Workforce Policy Weekly
October 18, 2024

National Policy Pulse Call. LeadingAge's members-only briefing and analysis call with our experts, "National Policy Pulse," happens every Monday at 3:30 p.m. ET. Register for the calls (registration required even if you were registered for the previous 3:30 p.m. policy update calls) here. Your registration will keep you on the list for all calls in 2024, and we'll send a new registration link to members for calls in 2025 so you never miss a beat.

Medicaid Payments to Nursing Homes Average 82% of Costs of Care, National Study Finds. In a report released October 15 by HHS's Office of the Assistant Secretary for Planning and Evaluation (ASPE), authors evaluated Medicaid payments to nursing homes across 44 states. The study developed a comprehensive, nursing home-level national database that integrated data on payments, costs, staffing, and quality from various sources, enabling detailed analyses of key financial and other metrics. Authors found that Medicaid reimbursements fell short of covering the costs of care for providing services, with many variables affecting the rates. According to the report, which used 2019 data (the latest pre-pandemic data), Medicaid payment rates for the average or median nursing home covered about 82 cents per every dollar of costs that nursing homes reported incurring in caring for Medicaid residents. For approximately 40% of nursing homes, Medicaid per diem payments covered 80% or less of their estimated per diem Medicaid costs, the report says. The majority, or 52% of nursing homes, had 80-100% of their Medicaid per diem costs covered; and the remaining 8% of nursing homes had Medicaid payments exceeding their Medicaid per diem costs. Nonprofit nursing homes were found to have a lower mean Medicaid payment-to-cost ratio (0.76) than for-profit and government-owned nursing homes (0.83 and 0.80, respectively). On average, Medicaid rates paid were 82% of costs to provide services, though variables were evident based on staffing patterns, ownership type, and occupancy. For example, the report found that nursing homes with total nursing staff levels less than 3.00 hours per resident day (HPRD) had the highest average Medicaid payment-to-cost ratio (0.85), while nursing homes with nursing staff levels above 4.00 HPRD had the lowest average Medicaid payment-to-cost ratio (0.77). The study made good faith efforts to compare costs to payments based on per diem rates and supplemental payments paid through the per diem rates. According to the report, the mean and median all-payer payment-to-cost ratio is 1.0, indicating that, on average, nursing homes had all their reimbursable costs covered after all revenue sources were included. Within the analysis, authors suggest there was an inability to correct for costs associated with related party transactions (those that occur within organizations under the same ownership umbrella). The report provides a comprehensive overview of Medicaid reimbursement across the United States. However, it does "not assess the sufficiency or determine the optimal and most efficient Medicaid payment-to-cost ratio," the accuracy and completeness of data in Medicare Cost Reports, or whether nursing homes are operating efficiently with appropriate staffing levels based on resident acuity. Additionally, the study does not analyze the federal regulation (42 CFR § 447.204), which requires states to set Medicaid payments that are "consistent with efficiency, economy, and quality of care" and sufficient to ensure that services are available to beneficiaries at the same level as the general population. Specifically, it does not examine whether nursing homes are adequately staffed to meet the needs of their residents. The authors note that, "additional transparency around labor costs would be helpful and would satisfy the CMS requirement to document spending on direct care staffing for its proposed rules on Minimum Staffing Standards for Long-term Care Facilities," which are now final. The findings from this study can inform Medicaid payment reforms, provide the data needed to assess the impact of potential changes in Medicaid payment policy on the financial performance of nursing homes at both the state and nursing home levels, and highlight potential disparities in Medicaid

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payments and nursing home costs. The authors of the report, *Assessing Medicaid Payment Rates and Costs of Caring for the Medicaid Population Residing in Nursing Homes*, include Marc A. Cohen, Ph.D, the co-director of the LeadingAge LTSS Center @UMass Boston. Introductory information and the full report can be accessed here.

New Research Shows Wage Gap for Direct Care Workers. On October 16, PHI released Competitive Disadvantage: Direct Care Wages Are Lagging Behind—2024 Update, an analysis of wage disparities between direct care workers and comparable occupations throughout the United States. The analysis also highlights trends in the wage gap between direct care workers and comparable occupations (e.g., housekeepers, janitors, customer service representatives, retail salespersons, and food preparation workers) from 2014 to 2023. The report found that in all 50 states and the District of Columbia, direct care workers earned a lower median wage than comparable occupations in other industries. As of 2023, the latest available data, the hourly wage gap varied from -$0.46 in Rhode Island to -$5.56 in Texas. In 39 states, the gap was at least -$2.00 per hour, with 19 of those states reporting a difference of over -$3.00 per hour. Over the past decade, direct care worker median wages remained lower than median wages for similar occupations despite narrowing in 32 states. Despite some advances, the wage gap has widened 17 states. “An array of strategies is needed to improve job quality, strengthen and stabilize the direct care workforce, and ensure access to services for all those who need them,” the report says, reflecting LeadingAge’s support for an array of solutions to address the needs of the aging services workforce.

Report Analyzes Immigrations Impact on Economic Outcomes. On October 4, 2024 the Economic Policy Institute (EPI) released a report examining the impact of immigration on key economic outcomes and explores how immigration status affects wages and worker protections. Among other findings the report indicates that immigration enables economic growth despite the sharp deceleration in the growth of the U.S.-born workforce and does not reduce the number of jobs available for U.S.-born workers. The report includes policy recommendations such as expedited pathways to green cards for undocumented immigrants and those with unstable legal status, enhanced temporary protections/work permits and expanded humanitarian migration pathways.

Last Week’s Recap Updates. Here is the October 11, 2024 Workforce Update.