Mister Chair and Members of the Conference Committee.

My name is Lynn Noren and I am the President of Rise - an organization that provides employment and day support services to people with disabilities. I am also the Government Affairs Chair of MOHR, a statewide association of over 100 organizations providing employment and day support services to Minnesotans with disabilities.

Thank you for the brief opportunity to speak before you today. Legislators are being asked to address many critical needs this session, and the current crisis our state is facing in lack of access for individuals to waiver-funded disability services is definitely one of them. I know you have already heard from a service provider about the immediate crisis her organization is facing, and from another testifier about the broader system-wide crisis the waiver-funded disability services area is facing**. I want to provide just a few important historical considerations regarding the reimbursement for waiver-funded services for people with disabilities in Minnesota.**

First, one thing to note is that a unique characteristic of disability services compared with other services funded by the state is that **almost 100% of organizations' revenues come from state and local government programs.** The legislature sets the amount we get paid, which determines the resources we have available to pay staff and other program expenses. We cannot compensate for low legislatively-set reimbursement rates by shifting costs to people who are private pay, or other funding sources.

Second, in 2013, all waiver-funded disability services transitioned to an entirely new rate-setting system called the Disability Waiver Rate System, usually referred to as DWRS. As a long-time provider of waiver-funded disability services, I was actively involved in the development, negotiation, and implementation of DWRS. Before DWRS, service reimbursement rates were set at the local level. Then the federal government required that Minnesota implement a statewide rate-setting methodology, to eliminate the variation in rates throughout the state. DWRS was this new system. When the DWRS system was enacted it was done in a manner that was budget neutral. This resulted in some providers seeing large rate reductions in service reimbursement rates and others seeing rate increases, just from the implementation of DWRS. And, in the half-decade preceding the passage of DWRS, we saw flat funding and in two of those years, we saw actual rate cuts. So, the budget-neutral DWRS system was enacted on a system that was already underfunded.

Third, when DWRS was implemented, a financial rate mechanism called "banding" was used to mitigate large reimbursement rate swings upwards or downwards. With the implementation (and eventually phasing out) of banding, it became understandably confusing to follow the impacts of waiver-funded disability services rate changes as it involved financial impacts on hypothetical DWRS rates as well as rates that were held flat through banding. First, during the beginning of banding, rate increases of 7% were enacted. Later, when the first inflationary adjustment was to be applied, an additional 8.5% increase was projected for reimbursement rates on average. However, between the state and federal governments it was determined that only 1.5% of that 8.5% increase should be applied. Much of these increases were withheld until banding expired. At that time, it could be argued that providers saw an 8.5% rate increase in addition to the previous 7% for a total of 15.5%. However, again, the inflationary adjustment was eventually reduced by 7%. So, using the 15.5% or 14% number is misleading as the increase included the 7% from 2013 and 2014 (the same increase other providers received), did not include the 7% reduction, and did not take into account the rate variations caused by the implementation of DWRS itself. And yes, it is that confusing to follow!

Fourth, DWRS **does** include automatic rate adjustments built into the formula, and a rate adjustment is currently being implemented on a rolling basis in 2022. These automatic rate adjustments are appreciated, and things would be much worse without them. However, unfortunately, the data used to inform the rate adjustments is based on wage data published in the Spring of 2019, which is 2018 data. So, the adjustments being applied this year reflect the reality of 2018. As we are all painfully aware, the wage related pressures and challenges of 2022 are a lot different than in 2018.

Last, and most importantly, regardless of the details behind exactly what rate increases were implemented when, **the fact of the matter is that the current state set reimbursement rates for these services do not provide for wages and benefits that allow us to hire the staff needed to support Minnesotans with disabilities to live full and meaningful lives. For example,** the current DWRS wage data that is the basis for the reimbursement rates are set at a level of our starting pay at Rise, for applicants with limited experience in service delivery. Because it uses dated wage information, DWRS does not reflect our average wages or what it takes to attract and retain high-quality staff to support our community members with disabilities.

The Senate HHS proposal helps address our current crisis through adjustments to the DWRS system that would be made based on more up-to-date market data, rather than the over 30-month-old wage data used today. It also acknowledges the very real difference in the average wages currently paid to direct support professionals compared to those in similar occupations in Minnesota.

Again, we know legislators are being asked to address many critical needs this session. On that list must be taking action to increase access to waiver-funded disability services for Minnesotans with disabilities. It is vital to the well-being of people with disabilities throughout our state.

I would be happy to answer any questions you have.