



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

May, 2019

Joint Committee on Finance

Paper #370

### Personal Care Reimbursement Rate (Health Services -- Medical Assistance)

[LFB 2019-21 Budget Summary: Page 180, #25]

---

#### 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.

Personal care services may be paid as a state plan benefit for all MA enrollees, when such services are: (a) medically necessary; (b) authorized through a needs assessment; (c) authorized by a doctor; (d) detailed in the beneficiary's plan of care; and (e) 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.

#### GOVERNOR

Increase funding for MA benefits by \$3,330,300 (\$1,352,100 GPR and \$1,978,200 FED) in 2019-20 and \$13,421,400 (\$5,449,100 GPR and \$7,972,300 FED) in 2020-21 to increase the reimbursement rates paid to personal care agencies to support staff in those agencies who perform direct care.

In session law, require DHS to increase the MA rates paid to agencies that provide personal care services by 1.5 percent annually to support staff in those agencies who perform direct care.

## DISCUSSION POINTS

1. Personal care services are budgeted within the total MA benefits budget to support MA reimbursement payments to personal care providers. Most personal care services paid by MA are paid at the fee-for-service rate.

2. The MA fee-for-service reimbursement rate for personal care services was last increased as part of the 2017-19 biennial budget act, which increased the hourly rate for personal care services by 2% in each year of the biennium. This resulted in an increase in the personal care rate from \$16.08 per hour to the current rate of \$16.73 per hour.

3. The Governor's budget would provide a 1.5% increase in the reimbursement rate on January 1, 2020, and an additional 1.5% on July 1, 2020. Under the bill, the hourly rate would increase from \$16.73 to \$16.98 on January 1, 2020, and to \$17.24 on July 1, 2020.

4. The personal care reimbursement rate is paid to personal care agencies to fund all of the agencies' costs associated with providing care, including: (a) wages and benefits for personal care workers; (b) the agencies' other direct care costs, such as nursing staff, supervisors, and travel costs; and (c) 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 less than \$11 per hour.

5. Further, WPSA found that 84% of the personal care agencies surveyed as part of its 2018 member survey downsized in the past year and that one out of two agencies are considering no longer providing MA personal care services. 83% of the members surveyed found it difficult to fill job openings and one out of three agencies were experiencing turnover rates above 50%.

6. In 2016, Survival Coalition surveyed over 500 long-term care recipients and their families and found that 85% of long-term care recipients do not have enough direct care workers to work all of their shifts. 43% of those surveyed noted that they could not find a worker seven or more times a month. Approximately 20% of the people surveyed said they were considering moving out of their apartment or other community living arrangement due to their difficulties receiving needed direct care services.

7. Based on the current worker shortage in the industry, the Committee may wish to adopt the Governor's recommendation to increase reimbursement rates. The bill would require that the additional funding provided to personal care agencies be spent to support staff in those agencies who perform direct care. One way that the additional funding could be used to support direct care staff would be for agencies to increase compensation to their workers, thereby improving their chances of attracting new employees, while also retaining existing employees.

8. By using the most recent claims and enrollment data, it is estimated that the cost of increasing the personal care reimbursement rate by 1.5% on January 1, 2020, and an additional 1.5% on July 1, 2020, would increase MA benefits costs by approximately \$3,125,100 (\$1,272,100 GPR and \$1,853,000 FED) in 2019-20 and \$12,997,500 (\$5,273,600 GPR and \$7,723,900 FED) in 2020-21. If the Committee wishes to adopt the Governor's proposed reimbursement rate increases, funding

in the bill could be reduced by \$205,200 (-\$80,000 GPR and -\$125,200 FED) in 2019-20 and by \$423,900 (-\$175,500 GPR and -\$248,400 FED) in 2020-21 [Alternative 1].

9. If personal care agencies passed all of the Governor's recommended increase on to their workers in the form of higher wages, wages in the industry would rise only slightly. The same would be true for other forms of support provided to direct care workers since the Governor's recommendation would result in a July 1, 2020, rate that is \$0.51 higher than the current hourly rate. As such, the Committee could modify the Governor's recommendation and instead increase the reimbursement rate by 3% on January 1, 2020, and an additional 3% on July 1, 2020. Under this alternative, the hourly rate would increase from the current rate of \$16.73 to \$17.23 on January 1, 2020, and to \$17.75 on July 1, 2020.

10. A 3% rate increase would result in a total cost of approximately \$6,250,100 (\$2,544,000 GPR and \$3,706,000 FED) in 2019-20 and \$26,182,500 (\$10,623,600 GPR and \$15,558,900 FED) in 2020-21. Under this option, funding in the bill would be increased by \$2,919,800 (\$1,191,900 GPR and \$1,727,900 FED) in 2019-20 and by \$12,761,100 (\$5,174,500 GPR and \$7,586,600 FED) in 2020-21 [Alternative 2].

**ALTERNATIVES**

1. Adopt the Governor's recommendation to increase the MA reimbursement rate for personal care services by 1.5% on January 1, 2020, and an additional 1.5% on July 1, 2020. Reduce funding in the bill by \$205,200 (-\$80,000 GPR and -\$125,200 FED) in 2019-20 and by \$423,900 (-\$175,500 GPR and -\$248,400 FED) in 2020-21 to reflect a reestimate of the costs of Governor's proposal.

| ALT 1 | Change to        |                  |
|-------|------------------|------------------|
|       | Base             | Bill             |
| GPR   | \$6,545,700      | - \$255,500      |
| FED   | <u>9,576,900</u> | <u>- 373,600</u> |
| Total | \$16,122,600     | - \$629,100      |

2. Modify the Governor's recommendation by increasing the reimbursement rate by 3% on January 1, 2020, and an additional 3% on July 1, 2020. Increase funding in the bill by \$2,919,800 (\$1,191,900 GPR and \$1,727,900 FED) in 2019-20 and by \$12,761,100 (\$5,174,500 GPR and \$7,586,600 FED) in 2020-21.

| ALT 2 | Change to         |                  |
|-------|-------------------|------------------|
|       | Base              | Bill             |
| GPR   | \$13,167,600      | \$6,366,400      |
| FED   | <u>19,265,000</u> | <u>9,314,500</u> |
| Total | \$32,432,600      | \$15,680,900     |

3. Take no action.

| <b>ALT 3</b> | <b>Change to</b> |                    |
|--------------|------------------|--------------------|
|              | <b>Base</b>      | <b>Bill</b>        |
| GPR          | \$0              | - \$6,801,200      |
| FED          | <u>0</u>         | <u>- 9,950,500</u> |
| Total        | \$0              | - \$16,751,700     |

Prepared by: Alexandra Bentzen