



CALIFORNIA ASSOCIATION FOR THE RETARDED

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July 22, 2004

Mr. Cliff Alllenby, Director
Department of Developmental Services
1600 9th Street
Sacramento CA 95814

Dear Mr. Allenby:

As President of the California Association for the Retarded and the mother of an adult disabled son, I am writing to ask for your help in addressing the crisis facing community day and residential programs, particularly work activity programs (WAPs).

My son attends the work activity program (WAP) at the Association for Retarded Citizens (ARC) Long Beach. I know you are aware of the history of inadequate rates these programs must face. Now, however, this program, like many others, simply has reached the end of its rope. The situation is dire, and we as parents have run out of fund-raising options to keep these programs alive. The only alternatives left are further debt accumulation or bankruptcy and closure.

The problem, as we all know, is that the rate setting system for community programs is unfair, inadequate and simply indefensible. The Legislative Analyst's *Analysis of the 2004-05 Budget Bill* states:

"The rate-setting approach is often complex, inconsistent, potentially costly to the state, and in some cases, inequitable to providers."

Community services, including day programs and especially work activity programs, are in crisis because their state rates of reimbursement are too low. During the past four years, the state budget, as approved by the Legislature, has determined and awarded work activity program rates that:

- have been arbitrarily frozen at 1998-99 levels
- have been further reduced by 5 percent effective July 1, 2003

Additionally, the state's rate calculations for other day programs are not based on actual costs but on base year costs as determined by when a facility first began operation. This results in a completely irrational system whereby providers with a longer history receive lower rates for the same service than providers that opened more recently.

Finally, for all programs, the current rate system fails to take into account increases in the cost of doing business including wages, rent, workers' compensation, and other fixed costs.

We worry whether the state will be able to meet its federal Home and Community-Based Waiver guidelines, given the fact that its community rate system is too low, is artificially constrained, and greatly inhibits the hiring and retention of competent and qualified staff.

Harry Van Loon, ARC Long Beach's Executive Director, has told me that state Department of Rehabilitation audit staff approved a rate for his workshop program of \$22.84 per consumer per day in 2001, based on actual cost statements. The 2002-03 state budget, however, suspended the statutory provision that would have increased the rate to \$22.84 effective July 2002. Instead, the budget froze the rate at the then current of \$16.42 per day.

To make matters worse, the state budget also cut rates by a further 5 percent, to \$15.60, effective July 2003. That is the rate the program is struggling to get by on today. The cumulative effect of these reductions, based on the difference between 2001 audited costs and 2004 rates, represents a loss in annual revenues of \$362,000 per year. The attached fact sheet (ARC - Long Beach 7-22-04) summarizes these rate reductions.

Mr. Van Loon further points out that between January 2001 and January 2004, the monthly cost for workers compensation premiums increased from \$7,789 per month to \$53,334 per month, an increase of 560 percent over the four-year period.

The program has suffered serious harm from this vicious cycle of reduced rates and increased costs. A number of ARC's most dedicated staff had stuck with the program through the lean years because of their devotion to their clients. Continued deterioration of wages, however, has forced them to face reality. They simply could not continue to work at ARC and pay their rents or mortgage. Reluctantly they have left to seek higher wages elsewhere, such as at fast food chains.

We acknowledge that the department had intended to address the inadequacies of the rate system once it put its proposed purchase of service standards in place. To date, the Legislature has rejected these standards, and we do not know whether the department still plans to address the rate system or has put it on hold.

Unfortunately, clients like my son cannot be put on hold. Closure of programs such as ARC-Long Beach will result in consumer displacements and suffering. The state's continued neglect of community programs is simply intolerable.

When DDS announced that it would delay submission of a proposal to close Agnews Developmental Center, it expressed its concern about assuring the “ongoing quality of care” for Agnews clients transitioning to the community. Now, however, it is time to show the same concern for those clients who already reside in the community, some of whom have the same or similar disabilities to those living in developmental centers.

DDS and the administration must take immediate steps to prevent program closures due to frozen rates. I therefore am writing as a parent and as President of CAR to ask that the department, in consultation with the Association of Regional Center Agencies (ARCA), do the following:

- **Track service start-ups, reductions, consolidations, and closures of residential and day programs.** It makes no sense that the state is willing to provide start-up funds for new community programs for consumers leaving developmental centers but has no system to gauge the health and financial integrity of existing programs. We know anecdotally of a number of programs such as ARC-Long Beach that are on the verge of closure. Such information, however, is inadequate for realistic planning and budgeting purposes. The Administration, the Legislature, regional centers and the public must have access to information about changes in the capacity of the community system, including start-ups, reductions, consolidations and closures. Only then can we adequately target scarce resources and plan for program quality and stability.
- **Take steps to prevent community programs in imminent financial danger from reducing services or closing.** State law provides a clear mandate to the department to protect the health and safety of regional center clients. Program closures are a direct threat. Therefore, it is imperative that DDS, in conjunction with regional centers, take emergency action to save programs in imminent danger of closure because of inadequate rates, as verified by DDS or regional center staff.

Thank you for your consideration of the concerns expressed in this letter. I know you too are concerned about the prospect of program closures and the impact to vulnerable persons with mental retardation and other developmental disabilities.

Sincerely,

Marion Lieberman
President

Attachment - ARC - Long Beach Fact Sheet
cc: George Stevens, Interim President
Association of Regional Center Agencies

Association for Retarded Citizens - Long Beach (ARC-LB)

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Phone (562) 597-4396 FAX (562) 494-8152

**FACT SHEET
REGARDING CURRENT STATE RATE CRISIS**

1. **ARC-LB increases in workers' compensation insurance premiums** - based on all programs including supported employment, early intervention, day training activity center, and work activity programs (work activity center and special needs program)

January 2001 \$7,789 per month

= 560 percent increase (2001 to 2004)

January 2004 \$51,334 per month

2. **History of ARC-LB work activity program rates**

2001 audited cost statement \$22.84 per consumer per day
(based on FY 2000-01 costs)

2001 budgeted state rate - effective 9/01 \$16.42 per consumer per day
(froze rates to those in effect for 2000-01)

2004 budgeted state rate - effective 7/03 \$15.60 per consumer per day
(reflects 5 percent reduction) (current today)

3. **Annual program revenue resulting from alternate rate determinations**

2001 audited costs \$22.84 x 200 clients x 250 days per year = \$1,142,000

2001 budgeted rate \$16.42 x 200 clients x 250 days per year = \$821,000

2004 budgeted rate \$15.60 x 200 clients x 250 days per year = \$780,000

4. **Annual revenue loss resulting from underfunded rates**

Yearly difference between 2001 audited cost and 2004 rate -\$362,000
(\$1,142,000 - \$780,000 = \$362,000)

These figures represent only one program.
Other programs show similar losses!