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

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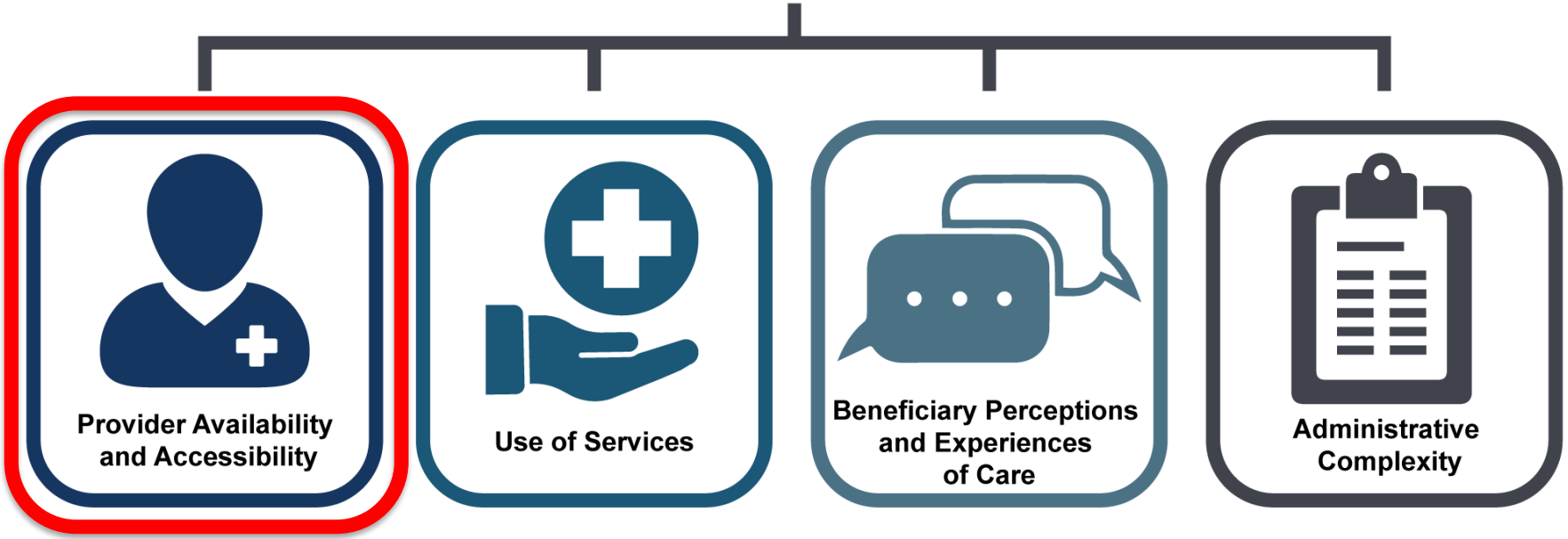
Medicaid and CHIP Payment and Access Commission

www.macpac.gov

Overview

- Background
  - HCBS workforce
  - MACPAC provider payment framework
- Policy issues identified in initial interviews
  - Fee-for-service (FFS) rate assumptions
  - State budget constraints
  - Self-directed services and managed care
  - Regulating the share of HCBS payments spent on HCBS worker wages
  - Non-financial policies to support the workforce
- 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

Initial Findings

- As a first step to review HCBS payments policies, MACPAC has contracted with Milliman to:
  - Review state HCBS payment policies described in Section 1915(c) waivers
  - Interview national experts, provider associations, and representatives from the Centers for Medicare & Medicaid Services (CMS)
- In the next phase of the project, we will be interviewing state officials, provider associations, consumer advocates, and managed care organizations in five states

Components of HCBS Payment Rates

- Our review of HCBS payment methods examined multiple components of HCBS rates for three service categories:
  - Home-based services
  - Day services
  - Round-the-clock care

HCBS worker wages and benefits + Service-specific variances in HCBS worker time + Service-specific costs (e.g., transportation fleet vehicles) + Administration, program support, and overhead = HCBS rate

FFS Rate Assumptions

- Most states use data from the Bureau of Labor Statistics (BLS) to develop HCBS wage assumptions
  - Challenges identifying appropriate benchmarks for HCBS work in BLS
  - Current wages do not reflect the level needed to ensure access
  - Wage assumptions are not always aligned across HCBS authorities within a state
- Many states conduct formal rate studies to review wage and non-wage components of HCBS payment rates
  - Stakeholders noted the value of rate studies in providing a benchmark for understanding the costs of services and funding needs
  - Publicly available information on rate studies are limited

State Budget Constraints

- States' ability to pay providers the rates recommended in rate studies is limited by state budget constraints
- The temporary increase in the federal medical assistance percentage (FMAP) under the American Rescue Plan Act (ARPA) has been used to increase payment rates
  - States have until March 31, 2025 to spend ARPA funding
  - At least 22 states plan to sustain rate increases when ARPA expires
  - To do so, states need to provide additional state funding to pay for rate increases at their regular FMAP

Self-Directed Services and Managed Care

- States have an option to allow beneficiaries to self direct HCBS and pay rates that differ from FFS
  - In 38 states and DC, beneficiaries have some authority to determine rates for their providers, typically within a fixed budget
  - Some states set self-directed payment rates lower than FFS agency rates because of the lack of agency overhead costs
- Managed care plans also have flexibility to negotiate payment rates within their overall capitation rate
  - States can direct managed care plans to pay specific rates

Payments Spent on Worker Wages

- Many states have been implementing wage pass through requirements that direct rate increases to worker wages
  - Difficult to monitor and enforce these requirements
  - Can result in wage compression between workers and supervisors
- In May, CMS proposed to require 80 percent of Medicaid payments for homemaker, home health aide, and personal care services be spent on direct care worker compensation
- Stakeholders we interviewed noted potential unintended consequences of this policy
  - Limited data available to assess this threshold and its potential effects
  - The policy does not consider overall rate adequacy
  - Concern about applying this standard to other HCBS services

Non-Financial Workforce Policies

- Recruitment strategies
  - Public awareness campaigns
  - Expanding the use of family caregivers
  - Additional benefits for self-directed workers
- Retention strategies
  - Expanding training and certification opportunities
  - Developing career ladders
- Many of these strategies are being implemented alongside payment changes

Next Steps

- We plan to publish Milliman's compendium of Section 1915(c) waiver payment policies on MACPAC's website
- Commissioner feedback on the issues raised from our initial review to help inform our upcoming state and stakeholder interviews
  - What issues should we examine further?
  - Are there other issues we should consider?
  - What information would be needed to inform future discussions of policy options to address these issues?

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