

April 11, 2025

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

*Revised Policy Option*

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Medicaid and CHIP Payment and Access Commission

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# Overview

- Project overview
- HCBS rate setting
- Payment approaches to addressing workforce challenges
- Policy option
- Next steps



# Project Overview

- Study objectives
  - Understand HCBS rate setting approaches and their relationship to the HCBS workforce
  - Identify payment principles for establishing HCBS rates that support efficient use of resources and promote an adequate workforce
- Approach
  - Compendium of Section 1915(c) waiver policies
  - Stakeholder interviews with state officials, provider associations, unions, consumer representatives, and managed care plans
  - Technical expert panel (TEP) with state and Centers for Medicare & Medicaid Services (CMS) officials, plan associations, actuaries, and consumer representatives

# HCBS Rate Setting

# MACPAC Provider Payment Framework



Payment  
amounts

**X**



Payment  
methods

**=**



Outcomes related  
to payment

# Medicaid Payment Policy

- States can establish different payment methodologies for each covered Medicaid service, which they must set forth in the Medicaid state plan or another waiver authority
- States must comply with certain federal public notice and transparency requirements for any changes to statewide reimbursement methods or rates
- CMS has the authority to disapprove or take compliance action in response to reductions in rates or rate restructurings that may cause access to care concerns

# HCBS Payment Rate Types

- **Fee schedules.** Rates are set prospectively, per unit, for a specific period of time, and rates are fixed
- **Negotiated market prices.** Rates are based on those available in a free market, and subject to negotiation between payer and provider
- **Tiered rates.** Rates are fixed but vary by characteristic of the individual, provider, or both
- **Bundled rates.** Rates are set prospectively for a specific period of time for a specified group of multiple services to be delivered in tandem
- **Cost reconciliation.** Interim rates are paid and updated according to provider cost reports

# HCBS Payment Rate Assumptions



Worker salary and wages are generally the largest component of HCBS payment rates



# HCBS Payment Rate Setting Data Inputs

- A majority of states use Bureau of Labor Statistics (BLS) wage data
- States also use published cost indices, national survey data, or state-collected data, including functional or clinical assessment data, employment trend data, or provider surveys to build payment rates
- States may benchmark rates to state policies such as state minimum wage laws and mandatory staffing ratios to ensure payment rates are adequate to support compliance from providers

Wage data source	Home-based services		Day services		Round-the-clock services	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
Total states in analysis	31	100%	37	100%	33	100%
BLS	23	74%	28	76%	25	76%
State wage data	9	29%	8	22%	9	27%
Provider survey data	3	10%	3	8%	3	9%

# Bureau of Labor Statistics Data

- BLS wage data are designed to describe the U.S. labor market across all sectors
  - Generated through the Occupational Employment and Wage Statistics (OEWS) program
  - Estimates wages for some 830 occupations across about 580 geographic areas
  - Based on a survey sample of 1.1 million employers nationwide
- BLS wage data are not specific to or disaggregated by health care payer and do not include all Medicaid HCBS worker types
- HCBS-relevant standard occupational classifications (SOCs) include
  - Home health aides and personal care aides
  - Licensed practical or vocational nurses
  - Nursing assistants
  - Occupational therapy aides or assistants

# Access Rule Data

- Once implemented, the CMS 2024 Ensuring Access to Medicaid Services final rule (access rule) will provide CMS with additional data related to HCBS rate setting
  - Beginning in 2026, states must publish, on a biannual basis, average hourly fee-for-service HCBS rates for homemaker, home health aide, personal care, and habilitation services
  - Beginning in 2028, states must report annually on the percentage of payments directed toward compensation for HCBS direct care workers (DCWs) for homemaker, home health aide, personal care, and habilitation services. States are not required to publish these data publicly
- The access rule does not require states to report or publish average wage rates



# **Payment Approaches to Addressing Workforce Challenges**

# Payment Principles

- HCBS payment rates should promote an adequate workforce and efficient use of resources
- States should take a holistic approach to setting HCBS payment rates to ensure that variations across populations, programs, and geographies reflect policy priorities and beneficiary needs
- HCBS payment rates should be reviewed for adequacy at a regular interval using the tools available, such as rate studies, indexing, and rebasing

# Robust Wage Data Are the Foundation for HCBS Payment Rates that Promote an Adequate Workforce

- States need timely and accurate base data to build and maintain rates
- Wage data are a critical input to developing rates that promote an adequate workforce
- There is no single data source that encompasses all Medicaid HCBS worker wages across states and HCBS programs

# States Indicate Importance of Wage Data

- Findings from the TEP reflect the lack of current and robust wage data
- Multiple state participants noted that more granular data across different services and job classes would help state incorporate wage assumptions that are more reflective of their programs into their rates
- Notwithstanding state budget constraints, wage data can demonstrate the need for rate adjustments to state legislatures and CMS

# Limited Wage Data Create Barriers in Building and Maintaining Adequate Rates

- Most states use wage data from the BLS to develop Medicaid wage assumptions
- There is no BLS code for Medicaid HCBS worker
- BLS wage data do not include all Medicaid HCBS worker types and include some non-Medicaid workers
- States rely on approximate measures of wages, using blended data across BLS codes or supplemental state data collection activities



# New Data Are Not Sufficient

- The access rule includes provisions to increase data reporting on HCBS payment rates and compensation percentages
- However, the access rule does not fill the existing wage data gaps
  - Does not require states to report average wage rates, which is the information states need to build payment rates
  - Does not require wage data to be reported publicly, which would allow states to conduct a market comparison with other states, including neighboring states that may compete for DCWs
  - Averages data across a broad range of job classes, which does not provide the granularity states need to account for wage variations



**Policy Option**

# Policy Option

**The Secretary of the U.S. Department of Health and Human Services (HHS) should require states to report, and make public on a biannual basis, average hourly wages paid to HCBS workers providing the following services: personal care, home health aide, homemaker, and habilitation.**

- For each service, data should be disaggregated by licensed nurses and all other direct care workers
- As relevant, these data should leverage related data collection activities, such as those included in the Ensuring Access to Medicaid Services final rule
- This report should be made publicly available in a format that enables analysis

# Rationale

- Wage data are an important input to HCBS rate development
  - Stakeholders emphasize that payment rates that include appropriate wage components are a key tool for promoting an adequate workforce
  - States indicate a need for better wage data on which to base rates
- States do not have access to the level of timely and robust wage data they need
  - BLS wage data include workers not employed through the Medicaid program but do not report some Medicaid-specific service types and worker classifications
  - CMS does not require reporting of HCBS wage rates and the wage data reported will not be made public. Additionally, CMS's broad definition of DCWs may confound reporting of HCBS worker wages

## Rationale, cont.

- Under this policy option, states would gain access to more granular, robust wage data, including comparison data from neighboring states
- States would retain flexibility to determine how to set rates and specific payment amounts
- The policy option should not require significant additional state effort, as it builds upon data that states are already required to collect through the access rule



# Next Steps

## Next Steps

- Staff would appreciate Commissioner input on the policy option
  - Are there outstanding questions about the policy option that staff can answer?
  - Are there other factors for staff to consider before developing recommendation language and the rationale?
  - Are Commissioners interested in moving forward with this policy option?
- Staff will return with a draft chapter for the March 2026 Report to Congress

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