

ADMINISTRATIVE OFFICE

DEVELOPMENTAL SERVICES of NORTHWEST KANSAS, INC.

A private, non-profit organization serving individuals with differing abilities since 1967.

2703 Hall
(785) 625-5678
Fax number (785) 625-8204

P.O. Box 310
Hays, KS 67601
www.dsnwk.org

March 7, 2017

TO: Senator Carolyn McGinn, Chair Senate Ways and Means and Members of the Committees.
FR: Jerry Michaud, President/CEO, Developmental Services of Northwest Kansas, Inc. (DSNWK)
RE: Hearing on SB 173

Good morning Chairman McGinn, and members of the Committee,

My name is Jerry Michaud and I am the President of Developmental Services of Northwest Kansas (DSNWK), serving people with Intellectual and Developmental Disabilities (IDD). Our service area covers the eighteen counties of northwest Kansas, serving about 500 individuals with about 350 staff members. (I've also included a document which provides additional detail about who we are). I am grateful for the opportunity to be here to speak to the urgent needs of the IDD system. There are challenges confronting IDD service providers all across this state. For 50 years DSNWK, and provider organizations like us, have demonstrated their commitment to serving persons with IDD in their communities. As a business, we do not set the price / rate; that is established in the appropriation process within the Kansas Legislature. It is vitally important to share the current status of our system, one hampered by nearly a decade of static rates, one also subjected to reduced resources and unfunded mandates. Operating within the KanCare managed care system further restricts the flow of needed resources, like liquid dollars flowing through a strainer, where hole after hole seems to get plugged, and the net effect is the limiting or reducing of needed services and the associated funding to carry them out.

The community service system, with all its strengths, is eroding. Our area has seen reduced and consolidated services resulting from funding reductions and market-place cost increase over the last 8 years. Those market-place costs (health care costs, workers compensation insurance costs, property insurance costs, ACA compliance costs, etc.) have simply outpaced the HCBS - Medicaid reimbursements levels provided and it is not hard to see why. Chronic low wages result in high turnover rates averaging 50% and subsequent higher training costs. In addition, attracting applicants to fill vacant positions with low wages and low unemployment rates compounds the problem.

I would like to focus on three key points related to HCBS-IDD rate:

- 1) **The erosion taking place** (Static rates, funding reductions, inflation);
- 2) **The implications of unfunded mandates** (Federal DOL, CMS - Final Rule, ACA, etc);
- 3) **The needed legislative support of SB-173.**



Make a Difference ... Transform Lives ... Leave a Legacy

www.dsnwklegacy.com

The Erosion in NW Kansas -- Impact of Inflation, Static Rates and Declining revenues:

These referenced funding realities have caused damage to the service system, where survival strategies are in action. Addressing the infrastructure of current service capacity must occur first. Bringing in more people into an underfunding system is counter-intuitive. Erosion has led to the loss or reduction of service capacity and options. This goes counter to the intent of the law, to our mission and to common sense. For DSNWK, since 2008, the erosion became tangible in the closing of 5 group homes across the region, the closure of offices/services in Colby and Oakley, the closing of our agency directed Supported Home Care (affecting 44 people/95 staff in 13 of 18 counties), the consolidation of departments as well as group homes maximizing capacity. The static rates along with cuts {in SGF funding (\$601,000), the 4% rate reduction of ICF/IDD and Targeted Case Management funding (\$58,248), and another anticipated loss from change to Residential Pay Policy (\$143,00)}, all have a damaging effect.

Inflation: 1993 - 2016: To have a more complete picture requires an even closer look at inflation factors extending back beyond 2008. Since 1993, overall inflation has increased 66.5%. The average per/diem at the State Institutions (Parsons & KNI) has increased 86.7% over that 23 year period. In contrast, the HCBS-IDD Residential Service and Day Service rates have increased on average only 37.4% and 30.4% respectively (33.9% when averaged together) over the same period.

Compliance with unfunded mandates (Federal DOL, CMS - Final Rule, ACA, etc):

The perfect storm occurs when an organization's costs are mandated to increase by law or rule when there is no corresponding mechanism or authority to increase rates to remain legally compliant.

A mandate looming right now is from the **Department of Labor (DOL)** relating to Salaried employees and Exempt Status. The DOL new rule change will have a major impact on how all businesses and nonprofits pay overtime - relating to salaried employees. DSNWK has both hourly and salaried employees. Among the requirements with 'salaried' positions is the establish salary 'floor'. Prior to the change, the annual wage could not have been lower than \$23,660. The DOL rule change doubled this salary floor (100% spike) to \$47,476 with the stroke of a pen. The new 12/1/16 mandate will impact salaried positions currently under the new salary floor. This DOL rule is currently held up in the courts in Texas. *Budgetary impact DSNWK - \$200,000 annually, plus periodic increases thereafter. There are no new revenues to offset this pending mandate.*

The **Affordable Care Act (ACA)** is another federal mandate with associated costs. The mandate increased employer sponsored health benefits by approximately 5.8% (or \$330 per covered life) approximately (162 on the plan ~ \$53,500). *There are no new revenues to offset this mandate.*

The **Workforce Innovation and Opportunity Act (WIOA)** is another federal law with implications on our service system. Under Section 511, there are new restrictions on use of subminimum wage certificates. WIOA require minimum wages or higher be paid to all persons with disabilities. Striving for this goal is good, and has been our practice, however, there are pressures and implications upon the current system to limit or eliminate organization from operating under a DOL sub-minimum wage certificate. *This mandate could result in the unintended consequence of the loss of employment*

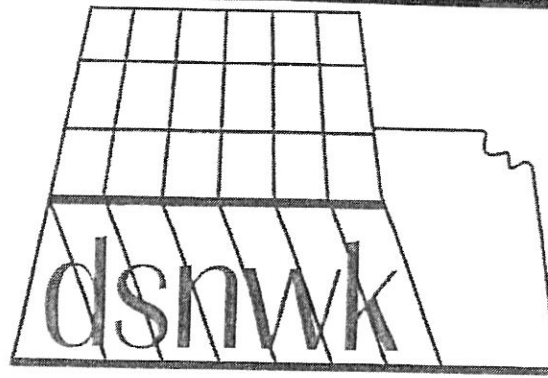
opportunities for individuals with more limited work abilities. Currently DSNWK employs 162 individuals with disabilities in 143 businesses throughout NW Kansas.

Under the **CMS Final Rule Compliance - Settings and Services** this federal mandate calls for more individualized and integrated settings for those we serve. Doing so has been our mission and desire. The lack of adequate resources noted move this system in quite the opposite direction. Fewer resources, result in reduced options and more congregate settings. This constricting response occurs until appropriated resources can be stretched no farther - In Kansas we are at that point.

In Closing

- **Legislative action is needed to halt the damaging erosion occurring within the IDD community services system. Action CANNOT be delayed another year.**
- **Legislative awareness of fiscally binding mandates upon our system is imperative for timely legislative appropriation adjustments.**
- **Passage of SB 173 will help move Kansas in the right direction.**

Mahatma Gandhi shared a perspective which I believe is spot on for us here in Kansas. He said, "The measure of a civilization is how it treats its weakest members". Civilization, well that's us. The "weakest members", perhaps characteristic of those we support. The individuals with IDD and those who support them, along with their families, deserve better.



Developmental Services of Northwest Kansas, Inc.

✧ Mission ✧

We advocate with persons with disabilities and those who care about them by planning and supporting a life of dignity, interdependence, and personal satisfaction in the community.



✧ Programs and Services ✧

At Developmental Services of Northwest Kansas, we continue to provide and improve current services as well as seek innovative ways in providing programs and services for an ever changing world.

Directly through Developmental Services of Northwest Kansas, individuals have access to services such as:

Service Coordination, also known as case management, provides support to individuals and families in planning and navigating their life in the community based on their individual desires and goals.

Employment Connections, provides supports to individuals by helping them uncover their employment interests, develop their skills for success, match their skills with employer needs and finally support the individual in the workplace to achieve meaningful and sustained employment.

College for Living, provides structured learning opportunities for individuals on subjects they are interested in.

ACCESS public transportation, provides accessible transportation supports within the community of Hays allowing affordable access to their community.

Creative Living, provides residential supports designed to match the service and housing support needs of the individual to live successfully in their community.

Business of My Own, an option for individuals who desire to become a business owner and develop their own business.

Health Services, provides health related supports to individuals to remain healthy and as independent as possible in their community.

Kid-Link, provides early intervention services to children ages birth to three who have a diagnosed disability, are delayed in two or more areas, or are at risk of a developmental delay.



History

The story of Developmental Services of Northwest Kansas (DSNWK) has always been a story of people — people with developmental disabilities and those who serve them. Throughout the years, both staff and persons served have come and gone, but DSNWK's purpose has remained the same: **to serve people as close to home as possible, offering them opportunities to become independent within their communities and reach their highest potential.**

“DSNWK had its humble beginnings nearly 50 years ago in 1967.”



Highlights

1967: DSNWK started at the Homer B. Reed Adjustment and Training Center, serving 15 people in what was the old ROTC barracks on the Fort Hays State University campus. **It was one of the first service settings (called workshops) serving people with disabilities in Kansas, and one of 40 in the U.S.**

1973: The Kobler Developmental Center in Hill City opened and the Homer B. Reed Adjustment and Training Center in Hays was renovated and expanded.

1989: Deinstitutionalization began in northwest Kansas with the closing of the Norton State Hospital. DSNWK then expanded to open three specialized group homes and opened the Frontier Developmental Center, all in Norton.

1996: DSNWK became a Community Developmental Disability Organization, **making them the single point of entry for anyone with developmental disabilities in northwest Kansas.**

1997: DSNWK opened an office in Hoxie.

1973: The first negotiation of a contract with the State of Kansas took place to allow the Center to begin utilizing federal dollars through Title XVI.

1975: Services started at the Prairie Developmental Center in Atwood.

1976: The organization officially became known as Developmental Services of Northwest Kansas, Inc.

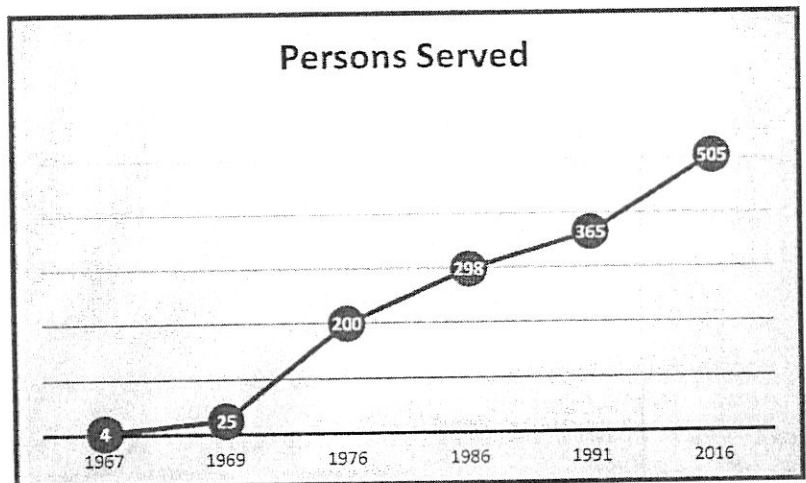
1993-95: DSNWK opened offices in Oakley and Colby (later to be shut down due to funding cuts).

2001-05: DSNWK expanded residential services in rural Ellis County, broke ground on a transit building, and renovated the Kid-Link office in Stockton.

Growing Impact

Today DSNWK has a staff of 351 and serves 504 individuals from the counties of Cheyenne (3), Decatur (13), Ellis (176), Gove (17), Graham (10), Logan (10), Norton (29), Osborne (13), Phillips (28), Rawlins (18), Rooks (29), Russell (52), Sheridan (14), Sherman (17), Smith (14), Thomas (23), Trego (17), Wallace (4), and other areas (17).

Also, DSNWK has 15 specialized group homes: 7 in Hays, 1 in Victoria, 1 in Atwood, 1 in Hill City, 2 in Norton, and 3 in Russell.



Challenges

Our programs and services at Developmental Services of Northwest Kansas were severely impacted in 2008. Due to State budget reductions, we were forced to eliminate and reduce services.

We closed Wheatland Developmental Center in Colby and consolidated group homes, raising most to maximum capacity. A group home was closed in Hays, and a ceramics shop in Atwood was eliminated. The downward trend continued through 2009, resulting in the closing of three group homes in the communities of Hays and Hill City. Additionally, several departments and management positions were consolidated.

In Kansas, the funding for services has remained unchanged since July 2008. The Kansas Developmental Disability Reform Act calls for payment of 'adequate and reasonable' rates for community services. Those **stagnant rates over the long term have resulted in an enormous funding gap.**

As we continue to offer people with developmental disabilities the opportunity to plan their lives and live a life of dignity with interdependence and personal satisfaction in the community, we know we must address our current funding challenge in order to continue effective and innovative programs and services.



With no rate increases since 2008, the following chart shows the gap between rising costs (inflation), Home and Community Based Service (HCBS) rates, and institutional rates for individuals with intellectual and developmental disabilities (I/DD) in Kansas. Developmental Services of Northwest Kansas (DSNWK) is an HCBS provider.

Service rates for I/DD compared to inflation

