

**S.23 Amendment, Revised Estimate**

**Covering the Cost of Raising Wages of Low-Wage Workers Paid through Medicaid**

**Covered entities:** Home Health Agencies, Nursing Homes, Residential Care Homes, Assisted Living Residences, and Adult Day Agencies

**Proposal:** Use the approach of the House Appropriations Committee to provide a cost of living increase for some of these entities, modified to fit this context.

1. Start with the FY 2020 budget (gross) for Home Based and Community Care/Nursing Homes/Assisted Community Care agencies: What percent of the budget covers eligible wages?

- a. Estimate the percentage of the budget that is spent on wages
- b. Estimate the percentage of wages for low wage “eligible employees”
- c. (Budget) x (percent labor) x (percent eligible low income labor)

2. Calculate the percent increase needed to raise the wages to offset the minimum wage increase

- a. Inflation FY 2019 to FY 2020: 2.1%
- b. Inflation-adjusted cost of minimum wage increase: 4.5%
- c. Amount needed to raise those wages: 6.7%

3. Budget amounts

- a. State share at 46%, Federal share at 54%
- b. Cost for one-half year (minimum wage increase starts Jan.1)

Example: Jill Olson of VNA estimated for some entities

- a. 75% is for wages and 90% of wages is for low-wage employees

Note: The cost estimate will still likely exceed the \$1.2 mil net fiscal gain from raising the minimum wage.

**Two other issues**

1) Other agencies such as DAs and SSAs might qualify for the “compression benefit” in future years. JFO suggests that language commit to an amount for FY 2020 and consider increases for future years be dependent on a study of costs for future years.

2) House General should consider limiting its action to the years of the ramp up in the minimum wage rather than guaranteeing cost increases permanently. The concept warrants further discussion, but other committees may want to be involved.