



Improving Payment and Procurement Policies for Eldercare/Disability Services: Options for Creating Incentives to Enhance Workforce

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OPTIONS FOR USING PAYMENT & PROCUREMENT POLICIES TO ENHANCE WORKFORCE

- Of the nation’s \$59 billion in Medicaid payments for long-term care institutional services, and an additional \$42 billion for Medicaid home- and community-based services, only a small fraction is leveraged to encourage providers to adopt human resource practices consistent with high-quality service delivery.
- In particular, reimbursement rates for nursing-home and community-based services are generally not structured to provide financial rewards or incentives for high productivity or superior performance with respect to staffing adequacy, stability, and care quality.
- By creating financial rewards for higher quality, performance, and outcomes, reimbursement rates can be used to generate competitive pressures that push quality up and costs down.
- The workforce areas most conducive to applying basic standards include: overall compensation, wages, health insurance coverage, training standards, and quality-enhancing workforce performance outcomes such as reduced turnover and increased retention. The chart below summarizes the potential workforce impacts of four rate-based approaches, and an additional fifth approach that relies on procurement and contracting standards.

| METHOD WORK-FORCE GOAL | Minimum allocation of rate to allowable direct-care labor costs | Enhanced rate for providers meeting higher standards or performance outcomes | Provider quality-rating system combined with tiered reimbursement | Rate-based parity approaches to equalizing compensation across programs | Enhanced state procurement & contracting standards |
|---|--|---|--|--|---|
| Improve overall compensation | ✓ | ✓ | ✓ | ✓ | ✓ |
| Improve wages | ✓ | ✓ | ✓ | ✓ | ✓ |
| Increase health insurance uptake | ✓ | ✓ | ✓ | ✓ | ✓ |
| Increase education and training | ✓ | ✓ | ✓ | | ✓ |
| Lower turnover and/or increase retention | | ✓ | ✓ | | ✓ |

State Examples

■ Minimum allocation of rate or revenues to allowable direct-care labor costs

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| What is it? | A requirement that a minimum percentage of the rate or program revenues are expended on direct-care labor costs. |
| Examples | Illinois: A provider agency delivering services under the Community Care or Home Services Program must submit an annual cost report demonstrating that it has expended a minimum of 73% and 77% respectively of the total revenues due from either the Departments on Aging or Human Services for allowable direct service worker costs. |

■ Enhanced rate for providers meeting higher standards or performance outcomes

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| What is it? | A higher rate is paid to those providers who achieve standards or performance that exceeds a stated baseline. |
| Examples | <p>California: Legislation (AB1427) passed in 2007 to allocate funds for rate increases for developmental disability providers that met specified benchmarks for training their workforce. The bill was vetoed by the Governor, but garnered the support of major consumer advocacy groups and SEIU, and sets the stage for future efforts to fund training linked to improvements in worker compensation.</p> <p>Kansas and Oklahoma: Medicaid nursing home reimbursement methods in these two states provide a rate enhancement to facilities that demonstrate lower direct care staff turnover.</p> <p>Minnesota: Minnesota has an employee scholarship program under which nursing homes are reimbursed through a rate adjustment when they pay for extra training classes for an employee.</p> <p>Montana: Legislation was passed in 2007 that provides funding for a provider rate increase for agencies that deliver Medicaid personal assistance and private duty nursing services when those agencies provide their employees with health insurance coverage that meets defined criteria.</p> <p>New York: Home and community based providers participating in programs operated by the Office of Mental Retardation and Developmental Disabilities are eligible for an “employee health care enhancement.” Distributed through rate adjustments and contract amendments, the allocation must be used to establish or enhance employee health care benefits or reduce out-of-pocket health care expenses.</p> <p>Rhode Island: The Enhanced Home Health Agency Reimbursement Program provides additional reimbursement when agency providers meet goals beyond those pertaining to minimal licensing requirements, including higher standards</p> |

related to staff and education training, worker satisfaction (retention), client satisfaction, continuity of care, client acuity, shift differentials, and accreditation.

Texas: The Attendant Compensation Rate Enhancement Program provides enhanced rates to providers that maintain a higher level of attendant compensation.

■ Provider quality-rating system combined with tiered reimbursement

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| What is it? | A higher rate is paid to providers that achieve standards or performance exceeding a stated baseline or minimum. |
| Examples | North Carolina NOVA: In effect since January 2007, the NC New Organizational Vision Award (NC-NOVA) grants special licensure status to those nursing homes, home care agencies, and adult care homes that demonstrate that they meet specified standards in designated areas related to the recruitment and retention of direct care workers. Currently, the reward is non-financial; however, future plans include using the special designation as a basis for awarding Medicaid reimbursement differentials. |

■ Rate-based parity approaches to equalizing compensation across programs

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| What is it? | Regular rate reviews and systematic approaches to updating rates across settings and programs can ameliorate the labor market problems created by differential compensation for workers across programs and settings who perform equivalent tasks. |
| Examples | Washington: Parity legislation has been adopted which requires that the compensation increase awarded to independent providers under Medicaid home care programs be replicated in an hourly amount added to the statewide agency home care provider vendor rate. Pennsylvania: For the first time, the Commonwealth has equalized funding increases across all systems of long term living, including community and facility-based care. |

■ Enhanced state procurement and contracting standards

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| What is it? | Procurement and contracting standards can be used to establish minimum benchmark standards for providers to participate in particular programs, for example, standards related to basic staff compensation (including wage floors), training, supervision, orientation and support for new workers, and career development and advancement. |
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Examples

12 states and the District of Columbia have established nurse aide training requirements that call for 120 or more hours of training. An additional 15 states have training requirements that range from just above the federal standard of 75 hours to 119 hours.

Louisiana and Montana recently established wage floors for direct-care workers employed in a wide range of publicly financed long-term care programs, thereby specifying a minimum hourly wage to be paid to direct-care workers.