

ANALYSIS

Item 19: Department of Human Services / Oregon Health Authority Non-State Employee Collective Bargaining

Analyst: Gregory Jolivet and Matt Stayner

Request: Acknowledge receipt of a report on non-state employee collective bargaining costs; allocate \$74,321,001 General Fund from the special purpose appropriation to the Emergency Board for non-state employee compensation changes and increase Federal Funds expenditure limitation by \$131,223,453 for the Department of Human Services; and allocate \$678,999 General Fund from the special purpose appropriation to the Emergency Board for non-state employee compensation changes and increase Federal Funds expenditure limitation by \$968,137 for the Oregon Health Authority.

Analysis: The Department of Human Services (DHS) and Oregon Health Authority (OHA) are requesting funds to cover the cost of non-state employee collective bargaining agreements. For DHS programs, approximately 2,500 adult foster home providers, 11,800 personal support workers, and 25,000 home care workers collectively serve an estimated 31,000 Oregonians monthly. Adult foster home providers serve DHS clients in the Intellectual/Developmental Disabilities (I/DD) and Aging and People with Disabilities (APD) programs. Personal Support Workers serve DHS I/DD clients and Home Care Workers care for APD clients. To a much lesser extent, OHA's budget supports collective bargaining agreements for non-state workers in adult mental health foster homes. The table below shows the key provisions of the agreements, with estimated 2023-25 costs of \$209.8 million total funds (\$77.6 million General Fund and \$132.2 million Federal Funds). The estimated General Fund cost exceeds the amount budgeted by \$2.6 million; however, the agencies are not requesting funds to cover this difference. Further adjustments may be requested as part of a future budget rebalance request, if needed.

DHS/OHA 2023-25 Estimated Cost of Non-State Employee Bargaining			
	GF	FF	TF
Personal Support Workers and Home Care Workers			
\$1.73 per hour increase - Jan 1, 2024 ^a	\$34,603,166	\$64,023,501	\$98,626,667
\$0.57 per hour increase for Trust - Jan 1, 2024 ^b	\$10,037,127	\$18,570,903	\$28,608,030
\$0.50 per hour increase - Jan 1, 2025 ^c	\$6,674,667	\$2,125,592	\$8,800,259
Steps	\$12,239,638	\$22,646,033	\$34,885,671
Other (parking, admin, prof dev, enhanced pay)	\$3,467,307	\$5,467,787	\$8,935,094
Subtotals	\$67,021,905	\$112,833,816	\$179,855,721
Adult Foster Homes			
5.0% rate increase - Dec 1, 2023	\$7,361,918	\$13,496,003	\$20,857,921
4.5% rate increase - Jan 1, 2025	\$3,235,491	\$5,861,771	\$9,097,262
Subtotals	\$10,597,409	\$19,357,774	\$29,955,183
Totals	\$77,619,314	\$132,191,590	\$209,810,904
Footnotes:			
a. As of this date, the base pay will be \$19.50 per hour for standard levels of care.			
b. As of this date, the total trust contribution will be \$3.07 per hour.			
c. As of this date, the base pay will be \$20.00 per hour for standard levels of care.			

The chart below shows the hourly wage paid to Personal Support Workers and Home Care Workers over the 12-year period from 2014 to 2025. During this timeframe, wages nearly double from \$10.20 per hour to \$20.00 per hour. With the increase that took effect January 1, 2024, raising base pay to \$19.50 per hour, wages have grown 30% since the beginning of 2020; an average annual increase of 6.8% per year. The state also contributes to the cost of health benefits, sick leave, workers compensation and training. The amount for these benefits has increased from \$1.67 per hour in 2014 to \$3.07 per hour as of January 1, 2024.



The most recent collective bargaining agreements are already in place and impacting the agencies' budgets. SB 5506 established a \$75 million special purpose appropriation to the Emergency Board for non-state employee collective bargaining which is available to cover the request in 2023-25. For 2025-27, the estimated rollup cost for the ongoing compensation changes is \$60.1 million General Fund.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means acknowledge receipt of the report and recommend appropriating \$74,321,001 General Fund and increasing Federal Funds expenditure limitation by \$131,223,453 for the Department of Human Services; appropriating \$678,999 General Fund and increasing Federal Funds expenditure limitation by \$968,137 for the Oregon Health Authority; and decreasing the special purpose appropriation to the Emergency Board for non-state employee compensation changes by \$75,000,000 General Fund, in a budget reconciliation bill during the 2024 legislative session, for non-state employee compensation changes.

Request: Report on non-state employee bargaining by the Department of Human Services (DHS) and Oregon Health Authority (OHA), allocate \$74,321,001 to DHS and \$678,999 to OHA from the special purpose appropriation made to the Emergency Board for non-state employee collective bargaining, increase DHS Federal Funds expenditure limitation by \$131,223,453 and increase OHA Federal Funds expenditure limitation by \$968,137 for the same purpose.

Recommendation: Acknowledge receipt of the report and approve the request during the 2024 Legislative Session.

Discussion: Senate Bill 5506 (2023) established a \$75 million General Fund special purpose appropriation to the Emergency Board for allocation to state agencies for compensation changes driven by collective bargaining for workers who are not state employees. More specifically, DHS and OHA contract for services in the home and community for individuals with mental illness, individuals with intellectual or developmental disabilities, physical disabilities, and senior citizens. The Departments' budgets are built to adjust for increases in the cost of care over time, but not to account for wage adjustments or other bargained changes for the employees and/or providers caring for clients.

The collective bargaining agreement included wage increases for home care workers and personal support workers, as well as rate increases for adult foster care providers in DHS Aging and People with Disabilities (APD), DHS Intellectual and Developmental Disabilities (I/DD), and OHA's Mental Health adult foster homes. Home care workers and personal support workers are individuals employed by Medicaid funded clients to aid with activities of daily living in that person's home. In general, APD uses the term home care worker and I/DD uses personal support worker. Across APD and I/DD programs, there are an estimated 20,000 to 24,000 active home care workers and personal support workers in the state providing services to over 22,000 Oregonians. Adult Foster Homes are single-family residences providing 24-hour staffing and assistance with activities of daily living in a community setting to individuals who struggle to care for themselves. There are approximately 2,090 Adult Foster Homes in the state collectively serving approximately 5,600 individuals per year.

The base rate for standard levels of care for this workforce (home care workers and personal support workers) is currently \$17.77 per hour. After bargained increases, this increased to \$19.50 per hour on January 1, 2024, and will increase to \$20.00 per hour on January 1, 2025. Additionally, the inclusion of steps based on hours worked will take effect on July 1, 2024. The creation of steps for home care workers and personal support workers is new to this bargaining agreement. Starting July 1, 2024, the bottom step will be \$19.50, and the top step will be \$23.50 for those workers with 8,000 or more accumulated hours. The step system is designed to increase retention and improve the quality of care by compensating more experienced workers with a higher wage. The new bargaining agreement allows workers to be compensated at a higher rate for an

additional 10 hours of overtime compared to the prior agreement. The new step system and the additional hours of allowable overtime remain two areas of fiscal risk in the new collective bargaining agreement that may result in additional cost per case increases in the future.

This bargaining agreement also included rate increases for Adult Foster Homes for seniors and people with physical disabilities, individuals with intellectual disabilities and individuals with mental illness. The agreement includes a 5.0 percent rate increase for Adult Foster Home providers on December 1, 2023, and a 4.5 percent increase on January 1, 2025. Currently, over half of Adult Foster Home providers within APD receive a rate above the basic rate, due to an exception process based on client needs. The rate increases approved through the collective bargaining agreement apply to all the rate structures within the service area.

While DHS and OHA are only requesting allocation of the \$75 million special purpose appropriation and associated Federal Funds expenditure limitation with this request, the costs of the bargaining agreements are built on estimates. Initial estimates are slightly above the special purpose appropriation amount, but the departments are not requesting additional funding above the special purpose appropriation at this time. The initial estimates are shown below and total \$77.6 million General Fund.

ODHS/OHA 2023-25 Estimated Cost of Non-State Employee Bargaining			
	General Fund	Federal Funds	Total Funds
Personal Support Workers and Home Care Workers			
\$1.73/hr increase - January 1, 2024	\$34,603,166	\$64,023,501	\$98,626,667
\$0.57/hr increase for Trust - January 1, 2024	\$10,037,127	\$18,570,903	\$28,608,030
\$0.50/hr increase - January 1, 2025	\$6,674,667	\$2,125,592	\$8,800,259
Steps	\$12,239,638	\$22,646,033	\$34,885,671
Estimated costs of holiday pay, parking, admin (time recording and submitting), prof development, enhanced pay.	\$3,467,307	\$5,467,787	\$8,935,094
Total 2023-25	\$67,021,905	\$112,833,816	\$179,855,721
Adult Foster Homes			
5% on December 1, 2023	\$7,361,918	\$13,496,003	\$20,857,921
4.5% on January 1, 2025	\$3,235,491	\$5,861,771	\$9,097,262
Total 2023-25	\$10,597,409	\$19,357,774	\$29,955,183

Additionally, the pricing of the bargaining agreement does not reflect updated caseload data. Caseload changes and budget adjustments resulting from the collective bargaining agreement, which will be budgeted as cost per case adjustments, may occur in future rebalance actions and current service level budget development for the 2025-27 budget.

The increases under this bargaining agreement represent significant progress on increasing compensation for a critical workforce, which has historically been at the lower end of the health and human services compensation spectrum. Given inflation and the current state of the labor market, these compensation increases will play an important role in attracting and retaining workers and combating service disruptions. By providing an incentive for workers to remain in the field through the inclusion of steps, this agreement also aims to reduce turnover in a labor pool that has historically experienced large rates of turnover.

Legal References:

- Increase the General Fund appropriation made by Chapter 610 Oregon Laws 2023, Section 1(6) for the Department of Human Services, Aging and People with Disabilities programs, by \$39,124,068 for the 2023-25 biennium.
- Increase the General Fund appropriation made by Chapter 610 Oregon Laws 2023, Section 1(7) for the Department of Human Services, Intellectual/development disabilities programs, by \$35,196,933 for the 2023-25 biennium.
- Increase the General Fund appropriation made by Chapter 591 Oregon Laws 2023, Section 1(2) for the Oregon Health Authority, Health Systems Division Programs, by \$678,999 for the 2023-25 biennium.
- Decrease the General Fund special purpose appropriation made to the Emergency Board by Chapter 605, Section 4(1), Oregon Laws 2023 for non-state employee collective bargaining by \$75,000,000 for the 2023-25 biennium.
- Increase the Federal Funds expenditure limitation established by Chapter 610, Section 3(6), Oregon Laws 2023, for the Department of Human Services, Aging and people with disabilities programs, by \$65,571,104 for the 2023-25 biennium.
- Increase the Federal Funds expenditure limitation established by Chapter 610, Section 3(7), Oregon Laws 2023, for the Department of Human Services Intellectual/developmental disabilities programs, by \$65,652,349 for the 2023-25 biennium.
- Increase the Federal Funds expenditure limitation established by Chapter 591, Section 5(2), Oregon Laws 2023, for the Oregon Health Authority, Health Systems Division Programs, by \$968,137 for the 2023-25 biennium.

December 4, 2023

The Honorable Senator Elizabeth Steiner, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Re: Joint request for General Fund and Federal Fund limitation for non-state employee bargaining from the non-state employee bargaining Special Purpose Appropriation (SPA).

Dear Co-chairpersons:

Nature of the Request

The purpose of this letter is to provide an update on non-state employee bargaining and to request funding from the SPA for the costs of bargaining.

Agency Action

During the 2023 Legislative Session a SPA of \$75,000,000 GF was created for non-state employee bargaining including the Oregon Health Authority's (OHA) Health Systems Divisions (HSD) bargained rates for providers serving the Oregon Department of Human Services (ODHS) clients in Intellectual or Developmental Disabilities (I/DD) and Aging and People with Disabilities (APD) programs. The initial stages of bargaining have concluded with the following agreements:

ODHS and OHA Adult Foster Homes:

- A 5 percent increase beginning December 1, 2023 and a 4.5 percent increase beginning January 1, 2025 for the providers serving people within the APD, I/DD, and Mental Health (MH) Adult Foster homes.
 - For APD the allocation amount from the SPA is \$3,903,576 General Fund (GF) and an increase of \$7,742,637 Federal Funds (FF).

- For I/DD the SPA allocation is \$5,417,425 GF and an increase of \$10,647,000 FF.
 - For MH the SPA allocation is \$678,999 GF and an increase of \$968,137 FF.
- Net request for Adult Foster Home bargaining for both agencies is \$10,000,000 GF and \$19,357,774 FF.

If throughout the biennium actual costs for bargaining come in above what was allocated through the SPA, ODHS and OHA will address this in a future rebalance.

ODHS Home Care Workers and Personal Support Workers:

- An increase of \$1.73/hr. starting January 1, 2024 and an increase of \$0.50/hr. starting January 1, 2025. Starting on January 1, 2024, an increase of \$0.57 for every hour worked will be directed towards the Trust which covers insurances, paid time off, and other benefits for workers.
- In addition to the hourly rate and Trust increases noted above, the following workers' benefits were also bargained: step increases, additional holiday pay, parking allowance, CPR and Professional Development Certification (PDC) enhanced pay increases, and compensation for recording and submitting time.
- The net request for Home Care Workers and Personal Support Workers is \$65,000,000 GF and \$112,833,816 FF as follows:
 - For APD the allocation amount from the SPA is \$35,220,492 GF and an increase of \$57,828,467 FF.
 - For I/DD the SPA allocation is \$29,779,508 GF and an increase of \$55,005,349 FF.

If throughout the biennium actual costs for bargaining come in above what was allocated through the SPA, ODHS will address this in a future rebalance.

Action Requested

ODHS and OHA request acknowledgement of receipt of this report. In addition, ODHS requests \$74,321,001 GF from the SPA and \$131,223,453 FF limitation. OHA requests \$678,999GF from the SPA and \$968,137 FF limitation.

Legislation Affected

OHA-HSD

Oregon Laws 2023, Ch. 591 1(2) Increase General Funds \$678,999

Oregon Laws 2023, Ch. 591 5(2) Increase Federal Funds \$968,137

ODHS-APD

Oregon Laws 2023, Ch. 610 1(6) Increase General Funds \$39,124,068

Oregon Laws 2023, Ch. 610 3(6) Increase Federal Funds \$65,571,104

ODHS-I/DD

Oregon Laws 2023, Ch. 610 1(7), Increase General Funds \$35,196,933

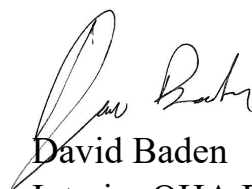
Oregon Laws 2023, Ch. 610 3(7), Increase Federal Funds \$65,652,349

If you have any questions, please contact Rob Kodiriy at
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Sincerely,



Fariborz Pakseresht
ODHS Director



David Baden
Interim OHA Director

Ec: Amanda Bietel, Legislative Fiscal Office
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