

HCAF

Home Care Association of Florida
RESOURCES, EDUCATION, ADVOCACY

Medicaid Home Care Reimbursement and the Minimum Wage

ASSESSING THE UNINTENDED CONSEQUENCES FOR PATIENTS, PROVIDERS, AND TAXPAYERS

Issue

The passage of Amendment 2 will raise Florida's minimum wage to \$15 by 2026. The home care sector is in the midst of a direct care workforce shortage crisis, with turnover for these front-line workers at 65.2% in 2020. Wages for these workers — primarily home health and personal care aides — are dictated by outdated and low reimbursement rates from payers, including Medicaid, Medicare, and private health insurance plans.

Current Situation

- Providers cannot hire staff at the current Medicaid rates.
- Providers are often forced to turn away patients due to low reimbursement or are unable to deliver all the ordered visits that have been authorized.
- The minimum wage increase compounds costly regulatory burdens for Medicaid providers, such as the federal Electronic Visit Verification mandate.
- The \$15 minimum wage is already here (e.g., Amazon, Bank of America, Starbucks). In fact, in some areas, \$15 is now considered too low as a starting wage.

Solution

The Florida Legislature must invest in Medicaid home- and community-based services (HCBS) by proportionally increasing reimbursement rates. Without a corresponding increase in Medicaid reimbursement for in-home care services, it becomes financially unsustainable for any home care agency to provide certain services to Medicaid recipients. Moreover, not addressing this issue sooner rather than later will only compound the home care sector's long-standing challenge of attracting and retaining workers to provide these services.



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Supporting Information

The Value of Home Care

- Home care services help patients after an accident or a medical procedure, or because of an impairment, disability, or chronic illness. This type of care can allow a person with special health needs to continue to live in their home and avoid costly hospital stays, emergency room visits, or institutionalization in a nursing home or assisted living facility.

Stagnant Medicaid Reimbursement

- Medicaid reimbursement rates have stagnated for more than a decade while the costs of living and doing business have increased.
- Home care agencies already operate on slim margins. While private pay home care agencies and other non-health-related businesses can offset their losses by raising prices for consumers, that's not an option for health care providers whose services are largely reimbursed by Medicare and Medicaid.
- Fee-for-Service Medicaid provides a maximum reimbursement rate that the state will pay for medical and non-medical in-home care. For example, the maximum reimbursement for a home health aide visit unassociated with skilled nursing services is \$17.46 per visit. Once the minimum wage reaches \$15 in 2026, a home care agency's \$2.46 profit margin will all but vanish after factoring in other necessary costs of running a business (e.g., taxes, licensure, accreditation, insurance, office space, marketing, technology, employee education and training, background screening fees, etc.).
- Statewide Medicaid Managed Care (SMMC) health plans traditionally reimburse providers at even lower rates. Approximately 78% of Florida's nearly five million Medicaid recipients are enrolled in an SMMC health plan.
- An independent analysis found that the home care sector will need an additional \$60 million per year compared to 2021 just to absorb the increase in the minimum wage, not taking into account any growth in utilization.

Workforce Shortage

- The direct care worker turnover rate increased in 2020 to 65.2% from 64.3% in 2019.
- Because wages are dictated by outdated and low reimbursement rates from payers, including Medicaid, Medicare, and private health insurance plans, the average hourly wage for home health and personal care aides is \$12.22, according to the U.S. Department of Labor. Inaction will only compound the home care sector's long-standing challenge of attracting and retaining workers to provide these services.
- As the Baby Boomer population ages, more than one million home health and personal care aide jobs will be created by 2030, ranking these vital professions among the 20 fastest-growing jobs with the lowest pay.
- There were 4,759 home health job openings in Florida as of the second quarter of 2021. By 2028, the Florida Department of Economic Opportunity estimates there will be 42,434 home health aide job openings and 57,089 personal care aide openings.

Access to Care

- Without a proportional increase in reimbursement, the ripple effect will be quick and significant and could turn back the progress Florida has made in transitioning Medicaid recipients from an institutional setting to the home and community at a significantly lower cost to taxpayers. In 2013 the state reported that six out of 10 Medicaid long-term care program recipients resided in a nursing facility that year. By 2018, six out of 10 Medicaid long-term care program recipients resided in the community.

The 20 Fastest Growing + Declining Jobs

OVER THE NEXT DECADE

The U.S. Bureau of Labor Statistics predicts that 11.9 million new jobs will be created from 2020 to 2030—a growth rate of 7.7%. Below, we show the fastest growing and fastest declining jobs, and how much they pay.

