



# SUPPORT FUNDING TO COVER \$1 INCREASE IN MINIMUM WAGE AND FOR THE ENTIRE I/DD SYSTEM

Caregiving For Individuals With Intellectual and Developmental Disabilities Is Not a Minimum Wage Job

## THE PROBLEM:

Organizations that provide services to individuals with intellectual and developmental disabilities (I/DD) continue to experience unsustainable financial stress due to a lack of overall system wide funding as well as the uncovered costs of Proposition 206 (minimum wage).

	General Fund Cost FY 2020
Additional Funding Needed to Provide a Full \$1.00 Increase on January 1, 2020 to address Prop. 206	\$28.2M
Partial Restoration of Previous Funding for the Entire DD System	\$14M
<b>Total Funding Needed for the DD System Above the Executive Budget for FY 2020</b>	<b>\$42.2M</b>

During the Great Recession, reimbursement rates were reduced by 15% and have only been partially restored by 9.5%, not including inflation. As a result, the availability of services, such as therapy services, in-home services, respite care and others have been reduced, causing a “waiting list” and, ultimately, delays in critical care for those with intellectual and developmental disabilities.

On January 1, 2020, the hourly minimum wage will increase by \$1 to \$12.00 statewide (\$13 an hour in Flagstaff).

According to the Arizona Department of Economic Security:

“The Department has been able to fund roughly half of each minimum wage increase. In January 2018, minimum wage increased by \$.50/hour and the rates increased by \$.26/hour resulting in a financial shortfall to the Department’s providers. With each minimum wage increase, the gap is widening and creating a larger shortfall.”

Furthering the problem, the Executive Budget recommendation for FY 2020 does not fully address the minimum wage increase in FY 2020.

## THE ASK:

In addition to the funding provided in the Executive’s budget request for the Arizona Department of Economic Security/Division of Developmental Disabilities (DDD), AAPPD encourages your support in providing funding that will cover the cost of the next minimum wage increase (January 2020) and that will begin to restore the ability of service providers to pay their direct care staff above the minimum wage. In addition, AAPPD is requesting support for an inflation increase in order to address the financial needs of the entire system and to address the availability of services.

## I/DD SYSTEM ISSUES:

- Prior to the enactment of Prop. 206, I/DD direct service staff were paid, on average, 16.5% above minimum wage. After the increase in the minimum wage, direct service staff, on average, make less than **2.6% above the minimum wage** (2018 AHCCCS Network Adequacy Study). As a result, wages have fallen significantly below the starting wages for positions in competing markets that were previously minimum wage jobs requiring less skill and compassion.
- From June to August of 2018, service providers lost 1/3 of their full-time direct support workers (5,098 workers compared to their full-time staff of 13,860) (2018-2019 Q1 DDD Provider Survey)

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- Out of 351 service providers that responded to the Q1 2018-2019 DDD Provider Survey:
  - Over 50% of the service providers say it takes more time to fill a vacant position since the enactment of the propositions increasing the minimum wage.
  - 57% are spending more on overtime pay.
  - 30% have reduced delivering some services to AHCCCS members.
- To make up for the loss in funding, providers continue to make cuts where they can. According to the Q1 2018-2019 DDD Provider Survey, providers have:
  - Reduced employee benefits, including health insurance, vacation pay, employer contribution towards a retirement plan and other personal leave benefits.
  - Adjusted staffing or benefits costs among staff not directly impacted by the minimum wage to cover the minimum wage.
- “Without a partial upward adjustment in pay to the staff that had been earning above minimum wage due to tenure and experience, the DDD program will experience higher levels of turnover and program quality will decline.” (*The Unintended Consequences of Minimum Wage Increases on the Taxpayer: A Case Study of Services for Individuals with Developmental Disabilities, Goldwater Institute report dated February 5, 2018*)

Unless I/DD services are adequately funded to cover the increased costs in personnel services and other costs that have been increasing, the sustainability of the provider network will remain in jeopardy.

AAPPD Cost Estimates for Prop. 206		
		FY 2020 Cost Increase Due to Prop. 206 (Jan to June 2020)
Prior Minimum Wage		\$11.00
New Minimum Wage		\$12.00
Prop. 206 required wage increase		9.1%
Average Wage over Minimum Wage Added (average wage before Prop. 206 per AHCCCS Study)	16.50%	\$13.98
Percent Increase Required before Employee Related Expenses (ERE)		27.09%
Prop. 206 Impact with ERE Impact @ 17.3%	17.30%	31.78%
Wages+ERE as a % of Revenue	70%	70%
Prop. 206 Required Increase		22.2%
Service Dollars Impacted by Proposition 206 (State and Fed)		\$944,235,690
Funding Needed - Total Funds		\$105,019,524
State Funding Needed - General Fund (30.1% FMAP)		\$31,610,877
Currently in the Executive Budget		\$3,368,800
	<b>Funding Shortfall to Address Prop. 206</b>	<b>\$28,242,077</b>

Inflation Costs Not Covered				
	FY 2017	FY 2018	FY 2019	FY 2020
Inflation Increase Costs Not Provided (CMS Market Basket Index)	2.3% (1% provided)	2.50%	2.80%	3.00%
General Fund Inflationary Funds NOT Provided	\$4,924,551	\$8,920,682	\$12,140,307	\$13,974,446
	<b>Total Inflation LOSS for DD System</b>	<b>\$39,959,986</b>		