September 18, 2025

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

Draft Recommendation

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Medicaid and CHIP Payment and Access Commission

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Overview

- Project overview
- HCBS rate setting & data inputs
- Draft recommendation
- Next steps

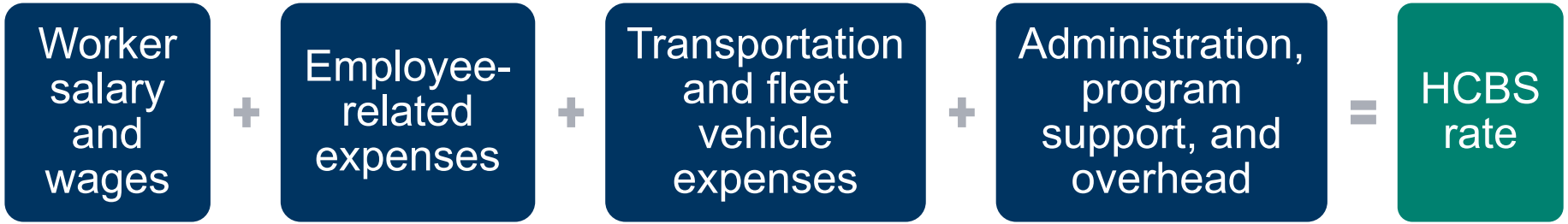
Project Overview

- 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 federal officials, plan associations, actuaries, and consumer representatives
- Draft policy option presented in spring 2025

HCBS Rate Setting & Data Inputs

MACPAC Provider Payment Framework

HCBS Payment Rate Assumptions



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

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

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 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 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

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 states 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

Draft Recommendation

Draft Recommendation

The Secretary of the Department of Health and Human Services (HHS) should direct the Centers for Medicare & Medicaid Services (CMS) to require states to report, on a biannual basis, hourly wages paid to home- and community-based services (HCBS) workers who provide the following services: personal care, home health aide, homemaker, and habilitation.

States should report descriptive statistics on hourly wages for each service, including mean, median, and range. For each service, these data should be disaggregated by worker characteristics determined by HHS, including but not limited to: by licensed nurses and all other direct care workers, and by rural versus urban settings.

CMS should build upon existing, related data collection activities and publish data in a public repository on the CMS website.

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 recommendation, 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 recommendation should not require significant additional state effort, as it builds upon data that states are already required to collect through the access rule, and may even allow states to reduce other data collection efforts

Implications

- Federal spending
  - The Congressional Budget Office estimates no impact to federal spending
- States
  - Will receive tools and data that better support payment rate development
  - Would require states to conduct additional data collection activities; expect this level of effort be marginal
- Enrollees
  - No direct impact
  - Over time, improved payment rates could attract more HCBS workers and improve access to HCBS
- Plans
  - No direct impact
  - Changes that states make to FFS HCBS payment rates could affect the rates that managed care plans pay to HCBS providers
- Providers
  - Minimal direct impact
  - Possible that providers may report more data under this recommendation than under the access rule alone; expect this level of effort be marginal

Next Steps

Next Steps

- This draft recommendation will be subject to a vote at the October 2025 meeting
- Staff will present a draft chapter for the March 2026 Report to Congress at the October meeting
- For discussion:
  - Are there suggested refinements to the recommendation language?
  - Are there additional considerations to cover in the rationale for the recommendation?
  - Are there other implications of the recommendation not already contemplated here?

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SEPTEMBER MEETING

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