Report to
The Vermont Legislature

Fiscal Year 2019 Budgeting for Designated and Specialized Agencies

In Accordance with: Act 85, Sec. E.314.2

Submitted to: **Senate Committee on Appropriations**

House Committee on Appropriations

Senate Committee on Health and Welfare

House Committee on Health Care

Submitted by: **Al Gobeille, AHS Secretary**

Report Date: **12/15/2017 (corrected 1/3/2018)**

VERMONT

AGENCY OF HUMAN SERVICES

I. Legislation

Sec. E.314.2 FISCAL YEAR 2019 BUDGETING FOR DESIGNATED AND SPECIALIZED SERVICE AGENCIES

(a) The Secretary of Human Services, in consultation with the Departments of Mental Health and of Disabilities, Aging, and Independent Living, shall estimate the levels of funding necessary to sustain the designated and specialized service agencies' workforce, including increases in the hourly wages of workers to $15, and to increase the salaries for clinical employees and other personnel in a manner that advances the goal of achieving competitive compensation to regionally equivalent State, health care, or school-based positions of equal skills, credentials, and lengths of employment; enable the designated and specialized service agencies to meet their statutorily mandated responsibilities and required outcomes; identify the required outcomes; and establish recommended levels of increased funding for inclusion in the fiscal year 2019 budget.

II. Background

Act 85 appropriated $8.37 million in Fiscal Year 2018 for increased payment to Designated Agencies (DA) and Specialized Service Agencies (SSA). This payment increased the hourly wages of employees to $14 per hour and funded salary increases for crisis response and crisis bed personnel. The Act also required the Secretary of Human Service to estimate funding to further increase salaries to achieve a $15 per hour minimum wage and to achieve competitive compensation for clinical and other employees. On November 15, 2017, the Vermont Care Partners provided the Agency of Human Services with a budget analysis to move staff from $14 to $15 per hour and to achieve competitive compensation for clinical and other employees (Attachment A).

III. Findings

The Agency of Human Services (AHS) appreciates the work of Vermont Care Partners (VCP) on the workforce investment projections for 2019. To verify the VCP analysis, AHS would need to contract with a third-party consultant in accordance with sound fiscal, monitoring and quality assurance practices.

The VCP data estimates a $1.4 million dollar need to increase the wages of all employees who are currently earning less than $15/hr. To achieve levels commensurate with state compensation would require over $61 million in increased funding (Attachment C).

IV. Discussion

Act 85 and Act 82 were the result of frustrations concerning our mental health system within our State. The often-high number of people waiting for treatment in our emergency rooms, the concern about the safety of staff, and the all too often headlines of folks with mental illness

doing harm to themselves or others has galvanized a belief that the State, and our designated agencies, must do a better job serving people with mental illness. It is with this as a backdrop that we will attempt to fulfill the intent of the legislation cited above and with respect for the larger intent to improve the system as whole.

First, we will address the increased compensation provided in the law and a view of future imports. It must be noted that reasonable people can disagree on the advantages of across the board pay increases. Often called "spreading the peanut butter" by detractors, the practice of across the board increases can lose the potential gain to be made through strategic investments in a workforce. Valuable workplace mores such as length of service and variable qualifications are often lost in blunt moves. Compression, for those just above the level of selected increase, can produce morale, retention, and fairness issues for managers to deal with. On the other side of this debate, there exists strong economic evidence that increasing the base compensation within large companies does improve quality, morale and retention for the workers receiving the benefit.

What we see with the DA/SSA's mirror both positions. For the impacted workers, retention rates are showing improvement for example, while compression issues exist. More importantly, positions at the median compensation levels that did not receive additional funding, are currently hard to fill. Each of the designated agencies faces slightly different employment, demographic and service level challenges and feedback from the field was mixed on the imperative to focus on one workforce component.

Second, we feel compelled to ask the question, "what problem are we trying to solve"? It is concerning when we intermingle the goals of mental health system improvement, State budgeting, and private sector management. The DA/SSA's are created in statute and are financed through a "performance grant" that is not quite a grant and not quite a contract. This blurs the line between state entities and the private sector. It also reduces the structure and force of accountability as it does not always include the right tools to manage performance or create incentives. For example, if one of these entities were found to not meet a new measurement of ER utilization would we contract with someone else? The answer currently is no, and this leaves the call for increased measures and accountability lacking.

A few of the tools we do have are pay for performance, value based payments, and new innovations that provide open ledger access, such as block chain technology. The problem identified above, as the blurred line, must be drawn bright. The DA/SSA's must be responsible for choosing to use strategic salary increases or spreading the peanut butter. The State should pay for value. This is not to say that we as a State could, and possibly should put minimum pay requirements in our contracts, but managing the business should be the realm of the private entity.

Third, the ability of AHS to implement the legislative intent to raise low wage worker pay is limited by our statutorily defined payment structures. What may be easy for the private sector, is

difficult at best for the State Medicaid system. The DA/SSA's operate in different geographies, provide different and varied services, and lack common salary and wage policies. This makes a request to "raise all employees to $14/hr." a problem when some agencies were already near these levels while others remained well below. Requests for mental health rate increases ranged from 1% to almost 12% amongst the agencies (Attachment D). This made implementation difficult and inexact.

Fourth, we must focus on improving the system and not limit our thinking or prioritization to one component or another. The DA/SSA's do incredibly important work, often under arduous conditions, that we should all respect, appreciate, and admire. But they are only part of the system, and the ability of the other parts to function as intended has a direct feedback loop to them. Trying to hold the Designated Agencies financially accountable for performance without providing the proper downstream facilities is unfair at best. Specifically, the relationship between increased crisis bed investment and inpatient facility needs must be examined more closely.

V. Summary of Conclusions

- Although we are all invested in stabilizing our community-based system, a global wage increase targeting the first tier of workers may not accomplish that goal.
- As we move towards a more accountable system, we must allow the DA/SSA system to strategically invest to meet the goals and outcomes we identify as critical and not manage our partners based on contract expectations that primarily tell us how much but not enough about quality and outcomes.
- Investments in the system can have unintended consequences, we must analyze and understand those to ensure that our solutions address the issues we have identified.
- A conversation across all branches of government and our community provider system must clearly identify our desired goals and outcomes in order to ensure agreement on work that must be done and work that may be desirable but not critical – that grey area in-between creates inequities and challenges in apples to apples comparisons across the community system.
- We must address the other areas of our community system to ensure that each is performing according to expectations – hospitals, nursing facilities, home health, and private providers all have a role to play and must be strong and accountable.

Attachment A

DA/SSA Information request form AHS

Name of Agency: SUMMARY

	# of Staff*	% of total	Current Annual Salary	Total Hours	Average hourly amount per position	Hourly Target Min	Compression/LOS Adjsmts**	Hourly Difference	Amount Needed
Staff earning between $14/hour and $14.99	1,281.85	26%	25,556,517	1,794,614	$ 14.24	$ 15.00	$ 0.76	$ 0.76	$ 1,362,696
Staff earning between $15/hour and $20.00	2,214.30	45%	69,999,861	4,090,178	$ 17.11	n/a	4,159,266	n/a	$ 4,159,266
Staff earning over $20/hr	1,391.58	28%	70,583,618	2,583,516	$ 27.32	n/a	3,894,195	n/a	$ 3,894,195
Totals	4887.725		$ 166,139,996						$ 9,416,157
Variable Fringe	24.9%								$ 2,340,543

Instructions/Notes:

Complete all shaded sections

*Include FT/PT and Hrly employees

**Each Agency used its own methodology for calculating compression and length of service adjustmentsfor all staff earning over $15/hour.

Please Note: There is no data included for SCC or Pathways for Housing. All other DAs and SSAs responded.

Attachment B

DA/SSA Wages Relative to Comparable State positions - 2016

FINAL RESULTS - 12/13/16

State Job Title	# Incumbents/ FTES in Comparable Agency Positions	Average Length of Service for Agency Positions	Average Agency Compensation for this job	Agency Annualized Average Salary	Comparable State Salary (by Step based upon Grade and Avg LOS)	State Annualized Average Salary	Compa-ratio	Per Person Average Increase to Meet State Level	Additonal Comp Needed for Agency Positions to Reach State Levels
Psych. Tech. Grade 18 - Step 5 (Non-Degree)	1605	4.4	$ 14.41	$ 28,100	$ 19.82	$ 38,649	72.70%	$ 10,550	$ 16,931,948
Reach Up Case Manager II Grade 23 - Step 6 (Bachelor's)	955	4.8	$ 16.79	$ 32,741	$ 26.94	$ 52,533	62.32%	$ 19,793	$ 18,901,838
Psychiatric Social Worker I Grade 23 - Step 6 (Master's)	384	6.2	$ 20.96	$ 40,872	$ 26.94	$ 52,533	77.80%	$ 11,661	$ 4,477,824
Clinical Social Worker Grade 25 - Step 7 (Master's w/License)	182	8.5	$ 22.85	$ 44,558	$ 31.37	$ 61,172	72.84%	$ 16,614	$ 3,023,748
									$ 43,335,357.00

Notes:

1. Annualized Salaries Assume: * average work week 37.5 hours
   * 1,950 hours per year
2. State Wages are based on CLS Pay Plan in effect 7/10/16 - 7/8/17.

Conclusion: To bring comparable Agency positions up to the level of these four State positions, the DAs/SSAs would need to spend over 43 million dollars. This does not include the rest of the Agencies' staff in other positions.

Attachment C

DA/SSA Wages Relative to Comparable State positions - 2017

FINAL RESULTS - As of 10/1/17

Agency Direct Care Jobs by Level	Budgeted FTES in Agency Positions	Average Length of Service for Agency Positions	Average Agency Compensation for this job (Hrly Basis)	Agency Annualized Average Salary*	Comparable State Hourly Rate (by Step based upon Grade and Avg LOS)	State Annualized Average Salary*	Compa-ratio	Per Person Annual Agency Salary Increase to Meet State Level	Total Additonal Comp Needed for Agency Positions to Reach State Levels
Direct Care (Non-Degree)	1,448.3	4.3	$ 14.48	$ 30,118	$ 20.27	$ 42,162	71%	$ 12,043	$ 17,442,524
Direct Care (Bachelor's)	1,500.2	5.1	$ 17.29	$ 35,960	$ 27.55	$ 57,304	63%	$ 21,344	$ 32,019,891
Direct Care (Master's)	490.1	5.8	$ 21.38	$ 44,474	$ 27.55	$ 57,304	78%	$ 12,830	$ 6,287,518
Direct Care (Master's w/License)	297.8	9.3	$ 24.17	$ 50,267	$ 33.19	$ 69,035	73%	$ 18,768	$ 5,589,269
								Total	$ 61,339,201.26

Notes:

1. Annualized Salaries are listed on an FTE basis

2. State Wages are based on CLS Pay Plan in effect 7/10/17 - 7/8/18.

Please Note: There is no data included for SCC or Pathways for Housing. All other DAs and SSAs responded.

Conclusion: To bring comparable Agency positions up to the level of these four State positions, the DAs/SSAs would need to spend over 61 million dollars. This does not include the rest of the Agencies' staff in other positions.

Attachment D