PROVIDERS' COUNCIL
Envisioning change • Leading advocacy • Driving progress

April 8, 2022

Secretary Marylou Sudders
Executive Office of Health and Human Services
100 Hancock Street, 6th Floor
Quincy, MA 02171

Re: Providers' Council testimony on:

101 CMR 412.00, *Rates for Family Transitional Support Services*
101 CMR 346.00, *Rates for Certain Substance-Related and Addictive Disorders Programs*
101 CMR 423.00, *Rates for Certain In-Home Basic Living Supports*

Dear Secretary Sudders:

Thank you for the opportunity to provide testimony on the above listed rates.

On behalf of the Providers' Council's over 200 members across Massachusetts, thank you for your historic support and close working relationship with community-based human services organizations. We appreciate the work of EOHHS and the Baker Administration in setting rates for human services programs, and we appreciate being your partner in providing services to hundreds of thousands Massachusetts residents with our sector's workforce that fills more than 185,000 jobs.

We appreciate you holding rate hearings today on the above-mentioned rates. While our members may submit testimony regarding programmatic concerns with these rates, the Providers' Council will provide brief comments on how these rates affect our workforce development efforts.

Our sector is experiencing unusually high turnover and considerable challenges in recruiting talent. In a report submitted by EOHHS to the Legislature last month, it noted ***the vacancy rate for Direct Care I workers increased from 15.71 percent in FY '21 to 17.92 percent in FY '22***. As a result of vacancies, some programs are unable to run at full capacity and residents needing care remain on wait lists. Our testimony is directed at increasing the Bureau of Labor Statistics salary percentile used, ensuring an adequate cost adjustment factor is being applied to rates, and examining benchmarks used for the administrative allocation and tax/fringe costs.

While our testimony contains many "numbers," these figures represent real people in Massachusetts who are essential to the state's ability to fulfill its mission. We must also look at these numbers through a gender and racial lens; we know the state is committed to racial and gender equity, but these depressed salaries promote inequity. A demographic study of our workforce by the University of Massachusetts Donahue Institute notes that our field is 80 percent women, and we have a higher proportion of people of color in our workforce than other sectors. Our testimony not only supports a fairer economic policy but also a better social policy.

I. Using BLS 75th percentile data

In early 2020, a task force directed by your office with active participation of the Council and other trade leaders agreed that EOHHS would begin to use salary benchmark information from the Bureau of Labor Statistics (BLS) to set salaries for direct care workers and other positions. We appreciate EOHHS continuing to use the BLS and utilizing the most recently available data.

Just last week, the Bureau of Labor Statistics released state-specific Occupational Employment and Wage Estimates data for Massachusetts from May 2021. Our testimony reflects these new amounts, and we hope EOHHS will re-review these rates – as well as other rates heard earlier this year – and update them with the new benchmarks before publishing them for final adoption.

The workforce crisis in the human services sector has worsened significantly since we presented testimony last year. To better address our sector's historically low wages, and to attract and retain an adequate workforce, we have continually advocated for EOHHS to use the BLS's 75th percentile when creating its model budgets. The latest EOHHS benchmark for direct care salaries – just $16.79/hour for a Direct Care I (DCI) staff member at the median BLS level – is just not competitive with health care and state-operated human services programs. The 2021 median benchmark amount is now $17.97, and we request EOHHS use the new 75th percentile benchmark wage – $20.55/hour – which is more appropriate and reflective of market rates.

The EOHHS-proposed $16.79 hourly salary benchmark for our dedicated, essential workforce even lags behind local big box retailers, fast food restaurants, Whole Foods, Amazon and others. In late February, Target announced it would start hourly employees in competitive markets at $24/hour. An *Associated Press* report on that news noted that average pay for retail workers, excluding managers, jumped 7.1 percent in the last year and is now $19.24 an hour. It is important to note that the well-respected MIT Living Wage calculator determines that a single parent with one child in Massachusetts would need $36.88 an hour to be sufficient. It is virtually impossible to recruit and retain a workforce when wages for the human services sector are dramatically lower than most other jobs in Massachusetts.

While EOHHS updated its model budgets to use the BLS 2020 state-specific data for Massachusetts, it continues to use the median salary level from that data, which, according to the membership of our large and diverse association, is insufficient to attract and retain our workforce needs. In EOHHS report on human services wages that it sent to the Legislature last month, it noted providers in FY '22 already reported paying DC I employees an average median salary $39,358 – about 12.7 percent more than this regulation proposes paying them through June 30, 2024. Further, this directly affects client services that we join with the state in providing. Inadequate rates depress workforce salaries and increase staff turnover and vacancies, which mean residents that need the safety net are on waiting lists or denied services. None of us either support or should be comfortable with that outcome. We respectfully request EOHHS use the 75th percentile – and the 2021 BLS benchmarks – to reflect market conditions and fair wages more accurately for these human service workers.

 # 1 Recommendation: We urge EOHHS to re-review rates and benchmark salaries for human services workers using, at a minimum, the 75th percentile of the most recently available BLS state-specific data for Massachusetts, which is now the 2021 data as of March 31, 2022. It is not a matter of how you slice an inadequate rate as providers are already forced to cutback in other inflationary areas to redirect to low wages.

II. Increase cost adjustment factor

In the three public hearings being held today, EOHHS is proposing a cost adjustment factor of **2.31 percent**. It is unclear how this CAF was derived, and publicly available economic data indicates it is inadequate.

We believe EOHHS should use a CAF that is more reflective of market rates. For example, the Social Security Administration's cost-of-living adjustment for 2022 is **5.9 percent**, the *largest single increase since 1982*. The Consumer Price Index last month noted a **7.9 percent** increase in its all-items index over the last 12 months.

EOHHS uses the IHS Economics *optimistic* scenario data, as it has throughout the COVID-19 pandemic. If EOHHS had instead used the IHS Economics *pessimistic* scenario data in calculations, the CAF would be 4.01 percent. Even then, providers and their low-wage staff are losing purchasing power as food, oil/gas, insurance, and housing costs are skyrocketing. The IHS model does not reflect actual market realities as noted by CPI and its application is hurting our workforce.

We encourage you to use a different analysis aligned with competitive costs when setting rates. Models which calculate a CAF for the past two years that is *less than one-third of the national inflation rate* for the last year alone must be thoroughly examined and replaced to ensure they are more reflective of actual market conditions. As you well appreciate in our mutual interest in raising salaries, we don't want other rising costs like insurances, gas, facility costs to erode the part of the rate committed to our workforce. Essentially, the rate is like a pie, and we need to make sure it is larger to cover all the increasing market costs.

The insufficient salary methodology problem is compounded as these rates are expected to remain in effect for the next two years; it is imperative that the proposed CAF be increased. Even with an unimaginable future projection of zero inflation, the CAF remains inadequate today and worse tomorrow.

 # 2 Recommendation: We ask EOHHS to review the IHS Economics model and discard the inadequate *optimistic* model from its analysis. Please consider using the latest CPI of 7.9 percent. Further, we request that models used adequately support our recruitment and retention needs and reflect our state, where more than 150,000 workers live. We must adequately reimburse programs for these non-negotiable costs, or it will decrease the availability of funds for our workforce needs. We do not want the work we've done collectively to be set back.

III. Tax/Fringe and Administrative Expenses

We appreciate EOHHS increasing its tax and fringe rate to 24.22 percent this year after using a rate last year of 22.4 percent. Last year, the Council supported our members' request for a tax and fringe rate of at least 25.61 percent, which was the median percentage providers reported to EOHHS for FY '21 and listed in an EOHHS report that was sent to the Legislature.

We are unclear, however, in why this amount was changed in a new report that EOHHS recently submitted to the Legislature in March 2022. In last year's report, the FY '21 tax and fringe that EOHHS reported providers paying was 25.61 percent. Yet in this year's report, EOHHS lists the FY '21 tax and fringe providers reported paying as just 23.66 percent. There is no reason given for the change, and we are unsure why it was altered. Relatedly, in our conversations with members, their health insurance costs have increased.

As we continue to examine why this was changed in the new report that was just issued from EOHHS to the Legislature, we maintain our previous ask for a total tax and fringe rate of 27.97 percent. This is the original reported FY '21 average of 25.61 percent, plus the 2 percent for workforce initiatives and 0.36 percent for the PFML contribution.

Additionally, we have routinely supported our members' request for an administrative allocation of between 15 and 18 percent, as 12 percent is inadequate. EOHHS has continued to use 12 percent in these rates.

 # 3 Recommendation: We ask EOHHS to meet with providers to determine a more appropriate level for tax and fringe that we estimate to be ***27.97 percent*** and an appropriate administrative allocation, which we believe is ***between 15 and 18 percent***.

Closing

Again, we thank the Executive Office of Health and Human Services for its review of these rates. We appreciate the very significant progress made to increase salaries for the community-based workforce, and we ask for your positive consideration of these above recommendations to maintain this progress for the next two years.

We appreciate EOHHS commitment to improving our staff recruitment and retention, and we thank you for the opportunity to present testimony on these three human services programs. It is our hope that adequately funding these programs with our recommendations gives our providers the best opportunity to meet your mandates and serve the Commonwealth's residents with quality and available services from a stable and essential workforce. Working together, we can significantly reduce and/or eliminate waiting lists and service denials.

Sincerely,

Michael Weekes
President/CEO