

Preliminary Report

Commission on Non-Profit Health and Human Services

Workgroup: Cost Comparisons - Private and State Services

Charge to the Commission and the Workgroup

The Commission on Non-Profit Health and Human Services was created by [Special Act 10-5](#) to analyze the funding provided to non-profit providers of health and human services under purchase of service contracts. The Act calls for the analysis to include:

- (1) A comparison of the costs of services provided by a state agency with the costs of services provided by a private provider, including a comparison of wages and benefits for private union employees, private nonunion employees and state employees.
- (2) the cost increases associated with the provision of services by private providers under health and human services programs from 2000 to 2009, inclusive, including increases in the cost of employees' health insurance, workers' compensation insurance, property casualty insurance and utilities.
- (3) the projected costs associated with the provision of services by private providers under health and human services programs through December 31, 2014.
- (4) a projection of cost savings that may be achieved by serving individuals who are recipients of benefits under health and human services programs in their communities rather than in institutions.
- (5) sources of revenue for health and human services programs.

The Special Act calls for the Commission to issue a preliminary report of its findings and recommendations by January 1, 2011 and a final report by April 1, 2011.

Process

The Workgroup on Cost Comparisons – Private and State Services was created by the full commission and charged to address the portion of Section 1(f) of the Act requiring: “A comparison of the costs of services provided by a state agency with the costs of

services provided by a private provider, including a comparison of wages and benefits for private union employees, private nonunion employees and state employees.

Each workgroup is addressing a different section of the law's requirements in support of the Commission's objectives and this report fulfills the Cost Comparisons – Private and State Services portion of the Commission's objectives.

In pursuit of this objective, the Commission appointed co-chairs of the Workgroup and appointed Commission members to workgroups. In addition, co-chairs appointed two workgroup members each. The workgroup membership is as follows:

Workgroup Membership

1. Cinda Cash, Executive Director, The CT Women's Consortium (Chair)
2. Patrick Flaherty, Economist, CT Dept. of Labor (Chair)
3. John Noonan-OPM, Budget (Flaherty Choice)
4. Margaret Glinn-CT Dept. of Children & Families (Flaherty Choice)
5. Ronald Fleming, Executive Director, Alcohol and Drug Recovery Centers (Cash Choice)
6. Carolyn Parler-McRae, Chief Operation Officer, APT Foundation (Cash Choice)
7. Doreen DelBianco, Legislative Program Manager, CT Dtp. Of Mental Health & Addition Services
8. Peter O'Meara, Commissioner, Department of Developmental Services
9. Daniel O'Connell, Ed.D. President & CEO, CT Council of Family Service Agencies
10. Melodie Peters, First Vice President, AFT Connecticut

This workgroup met 5 times from October 2010 through December 2010. In determining how best to accomplish its goal with limited time and resources, the workgroup:

1. Decided to focus on attempting to compare wages and benefits for private union employees, private nonunion employees and state employees – instead of a comparison of all costs of services provided by a state agency with all of the costs of services provided by nonprofit providers of health and human services. Due to the availability of data (and the membership of the workgroup) wages of employees of DMHAS, DDS, and DCF were compared to those of the nonprofit providers under purchase of service contracts with those agencies. The scope of the workgroup's work could not be broader at this time given the time and resources available.

2. At the first meeting, a list of occupations for particular attention was suggested:

- o Mental Health Worker I
- o Registered Nurse
- o Case Manager
- o Social Worker
- o Psychiatrist
- o Clinical Director

The workgroup accepted this list as a starting point. After initial research it was decided to focus on the Development Services Worker 1 (DWS-1) along with the Mental Health Worker 1 due to the large number of state employees in the DSW-1 position and the availability of aggregate data on the private providers under contract with Department of Developmental Services (DDS).

There was also a suggestion made at a meeting of the full Commission that IT and Human Resources positions also be examined.

3. Where possible, the workgroup collected and compared data on state and private wages and benefits for the stipulated job titles

The workgroup solicited and received data on state employees from state agency sources and the Comptroller's Office. The workgroup was also provided data on private employee wages and benefits from state agencies where possible and previously conducted private service provider compensation surveys.

The workgroup also collected job descriptions from a number of private providers and the job specifications for certain state positions.

FINDINGS

WAGES AND SALARIES OF SELECTED OCCUPATIONS:

Data on wages and salaries are contained in the attached table. Because the data comes from a variety of sources and may not be strictly comparable, we are not ready to make recommendations at this time. Instead, we offer the following observation about the information we have collected.

Mental Health Assistant I (DMHAS) and Developmental Services Worker 1 (DDS)

The payscale for MHA1 is \$21.35 to \$28.75 while for DSW1 is \$19.44 to \$26.35. These rates are significantly higher than comparable positions in the private non-profit sector. A survey by DDS of the annual reports of its eight largest providers showed a high wage rate (17.03) that was below the minimum DSW1 rate. Even in these categories, some of the positions may not be directly comparable. For example, the state runs an inpatient forensic hospital which is not replicated in the private sector.

Registered Nurses: Data from the Department of Labor did not show a significant difference in wages between the state and private sector. The workgroup concluded that the market for nurses was such that any employer wishing to hire and retain nurses must pay the market wage. Some nonprofits reported difficulty retaining nurses and that some left the private sector to work for the state due to better benefits available in state service. State agencies also reported difficulty recruiting nurses due to competition from general hospitals.

Case Managers: “Cost comparison” of this position may not be possible because the work related to this job title varies greatly within and between the state and nonprofit sectors. Job descriptions and educational and other requirements vary greatly despite the job title.

Social Worker: The Commission on Enhancing Agency Outcomes (CEAO) summary sheet showed a significant difference in salaries between state employed Child/Family Social Workers (\$69,571) and those employed in the private sector (\$47,709). Information from DCF confirmed a disparity. DCF's average FTE rate is \$31.98 compared to \$20.69 for DCF private providers (source: 2009 Single Cost Report).

Psychiatrists: Examination of data from the Department of Labor did not show significant disparity between state and private sector psychiatrists. The workgroup decided not to conduct a more detailed analysis of this position at this time.

Clinical Director: The workgroup was unable to identify comparable positions in the state and nonprofit sectors in this job category to facilitate a useful cost comparison.

IT workers: The wide variety of occupations in this category complicates a cost comparison. Data from the Department of Labor did not show a clear disparity in wages for IT occupations between the state and private sectors. A Summary Sheet prepared for the Commission on Enhancing Agency Outcomes (CEAO) showed private sector employees in this category making either the same or more than their counterparts in state employment.

Human Resources: The workgroup was not able to identify comparable positions between the state and nonprofit sectors.

BENEFITS:

Data on benefits is summarized on attached table. Nonprofit provider cost data on benefits is for DDS only because DDS was able to aggregate data from provider's annual reports. For the state sector, the two largest expenditures are retirement and health insurance.

Retirement: State retirement expense includes a large "employer contribution" toward the unfunded liability so for comparison purposes it exaggerates the "cost" of current state employees. This contribution is a large majority of the state's retirement expense and those costs should be removed from a calculation of current costs. A rough estimate is that the cost of current retirement benefits for state employees is approximately 10% of payroll. Data provided by DDS show that the retirement expense for nonprofit providers under contract with DDS is approximately 3% of salary. The workgroup did not obtain comparable data for nonprofit providers under contract with other agencies. The workgroup was told by some nonprofit providers that many nonprofit providers are unable to provide this benefit at all.

Health insurance: While the gap is not as wide as with retirement, state costs for health insurance are higher than in the private sector. Nevertheless, nonprofits reported difficulty in funding premium increases that insurance companies have charged in recent years. Due to time constraints, the workgroup did not study the differences in benefits offered state employees vs. those in the private nonprofit sector but, due to the state's purchasing power, the assumption is that the difference in costs is due to the fact that state employees receive better benefits than those in the private nonprofit sector, not that the private nonprofits are able to provide the same benefits at a lower cost.

Conclusions: – For many occupations, both the state and the private sector pay wages determined in the labor market. However, for some positions there is evidence of a disparity between the wages paid by the state sector vs. those paid by the private nonprofit sector. This disparity seems greatest among some positions that provide direct care and services to clients in the DDS, DMHAS, and DCF systems.

Next Steps

Job Descriptions: Job descriptions were from several sources and were not always comparable. Positions with similar (or even the same) titles had significantly different

education and experience requirements, suggesting that they were not, in fact, the same job. Workgroup plans further study of job descriptions/specifications to increase the value of the the cost comparison.

Health Benefits: Workgroup will attempt to compare benefits offered in addition to costs of benefits. Workgroup has discussed exploring potential cost savings for nonprofits through pooling.

Benefits in general: workgroup will attempt to explore the question of definitions of “part time” vs. “full time” for the state and nonprofit providers for the purposes of eligibility for benefits. Workgroup will attempt to analyze the prevalence of use of part-time workers by both state and nonprofit providers to determine whether a greater use of part time workers by nonprofit providers contributes to the benefits cost difference between state and nonprofit providers.

State Title	Wage Rate	Salary	Data Source	Nonprofit Provider	Wage Rate	Salary	Data Source
Mental Health Assistant 1	\$21.35 - \$28.75	\$39,990 - \$52,518	DMHAS CORE-CT	Direct Care Staff (DDS contract)			
Developmental Services Worker 1	\$19.44 - \$26.35	\$35,449 - \$48,127	DDS CORE-CT	Community Living Arr. CTH Supp SL Day Services Total All Programs	\$ 14.57 \$ 13.73 \$ 13.72 \$ 14.30 \$ 14.39	30,308 28,567 28,540 29,744 29,940	DDS review of Annual Reports DDS review of Annual Reports DDS review of Annual Reports DDS review of Annual Reports DDS review of Annual Reports
Mental Health Assistant				Direct Care Staff (DDS contract)	\$12.21 - \$17.03 \$14.48 per FTE		DDS 8 largest provders Annual Reports FY2009 Annual Report
				HIV/AIDS Counselor/Outreach Worker Life Skills Facilitator Peer Counselor (Part-time)		\$38k - \$42k \$32k - \$36k \$14k - \$18k	RNP RNP RNP
Children Services Worker	\$23.53 - \$31.44 \$27.08 Average		DCF DCF	Child Care Worker	\$12.73 - \$19.41 \$16.20 per FTE		SCAR 2009 Single Cost Report
Clinical Social Worker	\$31.98 to \$43.21 \$31.98 DCF Avg		CORE-CT DCF	Social Worker	\$16.08 - 25.91 \$20.69 per FTE		SCAR 2009 Single Cost Report
Clinical Social Worker				Clinical Coordinator MATS Clinical Coordinator Co-occurring Residential Assistant Director MATS		\$50k - \$60k \$50k - \$60k \$70k - \$80k	RNP RNP RNP
DMHAS LCSW DS Case Manager or SW (Health Care Professional) -- N.B. LSCW not required	\$30.49 - \$41.28	\$58,413 - 78,938	DMAS CORE-CT				
Child/Family Social Worker		\$ 69,571	CEAO	Child/Family Social Worker		47,709	CEAO
Community Clinician				Case Manager Prospect House Case Manager Psychiatric Services Case Manager Transitional/Supportive Housing Crisis Intervention Specialist		\$30k - \$35k \$30k - \$35k \$30k - \$35k \$30k - \$35k	RNP RNP RNP RNP
Developmental Services Case Manager DMHAS Community Clinician		\$55,696 - \$75,416 \$50,737 - \$68,842	DDS DMHAS				
Rehabilitations Counselor Correctional Substance Abuse Counselor				Rehabilitation Counselor Psychiatric Rehab. Counselor Horizons (Residential) Counselor New Prospects (Residential) Counselor Kinsella Treatment Center Counselor Center for Human Services		\$30k - \$35k \$32k - \$37k \$38k - \$42k \$35k - \$40k \$35k - \$40k	RNP RNP RNP RNP RNP
Registered Nurse				RN Nusing Home Hiring Minimum RN Nonprofit MH Agency Hiring Minimum RN-Charge Nursing Home Hiring Minimum	\$26.55 - \$31.39 \$21.05 - \$24.07 \$47.96		NEHCEU, District 1199 NEHCEU, District 1199 NEHCEU, District 1199
Registered Nurse DMHAS Nurse		\$ 70,623 \$49,388 - 65,383	CEAO DMHAS			70,623	CEAO
Head Nurse (DDS or DMHAS) Clinical Nurse Coordinator	\$30.49 to \$41.28 \$30.49 to \$41.28		CORE-CT CORE-CT				

Notes:

All source material is available on the workgroup's website <http://www.ct.gov/opm/cwp/view.asp?a=3961&Q=466424>

Workgroup did not obtain comparable data for all categories which why so many cells above are blank.

Workgroup does not suggest that all data are representative. For example, RNP is "Regional Network of Programs, Inc." RNP's salary range may be higher or lower that of other nonprofit providers.

CEAO is Commissoin on Enhancing Agency Outcomes Summary Sheet Handout-4/8/10

Benefit Type	State As % of Total		Nonprofit Provider as % of	
	Monetary Compensation	Source	Total Salary	Source
Social Security Expense	6.20%	CEAO Summary Sheet	6.99%	Annual reports submitted to DDS for FY2009
Medicare	1.45%	CEAO Summary Sheet		
Unemployment Expense	0.29%	CEAO Summary Sheet	0.94%	Annual reports submitted to DDS for FY2009
Workers Comp Expense			2.79%	Annual reports submitted to DDS for FY2009
Health & Other Insurance Expense	18.52%	CEAO Summary Sheet	11.58%	Annual reports submitted to DDS for FY2009
Retirement Expense	33.99%	CEAO Summary Sheet	2.97%	Annual reports submitted to DDS for FY2009
Other Benefit Expense			0.29%	Annual reports submitted to DDS for FY2009
Total Benefits	60.5%	CEAO Summary Sheet	25.6%	Annual reports submitted to DDS for FY2009
	DDS Employees as % of			
	Salaries and Wages			
Group Life Insurance	0.12%	CORE-CT		
Medical Insurance	17.83%	CORE-CT		
Unemployment Compensation	0.29%	CORE-CT		
FICA	5.96%	CORE-CT		
Medicare	1.41%	CORE-CT		
SERS (retirement)	39.60%	CORE-CT		
Arp	0.0032%	CORE-CT		
Teachers Retirement System	0.0033%	CORE-CT		
Total	65.2%	CORE-CT		

Notes:

Private Social Security Expense includes Medicare

All private provider data above is average for providers under contract with DDS. Providers under contract with other state agencies may on average have higher or lower benefit costs.

State Retirement Expense and SERS include large (estimate 2/3 or more of payments shown above) for unfunded liabilities and our the result of past funding decisions not the current work of employees.