

*AARP Public Policy Report*

**PAYING FOR QUALITY CARE:  
State and Local Strategies for  
Improving Wages & Benefits  
for Personal Care Assistants**

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DSW TA Call

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# **“Can I find a qualified worker to provide the services I need?”**

- **Premise of this paper** Fundamental role of wages & benefits in determining adequacy & stability of personal care services (PCS) workforce
- **Growing research linking quality of jobs with quality of care**

# Current State of Wages & Benefits for PCS Workers

- **Near-poverty level wages**  
\$8.18 = median hourly wage in 2004
- **Lack of access to affordable benefits**  
40% of PCS workers don't have health insurance
- **Minimal training**
- **Erratic, part-time work schedules**

# Consequences of Poor Compensation

- Worker shortages
- High turnover rates & retention problems
- Lack of qualified staff
- Greater need for backup & emergency services
- Disincentives for providers to invest in training & workforce retention practices
- PCS jobs uncompetitive in local job markets

# What's Happening Around the Country To Improve Compensation?

7 state & local strategies...

# State & Local Strategies

1. Wage pass-through legislation
2. Rate enhancements linked to provider performance
3. Reform of reimbursement rate-setting methods
4. Litigation against state Medicaid agencies
5. Collective bargaining by PCS workers
6. Living wage ordinances and minimum wage increases
7. Health insurance initiatives targeting PCS workers

# 1. Wage Pass-Thru Legislation

- **What is it?** Legislatively-enacted appropriations earmarked for specific groups of direct-care workers
- **State examples** Used in about 24 states; WY & DC more successful
- **Problematic results** Trickle-down too small; unreliable; enforcement inadequate; time consuming & expensive for advocates

## 2. HCBS Rate Enhancements

- **What is it?** State gives enhanced rates to providers meeting specified performance goals
- **State examples** RI, TX
- **Results**
  - In RI, evidence of higher wages & benefits, improved retention
  - Enhancements can't solve problem of inadequate base rates

# 3. Reform of HCBS Rate Setting

- **What is it?** Implementation of systematic, on-going methods for:
  - Setting HCBS payment rates based on provider costs &/or competitive market rates
  - Evaluating adequacy of rates over time
- **Currently, *ad hoc* approaches “rule”**
  - No explicit state method for rebasing & updating rates
  - Rather, rates set in response to fiscal changes & advocacy pressure

## 3. Rate-Setting Reform (cont'd)

- **State examples** AZ and TX
- **Results** Rate-setting reform can:
  - Reduce reliance of rate setting on political process & link it to costs of providing services
  - Reduce provider uncertainty about funding
  - Promote consistency & coordination across programs & departments
  - BUT does not necessarily guarantee better wages/benefits

## 4. Litigation v. State Medicaid Agencies

- **What is it?** Federal lawsuits brought by Medicaid-eligible individuals; state lawsuits by provider associations
- **State examples**
  - Federal lawsuits: AZ, CA, CO, MS, WI
  - State lawsuits: KS, NH
- **Results** Pressure on states to improve reimbursement methods, increase payment rates & wages. Downsides: time consuming & expensive

# 5. Collective Bargaining by PCS Workers

- **What is it?** Public authority + worker representation = regular contract negotiations
- **State examples:** CA, OR, WA, MI (MA underway)
- **Results** About 400,000 workers affected; important increases in wages & benefits

## 6. Living Wage Ordinances & Minimum Wage Improvements

### ■ What's happening?

- Living wage ordinances impacting PCS workers in NY City area, San Francisco
- 17 states & DC have minimum wage (MW) above federal level. 4 states index MW to inflation (WA, OR, FL, VT)
- 2 cities have MW laws (San Francisco, Santa Fe)

## 6. Living Wage Ordinances & Minimum Wage Improvements (cont'd)

### □ **Results**

- Often significant wage increases for many low-wage workers, including PCS workers
- Sets floor under low-wage labor market; creates upward pressure on overall wage scale

## 7. Health Insurance Initiatives

- Debate broadening beyond wages to improving benefits, particularly health insurance
- What emerging research says about role of benefits
- Dozen states have health insurance focus/initiative on PCS & other direct-care workers

## 7. Health Insurance Initiatives (cont'd)

### ■ Types of initiatives

- Subsidizing employer-sponsored insurance
- Innovative employer-based insurance
- Outreach for already existing plans
- Recommendations by high-level state groups
- State legislation
- New national campaign: [www.coverageiscritical.org](http://www.coverageiscritical.org)

# Conclusions

- Central role of improved wages & benefits in ensuring adequate care quality in HCBS LTC system DS1
- Biggest weak spots
  - Lack of federal oversight & guidance
  - Problematic state rate-setting methods for HCBS
- State & local strategies for improving wages & benefits—what are they achieving?

# For more information contact:



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