

# Estimating State Costs from Raising the Minimum Wage for Healthcare Workers Paid through Medicaid

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# The Question

- How much will it cost the State of Vermont to raise the wages of low-wage healthcare workers paid through Medicaid under the new minimum wage law?
- Note that the State budget could be affected in other ways, but we have not estimated them here
  - Some contractors working for healthcare facilities could raise the cost of doing business and eventually affect reimbursement rates
  - School employees paid by Medicaid
  - Wages for childcare workers could affect CCFAP payments
- For more details, see the JFO Issue Brief at [https://ljfo.vermont.gov/assets/Subjects/Minimum-Wage-Other/af8f222624/Issue Brief Minimum Wage Cost Estimate and Data Collection-v2.pdf](https://ljfo.vermont.gov/assets/Subjects/Minimum-Wage-Other/af8f222624/Issue%20Brief%20Minimum%20Wage%20Cost%20Estimate%20and%20Data%20Collection-v2.pdf)

# The Minimum Wage going forward

|      | Before S.23 |        | After S.23 |        |
|------|-------------|--------|------------|--------|
|      | Min. Wage   | Change | Min. Wage  | Change |
| 2020 | \$10.96     |        | \$10.96    |        |
| 2021 | \$11.20     | 2.2%   | \$11.75    | 7.2%   |
| 2022 | \$11.47     | 2.4%   | \$12.55    | 6.8%   |
| 2023 | \$11.75     | 2.4%   | \$12.85    | 2.4%   |
| 2024 | \$12.03     | 2.3%   | \$13.16    | 2.3%   |
| 2025 | \$12.30     | 2.3%   | \$13.46    | 2.3%   |

# To estimate the cost to the State, first look at the Medicaid portion of budgets for three types of services

- Use budgets from DVHA budget book of November 2019 and historical growth rates
- Home-Based and Community Care Services
  - CFC Services
  - Non CFC DVHA Services such as home health and hospice
  - Non CFC DAILE Services such as advocacy and independent living grants
- Assisted Community Care Services
- Nursing Home Services

Second, look at the share of the budget going to wages

|  |  |  |     |
|--|--|--|-----|
| Home-Based and Community Care Services |  |  | 75% |
| Assisted Community Care Services       |  |  | 80% |
| Nursing Home Services                  |  |  | 70% |

Next, look at the share of wages going to low-wage workers earning  $\leq$  \$15/hour (includes compression)

|  |                  |  |  |     |
|--|------------------|--|--|-----|
| Home-Based and Community Care Services |                  |  |  |     |
|  | CFC Services     |  |  | 90% |
|  | Non CFC Services |  |  | 20% |
| Assisted Community Care Services       |                  |  |  | 80% |
| Nursing Home Services                  |                  |  |  | 60% |

# Finally, assume that wages are more weighted to the low end\*

- Note: If all hourly wages < \$15 were at current minimum wage, use full wage increase of 7.2%
- If hourly wages were evenly distributed between current minimum wage and new minimum wage, use half of 7.2%
- \*If hourly wages are more weighted to the low end, use 2/3 of 7.2%

# Estimated State cost for 6 months in FY21 (State share is ~46%)

|  |  |  |           |             |                      |
|--|--|--|-----------|-------------|----------------------|
| Home-Based and Community Care Services |  |  | \$590,000 | 45.5%       |                      |
| Assisted Community Care Services       |  |  | \$120,000 | 9.1%        |                      |
| Nursing Home Services                  |  |  | \$590,000 | 45.4%       |                      |
|  |  |  |           |             |                      |
|  |  |  | Total     | \$1,300,000 | includes compression |

|  |  |  |
|--|--|--|
| If do not address compression, use about 35% of wages under \$15 |  |  |
|  |  | \$500,000 without addressing compression |



# Allocating the funds to the providers who most need them will be difficult

- According to JFO's survey data, the providers who reported hourly wages for jobs that pay  $\leq$  \$15/hour have very different shares of jobs at or below \$11.75/hour
  - 68% of reported ARIS daily jobs
  - 38% of reported ARIS hourly jobs
  - 29% of reported Adult Day Services jobs
  - 10% of reported Visiting Nurse Association jobs
  - 10% of hospital jobs
  - Only a few interns in the Designated Agencies
- Providers in southern and northeastern Vermont as well as smaller providers such as small residential care facilities tend to have more jobs with wages closer to the minimum wage
- Cannot just increase reimbursement rates across the board