# *Report on Cutbacks in Services for Developmental Disabilities Clients, State of Connecticut*

*by Fred Hyde, M.D.*
*Fred Hyde & Associates*

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## I. Executive Summary

Recently, Governor Dannel Malloy announced further dramatic cutbacks in developmental disabilities services, proposing to "deinstitutionalize" and "privatize" more of the care of the intellectually and developmentally disabled (I/DD) population in Connecticut[1]. This proposal is an extension of a longstanding effort at deinstitutionalization and privatization of public services in Connecticut, involving several episodes of closure, relocation and privatization.

This report examines the appropriateness of this decision, with emphasis on these questions.

*First, savings attributed to the loss of State jobs may be illusory. In fact, new expense may be incurred.*

*Second, Connecticut's high reliance on Medicaid as a source of funds for care of the I/DD population means that, for every State dollar not spent, a federal dollar will also not be spent. Connecticut has disproportionately benefited from the Medicaid program in its support of the I/DD client in comparison to nearby states with comparable economics.*

*Third, further loss of public service jobs comes at a time when Connecticut unemployment exceeds that of other New England states, and of the nation as a whole. These lost jobs, moreover, are "middle class" benefitted jobs, compared to the (frequently) lower paid and partially or non-benefitted jobs in privatized settings.*

With regard to the first issue, projected savings from elimination of public service jobs are overstated. The overstatement results from use of a pension plan expense of 44%, fully 36% of which is the amortization of unfunded post retirement liability. Conversion of Connecticut's state retirement plan in 1971 from "pay as you go" to "actuarially funded" was to result in full funding within 40 years' time. The 40 years expired in 2011. Even with the loss of public service jobs, the unfunded liability will continue.

[1] "DDS layoffs to reach 605 as state moves to privatize services," *CT Mirror*, August 16, 2016

With regard to the second issue, Connecticut enjoys nearly unique status among the state developmental disabilities programs in having 89% of its costs borne by the Medicaid program. This is an increase in Medicaid funding for I/DD services from 31% in 1986, 49% in 1996 and 75% in 2006. By comparison, Massachusetts currently has 55% of such programs funded through Medicaid, New York has 85% and New Jersey has 73%. This means that, for every dollar not spent in support of the I/DD program, Connecticut will lose fifty cents in federal matching funds for the Medicaid program.

Finally, the 'all-in' costs of privatizing care for I/DD clients is difficult to assess, and in Connecticut has never been done. In the absence of a "fiscal impact" study, both the Legislature and the Executive are acting without guidance. The last time the Legislature examined this program was in May of 2011, resulting in a report in 2012. The Department has a five-year plan, which is up in 2017. Neither document (the program review and the Department plan) examines *the all-in cost of outsourcing the care of vulnerable human beings.*

Two areas of "all in" expense are predictable, but not accounted for in budgeting. First, the experience of the federal and or other state governments is that projected savings through privatization are almost never realized. Costs go up in other programs (e.g. Medicaid, WIC, food stamps). Events taking place requiring remedy (harm to clients, scandal). Second, the quality of jobs changes—from the tax-revenue-producing middle class public service jobs to lower wage privatized jobs.

Uncertainty concerning the magnitude (or the even existence) of actual savings, combined with the likelihood of adverse outcome for both clients and employees, would support the appropriateness of review of agency plans.

The conclusion here is that the Legislature should "pause" in this area, to ensure that any projected savings are in fact real, and that service cutbacks do not adversely impact the I/DD client population.