

Policy Title: Direct Care Funding Initiative

Primary Contact and Other Members Who Worked on the Proposal: Ted Behncke, Lisa Pugh, John Sauer, Beth Swedeen, Todd Costello

Brief Description, with Bullets Showing the Specific Components of the Policy

- Propose that annual increases be provided to the existing Direct Care Workforce Funding program to ensure dollars are allocated directly to the long-term care providers for caregiver wages and benefits. Further, direct and support DHS' efforts to secure CMS approval allowing total Direct Care Workforce Funding to be allocated via annual payments.
- Provide immediate assistance to directly support the caregiver workforce until such time that a Family Care rate band is implemented (estimate January 1, 2022)
- This recommendation does not negate the mandate that the Family Care MCO capitation rate must be actuarially sound, taking into account, at a minimum, member acuity, client mix and the cost of care and services

Analysis

- For the past two years, the Legislature and Governor signed into law the \$67,985,100 (all funds, 2020-21) Direct Care Workforce Funding program. This program, which was subsequently approved by CMS, provides critically necessary funding for providers to help offset expenses for direct caregivers. The payments have been provided in quarterly installments, passed-through to providers by their respective MCO.
- Because payments have been provided quarterly with no assurance these dollars would be available on a continual basis in subsequent years, many providers have elected to use the money for one-time bonuses to employees rather than wage increases - thus not solving the wage issue for caregivers.
- Annual increases to the Direct Care Workforce Funding program would ensure that dollars are allocated directly to providers and are not retained by MCOs.
- By switching payments to annual ones, this initiative would be used to support immediate wage increases (as a gap measure) to the paid caregiving workforce until such time the proposed rate band funding mechanism is established (Estimated: January 2022).

Potential funding options/cost savings/benefits.

Because annual increases to base Direct Care Workforce Funding would be set by the Legislature and the Governor with operational and program assistance from DHS, overall funding levels would be clearly identified using the average wage paid to DSPs and the difference required to bring them up to an effective living wage. The money would be earmarked, giving the provider community confidence that these dollars will be available to fund ongoing workforce expenses. Again, the MCOs would be required to pass on these dollars directly to the providers.

What state agency or other entity would be responsible for implementing the proposal, if it were approved?

DHS would be responsible.

Cost estimates

As mentioned above, the Direct Care Workforce Funding appropriation for 2020-21 is \$67,985,100 (all funds \$27.5 million GPR). Under this proposal, the amount would be increased to meet market demands for caregiver wages. For example, it is roughly estimated that increasing the Direct Care Workforce Funding by 5% in each year of the 2021-23 biennium would cost approximately \$28.1 million GPR in 2021-22 and \$57.7 million GPR in 2022-23 (*Note: DHS certainly would be able to provide more precise estimates on the cost of providing 5% annual increases in 2021-23*).

Once the rate band system is established, the Direct Care Workforce Funding could either be continued or folded into the new system.