

March 21, 2007

To: House Business and Labor Committee Members
From: Mike Hanshew, Nightingale Nursing/Consumer Direct Personal Care
Subject: Questions Regarding SB206

Several members of the Committee have asked for additional information and clarification regarding SB206 and a possible amendment to add the funding for a pilot project that would provide health insurance to in-home care workers who care for elderly and disabled Medicaid recipients in Montana.

Question: Why don't these in-home service agencies currently offer their workers health insurance?

Answer: The rate they are paid by Medicaid is too low.

There are approximately 30 private businesses and agencies that provide in-home personal assistance and private duty nursing services to Montana Medicaid recipients. Most of these agencies earn the vast majority of their revenue for providing in-home care as a result of serving Medicaid recipients (typically 80 to 90 percent of their total revenue). Unlike many of the services that state government purchases from private businesses, the state Medicaid agency (DPHHS), not the market place, determines what Medicaid will pay for the services in question. For an increasing number of provider agencies the rate Medicaid pays for in-home Personal Assistance Services does not cover the existing costs of delivering services, including paying their employees a competitive wage, let alone provide enough money to pay for health insurance. Because these agencies get most of their revenue from Medicaid they don't have the option to shift costs to other payment sources in order make up for low Medicaid rates, as is typically done by other providers of Medical services. If Medicaid doesn't pay, it doesn't happen.

Question: Does the proposal require that Montana Medicaid pay more than its fair share of the additional cost of the employee health insurance?

Answer: No! The proposal is structured in such a way that the size of the additional reimbursement for health insurance each provider agency would receive from Medicaid would be based on the percent of their total revenue that comes from Medicaid. For example, if an agency gets 70% of their in-home services revenue from Medicaid, then Medicaid will pay 70% of the cost of the insurance. In order to limit expenditures and remain within any appropriation from the legislature, the proposal also includes provisions for an upper limit on the amount of the average monthly premium that Medicaid will pay for.

Question: Will it be mandatory that all Medicaid in-home service agencies provide health insurance to their employees if the legislature approves funding for a pilot under SB206?

Answer: No, but only those agencies that do agree to provide insurance will receive the additional Medicaid reimbursement. Since most of the agencies get a very high percentage of their in-home services revenue from Medicaid they will have a strong incentive to offer the required health insurance because Medicaid will cover most of the additional cost. Agencies with lower levels of Medicaid utilization (of which there are very few) may choose not to participate.

Attached is an overview of the proposal to provide health insurance for in-home care workers on which SB206 is based. If you have any further questions please contact me and I will do my best to answer them. My cell number is: (406) 461-5786

“HEALTHCARE FOR THE MONTANANS WHO PROVIDE HEALTHCARE”

A Proposal to Provide Affordable Health Insurance to Low-Income Medicaid Healthcare Workers.

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PROPOSAL SUMMARY: Increase Medicaid reimbursement to certain agencies who deliver Personal Assistance Services in order to cover the costs incurred by those agencies when they provide health insurance benefits to their direct care employees who deliver Medicaid funded in-home personal assistance to elderly and disabled Montanans. In order to qualify for the reimbursement increase an agency would have to agree in writing to a set of requirements established by the state, including providing health insurance benefits and coverage that meet a specific set of standards that will be established by the state and providing the state Medicaid agency with ongoing documentation detailing the number of its direct care workers that are enrolled in its insurance coverage and the costs incurred for their health insurance.

THE LARGER PROBLEM: The Lack of Affordable Employer-Based Health Insurance - The number of Americans who have access to health insurance through their employer is steadily declining. The problem is especially acute in Montana where the most recent data from the Kaiser Foundation indicate that only 45.1% of Montana businesses offer employer-sponsored health insurance to their workers compared to a national average of 56.2%. When insurance is available it is often too expensive for many workers to purchase, especially those whose family incomes are at or near the poverty level. Approximately thirty-five percent of Montana adults age 19 through 64 whose incomes are under 200% of the Federal Poverty Level are uninsured. Some of these uninsured adult workers are former public welfare recipients who lost their Medicaid healthcare benefits when they went to work, but their family incomes remain low enough that their children continue to be eligible for Medicaid, or are insured under the Children’s Health Insurance Program (CHIP).

THE IRONY: Many Medicaid Healthcare Workers are Among Those Who are Uninsured – It is more than a little ironic that many of the people whom Montanans count on the most to deliver high quality, compassionate healthcare -- including the personal assistance workers and others who provide Medicaid funded direct care and assistance to people in their own homes -- do not have access to health insurance coverage for themselves and their families!

MONTANA MEDICAID PERSONAL ASSISTANCE SERVICES: Personal Assistance Services (often referred to as “personal care services”) are delivered by an estimated 3,400 workers who help Medicaid eligible people who have disabilities, or who are elderly, to complete various activities of daily living such as dressing, bathing, grooming and eating as well as providing assistance with other important activities such as shopping for groceries, washing dishes and basic household cleaning activities. Personal assistance services help people live independently and remain in their own homes for as long as possible.

PROFILE OF MONTANA’S PERSONAL CARE ATTENDANT WORKFORCE: The results of a recent survey of almost 800 Montana PCAs by DPHHS are revealing.

- Almost 90% of people working as personal care attendants in Montana are women.
- The average age of a Montana personal care attendant is 44.
- People working as personal care attendants range in age from 15 to 89 years old.
- 21% of personal care attendants are married with children.
- 22% of PCAs are single parents.
- 57% of PCAs are adults without children.
- 20% of personal care attendants are former TANF recipients.
- The average wage reported by a personal care attendant is \$9.05 per hour.

- Personal care attendants are the parents of over 300 children who are currently enrolled in Medicaid and 100 children who are currently enrolled in CHIP.
- 80% of personal care attendants have total family incomes under \$30,000 per year, which is 150% of the Federal Poverty Level for a family of four.
- Over one-half of the Medicaid personal care attendants surveyed by DPHHS reported that they are currently uninsured.
- Of those who do have insurance, the most common sources of their coverage is their spouse's employer, Medicaid, Medicare, IHS or their parents.
- The two most common reasons given for not having insurance are: "It's too expensive" and "My employer doesn't offer it."

PROPOSAL DETAILS: Healthcare for the Montanans who Provide Healthcare is a creative way to provide affordable, high quality employer-sponsored health insurance to as many as several thousand uninsured direct care workers who deliver Medicaid funded Personal Assistance services to elderly Montanans and Montanans with disabilities. Key features of the proposal include:

***Provide an Employer Health Insurance Incentive Payment:** The proposal would provide funding to increase the reimbursement to agencies that deliver Medicaid Personal Assistance if those agencies provide their employees with health insurance coverage that meets a set of criteria to be established by DPHHS;

***Fund the Employer Health Insurance Incentive Payment through Medicaid:** The plan calls for financing the new insurance coverage through a Medicaid funded Employee Health Insurance Incentive Payment. Providers will be compensated for Medicaid's share of the cost of providing their employees' with health insurance through the Medicaid payments the agencies receive for delivering services. Seventy percent of the cost to Medicaid will be paid by the federal government.

***Require that the Incentive Payment May Only be Used to Fund Employee Health Insurance:** The Employee Health Insurance Incentive Payment may only be used by service provider agencies to pay for health insurance for the direct care workers who provide personal assistance.

***The State Will Set the Requirements for the Employee Health Benefits/Coverage:** The requirements of the health care benefits/insurance coverage necessary to qualify for the Employee Health Insurance Incentive Payment will be established by DPHHS. The criteria for acceptable insurance coverage will address issues such as:

1. The healthcare services that must be included in the employer's benefits package?
2. Minimum average hours per week an employee must work in order to be eligible for coverage?
3. Requirements/limits on employee co-payments?
4. Maximum employee out-of-pocket contributions?

***Employer Participation will be Voluntary:** Service provider agencies will not be forced to accept the Employee Health Insurance Incentive Payment, but if they do agree to participate they must agree to comply with the requirements regarding the nature of the insurance and procedures for verifying coverage;

COST: The cost of providing health insurance to the approximately 1,700 Direct Care Workers who work at least 20 or more hours per week is:

	FY2008	FY2009	Biennium
Total:	\$4,077,708	\$9,174,843	\$13,252,551
G.F.:	\$1,290,187	\$2,945,125	\$4,235,312
Federal:	\$2,787,521	\$6,229,718	\$9,017,239

FACTS IN SUPPORT "HEALTHCARE FOR MONTANANS WHO PROVIDE HEALTHCARE":

The following are some of the pertinent facts that make the proposal described above not only feasible but, in our opinion, logical and compelling:

FACT: Medicaid enables the state to access significant amounts of additional federal funding.

The Department of Public Health and Human Services spends almost one billion dollars per year to purchase a wide range of health related services for Montanans in need of care. Medicaid is the jointly funded state and federal program that pays for the majority of these healthcare services. Montana pays approximately thirty cents of every Medicaid dollar that is spent, while the federal government pays the remaining seventy cents. The favorable matching rate means that every dollar the state spends on Medicaid eligible services generates almost three dollars in federal matching funds.

FACT: The agencies that provide personal assistance services in Montana depend on Medicaid for most of their funding, as a result they have little or no ability to shift costs to other payment sources.

The vast majority of the revenue and income to agencies for providing personal assistance services in Montana comes from Medicaid. For example, Medicaid is the source of over 95% of the revenue received by CDPC for providing personal assistance services. The ability of the agencies that depend on Medicaid for funding to hire qualified employees, pay those employees a fair wage and to offer them a meaningful set of benefits -- including affordable employer-sponsored health insurance -- is directly related to the level of the reimbursement they receive from DPHHS. Unlike many other healthcare provider types, the agencies that provide personal assistance cannot make up for low Medicaid rates by shifting cost to other payers.

FACT: The reimbursement rates of the agencies that depend on Medicaid for funding for services such as personal assistance are not high enough to enable those agencies to both pay their employees a reasonable wage and provide them with health insurance. Given the level of Medicaid payment available from DPHHS many long term care services, including personal assistance services, and the inability of most agencies to shift costs that are not reimbursed by Medicaid to other payment sources, offering affordable health employer based health insurance is simply not realistic for most agencies.

FACT: It is easier to implement a policy that provides incentives for agencies to provide health insurance for their employees when those agencies get most or all of their revenue from Medicaid.

The fact that some service provider agencies depend so heavily on Medicaid for their funding makes it feasible for the state to provide targeted reimbursement increases in order to accomplish specific policy objectives such as the plan to provide direct care employees with health insurance that is described in this proposal. A good example of the ability to implement such policies is the rate increase targeted at raising the wages of direct care workers that was adopted by the 2005 Montana Legislature. In that case, the legislature appropriated funding that could only be used to increase the wages of certain groups of employees that provide direct care services, and charged DPHHS with distributing the funds so as to ensure they were used in a way that was consistent with the intent of the legislature.

FACT: Some policymakers are concerned about the traditional approaches states have used to expand Medicaid funded health care coverage to low-income workers. Currently states may increase access to Medicaid funded healthcare in the following two ways: (1.) Increase income and/or resources eligibility standards for Medicaid in order to cover individuals and families with higher assets or incomes; or (2.) Seek a waiver from the federal government that enables the state to provide modified benefit packages to low-income people who are ineligible for traditional Medicaid. While both of these policy options are available to states, they each may cause concerns among policymakers that limit their use. Those concerns include:

1. Concerns Regarding Expanding Medicaid Eligibility - Because Medicaid is an entitlement program, any state that increases the income level needed for eligibility must provide full Medicaid benefits to every applicant who meets the new criteria. In the past many states, including Montana, have been reluctant to

expand eligibility standards for traditional Medicaid out of fear that the cost of such an expansion will be more than they are willing or able to spend. Even if a state is willing and able to pay the increased cost of expanded eligibility, it is difficult or impossible to extend traditional Medicaid benefits to workers who are "childless adults" (single adult workers or married workers with no minor children).

2. Concerns Regarding the use of Medicaid Waivers – While some Medicaid options such as the Health Insurance Flexibility and Accountability (HIFA) Waivers do offer states greater flexibility in using Medicaid dollars to fund health care benefits for low-income families. However, HIFA and other 1115 federal waivers are administratively complex and - because they often provide less than full Medicaid benefits and may require that the state negotiate a budget cap to some future Medicaid expenditures - they may be politically controversial.

FACT: Healthcare for the Montanans who Provide Healthcare offers a creative new way to provide Medicaid funded health insurance to low-income workers, while avoiding many of the pitfalls and concerns associated with the traditional ways states have used to expand eligibility for Medicaid funded healthcare services. The fear of exploding caseloads, runaway entitlements and uncontrolled costs, or a hidden federal agenda that could weaken the existing Medicaid entitlement program, have produced an environment where it is extremely difficult to create the consensus necessary to move forward. We believe that the proposed Employee Health Insurance Incentive Payment described here presents another approach that will provide low-income workers with Medicaid funded healthcare benefits while avoiding the perceived drawbacks associated with making changes to Medicaid eligibility criteria or seeking federal waiver. The proposal to use reimbursement rates to fund worker healthcare benefits does not require that Montana change its Medicaid eligibility criteria in any way or create a new entitlement, nor does it require a complicated and potentially controversial waiver of federal regulations.

FACT: Providing health insurance to the workers who deliver personal assistance will help them maintain their employment, reduce the amount of uncompensated care delivered by Montana medical providers, and could have a positive impact on the health status of their children. The upper income limit for adults in Montana's Family Medicaid program is equal to about 37% of the Federal Poverty Level. If a parent with two children takes a fulltime job providing personal assistance services for \$10.00 per hour he or she is very likely to lose their eligibility for Medicaid funded healthcare, although their children should remain eligible for either Medicaid or CHIP. If that uninsured worker gets sick they will often put off going to the doctor because they cannot afford the cost until they reach the point that they are so ill they are forced to seek treatment, often as a patient in the high cost hospital emergency room setting with no way to pay the bill. The hospital's expenses for the "uncompensated care" are then passed on to other purchasers of medical services, eventually driving up the cost of private insurance for the rest of us. If the illness is serious or chronic the worker may have to choose between quitting their job so they can regain their eligibility for Medicaid (and perhaps TANF) or to risk further deterioration and even more serious illness while foregoing treatment. Obviously, having access to affordable, high quality health insurance through their employer reduces both uncompensated care and the incentive to return to Medicaid. In addition to the direct benefits to adults, there is some evidence that the children of adults who are insured also benefit because they are more likely to receive necessary medical treatment and preventive services when they are needed.

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