



LifeScape Legislative Educational Review

Adult Services

- 37 adult residential homes
- 85% level 1 and 2 support
- 350 adults supported annually



CSP Association Member



- Adult day services
- Adult job and community
- +500 supported annually



13 Service Lines – Oversight by DOH, DHS, DSS and DOE



Children's Services

- 18-bed specialty children's hospital
- 60-bed ICF – children's residential
- 120 student specialty school



4 outpatient clinics:

- OT, PT & Speech
- Seating & mobility
- Autism & behavioral services
- Regional specialties
- Outreach to 46 schools
- +4,000 supported annually

Evolution of the Community Support Business Model

1999 Olmstead Supreme Court decision drove ADA/Medicaid programs placing the burden on the state to provide community-based services to those with developmental disabilities including improved access, availability, quality, and choice through various waivers including CHOICES. Failure to provide adequate / reasonable services is considered discrimination. Federal (55%) FMAP funds match (45%) state funds to provide mandated services.



Center for Medicaid & Medicare Services (CMS)



Department of Human Services (DHS)



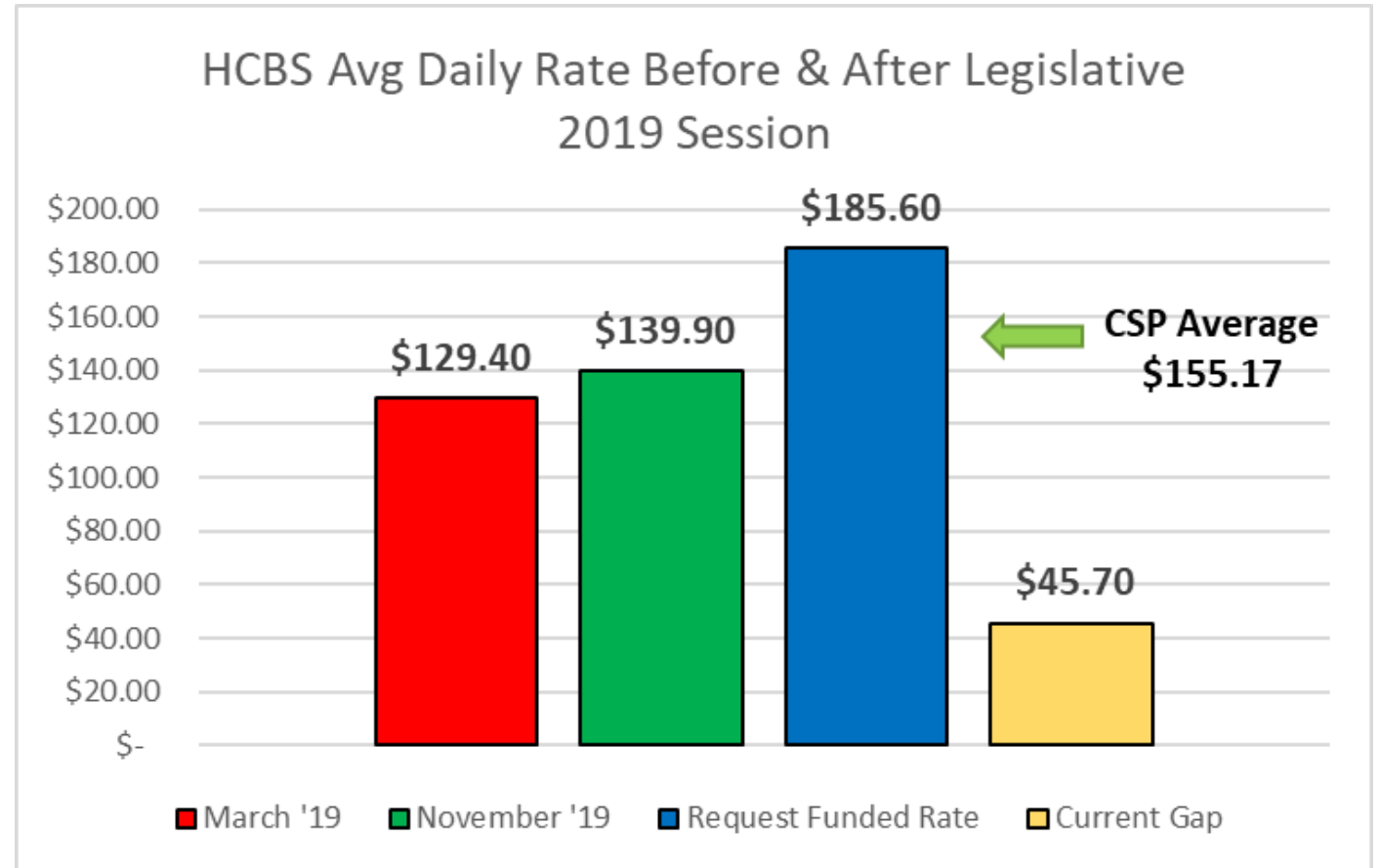
State Institutions



Privatization / Subcontracting of Medicaid Services to CSPs Resulted in Hundreds of Millions of Dollars of Savings

2020 Legislative Session Funding Gap Analysis Adult Daily Rate Funding

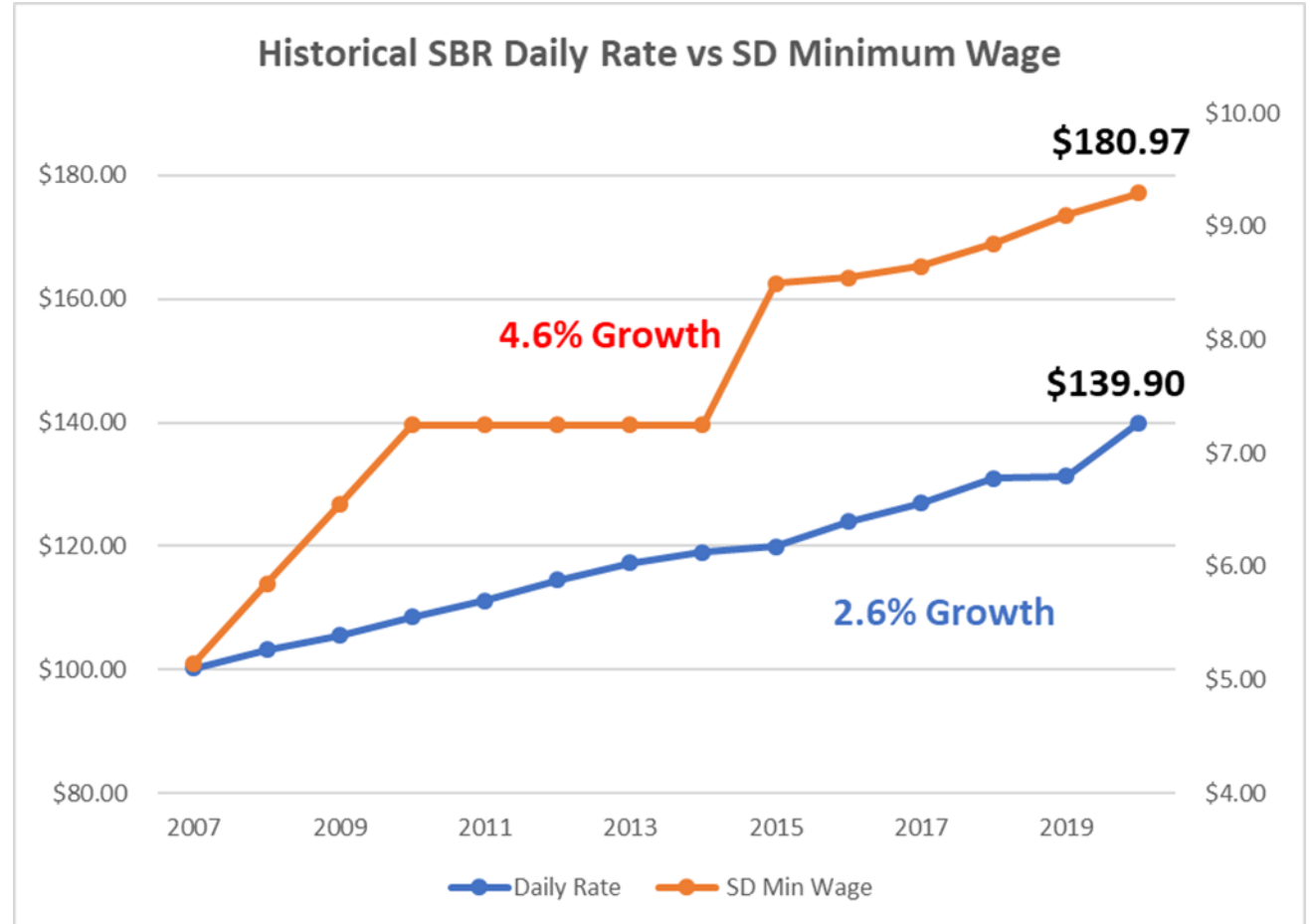
- Current funding is **75.4%** of estimated standard of care funding request
- 2017 **SB147** mandates rate review process every 5 years for all Medicaid funded programs. The CSP process was started last year, but put on hold due to COVID.
- **Gaps in funding directly impact workforce - impacting CMS defined requirements of access, availability and quality and limit choice.**
- What put us in this position was the decoupling of cost reports to rate funding in 2007



Funding has not kept up with State's hourly wage inflation – focus on business development within the State has been successful but workforce supply hasn't kept up with demand driving substantial growth in hourly wages

Approximately 85% of our budget is labor related

Using South Dakota minimum wage as a proxy for wage inflation – the resulting daily adult rate should now be \$180.97 based on the last rebasing effort in 2007 vs our current rate of \$139.90



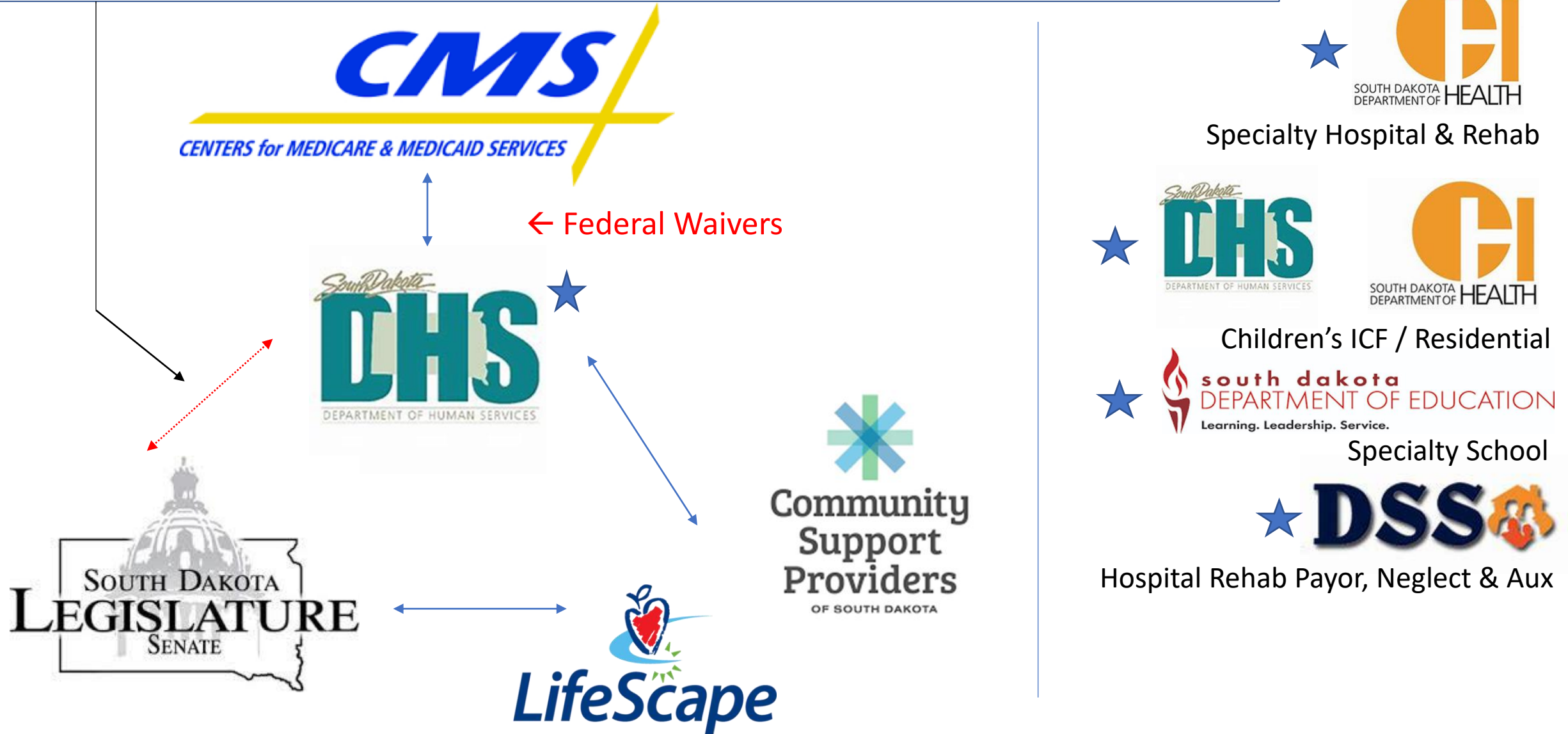
Key Talking Points

- **State wage inflation has outpaced state funding**
 - Labor makes up 85% of annual budget – conversion of funding to wages is efficient
- **Wage gap has accelerated loss of staff – leading to potential substantial negative outcomes**
 - 141 open positions / 5,640 open hours per week and growing – labor ratios are mandated
 - Target / Walmart / Amazon +\$15/hour starting – Hobby Lobby \$17/hour starting
 - Smithfield \$1,000 and Taco Bell \$600 signing bonuses
 - LifeScape \$12.50 starting for front-line worker / averaging \$15.09 / hour
 - 2 applications in the last two weeks
- **The front-line support jobs are becoming more challenging and demand is growing**
 - 60% of those we serve have severe behavior issues; leading to higher rates of injuries
 - CDC stats: 1:6 is born with developmental disability and 1:54 is born with autism up from 1:150 2000
- **Compliance with CMS requirements of improved access, availability, quality, and choice is at very real risk**
 - Lack of appropriate funding has long been viewed by CMS as an intentional limitation
- **LifeScape / CSP Assoc ask is for funding increase of +\$33.5M to fund a \$3/hour increase to front-line staff**

Funding Ask for Adult Services / CSPs and Children's Services

- **Goal is \$3/hour increase for front-line staff:**
 - Adult / CSPs - \$13,807,238 of State general funds which is then matched by the FMAP for \$18,772,371 to get us to \$32,579,610 – Governor's letter September 1st
 - Children's ICF services - \$898,177 in total funding
 - **Total funding - \$33.5 million in total annual increased funding; \$15 million in state funding**
- **Potential Funding Solution:**
 - **6.2% FMAP funds** generated \$81M in additional funding (Jan – Dec)
 - Total FMAP increase was deposited in the State's general fund
 - **This was designed by the Feds for providers of Medicaid services**
 - These funds are put in a **separate DHS fund**
 - Starting this year F21, the \$81M fund would be used in part to pay the \$15M step-up in rates (state's contribution)
 - This would be the start of a **3 to 5-year plan to adjust rates appropriately** so that as the reserve would end the State would be prepared to take on its share of the gap resolution and comply with CMS waiver rules

Funding and policy/process need to be aligned in order for providers to be sustainable and compliant.



- If we can't afford to fund it; what is it that we collectively agree we are NOT going to do?

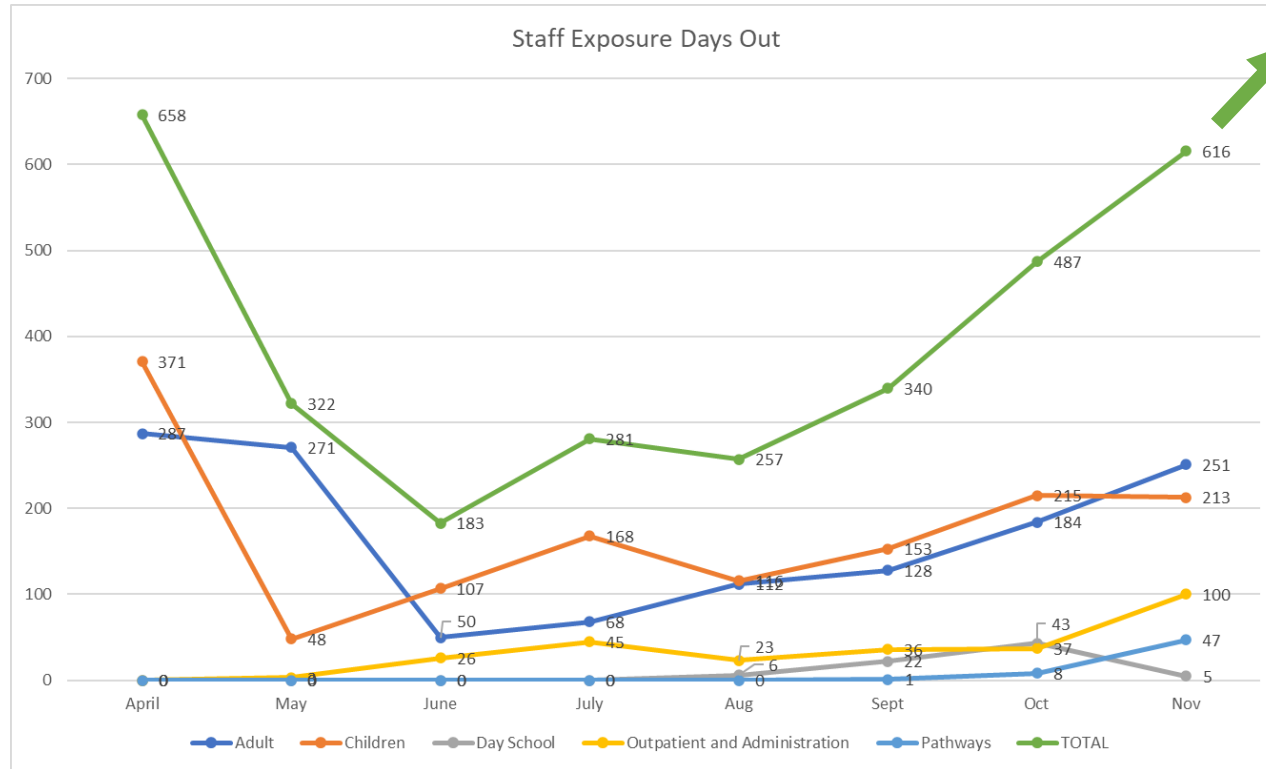


Home & Community Based Services Final Regulation (compliance stair stepped to March 2023)

- Federal Goal: **Emphasis on community-based setting in significantly smaller groups**
- Impact to CSP: **Significant deleveraging of efficiencies** we've needed to develop in order to remain sustainable in funding challenged state:
 - Break-even for adult residence currently at 7; new rules suggest 3 to no more than 4 in residence
 - We support over 500 adults for day services in one building to capitalize on economies of scale – new rules suggest no more than 3 individuals at day services that are NOT at performed at their home
 - New rules tend to lean toward adults who have the capacity to live in the community with relatively low support – deemed Level 3, LifeScape's census is 85% Level 1 and 2 support requirements
- Changes will result in:
 - **Significant increase in staffing needs** in an environment with an incredibly low workforce supply
 - **Significant increase in daily rates** to cover lost contribution of 4 less adults in the home
 - Potential problems with HUD homes on a 40-year contract
 - **Anticipate a 3x cost increase in complying with CMS new rules for the SAME number of adults supported**

This is a substantial change in adult care and support methodology and cost structure that no one is talking about!!! This should be a cross sectional discussion with Governor's team, legislators and providers to determine what we agree to fund and what operationally those funds will support.

COVID-19 Impact to LifeScape



- 1,100 staffing goal
- 762 staff have had to quarantine due to exposure for 3,144 staff days not able to work – 616 days in Nov
- 197 staff have had to self-isolate due to COVID positive for 2,187 staff days not able to work
- 6 staff dedicated to tracing 2,364 staff days not able to work in their normal function
- 141 open positions requires backfilling 5,640 hours per week – and growing!
- 2 COVID positive triage units opened treating on average 15 people supported and requiring additional 25 medically oriented staff 24 x 7
- 1,045 tests with 278 positive results and 31 active and 3 supported deaths – we have to orchestrate the testing
- Anticipate the remainder of December and January to continue to escalate
- Rapid testing best option next to vaccination for control and visitation – however testing supplies in short supply

Thank you for supporting the distribution of state CARES funds this month! We can show over \$2.5M of federally recognized COVID costs through November.



**Thank you for
your support
this legislative
session from
all of us
at LifeScape!**