

2023 INDUSTRY REPORT





2023 Industry Report

Coming out of the depths of the COVID-19 pandemic, the results of this survey paint a mixed picture of provider performance and experience. There were signs of improved financial position and outlook, and stabilization in the number of programs that closed, but the strains caused by an understaffed and underpaid workforce continue to dominate the pressures felt by the providers in ARRM's membership, and by extension, the industry overall.

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. ARRM's 2023 Industry Survey gathered information from member providers about their experiences in 2022.

The results of the 2023 Industry Survey show that HCBS providers were, as always, operating in very challenging conditions, but that there were also encouraging signs that the deep crisis related to the COVID-19 pandemic had eased. Home closures have slowed, but many beds still remained unfilled. Use of assistive technology was on the upswing and helping to supplement in-person staff, but staff turnover and vacancy rates remained extremely high. All the steps providers had to take over the past few years to stay afloat helped them attain encouraging financial results in the last year, and their outlook for the future has improved.

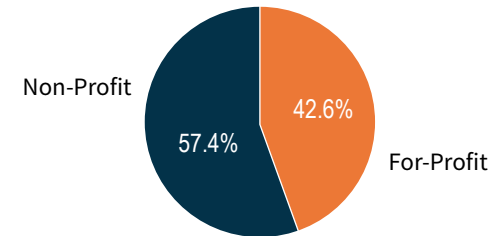


Respondent Profile

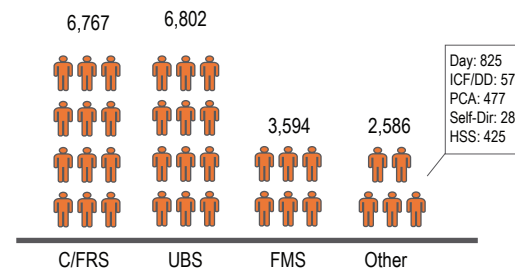
The breakdown of for-profit and not-for profit tax status among corporate organizations that responded to the survey was 42.6% and 57.4%, respectively, which was skewed slightly more towards for-profit than in recent years. All five of the family providers were reported to be for-profit.

ARRM's members reported the number of individuals they were supporting as of December 31, 2022, in each of eight service buckets and the five home and community-based services (HCBS) waivers. These patterns are very similar to last year's, except that one organization that responded in 2023 and not in 2022 added significant numbers in the UBS and PCA categories.

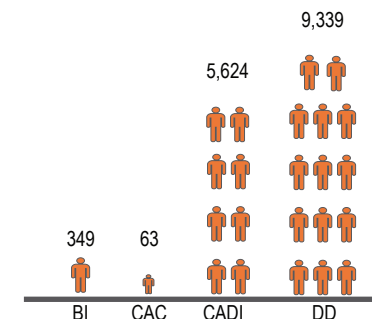
Member Organization
Business Model



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.

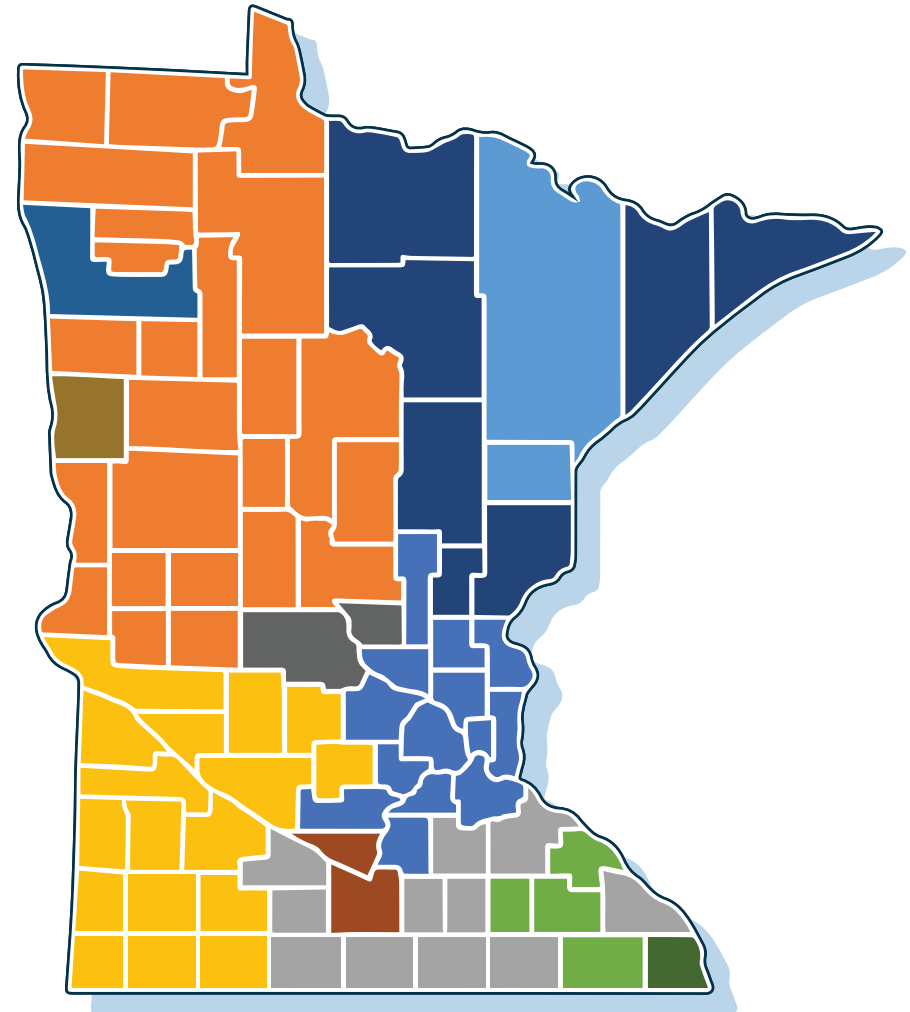
Not surprisingly, the Metro region had the highest number of organizations with operations, but it should be noted that under the MSA definition, the Metro region includes 14 counties. The Northwest MSA contains the largest number of counties (24), but does not include the cities of Grand Forks (Polk 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	14	 Northeast	10
 Fargo	5	 Northwest	14
 Grand Forks	2	 Rochester	9
 LaCrosse	2	 Southeast	13
 Mankato	8	 Southwest	14
 Metro	37	 St. Cloud	11

Metropolitan Statistical Areas (MSAs)



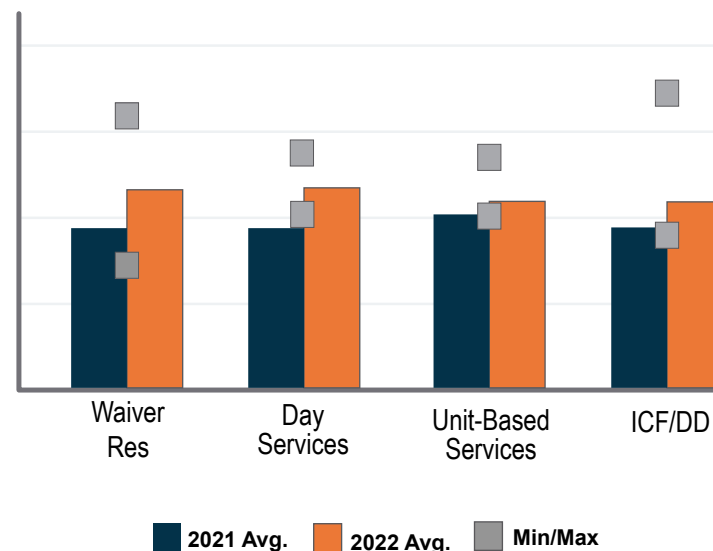
Wages

The average wage paid by providers was \$16.72 in 2022, with some staff receiving nearly 25.00 per hour. This average was 10.7% higher than in the previous year. This is in stark contrast to the wage value reimbursement for residential services in the DWRS of \$15.60. Even with an added competitive workforce factor of 4.7%, which brings the wage reimbursement to \$16.33, providers lose money on every hour of support their staff provides. The wages providers actually pay their staff are dictated by market forces, competition for workers, experience, and skill set among other factors, and it is an insurmountable challenge when the average wage paid is greater than the reimbursement amount provided in the DWRS. This is not a sustainable position for most HCBS providers.

Supervisors were paid an average annualized salary of \$48,208, which was 8.0% higher than the previous year. The DWRS amount for supervisors equates to an annual salary of \$43,950, which is less than the average paid by the responding organizations. No competitive workforce factor is applied to supervisory time in the DWRS.

A further challenge for providers in 2022 was the additional compensation many paid related to recruitment and retention, including bonuses and shift incentives. The organizations that responded to the survey reported paying an additional \$23.0 million to all employees in 2022 for “supplemental” compensation, which represented 3.7% of their total salary and wage expenses. This was more than twice as high as the 1.5% of salary and wages that was reported the previous year. At the same time, the amount providers spent on employee benefits in 2021 was \$64.8 million reported by the survey respondents, which was 10.5% of total salary and wage costs. This was a higher percentage than the 9.0% reported for 2021 and 9.5% reported for 2020, which may reflect efforts to enhance compensation packages.

Avg. DSP Wages by Service Bucket



DSP Wages by Service Bucket

	2021 Avg.	2022 Avg.	Min	Max
Waiver Res.	\$14.93	\$16.60	\$12.50	\$23.48
Day	\$14.57	\$16.61	\$15.00	\$20.48
UBS	\$15.60	\$16.94	\$12.50	\$25.00
ICF/DD	\$14.46	\$16.52	\$14.00	\$24.86

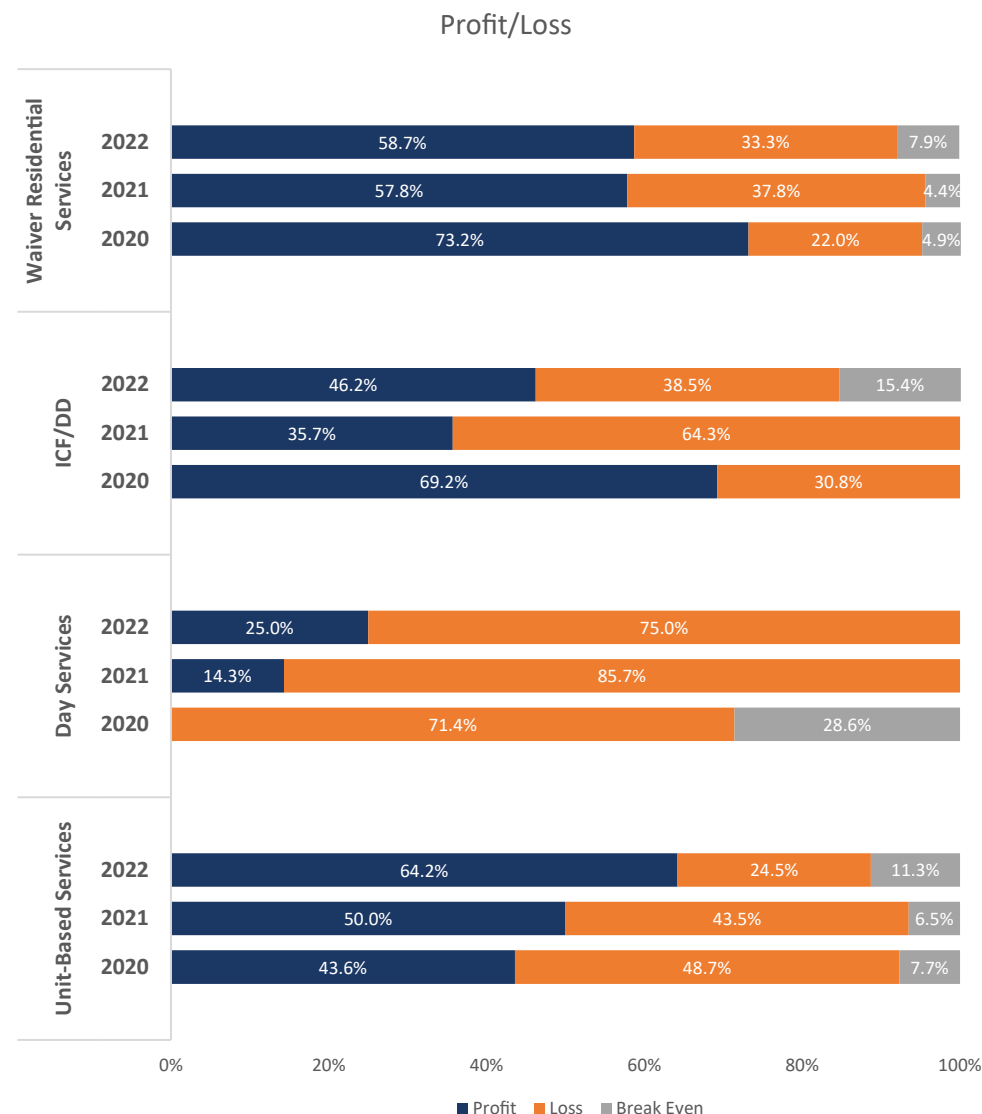
Supervisor Salaries by Service Bucket

	2021 Avg.	2022 Avg.	Min	Max
Waiver Res.	\$44,076	\$47,609	\$34,320	\$72,081
Day	\$44,668	\$48,292	\$41,184	\$64,625
UBS	\$44,363	\$50,124	\$40,000	\$62,400
ICF/DD	\$44,824	\$48,702	\$34,320	\$78,330

Profit/Loss

One encouraging benchmark for providers was their reported profit or loss in the four service buckets in 2022. All service buckets reported slightly higher percentages of survey respondents that experienced positive margins (profit) and lower percentages that experienced negative margins (loss) in 2022 compared to 2021. Even organizations that provided ICF/DD and day services experienced increased profit in those service buckets.

Contributing to organizational profit/loss was the cost of contracted staff, a new subset of questions asked this year.. Of the survey respondents, 15 (22.4%) reported that they used temporary or per diem workers for direct care or supervisory duties in their last fiscal year and paid a combined total of \$4.8 million for them. 12 respondents (17.9%) reported that they used temporary workers for licensed professional services, such as LPN, RN, and licensed social workers. They paid these workers a combined total of \$1.1 million. Another 12 organizations (17.9%) reported using temporary workers for administrative duties for a combined payment amount of \$1.9 million. Altogether, these contract workers were paid \$7.8 million.



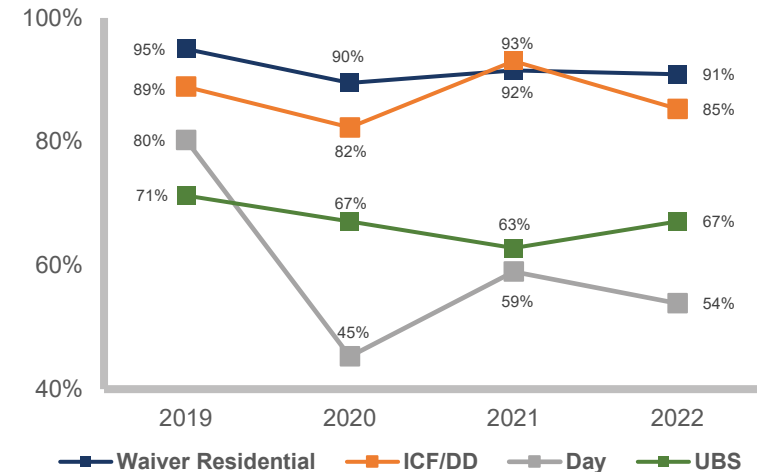
Absence/Utilization

Keeping beds filled was still difficult. For example, 31 of 63 organizations that provided waiver residential services (49.2%) and 4 of 13 organizations that operated intermediate care facilities for people with intellectual and developmental disabilities (ICF/DD) (30.8%) had unfilled beds in 2022, which was more than twice as high as the previous year. These capacity reductions affected 187 people in total, which was 40% higher than the previous year.

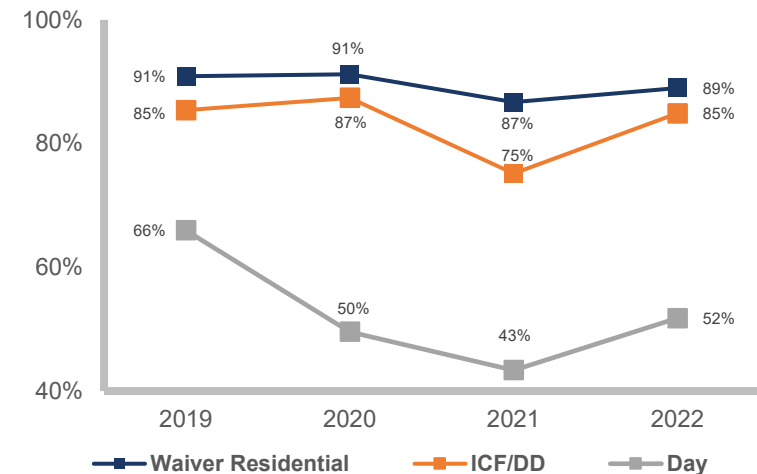
Further, providers were asked to report on the percentage of authorized units for which their organization was paid in their most recent fiscal year, by service bucket, which is known as an absence factor. They were also asked for their average daily census as a percentage of licensed capacity, or utilization factor. The highest percentages for both were reported in waiver residential services, followed by ICF/DD. This is not surprising, because these services are provided in daily units to individuals who live in these settings. However, comparing the most recent year with the previous three shows how residential providers were impacted by the COVID-19 pandemic, and the rates have not quite returned to their pre-pandemic levels.

More striking is the trend in unit-based services, and especially in day services. The complete shutdown of day services facilities at the beginning of the pandemic had severe consequences for these providers, and by 2022, they had not recovered and were still significantly below their pre-pandemic experience. A few respondents explained that their absence factors were low because they didn't have the staff to provide the authorized unit-based services, or to transport people to day services facilities.

Absence Factor



Utilization Factor



Program Changes

During and immediately following the worst part of the COVID-19 pandemic, providers of home and community-based services (HCBS) experienced catastrophic financial hardship and some providers were forced to suspend services and/or close homes. The results of this survey showed that conditions began to improve, and some pressure was relieved.

HCBS providers made fewer changes to the programs and supports they offered in 2022 compared to the previous year. 13 providers of residential facilities (20.6%) temporarily closed programs or facilities in 2022, which affected 45 programs and 123 residents. This was a much lower percentage of residential facilities than in the previous year, but it impacted more residents. Further, 16 providers of residential facilities (25.4%) and one ICF/DD operator (7.7%) permanently closed programs or facilities in 2022, which affected 126 and 24 residents, respectively. This was less than half the percentage of residential facilities compared to the previous year, but again, it impacted more people.

Respondents reported that the individuals that were affected by program or facility closure went to other programs or facilities within their organization as a result of consolidation, or to another provider, an apartment, or home with family or guardian. In a few cases, the residents passed away or an ICF/DD was converted to a community residential setting. These steps may not have been ideal for the people being supported and reflected the urgency of the providers' predicament.

Program Change	# Yes	% Yes	# Programs Changed	# Affected
Reduced capacity: Waiver Res	31/63	49.2%		166
Reduced capacity: ICF/DD	4/13	30.8%		21
Discontinued Service Line: Waiver Res	6/63	9.5%	25	66
Discontinued Service Line: ICF/DD	0			
Discontinued Service Line: Day	1/8	12.5%	1	50
Discontinued Service Line: UBS	3/53	5.7%	3	3
Closed, Temp: Waiver Res	13/63	20.6%	45	123
Closed, Temp: ICF/DD	0/13			
Closed, Temp: Day	0/8			
Closed, Temp: UBS	0/53			
Closed, Perm: Waiver Res	16/63	25.4%	58	126
Closed, Perm: ICF/DD	1/13	7.7%	4	24
Closed, Perm: Day	1/8	12.5%	1	50
Closed, Perm: UBS	1/53	1.9%	2	24
Total Number of People Affected*:				653
*The total may not represent unique individuals. There may be overlap among the rows.				

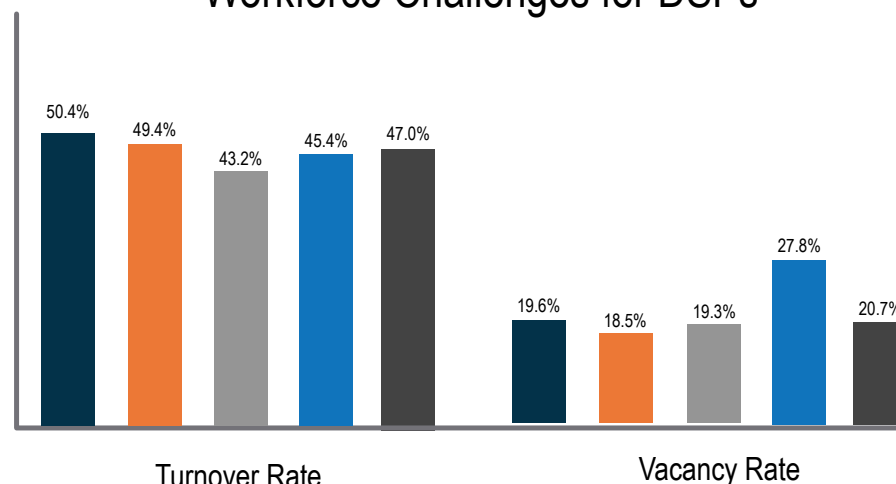


Vacancy & Turnover

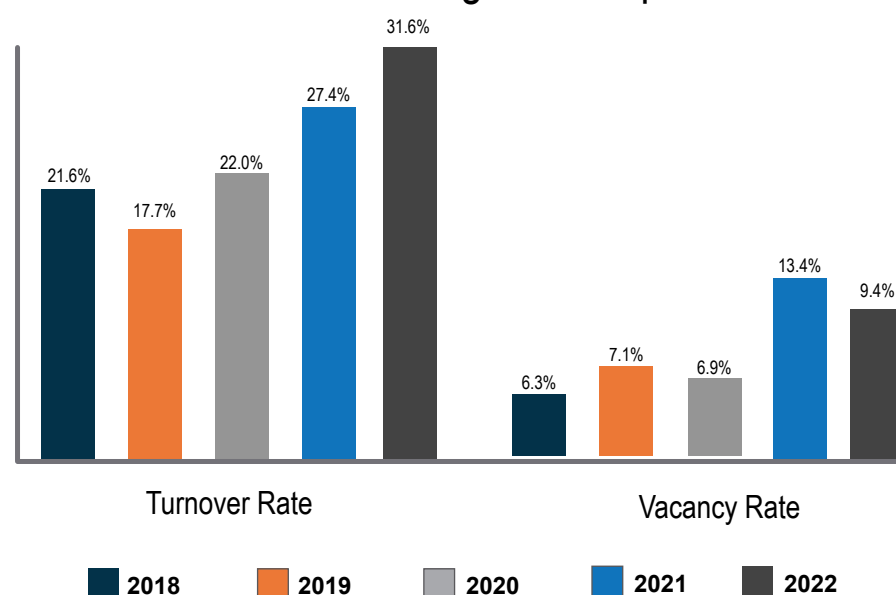
As has been the case for years, the most challenging issue facing HCBS providers is the workforce. Providers can't find and hire enough workers to fully staff all their programs, which means they lose revenue because of unused capacity. This was illustrated by the results shown above. The best way to hire and retain quality staff is to offer attractive compensation packages, including wages, benefits and other offers. However, HCBS providers have limited ability to increase compensation to competitive levels because their revenue is set by statute and can only increase at the unit level if the state Legislature takes such action. There were modest rate increases that took effect in 2022, but the state's own analysis shows that the wages that can be supported at current rates are well below those offered in the retail and service sectors.

Respondents reported they employed 17,065 DSPs and 1,340 front line supervisors, but they experienced vacancy rates of 20.7% and 9.4%, respectively. After peaking in the previous year, vacancy rates retreated a bit in 2022, but the rate for supervisors was still above the pattern seen in earlier years. Turnover rates were just as challenging and increased to a reported 47.0% among DSPs and 31.6% among supervisors. The rate for supervisors increased significantly. Nearly two-thirds of DSPs who left did so in the first 12 months of their employment, while the figure for supervisors was about 50% left in the first 12 months. These levels have remained fairly consistent over the past 3 years.

Workforce Challenges for DSPs



Workforce Challenges for Supervisors



Technology

Responding providers reported that they supported 952 people using some form of assistive or monitoring technology in 2022. This compares to 646 people reported in the previous year, but since there were more organizations that responded this year, a higher number would be expected. However, looking at just the 45 organizations that responded in both years, the reported numbers were 804 in 2022 and 597 in 2021, which shows that the number actually increased for this group. 11 organizations reported that they implemented, or attempted to implement, new assistive or monitoring technology in 2022, compared to 13 in 2021. However, when comparing the organizations that responded in both years, ten implemented in 2022 and 12 in 2021. This subset of the responding organizations reported investing \$293,561 in 2022 compared to \$206,100 in 2021, which indicates an increased investment. The full set of respondents reported a combined investment of over \$2.5 million in technology for administrative or supervisory functions in 2022, which was higher than the combined \$2.1 million reported in 2021. However, when just comparing the investments of organizations that reported in both years, the totals were \$1.7 million in 2022 and \$2.0 million in 2021, which indicates a potentially decreasing level of investment.

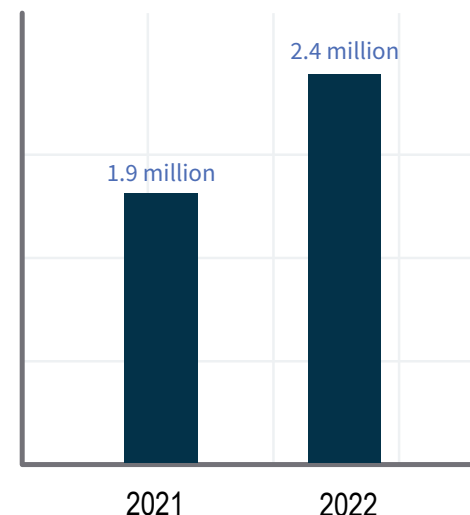
The number of reported asleep staff hours among the providers that reported in both of the last two surveys were 2.4 million in 2022 and 1.9 million in 2021. Perhaps this indicates an advantage of increased use of assistive technology, because asleep staff are generally paid a lower wage.

Regarding administrative technology, purchasing Electronic Visit Verification (EVV) systems was mentioned by several providers, not all of which have successfully implemented yet. The most common benefits of administrative technology were in improving staff recruitment, hiring, and onboarding. Also, supervisory staff were able to work remotely using connectivity-enhancing technology.

Use of Assistive/Monitoring Technology (among common 2021/2022 respondents)



Total Overnight Asleep Staffing Hours

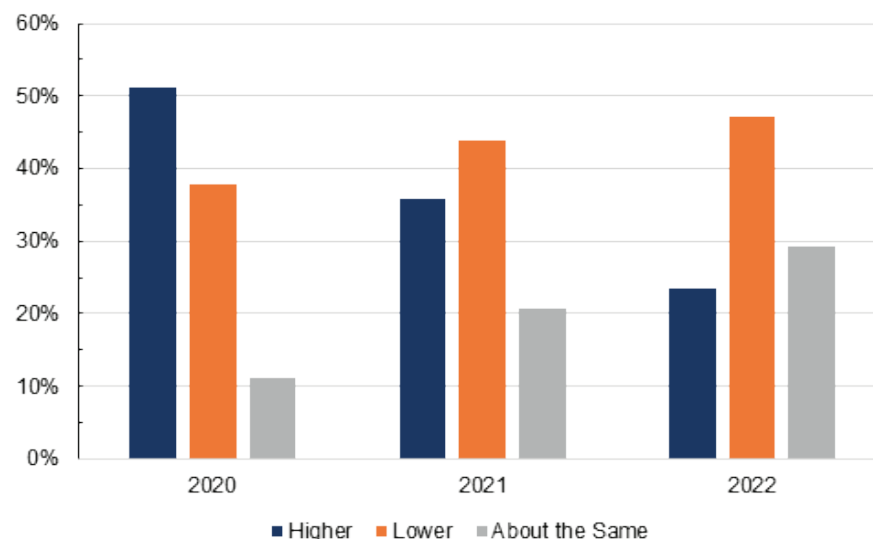


Revenue Forecasts

Close to half of the respondents (47.1%) reported lower revenues than forecast in 2022, while 23.5% reported higher revenues, and 29.4% reported revenues to be about what was forecast. This was a similar picture to the previous year, when 43.9% had lower revenues than forecast, 35.8% had higher, and 20.8% had about the expected amount of revenue. However, it is still a marked change from the height of the COVID-19 pandemic in 2020, when over half of the respondents (51.1%) reported higher revenues than forecast. Reasons given for the variances from forecasts in 2022 were different from provider to provider; however, those who reported lower revenue cited staffing issues most frequently by far. The inability to hire sufficient staff resulted in lost revenue due to closed programs, unfilled beds, and residents spending more days at home with family. Respondents also reported increased overtime and incentive costs to fill shifts, needing to hire costly temporary agency staff, and rising inflation. Those who experienced higher revenue mentioned the phase-in of waiver rate increases, ICF/DD rate increases, exception rates for high-need individuals, proceeds from property sales (as a consequence of closing programs), and fundraising efforts.

Looking ahead, the survey asked for projected financial performance in the current and next fiscal years. Waiver program providers had a fairly optimistic outlook, with about half projecting profit in both years. Those that operated ICFs/DD, on the other hand, were less so. More than half projected losses in both years. It is worth noting, for context, that both waiver programs and ICFs/DD benefited from rate increases in 2022, although the waiver increases were phased in during the year. Both service buckets will again see rate increases in 2024, although the enacting legislation had just passed when this survey was fielded and may not have been factored into all providers' projections.

Revenue Compared to Forecast (%)



Revenue Projection

