Designated and Specialized Service Agencies

Providing an indispensable community-based system supporting mental health, substance use, and intellectual and developmental disability needs across Vermont

VERMONT CARE PARTNERS

Testimony for Senate Health and Welfare on H.13
April 2, 2025

Chapter 207 : Community Mental Health and Developmental Services

(Cite as: 18 V.S.A. § 8914)

- **§ 8914. Rates of payments to designated and specialized service agencies**

(a) The Secretary of Human Services shall have sole responsibility for establishing the Departments of Health's, of Mental Health's, and of Disabilities, Aging, and Independent Living's rates of payments for designated and specialized service agencies that are reasonable and adequate to achieve the required outcomes for designated populations. When establishing rates of payment for designated and specialized service agencies, the Secretary shall adjust rates to take into account factors that include:

(1) the reasonable cost of any governmental mandate that has been enacted, adopted, or imposed by any State or federal authority; and

(2) a cost adjustment factor to reflect changes in reasonable costs of goods and services of designated and specialized service agencies, including those attributed to inflation and labor market dynamics.

(b) When establishing rates of payment for designated and specialized service agencies, the Secretary may consider geographic differences in wages, benefits, housing, and real estate costs in each region of the State. (Added 2017, No. 82, § 11, eff. June 15, 2017.)

	CPI **Calendar** year	Inflationary Appropriation, DMH/DAIL	**Variance bet/ DMH,DAIL and CPI**	Inflationary Appropriation, DSU	**Variance bet/ DSU and CPI**
FY08	5.00%	4.00%	-1.00%	0.00%	-5.0%
FY09	-1.17%	-1.25%	-0.08%	0.00%	1.2%
FY10	1.70%	0.00%	-1.70%	0.00%	-1.7%
FY11	3.36%	-2.00%	-5.36%	0.00%	-3.4%
FY12	1.45%	-2.50%	-3.95%	0.00%	-1.5%
FY13	1.55%	0.00%	-1.55%	0.00%	-1.5%
FY14	1.90%	3.00%	1.10%	1.50%	-0.4%
FY 15	0.00%	0.22%	0.22%	0.20%	0.2%
FY 16	0.80%	0.48%	-0.32%	0.00%	-0.8%
FY 17	1.50%	2.00%	0.50%	0.20%	-1.3%
FY 18	2.60%	2.10%	-0.50%	0.00%	-2.6%
FY 19	1.60%	3.80%	2.20%	0.00%	-1.6%
FY 20	1.60%	2.29%	0.69%	0.00%	-1.6%
FY 21	3.92%	0.00%	-3.92%	0.00%	-3.9%
FY 22	6.97%	3.00%	-3.97%	3.00%	-4.0%
FY 23	3.45%	8.00%	4.55%	5.00%	1.6%
FY 24	3.38%	5.00%	1.62%	4.25%	0.9%
FY 25	3.00%	3.00%	0.00%	3.00%	0.0%
Cummulative	**42.61%**	31.14%	-11.47%	17.15%	-25.46%

Key:

CPI – Consumer Price Index

DMH – Department of Mental Health

DAIL – Department of Disability, Aging, and Independent Living

DSU – Department of Substance Use (VDH)

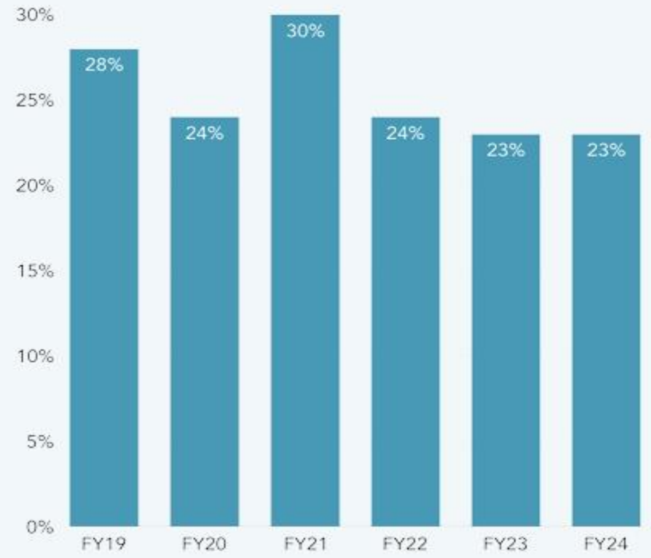
DA/SSA FY26 Non-staffing Budget Pressures

Budget Item	Projected increase
Health	13.5%
Other Fringe	6.2%
Other Insurances	6.5%
Other Operating	3.3%

The above anticipated growth in expenses, which do not include staff or contractual increases, alone would require a 3.3% increase in all XIX rates.

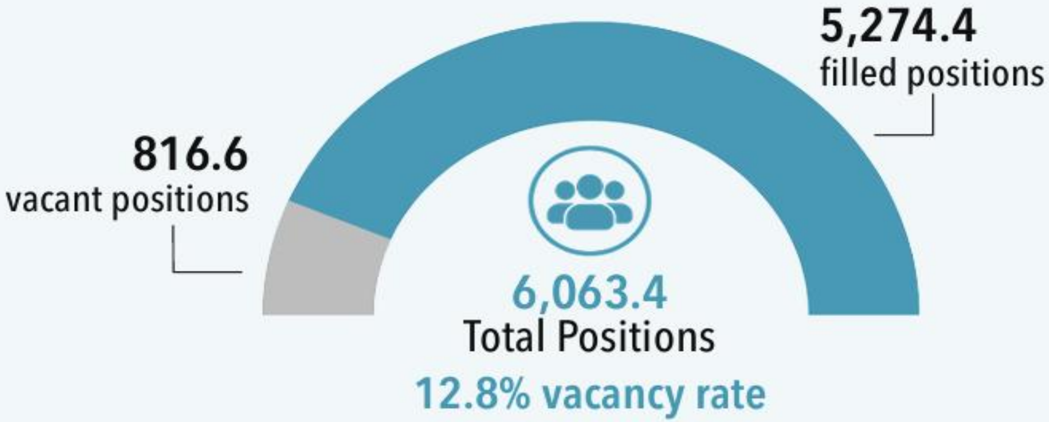
VCP Average Statewide Turnover FY19-24

The current turnover rate is 23%, which has trended lower over the past 5 years.



Vacancy Rates

The average vacancy rate on July 1, 2024, across all VCP member agencies was **12.8%**, with 816.6 positions out of 6,063.4 open. The vacancy rates by agency ranged from a low of 5% to 23.3%.



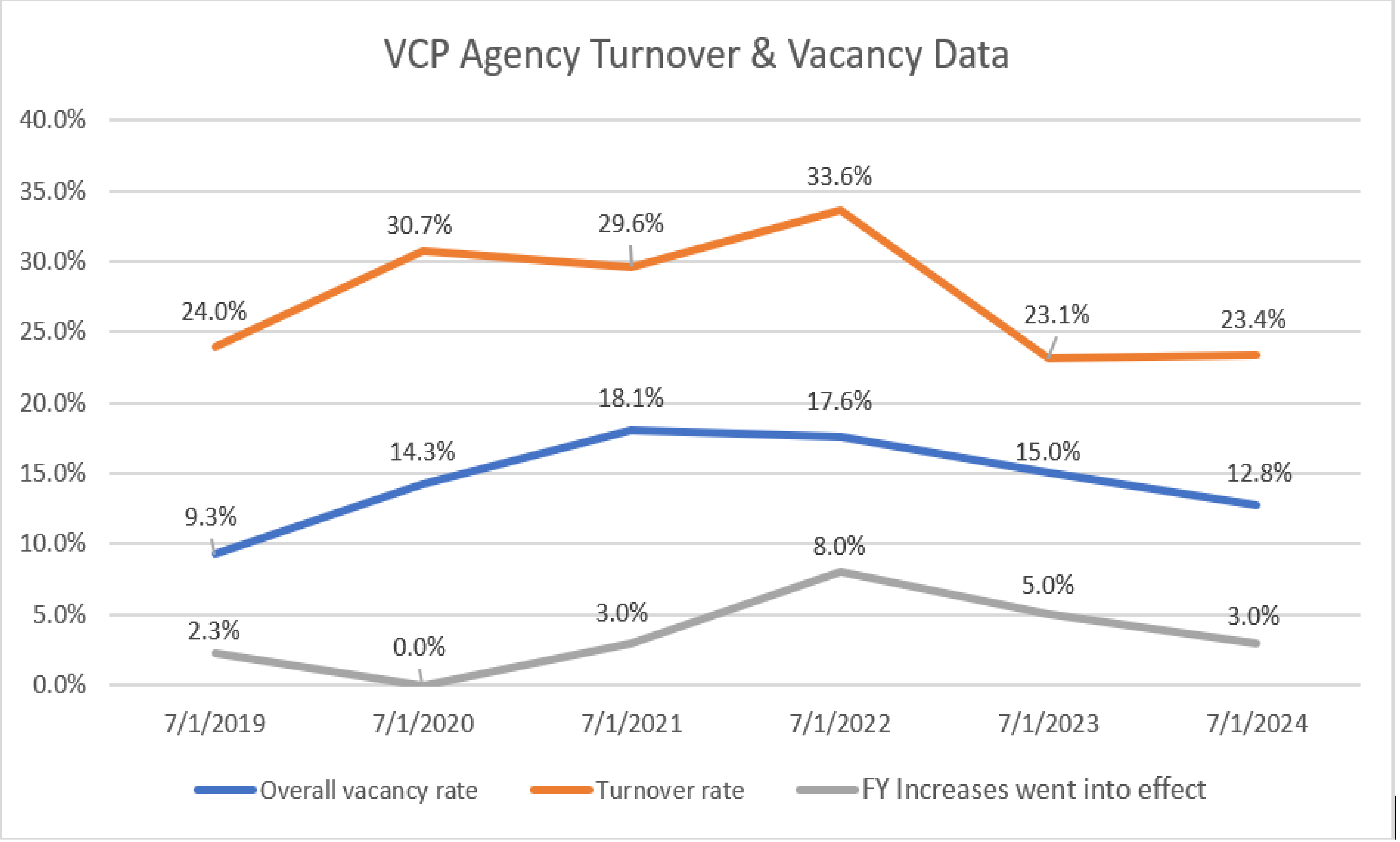
★ The staff are the reason we exist, they make the difference by providing direct community care. In FY24, network agencies implemented numerous policies that have resulted in increased rates of hire.

Workforce pressures are **REAL** and impact service delivery to Vermonters

Recruitment & Retention Challenges:

- Difficult to compete with other healthcare providers, state, schools
- Wage is insufficient for the work that staff are doing.
- People on staff are already overworking
- Can't compete with tuition reimbursement/loan repayment like other orgs
- Hiring and training is expensive

Chart 1 Turnover, Vacancy vs rate increases



- Historically, legislative increases correlate with a decrease in turnover and vacancies across the VCP agencies. Note the 7/1/2022 increase of 8% correlated to an almost 10% decrease in vacancies and almost 2% decrease in turnover.

- Similarly, the 5% received on 7/1/2023 correlated to another 2.2% decrease in turnover, and allowed vacancies to hold steady.

VCP Supports H.13 & Recommendations

- Addresses the current inadequate base rates <u>AND</u> addresses ongoing inflationary pressures
  - There's a need for regular rate reviews to ensure that services are properly funded and match the actual cost of care, inflation, and the cost of living.
- Includes a process for determining an annual inflationary rate adjustment;
  - Addressing wage increases and how rate reviews can help to ensure that staff are compensated adequately for the critical work they do & supports recruitment and retention efforts
  - **We need investment in the folks doing the work – like state workers, COLAs should be given annually and adjusted for inflation**
- Creating a clear and standardized methodology for rate-setting. If we get it wrong, we run the risk of continued destabilization of agencies
  - A transparent and inclusive process that recognizes service providers as key participants in cost assessments and rate reviews based on actual costs is essential
- Considers unfunded governmental mandates – e.g., the federal access rule for HCBS
- If considering geographical differences (Section 2, Part b), how do we ensure that we don't undercut agencies when most are already far behind where they should be?

Thank You!

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