

Schedule 13

Funding Request for the FY 2022-23 Budget Cycle

Health Care Policy and Financing

Request Title

BA-07 Increase Base Wage for Nursing Homes

Dept. Approval By:

BL

Supplemental FY FY 2021-22

OSPB Approval By:

Meredith Moon

X

Budget Amendment FY FY 2022-23

Summary Information	Fund	FY 2021-22		FY 2022-23		FY 2023-24
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request
	Total	\$9,986,396,763	\$0	\$10,030,888,474	\$4,779,253	\$1,707,390
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,403,780,422	\$0	\$2,606,498,025	\$2,389,627	\$853,695
	CF	\$1,196,746,162	\$0	\$1,141,406,685	\$0	\$0
	RF	\$83,318,813	\$0	\$88,434,406	\$0	\$0
	FF	\$6,302,551,366	\$0	\$6,194,549,358	\$2,389,626	\$853,695

Line Item Information	Fund	FY 2021-22		FY 2022-23		FY 2023-24
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request
02. Medical Services Premiums - Medical Services Premiums						
	Total	\$9,986,396,763	\$0	\$10,030,888,474	\$4,779,253	\$1,707,390
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$2,403,780,422	\$0	\$2,606,498,025	\$2,389,627	\$853,695
	CF	\$1,196,746,162	\$0	\$1,141,406,685	\$0	\$0
	RF	\$83,318,813	\$0	\$88,434,406	\$0	\$0
	FF	\$6,302,551,366	\$0	\$6,194,549,358	\$2,389,626	\$853,695

Auxiliary Data			
Requires Legislation?	YES		
Type of Request?	Health Care Policy and Financing Prioritized Request	Interagency Approval or Related Schedule 13s:	None



Department Priority: BA-7
Request Detail: Increase Base Wage for Nursing Homes

Summary of Funding Change for FY 2022-23			
	Incremental Change		
	FY 2021-22 Appropriation	FY 2022-23 Request	FY 2023-24 Request
Total Funds	\$9,986,396,763	\$4,779,253	\$1,707,390
FTE	0.0	0.0	0.0
General Fund	\$2,403,780,422	\$2,389,627	\$853,695
Cash Funds	\$1,196,746,162	\$0	\$0
Reappropriated Funds	\$83,318,813	\$0	\$0
Federal Funds	\$6,302,551,366	\$2,389,626	\$853,695

Summary of Request

The Department of Health Care Policy & Financing (the department) requests funding to pay nursing homes an annual supplemental payment contingent on paying workers a base wage of \$15 per hour. The department is also requesting a statute change to revise the supplemental payment for nursing homes defined in H.B. 19-1210, “Local Government Minimum Wage,” which is currently only applicable to nursing homes in the City and County of Denver and those adjacent. All Medicaid nursing facilities will be eligible for the proposed statewide supplemental payment. This proposal will align nursing home wages across the state with wage requirements recently put into place for direct care workers providing home- and community-based services.

This request represents an increase of less than 0.5% from the department’s FY 2022-23 Long Bill total funds appropriation.

Current Program

Nursing homes provide a residential environment where individuals receive skilled care to ensure their health, safety, and well-being. Most individuals living in a nursing facility are older and aging adults. Nursing homes also serve in some cases as short term rehabilitation for individuals recovering from injury/illness or those who have disabilities. The department is appropriated \$734.8 million to pay the per diem costs for Medicaid members living in a Class I Nursing Facility.

The department submitted a spending plan to implement initiatives to enhance, expand, and strengthen Home and Community-Based Services (HCBS) in Colorado over the next three years. Section 9817 of the American Rescue Plan Act (ARPA) provides enhanced federal funding for HCBS for one year and requires states to reinvest the enhanced funding back into those services. The department's proposed plan was approved by the Centers for Medicare and Medicaid Services (CMS) and the Joint Budget Committee (JBC) in September 2021. As part of that plan, the department is increasing rates for certain HCBS services with a required wage passthrough for providers to pay at least \$15 per hour base wage for frontline staff providing direct hands-on care. The increases under the spending plan will be effective from January 1, 2022 through April 15, 2023. The department is requesting to continue the rate increases and base wage requirement after that time through FY 2022-23 R-10, "Provider Rate Adjustments."

Nursing home services are not eligible for enhanced federal funding under Section 9817 of ARPA or for reinvestment efforts under the department's spending plan. There is no base wage requirement in place for nursing homes, outside of the minimum wage in effect for each locality. House Bill 19-1210 "Local Government Minimum Wage" required the department to calculate and distribute a minimum wage supplemental payment for any local government that passes a higher minimum wage than the one in effect statewide. This payment currently applies to nursing homes in the City and County of Denver and those that are adjacent to the City and County of Denver.

Problem or Opportunity

Nursing homes across the nation have been substantially impacted by the COVID-19 pandemic. Payments for nursing homes remain significantly dampened compared to pre-pandemic levels. Like HCBS providers, nursing homes are struggling to find and retain workers due to the current workforce shortage. The COVID-19 pandemic has also deterred people from working in facilities where there is a higher risk of contracting the virus. The new requirement to increase wages for HCBS workers may result in workers migrating out of nursing home settings to HCBS settings unless the wage requirement is applied to nursing homes as well.

The process of calculating the local government minimum wage supplemental payment under H.B. 19-1210 is administratively burdensome on the department as well as the provider community. It specifies that the payment must be based on the difference between the actual wages of workers at the time the minimum wage goes into effect and the locally enacted minimum wage. This means the department must collect detailed wage data on every worker in the nursing home and disqualify any worker that received a wage increase before the minimum wage went into effect. A new statewide minimum wage supplemental payment will be a simpler and less burdensome version of the local government minimum wage supplemental payment that addresses the needs of the entire state rather than a single locality.

Proposed Solution

The department requests \$4,779,253 total funds in FY 2022-23, including \$2,389,627 General Fund, and \$1,707,390 total funds in ongoing years, including \$853,695 General Fund, to revise the statutory language for the current local minimum wage supplemental payment and redefine it as a statewide supplemental payment. The proposed statewide payment will be contingent on nursing homes implementing a base wage requirement of \$15 per hour for workers. The methodology for the new payment will account for localities with minimum wages above \$15 per hour, weighting nursing homes in those localities proportionally for their higher minimum wage requirements in the supplemental payment calculation. The request includes the estimated amount needed for the statewide payment and the offsetting reduction from eliminating the current local minimum wage supplemental payment.

Specifically, the department requests revisions to Section 25.5-6-208, C.R.S., to remove any instance of the current enhanced payment for nursing homes due to local minimum wage laws and establish a statewide supplemental payment with a streamlined methodology. The department will allocate the total amount appropriated each year to eligible nursing homes that comply with the \$15 per hour base wage requirement and will no longer require an extensive application process. The department needs legislative authority to implement the new statewide supplemental payment because the reimbursement methodology for nursing homes, including all supplemental payments available to nursing homes, is defined in statute. It will also fix the current operational complexities with the local minimum wage calculation defined in statute.

These payments will allow the department to further support the financial stability of workers in nursing homes in Colorado and ensure that patients have an adequate provider network to meet their needs. The department anticipates that the revised allocation methodology will benefit all nursing homes, including those in the City and County of Denver that will otherwise receive lower payments under the methodology established in H.B. 19-1210. In addition, this is the most immediate route the department can take to infuse the nursing home community with the funding it needs to retain its workforce once the HCBS wage increase takes effect on January

1, 2022. The department is proposing to make the first payment in FY 2022-23 based on an implementation date of July 1, 2022.

The department believes this request is on Step 3 of the continuum level based on pre-post evaluations of increasing wages for direct care workers.

Theory of Change	Investing in the direct care workforce will result in increased recruitment and retention of employees, which in turn leads to ongoing and greater access to care for nursing home utilizers.
Program Objective	Increase hiring and improve retention rates and decrease vacancies within the direct care workforce.
Outputs Being Measured	Hire rates, turnover rates, provider feedback.
Outcomes Being Measured	Ongoing and increased access to care for nursing home utilizers, particularly in rural areas and other care deserts, measured through provider network capacity and provider retention.
Cost/Benefit Ratio	N/A
Evaluations	Pre-Post
Results of Evaluation	<p>A recent economic analysis found that raising wages for direct care workers to a living wage would decrease turnover and increase the quality of care, while also dramatically speeding up local economic growth and simultaneously lowering costs to public programs, such as Medicaid (Weller, Almeida, Cohen & Stone, 2020).</p> <p>The state of Wyoming experienced a dramatic decrease in turnover rates of workers from an average of 52% to 32% after state funding was allocated to increase wages (Lynch, Fortune, Mikesell, & Walling, 2005; Sherard, 2002). San Francisco County nearly doubled the wages of home care workers over a 52-month period, and within that time, annual turnover decreased from 70% to 35% (Howes, 2005).</p>
Continuum Level	Step 3

Anticipated Outcomes

The department anticipates that creating and implementing this supplemental payment will ensure nursing homes pay at least \$15 per hour to workers. This will support a more competitive labor market in the workforce, increasing the number of workers willing to work in nursing homes and thus increasing access for members who need institutional level of care.

Funding this request strongly supports one of the Governor’s Wildly Important Goals (WIGs):

- WIG #1 - Access to Care and Customer Service: The department expects that providing increases to nursing homes will increase access to care and improve customer service in the nursing home setting by increasing provider capacity.

Assumptions and Calculations

The department estimated the payments to nursing homes to support a \$15 per hour base wage using data from Denver metro facilities, which was collected to implement the requirements of H.B. 19-1210, “Local Government Minimum Wage.” The department calculated the average amount per bed in the Denver metro area to increase wages up to \$15 per hour. This was then extrapolated to the number of licensed beds in nursing homes in the state of Colorado and dampened by the percentage of beds covered by Medicaid.

The department also included a reduction to repurpose the current supplemental payment authorized by H.B. 19-1210, as requested in FY 2022-23 R-1, “Medical Services Premiums” for the new statewide supplemental payment.

Supplemental, 1331 Supplemental or Budget Amendment Criteria

This request meets supplemental criteria due to new information on the rate increases approved in the HCBS ARPA spending plan in September 2021. The spending plan includes an increase for HCBS direct care services with a requirement that providers pay at least \$15 per hour to workers. It does not apply to nursing homes, which could create a disincentive for workers to choose to work at nursing homes.

BA-7 Increase Base Wage for Nursing Homes
Appendix A: Assumptions and Calculations

Table 1.1 Summary by Line Item FY 2022-23									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Medical Services Premiums	\$4,779,253	0.0	\$2,389,627	\$0	\$0	\$2,389,626	50.00%	Table 3
B	Total Request	\$4,779,253	0.0	\$2,389,627	\$0	\$0	\$2,389,626		Row A

Table 1.2 Summary by Line Item FY 2023-24									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Medical Services Premiums	\$1,707,390	0.0	\$853,695	\$0	\$0	\$853,695	50.00%	Table 3
B	Total Request	\$1,707,390	0.0	\$853,695	\$0	\$0	\$853,695		Row A

BA-7 Increase Base Wage for Nursing Homes
Appendix A: Assumptions and Calculations

Table 2.1 Summary by Initiative FY 2022-23									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Base Wage Supplemental Payment for Nursing Homes	\$8,719,921	0.0	\$4,359,961	\$0	\$0	\$4,359,960	50.00%	Table 3
B	Eliminate HB 19-1210 Local Minimum Wage Payment	(\$3,940,668)	0.0	(\$1,970,334)	\$0	\$0	(\$1,970,334)	50.00%	FY 2022-23 R-1 Medical Services Premiums
C	Total Request	\$4,779,253	0.0	\$2,389,627	\$0	\$0	\$2,389,626		Row A

Table 2.2 Summary by Initiative FY 2023-24 and Ongoing									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Base Wage Supplemental Payment for Nursing Homes	\$8,719,921	0.0	\$4,359,961	\$0	\$0	\$4,359,960	50.00%	Table 3
B	Eliminate HB 19-1210 Local Minimum Wage Payment	(\$7,012,531)	0.0	(\$3,506,266)	\$0	\$0	(\$3,506,265)	50.00%	FY 2022-23 R-1 Medical Services Premiums
C	Total Request	\$1,707,390	0.0	\$853,695	\$0	\$0	\$853,695		Row A

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Appendix A: Assumptions and Calculations

Table 3			
Estimated Payment for Nursing Homes			
Row	Item	Amount	Source/Description
A	Average Payment Per Bed in Denver Metro Facilities for \$15/hour Increase	\$635.37	Calculated based on data from Denver metro facilities
B	Number of Licensed Beds Statewide	18,221	Department data
C	Average Percentage of Beds Covered by Medicaid	75.32%	Department data
D	Total Estimated Payment	\$8,719,921	Row A * Row B * Row C