

Seeking Alignment

Cost to provide PCA Services is misaligned with current and proposed funding rates and with the SEIU Home Care Workers tentative agreement



Summary:

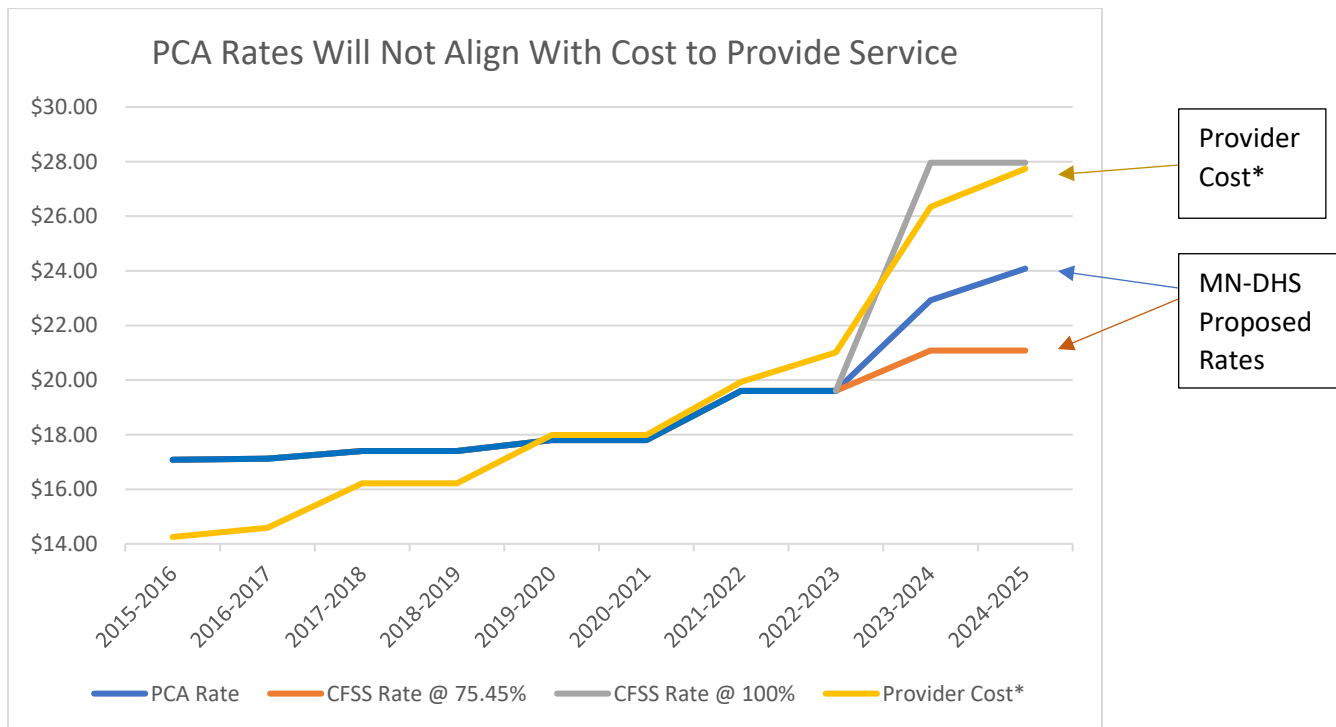
Lifeworks Services, Inc., a provider of PCA Services in Minnesota, seeks to illustrate the gap between the proposed budget increase of 16.88% on the historic PCA rates in the Governor’s Budget and the costs associated with the tentative SEIU agreement.

Under the proposed plans and rates, providers like Lifeworks will need to fund an additional \$4.61 per hour for every hour worked by PCAs, a shortfall that would create unsustainable gaps between the reimbursement rates from the Department of Human Services (MN-DHS) and direct worker costs.

With data provided in this summary, Lifeworks urges leaders to consider a budget increase that matches funding to the cost to provide PCA Services and relook at proposed statute language regarding rates as part of the Community First Services and Supports implementation which is set to replace PCA in 2023.

SOURCE: <https://www.seiuhhealthcaremn.org/news/seiu-home-care-workers-win-historic-wage-increases-in-tentative-agreement-with-gov.-walz-and-state-of-minnesota/>

Summary Graphic to Illustrate Rate vs. Cost Gap



*Provider Cost above includes direct worker costs plus 2.9% for program related provider support and 13.25% for standard general and administrative support.

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Table 1: PCA Provider Reimbursement Rate vs. Provider Direct Worker Cost

Table 1 shows the past 8 years of MN-DHS Reimbursement Rate changes in response to the signed collective bargaining agreements (CBAs); along with the tentative agreement for 2023-2025. This table does not include the proposed cost of a wage scale rewarding longevity of home care workers reaching \$22.50 hourly wage, retention bonuses, or other worker benefits included in the tentative agreement.

Since 2015, MN-DHS has recommended a total of 41% in reimbursement rate increases for providers by raising the hourly reimbursement rate by \$7.00. The CBA increases worker wages and benefits by 95% or \$11.61 per hour. As a result, providers must now fund an additional \$4.61 for every hour worked by PCAs.

Table 1:

Biennium or Budget Year	Provider Reimbursement Rate		Provider’s Direct Worker Cost					Cost Increase Over Prior Year	Provider Gross Margin*
	MN-DHS PCA Reimbursement Rate	Rate Increase over Prior Year	CBA Minimum Wage	Hourly Wage Increase Over Prior Year	CBA: PTO & Holiday Benefits	Provider Employer Taxes	Total Provider Direct Worker Cost		
2015-2016	\$17.08		\$10.75		\$0.20	\$1.32	\$12.27		28.2%
2016-2017	\$17.12	0.2%	\$11.00	2.3%	\$0.20	\$1.36	\$12.56	2.4%	26.6%
2017-2018	\$17.40	1.6%	\$12.00	9.1%	\$0.48	\$1.48	\$13.96	11.1%	19.8%
2018-2019	\$17.40		\$12.00		\$0.48	\$1.48	\$13.96		19.8%
2019-2020	\$17.80	2.3%	\$13.25	10.4%	\$0.64	\$1.60	\$15.49	11.0%	13.0%
2020-2021	\$17.80		\$13.25		\$0.64	\$1.60	\$15.49		13.0%
2021-2022	\$19.60	10.1%	\$14.40	8.7%	\$1.00	\$1.76	\$17.16	10.8%	12.4%
2022-2023	\$19.60		\$15.25	5.9%	\$1.04	\$1.80	\$18.09	5.4%	7.7%
2023-2024	\$22.92	16.88%	\$19.00	24.6%	\$1.40	\$2.28	\$22.68	25.4%	1.0%
2024-2025	\$24.08	5.1%	\$20.00	5.3%	\$1.48	\$2.40	\$23.88	5.3%	0.8%
Accumulated Change Over Past 10 years	\$7.00	41%	\$9.25	86%			\$11.61	95%	-27%

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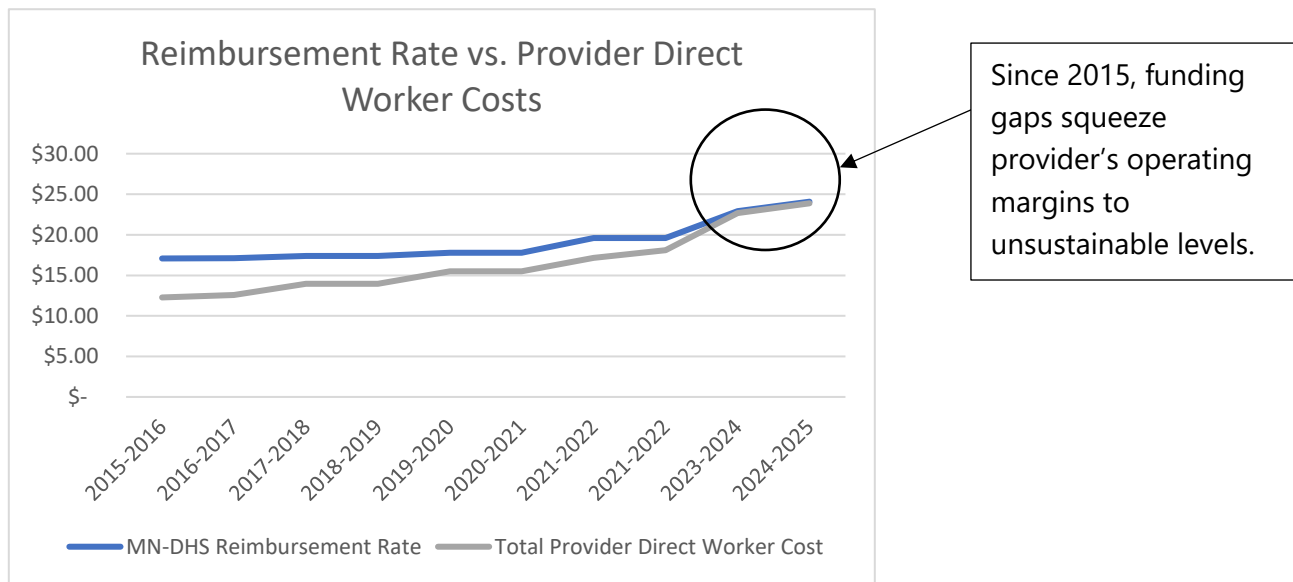
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Table 2: PCA Reimbursement Rate vs. Provider Direct Worker Cost

Table 2 illustrates the funding gap between the PCA reimbursement rate and provider costs over the last five (5) CBAs.

Table 2:



Tables 3 and 4: CFSS Reimbursement Rate vs. Provider Direct Worker Cost

Based on MN Statute 256B.851 – the following demonstrates the current provider reimbursement rate for the new CFSS offering. This includes the 75.45% implementation factor per MN Statute 256B.851 Subd. 5(b) which significantly discounts the reimbursement rate pushing the provider's operating margins to unsustainable levels.

Fully funding the implementation factor component (Table 4) from MN Statute 256B.851 provides the funding required to align reimbursement rates with provider costs.

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Table 3: CFSS Reimbursement Rate with 75.45% Implementation Factor

		Provider Reimbursement Rate (Includes 75.45% Implementation Factor)		Provider's Direct Worker Cost						
Biennium or Budget Year	CFSS Rate Component	15-Min Rate	CBA Minimum Wage	Hourly Wage Increase Over Prior Year	CBA: PTO & Holiday Benefits	Provider Employer Taxes	Total Provider Direct Worker Cost	Cost Increase Over Prior Year	Provider Gross Margin*	
2023-2024	\$21.08	\$5.27	\$19.00		\$1.40	\$2.28	\$22.68		-7.6%	
2024-2025	\$21.08	\$5.27	\$20.00	5.3%	\$1.480	\$2.40	\$23.88	5.3%	-13.3%	

Table 4: CFSS Reimbursement Rate Fully Funded at 100%

		Provider Reimbursement Rate (Implementation Factor Fully Funded at 100%)		Provider's Direct Worker Cost						
Biennium or Budget Year	CFSS Rate Component	15-Min Rate	CBA Minimum Wage	Hourly Wage Increase Over Prior Year	CBA: PTO & Holiday Benefits	Provider Employer Taxes	Total Provider Direct Worker Cost	Cost Increase Over Prior Year	Provider Gross Margin*	
2023-2024	\$27.96	\$6.99	\$19.00		\$1.40	\$2.28	\$22.68		18.9%	
2024-2025	\$27.96	\$6.99	\$20.00	5.3%	\$1.480	\$2.40	\$23.88	5.3%	14.6%	

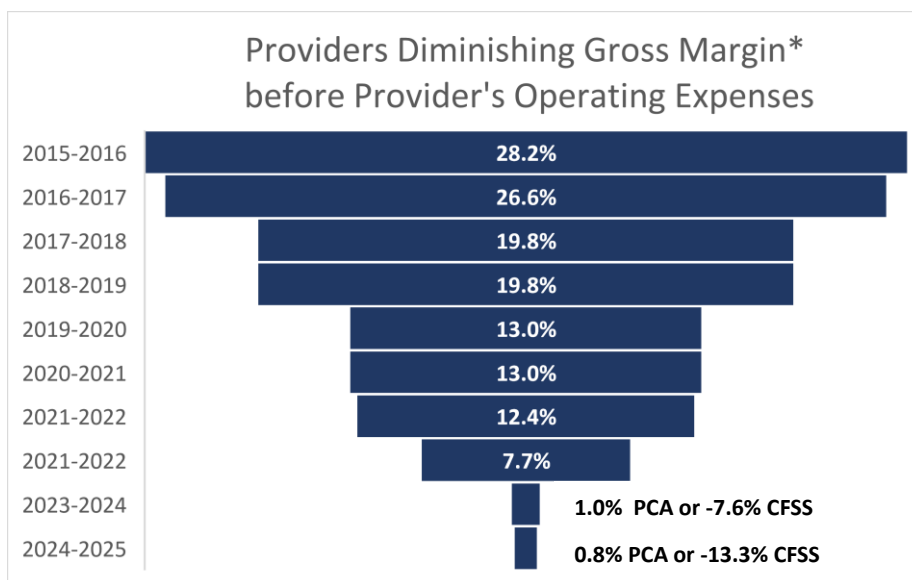
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Table 5: Provider Gross Margins

Diminishing margins show misalignment of reimbursement rates and provider's gross margin from 2015 through 2022 and projected impacts for 2023 and beyond.



**Provider Gross Margin is the amount remaining to pay for provider's operating costs including unreimbursed worker training time, overtime, time exceeding each worker's maximum allowable hours to work each month and administrative overhead to cover human resources (hiring/background studies which will increase to \$44 on 1/1/24), ACA health insurance offerings, payroll, Medicaid billing, electronic visit verification timekeeping systems, etc.*

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Supplemental Data:

Below is the CFSS Rate Component Calculation based on MN Statute 256B.851.

Rate Components	Rate Factor	CFSS Rate	CFSS Rate (Fully Funded)	CBA Proposed Hourly Wage
Hourly Wage*		\$15.19	\$15.19	Jan 1, 2024: \$19.00
Vacation/Sick/Training	8.71%	\$16.52	\$16.52	Jan 1, 2025: \$20.00
Program Plan Support	7.00%	\$17.67	\$17.67	
Taxes & Worker's Comp	11.56%			
Other Benefits	12.04%	\$21.84	\$21.84	
Client Program and Supports	2.30%	\$22.34	\$22.34	
Standard G&A Support	13.25%			
Program Related Support	2.90%			
Utilization and Absence	3.9%	\$27.95	\$27.95	
Implementation Factor	75.45%	\$21.09		
Fully Funded	100.00%			
Final Hourly Rate		\$21.09	\$27.95	
Final 15-Minute Unit Rate		\$5.27	\$6.99	

*The base hourly wage component value equals the median wage for personal care aide (SOC code 31-1120) published by the Bureau of Labor Statistics May 2021 plus the Competitive Workforce Factor of 4.7% MN Statute 256B.