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February 6, 2015

DHS Oregon Department of Human Services

The Honorable Senator Devlin
The Honorable Representative Buckley
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

RE: Update on Direct Care Worker Wage Study

Dear Legislators:

Nature of the Report

The purpose of this letter is to provide an update on the Department's implementation of a wage study based on the Budget Note associated with House Bill 5529. The language stated the following:

The Department of Human Services shall provide a report to the Joint Committee on Ways and Means during the 2015 legislative session on services, providers, and rates for each agency program relying on direct care workers for service delivery. Dependent on the project's final scope and expertise required, the Department may contract with a third party to complete the report. The report will include a description of the services, provider type, number of direct care workers, and worker turnover rates.

In addition, the report will show provider rates for the 2009-11, 2011-13, and 2013-15 biennia and the relationship between those rates and direct care worker wages. Where possible, the report will also show comparisons between the 2013-15 rates and what those rates would be if 2003-05 rates had been indexed to inflation from that biennium forward.

Within programs or specific services, the report will also describe how worker wages are determined, for example, whether by the employer or through a collective

bargaining agreement. The Department will also identify any current data gaps, attempt to resolve them if possible, and outline strategies to resolve them for future reporting.

Finally, the report will explore other options – beyond simply increasing rates – for ensuring that funding increases translate into wage increases for direct care workers. Some recognized strategies include implementing wage pass-through legislation, providing enhanced reimbursements tied to workforce outcomes, specifying a minimum allocation of rate to direct care labor costs, and revising contract language. It is the intent of the Joint Committee on Ways & Means that provider rate increases in the 2013-15 budget have as a priority salary and benefit increases for direct care workers in order to reduce turnover rates.

Agency Action

Based on the direction provided by the Legislature, the Department issued a Request for Proposal (RFP) for this body of work. We ultimately awarded the contract to RTI International, a firm that specializes in research and analysis for the public and private sectors.

We have attached RTI International's Executive Summary (the full 200 page report is available at:
http://www.oregon.gov/dhs/aboutdhs/dhsbudget/20152017%20Budget/Oregon%20Final%20Direct%20Care%20Wage%20Report%20to%20DHS.pdf
and the presentation that address the requirements of the Budget Note.

RTI International created a survey and based on provider information prepared by the Department conducted the survey to providers. Providers surveyed met the definition of having direct care workers who provide direct care services to individuals with long-term care needs. Provider types surveyed included:

- Nursing Facility
- Residential Care Facility for Adults and individuals with Physical Disabilities
- Residential Care Facility for individuals with Intellectual or Developmental Disabilities
- Adult Foster Care for Adults and individuals with Physical Disabilities
- Adult Foster Care for individuals with Intellectual or Developmental
- Assisted Living Facility
- In-Home Care Agency

- Adult Day Services
- Specialized Living
- Supported Living
- Specialized Living Services

RTI International did not survey Home Care Workers, Personal Support Workers, or homes operated through the Stabilization and Crisis Unit (SACU) based on the budget note and the fact that these providers have their direct care workers' wages bargained directly with the State through collective bargaining.

RTI International concluded the survey and developed a report for the Department and a report and presentation for the Legislature. The report focuses on the key domains addressed in the Legislative Budget Note:

- Profile of long-term care providers, their service users, and direct care workers
- Wage, inflation, and Medicaid rates
- Fringe Benefits
- Turnover of direct care workers
- Options for ensuring that funding increases translate into wage increases

RTI independent of the Department provided analysis of the information provided by Providers in Oregon and developed their reports. The Department has reviewed the report and added additional options to the presentation RTI will be making to the Legislature.

The options discussed in the presentation are:

- Wage Pass-through legislation
- Contractual provisions
- Minimum Wage Policy Discussion

DHS has only had the draft report for a few weeks and has not had the opportunity to fully vet the impacts of the options listed above. Each comes with pro's and con's and significant policy considerations (including collective bargaining and market-based wage determination) that DHS can assist the Legislature look into further if requested.

After reviewing the information, DHS believes there are still unanswered questions related to this topic especially in the areas of implementing some of the options discussed in the presentation or the wage legislation analysis in the report. In fact,

DHS acknowledges there may be more questions than answers caused by this report and will do what it can to answer any questions that come up during the presentation to assist in the decision making process during the Legislative Session.

This is the first large-scale data collection of this type that DHS has undertaken for this group of providers and it was quite an undertaking. DHS would like to thank RTI and especially the over 2000 providers who responded in the midst of program changes and acknowledge the additional work it was to complete the surveys.

Action Requested

The Department of Human Services requests that the Joint Committee on Ways and Means acknowledge receipt of this report.

Legislation Affected

None

If you have questions or concerns, please contact Nathan Singer at (503) 269-8913 or email at nathan.m.singer@dhsoha.state.or.us

Sincerely,

Eric L. Moore
DHS Chief Financial Officer

Enclosure

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January 2015

Wages, Fringe Benefits, and Turnover among Direct Care Workers Employed by Long-Term Care Providers in Oregon

Report to the Legislature

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INTRODUCTION

Low wages and the lack of fringe benefits among direct care workers employed in the long-term care industry are longstanding concerns by policymakers, both nationally and in Oregon (Khatutsky et al., 2011; Stone & Wiener, 2001). Aside from the direct negative impact that low wages and lack of fringe benefits have on direct care workers and their families, these employment characteristics may make it more difficult for long-term care providers to recruit and retain workers (Howes, 2005). Advocates for higher wages and fringe benefits also argue that these conditions are associated with higher turnover and lower quality of care.

In response in part, to these concerns in Oregon, the Budget Note in HB5029 directed the Oregon Department of Human Services to examine wage and fringe benefits among the state's long term-care workers. The text of the budget note is presented in ***Exhibit 1.*** This report provides the information required by the budget note. Bolding in is added to the exhibit to identify major domains.

Exhibit 1. Budget Note on Direct Care Workers in HB5029

The Department of Human Services shall provide a report to the Joint Committee on Ways and Means during the 2015 legislative session on services, providers, and rates for each agency program relying on direct care workers for service delivery. Dependent on the project's final scope and expertise required, the Department may contract with a third party to complete the report. The report will include a **description of the services, provider type, number of direct care workers, and worker turnover rates.**

In addition, the report will show **provider rates for the 2009-11, 2011-13, and 2013-15 biennia and the relationship between those rates and direct care worker wages. Where possible, the report will also show comparisons between the 2013-15 rates and what those rates would be if 2003-05 rates had been indexed to inflation from that biennium forward.**

Within programs or specific services, the report will also describe how worker wages are determined, for example, whether by the employer or through a collective bargaining agreement. The Department will also identify any current data gaps, attempt to resolve them if possible, and outline strategies to resolve them for future reporting.

Finally, the report will explore **other options – beyond simply increasing rates – for ensuring that funding increases translate into wage increases for direct care workers**. Some recognized strategies include implementing wage pass through legislation, providing enhanced reimbursements tied to workforce outcomes, specifying a minimum allocation of rate to direct care labor costs, and revising contract language. It is the intent of the Joint Committee on Ways & Means that provider rate increases in the 2013-15 budget have as a priority salary and benefit increases for direct care workers in order to reduce turnover rates.

This report presents the high level findings within the five major domains required by the Budget Note:

Domain 1. Profile of long-term care providers, their service users and direct care workers

Domain 2. Wages, inflation, and Medicaid rates

Domain 3. Fringe benefits

Domain 4. Turnover

Domain 5. Options for ensuring that funding increases translate into wage increases

A longer, more detailed report is also available from the Oregon Department of Human Services.

Data and Methods. Most data for this report were collected through a mail survey (with telephone follow-up for nonrespondents) of long-term care providers participating in the Oregon Medicaid program. Individuals who are independent providers in the participant-directed option of the Oregon Medicaid long-term

services and supports (LTSS) program are not included. RTI International, a large nonprofit research institute, with a regional office in Portland, designed and fielded the survey and conducted the analyses.

A total of 2,008 providers responded to the survey, reflecting a response rate of 81.2% (calculated using American Association of Public Opinion Research (AAPOR) Standard - Response Rate 1). Response rates by provider types ranged from a low of 72.3% for Residential Care: Developmental Disabilities to a high of 100.0% for IC Specialized Services. To make the survey responses representative of the total population, the response questionnaires were weighted to make them descriptive of the total population of long-term care providers, service users, and direct care workers. The numbers used in this report are the weighted estimates.

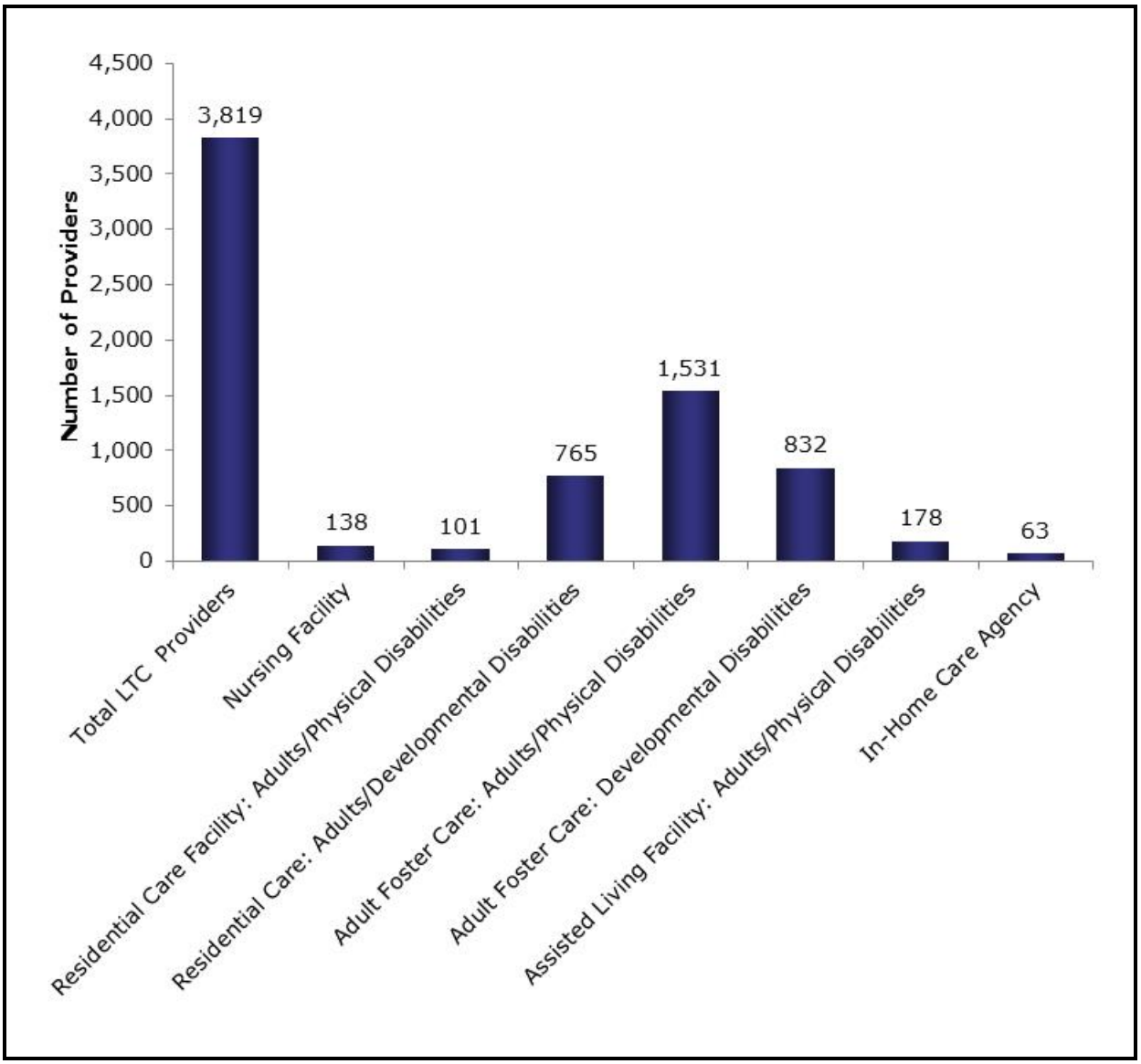
Although the report mainly describes data collected from the survey, other data were also used. The report presents historical data on wages for personal care workers and nurse aides in Oregon that were developed by the U.S. Bureau of Labor Statistics (BLS). Some wage data are adjusted for inflation also using data from BLS. Medicaid payment rate data for providers serving older people and younger persons with physical disabilities provided by the Oregon Department of Human Services are analyzed as part of an examination of how wages relate to Medicaid payment rates. However, comparable payment rate data are not available from the Department of Human Services for services for people with intellectual and developmental disabilities.

Domain 1 – Profile of Long-term Care Providers, Their Service Users and Direct Care Workers

- **Different types of providers serve different types of clients in a variety of settings.** Provider categories participating in the Oregon Medicaid program and included in this report are Nursing Facilities, Residential Care Facility: Aged/Physical Disabilities; Residential Care: Adults/Developmental Disabilities; Adult Foster Care: Aged/Physical Disabilities; Adult Foster Care: Developmental Disabilities; Assisted Living Facility: Adult/Physical Disabilities; In-Home Care Agencies; Residential Care Contracts; Residential Care: Children/Developmental Disabilities; Supportive Living: Developmental Disabilities; Adult Day Services; and Specialized Living Facilities.
  - **Adult foster care homes** are a type of long-term care provider, each of which typically serves a small number of people. Almost a third of these providers did not employ any direct care workers; rather the provider and his or her family members provide all direct care services themselves. Adult foster care homes that do not employ direct care workers are included in the profile of long-term care providers, but are not included in the analyses of direct care workers.
  - **Number of providers.** An estimated 3,819 long-term care providers participate in the Oregon Medicaid program ***(Figure 1)***. This does not include independent providers (i.e., providers in the participant-directed option of the Oregon Medicaid LTSS program).
  - **The typical long-term care provider** is a small, for-profit organization that is not part of a chain, which is located in a metropolitan area. Providers are split almost equally between those serving an older population and people with physical disabilities and a population with intellectual and developmental disabilities.
  - **Training of direct care workers is very limited.** With the exception of nursing facilities, where federal regulations require that direct care workers receive at least 75 hours of training before they begin caring for residents, most long-term care providers require little training of their direct care workers. Nearly 80% of providers require fewer than 75 hours of training, including 14% of providers that require no training.
- **Number of clients served.** These providers serve 45,858 current residents and other service users over the last 7 days.

- **Direct care workers** provide hands-on personal care services to persons with disabilities or older people requiring LTSS in a facility, home, or other setting. Common examples of direct care workers are certified nursing assistants (CNAs), nursing assistants (NAs), certified medication aides (CMAs), restorative aides (RAs), home health aides, and personal care assistants.
  - **Number of direct care workers:** These 3,819 providers employed an estimated 36,685 direct care workers ***(Figure 2)***.
  - **The typical direct care worker** was a white, non-Hispanic, female, aged 18-44, with a high school education. About two-thirds of direct care workers are employed full time.

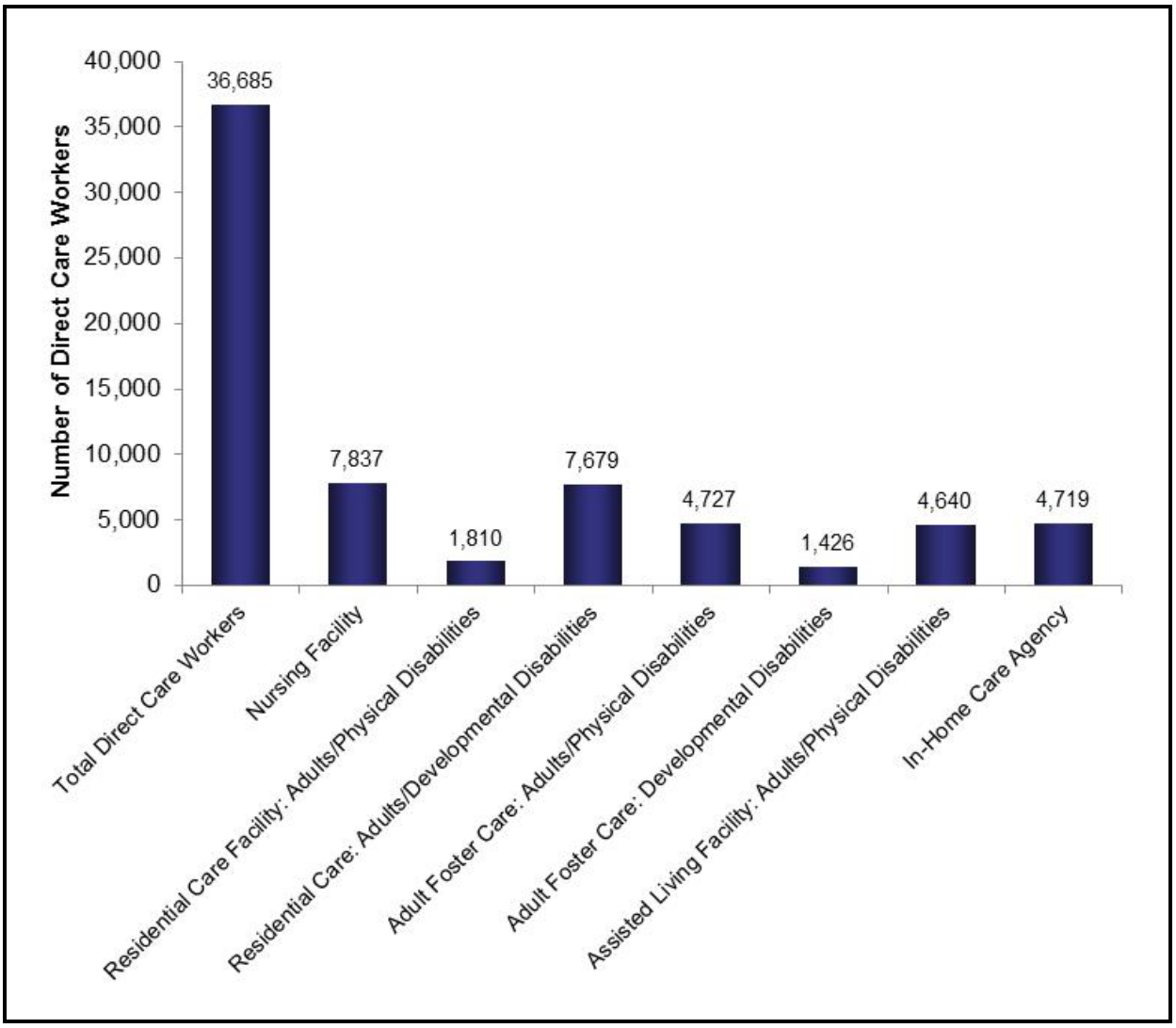
Figure 1. Number of Oregon Long-Term Care Providers Participating in Medicaid, by Provider Type, 2014



Note: Unit of analysis is provider. Data for Adult Day Services, Residential Care Facilities with Contract Rates Residential Care Facilities for Children with Developmental Disabilities, and Supportive Living Services for Individuals with Developmental Disabilities are included in the total, but not shown because of small number of providers.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Figure 2. Direct Care Workers, by Long-Term Care Provider Type, 2014



Note: Unit of analysis is direct care worker. Data for Adult Day Services, Residential Care Facilities with Contract Rates Residential Care Facilities for Children with Developmental Disabilities, and Supportive Living Services for Individuals with Developmental Disabilities are included in the total, but not shown because of small number of providers.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Domain 2 – Wages, Inflation, and Medicaid Rates

Wages of direct care workers account for most of the cost of providing long-term care and are the main category of compensation for direct care workers.

- **How worker wages were determined.** With the exception of nursing facilities, long-term care providers did not use collective bargaining processes when determining wages and fringe benefit offerings to their direct care workers. Just over a quarter (28%) of nursing facility provider respondents reported that they used collective bargaining processes. Wages for Home Care Workers and Personal Support Workers engage in collective bargaining, but they are not included in this analysis.

- **Most important factors considered by providers when setting wages:** the legally required minimum wage, the education and experience of individual workers, and the wages of other long-term care providers. The minimum wage in Oregon is $9.10 per hour.

- **Medicaid rate not a top factor when setting wages.** Although the Medicaid rate was cited as a factor by about a third of long-term care providers, and was especially important for nursing facilities and in-home care agencies, it was not one of the top-rated factors.

- **If the median and mean wage are calculated by averaging the wage of each direct care workers, the median hourly wage was $11.15 and the mean hourly wage was $12.38 in 2014 (*Figure 3)*.** Counting all providers equally, regardless of how many direct care workers they employ, the median hourly wage was $10.51 per hour and the mean hourly wage was $11.10 per hour.

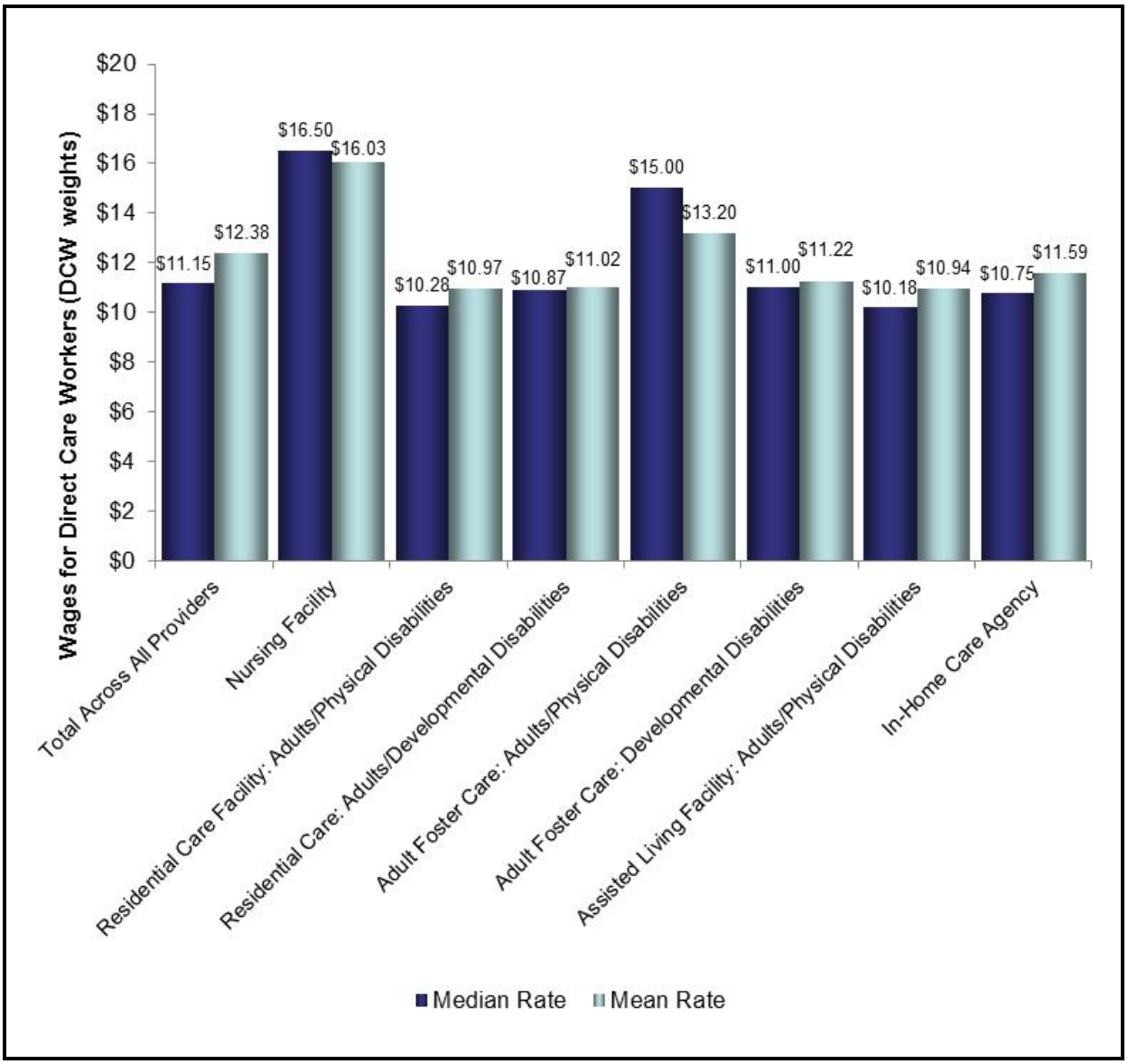
- **Nursing facilities and adult foster care homes for the aged and people with physical disabilities pay substantially more** than other types of providers and pull up the median and mean; there is very little variation in wages across other provider types. Excluding nursing facilities and adult foster care homes for the aged and people with physical disabilities and averaging over all direct care workers, the median wage is $10.75 and the mean wage is $11.13 per hour.

- **There is little difference in wage rates between high- and low-Medicaid providers.** Among all providers, the average wage (weighted by the number of providers) was $11.10 per hour compared to $10.88 per hour for low-Medicaid providers and $11.41 per hour for high-Medicaid facilities.[1] In an analysis that controls for other variables, however, high Medicaid providers did have lower wages, but the magnitude of the effect was small. Each percentage point increase in the percent Medicaid reduced average wages by $0.01. Thus, a 20 percentage point increase in the provider's percent Medicaid would result in a reduction in average hourly wages of about $0.20 per hour.

- **Wages vary according to the target population and age of the population served.** When weighted by the number of direct care workers, direct care workers who are employed by providers that target people with frailty, dementia, and physical disabilities make almost $2 more per hour compared to direct care workers employed by providers that target people with developmental disabilities ($12.96 and $11.09, respectively).

[1] Among all providers, the average wage (weighted by the number of direct care workers) was $12.38 per hour compared to $12.03 per hour for low-Medicaid providers and $12.51 per hour for high-Medicaid facilities.

Figure 3. Median and Mean Wages for Direct Care Workers, Weighted by the Number of Direct Care Workers, by Provider Type, 2014



Note: Unit of analysis is direct care worker. Data for Adult Day Services, Residential Care Facilities with Contract Rates Residential Care Facilities for Children with Developmental Disabilities, and Supportive Living Services for Individuals with Developmental Disabilities are included in the total, but not shown because of small number of providers.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

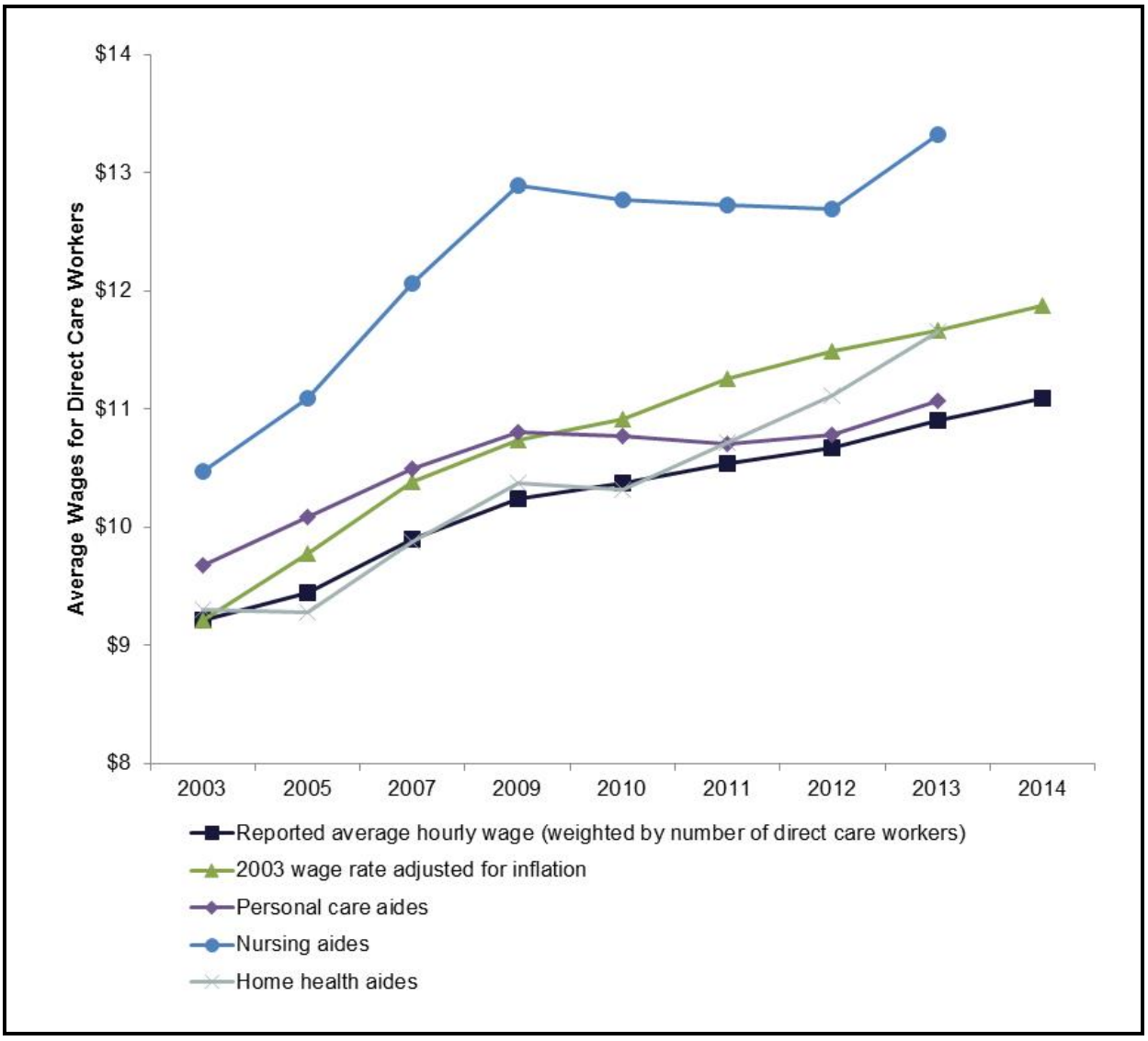
- **Wage increased, but not as much as inflation between 2003 and 2014.** Among providers in operation in 2014 and also during 2003-2014, wages increased over the time period, although not as much as general inflation ***(Figure 4 and Appendix Table A-1)***. For example, weighted by the number of direct care workers, average wages increased from $9.21 in 2003 to $11.20 in 2014; inflation-adjusted 2003 wages would be have been $12.07 in 2014, about a dollar per hour more than actual wages in 2014.

- **Wages did not increase as fast as Medicaid payment rates.** Medicaid payment rates to providers serving older people and younger persons with physical disabilities generally increased faster than direct care

worker wage rates. For example, the Medicaid payment rate for nursing facilities increased by 88% between 2003 and 2014, which was more than three times faster than the reported direct care worker wage increase. Note that there is variation across provider types.

- **Slowdown in increases 2009 to 2014.** Overall, Medicaid payment rates increased at a slower rate from 2009 to 2014 and were more comparable to increases in wages by direct care workers, which probably reflects the Great Recession in terms of rate increases and wage increases. Data are not available to conduct a comparable analysis of payment rates for providers of services to people with developmental disabilities.

Figure 4. Wages for Direct Care Workers for All Long-term Care Providers Participating in Medicaid, 2003-2014



Note: Unit of analysis is direct care worker. Data for Adult Day Services, Residential Care Facilities with Contract Rates Residential Care Facilities for Children with Developmental Disabilities, and Supportive Living Services for Individuals with Developmental Disabilities are included in the total, but not shown because of small number of providers. Estimates for personal care aides, nursing aides, and home health aides are from the U.S. Bureau of Labor Statistics (BLS). BLS estimates not available for 2014.

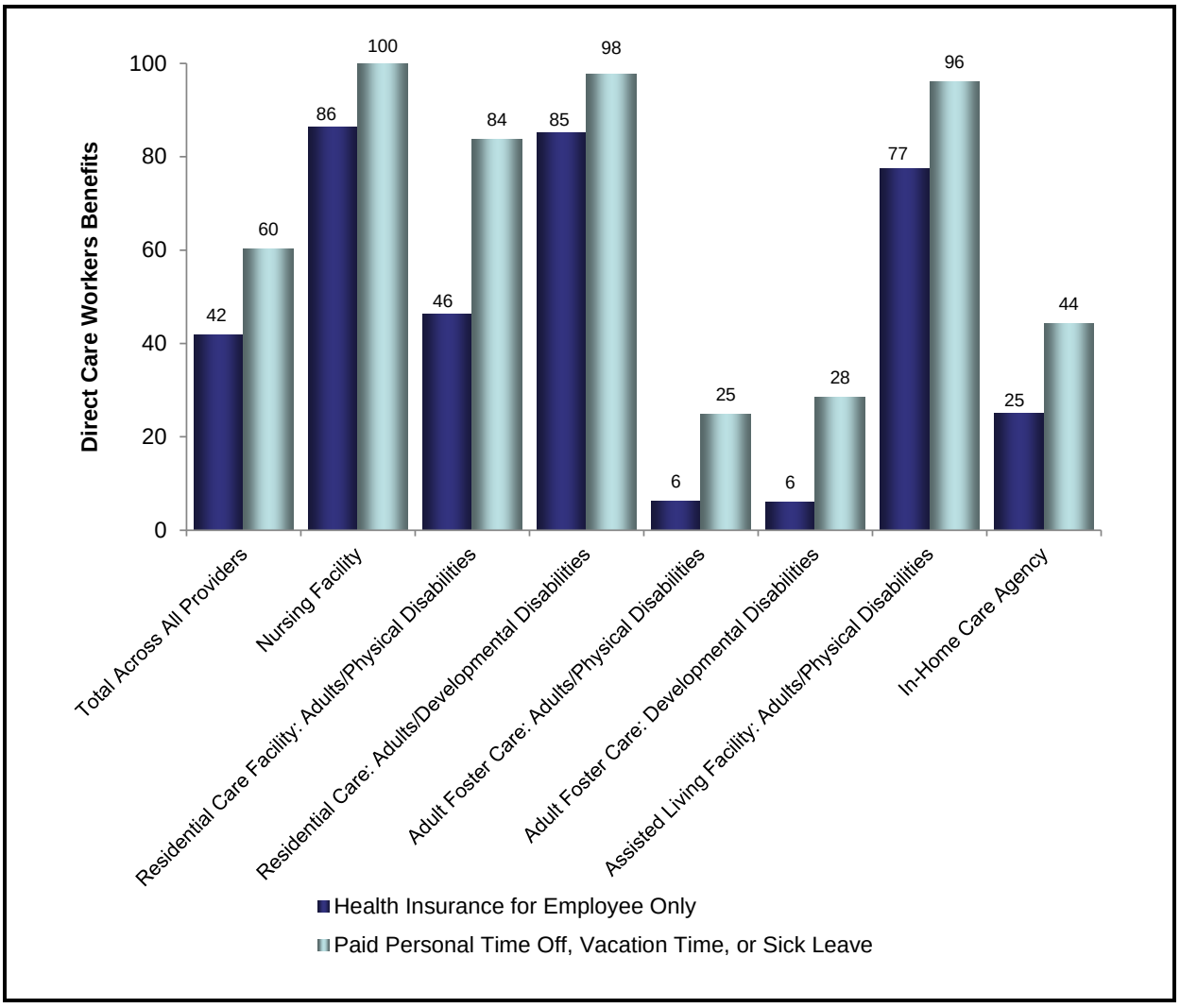
Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Domain 3 – Fringe Benefits

The provision of fringe benefits is an important component of compensation to employees, including direct care workers. Provision of fringe benefits varies greatly among long-term care providers.

- **The offer of fringe benefits is much more common for full-time employees than for part-time workers.** Where offered to part-time workers, they generally must work quarter- to half-time to qualify for benefits. Approximately 36% of direct care workers are employed part-time.
- **Which benefits are most prevalent?** The most commonly offered fringe benefit is paid personal time off (60% of providers), followed by paid holidays (46%), employee-only health insurance (42%), health insurance with family coverage (34%), retirement plan (34%), and life insurance (31%) ***(Figure 5 and Appendix Table A-2)***.
- **Variation by provider type in offering benefits.**
  - **Nursing facilities, assisted living facilities, and residential care facilities for adults with developmental disabilities** offer more fringe benefits to their direct care workers than the average long-term care provider.
  - **In-home care agencies and adult foster care facilities** offer few benefits to their direct care workers.
  - **Except for family-coverage health insurance, providers serving people with intellectual and developmental disabilities were more likely to offer fringe benefits than were providers serving people with frailty, dementia, and physical disabilities**.

Figure 5. Offer of Employee-only Health Insurance and Personal Paid Time Off to Direct Care Workers, by Long-Term Care Provider Type, 2014 (percentage)



Note: Unit of analysis is provider. Data for Adult Day Services, Residential Care Facilities with Contract Rates Residential Care Facilities for Children with Developmental Disabilities, and Supportive Living Services for Individuals with Developmental Disabilities are included in the total, but not shown because of small number of providers.

"Any fringe benefit" includes health insurance: family and employee only; paid time off: personal vacation time or sick leave and paid holidays; retirement benefits such as a pension plan such as a 401(k) or 403(b); or life insurance.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

- **Increase in offer of fringe benefits.** For providers in operation in 2014, a greater proportion of long-term care providers offered various fringe benefits in 2014 than they did in 2010.

- **Benefits that require employee contribution versus those that are free.** Direct care worker participation in fringe benefits varies greatly by the type of fringe benefit. Fringe benefits that typically require an employee financial contribution, such as health insurance, retirement benefits, and life insurance, have low participation rates. For example, although about 31% of long-term care providers offer some type of retirement benefits, only about 15% of direct care workers participate. Conversely, participation rates for

"free" benefits are much higher. For example, about 56% of providers offered personal time off and almost two-thirds (65%) of direct care workers used the benefit.

Domain 4 – Staff Turnover

Staff turnover refers to when workers voluntarily or involuntarily leave their employer. Turnover rates are often used as an indicator of quality of care. Providers with high turnover rates are likely to have periods where they operate short-staffed and new workers are likely unfamiliar with the needs and preferences of the consumers they serve. Low wages and few fringe benefits may contribute to high turnover rates in long-term care nationally and in Oregon.

- **Average annual turnover** among direct care workers was an estimated 64% in 2014. There is wide variation in turnover rates across provider types. Residential care facilities for adults with developmental disabilities had the highest turnover rates at 90% per year, while adult foster care homes for people with developmental disabilities had the lowest turnover rate at 30% ***(Figure 6)***. Nursing facilities had turnover rates of 54%.

- **High turnover rates were associated** with these characteristics: Nonprofit ownership, chain ownership, micropolitan and rural location, providers focusing on people with developmental disabilities and severe mental illness, a low proportion of minority workers, and a high proportion of minority service users

- **Turnover rates were not associated** with whether the provider was a high or low Medicaid provider**.**

- **The relationship between wages and turnover rates is U-shaped**, with high higher turnover rates among providers paying low wages, then turnover rates decline as wages increase, and then turnover increases as wages rise to higher levels. Although the reason for this relationship is not clear, workers at high-wage providers may have skills that make them able to leave their high-paying provider for other, even better, payment. The relationship between fringe benefits and turnover seems to vary widely by the type of fringe benefit offered.

- **The relationship between the offer of fringe benefits and turnover is mixed.** Providers that offer health insurance with family coverage, paid personal time off, and pension benefits have lower than average turnover rates, but providers that offer health insurance for the employee only, paid holidays, and life insurance have higher than average turnover rates.

Domain 5 – Options for Ensuring That Funding Increases Translate Into Wage Increases

Medicaid payment rate increases do not necessarily translate to comparable worker wage increases. Because long-term care providers are heavily dependent on Medicaid, a major focus of raising the wages and increasing the use of fringe benefits by direct care workers has been on raising Medicaid payment rates. However, because rate increases reflect a variety of increased costs, a Medicaid payment rate increase does not necessarily result in an increase in wages and fringe benefits of direct care workers. There are four potential strategies for states to increase the wages of direct care workers in long-term care.

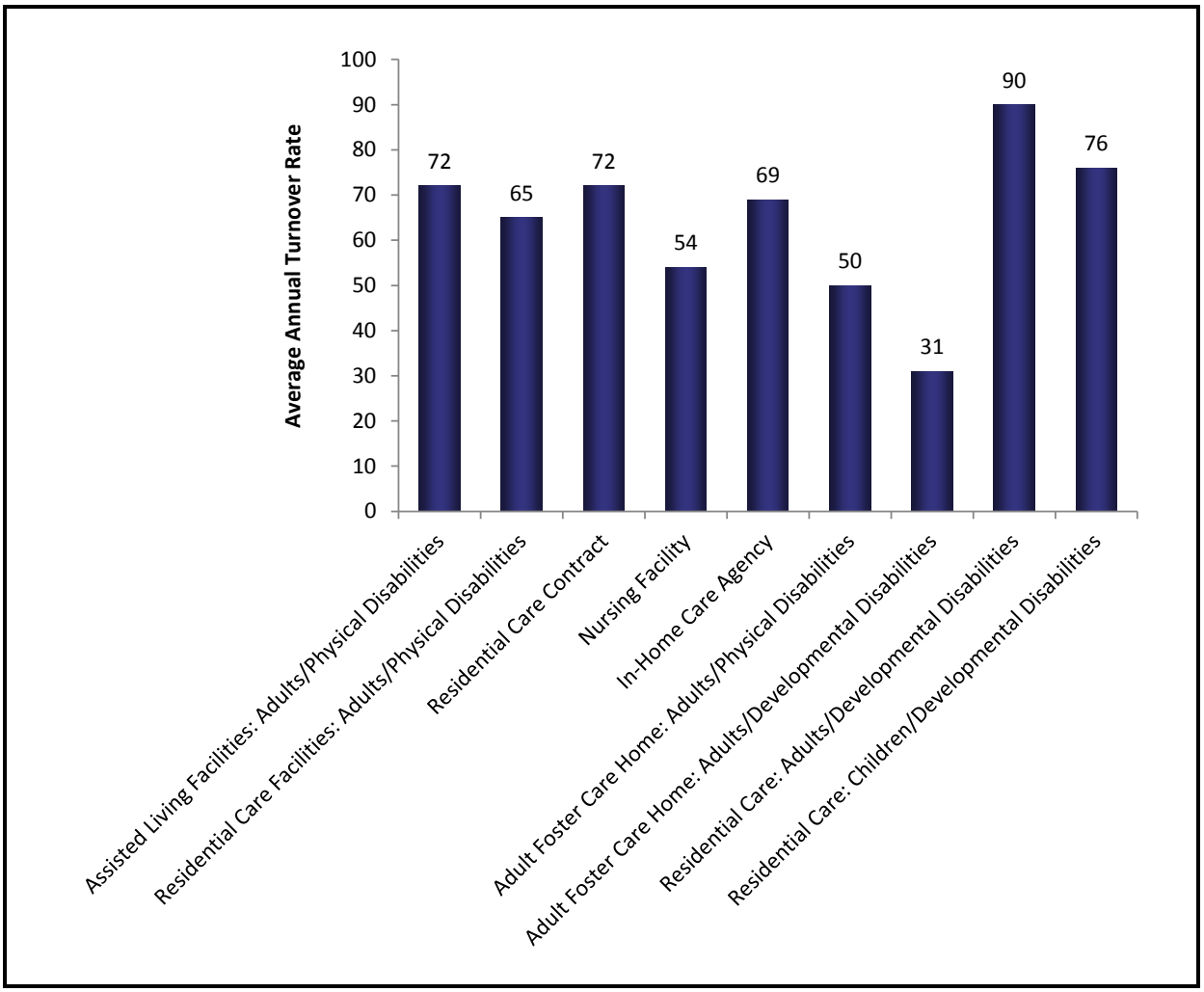
- **States can increase the minimum wage**. Since average wages for direct care workers in Oregon are only about $2 more than the state minimum wage, this approach would likely raise wages for a significant portion of direct care workers, depending on how high the minimum wage level is set. On the other hand, the minimum wage applies to broad categories of workers beyond direct care workers in long-term care and may have other employment effects. Opponents of increases in the minimum wage argue that it

would make workers more expensive and employers will hire fewer of them if they are forced to pay higher wages. In addition, these wage increases would likely be reflected in higher Medicaid costs and higher costs for other services purchased by the state. Analyzing the macroeconomic and state budgetary impact of a higher minimum wage is beyond the scope of this report.

- **As part of the Medicaid contract with providers, states could specify that all participating providers must pay direct care workers a minimum specified wage.** This approach has the advantage of targeting Medicaid-participating providers. While this strategy is theoretically possible, to our knowledge, no state has this type of requirement, except to the extent that providers may be required to pay the state minimum wage.
- **States can increase Medicaid payment rates and hope that providers will increase wages.** However, without specific requirements that providers increase wages, many providers will chose not to do so.
- **States can enact wage-pass through legislation which combines increasing the Medicaid payment rates with the requirement that providers increase wage levels as a condition of participating in Medicaid**. To increase the portion of Medicaid rate increases that result in higher wages and more fringe benefits, about half (n = 23) of states enacted wage pass-through legislation from 1999 to 2004 (Miller et al., 2012), although it has been less popular in more recent years. The Institute of Medicine Committee on the Future Health Care Workforce for Older Americans (2008) endorsed wage pass-throughs as a way to increase wages and benefits of direct care workers.
    - **Wage pass-through legislation attempts to ensure that the increased payment rate be passed on to direct care workers** by (1) requiring a set daily dollar amount to be allocated to direct care workers' hourly wages, or (2) requiring a proportion of the Medicaid payment increase to be used for increased wages or benefits (North Carolina Division of Facility Services, 2000). Some states made their initiatives optional while other states have made them mandatory.

      Early research evidence on the effectiveness of wage pass-through programs is mixed, but more recent studies find more positive results. Two more recent studies, Baughman and Smith (2007, 2010), found a direct relationship between wage pass-through initiatives and increased wages for direct care workers (7% and 12% increases, respectively) as a result wage pass-through policies in 20-23 states. After controlling for various levels of state implementation and provider participation, only states with optional wage pass-through policies had significantly higher wage increases compared to other states.

Figure 6. Turnover Rate of Direct Care Workers, by Long-Term Care Provider Type (percentage)



Note: Unit of analysis is provider. Turnover calculated as estimated total number of direct care workers in 2014 divided by the number of current direct care workers adjusted by the proportion of the year that represents. Data for Adult Day Services, Residential Care Facilities with Contract Rates Residential Care Facilities for Children with Developmental Disabilities, and Supportive Living Services for Individuals with Developmental Disabilities are included in the total, but not shown because of small number of providers.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

- **Making wage pass-through programs have the desired effect.** To ensure that wage pass-through programs increase wages, policy makers and researchers have concluded that enforcing accountability of providers via monitoring and auditing are essential to ensure the Medicaid rate increase is being used as it was intended. Paraprofessional Healthcare Institute (2003) provides a list of ways in which some states with wage pass-through programs have built their accountability systems:

  1. Requiring providers to submit a plan describing how they intent to institute the increase
  2. Conducting a survey of providers post wage pass-through implementation to determine whether and how they participated

3. Requiring providers to submit detailed cost reports and conducting a full, annual state audit to assess provider expenditures

- **Providers' positions with respect to wage pass-throughs.** Although supportive of higher Medicaid reimbursement rates, providers have not supported wage pass-through legislation in most states. First, providers argue that Medicaid underpays them relative to their costs. Thus, rate increases reduce the level of that underpayment for existing services, but do not eliminate the underpayment. Second, they oppose Medicaid's detailed involvement in how providers spend the money that they receive, seeing that as an infringement of management prerogatives. Third, Medicaid pays rate increases for service users who are Medicaid eligible, but not all service users are Medicaid-eligible. Thus, under wage pass-through legislation providers argue that they are forced to raise prices for private-pay and other payers to pay for the wage increases for staff whose time is not reimbursed by Medicaid.

CONCLUSION

Direct care workers are the backbone of the LTSS industry. These workers provide residents, clients, and patients (depending on provider type) with day-to-day basic care to ensure that their daily care needs are being met. Nationally, the U.S. Bureau of Labor Statistics (2013) estimates the need for an additional 1.3 million direct care worker positions between 2012 and 2022. The nation, including Oregon, will have difficulty recruiting and retaining these workers unless working conditions—including wages and fringe benefits—are improved.

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APPENDIX

Table A-1. Prior Wages for Direct Care Workers for Total Long-Term Care Providers in Oregon, 2003–2014

Year Provider in Operation	2003	2005	2007	2009	2010	2011	2012	2013	2014
Total Number of Providers	734	878	1,108	1,364	1,577	1,729	1,894	2,256	2,867
Total Number of Direct Care Workers	10,143	12,538	18,296	22,758	27,095	28,492	31,639	36,430	36,685
Reported average hourly wage (weighted by number of direct care workers)	$9.21	$9.44	$9.89	$10.23	$10.38	$10.54	$10.67	$10.90	$11.10
2003 wage rate adjusted for inflation	$9.21	$9.78	$10.38	$10.74	$10.91	$11.26	$11.49	$11.66	$11.88
BLS estimates									
• Personal care aides	$9.67	$10.08	$10.49	$10.80	$10.77	$10.70	$10.78	$11.07	
• Nursing aides	$10.47	$11.09	$12.06	$12.89	$12.77	$12.73	$12.69	$13.32	
• Home health aides	$9.30	$9.28	$9.87	$10.37	$10.32	$10.71	$11.11	$11.65	

Note: Unit of analysis is direct care worker. Bureau of Labor Statistics (BLS) estimate for wages not available for 2014.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Table A-2. Fringe Benefits Offers and Enrollment/Use by Direct Care Workers across All LTC Providers, 2010–2014

	All LTC Providers				
Year Provider in Operation	**2010**	**2011**	**2012**	**2013**	**2014**
Total Number of Direct Care Workers	27,095	28,492	31,639	36,430	36,685
Health Insurance with Family Coverage					
Percent of providers who offered benefit	24	26	27	29	32
Percent of direct care workers who enroll/use benefit	7	7	7	7	9
Health Insurance for Employee Only					
Percent of providers who offered benefit	29	31	32	35	40
Percent of direct care workers who enroll/use benefit	25	25	25	23	31
Paid Personal Time Off, Vacation Time, or Sick Leave					
Percent of providers who offered benefit	39	41	44	50	56
Percent of direct care workers who enroll/use benefit	53	54	51	50	65
Paid Holidays					
Percent of providers who offered benefit	28	30	32	36	40
Percent of direct care workers who enroll/use benefit	41	41	40	40	48
Pension or 401(k) or 403(b) Account					
Percent of providers who offered benefit	22	23	25	26	31
Percent of direct care workers who enroll/use benefit	10	11	12	11	14
Employer-sponsored Life Insurance					
Percent of providers who offered benefit	19	19	20	22	27
Percent of direct care workers who enroll/use benefit	24	24	25	23	30

Note: Unit of analysis is providers for offer of benefit and direct care workers for enrollment/use.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Wages, Fringe Benefits, and Turnover among Direct Care Workers in Oregon

Oregon Department of Human Services

Budget Note HB5029

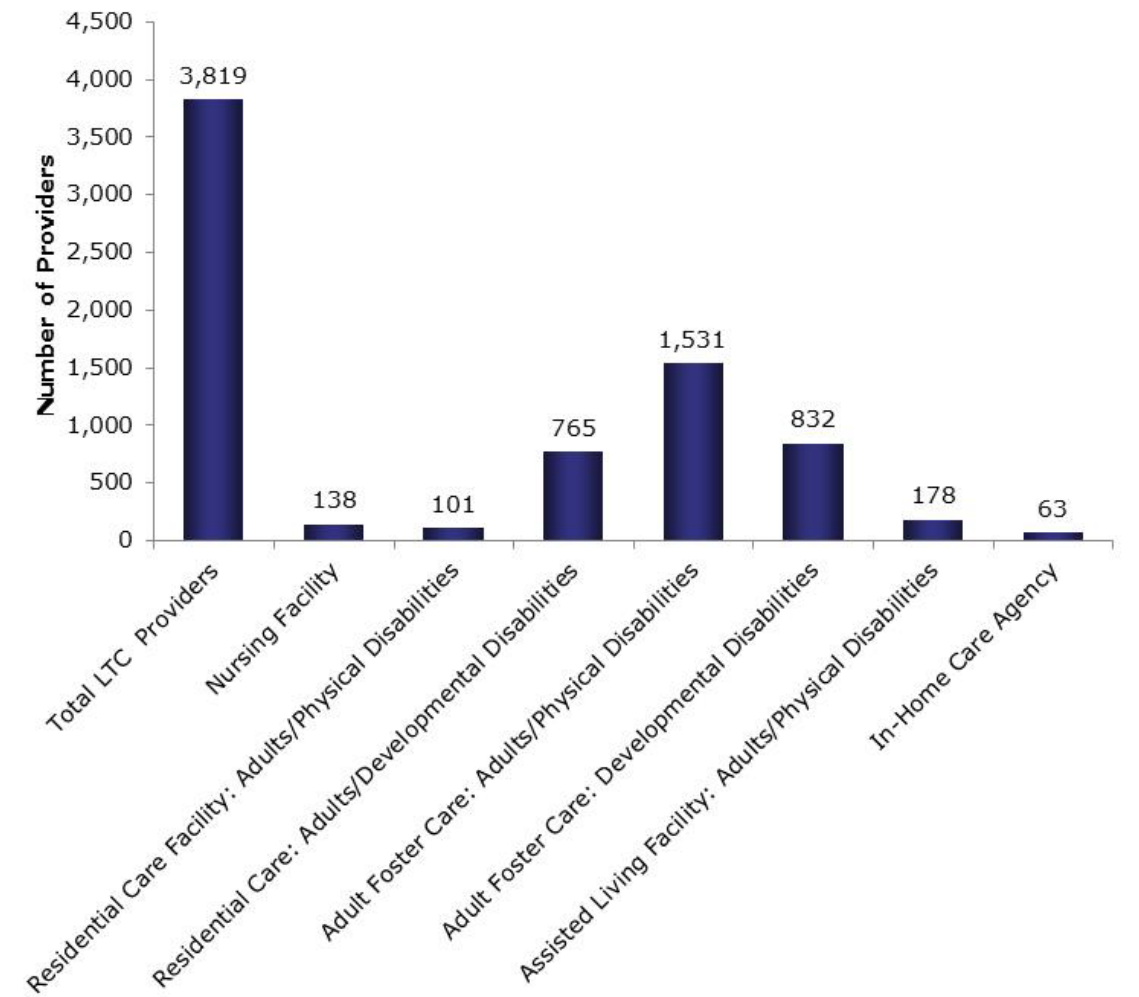
- HB5029 requires Department of Human Services to conduct a study to assess the status of direct care workers.
  - Domain 1. Profile of long-term care providers, their service users, and direct care workers
  - Domain 2. Wages, inflation, and Medicaid rates
  - Domain 3. Fringe benefits
  - Domain 4. Turnover
  - Domain 5. Options for ensuring that funding increases translate into wage increases

Contract with RTI International

- DHS contracted with RTI International, a large, nonprofit research institute
- In consultation with DHS, RTI designed, fielded, and analyzed the ***Oregon Wage and Fringe Benefit Survey of Long-Term Care Providers***
- Survey of LTC providers participating in Medicaid, except for independent providers
- Survey was conducted in summer 2014; 2,008 providers responded; 81% response rate
- Survey data was statistically weighted for non-respondents; results reflect the population of LTC providers and of direct care workers, in Oregon.

Domain 1: Profile of Long-Term Care System in Oregon

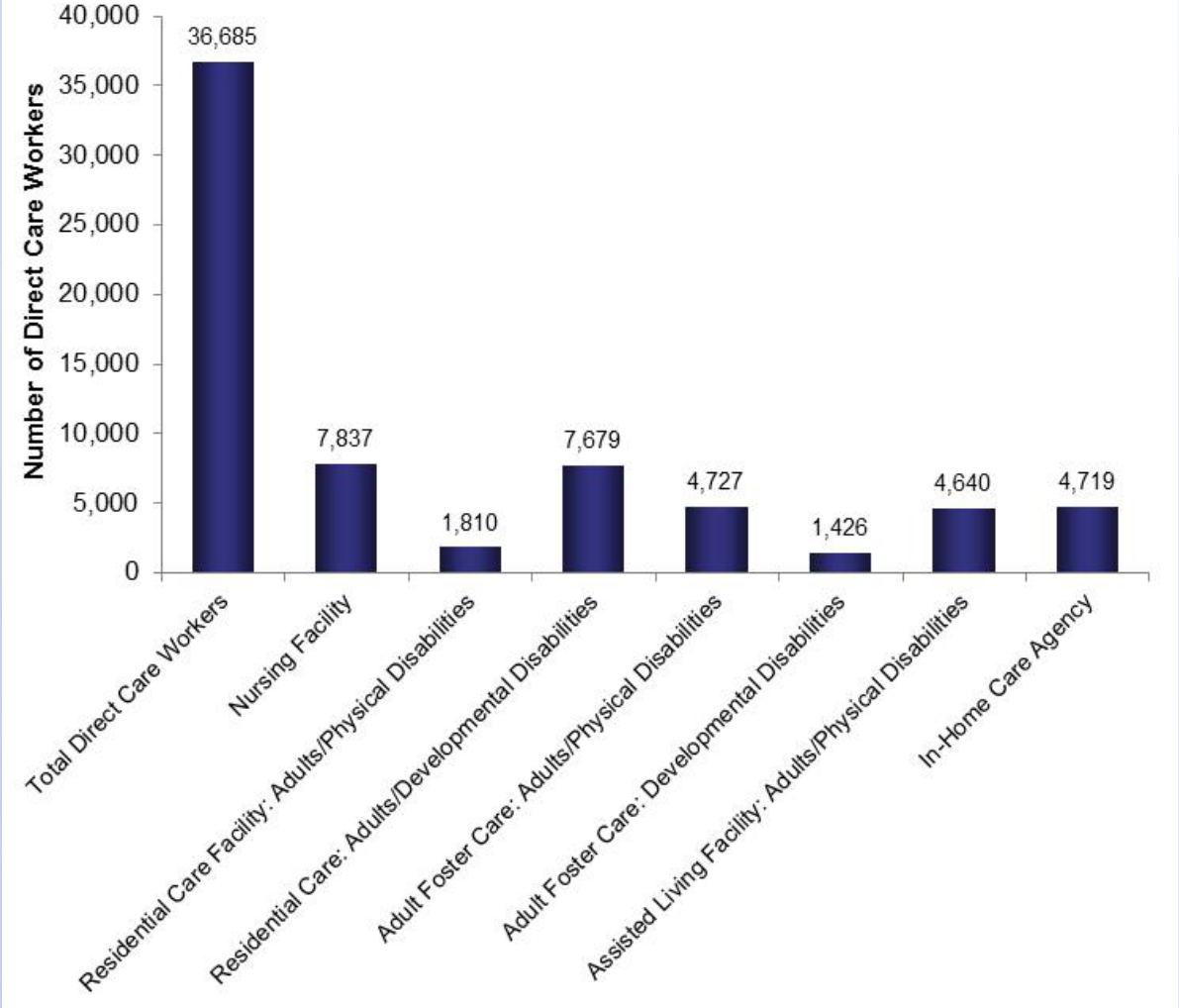
Number of Long-Term Care Providers, by Provider Type



Note: Unit of analysis is provider. No columns for adult day services, IC specialized living, and specialized living services because there were <30 responses, but they are included in total column.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Number of Direct Care Workers, by Provider Type



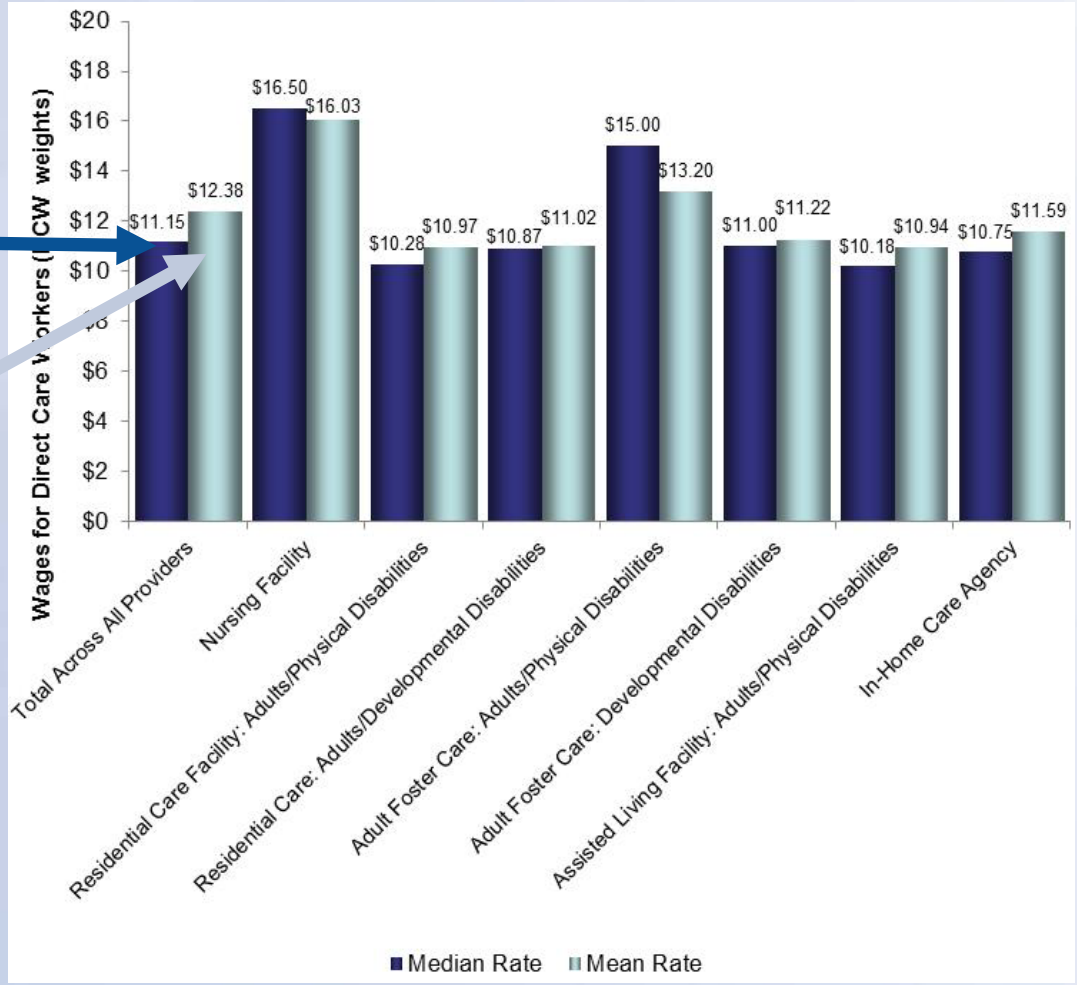
Note: Unit of analysis is direct care worker. No columns for adult day services and specialized living services because there were <30 responses, but they are included in total column.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Domain 2: Wages, Inflation, and Medicaid Rates

Hourly Wages of Direct Care Workers, by Provider Type (averaged across direct care workers)

2014 median wage: $11.15/hr
mean wage $12.38/hr

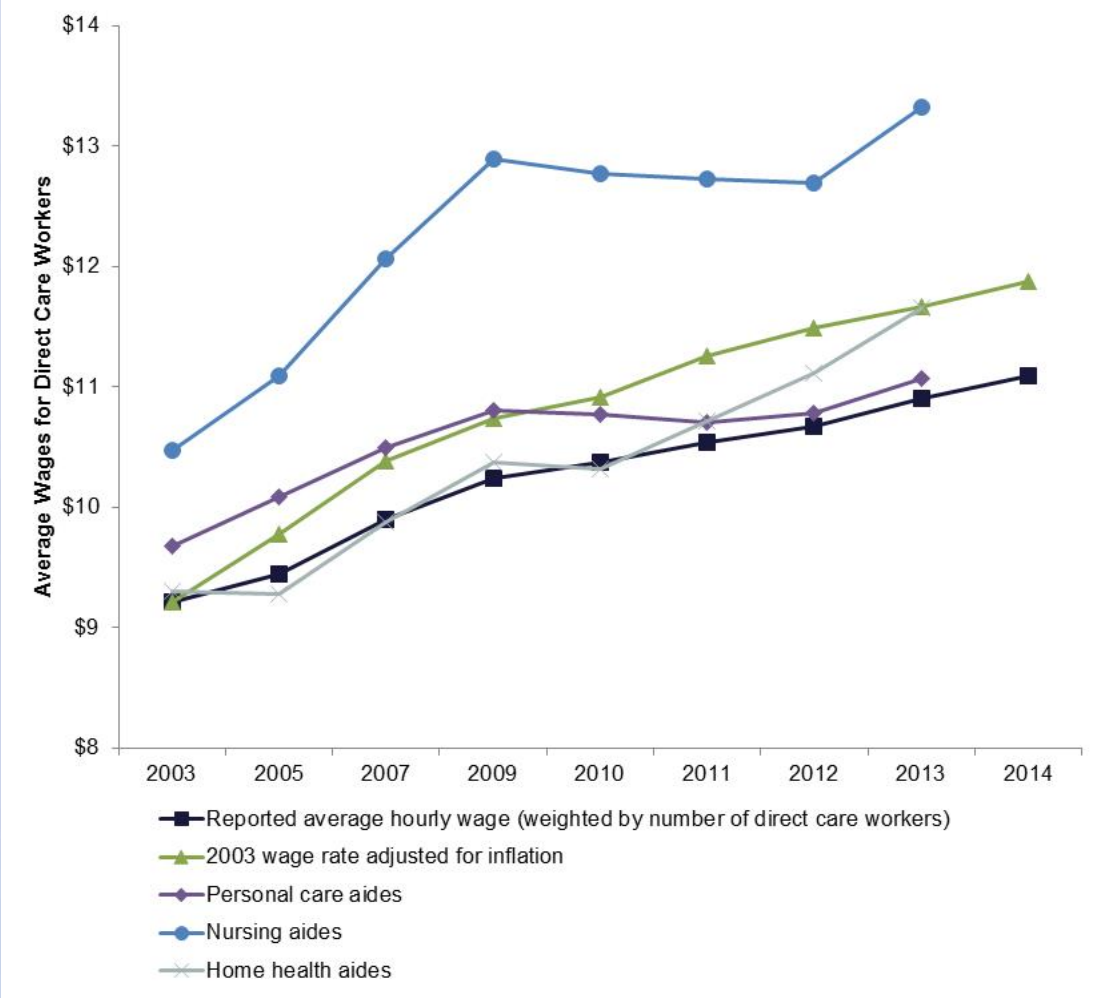


OR minimum wage $9.10

Note: Unit of analysis is direct care worker. No columns for adult day services and specialized living services because there were <30 responses, but they are included in total column.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

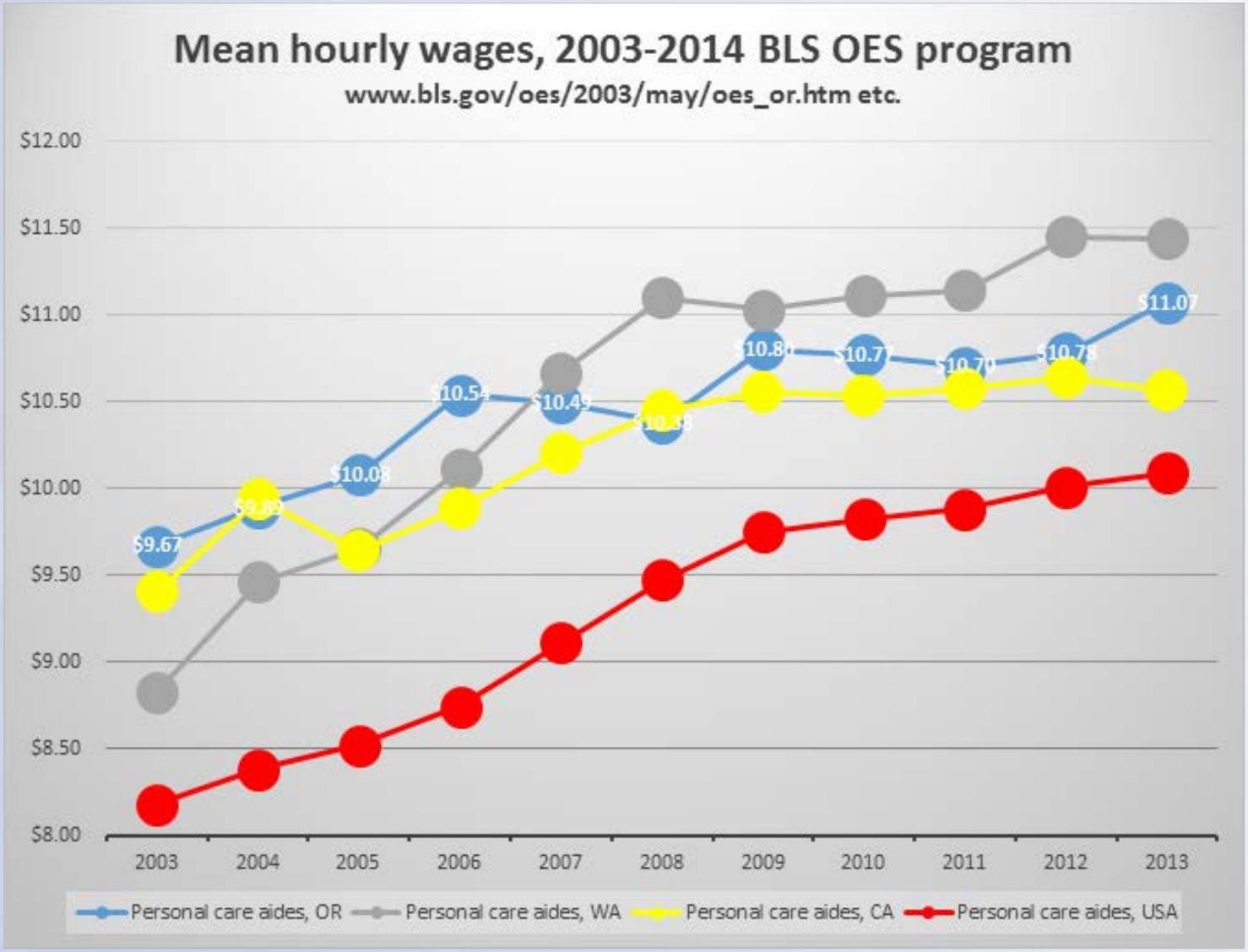
Wages for All Direct Care Workers, 2003-2014



Note: Unit of analysis is direct care worker.. Estimates for personal care aides, nursing aides, and home health aides are from the U.S. Bureau of Labor Statistics (BLS). BLS estimates not available for 2014.

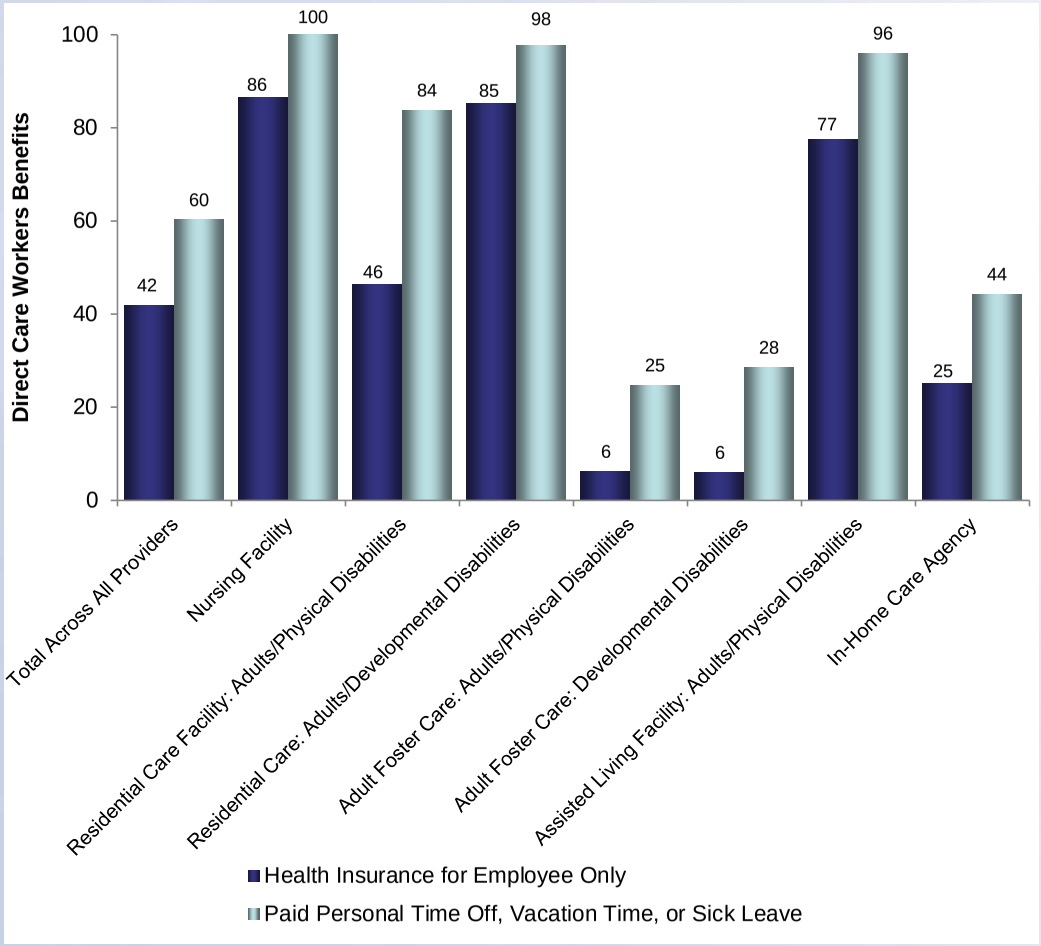
Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Wage comparison to other states 2003-2013



Domain 3: Fringe Benefits

Offer of Employee-only Health Insurance and Personal Paid Time Off, by Provider Type (percentage)



Note: Unit of analysis is provider. No columns for adult day services and specialized living services because there were <30 responses, but they are included in total column.

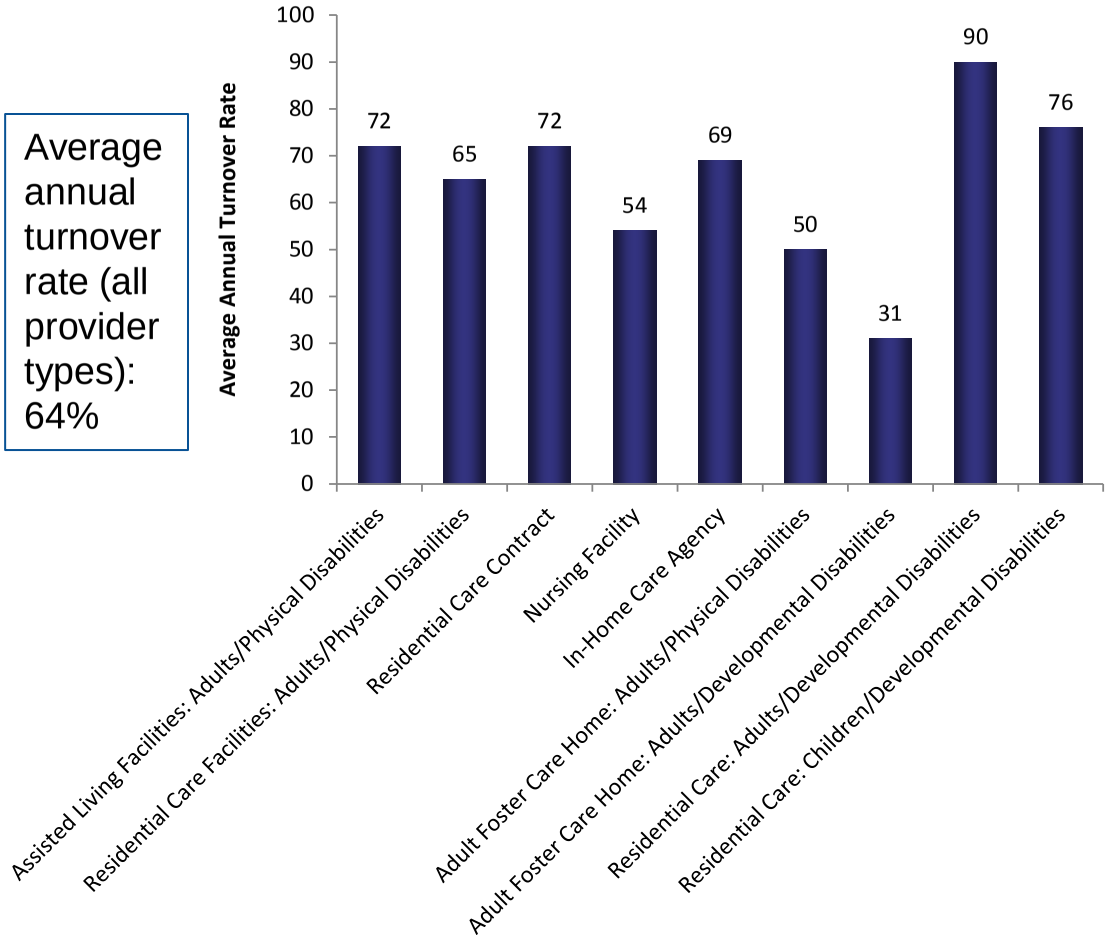
"Any fringe benefit" includes health insurance: family and employee only; paid time off: personal vacation time or sick leave and paid holidays; retirement benefits such as a pension plan such as a 401(k) or 403(b); or life insurance.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Domain 4: Employee Turnover Rates

Average Turnover Rates of Direct Care Workers, by Provider Type (percentage)

Average annual turnover rate (all provider types): 64%



Note: Unit of analysis is provider. Turnover is calculated as estimated total number of direct care workers in 2014 (Question #18) divided by the number of current direct care workers (Question #12) adjusted by the proportion of the year that Question #18 represents.

Source: RTI International analysis of the 2014 Oregon Wage and Fringe Benefit Survey of Long-Term Care (LTC) Providers.

Domain 5: Options for Ensuring that Medicaid Rates Increases Translate into Wage Increases

Wage pass-through legislation, and other options - RTI

- Medicaid payment rate increases do not necessarily translate to comparable worker wage increases
- **Wage pass-through legislation**
  - **This option** attempts to ensure that Medicaid increases result in wage increases
  - Early research on effectiveness is mixed; more recent evidence is more positive
  - Making wage pass-through effective requires strict monitoring of providers
  - Providers in other states have resisted such legislation
  - Recourse is to sue provider in court for breach of statute or put a hold on their license which may not meet the ultimate goal as anticipated

Options for Ensuring that Medicaid Rates Increases Translate Into Wage Increases - State

- Increase minimum wage – this is not a topic DHS is prepared to speak to on the larger statewide impact
- Prepare contractual provisions that either mirror pass-through legislation or otherwise dictate a pass through of wages based on performance.
  - Pro – easy to implement the change in contract as provider either agrees to it or not.
  - Con – Administratively burdensome and would require additional I/DD staff. Recourse for non compliance is to sue provider for breach of contract which may still not get result anticipated. In addition, as with wage pass through legislation being seen as a third party employer is a risk.
- Collective bargaining a consideration
- Let market determine appropriate wages

Summary

- Not including independent providers, 3,819 LTC providers participate in the Oregon Medicaid program, employing 36,685 direct care workers, serving 45,858 people
- In 2014, the mean wage of direct care workers, weighted by the number of workers, was $12.38 and the median wage was $11.15
- While wages have increased over time, they have not kept pace with either inflation or increases in Medicaid payment rates
- Fringe benefit offerings by LTC providers vary greatly by type of benefit and provider type. The most commonly offered fringe benefit is paid personal time off, followed by paid holidays and employee-only health insurance

Summary (cont.)

- Fringe benefits that require an employee financial contribution, such as health insurance, retirement benefits, and life insurance, have low participation rates
- Offer of fringe benefits increased from 2010 to 2014
- Average annual turnover among direct care workers was 64%, with wide variation across provider types
- Wage pass-through legislation and other options can be a successful strategy in increasing worker wages, but requires extensive oversight.

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