March 7, 2024

Findings from Interviews about Medicaid Payment Policies to Support the Home- and Community-Based Services (HCBS) Workforce

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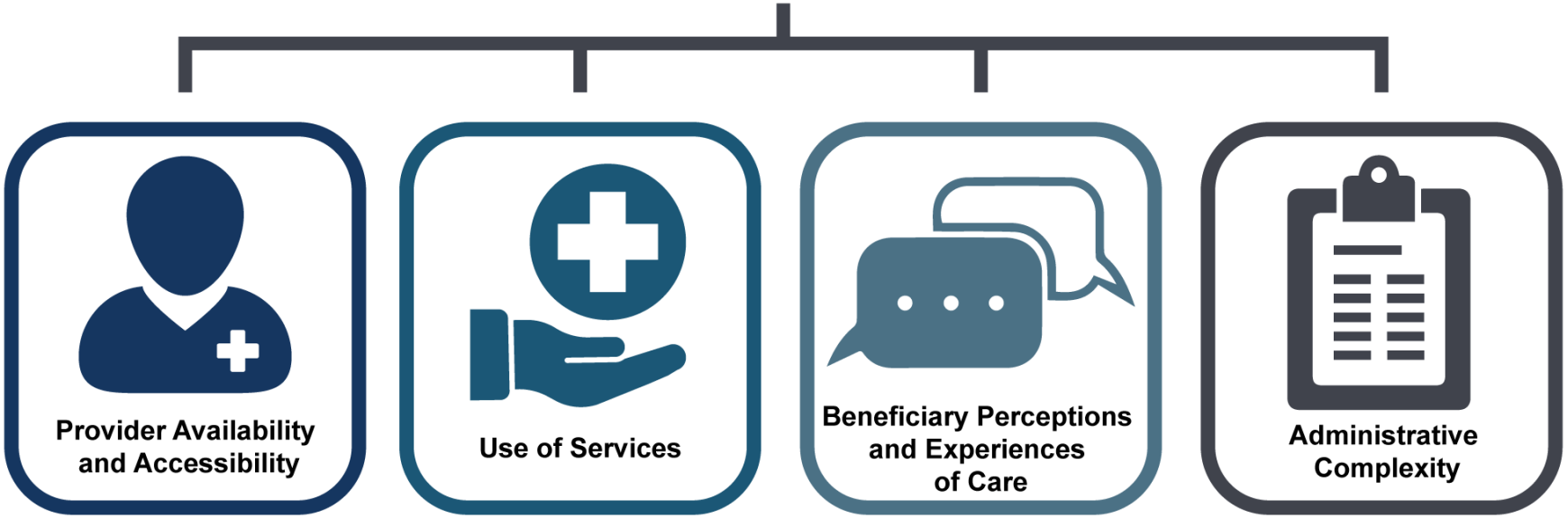
Overview

- Background
  - HCBS workforce
  - MACPAC provider payment framework
- Findings from stakeholder interviews
  - Promising rate setting policy levers
  - Challenges funding for HCBS rates
  - Challenges directing payment rate increases towards HCBS worker wages
  - Non-financial approaches
- Next steps

HCBS Access Framework



HCBS Workforce

- HCBS workers include
  - Direct care workers who assist with activities of daily living
  - Direct support professionals who assist individuals with intellectual disabilities or developmental disabilities (ID/DD)
  - Independent providers employed through self direction
- In 2022, there were approximately 3.5 million HCBS workers
  - 2.8 million home care workers (including 1.2 million employed through self direction)
  - 0.7 million residential care aides who support individuals in group homes, assisted living, and other residential care settings
- Demand for HCBS is outpacing the growth in the HCBS workforce
  - The COVID-19 pandemic has exacerbated HCBS workforce challenges
  - Nearly all states report shortages in one or more HCBS settings

Provider Payment Framework

Payment amounts

Payment methods

Outcomes related to payment

Study Approach

- MACPAC contracted with Milliman to develop a compendium of Section 1915(c) waiver payment policies
  - Found that many states have not regularly updated HCBS payment rates
  - Limited use of value-based payment methods
- Milliman also conducted interviews with national expert interviews and stakeholders in five states (KY, MN, NY, NC, and OR)
  - These states use a range of authorities and delivery systems to cover HCBS
  - All states recently conducted HCBS rate studies
- Stakeholders included state officials, provider associations, unions consumer representatives, and managed care plans (as applicable)

Key Themes

Conducting Data-Driven HCBS Rate Studies

- Medicaid rate setting was the primary strategy that states were using to address HCBS workforce challenges
- Stakeholders valued data-driven rate studies that accounted for current needs
  - Budget based rate studies allocating a fixed pot of funding were not as useful
- Rate studies require substantial time and resources to complete
  - State needs to collect detailed cost, wage, and service delivery information
  - Providers need training and technical assistance to complete cost surveys
  - Soliciting feedback from stakeholders takes time and resources
- Many states we interviewed financed their rate studies with enhanced funded provided by the American Rescue Plan Act (ARPA)

Aligning Payment Rate Assumptions

- In some cases, a state may perform more than one rate study across its HCBS system for different sub-populations and authorities
- Variability in payment rate assumptions can incentivize workers to switch to higher paying services, creating access challenges
- Some variation may be justified by differences in beneficiary needs and scope of services
- Some variation may not be related to beneficiary needs:
  - Coverage through multiple HCBS authorities
  - Variation in data available to assess rates
  - Multiple provider and beneficiary advocates
  - Variation in state minimum wages

Implications of Self Direction and Managed Care

- Self direction, especially the option to employ family members as paid caregivers, may help address HCBS workforce challenges
  - State officials did not know how wages under self direction compared to agency based care since most states use a budget based model to deliver benefits
  - States often use fiscal intermediaries to pay providers employed through self direction and so these entities may have some information on payment amounts
- Managed care organizations (MCOs) we interviewed often used fee for service (FFS) rates as a starting point for setting rates
  - Some states develop benchmark rates to support MCO and provider negotiation
  - North Carolina requires MCOs to pay at least the FFS rate

Updating Rates

- Stakeholders highlighted the challenges of keeping HCBS rates current in a changing environment of inflation
- Indexing rates to specific trending factors (e.g., consumer price index) is one common method of updating rates over time
  - Minnesota added a competitive workforce factor to its methodology to account for increasing wages in other industries that employ workers with similar skills
- Rebasing is another approach that can be used to update rates based on more recent data sources
  - Minnesota regularly updates many components of its disability waiver rates
  - New York recently began cost-based rebasing but the focus on individual provider costs may disincentivize innovations that could lower provider costs relative to the regional average

Challenges Funding HCBS Rates

- States' ability to pay rates developed through rate studies is limited by state budget constraints
- ARPA funding has helped support rate increases in many states but it is unclear whether rate increases will continue without this funding
- Because of growing inflationary pressures, some stakeholders expressed concern that simply sustaining ARPA rate increases may not be sufficient to address current HCBS workforce challenges

Challenges Increasing HCBS Worker Wages

- Increases in HCBS payment rates do not necessarily translate into equivalent wage increases for HCBS workers
- Many states in our study used wage pass-through policies to require providers to direct a portion of provider rate increases to workers
  - Minimum wage requirements are another strategy to boost wages
- Enforcing wage pass-through requirements is challenging
  - Provider attestation alone may not be sufficient to ensure compliance
  - Many HCBS agencies do not submit regular cost reports
  - Collecting additional cost data from HCBS agencies is burdensome
- Stakeholders noted several potential unintended consequences
  - If overall rate is not sufficient, HCBS agencies may face challenges funding non-wage components of care
  - Wage compression between HCBS workers and their supervisors

Non-Financial Strategies

- Some states are using non-financial strategies to attract and retain workers such as:
  - Training and credentialing programs
  - Public campaigns
  - Expanding employment of family caregivers
- There are limited data about the effectiveness of the strategies implemented to date
- Some states have development payment policies that complement these non-financial strategies
  - New York provides a one time bonus for HCBS workers who seek certification

Next Steps

- Staff would appreciate Commissioner feedback on how these findings should inform MACPAC's future work in this area
- Which potential areas for additional policy analysis should we prioritize?
  - Strengthening HCBS rate studies, rate alignment, and process for updating rates
  - Further exploring the use of self-direction in HCBS
  - Further evaluation of non-financial approaches (if and when data are available)
- What areas should we continue to monitor?
  - ARPA spending
  - Wage pass through policies
  - Overall HCBS spending data

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