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INVESTING IN THE HOME CARE WORKFORCE

A Brief Analysis of New York's
Home Care Minimum Wage Increase



Introduction

More than half a million home care workers in New York State work tirelessly to support older adults and people with disabilities to live with independence, dignity, and optimal wellbeing in their own homes and communities.¹ As the state's population grows older, demand for these workers is increasing rapidly: New York's home care workforce doubled in the past decade and is expected to add nearly 200,000 more jobs from 2020 to 2030—more new jobs, by far, than in any other occupation in the state. Yet the state already faces a shortage of home care workers to meet current demand, due to persistent job quality challenges that severely impede workforce recruitment and retention.²

Building on a long history of home care advocacy in New York, a broad swath of advocates have come together in recent years to campaign for higher wages for home care workers. Thanks to those efforts, New York lawmakers passed a budget in 2022 that included a \$7.7 billion investment in a higher minimum wage for home care workers.³ However, although an important step forward, this investment has failed to achieve the transformative changes that are needed—especially in light of contradictory policy developments that have actually undermined support for this workforce. In this brief, we review the origins and evolution of the minimum wage increase and distill lessons learned for New York and other states seeking to advance livable and competitive wages for these essential workers.

NEW YORK STATE'S HOME CARE WORKFORCE BY THE NUMBERS

Workforce Trends

- Current size:
566,160 workers
(2023)
- Projected workforce growth: **199,700 new jobs** from 2020 to 2030
- Projected job openings: **936,500 total job openings** from 2020 to 2030

Workforce Demographics (2022)

- Median age: **49**
- Female: **88%**
- People of color: **81%**
- Immigrants: **65%**

Background

As defined by the state’s Public Health Law, New York’s home care workforce includes home health aides, personal care aides, home attendants, personal assistants providing consumer-directed services, and any “other licensed or unlicensed person whose primary responsibility includes the provision of in-home assistance with activities of daily living, instrumental activities of daily living, or health-related tasks.”⁴

As in other states around the country, New York’s home care worker compensation and other employment conditions do not sufficiently reflect the value of this workforce. Median wages for home care workers are only \$17.52 per hour, more than \$4.00 per hour less than median wages for competitive occupations in the state, such as retail and food service.⁵ Due to a combination of low wages and part-time and/or unstable schedules, median annual earnings are only about \$25,000—and as a result, more than one in three home care workers (41 percent) in New York live in or near poverty, and fully 60 percent rely on public assistance programs to meet their basic needs.

State-specific and national research has shown that raising wages for home care workers would pay dividends for the state through new savings, higher tax revenues, and economic spillover effects.⁶

For example, a New York study estimated that increasing home care wages to an hourly rate of \$22.00 to \$27.50—depending on region—and extending health insurance

coverage to these workers would generate \$6.6 billion in net savings for the state.⁷

Drawing on this compelling research, the Fair Pay for Home Care Act was introduced in 2021 by New York State Senator Rachel May and a host of co-sponsors.⁸ If enacted, this legislation would set the minimum wage for home care workers to at least 150 percent of the statewide or regional minimum wage level—and would also require the Commissioner of Health to set regional minimum reimbursement rates for Medicaid and managed long-term care plans, in order to ensure full funding and implementation of the wage increase. (Managed long-term care plans are the health insurance plans that coordinate the provision of Medicaid-funded home care for their members, drawing on per-member-per-month payments from the state Medicaid program.) Advocates campaigned diligently for the passage of this bill.⁹



Introducing the Home Care Minimum Wage Increase

Despite gaining considerable traction,¹⁰ the Fair Pay bill did not pass during the 2021-2022 legislative session. However, in a partial win, New York lawmakers did include a \$3.00 minimum home care wage increase in the state's fiscal year (FY) 2023 budget. The minimum wage increase was scheduled to be phased in over two years, with an initial \$2.00 increase in October 2022 and a second \$1.00 increase in October 2023. The FY 2023 budget financial plan indicated that, with approval from the Centers for Medicare & Medicaid Services (CMS), the increases were "anticipated to be fully funded by [home and community-based services] in FY 2023 and partially funded in FY 2024."¹¹

Although this wage increase fell short of research recommendations and advocates' goals, it nonetheless represented a historic investment in a higher minimum wage for home care workers—surpassing the one-time bonus that was included in New York's FY 2023 budget for other health care workers,¹² and setting an important example for other states around the country.

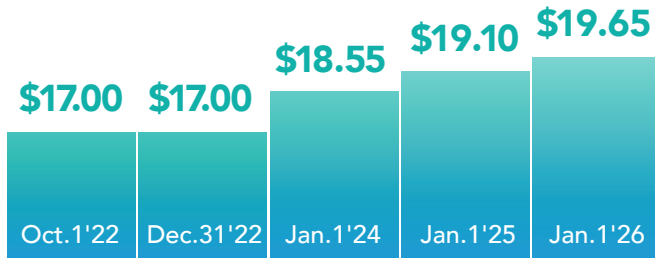
However, the wage policy was revised during implementation, leaving many workers without the wage increase that they need and deserve.

What Changed During Implementation?

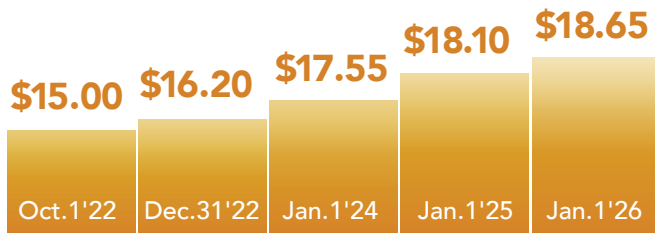
As planned, the minimum wage for New York's home care workers increased by \$2.00 per hour on Oct. 1, 2022—up to \$17.00 per hour in NYC, Long Island (namely, Nassau and Suffolk counties), and Westchester, and up to \$15.20 per hour for the rest of the state. (The minimum wage increased again by \$1.00 in Dec. 2022 for home care workers outside of NYC, Long Island, and Westchester due to the statewide overall minimum wage increase.)

But from that point forward, the policy changed. The second wage increase was delayed until Jan. 1, 2024 but—per the FY 2025 budget—it was also adjusted upwards from \$1.00 per hour to \$1.55 per hour in NYC, Long Island, and Westchester and \$1.35 per hour for the rest of the state.¹³ According to the New York State Department of Labor, two subsequent wage increases of \$0.55 each are slated for January 2025 and January 2026 (see figure on the next page).

NEW YORK'S HOME CARE MINIMUM WAGE SCHEDULE BY REGION, 2022 – 2026¹³



NEW YORK CITY, LONG ISLAND & WESTCHESTER



REST OF NEW YORK STATE

More concerning for workers was another policy change that occurred in tandem with the delayed second wage increase, namely the contemporaneous reduction in the supplemental compensation required by the 2012 Wage Parity law (see “What is Home Care Worker Wage Parity?” on page 6). According to this change, which became effective on January 1, 2024, employers of home care workers who provide Medicaid-reimbursed services in New York City are now required to pay only \$2.54 in supplemental compensation above the minimum wage, versus the previous \$4.09 supplement. In Nassau, Suffolk, and Westchester counties, the supplemental portion reduced from \$3.22 to \$1.67. These decreases in the supplemental compensation (\$1.55 in each case) correspond directly with the minimum wage increase.

For “downstate” home care workers who receive the supplemental compensation in cash versus employment benefits, the decrease effectively cancelled out the minimum wage increase.

Funds from the reduced supplemental compensation are being reinvested in New York’s home care Quality Incentive Vital Access Provider Pool (QIVAPP).¹⁴ Created in 2014, QIVAPP offers extra funding, disbursed through managed long-term care plans, to a selection of licensed home care services agencies that meet certain criteria related to compensation, training, and health insurance benefit provision. While QIVAPP is a valuable mechanism for incentivizing high-road employment practices, the reinvestment of supplemental payments into this funding pool means that those dollars will not reach all home care workers equally.



WHAT IS HOME CARE WORKER WAGE PARITY?

Nearly two decades ago, PHI and other advocates in New York began drawing attention to a striking disparity in home care worker compensation: namely, personal care aides in New York City were earning significantly higher wages than home health aides.

As a result of sustained advocacy, the state enacted the Wage Parity Law in 2012 to address this inequity. This law, which remains in effect, requires Medicaid-funded licensed home care services agencies, or LHCSAs, to provide a defined amount of supplemental compensation in cash or equivalent benefits. The choice about whether to offer cash or benefits is determined by each agency.

This supplemental benefit brings all home care wages and benefits into closer alignment in the downstate region of the state, regardless of specific job title, program, or payer type.



Critical Observations on the Wage Increase

Reflecting on the introduction and rollout of the home care wage increase in New York, four key areas of concern clearly emerge.

INEQUITABLE IMPACT ON HOME CARE WORKERS

As the minimum wage increase was implemented, some home care workers may have seen a modest boost in their paychecks: primarily, upstate workers who were making less than the new minimum wage as of January 1, 2024, as well as those in New York City, Long Island, and Westchester who receive the Wage Parity supplemental compensation in benefits. However, other downstate workers who receive the supplemental compensation in cash will not have seen any impact on their wages, since the two policies (the minimum wage increase combined with the reduced supplemental payment) cancelled each other out. The re-investment of the reduced supplemental funds into the QIVAPP, while benefiting some workers, did not ensure an equitable and positive impact on all home care workers in the downstate region.

INADEQUATE REIMBURSEMENT RATE ADJUSTMENTS

The Fair Pay for Home Care Act explicitly called for increased reimbursement rates to fully cover the proposed home care minimum wage increase. The actual minimum wage increase, however, was not paired with the robust rate analyses needed to ensure that reimbursement rates adequately account for the new hourly wage requirements, changes in total compensation, and related costs such as payroll taxes, workers' compensation, unemployment benefits, and more. Without reimbursement for these full costs associated with the minimum wage increase, home care agencies may resort to reducing other employment benefits and supports, such as health insurance or paid time off.¹⁵



A LACK OF TRANSPARENCY AND ACCOUNTABILITY

New York's minimum home care wage increase has been characterized by opacity and confusion. It is not clear how the state selected the original \$3.00 increase, nor why the policy changed during implementation, nor whether providers have been sufficiently informed about and prepared to comply—nor, most importantly, whether and how the policy has benefitted home care workers themselves. There has been very little consistent communication over time about the minimum wage increase, and there do not appear to be plans in place to evaluate its implementation or impact on workers' financial wellbeing, on the stability of the workforce, or on the delivery of care. This lack of transparency and accountability severely hinders efforts to assess the success of the policy and distill lessons learned for future home care workforce policymaking in New York State and elsewhere.



OVEREMPHASIS ON COST CONTAINMENT

Concern about spiraling costs has long been a hallmark of discussions about the Medicaid program in New York (as in other states). The revised implementation of the minimum wage increase was clearly motivated by cost containment—with the wage increase directly offset by cuts to supplemental compensation in the downstate region. Cost containment is glaringly evident in other recent home care policy developments in New York as well, including a significant change to the consumer direction program in the FY 2025 budget, which is purportedly designed to save the state \$200 million.¹⁶ Such cost-containment efforts can be short-sighted, however, and ultimately fail to achieve their intent. Home care workers, their clients, and their employers are the ones most immediately impacted—but the longer-term costs ripple across communities, the health and long-term care systems, and the economy, as home care workforce turnover and shortages worsen, acute health care costs accelerate, consumer spending is curtailed, and more.¹⁷

Six Recommendations for New York State and Beyond

New York State should be recognized for attempting to raise the floor on home care workers' wages starting in 2022. However, this modest minimum wage policy fell far short of securing quality jobs for home care workers or a stronger home care workforce—especially as it rolled out in tandem with other policy changes that drew focus and resources *away* from these workers.

Here we offer six recommendations for what should happen next to support home care workers and other direct care workers. Although these recommendations are targeted primarily at advocates and policymakers in New York, they can each be translated into transformative action in other states as well.

1 ENACT AND FULLY FUND LEGISLATION THAT ESTABLISHES LIVABLE AND COMPETITIVE WAGES FOR HOME CARE WORKERS

Recognizing the critical value of home care workers to the state's health and long-term care systems and economy overall, New York legislators should build a substantively higher home care minimum wage into state statute. By proposing to set home care wages at 150 percent of the state or regional minimum wage and tie that amount to a commensurate increase in reimbursement rates, the Fair Pay for Home Care bill provides a strong model for the type of legislative action that is needed.

2 SET AND FULLY FUND BASELINE RATES THAT MANAGED LONG-TERM CARE PLANS MUST PAY PROVIDERS

It is difficult to assess home care agencies' ability to comply with payment requirements such as the minimum wage increase because of the variation in (and lack of transparency about) the rates they receive from managed long-term care plans. A key solution is for the New York State Department of Health to set a base rate that managed long-term care plans must pay providers to cover all labor costs, including livable and competitive wages, key employment benefits, training, supervision, and other costs. These base rates should be informed and updated by regular, comprehensive rate analyses.

3

COMMISSION AN EVALUATION STUDY ON THE IMPLEMENTATION AND IMPACT OF THE RECENT HOME CARE MINIMUM WAGE INCREASE

This evaluation should assess how effectively the policy changes were communicated to employers and workers, and how the increases impacted workers' actual wages and related economic outcomes (including their experiences of benefit cliffs¹⁸), with attention to disparities within the workforce by region and other factors. Given limitations with existing home care workforce data sources,¹⁹ this study must include primary data collection through surveys and/or interviews and should be designed with input from home care workers and their employers, among other experts.

4

IMPROVE DIRECT CARE WORKFORCE DATA COLLECTION

Beyond commissioning a single study on the home care minimum wage policy, steps should be taken to strengthen workforce data infrastructure overall. The Ensuring Access to Medicaid Services final rule published by CMS in April 2024 underscores this imperative, as the rule requires states to begin collecting and publishing key metrics related to the home care workforce (along with other quality and performance measures).²⁰ As one specific action, New York's legislators should pass Senate Bill S9266, which would require managed long-term care plans to report key performance metrics²¹—as this legislation could help create some of the infrastructure needed for better collection and reporting of workforce measures.

5

ESTABLISH A DIRECT CARE WORKFORCE TASKFORCE

Increasing wages is an essential strategy for recruiting and retaining more home care workers and other direct care workers to meet growing demand—but not the entire solution. Following examples set by other states—including Colorado, Maine, and Washington, among others²²—New York should establish and fund a taskforce to tackle the intersecting factors that are driving workforce shortages, including recruitment, wages and benefits, training and career advancement, support and supervision, and more. This taskforce should prioritize the meaningful participation of workers, service recipients, and family members as key experts, and should provide clear deliverables with expectations for action. As with data collection, this recommendation is supported by related provisions in the Ensuring Access to Medicaid Services final rule.

6

STRENGTHEN, FUND, AND IMPLEMENT DIRECT CARE WORKFORCE RECOMMENDATIONS IN THE MASTER PLAN FOR AGING.

State master plans for aging, also known as multi-sector plans for aging,²³ provide an optimal opportunity to set state-level goals related to direct care job quality and workforce development and stabilization. Following the lead of states such as California,²⁴ New York State initiated a Master Plan for Aging in 2022. However, the potential impact of this plan has been curtailed by the explicit guidance not to include any recommendations that will require designated funding—guidance that forecloses the opportunity to make much-needed investments in long-term services and supports and the direct care workforce. Going forward, the master plan should be broadened beyond budget neutrality, sufficiently funded, and meaningfully implemented.



In summary, New York State must (re-)prioritize investment in the direct care workforce, including home care workers. New York has long been considered a national leader in long-term care and direct care workforce policy and practice—but recent developments have called this leadership into question. The FY 2025 state budget only briefly acknowledged home care workers and other direct care workers, and the direct care workforce was not named as a target for recruitment and retention efforts in the recent renewal application for the state’s Medicaid 1115 waiver program, which houses most of New York’s Medicaid managed care.²⁵ The negative implications of these omissions far outweigh the incremental progress made through the minimum home care wage increase. In order to ensure access to much-needed care, support quality jobs, create efficiencies, and strengthen the economy—for the benefit of all New Yorkers—state leaders must recommit to supporting and investing in direct care workers and the services they provide.

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PHI is a national organization committed to strengthening the direct care workforce by producing robust research and analysis, leading federal and state advocacy initiatives, and designing groundbreaking workforce interventions and models. For more than 30 years, we have brought a 360-degree perspective on the long-term care sector to our evidence-informed strategies. As the nation’s leading authority on the direct care workforce, PHI promotes quality direct care jobs as the foundation for quality care.

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