Region V Services

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Testimony for LR 184
October 29, 2021
Matt Kasik, Chief Executive Officer
Region V Services

Chairman Arch and members of the HHS Committee, my name is Matt Kasik (spell out). I am the CEO of Region V Services. I am here representing NASP (Nebraska Association of Service Providers) to provide information on behalf of the Intellectual and Developmental Disabilities (DD) provider community as it relates to LR184.

I have been in my role since April 2020. My predecessor, Dave Merrill, is now enjoying a much-deserved retirement. My organization, Region V Services is the largest provider of DD services in Nebraska. We serve around 800 individuals with disabilities. We are based in Lincoln and have 22 locations covering southeast Nebraska. We provide wide ranging services including residential, day, and vocational supports; simply put, we meet the needs of the individual so they can live their best life.

Region V Services is one of the original six community-based service delivery regions in Nebraska, established in 1973. Before these regions existed, the only option for those with disabilities in Nebraska was to live in an institution. If you had a son or daughter at that time, you were told to send them to the Beatrice State Developmental Center (BSDC). Today, most individuals with disabilities live full, meaningful lives within the community. They have social connections, jobs, and own cars. They have lives that you or I take for granted. It is because of DD providers that so many individuals with disabilities can achieve this.

Today, the DD provider community is at a crisis point. We are struggling with the effects that COVID-19 has created on the labor market. Simply put, the existing system is not sustainable for providers and if changes are not made soon, we could see dire consequences.

The main problem that DD providers are experiencing is critical staff shortages. It's critical because our work does not stop. We must have staff to provide 24/7 support.

Right now, Region V is recruiting to fill 61 vacancies. Because of this shortage, we have had to resort to drastic measures. We are overworking our existing staff, while incurring high overtime costs. We are having staff work with multiple individuals at one time. We have forgone services, such as vocational training. If someone we support lives independently or with parents, we don't send staff in. We have been forced to make decisions that negatively affect the people we are trying to build up.

The most stunning problem is that most DD providers in Nebraska are turning away new participants. In this current budget biennium, funding was appropriated for roughly 500 new individuals to come off the waitlist and receive services. Providers have been begging for this for years and we are now forced to tell new participants to wait longer because we can't find staff.

The problem derives from our funding structure. Our service rates are determined by a cost-based analysis and then set by legislature. The most recent study was completed by DHHS in 2018 with data from 2016. While we are grateful that the appropriations committee and the legislative body has implemented 2% rate increases for providers the past few years, that simply is not enough for us to survive the current climate. As providers, we cannot increase our rates – we can't just charge more like they do at stores. This is why we need legislative help.

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The solution to these issues is higher rates, which I'm aware will be a request to the appropriations committee. However, we are at the point where quality of care is jeopardized, which is why this committee needs to be aware of the situation.

The financial health of DD providers in Nebraska is dire. Providers have increased their spending to attract new workers, but again there is no additional reimbursement to fund this increase. The handout I've shared shows data from five providers, which represents about half of participants of DD services in Nebraska. These providers have experienced a 12% decrease in operating margin in the past two years. The additional staffing costs, coupled with non-commensurate reimbursement rates have led us to this point.

The crisis warrants a mid-biennium adjustment to address these labor shortages. Our preliminary draft analysis shows the need is around a 25% increase to provider rates, which translates to $43 million in general funds, plus the federal match. With needs as urgent as they are, an emergency appropriation would be justified.

The model for our proposed solution can be found at BSDC. The State of Nebraska has just approved a 20% wage increase for workers there. Their work is very similar to what providers do, in fact, we have a location in Beatrice and we frequently hire from the same labor pool. Now, we will be forced to compete with a $17.62 starting wage, while ours is $14.03.

The reason they did this at BSDC, was because they were at a point of crisis. They too had critical staff shortages and their administrators feared a catastrophic outcome if they did not act. Community based providers are at this same crisis point. On behalf of the 5000 individuals we all collectively support, I urge you to help us to prevent a catastrophe.

I thank you for your time and I am available for questions.

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NASP

LR184 Exhibit: Financial Reports from Five Nebraska DD Providers
10/29/2021

The table below shows a consolidated income summary for five service providers in Nebraska. The summary compares financial data for three months prior to the COVID-19 pandemic, July 1, 2019 to September 30, 2019, to the same period in 2021. NASP would like to highlight:

- These providers represent approximately 45% of all payments made by HHS for services in the Community for individuals with intellectual and developmental disabilities
- Operating margin fell by 12% from 2.6% to -10.6% between the reporting periods

Consolidated Statement of Revenue and Expenditures:

REVENUES:	**Jul - Sep 2019**	**Jul - Sep 2021**
HHS Revenue (1915c DD Waivers):	41,434,989	36,825,398
Other Service Revenue:	1,873,860	1,268,229
TOTAL REVENUE:	**43,308,849**	**38,093,627**
EXPENSES:		
Salaries and wages	20,101,746	19,192,109
Employee benefits and payroll taxes	5,862,574	5,959,739
Travel/Transportation	751,690	579,965
Supplies	410,514	299,476
Occupancy	2,698,457	2,641,494
Equipment	239,848	239,584
Contracted Services (non-SLP)	1,168,837	1,060,039
Contracted Services (SLP)	8,568,515	9,387,093
Other Operating Expenses	2,362,623	2,754,745
TOTAL EXPENSES:	**42,164,802**	**42,114,245**
EXCESS/DEFICIT OF REVENUE OVER EXPENSES:	**1,144,047**	**(4,020,618)**
MARGIN (%)	**2.6%**	**-10.6%**