The Workforce Crisis in Intellectual Disability

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IMPACT OF COVID19

A recent PAR survey assessed the impact of the pandemic on the Pennsylvania DSP workforce. Turnover for just a four-month period of time (March through June) revealed an 18.5% turnover rate. That means that 18.5% of all Direct Support Professionals left within that four-month period. Some left by choice, some were terminated, and some lost their jobs because programs had to close. But turnover is usually reported as an annualized figure - Annualizing this figure suggests that if the trend continues, our annual turnover rate will be about 56%. Note that this increase is occurring in spite of some agencies offering hazard pay or other related incentives to work.

The vacancy rate is a little more complicated. Vacancies (or open positions) have held around 20%. This relatively constant figure may be a function of the closure (hopefully temporary) of a number of day programs. Not only did these closures reduce the demand for DSPs, many of the employees of the day programs began to pick up hours in the residential areas of their companies. As we begin to open our day programs, and thereby increase the demand for DSPs, I would expect to see the vacancy rate increase.

We asked a sample of Direct Support Professionals to identify the barriers they perceived to working during the pandemic. Three roughly equal broad categories emerged. These categories were 1) Personal fear of COVID19, 2) Family responsibilities, including need to home school children, and 3) concerns about the DSP position that predated the pandemic.

We asked a similar question to HR professionals in Pennsylvania. Now keep in mind, these respondents are not inside the heads and decisions of DSPs. It is their best guess of the barriers. They listed the following as the top three barriers to coming to work as a DSP: 1) Child Care responsibilities 2) Heightened risk of working, and 3) Wages.

The point to take is that our industry was in trouble prior to the pandemic. It is clearly in worse shape today, and frankly, the future for our industry looks a little scary.

Let me turn to the basic question of this talk, that would probably be of greater interest were we not living under the threat of COVID19. PAR and six related organizations collectively sponsored a series of surveys of the workforce crisis in Pennsylvania's intellectual disability industry. Over a five-year period, four surveys collected data on wages, benefits, turnover, and open positions. Data were collected for both Direct Support Professionals and Front Line Supervisors.

Let's first consider turnover. Turnover is always a matter of concern, and you can see turnover reports in our field dating back to the 1970s. The figure below plots the calculated turnover rates reported in the 4 Pennsylvania studies

Turnover has been a matter of concern since the 1970s. Empirical studies begin to appear in journals in the late 1970s. Our studies reveal that turnover has been an ongoing problem, with a large jump in turnover rate between 2017 and 2018. Note that over the years, turnover has been reported to be as high as 50%.

Consider the costs of high turnover rates. Obviously, there are additional recruitment and training expenses associated with hiring new staff. In addition, turnover leads to additional costs, typically paying time and a half for each overtime hour. But what about non-fiscal costs? Our field is based on the development and maintenance of relationships, and turnover damages relationships. High turnover rates can results in a revolving door of Direct Support Professionals. One local CEO noted that one of the women she supports was toileted or bathed by 35 different individuals over the course of just one month. Clearly, the consumer-helper relationship is jeopardized by high turnover rates. Similarly, there is a loss of program history. For example, does the Direct Support Professional working an overtime shift with an unfamiliar consumer know the most effective way to administer medication to that individual?

Let us also consider the Direct Support Professional who works excessive overtime. Literature has suggested that excessive overtime is a social determinant of a variety of health conditions. Not only are overworked Direct Support Professionals more likely to become ill, they are unable to provide full supervision and support for their own family members.

Open positions (vacancies) are perhaps of greater practical significance. They represent the immediate crisis when a supervisor is trying to fill a Tuesday evening 3-11 slot. Ultimately, they are the result of the turnover. Over the five years of Pennsylvania study, the rate of open positions appears as illustrated below.

Consider that a 20% vacancy rate means that 1 out of every 5 Direct Support Professional positions is vacant at any given time. Throw in 24 hours of annual training, 15-20 days of paid time off, 5-10 sick days, and some number of medical leave days and the typical supervisor trying to fill a position is likely faced with the reality that 1 out of every 3-4 positions has no one to hold that position. Overtime is essential, but excessive overtime is not good for neither the employee nor the individual being supported.

Note that the chart seems to indicate a jump in level between 2017 and 2018, rather than a gradual trend over time. It is as if something happened between 2017 and 2018. Logical hypotheses might include overall unemployment trends and perhaps the Pennsylvania gross domestic product. Each is plotted below with the open position data. Neither seems to be an ideal explanation for the data.

There appears to be a general linear decrease in unemployment over time, but the number of open positions is better characterized by a jump in level. It is not a linear trend.

And Pennsylvania's gross domestic product (in trillions) also shows a linear trend over time, contrasted with the jump in level for open positions.

Why have turnover and open positions become such a problem in the post-deinstitutionalization era?

The simple answer is that we aren't paying Direct Support Professionals well enough. If we paid Direct Support Professionals the "right wage," the supply and demand for Direct Support Professionals would establish equilibrium and satisfactory quality would be achieved. The 20% vacancy rate clearly demonstrates that provider agencies are not paying the "right wage." The discrepancy between the "right wage" and "our wage" is probably rather large because when high and low paying provider agencies in Pennsylvania were compared, no significant difference was detected with respect to the rate of open positions.

Let me stress that while the call for a "living wage" might be utilitarian in terms of gaining political support, there is no evidence to suggest that a "living wage" would be the wage that essentially eliminates open positions. "Right wage" and "living wage" are separate notions.

Consider the typical state developmental center. Most of them were built out in the country, adopting Stanley Ward Howe's call for a calm, agrarian lifestyle. Howe brought this model from Germany to Massachusetts in 1848, and it was the basis for our institutional model in the United States.

State developmental centers tend to experience lesser problems with turnover and open positions than do private provider agencies. There are a number of factors that may contribute to this difference. First, if you've ever been to Polk Center in Polk, PA, you know that there aren't a lot of employment opportunities outside of the state center. Most state institutions are in relatively remote areas. Second, the state centers tend to have better compensation packages than community and private providers. Direct Support Professionals in state centers typically earn about 1/3 more than community Direct Support Professionals, and they have a better benefit package that includes a pretty good retirement package. In a sense, a number of factors contributed to establish equilibrium between supply of Direct Support Professionals and demand for Direct Support Professionals.

Now turn to the post-deinstitutionalization community system. These programs operate in rural, suburban, and urban environments, where they compete with Walmart for employees. Not only is there increased competition for Direct Support Professionals, the demand for Direct Support Professionals has significantly increased. When I consulted at Hunterdon Developmental Center in NJ, the staffing ratio was 1:8. 1 staff for 8 clients, and I always suspected that the included the janitor in their counts. Today, the 3-person group home is the gold standard, and within this gold standard, the typical minimum ratio is going to be 1:3 or better. That is 266% higher than in the old developmental centers. Competition for employees is up; demand for employees is up, and they are paid less than equivalent positions in the developmental centers.

How do one counter an increased demand? In the real world, increased demand results in increased prices. Price serves as the mechanism that balances supply and demand. The same rule pertains whether you are talking about dog food or Direct Support Professionals.

Consider the basic rules of supply and demand. In the real world, when demand goes up, price will also go up. The figure above shows that it is price that establishes an equilibrium between supply and demand. Let us suppose that it is discovered that McDonald's French fries promote a longer life. The demand for McDonald's French fries will dramatically increase among Baby Boomers seeking eternal life, and McDonald's will raise the price to ensure that supply and demand are balanced. When science eventually disproves the motion that French fries promote a long and health life, the demand will decrease and prices will return to lower levels.

Much like the hypothetical example of McDonald's French fries, the demand for Direct Support Professionals has increased over time. The industry now supports more than twice as many individuals with intellectual disability than were supported in the 1970s. Our dominant setting type, the three-person group home, demands stronger staffing ratios. We are competing for employees who might also support the aging Baby Boomer populations, not to mention the better-paying jobs at Amazon and Walmart. People with intellectual disability are living longer. All in all, demand has increased.

But supply has not increased at the same rate. The rate of open positions is a direct indicator of the lagging supply. Consider the comparison between Pennsylvania government spending (Benefield) over the previous 20+ years and community spending for intellectual disability. This is presented in the graph below. While Pennsylvania government spending has increased dramatically over time, Intellectual disability spending has increased about only 23% (and more people are being served/supported).

The dog food producer Iams is able to control its prices to help create equilibrium between supply and demand. If demand for their dog food goes up, so will prices. If demand declines, prices will as well. But unlike Iams, which can control the price of its dog food, providers of intellectual disability supports have little to no control over their prices. The government fixes the prices and tells these providers what they will pay (notice that the government doesn't use this strategy with the for-profits companies that build roads, etc.). Providers, for the most part, will take that which is given. With staff taking about 80% of provider budgets, there isn't a lot of room to raise staff salaries in order to balance supply and demand. The basic economics rule of thumb is that when you fix prices, you will create shortages. Without control of our prices, we are pretty much guaranteed shortages (unless the fixed government price is somehow linked to an external marker as is apparently done in Massachusetts).

It is important to note that the state does nothing to set the wages for Direct Support Professionals. The state does not directly prevent wage increases that would balance the supply and demand of Direct Support Professionals. It must be noted, however, that 75-80% of typical provider budgets are devoted to salaries and benefits. Operating on a 1.5% margin between revenue and expenses, providers have little ability to make wage adjustments without government assistance.

Bottom line is that when the government sets prices, shortages will occur. Without provider control of prices, providers are pretty much guaranteed shortages, unless the fixed prices are tied to some sort of external marker. Massachusetts has reportedly adopted this approach.

You'll hear a lot about alternative payment strategies – program funding, fee for service, pay for performance. It seems unlikely that any of these approaches are going to in any way help resolve the workforce crisis. How you go about cutting the pie makes little difference if the pie is simply too small. What we do, what we are hired to so at a certain prescribed level of quality – is expensive. New ways of cutting the same old pie aren't going to make much of a difference. If the pie doesn't get any larger, it doesn't matter how you cut it. Someone will still be left hungry.

Each of the alternative payment models seems to add another layer of bureaucracy and people who don't DIRECTLY support people with intellectual disability. The only payment approach that has been demonstrated to save money is Self Determination funding, and empirical support for this approach is limited. Savings of 5-15% were noted in a pilot project in New Hampshire.

What can be done?

Suppose that people were to stop buying Iams dog food because it was so expensive. Iams would either have to lower the price or go out of business. The intellectual disability industry is in a similar situation. The product that is residential care is very expensive. At issue is how to reduce these costs, and Life Sharing is one such approach. Life sharing will reduce costs, and it will reduce the demand for Direct Support Professionals. As currently being used, Life Sharing seems satisfactory, but a full empirical evaluation is essential.

There are some options beyond Life Sharing. Several are listed below:

1. Reduce operating costs by reducing excessive regulations that exceed health and safety expectations.
2. Implement Self-Determination funding to a significant portion of the supported intellectual disability population.
3. Recruit Direct Support Professionals from foreign countries with faltering economies (post pandemic).
4. More broadly adopt an indentured servitude approach to hiring, offering free or reduced college tuition for guaranteed years of service.
5. Seek health care funding. Note that when hospitals serve above a threshold number of individuals who receive Medicaid, the hospitals receive what is called disproportionate funding. They get paid more if they serve a disproportionate number of individuals on Medicaid. Almost 100% of intellectual disability programs entirely by Medicaid.
6. Adopt a free market approach in which providers set the rates for their services. Final prices can be negotiated, much as is done in road and bridge construction.

7. Providers should say “no” to any proposed service that is not fully funded.

It’s NOT the fault of ODP

Much of that which was written above could be interpreted to place the blame for the workforce crisis on the Pennsylvania Office of Developmental Programs (or its equivalent in other states). After all, they are the ones who fix the prices. This would be a faulty conclusion. The Office of Developmental Programs (or its equivalent) is just as challenged by systematic underfunding as the providers. They are asked to do a large job, but not given the funding to do it. Child welfare agencies have the mission to take care of children. The Office of Developmental Programs has the mission to spend its allocation in the best manner to support people with intellectual disability. The distinction between these two expectations is large.

Perhaps one way to consider the plight of the Office of Developmental Programs is to consider that they are allocated about $3 billion to do a job that requires somewhere around $6 billion.
Faced with an underfunding of this magnitude, the Office of Developmental Programs has few alternatives:

1. Tolerate a list of individuals with intellectual disability who are waiting for needed services.
2. Promote less expensive programs (like Life Sharing).
3. Fix Prices for services purchased from provider agencies

Faced with an overwhelming task, the Office of Developmental Programs could try to control costs by fixing the price of services. The problem with this strategy is that it takes price out of the equation to balance supply of and demand for Direct Support Professionals. While it may be a necessary short term strategy, it will ultimately create the shortages we confront daily.

Economists tell us that five bad things can happen when prices are fixed. As stated repeatedly during this talk, shortages will occur. Evidence of these shortages is present both in terms of the Direct Support Professional vacancy rate and in the existence of waiting lists for supports and services. The second bad thing that happens when prices are fixed is that there will be cost diversion. This usually means the shifting of funds from one more lucrative area (e.g., special education) to the weaker funded residential areas, but the greatest cost diversion in the intellectual disability field is the diversion of funds from Direct Support Professional compensation to support the programs. In a sense, the Direct Support Professional are carrying a significant portion of the fiscal weight of community programs. The third bad outcome refers to the development of black markets for services. This has not been particularly evident because the large costs of intellectual disability services limit the option to the very wealthy. The fourth bad outcome relates to selection of services by remuneration rate rather than consumer need. This occurs when provider agencies review state set rates to find those services that will be most lucrative. When services are selected in this manner, one can argue that consumer welfare is made secondary. Finally, when prices are fixed, there is little incentive for investment in the area.

Ultimately, government price-fixing is responsible for the workforce crisis (20% vacancy rate), the continuation of the waiting list (5500 in emergency need), and sorry fiscal health of provider agencies. It has been reported 1/3 of Pennsylvania provider agencies working in the intellectual disability industry have expenses that exceed revenue each year. The mean operating margin for Pennsylvania intellectual disability providers falls considerably below the 3% to 5% that is considered healthy.

Possible Remedy

During the late 1970s and early 1980s, there was a government corruption scandal called Abscam. During the investigation, former Philadelphia Congressman Ozzie Meyers spoke into a hidden microphone, uttering the famous words, “in this business, money talks.” Whether this is morally proper is moot; the rules of the game are such that reasoned appeals alone are sometimes insufficient. The intellectual disability field needs to use LEGAL means to support reasoned arguments and appeals with financial support. Political action committees (PAC) are the primary legal way to provide financial support to legislators. Our industry needs to become involved in this approach. Note that most non-profit agencies expect senior executives to make donations back to the agency – typically 1-2% of their annual income. Perhaps greater good would derive from a similar-sized contribution to a PAC.

A summary

- There is a workforce crisis
    - Because providers don’t pay Direct Support Professional enough
    - Because the government doesn’t pay providers enough
    - Because the legislature doesn’t allocate enough to the task at hand

References

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