

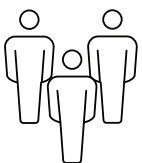
POLICY BRIEF

DEVELOPED BY TEXAS HEALTH INSTITUTE

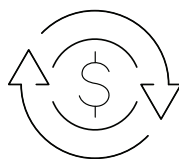


INCREASING COMMUNITY ATTENDANT WAGES EXPANDS SERVICE AVAILABILITY AND YIELDS FINANCIAL BENEFITS

Implementing an increase to the base wage of community attendants reimbursed through Medicaid will reduce the shortage of workers, address unmet needs of low-income Texans with disabilities, and generate savings and revenue to offset the cost of increased wages.



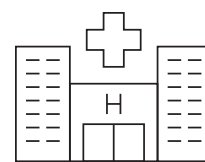
Increased supply of community attendants



Decreased staff turnover



Decreased institutional admissions



Decreased hospitalizations



Increased sales tax revenue

Implementing an increase to the base wage of community attendants reimbursed through Medicaid will reduce the shortage of workers, address unmet needs of low-income Texans with disabilities, and generate savings and revenue to offset the cost of increased wages.

BACKGROUND

Currently, many older adults and younger Texans with disabilities are living each day without the essential support services they are authorized to receive from Texas Medicaid. This support comes through community attendant services (also called personal care attendant services) that assist with activities of daily living such as bathing, dressing, eating, walking, and toileting.

Thousands of Texans who are low-income and have a disability are unable to find a community attendant to provide services. Why? Because there are far fewer people providing services than there are people authorized to receive services. This is creating **a tremendous burden** for people living with disabilities, along with their families and caregivers throughout the state, **leading to a crisis that needs to be addressed.**

The reasons for the shortage of community attendants are complex. **However, the primary driver is**

Texas' low base hourly wage of \$8.11 for care attendants reimbursed through Medicaid. Texas ranks the fifth lowest of all states and DC for average wage of community attendants,¹ and Medicaid reimbursement rates have a large influence on these averages.

In 2022, many employers such as restaurants, grocery stores, and retail locations are struggling to attract workers at an hourly wage of \$17 an hour. The base hourly wage of \$8.11 for community attendants is less than half of that, for work that is often far more emotionally and physically draining.

In addition, the low wages for community attendants have led to high turnover (estimated at over 150%) across direct care agencies that serve Medicaid clients, with an average tenure of only eight months. A company staffing 100 community attendant positions would need to recruit and hire 150 new employees **every year** to keep positions filled. The turnover

¹ Based on category of "Home Care and Personal Care Aides" from the Bureau of Labor Statistics State Occupational Employment and Wage Estimates (May 2021). This reflects the average wage of all types of payers including private, Medicare and Medicaid. Available at: <https://www.bls.gov/oes/special.requests/oesm21st.zip>

leads to disruptions in client care—negatively affecting care provision and harming health—and increases costs. Our analysis found that high turnover costs Texas direct care agencies serving Medicaid between \$1.2-1.7 billion annually, spending that could otherwise be directed to care.

Crucially, at the time of authorization of services, Texas Medicaid assesses a person’s acuity and demonstrated need, including existing access to informal (e.g., family) caregivers to provide support. **Once Texas Medicaid authorizes hours of community attendant services, that person has to find someone who can fill the role.** Texans who are not able to find a paid community attendant often go without assistance needed for basic functions such as getting out of bed, eating, bathing, and toileting. This can lead to Texans with disabilities being unable to remain in their home and increase the risk of falls, injuries, bed sores and other preventable conditions that need acute care. This raises the risk of hospitalization and the need for skilled nursing facilities, both of which are far more costly.

INCREASED DEMAND, DECREASED SUPPLY

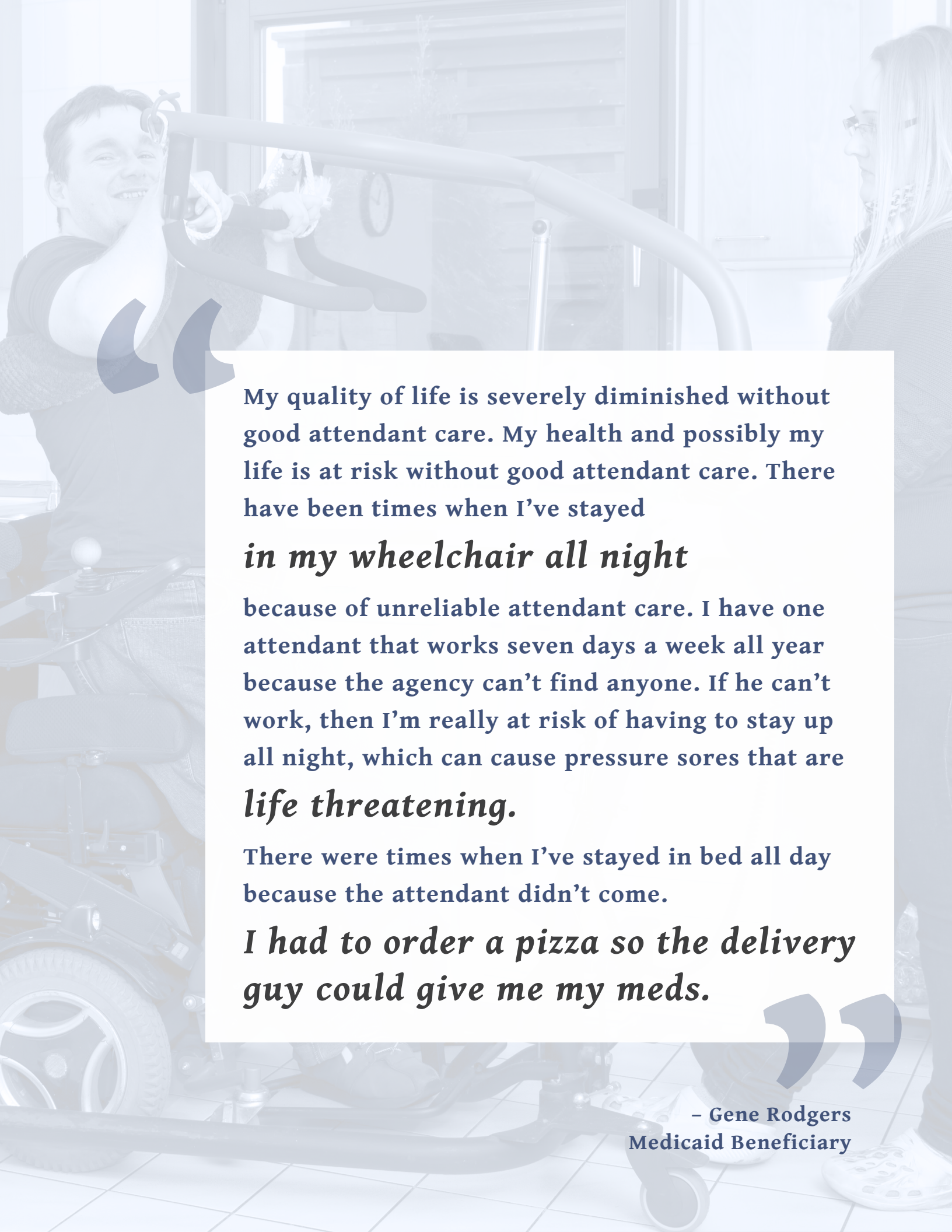
Thousands of Texans with disabilities are already going without the critical support needed to complete activities of daily living. **Without an increase in the base hourly wage for community attendants, this shortage will continue to worsen at a time when demand is expected to increase due to demographic shifts in the state.** Primarily, other job opportunities that are responsive to market wages will seem more attractive to potential caregivers.

Furthermore, Texas’ population is growing and aging. The entire Baby Boomer cohort will be 65 and older by 2030, leading to an expected population of 5.9 million over the age of 65 by 2030, doubling from 2010. In addition, the number of “oldest old” Texans (85+) is growing at an even faster rate and will continue to do so through 2050.² This last statistic is particularly relevant to the need for community attendant services **as the likelihood of disability and need for long-term services increases sharply after age 85.**

“We have 364 job openings for caregivers right now. We used to be at 100 pre-pandemic.”

– Katie Naranjo, CEO
A Pineywoods Home Health Care
Senate Finance Committee Hearing
June 14, 2022

² Texas Demographic Center. (2016, June). *Aging in Texas: Introduction*. Retrieved September 30, 2022, from https://demographics.texas.gov/resources/publications/2016/2016_06_07_aging.pdf

A man in a wheelchair is using a gym machine, possibly a lat pulldown, with a woman standing by his side, likely an attendant, assisting him. The scene is set in a brightly lit room, possibly a gym or a rehabilitation center. The man is smiling and looking towards the camera. The woman is looking at the man, focused on his activity. The background shows a window and some gym equipment.

My quality of life is severely diminished without good attendant care. My health and possibly my life is at risk without good attendant care. There have been times when I've stayed

in my wheelchair all night

because of unreliable attendant care. I have one attendant that works seven days a week all year because the agency can't find anyone. If he can't work, then I'm really at risk of having to stay up all night, which can cause pressure sores that are ***life threatening.***

There were times when I've stayed in bed all day because the attendant didn't come.

I had to order a pizza so the delivery guy could give me my meds.

- Gene Rodgers
Medicaid Beneficiary

ANALYSIS

Texas Health Institute carried out an economic analysis of the benefits of increasing the base hourly wage for community attendants reimbursed by Texas Medicaid on behalf of the Coalition of Texans with Disabilities.

The analysis focused on quantifying the benefits of increasing the minimum hourly wage for personal care attendants from the current level of \$8.11 to \$15.00 in state SFY 2024 and to \$17.00 in SFY 2025 (Table 1).

Table 1. Economic Analysis of Increasing Attendant Wages

Benefits Included in Analysis
» Job creation
» Reduced turnover
» Increased sales tax revenue from increased community attendant income as well as from informal caregivers returning to work
» Averted hospitalizations
» Averted and delayed institutional admissions

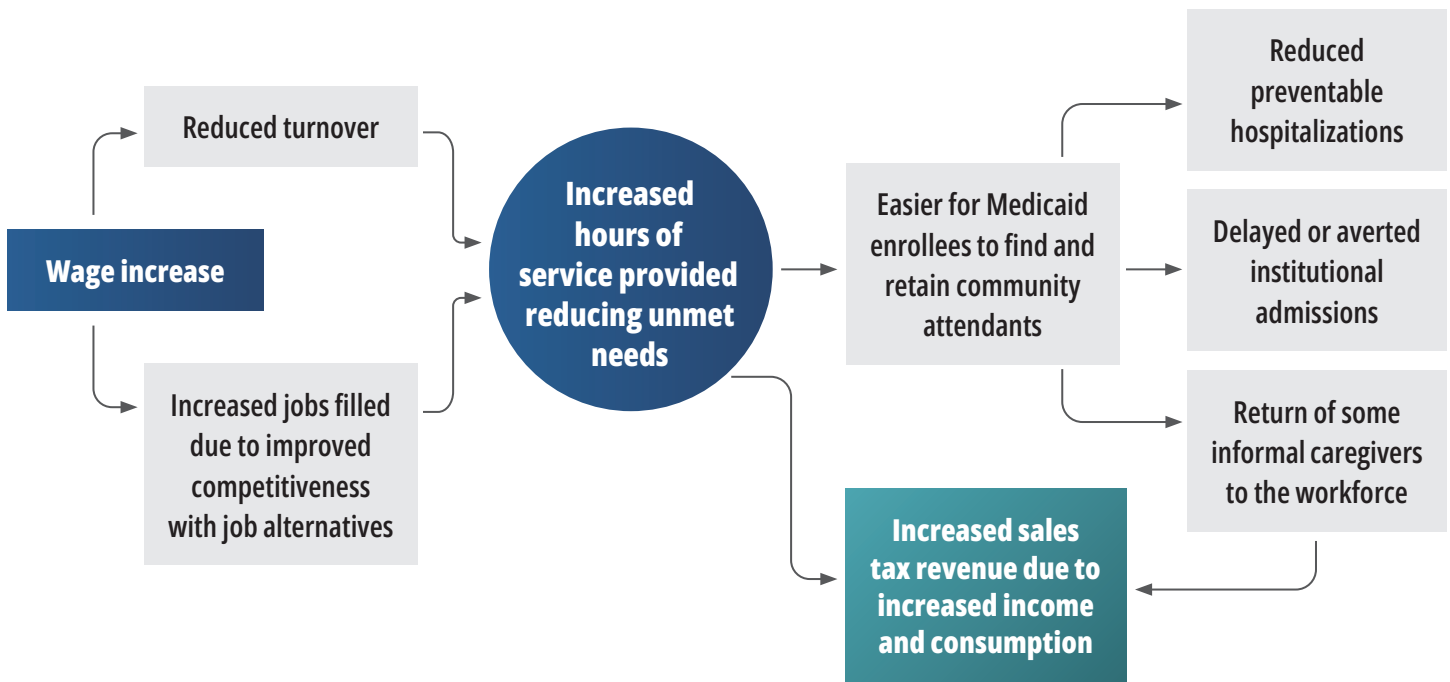
We projected the financial benefits of the proposed wage increases through SFY 2027 using publicly available data from Texas Health and Human Services Commission (HHSC) reports and budget requests, U.S. Centers for Medicare and Medicaid Services, and published literature.³ Figure 1 outlines the model. In conducting this projection:

- » **We took a conservative, evidence-based approach to analysis** and attempted to model real-world effects. Consequently, our results on the financial benefits may be smaller than other models estimating the impact of a similar change in base wage.

- » **Model components are interconnected**; a change to a parameter of one component affects the results of other components.
- » **Our analysis was limited** by the lack of publicly available data from Texas Medicaid on:
 - The provision of community attendant services for managed care beneficiaries; and
 - Hours of service received relative to hours authorized for both state plan and waiver beneficiaries.

³ A full list of sources is available in the *Technical Methods Report*. Contact office@texashealthinstitute.org to receive a copy.

Figure 1. Model of the Effects of Increased Wages for Community Attendants



RESULTS

BENEFITS

The economic analysis found that increasing the base hourly wage for personal care attendants from the current level of \$8.11 to \$15.00 in state SFY24, and to \$17.00 in SFY2025 would produce several beneficial impacts.

More Texans with disabilities would be able to receive community attendant services for which they are authorized due to an increase in the supply of attendants and a reduction in turnover (Table 2). Specifically, the increase in the base hourly wage would:

- » **Increase the number of service hours provided by community attendants over a four-year period.**
 - An increase of 3% in SFY24, 9% in SFY25, 14% in SFY26, and 19% in SFY27, cumulatively adding 167 million hours of service through SFY27
- » **Create 37,175 more community attendant jobs over the number currently projected.**
- » **Reduce turnover of community attendant positions by 39% from SFY24 to SFY27.**
 - An additional 49 million service hours

The increase in base hourly wage will generate new sales tax revenue of \$516 million through SFY27 (Table 3). Specifically, increased income to community attendants would drive additional consumption, leading to increased sales tax revenue, particularly from:


- » Community attendants who are new entrants or returnees to the labor market
- » People who quit other jobs to take community attendant positions due to positive wage gaps
- » Informal caregivers (most often female) who return to work
- » Currently working attendants who earn more income

The increase in the number of service hours provided by community attendants would address a portion of the current unmet needs of Medicaid enrollees with disabilities, **resulting in reduced hospitalizations and both delayed and averted admissions into nursing facilities.**

More Texans with disabilities will be able to receive community attendant services due to an increase in the supply of attendants and reduction in turnover.

Specifically, this would reduce acute care costs:

- » The number of hospitalizations would decline by 43,767, saving the state \$299 million by SFY27.
- » The state would save \$269 million by SFY27 through delayed or averted institutional admissions.



A key to cost control in Medicaid is to keep beneficiaries as healthy as possible with low-cost preventive health services.

**- Dennis Borel
Executive Director
Coalition of Texans with Disabilities**

DETAILED RESULTS

A detailed description of the analysis, including model components, parameters, and data sources is available in an accompanying Technical Methods Report. In addition, the results presented in this brief focus on the benefits of an increase to the base wage for community attendants reimbursed through Medicaid.

For information regarding estimated costs of a wage increase, see estimates developed by HHSC in June 2022.⁴

Full tables are available in the Technical Methods Report. Contact office@texashealthinstitute.org to receive a copy.

Table 2. Effects of Increases to Base Wage on Labor Force and Turnover of Community Attendants

	SFY24		SFY25		SFY27	
	No change to base wage	With \$15/hr base wage	No change to base wage	With \$17/hr base wage	With \$17/hr base wage	Cumulative through SFY27
Impact to labor force of community attendants						
Additional jobs created or filled		6,243		16,812		37,175
Additional hours of service from new jobs		4,505,261		20,451,200		117,684,156
Impact on turnover						
Annual rate of turnover	163.5%	115.8%	162.7%	100.0%	99.4%	
Reduction in turnover from baseline SFY22		-29.2%		-38.8%	-39.2%	
Increased hours of service due to reduced turnover		5,898,323		7,845,696		49,034,052

4 Texas Health and Human Services Commission. (2022, June). *Presentation to the Senate Finance Committee on Finance on Long-Term Care.*

Table 3. Effects of Increase to Base Wage of Community Attendants on Hospitalizations and Institutional Admissions

	SFY24		SFY25		Cumulative through SFY27
	No change	With \$15/hr base wage	No change	With \$17/hr base wage	
Averted hospitalizations		3,095		8,418	49,598
Averted or delayed institutional admissions		1,290		5,266	38,322

Table 4. Financial Impacts of Increase to Minimum Hourly Wage for Care Attendants

	SFY24			SFY25			Cumulative through SFY27		
	State	Federal	All funds	State	Federal	All funds	State	Federal	All funds
New sales tax revenue									
Direct - community attendants	88,383,681			121,050,782			473,223,022		
Indirect - informal caregivers returning to work	2,674,198			7,272,730			42,849,913		
Total new sales tax revenue	91,057,879			128,323,512			516,072,935		
Reduced costs of hospitalizations	(18,665,045)	(33,182,302)	(51,847,347)	(50,766,510)	(90,251,573)	(141,018,083)	(299,111,115)	(531,753,093)	(830,864,208)
Reduced costs of institutional admissions	(8,845,451)	(15,725,246)	(24,570,697)	(36,511,611)	(64,909,532)	(101,421,143)	(269,467,035)	(479,052,508)	(748,519,543)

Table 5. Sensitivity Analysis: Cumulative Effects through SFY27⁵

Line item	General revenue	All funds
New sales tax revenue	\$494 – 580 million	\$494 – 580 million
Reduced hospitalization expenditures	\$203 – 478 million	\$565 million – 1.3 billion
Reduced institutional admission expenditures	\$227 – 527 million	\$631 million – 1.5 billion
New jobs created	23,719 – 77,157	

CONCLUSION

Thousands of Texans who are low-income and have a disability are currently unable to get community attendant services due to the shortage of workers. **By increasing the base wage from \$8.11 to \$15.00 per hour in SFY24 and to \$17.00 in SFY25**, Texas can address part of the current unmet need, allowing many residents to receive essential support for activities of daily living, as already authorized by Medicaid.

A base wage increase will result in an increased supply of community attendants, reduced turnover, and increased sales tax revenue, leading to reduced hospitalizations, and delayed or averted institutional admissions, all

of which accrue financial benefits to the state. In addition, increasing wages produces other benefits not included in the model either because they are difficult to quantify in financial terms or because they take place over a longer time frame than used in this analysis. Other benefits include reduced stress on informal or family caregivers (which can affect health), improved quality of life for low-income Texans with disabilities, reduced numbers of community attendants needing and qualifying for public assistance, and the resulting economic multiplier effects of higher wages and increased consumption.⁶

ACKNOWLEDGEMENTS

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The issue brief and supporting technical methods report were authored by Population Health Data and Research Senior Associate Kim Wilson, DrPH, MPA, and Chief Research and Evaluation Officer Rachelle Johnson Chiang, DrPH, MPH, at Texas Health Institute.

5 We varied four key parameters in the sensitivity analysis for which a range of possible values existed. The parameters included employment change elasticity, underlying annual growth rate of alternative wages and HHA/PCA wages, turnover elasticity, and the portion of female informal caregivers who return to work when their family member receives paid care. Increasing the employment change elasticity from 0.1 to 0.2 yielded the greatest impact on job creation and benefits. Increasing the projected natural growth of wages blunted the projected growth in jobs, resulting in the lowest benefits overall.

6 Weller, C., Almeida, B., Cohen, M., & Stone, R. (2020, September). Making Care Work Pay: How Paying at Least a Living Wage to Direct Care Workers Could Benefit Care Recipients, Workers, and Communities. *LeadingAge*. <https://www.ltsscenter.org/wp-content/uploads/2020/09/Making-Care-Work-Pay-Report-FINAL.pdf>