

Human Services

FY 2024-25 Biennial Budget Change Item

Change Item Title: Community First Services and Supports Rate Framework Investments

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	122,322	180,396	243,257	247,335
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	122,322	180,396	243,257	247,335
FTEs	7	10	10	10

Recommendation:

The Governor recommends investments in Minnesota’s Personal Care Assistance (PCA)/ Community First Services and Supports (CFSS) program to help address the unprecedented challenges the state is experiencing in attracting and retaining quality staff needed to support people in their homes and community. This proposal does the following:

- Invest in rate increases, retention bonuses, and paid time off for PCA/CFSS workers;
- Develop career ladders with corresponding tiered rates so workers can advance in their careers and be more willing to join and stay in the workforce;
- Provide necessary administrative funds to cover expenses related to the SEIU bargaining agreement;
- Provide funding for provider training stipends and provider orientation;
- Allow for two person cares PCA/CFSS cares; and
- Clarify that home care nursing will be authorized in the same manner it is now, once CFSS is implemented.

Investments in this proposal total \$302.7 million in fiscal years 2024-25 and \$490.5 million in fiscal years 2026-27.

Rationale/Background:

Personal Care Assistance services were first offered in Minnesota in 1977 when they were added to the Medical Assistance (MA) state plan as an optional Medicaid service (MA is Minnesota’s Medicaid program). At that time, the program was fairly limited and was only available to adults with physical disabilities. Since then, the legislature has expanded access to the program to include children, older adults with disabilities, and people with chronic diseases, behavioral diagnoses, and mental illness who have functional limitations that effect their daily activities.

PCA services assist people with daily activities (such as eating, bathing, and dressing), as well as behavioral support activities and other health-related tasks. With the assistance of trained and reliable staff, PCA enables people to be more independent in their home, job, and community, and can prevent or delay more intensive, costly services. Community First Services and Supports (CFSS) is a new home and community-based service pending federal approval to assist people with daily activities. CFSS is similar to PCA, but it will offer enhanced options for people who wish to self-direct services, will allow people to purchase goods and services, will provide consultation services to help people with person-centered planning, and it will allow parents of minors and spouses to be reimbursed to provide services. When implemented, CFSS will replace the PCA and Consumer Support Grant (CSG) programs. It will cover all eligibility categories currently covered by PCA.

In state fiscal year 2020, about 44,000 people received PCA services through the fee-for-service and managed care programs. However, people enter and exit the program throughout the year. The average monthly caseload, which is a good measure of how many people are using PCA at any one time, was about 36,000 people. The PCA program is one of the most diverse long-term service and support programs in Minnesota and has been growing more diverse over time. In January of 2020, 62% of program participants were people of color or Native American. Approximately 30% of PCA recipients were non-Hispanic white, compared to an estimated 80% of Minnesotans statewide. In State Fiscal Year 2020, the total Medical Assistance expenditures for state plan PCA services were about \$1.08 billion dollars, including both state and federal shares. Between 2016 and 2020, total expenditures increased at an average annual rate of 5.2%.

The availability of qualified direct care staff is the foundation of home and community-based services that help people live and work in their homes and communities. As the demand for long-term services and supports grows with drastically shifting demographics, there is a corresponding change in the number of working-age people entering the workforce. Additionally, the supply of direct care staff decreases with better economic conditions.

The direct care workforce is not keeping pace with the growing demand of an aging population and people with disabilities who need support services. In 2018, the University of Minnesota Institute on Community Integration estimated that there were 204,000 people providing direct support services and 27,540 direct support job vacancies (13.5% vacancy rate). Minnesota is currently experiencing an unprecedented workforce shortage in the long term care sector. While job vacancies in Minnesota are at record highs across all sectors, healthcare and social assistance sectors have the most severe workforce shortages, with more than 52,000 vacancies in the fourth quarter of 2021. These vacancies increased by 66 percent in just one year and within that sector, Personal Care & Service vacancies increased by more than 225% over the year.

While other industries may have the capacity to be agile in responding to changing economic conditions, the direct care industry is heavily reliant on human capital and the majority of their revenue is dependent on public program payment rates. In many instances, service providers are competing for workers with other industries that are able to offer more incentives, while the job of direct care work may be physically and emotionally demanding.

Historically, PCA services were reimbursed as a single, statewide rate for 15-minute units, subject to unpredictable percentage increases or decreases authorized by the legislature. The service was routinely overlooked when it came to legislative investments with long-term care investments instead favoring disability waiver services. The imbalance in legislative spending has led to underfunding of PCA services that help keep people in their own homes and working in their communities. The 2021 Legislature authorized the establishment of a prospective, research-based PCA rate framework (similar to the DWRS rate framework). They also made a historic investment, increasing PCA rates by over 10%. Despite the recent investments in PCA services, the rate is still 42% lower than comparable DWRS services. Unlike the DWRS rate framework, the PCA rate framework does not have any automatic inflationary and is not fully funded to reimburse providers their reasonable costs associated with delivering the service.

Like other states, Minnesota is experiencing an unprecedented workforce shortage with the most acute impacts on the direct care workforce. A 2018 study conducted by DHS and the Institute on Community Integration at the University of Minnesota found that personal care assistance wages were lower than all other service types surveyed. DHS 2021 labor market reporting data found that PCA wages are often well-below average wages for waiver services, however PCA providers are directing a larger proportion of the rate to wages, compared with waiver providers. The table below illustrates this data.

Service Type	Median full-time wage	Median part-time wage	Direct support worker wage component in DWRS rate
Day Services	\$13.50/hr.	\$13/hr.	\$16.02/hr.
Residential Services	\$14.68/hr.	\$14.42/hr.	\$14.17/hr.
Unit-based Services	\$14/hr.	\$13.50/hr.	\$12.85-\$19.16/hr.
PCA Services	\$13.25/hr.	\$13/hr.	n/a, however PCA providers are required to direct 72.5% of aggregate revenue to worker compensation. Some PCA wages are subject to a wage floor. For comparison, the CBA wage floor for FY 2020-2021 was \$13.25/hr.

Slow growing PCA rates have led to an impoverished workforce. Nationally, approximately 45 percent of direct-care workers live in households earning below 200 percent of the federal poverty level income, making them eligible for most public assistance programs. In 2015, over half of homecare workers in the United States relied on some form of public assistance including, food and nutrition assistance, Medicaid, and cash assistance. Approximately 40 percent of homecare workers relied on public health care coverage, most often Medicaid. (Paraprofessional Healthcare Institute, 2017).

Along with low reimbursement rates for PCA/CFSS and the resulting wages workers receive, some workers are hesitant to begin a job as a PCA as there is little room to advance. The legislature has considered proposals in the past to create career ladders for direct care workers, including PCAs and CFSS workers. These proposals encountered implementation barriers related to complex system interactions, built on an outdated IT infrastructure. As part of the 2021-2023 collective bargaining agreement between the State of Minnesota and Service Employees International Union Healthcare Minnesota (SEIU), the State agreed to evaluate options for a wage differential, including reviewing relevant state and federal regulations, as well as providing a written report on its findings by September 1, 2022. The report indicated that DHS would need to determine which differentials are of interest. Wage tiers could be used to achieve certain policy objectives (e.g., staff retention early in their career) or could be set on a standard schedule (e.g., an annual or biannual differential).

Proposal:

Increasing PCA/CFSS rates is expected to increase worker wages thereby reducing staff turnover, increasing hours delivered by people familiar with person’s needs, and increasing trust and quality of life by having consistency in personal care. This proposal provides critical investments in the PCA/CFSS programs to ensure people can continue receiving services in their homes and communities, reducing pressures to move into institutional or more restrictive settings. It will also allow for the implementation of the tentative collective bargaining agreement between the State of Minnesota and SEIU Healthcare. This proposal will:

- Invest in rate increases, retention bonuses, and paid time off for PCA/CFSS workers;
- Develop career ladders with corresponding tiered rates so workers can advance in their careers and be more willing to join and stay in the workforce;
- Provide necessary funds to cover expenses arising from labor disputes initiated by SEIU Healthcare;
- Provide funding for provider training stipends and provider orientation;
- Allow for two person cares PCA/CFSS cares; and
- Clarify that home care nursing will be authorized in the same manner it is now, once CFSS is implemented.

Invest in rate increases, retention bonuses, and paid time off for PCA/CFSS workers

Effective January 1, 2024 this provision will increase PCA/CFSS/CSG rates by 16.88% and increase CDCS budgets by 8.49%. Effective January 1, 2025 this provision will further increase PCA/CFSS/CSG rates by a minimum of 5.1%, increasing PCA/CFSS/CSG rates overall by at least 21.98% compared to current law depending on the tiers workers fall in as detailed below. The weighted average rate increase on January 1, 2025 is 27.76 percent compared to current law.

Effective January 1, 2025, this proposal will also further increase CDCS budgets by 4.53%, increasing CDCS budgets overall by 13.06%. All rate increases are contingent on federal approval. This provision will also provide funding for one additional holiday for workers in the SEIU collective bargaining unit. Lastly, it will fund one-time \$1,000 bonuses at six month of employment for workers in the bargaining unit.

CFSS Career Ladder Tiered Rates

Effective January 1, 2025, this provision implements a tiered rate schedule for PCA/CFSS. The tiered rate will begin at the base rate add-on effective January 1, 2025 of 5.10%, a net increase of 21.98% from current rates, and will increase as people gain experience. Experience will be measured by the number of hours billed for services provided by the individual worker. Below are the tiers

Time worked	Target Wage	Rate Increase Effective 1/1/25	Rate Increase Compared to Current Law
Under 6 months (0 - 1,000 hours)	\$20.00	5.10%	21.98%
6 months (1,001 – 2,000 hours)	\$20.50	7.75%	24.63%
1 year (2,001 – 6,000 hours)	\$21.00	10.42%	27.30%
3 years (6,001 – 10,000 hours)	\$21.70	14.07%	30.95%
5+ years (10,001+ hours)	\$22.50	18.29%	35.17%

Funds to cover costs related to administering the Collective Bargaining Agreement (CBA) with SEIU

This provision provides funding for three ongoing FTEs the state needs to adequately support the work of bargaining and responding to requests from SEIU Healthcare.

This provision also includes \$1,400,000 for one-time stipends for Individual Providers covered by the CBA. One-time stipends are for members who provided services to at least one PCA Choice participant during the pay periods between December 1, 2020 and February 7, 2021 and who attest that they received a compensation increase of less than the value of \$0.29 (the estimated average cost per hour of 20% of the rate add-on) per hour wage increase (e.g., lump sum, wage adjustment) times the number of hours worked during the time period when a temporary rate increase was in effect. \$1.4 million will be dispersed across all PCAs who apply and are eligible for the stipend, prorated based on the number of hours worked during the time period that the temporary rate increase was in effect. An additional 15% is included for the administration of these stipends by a 3rd party vendor.

Lastly, this provision includes \$5,600,000 for one-time stipends of \$200 to bargaining members to offset the potential costs related to people using individual devices to access Electronic Visit Verification (EVV). An additional 15% is included for the administration of these stipends by a third-party vendor.

Funding for provider training stipends, provider orientation, and Taft-Hartley Trust

This provision provides funding for stipends of \$500 for collective bargaining unit members who complete designated, voluntary trainings made available through or recommended by the State Provider Cooperation Committee. It also provides funding for an optional orientation for CBA members to participate in voluntary orientation, including a \$100 payment for completion of orientation and administrative resources to support orientation requirements. Lastly, this proposal establishes a Taft-Hartley Trust to cover orientation-related expenses.

Allow for two person cares PCA/CFSS cares

This provision allows for a person to choose to use more than one PCA/CFSS worker at the same time. This flexibility will better meet people’s individual support needs. Examples of when a person might need more than one worker include when one worker is grocery shopping for a person and another is supporting the person at home or when a person needs a more experienced worker to provide services with a less experienced staff in order to improve the quality of the services being provided.

Home Care Nursing Clarification

This provision clarifies that home care nursing services will be authorized under CFSS in the same manner they were under PCA by adding a cross-reference to CFSS in the statute that outlines the requirements for the manner and amount of home care nursing services.

Impact on Children and Families:

The PCA program is used by people of all ages, including pregnant women, children, and families. In January 2018, 2.1% of PCA recipients were under the age of 5; 17.6% of recipients were between the ages of 5 and 17; and 3.5% were between the ages of 18-22. While DHS does not have a data measure to determine how many family units receive PCA in their home(s) and communities, we know that in addition to children receiving PCA, some parents also receive PCA. This proposal could positively impact children and young adults who receive PCA by improving the quality, availability, and retention of workers to provide the service. It also stabilizes families who typically experience higher rates of poverty when caring for a child with a disability, by providing support and an ability for many to work.

Equity and Inclusion:

The PCA/CFSS program is one of the most diverse long-term service and support programs in Minnesota and has been growing more diverse over time. In January of 2021, 55% of home care (PCA) participants were people of color or Native American. Approximately 36% of home care (PCA) recipients were non-Hispanic white, compared to an estimated 80% of Minnesotans statewide.

Home care workers, of which PCA workers represent the largest share of workers, themselves are overrepresented by women, people of color and people who have immigrated to the United States. An evaluation of home care workers in 2022 found that 85 percent of home care workers nationally are women, often times single mothers. And while people of color make up roughly 40 percent of the of US workforce, nearly 63% of the home care worker labor force versus 40%. The same data found that immigrants make up roughly 16 percent of the workforce yet constitute nearly 31 percent of the home care workforce. Nationally, home care workers earn a median annual income of \$19,100 and 1 in 6 homecare workers live below the federal poverty line. Much of the rate increase resulting from this proposal would be expected to be passed along to the direct care workers and, in turn, reach this diverse pool of low-wage workers.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

While this provision does not have direct impact on Tribal operations, the American Indian people disproportionately comprise PCA participants. In addition, the workforce is likely to include a disproportionate share of American Indians. Increased rates will positively impact American Indian communities and lead to improved wages and benefits.

Impacts to Counties:

This proposal will not impact counties financially.

Results:

The results of this proposal will be:

1. A higher rate for the CFSS program with increases built into the rates to provide higher wages for workers with more experience will result in higher compensation for PCA/CFSS workers and will enable agencies and people with disabilities to attract and retain workers. The effectiveness of higher base wages and the implementation of rate tiers will be measured through dedicated evaluation and research.

2. Increased upward mobility for CFSS workers, which is intended to attract and retain workers at higher rates;
3. An increase in the quality of person-centered plans in Minnesota for people with disabilities.

Fiscal Detail:

Net Impact by Fund (dollars in thousands)			FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
General Fund			122,322	180,396	302,718	243,257	247,335	490,592
HCAF								
Federal TANF								
Other Fund								
Total All Funds			122,322	180,396	302,718	243,257	247,335	490,592
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
GF	33	MA LW	43,487	132,459	175,946	181,313	184,371	365,683
GF	33	MA ED	13,916	42,387	56,303	58,020	58,999	117,019
GF	34	AC	580	1,766	2,346	2,417	2,458	4,876
GF	55	Disability Grants	62,000	2,000	64,000	-	-	-
GF	14	ADSA Admin (FTE 7,10,10,10)	2,682	2,121	4,803	1,707	1,707	3,413
GF	REV1	Admin FFP @ 32%	(343)	(337)	(680)	(200)	(200)	(400)
Requested FTEs								
Fund	BACT#	Description	FY 24	FY 25	FY 24-25	FY 26	FY 27	FY 26-27
GF	14	ADSA Admin	7	10	10	10	10	10

Statutory Change(s):

Minn. Stat. Sec. 256B.851