

May 2, 2023

**Sen. John Hoffman, Chair**

**Sen. Jim Abeler**

**Sen. Omar Fateh**

Senate Human Services Committee  
95 University Avenue W.  
Minnesota Senate Bldg., Room 2111  
St. Paul, MN 55155

**Rep. Mahmood Noor, Chair**

**Rep. Peter Fischer**

**Rep. Dave Baker**

House Health Finance & Policy Committee  
379 State Office Building  
St. Paul, MN 55155

**RE: PCA Reimbursement in Omnibus Human Services Budget Proposals**

Lifeworks Services, Inc., a provider of PCA Choice services in Minnesota, is asking for your support to increase the current proposed budget from 16.88% to 31.4% on the state's historic PCA rates and the year-over-year costs associated with the SEIU Collective Bargaining Agreements.

Under the proposed plans and rates, providers like Lifeworks will need to fund an additional \$4.61 per hour for every hour worked by PCAs, a shortfall that would create unsustainable gaps between the reimbursement rates from the Minnesota Department of Human Services (MN-DHS) and direct worker costs.

Since 2015, Minnesota has recommended a total of 41% in reimbursement rate increases for providers by raising the hourly reimbursement rate by \$7.00. During this period, costs for Lifeworks and other providers have increased by 95% or \$11.61 per hour from negotiated wage, benefit, and other terms in collective bargaining agreements. As a result, Lifeworks must now fund an additional \$4.61 for every hour worked (See Illustration 1).

**Illustration 1:**

Biennium or Budget Year	Provider Reimbursement Rate		CBA Minimum Wage	CBA: PTO & Holiday Benefits	Provider Employer Taxes	Total Worker Cost	Cost Increase Over Prior Year	Provider Gross Margin*
	MN-DHS PCA Reimbursement Rate	Rate Increase over Prior Year						
2015-2016	<b>\$4.27/unit</b> or \$17.08/hr		\$10.75	\$0.20	\$1.32	<b>\$12.27</b>		<b>28.2%</b>
2016-2017	<b>\$4.28/unit</b> or \$17.12/hr	0.2%	\$11.00	\$0.20	\$1.36	<b>\$12.56</b>	2.4%	<b>26.6%</b>
2017-2018	<b>\$4.35/unit</b> or \$17.40/hr	1.6%	\$12.00	\$0.48	\$1.48	<b>\$13.96</b>	11.1%	<b>19.8%</b>
2018-2019	<b>\$4.35/unit</b> or \$17.40/hr		\$12.00	\$0.48	\$1.48	<b>\$13.96</b>		<b>19.8%</b>
2019-2020	<b>\$4.45/unit</b> or \$17.80/hr	2.3%	\$13.25	\$0.64	\$1.60	<b>\$15.49</b>	11.0%	<b>13.0%</b>
2020-2021	<b>\$4.45/unit</b> or \$17.80/hr		\$13.25	\$0.64	\$1.60	<b>\$15.49</b>		<b>13.0%</b>
2021-2022	<b>\$4.90/unit</b> or \$19.60/hr	10.1%	\$14.40	\$1.00	\$1.76	<b>\$17.16</b>	10.8%	<b>12.4%</b>
2022-2023	<b>\$4.90/unit</b> or \$19.60/hr		\$15.25	\$1.04	\$1.80	<b>\$18.09</b>	5.4%	<b>7.7%</b>
2023-2024	<b>\$5.73/unit</b> or \$22.92/hr	<b>State Proposal 16.88%</b>	\$19.00	\$1.40	\$2.28	<b>\$22.68</b>	25.4%	<b>1.0%</b>
2024-2025	<b>\$6.02/unit</b> or \$24.08/hr	<b>State Proposal 5.1%</b>	\$20.00	\$1.48	\$2.40	<b>\$23.88</b>	5.3%	<b>0.8%</b>
Accumulated Change Over Past 10 years	<b>\$1.75/unit</b> or \$7.00/hr	41%	\$9.25			<b>\$11.61</b>	95%	<b>-27%</b>

\*Projected gross margin calculations show that Lifeworks will have roughly 1%, after paying direct worker expenses, to cover standard general and administrative expenses associated with providing the PCA Choice program. In other rate factors, Minnesota has factored in a standard program and administrative support factor of 15.05% (13.25% + 1.8%).

Below is the proposed minimum amount Lifeworks would need to cover the actual costs of the PCA Choice program.

**Proposed Minimum:** This minimum would still result in an accumulated shortfall of -16.2% since 2015.

Biennium or Budget Year	Provider Reimbursement Rate		Provider's Direct Worker Cost						Cost Increase Over Prior Year	Provider Gross Margin
	MN-DHS PCA Reimbursement Rate	Rate Increase over Prior Year	CBA Minimum Wage	Hourly Wage Increase Over Prior Year	CBA: PTO & Holiday Benefits	Provider Employer Taxes	Total Provider Direct Worker Cost			
2023-2024	<b>\$6.44/unit</b> or \$25.76/hr	<b>30.18%</b>	\$19.00	24.6%	\$1.40	\$2.28	<b>\$22.68</b>	25.4%	<b>12%</b>	
2024-2025	<b>\$6.78/unit</b> or \$27.13/hr	<b>5.3%</b>	\$20.00	5.3%	\$1.48	\$2.40	<b>\$23.88</b>	5.3%	<b>12%</b>	
Adjusted Accumulated Change Over Past 10 years	<b>\$2.51/unit</b> or \$10.05/hr		\$9.25				<b>\$11.61</b>		<b>-16.2%</b>	

At the current 16.88% proposed increase, the 1% margin to cover our costs will solidify PCA Choice services as a loss-making service or roughly 11-12% annualized deficit. This outcome will undoubtedly lead to disruption for 480 PCA Choice service recipients and their workers as Lifeworks considers the long-term impacts and is forced to make necessary changes in service options.

Thank you for your continued dedication to Minnesota's disability programs and the people whose lives you continue to enrich.

Sincerely,

Gertrude Matemba-Mutasa  
President and CEO

Laura A. Purfeerst  
CFO