



The Campaign to **STRENGTHEN HUMAN SERVICES**

**IMPROVE CARE • RETAIN QUALITY STAFF
ENHANCE ECONOMIC IMPACT**

Chapter 257 Update

EOHHS 2007 Report Basis for Chapter 257



Key Findings of the 2007 Report that led to Chapter 257:

- low wages that provider organizations are able to offer employees limit the level of experience and qualification for many direct care workers, and also lead

What will Chapter 257 Funds Cover?

The fight for rate reform in Massachusetts has been a long and arduous struggle.

Since 1988, when the Commonwealth last gave increases to base Purchase of Service Contracts, the cost of living per the Consumer Price Index (CPI) rose over **102%**, while base contract increases rose **0%**.

Chapter 257 was passed in 2008, and amended in 2011, to tie funding to rates according to the actual cost of providing services calculated to provide a fair and adequate rate. Since the onset of rate reform, some rates have increased (such as ALTR rates effective April 1, 2014), while other rates have decreased (such as 45% of the CBDS rates), or rate reviews have yet to take place in some categories. As well, four years have gone between the setting of Foster Care rates, which should have been revised after two years compounding the fiscal stress of this vital children's service. The Domestic Violence community has waited almost one year beyond its due date to have proposed rates finalized.

Thus new or adjusted rates will be expected to address the following:

- to rapid staff turnover and increased replacement costs
- Providers may defer routine costs such as facility maintenance, information systems, and other critical infrastructure investments
 - One-third of providers experience annual deficits
 - Fifty-six percent of providers have deficits on their Commonwealth activities

- The study showed that, on average over the three years, 46% of providers in the sample had

liabilities that exceeded their net assets. Approximately four percent of providers, mostly very small or small organizations, actually had negative net assets

- Almost half of providers do not generate sufficient cash to pay for operations
- Sixty percent of providers have less than one month of cash on hand at year end.



- wages and fringe benefits
- staff turnover
- training needs
- deferred or absent facility maintenance
- utility increases over the past 28 years
- cost of insurance, including health and agency comprehensive
- infrastructure needs
- current information systems to comply with state and federal regulations
- cost of doing business with the state of Massachusetts

For years, private providers have been expected to help the state achieve community integration, close state institutions and improve people's lives, while facing diminished funding.

Many human service organizations have struggled to stay afloat while the state waited for more than 25 years to respond to the fiscal crisis in the human service community.

With the support of Governor Deval Patrick and the House and Senate, finally Chapter 257 has the chance to address the fiscal crises of the last 25 plus years.

Effective implementation will require a thorough analysis of how Chapter 257 funding addresses both salary and systemic program operation needs. *The Collaborative* is working with the leadership of EOHHS, and the panel appointed by Governor Deval Patrick, the Provider and Consumer Advisory Council, to monitor the success of the Administration in administering the new rate law and its funding.

Among the measurements that *The Collaborative* will be examining will be EOHHS' success in meeting the statutory Chapter 257 deadlines for rate implementation, as well as stabilizing the fiscal condition of provider organizations as described in 2007 EOHHS [Report](#) on the Financial Health of the Human Service Provider Community. That Report triggered the introduction and enactment of Chapter 257.