



STATE OF VERMONT

MEMORANDUM

To: House Appropriations Committee
From: Joyce Manchester, JFO
Date: April 24, 2018
Subject: Wage Structure for Employees in Nursing Homes and Child Care

Question: How would the increases in the minimum wage as outlined in S.40 affect wages for nursing home employees and childcare workers?

Answer: We have no detailed data on wages for either nursing home employees or childcare workers. But we do have general information as follows:

1. Long-term care facilities in Vermont

Information from Laura Pelosi, Vermont Health Care Association

Long-term care facilities in Vermont:

- 34 nursing facilities accept Medicaid- average daily rate statewide \$229.87, or \$9.47/hour -- this does NOT include the Vet's Home.
- 96 residential care homes accept Medicaid, Assistive Community Care Services (ACCS --\$37.25/day or \$1.55/hour) and/or Enhanced Residential Care (ERC -- \$52.76-\$72.97/day or \$2.19-\$3.00/hour). (See the Addendum at the end of this memo for further explanation of ACCS and ERC.)
- 8 assisted living residences accept Medicaid, ACCS (\$37.25/day or \$1.55/hour) and/or ERC (\$52.76-\$72.97/day or \$2.19-\$3.00/hour).

Long-term care facilities do have employees below \$15/hour currently. Many of the nursing assistants, laundry, activities, housekeeping and dietary staff in particular are paid between the current minimum wage and \$15/hour. There is a serious workforce shortage in long-term care facilities and health care in general. Compression will place extreme stress on providers looking to remain competitive in this market, especially as less demanding jobs will be competing for lower wage workers. All providers will be forced to increase the wage structure across the employee hierarchy to remain competitive.

There is no mechanism for residential care homes or assisted living residences to capture any of the costs associated with the minimum wage increases.

Nursing homes have a rate setting structure based on allowable costs, but they will suffer significant hardship before any of these costs are incorporated in their rate, if at all:

- Nursing homes may request that the increase in the minimum wage as a result of state mandate be included in their rate, but that will only be included if they fall under the Median Caps, and the allowed increase would be over 1% of their current rate.
- Only the amount of expense incurred to bring employees up to the minimum wage would be considered.
- If they don't qualify (as most will not given the median caps/1% threshold), they will pay the increased costs for years (accumulating each year) before those increases are reflected in their rates. The Base Year system and the 18-month lag after the base year cause the long lag. 2021 is the next base year for Indirect and Resident care and won't be in the rates until 7/1/2023. That Base Year is refreshed every 4 years. A large portion of affected employees are in Indirect and Resident Care – laundry, housekeeping, activities, dietary aides, unlicensed Geri-aides, bedmakers, etc. For Nurse Aides, 2019 costs will be included in the rates on 7/1/21 and then 2021 costs on 7/1/23, as the base year is refreshed every 2 years.
- But facilities will need to increase wages to address compression, to keep the same hierarchy of wages. That would not be considered a direct effect of the legislation, so a facility would need to wait roughly four years to be able to capture those wage increases.
- This would make it very difficult for facilities to absorb those increased costs.

Many facilities are suffering financial losses currently, and this will put pressure on those facilities and potentially increase the likelihood a facility would need to request financial relief from the State. Per data from the Division of Rate Setting, some nursing homes have sustained substantial losses, up to 29% in 2016.

Long-term care facilities support the concept of providing a \$15/hour minimum wage, **however**, Medicaid as a significant if not the largest payer for many providers **MUST** increase rates to make that a reality.

Here is testimony from an administrator of one of our members that operates both a nursing home and a residential care home. She testified in the Senate Economic Development Committee. Her testimony illustrates the challenge.

<https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/Senate%20Economic%20Development/Bills/S.40/S.40~Lynn%20Smith~Testimony~1-23-2018.pdf>

Here is testimony from DAIL, which highlights the complexity of getting to the detailed wage data.

<https://legislature.vermont.gov/assets/Documents/2018/WorkGroups/House%20Human%20Services/Bills/S.40/S.40~Bard%20Hill~Minimum%20Wage%20and%20Home%20Health%20Aides%20Updated%20Version%20Submitted~4-12-2018.pdf>

2. Childcare Workers

Again, no industry-wide wage data exist. But some information does exist.

*A. Vermont's Early Childhood & Afterschool Workforce
Findings from the Vermont Early Childhood & Afterschool Workforce Surveys
December 2015*

http://dcf.vermont.gov/sites/dcf/files/CDD/Reports/VT_Workforce_Survey_Report_FIN_AL_12.31.2015.pdf

Three surveys were performed:

- the Early Childhood & Afterschool Survey
- the Family Provider Survey
- the Public School Survey

The response rate from early childhood and afterschool professionals was approximately 20.5 percent for the Early Childhood & Afterschool Survey (with higher percentages in 4 or 5 start programs), 28.5 percent for the Family Provider Survey, and 24.5 percent for the preschool Public School Survey.

The overall median hourly wage for the respondents to the Early Childhood & Afterschool Survey in 2015 was \$15.21. The median 2014 net profit for family home providers was \$12,664, or \$6.33 per hour if working 50 weeks at 40 hours/week. In contrast, the median hourly wage for Public School Survey respondents was \$25.48. People working in family child care homes and licensed center that are not managed by the public schools receive few benefits, such as health insurance, dental insurance, and retirement plans.

Low wages and few benefits are the top reasons why individuals might leave the field of early childhood and afterschool.

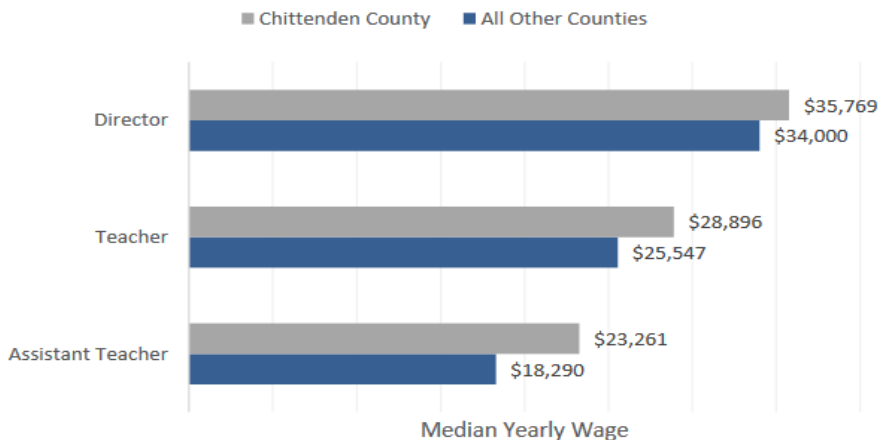
Figure 15. Median hourly wage varied by job role for respondents to the Early Childhood & Afterschool Survey.



Figure 26. Median hourly wage varied by job role for Public School Survey respondents.



Figure 22. Median yearly wages were higher for directors, teachers, and assistant teachers in Chittenden County versus those in the rest of the state for the Early Childhood & Afterschool Survey.



B. Chittenden County Pre-K Partner Wage and Benefit Survey, 2016

Child Care Resource

<https://www.childcareresource.org/wp-content/uploads/2016/12/2016-Wage-and-Benefit-Survey-Results.pdf>

Table 10: Current Wages

Job Type	Lowest Reported	25th Percentile	50th Percentile (Median)	75th Percentile	Highest Reported	Average	Number of Staff Reported
Director ²	\$12.00	\$16.67	\$19.00	\$23.80	\$27.88	\$19.92	17
Program Director	\$13.33	\$15.67	\$16.35	\$19.83	\$41.84	\$19.54	10
Licensed Teacher	\$10.00	\$14.13	\$18.08	\$19.82	\$41.84	\$18.46	28
Assistant Director	\$13.00	\$15.00	\$16.00	\$18.27	\$19.66	\$16.39	5
Teacher	\$10.00	\$13.50	\$15.52	\$18.18	\$25.00	\$15.83	69
Teaching Assistant	\$9.60	\$10.50	\$11.51	\$12.50	\$21.78	\$12.07	44
Substitute	\$10.00	\$10.00	\$10.00	\$12.00	\$13.00	\$10.75	25

C. Wage information for various occupations is available from the Vermont Department of Labor. Here is information from 2017 on wages for Childcare Workers:

<http://www.vtmi.info/oic3.cfm?occcode=39901100>

Wages

for Childcare Workers

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Location	Pay Period	2017					Average Wage
		Percentile Wages					
		10%	25%	50% Median	75%	90%	
Vermont	Hourly	\$ 10.22	\$ 11.07	\$ 12.71	\$ 15.54	\$ 18.19	\$ 13.49
	Yearly	\$21,270	\$23,020	\$26,440	\$32,310	\$37,840	\$28,050
Burlington-South Burlington, VT Metropolitan NECTA	Hourly	\$ 10.28	\$ 11.13	\$ 12.54	\$ 14.75	\$ 17.27	\$ 13.11
	Yearly	\$21,390	\$23,160	\$26,090	\$30,670	\$35,920	\$27,270
Southern Vermont Balance of State	Hourly	\$ 10.12	\$ 10.74	\$ 11.78	\$ 15.62	\$ 18.69	\$ 13.31
	Yearly	\$21,050	\$22,350	\$24,510	\$32,490	\$38,870	\$27,690
Northern Vermont Balance of State	Hourly	\$ 10.50	\$ 12.52	\$ 14.69	\$ 17.32	\$ 19.04	\$ 14.73
	Yearly	\$21,840	\$26,030	\$30,550	\$36,030	\$39,600	\$30,650

[What are Percentile Wages?](#)

source: [Occupational Employment Statistics](#), Vermont Labor Market Information, U.S. Bureau of Labor Statistics, released April 2018.

Addendum: Further explanation of ACCS and ERC

1. ACCS

http://dail.vermont.gov/sites/dail/files/documents/Res_Care_Hom_Licensing_Regulations_2000.pdf

4.3.a To participate as an Assistive Community Care Services (ACCS) Medicaid provider, a home must be:

- (1) Licensed as a Level III home;
- (2) Maintained in compliance with the Residential Care Home Licensing Regulations; and
- (3) Enrolled as a Medicaid provider.

2. ERC – one of the settings for Choices for Care services

<http://asd.vermont.gov/sites/asd/files/documents/Section%20IV.%20Services%208.13.pdf>

Enhanced Residential Care (ERC) Setting: *(revenue codes 092, 093, 094 & 090)*

ERC services are bundled into a daily rate to include

- a. 24-Hour Supervision
- b. Nursing Overview
- c. Personal Care
- d. Medication Management
- e. Recreational Activities
- f. Laundry Services
- g. Housekeeping Services
- h. In Home Case Management