

Testimony of Dr. Scott Spreat and Nicholas Torres
House Human Services Committee
Chair Gene DiGirolamo
Democrat Chair Angel Cruz
December 6, 2017

Good morning and thank you for the opportunity to address this committee. My name is Dr. Scott Spreat, and I am the President of the Woods Research & Evaluation Institute at Woods Services. I am accompanied today by Nicholas Torres, CEO and co-founder of Social Innovations Journal and Institute and a professor at the Fels Institute of Government at the University of Pennsylvania. We are here today to explain the financial and social implications of a study we authored regarding the compensation practices of Direct Support Professional in the Intellectual Disability system. A Direct Support Professional is an individual who provides direct habilitative and instructional services to individuals who have intellectual disability and/or autism. They are sometimes referred to as Client Care Workers, Residential Counselors, and Aides.

The purpose of this study was to explore: The relationship between increasing Direct Support Professional wages and service quality improvement; the cost benefit to the Commonwealth when increasing Direct Support Professional wages, and the positive impact on the Direct Support Professional quality of life by increasing Direct Support Professional wages. This study was commissioned by three Pennsylvania associations The Alliance of Community Services Providers (The Alliance CSP), PAR (Pennsylvania Advocacy and Resources for Autism and Intellectual Disability), and Rehabilitation & Community Providers Association (RCPA),

The study concludes that current wages require Direct Support Professionals to rely on public assistance creating increased demands on the state budget. In addition, current wages cause Direct Support Professionals to leave their jobs at an alarming rate (11.9 percent vacancy rate and 25.22 percent staff turnover), thus compromising the quality of care to Pennsylvania's most vulnerable individuals: children; persons with intellectual disability and/or autism.. Given the challenges currently being faced in the recruitment and retention of Direct Support Professionals and the projected increase in demand can only result in the forecast of a potential catastrophe with providers being unable to hire the appropriate number of Direct Support Professionals to support the needs of individuals who have intellectual disability. **With current wage practices, it appears unlikely that providers will be able to manage the 25.22 percent turnover rate; fill the current 11.9 percent vacancy rate; or meet the increased demand for Direct Support Professionals.**

We recommend an immediate increase in wages for Direct Service Professionals to \$15 per hour and eventually to \$18 per hour from the current median

of \$11.50. These increases require additional revenues, but will result in taxpayer cost savings and are vital to stem the growing DSP employment crisis.

BACKGROUND/CONTEXT

Pennsylvania is experiencing a workforce crisis with respect to Direct Support Professional positions. Intellectual Disability providers have repeatedly complained that turnover was unacceptably high, and that vacancy rates (unfilled positions) were entirely unacceptable. These two challenges, in turn, result in excessive overtime, reliance on overworked staff, and diminished program quality. But complaints such as these are little more than anecdotes, and we all can recognize that the plural of anecdote is something less than evidence. Because there was a need for objective information that could help quantify provider concerns regarding a workforce crisis, a coalition of provider associations commissioned a study that was conducted by Mr. Torres, Dr. Spreat, and Mr. Clark. We are going to summarize the findings of the research study and, based on that study, attempt to offer a rationale for increasing wages for Direct Support Professionals.

The earliest research studies on Direct Support Professional compensation go back to the late 1970s. These early studies revealed that Direct Support Professionals working in community programs were paid about ½ of the average hourly wage of working Americans. This differential has continued over the ensuing 30+ years, with Direct Support Professionals neither gaining nor losing ground relative to the general population. They weren't well paid in the 1970s, and they aren't well paid now. It's worth noting that Direct Support Professionals working for private providers typically earn about 2/3 to ¾ of comparable state employees, with significantly reduced turnover and vacancy rates in state centers. Dr. Steven Taylor, former Editor of the journal named *Mental Retardation*, argued that the economies typically attributed to community programs derived largely from the underpayment of Direct Support Professionals. It is also important to remember that state government, with matching Medicaid funds, is the sole funder of these wages. There is no third party pay. The actions you all take in the appropriations process is directly reflected in this workforce.

Survey Methodology – 121 Volunteer Pennsylvania agencies that support individuals who have intellectual disability elected to participated in this study. All were members of at least one of seven Pennsylvania provider associations. Collectively, they employ over 34,000 Direct Support Professionals, a figure that we believe to represent just under ½ of approximately 74,000 Pennsylvania Direct Support Professionals. The most frequently cited primary business was residential supports, although a number participated in vocational services and/or life sharing.

Wages - We determined that the median hourly wage for Direct Support Professionals was \$11.50, with a range from \$8.23 to \$19.24... Note that the \$19.24 was an extreme outlier, and it distorted the arithmetic mean of the wage distribution. We thus relied on the median. Note that the MIT Living Wage calculator considered this pay rate to be a living wage only for a single individual with no children.

Benefits - Benefits were fairly consistent across the sample:

- 96% had some form of health insurance, typically funded jointly by the employer and the employee
- 95% had dental insurance, again jointly funded by employer and employee
- Paid Time Off (vacation plus sick) averaged about 20 days per year
- Only 16% had a pension plan, but 95% had some form of defined contribution plan (401A, 403B) and in most cases, this Defined Contribution plan was based on joint contributions from employer and employee

Turnover - Turnover was calculated to be about 26%, but this figure varied widely across agencies, with some agencies (typically small ones) having no turnover and others having turnover in excess of 50%. Note that this latter value is similar to what has typically been reported in the professional literature, but most of the published studies predated the recession of 2008.

Vacancies - Overall vacancy rate (i.e., unfilled positions) was 11.9%. Part time positions were harder to fill, with a determined vacancy rate of 16.0%. Vacancy for Full time positions was 10.2%. It is essential that you recognize that vacant Direct Support Professionals positions must be filled through overtime or through the use of temporary agencies. Vacancies in direct care cannot simply be carried, as one might in a clerical position.

SOCIAL IMPLICATIONS

The societal cost of current Direct Support Professional wages are similar to those found in the overtime work within the nursing profession. The inability to fill Direct Support Professional positions directly affects the quality of life for the persons supported by Direct Support Professionals. The constant turnover of staff results in a transitory quality in regards to the knowledge held about consumers, as well as consumers themselves losing contact with trusted and relied-upon staff. Both turnover and staff vacancies affect the quality of care by disrupting social support networks, jeopardizing program continuity, and, ultimately, increasing the costs of providing

services. The stress and strain on Direct Support Professionals, due to working overtime hours and serving a challenging population, poses risks to consumers and overall lowers service quality.

FINANCIAL IMPLICATIONS

In order for us to answer the financial implications of raising wages for Direct Support Professionals, we first have to better understand the public benefits that are available to employees at the lower end of the wage spectrum. Our colleague Michael Clark worked with Benefits Data Trust, which has developed sophisticated algorithms and computer programs to navigate and understand the public benefits maze. In a sense, we concluded that society pays the Direct Support Professional salary, and then it pays for the costs of public benefits for which Direct Support Professionals qualify as a result of their low wages. In short, it would be in error to consider solely the wage and benefit package as the entirety of Direct Support Professional compensation.

In addition, based upon the 2016 study from the Economic Policy Institute (EPI),ⁱ raising wages for all workers making below \$12.16 an hour will reduce taxpayer spending on public benefits. Raising wages for Direct Support Professionals moves them along the continuum to being self-sufficient and reducing the need for public subsidies. Importantly, it also saves taxpayer dollars. The Economic Policy Institute demonstrated that for every one dollar increase in hourly wages for the roughly 27.5 million workers earning up to \$12.16 an hour, the share relying on public assistance is predicted to decline by 3.1 percent.

This trend to increase wages is reinforced by the many minimum wage movements across the country. Philadelphia requires that individuals working with agencies that contract with Philadelphia be paid \$11.92/ hour. In Pennsylvania, there is a current bill in the legislature (HB1449; SN1057) that would require nursing assistants in nursing homes to be paid \$15/hour. Ultimately, if we raise wages for Direct Support Professionals, we diminish the need for Direct Support Professionals to work overtime or subsist on public benefits that has been proven to experience diminished health, increased obesity, and hypertension.ⁱⁱ In addition, this low-wage environment has a striking human cost. It minimizes the ability of parents to fully participate in their children's development, and children of low-wage parents are often forced into the labor market early. Children of low-wage parents are more likely to face educational difficulties, and "trade-offs between spending time with children and earning an adequate wage can trap parents in familial hardship." Finally, children of low-wage earning parents are more at risk for health problems and complications.ⁱⁱⁱ"

TAXPAYER IMPLICATIONS

So what happens if our recommendation to increase the average wage of Direct Support Professionals to \$15/hour? Raising Direct Support Professional salaries to \$15/hour would cost approximately \$475 million. However, half of which would be funded by Medicaid because most Direct Support Professionals work in Medicaid Waiver homes. Importantly, this \$237 million cost ($475/2 = 237.5$) to Pennsylvania would, however, be offset by a number of savings (which are estimated)

- \$43 Million in recruitment and training costs would be saved by paying staff a fair wage
- \$187 Million would be saved in reduced overtime expenses. We have estimated a 60% reduction in overtime expenses.
- \$206 Million would potentially be saved in a reduction of dependency on public benefits.

Ultimately, these offsets could result in a savings to the commonwealth of about \$199 million per year.

POTENTIAL BENEFITS OF INCREASING WAGES

1. Taxpayer savings as listed above
2. Employee pride at reduced reliance on benefit programs
3. Employees may have increased family time due to reduced overtime
4. Programs won't need to rely on overly tired staff
5. The need for employees to work two or three jobs or to work excessive overtime is eliminated.

CONCLUSION

The current Direct Support Professional wages require them to rely on public assistance creating increased demand on the state budget and cause Direct Support Professionals to leave their jobs at an alarming rate (11.9 percent vacancy rate and 25.22 percent staff turnover), thus compromising the quality of care to Pennsylvania's most vulnerable individuals: children; persons with intellectual disability and/or autism.

The primarily problem in the Intellectual Disability field is that service providers can't fill vacant positions, even with relaxed expectations for the preparation of Direct Support Professionals. It is clear that the current model is not sustainable and Pennsylvania is

already in a workforce crisis. Given the challenges currently being faced in the recruitment and retention of Direct Support Professionals and the projected increase in demand can only result in the forecast of a potential catastrophe with providers being unable to hire the appropriate number of Direct Support Professionals to support the needs of individuals who have intellectual disability. **With current wage practices it appears unlikely that providers will be able to manage the 25.22 percent turnover rate; fill the current 11.9 percent vacancy rate; or meet the increased demand for Direct Support Professionals with the current wages.**

We recommend, in order addressing the Direct Support Professional workforce crisis and substandard care for Pennsylvania's most vulnerable, the need to enact a transparent rate setting process that will provide adequate wages for Direct Support Professionals that eliminate the need for public assistance and will provide them with the dignity they deserve. We recommend an immediate increase in wages for Direct Support Professionals to \$15 per hour with a scheduled increase to \$18 per hour from the current median hourly wage of \$11.50.

ⁱ Cooper, D. (2016). Balancing paychecks and public assistance. How higher wages would strengthen what government can do. Economic Policy Institute. <http://www.epi.org/publication/wages-and-transfers/>

ⁱⁱ Leigh, P. (2013). Raising the minimum wage could improve public health. Economic Policy Institute. <http://www.epi.org/blog/raising-minimum-wage-improve-public-health/>

ⁱⁱⁱ[http://cdn.umb.edu/images/centers_institutes/center_social_policy/Youth at RiskParents Low Wage Jobs Fall 121.pdf](http://cdn.umb.edu/images/centers_institutes/center_social_policy/Youth_at_RiskParents_Low_Wage_Jobs_Fall_121.pdf)