Report to the Joint Fiscal Committee
Targeted Funds to Designated Agencies
For Increasing Mental Health Staff Recruitment and Retention
September 2018

Distribution of the Allocation by Designated Agencies

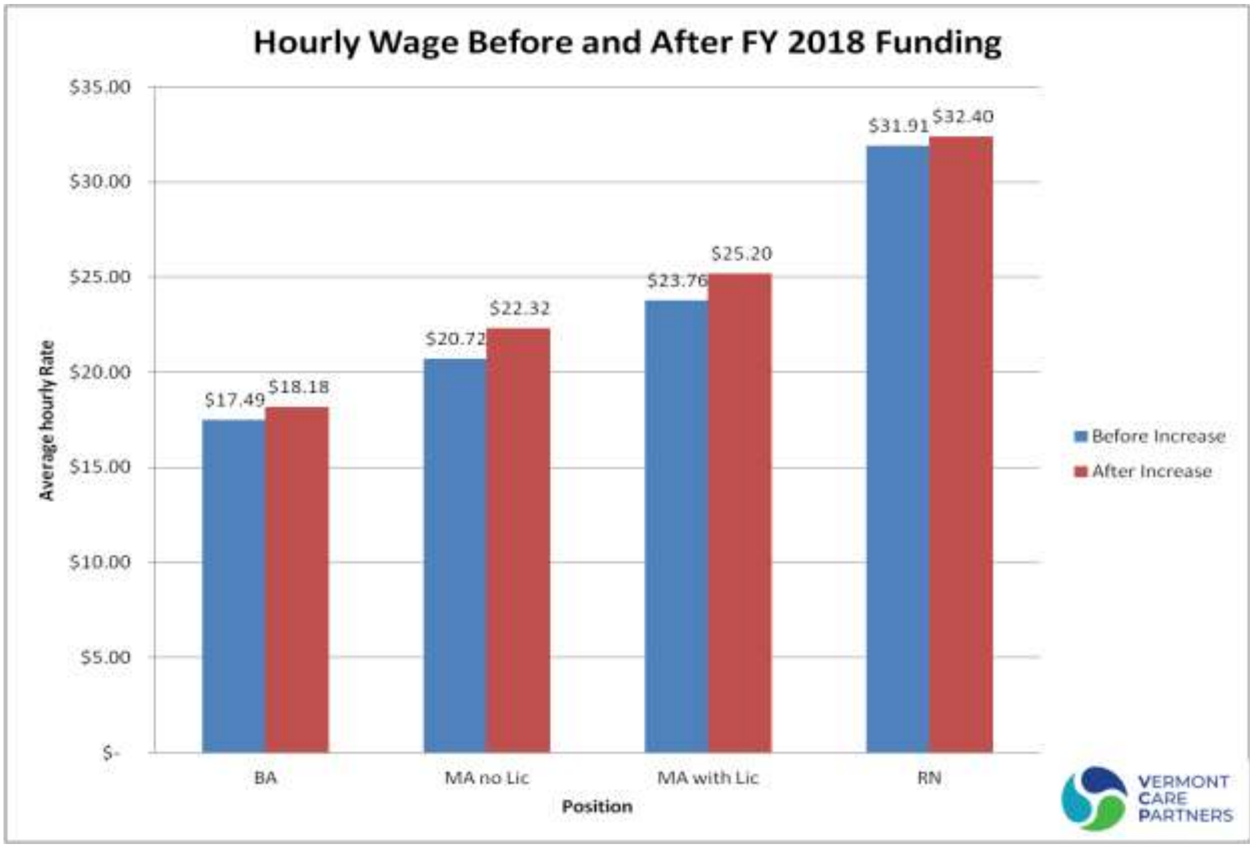
Nine out of the ten designated mental health agencies have developed plans to implement the $4.3 million investment. The Howard Center whose proportional share will be 16.6% of the allocated funds, if they are able to earn them, is currently engaged in union negotiations and therefore is unable to report how the funds will be distributed. Data from the remaining nine designated agencies is summarized below.

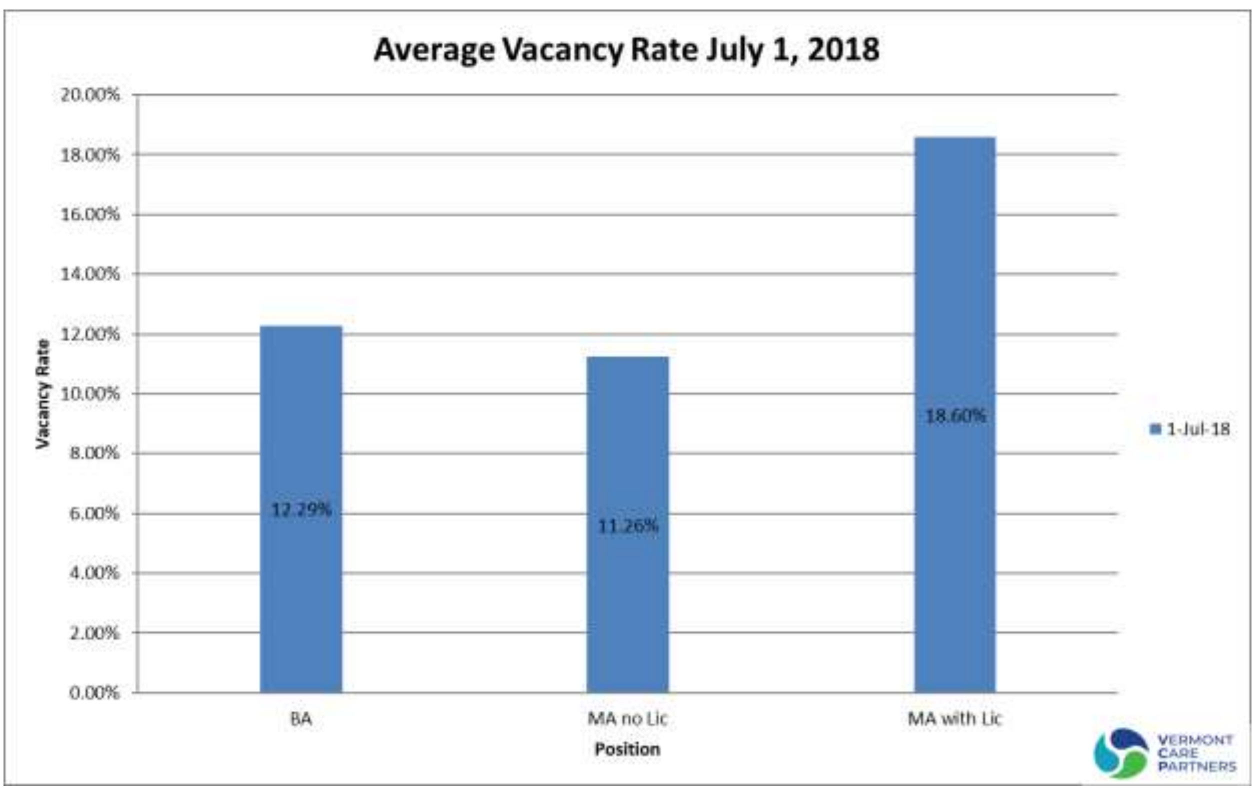
The majority of the agencies included the full amount of the 20% of incentive funds appropriated to, and reserved by, DMH in their allocations for staff pay raises with the assumption that they will earn the funds. Our analysis also indicates that mental health designated agencies used 60% of their funds to improve the salaries of the targeted positions: Bachelor level, Masters without license, Masters with License and nursing staff engaged in direct services. The nine reporting designated mental health agencies gave 663 targeted staff salary increases.

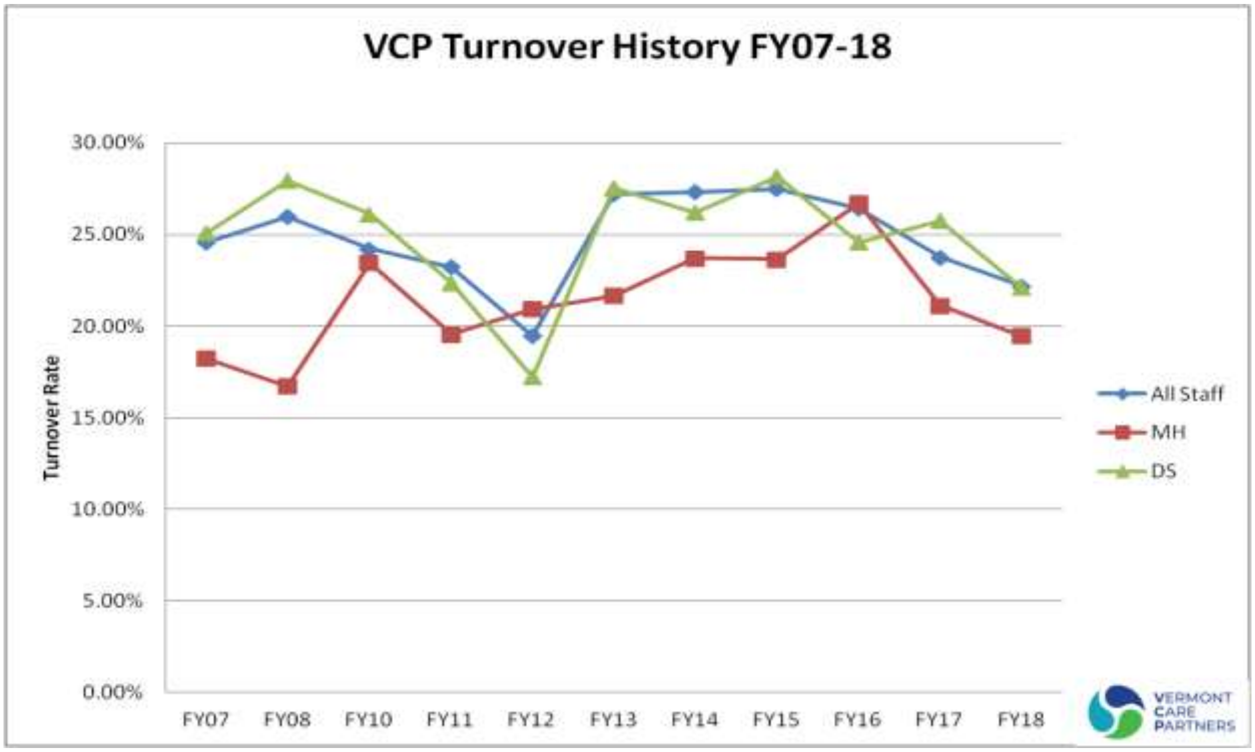
Designated agencies allocated increased resources for health benefit cost increases and the majority also gave salary increases for staff that were not targeted in this allocation through the other 40% of the allocation and through internal budgeting adjustments. While some agencies are giving all staff raises, others are focusing on positions for which recruitment and retention are particularly problematic. Recruitment and retention of direct support professionals for developmental disability services and professional staff in our substance use disorder programs also continues to be a serious problem statewide. A few agencies will be addressing salary compression that resulted from the FY18 minimum wage increase to $14 per hour.

The following charts illustrate the pay levels of the targeted staff before and after the increases, and the levels of targeted staff vacancies. Pay raises averaged: 3.9% for bachelors' level staff; 7.7% for masters without license level staff; 6.2% for masters with license level staff and 1.5% for registered nurses. As you can see the staff vacancies on July 1, 2018 averaged: 12.29% for Bachelors' level staff; 11.26% for masters without license staff; and 18.60% for masters with license. (We have insufficient data to report on nurses' vacancy rates.) We are hopeful that with increased salary levels these vacancy rates will decrease sufficiently to ensure improved access and quality of services.

The chart on staff turnover which covers fiscal years 2007 through 2018 shows recent improvement in staff turnover rates for all staff and for both mental health and developmental disability staff. This indicates that FY2018 workforce investment funds had a positive impact. Agencies also report improvement in turnover rates during FY2017 when a few agencies gave increases in anticipation of the new FY2018 funding. At the end of FY'17 a number of agencies reported improvements in staff morale which correlated with the timing of legislatively approved increases in funding.


Hourly Wage Before and After FY 2018 Funding
$35.00
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$-
Average hourly Rate
$17.49
$18.18
$20.72
$22.32
$23.76
$25.20
$31.91
$32.40
BA
MA no Lic
MA with Lic
RN
Position
Before Increase
After Increase
VERMONT CARE PARTNERS


Average Vacancy Rate July 1, 2018
20.00%
18.00%
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
Vacancy Rate
12.29%
11.26%
18.60%
BA
MA no Lic
MA with Lic
Position
1-Jul-18
VERMONT CARE PARTNERS



All designated and specialized service agencies are challenged to recruit and retain staff due to Vermont's low unemployment level and the limited labor markets in which each one operates. The most significant dynamic noted by each agency is the fierce competition for staff from state government, hospitals, health centers and schools which all offer better benefits and salaries, often more than 20% higher. Most of these competitors offer annual compensation increases which designated agencies cannot match. Therefore it would be beneficial for the State to develop fiscal policy that enables annual funding increases for designated and specialized agencies in the context of annual increases for state employees, health care and school employees.

Vermont Care Partners and the designated and specialized service agencies always strive to meet the needs of Vermonters experiencing mental health and developmental disabilities while maximizing the value of taxpayer dollars. We see the answer to maintaining a qualified, well-trained and experienced workforce as a broader picture than that of adequacy of funding. That's why Vermont Care Partners is working collaboratively with state government on developing value based payments to maximize our resources to flexibly meet the needs of Vermonters. Plus, we are strengthening our innovative partnerships with health care and other community organizations. Workforce training and development, as well as quality improvement initiatives, are also in progress and will complement the impact of the FY2018 and FY2019 workforce investment appropriations.

Given Vermont's fiscal realities Vermont Care Partners is especially appreciative of the Legislature's commitment and investment to our dedicated, hard-working, and knowledgeable workforce. They are the foundation our State's efforts to address the mental health needs of Vermonters. The data suggests that the FY2018 workforce investment appropriation has had a positive impact on staff recruitment and retention. We are optimistic that the FY2019 $4.3 million appropriation will maintain forward momentum, particularly for the targeted mental health staff.

Investment in community-based services is not only sound fiscal policy it is also consistent with the values of Vermonters that chose to close our large institutions in favor supporting citizens to live healthy, safe and satisfying lives in their communities. The designated and specialized service agencies recognize that responsible stewardship of public resources is critical to meeting our obligation as the safety net for vulnerable Vermonters. To be successful we must have the sufficient resources to attract and retain a qualified, well-trained and experienced workforce.

Appropriations Act Language

The language in the Appropriations Act 11 reads as follows:

Sec. E.314 DESIGNATED AGENCY STAFF RETENTION (a) To address the compensation gap between the designated agency system and other providers in the health care delivery system the funds appropriated in this section are to enable the Department of Mental Health to increase payments to the Designated Agencies in fiscal year 2019 in a manner to work toward this goal.

(b) Of the funds appropriated in Sec. B.314 of this act, $4,328,689 shall be used to provide increased payments to the Mental Health Designated Agencies in fiscal year 2019. The Department may allocate up to 20 percent of these funds to be used to address the compensation gap through value-based incentive payments focusing on quality and outcomes. The remaining funds shall be allocated to the base rates for providers. Of these funds, up to 50 percent may be targeted for direct services that are provided by master's level clinicians and other staff with high levels of credentials and experience to reduce the compensation gap for this staff. These targeted funds shall be used to increase recruitment and retention of these levels of professional staff. The Designated Agencies shall assist the Department by providing baseline data.

(c) The Department shall report to the Joint Fiscal Committee in September 2018 on the implementation of this section.

(d) Representatives of the Designated Agencies shall report to the Joint Fiscal Committee in September 2018 on the impacts of these resources on recruitment and retention of master's level clinicians and other staff with high levels of credentials and experience.

Distribution of the Allocation by the Department of Mental Health (per DMH June 26, 2018)

The Department of Mental Health (DMH) increased the funding for Designated Agencies for State Fiscal Year (SFY) 2019 using a fee-for-service rate increase of 3.8 percent. The allocation of the $4,328,068 in new funding was not based on a straight across the board Medicaid rate increase, yet needed to be applied as a Medicaid rate and was allocated in the following manner:

- DMH totaled the amount of funding each DA receives in their Exhibit B and within other DA/DMH GC programs that are associated with Medicaid and Global Commitment Investments, as well as other programs that it has been decided will be rolled into the new case rate beginning January 2019.
- DMH then calculated the percent each DA receives of that total funding.
- DMH applied 80% of the $4.3M total allocation across all Medicaid programs that will be rolled into the new case rate and established a Medicaid rate increase of 3.8%.
- Because up to the remaining 20% ($865,613) can be used by DMH for incentive payments once the case rate begins in January 2019 approximately one half of the 20% ($432,806 or first ½ of the 20%) will be rolled into the case rate depending on DA billing to date at the start of case rate.

- If there is any remaining funding of the $432,806 or first ½ of the 20% and depending on billing to date, it will be distributed into the case rate.
- Keeping the full 20% out allowed DMH to establish an annualized incentive payment for the new bundle
- The funding allocated from the legislature was not based on total amount of Medicaid in the DMH budget regardless of funding source (such as DCF or Success Beyond Six) so it was not applied to those programs, however the Medicaid rates for those services will increase by the same 3.8%. DMH's intent was to be as fair as possible and provide each DA with the opportunity to earn the same percent of the new funding as the percent based on Exhibit B and other DA/DMH GC programs that will be part of the January 2019 bundle and is associated with Medicaid and Global Commitment Investment each DA receives.

FY 2018 DA Allocations of $4.3M

Agency	CMC	CSAC	HC	HCRS	LCMH	NCSS	NKHS	RMHS	UCS	WCMH
% of Allocation	5.5%	7.9%	16.6%	17.0%	5.3%	11.4%	7.8%	7.3%	5.3%	16.0%
Total Allocation	$236,167	$341,019	$718,348	$734,977	$229,067	$492,172	$339,223	$316,991	$229,576	$690,527