



March 20, 2023

The Honorable Sen. John Hoffman, Chair  
Senate Human Services Committee  
95 University Avenue W.  
St. Paul, MN 55155

## **RE: Concerns with PCA Reimbursement in Gov. Walz's Revised Budget Recommendations**

Dear Chair Hoffman and Committee Members:

The Minnesota First Provider Alliance (the "Provider Alliance") is a trade association of personal care assistance ("PCA") agencies and waiver service providers. The PCA program is a critical service that assists over 44,000 Minnesotans in their home and community, 63% of whom are individuals who are Black, Indigenous, or People of Color ("BIPOC"). Historically, the PCA program has been one of the lowest reimbursed services with a reimbursement rate that is much lower than similar waiver services. At the same time, the majority of PCA workers are BIPOC and women. The PCA program is vital to ensuring that Minnesotans with disabilities and older adults can safely remain in their homes and avoid needing more costly services.

From its inception in 2016, the Provider Alliance has advocated for increased wages for PCAs and to establish best practices and higher integrity standards in our industry. However, for the PCA agencies to pay increases in wages under the Minneapolis and St. Paul municipal ordinances and the state's collective bargaining agreement ("CBA") with the Service Employees International Union ("SEIU"), PCA agencies have relied on the Legislature to increase the reimbursement rate adequately.

Unfortunately, over the last three biennia, the minimum wage for PCAs providing services in the PCA Choice program has increased by \$4.50/hour while the reimbursement rate has increased by only \$2.52/hour. Not only have these rate increases failed to cover the increases in wages, but they made absolutely no accommodation for increases in payroll and unemployment taxes or workers' compensation costs that are associated with a wage increase, nor do they account for the paid time off also included in the contract or holidays that are to be paid at time and a half. The governor's FY 24-25 budget recommendations include the ratification of a new two-year CBA with a \$4.75/hour wage increase (over two years) while only recommending a combined \$4.33/hour increase in PCA reimbursement.

In recent years, the Provider Alliance has worked with DHS staff to understand the fiscal methodology that results in fiscal estimates that systemically underfund the collective bargaining agreements. Through those conversations, we have identified two primary issues:

- **Reliance on Other Sources of Reimbursement:** In preparing its fiscal estimates, DHS utilizes the average wage in the collective bargaining unit based on data reported to the state. This approach yields an average wage greater than the CBA's wage floor. Consequently, DHS discounts the needed rate increase by only calculating the gap

between the average wage in the bargaining unit and the proposed wage floor (versus the gap between the existing and proposed wage floors). This fails to account for the impact that other revenue sources (i.e., services reimbursed under 245D or Medicare/Medicaid home health care) have on the wages paid by larger providers, including some large nonprofits. Therefore, the failure to account for the impact of other non-PCA revenue sources on PCA wages has disproportionately harmed small PCA-only BIPOC service providers.

- **Discount of Portion of Reimbursement Attributed to Wages:** In developing a methodology for estimating costs for the first CBA, DHS staff estimated that wages and benefits accounted for roughly 70% of the cost of providing PCA services. This ratio was subsequently used to discount the rate increase needed to cover each subsequent wage increase (\$0.70 rate increase for every \$1.00 wage increase). This is contrary to both the principles of mathematics (e.g., in the last contract, just the wage of \$15.25 constituted 77.8% of the \$19.60 reimbursement rate) and common sense (e.g., it costs at least \$1.00 for an agency to pay a worker \$1.00).

The Provider Alliance believes strongly in and fully supports ratifying the state's collective bargaining agreement to increase PCA wages as outlined in S.F. 1616 (Pappas). However, we believe that DHS' methodology for calculating the reimbursement rate needed to support the CBA which resulted in the changes to the PCA/CFSS rate framework contained Article 1 Section 32 of S.F. 2934 (Hoffman) is fatally flawed.

To maintain the same 77.8% relationship between the CBA's wage floor and the reimbursement rate that exists in current law, the Legislature would need to set the reimbursement rate for PCA services at \$6.11 per unit (or \$24.42/hour), beginning January 1, 2024, and \$6.43 per unit (or \$25.70/hour) beginning January 1, 2025. Therefore, we would respectfully request that, at a future date, the committee consider amending S.F. 2934 to include implementation components of **94.00%** and **98.93%** for FY 24 and FY 25, respectively. The Provider Alliance like to thank Chair Hoffman, Sen. Fateh, and the members of the Senate Human Services Committee for all your work on the PCA program and we look forward to working with the committee to support those who rely on and provide PCA services as the session continues.

Sincerely,

Dena Belisle, President  
Minnesota First Provider Alliance