Agency Recommendation Summary

The Department of Social and Health Services (DSHS), Developmental Disabilities Administration (DDA), requests $83,714,000 ($42,612,000 GF-State) for an eight percent increase to create more equitable funding for DDA community residential service business providers to recruit and retain their workforce and allow them to keep up with inflation and the cost of goods and services. This is an essential group of providers necessary to meet the demand for placements, particularly those individuals with higher acuity needs transitioning to the community from Residential Habilitation Centers (RHCs), state psychiatric hospitals, and acute care hospitals.

Fiscal Summary

Fiscal Summary	Fiscal Years		Biennial	Fiscal Years		Biennial
Dollars in Thousands	2024	2025	2023-25	2026	2027	2025-27
Operating Expenditures						
Fund 001 - 1	$0	$42,612	**$42,612**	$43,128	$43,128	**$86,256**
Fund 001 - C	$0	$41,102	**$41,102**	$41,610	$41,610	**$83,220**
Total Expenditures	**$0**	**$83,714**	**$83,714**	**$84,738**	**$84,738**	**$169,476**
Revenue						
001 - 0393	$0	$41,102	**$41,102**	$41,610	$41,610	**$83,220**
Total Revenue	**$0**	**$41,102**	**$41,102**	**$41,610**	**$41,610**	**$83,220**

Decision Package Description

PROBLEM STATEMENT:

Community residential providers continue to struggle to be able to recruit and retain enough staff to support the growing number of clients requesting community residential supports. In the past two years, five providers have sold their businesses. The sale of the businesses does not have an impact on the overall capacity; however, the providers who purchased the agencies typically are slow to bring on new clients as they adjust to the support needed for the incoming clients. The 23 percent rate increase the legislature funded in the 2022 session allowed providers to bring an additional 203 clients into service in Fiscal Year (FY) 2023, which was 40 more than the previous year.

There is still a need for additional capacity to be able to transition clients out of RHCs, state hospitals, and acute care hospitals. In addition, the clients being referred to services are becoming more and more complex, requiring more staff with higher skills to support them. Out of the more than 500 clients on the referral list in August 2023, a majority have received a “decline to offer services” response from potential providers due to the provider not having the expertise to support the client. There are several aspects of this issue:

Staff Recruitment and Retention

DDA’s community residential providers continue to struggle to recruit and retain enough staff to support the clients they serve and to bring more clients into service. Recent increases have helped providers to catch up, but competing industries continue to raise wages and have lower entry requirements for new employees. Direct support professional (DSP) staff have challenging work for the level of pay they receive, and, although improved, the 2022 staffing survey shows the turnover rate is still high at 57 percent for entry level employees.

Non-Staff Cost Increases

In the last few years as inflation continued to climb, provider non-staff costs such as fuel, office space, and human resource and accounting support have increased. Fuel costs are especially significant as providers are required to transport clients to medical appointments and other community activities. DSHS 2022 cost report data indicate that revenues only cover 97.4 percent of non-Individual and Support Services costs.

Equitable Funding

Two metro designations will better align with Washington’s economic environment and with other DSHS programs than the current three. Pierce and Snohomish counties have DDA Home and Community Based Service (HCBS) rates that are lower than in the adjacent King County, which creates difficulty in hiring and maintaining staffing, services, and supports. Snohomish and Pierce counties complete for the same staff. This is a long-standing problem for providers in the two counties that are also part of the Puget Sound urban area along the I-5 corridor.

PROPOSED SOLUTION:

DDA requests $83,714,000 ($42,612,000 GF-State) for an eight percent increase in DDA community residential provider rates and a transition from three to two metro designations to create more equitable funding for community residential service providers. Two metro designations will better align with Washington's economic environment and with other DSHS programs than the current three. Pierce and Snohomish counties have DDA HCBS rates that are lower than in the adjacent King County, which creates difficulty in hiring and maintaining staffing, services, and supports.

Increased rates will improve recruitment and retention of the DSP workforce, keep up with inflation and the cost of goods and services, and offset the loss of the additional enhanced pandemic rate funding that will end in June 2024. This recommended percentage is based on the rate of inflation and what additional revenue providers would need for recruitment and retention to stay ahead of other industries that are competing for staff.

The merging of King, Snohomish, and Pierce Counties into one metro designation will ensure that providers in those counties receive the reimbursement rate previously used solely for King County because Pierce and Snohomish counties have DDA HCBS rates that are lower than in the adjacent King County, which creates difficulty in hiring and maintaining staffing, services, and supports. All other counties will receive the reimbursement rate previously known as Metropolitan Statistical Area.

EXPECTED RESULTS:
Funding this request will ensure providers are able to:
- Continue to allow clients full access to their community.
- Bring more clients out of RHCs, state hospitals, and acute care hospitals.
- Continue to increase the provider pool during a nationwide labor shortage.
- Maintain client access to providers across the state by providing more equitable rates across various counties.

These efforts will help stabilize an already struggling industry to allow them to maintain and increase support to clients, transition more clients out of institutions, and ease the demand on the strained healthcare system.

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Assumptions and Calculations

Expansion, Reduction, Elimination or Alteration of a current program or service:

None.

Detailed Assumptions and Calculations:

See attached document, "040-PL-4L-Community Residential Rates Fiscal Model.xlsx".

Workforce Assumptions:

See attached document, "040-PL-4L-Community Residential Rates Fiscal Model.xlsx".

Strategic and Performance Outcomes

Strategic Framework:

DDA 2 - SUPPORT INDIVIDUALS WITH DEVELOPMENTAL DISABILITIES TO BE ABLE TO RECEIVE SERVICES THAT SUPPORT THEM IN LIVING IN THEIR OWN COMMUNITIES RATHER THAN IN FACILITY-BASED SETTINGS.

GOVERNOR'S RESULT WASHINGTON GOALS:
Goal 4. Healthy and Safe Communities

Performance Measures	Incremental Changes 2024	Incremental Changes 2025	Incremental Changes 2026	Incremental Changes 2027
001128 - Percent of clients with developmental disabilities served in home and community-based settings	0%	0%	0%	0%

Performance Outcomes:

See Expected Results.

Equity Impacts

Community outreach and engagement:

Engagement with internal and external stakeholder groups, advocacy groups, facilities, and other interested parties has been ongoing on this issue to address pay and rate inequity across the many types of care settings. In addition to addressing continuing workforce issues, inflation, especially the recent spike, has driven up the costs of providing long-term care services across the board.

Disproportional Impact Considerations:

There are no populations or communities who are marginalized or disproportionately impacted by this proposal. Should there be a change, appropriate action will be taken to address the issue.

Target Populations or Communities:

The proposal benefits high acuity individuals with developmental disabilities who are eligible to receive services and supports from community residential providers. It also benefits direct care staff and the providers they work for through the rate increases. Provider capacity is not meeting the demand for services. This proposal will increase equity in jobs and job training, increase equity in health and human services, and further economic justice.

Other Collateral Connections

Puget Sound Recovery:

Not applicable.

State Workforce Impacts:

None.

Intergovernmental:

None.

Stakeholder Response:

This proposal will be supported by community residential providers and developmental disabilities stakeholder groups. No opposition is anticipated.

State Facilities Impacts:

None.

Changes from Current Law:

None.

Legal or Administrative Mandates:

None.

HEAL Act Agencies Supplemental Questions

Not applicable.

Reference Documents

040-PL-4L-Community Residential Rates Fiscal Model.xlsx

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No

Objects of Expenditure

Objects of Expenditure *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2024	2025	2023-25	2026	2027	2025-27
Obj. N	$0	$83,714	**$83,714**	$84,738	$84,738	**$169,476**

Agency Contact Information

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