of self-determination, self-advocacy and community acceptance that many Americans with developmental disabilities enjoy through living and working within their communities.

But all this is in danger now. There is a real and immediate workforce shortage jeopardizing the quality of life for Americans with developmental disabilities. At risk are the everyday responsibilities undertaken by direct support professionals (DSP) on behalf of Americans with disabilities, the elderly and frail.

Direct support professionals offer a wide range of supportive services on a day-to-day basis including habilitation, health needs, personal care and hygiene, employment, transportation, recreation, housekeeping and other home management-related supports and services so that these individuals can live and work in their communities. This support is crucial to their enjoyment of daily liberties and human rights the rest of us take for granted. Their Medicaid funding is being threatened which will eventually force people back into institutions. They will forfeit their dignity, pride and means of contributing to society.

The American Network of Community Options and Resources (ANCOR) engaged BDO Seidman, LLP (BDO) to update a previous study conducted in December, 2002 to identify the impact that Medicaid funding has had on the ability of community providers of service to successfully compete with other industries and professions for workers with common skill sets. One of the key findings in the 2002 Report was that over the past decade, both dollar amount and percentage increase in hourly wage rates for "Direct Support Workers" were far below that of comparable job categories.

Key findings from the report and their impact in human terms on workers are:

- 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. *"I work a full time job in this agency and I also work side jobs, not to be considered extra money but to add to our household and keep it afloat."*

- The agencies serving the developmentally disabled cannot attain and retain qualified employees when wages in competitive markets are increasing at a much faster rate. *“I truly care about the people I work with. I try every approach to help the people I work with to understand what is going on around them. I have learned that I can make a difference in the quality of care and what each individual will get from me. But I found that for each kindness I give I get back twofold. I would consider a better paying job elsewhere – it crosses my mind for my family – I’m underpaid for what I do here.”*
- The demand for “Direct Support Workers” continues to increase faster than the civilian labor force and is compounded by an aging population and an increase in individuals with disabilities seeking support services. *“My pay definitely affects where and how I live. I can’t afford a better apartment or a reliable car. I never save any money or ever provide a cushion for the unforeseen. I like my job and job satisfaction means a lot but I need a higher income! Administrators in agencies know that the job of direct support that is done in the community is a complex one, helping individuals with every aspect of their lives to achieve their desired goals. Direct support professionals may work without ready access to supervisors as they provide support in scattered sites and in the community. They are highly responsible and do all aspects of the job described and more! Personal care, health care, transportation, advocacy, financial management, to name just a few. However, their salaries must be competitive and we career ladders are needed to retain these fine workers.”*
- The skyrocketing cost of health insurance premiums prevents agencies from improving their benefit offerings. *“Without adequate pay I work a second job to pay my rent. I also go to college. I wouldn’t want to leave, but if a job with a bigger salary and better health benefits came along, I’d have to consider it. Administrators of provider agencies know the importance of employer sponsored health care as an important factor in retaining and recruiting workers. As the cost spirals out of control our ability to compete for high quality workers dwindles.”*
- Medicaid funded systems 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. ***“Shockingly, ANCOR has found that direct support professional salaries are so low that many workers qualify for public assistance and public health benefits. For example, single mothers with one child (or more) may qualify for Medicaid and WIC, subsidized child care, Section 8 housing and Home Energy Assistance depending on the benefits their state provides.”***

- 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. ***The cost of continual recruitment is high. Administrators of agencies say that fiscal restraints are placed on agencies, ie. career incentives, staff pay raises, benefits such as health insurance and tuition assistance, etc. because of recruitment costs. Providers want to continue to run high quality programs for people with developmental disabilities and their families.***

- 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 \$1.20 over a nine-year period versus \$2.79 and \$1.75 for “Public Direct Support Worker” and “Fast Food Workers” respectively. Over the nine year period, wages for Personal & Home Care Aide increased 16.88% while Minimum Wage increased 21.18%. ***I like the people I work with. Every day is a little different since I work with people. I love seeing someone” get it” when I’m working with them on something they want to achieve. I like leaving at night knowing that someone had a better day because you worked with him or her. I really don’t want to leave this job! Administrators need to pay the individuals that want to make a career of this work the salary that the responsibilities warrant. People with disabilities deserve to get off the roller coaster they experience with staff turnover. In the words of a mother, “We have come to understand that nothing works unless it is based on a tender and trusting friendship with the direct support professional.”***

- Health Insurance premium increases have risen dramatically over the last several years. Between 2001 and 2003, premiums have increased 27%. 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. ***Administrators in community agencies don't want to have to choose between wages and health insurance benefits. Both are so important. We see agencies with workers choosing not to opt for health insurance as they provide healthcare services and supports to people with disabilities.***

- The “Direct Support” workforce ranks among the top 20 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 more than 40% between 2002 and 2012. Higher than average employment growth, more competition for workers and high turnover will increase the number of “Direct Support Worker” vacancies. ***In the words of one Administrator, it has become almost impossible to recruit or retain staff. In some areas, new residential programs can't be staffed and thus can't be opened. Many critical services are now understaffed.***

In conclusion, this report, commissioned by ANCOR, provides critical information and makes the case that private providers must be given the funding necessary to fairly compensate the Direct Support Professionals. Direct Support Professionals make such a huge difference in the lives of so many. We must address the workforce training, retention and funding issues that are jeopardizing community-based supports and services for more than eight million Americans now.

EXECUTIVE SUMMARY

ANCOR engaged BDO Seidman, LLP (BDO) to perform an update to our previous study conducted in December 2002 to identify the impact of state Medicaid reimbursement rates on the ability of providers to successfully compete with other industries and professions for workers with common skill sets. One of the key findings in our 2002 Report was that over the past decade, both dollar amount and percentage increase in hourly wage rates for “Direct Support Workers” were far below that of comparable job categories. Because payment for services to people with mental retardation and developmental disabilities in many states is almost exclusively derived from a combination of state funds and Medicaid program payments¹, these funding levels are the primary factor determining wages for direct support workers.

In this update report, we again compared historical wage and benefit trends of the “Direct Support” workforce (the primary caregiver of services to people with mental retardation and developmental disabilities) to comparable job categories in competitive industries. Consistent with the Report prepared in 2002, 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 by 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 people with mental retardation and developmental disabilities. Recently, the DOL’s Bureau of Labor Statistics added a new occupation category, “Direct Support Specialist,” whose job description is an exact fit with the

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

“Direct Support Worker.” Unfortunately, like in 2002, compensation data was still not 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 state and national minimum wage levels.
- The agencies that support people with mental retardation and developmental disabilities cannot attain and retain qualified workers 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 an increase in the number of individuals with disabilities of all ages seeking support services.
- The skyrocketing cost of health insurance premiums is a major barrier to agencies’ ability to improve their benefit offerings.
- Medicaid-funded reimbursement systems 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 reimbursement 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, the nation risks compromising both access to and the quality of services that support people with developmental disabilities and mental retardation.

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 (DOL).

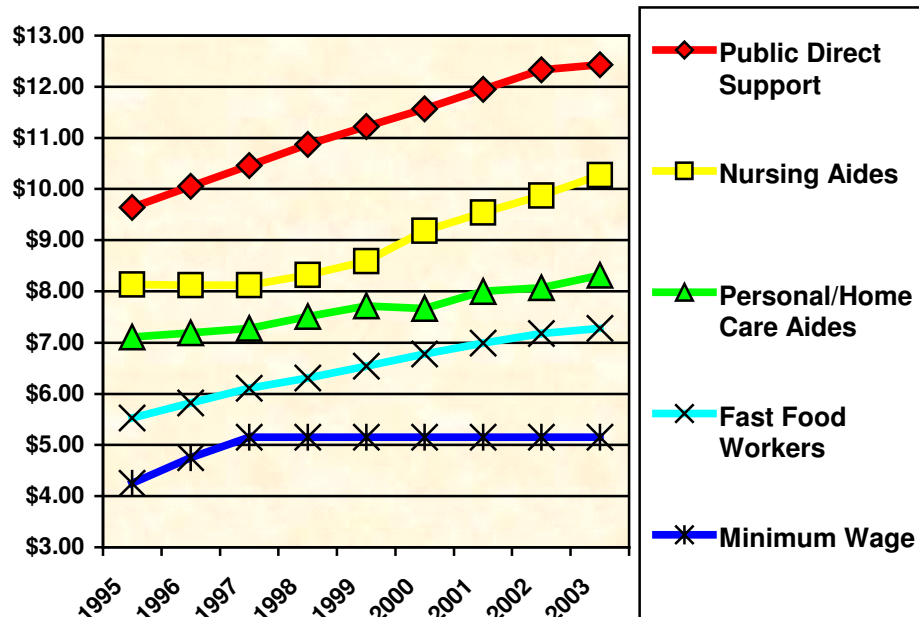
Using DOL Bureau of Labor Statistics job descriptions, we identified the job requirements for “Personal and Home Care Aides” as most closely representing that of the “Direct Support Worker.” Therefore, we used this category as the proxy for “Direct Support Worker.” We then compared wage trends for this 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 examine 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

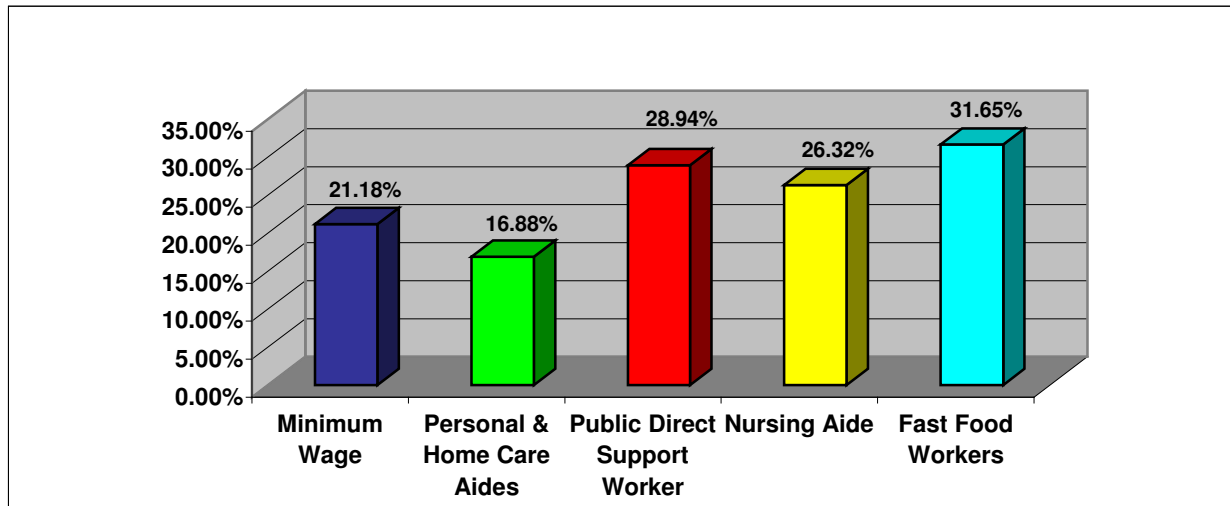
Chart 1 - Hourly Wage Trends of Competitive Job Categories



1. The Bureau of Labor Statistics “Personal & Home Care Aides” category most closely represents the “Direct Support Worker” serving people with mental retardation and developmental disabilities. The wage data for 1997 through 2003, 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:
 - ◆ Sheryl Larson, Robert Prouty and others affiliated with the University of Minnesota, July 2005, “Residential Services for Persons With Developmental Disabilities: Status and Trends Through 2004.”
 - ◆ 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.”
2. The “Public Direct Support Worker” refers to employees of county and state operated MR/DD 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 \$1.20 over a nine-year period versus \$2.79 and \$1.75 for “Public Direct Support Worker” and “Fast Food Workers” respectively.
- ◆ Over the nine year period, wages for Personal & Home Care Aide increased 16.88% while Minimum Wage increased 21.18%.

Chart 2 - Percentage Increase in Hourly Wages from 1995 – 2003

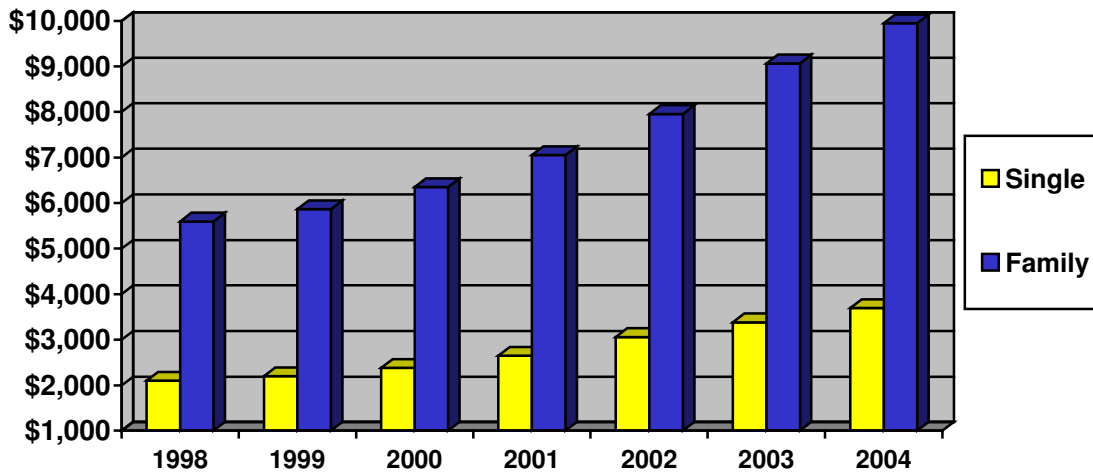


The Bureau of Labor Statistics “Personal & Home Care Aides” category is the proxy for the “Direct Support Worker” job description.

The “Public Direct Support Worker” refers to employees of county and state operated MR/DD 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 double the percentage increase in wages for “Personal & Home Care Aides.”
 - ◆ The agencies serving people with mental retardation and developmental disabilities cannot attain and retain qualified employees when wages in competitive markets are increasing at a much faster rate.

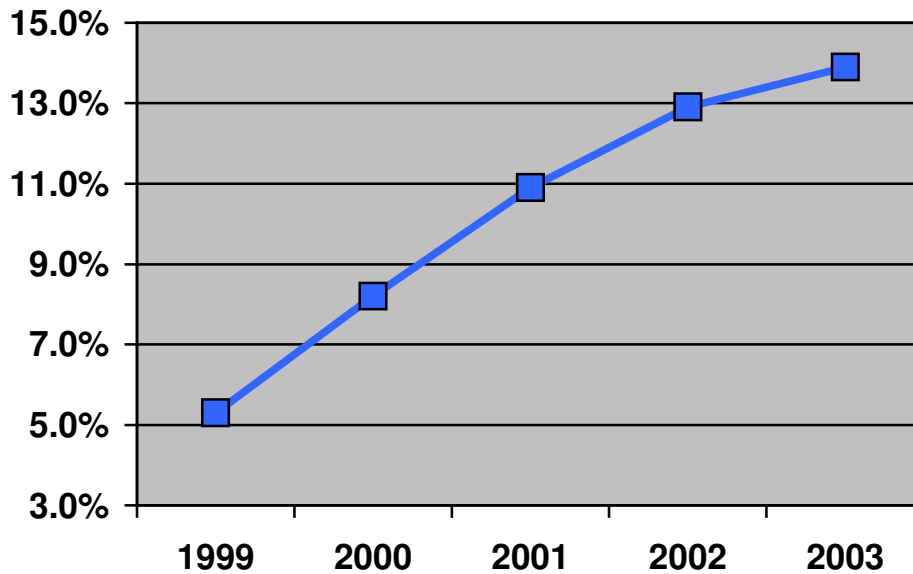
**Chart 3 - Health Insurance Trend of
Average Annual Premiums for 1998 – 2004**



Data Sources: Kaiser Family Foundation 2001, 2002, 2003 & 2004 “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.”

-
- ◆ As health insurance premiums skyrocket, providers of supports and services to people with mental retardation and developmental disabilities cannot afford to pay the increased expense. In just three years, from 2001 to 2004, premium rates increased almost \$3,000 for family coverage and \$1,045 for single coverage.
 - ◆ These premium increases far exceed general inflation and are a major barrier to providers with **fixed** reimbursement rates offering health care benefits at all, or requiring providers to increase the employee contribution, which “Personal & Home Care Aides” cannot afford.

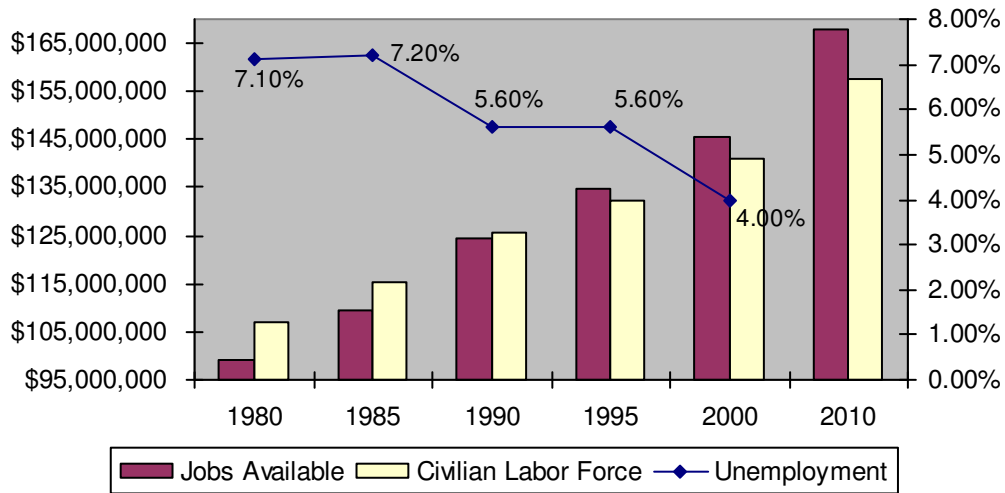
Chart 4 - Health Insurance Average Annual Premium Percentage Increases



Data Source: Kaiser Family Foundation 2004 "Employer Health Benefits Annual Survey."

-
- ◆ Premium increases have risen dramatically over the last several years. Between 2001 and 2003, premiums have increased 27%.
 - ◆ Providers of supports to people with mental retardation and developmental disabilities struggle to improve benefit packages to recruit employees and reduce turnover. However, skyrocketing health insurance premiums make this goal extremely difficult, if not impossible, to attain.

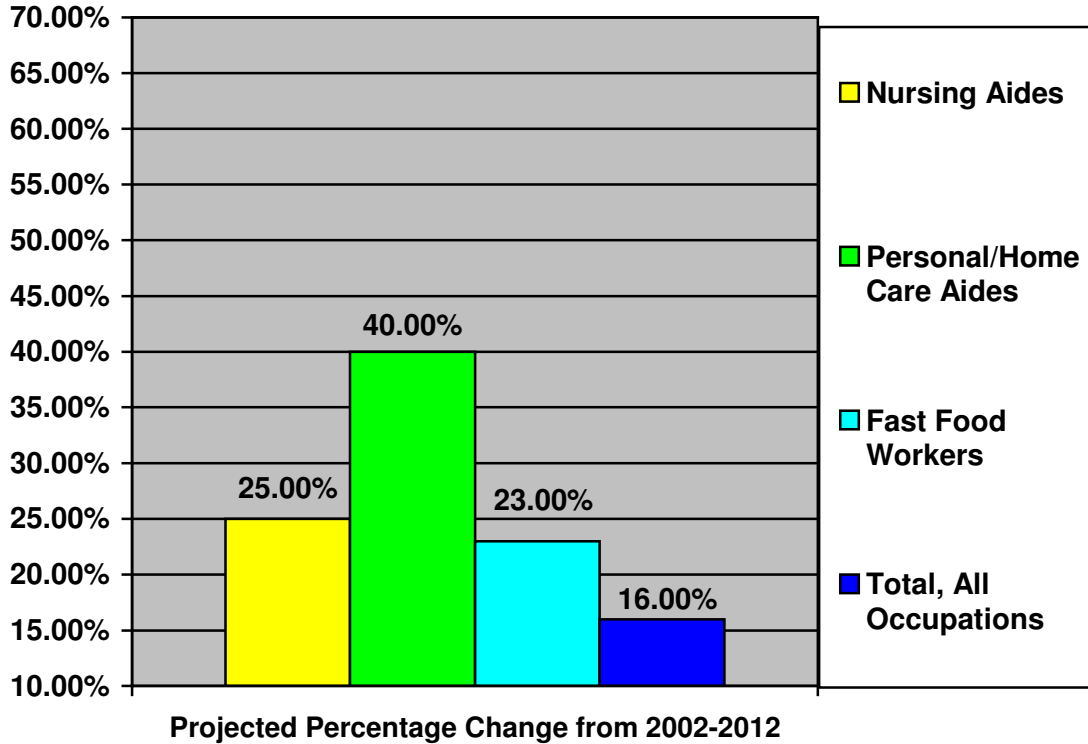
Chart 5 - Impending Crisis: Skilled Labor Shortage



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 6 - Projected Increase in Demand for
Certain Job Categories 2002 - 2012**



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 2002 to 2012 as reported in the Bureau of Labor Statistics 2004-05 "Occupational Outlook Handbook."

- ◆ The "Direct Support" workforce ranks among the top 20 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 more than 40% between 2002 and 2012.
- ◆ Higher than average employment growth, more competition for workers and high turnover will increase the number of "Direct Support Worker" vacancies.

CONCLUSION

- ◆ An increase in the number of people with disabilities of all ages, public policy supporting community-based and in-home supports and services, and a shortfall in the labor supply clearly indicate a growing need for “Direct Support Workers.”
- ◆ 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 reimbursement rates, with funding not keeping pace with inflation. The lack of adequate funding has placed providers of services to people with mental retardation and developmental disabilities at a distinct competitive disadvantage with other industries and professions competing for the same workforce.
- ◆ A slowing economy, increasing state budget deficits, and steadily increasing fuel and transportation costs adversely impact both state reimbursement levels and the ability of providers to reposition dollars to augment wage reimbursement rates.
- ◆ 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 adverse effects on quality and accessibility of services.