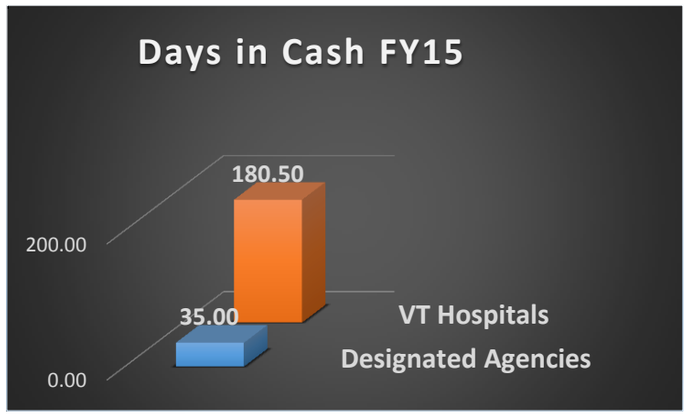
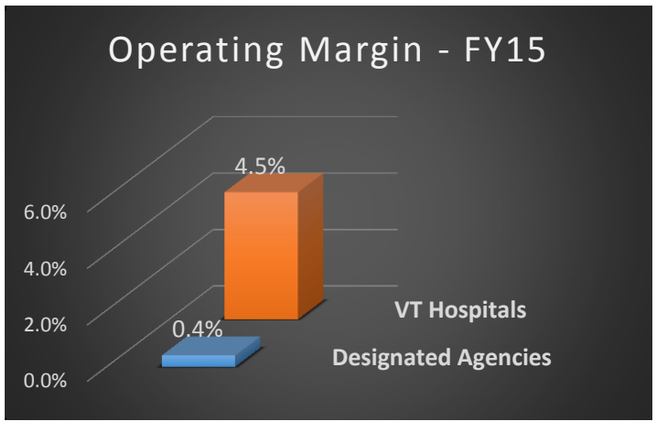
Sounding the Alarm

As a result of an apparent state of denial concerning the realities of the developmental and mental health needs of Vermonters and the corresponding failure to adequately fund the system of care charged with meeting those needs we are now on the precipice where aspects of that system could begin to collapse. ***Our designated system of care for Vermont's most vulnerable citizens is heading on a potentially catastrophic course and we have the duty and responsibility to sound the alarm.***

Financially we are heading in an unsustainable direction…

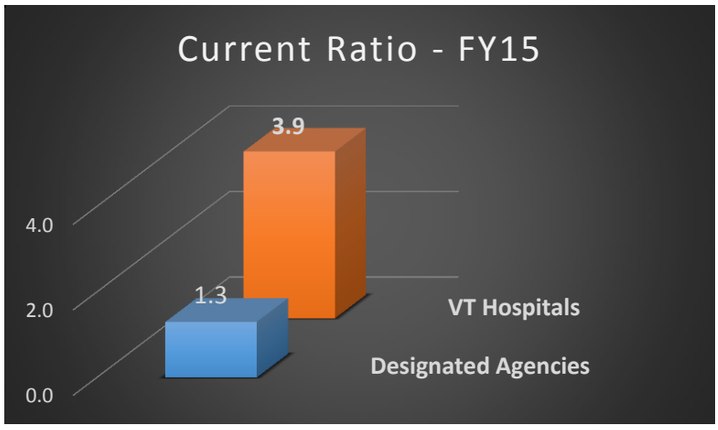
Agency days in cash on hand has decreased by 28.6% over the past five years





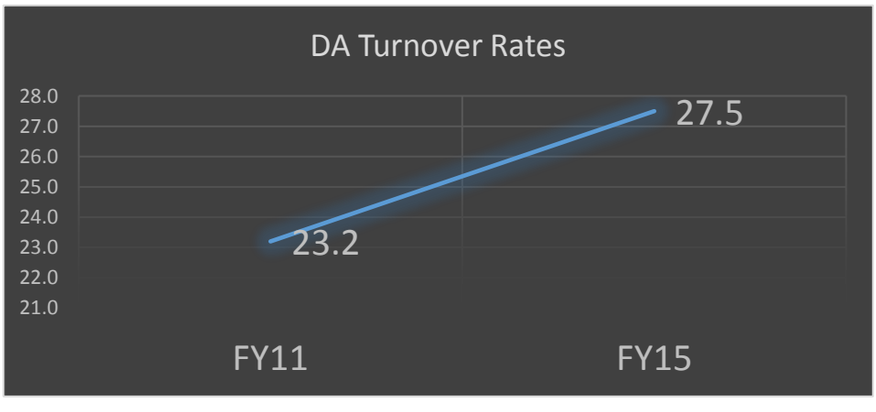
Operating margins for DAs have declined by 79% over the past five years

Net Assets have decreased by 8% over the past five years



Services are suffering…

In a field where our success is based on relationships, the average turnover rate for the DA/SSA system is now 27.5% annually – an increase of 22% over the past five years



Designated Agency Funding Structure

Vermont Care Partners

Designated and Special Services Agencies

March 2016

Community Programs

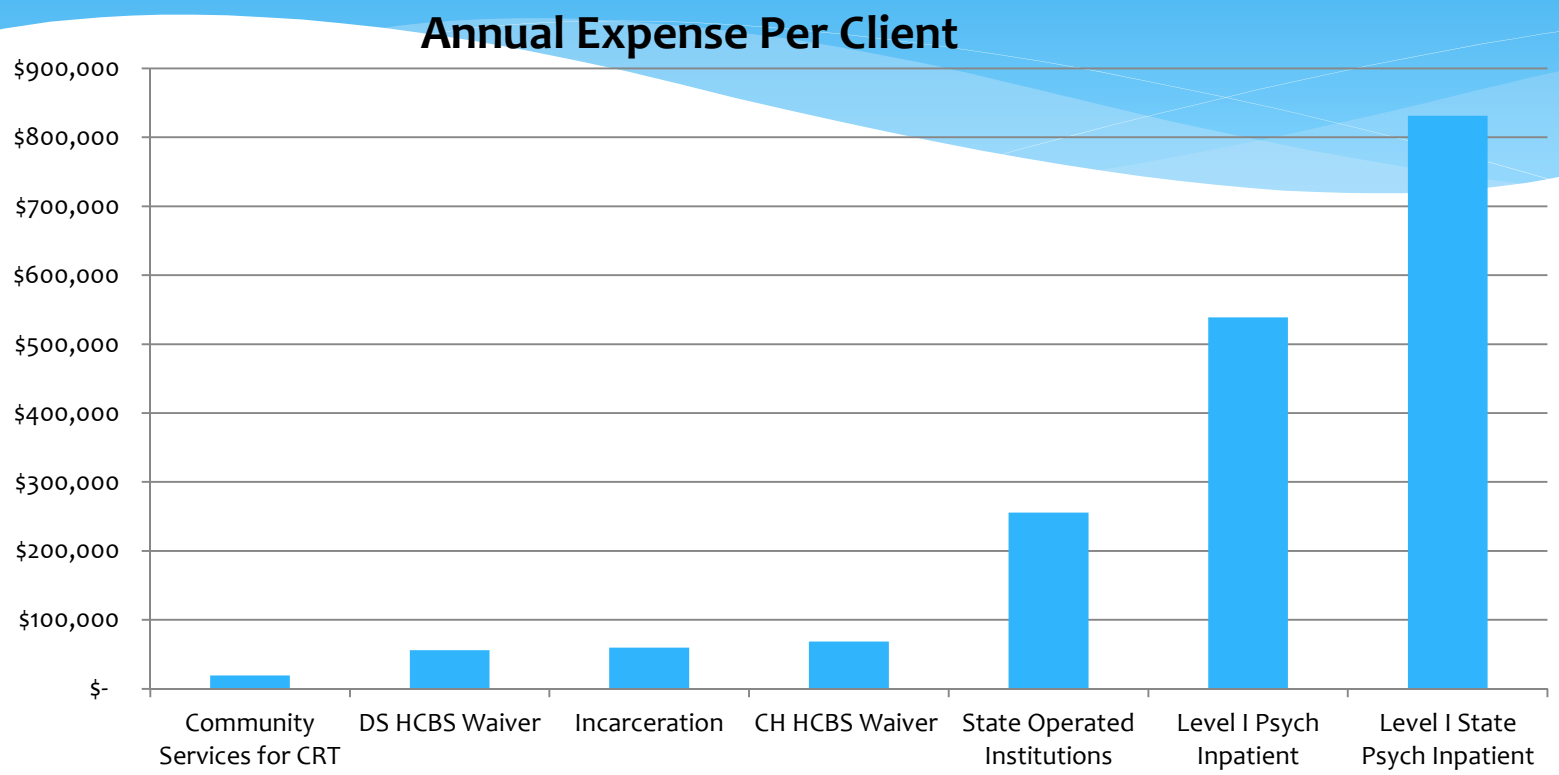
* Adult Outpatient
* Community Rehabilitation and Treatment (CRT)*
* Developmental Disabilities *
* Children and Families *
* Emergency/Crisis Services
* Advocacy and Peer Services

*mandated service population

Outcomes and Results Based Accountability

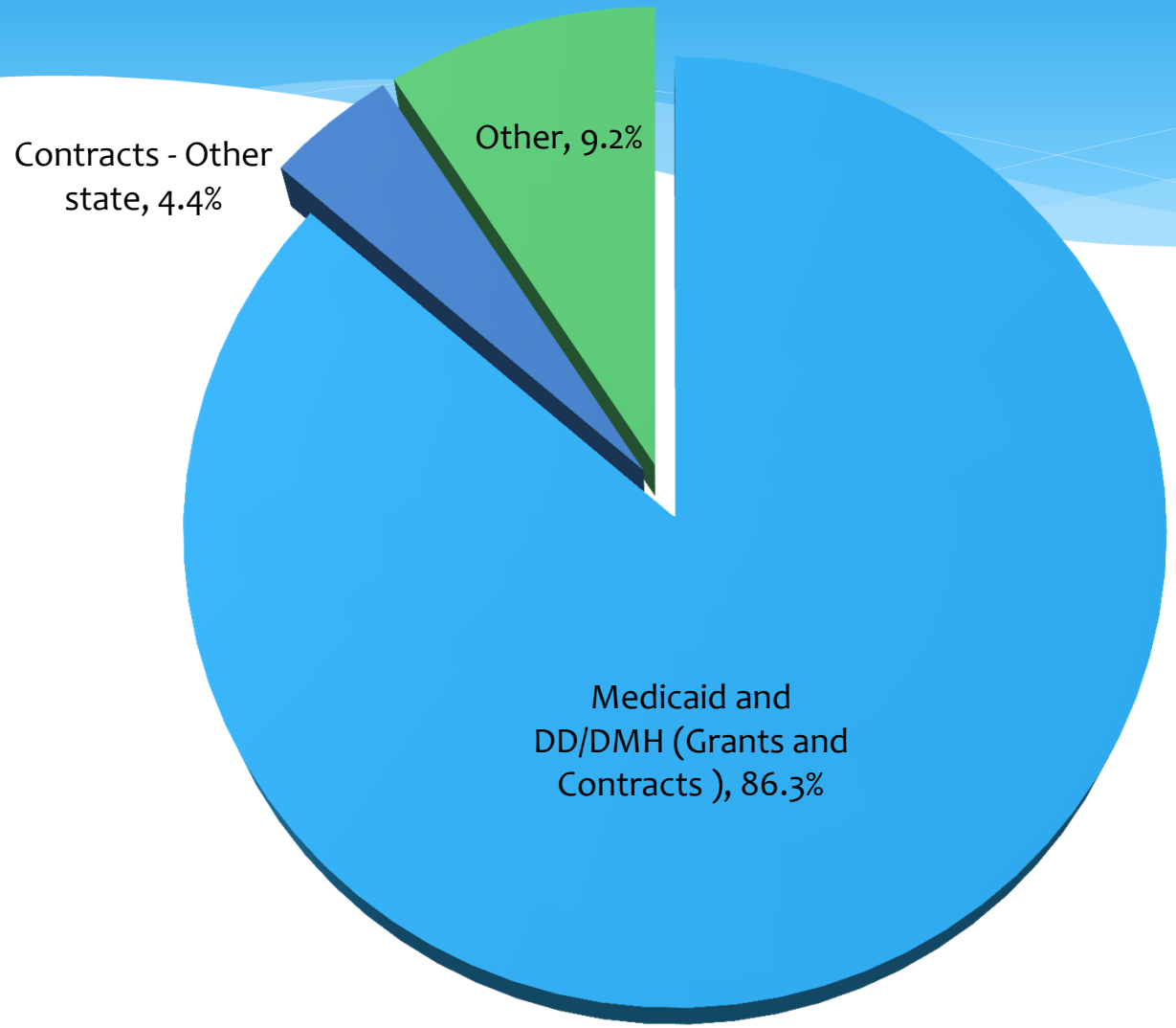
* State and community psychiatric hospital rates are below national averages
* 1,171 children & adults used 14,262 crisis bed days instead of hospitalization saving over $5 Million annually;
* Due to Act 79 since FY'13 inpatient care has decreased by 25% for the population
* Of the 2754 public inebriate screenings provided 50% were diverted from jail.
* 81% of at-risk youth served in JOBS achieve paid work experience;
* 26.3% of CRT and 47% of DS clients are employed compared to 17% and 19% nationally;

A STATEWIDE SYSTEM OF CARE IN VERMONT DESIGNATED AND SPECIALIZED SERVICE AGENCIES

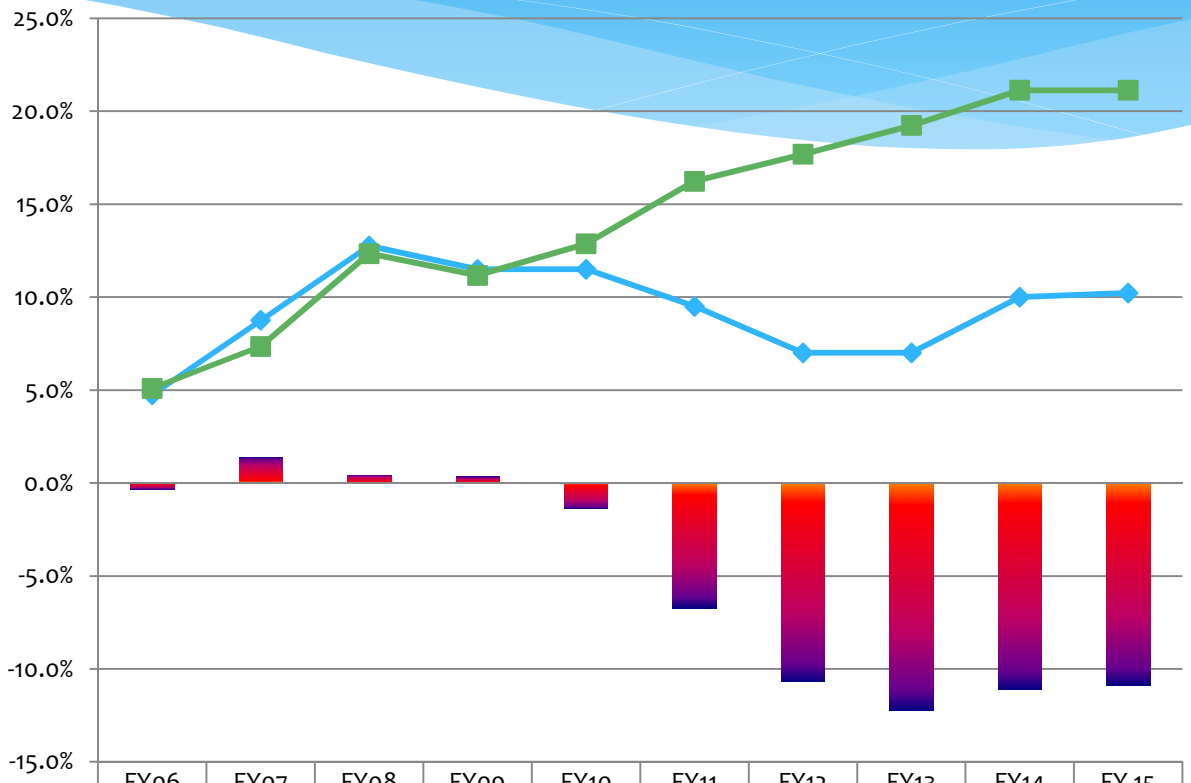


* Note: The HCBS cost is from the DS Annual Report for FY2014, and the institutional cost is the average state operated institutional cost from *The State of the States in Developmental Disabilities: Emerging from the Great Recession,* January 2015

Income by Source - FY 15 - Designated Agnecy System



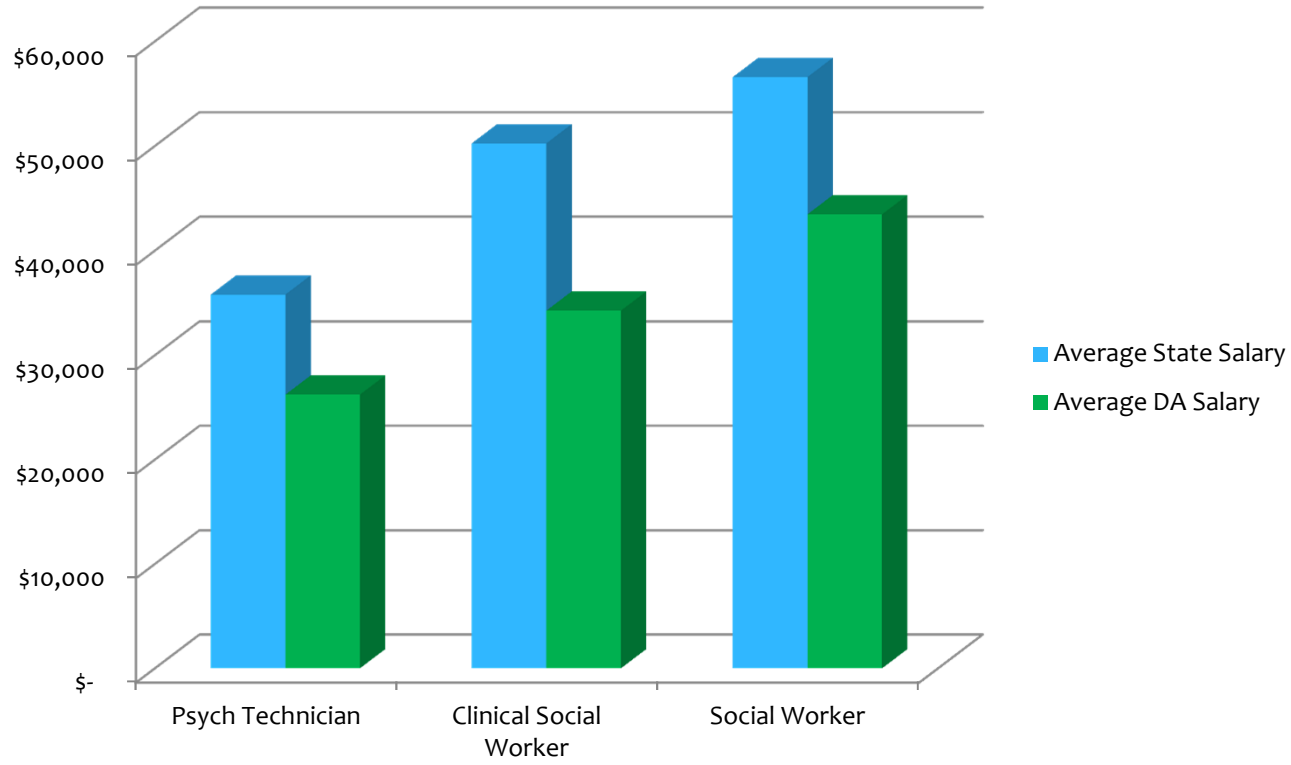
GAP between the New England Consumer Price Index and Inflationary Funding for the DA System FY06-FY15



	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY 15
Funding Gap	-0.3%	1.4%	0.4%	0.3%	-1.4%	-6.7%	-10.7%	-12.2%	-11.1%	-10.9%
Cumulative Inflationary Increaase/Decrease Appropriated	4.75%	8.75%	12.75%	11.50%	11.50%	9.50%	7.00%	7.00%	10.00%	10.22%
Cumulative CPI* (NE)	5.1%	7.3%	12.3%	11.2%	12.9%	16.2%	17.7%	19.2%	21.1%	21.1%

A STATEWIDE SYSTEM OF CARE IN VERMONT DESIGNATED AND SPECIALIZED SERVICE AGENCIES

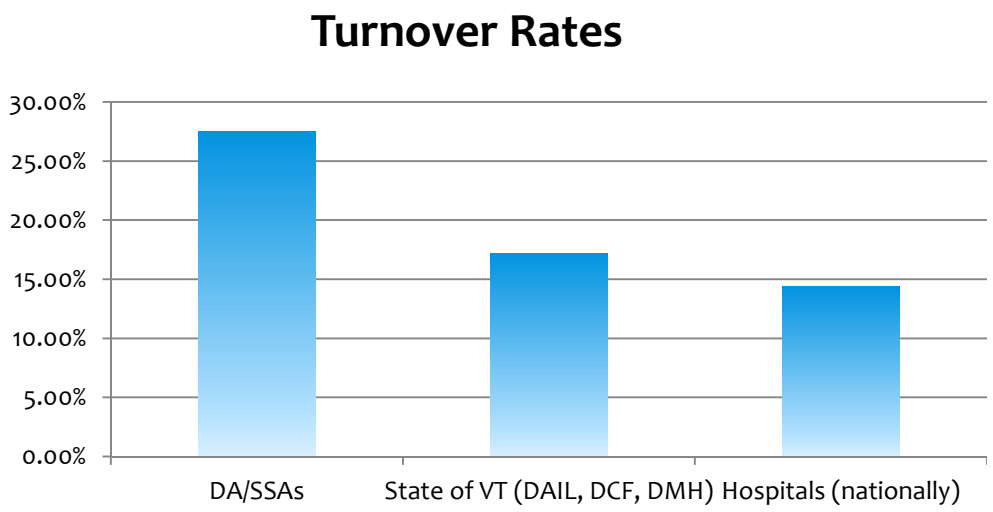
An analysis of DA wages compared to comparable State positions, using fy14 information, showed the following:



DA Workforce Turnover

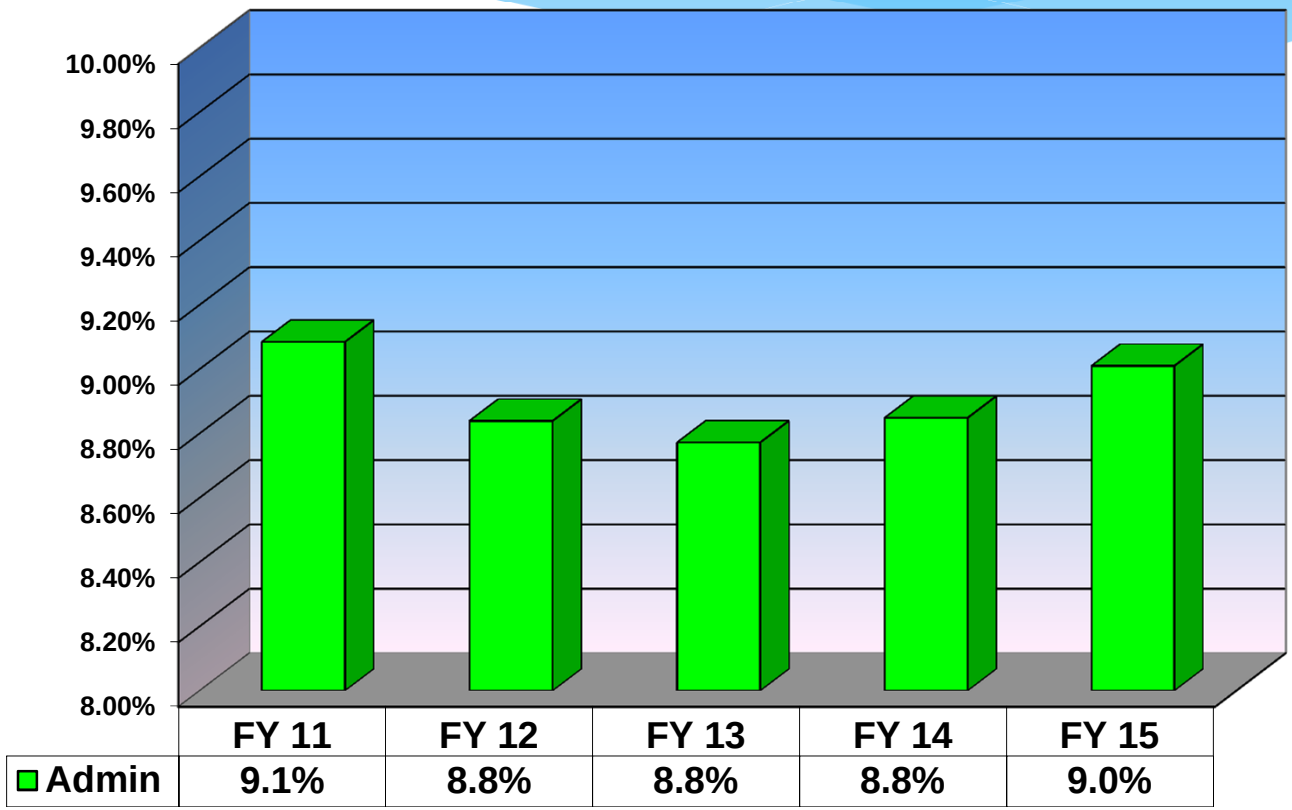
The Biggest Risk to the System

* **Staff Turnover in FY2015 was 27.5% Statewide. A significant driving factor is low, non-competitive salaries.**
* **Impact:**
  * **Disruption in Continuity of Care**
  * **Decreased Access to services**
  * **Increased expenses for recruitment and training**



DA/SSA Average Admin Rates

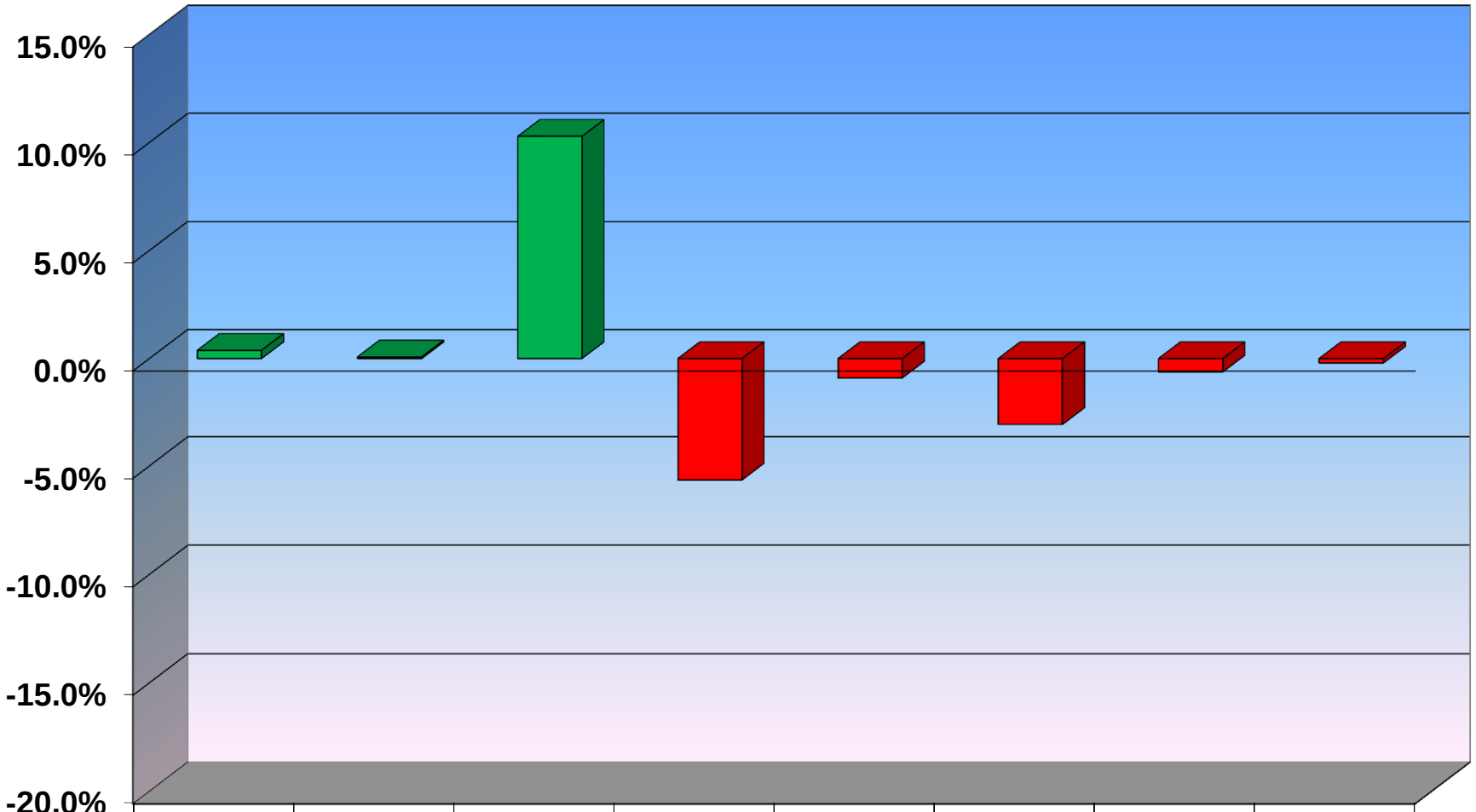
Agencies have worked very hard to find efficiencies within their agencies and currently average 9% for administration. Includes additional oversight, compliance, EMR implementation, RBA (outcome/ performance measurements), data analytics, ACO's, etc…



	FY 11	FY 12	FY 13	FY 14	FY 15
Admin	9.1%	8.8%	8.8%	8.8%	9.0%

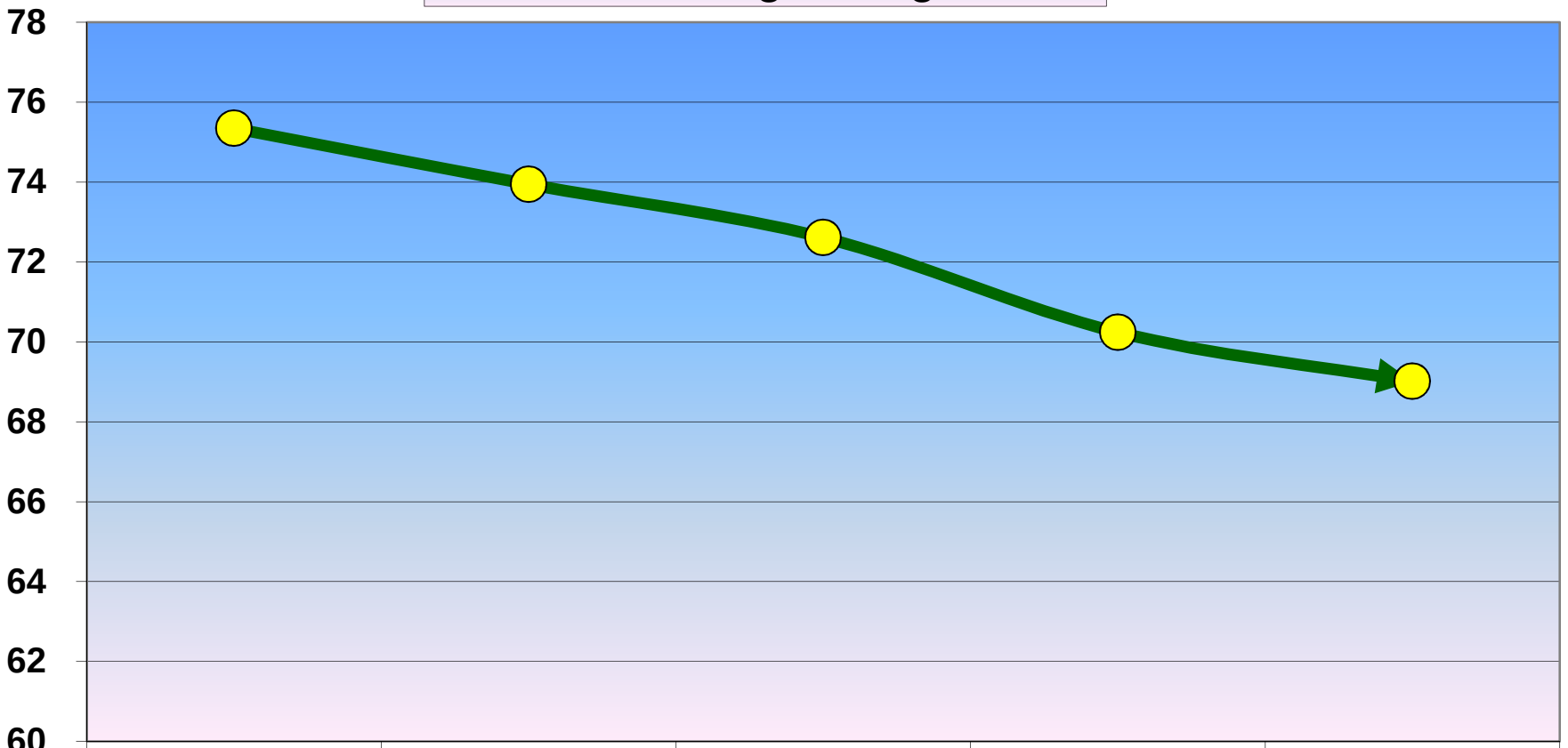
DA System % Gains / (Losses)

FY 2015

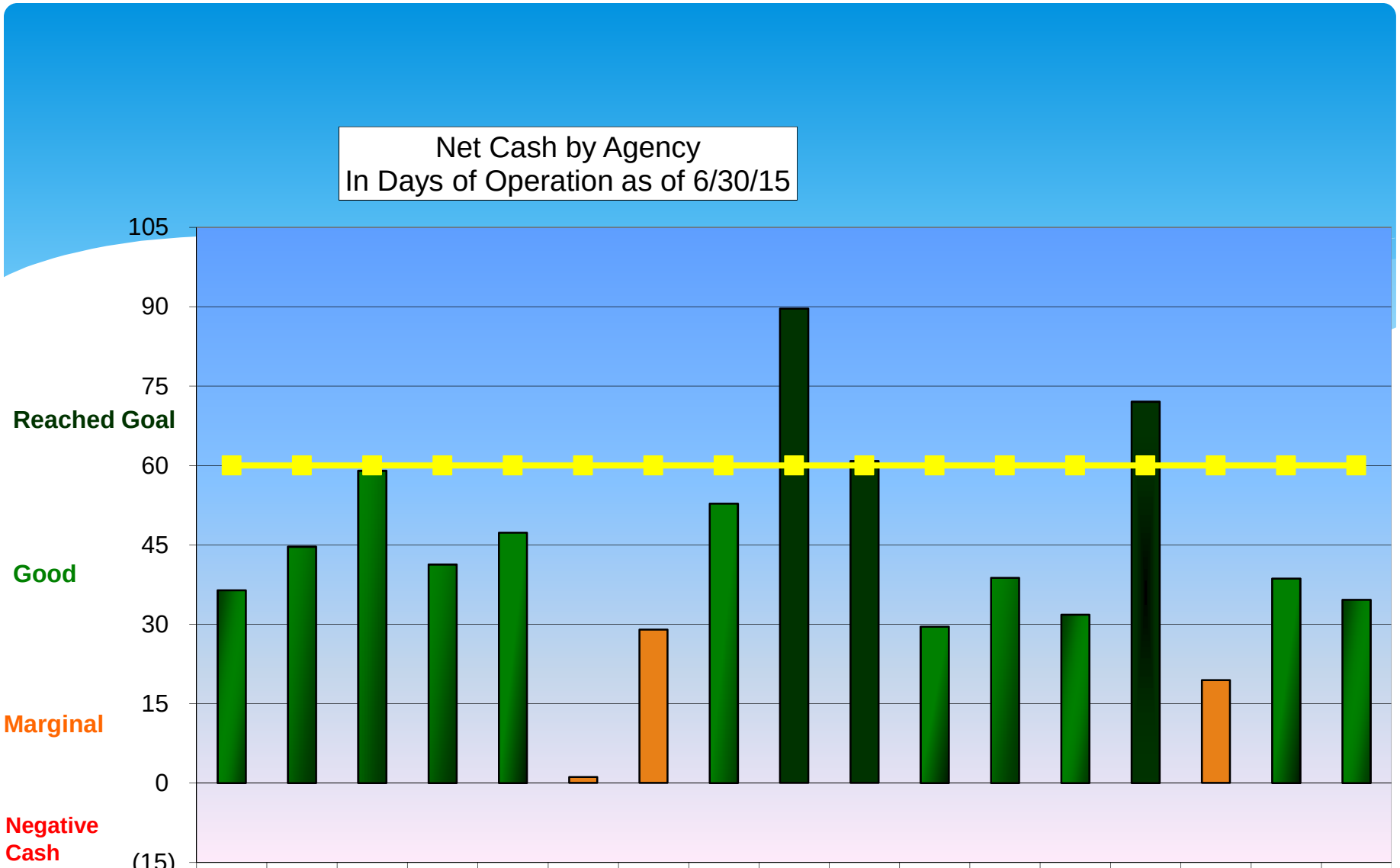


	Total	Child	SBS	Adult	CRT	Crisis	DD	SA
FY 15	0.4%	0.1%	10.3%	-5.6%	-0.9%	-3.1%	-0.6%	-0.2%

Net Assets in Days - Last 5 years
Statewide avg among DAs



	2011	2012	2013	2014	2015
Total	75	74	73	70	69



	CM	CSAC	CCS	FF	NCSS	HCRS	HC	LCMH	LSI	NFI	NKMH	RMHS	SAS	UCS	UVS	WCMH	AVG
Cash in Days	36	45	59	41	47	1	29	53	90	61	30	39	32	72	19	39	35
Min. Goal	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

A System of Care at Risk

The designated agency system cares for Vermont's most vulnerable citizens and is heading on a potentially catastrophic course. We have the duty and responsibility to sound the alarm on behalf of our staff, our clients :

- Our businesses are financially unstable due to insufficient Medicaid rates.
- We are not receiving adequate funding to meet our contractual obligations to the state or our commitment to our communities.
- No business can be expected to produce the same or greater outcomes with level funding over the course of multiple years.

We are now on the precipice where aspects of that system could begin to collapse.

Vermont's Designated and Specialized Service Agency System – A Workforce at Risk

February 2016

By Vermont Care Partners Human Resources Directors Group

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Vermont Care Partners: Vermont Care Network and the Vermont Council of Developmental and Mental Health Services

Executive Summary

Due to chronic underfunding of Vermont's Designated/Specialized Service Agency system's ability to recruit and retain workforce to support Vermonters with developmental, mental health and substance abuse issues has reached its breaking point.

- The Designated/Specialized Service Agency (DA/SSA) system in Vermont serves individuals with mental illness, substance abuse issues, and/or developmental disabilities, most of whom are lower income Vermonters covered by Medicaid. The system has proven to be highly efficient, with administrative costs less than half those of Vermont's Hospital system.

- Chronic underfunding frustrates provider agency efforts to recruit and retain a stable direct service workforce to deliver essential services to Vermonters.

    - Turnover rates for agency staff are high, with low wages cited as the prime reason
    - High DA/SSA job vacancy rates statewide reflect difficulty in recruitment
    - DA/SSA system agencies have not received regular COLAs from the State
    - The gap between DA/SSA funding and Consumer Price Index has widened

- This situation should not come as a surprise. In 2004, the Pacific Health Policy Group, retained by the State of Vermont Agency of Human Services to evaluate the system, reported that DA/SSA agencies faced serious challenges with respect to recruitment and retention of direct services staff, largely due to low wages and the inability to offer raises.

- Underfunding of the system of care has already led to extensive wait lists for Vermonters seeking various services including: outpatient therapy; family, school and community based services; and medication assisted treatment.

- If the chronic underfunding of the DA/SSA system is left unaddressed, we should expect an ongoing erosion of the provider workforce. Over time, the consequence will be devastating, and felt by individuals, schools, businesses and communities throughout Vermont:

    - more Vermonters with untreated or under-treated mental health conditions
    - an increase in the rates of substance abuse and addiction
    - increased homelessness
    - increased incarceration rates and an added strain on the judicial system
    - a rise in referrals to psychiatric hospitalization and
    - increased use of emergency rooms in response to mental health crises

- Beyond underfunding, new and unanticipated expenses have directly impacted the ability of DA/SSA agencies to continue to be creative with resources and retaining a viable workforce. These include:

    - Costly implementation of Electronic Health Records
    - Increased costs of providing health insurance benefits that meet ACA mandates
    - Updated FLSA Law which will require more staff overtime wages
    - Decreasing reimbursement rates for certain services

- The All Payer Model will require a significant investment of resources in both the ACO(s) and in the community infrastructure to start shifting the balance from high cost hospital care to more cost effective community care. **We should not proceed with the expectation of savings, unless we fully enable community providers to function with a well-paid, credentialed, skilled and experienced work force.**

Vermont's Designated and Specialized Service Agency System – A Workforce at Risk

"Decisions need to be made with respect to the State's commitment to the community based system of care for people with mental health and development needs. Policy makers and stakeholders need to work collaboratively to develop a 5-year funding plan that is consistent with both fiscal realities and the state's commitment to its citizens. The financial plan should address both the inflationary effects in the system (cost of living increases for personnel, rising energy and insurance costs, facility maintenance etc.), and funding for caseload growth… The people whose lives are deeply affected by these decisions are counting on responsible and compassionate stewardship."

(2004 Pacific Health Policy Group Report to the State of Vermont)

OVERVIEW

The Designated / Specialized Service Agency (DA/SSA) system in Vermont serves individuals with mental illnesses, substance abuse issues, and/or developmental disabilities, most of whom are low income Vermonters enrolled by Medicaid. These Vermonters are not able to receive the level of comprehensive care that they need from any other system in Vermont. Roughly 85% of the funding for the DA/SSA system comes from Medicaid reimbursement and grants. Vermont state government controls Medicaid payment rates and our ability to provide Cost of Living Increases (COLAs) to our staff. Average DA/SSA administrative costs are 8.9% of the overall budget. Staff salary and benefits account for 85% of agency budgets.

Over the last 5 years, the gap between increases in DA/SSA funding, and increases in the Consumer Price Index has widened to 15%, bringing already inadequate compensation levels even lower. These disparities are negatively impacting the stability of the workforce within the DA/SSA system, which has a direct and significant adverse effect on the quality of life and treatment outcomes for the people we serve.

For the Vermont's DA/SSA system to be sustainable, the lack of regular COLAs for our workforce must be addressed because it is degrading access to critical services to vulnerable Vermonters. Chronic underfunding of Vermont's Designated/Specialized Service Agency system has brought our workforce to a breaking point.

PAST RECOMMENDATIONS

In 2004, the Pacific Health Policy Group was retained by the State of Vermont Agency of Human Services to do an evaluation of the DA/SSA system. As part of their findings, they reported that the Designated and Specialized Services Agencies were facing serious challenges with respect to recruitment and retention of direct services staff, in large part due to low wages and the inability to guarantee raises. In their report they recommended that the State, *"Tie administrative allocations for wage increases to the increases (cost-of-living and step increases) provided for state employees on an annual basis. Under this option AHS would provide an adjustment to Designated Agency budgets for wage increases in an amount that could, over time, permit the equalization of wages within the DA system to those of other public employees. At a minimum, such an adjustment should allow the agencies to move their wage levels to something that more closely mirrors the public sector wage levels in Vermont. With the Designated Agencies functioning as a type of quasi-governmental system,*

wage equity is an important issue for maintaining a stable and experienced workforce within these programs."

These problems still exist and current employment, economic and demographic trends will clearly exacerbate these problems in the years ahead. This has the makings of a perfect storm. As we move to more home and community-based services across all of health and human services, utilizing more direct service staff, these issues take on even greater strategic importance.

PROGRAMMATIC AND CLINICAL IMPACTS

Across our system of care there are numerous examples of vulnerable Vermonters who are unable to access critical services because inadequate reimbursement rates prevent DA/SSAs from offering competitive compensation packages to recruit and retain staff. Underfunding of the system of care has led to wait lists for various services including hundreds of people waiting for outpatient therapy; nearly 500 children and youth waiting for family, school and community based services; and hundreds of people are waiting for substance use disorder and outpatient mental health treatment. Recent changes in structure and reductions in Medicaid reimbursement rates for group therapy and applied behavioral analysis (ABA) services, in particular, will exacerbate the problems of access to needed services and the challenge of recruiting and retaining skilled and experience staff. Recently, a designated agency returned funds allocated for a pilot program designed to reduce inpatient hospital care, because they simply were unable to recruit staff at the compensation rates they could offer at the proposed funding level.

If the chronic underfunding of the DA/SSA system is left unaddressed, ongoing erosion of our workforce will be unavoidable. This has a direct effect on the quality of care we are able to offer, and reduces our ability to offer services that meet the best practice standards for our various populations. We are faced with using less educated and credentialed staff, who will work for lower wages, to provide services which Master level / licensed staff should be performing. Clients have to wait longer to get an appointment or cannot be offered the type of service indicated by the clinical assessment. In many regions of the State group therapy and Applied Behavioral Analysis service are being reduced or eliminated, as the reduced reimbursement rates no longer support the service. In some cases, large caseloads require clinicians to increase the interval between appointments in order to see everyone on their caseload. Clients with complex needs who require a 2:1 staffing ratio are only able to have a 1:1 staffing ratio, which is a safety concern for both the client and the employee.

High turnover rates cause clients to lose valuable ground in their recovery process and force them to retell their story to new staff over and over again. We cannot measure the impact of rebuilding trust, especially for those recovering from trauma, but the overall impact is an ever lengthening duration of healing and recovery which in turn drives an increase in the cost of service delivery. Clients who have a major mental illness or a developmental disability need the continuity and stability of staff that they come to trust and recognize.

High turnover rates also contribute to the de-stabilization of a treatment team. At times, a treatment team and/or clinical supervisors are unable take on the cases left behind. When this occurs short term needs may fall to the emergency services system to respond. Using emergency staff in this manner delays their ability to respond adequately to crisis situations in the community. This can result in clients in crisis accessing more expensive services such as hospital emergency rooms, calls to 911 or

trips to crisis bed programs. This added burden on emergency staff has a domino effect of causing staff turnover within the emergency team, which only compounds the issue.

The long term consequences of chronic underfunding will be:

- more Vermonters with untreated or under-treated mental health conditions impacting schools, employers and communities at large;
- an increase in the rates of substance abuse and addiction;
- increased homelessness;
- increased incarceration rates and an added strain on the judicial system;
- a rise in referrals to psychiatric hospitalization; and
- increased use of emergency rooms in response to mental health crises

The increasing need for opiate treatment by a growing number of Vermonters will require counselors to be available to work with that population. We are currently experiencing an extreme delay in our ability to recruit for these positions, which has resulted in burgeoning caseloads and delays in accessing needed services. Additionally, due to the aging population, the need for services continues to grow, thus the competition for staff continues to escalate. For example, the need for Personal Care Aides and Home Health Aides is expected to grow by 71% and 69% respectively from 2010 – 2020. (PHI Publications, November 2013 Facts #3 Update)

RECRUITMENT AND RETENTION

Staff are the backbone of the DA/SSA system, yet our average turnover rate for the past 3 years has been 27.5% annually. In stark contrast, even during a period that includes the closing of the Vermont State Hospital in 2011, staff turnover for the State of Vermont Departments which contract for the services (DAIL, DCF and DMH) in the most recent 5 year period was 14.36%. (US Department of Labor, May 2014 Occupational Employment and Wage Estimates)

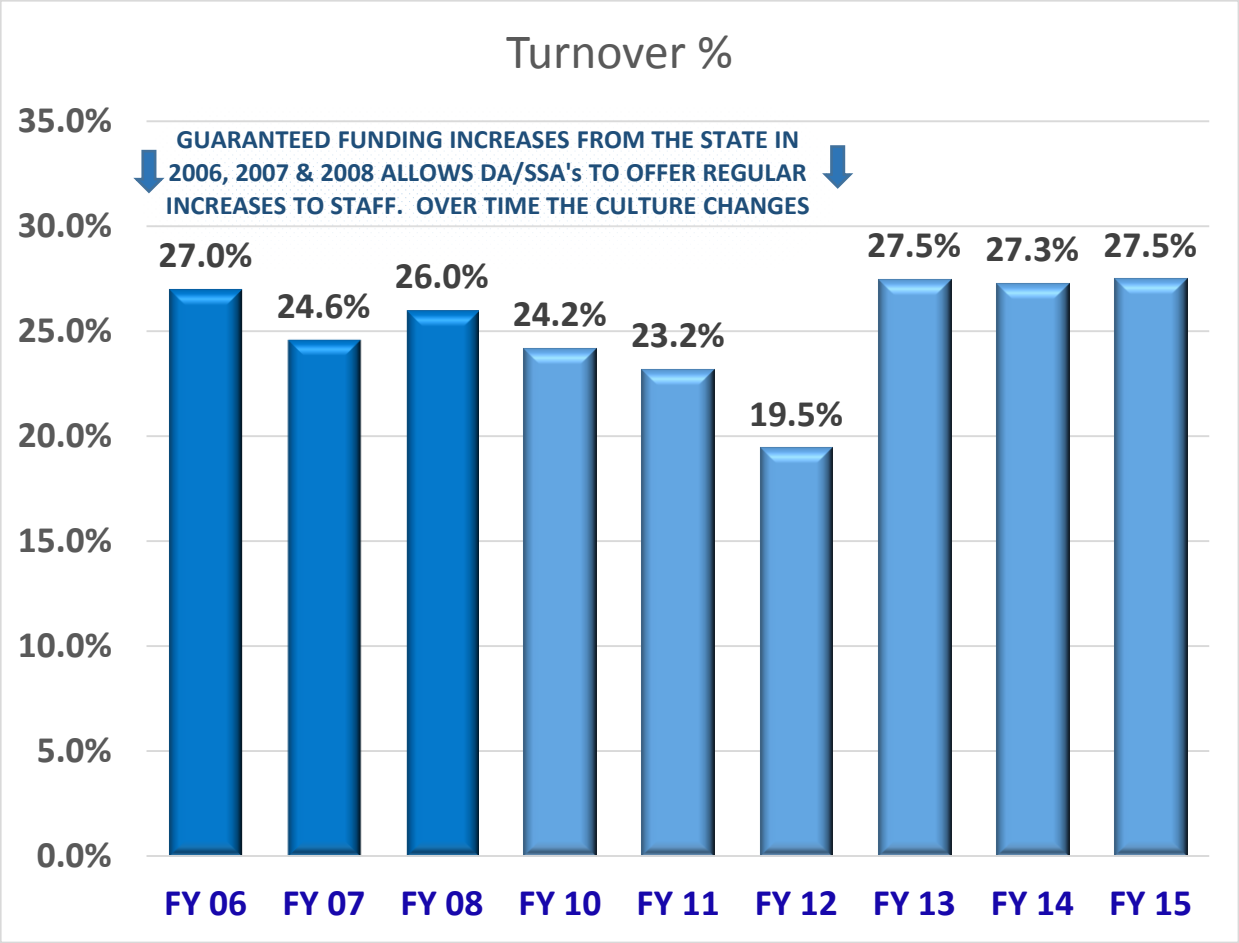
The increasing loss of our workforce is expensive, disruptive and detrimental to the system's capacity to deliver quality services to the people we are contracted by the State of Vermont to serve. Currently there are over 350 job vacancies being recruited for in the DA/SSA system, and we estimate that roughly 1200 positions turnover over each year. The time it takes to recruit staff to fill open positions has increased dramatically, causing gaps in programming and a significant increase in advertising costs.

In a December 2015 survey of our DA/SSAs, 23% of our collective workforce had an hourly rate less than the 2014 Vermont Livable Wage amount of $13.00 / hour. (2015 Basic Needs Budgets and the Livable Wage, prepared by the Vermont Legislative Joint Fiscal Office) We are losing our credentialed and trained staff to higher paying positions in hospitals, public schools and the State of Vermont where they work as social workers, psychiatric aides, and Blueprint counselors. In fact, we frequently serve as a training ground for entry level staff by providing supervision for licensure. Once the staff achieve licensure they often leave for higher paid jobs. Adding to the recruitment problem is the lack of availability of prospective employees. Vermont's unemployment rate was the fourth lowest in the country in 2004 at 3.4%. In August 2015, Vermont had the third lowest unemployment rate at 3.6%. (2004 PHPG Report, page 4-1; August 2015 Unemployment and Jobs Press Release, Commissioner Annie Noonan) The lack of candidates for our job openings forces us to compete to

hire people who are already working elsewhere at higher compensation levels. This has made recruiting for positions extremely challenging.

As seen in the chart below, Vermont's Designated Agency system is in a pattern of three consecutive years of 27% staff turnover. This follows four consecutive years of a decreasing turnover, which came on the heels of a commitment by the Douglas Administration to provide COLAs to the DA/SSA system in 2006, 2007 & 2008. We have not had a commitment of COLA increases since then.

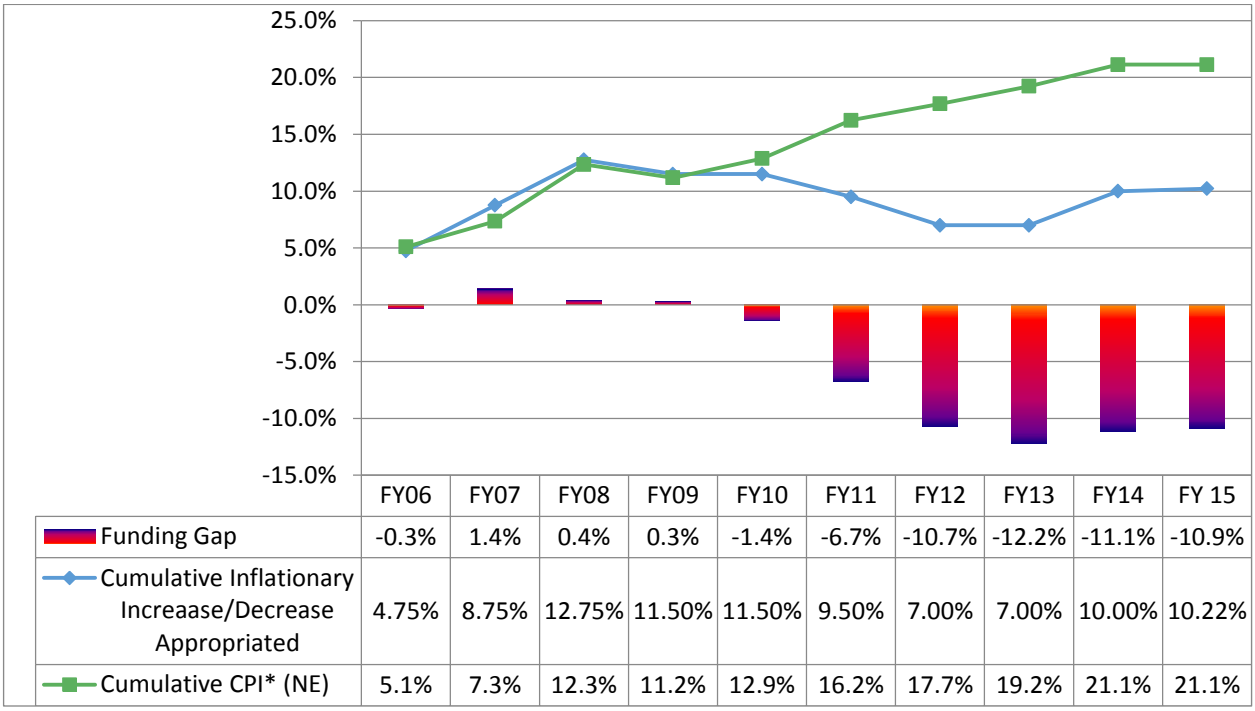
Vermont Care Partners Network Average Statewide Turnover FY 06 - 15



HISTORICAL INCREASES AND PROMISES MADE

"I'm proud to maintain the commitment to the state to the very kind of services that we still owe to the population that was once at Brandon, and is now in the community. We will continue to assure that individuals receive support & services; We will continue to assure that those services meet acceptable levels of quality; We will continue to assure that persons receiving the services are free from abuse and neglect or mistreatment; To assure that the folks taking care of the people needing these services have adequate training & support. So our commitment does not end with the closing of this institution. Our commitment continues." ***Governor Howard Dean, at the Ceremony to close the Brandon Training School in 1993 – Video in VIMEO, "The Very Most Glorious of Occasions"***

The chart below shows the gap between the Consumer Price Index and inflationary funding in the DA/SSA system since FY07. This gap in parity with other Vermont health care providers is preventing us from attracting and retaining an appropriately scaled workforce.



	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY 15
Funding Gap	-0.3%	1.4%	0.4%	0.3%	-1.4%	-6.7%	-10.7%	-12.2%	-11.1%	-10.9%
Cumulative Inflationary Increaase/Decrease Appropriated	4.75%	8.75%	12.75%	11.50%	11.50%	9.50%	7.00%	7.00%	10.00%	10.22%
Cumulative CPI* (NE)	5.1%	7.3%	12.3%	11.2%	12.9%	16.2%	17.7%	19.2%	21.1%	21.1%

INADEQUACY OF PAYMENTS

Due to the caps on certain programs, DA/SSAs revenues are limited regardless of whether or not they provide more services to the increasing number of children, families and adults who request help. In FY16 we received a 0.22% Medicaid Rate increase. That, combined with the 1.5% allowed annual cap on gains, means that the ability of the DA/SSA system to address turnover, build in annual increases for staff and address staffing shortages falls somewhere in a range between extremely limited and non-existent. The recent spikes in health insurance premium costs has required a reduction in comprehensive health insurance coverage, and/or switching to high deductible health plans as the

affordable option for health care. Despite annual increases in insurance and other costs, the DA/SSA system does not receive annual increases from the State.

The State of Vermont employees, most public school employees and hospital staff generally do receive annual increases in pay. For example, in a recent article by Erin Mansfield in VT Digger, the CEO of Rutland Regional Medical Center, Thomas Huebner, was cited as saying "Our whole staff tends to get raises every year. They're generally in the 2 to 3 percent range." Over time, this practice has caused an ever growing gap in base wages of similar positions in our DA/SSA system with those in the hospitals, public school system and at the State of Vermont.

At the ceremony of the closing of the Brandon Training School in 1993, Barbara Snelling, Lt. Governor, spoke to the crowd who had gathered for this celebratory event and she told the crowd, *"I know that the State of Vermont will remain committed to all of those individuals who have been here at the [Brandon] Training School and will see that in our communities they receive the funding and attention and the advocacy that is needed for their future enjoyment of their full life's potential". Video in VIMEO, "The Very Most Glorious of Occasions*" This commitment to the DA/SSA system is now at stake.

UNANTICIPATED FINANCIAL IMPACTS SINCE JULY 2015

In addition to the challenges of not receiving an annual COLA increase, the DA/SSA system has had many significant and unanticipated costs in the past 6 months. Some of these events are:

- New State mandate for supervised billing;
- 75% reduction in group therapy rates;
- Restructuring and reduction in the applied behavioral analysis rates;
- Change to the Federal Fair Labor Standards Act broadening the definition of Non-Exempt workers which will increase payment of overtime wages;
- Additional mandates by the Federal ACA which impact health insurance costs;
- Changes to the Federal Home Health Care Exemption;
- Customization of electronic health records to account for a change in ICD-10 billing codes and the addition of an electronic patient portal;
- Monthly checks of the OIG website for all employees; and
- Insurers recouping revenue from paid bills for errors associated with VT Health Connect

Each of these impacts funnel resources away from staff and towards administrative costs in some fashion.

HEALTH REFORM

Vermont employs many dedicated workers in its DA/SSA system, but increasingly we are seeing our staff leave this system for higher paying jobs with better benefits within the public education system, the hospital system and for positions working for the State of Vermont. State dollars spent on the designated agency and specialized services system will make the most impact on the Triple Aim of improving health care quality, improving health outcomes and reducing cost, but only if we have enough resources to fully and effectively address the social determinants of health with sufficiently-paid, experienced and qualified staffing.

We would be wise to remember that it is community services that emptied out state hospital beds and maintains that system on a thread; and it is the community that closed Brandon Training School, developing one of the most advanced systems for people with developmental challenges in the country; and it is the community that closed nursing home beds throughout the state, in favor of more home based care.

If the State wants to succeed in health reform it will be essential that the investment in community based services be made up front, just like we did in the other efforts to deinstitutionalize populations. The All Payer Model will require a significant investment of resources in both the ACO(s) and in the community infrastructure to achieve the shift in balance from high cost hospital care to more cost effective community care. We should not proceed with the expectation of savings, unless we fully enable community providers to carry out their mandate with a well-paid, skilled and experienced workforce.

SUMMARY

Unless proactive steps are taken immediately, the future of the Vermont DA/SSA system is in jeopardy. As the state strives to contain and control health care expenses in general, community developmental, mental health and substance use disorder services are by far the most cost effective and successful model for independent living and recovery. Vermont Care Partners and our member agencies are experiencing the negative effects of the long standing practice of the State to not include in its budgets any provision that allows us to provide regular COLA increases to our staff. Our current ability to recruit and retain a workforce that is adequately credentialed, trained and skilled to treat and support needs of vulnerable Vermonters with developmental, mental health and substance abuse issues is at a breaking point.