

January 29, 2026

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
- Summary of findings and payment principles
- Revised draft recommendation
- Next steps



Project Background

- 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
- Draft policy option presented in spring 2025 and most recently in September 2025



Summary of Findings and Payment Principles

HCBS Rate Setting

- States have significant flexibility to set payment rates in a way that promotes the statutory goals of economy, access, quality and efficiency
- State payment rate models vary given the diverse types of HCBS and delivery system arrangements in each state
- Wages comprise the largest share of HCBS payment rates, and states use a variety of data sources for wages and other rate components
 - States often lack the appropriate, timely, or granular wage data needed to build payment rates

HCBS Rate Setting, cont.

- States use a variety of methods to maintain and update established rates, but federal policy specific to ongoing updates is limited
- Stakeholders acknowledge periodic rate updates may be laborious, costly or otherwise difficult to conduct and implement
- Evidence confirms that variations in payment rates and worker wages affect workforce participation; for example, workers may shift from one program to another to seek higher wages

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 Effective Payment Rates

- Wage data are a critical input to rate development because of the significant contribution of worker wages to overall payment rates
- Accurate, current, and robust wage data provide states with a critical starting point for HCBS rates that promote adequate workforce participation
- States often lack the wage data needed to build payment rates
 - Most states use annually reported, nationally available wage data from the limited, HCBS-relevant occupations available in Bureau of Labor Statistics (BLS) wage data to develop Medicaid wage assumptions
 - Some states use or collect other sources of wage data, like provider surveys or cost reports, that may not be available for every year, for every occupation, or for recent years

Existing Data Have Significant Limitations

- BLS data are not specific to Medicaid job classes, which may result in conflated job classes, settings, and scope of practice for workers providing services
- State-administered provider surveys and cost reports provide timely and specific data, but pose administrative challenges
- Wage data are not available across labor markets
- Data lack specific job class definitions

New Data Required under the Access Rule Are Not Sufficient to Improve Rate Setting

- Regulations promulgated in the 2024 access rule at 42 CFR 441.311 require states to report on payment rate adequacy
- Though states would need to collect and aggregate data on wages to report the compensation-to-payment ratio, states are not required to report publicly on the underlying worker wages that are needed as inputs in rate setting
- The rule's broad definition of direct care workers (DCWs) and aggregation of data creates the potential for confounded information that conflates diverse worker wages, such as across nurses and direct support professionals (DSPs)

Revised 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 amend 42 CFR 441.311(e)(2) to require states to report 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 as determined by HHS. 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 planned or existing data collection activities or tools, and publish data on the CMS website.

Rationale

- Wage data are an essential 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 across all payers and subsume Medicaid HCBS workers into broader job classes, so the data offer limited specificity for the Medicaid program
 - 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 on 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 to 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 to be marginal

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Next Steps

Next Steps

- This draft recommendation will be subject to a vote tomorrow morning
- The chapter will be included in the March 2026 report to Congress
- Feedback on the content and tone of the chapter are welcome

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JANUARY MEETING



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