



July 22, 2014

Santi Rogers, Director  
Department of Developmental Disabilities  
1600 Ninth Street  
Sacramento, CA 95814

Dear Director Rogers,

This letter is a formal request by the undersigned organization of service providers to the Department of Developmental Services to take all steps necessary to immediately provide a ten percent (10%) increase in the rates provided for vendors utilized to provide services mandated by the Lanterman Act (Welfare and Institutions Code 4500). We are requesting this immediate increase as an interim step pending collection and analysis of the economic data necessary to determine the adequacy of the rates currently paid to vendors.

The request is directed to you as the Director of the Department of Developmental Services, DDS, not only because we understand and believe that it is this Department that has the ability to make the adjustments a reality but also because, with your leadership, we believe we can work together in a cooperative manner with a mutual appreciation for our responsibilities to Californians with developmental disabilities.

Included with this letter is a twenty-seven (27) year historical record of vendor rate adjustments compared to the Consumer Price Index. As you can see from that record, there is no question but that there is a need for an immediate adjustment to prevent the economic collapse of the service provider community. No private, public or nonprofit enterprise could continue to function within a price controlled structure for 27 years.

As we believe you are aware, over the course of the past several administrations, the Department failed to establish any process for collecting, analyzing and reporting cost data on labor and operational expenses necessary to provide mandated services. As a result, there has been no information to enable past administrations and legislatures to have current and accurate data as to the challenges faced by service providers. The consequence, of course, has been no significant change in the rate structure at any time during the past twenty-seven (27) years. We, your community of service providing organizations, continue to cut and stretch spending as much as we can to hold the system together, but we cannot prevent the inevitable erosion in the quality, continuity and accessibility of services that the Lanterman Act promises. There is no doubt that the safety-net for Californians with developmental disabilities is disintegrating despite our best efforts due to neglect of its community-based service providers.

We would ask that you consider the following when reviewing our request:

1. The Department of Developmental Services has, for more than 20 years, failed to establish and conduct any process for collecting and evaluating economic data relative to the actual costs to provide the services and supports required under current law.
2. The Department had in place a practice of not adjusting rates of reimbursement from year to year resulting in a situation in which there was no way to maintain an economically sound relationship between the actual costs to provide services and funds received for the costs.
3. In addition to failing to collect and assess actual cost data in order to determine rate adequacy, the Department further failed to apply any alternative mechanism such as index-based rate adjustments to the rates being paid.
4. The Department also failed to establish any mechanism by which individual vendors were able to provide economic data to support a need for a rate adjustment.
5. Since the Department does not currently have a mechanism for accepting and assessing individual vendor cost data and adjusting individual rates based upon actual cost data, the Department has no means of aggregating such individual costs and rate adjustment data into a State-wide data base for the purposes of understanding changes in vendor costs and implementing uniform rate adjustments to its vendors.
6. The end result of this situation is that as you take over the Department, there is a wall of what can only be described as one of "ignorance and silence" as to the actual and reasonable expenses involved in providing services for the developmentally disabled in California.

In the absence of activity from the Department to collect and understand economic data relative to increases in costs to provide services, the Department has not incorporated funding for rate adjustments in the Department's annual Budget request to the Legislature. This "wall of ignorance and silence" has effectively meant that there is no accurate information to form a basis for sound recommendations and appropriate legislative oversight as to the needs of the developmentally disabled in California. Without such information, it is impossible for even the most sympathetic legislator to intelligently and in an informed manner consider the needs that exist for rate adjustments for those serving the developmentally disabled.

The "wall of ignorance and silence" that predates your appointment has resulted, as we believe you are aware, of a situation in which the rates paid are dramatically less than the actual costs the vendors are incurring. The mainstays of the service delivery systems are nonprofit agencies who now struggle on a day to day basis to keep the doors open. They have raised every dime they can, they have closed every program they can, they have cut every expense they can cut. They can do no more without an immediate increase in the current rates. The gap between rates and expenses has now grown so large that it can no longer be filled with fundraising and cost cutting.

This current year's mandatory adjustments to accommodate California's minimum wage increase is not rate relief but instead only substantiates how far below adequate the current rate structure has fallen.

The fact that DDS reported to the Legislature that rate adjustments were required by law so that many of your vendors could elevate critical direct support staff wage levels to California's Minimum wage is alarming. Please recognize that the tens of thousands of adults who now receive independent living skills instruction, behavior support/crisis intervention, counseling and guidance, employment preparation and support, and so forth in open community settings possess the same diagnostic classifications, disabling conditions and complexities as individuals who were receiving services in the Department's Developmental Centers.

The level of professionalism and expertise necessary to serve these individuals successfully in open community settings requires a skilled and stable workforce at least equal to the personnel employed in the Developmental Centers. Yet the rate structure is so old and inadequate that your community based vendors are unable to pay wages to attract and retain qualified professionals and instead must hire from the minimum wage labor pool. Please contrast this with the compensation levels of your most junior Developmental Center direct support professionals whose wages are established well above the State's minimum wage.

Additionally, each and everyone of the adults now served by community service vendors was taught and supervised by credentialed special educators supported by a cadre of stable and trained paraprofessionals until age 22. None of these public education personnel will have their wages adjusted to accommodate a \$10.00 per hour State minimum wage because the compensation level necessary to assure qualified and effective personnel to serve, educate and support individuals with developmental disabilities is well beyond the State's minimum wage. In fact the State's largest School District, LAUSD has recently established a minimum wage for any employment with the District of \$15.00 per hour. The vocational and life skills training needs of young adults with developmental disabilities did not evaporate upon their twenty-second birthday, nor did their needs for qualified instructional and support staff. Yet the rate structure is so low that DDS had to make adjustments to "boost" wages for adult instructional staff to \$9.00 per hour.

And, of course, all of the above is only heightened by the impact of the State's rate reduction and subsequent rate restoration activities since 2007. When rates were arbitrarily reduced in 2007, the rates in place were already at least ten years out of date. The 2007 rate reduction caused almost all vendors to utilize whatever cash reserves they had available to maintain even minimal programming consistent with the requirements of state law. Necessary upkeep and maintenance of facilities was put off, the community workforce received wage reductions below their already low pay levels and, at the same time, were required to take on steep increases in benefits costs. There is no dispute but that the 2007 rate reductions removed tens of millions of dollars from an already stretched infrastructure.

The State's restoration to 2007 rate levels did not reverse the lost cash reserves nor provide any wage and benefit relief from the already too low pre-2007 levels. The restoration to 2007 rate levels did not address any of the economic realities of cost pressures that were present for the decade before 2007 or any that exist subsequent to that time.

Returning vendors to 2007 rate levels did not mean returning to rates that were determined to be economically viable in 2007 but rather to the same rates that had been imposed and unaltered for up to ten years only now with greatly weakened infrastructures and far less emergency "rainy day" reserves.

While the Department did not require, request or even permit data regarding the impact to vendors and consumers resulting from a failure to provide adequate rates, this does not mean the impacts have not taken place. Chronically high turnover of the most qualified staff as well as numerous and prolonged staff position vacancies have caused significant setbacks to the developmentally disabled of California and pose clear and immediate risks to the health and safety of the population we all strive to serve.

Vendors who once required degreed and professionally qualified personnel now hire from within the pool of applicants who will work for \$9.00 per hour. Vendors who regional centers depend upon to increase capacities to serve clients aging into adulthood are not expanding due to lack of capital and rates that can not cover actual costs to provide services.

The community based system for providing services for the developmentally disabled in California is comprised of vendors for whom the Department must establish and regulate rates of reimbursement. It is an unstable system in imminent danger of total collapse without an immediate infusion of funds.

The fact that the Department has, at least historically, seemed to be indifferent to the solvency of the community based system of services is of great concern. While we understand there may be a belief that since there are not wide spread closures, things must not be that bad. That belief is both unfounded and a further example of the “wall of ignorance and silence.” California must not wait for human catastrophes before it acts to repair the damage that has been done.

Working together, we can collect real and credible data as to the current financial viability of the community based service delivery system. This data can enable us all to work with facts, not anecdotal or other unreliable information. It will enable us, together, to address the issues central to the preservation of a viable, safe, and effective community based program of services for individuals with developmental disabilities. It is only through the gathering of such data that we can all have the information necessary to make informed and intelligent decisions as to the efficacy and costs of any community based service delivery system.

We look forward to your immediate response to the two requests of this letter. Of utmost importance is an immediate ten percent (10%) increase since we cannot comply with continuously escalating business and employer cost pressures including Affordable Care Act and other public mandates without such an increase. Second, and of equal importance, is the need to develop a working relationship by which accurate and current economic data can be obtained as to the real costs for delivering an effective community based service system for California’s developmentally disabled.

We look forward to hearing from you over the course of the next two weeks.

Sincerely,

Cynthia Sewell, President/CEO  
New Horizons

Kelly White, CEO  
Villa Esperanza

Scott Bowling, President/CEO  
ECF

Ronald S. Cohen, Ph.D., President/CEO  
UCP

Lori Gangemi, President/CEO  
Ability First

Caron Nunez, Executive Director  
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Debra Donovan, Executive Director  
Valley Village

Cyndi McAuley, Executive Director  
Therapeutic Living Centers for the Blind

David A. Bernstein, Executive Director  
Hope House

Rebecca Lienhard, Executive Director  
Tierra del Sol

Ken Lane, Executive Director  
TASC (The Adult Skills Center)

Jeff Strully  
Jay Nolan Community Services

Bill Young, CEO  
CLIMB

Cindy Burton, President/CEO  
Pathpoint

Kevin MacDonald, CEO  
The Arc—Los Angeles & Orange Counties

Patricia Swisher Schulz, CEO  
The Arc—Ventura County

Steve Miller  
(Former ED of Tierra del Sol)  
Emeritus Coalition Member