

ARPA 5% HCBS Rate Increase

What is the proposal coming before the Joint Finance Committee?

The Department of Health Services (DHS) is requesting Committee approval to increase rates for Medicaid home and community-based services (HCBS) providers by 5% to address the severe staffing shortage in the direct care workforce and strengthen members' access to services. The overall rate increases for the specified services is projected to total \$156.3 million on an annual basis. Funds for this 5% rate increase is currently available until March 2024.

What is the funding source for this increase?

The American Rescue Plan Act (ARPA) includes a provision that provides states an additional 10% on their federal medical assistance percentage (FMAP) for HCBS expenditures claimed between April 2021 and March 2022. Per ARPA, states are required to reinvest the additional 10% in federal funding to support and strengthen HCBS services. As part of a comprehensive plan to invest in HCBS services, Wisconsin's plan for the additional HCBS ARPA funding included a 5% rate increase for HCBS services effective January 1, 2022. This proposal would be **GPR cost neutral** to the Medicaid budget in the 2021-23 biennium.

What services will receive the increase?

The 5% increase would apply to service categories across BadgerCare Plus, SSI Managed Care, Children's Long-Term Support, Family Care, Family Care Partnership, Medicaid fee-for-service state plan services, IRIS, and PACE.

Services in the following service categories receive a 5% increase when applicable:

- Adult day care services
- AODA
- AODA day treatment
- Assistive technology/communication aid
- Care management for Care4Kids
- Targeted Case Management
- Consultative clinical and therapeutic services for caregivers
- Consumer-directed supports (self-directed supports) broker
- Consumer education and training
- Counseling and therapeutic
- Environmental accessibility assessments
- Financial management services
- Habilitation services (daily living skills training and day habilitation resources)
- Home-delivered meals
- Home health services
- Housing counselling
- Medication therapy management
- Mental health day treatment
- Mental health services
- Nursing (in home)
- Occupational therapy (in home)
- Personal care
- Physical therapy (in home)
- Prenatal Care Coordination
- Prevocational services
- Residential care
- Residential substance use disorder treatment.
- Respiratory care
- Respite
- Self-directed personal care
- Skilled nursing services (RN/LPN)

- Speech and language pathology services (in home)
- Substance Use Disorder Counseling
- Supported employment - individual employment support
- Supported employment - small group employment support
- Supportive home care (SHC)
- Training services for unpaid caregivers
- Transportation Services (excluding broker provided non-emergency transportation and ambulance services)
- Vocational futures planning and support (VFPS)

How will providers receive this additional funding?

The Department will increase the Medicaid fee-for-service and Children's Long-Term Support fee schedules for all eligible services for dates of service effective January 1, 2022. Managed care entities will be required through their contracts with the Department to increase their provider rates for the eligible services by 5% for dates of service effective January 1, 2022. Finally, the IRIS program will be eligible for the 5% increase and the Department is meeting with IRIS stakeholders to plan implementation of that increase.

Why is this increase needed?

Like all health care and long term care providers, HCBS providers have faced increasing challenges to recruit and retain qualified staff and maintain access for members. The 2021-23 biennial budget provided significant financial investments in support of the Medicaid HCBS workforce, including funding for personal care providers, behavioral treatment services for individuals with autism and other disorders, home health, therapeutic services, and Family Care providers, as well as funding increases for the direct care workforce funding program in Family Care. These rate increases go into effect on January 1, 2022 as well.

The rate increases delivered through the biennial budget are much welcomed and needed by Medicaid HCBS providers. Ongoing rate increases will be needed as well, to enable providers to keep pace with staffing, service delivery, and overhead. Annualized wage growth for personal care and home health aides has been over 3% in recent years according to U.S. Bureau of Labor Statistics data. Looking to the future, providers will continue to encounter rising labor costs as the demand for long-term care services is projected to rise faster than workforce growth. According to the Governor's Taskforce on Caregiving, the state's population aged 65 and older is expected to grow by 640,000, or 72%, between 2015 and 2040, which is six times higher than Wisconsin's projected overall population growth of 12% for the same period. The funding provided through ARPA gives the state the opportunity to make further investments now, so providers can keep pace with costs and maintain access for members.

Home and community-based services are shown to be a cost-effective alternative to higher cost institutional services, such as nursing home placements and hospital services. Without a sustainable reimbursement system, we believe it will continue to be difficult to recruit staff and maintain this important system to provide this critical care.