

# **Executive Office of Health and Human Services**

## **Purchase of Service Integrity Unit**

### **SALARY RESERVE DISTRIBUTION POLICIES AND PROCEDURES**

*Salary Reserve Distribution Policies and Procedures last Revised December 2008*

[www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve)

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#### ***Introduction***

The purpose of this document is to outline the main components of the distribution of the Salary Reserve Fund allocation and the procedures that help ensure the integrity of the process.

The Salary Reserve funds, if and when appropriated by the State Legislature, are targeted specifically to increase the compensation of eligible personnel working at human service provider organizations on eligible purchase of service contracts as awarded by the Executive Office of Health and Human Service Agencies.

The Executive Office of Health and Human Services (EOHHS) is charged with the responsibility of managing the process and administering and distributing funds appropriated for Salary Reserve allocation according to the line item State Budget language proposed and approved by the General Court. As such, EOHHS has developed policy guidance to ensure that the funds are administered and distributed within the spirit and purpose of the statute.

#### ***Policy***

As required by statute, EOHHS will administer the Salary Reserve allocation and distribution process in a reasonably efficient and effective way to disburse the funds to the providers in a timely manner. EOHHS has developed policy guidance to ensure that the funds are administered and distributed with the highest level of integrity within the spirit and purpose of the statute.

#### ***Eligibility Criteria***

*Receipt of Salary Reserve funds is based upon application by eligible provider organizations on behalf of its eligible employees, not on behalf of the employer.*

Eligibility criteria are set forth in the Statute as established by the State Legislation. EOHHS makes all distributions in accordance with these criteria and EOHHS policies and procedures.

**Eligible employees:**

The salary threshold for eligibility is established in the language of the Statute by the Legislation.

Fiscal Year 2009 Salary Reserve Eligibility: Certain employees who earn less than \$40,000 in annual compensation who are employed by private human service providers that deliver human and social services under contracts with departments within the Executive Office of Health and Human Services (EOHHS), and the Executive Office of Elder Affairs shall be eligible for Salary Reserve funds.

Home care workers whose salary, wages or compensation is attributed to the purchase of service contracts as listed above, shall be eligible for funding from this appropriation.

Eligibility for Salary Reserve Funds is limited to provider employees working in contracted programs. Eligibility does not include a provider's employees who do not directly support a contracted program and whose cost is allocated to program budgets through indirect support line items. Administrative employees ("Central Office") whose cost is allocated to program budgets are not eligible for Salary Reserve.

**Eligible Organizations:**

Private human service provider organizations that deliver human and social services under contract with departments within the Executive Office of Health and Human Services (EOHHS), the Executive Office of Elder Affairs (ELD), as well as certain eligible contracts with the Department of Early Education and Care (EEC); that are willing and able to assure EOHHS that the funds shall be used solely for the purposes of adjustments to wages, compensation or salary of eligible employees.

**Eligible Contracts:**

No funds shall be allocated from the Salary Reserve item to contracts funded exclusively by Federal grants.

No funds from the Salary Reserve item shall be allocated to special education programs under chapter 71B of the General Laws, and to contracts for early education and care services or programs for which payment rates are negotiated and paid as class rates as established by the division of health care finance and policy.

*For your information you may find clarifying responses to Frequently Asked Questions at [www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve)*

***Approach and Procedures***

EOHHS implements Salary Reserve in a way that is consistent with the language provided in any given fiscal year's General Appropriations Act.

Awardees of Salary Reserve funds apply for these funds based on eligibility criteria, FTE counts and salary levels. Salary Reserve funds are to be disbursed to eligible employees in accordance with the spirit of the statute. The language states “...that the executive office of health and human services shall condition the expenditure of the reserve upon assurances that the funds shall be used solely for the purposes of equal percentage adjustments to wages, compensation or salary...”

Over the last years when a Salary Reserve Fund is approved and implemented, EOHHS uses the following approach and procedures for managing the Reserve and provide direction and consistency throughout the administration and distribution process:

#### 1. Data Collection System:

Whenever possible, Reserve allocations are based on current contract data from eligible providers. To accomplish this, EOHHS is using the internet-based Virtual Gateway Provider Data Management system, a Commonwealth of Massachusetts’ user-friendly data collection system, for the current fiscal year’s Salary Reserve data collection and calculations.

This process requires that the following steps and procedures take place in a timely manner every year that a Salary Reserve fund is approved:

- a) Activation and implementation of a web-based module on the existing Virtual Gateway Provider Data Management (PDM) system, which collects provider contract and payroll information for Salary Reserve. Specific directions and an updated training Guide to use the PDM Salary Reserve internet business service are available at [www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve)
- b) Activation of Purchase of Service (POS) providers within the Provider Data Management (PDM) system. That is, full activation of PDM users currently enrolled on PDM and activation of new users. Notices with instructions and timelines are sent out to the POS providers by electronic mail.
- c) Data submissions should be based upon current fiscal year contracts. This would include same fiscal year amendments that have been approved at the time of data submission.

#### 2. Integrity of the Data:

Through a five-step process EOHHS intends to reduce the number and magnitude of inaccuracies at the “front-end” of the process, as follows:

- a) Provider organizations enter on PDM-Salary Reserve the initial contract number of Salary Reserve eligible contracts; indicate if partial year or full-year contract; if partial year, indicate dates of contract; enter the full time equivalency (that is, for Fiscal Year 2009, the number of FTEs on those eligible contracts whose annual

salaries are equal to or less than \$40,000 ), payroll data and percentage of salaries purchased by each EOHHS contract are also entered by the Providers;

**Note:** Detailed instructions on how to enter the required Salary Reserve data on the Virtual Gateway PDM Salary Reserve on-line application is available at [www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve) under the title “*Virtual Gateway Salary Reserve FY 2009 Reference Guide*”

- b) The calculations for direct care workers and homemakers are arrived to using a different methodology, working with the Executive Office of Elder Affairs to determine the number of units of service (usually billable hours of service provided by the direct care workers) and the hourly rate increase.
  - c) EOHHS agencies review the contract information entered by providers and make changes, edits, adds or deletes contract information and amounts;
  - d) EOHHS agencies and providers confer, as needed, regarding significant changes and agencies submit the revised data on PDM;
  - e) A data-based checklist for all reviewed contracts is completed by the Salary Reserve liaison at each EOHHS agency, and it is filed in the Salary Reserve data-base system;
  - f) In the event that there are still unresolved or pending issues, the provider may resort to the Salary Reserve appeals process according to the process outlined below.
3. Calculation of the Percent Increase to Compensation

EOHHS calculates the percent increase in compensation that will be supported by any given year’s Salary Reserve. This calculation is, based on the total salary reserve allocation for the fiscal year, any additional guidelines set forth in the Statute, and payroll data submitted by providers according to the process outlined above.

Based on this percentage and on the payroll data submitted by each provider organization, the Salary Reserve allocation for each provider and each contract per provider is obtained. Each allocation is traceable back to the data and the entire submission is reviewed to ensure the integrity of the process.

The Salary Reserve Statute does not determine the actual percentage of the salary increase. The calculated percentage will be made public through the salary reserve web page: [www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve)..

4. Provider Disbursement Guidelines

In some cases the percent increase granted to employees may vary across provider organizations. This variance is due to changes in personnel after the basic data has been submitted, i.e. changes in the number of eligible staff including temporary vacancies. Due to these changes, the exact percentage increase granted to eligible employees by different providers may vary slightly. This variance is allowable. Variance is not allowable, however, in the percentage increase granted to employees within a provider organization. A provider organization must grant the same salary increase percentage for all employees who are eligible for the Salary Reserve fund.

Provider organizations may not allocate the funds based on merit, seniority or other internal organization policies.

5. Policy for POS Contracts that Begin or Terminate Mid-Year:

In years for which the Legislature appropriates funds to a salary reserve, reserve allocations are made based on July's payroll data for all current eligible contracts. In accordance with the regular procedures followed for payment of funds under the salary reserve, and because allocations are made based on a snapshot of payroll data for contracts active in the beginning of the fiscal year, the following applies:

- a) Contracts that terminate during the course of a fiscal year are only eligible for a salary reserve allocation that covers the duration of the contract. This is because state finance law prohibits the allocation of funds for contracts after their termination date.
- b) Contracts that are begun or newly-procured during the middle of a fiscal year are not eligible for salary reserve allocation in that year. This is because purchasing agencies are expected to execute new procurements in a manner that accommodates labor and other market cost increases subject to appropriation, and because there is no cost basis for determining an accurate salary reserve allocation.

6. Movement of Funds and encumbrances:

The project process plan details the steps dedicated to the movement of funds and the preparation of the financial reports as required by the Fiscal Affairs Division; as well as the encumbrances, and the transactions process with the Comptrollers' Office. EOHHS will work with these departments to ensure the integrity of the process and of the individual allocations.

7. Contracts:

- a) Legal review: Salary Reserve contracts, associated terms, cover letters and other pertinent references specific to the current year are updated and reviewed with EOHHS legal department.

- b) EOHHS agencies will have the details on their providers' allocations and contracts.
- c) Contracts are sent by the EOHHS POS Policy Unit to providers by electronic mail, a printed copy of the contract is signed by the provider, and the original signature is sent to the Salary Reserve Manager to be processed by EOHHS.
- d) These activities are carried out according to a pre-determined timeline, available to the public on the Salary Reserve web-page [www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve)

8. Appeals Process:

a) Reasons for appeals:

An appeal process is available to providers that believe they did not receive the Salary Reserve funds they were entitled to due to miscalculations on eligible contracts, or whose contracts were mistakenly excluded from the Salary Reserve distribution, or the amounts received do not match their own calculations.

b) Timeline for appeals:

The appeals process timeline is posted on the Salary Reserve web page. The process involves data collection for appeals; data review and allocation determination; amendments sent out; amendments processed. Providers are encouraged to submit their appeals as soon as possible to expedite the process.

c) Procedures for appeals:

Providers wishing to appeal their Salary Reserve allocation need to do so by submitting the Appeals Form that is made available in the Salary Reserve web page at [www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve) . The appeals form may be submitted electronically to the e-address posted on the web page, or it may be completed, printed and mailed to: Salary Reserve Manager, One Ashburton Place, Room 1109 Boston, MA 02108. EOHHS will collect and review the appeals data and will determine the allocation due to providers. Amendments will be prepared, send out to providers for signatures by the date stipulated in the timeline and processed for payment.

9. Report to the Legislature:

As required by statute, a report on the allocation of Salary Reserve funds will be delivered to the Legislature by the specified date. Report information will be posted on the Salary Reserve web page [www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve)

10. Communications:

Communication with other EOHHS departments and agencies and with provider organizations is an integral component of the project and a priority for EOHHS.

Communications are on-going throughout the entire Salary Reserve process and usually include:

- a) Written communication to EOHHS Agency Chief Financial Officers and Principal Purchasing Agency Contract Managers
- b) Communication to all POS providers and to the Providers Advisory Council about the Salary Reserve Data Collection system
- c) Updated posted information on the EOHHS Salary Reserve web page [www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve) for provider organizations and other interested parties
- d) On-going communication with EOHHS departments and agencies throughout the entire process, via meetings, emails, internet and telephone, as needed
- e) Customer-Service: In order to maintain a professionally responsive telephone communication system, the Salary Reserve Hotline at (617) 573-1717 will be centrally held for the duration of the process. Additionally, questions may be sent by email to [possalary.reserve@state.ma.us](mailto:possalary.reserve@state.ma.us)

#### 11. Feedback and Evaluation:

In most Salary Reserve years a Feedback and Evaluation Form will be available on the Salary Reserve web page for suggestions on how to further improve the process.

The above customer service telephone number and email address may be used at any time to ask for information and policy clarification.

Also, letters may be sent to:

Policy Director for Purchase of Services  
Executive Office of Health and Human Services  
One Ashburton Place, 11<sup>th</sup> floor, Rm. 1109  
Boston, MA 02108

*Updated Salary Reserve information is available at*  
[www.mass.gov/salaryreserve](http://www.mass.gov/salaryreserve)