Partnership for Fair Caregiver Wages

December 2, 2014

Request for Appropriations in FY 2015-16 Department of Community Health Budget to Increase Wage Rate of Direct Support Staff

About the Partnership:

The Partnership for Fair Caregiver Wages is a coalition of employers, consumer advocacy organizations, regional community mental health boards, educational organizations, and worker or staff associations, which seeks sufficient public dollars to raise the wages of direct support staff in the Medicaid programs supporting people with intellectual and developmental disabilities, mental illnesses, and substance use disorders.

The Problem in a Nutshell:

An estimated 44,000 jobs are funded through Medicaid appropriations to support and serve people with intellectual and developmental disabilities, mental illnesses, and substance use disorders. Staffing shortages tied to low wage rates have created soon-to-be-crisis-level consequences.

Already, many jobs go unfilled for weeks. Because supports and services are needed today and everyday by people living with disabilities, many frontline workers are working overtime. Working overtime can increase rates of worker injuries or simple exhaustion and turnover. Managers and supervisors have to "pull frontline shifts" to assure that needed services are delivered. Consequently, supervisory tasks slide. Providers are unable to add additional services due to staffing shortage. For example, the openings of much needed new group homes are being delayed for lack of direct support staff.

Estimates of the average annual turnover within these employers range from 32 to 50 percent. High turnover does two things: it destroys continuity of services and supports; and it requires the training of new direct support workers at a cost estimated to average $2,600 to $5,000 per new hire.

As the state mandated minimum wage increases, most of the direct support workforce in Medicaid programs supporting people with intellectual and developmental disabilities, mental illnesses, and substance use disorders will become minimum wage jobs. Employers already struggle to attract and retain enough staff, citing low wages as their single greatest challenge. Without a publicly funded wage rate above the minimum wage, direct support workers will choose other employment earning the same wage with much less responsibility.

These employers depend on Medicaid funding through the Michigan Department of Community Health, and unlike other businesses – have little or no ability to increase revenues to meet increased staffing costs.

The additional funding is critical to improving outcomes for people with disabilities including their ability to benefit from employment, a higher level of independence and successful community inclusion. These outcomes are not achievable without a stable and competent workforce.

Without additional funding a frontline staffing crisis is inevitable, the quality of supports and services will be degraded, people living with disabilities will suffer, and communities will lose the contributions these individuals would otherwise make if supported and living to their full potential.

The Solution:

The Partnership requests additional Medicaid funding to the Prepaid Inpatient Health Plans (PIHPs) for a directed provider rate increase of $1.00 per hour for each hour of community supports and training, personal care services, and skills building in the Fiscal Year (FY) 15-16 Department of Community Health (DCH) Budget and imbedded in the reimbursement rate structure, with an additional $1.00 per hour increase in the FY 16-17 and FY 17-18 DCH Budgets (for a cumulative increase of $3.00 per hour of service). A same cost-of-living adjustment enacted in PA 138 of 2014 setting new minimum wage rates in Michigan should be provided in subsequent fiscal years.

The provider rate increase must be expended exclusively on the costs attributable to direct support staff wages and/or benefits (FICA, unemployment, workers' comp., paid leave, health insurance) with a minimum of $0.85 cents of the $1.00 increase directed to the employee's hourly wage rate. (See Attachment A: "Illustration of Employer Expenses related to the $ 8.15 per hour Minimum Wage Rate")

To fund this action, we estimate a Medicaid appropriation for the first year is $91.52 million, of which approximately $32.00 million consists of General Fund dollars.[1] This figure is based upon an estimated 44,000 direct support staff providing community based mental health services throughout Michigan.

[1] The current FY 2015 FMAP rate for Michigan is 65.54% from federal funds for regular Medicaid and 75.88% for enhanced federal medical assistance. The FY2016 FMAP rate will be out in mid-January.

This estimated appropriation is also based upon extrapolating a 1% wage increase which was effective February 1, 2009. This wage increase equated to approximately $0.10 per hour wage increase and an annualized appropriation of $9 million. Therefore, a $1.00 per hour wage increase would require an appropriation of approximately $90 million. This estimate has been increased slightly based upon the current estimate of 44,000 direct support staff.

We believe these provider reimbursement rates will result in wage rates that are $2.00 per hour higher than the state's minimum wage for new workers while also supporting higher wage rates for workers with more experience and established relationships with participants.

We believe and experience shows that wage increases reduce staff turnover, attract a larger pool of job applicants, and improve the continuity of supports and services.

Workers and Services that Should Be Covered by the Wage Rate Increase

The provider reimbursement rate increases related to compensation should be applied by PIHPs and Community Mental Health (CMH) boards to frontline caregivers providing community living supports and training, personal care services, and skills building. In order to fund the October 1, 2016, required wage rate, MDCH shall issue all necessary instructions, contract amendments, and guidance to PIHPs for implementation no later than 60 days after the appropriations bill is signed by the Governor. Upon request from CMH boards, PIHPs are required to advance Medicaid payments for direct support work wage increases and benefit payments beginning October 1, 2015.

BACKGROUND

Change in Michigan Wage Law (PA 138 of 2014)

Prior to September 1, 2014	$7.40 per hour
September 1, 2014	$8.15 per hour
January 1, 2016	$8.50 per hour
January 1, 2017	$8.90 per hour
January 1, 2018	$9.25 per hour
April 1, 2019	$9.25 plus increased by the consumer price index average over the last five years or 3.5% which is lower.

Current Average Wage of Direct Support Workers in Michigan[2]

In a survey conducted in 2012, almost half (41%) of employers in CMH-funded programs have a starting hourly wage of less than $8.15 per hour. The average starting hourly wage for direct support workers in CMH waiver programs is $8.65 per hour.

Thirty-three (33) out of 98 employers (37%) responding to the survey have an average current wage of less than $8.15 per hour. Across all 98 responding employers the average current wage is $9.75 per hour.

This 2012 survey data reports an average current wage rate lower than the average hourly wages reported by the U. S. Bureau of Labor Statistics (May 2013) for Michigan home health aides ($10.34), personal care aides ($10.07), and nursing assistants ($12.72).

This means CMH/PIHP funded employers appear to be at a competitive disadvantage in recruiting and retaining direct support staff compared to nursing homes, hospitals, and other Michigan long-term services, supports and health care employers.

Finally, it is worth noting that only 32 percent of CMH/PIHP funded employers offer paid vacation time to part-time direct support workers, and only 20 percent offer paid sick time.

High Turnover Already a Problem that Will Grow

CMH Provider Survey respondents report an average annual turnover rate of 32 percent. A sizeable percentage of provider organizations (45%) report some level of difficulty retaining direct support staff.

The majority of surveyed Michigan employers (67%) cite low wages as the single greatest challenge to retaining direct support staff.

A 2004 review of the research literature concludes that a long-term supports and services employer spends an average of $2,500 directly to recruit, screen, train, and hire a new worker. Given these figures, a CMH employer would spend annually approximately $100,000—$12.3 million across all respondents—to replace those who leave.

---

[2] From results of surveys conducted by PHI Michigan for the Michigan Office of Services to the Aging in the summer of 2012 and in spring of 2011 for MI Choice agencies. The full report on each survey can be found at www.PHInational.org/michigan/workforcesurveys

Current Average Wage of Direct Support Workers or Home Care Workers in Surrounding States (OH, IN, IL, MN, WI)

At this point, we have found comparable wage data from Minnesota for Michigan's average hourly wage for direct support staff ($9.75 an hour) reported above. We will continue to search for comparable direct support wage data from other Midwest states.

In the attached article[3], the University of Minnesota researchers find that from 2009 to 2011 the wages of direct support staff averaged $11.26 across that state, for all settings and employers. The MN wage rate appears to be $1.50 more per hour than that of Michigan.

The MN research also reports an average turnover rate among the surveyed providers at substantially lower rates than those reported in MI. The MN turnover rate is reported at 26% as compared to Michigan's estimates of 32% to 50% turnover.

The country's major source of employment and wage data is created by the Bureau of Labor Statistics (BLS) and housed within the U.S. Department of Labor (www.bls.gov). This federal data is used widely to compare occupational wage data between states and across regions.

While tracking huge amounts of data points, the resulting BLS information also has limitations. It is not collected by jobs related to Medicaid funded programs or specific population groups (i.e., people living with intellectual and developmental disabilities, mental illness, or substance use disorders). So, the BLS data mixes wage rates for those workers serving the elderly, people with physical disabilities, and those serving people with developmental disabilities, mental illness and substance use disorders. And, wage data for direct support worker occupations can be reported in two separate BLS occupational codes—home health aide and personal care aide—from two different industry clusters. The most recent BLS data for the direct support workforce is presented in the following table. It shows that MI's wage rates are among the lowest in the Midwest.

BLS Average Hourly Wage Rates for Direct Support Occupations, May 2013						
	MI	IN	OH	IL	WI	MN
Home health aide	$10.34	$10.62	$10.10	$11.21	$11.09	$11.37
Personal and home care aide	$10.07	$9.46	$9.81	$10.54	$10.32	$11.09

Source: www.bls.gov

[3] "Direct Support Workforce Supporting Individuals with IDD: Current Wages, Benefits, and Stability,"in Intellectual and Developmental Disabilities, 2014; Vol. 52, No. 5 by *Bogenschutz, Hewitt, Nord, and Hepperlen*. The article also gives a broad overview of previous research and findings related to this workforce. Attachment B.

Examples of Local and State Actions to Increase Direct Support Wage Rates

Wyoming—In response to having the lowest wage rate in the country for direct support staff, the state in 2001 increased reimbursement rates $3 per hour over two years from $7.38 to $10.32 per hour on average. Turnover dropped nearly one-third in the first 90 days after implementation of the salary improvements. Between 2001 and 2004 caregiver turnover dropped 40%!

Kalamazoo county—In FY 2011, the CMH Board set a minimum hourly wage rate of $10.00 per hour for direct support staff upon completion of required training. The Board believes that recruitment and retention improvements were seen in the first 90 days; there is no data to support that goal. Provider contract provisions were changed to reflect this requirement and all providers were audited for compliance.

Genesee county—In FY 2013, the CMH Board set a minimum hourly wage rate for direct support staff funded by the agency. That amount is $8.40 per hour. The funding agency has also distributed funds to employers to pay an average of $500 as a retention bonus to direct support staff in FY 2013 and 2014.

Other**:** see Attachment C: "Workforce Strategies, No. 1, State Wage Pass-Through Legislation: An Analysis," Published by PHI, April 2003.

In closing:

The implementation of the State of Michigan's minimum wage increase enacted by PA 138 of 2014 has cast light on how poorly the direct support workforce is being compensated within the community mental health system. PA 138 also provides an opportunity to stabilize the direct support workforce by addressing one of the major barriers to recruiting and retaining a competent, valued direct support workforce: competitive wages. By increasing the wage rate for direct support workers, Michigan will demonstrate that caregiving is "not a minimum wage job" but is instead an important part of supporting and strengthening Michigan families and communities.

ATTACHMENT A

Illustration of Employer Expenses related to the $ 8.15 per hour Minimum Wage Rate

Single Employee Expense

$8.15	Hourly minimum wage rate as of September 1, 2014
$0.62	.765 employer's portion of FICA
$0.25	.03 workers' compensation insurance rate
$0.07	Unemployment tax rate
$1.11	Employer portion of offered medical insurance
$0.34	Hourly mandatory training expense
$10.54	**Total Hourly Expense @ $8.15 per hour***

Employee w/Family Expense

$8.15	Hourly minimum wage rate as of September 1, 2014
$0.62	.765 employer's portion of FICA
$0.25	.03 workers' compensation insurance rate
$0.07	Unemployment tax rate
$2.75	Employer portion of offered medical insurance
$0.34	Hourly mandatory training expense
$12.18	**Total Hourly Expense @ $8.15 per hour***

Note: 1*) $8.15 must be paid at 1.5 times for hours over (40) which is $12.22 per hour for hour 41 and above a week.*

2) *Family coverage must be offered, but not funded by the employer.*

*Other costs such as paid leave and overtime could also be included in this calculation where applicable.