2022

ARRM

INDUSTRY REPORT

Photo Credit: Hammer Residences, Inc.

The disability services industry has been under pressure for a long time as it has struggled to provide life-sustaining supports to people with disabilities while enduring inadequate funding, increasing regulatory requirements, and extremely high rates of turnover and vacancies in the direct care workforce. The COVID-19 pandemic created even greater struggles beginning in early 2020. ARRM's 2022 Industry Survey gathered information from member providers about their experiences in 2021. Consistent with what we saw emerging in the previous year, what had already been a crisis before the pandemic became a threat to the very existence of some provider organizations.

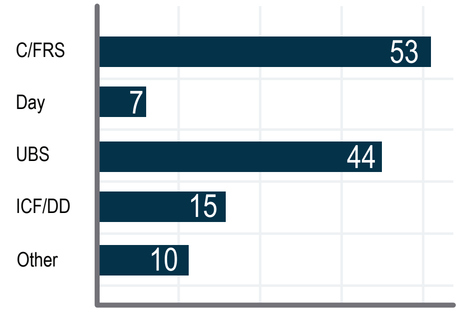
The ARRM Industry Survey is conducted annually to track issues of concern to ARRM's member organizations and to observe trends over time. The findings are used to inform ARRM's legislative strategy and advocacy efforts, and to provide meaningful information to providers about overall industry experiences, as reported by ARRM member organizations.

Respondent Profile

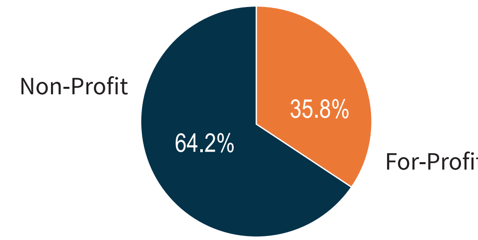
The survey was reorganized from previous years, and for the first time was divided into four sections, each with its own printable document and survey link. The survey was sent to 148 provider organizations, the highest number in at least three years.

Fifty-five organizations submitted a response to at least one of the four survey sections, for an overall response rate of 37.2%. This was higher than the 2021 response rate of 34.9% and the 2020 rate of 32.1%. Forty-seven organizations (31.8%) responded to all four sections.

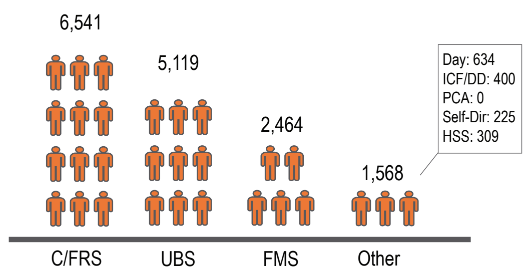
# of Orgs Providing Service by Service Bucket



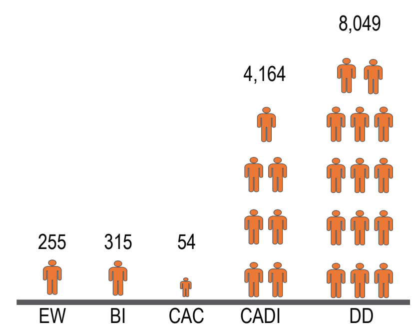
Member Org Business Model



Individuals Supported by Service Bucket



Individuals Served by Waiver Program



Geographic Representation

Using the Metropolitan Statistical Area (MSA) method of designating regions within the state, respondents were asked which regions they had business operations in.

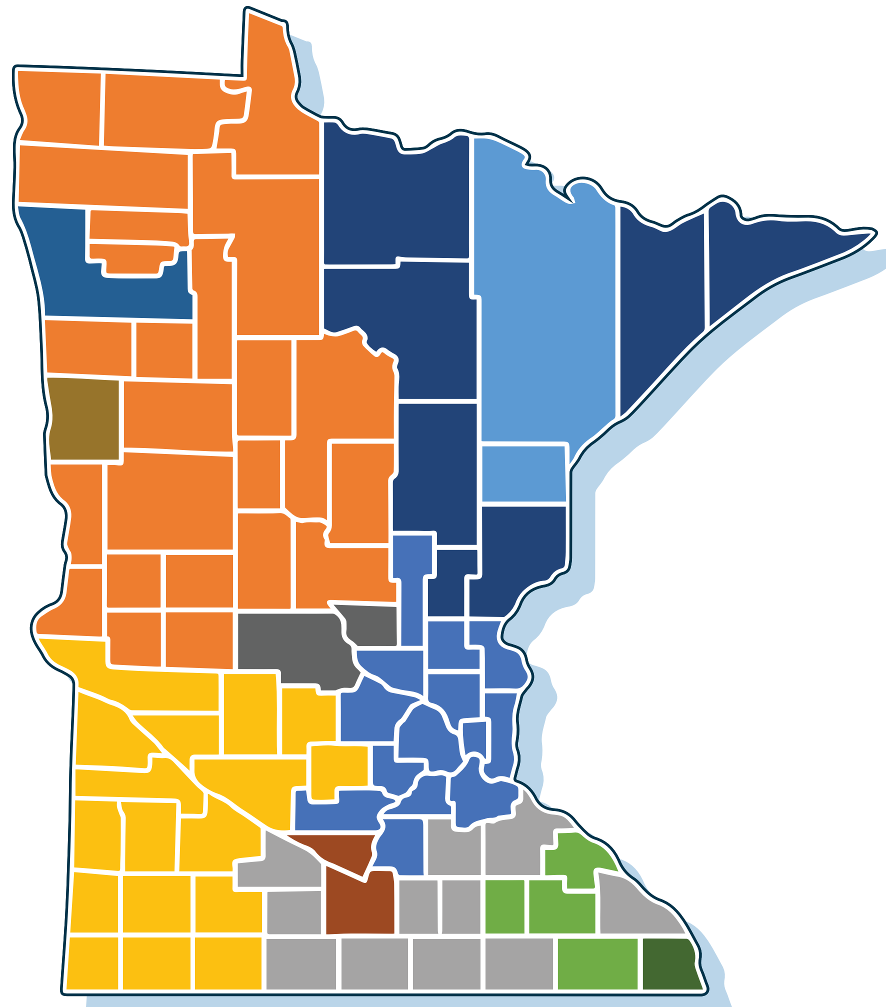
Not surprisingly, the Metro region had the highest number of organizations with operations, but it should be noted that under the MSA definition, the Metro region includes 14 counties. The Northwest MSA contains the largest number of counties (24), but does not include the cities of Grand Forks (Polk County) or Fargo (Clay County).

The Southeast MSA includes 11 counties, but does not include Rochester (Dodge, Fillmore, Olmsted and Wabasha counties are included in the Rochester MSA).

ARRM Members Operating in Each Region

Duluth	10	Northeast	9
Fargo	4	Northwest	12
Grand Forks	2	Rochester	10
LaCrosse	1	Southeast	12
Mankato	7	Southwest	11
Metro	31	St. Cloud	6

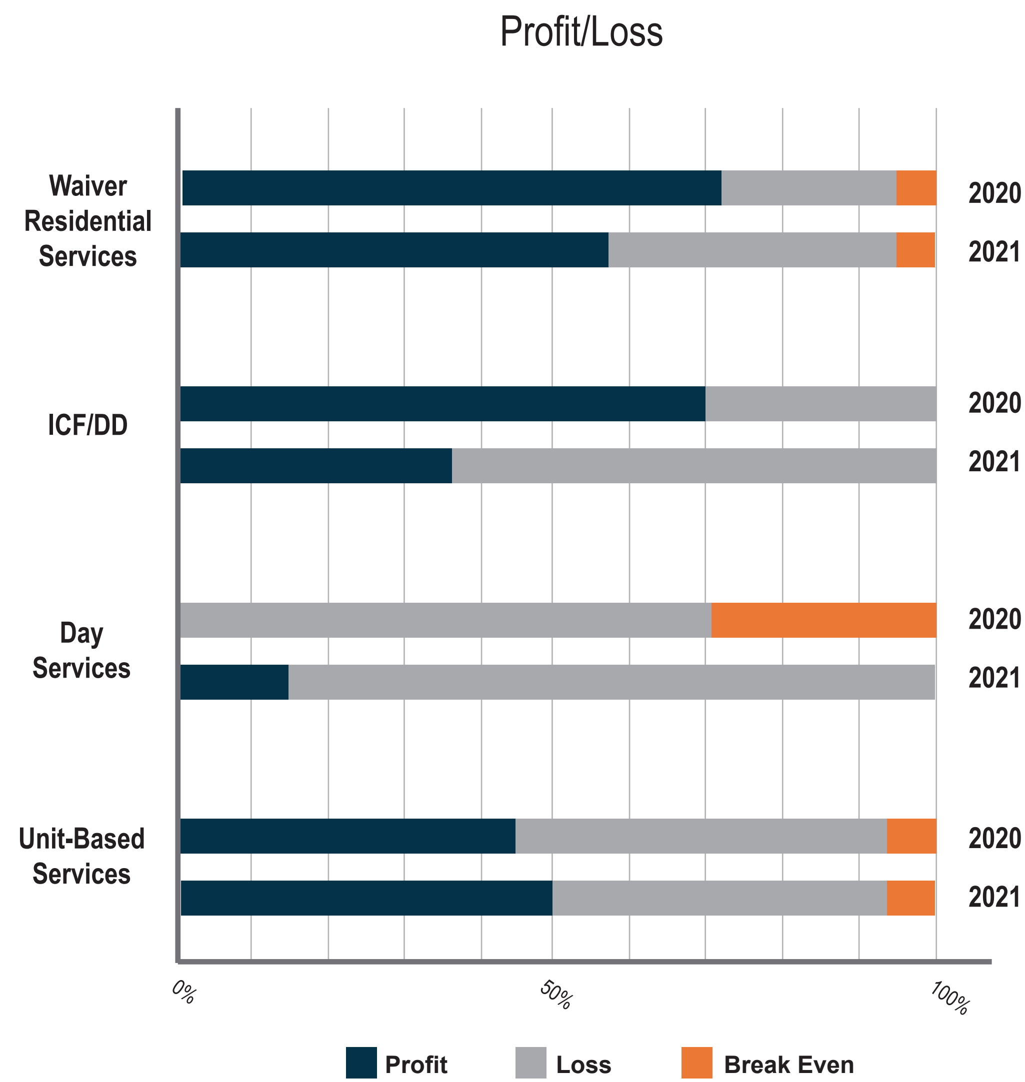
Metropolitan Statistical Areas (MSAs)



Profit/Loss

Providers were asked whether their total revenues were higher or lower than they expected in 2021. Close to half of the respondents (43.9%) reported lower revenues than forecast, while 35.8% reported higher revenues, and 20.8% reported revenues to be about what was forecast. This was a bleaker picture than the previous year, when over half (51.1%) had higher revenues than forecast, 37.8% had lower, and 11.1% had about the expected amount of revenue.

Reasons given for the variances from forecasts were different from provider to provider. Some had lower revenues because of persistently empty beds; some had higher revenues because they were caring for people for more hours per day due to day program closures. Some non-profits had higher revenues because of higher-than-expected fundraising results, and some had the opposite. Some experienced higher rates overall when banding in the Disability Waiver Rate System fully ended, and some saw their rates go down. Finally, some providers' revenues were propped up through federal grants and loans in response to the COVID-19 pandemic. Data represented in the chart reflects realized profit/loss for reporting organziations.



KSTP.COM EYEWITNESS NEWS

From group home to senior living. Staffing crisis in Minnesota's disability services forces aging parents into desperate situations

Program Changes

To stay afloat, providers of home and community based services (HCBS) made changes to the programs and supports they offered. For example, 12 of 53 organizations that provided waiver residential services (22.6%) and 3 of 15 organizations that operated intermediate care facilities for people with intellectual and developmental disabilities (ICF/DD) (20.0%) reduced their capacity in 2021, affecting 133 people, which was higher than the previous year. Additionally, 30 providers of residential facilities (56.6%) and 11 ICF/DD operators (73.3%) temporarily closed program or facilities in 2021, which affected 84 residents of waiver facilities and 52 people in ICF/DD facilities.

Even more concerning, 30 providers of residential facilities (56.6%) and 1 ICF/DD operator (6.7%) permanently closed programs or facilities in 2021, which affected 94 and 4 residents, respectively. Respondents reported that when programs or facilities were closed, the individuals that were affected went to other programs or facilities within their organization, to another provider, to an apartment, or to home with family or guardian. Some providers reported consolidating homes by moving residents to another home with an open bed, or in some cases to a temporary 5th bed in an existing home.

WCCO MINNEAPOLIS | ST. PAUL

Group homes in Twin Cities offering hiring incentives amid staffing shortages

StarTribune

'The system is in ruins': Minnesotans with disabilities feel left behind amid workforce shortage

MPR news

Group home closures put many disabled Minnesotans at risk, advocates say

MINNPOST

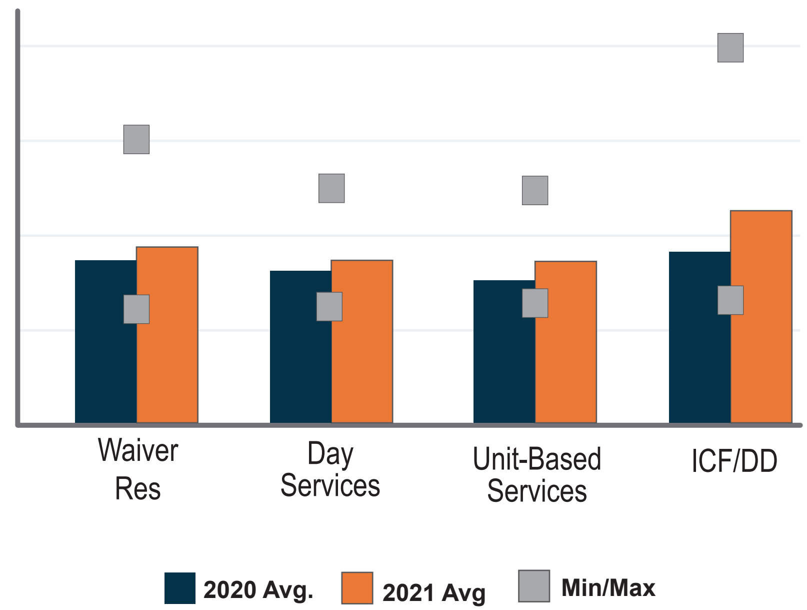
Agency staffing shortages put 3,500 disabled Minnesotans on waiting lists for jobs

Wages

A competitive workforce factor (CWF) of 4.7%, applied to direct support wages for awake, non-supervisory staff, passed the Legislature in 2019 and went into effect in 2020. With the CWF, a total of $14.17 per hour of direct support staffing was provided in the DWRS for waiver residential services in 2021. The average wage paid by providers was $14.93 in 2021, with some staff receiving as much as $20.00 per hour. The wages providers pay their staff are dictated by market forces, competition for workers, experience, and skill set among other factors. When the average wage paid is greater than the reimbursement amount provided in the DWRS, providers lose money on every hour of support their staff provides. This is not a sustainable position for most HCBS providers.

A further challenge for providers in 2021 was the additional compensation many paid related to the COVID-19 pandemic, including bonuses and hazard pay. The organizations that responded to the survey reported paying an additional $12.4 million to all employees in 2021 for COVID-related compensation, which represented 1.5% of total salary and wage expenses. This was a bit higher than the 1.3% of salary and wages that was reported the previous year. At the same time, the amount providers spent on employee benefits in 2021 was $62.8 million reported by the survey respondents, which was 7.4% of total salary and wage costs. This was a lower percentage than the 9.5% reported for 2020 and 10.4% reported for 2019. It is possible that providers decreased their investment in benefits to fund the COVID-related compensation and increased wages.

Avg. DSP Wages by Service Bucket



	2021 Avg.	2022 Avg.	Min	Max
C/FRS	$14.15	$14.93	$12.00	$20.15
Day Services	$14.41	$14.46	$12.00	$17.24
Unit-Based Services	$14.20	$14.57	$12.50	$17.30
ICF/DD	$14.34	$15.60	$12.00	$26.44

Vacancy & Turnover

Workforce challenges remains the most pressing issue for HCBS providers, . Providers cannot find and hire enough workers to fully staff all their programs, which means they lose revenue because of unused capacity. The crisis became catastrophic during the COVID pandemic, and even after the virus peaked, other industries were able to raise wages and offer other incentives to attract workers, while industries whose revenue is determined (and limited) by government action were left behind.

Respondents reported they employed 14,322 DSPs and 1,117 front line supervisors, but they experienced vacancy rates of 27.8% and 13.4%, respectively. Both of these were much higher than in the previous year. Turnover rates were just as challenging, with a reported 45.4% among DSPs and 27.4% among supervisors. Approximately two-thirds of DSPs who left did so in the first 12 months of their employment, while for supervisors, about half left in the first 12 months. These levels have remained fairly consistent over the past three years.