

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

Assemblymember Hector De La Torre, Chair

WEDNESDAY, APRIL 6, 2005, 1:30PM
STATE CAPITOL, ROOM 4202

ITEMS TO BE HEARD

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ITEM TO BE HEARD

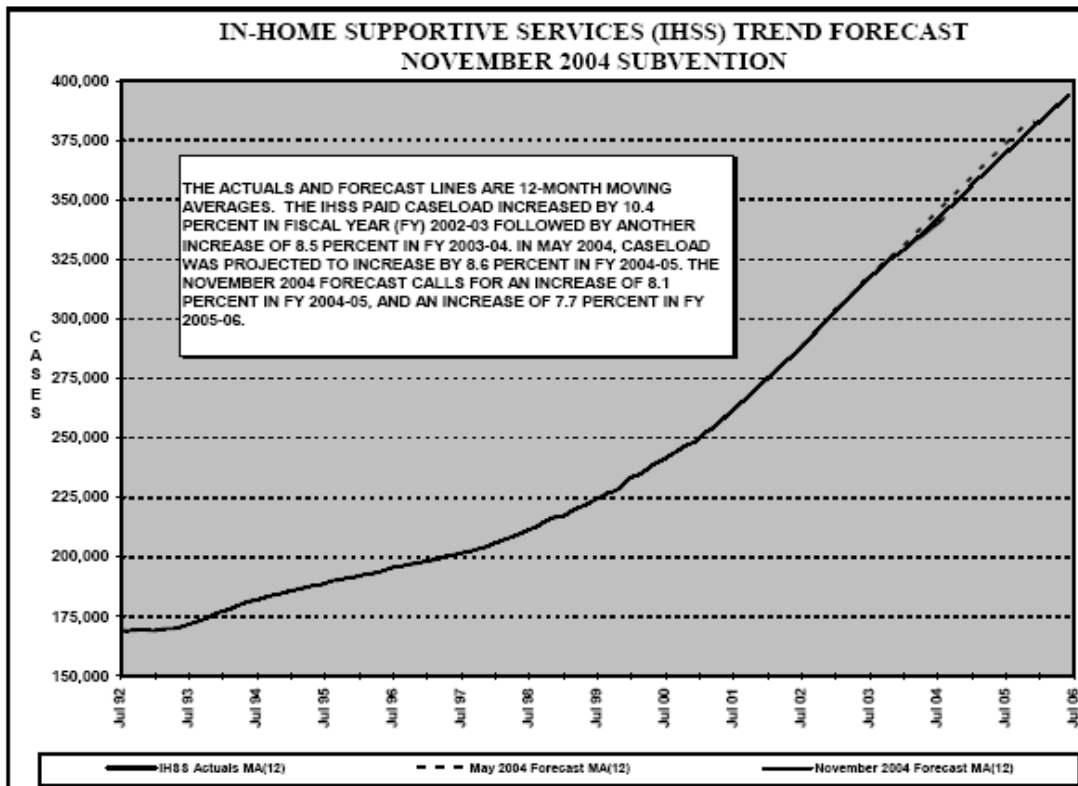
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE #1: REDUCTION IN STATE PARTICIPATION IN COUNTY IHSS WAGES

The Governor is proposing to reduce State participation in In Home Supportive Services (IHSS) wages and benefits to the minimum wage.

PROGRAM BACKGROUND:

The IHSS program provides services to eligible low-income aged, blind, and disabled persons to enable them to remain independent and continue to live safely in their homes. Services include meal preparation, laundry, and other personal care assistance.



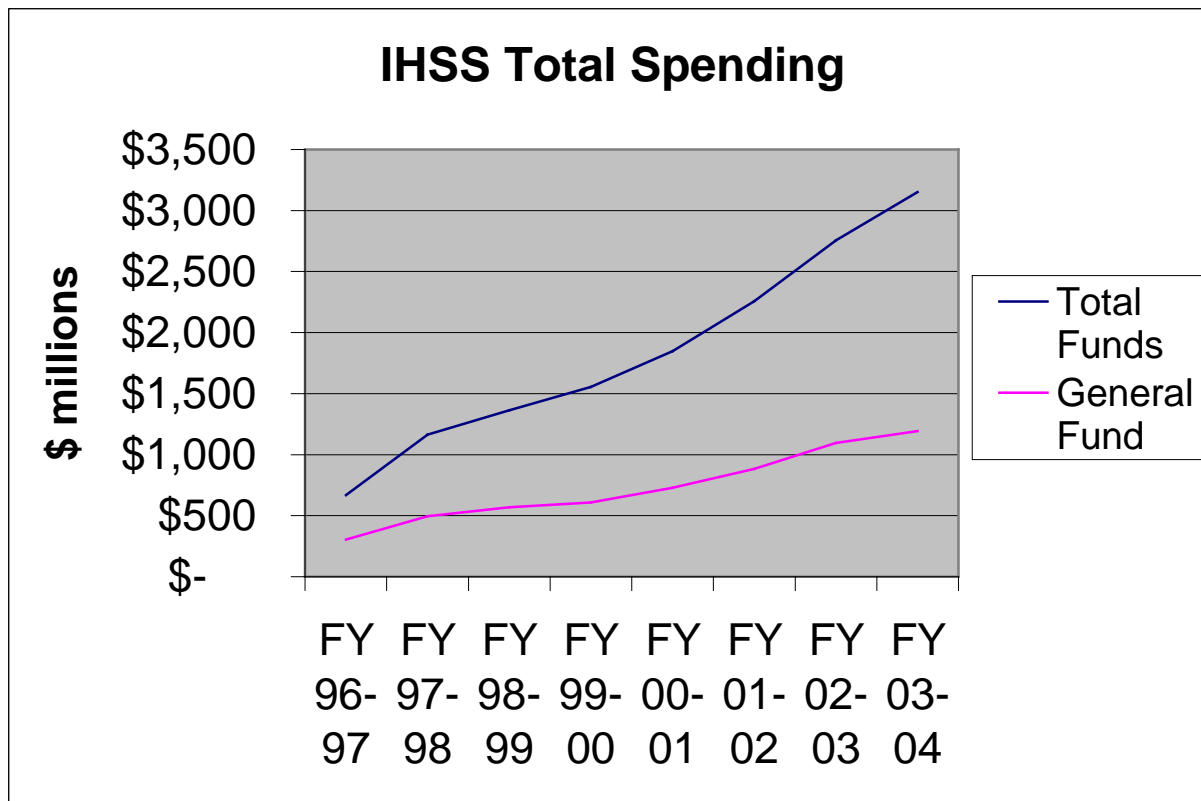
Approximately half of IHSS consumers are age 65 and older. Persons with developmental disabilities constitute more than 12 percent of the IHSS caseload.

IHSS Age	Consumer	Percent of Total Caseload (as of December 2001)
	1-17	5.2%
	18-44	17.0%
	45-64	27.9%
	65-74	25.8%
	75-84	18.6%
	85+	5.5%

The program has three components that reflect a historic difference in whether the IHSS client and services qualified for federal funds prior to 2004. The biggest component is the Personal Care Services Program (PCSP) with over 354,624 cases projected in the budget year, the other component; the Residual Program is projected to have 1,500 cases in the budget year.

Last year's budget contained the "IHSS Plus" waiver that allows almost all IHSS Residual Program cases to receive federal funding, and is projected to have about 26,000 cases. Prior to the approval of the waiver, only PCSP cases were eligible to receive federal funds that match approximately 50 percent of the costs. Residual Cases were funded with a 65 percent State and 35 percent county split in funding. As a result, the waiver will save the State over \$230.9 million in the budget year and counties will also have reduced expenses for the Residual cases.

The budget proposes \$1 billion General Fund for the IHSS program for 2005-06, a 11.6 percent decrease from the 2004 Budget Act.



Most of the In Home Supportive Services cost increases are due to caseload increase (52 percent). Wage increases are the next biggest increase, which includes both discretionary wage increases and minimum wage increases playing a role in higher costs. Finally, the number of hours per case has risen, resulting in a 6 percent increase in IHSS costs.

GOVERNOR'S PROPOSAL:

Currently, the State reimburses for its share (about 32.5 percent of the costs) of wages up to \$9.50 per hour plus \$.60 per hour for benefits for IHSS services. Current law includes a statutory trigger that increases State participation if certain General Fund revenue targets are met. In the budget year, that trigger would have raised State participation to \$10.50 per hour plus \$.60 per hour for benefits.

The Governor's budget proposes a two stage reduction in the State participation in IHSS wages that would result in State reimbursement decreasing to the minimum wage level. The first stage of the reduction would occur on July 1, 2005 and would roll back State participation to the July 1, 2004 level—which impacts 12 counties that increased wages in the current year. The second stage of the wage roll back would occur on October 1, 2005, where the State would only reimburse up to the minimum wage (\$6.75 per hour) and cease reimbursing for benefits. The total reduction results in General Fund savings of \$195 million in 2005-06, and \$260 million annually.

PROPOSED TRAILER BILL LANGUAGE:

The administration is proposing several pages of Trailer Bill Language to implement this proposal. The latest version of the proposed Trailer Bill Language will be provided as an attachment to this agenda at the hearing.

CAPA SURVEY OF CURRENT IHSS WAGE RATES:

The California Association of Public Authorities conducted a survey of all 58 counties to determine each county's current IHSS wage and collective bargaining agreement. The results of the survey included the following facts:

- 93.05% of all IHSS workers statewide are currently paid more than the State's minimum wage level of \$6.75 per hour. That 93.05% statistic covers workers in the following 38 counties: Alameda, Alpine, Amador, Butte, Contra Costa, El Dorado, Fresno, Glenn, Los Angeles, Marin, Mendocino, Merced, Mono, Monterey, Napa, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Sierra, Solano, Sonoma, Stanislaus, Ventura, Yolo, and Yuba.
- 6.95% of all IHSS workers statewide are currently paid \$6.75 per hour. These IHSS workers are in the following 20 counties: Calaveras, Colusa, Del Norte, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Mariposa, Modoc, Shasta, Siskiyou, Sutter, Tehama, Trinity, Tulare, and Tuolumne.
- 12 counties, comprising 57.34% of statewide IHSS workers, have increased wages and/or benefits since June 30, 2004 and would, therefore, be impacted by the Phase 1 (July 1, 2005) rollback of state sharing as proposed in the Governor's budget. These counties are El Dorado, Fresno, Los Angeles, Mendocino, Placer, Riverside, San Benito, San Diego, San Joaquin, San Luis Obispo, Ventura, and Yuba.
- 28 Public Authority counties, representing 89.62% of statewide IHSS workers, have a binding collective bargaining agreement with the exclusive union that represents IHSS workers.
- 22 of those Public Authority counties have adopted some form of county protection within the local ordinance or collective bargaining agreement that addresses potential changes in state or federal sharing levels in IHSS wages and/or benefits. Those local protection provisions fall into two categories:
 - Language that requires a meet and confer process without specifying outcomes
 - Specific language that would modify wages and/or benefits if state or federal funding is diminished.
 - San Diego County has the latest expiration date on their collective bargaining agreement (January 31, 2008).

- 6 of those Public Authority counties have not adopted or established any county protection provisions within their ordinances or collective bargaining agreements if state or federal funding levels are changed. Those counties are Alameda, Contra Costa, Mendocino, San Francisco, Santa Clara, and Santa Cruz.
- 30 counties have not adopted any collective bargaining agreement over IHSS wages or benefits. 10 of these counties have adopted an IHSS wage that is higher than \$6.75 (7 counties pay \$7.11 per hour and 3 counties pay \$6.95 per hour). Most are currently involved with the collective bargaining process. Four counties (Glenn, Lassen, Modoc and Mono) have not completed the election to establish an exclusive (union) representative for IHSS workers and, therefore, cannot yet engage in the collective bargaining process.

IMPACT OF WAGE LEVELS UPON THE QUALITY OF IHSS SERVICES:

In 1996, the State embarked upon a policy to increase IHSS wages because the minimum wage was not sufficient to guarantee quality continuous care for IHSS clients.

Like other healthcare occupations, employers have a hard time finding workers to provide IHSS services. A 1997-1999 survey by the Employment Development Department found that more than 60 percent of IHSS employers were having difficulty finding workers.

In Home Supportive Services clients have difficulty maintaining the consistency of care due to the high turnover rates of IHSS workers. EDD data from 1995-2001 shows that three years after starting a homecare position, less than half of all IHSS providers still provide homecare and only about one third remain with their initial employer.

Wage rates play a significant role in the difficulty IHSS clients have in attracting and retaining workers. A UCLA study found that all caregiver occupations, including homecare, fared worse than competing occupations in wages, benefits and opportunities for advancement.

Studies have shown that increasing the wages and benefits results in increased stability of IHSS placements. A 2002 Berkeley's Labor Institute study of the City and County of San Francisco's wage increases found that increases to IHSS wages resulted in a: 1) 54 percent increase in the number of IHSS providers; 2) 20 percent decline in the turnover experience by clients; and 3) 30 percent reduction in overall turnover in IHSS.

LIKELY PROGRAMMATIC EFFECTS OF COUNTIES REDUCING WAGES TO MINIMUM WAGE:

Reducing IHSS wages will degrade the quality of the IHSS program by increasing worker turnover and leading to shortages in the supply of IHSS workers.

Professor Candice Howes of Connecticut College projected the following effects of IHSS wages dropping to the minimum wage:

- A substantial number of IHSS workers would look for other jobs
 - i. Nearly half of all providers believe that it would be possible to find another job with wages and benefits comparable to their *current* pay.
 - ii. A very conservative estimate of the number of people who would look for other jobs providers if the wages fell below their *current* levels is 12,000.
- An estimated 2,280 consumers are expected to end up in long term care facilities
- IHSS workers would lose approximately \$550 million in annual income. The average monthly individual income would fall by 21 percent - \$283 - from \$1,350 to \$1,060; the average household income would fall by 12.4 percent from \$2,270 to \$1,985.
- If counties eliminate Health Insurance plans currently reimbursed in part by the State, 53,000 IHSS workers will lose IHSS insurance coverage.

WILL COUNTIES REPLACE THE LOST STATE FUNDING?

The Governor's budget suggests that counties will not need to reduce wages and benefits for IHSS providers because they will receive additional federal revenue from the approval of the IHSS Plus Waiver. The waiver will save counties \$93 million in FY 2005-2006 from federal funds replacing part of the county share for the Residual caseload costs. However, the Budget assumes \$152 million annual savings from reducing State participation for IHSS wages, \$59 million more than counties will save from the IHSS Plus Waiver. In 2006-2007 and subsequent years, counties would need to spend over \$100 million more than current levels to keep wages at their existing levels.

Although counties are technically receiving additional federal funding for IHSS costs, the State actually owes counties 275.5 million in unreimbursed realignment expenses, mostly as a result of IHSS costs. Under the terms of the 1991 Local Government Realignment agreement between the State and counties, counties would assume obligation for a larger share of IHSS costs, but the State would reimburse these costs through realignment revenue. Since 2001, the total growth in realignment reimbursable expenses by counties has exceeded the growth in revenues dedicated to counties, creating this deficit. The growth in IHSS caseloads has been a principle driver in the growth of realignment expenses.

FEDERAL MEDICAID PROVIDER RATE IMPLICATIONS:

Federal law sets certain requirements for Medicaid provider rates that may apply to the IHSS program, as the IHSS program is funded with 50 percent federal Medicaid funds. The central provision of federal law that may affect IHSS provider rates is 42 U.S.C. Section 1396a (a) (30) (A) ("Section 30(A)," which requires a Medicaid State Plan to:

Provide such methods and procedures related to the utilization of, and the payment for, care and services available under the plan... as may be necessary... to assure that payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area.

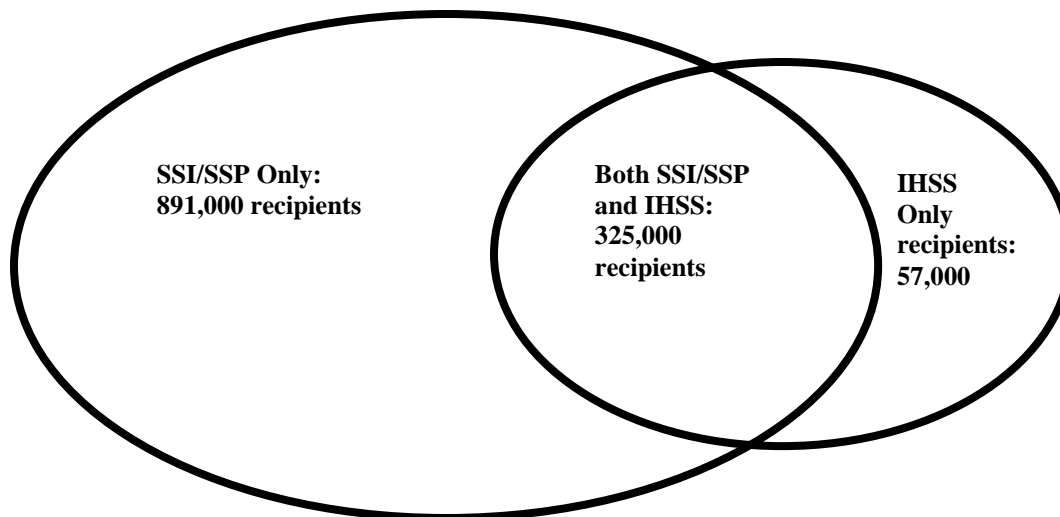
In *Clayworth v. Bonta*, the State has thus far been prevented from implementing a 5 percent Medi-Cal fee-for-service provider rate reduction, due to a finding related to Section 30(A). In a December 2003 ruling, the U.S. District Court found that, "Because the State failed to consider the effect of a rate reduction on beneficiaries' equal access to quality medical services, in view of provider costs, the pending rate reduction is arbitrary and cannot stand."

MOST IHSS RECIPIENTS ALSO IMPACTED BY SSI/SSP CUT:

The Governor's budget also proposes to suspend State cost increases to the SSI/SSP program and capture a federal increase provided by the federal Social Security Administration. If both reductions are enacted most IHSS recipients will not only see the quality of their IHSS placement decrease, they will also be impacted by the cut to SSI/SSP.

In a January 2003 report, based on February 2002 data, the DSS reported that 85 percent of IHSS recipients were also SSI/SSP recipients. In that report the department also noted that about 90 percent of recipients who receive both SSI/SSP and IHSS are living independently. This is different from the overall SSI/SSP population, in which about three-quarters of all recipients are living independently.

The Venn diagram below shows the overlap between IHSS and SSI/SSP caseload, using the February 2002 ratios, updated for 2005-06 estimated caseload. Note: Diagram is not drawn to scale.

**PANELIST:**

Professor Candace Howes
Connecticut College

STAFF COMMENT:

The budget does not assume any secondary impacts, such as higher nursing home utilization, as a result of the reduction in State participation in IHSS wages. The academic research suggests that the competitive IHSS wage levels are a critical to attract and retain workers in the program. The IHSS program cannot be an effective alternative to institutional care if it is unreliable and difficult to find. If these offsetting impacts, such as increased nursing home utilization, were taken into account, it is possible that the magnitude in savings assumed from this proposal would be significantly reduced, especially in future budget years.

ISSUE #2: PUBLIC COMMENT