

02/01/2024

Honorable Members of the Finance Committee,

Thank you for allowing me to express our opposition to SN197. We have been in business providing care for elderly Medicaid recipients since 2002 and have seen many trends over the years. Currently, we are seeing a push from a 1099 to a W-2 employment model. We strongly believe this is a mistake that could lead to much higher caregiver shortages for our already underserved community.

There are hundreds of RSA's (Residential Service Agencies) companies in Maryland that are reimbursed by Medicaid. Many of them use a well-established model of 1099 contractors as caregivers. If this is passed, it will negatively affect hundreds of agencies in every corner of Maryland and send caregivers running to other industries and states. Here are some reasons why hundreds of agencies will suffer and could go out of business.

1. This transition would shock the home care industry with substantial additional costs for the already substantially underfunded RSA's.

In 2018, the House and Senate passed a bill to authorize a study of costs called HB1696 or the Hilltop Study. Based on this study, we were underpaid substantially. In 2018, the difference was \$8.04 per hour! In 2024, the costs of providing services have gone up substantially. Despite these increasing costs Medicaid reimbursement was only \$1.86 per hour. (see page 15 of attachment or page 11 of Hilltop study) To transition without a substantial reimbursement increase would be overwhelming, burdensome, and will negatively affect senior home care for years to come.

2. Taking away the ability to use 1099 contractors in home-based Medicaid population would greatly affect so many companies by causing them to lower hourly pay and struggling to retain workers. They will lose many benefits of contractor work.

Many caregivers prefer to work as 1099. Caregivers work for more than one registry at the same time. They call around looking for this as an option. Some caregivers are looking for a full-time position while many are looking for a part-time supplemental income to fit into their already busy schedule. They enjoy the flexibility of choosing their hours (night, morning, while kids are at school etc.). They want the ability to write off milage, gas and other expenses, as allowed by law. Many caregivers prefer to get all their money upfront rather than have deductions and hope to have a return at tax time. They are willing to take on new cases for freedom of choice and to forgo some of the traditional safety nets of W-2. When a case is over, they move on to another client or different agency altogether. On the other hand if they want to work under as a W-2 caregiver, there are agencies who operate under that model.

3. We think agencies should continue to have a choice of operating as a registry module for more flexibility and choices for such caregivers as family caregivers. Our family caregivers don't need a W-2 model and prefer the ability to have part-time work as 1099 and all the benefits that come with it, such as flexibility, competitive high pay rate, and various tax benefits.

One area of the Medicaid program where the W-2 model is also not necessary is the Family Caregiving Program. This program allows family members of Medicaid recipients to get reimbursed for caring for their loved ones. In Maryland, the family member must be approved by the State and must work through an RSA. These paid family caregivers typically have other full-time work and commitments. They work for their elderly and/or disabled loved ones either by themselves or alongside a team of our part-time caregivers. Some clients have a different caregiver daily, depending on their hours and level of care.

4. Caregivers have a higher take home wage rate with a 1099 model.

Agencies with a registry model generally provide a higher wage rate, and that rate is negotiable based on the caregiver's availability, skills and experience. Many caregivers have been with us for years.

5. Choice of worker status by RSAs – whether an RSA employs a caregiver or has a contract relationship with them will determine other aspects of the business.

If businesses comply with existing worker laws, businesses should be able to choose under which model they prefer to operate. Caregivers should also have a right to choose which model is more appropriate for them. Each registry has its own unique

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demographics, its pool of different caregivers, and a specific business niche they specialize in. Let's allow the clients, their families, and caregivers to choose what is right for them.

6. This bill potentially discriminates against RSA's that help the Medicaid population.

MDH is preparing a dramatic change to the way this long-term care is available to the Medicaid population. With the start of "Self-Directed Program" in Maryland in 2024 the individual clients will be able to hire RSAs' caregivers directly as 1099 contractors, side-step the agencies. Although we are in support of these programs for the good of participants and freedom of choice, we believe the RSAs should not lose the ability to offer this as an option for its work force.

Sincerely,

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