

FRONTPAGE

SPECIAL REPORT

As state funding for group homes surged, so did top execs' pay

An NJ Advance Media review of taxpayer-funded executive salaries of the nonprofits with the most group home clients in the state showed big raises.

Susan K. Livio For The Star-Ledger



NJ Advance Media photo illustration; Canva image; Ted Sherman

The business of serving adults with autism and other developmental disabilities in New Jersey has boomed since Gov. Phil Murphy took

office eight years ago, with the cost to taxpayers skyrocketing from \$1.1 billion to \$3.7 billion.

This unbridled growth helped fuel a dramatic rise in the salaries of top executives at some of the biggest nonprofit group home operators, an NJ Advance Media analysis has found.

The increases have alarmed state Human Services Commissioner Sarah Adelman, who told NJ Advance Media she is pushing for salary limits on top officials and a boost in pay for workers who tend to New Jersey’s most vulnerable citizens and now make about \$21 an hour.

“It’s important there is an honest dialogue about executive compensation,” Adelman said. “As we’ve been able to significantly increase Medicaid revenue to providers, we want to make sure that it’s being used as intended — on increasing wages for frontline workers and ensuring high quality services for residents.”

The NJ Advance Media review of taxpayer-funded executive salaries of the nonprofits with the most group home clients in New Jersey, as reported to the IRS, showed big raises from 2018 to 2023, the most recent available data.

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› Two co-executive directors at Caring-House Projects and its related company Caring, Inc. in Atlantic City more than doubled their pay. Joseph Dougherty, in charge of operations, earned \$558,774 in 2023, up

from \$247,199 in 2018. Brian Curran, in charge of finance, saw his compensation grow from \$247,199 to \$502,577. The state paid the company \$57.4 million last year to operate group homes for 285 people in South Jersey.

› Robert Stack, president and CEO of Community Options, a Princeton-based national nonprofit, earned \$2.37 million in 2023 — nearly tripling his 2018 compensation of \$838,942, making him the highest-paid CEO among group home providers in New Jersey. The company was paid \$77 million to serve 426 people in group homes in New Jersey last year, according to the state.

› Michael Haggerty, the CEO of Allies, a nonprofit in Hamilton, who is also an executive with related companies Woods and Legacy Health, earned \$408,812 in 2023 — nearly double what his predecessor made in 2018, according to tax records. The center, which was paid \$73.1 million to serve 336 group home clients in 2024, was cited by the department in the last year for three or more substantiated serious allegations of abuse, neglect and exploitation.

› Charles McLister, president and CEO of Elwyn N.J., earned \$684,747 in 2023, a 31% hike from \$524,630 in 2018, when he was listed in tax records as president. Elwyn, based in Pennsylvania, was paid \$38 million serving 205 clients in New Jersey last year. The state Attorney General's Office recently charged five managers and front-line workers with neglect and one with assault for twice allowing a patient to remain on the floor for several hours after falls. Human Services also cited Elwyn for at least three substantiated "serious allegations of abuse, neglect and exploitation." The pay in New Jersey is often significantly higher than what top executives earn in New York, which experts say is a fair comparison. This was true even for New Jersey group home executives running smaller operations with less revenue.

Seven leaders of nonprofit group homes in New Jersey earned more than \$500,000, compared with four in New York. In some cases, New

Jersey CEOs whose group homes had fewer clients earned at least \$50,000 more than leaders of operations in New York.

For example, the CEO for Community Access Unlimited in Elizabeth, which is licensed to serve 297 people in group homes, earned \$509,646 in 2023. That salary was higher than that of five New York CEOs of group homes that served more people — including one who was paid \$178,111 less.

CEO pay for larger group home operators across the nation increased about 3.8% from 2019 to 2020, according to Candid, a company that produces a database of millions of U.S. nonprofits.

None of the nonprofit operators responded to NJ Advance Media’s questions about executive compensation and how clients’ funds are spent. There was no salary information available for two of the top 10 group home operators because they are for-profit companies that are not required to disclose information to the IRS.

Paul Aronsohn, who leads the Office of the Ombudsman for Individuals with Intellectual and Developmental Disabilities and Their Families, has sharply questioned executive compensation, especially in the wake of how dramatically the taxpayer-funded system has exploded.

He said there’s no evidence the group homes are doing a much better job serving the 29,000 people living in group homes, supervised apartments or in their family homes with state-funded services. Complaints to his office have tripled over the past eight years, he said.

“Some agencies clearly do all they can to put the money in the right places to support the individuals that live in their homes,” Aronsohn told NJ Advance Media. “Some agencies don’t, and there’s nothing to compel them to do so.”

“I don’t know where the money is going,” he said.

Donna Icovino, a Bucks County, Pennsylvania, resident and a decades-long advocate who has helped families navigate the government bureaucracy for disability services, gasped when she saw the salaries executives are making, noting that frontline workers who care for residents, including her 40-year old son Michael, “are working two and three jobs to support their own families.”

“When parents speak to me about not being able to obtain for their adult children what they need, I am left wondering ... how is it possible to justify this persistent lack of quality services despite sufficient funding?”

She and other mothers NJ Advance Media spoke with talked of being turned down for services or not having sufficient attention paid to their loved ones because of staffing shortages.

Doreen Lawrence’s 73-year-old sister has cerebral palsy, and her physical needs are vast. “She can feed herself and brush her teeth, but that is about it,” she said.

But on numerous occasions, she has had to wait an hour for a staff member from Eihab Human Services in Burlington County to take her to the bathroom, Lawrence said.

“Sometimes she would have accidents, and the aides would have a fit,” she said.

One exasperated mother said she doesn’t understand why the group home, paid \$1,125 a day to care for her deaf daughter, can’t find a worker trained in sign language. The mother, who requested anonymity because she feared retribution, has pleaded with management to pay more than the average \$20 an hour, knowing that interpreters can earn triple that.

“It is isolating to be deaf and not have anyone that can communicate with her,” the mother said.

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Direct support professionals, the people who feed, bathe and spend time with group home residents, saw hourly wages rise from \$12 to \$21 an hour in the past eight years, Adelman said.

But she acknowledged these wages are still far too low to reliably recruit and retain the workers who are the backbone of the system. Top state officials and advocates agree low wages add to staffing shortages at many centers.

“We don’t want this to be minimum-wage work. I hope this (goal) continues with the next administration,” Adelman said.

Bernadette Griswold, Community Access Unlimited’s executive director, explained in a statement that her organization offers a competitive benefits package that has helped retain workers at a higher rate than its competitors.

“In addition to financial compensation, CAU offers employees a comprehensive benefits package including employer paid medical and dental insurance, 401K plan with employer match, employee assistance program, tuition reimbursement, career development training, and other benefits,” Griswold’s statement said.

The annual turnover rate at Community Access Unlimited is 25%, compared to the industry norm of 36%, she said.

SALARY CAPS COMING?

Adelman has collaborated with state Sen. Joseph Vitale, D-Middlesex, to introduce legislation that would cap the highest senior employee compensation based on how much the group home provider earns from the state Division of Developmental Disabilities.



Donna Icovino and her son, Michael, outside his group home in Cherry Hill run by Bancroft. She has raised concerns about not getting services Michael needs despite having a six-figure pool of Medicaid funds assigned to him.
Courtesy of Donna Icovino



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Courtesy photo

Under the bill, no executive could earn more than \$250,000 unless the agency could show it paid the difference with other public funds or donations. Executives earning less than \$250,000 also would face caps, based on how much money the agency earns from the state Division of Developmental Disabilities, state officials said.

Administrative expenses also would be capped at 15%, according to the bill.

A total of 29 executives made more than \$250,000 at the eight largest nonprofits examined by NJ Advance Media. That includes six senior

employees at the largest provider, Bancroft, including its outgoing CEO Toni Pergolin, who earned \$660,524 in 2023.

New Jersey once used salary caps to contain executive salaries. Group home providers used to sign contracts with the state that limited senior-level pay based on the amount of state reimbursement, according to the department.

The legislation is part of a package of bills Vitale sponsored in 2024 after NJ Advance Media’s special report “Alone, Autistic and Afraid,” which described one young woman’s documented medical neglect at the Special Children’s Center, a group home in Lakewood paid \$805 a day at the time by the state.

The story also examined the state’s failure to properly investigate operators and hold them accountable when residents are harmed. The key piece of legislation in the package (S3750) would give the state for the first time power to fine habitually bad operators. The full Senate approved the bill on Dec. 22. The Assembly Health Committee approved it Dec. 11, and it awaits a full vote in the 80-member Assembly.

The measure on executive salaries, however, is facing aggressive lobbying from the industry. Vitale postponed a hearing last fall after an outcry from the industry. With the two-year legislative session ending Jan. 13, Vitale said he intends to reintroduce the bill in the new year.

The Alliance for the Betterment of Citizens with Disabilities, a lobbying group whose members include group home operators, said it welcomed a “comprehensive” discussion on executive pay with state officials.

But any plan to cap executive salaries must consider the size and scope of what the nonprofit provides, beyond group homes, according to a statement released after NJ Advance Media published its analysis on [NJ.com](https://www.nj.com) earlier this week.

Salary guides must “ensure compensation is internally equitable and externally competitive,” the statement said. Limiting executive pay “risks staff departure to other human and health care services which are not subject to a cap.”

Executives, including chief financial officers, are making more because the job got more complicated after the state stopped making upfront payments to contractors and instead reimburses them after services are delivered, the statement said.

“Executives have had to re-envision, lead and manage their agencies within a model that is not only more vulnerable to profits and losses but to political and social critique,” the statement said.

Libby Vinson, CEO for the New Jersey Association for Community Providers, an industry lobbying group, said scrutinizing executive salaries overlooks how challenging it is to work in this field.

“Leadership within our member organizations is responsible for overseeing highly complex service systems, ensuring the well-being of individuals in care and managing thousands of employees across residential, day, employment and respite programs,” Vinson said.

“These are not simply administrative roles, they are essential to maintaining safe, high-quality, person-centered care,” she said.

For most providers, administrative expenses including executive compensation do not exceed 15% to 20% of total expenditures, “aligning with recognized best practices” in the nonprofit sector.

“Labor costs account for approximately 75-85% of total expenses for community-based providers, with direct support professionals’ wages representing the largest share,” Vinson said.

Outsiders tinkering with compensation is a bad idea that could drive away talented and experienced executives, said Linda Czipo, president and CEO for the New Jersey Center for Nonprofits.

“The organizations are complex, the positions are difficult and the labor shortages in the nonprofit market are very real,” Czipo said.

FERTILE GROUND FOR PRIVATE EQUITY

According to budget documents, the state has poured nearly \$2 billion more into the community care program, which predominately serves people living in group homes, from 2020 to this year. The cost of the support program for people still living with their families is \$757 million this year, up from \$235 million in 2020, budget records say.

Adelman said that in many ways, these big investments have delivered real progress for people with developmental disabilities during Murphy’s governorship.

All told, the state now spends an average of \$224,000 per person served, up from \$97,000 eight years ago. The number of people served has increased by 21%.

The state during Murphy’s two terms will have moved 3,300 people off the waiting list for housing by next June, and all the 3,400 people on the waiting list today receive some government-funded services, such as transportation and daytime work and recreation programs, she said.

The state also spent half a billion dollars of Medicaid funds to help families navigate the group home bureaucracy with the help of support coordinators and fiscal intermediaries.

At the same time, Adelman is sounding a warning about for-profit and private equity that are now dominating the industry and don’t have to disclose anything about how they spend taxpayer money, including how much top executives make. Two of the state’s top 10 group home operators are owned by equity companies. Every provider, whether nonprofit or for-profit, would be subject to the \$250,000 executive pay limit under the proposed bill.

There are nearly 800 companies serving people in community housing and in their families’ homes, up from 170 in 2018, and 80% of them are

for-profit entities, including investor-driven private equity firms, ¹²
Adelman said.

REM NJ Inc. was paid \$43 million, providing 205 group home beds while operating in 38 other states under the corporate name Sevita. RHA Health Services, owned by Blue Wolf Capital Partners, is licensed to serve 194 people in New Jersey and earned \$44 million.

In 2019, the state revoked the license of what was then New Jersey's largest provider of group homes, Bellwether Behavioral Health, which was a private equity-owned company run by GI Partners and Wellspring Capital.

The state took the extraordinary step of closing it down, Adelman said, because "residents were not being cared for, the quality had declined, and people were not safe," all while the company was siphoning off money.

A recent report by a national nonprofit research organization, the Private Equity Stakeholder Project, said state officials have reason to be concerned about private equity interest in the group home industry.

They have a questionable record delivering services for vulnerable people while reducing costs and increasing profits, the report said.

Sevita, which owns REM NJ, "has been owned by private equity firms for over a decade now and has been under investigation and scrutiny at the federal and state level for basically that entire time," according to the report.

Adelman, who will leave her post on Jan. 20, said she worries what the industry's shift to mostly for-profit operators means for the people they serve. Requiring financial transparency from state contractors is critically important as the industry has changed dramatically, she said.

"We should be having an honest conversation about whether or not for-profit, private equity companies should be running entirely government funded provider agencies," Adelman told NJ Advance

Media. “But if we are not going to take a step to prohibit that, we need to ensure that we’re taking steps to keep revenue in resident care.”

The call for change now shifts to Gov.elect Mikie Sherrill.

Three prominent disability advocates, including Aronsohn, sent a memo in November to her transition team asking that she require more financial transparency with families and to “pay a living wage” to direct-care professionals who often leave these jobs for better-paying and easier work.

“I’m a big believer that we need to follow the money,” Aronsohn said. “I think the key here is more transparency.”

