Workforce Analysis
Submitted to the Agency of Human Services
By Vermont Care Partners
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Introduction

The mission of the designated and specialized service agencies (DA/SSAs) is to provide quality services and supports to Vermonters with developmental disabilities and mental health conditions. Quality care is dependent on well-trained and experienced staff. Over the years DA/SSAs have been experiencing significant challenges recruiting and retaining a qualified workforce with an average staff turnover rate of 26% in FY'16 and vacancy rates that went as high as 10% due to poor compensation levels. The agencies, through Vermont Care Partners, advocated for greater investment in the workforce.

The Legislature responded to this crisis by passing Act 82 the Mental Health and Care Coordination Act and including specific language in fiscal year 2018 (FY'18) Appropriations Act (Act 85) calling for analysis and actions to address the workforce crisis. Act 85 appropriated $8.37 million in FY'18 for increased payment to DA/SSAs to fund the cost of increasing the hourly wages of employees to $14 per hour and to fund salary increases for crisis response and crisis bed personnel to advance the goal of achieving more competitive compensation. There was a specific focus on addressing the critical issue of people in psychiatric crisis being held in hospital emergency rooms because of unavailability of inpatient or other appropriate care in a timely way. Additionally, the Act requires the Secretary of Human Services 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. The information in this report has been developed by Vermont Care Partners to assist the Secretary of Human Services to complete the requirements specified in Section E.314.2 of Act 85 per his request.

> 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

Progress in Fiscal Year 2018

The workforce Investment implementation funds included in the FY'18 budget have had positive results in a short period of time:

- The $8.37 million investment represents a 2.1% overall increase in funding
- Over 2000 staff received pay raises
- The base salaries for direct care staff are now $28,000 to $29,000 annually

- Some staff received raises worth $5,000 annually, an increase of up to 18%
- Staff recruitment and retention are improving in the affected positions with the impact starting in the Spring of 2017 at some agencies who raised salaries then
- Staff morale has improved because they feel recognized and valued
- Crisis staff now receives compensation levels that are more competitive
- Implementation in Developmental Services went smoothly, once the allocation was set
- Across the board increases for the lowest paid staff led to inequities in pay for those earning just above $14/hour who had greater lengths of service or greater responsibilities
- Increased health benefit costs reduced the impact of the salary increases, one agency had an 18% increase in health benefit premiums
- Lack of flexibility in how funds can be applied has not alleviated problems with labor market competition for other staff such as clinicians, who are essential to our work
- For agencies with unions the targeted funding complicates the negotiations and agreements
- It would be more strategic if each agency had the flexibility to target compensation increases to meet its unique recruitment and retention requirements

Turnover Trends

After rising from 19.5% in FY12 to 26.3% in FY'16, it appears that agency turnover rates started to decline slightly in FY17, coming down to 23.8%. This may be attributed to the fact that a couple of agencies raised salaries in the Spring of 2017 with the hope of improved funding in FY'18. There has also been conjecture that staff started to feel encouraged and valued because they knew that the Legislature was working on addressing their concerns about compensation.

Agency Variation

Each DA/SSA is unique with variations in: the blend of programs and services, the needs of the individuals they serve; different community partnerships; different labor markets, etc. As a result the amount of resources needed to meet the $14 per hour minimum wage and more competitive wages for crisis personnel also varied. Developmental services funds were distributed by individual budgets, so the distribution of the investment funds was easy to accomplish. However, the Department of Mental Health had to distribute the funds through raising rates by the same amount statewide regardless of the unique level of funds needed by each agency to meet the requirements. The mental health rates went up by 5.45%, while the need for the rate increase by agencies varied from 1.83% to 11.62%. The Department worked with the agencies to reallocate funds so that the four agencies that did not receive sufficient funding through the 5.45% rate increase are expected to access adequate resources to meet the mandates.

Data on Employees by Pay Level

This data is inclusive of the $8.37 million workforce investment funds and used October 1, 2017 as the set point in time for reporting purposes. Vermont Care Partners only collected data from its members, so Specialized Community Care and Pathways for Housing are not including in this information.

Raising the minimum wage leads to a host of related costs including increases in fringe benefits and addressing equity in pay levels for staff whose salaries are at or just above the new minimum. It is only equitable to adjust other staff compensation to recognize length of service, supervisory relationships and varied qualifications and responsibilities of each position. This situation is referred to as compression.

There are currently 1,281.85 full time equivalent staff (FTE) working at DA/SSAs earning $14.00 per hour to $14.99 per hour, representing 26% of the workforce. Their average hourly salary is $14.24 and to raise their salaries to $15 per hour and address compression of salaries just above that level it would require an investment of $1,362,696.

There are currently 2,214.30 FTEs working at DA/SSAs earning $15 per hour to $20 per hour, representing 45% of the workforce. Their average hourly salary is $17.11 and to appropriately address compression for these staff the cost would be $4,159,266.

There are currently 1,391.58 FTEs working at DA/SSAs earning above $20 per hour, representing 28% of the work force. Their average hourly salary is $27.32 and to appropriately address compression it would cost $3,894,195.

The total cost of raising the minimum wage to $15 per hour and addressing the compression of other staff taking into account both length of services, supervisory relationships and appropriate spacing of wages by responsibilities and paygrades would be $9.4 million. Additionally, the cost of fringe benefits to accommodate the increased wages would be $2.3 million.

Market Rate Analysis: 2016 Analysis
An analysis by Vermont Care Partners in 2016 found large discrepancies in compensation of our member agencies relative to state employees.

- Non-degree direct care staff earned salaries $10,550 below State employees for equivalent work and length of employment
- Bachelors level staff earned salaries $19,793 below state employees for equivalent work and length of employment
- Masters level clinicians earned salaries $11,661 below state employees for equivalent work and length of employment
- Licensed clinicians earned salaries more than $16,614 below state employees for equivalent work and length of employment
- As a percentage the pay differentials between DA/SSA staff and staff with similar credentials in state government vary from 22.2% to 37.7%
- Raising the DA SSA direct care workers compensation up to the level of state employee compensation would require an investment of over $43 million.

Market Rate Analysis: 2017Analysis
A follow-up analysis by Vermont Care Partners in 2017 found that, despite improvement in the compensation for crisis and non-degree direct care staff due to the $14/hour minimum wage increase, the discrepancies in compensation relative to state employees have grown even larger for all four direct care positions.

- In 2017, there was a 2.25% increase in wages at each Step of the State’s salary matrix over last year, indicating a cost-of-living adjustment occurred, regardless of length of service related to movement between steps. DA/SSA employees receive no such planned, budgeted annual cost-of-living adjustments.
- Non-degree direct care staff earned salaries $12,043 below State employees for equivalent work and length of employment

- Bachelors level staff earned salaries $21,344 below state employees for equivalent work and length of employment
- Masters level clinicians earned salaries $12,830 below state employees for equivalent work and length of employment
- Licensed clinicians earned salaries $18,768 below state employees for equivalent work and length of employment
- As a percentage, the pay differentials between DA staff and staff with similar credentials in state government vary from 22% to 37%
- Just raising the DA/SSA direct care workers compensation up to the level of state employee compensation would require an investment of over $61 million.

A 2017 analysis comparing health benefits of the DA/SSA staff with state employees indicated that an additional $12 million would need to be invested in DA/SSA health benefits to reach the level of benefits enjoyed by State employees.

Although there hasn't been an across the board analysis of all the facets making up total compensation, which would include such things as retirement benefits, it is clear that in the two largest categories, wages and health benefits, the total compensation of DA /SSA Agency employees doing direct care work lags significantly behind state employees who perform equivalent work. It would require an investment of $73 million just to raise our direct care staff to a comparable level of compensation in these two key areas. (Please note these salary analyses were only done on Vermont Care Partners members and don't include data on employees of Specialized Community Care or Pathways for Housing)

Recommendation for Future Workforce Investment

It is well-established that compensation of DA/SSA employees lags behind that of their state, school and healthcare peers. But the mandate of a specific minimum wage level, well-intentioned as it is, creates internal equity and compression issues at each agency and does not address the need to target compensation increases to other critical positions that are essential to meet unique community needs and regulatory requirements.

Each Designated and Specialized Service agency has its own employee recruitment and retention challenges. Depending on the regional labor market in which each operates and the specific work to be performed, agencies may need to target increased compensation in some positions, while not needing to do so at the same level with others. The challenges are not uniform across the state; nor are the compensation strategies. Because some agencies have labor bargaining units, a one-size-fits-all approach further complicates setting compensation levels.

It would be more strategic if each agency could have the flexibility to use increased funding to target compensation increases where needed to meet its unique recruitment and retention requirements based on community needs and the demands of its competitive labor market.

Conclusion

The FY'18 workforce investment funding has had tremendously positive impact on the care of Vermonters with developmental disabilities and mental health conditions. The quality of care is improving with improved staff recruitment and retention. However, given the $73 million differential in compensation levels between DA/SSA and state employees for similar work, further investment in the DA/SSA workforce clearly is warranted.

Unfortunately, the FY'18 distribution of the mental health funds through an across-the-board rate increase did not align with the needs of each agency to achieve the wage targets. Agencies have worked collaboratively with the Department of Mental Health to resolve that challenge. Additionally, given market dynamics under which the agencies operate, specific minimum wage requirements didn't give state government or agencies the ability to maximize the value of the workforce investment.

For the State to maximize the value of its current and future investment in DA/SSAs we should continue to work together to develop value based payments. Vermont Care Partners and DA/SSAs are actively engaged with state government to develop flexible payment methodologies that improve accountability for outcomes and allow for Agencies to flexibly determine how to best achieve those outcomes taking into account local labor market dynamics, staffing needs and true operational costs of providing quality services and supports to Vermonters with developmental disabilities and mental health conditions.