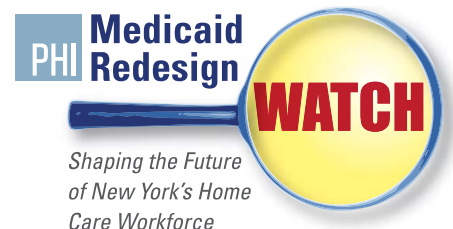


The Impact of Wage Parity on Home Care Aides

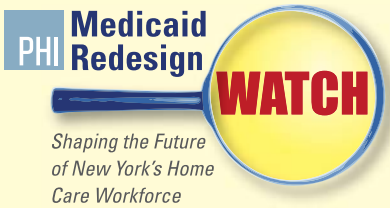
*How better wages affect public benefits, tax credits,
and family income*

By Steven L. Dawson and Carol A. Rodat
June 2014





PHI (www.PHInational.org) works to transform eldercare and disability services. We foster dignity, respect, and independence—for all who receive care, and all who provide it. The nation’s leading authority on the direct-care workforce, PHI promotes quality direct-care jobs as the foundation for quality care.



PHI Medicaid Redesign WATCH is a multi-year project to record, analyze, report—and intervene to mitigate dislocation of employers, consumers and workers—as New York fundamentally transforms its Medicaid-funded long-term services and supports. Funding for this initiative is provided by the Ira W. DeCamp Foundation, the Ford Foundation, the Altman Foundation, and the Bernard F. and Alva B. Gimbel Foundation. Additional partners in this project include Wider Opportunities for Women (WOW)—which provided the analysis of income and access to public benefits for this paper—and the National Employment Law Project (NELP). To learn more go to: <http://phinational.org/newyork/mrw>



Wider Opportunities for Women (WOW, www.wowonline.org) works nationally and in its home community of Washington, DC, to achieve economic independence and equality of opportunity for women and their families at all stages of life. For 50 years, WOW has been a leader in the areas of nontraditional employment, job training and education, welfare-to-work and workforce development policy. Since 1995, WOW has been devoted to the economic security of women and their families through the national Family Economic Security (FES) Program. Through FES, WOW has reframed the national debate on social policies and programs from one that focuses on poverty to one that focuses on what it takes for families to make ends meet. Building on FES, WOW has expanded to meet its intergenerational mission of economic independence for women at all stages of life with the Elder Economic Security Initiative.



The Impact of Wage Parity on Home Care Aides

*How better wages affect public benefits, tax credits,
and family income*

By Steven L. Dawson and Carol A. Rodat
June 2014

The Impact of Wage Parity on Home Care Aides

*How better wages affect public benefits, tax credits,
and family income*

Table of Contents

Acknowledgements	2
Executive Summary	3
Section I Overview	13
Section II Demographic Characteristics of the NYC Aide Workforce	16
Section III The Intersection of Income, Public Benefits, and Tax Credits	18
Section IV Modeling the Impact of Public Benefits and Tax Credits	23
Section V Access to Health Coverage	35
Section VI Conclusion and Recommendations	39

Acknowledgements

The authors would like to acknowledge the enormous contribution of the staff at Wider Opportunities for Women (WOW), particularly Mary Gatta, Jessica Horning, Deborah Cutler Ortiz, and Shawn McMahon. Jessica Horning developed the graphics that provide the picture required to understand the “cliffs” as well as the “plateaus.” The WOW staff expertise enabled us to focus on the supports available to the home care aide workforce, and most importantly, helped PHI shape the overall study design.

The study was aided in the early days by Meghan Shineman, formerly a PHI Policy Associate, who helped guide the work before taking up residence in France. PHI Director of Research Abby Marquand also assisted with demographic analysis. PHI Director of Communications Karen Kahn edited the report with the assistance of Matt Ozga, PHI Staff Writer, who checked the graphs and attributions.

Special thanks goes to Lamont Spence and Zianna Ameer of our affiliate, Cooperative Home Care Associates, who took the time to discuss the ways in which employers might assist aides in need of support during and after the home care training. Their experience and willingness to engage this topic were most helpful to the development of the recommendations.

PHI also wishes to thank Anne Erickson and her staff at the Empire Justice Center for taking the time to review the work and advise us on policy recommendations.

PHI is thankful to the funders who have provided financial support, guidance, and encouragement for our work. We especially wish to acknowledge **The Ford Foundation** as the report’s primary funder, along with important support from the **Altman Foundation**, the **Bernard F. and Alva B. Gimbel Foundation**, the **Ira W. DeCamp Foundation**, **The Clark Foundation**, the **New York Community Trust**, and the **Robert Sterling Clark Foundation**.

Executive Summary

This report explores how recent hourly wage increases—mandated by the New York State “Wage Parity Law” of 2011 for Medicaid-funded home care workers in New York City—might impact home care aides’ eligibility for public benefits and tax credits. These public benefits and tax credits—which together we define as *basic supports*ⁱ throughout this paper—are relied upon for greater income security by tens of thousands of low-income New York City home care aides.

Introduction

New York State is dramatically restructuring its long-term care delivery system. Known as “Medicaid Redesign,” this system-wide reform will enroll into managed-care insurance plans nearly all elders and people with disabilities needing long-term Medicaid-funded personal care services. The intent of these reforms is to generate significant budget savings to New York State, and through care coordination, better outcomes for low-income Medicaid recipients.

PHI was an early proponent of Medicaid Redesign. In 2010, PHI co-published (with our affiliated managed long-term care plan, Independence Care System) a “**Reform Blueprint**” targeted explicitly toward the redesign of the home and community-based long-term care system in New York City.

One crucial aspect of the Medicaid Redesign legislation for which PHI explicitly advocated was to equalize wage and benefit rates between the personal care workforce (called “home attendants” in New York City) and the home health aide workforce. More than 150,000 workers are employed in these two home care aide occupations in New York City, providing a lifeline of assistance to low-income elders and people with disabilities. To put these numbers in perspective: *One out of every seven low-wage workers in the city is employed as a home care aide.*

The Wage Parity Law received strong political support from 1199SEIU, the largest health care union in the state, and was signed by Gov. Andrew Cuomo in 2011 as part of Medicaid Redesign. The equalization of pay and employer-based benefit levels for the Medicaid-funded home care workforce in New York City and surrounding counties established a minimum-wage floor of \$10/hour, plus \$4.09/hour in employer-based benefits, beginning in March 2014. Compared to compensation levels in 2010 of approximately \$8/hour, this has resulted, on average, in a \$2/hour rise in hourly wage rates (i.e., a 25 percent increase), plus a significant augmentation of employer-based benefits, for nearly 80,000 home health aides across the five boroughs of New York City as well as aides who are employed in the downstate counties of Nassau, Suffolk, and Westchester.

ⁱ Public benefits and tax credits crucial to meeting basic needs—which we refer to in this report as constituting “*basic supports*”—include, among others: SNAP (formerly Food Stamps), housing assistance through the Housing Choice Voucher Program (formerly Section 8), home heating assistance such as the Home Energy Assistance Program (HEAP), and tax programs such as the Earned Income Tax Credit (EITC) and child and dependent care tax credits.

The Impact of Wage Parity on Home Care Aides

Though wage parity was at the heart of PHI's recommendations to strengthen the direct-care workforce, we realized such a significant increase in the compensation floor for tens of thousands of aides could have far-reaching consequences for workers, consumers, and providers. In particular, we wanted to understand how an increase in hourly wage income might interplay with eligibility for *basic supports* such as the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), the Earned Income Tax Credit (EITC), and the Child and Dependent Care Credit (CDCC).



One out of every seven low-wage workers in the city is employed as a home care aide.

Wage Parity, Public Benefits, and Tax Credits

The relationship between wages, public benefits, and tax credits is crucial for any low-wage worker, but particularly for home care aides, who often work part-time, episodic hours. Further, the home care workforce is unlike many other low-wage occupations in that—at least to a limited extent—a home care aide may be able to “self-manage” the number of hours she works each week, by either accepting or turning down new case assignments from her employer(s).

Due to this limited ability to self-manage hours of work, some home care workers intentionally modulate the number of hours they work each week. Some do so because they have young children or other caregiving responsibilities, and wish to only work part time. Others limit their hours of work—and thus adjust the size of their paychecks—to ensure that their monthly earned income does not negatively impact the receipt of public benefits and tax credits. That is, some workers are quite conscious to avoid “falling off a public benefit cliff” which can occur when—due to a poorly designed public benefits system—a modest increase in a low-income worker’s take-home pay may result in a significant loss of *basic supports*.

To frame this analysis—with technical research assistance from Wider Opportunities for Women (WOW)—we modeled a variety of income and family composition scenarios. We

The Impact of Wage Parity on Home Care Aides

were asking the question, from the home care aide’s viewpoint, “Now that my hourly wage rate has risen to \$10/hour, is there a point at which I should intentionally attempt to limit the number of hours I work, in order to avoid an abrupt loss of public benefits or tax credits?”

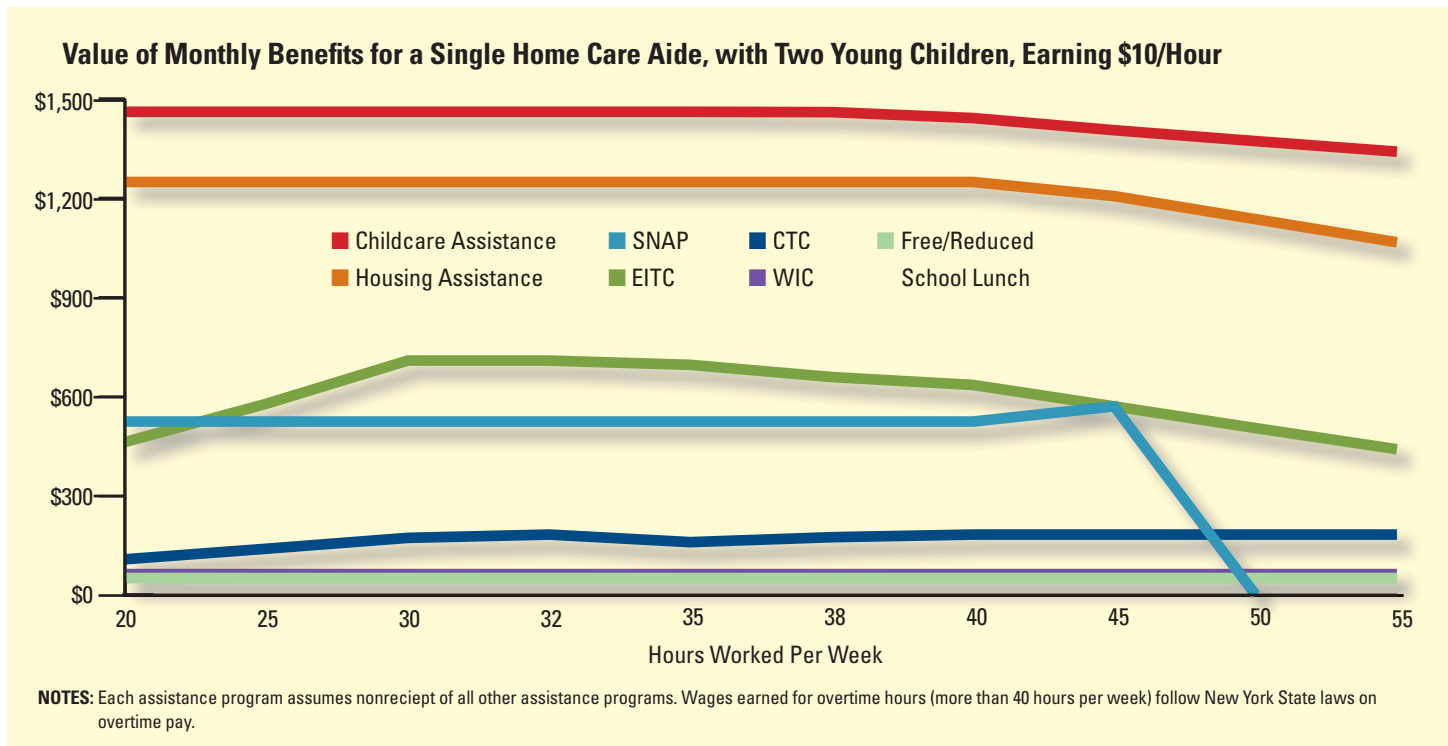
In addition, from the public policy perspective, this paper also asks: “Has the Wage Parity Law improved the economic security of home care aides who are receiving public benefits and tax credits, and are these *basic supports* structured in a way that rewards home care aides for working a full-time workweek?”

And finally, the paper, in light of the answers to these questions, makes several recommendations for home care aides, their employers, advocates, and policymakers to ensure that home care aides working at or near full-time can maximize their incomes and achieve a zone of economic stability.

Primary Findings

For “Basic Supports”

Our analysis determined that a *single-earner home care aide*, enjoying a raise to \$10/hour due to the new Wage Parity Law, will **not** typically experience significant new benefit cliffs—no matter what her family size or circumstance, and (up until working overtime hours) no matter how many additional hours she works.



However, a two-income family may experience a significant cliff for housing and/or child care benefits as the home care aide nears a 40-hour workweek—depending, of course, on the

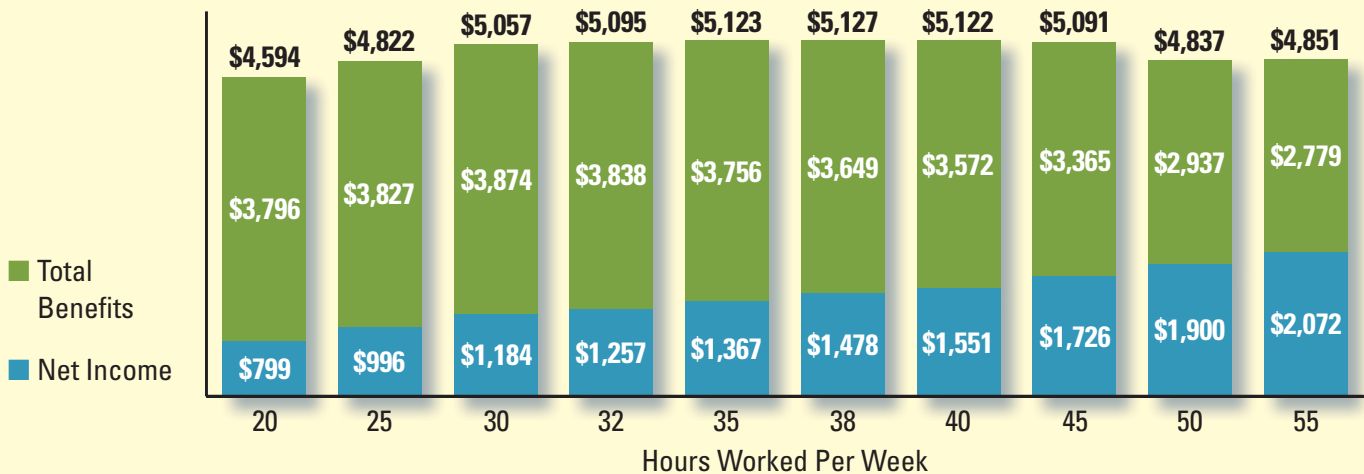
The Impact of Wage Parity on Home Care Aides

size of the second earner’s paycheck. In addition, a worker who receives from her employer cash in lieu of employer benefits above her \$10/hour wage, as a result of the Wage Parity Law, may also experience substantial public benefit cliffs.

Yet most importantly, our analysis also disclosed that the typical home care worker who receives public benefits and tax credits is likely to experience not a set of benefit cliffs, but rather many benefit plateaus: That is, as her take-home pay rises (due to more hours worked), her *basic supports* may fall at an approximately equivalent rate—and thus her total monthly income (which we define throughout this study as the sum of: *wages, plus the cash value of public benefits, plus the cash value of tax credits*) remains relatively flat (see chart below). Therefore, she may at best “net” a few extra dollars per hour of combined wages and *basic supports* for every additional hour that she works over, say, 30 hours/week.

Total Monthly Income at \$10/Hour

For a home care aide with two young children receiving basic supports, including housing and child care assistance



NOTES: Benefits include SNAP, WIC, HEAP, Free/Reduced School Lunch, the EITC, the Child Tax Credit, Child Care Subsidies, and the Housing Choice Voucher Program. Receipt of certain benefits may reduce the value of others. Therefore, total monthly value of benefits to the aide may be reduced by interaction between the benefit programs. (Values in the chart may not add up to the totals due to rounding.)

In other words, above a certain number of hours employed each month, working additional hours will likely not punish the home care aide by forcing her off a benefit cliff—yet in many cases, neither will it reward her with any significant increase in total monthly income for working those additional hours. Therefore, it may indeed be “economically rational” for some aides, under some circumstances, to modulate their hours of work—to avoid working longer hours for little or no return. This may be particularly true for those aides who have family caregiving responsibilities, who find greater value in spending time with their children than in the limited income gained by more work hours.

Therefore, we conclude that the current structure of public benefits often discourages an aide from working full-time hours, and in doing so fails to reward the valuable services that home care aides perform for our city’s elders and people with disabilities. (Important exceptions—as emphasized later in this report—are public tax credits and nutritional assistance provided through SNAP, which in general are well-structured and tend to reward work.)

The Impact of Wage Parity on Home Care Aides

For Public Health Insuranceⁱⁱ

Since income eligibility requirements for children under New York State’s Child Health Plus are more generous than adult income eligibility, we determined that the increase to \$10/hour would typically not create a health insurance cliff for a home care aide’s children. Up until overtime hours well beyond 40 hours/week, a home care aide’s young children would likely remain eligible for health coverage—no matter what the family structure. Nonetheless, home care aides are sensitive to the modest rise in premiums that accompanies greater income, and some will avoid taking on increased work hours as a result.

For the home care aide herself, the health insurance environment will be changing dramatically in 2014 and 2015—likely for the better—due to implementation of both the state’s Wage Parity Law and the federal Affordable Care Act (ACA). Starting in March 2014, the Wage Parity Law ensures either employer-based health coverage—or other substantial cash and non-cash benefits—for all Medicaid-funded aides.

At the same time, starting in January 2014, New York State expanded Medicaid eligibility to 138 percent of poverty—as authorized by the federal ACA. In addition, the state’s fiscal year 2015 budget authorized the creation of a subsidized Basic Health Plan for New Yorkers whose incomes are between 138 percent and 200 percent of the federal poverty level, (i.e., \$16,105 to \$23,340) providing very low-cost coverage for low-income workers unable to qualify for Medicaid. Furthermore, in 2015 the ACA will require companies above 100 employees to provide health insurance for any workers employed 30 hours/week or above, or pay a penalty. We briefly address the impact of these changes in a subsequent section of this report.

The Overall Impact of Wage Parity on Public Benefits and Tax Credits

We conclude from our analysis, of both basic supports and health coverage, that the \$2/hour wage increase plus the increase of employer-based benefits—fully implemented by the Wage Parity Law in March 2014—will likely improve the economic circumstances of most all Medicaid-funded home care aides in New York City. Yet due to benefit plateaus, many home care aides may still suffer a perverse public “assistance” policy that often fails to reward them should they increase their hours of service toward full-time work.

To display total monthly income (wages, plus the cash value of public benefits, plus the cash value of tax credits) before and after wage parity, the chart on page 8 compares an \$8/hour wage to a \$10/hour wage for a single-parent aide with two young children—at 30, 35, 38 and 40 hours worked per week—when the aide is not receiving housing or child care assistance. (For such an aide who *does* receive public housing and child care assistance, her total monthly income also improves, though only marginally.)

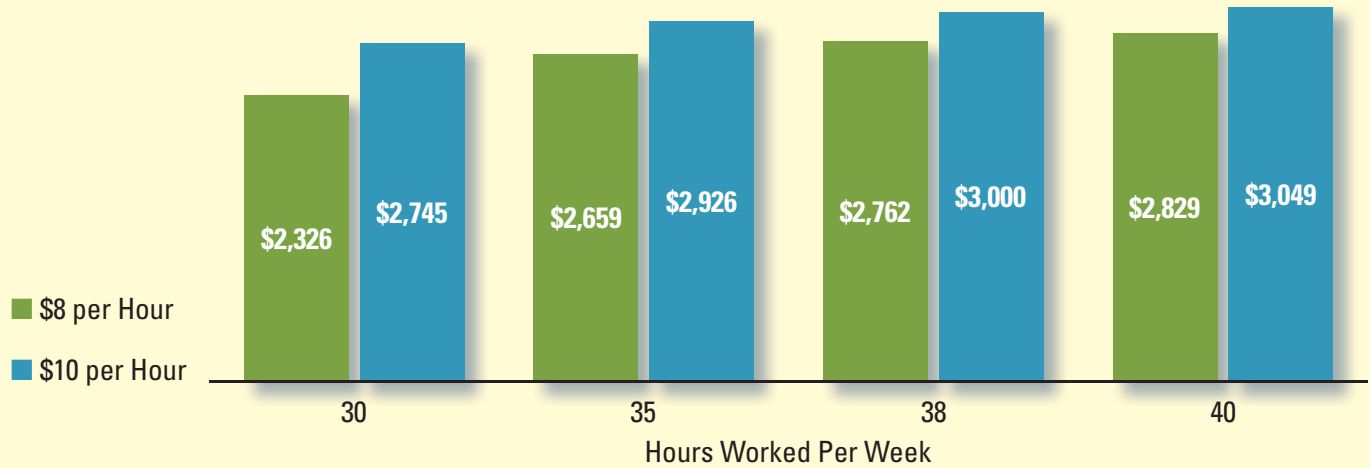
Finally, we acknowledge that each worker’s circumstance is different, and therefore, this “benefit cliff/benefit plateau” analysis may not hold true for every home care aide. Indeed, one of our primary recommendations noted below is that—due to the episodic, part-time

ⁱⁱIn our analysis, we chose to examine health insurance benefits (particularly Medicaid for the worker and Child Health Plus for her young children) separately from *basic supports* (such as Food Stamps, housing, child care, and tax credit programs). We did so not only because health insurance is a fundamentally different, non-cash form of benefit from *basic supports*, but more importantly because the public health insurance environment is changing dramatically in 2014 and 2015—in as yet unpredictable ways—due to the implementation of both the state Wage Parity Law and the federal Affordable Care Act.

The Impact of Wage Parity on Home Care Aides

Comparison of Total Monthly Income at \$8 and \$10/Hour

For a Home Care Aide with two young children receiving basic supports (without housing and child care assistance)



NOTE: Benefits include SNAP, WIC, HEAP, Free/Reduced School Lunch, the EITC, and the Child Tax Credit.

structure of the home care industry—home care aides receive access to individualized, one-on-one counseling to determine how to best structure for each aide a “zone of economic stability” based on the average hours of work she performs each month.

Factors Contributing to Maximization of Family Economic Security

As concluded above, it may be economically rational for a New York City home care aide, paid in any part by Medicaid dollars, to limit the number of hours she works each month in order to achieve a “zone of economic stability”—that is, maximizing her earned wages, public benefits, and tax credits until she reaches a benefit plateau—at which point working additional hours will net her little or no additional total income. Factors that inform that calculation include:

- ▶ **Family size and structure, which are critical to eligibility and the size of public benefits and tax credits.** A single home care aide, living without young children, has access to far fewer *basic supports* than one living with young children. And typically, given a particular income level, the more young children in the home, the more accessible are public benefits and the higher are their value. Furthermore, the presence of a second wage-earner, in turn, tends to make public benefits *less* accessible. Therefore, the specific calculation of benefit cliffs and plateaus varies greatly, depending on the size and structure of the aide’s family.
- ▶ **Willingness to navigate the public benefit system, which can be challenging, time consuming, and—with the exception of SNAP and tax credits—stigmatizing.** The process of applying for public benefits can often be grueling, confusing, and intrusive. Different programs have differing eligibility requirements and, thus, may require repeated visits

The Impact of Wage Parity on Home Care Aides

to various offices to present numerous documents and to submit multiple forms. Many aides feel stigmatized by relying on any public assistance at all, and may choose simply to maximize their wage income—knowing they will lose some or all of their public benefits—to avoid the many challenges of entanglement in the public system.

- ▶ **The ability to modulate the number of hours one works in a month.** An aide has some *limited* influence over the number of hours she works each week (by accepting or refusing a case), but she by no means has complete control: Her client may suddenly be hospitalized or die, and it may then take days or even weeks to replace that case. Or, in times when her client is experiencing an emergency, the aide cannot abandon her client, and thus she must work unscheduled additional hours. In short, a home care aide's hours are typically episodic and often unpredictable—making it at times challenging for her to shape consistently a predictable zone of economic stability.
- ▶ **The rise and fall of work hours, which influences the receipt or loss of public benefits but does not do so instantaneously.** Both the application process for public benefits as well as the review process to remain eligible may take weeks and even months, by which time the aide's hours of work may well have changed significantly. Therefore, for many aides, the significant time-lag between receipt of her paychecks and authorization of her public benefits—coupled with caseloads often beyond her control—makes any conscious effort to modulate her income difficult to achieve.
- ▶ **The accessibility of, and continued eligibility for, certain benefits as opposed to others.** For example, SNAP and Child Health Plus (Medicaid health insurance for young children) are two supports that are highly valued and widely accessed by many low-income home care aides. SNAP benefits vary by family size and also scale down very gradually in value as income increases, thus avoiding a stark cliff effect.
- ▶ **The high value of tax credits.** Tax credits result in true cash in hand. Furthermore, they are not subject to the vagaries of weekly shifts in hours worked/income, since they are applied for and received through annual tax filings. In addition, since they are applied for simply by filing tax forms, they are not as stigmatizing as other benefits. The Earned Income Tax Credit (EITC; federal, state, and city) is particularly valuable—for example, in some cases increasing the net income of an aide with two young children by \$710/month, which equates to more than \$5.45/hour in after-tax income, increasing her take-home pay by more than 50 percent annually.

The EITC is particularly well-structured, because it: a) rewards work, since it is only available to those who are employed; b) initially, at lower income levels, actually rises as the aide's income rises; and c) at higher income levels, decreases at a relatively slow rate, creating a gradual decline, rather than an abrupt "cliff."

Similarly, for those who use child care for a child under age 13 provided by a caregiver with a Tax ID, New York State has the nation's most generous Child and Dependent Care Credit (CDCC).

- ▶ **Caps on benefit programs, making some public benefits no longer accessible to low-income New Yorkers.** Several public benefit programs that could significantly assist home care workers are *simply no longer available* to new applicants. One important

The Impact of Wage Parity on Home Care Aides

example is public housing (through the New York City Housing Authority) and the Housing Choice Voucher Program, which enable families to pay no more than 30 percent toward their rent: The demand for housing in New York City has long exceeded the availability of federal funding allocated to New York, and in 2009, NYC officials announced they would stop issuing new vouchers.

Similarly, child care represents a significant portion of a household budget, yet child care subsidies are now largely inaccessible to low-income families. Again, child care dollars are capped federally so many eligible households cannot receive subsidies. New York City no longer keeps a formal waiting list for workers wishing to obtain child care benefits.

Therefore, benefit *inaccessibility* significantly impacts an aide's calculations for how many hours she needs to work each week. That is, two aides, with precisely the same income and family characteristics—and thus *eligible* for the exact same package of *basic supports*—may in fact be *receiving* very different supports, and thus, despite their parallel income and family profiles, their calculation for how many hours to work each month will differ.

Recommendations

Our primary findings, and the contributing factors identified above, lead us to the following recommendations:

For Home Care Aides: Given the complexity of these calculations—and how often circumstances shift for the individual and her family—an aide who is attempting to self-limit her hours of work to achieve a zone of economic stability should seek one-on-one, confidential guidance from a counselor who is intimately knowledgeable of federal and New York City public benefit and tax credit criteria.

For Home Care Employers: Home care agencies have a business self-interest in maintaining a stable home care workforce. Employers should provide access to confidential guidance from knowledgeable counselors, most likely by referring aides to organizations sophisticated in public benefit and tax matters, such as the Single Stop centers (www.singlestopusa.com).

In addition, given the significant increase in income generated by the federal/state EITC tax benefit, employers should offer modest financial support (e.g., \$50 per aide annually) for tax preparation services, or provide referrals to free or low-cost tax preparers knowledgeable about public tax credit programs.

For Counseling Organizations: Given the sheer scale of the home care workforce in New York City (with many home care agencies employing thousands of workers each), and given that this workforce has a modest ability to adjust their own hours of work, both public and nonprofit organizations that counsel low-wage workers should become familiar with the details of the city's rapidly changing home care industry and labor market.

The Impact of Wage Parity on Home Care Aides

The staffs of these organizations should learn about:

- ▶ the increases in wages and employer-based benefits required by the new state Wage Parity Law;
- ▶ the pending changes in federal Department of Labor minimum wage and overtime regulations; and
- ▶ how the federal ACA will impact the New York City home care industry in particular.

In addition, the New York State (NYS) *My Benefits* website, operated by the NYS Office of Temporary and Disability Assistance, should include an EITC calculator so people can see exactly what impact increased wages have on this important wage supplement.

For Philanthropy and Public Funders: The availability of knowledgeable sources of guidance on these matters is limited. Funding should be made available to union-affiliated and community-based nonprofit organizations (examples of the latter include the **Single Stop** centers, the **Empire Justice Center**, and the **Community Service Society**) to provide accessible sources of confidential, one-on-one financial and public benefit counseling services—both in-person and online.

For New York State and New York City Public Policymakers: We join with other nonprofit advocacy organizations, such as the Empire Justice Center and the Schuyler Center for Analysis and Advocacy (SCAA), that have long called upon the city and state to continue toward a more rational structuring of public benefits and tax credits—specifically, to better reward work.

In particular, New York State should expand the percentage of the state EITC from 30 to 35 percent of the federal credit (such legislation was introduced in 2013 in the Assembly), and expand the eligibility ceiling for receiving 110 percent of the federal CDCC from \$25,000 to \$35,000. Similarly, New York City should increase the city's EITC from 5 percent of the federal EITC to 10 percent.

Finally, policymakers should fund the development of sophisticated case coordination systems, to maximize the best fit between the need of the agency to meet case demand and the need of aides to secure a zone of economic stability.

For Federal Public Policymakers: Several important federal policy changes could further improve tax credits such as the EITC and the CDCC. (Since state EITC and CDCC are directly linked to federal tax law, these improvements would automatically carry over to New York State.)

These augmentations should include: Lower the age of EITC eligibility from 25 to 21; increase the income eligibility level to \$19,340; and raise the maximum value of the EITC to \$1,350 for individuals and childless couples (who currently receive only small benefits at very low income levels).

In addition, the federal government should make permanent two critical components of the EITC enacted in Tax Year 2009—the higher benefit amount for families with three or more children, and the lessening of the marriage penalty in the EITC through expanded phase-out ranges for married couples—both of which are now scheduled to expire in Tax Year 2017.

The Impact of Wage Parity on Home Care Aides

Most importantly, our analysis has also made clear that while few dramatic *benefit cliffs* occur at these relatively low wage levels, *benefit plateaus* nonetheless occur far too frequently, in which case an aide who works additional hours receives little, if any, additional total monthly income for additional hours worked.

It is also true that if wage levels were to increase above the \$10/hour wage floor currently mandated by the Wage Parity Law (say, to \$12.50/hour), abrupt benefit cliffs certainly would exist for most aides, and in a bitter irony, those aides receiving housing and child care benefits would actually be economically *punished* if their wages were to increase from \$10/hour to \$12.50/hour, once they work more than 30 hours per week. In fact, those aides covered by the Wage Parity Law who receive additional wages in lieu of employer-based benefits may already face this dilemma.

Therefore, it is unconscionable for New York City and New York State to fail to reward low-income women who desire to work full-time hours—and that is particularly true for home care workers, who are providing such critical health services to the city’s frail elders and people with disabilities. We strongly recommend a fundamental review and reform of our city and state’s *basic supports* structure.



We strongly recommend a fundamental review and reform of our city and state’s basic supports structure.

Section I—Overview

New York State is dramatically restructuring its long-term care delivery system. Known as “Medicaid Redesign,” this system-wide reform will enroll into managed-care insurance plans nearly all elders and people with disabilities needing long-term Medicaid-funded personal care services. The intent of these reforms is to generate significant savings to New York State, and through care coordination, better outcomes for low-income Medicaid recipients.

The result will be to shift long-term care away from a fee-for-service payment system, which tends to encourage overutilization of services, toward a “capitated” payment formula, which provides to the insurance plan a set number of dollars, per individual per month, for a broad spectrum of services, adjusted for acuity. Managed-care plans receive Medicaid payments from New York State and, in turn, coordinate and pay a broad range of provider agencies for the long-term care services needed by consumers.

PHI was an early proponent of Medicaid Redesign. In 2010, PHI co-published (with our affiliated managed long-term care plan, Independence Care System) a “Reform Blueprint” targeted explicitly toward the redesign of the home and community-based long-term care system in New York City.¹ Our blueprint recommended that New York build on the network of managed long-term care plans that the state had piloted over the past decade, in order to improve the integration of the social and clinical needs of Medicaid recipients.

Though PHI and other advocates heralded the importance of Medicaid Redesign, we also understood that the multiplicity of policy and practice changes embedded within such a fundamental reform effort could conceivably cause unintended negative consequences.

In particular, one crucial aspect within the Medicaid Redesign legislation for which PHI explicitly advocated was to equalize wage and benefit rates between the personal care workforce (called “home attendants” in New York City) and the home health aide workforce. Combining these two occupations, New York City’s home care aide workforce comprises more than 150,000 workers—providing a lifeline of support for the city’s low-income elders and people with disabilities.

This element of Medicaid Redesign, termed the “Wage Parity Law,” received strong political support from 1199SEIU, the largest health care union in the state, and was signed by Gov. Andrew Cuomo in 2011. Before the Medicaid Redesign legislation became law, New York City *personal care aides*—who receive only 40 hours of entry-level training and perform no clinical tasks—were earning a minimum of \$10/hour plus employer-based benefits, while *home health aides*—who perform certain clinical tasks and must receive at least 75 hours of training—were earning on average only \$8/hour, with limited or no benefits.

To address this unusual “wage inversion,”

Terminology

Home care aide – Generic term embracing both personal care and home health aide occupations.

Home health aide – Medicare-certified paraprofessional, providing personal care plus limited health-related tasks, requiring 75 hours of entry-level training.

Personal care aide – Also known in New York City as a “home attendant,” providing personal care services only, requiring 40 hours of entry-level training.

The Impact of Wage Parity on Home Care Aides

the reform legislation created an unprecedented minimum wage floor for the city's home care aide workforce—equalizing wages as of March 2014, to a minimum of \$10/hour for any home care aide paid all or in part with Medicaid dollars—and thus raising hourly wage compensation at least 25 percent for nearly 80,000 New York City home health aides.² The legislation also sought to equalize employer-based benefits for these two similar occupations, requiring a minimum \$4.09/hour benefit package for each when fully implemented. Overall, though the Wage Parity Law essentially held constant the compensation package for personal care aides, it provided a significant improvement for the home health aide workforce.

To track both the intended and unintended consequences of Medicaid Redesign, we initiated *Medicaid Redesign Watch*, a PHI project that is monitoring the changes in policy and practice with an eye to the impact on New York City's home care aides, their clients, and their employers. To assist us in this “real time case study,” PHI invited two nationally respected nonprofit organizations, Wider Opportunities for Women (WOW) and the National Employment Law Project (NELP), to join us in this effort. WOW agreed to analyze the impact of the wage improvements on access to public benefits and tax credits, and NELP brought its expertise in employment law to bear on both the rights of workers and responsibilities of employers within this shifting landscape.

Our policy goal for the *Medicaid Redesign Watch* is to limit the disruption for workers, consumers, and employers, and to help guide New York State to a successful implementation of its overarching policy

reform of “care management for all.” Our methods are several: we research, monitor, and participate in the development of policy for Medicaid Redesign, and we advocate and intervene when appropriate to shape policy and regulatory outcomes.

Why Wage Parity

Fortunately, as the New York State Legislature and Department of Health contemplated converting a large number of personal care clients to managed-care plans, they recognized the risk of disrupting the continuity of relationships those clients had enjoyed with their home care aides. In particular, policymakers feared that *without* wage parity, the more highly paid home attendants might quickly be displaced by less costly home health aides—resulting in disruption in care as well as a loss of work for thousands of home attendants.

At the same time, state policymakers understood that attracting tens of thousands of workers to train or remain as home health aides would be difficult if wages and benefits remained low. Therefore, a minimum compensation for *all* Medicaid-funded home care aides was enacted in law—equalizing pay and benefits across the differing home care occupations—with the intent of making the two similar home care occupations equally attractive. The hope was that this change would result system-wide in higher retention rates and improved quality of care.

Wage parity requirements were additionally supported by an interim “continuity of care” policy that not only allowed a client to retain his or her aide

Transition of Clients to Medicaid Managed Care

Under Medicaid Redesign, the first group of consumers in New York City required to transition to managed long-term care were 30,000 Medicaid beneficiaries in the city's Personal Care Services Program, who began transitioning in July 2012. At the same time, new entrants to the long-term care system who were Medicaid-eligible and needed 120 days or more of home and community-based care also began direct enrollment into managed long-term care plans.

Clients who were either in certain waiver programs, were long-term clients of Certified Home Health Agencies, or were in need of 120 days or more of community-based long-term care began transitioning in the summer of 2013. All told, these transitions will bring the number of long-term care enrollees in New York City's Medicaid managed long-term care plans to well over 100,000 low-income individuals.

The Impact of Wage Parity on Home Care Aides

Table 1: Wage Parity Law Requirements

Effective Date	Wage Requirement	Benefits
March 1, 2012	90% of the NYC Living Wage: \$9.00/hr.	Either: health benefits as specified by collective bargaining agreement (CBA) current as of 1/1/2011; or an additional \$1.35/hour in supplemental wages paid directly to the worker (calculated as 90 percent of \$1.50/hour, which is the amount required in lieu of coverage provided by the NYC Living Wage Law).
March 1, 2013	95% of the Living Wage: \$9.50/hr.	Either: health benefits as specified by the CBA in place; or 95 percent of the amount required by the NYC Living Wage Law in lieu of coverage: \$1.43.
March 1, 2014	100% of the Living Wage: \$10.00/hr.	Wages rose to the “prevailing rate of total compensation paid to all home care aides covered by the collectively bargained agreement in place as of January 2011 for the greatest number of aides,” which in New York City has been deemed to be the 1199SEIU home attendant CBA covering services that were reimbursed by New York City’s Human Resources Administration. The wages in these contracts are \$10.00/hour and benefits include health insurance, pension, and paid time off, among several others. The Department of Labor has calculated the total value of that compensation package at \$14.09—with wages at \$10.00/hour and benefits totaling an additional \$4.09/hour.
March 1, 2015	The greater of the Living Wage or the wage required by the collective bargaining agreement in place on March 1, 2015	Note that any renegotiation of the CBA could increase the total wage and benefit compensation.

during the transition to managed care, but required the managed-care plans to contract with the agency employing that aide, paying the same rate that was paid by the Human Resources Administration.³ This continuity of care interim policy ended on March 1, 2014.

The Wage Parity Law, one of the hallmarks of New York’s Medicaid Redesign, was originally intended for the entire state, but through legislative negotiations was ultimately limited to the downstate metropolitan counties of New York City, Nassau, Suffolk, and Westchester. The law required incremental compensation increases for all home care aides, paid all or in part by Medicaid, beginning with a minimum wage floor of \$9/hour plus employer-based benefits, which began on March 1, 2012—and ultimately rose to \$10/hour plus employer-based benefits on March 1, 2014.

Table 1 illustrates the wage increments as well as the benefit components of the law. These requirements apply to any home care aide service that is paid for, *in any part*, by Medicaid.⁴

While Table 1 outlines the wages and benefits required by law, that law was challenged in state and federal court, and the federal court set aside the provision related to health insurance, finding that it was pre-empted by the Employee Retirement Income Security Act (ERISA). This means that employers are not deemed to have complied with the law simply by having a collective bargaining agreement (CBA). Therefore, on March 1, 2014, all employers must demonstrate that they provide an overall labor “package” of \$10.00/hour in wages plus \$4.09 in employer-based benefits.⁵

Section II— Demographic Characteristics of the New York City Aide Workforce

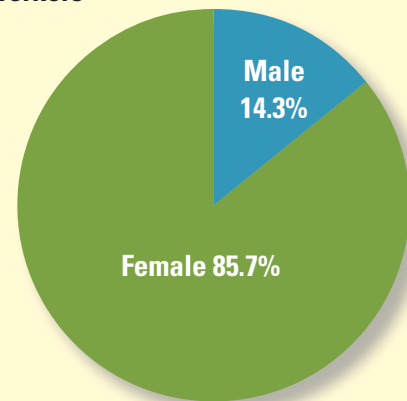
Home care aides are one of the largest and fastest-growing workforces, both in New York City and the nation. Currently totaling more than 150,000 across the city within the formal labor market⁶, these workers provide vital services to New Yorkers who are elderly, disabled, or living with chronic conditions. They help clients bathe, dress, and negotiate many aspects of daily life—providing a much needed life-line to their clients and their families. New York City’s home care workforce is one of the largest occupational groups in the city⁷—*one in seven low-wage workers in New York City is a home care aide*—and the occupation is projected to remain one of the fastest-growing jobs in the city.⁸

As this workforce is both vast and growing, the demographic composition and financial outcomes for these workers have a significant impact on the city’s economy. And since it is a predominantly low-income workforce, the relative stability or instability of this occupation has enormous impact on the city’s social service system.

The following graphs and tables present the most recently available data illustrating the demographics

of New York State’s direct-care workforce (personal and home care aides; nursing, psychiatric, and home health aides).⁹

Figure 1: Gender of New York State Direct-Care Workers



Source: PHI analysis of U.S. Census Bureau, Current Population Survey, pooled data from the 2010, 2011, and 2012 Annual Social & Economic (ASEC) Supplements.

Not surprisingly, the direct-care workforce is a predominately female occupation—with women comprising close to 86 percent of the workforce in

Table 2: Number of Home Health Aides and Home Attendants/Personal Care Aides in New York City and State, and Projected Growth, 2010–2020

Occupational Title	NYC	Rest of State	NYS Total	Projected Growth, 2010-2020
Home Health Aide	79,410	43,850	123,260	+44.6%
Home Attendants/Personal Care Aides	71,600	56,260	127,860	+49.3%

Source: NYS Department of Labor, Occupational Wages (including employment) by region, updated 2013, 1st quarter. Found at: <http://www.labor.state.ny.us/stats/lswage2.asp>.

The Impact of Wage Parity on Home Care Aides

New York State. Not only is the workforce overwhelmingly female, it is also over 74 percent minority. Black, non-Hispanic workers make up the largest racial/ethnic group (41.9 percent), and workers who identify as Spanish, Hispanic, or Latino comprise another 22.7 percent of the labor force.

Table 3: Race and Ethnicity of New York State Direct-Care Workers

Race and Ethnicity	Percent
White, Non-Hispanic	25.8%
Black, Non-Hispanic	41.9%
Other, Non-Hispanic	9.6%
Spanish, Hispanic, or Latino	22.7%

Source: PHI analysis of U.S. Census Bureau, Current Population Survey, pooled data from the 2010, 2011, and 2012 Annual Social & Economic (ASEC) Supplements.

Approximately 37 percent of direct-care workers are married, while 38.2 percent have never been married and 24.7 percent were previously married. Further, 18.4 percent of New York State direct-care workers are single parents.

Table 4: Marital Status of New York State Direct-Care Workers

Marital Status	Percent
Married	37.1%
Previously Married	24.7%
Never Married	38.2%
Single Parent	18.4%

Source: PHI analysis of U.S. Census Bureau, Current Population Survey, pooled data from the 2010, 2011, and 2012 Annual Social & Economic (ASEC) Supplements.

New York State direct-care workers typically have no more than a high school education: 59.3 percent have a high school degree or less. However, 18.3 percent have some college, 10.6 percent have completed associate degrees, and 11.8 percent hold bachelor's degrees or more.

Table 5: Educational Level of New York State Direct-Care Workers

Educational Level	Percent
High School or less	59.3%
Some College, no degree	18.3%
Associate Degree	10.6%
Bachelor's Degree or more	11.8%

Source: PHI analysis of U.S. Census Bureau, Current Population Survey, pooled data from the 2010, 2011, and 2012 Annual Social & Economic (ASEC) Supplements.

Direct-care aides in New York State also represent different levels of labor force participation. Using data for *personal care aides*, close to 55.8 percent of workers work year round/full time, while 20 percent work year round/part time. One in four (24 percent) of personal care workers work part year—with 12.7 percent of them working full time during that period, and 11.5 percent working part time.¹⁰

Though parallel data are not available, the degree of full-time work for *home health aides* is likely lower, compared to these figures for personal care aides, since home health aides tend to be assigned shorter-hour cases under the Medicare home health benefit, making it more difficult to patch together full-time work.

Section III— The Intersection of Income, Public Benefits, and Tax Credits

The Rationale for a Public Benefits and Tax Credit Analysis

Wage parity is intended to be a positive change for home health care workers—increased compensation should create greater income self-sufficiency for nearly 80,000 New York City workers; if all other factors are held equal, a \$2/hour rise in wages will equate to more than \$240 million annually in additional wage income for these workers and their families. In addition, most all home health aides now enjoy employer-based benefits that range from approximately \$2/hour to \$4/hour *more* in value than what they were receiving before the Wage Parity Law was passed—clearly, a significant improvement.

However, the hourly compensation rate is only one factor that influences total income and benefits for a home care aide. Two other crucial factors are: the *number of hours worked* each week, and *eligibility for public benefits and tax credits*.

Number of Hours Worked

Hours worked is exceptionally important, since home care aide services are typically part time and variable—a home care case may, for example, be a full eight hours per day or even twelve hours per day throughout the entire week, or, say, only four hours per day for three days per week. Often, an aide may have to knit together several cases (sometimes, from several agency employers) to achieve anything close to a full-time workweek.

Medicaid-funded home care aides are assigned cases by their employers; some cases may last for years, while others might last only a few months. A particular case may stop suddenly without warning, because the client is hospitalized or dies. The aide serving that client could be assigned a new case immediately, or might have to wait several weeks for a replacement. Or, in times when her client is experiencing an emergency, the aide cannot abandon her client, and thus, she must work unscheduled additional hours. And as hours of work vary, so does weekly income.

Therefore, since a primary intent of Medicaid Redesign is greater efficiency and cost savings through improved care coordination, an immensely important question arises: Will the pressures for efficiency result in an overall reduction in the number of hours of service provided to home care clients—referred to as “reduced utilization” in the industry? And if so, will that reduction result in an *involuntary* lowering of average hours for home care aides?

Unfortunately, that answer is not yet knowable—both home care agencies and the managed-care plans that pay them are still attempting to comprehend and integrate a range of new reimbursement factors, some of which have not yet been fully determined by the state Department of Health. PHI will be tracking that key question in the coming year, and will report out in a later *Medicaid Redesign Watch* publication.

Potential Benefit Cliffs

The second factor, the possible unintended consequence of aides experiencing “benefit cliffs” as their

The Impact of Wage Parity on Home Care Aides

wage rates rise, is the focus of this analysis. Since the incomes of aides are typically quite low, they are potentially eligible for a wide range of public benefits—approximately 52 percent of direct-care aides in New York State live in households receiving some form of public benefits, and 41 percent live in households receiving Medicaid.¹¹

In general, eligibility for public benefits falls as income rises. However, the multiplicity of individual circumstances and the varying eligibility requirements of differing public benefit programs make this analysis quite complex. The answer to a home care aide’s question, “At what point will I be no better off financially—or, even worse off—if I work more hours and earn more in wages?” will differ greatly, depending on the individual circumstance of each home care aide and her family.

Aides are acutely aware of this question. Since most all home care agencies allow their aides some flexibility to “accept” or “refuse” case assignments, we know from our focus groups and interviews that at least some aides *voluntarily* limit the number of hours they work in a given month in order to maximize their monthly total income (defined as wages, plus the cash value of public benefits, plus the cash value of tax credits). In a complex balancing act, these aides assess the benefits of additional work hours against the potential loss of public benefits and tax credits for themselves or their family members. When additional work hours do not significantly increase total family income, it often makes far more sense to devote those hours to parenting and other family responsibilities.

With the advent of wage parity, hourly wage rates have risen over a three-year period by approximately 25 percent (from \$8/hour to \$10/hour) for home health aides. Thus, those aides who have been limiting their income in the past must now re-calculate their number of hours worked if they are intentionally attempting to manage their public benefits and tax credit eligibility.

However, though we know that some aides self-limit their hours, we do not know if, by doing so, they are in fact acting in their own ultimate self-interest. That is, are aides accurately assessing their

eligibility requirements, or are they limiting their hours out of a general fear that their public benefits and tax credits *might* be jeopardized? And even if they are accurately assessing the various points when these public supports are reduced or lost, is the *total value* of those lost supports greater than the income they are forsaking? That is, are they truly better off by working *fewer* hours?

For these reasons, PHI believed it was important to conduct this analysis of how public benefits and tax credits impact the aide workforce, including: eligibility requirements; accessibility; and finally, whether any unintended negative effects might arise from the wage parity increases—particularly influenced by the number of hours worked.

Home Care Aides and the Importance of Public Benefits and Tax Credits

Assuming a 35-hour workweek for personal care aides (PCAs) and a 32-hour workweek for home health aides (HHAs), working 50 weeks a year, the typical annual wage income in 2013 was \$18,480 for PCAs and \$14,631 for HHAs in New York City.¹² Based on these wage income levels and the fact that the New York City workforce represents 60 percent of the total state aide workforce, it is not surprising that direct-care workers have such low family incomes that, in New York State, more than half rely on some form of household government supports (see Table 6).

Table 6: New York State Direct-Care Workers—Receipt of Public Benefits

Household Government Benefits	Percent
Any form of government benefits	52.1%
Medicaid (anyone in household)	40.8%
Food and nutrition	32.7%
Housing, energy	12.1%

Source: PHI analysis of U.S. Census Bureau, Current Population Survey, pooled data from the 2010, 2011, and 2012 Annual Social & Economic (ASEC) Supplements, with statistical programming and data analysis provided by Carlos Figueiredo.

The Impact of Wage Parity on Home Care Aides

Clearly, wage parity is now boosting the hourly wages of tens of thousands of home health aides. However, even with wages having reached \$10/hour in March 2014, the typical home health aide's income still remains quite low, holding many families within income brackets that make them eligible for government benefit programs and tax credits.

These programs are intended to help home care workers move closer to economic security. For just one example, the income of many home care workers makes them eligible for the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps). According to research by The Urban Institute, obtaining SNAP reduces the likelihood of being "food insecure" by close to 30 percent.¹³

Overall, data are limited on home care workers

and their specific use of government benefits. We are, however, able to postulate which public benefits and tax credits are potentially available based on their average annual income and eligibility criteria. Public benefits and tax credits crucial to meeting basic needs—which we refer to below as constituting *basic supports*—include, among others: SNAP (Food Stamps), housing assistance such as access to Housing Choice Vouchers, Home Energy Assistance Program (HEAP), and tax programs such as the Earned Income Tax Credit (EITC). (The full list of *basic supports* appears in the side bar on pages 20 and 21.)

Please note that because of the complexity of public health insurance for low-income families—as well as the current and forthcoming changes in public health benefits due to implementation of both the state's Wage Parity Law and the federal Affordable Care Act

Brief Definitions of Public Benefits and Tax Credits (i.e., Basic Supports)

Food Security

- ▶ The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, is a federal entitlement program that addresses hunger and food security by helping millions of low-income families purchase food. Families are meant to supplement their SNAP benefit by expending 30 percent of their own income on food.
- ▶ The **Women, Infants, and Children (WIC)** program helps women who are pregnant or have children up to 5 years of age get the food they need. Participants receive monthly benefits to buy approved foods meant to improve their diets. New York also supplements the federal program with modest state funds. However, the WIC program is a categorical program and not an entitlement like SNAP, meaning that many who are eligible do not get the benefit, because annual funding is capped.
- ▶ **Free and Reduced Lunch** subsidizes lunch for students up to the age of 18. Children from families with incomes at or below 130 percent of the federal poverty level (FPL) are eligible for free meals. Those with incomes between 130 percent and 185 percent of FPL are eligible for reduced-price meals, for which students can be charged no more than 40 cents.

Housing Assistance

- ▶ The **Home Energy Assistance Program (HEAP)** helps elderly and low-income households meet their cooling and heating energy needs. The number of individuals served by this program depends on available federal funding year-to-year.
- ▶ The **Housing Choice Voucher Program**, formerly known as Section 8, provides vouchers for low-income individuals to rent safe, affordable housing in the private marketplace. To be eligible for housing assistance, an individual or family must be living at or below 80 percent of the state median income.

Continued on page 21

The Impact of Wage Parity on Home Care Aides

(ACA)—we have chosen in our analysis to separate *Medicaid health insurance* from *all other benefits* (tax credits, child care, housing, and other *basic supports*).

Therefore, in the remainder of this section we will focus exclusively on *basic supports*, and examine eligibility for Medicaid and other public health subsidies (for both parent and children) later, in Section V.

Finally, before we proceed, we must underscore that while *basic supports* are clearly valuable, some of them can be stigmatizing for many low-income workers. The process of applying for public benefits can often be grueling, confusing, and intrusive (although, as noted below, this is far less true for tax credits such as the EITC, the Child Tax Credit, and the Child and Dependent Care Credit). Different programs have

differing eligibility requirements and, thus, may require repeated visits to various offices, to present numerous documents and to submit multiple forms.

In addition, an aide may lack all required documentation, or be intimidated by the legalistic language of government forms, or fear loss of existing benefits if some step in the process goes wrong. For this reason, some aides report that they refuse to apply for public benefits, even when fully eligible.

Eligibility vs. Accessibility

In addition, we must also emphasize that public benefits *eligibility* for low-income households can often be confounded by the reality of public benefits *inaccessibility*. That is, there are many obstacles to any low-wage worker hoping to access public

Child Care Subsidies

- ▶ The **Child Care and Development Fund (CCDF)** is a federal block grant that states use to provide low-income families assistance to pay for child care. The New York City **Child Care Subsidy** program provides payments directly to licensed child care providers for care of children under the age of 13; families pay a co-pay to the child care provider on a sliding scale based on income. To enroll, a New York City family must earn less than 200 to 275 percent of FPL, depending on family size.

Tax Credits

- ▶ The **Earned Income Tax Credit (EITC)** is a refundable income tax credit for low-income working individuals and families. Single filers making up to \$46,997 in 2013 are eligible. The federal EITC at its maximum can exceed \$6000 annually. In addition, New York State augments the federal EITC at 30 percent of the federal credit, and New York City augments the federal EITC with an additional 5 percent of the federal credit.
- ▶ The **Child Tax Credit** allows a federal tax deduction of up to \$1,000 per child to those with dependent children. The **Additional Child Tax Credit** is a refundable tax credit for people who have a qualifying child and did not receive the full amount of the Child Tax Credit. New York State augments the federal child tax credit with their own refundable tax credit program, the **Empire State Child Credit**.
- ▶ The federal **Child and Dependent Care Credit (CDCC)** assists with child care and other dependent care expenses. Eligible families can claim up to \$1,050 as a credit against their federal tax liability for one qualifying dependent, and \$2,100 for two or more dependents. In New York, the **New York State CDCC** and the **New York City Child Care Tax Credit** are tied to the federal credit but, unlike the federal credit, are refundable.
- ▶ The **New York State CDCC** reimburses families with incomes less than \$35,000 for their out-of-pocket child care costs for children up to age 13 and equals the greater of \$100 per qualifying child or 110 percent of the taxpayer's allowed federal CDCC. The maximum tax credit is \$2,310.
- ▶ The **New York City Child Care Tax Credit** assists families with incomes of less than \$30,000 with the cost of child care for children up to the age of 4. If the credit is more than the amount of the New York City tax that is owed, a filer can claim a refund. Maximum tax credit is \$1,733.

The Impact of Wage Parity on Home Care Aides

programs, including waiting lists, delays in applying for and receiving benefits, complex application processes, and overall program caps.

Most importantly, due to those program caps, several public programs noted above, which could significantly benefit home care workers and their families, are *simply no longer available* to new applicants. Important examples are Public Housing (through the New York City Housing Authority) and Section 8, now called the Housing Choice Voucher Program, which enable families to pay no more than 30 percent of their income toward their rent; unfortunately, the demand for housing in New York City has long exceeded availability, and in 2009, NYC officials announced they would stop issuing new vouchers.¹⁴

Similarly, child care assistance represents a significant portion of a household budget, yet that assistance is now largely inaccessible to low-income families seeking child care subsidies; in fact, New York City no longer keeps a formal waiting list for workers wishing to get child care. Currently, just one in four low-income children under the age of six is being served by child care programs across the five boroughs.¹⁵ New York City's own needs assessment corroborates this by documenting that only 27 percent of eligible children obtain city-funded child care.¹⁶

Therefore, the harsh reality of public benefit *inaccessibility* significantly complicates our analysis: Two aides, with precisely the same income and family characteristics, may in fact be receiving very different levels of *basic supports*—since one may still be receiving housing and child care assistance she secured before those were capped, while the second applied at a later date, and found those public benefits no longer accessible. The first aide will take into consideration the possibility of losing her child care and/or housing assistance as her income rises, while for the second, consideration of those particular public benefits is irrelevant.

The Vital Importance of Low-Income Tax Credits

Fortunately many home care aides can, with relative ease, receive valuable tax credits, such as the Earned

Income Tax Credit (EITC; federal, New York State, and New York City), the Child Tax Credit (CTC; federal and state) and the Child and Dependent Care Credit (CDCC; federal, state, and city), which together can provide an enormous boost to a household's budget. Low-income workers apply for these tax credits simply by filing end-of-year income tax forms, and thus, these credits carry none of the stigma of applying for public benefits.

According to research by the Center on Budget and Policy Priorities, the EITC does more to lift children out of poverty than any other government program. Nationally, in 2011, the EITC raised out of poverty about 6 million people, including about 3 million children; the Child Tax Credit raised 4.9 million children out of poverty.¹⁷ In 2010, the average federal EITC for a family with children was \$2,085 and \$262 for a single person without children.¹⁸

Yet averages only suggest part of the story. For example, when combining the federal, state, and city EITCs, a single aide with two children working 30 hours/week can be eligible in some cases for up to \$710/month—equivalent to more than \$5.45/hour in her after-tax income—*increasing her take-home pay annually by more than 50 percent.*

The EITC is particularly well-structured because it: a) rewards work, as it is only available to those who are employed; b) initially, at lower income levels, actually increases as the aide's income rises; and c) at higher income levels, decreases at a relatively slow rate, creating a gradual decline rather than an abrupt "cliff."

For child care tax credits, the federal Child and Dependent Care Credit (CDCC) to which New York's credit is linked is not refundable, while New York State's CDCC and New York City's child care credit are refundable. (That is, if the amount of the allowable credit exceeds the amount of the individual's state tax liability, the balance will be refunded to the taxpayer by the New York State Department of Tax and Finance.)

Currently the CDCC credit in New York is 110 percent of the federal credit for those with adjusted gross incomes (AGI) below \$25,000 annually. The

credit phases down to 100 percent of the federal credit for those with AGI below \$35,000 and then phases down from 100 percent to 20 percent at AGI between \$35,000 and \$65,000. At \$65,000 and higher it remains at 20 percent.

For New Yorkers, the maximum state credit for two or more children is \$2,310 and for one child it is

\$1,155. Nearly 512,000 New York taxpayers claimed the CDCC in Tax Year 2010 worth almost \$200 million.

Finally, though the EITC, CDCC, and the CTC are relatively easy to access, it is unknown how many low-income home care aides currently take full advantage of these benefits in New York City.

Section IV— Modeling the Impact of Public Benefits and Tax Credits

Public benefits and tax credits—what we are calling *basic supports*—are, when fully accessible, economically important to a large number of home care workers. Yet it is important to underscore that, even when fully accessed—and even after the advent of wage parity—most home care workers and their families will remain far from true economic security.

Clearly, *basic supports* are essential to many home care workers as they struggle to secure a basic level of stability for themselves and their families. However, with the partial exception of tax credits, the higher a worker’s income rises, at certain levels both eligibility for, and levels of, *basic supports* fall.

This reality is not lost on home care workers themselves: As we noted above, many home care workers calculate the number of hours they work, and at times intentionally limit their income in order to achieve a “zone of economic stability”—that is, maximizing earned wages, public benefits, and tax credits until reaching a benefit plateau—at which point working additional hours may net the worker little or no additional total income. For this reason, given that the Wage Parity Law is increasing wages across the home health care worker labor market, PHI wanted to learn how the interplay between income and public benefit cliffs would change.

Methodology

The Wider Opportunities for Women (WOW) Economic Security Simulator™ calculates public benefit levels based on program eligibility rules and support level formulas, and taxes and tax credits based on income and family composition. Using the calculator, WOW determined the *basic supports* for which different families would be eligible based on hourly wage and hours worked.

Using the Simulator, WOW modeled *basic supports* programs for a single adult, a single mother with two young children, and a married mother with a working spouse and two young children when each worked 20, 25, 30, 32, 35, 38, 40, 45, 50, and 55 hours per week at \$8, \$9.50, \$10, \$11.50, and \$12.50 per hour. The number of hours and wages per hour were selected to be characteristic of the hours and wage levels worked by average home health aides in New York City. All calculations were made using 2013 program eligibility and benefit figures for New York City.

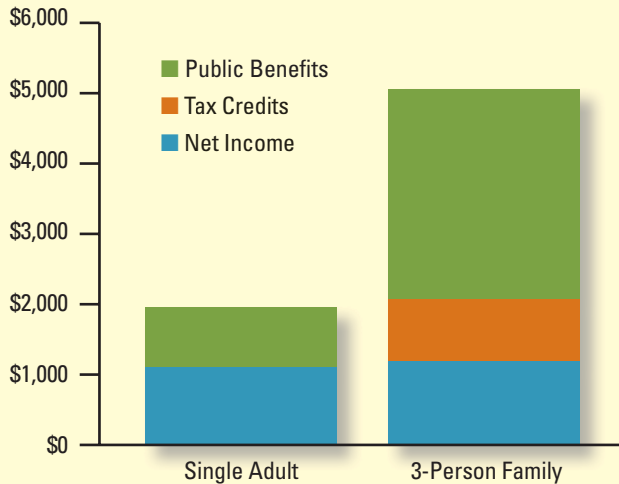
The federal and state support programs included in the modeling are listed on pages 20 and 21.

Also, it is important to underscore that family composition matters quite significantly in terms of

The Impact of Wage Parity on Home Care Aides

Figure 2: The Impact of Basic Supports on Monthly Income

For a single Home Care Aide—with and without children—earning \$10/hour at 30 hours per week



NOTE: Net Income includes all taxes and tax credits not named. Tax Credits includes the EITC, Child Tax Credit and Additional Child Tax Credit, and the Child and Dependent Care Credit. Public Benefits include HEAP, WIC, Free and Reduced School Lunch, SNAP, Child Care Subsidies, and the Housing Choice Voucher Program.

government assistance. Most notably, a single worker is eligible for considerably fewer *basic supports* than families with children. As Figure 2 illustrates, a single

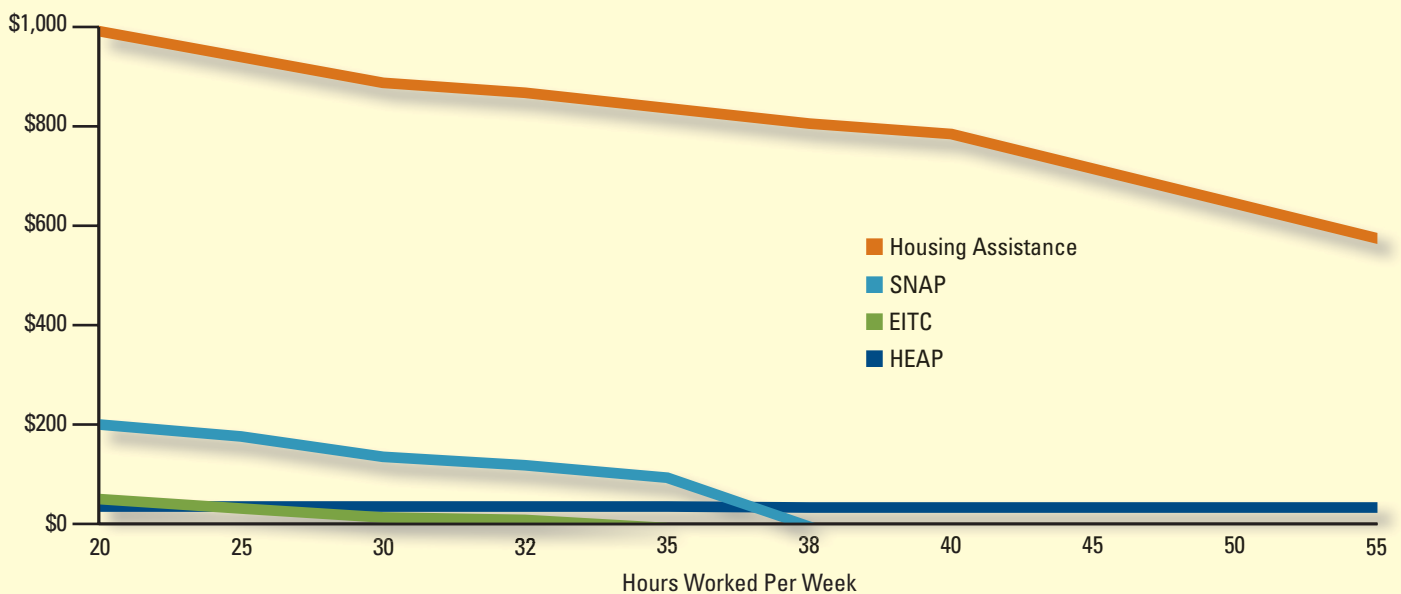
home care worker, earning \$10/hour and working 30 hours per week, is eligible for very minimal assistance—in contrast to the same aide with two young children, who can access higher levels of public benefits, such as HEAP, WIC, Free and Reduced School Lunch, and SNAP, plus very valuable tax credits.

The significant economic value of government *basic supports* for home care aides illustrates the need for aides to determine exactly where a shift in total public benefits and tax credits might occur for each of these programs, now that wage parity has raised all Medicaid-funded home care aide wages to at least \$10/hour.

Basic Supports Eligibility for the Single Worker—without Children

For a single worker without children, as illustrated in the line graphs below (Figures 3 and 4), housing assistance (if accessible) is the most significant government program—having the greatest impact on a worker’s economic security. While there is a smaller impact from the SNAP, EITC, and HEAP programs on a single worker’s economic security, those programs are nonetheless still beneficial for single aides working less than full time.

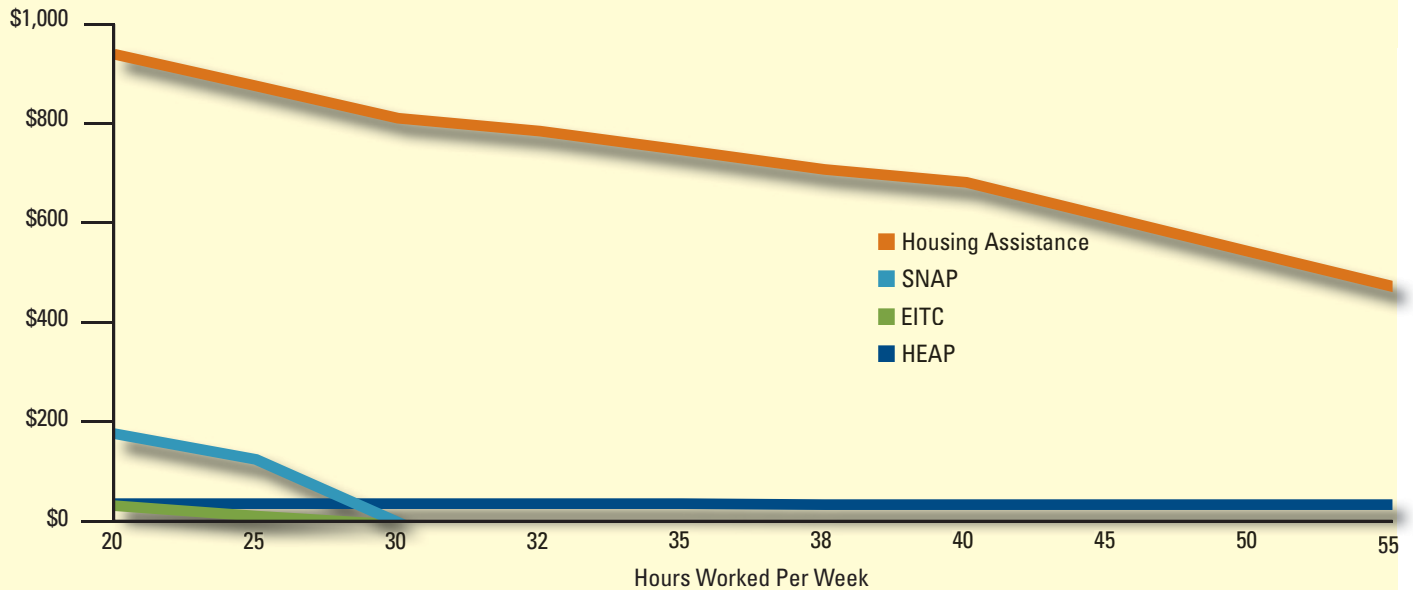
Figure 3: Value of Monthly Benefits for a Single Home Care Aide, without Children, Earning \$8/Hour



NOTES: Each assistance program assumes nonreceipt of all other assistance programs. Wages earned for overtime hours (more than 40 hours per week) follow New York State laws on overtime pay.

The Impact of Wage Parity on Home Care Aides

Figure 4: Value of Monthly Benefits for a Single Home Care Aide, without Children, Earning \$10/Hour



NOTES: Each assistance program assumes nonreceipt of all other assistance programs. Wages earned for overtime hours (more than 40 hours per week) follow New York State laws on overtime pay.

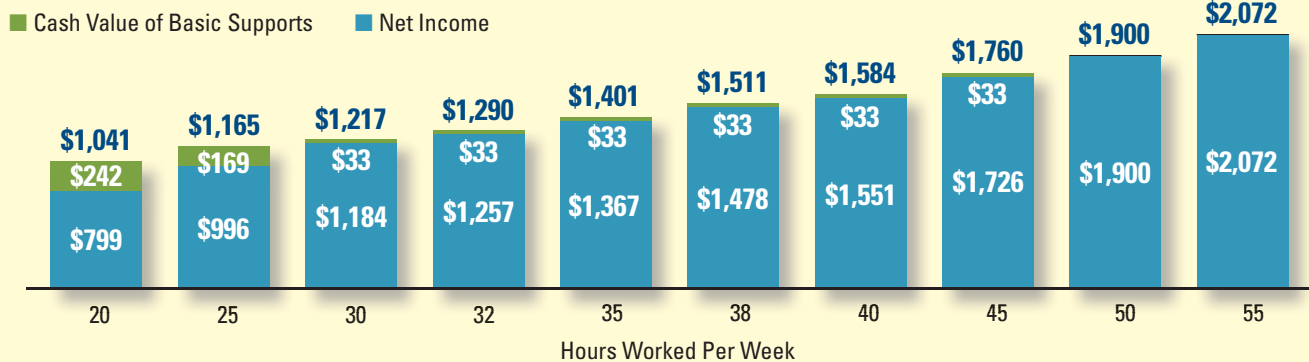
Comparing Figure 3 (at \$8/hour, prior to wage parity) to Figure 4 (at \$10/hour, after wage parity), the picture changes only slightly as wages increase to \$10/hour, with both housing and SNAP supports dropping somewhat earlier in the number of hours worked.

Therefore, there is a modest loss of nutritional support (SNAP) for a single home care aide, when her hourly income rises from \$8/hour to \$10/hour under wage parity, as she increases her work above 25 hours per week.

However, the key question concerns the aide's net impact: Does the increase in paycheck income exceed the value of the *basic supports* lost? The answer will depend on what programs the aide is actually able to access. For a single worker without children, earning \$10/hour under full wage parity—who is accessing only SNAP, HEAP, and the EITC—the answer is that net increased income *exceeds* the value of the named benefits lost, and thus self-limiting hours worked (and thus income) would not be in the self-interest of the aide (see Figure 5 below).

Figure 5: Impact of Basic Supports on Monthly Income (without housing assistance)

For a single Home Care Aide, without children, earning \$10/hour

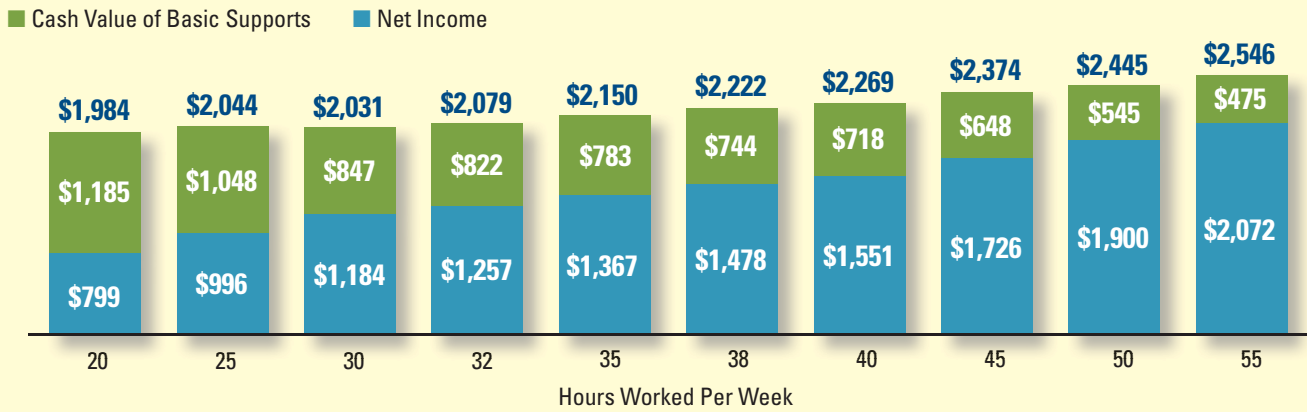


NOTES: Basic Supports include SNAP, HEAP, and the EITC. (Values in the chart may not add up to the totals due to rounding.)

The Impact of Wage Parity on Home Care Aides

Figure 6: Impact of Basic Supports on Monthly Income (with housing assistance)

For a single Home Care Aide, without children, earning \$10/hour



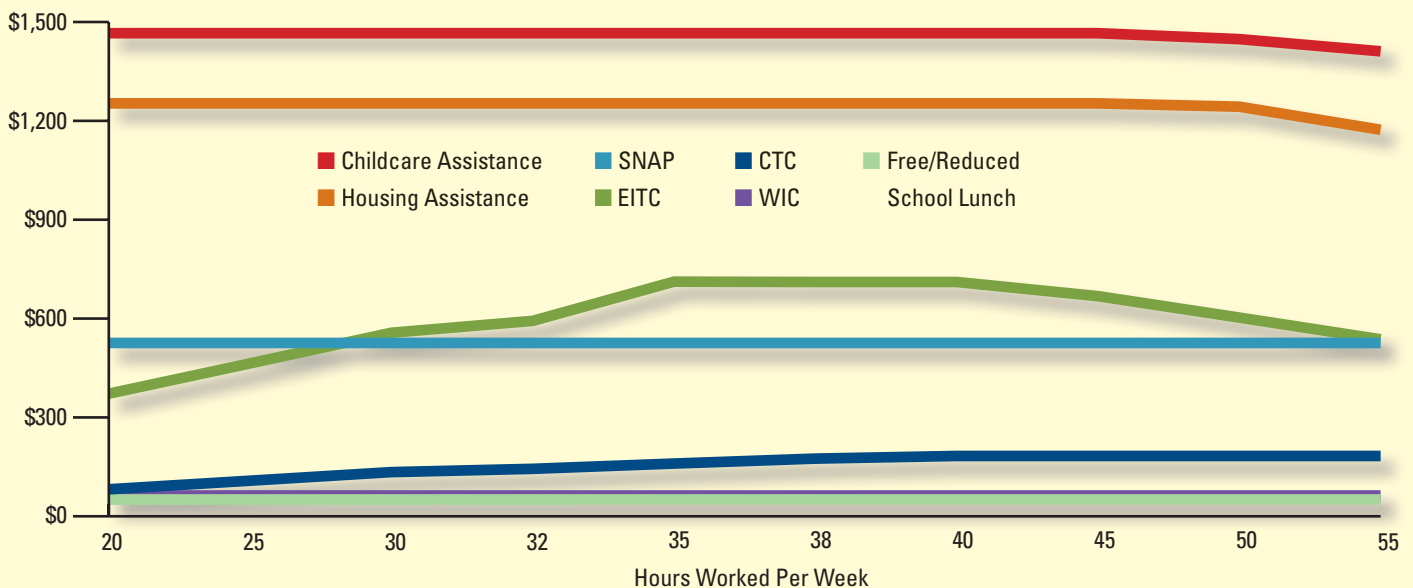
NOTES: Basic Supports include SNAP, HEAP, the EITC and the Housing Choice Voucher Program. (Values in the chart may not add up to the totals due to rounding.)

In addition, if that single aide without children is still accessing housing assistance (see Figure 6, above), then that assistance makes a significant difference in the aide's economic security, and maintaining that benefit is critical. In this case again, an increase in hourly wage to \$10/hour does not create a true benefit cliff.

Basic Supports Eligibility for the Single Worker—*with Children*

In comparison, a family of three (single parent and two young children) is eligible for many more *basic supports*. Notably, whether at \$8/hour or \$10/hour, such a family profile would experience no real cliffs for the named supports until the aide works overtime hours (see Figures 7 and 8).

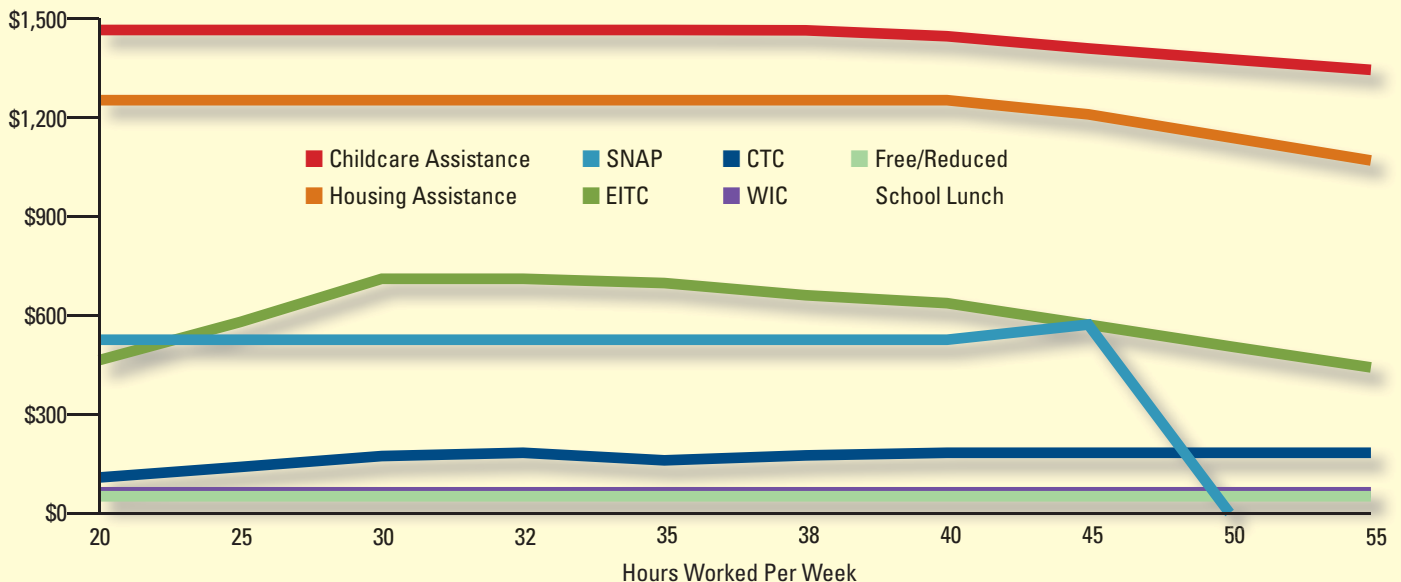
Figure 7: Value of Monthly Benefits for a Single Home Care Aide, with Two Young Children, Earning \$8/Hour



NOTES: Each assistance program assumes nonreceipt of all other assistance programs. Wages earned for overtime hours (more than 40 hours per week) follow New York State laws on overtime pay.

The Impact of Wage Parity on Home Care Aides

Figure 8: Value of Monthly Benefits for a Single Home Care Aide, with Two Young Children, Earning \$10/Hour



NOTES: Each assistance program assumes nonreceipt of all other assistance programs. Wages earned for overtime hours (more than 40 hours per week) follow New York State laws on overtime pay.

Note that WIC and Free/Reduced Lunch programs are quite stable over the different wage and hour combinations. SNAP also remains relatively stable as wages and hours rise, although the SNAP “benefit cliff” is quite sharp at \$10/hour, when a worker exceeds overtime hours of 45 hours per week. Finally, though the EITC does decrease after 35 hours per week at \$10/hour, that decrease is quite gradual.

It is important to pause here and note that these graphs clearly document the enormous value of the EITC in helping low-income families support themselves. Figure 8 above documents that the combination of the federal, state, and city EITC exceeds \$700/month for the single aide with two children—or the equivalent of more than \$5.50/hour in net new after-tax income for an aide who averages 30 hours/week. Specifically, this maximal scenario would generate for the aide annual additional income of \$6,372 from the federal EITC; \$1,837 from the state EITC; and \$319 from the city EITC. This means that under certain circumstances, the federal/state/city EITC can increase the income of a single aide with two young children by more than 50 percent annually.

Further, these graphs also dramatize how the EITC is rightly heralded as a well-designed benefit,

both because it rewards work, and because it is “bell-shaped” in how the credit gradually rises and falls as income increases. Supports that are “phased out” gradually as income increases reduce the likelihood of benefit cliffs and, thus, are less likely to dissuade workers from working additional hours.

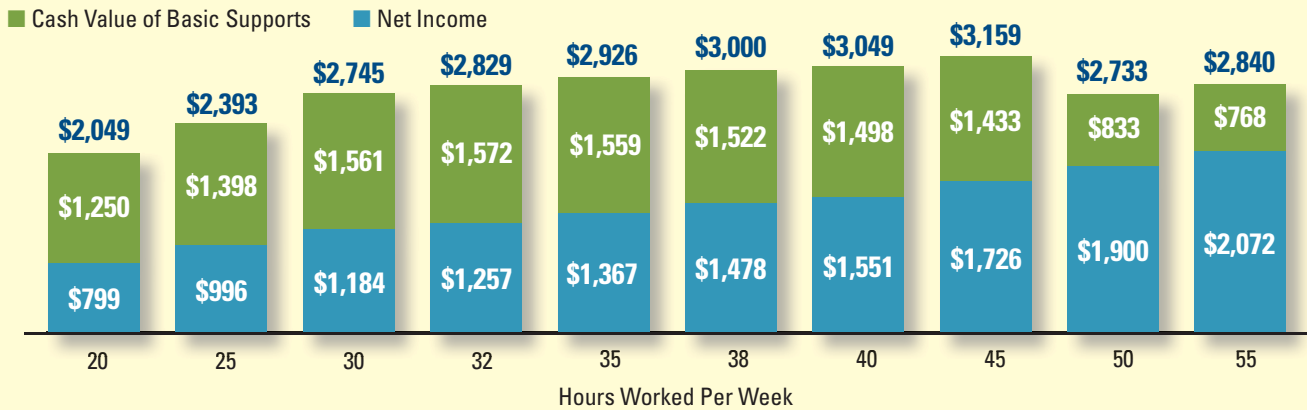
Benefit Cliffs vs. Benefit Plateaus

These by-benefit line-graphs reveal no true benefit cliffs for a single Home Care Aide with two young children, whether she is earning \$8/hour or \$10/hour. (Recall again that this analysis does not yet include Medicaid and Child Health Plus, which we review separately, below.)

Yet looking at the same data from a *total monthly income perspective* (wages, plus the cash value of public benefits, plus the cash value of tax credits) reveals a troubling reality: While no dramatic cliffs exist (up until overtime of 45 hours per week), if the aide works more than 30 hours per week at \$10/hour, she will net only modest extra financial benefit for those additional hours worked—assuming she is not receiving housing or child care assistance (see Figure 9).

The Impact of Wage Parity on Home Care Aides

Figure 9: Impact of Basic Supports on Monthly Income (without housing and child care assistance)
For a single Home Care Aide, with two young children, earning \$10/hour



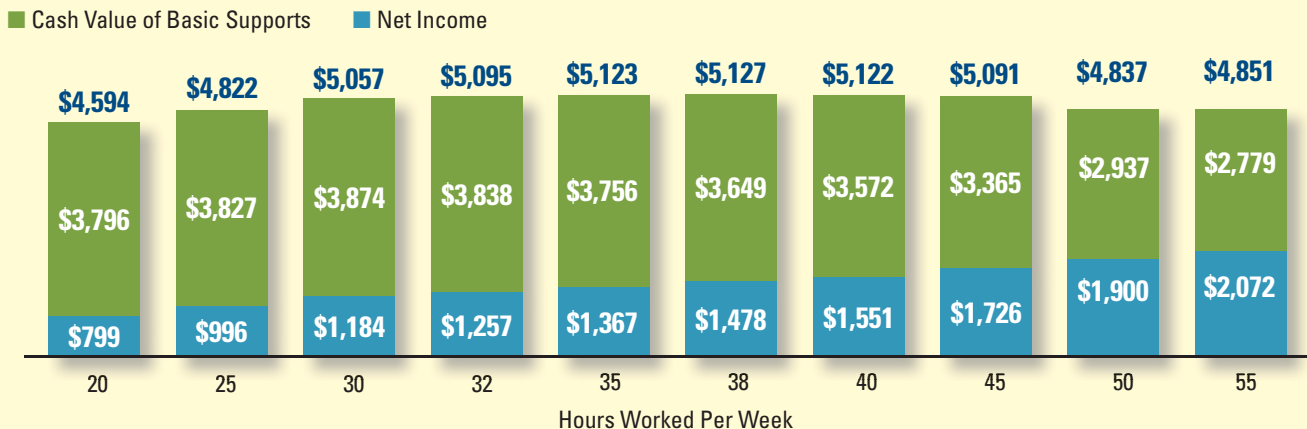
NOTES: Basic Supports include SNAP, WIC, HEAP, Free/Reduced School Lunch, the EITC and the Child Tax Credit. (Values in the chart may not add up to the totals due to rounding.)

For example, in this case *without* housing and child care benefits, the total monthly income (wages, plus cash value of public benefits, plus cash value of tax credits) for an aide working 40 hours per week is only \$304/month more than if she works 30 hours per week (\$3,049 vs. \$2,745). For an average month, the difference between working a 40-hour week and a 30-hour week generates 43 additional hours of work in that month, and thus her \$304 for those additional 43 hours equates to only \$7.07/hour (\$304 ÷ 43 hours) in additional value—which is

less than the federal/state minimum hourly wage.

And for an aide who is receiving housing and child care benefits, the plateau effect is even more dramatic: The total monthly income (wages, plus cash value of public benefits, plus cash value of tax credits) for an aide working 40 hours per week is only \$65/month more than if she works 30 hours per week (\$5,122 vs. \$5,057)—which equates to only an additional \$1.51/hour for the aide’s 43 hours of additional effort that month (see Figure 10).

Figure 10: Impact of Basic Supports on Monthly Income (with housing and child care assistance)
For a single Home Care Aide, with two young children, earning \$10/hour



NOTE: Basic Supports include SNAP, WIC, HEAP, Free/Reduced School Lunch, the EITC, the Child Tax Credit, Child Care Subsidies and the Housing Choice Voucher Program. Receipt of certain benefits may reduce the value of others. Therefore, total monthly value of benefits to the aide may be reduced by interaction between the benefit programs. (Values in the chart may not add up to the totals due to rounding.)

The Impact of Wage Parity on Home Care Aides

This benefit plateau occurs because, at certain income levels, *basic supports* will be reduced at approximately the same rate as income rises—that is, for every dollar earned, nearly a dollar of basic supports value is taken away. Clearly, for women employed in low-wage jobs receiving public benefits and tax credits, work is not always fully or fairly rewarded.

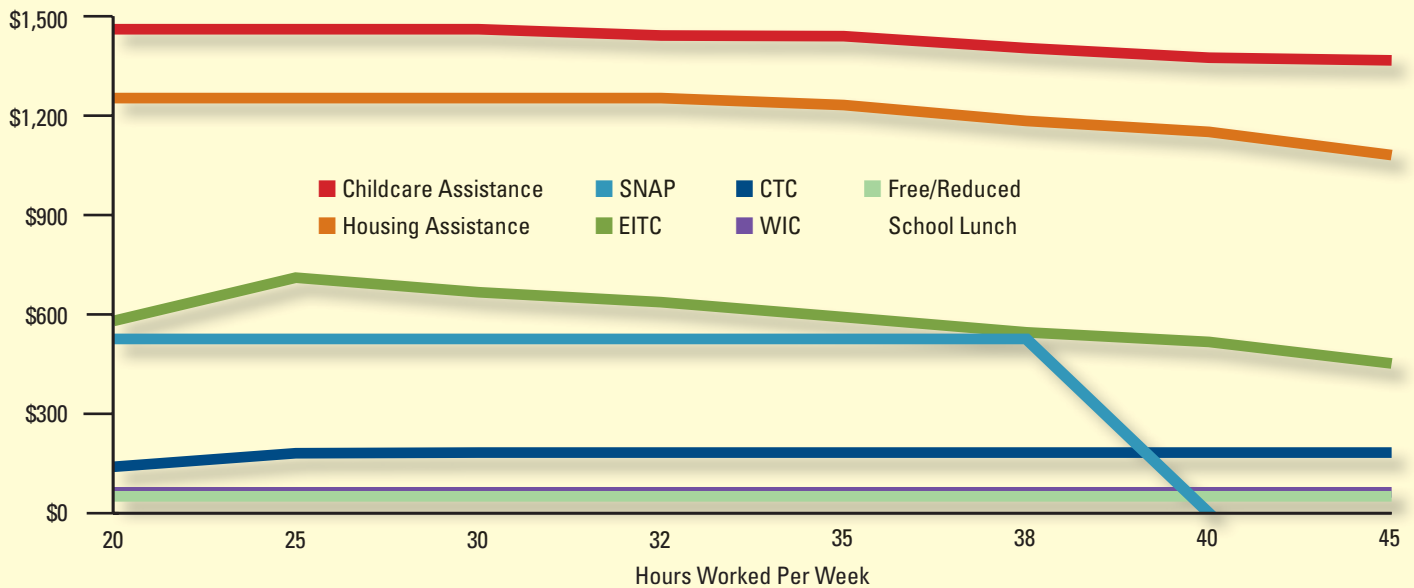
The Impact of Wage Increases Beyond \$10/hour

We have documented above that raising an aide’s wages from \$8/hour to \$10/hour will not, in general, create dramatic benefit cliffs. Yet that increase of \$2/hour still only results in a very modest income, particularly for those many aides who work less than a full workweek. Therefore, it is useful to glance into the hoped-for future, to determine if an even higher hourly wage risks such cliffs.

As noted below in Figure 11, at a wage of \$12.50/hour, for a single aide with two young children, basic supports still remain relatively stable, though EITC peaks at 25 hours per week, and slowly begins to decline. Housing supports, if available, also begin to fade slowly after 35 hours per week. The most dramatic drop is a reduction in SNAP support after 38 hours per week.

Examining this scenario of \$12.50/hour for total monthly income in Figure 12 (next page), we see that the aide suffers an income plateau from 25 hours per week up until 38 hours per week, and then experiences a true *benefit cliff* when moving from 38 hours per week to 40 hours per week: Her total monthly income will be \$251/month less at 40 hours per week compared to her total income working 38 hours per week. Essentially, it will provide the aide little advantage to work more than 25 hours per week, and she will be financially punished if she works more than 38 hours per week.

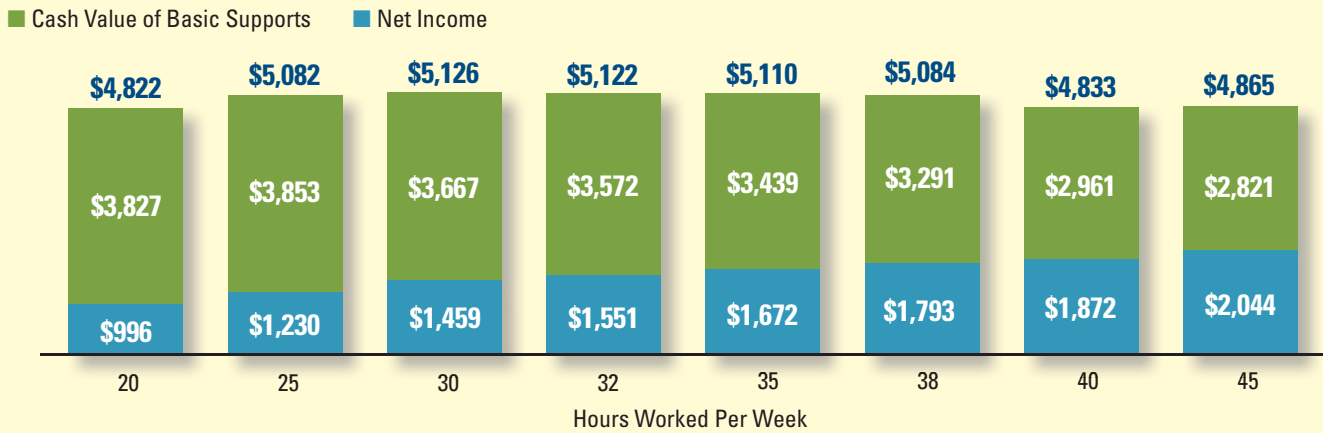
Figure 11: Value of Monthly Benefits for a Single Home Care Aide, with Two Young Children, Earning \$12.50/Hour



NOTES: Each assistance program assumes nonreceipt of all other assistance programs. Wages earned for overtime hours (more than 40 hours per week) follow New York State laws on overtime pay.

The Impact of Wage Parity on Home Care Aides

Figure 12: Impact of Basic Supports on Monthly Income (with housing and child care assistance)
For a single Home Care Aide, with two young children, earning \$12.50/hour



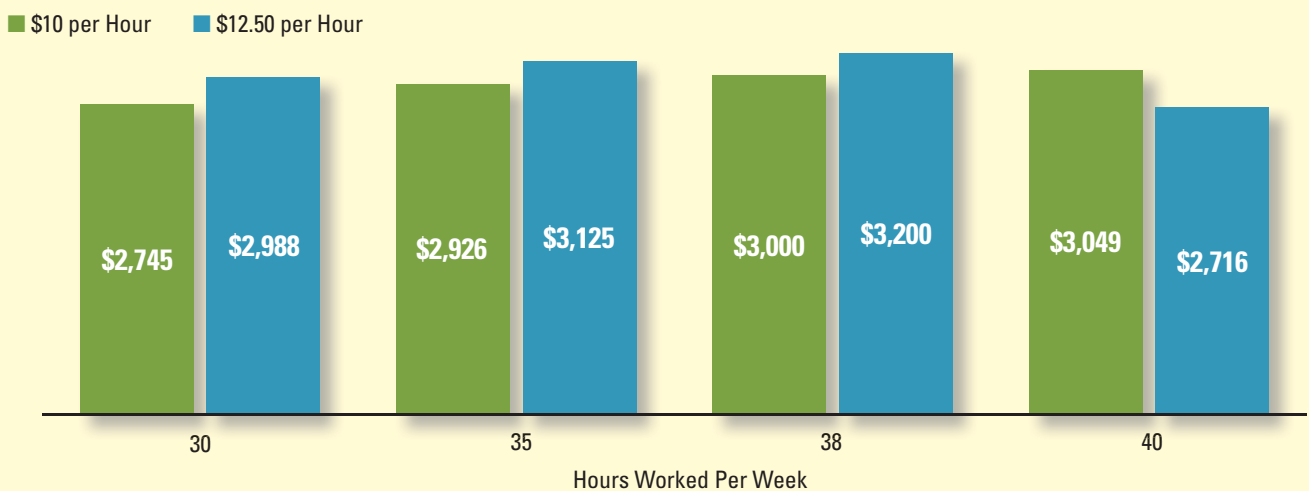
NOTES: Basic Supports include SNAP, WIC, HEAP, Free/Reduced School Lunch, the EITC, the Child Tax Credit, Child Care Subsidies and the Housing Choice Voucher Program. (Values in the chart may not add up to the totals due to rounding.)

We can also detect this benefit cliff at 38 hours per week by comparing the single aide with two young children who is earning the full parity wage of \$10/hour with that same aide earning a higher, \$12.50/hour wage. Note in Figure 13 below (which assumes no housing or child care assistance) *that at 40 hours per week, the aide earning \$12.50/hour actually receives in*

total monthly income \$333 less than the aide working at \$10/hour.

Even more troubling: Figure 14 (next page) shows that if the aide is receiving housing and child care assistance, she is actually worse off earning \$12.50/hour, rather than \$10/hour, when she is working more than 30 hours per week.

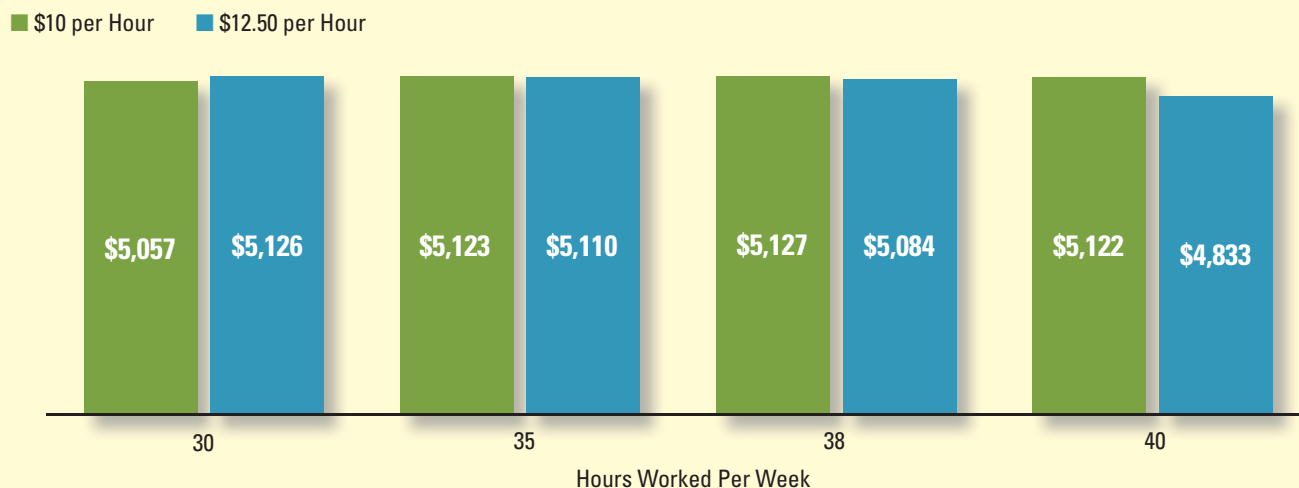
Figure 13: Comparison of Total Monthly Income at \$10 and \$12.50/Hour
For a Home Care Aide with two young children receiving basic supports (without housing and child care assistance)



NOTE: Basic Supports include SNAP, WIC, HEAP, Free/Reduced School Lunch, the EITC, and the Child Tax Credit.

The Impact of Wage Parity on Home Care Aides

Figure 14: Comparison of Total Monthly Income at \$10 and \$12.50/Hour
*For a Home Care Aide with two young children receiving basic supports
 (with housing and child care assistance)*



NOTE: Basic Supports include SNAP, WIC, HEAP, Free/Reduced School Lunch, the EITC, and the Child Tax Credit, Child Subsidies, and the Housing Choice Voucher Program.

Notably, the current Wage Parity Law requires employers to provide \$4.09/hour in employer-based benefits—over and above the \$10/hour wage—and some of those benefits may be received in the form of cash, thus increasing the aides’ take-home pay accordingly. Depending on the amount of that additional cash income, some aides even now may be at risk for reaching benefit cliffs and plateaus at relatively low hours of work.

This analysis again clearly underscores how the current *basic supports* structure at times may punish low-wage earners. And in the case of home care workers, whose wages derive primarily from public dollars, an increased expenditure of tax dollars from one government program (paying their wages) at times may simply reduce tax expenditures from a set of different government programs (paying public benefits)—all the while decreasing the overall economic security of the home health aide.

Basic Supports Eligibility for Families with Young Children and Two Wage Earners

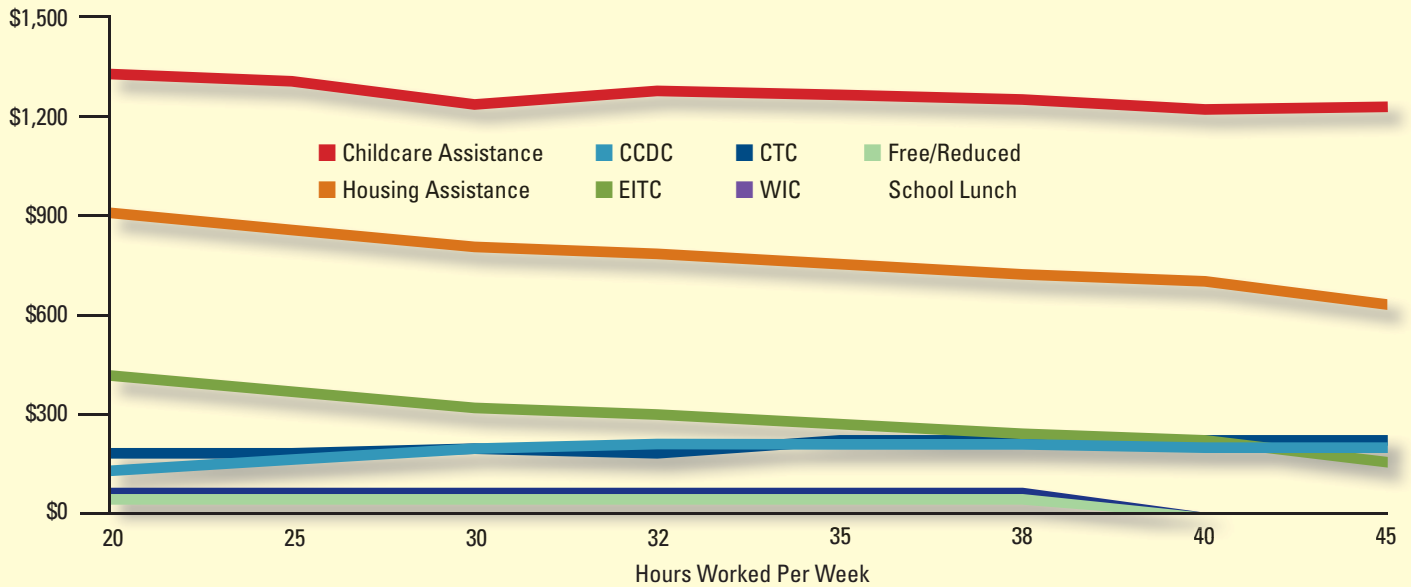
An additional family profile that is important to model is a household with young children and two incomes. For the purpose of this analysis, we will assume a home health aide with two young children, married to a second wage earner who works as a security guard, full time, making \$13.20/hour (the average hourly wage for security guards in New York City).

Again, we will compare parallel scenarios for this two wage-earner family: The first with the aide earning \$8/hour; the second, after full wage parity, earning \$10/hour (Figures 15 and 16).

At \$8/hour, the aide and her family are eligible for WIC and free and reduced school lunch until she works full-time hours. Even after that, the family is eligible for housing assistance and much-needed child care subsidies—if they are available.

The Impact of Wage Parity on Home Care Aides

Figure 15: Value of Monthly Benefits for a Family with Two Wage Earners and Two Young Children
Where one parent earns \$8/hour as a Home Care Aide

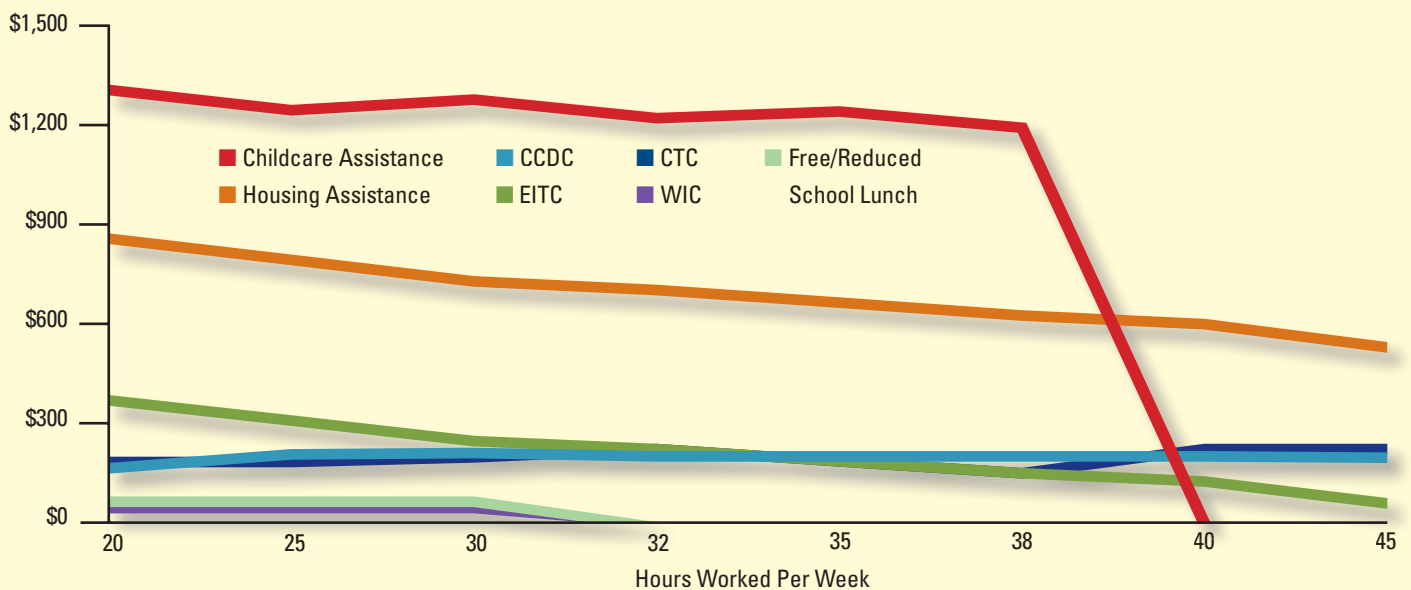


NOTES: Second parent is assumed to work 40 hours per week as a security guard earning \$13.20 per hour. Each assistance program assumes nonreceipt of all other assistance programs. Wages earned for overtime hours (more than 40 hours per week) follow New York State laws on overtime pay.

However, at \$10/hour, a home care aide with this family profile might choose to work no more than 38

hours per week, if that option is currently available to her, to avoid losing child care assistance.

Figure 16: Value of Monthly Benefits for a Family with Two Wage Earners and Two Young Children
Where one parent earns \$10/hour as a Home Care Aide

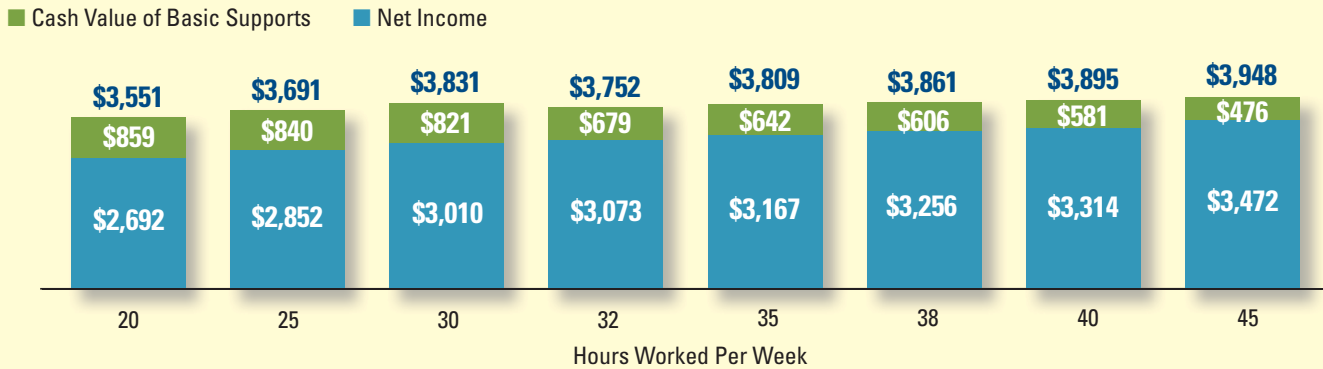


NOTES: Second parent is assumed to work 40 hours per week as a security guard earning \$13.20 per hour. Each assistance program assumes nonreceipt of all other assistance programs. Wages earned for overtime hours (more than 40 hours per week) follow New York State laws on overtime pay.

The Impact of Wage Parity on Home Care Aides

Figure 17: Impact of Basic Supports on Monthly Income (without housing and child care assistance)

For a two wage-earner family with two young children in which one parent earns \$10/Hour as a Home Care Aide



NOTES: Basic Supports include WIC, HEAP, Free/Reduced School Lunch, the EITC, the Child Tax Credit and the Child and Dependent Care Credit. Second parent is assumed to work 40 hours per week as a security guard earning \$13.20 per hour. (Values in the chart may not add up to the totals due to rounding.)

Finally, for this dual-income family, Figures 17 and 18 reveal the same challenge as was true for the single-income family: For those aides working an increasing number of hours at \$10/hour, there are no dramatic benefit cliffs—at least up until 38 hours/week—yet there is little or even no reward for working those additional hours.

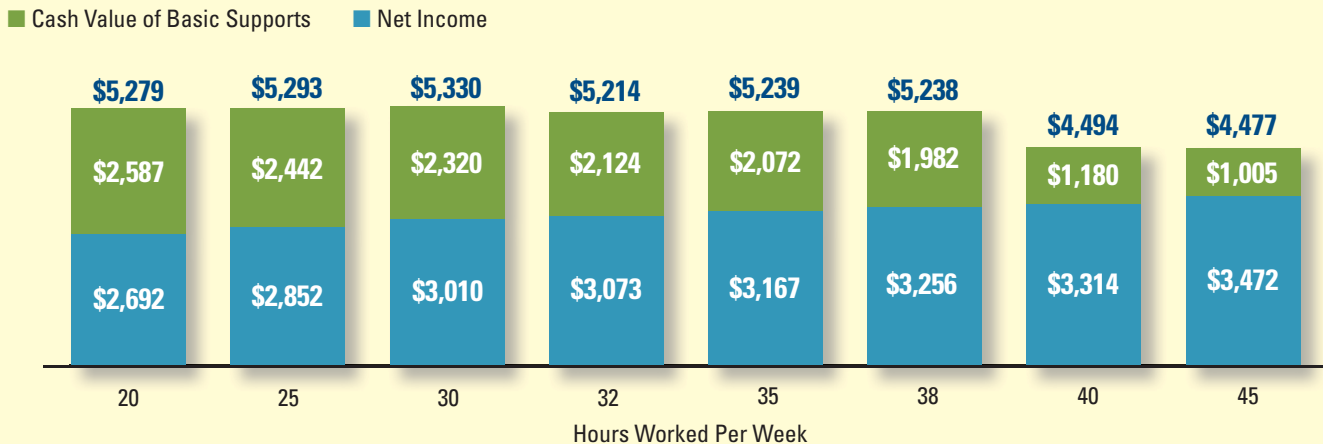
As shown in Figure 17, for those *without* housing and child care benefits, total monthly income barely

risers: *The total difference for the aide working 30 hours per week vs. 40 hours per week is again a mere \$64/month (\$3,831 vs. \$3,895) for 43 additional hours of work in that month—amounting to only \$1.49/hour.*

As documented in Figure 18: For the two-income family, as was true of the single worker with young children, the addition of child care and housing assistance makes a large difference to the family’s well-being—if it is accessible.

Figure 18: Impact of Basic Supports on Monthly Income (with housing and child care assistance)

For a two wage-earner family with two young children in which one parent earns \$10/Hour as a Home Care Aide



NOTES: Basic Supports include WIC, HEAP, Free/Reduced School Lunch, the EITC, the Child Tax Credit, the Child and Dependent Care Credit, Child Care Subsidies, and the Housing Choice Voucher Program. Second parent is assumed to work 40 hours per week as a security guard earning \$13.20 per hour. Receipt of certain benefits may reduce the value of others. Therefore, total monthly value of benefits to the aide may be reduced by interaction between the benefit programs. (Values in the chart may not add up to the totals due to rounding.)

The Impact of Wage Parity on Home Care Aides

Yet if the family is indeed receiving those housing and child care supports, the family is actually *disadvantaged* when the two wage earners increase their combined wage income. The total income for that family when the aide works 30 hours per week vs. 38 hours per week *drops* by \$92/month (\$5,330 vs. \$5,238) for working an additional 34 hours in that month. There then exists a truly dramatic cliff of \$744/month if the aide increases her work from 38 to just 40 hours per week—due primarily to the steep decline in child care benefits.

Therefore, our analysis indicates that few benefit cliffs exist for a single aide due to the Wage Parity Law, no matter what the family profile. For families with two incomes, a benefit cliff *may* occur—depending on the level of income of that second wage earner—but at hours that are fairly near full-time employment for the aide.

However, what becomes apparent is that for many aides who receive public benefits, working additional hours may at best increase their monthly family income only incrementally. That is, while there are few dramatic cliffs, neither is there significant reward. This reality of *benefit plateaus* impacts all low-wage workers in New York City who are working part-time hours, not just home care aides.

Fortunately, the \$2/hour wage increase does

generate more total monthly income in most cases—that is, home care aides are better off for the advent of wage parity.

See Figure 19, below, comparing total monthly income (wages, plus the cash value of public benefits, plus the cash value of tax credits) of a single aide with two small children—without housing and child care benefits—at \$8/hour vs. \$10/hour.

If the aide is receiving housing and child care benefits, her total monthly income still increases, but only marginally so.

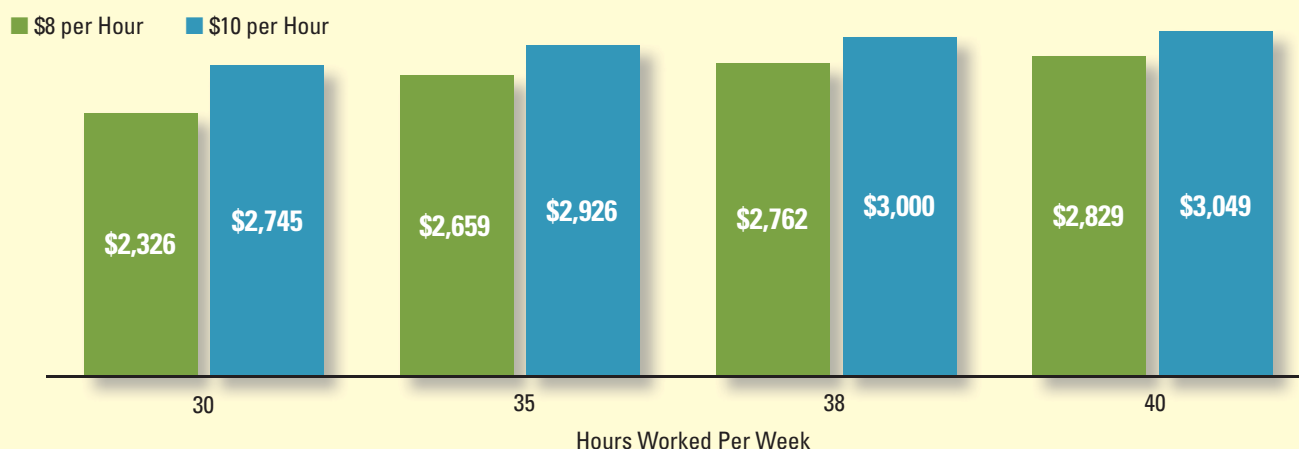
Yet at both wage levels, the punishing structure of public benefits still fails to reward work, particularly above 30 hours per week. Thus many aides who receive *basic supports* may attempt to limit their hours—not so much because they will fall off a dramatic benefit cliff, but simply because they will be netting little or no gain for those additional hours worked.

The Reality of Self-Limiting Hours of Work

Before leaving this portion of our analysis, we want to emphasize that public benefits do not fluctuate instantaneously when an aide's take-home pay rises or falls.

Figure 19: Comparison of Total Monthly Income at \$8 and \$10/Hour

For a Home Care Aide with two young children receiving basic supports (without housing and child care assistance)



NOTE: Basic supports include SNAP, WIC, HEAP, Free/Reduced School Lunch, the EITC, and the Child Tax Credit.

The Impact of Wage Parity on Home Care Aides

Both the application process for public benefits, as well as the review process to remain eligible, can take weeks and even months to complete, by which time the aide's hours worked per week may well have changed significantly.

At the same time, though an aide has some limited control over the number of hours she works each week (by accepting or refusing a case), her caseload is nonetheless still often beyond her control. Her client may suddenly be hospitalized or die—and it may take days or even weeks to replace that case. Or, in the case of an emergency experienced by her client, the aide may be required to work more hours than she had originally scheduled.

Therefore, the combination of these two factors—hours often beyond the aide's control, and the disjuncture in time between changes in her weekly income and gaining/losing eligibility—makes it very difficult for many aides to achieve a consistent balance of paid income, public benefits, and tax credits.

At best an aide—with assistance from a knowledgeable advisor as we recommend below—may be able to target a “zone of economic stability,” understanding the range of hours worked per month in order for her to maximize, in general, the economic returns for her investment of hours worked.

Section V— Access to Health Coverage

Health Insurance Options for Home Care Aides

Few benefits are as important to low-wage home care workers, and their children, as access to health coverage. Yet health coverage for home care workers is an

extremely complex issue—within a rapidly changing environment—requiring analysis separate from other benefits.

While Medicaid has traditionally been the typical insurance vehicle available to low-income workers, it is important to note that not all workers require access

New York has several public insurance programs for low-wage workers and their children.

- The **Medicaid** program is a federal and state program that provides health coverage to non-elderly low-income individuals. Under the Affordable Care Act (ACA), New York has expanded Medicaid eligibility to include all adults under the age of 65 whose incomes are below 138% of the federal poverty level (FPL). Eligible adults not offered an affordable employer-sponsored health plan may enroll in the Medicaid program.
- New York's **Basic Health Plan**, enacted in legislation for the FY2015, will provide publicly subsidized health insurance coverage to individuals whose incomes are between 138% and 200% of the FPL. This plan will require minimum cost-sharing requirements of \$20 for those whose incomes are between 150% and 200% of the FPL. Minimal co-pays will also be required.
- **Child Health Plus** covers the children of low-income New Yorkers. Families with incomes below 1.6 times the FPL (approximately \$600 a week for a three-person family, \$724 a week for a family of four) pay no monthly premium. Families with somewhat higher incomes pay a monthly premium that rises with income level; at incomes above four times the poverty level, families pay the full monthly premium charged by the health plan. There are no co-payments for services.

The Impact of Wage Parity on Home Care Aides

to this benefit. For example, some workers are married to spouses with employer-based health insurance that covers the aide; others are employed by agencies that offer employer-based health insurance—for the aide, but typically not a spouse. And still others are members of a labor union that provides their benefits through a collective bargaining agreement (CBA).

In any case, young children of home care aides are rarely covered by other forms of private insurance and, therefore, access to the New York State Medicaid-funded Child Health Plus is extremely valuable to low-income families.

Most importantly, for home care aides the *public* health insurance environment is changing dramatically in 2014 and 2015, due to implementation of both the state's Wage Parity Law and the federal Affordable Care Act (ACA). Beginning March 2014, the Wage Parity Law requires employers to provide benefits that total \$4.09/hour, or else to provide that amount in a payment that is supplemental to wages.¹⁹

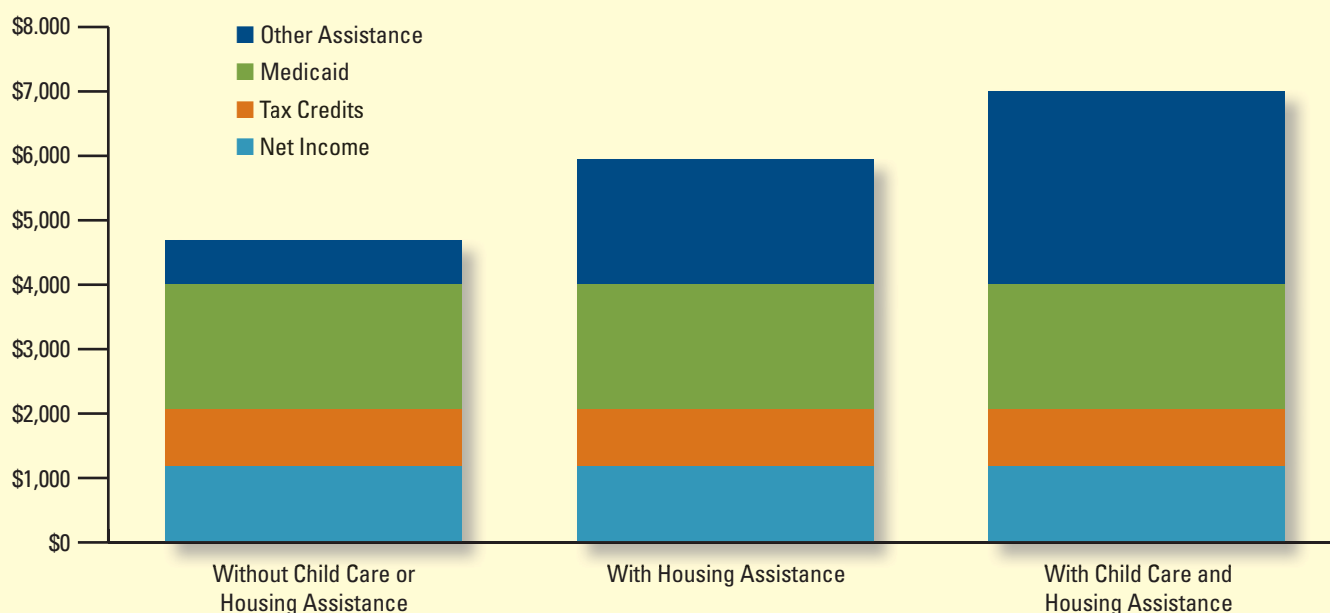
Furthermore, though the ACA's employer mandate is not in place for businesses with more than 100

employees until 2015 at the earliest, the requirement for individuals to obtain health insurance—or pay a penalty—went into effect in January 2014. Simultaneously, New York State increased Medicaid eligibility to 138 percent of the federal poverty level (\$16,105 for a single individual), as authorized by the health care law. In addition, the state budget for FY2015 includes a Basic Health Plan that would offer health insurance subsidies for many low-income individuals whose incomes are between 138 percent and 200 percent of the federal poverty level (i.e., \$16,105 to \$23,340).

These expansions of public health coverage for low-wage workers, potentially, will help home care aides access affordable coverage. However, a majority of the home care aides in New York City are members of a labor union, with most belonging to 1199SEIU.²⁰ Home attendants receive their insurance through the union's National Benefit Fund for Home Care Employees.²¹ Home health aides who are members of 1199SEIU are theoretically covered under a *separate* benefit fund, and yet access to coverage has been limited by the Medicaid reimbursement rates received by their employers, leaving many aides

Figure 20: The Impact of Medicaid Coverage on Total Monthly Income

For a single Home Care Aide—with two young children—earning \$10/hour at 30 hours per week



NOTE: Net Income includes all taxes and tax credits not named. Tax Credits includes the EITC, Child Tax Credit and Additional Child Tax Credit, and the Child and Dependent Care Credit. Other Assistance includes HEAP, WIC, Free and Reduced School Lunch, SNAP, SCHIP, Child Care Subsidies and Housing Assistance.

without employer-based health insurance.

These two benefit funds differ in their eligibility requirements, premium costs, and employee cost-sharing. More importantly, 1199SEIU intends to combine the two funds in the summer of 2014 as a result of the Wage Parity Law, and as yet, it is unclear how this will impact the accessibility of coverage for the New York City's home care workforce.

Aides who do not qualify for coverage because their hours are too low—or because their employer does not provide employer-based coverage at all—are currently free to go to the New York Exchange, known as New York State of Health, and sign up for Medicaid or other subsidized coverage.

For those aides whose incomes are low enough to be eligible for Medicaid coverage for themselves, we model in Figure 20 (page 36) the Medicaid benefit in order to examine the “value” of this benefit. As Figure 20 shows, the potential value of the Medicaid benefit (for an adult and two children) is generally twice that of the aide's net income. And, it should be noted that the “value” of Medicaid is roughly commensurate with that of the 1199SEIU benefit fund plan, which costs about \$6,708 a year.

Health Insurance—a Different Type of Benefit

Yet it is important to note that a health insurance benefit is unlike all other benefits, in that the value of health insurance is calculated as the amount of monthly expense required to purchase the insurance premium. Therefore, the true *benefit* (in the form of health care services received) may or may not be “consumed” by the aide, depending on whether she needs and uses health care that month. This is unlike other benefits, such as a tax credit that is true cash in the worker's pocket, or SNAP, which results in additional food on the table.

In particular, it is important to re-emphasize two facts related to health coverage: 1) most employer-based health insurance programs in the home care industry cover only the individual worker, not family members, yet 2) many children of low-income home

care workers are eligible for Medicaid-based insurance or Child Health Plus, even when their parents are not. Therefore, many home care workers in New York City, particularly parents with young children, have constantly calculated two different sets of eligibility requirements: one for themselves, and another for their young children.

Access to Health Insurance Coverage—2014 and Beyond

Given that the state and federal environment for public health coverage for home care aides will change dramatically over the next two years, it is difficult to predict the overall impact on the home care workforce. The ACA's employer mandate has been delayed until January 2015; however, New York State expanded coverage by taking advantage of the Medicaid expansion option (increasing eligibility to 138 percent of the federal poverty level), as well as offering a subsidized Basic Health Plan. This plan, enacted in the FY2015 budget, is intended to cover individuals whose income exceeds that required for Medicaid, yet is still too low to afford the premiums through the Exchange, i.e., those up to 200 percent of the federal poverty level.

Better Options: Our preliminary conclusion is that a home care aide—whose work is funded entirely or in part with Medicaid dollars, is under 65 years of age (and thus, not yet eligible for *Medicare*) and who is not otherwise covered by a working spouse's coverage—will find herself in one of three situations:

- 1) She is employed by an agency that offers employer-based coverage, including union benefit health insurance, and she is working a sufficient number of hours on average per month to be eligible for that coverage. *She will therefore have access to that employer-based plan.*
- 2) She is employed by an agency that offers employer-based health insurance, but she is not working a sufficient number of hours to be eligible for that coverage. In that case she will likely either:

The Impact of Wage Parity on Home Care Aides

- *Have a family income low enough for her to be eligible for Medicaid, or*
 - *Have a somewhat higher income, and be eligible for access to subsidies on the New York State Health Care Exchange or be eligible to join the Basic Health Plan once it is implemented.*
- 3) She is employed by an agency that does *not* offer employer-based health insurance. In that case, due to the Wage Parity Law, *the aide could receive cash in lieu of health coverage, which she would be able to use to help pay premiums and co-pays toward coverage on the Exchange.*

Therefore, in general, compared to prior years, the typical Medicaid-funded home care aide will now have many more avenues to access health insurance for herself. However, the *quality* of that coverage, and its cost to the aide, may vary significantly—in itself a complex public policy question.

The Problem of Churning: Yet importantly for our analysis, the aide who works for an agency offering an employer-based health plan will need to manage her hours even more carefully. That is because, as we noted above, her employer or the employer’s union CBA will require aides to work a minimum number of hours per month to maintain employer-based health eligibility, and thus a worst-case scenario for the aide will be to fall on and off employer-based eligibility—called “churning” in the insurance industry.

That is, by the ACA’s regulations, an individual *must* obtain insurance, or be penalized—and yet a

low-income individual will *not* be eligible for subsidies on the Exchange *if* she is offered health insurance by her employer. Therefore, if she suddenly loses her employer-based insurance because she is working too few hours, she will have to apply for coverage through the Exchange—or she will be penalized. Yet, if she then begins to work *more* hours, enough to again be eligible for her employer’s coverage, she will lose access to the subsidies on the Exchange, and she will have to return to her employer’s coverage—or be penalized.

The likely result is that the aide working for an agency offering health insurance will choose to either stay consistently *below* the employer’s eligibility threshold (by refusing to take more case hours) and, thus, remain consistently eligible for subsidies on the Exchange—or she will attempt to stay consistently *above* the employer’s threshold, and thus remain eligible for her employer-based health insurance.

The alternative—churning on and off employer-based coverage—will be extremely problematic for the aide, as well as for her company, her labor union if she is a member, and for the public Exchange. Therefore, we could witness the institutionalization of a consistent part-time workforce in the coming years—further re-enforced by the fact that the ACA will allow employers to not offer health coverage to their part-time employees working less than 30 hours per week.

Section VI— Conclusion and Recommendations

PHI undertook this study to answer a number of questions related to the economic well-being of the home care aide workforce with the implementation of wage parity. We were also interested in learning what happens in the future if we are able to “raise the floor,” and further increase wages.

We believe we have answered the most basic question: “Typically, are home health aides better off due to passage of the Wage Parity Law?” We believe the answer is “Yes.” Those aides not receiving public benefits at all, of course, are unambiguously better off—they simply netted a \$2/hour increase (plus additional employer-based benefits) when their wages rose from \$8/hour to \$10/hour. And for those aides who are receiving public benefits, we have determined that, with a few exceptions, they will not face benefit cliffs due to the higher hourly wage (at least up until overtime hours), and thus, they too will be better off, all other things being equal.

Yet the most troubling finding here is that—with or without wage parity—benefit plateaus exist that, under certain circumstances, fail to reward aides sufficiently for working additional hours past a certain average number of hours/month. Therefore, under certain circumstances, it may indeed make economic sense for an aide to modulate her number of hours worked, in order to avoid working additional hours for little or no net reward.

Because this is the first time a study of this kind has been done for this particular workforce, and because we derived different answers depending on family circumstances and composition, it is likely that employers, policymakers, benefit counselors, foundations, and many aides themselves are not fully aware of what the impact of higher wages will be on benefit eligibility.

We therefore make the following recommendations:

For Home Care Aides: Given the complexity of these calculations—and how often circumstances shift for the individual and her family—an aide who is attempting to self-limit her hours of work to achieve a zone of economic stability should seek one-on-one, confidential guidance from a counselor who is intimately knowledgeable of federal and New York City public benefit and tax credit criteria.

For Home Care Employers: Home care agencies have a business self-interest in maintaining a stable home care workforce. Employers should provide access to confidential guidance from knowledgeable counselors, most likely by referring aides to organizations sophisticated in public benefit and tax matters, such as the Single Stop centers (www.singlestopusa.org).

In addition, given the significant increase in income generated by the federal/state EITC tax benefit, employers should offer modest financial support (e.g., \$50 per aide annually) for tax preparation services, or provide referrals to free or low-cost tax preparers knowledgeable about public tax credit programs.

For Counseling Organizations: Given the sheer scale of the home care workforce in New York City (with many home care agencies employing thousands of workers each), and given that this workforce has a modest ability to adjust their own hours of work, both public and nonprofit organizations that counsel low-wage workers should become specifically familiar with the details of the city’s rapidly changing home care industry and labor market.

The Impact of Wage Parity on Home Care Aides

The staffs of these organizations should learn about the increases in wages and employer-based benefits required by the new state Wage Parity Law; the pending changes in federal Department of Labor minimum wage and overtime regulations; and how the federal ACA will impact the New York City home care industry in particular.

In addition, the New York State (NYS) *My Benefits* website, operated by the NYS Office of Temporary and Disability Assistance, should include an EITC calculator so people can see exactly what impact increased wages have on this important wage supplement.

For Philanthropy and Public Funders: The availability of knowledgeable sources of guidance on these matters is limited. Funding should be made available to union-affiliated and community-based nonprofit organizations (examples of the latter include the **Single Stop** centers, the **Empire Justice Center**, and the **Community Service Society**) to provide accessible sources of confidential, one-on-one financial and public support counseling services—both in-person and online.

For New York State and New York City Public Policymakers: We join with other nonprofit advocacy organizations, such as the Empire Justice Center and the Schuyler Center for Analysis and Advocacy, that have long called upon the city and state to continue toward a more rational structuring of public benefits—specifically, to better reward work.

In particular, New York State should expand the percentage of the state EITC from 30 to 35 percent of the federal credit (such legislation was introduced last year in the Assembly), and expand the eligibility ceiling for receiving 110 percent of the federal Child and Dependent Care Credit (CDCC) from \$25,000 to \$35,000. Similarly, New York City should increase the city's EITC from 5 percent of the federal EITC to 10 percent.

Finally, policymakers should fund the development of sophisticated case coordination systems, to maximize the best fit between the need of the agency to meet case demand and the need of aides to secure a zone of economic stability.

For Federal Public Policymakers: Several important federal policy changes could further improve tax credits such as the EITC and the CDCC. (Since state EITC and CDCC are directly linked to federal tax law, these improvements would automatically carry over to New York State.)

These augmentations should include: Lower the age of EITC eligibility from 25 to 21; increase the income eligibility level to \$19,340; and raise the maximum value of the EITC to \$1,350 for individuals and childless couples (who currently receive only small benefits at very low income levels).

In addition, the federal government should make permanent two critical components of the EITC enacted in Tax Year 2009—the higher benefit amount for families with three or more children, and the lessening of the marriage penalty in the EITC through expanded phase-out ranges for married couples—both of which are now scheduled to expire in Tax Year 2017.

Our analysis has made clear that while few dramatic *benefit cliffs* occur at these relatively low-wage levels, some cliffs do persist, and most importantly, *benefit plateaus* occur far too frequently, in which case an aide who works additional hours receives little, if any, additional total monthly income.

It is also true that if wage/income levels were to increase above the \$10/hour wage floor currently mandated by the Wage Parity Law (say, to \$12.50/hour), abrupt benefit cliffs certainly would occur for most all aides, and those aides receiving housing and child care benefits would actually be economically *punished* if their wages were to increase from \$10/hour to \$12.50/hour, should they work more than 30 hours per week. In fact, those aides covered by the Wage Parity Law who receive additional wages in lieu of employer-based benefits may already face this dilemma.

It is unconscionable for New York City and New York State to fail to reward low-income women who desire to work full-time hours—particularly home care workers, who are providing such critical health services to frail elders and people with disabilities. We strongly recommend a fundamental review and reform of our city and state's public benefits structure.

The Impact of Wage Parity on Home Care Aides

End Notes

- 1 See “A Home and Community-Based Service System Reform Blueprint” issued by PHI and ICS at: <http://phinational.org/research-reports/home-and-community-based-service-system-reform-blueprint>.
- 2 The Wage Parity Law does not cover aides in New York City’s publicly funded Consumer-Directed Personal Assistance Services Program, in which people with disabilities employ their aides directly.
- 3 The continuity of care policy requires the plans to pay the rate posted by the Human Resources Administration. This rate varies according to the costs and volume of the agency. Plans have the option of signing a memorandum of understanding (MOU) with an employer if there are only a small number of cases being served by that agency.
- 4 For a detailed description of the wage parity provisions, see “PHI’s Medicaid Redesign Watch #1: Wage Parity for Home Care Aides,” at: <http://phinational.org/research-reports/medicaid-redesign-watch-1-wage-parity-home-care-aides>.
- 5 The New York State Department of Labor reviewed the January 1, 2011, collective bargaining agreement that was in place for the home attendants in New York City and concluded that the benefits required must equal \$4.09, divided into two parts: additional wages of \$1.69 and supplemental wages of \$2.40. Supplemental wages are the maximum amount of total compensation that employers may satisfy indirectly by health insurance; additional wages are the amount that employers may satisfy through additional payments directly to workers for hours not worked and for differentials and premiums other than overtime. Additional wages do not include overtime compensation required under the Fair Labor Standards Act or state minimum wage orders or extra compensation creditable toward required overtime compensation for hours worked in excess of normal, regular or maximum daily or weekly hours. For DOH letter describing wage parity requirements for 2014 for New York City, go to: http://www.health.ny.gov/health_care/medicaid/redesign/docs/2013-10-31_wp_notice_re_nyc_comp.pdf and for Westchester, Nassau and Suffolk, go to: http://www.health.ny.gov/health_care/medicaid/redesign/docs/2013-10-31_wp_notice_re_westch.pdf.
- 6 NYS DOL, Occupational employment by region, updated 2013, 1st Quarter. Available at: <http://www.labor.ny.gov/stats/lswage2.asp>. Based on counts of Home Health Aides (31-1011) and Personal Care Aides (39-9021). Note, these occupational figures do not include the informal “gray market” of home care aides who work directly for clients or family members and who are paid “under the table.”
- 7 New York City’s Home Care Workforce. PHI, December 2010. <http://phinational.org/fact-sheets/new-york-citys-home-care-workforce>.
- 8 NYS Department of Labor, Long-Term Occupational Projections, 2010–2020 New York State. Accessed on January 17, 2014, at: <http://www.labor.ny.gov/stats/demand.asp>.
- 9 To illustrate the most comprehensive picture of the demographic characteristics of New York’s home health care workforce, we had to make some decisions based on the current data resources that are publicly available. As we were interested in home care workers at a discrete geographic location, along with being able to determine the key demographic variables of this workforce, we needed to ensure not only that such variables were available, but that they would be robust enough for analysis at the state level. Based on these data needs, we decided to use the Current Population Survey (CPS). However, the CPS does not have a distinctive category for home health care workers and instead must depend on two occupational groupings: “personal and home care aides” and “nursing, psychiatric, and home health aides.” As such the data represent home care workers, along with a smaller number of nursing and psychiatric aides who are employed in facilities. In addition, in order to gain a robust enough cell size, we used averages of the CPS over three years—using CPS data from 2010, 2011, and 2012. Since the CPS data represented what was true of the labor market for the prior year, our data represent the labor market averaged over 2009-2011.
- 10 PHI analysis of U.S. Census Bureau, Current Population Survey, pooled data from the 2010, 2011, and 2012 Annual Social & Economic (ASEC) Supplements.
- 11 Ibid.
- 12 NYS DOL, Occupational employment by region, updated 2013, 1st Quarter. Available at: <http://www.labor.ny.gov/stats/lswage2.asp>. Based on data for Home Health Aides (31-1011) and Personal Care Aides (39-9021).
- 13 Ratcliffe, Caroline and Signe-Mary McKernan. *How Much Does SNAP Reduce Food Insecurity?* The Urban Institute, March 2010. <http://www.urban.org/publications/412065.html>.
- 14 Fernandez, Manny. “Thousands Lose Rent Vouchers in Cutback.” *New York Times*, December 17, 2009. <http://www.nytimes.com/2009/12/18/nyregion/18vouchers.html>.
- 15 Center for an Urban Future. *Subsidizing Care, Supporting Work*. January 2011. http://nycfuture.org/pdf/Subsidizing_Care,_Supporting_Work.pdf.
- 16 Hartzog, Melanie, Sara Vecchiotti, and Kate Tarrant. *Charting the Course for Child Care and Head Start*. NYC Children’s Services, August 2008. http://www.nyc.gov/html/acs/downloads/pdf/childcare_needs_assessment_report.pdf.

The Impact of Wage Parity on Home Care Aides

- 17 Center on Budget and Policy Priorities. *Earned Income Tax Credit*. <http://www.cbpp.org/research/index.cfm?fa=topic&id=27>.
- 18 Center on Budget and Policy Priorities. *Policy Basics: The Earned Income Tax Credit*. <http://www.cbpp.org/cms/index.cfm?fa=view&id=2505>.
- 19 The NYS Wage Parity instructions for 2014 state that additional wages may be satisfied through paid leave (vacation, holiday, sick and personal days) and differentials or premiums for certain shifts (nights, weekends and holidays), or assignments (sleep-in or live-in work, care for multiple clients during the same shift). Additional wages do not include overtime compensation or extra compensation creditable toward overtime compensation. For DOH letters outlining parity requirements go to:
http://www.health.ny.gov/health_care/medicaid/redesign/docs/2013-10-31_wp_notice_re_nyc_comp.pdf and
https://www.health.ny.gov/health_care/medicaid/redesign/docs/mrt61_hc_worker_parity_faqs_5_30_14.pdf.
- 20 1199SEIU reports membership of 75,000 home care workers in their union.
- 21 For a historical overview of coverage of the home care aides, see PHI's publication, "Is New York Prepared to Care? A Comprehensive Coverage Solution for Home Care Workers," at:
<http://phinational.org/research-reports/new-york-prepared-care-comprehensive-coverage-solution-home-care-workers>.

Additional Resources

PHI Medicaid Redesign WATCH has developed the following resources to help inform the Medicaid redesign process.

Go to PHInational.org/newyork



Medicaid Redesign Watch #1: Wage Parity for Home Care Aides. Describes the wage disparity that led to the need to create a new “minimum wage floor” for all home care workers in the greater New York City area, where approximately two-thirds of the state’s home care workers are employed. In addition, it explains why wage parity is essential to successful Medicaid reform, describes some of its early implications and unintended consequences, and makes recommendations regarding further implementation.



Medicaid Redesign Watch #2: The Impending Threat to the NYC Home Care System. Examines the increased labor costs that will emerge as New York State shifts from a Medicaid fee-for-service system toward a managed-care system. The financial pressures are likely to be so intense that employers committed to high job quality for home care workers could be squeezed out of the industry. Three recommendations that may help these “high-road” employers remain solvent are offered.



Medicaid Redesign Watch #3: Improving New York’s Home Care Aide Training System. Focuses on changes the New York State Department of Health has made to the Home Health Aide Training Program requirements since 2010. The paper also highlights continuing challenges to building the skilled, stable workforce that will be required as New York’s health care system emphasizes home and community-based over institutional care.



Medicaid Redesign Watch Employer Advisory: Compensation for Sleep-in” or “Live-in” Cases. Addresses the factors that must be taken into consideration in determining compensation for 24-hour home care shifts and reviews payment rates required under New York state law. Specifically, the fact sheet examines how meal time, sleep time, and overtime pay factor into a 24-hour home care worker’s compensation.



Medicaid Redesign Watch Employer Advisory: Required Cell Phones for Home Care Aides. Provides guidance to home care employers about the issue of cell phone use by home care aides. Notes that the use of cell phones to check in with employers is increasingly used in New York to combat fraud, but often aides must resort to using their own phones to make these calls.



Medicaid Redesign Watch Employer Advisory: Upgrading Home Attendants to Home Health Aides: Is Training Time Compensable? Outlines the various factors that determine whether New York home care providers are responsible for compensating their employees for time spent in training. It also explains recent legal opinions that are relevant to the issue.



400 East Fordham Rd, 11th floor • Bronx, New York 10458
Phone: 718.402.7766 • E-mail: info@PHInational.org