

LHHS Meeting – October 6, 2022
Edward J. Kaul, President/CEO, ARCA

Good morning Madam Chair and members of the Committee. My name is Ed Kaul. I am the President/CEO of ARCA and a member of ADDCP.

National Statistics report 92% of Developmental Disabilities Providers continue to face critical staffing shortages, leaving them unable to meet the needs of people with IDD already in their care. 77% of providers are forced to turn away new referrals, leaving people without access to services. 58% of providers are discontinuing programs and services because of insufficient reimbursement rates and resultant staffing challenges, denying people with IDD the programs they need to live contributing lives in our communities. New Mexico has the choice to enrich our communities by strengthening the opportunities available for people with IDD and their families.

I started working as a Direct Support Professional for ARCA in 1982, living in a Supported Living home 3 or 4 days a week with 4 men with IDD. If I remember correctly I made \$5/hr. and was not eligible for overtime. Like many of our current staff I had no experience or association with people with IDD prior to working with ARCA. I still remember how anxious I was during those first formative months as I learned about my role. I was fortunate to quickly realize that I had been gifted with the opportunity to make a true impact on the lives of many people and that I was developing friendships and relationships that have stood the test of time over the past 40 years.

I also remember how I struggled to live on my wages and the difficulty and challenges faced by the people we served and my co-workers whenever ARCA was experiencing high staff turnover and vacancies. Unfortunately, these factors have also not changed over the past 40 years. The workforce, however, has.

New Mexico has a proud history of being a national leader in the development and implementation of community based services for people with IDD; ARCA has a proud 65 year history of providing innovative, lifelong services for people with IDD in New Mexico.

Like many providers across our country, we made a profound impact integrating people with IDD into our communities and creating opportunities for them to live full and rewarding lives. It is important to recognize that each of us individually and collectively are strengthened by the diversity of people living in our communities, including people with IDD. While people in some States resisted this change, New Mexicans embraced it and welcomed people with IDD, who had traditionally been isolated, as their new friends and neighbors.

All these factors are important as I speak to you today because New Mexico IDD services are in crisis. Without our legislature taking decisive action, the journey we are on could result in the death of our community-based support network which has experienced severe challenges for decades, stemming from underfunding and the resultant poverty level wages, worker shortages, high turnover and the inability for Direct Support Professionals to turn a vocation into a career. Reimbursement rates have never reflected the actual costs of services.

On this already shaky foundation, COVID began and brought with it an unprecedented set of challenges. As it continued, it changed the work/life dynamic for many, many members of the workforce and many parents were forced to stay home with their children. While the country celebrated the work of essential health care workers like us, it was difficult to comprehend the courage it took for our staff to come to work knowing they were exposing themselves, their families and children to a virus that was killing people at a catastrophic rate. To avoid potential exposure, others chose early retirements and others realized opportunities for higher paying jobs without the highly scrutinized and emotionally and physically taxing, often overwhelming and exacting work of Direct Support Professionals. While our work can be personally gratifying, I understand why many of our staff made the decision that they could no longer work in our field even though they grieved the loss of relationship with the people we serve.

Like most providers across the country, we have not been able to hire sufficient staff to replenish our severely depleted workforce. Utilizing temporary American Rescue Plan Act (ARPA) funding, ARCA increased our starting wages by a minimum of 35% for Direct Support Professionals since the beginning of the pandemic – March of 2020. Our current starting wage is \$14.25 to \$17.00 per hour based upon acuity of care, time of day, and day of week differentials. The current reimbursement rates from the Department of Health do not support our existing wages. Our reliance on non-recurring ARPA funding to offset our current wages is not a sustainable business model. The DD Waiver provider network competes with all hiring sectors of the economy for a limited work force where starting wages for entry level jobs can now easily exceed \$18 per hour. To complicate matters further, our work force is comprised of highly trained and skilled people who are performing difficult and complicated care. We have responded to this existential threat to the very existence of ARCA and the services we provide by placing ourselves on a self-imposed moratorium for new placements that has now been extended for 18 months.

Our current wages remain woefully below the \$22.58/hr. living wage per parent in a two parent home with two children for Bernalillo County per the 2022 MIT Living Wage Calculator. Throughout ARCA's history, low reimbursement rates, a lack of timely cost studies, and an absence of annual cost of living adjustments have compelled us to pay our staff wages that fall below the Federal poverty level.

DD Waiver Providers have a distinct economic disadvantage. Primarily, providers are 100% dependent on Medicaid reimbursement of DD Waiver fee for service rates that are adjusted by the annual appropriation approved by the legislature. Unlike hospitals and nursing homes, Providers have little or no ability to shift costs or use other resources to share expenses with other operations. Providers are further impacted, when state mandates are implemented with no adjustment to reimbursement rates. ADDCP estimates the cost to the New Mexico provider network to implement the New Mexico Healthy Workplace Act to conservatively be

\$10,000,000/year. This new cost is not reimbursed in the current rate structure and will not be addressed until a new rate study is completed and fully funded. The earliest this could occur would be Fiscal Year 2025.

DDSD, through their contractor Public Consulting Group (PCG), presented the final report and recommendations of the most recent NM DD Waiver Rate Study on June 18, 2019. The report, based on 2017/2018 Provider financial data detailed an overall shortfall in reimbursement rates of 19% across Waiver services which corresponded to a shortfall of \$15.2 million in SGF dollars. Then DOH Secretary Kathy Kunkel reported to ADDCP that the Department had included the \$15.2 million for Waiver rate increases in the DOH budget request for FY 2021. The Executive budget (DFA) for FY 2021 included only \$6 million for Waiver rate increases. The Legislative Finance Committee (LFC) budget included even less, only \$4.5 million for Waiver rate increases. The final New Mexico State Budget for FY 2021 appropriated \$5.9 million which was less than one-half the funding documented in the 2019 PCG rate study. It was not until FY 23 that the remaining funding – which again, was identified and documented in the 2019 PCG Rate Study - was finally included in the New Mexico State budget.

ADDCP's concern at the time was that inadequate levels of funding would prolong the decades long staffing shortages. The current staffing shortages for New Mexico Providers has proven the merit of those concerns which have only been exacerbated by COVID and the huge influx of new people entering services as New Mexico eliminates the waiting list

ADDCP is requesting your support for an appropriation bill sponsored by Representative Liz Thomson that will appropriate \$7,646,149 in State General Funds to the Department of Health. The funding request equates to an approximate 2% year over year cumulative cost of living increase for the years 2019 - 2022 for the Waiver rates established by the 2019 rate study. The need for an annual cost of living increase was highlighted in the 2019 rate study but has not been requested by the Department of Health over the ensuing years.

This appropriation supports the mission of the department of health, developmental disabilities supports division to effectively administer a system of person-centered community supports and services that promotes positive outcomes for all stakeholders with a primary focus of assisting people with IDD to exercise their rights to make choices, grow and contribute to their communities.

I want to emphasize this appropriation will result in approximately \$25,000,000 in additional annual Federal FMAP funding flowing into the New Mexico Medicaid program and subsequently into our New Mexico economy. Low income wage earners immediately put a large percentage of their income into their local economies which results in a significant economic impact for many New Mexico communities.

By not maximizing Waiver Rates, New Mexico is leaving hundreds of millions of dollars in Federal FMAP funding on the table that could be driving local economic development and raising thousands of Direct Support Staff out of poverty. Our workforce has options. Why would we chose to keep highly skilled, compassionate employees who dedicate their working lives to creating opportunities for friends and neighbors with IDD living in poverty?

This appropriation will strengthen the provider network in preparation for ending the DD Waiver waiting list through the allocation of over 4,000 individuals. It will allow provider agencies to compete for a competent, professional workforce during unprecedented 40-year inflation rates. This workforce is critical in continuing to serve eligible recipients and their families with quality services and supports.

Thank you for giving ADDCP the opportunity to make this presentation.