



Health  
Advocacy  
PROJECT

MARCH 2017

# MEDICAID MATTERS

For supporting the long-term care needs of North Carolina’s seniors, caregivers, and adults with disabilities



**M**edicaid provides crucial resources for meeting the long-term care needs of North Carolina’s seniors and adults with disabilities, resources that will only become more important since the population over 65 is projected to more than double by 2050.

As this population expands, a growing number of seniors and adults with disabilities will need low-cost solutions for the challenge of long-term care. In-home care services are more cost-effective than nursing homes. Unfortunately, however, the rate at which Medicaid reimburses home health care providers in North Carolina is just \$13.88—the fourth lowest in the nation and well below the national average reimbursement rate of \$18.82 an hour. This is nowhere close to what it takes for employers to make a profit and workers to earn wages that allow them to make ends meet.

That’s why **the General Assembly should increase the Medicaid reimbursement rates for the Personal Care Services (PCS) and Community Alternatives Program for Disabled Adults (CAP-DA) to \$18.82 an hour** and require that at least 50 percent of this increase go directly to workers’ wages. Both of these programs were carved out of the Medicaid reform proposal passed by the General Assembly in 2015, meaning they are still administered by the traditional Medicaid program. As a result, this is a challenge that can—and should—be remedied by legislative action. In turn, this will benefit seniors and adults with disabilities across the state, along with the caregivers that have been entrusted with their wellbeing.

## Medicaid’s importance will only grow as North Carolina ages

**North Carolina is rapidly aging.** In 2012, approximately 1.3 million of the state’s residents—13 percent of the population—were 65 and older. By 2050, that number is expected to double, until almost a quarter of our state’s population will be over 65, while the number of people older than 85 (the group most in need of the most intensive care services) is expected to quadruple.

As a result, the number of people needing home health care services will also grow, as more and more community members face functional and cognitive limitations. This will translate into a growing need for direct care that allows community members to continue living with dignity in their own homes. Long-term home health care services provide an important alternative to nursing homes, which leave seniors happier and result in a lower bill for taxpayers than would be required for institutionalization.

**Medicaid, administered by the state and jointly financed by the state and federal government, is the primary funding source long-term services and supports for people with disabilities and seniors.** As previously mentioned, there are two primary programs that Medicaid uses to support long-term care: Personal Care Services (PCS), which provides care to disabled children, adults, and seniors based on their medical condition, disability or cognitive impairment; and Community Alternatives Program for Disabled Adults (CAP-DA), which provides care to individuals with disabilities as an alternative to institutionalization.

Both of these Medicaid programs reimburse the private businesses that directly provide the care to seniors and adults with disabilities. Unfortunately, North Carolina’s reimbursement rates have

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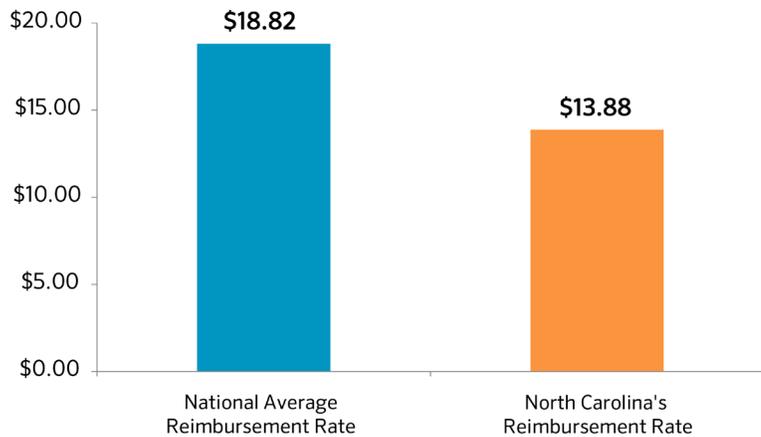
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been frozen or reduced since 2009, and the most recent reduction places North Carolina at \$13.88 an hour—\$5 per hour lower than the national average rate paid to provider agencies (see Figure 1).

While it is true that many seniors receive long-term care services through private insurance or simply by paying out of pocket, **Medicaid remains the dominant force in the long-term care market.** Reimbursements by these Medicaid programs create the framework in which private employers set wages for direct care workers. As a result, these low reimbursement rates are putting a damper on wages for homecare workers serving even non-Medicaid recipients.

Complicating the issue, the General Assembly enacted a proposal in 2015 to privatize the state’s Medicaid program, a policy shift that will require approval from the federal Department of Health and Human Services. If the federal government approves the plan, North Carolina will move to a privatized system of capitated care—providing a lump sum to private managed care companies, who will in turn negotiate the reimbursement rate for home healthcare services with provider agencies. But not everyone receiving Medicaid for homecare services will be affected by Medicaid privatization. Seniors and individuals with disabilities will continue to receive homecare services through traditional Medicaid; only those services for adults aged 55-64 with limited mobility will be privatized.

**FIGURE 1: North Carolina’s Medicaid Reimbursement Rate for Long-Term Care is Significantly Below The National Average**



### Low Medicaid reimbursements mean low wages for caregivers

**Despite the growing demand for home healthcare services, direct care occupations—including home care jobs—offer some of the lowest wages in the state.** Median wages in the caregiving occupations pay less than \$10 an hour compared to the state’s \$15 median wage. This means half of all home healthcare workers aren’t earning enough to rise above the federal poverty line despite working full-time jobs.

Moreover, despite the high occupational injury rates, almost half of home care workers remain uninsured and the majority has no earned paid sick days to take time to recover from injuries or illness. This threatens the quality of care seniors receive by increasing the likelihood that caregivers are coming to work sick with illnesses that can easily be passed on to vulnerable seniors.

Additionally, low wages increase worker turnover and long-run costs for providers, as well as interrupt the continuity of care for consumers. Homecare workers who don’t earn enough to make ends meet will either work additional hours, pick up second and third jobs, or even leave the profession altogether in search of better pay. All of these issues interrupt the continuity of the care seniors receive by making it more difficult to keep care schedules and find available workers. As a result, seniors and individuals with disabilities suffer.

## POLICY RECOMMENDATIONS

■ **North Carolina needs to expand Medicaid for seniors and adults with disabilities who fall into the coverage gap.** Now that we know that the Affordable Care Act—which includes Medicaid expansion—is still the law, the General Assembly should follow the lead of 31 other states and expand the Medicaid program. This will ensure that the state can receive enhanced federal funding to provide coverage to the state’s growing senior population and improve the wages of the workers who provide them their care.

■ **North Carolina needs to raise the Medicaid reimbursement rate for seniors and individuals with disabilities to the national average of \$18.82 an hour.** The General Assembly should also require that 50 percent of this increase go directly to workers in the form of increased wages. Taking these steps will increase employer profits and workers’ wages by ensuring that homecare employers earn enough from serving Medicaid recipients to make a profit while their workers also begin earning enough to make ends meet. The 50-percent requirement also ensures the reimbursement increase will not be completely taken up by employer over-head, but will find its way into workers’ paychecks.

This will also reduce turnover and improve the quality of care. Rising wages will allow workers to make ends meet, giving them a critical financial incentive to stay in their jobs and stabilize their work schedules, as well as reduce turnover, improve the continuity and stability of care, and guarantee seniors receive the highest quality care possible.

Additionally, it saves money in the long-run. Increasing the reimbursement rate will save the state money by reducing workers’ reliance on other public assistance and making sure the CAP-DA and PCS programs are delivering services in the most effective manner possible.

Finally, it will improve the competitiveness of North Carolina’s caregiver workforce by providing assurance that workers are paid a sufficient wage to enter—and stay—in these otherwise high-turnover occupations.