

## Results of a Follow-Up Survey to States on Wage Supplements for Medicaid and Other Public Funding to Address Aide Recruitment and Retention in Long-Term Care

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### Background Information

In September 1999 the North Carolina Division of Facility Services published a paper entitled: "*Comparing State Efforts to Address the Recruitment and Retention of Nurse Aide and Other Paraprofessional Aide Workers.*" The paper examined public policy efforts being taken/considered by states to address aide recruitment and retention. This follow-up paper focuses specifically on wage supplements, commonly referred to as "Wage-Pass Throughs" (WPT), implemented by a number of states in an attempt to help address recruitment and retention of aide workers in long-term care related service settings.

**Note:** Another follow-up paper is planned for early 2001 that looks at the progress made by states to develop a career ladder for the long-term care aide workforce. Follow-up information from the 1999 survey will be sought from the 5 states (AK, DE, ME, MS, NC) reporting that they were taking or considering action to address career ladder issues. **States currently working on development of a career ladder for paraprofessional aides that were not listed in the 1999 paper are encouraged to contact the Division of Facility Services via email regarding such efforts** (email info to: [susan.harmuth@ncmail.net](mailto:susan.harmuth@ncmail.net)).

### What are Wage Pass Throughs?

States with "Wage Pass Throughs" designate that some portion of a reimbursement increase for one or more public funding sources for long-term care (typically Medicaid but may also include Older Americans Act funds, state appropriations, etc) must be (or are intended to be) used specifically to increase wages and/or benefits for aide workers (sometimes also includes other front line workers). Typically WPT's have been implemented in 1 of 2 ways:

1. designating that some specified dollar amount (e.g. \$.50, \$1.00) per hour or patient day be used specifically for wages/benefits;  
or
2. designating that a certain percentage of a reimbursement increase be used for wages/benefits.

States vary both in terms of implementation and accountability procedures used to verify compliance.

### Methodology

During August 2000, the NC Division of Facility Services sent a brief follow-up survey to the 16 states identified in the 1999 report as having a Wage Pass Through (either mandatory or intended). Fourteen of the 16 states (88%) responded to the follow-up survey. Follow-up calls were made to states as needed. Updated unemployment data for these states were obtained from the U.S. Bureau of Labor Statistics web site (August 2000 seasonally adjusted data). The National Conference of State Legislatures (NCSL) was contacted regarding additional states that enacted wage pass through related legislation (data search of

This 1999 report is available at: [facility-services.state.nc.us](http://facility-services.state.nc.us) (click on "For Providers" and look under Documents of Interest"). The paper is listed as the last bullet in this section. and at: [www.direct-carealliance.org](http://www.direct-carealliance.org)  
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The 1999 paper reported that a total of 16 states had approved or implemented some form of a "Wage Pass Through." Most states that have implemented a wage pass through have done so only in recent years. The 16 states identified in the 1999 report as having a Wage Pass Through (mandatory or intended) included:

Arkansas  
Colorado  
Mass.  
Missouri  
Oregon  
California  
Illinois  
Maine  
Rhode  
Island  
S. Carolina  
Texas  
Virginia  
Washington  
Michigan  
Montana  
Minnesota

Note: Arkansas did not implement a WPT due to lack of funding and Texas's WPT wasn't effective until September 2000. Oregon indicated in their follow-up survey they did not have a Wage Pass Through as defined by the Division of Facility Services for state comparison purposes. There may be additional states that have enacted legislation or appropriated funding for a wage pass through type of program. However, based on the follow-up survey and other contacts, we have identified 4 additional states that have either implemented a wage pass through (Kansas and

states with "Medicaid wage pass through" for 2000). These states were also contacted for clarification of legislation enacted and status.

## Results of Follow-Up Survey on Wage Pass Throughs

**Note: See attachment #1 for a state by state summary of follow-up survey responses and related state notes.**

- All 14 states responding indicated that aide recruitment and retention was still a problem in their state (includes Oregon).
- Of the 12 states responding that have implemented a WPT, 4 (33%) reported that the WPT had a positive impact on recruitment and/or retention and/or probably had some positive impact.
- 3 states (25%) reported that the wage pass through had no impact on recruitment and/or retention thus far.
- 3 states (25%) indicated it was unknown whether there was any measurable impact on aide recruitment and/or retention.
- All but 1 (92%) of the states responding (Missouri) indicated they were satisfied with the accountability process being used to verify that the pass through funds got to aides (and other front line workers as applicable) in the form of increased wages or benefits. Accountability procedures included audits, expanded cost reporting, submitting a plan for use of WPT funds, a survey of providers (or some combination).
- To address concerns about their accountability process, Missouri reported they have revised the survey instrument used to determine compliance with the directive that the increase provided be used for direct care staff. The survey was revised to improve consistency in the interpretation of survey questions and use exhaustive and exclusive categories related to the use of WPT funds.
- 6 (50%) states also indicated they were making/considering changes to the wage pass through. These changes included efforts such as: possible expansion to other settings of care, modifications to accountability procedures, revisions to limit pass through in other ways, examine rate disparities and recommend solutions, roll WPT funds into reimbursement rate, etc.
- 5 (42%) of 12 states that have implemented a wage pass through indicated that their state was considering/undertaking additional efforts to address aide recruitment and retention.

## Other Initiatives Being Undertaken by WPT States

**Note: See attachment #1 for a state by state summary of follow-up survey responses and related state notes.**

- Several WPT states have/are setting up work groups to study a variety of issues related to this workforce. Some examples of topics to be examined by various work groups include examining welfare to work and recruitment and retention as part of the State's plan to comply with the Supreme Court decision in the case of *Olmstead vs. L.C.*

Wyoming) or enacted other legislation related to a wage pass through (Louisiana and Kentucky).

Michigan was the only state that provided data addressing the impact of wage pass through funds on **aide turnover rates**. Michigan has had a wage pass through in place for nursing homes since 1990. Data provided indicated that aide turnover rates dropped from 74.50% in 1990 to 67.45% in 1998 (the most recent year for which data was provided). It is also worth noting, however, that market forces are pushing wages up even faster than the amount provided by the wage pass through. The wage pass through has, however, helped to keep starting salaries close to market demand wage rates.

Kansas is satisfied with their accountability process from the standpoint of verifying compliance. The process is, however, reported to be labor intensive for both facilities and state audit staff responsible for monitoring. Kansas will also analyze turnover data for direct care staff by participating facilities. Annual cost report data prior to the WPT will be used as a baseline. It is expected that analysis of turnover data will be complete by December 2000. About 21% (5) of Wyoming's nursing facilities decided not to accept WPT funds. Generally, those choosing not to participate perceived a difficulty due to the corresponding impact on the employer share of fringe benefits paid to staff receiving increased wages as a result of the pass through.

**Note:** Other states that have approved or implemented a wage pass through to address aide recruitment and retention for one or more long-term care service settings that are not included in this paper are requested to notify the NC Division of Facility Services. We will update this information on

- Several states are considering expanding the WPT to other settings not currently covered.

### **Additional States Known to Have Implemented A Wage Pass Through Since 1999**

- Since the 1999 report, the Division of Facility Services is aware of at least 2 additional states that have implemented a wage pass through to address recruitment and retention of the long-term care aide workforce.

**Kansas** - The wage pass through was effective with State Fiscal Year 2000 and applies to nursing homes only. Funding has been continued for a second year. Participation by facilities is voluntary. The legislation allowed for up to a \$4.00 per day increase in the per diem reimbursement rate to be used for direct care worker salaries, benefits or new hires to increase staffing ratios. However, due to funds appropriated and the number of facilities requesting to participate (about 50%), the maximum per diem WPT amount was about \$1.90. Participating facilities are required to submit quarterly reports (including payroll documents) to verify that funds were used for wages, benefits and/or new hires to increase staffing ratios.

**Wyoming** - The wage pass through was effective with the State Fiscal Year beginning July 1, 2000 and applies to nursing home care only. Wage pass through funds are to be used exclusively for wages and directed to front line workers (not just nurse aides). Wage pass through funds increase the per diem reimbursement rate by approximately \$1.00 per day. Participation by facilities is voluntary. Participating facilities must prove, via the annual cost-settlement process, that additional funds were spent on wages for front line workers.

- Legislation has been enacted in Kentucky to establish a task force on quality long-term care. Among other tasks, the task force shall study wage pass through programs to increase staff salaries. The task force is required to report its findings and recommendations to the Legislative Research Commission and Governor by September 1, 2001. (Legislation reference: SCR 39)
- Legislation has been enacted in Louisiana that calls for, among other uses, investment earnings from a permanent Medicaid Trust Fund for the Elderly to be used for a wage enhancement for direct care workers in certified nursing homes. (SB 71 -

our web site. Please email information to [susan.harmuth@ncmail.net](mailto:susan.harmuth@ncmail.net)

Between April '99 and August 2000, of the 15 states authorizing a wage pass through, the unemployment rate dropped in 10 states, increased in 4 and stayed the same in 1 state. North Carolina's unemployment rate increased from 2.8% in April 1999 to 3.5% in August 2000 - still below the national average of 4.1%. Aide recruitment and retention continues to be a serious workforce issue for North Carolina in all long-term care related settings.

Wage Pass Throughs continue to be a concept getting increased attention by states.

Recruitment and retention of long-term care aides in North Carolina is currently a workforce issue of crisis proportion. To provide a sense of the severity of the problem, there are approximately 84,600

enacted April 19, 2000)

**Unemployment Rates in Wage Pass Through States**

Between April 1999 and August 2000 unemployment rates declined in 10 of the 15 states (66%) approving a WPT (excludes Oregon). This is consistent with national data where the unemployment rate dropped from 4.3% in April 1999 to 4.1% in August 2000.

State	April 1999	August 2000
Arkansas	4.40%	4.10%
California	5.70%	5.10%
Colorado	3.00%	2.80%
Illinois	3.90%	4.20%
Maine	3.60%	3.20%
Massachusetts	2.90%	2.60%
Michigan	4.00%	3.80%
Minnesota	2.10%	2.80%
Missouri	3.20%	2.60%
Montana	5.40%	5.10%
Rhode Island	3.10%	4.50%
South Carolina	4.20%	4.20%
Texas	4.70%	4.30%
Virginia	2.70%	2.50%
Washington	4.50%	5.10%
National Rate	4.30%	4.10%

**Unemployment Rates for States Known to Have Implemented a Wage Pass Through Since the 1999 report was published**

State	April 1999	August 2000
Kansas	3.40%	3.40%
Wyoming	4.50%	4.30%

(Note: Unemployment Rates from US Bureau of Labor Statistics and are seasonally adjusted

active nurse aides (42%) on the State's Nurse Aide Registry compared to approximately 115,500 (58%) inactive nurse aides. To better understand this workforce issue, an analysis of 1998 employment data from the NC Bureau of Labor of nurse aide registrants was conducted by the NC Institute on Aging for the Division of Facility Services as part of the Division's efforts to address long-term care aide recruitment and retention funded by a grant from the Kate B. Reynolds Charitable Trust. This analysis showed that the active nurse aides had lower wages than their inactive counterparts (median income of \$11,358 compared to \$14,425 for inactive nurse aides) and also had less stable employment (1.89 different employers in 1998 compared to 1.05 for inactive aides). In summary, the Institute on Aging's analysis showed that although a considerable number of persons are being trained as nurse aides, they are leaving their trained field in large numbers for better wages and more stable employment outside the health and long-term care sectors. The Task Force is a broad based group comprised of policymakers, legislators, advocacy organizations, consumers, providers, business leaders and academics. These efforts should include looking at training, reengineering the workforce and whether new categories of staff are needed.

This program of incentives would be modeled on NC's highly successful TEACH program in support of early childhood education workers. (TEACH stands for "Teacher Education and Compensation Helps")

No decision has been made as yet as to whether any of these initiatives will be included in the Department's expansion budget priorities for the 2001-03 biennium. There is, however, widespread recognition of the extent of this workforce problem within the Department.

rates.)

## **Conclusion**

*Long-term care aide recruitment and retention is still a major workforce issue for all of the states responding to the follow-up survey on wage pass throughs.*

*While states are generally satisfied with their accountability procedures for monitoring whether Wage Pass Through increases were used as intended/required, there is little hard data available, as yet, to substantiate whether or not the wage pass through has had any definitive and positive impact on **aide recruitment and retention**. On a positive note, however, one of the states that has had a WPT in place for a number of years did submit historical data showing a drop in overall turnover rates for aide workers in nursing facilities (from 74.5% in 1990 to 67.45% in 1998) as average starting wages have increased. The data also showed generally, however, that market forces were driving up average starting wages in excess of the amount of the WPT allocated.*

*Although no data is available to support such an assumption, one could speculate that continuing low unemployment rates (and declining unemployment rates in the majority of WPT states) may have eroded some of the potential impact that WPT funds may have made to help mitigate aide worker shortages in long-term care settings.*

*Given the amount of wage pass through funds allocated on a per hour or per diem basis, combined with their relatively short history, it will be important to re-examine the impact of wage pass throughs where funds continue to be allocated specifically for wages/benefits (either on a mandatory or intended basis) over a period of years.*

*In addition to verifying that WPT funds have been used to increase wages and/or benefits of the aide workforce, tracking vacancy, retention and unemployment rates over a period of years will be important to helping determine whether wage pass throughs have contributed to achieving a more adequate and stable aide workforce in states where such pass throughs have been implemented.*

*Given the continued interest by states to address this workforce issue, it would be useful to collect, compile, analyze, and disseminate information from states on an annual basis (for the foreseeable future) to identify public policy trends as well as unique and/or highly successful strategies employed by states in an effort to achieve an adequate, well trained and stable aide workforce over time in recognition of the growing demand for long-term care services that will result from the aging of the nation's elderly population. Adequacy of this essential workforce is critical to the quality of care provided to persons in need of paid long-term care services.*

## **Update On North Carolina Efforts to Address Long-Term Care Aide Recruitment and Retention**

### **Efforts Currently Underway**

1. Pilot project underway at 10 sites (home care, assisted living and

nursing homes) to:

- test 7 new training programs developed by the NC Division of Facility Services to address gaps in initial training identified by aides themselves and staff development coordinators; and
  - test the impact of financial and other incentives given for completion of additional aide training on aide retention.
2. *Data Collection and Analysis*
    - Collect and analyze demographic, wage, benefit and other information about the adequacy and stability of the aide workforce in long-term care settings (home care, assisted living, nursing homes) with the intent of setting up a process for on-going data collection and analysis.
  3. *Development of a mentoring program for nurse aides working in long-term care.*
    - Three forums were held across the state to get input from Nurse Aides and Nurses working in nursing homes about how the mentoring program should work.
  4. *Public education and awareness efforts regarding the importance of the aide workforce in the delivery of long-term care.*

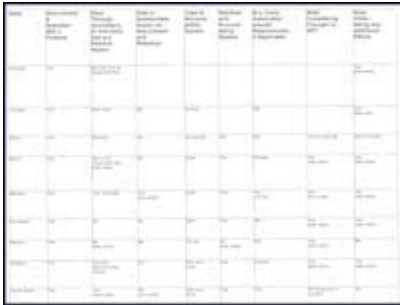
*(Note: All of the above efforts already underway are funded through a 3 year grant from the Kate B. Reynolds Charitable Trust - A North Carolina based private foundation.)*
  5. *The North Carolina General Assembly appropriated \$500,000 for the State Board of Community Colleges for State Fiscal Year 2000-01 to develop on-site Internet training and other innovative training programs to improve recruitment and retention of nurse aides working in nursing facilities.*

#### **Other Recommendations/Initiatives Proposed to Address Long-Term Care Aide Recruitment and Retention**

1. *The NC Institute of Medicine staffed Long-Term Care Task Force recommended the following:*
  - *provide a carefully monitored labor enhancement for publicly funded long-term care reimbursement rates;*
  - *the Departments of Health and Human Services and Insurance should work together to explore ways to establish group health care insurance purchasing arrangements for professional and paraprofessional staff working in long-term care settings (residential and non-residential);*
  - *the Department of Health and Human Services should convene a broad based group to explore options for expanding the pool of paraprofessional and professional staff available to provide long-term care services; and*
  - *various long-term care provider organizations should work to develop a plan to improve retention rates among paraprofessionals.*

2. The Department of Health and Human Services is considering putting forth an expansion budget proposal for the 2001-03 biennium that would include efforts such as the following:

- implementing a program that provides financial incentives such as bonuses and tuition assistance as well as other incentives and recognition to support professional development of aides working in long-term care settings;
- developing a career ladder for aide workers including development of at least 2 new levels of workers with the goal of providing a career path that recognizes additional training and expands the pool of potential workers;
- continuing data collection and analysis efforts already underway to continually assess the adequacy and stability of NC's aide workforce; and
- providing a labor enhancement for Medicaid funded personal care services (in home and in assisted living facilities) as well as increasing the Medicaid daily rate for direct care in nursing homes. The enhancement would have to be used for wages, benefits, and/or payment of shift differentials.



*Click on the image for a larger view*

#### Notes

**Notes reflect survey responses and/or follow-up discussions of survey responses with states.**

**Arkansas:** Did not implement wage pass through due to budget shortfall. Efforts have been underway over the past two years to use consumer-directed care as a strategy to help address the worker scarcity problem. As of late October 2000, approximately 2,000 family members and/or friends have been hired to provide care rather than relying on agencies. Consumer-directed care efforts are working out quite well thus far.

**Colorado:** Based on a survey done of providers receiving WPT funds, about 1/2 used the increase in reimbursement intended for

wages/benefits for that purpose. Based on input received from providers, the amount of increase allotted was about half of that needed to make up lost ground. This, combined with declining unemployment rates, results in recruitment and retention continuing to be an issue. The increase was for non-skilled personal care services. The legislature requested that the Department establish a task force to examine rate disparities and identify possible solutions. The task force included representation from home health providers, nursing facility administrators, assisted living administrators, advocates, legislators, and departmental staff. Recommendations have not as yet been formalized. However, a report will go to the legislature for consideration of the Department's 2001-02 budget.

**Illinois:** Recruitment and retention still a major problem facing community care program (wage pass through approved for home care only). With regard to reporting by providers for accountability purposes, provider agencies are required to submit an annual report documenting that at least 73% of their reimbursement rate is spent on worker wages and benefits.

**Maine:** Considering possibly providing a wage pass through for aides working in additional settings not initially funded such as home care and seeking appropriations to continue/increase the wage pass through next year. Also considering changing accountability requirements (e.g. home care agencies don't file cost report). This session legislature appropriated funds for a .50 per hour increase in reimbursement rates for home care workers (excludes nurses). These funds will be harder to track since these agencies don't file cost reports. Many agencies are balking at "government telling them how to use their funds." These are the same providers who say they can't find or keep staff. Efforts are underway to work with the Board of Nursing to develop core curriculum for Certified Nurse Aides, Personal Care Aides and Residential care aides so a worker doesn't have to start all over if they move between jobs.

**Michigan:** State ending WPT for 2000-01 as a result of changes in appropriations language. WPT revenues are an offset to inflationary allowance all facilities receive but to receive the WPT, facilities must have a minimum wage of \$8.50 p/hr. for competency evaluated nurse aides. With regard to data concerning the wage pass through, while data shows that turnover rates have declined from 75% in 1990 to about 67% in 1998 as average starting wages have increased, the data also shows that market forces are pushing up wages faster than the impact of the wage pass through. (Source: Chart from Health Care Association of Michigan and follow-up discussion with staff of the Fee-for-Service Division, Medical Services Administration). With regard to additional steps being undertaken, nurse aide training and testing will be covered.

**Minnesota:** Expect there will be another legislative initiative this year to help problem but don't know if it will actually be implemented (have

had wage pass through in place for 4 years now). Work groups have been set up that include state and private sector to study the issue and look for solutions.

**Missouri:** There has been no indication from industry of any positive impact of the WPT on recruitment and retention. The survey used to verify provider compliance with WPT requirements is being revised to limit variability of interpretation of questions to increase reliability and consistency. Reimbursement is being increased January 1, 2001 by \$.52 with the requirement that the increase be used to increase home care direct care staff wages/benefits.

**Montana:** Assume that recruitment and retention would have been even worse problem in absence of wage pass through for nursing homes. Increased demand for entry level workers in all sectors and shortage of supply for these workers is driving up wages. Hoping to seek additional WPT increase for Medicaid Personal Care Services again in 2001. Also looking at non-wage initiatives such as welfare to work, recruitment and retention as part of the State's plan to comply with the Supreme Court decision in the case of *Olmstead vs. L.C.* With regard to accountability, will compare fiscal year 2001 wage plan with fiscal year 2000 wage plan to ensure that fiscal year 2001 wage increases pick up where fiscal year 2000 increases left off.

**Rhode Island:** The Rhode Island Partnership for Home Care conducted a survey of providers to determine the extent to which providers had increased wages and/or benefits for aide workers as intended by the reimbursement increase provided for state subsidized home care. While not a mandatory wage pass through, survey findings indicated that the vast majority of providers, particularly the largest providers of state-subsidized care, allocated a portion of reimbursement increases in a meaningful way to aide wages and benefits. Of the total survey respondents 75% increased worker wages. The hourly increase provided ranged from .75 per hour to \$2 per hour. Of those (5) indicating they did not increase wages with the increase, 4 were Medicare providers who indicated they already were offering competitive wages and benefits and the increase only brought them closer to covering costs. Half of the respondents indicated they had either instituted a benefit package or added to their benefit package as a result of the increase in reimbursement. Staff with the Partnership indicated that they had received anecdotal information from providers that the reimbursement increase had impacted retention but not recruitment.

**South Carolina:** Several providers indicated that the additional wages paid to personal care aides has helped them compete with other employers.

**Virginia:** Wage pass through funds will be rolled into reimbursement rates. Thus, no separate report will be required for nursing homes regarding these funds in future years (home care wage pass through

*funds did not require a separate report to account for WPT funds).*

**Washington:** *Anecdotal information indicates the Wage Pass Through has not impacted the recruitment/retention problem. Worker wages will be a topic of discussion for the 2001 legislature. In addition to home care (setting for which initial wage pass through approved), other settings are reporting difficulty with recruitment and retention of aides. Home care providers continue to report difficulty recruiting and retaining workers. With regard to accountability, the initial budget provision was somewhat unclear so some agencies did not increase wage as intended. The provision language has been corrected and the state is now satisfied with their ability to ensure that wage increases are passed on to the workers.*

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