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HOUSE DEMOCRATIC POLICY COMMITTEE

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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: State Budget Cuts

Saint Joseph's University – Philadelphia, PA

July 28, 2011

AGENDA

- 10:00 a.m. Welcome and Opening Remarks
- 10:10 a.m. Human Services Panel:
- Stacy Levitan, Executive Director, Judith Creed Homes for Adult Independence
 - Kevin Kelly, Vice President and Chief Financial Officer, Inglis Foundation
 - Carol Jones, Director of Care Management, Inglis Foundation
 - Mark Davis, Esq., Director of Public Policy, JEVS Human Services
- 11:00 a.m. Education Panel:
- Steve Brandt, Principal, Roxborough High School
 - Jose Peguero, Parent, Cook-Wissahickon Elementary School
 - Rebecca Poyourow, Parent, Cook-Wissahickon Elementary School
- 11:50 a.m. Economic Development Panel:
- Bernard Guet, Executive Director, Roxborough Development Corporation
 - Jane Lipton, Executive Director, Manayunk Development Corporation
 - Gina Snyder, Executive Director, East Falls Development Corporation
 - Cheryl Whitfield, Vice President of Human Resources, Inglis Foundation
- 12:40 p.m. Closing Remarks

Remarks for Democratic Policy Committee Hearing
Stacy Jarett Levitan
Judith Creed Homes for Adult Independence, Inc. (JCHAI)

Good morning. My name is Stacy Jarett Levitan and I am Executive Director of JCHAI, a provider of residential services for adults with special needs in the Philadelphia metropolitan area. This is a difficult time for providers of services for those with special needs. The population is growing at a rapid pace, needing more and varied services. Agencies are prepared to provide those services, but they are expensive and are out of the financial reach of all but few families. Many families hope for government assistance for their children and siblings, but providers are being asked to do more and accept less payment for government funded clients every year. This year is no different.

Most services for the disabled are provided through Medicaid funding. As you know, in every way possible, Medicaid funding has been targeted for cuts in both state and federal budgets. Most people think of Medicaid as medical insurance, but the program provides far more than just payments for medical services. Residential services for those with special needs, for example, are funded through Medicaid programs.

In Pennsylvania in the last few years, the Office of Developmental Programs in the Department of Public Welfare (or ODP) has undertaken the mammoth task of trying to provide uniformity and predictability for residential service rates. Previously, payments were distributed county by county, which led to a wide disparity. Moving to this system was supposed to help providers predict what they would be paid for certain services and have them paid at similar rates based on community costs.

However, in large part because of the uncertainty due to the threats of budget cuts to Medicaid programs, the rates are not being implemented as expected. Rates for providers are based on costs that they submitted to the government the previous year, making them two years old by the time they are implemented. In addition, in order to make ODP's budget balance, the rates, already based on these two year old costs, have generally been reduced by at least 2.5%.

This year, though, the threatened budget cuts on both the state and federal level have forced ODP to look for more severe ways to save money. One major area they are attempting to cut is the room and board expense. In June, ODP announced new rates that were to be effective on July 1 for room and board type expenses (housing, food, utilities, maintenance). Under the suddenly announced new system, ODP would cap the rates for all providers, significantly reducing them for everyone. Our rate for room and board, for example, would have been cut 70%.

ODP had to look for other areas to cut as well. Some rates for other services that we provide were going to be cut 15%. These announcements were made literally a month before the rates were to go into effect because the budget situation had become so desperate. A groundswell of objection was made by providers, the families they serve, and by many of our

legislative representatives. As a result, in the last week of June, ODP announced that they were rescinding the rates and would reconsider their position.

As you can imagine, planning the operation of a business in these conditions is almost impossible. We have no idea what we will be paid for any of our government funded clients. When the room and board rates were first announced, many providers believed that they were going to have to close homes because it would be impossible to operate under those conditions. Although my organization has a larger mix of private pay and government funded clients than most, even we would be in financial straits if we were forced to accept payment rates being discussed by ODP. In the end, we might have to close programs, causing our employees to lose jobs and our clients to have no place to live.

For example, we have started a program that provides services to those who are living independently in the community and need a little help provided by well-trained social workers to continue their independent, productive lives. Our program has tripled in size since we started it. Yet, since the day we started the program three years ago, our rate has been cut to 2/3 of our initial rate, and the newest rate that was announced in June would have been 15% less than our current rate. If this new rate is put into place, we may have to close that program, firing our excellent staff and leaving some 40 people without service providers. These are the options that all providers are facing, in an “industry” that is dominated by nonprofit organizations – organizations that are not looking to even make money by providing their services, just break even.

What is apparent is that while the government is grappling with ways to reign in budget deficits, no one is addressing a looming crisis in the care of people with special needs. Adults with special needs eventually all require some level of residential care – parents die, and often there are no family members to care for them.

And, before those with special needs were provided appropriate residential options, most did not typically live past 40. Adults with special needs who are encouraged to live productive lives in their communities now have the same life expectancy as typical adults.

But, funding and housing placements are woefully inadequate for the current population of adults with special needs. The emergency waiting list for funding for residential placement (meaning that the person is in real danger of becoming homeless) currently has 3,377 people in the Commonwealth of Pennsylvania. The critical waiting list (meaning that the person will soon need housing funding) has an additional 7,579 people. For the Philadelphia metropolitan area alone, 1,255 people languish on the emergency list, while 2,351 people are considered in critical need of housing.

Imagine how rapidly this list will grow, with up to 10% of the population being estimated as having special needs and this population now living a typical lifespan. No budget has made any meaningful inroads into increasing the number of funded slots to help reduce this list. Essentially, a person with current funding has to die or move out of the state for funds to be freed up for someone else to use for residential services. That system does not bode well for caring for our disabled population.

Residential providers have developed possible methods for providing quality services more efficiently. However, regulations that reflect an unrealistic fear of a return to the days of institutionalization have been taken so far that providers are forced to provide services in an unnecessarily unproductive way.

For example, starting in 1996, group homes were not permitted more than four residents. My organization's group homes were started before then and have six residents each. Our costs of operation are obviously one-third less than a four person group home. Our homes are lovely, our residents are happy and well-cared for, but now, no one could open a home such as ours and the government is forced to pay higher rates for housing as a result.

In the last couple of years, restrictions have been imposed on the proximity of supported living situations to each other. A group home cannot be within a mile of another group home. Moreover, clustering apartments in the same building so that a staff person can easily help more than one resident is no longer allowed. In fact, as of last year, two apartments where the clients are receiving services cannot even touch each other.

The worst impact of this, other than requiring providers to hire more and more staff to provide less efficient service, is that it reduces the choices those with special needs have about where they live and with whom they live. In other words, those who need government funding may not live next door to a friend, and may not live with more than three of their friends. Changing these regulations will only help more clients receive services that are better tailored to their needs.

Providers of services for those with special needs are being placed in an impossible situation. Our organizations are run by people who truly love to help those they serve. But if the government continually cuts the fees paid, even nonprofit organizations will not be able to stay in business. We are on the verge of a perfect storm of geometrically increased need, drastically cut funding, and disappearing service providers. If these issues are not addressed soon, those with special needs in Pennsylvania, the families who love them, and the community who benefits from all they do for us, will be the victims.

Thanks to Representative DeLissio and her staff for arranging this forum to communicate the impact of Pennsylvania's 2011/2012 budget on Pennsylvanians. Also thanks for the legislators for being here to hear our testimony.

My name is Kevin Kelly. I serve as chief financial officer of Inglis Foundation, a not-for-profit founded in 1877. We provide housing, healthcare and community based services to individuals with significant physical disabilities. Our mission is to enable people with disabilities – and those who care for them – to achieve their goals and live life to the fullest.

On a daily basis, we serve over 900 individuals; residents of our 297 long-term care facility and 208 independent living apartments and clients of our care management, community employment and adult day programs. Our work force is 650. Many of our employees single mothers supporting their families at wage levels of \$40,000 and below.

After 80 plus years of support through contributions, Inglis funding shifted to Medicare and Medicaid in the sixties. Today, virtually 100% of our revenues are government based, mostly from various state Medicaid programs.

My comments will focus on Inglis House, our 297 bed skilled nursing facility and its financial impact on Inglis Foundation as a whole. My colleague Carol Jones will address the impact of Medicaid funding on our care management program.

Inglis House is one of four facilities in the state and a handful in the nation that specialize in the care of individuals with severe physical disabilities. The department of public welfare recognized the unusually high level of care by creating a separate peer group, with Medicaid reimbursement levels among the highest of all nursing homes in the state.

Nevertheless, Medicaid and Medicare revenues have reduced over the past five years to a level that does not cover our operating expenses. Inglis Foundation's operating loss for the fiscal year ended June 30, 2010 was \$4.5 million. For fiscal 2011, our loss grew by \$1.8 million to \$6.3 million. Medicaid rates have declined at a compound rate of 2.75% per year since 2006. Rates were \$412 per resident day in fiscal 2006. Rates in fiscal 2011 were \$352 per resident day.

During this period, Inglis has effectively managed its operating expenses, which grew at an annual compound rate of 0.7%. Fortunately, we have been able to preserve the quality of our care, but peripheral staffing levels and operating expenses have been cut to the bone. Additional reductions in operating expenses would jeopardize quality care or place additional financial burden on our employees, many of whom are low wage single mothers.

As we looked forward to fiscal 2012, we understood the pressure on our state government to craft a budget that is stressed by the absence of Federal stimulus funding and a reduction in tax revenues. We also understood that additional reduction in Medicaid funding for Inglis House and other Inglis programs would transfer government financial stress to our organization.

Nursing home funding for FY12 has decreased by 2%. Inglis Medicaid reimbursement is now at \$345 per day and our projected operating expenses are \$427. We expect a fiscal 2012 operating loss of \$9.2 million on \$45 million of revenues.

Inglis is fortunate to have an endowment that will be called upon to fund an operating shortfall of \$25,000 per day in fiscal 2012. In the short term, we are committed to continued vigilance over operating expenses without sacrificing excellent care and programs and to judiciously use our endowment to fund the cash shortfall with the hope that reimbursement will moderate as the state recovers from financial crisis. We also understand that prolonged deficit funding will jeopardize the viability of Inglis Foundation as a going concern and will continue to consider options to reduce or eliminate programs and services to preserve the long-term viability of the Mission.

In conclusion, we recognize and appreciate the challenges faced by our government and understand that we have a role in the process. To that end:

1. We will continue to be good stewards of government funds, operating at the lowest possible cost without compromising the care and services we provide.
2. We will continue to see alternative ways to provide services consistent with our mission that are cost effective.

And 3. We will continue to be advocates for those we serve, telling the story of Inglis and keeping legislators informed about the needs of our constituents and the ways we are meeting the need.



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JEVS Human Services Testimony

Presented to the

**House Democratic Policy Committee
Public Hearing on State Budget Cuts**

**July 28th 2011
Philadelphia Pennsylvania**

Making hope happen.

Skills Training · Job Readiness and Career Services · Vocational Rehabilitation · Recovery Services · Adult Residential and Day Services · In-home Personal Assistance

Good morning. I am Mark Davis, Director of Public Policy for JEVS Human Services. JEVS is one of the largest nonprofit organizations in Southeastern Pennsylvania, with close to 1,000 employees serving over 20,000 persons each year in programs that enhance their employability, economic self-sufficiency, and personal independence. Our thanks to Representative DeLissio and the House Democratic Policy Committee for inviting us to appear before you today to present remarks on the impact of the FY 2011-2012 state budget on human service organizations and the people we serve.

While we recognize the fiscal constraints under which state government is currently operating, and while we agree that all sectors must look to be more efficient, we are concerned that the approach to human services funding embodied in this year's budget process will, over time, challenge the ability of agencies like JEVS to provide essential services that not only improve the quality of life for so many of Pennsylvania's citizens, but are cost effective for taxpayers as well.

Rather than begin with an assessment of the need for services in the community and then engaging in an honest debate about how best to allocate resources in a down period, the budget conversation seemed to begin from a place that called into question the value and efficiency of safety net programs and assumed that there was sufficient "waste" and abuse in public welfare spending that, could it be excised, the state budget could be brought into balance with no additional revenues, even from sources where there is public support for such action.

This approach ignores both the reality for human service providers, especially since the recession began, as well as the economic, fiscal, and social benefits to Pennsylvania of a strong, functioning human services business sector.

Many of JEVS' clients depend on state-funded behavioral health, substance abuse, and personal assistance services that allow them to avoid unnecessary institutionalization and live in the community of their choosing. In addition, our employment and training programs allow families to escape reliance on public assistance and become productive members of the state's workforce.

We believe these programs exemplify one of state government's core functions: providing a helping hand for Pennsylvanians who wish to live as self-reliant members of their communities. JEVS' services not only improve individual quality of life, they provide the Commonwealth a return on investment in terms of both social and fiscal costs.

Given the fiscal and political realities in Pennsylvania, JEVS anticipated and accepted that funding for just about all of our programs, especially those in the Department of Public Welfare, would be restricted. Therefore we took the position that our budget advocacy would focus only on areas where we felt that the cuts proposed by the administration, and continued in HB 1485, would do the greatest harm to our clients, their families, and the communities that support them. These were:

- **A proposed \$27 million cut in funding by capping payments for food and housing for 16,000 individuals statewide with intellectual disabilities living in group homes.** Thanks to efforts by advocates statewide and work by legislators from both parties, \$22 million dollars was restored to the Intellectual Disabilities Community Waiver line item. However, the proposed cap threatened the existence of many providers and could have resulted in thousands of citizens with intellectual disabilities being forced out of community services back into far more expensive state institutions. This re-institutionalization is a violation of Medicaid law and the Olmstead Supreme Court Case.
- **A 16 percent funding cut for home and community-based personal assistance programs that help seniors and people with cognitive and physical disabilities live independently.** The FY 2012 budget reduces overall state and federal funding for these programs. Without sufficient funding, there may not be capacity to meet the demand of new people needing these services. The result is that people will be placed on waiting lists and will ultimately wind up in nursing homes, which cost Pennsylvania more than twice as much as community-based services.
- **Cuts to funding for employment and training programs for individuals seeking to leave the TANF rolls.** Some of the largest percentage cuts in the DPW budget come in the funding streams for welfare-to-work programs. The final budget adds to Governor Corbett's proposed cuts to the Temporary Assistance for Needy Families (TANF) cash grant line and New Directions, which funds employment and training programs. New Directions was cut by \$16 million, or 48%, while job training programs funded out of the cash grants line are reduced by \$44 million. Even though the TANF caseload is expected to rise slightly this year, the budget forecasts a reduction in the number of cash assistance recipients who will participate in employment and training programs (from a monthly average of 21,355 to 12,755). At the same time, the administration expects the same number of people to transition to employment. Without these critical services, in a difficult job market, Pennsylvania will be challenged to meet these goals (and achieve the attendant fiscal savings) for some of its hardest to employ individuals.

While these numbers quantify the effect of the state budget on agencies like JEVs, the real impact of these cuts is illustrated in the experiences of the people we serve. Working on budget issues, one can get absorbed in analyzing data and percentages; these stories not only put a human face on the numbers, but, we believe, belie the portrayal of wasteful human services programs from which efficiencies must be wrung and which serve little social and financial benefit to the wider community.

Ray (*Ray is one of over 400 individuals with intellectual disabilities that JEVs supports each year with community residential and vocational services*).

Ray was born with an intellectual disability and was admitted to Pennhurst State School and Hospital at age thirteen. After nearly two decades in an institution, Ray left but had difficulty finding a program that helped him achieve his desire to live independently in the community. Ray came to JEVs Community Living and Home Supports program several years ago where he lived in a group home and attended a day services program. When Ray expressed a desire to work and live more independently, JEVs' staff helped him move to Life Sharing, which assists people with intellectual disabilities to live in with the support of a caring family or individual in the community. With the help of JEVs' Employment Network, Ray was also able to secure community employment – a position with the Internal Revenue Service – where he was recognized for his outstanding attendance record.

Alletta (*Alletta is one of over almost 4,000 Pennsylvanians living with a physical disability who use JEVs' attendant care services to avoid nursing home placement and live in their own homes*).

After multiple episodes of congestive heart failure, Alletta was referred for what was supposed to be a short-term stay in a nursing home. After six months she grew impatient and began searching for resources that could help her transition to the community. She contacted JEVs and with the help of the Nursing Home Transition program was able to locate an affordable, accessible apartment and received help with one-time expenses such as furniture, and kitchen items. Alletta continues to receive case management and other supportive services that allow her to employ her own personal care attendant and return to her job of seventeen years with H&R Block.

When polled, Pennsylvanians overwhelmingly express a desire to remain in their own homes should they require long term living services. State-funded services

provided by community-based agencies can meet this need while ultimately saving the taxpayers millions of dollars.

Armindelis (*Armindelis was a participant in JEVS' Maximizing Participation Program (MPP) which, along with our Northeast EARN (Employment, Advancement, and Retention Network) Center, provided support in 2010 for over 5,500 individuals seeking to leave public assistance and enter the workforce).*

Notwithstanding the stereotypes, most TANF (Temporary Assistance for Needy Families) recipients would prefer to be employed. Armindelis' primary barrier to finding employment was her inability to secure specialized child care services for her eldest son, who has severe disabilities. With the help of case management and vocational services at MPP, she got the necessary care for her son and found a job as a bilingual intake coordinator at a social service agency in Philadelphia. Refusing to use her child's disability as an excuse not to work, she says, "I don't want my kids to look back and say, 'My mom never did anything, so I don't have to.'"

Armindelis' success is not an anomaly; despite a difficult economy, employment and training providers statewide were successful in placing more than 7,000 TANF recipients in full or part-time jobs (at least 20 hours per week). In Philadelphia County alone, over the past three years, almost 16,000 TANF clients have been placed in jobs with an average wage of \$9.28 per hour.

Conclusion

JEVS' testimony, particularly these client stories, is intended to illustrate the value of human services not only to the people who use them but to the Commonwealth as a whole. We believe this value is evident in the improved quality of life for consumers as well as in the return on investment to taxpayers that comes from supporting individuals to be independent, self-sufficient contributors to their communities. Even as Pennsylvania faces difficult budget years, and all sectors make sacrifices, it is vital that community service agencies not be so deprived of resources that they lack the capacity to provide this value, even as the Commonwealth returns to good economic health.

JEVS Human Services looks forward to working with you and your colleagues in the General Assembly throughout future budget processes to address the impacts of funding cuts on human services agencies and the people we serve. I will be happy to answer any questions you may have.

Good morning. My name is Rebecca Poyourow and I am a resident of the Roxborough neighborhood of Philadelphia, and the mother of two children in Cook-Wissahickon, our neighborhood public elementary school. Thank you very much for the opportunity to speak with you this morning. I'm very grateful to have been invited to address the members of the PA House Democratic Policy Committee on the catastrophic impact on education of Pennsylvania's just-passed budget.

Since you know the big state picture, I am going to focus on the patch that I know: the impact on our family and our neighborhood public school. Stories such as ours can be found across the city and state in hundreds of different neighborhoods and millions of families. To begin, I'm going to backtrack a little, to a moment before the Corbett budget and its impact.

In recent years, Cook-Wissahickon has become a thriving neighborhood K-8 elementary school within the Philadelphia public school system. Five years ago, it was not so well attended by neighborhood children. A group of parents committed to sending their children to a racially and socioeconomically diverse neighborhood school—open to all—began outreach efforts to parents of pre-schoolers. They held open houses for prospective families, began a volunteer after-school arts program, created a green committee that is working on revamping the physical layout of the schoolyard, won a grant for a mural in the playground, made connections with local businesses and community groups, and began a massive infusion of volunteer efforts into the Home and School Association through fundraising and other volunteer

activities. Through all this hard work on the part of staff, teachers, and families, enrollment has nearly doubled, and the school will probably cross the 500-student mark this fall. Families now move to the neighborhood so their children can attend; families also apply for voluntary transfers for their children, and teachers are eager to accept positions there. The school is racially integrated and 61.3 percent of all students are classified as economically disadvantaged. 12.4 percent of students receive special education services, and 4.2% receive gifted programming. Cook-Wissahickon is academically strong, has maintained class sizes around 20, and exhibits no racial achievement gap in student success.

Now for the impact. Let's start with the recession. In 2009 my husband lost his job. At the time I had been staying home with our young sons, the older of whom was about to start kindergarten. Despite several terrifying months with no paycheck coming in, we were very fortunate in two respects: I was able to find a good job, and we leaned on the strength of Cook-Wissahickon. We felt an incredible sense of relief knowing that our son would be well educated, cared for, and safe in his school environment. It was a lifeline. It gave us strength to keep searching for work in the city, to try to keep our home, and to stay in our neighborhood. Along with many other parents at our school, my husband and I have tried to give back, volunteering when we can. There are many working families in our boat in the neighborhood, touched by the waves of unemployment and foreclosure of this recession, as well as families struggling through longer-term economic difficulty. Let me tell you, however, it is

amazing what the anchor of a good public school will do for people's motivations to stay in an area and commit to making things work for their children. Watching parents who are dealing with searching for work, terrified about the threat of foreclosure, or coping with disabilities and other stresses still find a way to volunteer time and effort to their children's school is pretty awe-inspiring.

Now for the impact, part 2. When Governor Corbett unveiled his proposed budget back in March, it was like being punched in the gut. The efforts of parents at Cook (and from schools all over the city and state) are beautiful. However, good schools cannot succeed on volunteer efforts alone; they need appropriate funding. When we heard the news, Cook parents were scared about the future of the school, but we rallied. We sent 200 people to Harrisburg for a day of demonstration and lobbying (we filled four buses), we wrote letters, signed petitions, made individual trips to see state legislators—seemingly (so far) to no avail.

As my younger son enters kindergarten this fall, Cook-Wissahickon will look a lot different. The school lost roughly 30 percent of its budget, meaning that we have lost roughly one teacher per grade, generating huge class sizes in the K-3 grades (30+) as well as in some of the older grades. Our children have lost their Spanish teacher, the music program is cut to 2 days per week (there is no art), programming for gifted students is funded at 35 hours for the entire year, extended-day Power Hour (for children who need extra academic support after school) has been eliminated, funds for books, supplies, and other operating expenses will be a third of what they were last

year, the Assistant Principal position has been eliminated, and the full-time school police officer is gone. A great school, which has been an anchor for our neighborhood, is in grave danger of becoming destabilized.

Now I realize that this hearing is dedicated to documenting the impact of the budget. And I realize that most of the people in this hearing room are sympathetic to funding public education and understand that it is a precious institution embodying some of our highest democratic aspirations and values for the common good—and that it is a vital resource that must be provided right now for all our children. I don't think anyone here would disagree with me on that. However, just thinking that is not enough.

We must do more than lament this budget and document its impact. You and we cannot sit back and let our public school system be decimated. We must fight right now. Those who voted for this budget say they believe they are “cutting the fat” from education—but we know they have actually eviscerated our children's schools and compromised the instruction of a generation. Philadelphia parents are organized across our city in many groups, and we all implore you to fight for us—and with us—to restore the current state cuts to basic education. The state legislature must hold true to the Rendell-era state funding formula which counts numbers of students and weighs for poverty and special needs. This is the first legislature in decades that cuts money from public education, and no one should be allowed to forget that. In fact, there are some legislators proposing to defund the public system even further with a costly new

voucher proposal, which would siphon public funds from schools and funnel them towards private schools with no public oversight and accountability. Make no mistake, this budgetary and legislative onslaught is not about “cutting the fat,” but about a conservative ideological commitment to privatization and to undermining the public, democratic, shared community embedded and embodied in our public schools.

So I would like to end by asking you: what will you do? What do you suggest we can do? We parents are paying attention, we are organized across the city and state, and we are fighting this with all we’ve got, but our eyes are on you now, to see what you will do. Our school and schools like it across the city and state have been successfully serving low-income families, working families, and middle-class families, all of whom have interests in strong public schools, and we all need your help. What will you do for all of our children, and for the future of the commonwealth and nation? Please tell me. Thank you.