

## **Minimum Wage and Home Health Aides**

**9/21/2017**

It is challenging to determine how an increase in the minimum wage will impact “home health aides”, their employers, the people they serve, and the funding sources that pay for them. DAIL does not collect detailed employment data from most of the relevant employers, so we can at best produce a general estimate of cost impact. Observations:

While a significant increase in minimum wage might achieve the intended consequences (eg increased income, improved quality of life), it may also result in unintended consequences. Considerations include:

1. Multiple categories of workers provide similar work (primary categories in the table below).
2. These categories of workers are employed by a variety of employers and in a variety of settings including hospitals, nursing homes, home health agencies, designated agencies, specialized service agencies, assisted living facilities, residential care homes, therapeutic community residences, and by consumers themselves in their own homes under Choices for Care.
3. We have no detailed data source for individual employee hours and wages by payor. Many Medicaid and Medicare payments are made to agencies or facilities as per diems or ‘bundled’ payments. 2016 DOL employment and wage data, as the best available, was used to produce an estimate of cost impact.
4. Wage compression: to the degree that lowest paid workers receive wage increases, agency and facility employers with multiple employees and occupational/wage ‘ladders’ will face significant challenges from wage compression. An employer who hires a new employee at \$15/hour would face labor conflict from long-term workers and supervisors who earn the same \$15/hour wage. Avoiding wage compression would create additional financial pressures.
5. In most settings, the primary sources of funding for these workers is Medicaid and Medicare. Increases to Medicaid reimbursement would require Medicaid spending. Increases to Medicare reimbursement is extremely unlikely.
6. Most of the relevant facilities and agencies operate at or close to a financial deficit. Few would be able to absorb significant increases in labor costs.
7. Medicaid and Medicare programs typically either specify a volume of service to be provided, or that the volume of services be adequate to ensure quality of care. This means that agencies and facilities are generally unable to reduce their workforce costs without reducing the numbers of people served or reducing the quality of care. Vermont already faces some significant access and quality issues among the relevant facilities and agencies.
8. In cases where support is based on an allocated individual supports from appropriated Medicaid budgets (eg developmental disabilities, Choices for Care, Traumatic Brain Injury program), an increase in the minimum wage would lead to:
  - a. Significant increases in state appropriations and Medicaid spending;
  - b. Significant decreases in numbers of people served, including changes in eligibility;
  - c. Significant decreases in individual services, some of which would be impossible and/or subject to appeals and continued benefits during appeals; and/or
  - d. Significant reductions in worker benefits (eg health insurance) among those employers that offer currently offer benefits.
  - e. Additional financial pressures form wage compression among groups of workers at specific facilities and agencies.

**Table 1: Estimated Impact of \$15 minimum wage (based on DOL employment/wage estimates)**

<http://www.vtlmi.info/occupation.cfm#oes>

<u>Title</u>	<u>est # under \$15</u>	<u>\$15- 25th percentile</u>	<u>est avg hours per year</u>	<u>gross wages to reach \$15</u>	<u>plus FICA/fringe @ 20%</u>	<u>gross cost</u>	<u>guess % Medicaid</u>	<u>est Gross cost increase to Medicaid services</u>	<u>guess % Medicare</u>	<u>est Gross cost increase to Medicare services</u>
Social and Human Service Assistants	160	\$1.62	2080	\$539,136	\$107,827	\$646,963	30%	\$194,089	5%	\$32,348
Community Health Workers	240	\$1.74	2080	\$868,608	\$173,722	\$1,042,330	20%	\$208,466	10%	\$104,233
Community and Social Service Specialists, All Other	300	\$1.92	2080	\$1,198,080	\$239,616	\$1,437,696	30%	\$431,309	0%	\$0
Psychiatric Technicians	144	\$0.37	2080	\$110,822	\$22,164	\$132,987	60%	\$79,792	0%	\$0
Healthcare Support Occupations	4,134	\$2.74	2080	\$23,560,493	\$4,712,099	\$28,272,591	20%	\$5,654,518	20%	\$5,654,518
Home Health Aides	432	\$3.25	2080	\$2,920,320	\$584,064	\$3,504,384	20%	\$700,877	70%	\$2,453,069
Psychiatric Aides	20	\$4.95	2080	\$205,920	\$41,184	\$247,104	60%	\$148,262	0%	\$0
Nursing Assistants	1,974	\$3.10	2080	\$12,728,352	\$2,545,670	\$15,274,022	40%	\$6,109,609	20%	\$3,054,804
Healthcare Support Workers, All Other	36	\$1.35	2080	\$101,088	\$20,218	\$121,306	20%	\$24,261	5%	\$6,065
<i>Childcare Workers</i>			2080				0?			
Personal Care Aides	5,344	\$4.23	2080	\$47,018,650	\$9,403,730	\$56,422,380	85%	\$47,959,023	0%	\$0
<i>Personal Care and Service Workers, All Other</i>			2080				0?			
<b>TOTAL</b>								<b>\$61,510,206</b>		<b>\$11,305,038</b>

<file:///T:/ALLDAIL/minimum%20wage/Copy%20of%20wagevt.2016.xlsx>