

**BILL #** HB 2066

**TITLE:** developmental disabilities; care workers

**SPONSOR:** Jarrett, et al

**STATUS:** As Introduced

**REQUESTED BY:** House

**PREPARED BY:** Stefan Shepherd

**FISCAL YEAR**

**2001**

**2002**

**2003**

**EXPENDITURES**

General Fund	\$-0-	\$14,955,500 to \$79,425,500 plus unknown cost*	\$16,607,900 to \$88,560,500 plus unknown cost*
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\* Does not include impacts related to requiring provider rate increases to match state direct care staff employee pay raises and implementing a single rate for selected in-home services. The impact of these provisions cannot be determined. See the Estimated Impact section for further details.

**FISCAL ANALYSIS**

**Description**

The bill provides a \$1.50/hour increase in compensation starting July 1, 2001 for direct care employees who work in group homes or day programs or who provide home and community based services to persons with developmental disabilities. The bill has an intent statement that starting in FY 2004, direct care providers shall receive pay increases commensurate with pay raises received by state employees providing direct care in state facilities. The bill also directs the Department of Economic Security (DES), which administers programs for developmentally disabled (DD) clients, to implement a single rate for the authorization and payment of selected in-home services. The bill also permits DES to authorize a second service provider for a DD client for direct training with the client or to assure the safety of the provider. For example, this provision would take effect when one provider is about to leave service and another will take their place. This bill is similar to SB 1278, on which JLBC Staff has also recently completed a fiscal note.

**Estimated Impact**

The JLBC Staff estimates that the General Fund cost of the \$1.50/hour compensation increase will range from \$13,805,100 to \$35,300,400 in FY 2002 and from \$15,330,400 to \$39,360,300 in FY 2003, depending on how much matching federal monies DES receives. JLBC Staff estimates that the General Fund cost of a second service provider for a DD client will range from \$1,150,400 to \$44,125,100 in FY 2002 and from \$1,277,500 to \$49,200,200 in FY 2003. The range reflects JLBC Staff uncertainty regarding how often the provision will be used, as well as uncertainty how much matching federal monies DES receives. The key assumptions include a turnover rate of between 25% and 50% in providers and a usage rate of a second provider of between 5% and 25%. These assumptions are very speculative and limit the reliability of the overall fiscal estimates. In addition, the estimates assume that these provisions apply only to providers paid through the Division of Developmental Disabilities and not to providers who provide services to DD clients in other DES divisions, such as the Division of Employment and Rehabilitation Services, or other state agencies. If these provisions do apply to these other providers, our fiscal impact will be higher.

The fiscal impact of requiring direct care staff increases to match any pay raises received by state direct care staff employees starting in FY 2004 cannot be determined because those increases, whether cost-of-living, merit-based, or competitive salary adjustments, depend on future legislative actions. The fiscal impact of implementing a single, blended rate for in-home services cannot be determined. It is possible to set a single rate for these services, but if a cost-neutral rate is set, it will reduce funding to those providers whose reimbursement rate is higher than the new, single rate.

(Continued)

**Assumptions**

\$1.50/hour Compensation Increase

DES provides services to DD clients primarily through contracts with private providers. The bill would provide a \$1.50/hour increase in compensation starting July 1, 2001 for direct care employees who work in group homes or day programs or who provide home and community based services (HCBS) to DD clients. JLBC Staff has divided the potential recipients into three categories:

- **HCBS, eligible for prior increases:** These types of services have qualified for prior provider rate increases dating back to the first increase FY 1995. This category includes the following services: attendant care, day treatment (center-based, home-based, and adult), habilitation (daily and hourly), housekeeping, respite, and transportation.
- **Institutional Services:** These services are provided in a setting for lower-functioning persons. The sole private Intermediate Care Facility for the Mentally Retarded (ICF-MR) provider in the state has sought to get the state to provide direct care staff increases for the direct care staff in its ICF-MR.
- **HCBS, not eligible for prior increases:** These types of services have not qualified for prior provider rate increases dating back to FY 1995, but could be considered services provided by direct care employees who work in group homes or day programs or who provide HCBS to persons with developmental disabilities. These services include: habilitation (adult and child developmental homes), occupational therapy, physical therapy, speech therapy, residential living and development, recreation and socialization, home health aides, home health nurse, and home nursing respite.

DES provided the number of units provided by both contracted and independent providers in FY 2000 for all of the services listed above, divided by whether they were provided in the Long Term Care (LTC) federally-matched entitlement program or in the 100% state-funded program. DES converted the daily habilitation units into hourly units for the purposes of this estimate. DES then took the total number of hourly units of service provided and multiplied by \$1.50/hour to generate a total cost of the \$1.50/hour increase.

Because these estimates reflected FY 2000 service levels, JLBC Staff then assumed that the number of services would increase in 2 different ways. First, we assumed that caseload in the LTC program would grow by 9.5% in FY 2001 and by 9.4% in FY 2002 and FY 2003, consistent with current caseload growth and JLBC Staff projections. We assumed that this caseload growth would translate into an equivalent service amount growth. JLBC Staff also assumed that the same clientele, all else being equal, would require increasing services. This is partially reflected, for example, in the capitation rate increases received by DES in the LTC program. JLBC Staff assumed 2.5% growth in service intensity in both the LTC and the 100% state-funded program.

It is also unclear as to how much federal funding DES will receive to implement these adjustments. The Arizona Health Care Cost Containment System provides DES with a monthly capitation rate for each of the clients in the LTC program, effective on October 1 of each year. The bill requires the AHCCCS director to apply for matching federal monies, which would presumably be included in the capitation rate. It is uncertain, however, whether the federal government monies would provide retroactive matching back to July 1, 2001, when the bill mandates the provider rate increase. It is even uncertain to what extent the federal government would provide any matching monies. For example, DES is not certain that the federal government will allow DES to pay higher than AHCCCS-approved rates for home health nurses with capitated revenues.

Using these assumptions and incorporating the uncertainty related to matching federal monies, JLBC Staff estimated the following GF increases for each of the 3 categories of services:

Category	General Fund Provider Rate Increases					
	FY 2002			FY 2003		
	7/1/01 Match	10/1/01 Match	No match	7/1/01 Match	10/1/01 Match	No match
HCBS, previously eligible	\$11,155,300	\$15,579,600	\$28,852,700	\$12,405,900	\$12,405,900	\$32,190,000
Institutional Services	\$ 534,900	\$ 781,400	\$ 1,520,900	\$ 602,400	\$ 602,400	\$ 1,704,700
HCBS, not previously eligible	\$ 2,114,900	\$ 2,817,900	\$ 4,926,800	\$ 2,322,100	\$ 2,322,100	\$ 5,465,600
<b>Total</b>	<b>\$13,805,100</b>	<b>\$19,178,900</b>	<b>\$35,300,400</b>	<b>\$15,330,400</b>	<b>\$15,330,400</b>	<b>\$39,360,300</b>

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## **Assumptions (Continued)**

We would note that these estimates assume that these provisions apply only to providers paid through the Division of Developmental Disabilities and not to providers who provide services to DD clients in other DES divisions, such as the Division of Employment and Rehabilitation Services, or other state agencies. If these provisions do apply to these other providers, our fiscal impact will be higher.

Another provision related to direct care staff increases is a legislative intent section stating that starting in FY 2004, direct care staff providers should receive pay increases commensurate with pay raises received by state employees who provide direct care in state facilities. JLBC Staff is unable to determine the fiscal impact of this provision. State employee pay increases are legislatively determined and may vary from year to year. There are several different types of pay increases, such as cost-of-living, merit-based, and competitive salary adjustments that could alter the increase from year to year. It is also unclear if the bill refers solely to DES employees providing these services in state-operated group homes and the Arizona Training Program at Coolidge, or if it also refers to other employees who could be considered direct care employees, such as Arizona State Hospital employees.

### *Second Service Provider*

The bill also permits DES to authorize additional service hours if a second provider of training services is needed for direct training with a client or to assure the safety of the provider. It is our understanding that this provision will allow providers to bring two service providers to particular appointments if, for example, one of the providers will leave employment shortly. This provision would allow the soon-to-be-departing provider to “train” the provider who will be replacing the original provider. We have assumed this provision will take effect on July 1, 2001.

To estimate the potential fiscal impact of this bill, JLBC Staff used the data above provided by DES. The data indicate that there were a total of 18,941,883 units of service used in FY 2000. Using the same caseload growth rates (9.5% in FY 2001, 9.4% in both FY 2002 and FY 2003, for LTC only) and service growth rates (2.5% per year) shown above, JLBC Staff estimates that there will be approximately 23,533,400 units of service used in FY 2002 and 26,240,100 units of service used in FY 2003.

JLBC Staff assumes that the important factors in determining the cost of this provision are the turnover rate of providers, the usage rate among providers with turnover, and the average per-unit cost of these services. JLBC Staff understands that the turnover rate in DD providers can be 100% or more. As a result, there may be significant opportunities for providers to take advantage of this provision. Without concrete data on average turnover, JLBC Staff assumes that the statewide turnover rate among private providers ranges from 25% to 50%. These rates are very speculative and limit the reliability of the overall fiscal estimates. Using the total unit of service estimates above, JLBC Staff estimates that approximately 5,883,350 to 11,766,700 units of service may be subject to turnover yearly in FY 2002 and 6,560,025 to 13,120,050 units of service in FY 2003.

The next step is to estimate what percentage of these units of service will be “double-funded” because a second provider is authorized. JLBC Staff has no basis for estimating this range. JLBC Staff assumes that the usage may range from 5% to 25%. As with the turnover rates, the usage rates are very speculative and reduce the reliability of the overall estimates. This means that the number of newly-authorized units of service may range from 294,168 to 2,941,675 in FY 2002 and from 328,002 to 3,280,013 in FY 2003.

The final step is to estimate the cost of these newly-authorized services. There is a wide range of cost differences between types of services and within each particular type of service. For this reason, JLBC Staff assumes that the average cost per unit ranges from \$10 to \$15. We would also note that it is unclear whether AHCCCS will permit federal matching monies to be used for these “double-funded” services. As a result, the low range estimate assumes that these services will be incorporated into the capitation rate; the high range estimate assumes that this funding will require 100% state funding. JLBC Staff estimates, therefore, that the cost of this provision will range from \$1,150,400 to \$44,125,100 in FY 2002 and from \$1,277,500 to \$49,200,200 in FY 2003.

As with the provider rate increase, we would note that these estimates assume that these provisions apply only to providers paid through the Division of Developmental Disabilities and not to providers who provide services to DD clients in other DES divisions, such as the Division of Employment and Rehabilitation Services, or other state agencies. If these provisions do apply to these other providers, our fiscal impact will be higher.

**Assumptions (Continued)**

*Single (Blended) Rate for In-Home Services*

The bill requires DES to implement a single rate for the authorization and payment of respite care, attendant care, hourly habilitation, and housekeeping by November 15, 2001. DES has worked toward a single, blended rate for certain DD services for several years. DES could theoretically set a single, blended rate for these services in a cost-neutral manner. Any cost-neutral rate, however, would likely result in reduced funding to those providers whose reimbursement rate is higher than the new, single rate. This could make it difficult for DES to implement a single rate. As a result of this uncertainty, JLBC Staff cannot determine the fiscal impact, if any, of implementing a single rate.

**Local Government Impact**

None

2/19/01