COFAR blog

Issues of concern to persons with developmental disabilities

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State-funded provider execs paid more than $80m a year

February 7, 2014David KasselLeave a comment

More than 550 executives working for some 250 state-funded corporate providers of services to people with developmental disabilities in Massachusetts received a total of $80.5 million in annual compensation as of Fiscal Year 2012, based on nonprofit federal tax reports surveyed by COFAR.

The average compensation among all 559 executives surveyed was $143,969 per year. Among CEOs, the average compensation was $185,809, while executive directors were paid an average of $127,164 in salary and benefits.

According to the COFAR survey, provider executives making over $100,000 a year on average included 97 executive directors, 92 CEOs, 71 chief financial officers, 31 chief operating officers, and 83 vice presidents. CEOs or presidents of 14 providers made over $300,000 each.

"I think few people realize what the real cost of privatized care is in Massachusetts," COFAR President Thomas Frain said. "Do Massachusetts taxpayers really need to be paying hundreds of corporate executives millions of dollars for grossly duplicative duties? This makes no sense at all."

COFAR has long been critical of efforts by the Patrick administration and the Romney administration before it to outsource residential and other services to providers without adequate oversight of the growing privatized system. The system appears to have become top-heavy with corporate executives who do not provide direct-care services, but who nevertheless draw large salary and benefits packages.

Most of the providers surveyed are under contract to the Department of Developmental Services, which manages or provides services to people with intellectual disabilities who are over the age of 22. Frain noted that DDS pays more than $1 billion a year in contracts to service providers, which operate group homes and provide day programs, transportation and other services to tens of thousands of intellectually disabled persons in the DDS system.

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State regulations capped state payments to provider executives at approximately $149,000, as of Fiscal Year 2011. The average compensation among the surveyed executives was slightly less than that amount. Money earned by executives above the state cap is supposed to come from sources other than state funds.

But while the state cap on executive salaries is intended to limit the total amount of state funds going into the pockets of provider executives, COFAR has reported that the state may not receive complete information on the total compensation paid to provider executives and may not have the capacity to oversee their finances adequately. Also, COFAR has raised concerns that increasing amounts of money going to provider executives has not translated into higher pay for direct-care workers in Massachusetts.

The state auditor reported last year that in one case involving the May Institute, a DDS provider, hundreds of thousands of dollars in state funds had been paid to company executives in excess of the regulatory cap. COFAR's executive compensation survey found that the May Institute CEO received $404,900 in compensation in FY 2011 and that a total of 12 company executives were paid a total of $2.5 million that year.

At $404,900, the May Institute CEO was the fifth highest paid CEO on COFAR's list. Community Systems, Inc. topped the COFAR list of the highest paid CEOs, with two employees listed on the company's federal tax filing as serving as company CEOs in FY 2011 and drawing combined compensation of $526,755. Second on the list was Morgan Memorial Goodwill, whose CEO was listed as making $464,572 in FY 2012.

Community Systems federal tax filing states that the company, which is based in Forestdale, MA, took in $14.4 million in revenues in Fiscal Year 2011. Of that amount, the company received $11.6 million from DDS, according to a 2011 financial report filed with the state's Operational Services Division.

(The Community Systems OSD report lists only compensation in FY 2011 for two executive directors and does not list the company CEOs. As a result, OSD appears to have disallowed only $21,000 in funding to the company as having been earned above the regulatory compensation cap. This appears to confirm COFAR's finding that the OSD receives incomplete information from providers on executive compensation.)

In addition to the CEOs listed on the Community Systems federal tax report, two employees were listed as executive directors of the company that year and made a combined total of $276,538. The OSD report lists the two executive directors of the company as having made only $154,473.

The following chart, based on COFAR's survey of some 250 providers, shows 30 of the providers with the top earning CEOs (click on it to enlarge).

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Providers with the top-earning CEOs: Executive Compensation

		CEO	Executive Director	CFO	COO	VP's	Other executives and directors	Company total	No. of executives surveyed
1	[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	3
2	[illegible]	464,572	-	-	-	374,051		1,400,619	7
3	[illegible]	434,830		130,389	309,023	388,412		1,258,454	6
4	[illegible]	412,447	-	282,944	283,598	-	1,286,447	2,265,433	10
5	[illegible]	404,910		311,003	192,592	1,073,[illegible]	398,992	2,469,565	12
6	[illegible]	395,001	-	425,860	246,441	743,275	789,814	2,384,396	13
7	[illegible]	389,816	-	109,239	-	153,156	665,304	1,317,815	7
8	[illegible]	387,702	-	211,171	-	330,479	415,066	1,344,440	8
9	[illegible]	344,186	-	176,068	-	172,405	457,689	1,350,342	8
10	[illegible]	332,175	190,367	79,583	-	-	54,125	657,002	4
11	[illegible]	309,362	-					309,362	1
12	[illegible]	305,318				710,482	179,559	1,195,349	7
13	[illegible]	304,724		213,597		675,366	818,953	2,000,639	11
14	[illegible]	303,919	-	-	-	-	546,275	850,194	3
15	[illegible]	293,638		136,622		888,837	297,083	1,616,180	8
16	[illegible]	285,571	-			-		285,571	1
17	[illegible]	262,761		242,131		-		504,892	2
18	[illegible]	259,180	-	160,729	113,469	-		[illegible]	3
19	[illegible]	253,573				180,346		433,919	2
20	[illegible]	253,504	-	225,313	177,913	206,703	134,863	1,038,173	7
21	[illegible]	246,075	166,398			703,730	494,928	1,612,117	5
22	[illegible]	244,319	-	182,033	-	-		426,352	2
23	[illegible]	243,783		131,002	175,876		1,698,034	2,258,675	16
24	[illegible]	233,790	-	209,671	-	-	112,312	555,993	3
25	[illegible]	224,192		136,420	165,428	85,344		611,372	4
26	[illegible]	223,952	-	-	-	-		223,952	1
27	[illegible]	220,452	160,876	192,312	164,448		554,144	1,298,134	8
28	[illegible]	217,497	-	145,056	124,289	-		[illegible]	3
29	[illegible]	213,702			124,868			[illegible]	2
30	[illegible]	211,423	-	110,676	147,060		125,222	[illegible]	4

Categories: Uncategorized Tags: community-based care, intellectual disabilities, privatization

Where's the beef in Community First?

October 25, 2011David Kassel6 comments

We've long maintained that the Patrick administration's agenda of phasing down and closing state developmental centers would ultimately fail to free up additional funding for the community based system.

It's been nearly three years since the administration announced its plan to close the Fernald, Templeton, Monson, and Glavin Centers and reportedly plow back as much as $45 million a year in the "savings" into beefing up the largely privatized community-based system of care. That $45 million savings projection was a cornerstone of the administration's "Community First" initiative.

So far, the administration has succeeded in moving hundreds of residents out of developmental centers, starting with Fernald, which is now emptied of all but 14 of its residents, who have filed appeals of their transfers. But nothing remotely close to the $45 million in savings has materialized. In fact, the opposite has been the case — the administration has continued to cut community-based line items in the Department of Developmental Services budget.

In a November 20 email to members and other advocates, the Association of Developmental Disabilities Providers, which has wholeheartedly supported the closures of the developmental centers, stated the following :

> For the last four fiscal years, in order to cope with the effects of the economic collapse of 2008, the Commonwealth's budget has:
>
> - deeply cut Family Support programs, leaving 10,000 families without service,
> - inadequately addressed Chapter 257 rate reform by not introducing sufficient funding to rate making but instead forcing existing programs to redistribute already inadequate funding
> - failed to address historically low salary needs of the community workforce (though the Legislature has recently added the first salary reserve dollars in four years)

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- continued to require community programs to implement state mandates without sufficient funding, including closing sheltered workshops without funding to replace this model in favor of a more inclusive and empowering model.
- **not backed it's professed interest in Community First and Employment First with funding to make these efforts successful**. (my emphasis)

Not exactly a ringing endorsement of the success of the administration's community-based care delivery model and its promised use of of the savings from the developmental center closures. We hope the ADDP and the Arc of Massachusetts will reach the next logical step in their argument and urge the administration to cease and desist from closing the centers.

Unfortunately, the ADDP and the Arc of Massachusetts are supporting H.984, known as "The Real Lives Bill," which appears to continue to rely on the premise that DDS clients should not be given the choice of living in developmental centers.

The bill, sponsored by Rep. Tom Sannicandro, is intended to provide for more choice for persons with intellectual disabilities. But it appears to specifically deny consumers the choice of "congregate services." In other words, everyone should have a choice, as long as they choose only small, community-based settings. We believe, however, that the congregate services provided by developmental centers are appropriate for certain people who are unable to benefit from community based care. And now we're seeing that closing the congregate care centers is not freeing up community-based funding.

Sannicandro's bill does appear to recognize that the community-based system has not thus far benefitted from the developmental center phase-downs. The bill's text reads:

> Too many people are not receiving the assistance they need. The public Medicaid system is reeling from cost pressures. The time has come for individuals with disabilities, families, advocates and providers to work together with policy makers in the administration and legislature in crafting a support system that both increases quality and on average reduces costs whenever possible.

We agree with the language in Sannicandro's bill on that last point. We just disagree that closing the developmental centers is the right way to go about it.

Categories: Uncategorized Tags: Community First, intellectual disabilities, privatization

Update on our requests for cost records

September 16, 2011David Kassel3 comments

After a month and a half, it's troubling that the Patrick administration is apparently still unable to locate cost records we requested pertaining to a single community-based group home contract.

I just received a letter from the Department of Developmental Services, dated September 14, that they are in the process of searching for the documents, which I had requested on July 29. Meanwhile, the MassHealth Privacy Office in the Executive Office of Health and Human Services has been searching for these same records since August 9.

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To recap, we've been trying to find out the sources of state funding for medical, nursing, clinical, and therapeutic services in a single DDS group home program run by the May Institute, a private provider. We have a copy of a $1.2 million contract with the May Institute, which provides for 24-hour residential services under the program for 14 individuals in four residences in the DDS Central Middlesex Area.

The FY 2009 contract, however, only provides for direct care and limited nursing services for the 14 residents. It does not mention medical, extended nursing, clinical or therapeutic services.

From what we've been able to determine, the administration has been basing its $20 million annual cost savings estimate in closing the Templeton, Monson, and Glavin Developmental Centers on a comparison of their budgets with the cost of community-based group contracts such as the May Institute contract. But here's the rub. Our understanding is that the Templeton, Monson, and Glavin budgets do provide for medical, extended nursing, clinical, and therapeutic services.

Naturally, the community system will appear to be less expensive than the developmental centers if certain community-based costs are not taken into account. That's why we want to find out exactly how much is being paid to fund those additional services to which the May Institute residents are reportedly entitled, and where that money is coming from.

By the way, we originally asked DDS on July 7 for the budgets of the Monson, Templeton, and Glavin Centers. A month later, we received a one-page document from the department with single, line-item amounts representing the total annual spending for each facility. There was no budgetary breakdown whatsoever for the facilities.

We appealed to the state's Public Records Division for help, explaining that a budget of a state facility involves more than just a single line item. As a result, I received a second letter from DDS, also dated September 14, stating that the department was in the process of searching for the "additional (budgetary breakdown) information" I had requested.

I guess DDS considers a budget and a "budgetary breakdown" to be entirely separate concepts. Stay tuned.

Categories: Uncategorized Tags: Community First, cost of care, intellectual disabilities, Patrick administration, privatization

Once again, we're waiting for the administration's cost records

August 30, 2011David Kassel1 comment

It has been more than a month since we asked Secretary of Health and Human Services JudyAnn Bigby for public records detailing the costs of specified services in a particular group home program for intellectually disabled persons in Massachusetts.

It has been almost two months since we asked Commissioner of Developmental Services Elin Howe for the budgets of the Templeton, Monson, and Glavin developmental centers.

To date, we've received neither set of records.

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As we've previously noted here, we've been attempting to compare the cost of an apparently typical vendor-run group home program with the three developmental centers. We wanted to see whether the Patrick administration was comparing apples to apples in claiming to the Legislature in the last two fiscal years that closing the Templeton, Monson, and Glavin centers will save tens of millions in state funds.

As we reported, a group home contract, which we did receive last May from DDS, specified a yearly cost per resident of $104,400. In its cost savings analysis, the administration compared a very similar residential cost based on group home contracts with an average calculated cost of care at Templeton, Monson, and Glavin.

The potential problem with the administration's analysis that we found in examining the single group home contract was that it specified budgeted costs for only direct-care, supervisory, and minimal nursing staff. What about the extensive nursing, medical, clinical, and therapeutic staffing that exists at the developmental centers and to which the residents of DDS group homes are entitled?

The fact that those additional medical, clinical, and therapeutic costs were not in the group home contract we examined appeared to raise the question whether the administration's savings analysis was accurate. One immediate question was: if those additional costs are not paid through DDS contracts, how are they paid? Secondly, what is the total amount of those community-based costs that the administration may have missed in its analysis?

Once we get the answers to those questions, we can determine for ourselves whether there would be a savings or not in closing the developmental centers.

On July 29, we sent Public Records requests to both Secretary Bigby and Commissioner Howe, asking for copies of any documents detailing funding for medical, nursing, clinical, and therapeutic services for individuals residing in the community-based group home program we had selected for review. About three weeks prior to that, we had asked DDS for the Templeton, Monson, and Glavin budgets for the same time periods as the group home contract.

On August 9, I received a letter from the records custodian at EOHHS, stating that the agency was in the process of identifying the records we had requested regarding the group home contract. Last week, I called the records custodian, and was told EOHHS was still working on our request. He wasn't able to tell me when the records would be found.

We've appealed to the Public Records Division for the Templeton, Monson, and Glavin budget documents. We're close to filing an appeal for the group home contract records.

But one piece of useful information may have emerged here. The fact that the August 9 response to our request came from EOHHS and not from DDS does appear to confirm that it is not DDS, but some other source at EOHHS, that funds medical, clinical, and therapeutic services in the DDS vendor-run group home system. We believe that other source of funding is MassHealth.

In any event, it's getting clearer and clearer that the administration wasn't counting all the community-based costs of care it incurs when it told the Legislature there would be major savings in closing the developmental centers.

Categories: Uncategorized Tags: cost of care, intellectual disabilities, Patrick administration, privatization

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Identifying the missing costs

July 27, 2011David Kassel2 comments

The Patrick administration claims that the average per-person cost of Department of Developmental Services vendor-run group homes is less than the average per-person cost of state developmental centers for persons with intellectual disabilities.

But we've now identified some specific missing group home costs that we think the administration overlooked in its analysis.

An apparently typical DDS vendor contract, which we have reviewed, did not specify any psychological or therapeutic services, and only specified minimal nursing services. Developmental center budgets, on the other hand, do provide for all of those services.

This appears to be the first major confirmation we've been able to obtain, after months of Public Records Law requests from DDS, that the Patrick administration's savings claims in closing four developmental centers in Massachusetts are based on an apples-to-oranges comparison. The administration has not fully responded to our follow-up questions about these costs.

I asked DDS Commissioner Elin Howe on June 16, after we had first reviewed the $1.2 million contract, whether medical, clincal, and therapeutic services were available to the residents of the program, and, if so, how those services were funded.

The email I received in response from DDS General Counsel Marianne Meacham, dated July 2, stated the following:

> With regard to your questions regarding clinical services available to individuals in the particular…program site, as you know, a full array of clinical services (medical, physical therapy, speech therapy, occupational therapy, psychological, etc.) are available to the individuals in the program through community providers as needed and set forth in the individual's individual support plan.

This carefully worded answer states only that medical, clinical, and therapeutic services "are available to individuals in the program," but it doesn't say how those services are funded — in other words, where the money comes from. Here's why that is a key question:

In July 2010, the adminstration provided a cost analysis to the Legislature, which claimed a $20 million annual savings in closing the Templeton, Monson, and Glavin Developmental Centers and transferring most of their residents to vendor and state-operated group homes. In the cost analysis, the administration specified a "community residential" cost per client of $107,689. After adding an average "day services" (work and daily living skills programs) rate to that cost and an average transportation rate, the administration computed a total "community services cost" of $140,955 per client.

The administration then compared that $140,955 total community cost to an average per-person cost at the Templeton, Monson, and Glavin centers of $233,902. The administration's conclusion was that serving a client in the community was $92,947 less expensive than in a developmental center.

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After we asked DDS, starting last December, for all documents supporting its community residential cost figure, DDS provided, among other things, a spreadsheet listing total costs of close to 1,000 vendor contracts in FY 2009. We selected one of those contracts for closer review and asked DDS for a copy of it.

The Fiscal Year 2009 vendor contract with the May Institute, Inc. specified 24-hour staffing in a program serving 14 individuals. The contract further stipulated a rate per client of $286 per day, or $104,400 per year. This was quite close to the $107,689 community residential rate in the administration's analysis.

However, as noted, the $104,400 community residential cost did not include clinical, therapeutic, or full medical costs of care available to community-based residents. The budgets of the Templeton, Monson, and Glavin centers do provide for those services.

On July 6, I emailed back to Meacham at DDS, asking once again how the medical, physical therapy, speech therapy, occupational therapy, psychological, etc. services available to residents of the May Institute program were funded for the residents of the May Institute program. To date, I've received no reply to my question.

This is why we need an independent study of the cost of closing the Templeton, Monson, and Glavin Centers.

Categories: Uncategorized Tags: intellectual disabilities, Patrick administration, privatization

Nonprofit vendor salaries drawing increased attention

July 11, 2011David Kassel1 comment

Organizations such as the Massachusetts Providers Council may still be defensive about suggestions that scrutiny be applied to the sometimes excessive salaries drawn by executives of human service providers in Massachusetts and elsewhere.

But it's becoming clear in the wake of the fallout over the recent $4.2 million severance package for a Blue Cross Blue Shield CEO and a number of other similar cases, that even in the nonprofit community, responsible voices are beginning to be raised urging serious consideration of the appropriateness of executive pay levels.

Here's Ruth McCambridge, editor in chief of the influential *Nonprofit Quarterly,* discussing in an email to subscribers the Blue Cross severance package to former CEO Clive Killingsworth:

> This case is a poster child for why the public does not trust our considerations of pay levels. While most of us are, of course, well within or below reasonable limits for pay, there are these high fliers among us, and in this case the money that Killingsworth walked away with came very directly from millions of families' pockets, some of whom are legitimately concerned about such stuff as getting by from day to day.

Meanwhile, in an interview with the *Nonprofit Quarterly* last week, Paul Light of the Wagner School of Public Service at New York University, had this to say:

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> I think the nonprofit sector has an obligation to get the very best talent it can at the most reasonable cost appropriate to its role in the public service—more broadly defined. Yet you can't simply say, "We've got to pay whatever the market demands, and that's the only criteria we can use."…
>
> I don't think you have to take that vow of poverty, but at the same time I wonder if the sector is obligated to set itself out there as being more a part of the community that it serves—obligated by basic issues of fairness to set reasonable market-sensitive pay, but also stay in touch with the world we serve.

Here in Massachusetts, State Senator Mark Montigny of New Bedford came closer this year than ever before in gaining passage of proposed legislation that would limit pay for both nonprofit executives and board members to $500,000 (a pretty generous threshold in our view, particularly for board members). Versons of Montigny's measure passed the House and Senate in the form of budget amendments last month, but the measure was ultimately knocked out of the budget conference committee. However, the measure is still alive in the form of a bill before the Judiciary Committee, but has not yet been scheduled for a hearing.

Montigny's bill is supported by Attorney General Martha Coakley, who has been investigating compensation of nonprofit board members, and found that several health insurers were paying tens of thousands of dollars to their trustees annually. Coakley's spokesman, Brad Puffer, told *The Globe* last month that Coakley and her staff are concerned about situations in which "board members of any charity (nonprofit) are paid."

Massachusetts already limits the amount of state funds that can be earmarked to pay for nonprofit salaries to $143,900. COFAR has reported that in a number of cases, state and federal records regarding salaries subject to that compensation limit don't match each other.

Meanwhile, Coakley, along with Massachusetts State Auditor Suzanne Bump and Inspector General Gregory Sullivan have been investigating questionable financial practices, including high executive salaries, of nonprofit organizations involved in the state's special education program. COFAR has called on Bump and Sullivan to expand their probe to examine the entire human services vendor system for persons with intellectual disabilities.

In sum, this is an issue that isn't going away soon and can't be ignored. Salaries and financial practices of human service vendors, insurers and other nonprofit organizations should be a major focus of state oversight. The other major focus should be on quality of care and services. To the extent that there are problems or a lack of state oversight in one of these two areas, we believe there are likely to be problems in the other.

Categories: Uncategorized Tags: nonprofit compensation, Patrick administration, privatization

This is where our money is going

June 24, 2011David Kassel4 comments

Inspector General Gregory Sullivan has alleged numerous financial abuses in the state-funded Merrimack Special Education Collaborative, which coordinates special education programs among several school districts in Massachusetts.

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Meanwhile, State Auditor Suzanne Bump is investigating whether the case is part of a larger pattern of abuse in the special education system in the state. And Sullivan's findings are being reviewed by Attorney General Martha Coakley's office.

While as many as three state agencies are now investigating this matter and potentially other special education contracts, it's clear that state oversight of the special education system in Massachusetts has been lacking. The system has allowed one man, John Barranco, to allegedly fleece taxpayers of more than $10 million. The allegations include using a credit card for tens of thousands of dollars in personal items, gifts to a family member, and a no-show job to a lobbyst caught up in the Cognos software scandal involving former House Speaker Sal DiMasi.

We've just looked at the federal and state financial filings of the Merrimack Special Education Collaborative and related, nonprofit Merrimack Education Center, both of which Barranco allegedly controlled. These two organizations are clearly interrelated in a troubling way; and, as in the cases of some other contractors we've looked at, state and federal records don't appear to match up with each other regarding the salaries of Barranco and other executives of the Special Education Collaborative and Education Center.

For instance, the federal IRS Form 990 for the Merrimack Education Center listed Barranco's total compensation as $464,411 in FY 2009 and $525,198 in FY 2010.

However, the state Operational Services Division listed Barranco's total compensation as $427,909 in FY 2009 and didn't list any compensation for him in FY 2010 on its Uniform Financial Reports on the Merrimack Special Education Collaborative. (The OSD does not appear to have a UFR on file for the Education Center.) Is OSD unaware that Barranco apparently received more than a half million dollars in state-funded compensation in FY 2010?

According to the Globe, Barranco retired as executive director of the Special Education Collaborative in 2005 and appointed John Fletcher and Donna Goodell in 2007 as co-executive directors. Both Fletcher and Goodell were listed on OSD's UFR for the Special Education Collaborative in FY 2009 as making over $200,000 each, and in FY 2010 as making about $150,000 each. In FY 2009, Barranco, despite his alleged retirement, was still listed on the UFR for the Collaborative as a third executive director.

The UFR and Form 990 reports raise numerous other questions about the financial accounting practices of both the Center and the Collaborative. For instance, although the OSD uses the UFR to disallow state funds for salaries of vendor executives in excess of $143,900, the 2009 UFR for the Collaborative indicates that no funds were disallowed for the Collaborative in 2009, even though five executives of the Collaborative — including Barranco, Goodell, and Fletcher — were listed as making over the threshold amount that year.

The FY 2009 and 2010 UFRs state that the Collaborative received $24.5 million from "Massachusetts local and quasi-governmental entities" (apparently the 10 member school districts in the Merrimack Valley) in FY 2009 and $15.9 million in FY 2010. In addition, the Collaborative received over $800,000 each year from the Department of Developmental Services.

Senate President Therese Murray has promised to introduce legislation to increase oversight of the special education collaboratives. But these collaboratives are only a part of the vast human services contracting industry in Massachusetts, and their alleged abuses are not unique to special education. The entire $2.6 billion vendor system needs better oversight.

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