
**GOVERNMENT PRICE CONTROLS MAINTAIN THE INTELLECTUAL
DISABILITY WORKFORCE CRISIS**

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Abstract

The relationship between fixed governmental prices and the workforce crisis within the intellectual disability field is discussed. Fixed governmental prices for services and supports to people with intellectual disability are identified as a factor in the ongoing workforce crisis.

Keywords: Intellectual Disability; workforce crisis; fixed prices

The field of intellectual disability/autism is faced with a workforce crisis because provider agencies are unable to hire a sufficient number of employees to provide direct support, service, and habilitative instruction to individuals who have intellectual disability. The term used to categorize these employees is Direct Support Professional, and recent research (Spreat, 2019) suggests that at least one ns five Direct Support Professional positions in Pennsylvania are currently vacant (open). When one considers the impact of vacations, sick leave, required training, and family medical leaves, a provider agency may be faced with a shortage of one out of three Direct Support Professionals on any given day. A workforce crisis has been publicly pronounced by both the American Association on Intellectual and Developmental Disabilities (2016) and the President’s Commission on People with Intellectual Disabilities (2012). While one may argue whether a long standing problem such as this is properly called a “crisis” (Hewitt, 2013), it is clear that the industry faces a significant problem.

Several factors have been suggested as contributing to this workforce crisis. People with intellectual disability are living longer than in the relatively recent past, the support needs of the Baby Boomer generation are growing as the boomers age, and better paying jobs are available for individuals who might be attracted to Direct Support Professional positions. One might also note that group homes, the dominant residential model in the intellectual disability industry (Conroy, 2017), tend to require higher staffing levels than more congregate forms of residential service.

One likely contributing factor is rarely mentioned. Private agencies that provide supports and services to individuals with intellectual disability have little to no control over the prices they are paid for the provision of these supports and services. State governments typically fix the price that they will pay the provider agencies. These fixed prices have a carryover effect to the workforce crisis. While providers are able to pay Direct Support Professionals any wage they wish, their fixed revenue prevents them from paying a wage that would sufficiently balance the demand for Direct Support Professionals with the supply of Direct Support Professionals. Note

that the typical provider agency currently spends about 70-75% of their budget on staffing, while operating on a 1.0 to 1.5 percent margin between their revenue and expenses (Spreat, 2020). There is no room for significant wage adjustments within contemporary budgets. In many ways, we have an illustration of the old adage that if a company loses control of its pricing, it loses control of its business.

Economic theory suggests that price is supposed to create equilibrium between supply and demand (Pettenger, 2017). When price (in this case, wage is the price to hire Direct Support Professionals) is in any way constrained, shortages will occur. In fairness, the governments does not set limits on wages paid to Direct Support Professionals, but by placing limits on provider revenue, the government does in fact impose limits on what a Direct Support Professional can be paid. These limits ensure the continuation of a workforce crisis in the intellectual disability field because the providers have not other source of funding to support a wage increase. In a sense, the purchaser fixes the price, and this action, in turn, places limits on the wages that can be paid to Direct Support Professionals. Providers are no longer party to the negotiation of the price for the services and supports they sell, and this lack of participation has direct impact on the wages paid to Direct Support Professionals.

The trickle down impact of the governmental price controls creates a distortion in the interplay of supply and demand, particularly with reference to Direct Support Professionals. When provider have a single source of revenue and when providers currently spend about 75% of their annual budgets on staffing, there is simply no room to create significant wage adjustments that might ease the workforce crisis. Equilibrium between the supply of Direct Support Professionals and the demand for Direct Support Professionals cannot be achieved when prices are controlled. Shortages should hardly be surprising. When demand for Direct Support Professionals increases, wages must rise if supply of Direct Support Professionals and demand for Direct Support Professionals are to achieve equilibrium.

Political efforts to increase Direct Support Professional pay to the level of a living wage are utilitarian. They lend an emotional element to the appeal for greater funding levels, and efforts such as these have caused modest wage increases for Direct Support Professionals. It must be recognized, however, that even if Direct Support Professional wages are raised to the level of a "living wage" for today, the continued practice of price controls is likely to ensure that the same problem of a workforce crisis will emerge eventually. One must also recognize that a "living wage" might not be the wage that establishes equilibrium between supply and demand. It may be insufficient to fill positions, or it may constitute an overpayment. The practical goal should be to pay Direct Support Professionals a wage that ensures that almost all positions are filled with qualified staff. The measure of interest must focus not on wages per se, but rather on the number of open positions. Open positions jeopardize the welfare of the people providers are pledged to support and serve, and they threaten the economic viability of providers. Price (i.e., wages) is that which is supposed to create a balance between supply and demand. In the intellectual disability/autism field, the problems is that while wages have largely kept up with inflation (Spreat, 2020), demand has increased at a greater rate. Wages need to be increased to achieve equilibrium between the supply of Direct Support Professionals and the demand for

Direct Support Professionals. When the buyer independently sets the price, the seller will lose, and eventually, the purchase will lose as well. In the intellectual disability field, the people with intellectual disability will also lose.

Price is supposed to be a negotiation between purchaser and seller., In the case of the intellectual disability field, the seller needs to become party to the negotiation process. Perhaps a more reasonable approach to the funding of intellectual disability services would be to adopt a competitive RFP process, similar to almost all other major services purchased by governmental agencies. This will introduce a degree of uncertainty to the governmental budgeting process, but it could eliminate the workforce crisis. Failure to bring providers into the price negotiation process will only ensure a continuation of the workforce crisis.

Supply and Demand in the Direct Support Professional Workforce Crisis

The demand for Direct Support Professionals has outstripped the supply within the field of intellectual and developmental disabilities. Intellectual Disability/Autism field cannot hire a sufficient number of qualified Direct Support Professionals to meet its needs. Recent research (Spreat, 2019) suggests that at least 1 in 5 Direct Support Professional positions in Pennsylvania are currently vacant (open). When one considers the impact of vacations, sick leave, required training, and family medical leave act, a provider may be faced with a shortage of 1 out of 3 Direct Support Professionals on any given day. A workforce crisis has been publicly pronounced by both the American Association on Intellectual and Developmental Disabilities (2016) and the President's Commission on People with Intellectual Disabilities (2012). While one may argue whether a long standing problem is properly called a "crisis" (Hewitt, 2013), it is clear that staffing is a major problem for this industry. Some contributing factors may be longer life spans for people with intellectual disability, the growing support needs of the Baby Boomer generation, and the current availability of better paying jobs. One might also note that group homes, the dominant residential model in the intellectual disability industry, tend to be more labor intensive than many state developmental centers.

One likely factor seems to be rarely mentioned. The purchaser of most intellectual disability supports and services is a governmental agency, and the governmental agency determines how much it will pay for those services. The service provider is generally not a party to any sort of price negotiation. The providers have absolutely no control over what they will receive from the government in return for providing support and services to people with intellectual disability. This lack of participation in the price negotiation process has a direct impact on Direct Support Professional wages because the provider agency has little flexibility within their budget to independently adjust compensation, with wages and benefits already consuming about 75% of the typical annual budget.

This fixing of prices by the government distorts the interplay of supply and demand, particularly with reference to Direct Support Professionals. In most economic theory, price is supposed to create equilibrium between supply and demand (Pettenger, 2017). When price is constrained, shortages will result. With Intellectual Disability provider agencies already operating on an unhealthy 1.0 to 1.5% margin between revenue and expenses (Spreat, 2020) and being unable to

raise prices for their services, these provider agencies have little ability to increase wages for Direct Support Professionals. Equilibrium between supply and demand cannot be achieved when prices are controlled. With government control over the prices for intellectual disability services, shortages should hardly be surprising. When demand increases, price must rise if supply of Direct Support Professionals and demand for Direct Support Professionals are to remain in equilibrium.

Political efforts to increase Direct Support Professional pay have focused on the concept of the "living wage," and this approach may be utilitarian. It lends an emotional element to the appeal. But it must be recognized that even if rates were to be increased to the level of a "living wage" today, the continued practice of rate setting/price fixing is likely to ensure that the same problem of a workforce crisis will re-emerge eventually. One must also recognize that a "living wage" might not be the wage that establishes equilibrium between supply and demand. It may be insufficient to fill positions, or it may constitute an overpayment. The practical goal should be to pay Direct Support Professionals a wage that ensures that almost all positions are filled with qualified staff. The primary measure of interest must be the number of open positions. Open positions jeopardize the welfare of the people that provider agencies are pledged to support and serve. Wages must have the flexibility to create a balance between supply and demand for Direct Support Professionals. In the Intellectual Disability/Autism field, the problem is that while wages have kept up with inflation (Spreat, 2020), demand has increased at a greater rate. Wages need to be increased to achieve equilibrium between the supply and demand for Direct Support Professionals. Perhaps the best way to ensure this happening is to include providers in a negotiation regarding prices to be paid for supports and services. When the buyer independently sets the price, the seller will lose. In the intellectual disability field, the people with intellectual disability also lose.

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