

28 May 2013

### New Estimate: Cost of DCW Wages and Benefits

An estimated **\$88 billion dollars** in annual long-term care spending is directly attributable to wages and benefits for direct-care workers: \$48 billion in the home care sector, and \$40 billion in nursing and residential facilities. This accounts for nearly **42 percent of all spending on long-term services and supports**. As one would imagine, DCW wages and benefits are an even greater proportion of *public* spending on LTSS, at 44 percent. These estimates exclude the overhead costs of administration and supervision directly related to direct-care services.

2011 Expenditures on Direct-Care Worker Wages/Benefits	Public	Private	Total
Home Care	\$36.2 B	\$12.0 B	\$48.2 B
Nursing Care and Residential Care	\$26.0 B	\$14.0 B	\$40.0 B
All Settings	\$62.1 B	\$26.1 B	\$88.2 B
Total LTSS Expenditures*	\$141.1 B	\$69.9 B	\$210.9 B
<b>Direct-care worker wages/benefits as a proportion of...</b>			
Total Spending on LTSS	44%	37%	42%

To achieve these estimates, we used our usual sources for wage and employment numbers and then estimate the cost of fringe benefits for these workers using the breakdown of industry expenditures from the U.S. Census Bureau, Services Annual Survey. Total LTSS expenditures come from the CMS National Health Expenditures dataset.

### Limitations of these Estimates

Due to limitations in available data, we had to make some assumptions, which likely resulted in a net overestimate of expenditures on DCW wages/benefits.

First, we used the universe of all direct-care workers, including our count of IPs employed in public programs, with the assumption that the vast majority are employed in long-term care settings. This would result in at least a slight overestimate of expenditures.

We used the U.S. Census Bureau, Services Annual Survey data for the “Home Health Care Services” industry as a proxy for the entire home care industry for the following variables: the proportion of expenditures spent on payroll and fringe benefits, and the proportion of total revenue attributable to public sources (Medicaid/Medicare/VA). Similar data was not available for the segment of the home care industry known as “Services for the Elderly and Persons with Disabilities.” It is difficult to know whether this would contribute to a net underestimate or overestimate of the expenditures attributable to DCW wages and benefits.

We can assume however, that overestimates in our calculations may be offset in part by the fact that we do not have a reliable figure for the magnitude of the private pay home care market. Most notably, we lack information on private, non-agency-based employment arrangements between consumers and workers, collectively known as the “grey market” – information that would likely contribute to an even larger estimate of the proportion of LTSS attributable to DCW wages/benefits. Overall, what we’ve achieved is a crude estimate, but still gets at the tens of billions of dollars spent on the services of DCWs.

**Data Sources:**

Employment and wage data are from the U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment Statistics (OES) Program, May 2011 estimates available at: <http://www.bls.gov/oes/#data>

The number of Independent Providers (IPs) employed in publicly funded long-term care programs is estimated using PHI’s counts of Independent Providers in 18 states, which are available at the PHI State Data Center: <http://PHInational.org/statedata>.

The average hours worked per week are from PHI analysis of the U.S. Census Bureau, Current Population Survey (CPS), 2012 Annual Social and Economic (ASEC) Supplement.

The proportion of total expenditures spent on fringe benefits and gross payroll is from the U.S. Census Bureau, Services Annual Survey 2010, for the industries: Nursing and Residential Care (NAICS 623) and Home Health Care Services (NAICS 6216).

The proportion of Nursing and Residential Care payroll attributable to direct-care wages was calculated using average nursing home hours/patient\*day and cost/patient\*day. This data is available from the

American Health Care Association (March 2013) Nursing Facility Operational Characteristics, available at:

[http://www.ahcancal.org/research\\_data/oscar\\_data/Pages/default.aspx](http://www.ahcancal.org/research_data/oscar_data/Pages/default.aspx)

Eljay, LLC. (2012). A Report on Shortfalls in Medicaid Funded Nursing Center Care. Report for the American Health Care Association, available at:

[http://www.ahcancal.org/research\\_data/funding/Pages/2012-Medicaid-Shortfall-Report.aspx](http://www.ahcancal.org/research_data/funding/Pages/2012-Medicaid-Shortfall-Report.aspx)

Total expenditures on long-term services and supports are from: O’Shaughnessy, C.V. (2013). National Spending on Long-Term Services and Supports, 2011. National Health Policy Forum. Available at: NHPF.org , which cites CMS National Health Expenditures data.