



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #325

### Personal Care Rate Increase (Health Services -- Medicaid Services)

[LFB 2017-19 Budget Summary: Page 212, #7]

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#### CURRENT LAW

Under the state's medical assistance (MA) program, personal care services are defined as medically-oriented activities that assist MA beneficiaries with activities of daily living that are necessary to maintain the individual in his or her place of residence in the community. Personal care services can include a range of services provided to persons with disabilities and chronic conditions that enable them to accomplish activities of daily living, such as eating, bathing, and dressing, as well as other activities that permit an individual to live independently, including meal preparation, light housework, and shopping for food and clothing.

The MA program covers personal care services only if all of the following apply: (a) they are medically necessary; (b) these are authorized through an independent assessment; (c) they are authorized by a doctor certified to participate in the state's MA program; (d) they are detailed in the beneficiary's plan of care; and (e) the services are provided by a personal care provider certified to participate in the MA program. MA recipients in nursing homes, hospitals, and community-based residential facilities with more than 20 beds are not eligible for personal care services.

Wisconsin's MA program covers personal care services as a state plan benefit. As such, individuals need not be enrolled in the state's MA-funded long-term care programs to receive personal care services. For these individuals, the state MA program reimburses the personal care agency on a fee-for-service basis.

Other MA-funded personal care services are provided to individuals enrolled in the state's MA-funded long-term care programs, including Family Care and the state's self-directed care program, IRIS (Include, Respect, I Self-direct). Individuals enrolled in Family Care may receive personal care services as part of their care plan, which are paid by the Family Care managed care

organizations (MCOs). Under the current contracts, Family Care MCOs are required to pay the MA fee-for-service rate or less for state plan services, unless the MCO determines, on an individualized basis, that the MCO is unable to receive the service at the fee-for-service rate. DHS indicates that most contracts between the Family Care MCOs and their personal care providers indicate that the MCOs will pay the MA fee-for-service rate, and that MCO encounter data show that approximately 98% of all personal care services Family Care MCOs provide is paid at the fee-for-service rate.

Unlike Family Care, the IRIS program funds services that are not available as state plan services. IRIS enrollees may either receive personal care services through MA-certified providers, in which case the agency receives the fee-for-service rate, or by self-directing their personal care services. If the enrollee chooses to self-direct his or her personal care services, he or she can hire, train, and oversee their own personal care workers.

Medicare does not cover personal care services. Consequently, the states' MA program funds all personal care services that individuals who qualify for both MA and Medicare ("dual eligibles") receive.

The current fee-for-service reimbursement rate for personal care services paid to providers under the MA state plan benefit is \$4.02 for each 15 minutes of service, which equates to an hourly rate of \$16.08. In 2016-17, it is estimated that MA costs for personal care services provided on a fee-for-service basis will total approximately \$251.8 million (all funds) for approximately 16.9 million hours of service.

## **GOVERNOR**

Increase funding for MA benefits by \$5,034,300 (\$2,085,900 GPR and \$2,948,400 FED) in 2017-18 and \$9,936,300 (\$4,111,200 GPR and \$5,825,100 FED) in 2018-19 to increase fee-for-service personal care reimbursement rates by 2% in 2017-18 and by an additional 2% in 2018-19. Under the bill, the hourly rate would increase from \$16.08 to \$16.40 in 2017-18 and to \$16.73 in 2018-19.

## **DISCUSSION POINTS**

1. The MA reimbursement rate for personal care services was last increased as part of the 2007-09 biennial budget act (2007 Wisconsin Act 20), which increased the hourly rate for a number of long-term care services, including home health, personal care, and private duty nursing services by 1.5% for dates of service on or after July 1, 2008. This resulted in an increase in the personal care rate from \$15.84 per hour to the current rate of \$16.08 per hour.

2. Personal care services are an optional benefit under federal Medicaid rules, and states may choose to provide them as a Medicaid state plan service or as part of a Medicaid demonstration project or waiver program. The scope of these services can vary significantly from state to state, and states have different policies with respect eligibility requirements, provider qualifications and service limitations, such as prior authorization requirements. For this reason, it is difficult to draw meaningful

comparisons between Wisconsin Medicaid's personal care benefit and reimbursement rates and those of other states. However, Minnesota's Medicaid personal care benefit, which appears to be comparable to Wisconsin's benefit, provides personal care services that are reimbursable at a rate of \$17.12 per hour.

3. The personal care reimbursement rate is paid to personal care agencies to fund all of their costs associated with providing care, including wages and benefits for personal care workers; the agencies' other direct care costs, such as nursing staff, supervisors, and travel costs; and indirect costs, such as office operations and insurance costs. The Wisconsin Personal Services Association (WPSA), an industry group representing personal care agencies, estimates that personal care workers employed by its member agencies currently earn on average between \$9 and \$10 per hour.

4. While there is no assurance that personal care agencies would pass on some or all of the rate increase to their workers in the form of higher wages, it is likely that this would occur, based on the current worker shortage in the industry. However, even if personal care agencies passed all of the increase on to their workers in the form of higher wages, wages in the industry would rise only slightly. Nonetheless, any increase in the personal care reimbursement rates would enhance the ability of personal care agencies to increase compensation to their workers.

5. Wisconsin's personal care agencies, and the personal care workers which they employ, are highly reliant on MA reimbursement as a revenue source. WPSA estimates that MA reimbursement accounts for roughly 85% of its member agencies' total revenues. WPSA argues that the current MA reimbursement rate for personal care services is too low to allow them to offer adequate wages to attract and retain qualified personal care workers. Turnover in the industry is especially high, with WPSA members reporting turnover rates between 30 and 67%.

6. Personal care workers represent a large and growing component of Wisconsin's healthcare workforce. According to the United States Department of Labor, Bureau of Labor Statistics, there were approximately 52,200 personal care workers employed in the state of Wisconsin as of May, 2015. The Wisconsin Department of Workforce Development estimates that demand for personal care workers will exceed 80,000 workers by 2024, representing an annual growth rate of approximately 2.5%.

Personal care workers are also among the lowest paid in the healthcare industry. The median annual wage for these workers is \$21,390. Roughly 40% of the state's personal care workers receive MA benefits or other public assistance, according to an estimate from the Paraprofessional Healthcare Institute.

7. The additional funding provided in the bill reflects the administration's estimate of the cost of increasing the MA fee for service personal care reimbursement rate by 2% in 2017-18 and by an additional 2% in 2018-19, resulting in hourly reimbursement rates of \$16.40 in 2017-18 and \$16.73 in 2018-19 and thereafter.

8. Using the most recently available claims and enrollment data, a reestimate of the cost of increasing the personal care reimbursement rate by 2% in each year of the biennium would increase MA benefits cost by approximately \$4,955,800 (\$2,046,500 GPR and \$2,909,300 FED) in

2017-18 and \$9,898,300 (\$4,062,500 GPR and \$5,835,800 FED) in 2018-19. If the Committee wishes to adopt the Governor's proposed reimbursement rate increases, funding in the bill could be reduced by \$78,500 (-\$39,400 GPR and -\$39,100 FED) in 2017-18 and by \$37,900 (-\$48,700 GPR and \$10,800 FED) in 2018-19 [Alternative 1].

9. Alternatively, the Committee could decide to provide for a greater increase to the personal care rate than that proposed by the Governor. Increasing the personal care rate by approximately 3.2% in each year of the biennium would result in payment rates of \$16.59 in 2017-18 and \$17.12 in 2018-19, which would make Wisconsin's personal care MA reimbursement rate equal to that of Minnesota. This would result in a total cost of approximately \$7,887,600 (\$3,257,100 GPR and \$4,630,500 FED) in 2017-18 and \$15,846,300 (\$6,503,600 GPR and \$9,342,700 FED) in 2018-19. Under this option, funding in the bill would be increased by \$2,853,300 (\$1,171,200 GPR and \$1,682,100 FED) in 2017-18 and by \$5,910,000 (\$2,393,400 GPR and \$3,517,600 FED) in 2018-19 [Alternative 2].

10. A 1% increase to the fee-for-service personal care rate in each year of the biennium would result in payment rates of \$16.24 per hour in 2017-18 and \$16.40 per hour in 2018-19. This would result in a total additional cost of approximately \$2,477,900 (\$1,023,200 GPR and \$1,454,700 FED) in 2017-18 and \$4,924,700 (\$2,021,200 GPR and \$2,903,500 FED) in 2018-19. Under this option, funding in the bill could be reduced by \$2,556,400 (-\$1,062,700 GPR and -\$1,493,700 FED) in 2017-18 and by \$5,011,600 (-\$2,090,000 GPR and -\$2,921,600 FED) in 2018-19.

11. The fee-for-service rate for personal care services increase would increase costs for some Family Care MCOs, who currently pay the fee-for-service rate for these services. To ensure that the capitation payments the state provides to Family Care MCOs meet the federal requirement that they be actuarially sound, the higher fee-for service rates would be reflected in future MCO capitation rates.

**ALTERNATIVES**

1. Adopt the Governor's recommendation to increase the MA reimbursement rate for personal care services by 2% in each year of the biennium. Reduce funding in the bill by \$78,500 (-\$39,400 GPR and -\$39,100 FED) in 2017-18 and by \$37,900 (-\$48,700 GPR and \$10,800 FED) in 2018-19 to reflect a reestimate of the costs of Governor's proposal.

| ALT 1 | Change to        |                 |
|-------|------------------|-----------------|
|       | Base             | Bill            |
| GPR   | \$6,108,900      | - \$88,100      |
| FED   | <u>8,745,200</u> | <u>- 28,300</u> |
| Total | \$14,854,100     | - \$116,400     |

2. Modify the bill by increasing the MA rate for personal care services by approximately

3.2% in each year of the biennium, rather than 2% per year, as recommended by the Governor in order to increase Wisconsin's personal care rate to be equal to that of Minnesota. Increase funding in the bill by \$2,853,300 (\$1,171,200 GPR and \$1,682,100 FED) in 2017-18 and by \$5,910,000 (\$2,392,400 GPR and \$3,517,600) in 2018-19.

| ALT 2 | Change to         |                  |
|-------|-------------------|------------------|
|       | Base              | Bill             |
| GPR   | \$9,760,700       | \$3,563,600      |
| FED   | <u>13,973,100</u> | <u>5,199,600</u> |
| Total | \$23,733,800      | \$8,763,200      |

3. Modify the bill by increasing the MA rate for personal care services by 1% per year, rather than 2% per year, as recommended by the Governor. Reduce funding in the bill by \$2,556,400 (-\$1,062,700 GPR and -\$1,493,700 FED) in 2017-18 and by \$5,011,600 (-\$2,090,000 GPR and -\$2,921,600 FED) in 2018-19.

| ALT 3 | Change to        |                    |
|-------|------------------|--------------------|
|       | Base             | Bill               |
| GPR   | \$3,044,400      | - \$3,152,700      |
| FED   | <u>4,358,200</u> | <u>- 4,415,300</u> |
| Total | \$7,402,600      | - \$7,568,000      |

4. Delete provision.

| ALT 4 | Change to |                    |
|-------|-----------|--------------------|
|       | Base      | Bill               |
| GPR   | \$0       | - \$6,197,100      |
| FED   | <u>0</u>  | <u>- 8,773,500</u> |
| Total | \$0       | - \$14,970,600     |

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