



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #338

Personal Care Reimbursement (Health Services - Medical Assistance)

[LFB 2021-23 Budget Summary: Page 258, #7]

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.

Personal care services can be paid either on a fee-for-service basis as a state plan benefit or through one of the state's long-term care programs. For Family Care participants needing personal care services, such services are part of the enrollees care plan and thus paid by the managed care organization. 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 acquire the service at the fee-for-service rate. For IRIS (the state's alternative to managed care), participants needing personal care services can do so either 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 participant chooses to self-direct his or her personal

care services, he or she can hire, train, and oversee their own personal care workers.

As of January 1, 2020, the MA rate for personal care services is \$4.79 per 15 minute increment billed, or \$19.16 an hour.

DISCUSSION POINTS

1. Often, personal care workers are employed by a personal care agency. There are currently 313 personal care agencies certified by the DHS Division of Quality Assurance, of which 280 have also completed Medicaid certification. The hourly Medicaid personal care reimbursement rate of \$19.16 is paid to personal care agencies to fund all of their costs associated with providing care for Medicaid participants, 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.

2. According to survey results from 300 direct support professionals released by the Wisconsin Personal Services Association (WPSA), Wisconsin Long Term Care Workforce Alliance, Survival Coalition of Wisconsin Disability Organizations, and InControl Wisconsin in November, 2020, the median direct care worker wage is \$12.73 per hour. That same survey showed that more than half of respondents work a second job in order to support themselves or their families, and nearly 75% of respondents said they would stay in their direct care position if there were consistent bonuses or pay increases.

3. According to the Governor's Task Force on Caregiving "the diminishing provider network in rural areas is evidenced by the fact that 24 of Wisconsin's 72 counties have five or fewer personal care provider agencies." If agencies continue to close, consumers in rural locations could be left with fewer options for receiving care that allows them to live at home. Further, a WPSA April, 2021, workforce survey of more than 120 personal care agencies found that 95% of responding personal care agencies turned away a client in the past year because no personal care worker was available.

4. In order to prevent the closure of additional personal care agencies, to increase retention and recruitment of personal care workers, and to ensure personal care services are accessible to individuals across the state, the Committee could choose to increase the reimbursement rates provided to personal care agencies. Medicaid reimbursement rates are particularly important for personal care agencies, many of whom rely on Medicaid as their primary revenue source. In a WPSA membership poll, of the 62 responding agencies, 40 agencies (64.5%) said that 90-100% of their revenue is from Medicaid, and an additional 13 agencies (21%) said that 80-90% of their total revenue is from Medicaid.

5. Assembly Bill 68/Senate Bill 111 would provide \$40,376,900 (\$15,000,000 GPR and \$25,376,900 FED) in 2021-22 and \$37,443,800 (\$15,000,000 GPR and \$22,443,800 FED) in 2022-23 to increase MA personal care reimbursement rates and require DHS to increase MA rates paid for direct care to agencies that provide personal care by a budgeted sum of \$15,000,000, as the state share of payments, and the matching federal share of payments, in 2021-22, and by a budgeted sum of

\$15,000,000, as the state share of payments, and the matching federal share of payments, in 2022-23, to support staff in those agencies who perform direct care.

6. The following table provides the funding amounts necessary to increase the reimbursement rate for personal care by 3%, 5%, and 10% in each year of the 2021-23 biennium.

**Personal Care Rate Increase Alternatives
2021-23, By Funding and Hourly Rate**

	2021-22				2022-23			
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>Hourly Rate*</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>Hourly Rate**</u>
Alt. 1 (3%/3%)	\$2,844,200	\$4,245,000	\$7,089,200	\$19.73	\$8,867,100	\$13,479,400	\$22,346,500	\$20.32
Alt. 2 (5%/5%)	4,740,300	7,075,000	11,815,300	20.12	14,875,100	22,612,600	37,487,700	21.13
Alt. 3 (10%/10%)	9,480,500	14,149,900	23,630,400	21.08	30,233,400	45,959,600	76,193,000	23.19

* As of January 1, 2022

** As of January 1, 2023

7. The amounts in the table above are based on the assumption that the increase be applied to personal care provided on a fee-for-service and managed care basis, as well as for personal care services provided to IRIS participants, including self-directed IRIS personal care services.

8. Further, the estimated amounts assume that the rate increase would take effect January 1, 2022, and January 1, 2023. This is because managed care rates and contracts are set each calendar year, which means a January 1 implementation date allows for the rate increases to be incorporated into the Department's annual Family Care contracts without requiring retroactive adjustments. Additionally, the Department has previously indicated that retroactive adjustments for self-directed personal care provided to IRIS participants is very difficult.

9. The American Rescue Plan Act (ARPA), increased the federal matching rate for Medicaid home and community based services (HCBS) spending by 10 percentage points from April 1, 2021 through March 31, 2022, provided that states maintain state spending levels as of April 1, 2021. If CMS determines that personal care services as provided in Wisconsin are an allowable activity on which the state can claim the enhanced FMAP, additional federal matching funds, beyond those shown in the previous table, could be available to the state.

10. ARPA specifies that states must use the enhanced funds to “implement, or supplement the implementation of, one or more activities to enhance, expand, or strengthen” Medicaid HCBS. States have until March 31, 2024 to spend the enhanced funds. CMS guidance regarding the ARPA provision, released on May 13, 2021, confirms that the enhanced funds must be used for activities “beyond what is available under the [state’s] Medicaid program as of April 1, 2021.” States are not allowed to use the additional federal funds to supplant existing state funds.

11. As in AB 68/SB 111, the Committee may wish to include a session law provision to require that the rate increase selected under Alternative 1, 2, or 3 is directed to support staff in the personal care agencies who perform direct care [Alternative 4].

12. Finally, in light of competing budget priorities, the Committee may choose to take no action on this item [Alternative 5].

ALTERNATIVES

1. Provide \$7,089,200 (\$2,844,200 GPR and \$4,245,000 FED) in 2021-22 and \$22,346,500 (\$8,867,100 GPR and \$13,479,400 FED) in 2022-23 to increase hourly rates paid for personal care services to \$19.73 on January 1, 2022, and to \$20.32 on January 1, 2023.

ALT 1	Change to Base
GPR	\$11,711,300
FED	<u>17,724,400</u>
Total	\$29,435,700

2. Provide \$11,815,300 (\$4,740,300 GPR and \$7,075,000 FED) in 2021-22 and \$37,487,700 (\$14,875,100 GPR and \$22,612,600 FED) in 2022-23 to increase hourly rates paid for personal care services to \$20.12 on January 1, 2022, and to \$21.13 on January 1, 2023.

ALT 2	Change to Base
GPR	\$19,615,400
FED	<u>29,687,600</u>
Total	\$49,303,000

3. Provide \$23,603,400 (\$9,480,500 GPR and \$14,149,900 FED) in 2021-22 and \$76,193,000 (\$30,233,400 GPR and \$45,959,600 FED) in 2022-23 to increase hourly rates paid for personal care services to \$21.08 on January 1, 2022, and to \$23.19 on January 1, 2023.

ALT 3	Change to Base
GPR	\$39,713,900
FED	<u>60,109,500</u>
Total	\$99,823,400

4. Direct the Department to increase the Medical Assistance rates paid for direct care to agencies that provide personal care services by the percentage selected in Alternative 1, 2, or 3 to support staff in those agencies who perform direct care.

5. Take no action.

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