

# **Five Good Reasons for a FY05 Cost-of-Living Adjustment for Community-Based Mental Health, Mental Retardation and Drug and Alcohol Programs**

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➤ **Community organizations offering mental health, mental retardation, and drug and alcohol services need a cost-of living adjustment in 2005 in order to:**

- Assure cost-effective outcomes
- Assure fair competition among health care providers
- Ensure the success of waiting list initiatives
- Maintain staffing
- Meet federal Medicaid waiver requirements

➤ **The Community MH/MR/D&A System**

- Is a \$2 Billion Human Service Industry
- Is 5% of the General Fund Budget. Only Medicaid and Education are larger parts of the state budget
- Serves over 350,000 Pennsylvanians Each Year:
  - 87,496 People with Mental Retardation
  - 171,000 People with Mental Illness
  - 85,000 People with Drug and Alcohol Problems
- Provides jobs for 100,000 Pennsylvanians

➤ **Reason #1: A 3% COLA is necessary in order to Maintain the Cost-Effectiveness of the Community MH/MR D&A System**

- The community-based MH/MR/D&A system provides more effective services at half the funding level of state-operated institutions
  - State Hospitals cost \$170,290 per bed per year
  - State MR Centers cost \$175,608 per bed per year
  - Community MR Programs cost \$85,000 per bed per year
- The State pays direct support professionals an average of \$35,132, more than twice the average cost in community programs of \$16,824

➤ **Reason #2: A 3% COLA is necessary to Enable the Community-Based MH/MR/D&A System to Compete Fairly in the Health Care Marketplace for Direct Support Professionals**

- The Community-Based MH/MR/D&A System has received significantly lower cost-of-living adjustments over the last five years compared to other major Medicaid funded health care providers:

• Nursing Homes	44%
• Hospitals	18%
• ICFs/MR	12%
• Community-Based MH/MR/D&A	6%

➤ **Reason #3: A 3% COLA is necessary to Ensure the Success of the Waiting List Initiative**

- Without a COLA, Existing Programs will be cannibalized to pay for increased costs reducing the effective size of the waiting list initiative

➤ **Reason #4: A 3% COLA is Necessary to Meet the Cost of Staffing Community-Based Services**

- The cost of increasing community-based salaries to parity with state workers is over \$1 billion

➤ **Reason #5: A 3% COLA is necessary to Meet Federal Requirements to assure the Health and Safety of All Consumers**

- Without qualified staff, the health and safety of consumers served in the community is at risk, putting federal matching funds at risk

➤ **Recommendations**

- **System Change. Provide through regulation that annual cost-of-living adjustments be granted to community MH/MR/D&A programs as required for ICF/MR services.**
- **Change in Budget. After two long years of no COLA adjustments and the Governor's Proposal, the FY 2004-05 Commonwealth Budget should include a COLA for Community MH/MR/D&A programs of at least 3%.**