



## The Developmental Disability System Needs Your Support

**CDSA is asking the Administration and the Legislature to provide temporary rate relief until the systemwide rate study is implemented to ensure services are available to consumers and preserve the tenets of the Lanterman Act.** We are requesting a **4% rate increase** to address the rising costs to provide services - as well as the **elimination of median rate caps** - until the State implements the current rate study.

Without relief, the following impacts will diminish the quality, diversity, and quantity of services available to the 330,000 consumers in the developmental disability services system:

**Unsustainable Rates of Staff Turnover** – In 2016, ABX2-1 provided wage pass-throughs to direct support professionals (DSPs), keeping jobs requiring attentive care and compassion from becoming minimum wage jobs. However, the minimum-wage increases associated with SB 3 have reduced many DSP positions to minimum wage and have started to approach the wages of supervisors. Inadequate rates lead to staff turnover, which means that consumers constantly face building new relationships with DSPs, setting back progress and requiring significant training on the consumers' unique needs and individual characteristics.

**Internal Waitlists** – Under the Lanterman Act, individuals with developmental disabilities are guaranteed the right to services, and California has long prided itself on not having waitlists for services, the way other states do. The sad reality is that many providers now have waitlists and regional centers are unable to place consumers in the services they need. This is because, with frozen rates, providers can't raise DSP wages to draw more applicants for physically and emotionally challenging jobs that require constant involvement with clients. And service providers can't provide more services without more DSPs.

**Program Closures** – In addition to rising wages, service providers face increasing costs for virtually every aspect of running programs, including insurance, health care, building leases, IT, vehicles, fuel, and equipment. The last time a rate increase fully addressed these costs was 2006. The result is that service providers are holding some programs at current enrollments because, at current rates, they lose money on every client they serve. Others can't sustain the losses, no matter how beneficial the programs, and are closing the programs. The results for consumers are loss of needed services, more time waiting for placements, fewer options, and less likelihood that services fully match their needs and interests. This is not the vision of the Lanterman Act.

## **The Service Provider Perspective**

**Rising Costs** - In 2016, when ABX2-1 was passed, it had been 10 years since a rate increase, and California CPI had risen 20%. ABX2-1 was roughly a 7.5% increase - well short of increased costs to provide services - and it targeted wage and benefit increases of direct service personnel, failing to account for the many other operating costs of programs. The 4% increase tracks the national increase in CPI since ABX2-1 was passed in 2016, and is lower than the 5% CPI increase in California for the same period.

**Rate Caps and Freezes** - The median rate caps and rate freezes were instituted during the great recession, and make it impossible to keep up with the increasing costs to deliver services. Providers losing money can't renegotiate their rates. The rate caps prevent new providers from developing programs to serve our growing service population, because they, too, are capped at a median rate. Even in high cost areas, the rates are capped at the lower statewide rates.

**Soon a Minimum Wage Industry** – Historically, direct support professionals (DSPs) have not been minimum wage workers because of the important supports they provide to individuals. The rate caps and freezes started to depress wages, and the state's minimum wage increases overtake the pay levels of more DSPs with every jump. While the State provides support to move minimum wage workers up to the next minimum wage, it does nothing to keep any worker above minimum wage, thus increasing turnover, and making recruitment increasingly difficult. This results in lowering the hiring standards for DSPs who provide complex, challenging supports to maintain the necessary workforce to provide services.

**Double Jeopardy of Local Minimum Wages** – Providers in the Bay Area, LA, and San Diego must pay their workers the local minimum wage without any rate recognition of these costs. Because their workers are always above the state minimum wage, the State doesn't provide support for the minimum wage increases.

**Survey** - A recent CDSA internal membership survey highlights the need for rate relief. While the sample size of 23 organizations is small, the survey presents the challenges facing our system today:

- 179 programs serve 8,806 consumers.
- 42 of the 179 programs have waitlists for services affecting 363 individuals.
- Over a third of the organizations reduced the number of clients served because of staff shortages.
- 4 of the 23 organizations closed programs due to rate inadequacy.

**The Cost** - We are asking for a 4% rate increase, which would be an increase of \$232 million Total Funds, \$130 million General Funds. Dropping the median rate caps would not have an immediate impact because of the 4% increase. The first \$100 million of the increase can be covered the savings from Developmental Center closures, identified by the LAO in its report (<http://www.lao.ca.gov/Publications/Report/3735>). The remainder would be paid from the state budget surplus, including the \$1.3 billion increase in corporate taxes the State Tax Research Institute estimates the California will see as a result of federal tax reform.

CDSA's request for relief is urgent. The system approaches a tipping point where large programs will close and there will be NO alternatives for consumers. We simply cannot wait until the rate study is completed and its recommendations are implemented. If programs close, many individuals with developmental disabilities now in community-based services could face institutionalization, at a higher cost to the state.

**If you have any questions about this budget request or would like more information, please contact Barry Jardini, CDSA's Director of Government Affairs at [bjardini@cal-dsa.org](mailto:bjardini@cal-dsa.org), or by phone at (916) 441-5844.**