

March 7, 2022

Dear Senator McCray and Members of the Senate Finance Committee,

Thank you for the opportunity to comment on Maryland Senate Bill 863 (*Maryland Medical Assistance Program – Personal Care Aides – Reimbursement and Required Wage*), which would increase the Medicaid reimbursement rate to provider agencies of long-term services and supports by 15 percent and require that personal care aides whose work is funded by Medicaid be paid at least \$16 per hour starting July 1, 2023.

The Center on Education and Labor at New America (CELNA) is a research and policy development program focused on the policy domains of education, labor, and workforce development. CELNA is dedicated to restoring the link between education and economic mobility by advancing policies that strengthen the key social institutions necessary to connect them. Since 2018, the Center has been researching and recommending policy strategies to support the economic advancement of health care professionals, particularly through apprenticeships. CELNA, in collaboration with other programs at New America, has also conducted research on effective strategies for securing improved benefits, as well as training and career advancement opportunities for home care workers.

We support Maryland Senate Bill 863 because it will directly improve the compensation of essential personal care and home care workers.

Given Maryland's rapidly aging population, home health and personal care aides are among the fastest-growing occupations, with the number of jobs projected to grow by 41.5 percent by 2028.¹ Despite the critical role of and high demand for care workers, their pay is low—likely contributing to the high rates of worker turnover. According to the Maryland Department of Labor, the estimated median hourly wage for home health and personal care aides is \$13.51.² Many workers struggle to make a living at this level of compensation. According to the Massachusetts Institute of Technology, which calculates state-specific living wage models to serve as alternative, more accurate measures of basic needs compared to the federal poverty threshold, the living wage for a single working adult in Maryland is \$17.25/hour. A sole earner in a two-adult household must make \$26.66/hour, whereas each working adult in a two-adult household must earn \$13.33/hour to get by. With dependent children, the required hourly living wage increases. A single parent must earn \$34.74/hour to care for a single child and \$43.05/hour for two children. A two-parent household, in which both adults

¹ <https://www.dllr.state.md.us/lmi/iandoproj/maryland.shtml>

² <https://www.dllr.state.md.us/lmi/wages/page0023.htm>



are working and sharing the financial load, requires a \$18.75 hourly wage per person to support a family of three and \$23.40/hour for a family of four.³

Without policy intervention, economic conditions for these workers will continue to reinforce gender, racial, and ethnic inequities considering the vast majority of care workers in Maryland are women (88 percent) and people of color (88 percent), with immigrants (32 percent) representing a sizable share of the workforce.⁴

Medicaid is the primary source of long-term care funding for the elderly and individuals with disabilities and, as such, sets the industry standard for care worker wages based on reimbursement rates. The reimbursement rate for long-term care services is used to cover a variety of provider expenses like agency overhead, administrative costs, and direct and indirect worker wages and benefits. Inadequate Medicaid reimbursement rates for long-term services and supports make it harder for providers to offer care workers competitive wages, however, specific requirements around the percentage of Medicaid reimbursement rates for wages are critical for ensuring that workers benefit from public investments in care.

Last year Maryland implemented two separate Medicaid reimbursement rates increases. In January 2021, the state increased provider rates for behavioral health and long term care and in response to the American Rescue Plan (ARP) Act—which authorized a one-year, 10 percent increase in the federal share of Medicaid payments (federal medical assistance percentage or FMAP) for home and community based services (HCBS)—Maryland elected to increase provider rates for HCBS.⁵ However, there were no requirements that care workers receive a portion of these rate increases. Implementing a wage pass-through, as outlined in Senate Bill 863, will guarantee that increased public investments in residential and community-based care will make their way to the workers who provided skilled and essential services to the elderly and individuals with disabilities.

More than half of states have at some point implemented a Medicaid wage pass-through, requiring that a certain amount of Medicaid resources flow directly to care workers. A 2010 study on the effect of Medicaid wage pass-through policies on the wages of direct care workers found that workers in states that

³ <https://livingwage.mit.edu/states/24>

⁴ <https://phinational.org/wp-content/uploads/2018/09/DSWorkers-Maryland-2018-PHI.pdf>

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<https://health.maryland.gov/mmcp/Documents/MEDICAID%20PROVIDER%20RATE%20CHANGES%20FROM%20JANUARY%202021%202021.pdf>;
<https://health.maryland.gov/newsroom/Pages/Maryland-Department-of-Health-announces-new-Medicaid-rate-increases.aspx>



implemented pass-through provisions earned as much as 12 percent more per hour than workers in other states.⁶

If passed, Maryland Senate Bill 863 will improve the compensation of personal care and home care workers and potentially reduce turnover and staffing shortages. Thank you once again for the opportunity to submit comments in favor of Maryland Senate Bill 863.

⁶ Baughman, R., and Smith, K. (2010). The Effect of Medicaid Wage Pass-Through Programs on the Wages of Direct Care Workers. *Medical Care*, Vol. 48, No. 5: 426-432.

