Testimony of

Consumer Directed Personal Assistance Association of New York State
to:

Senate and Assembly Joint Hearing on Workforce Development

Bryan O'Malley

February 3, 2016

Good evening Chairwoman Young, Chairman Farrell, and all of the Legislators here this evening. Thank you for taking time to hear from the Consumer Directed Personal Assistance Association of New York State about the impact of this budget on the nearly 15,000 New Yorkers with disabilities and chronic health needs who have chosen Consumer Directed Personal Assistance (CDPA) as the means through which they will access community-based long term care services such as personal care, home health care and skilled nursing. CDPA allows individuals to recruit, hire, train, supervise and terminate their own workers. The consumers work with organizations called fiscal intermediaries to contract with Medicaid, provide payroll services, and more.

As the fastest growing sector of one of the fastest growing industries in the state, our consumers employ approximately 30,000 workers around the state, and our fiscal intermediary agencies are some of the most effective stewards of Medicaid dollars, using on average $0.90 on the dollar to pay for wages, benefits and the ancillary costs of doing business.

Governor Cuomo's proposed SFY 2016-17 budget signifies the catch-22 that those who use Consumer Directed Personal Assistance face. As Medicaid funding has decreased over the years, wages have not kept pace with inflation, and in some cases have gone down. Just today, several fiscal intermediaries in Long Island are responding to news that one managed care plan will be cutting reimbursement by over $1 per hour, meaning deeper cuts to wages.

These falling wages have meant it is harder and harder for people to recruit and retain high quality workers. Indeed, in 2006, the average worker in consumer directed personal assistance earned 150% of the minimum wage, allowing consumers to recruit and retain a high quality workforce. Gradually, while consumer directed workers' salaries have been stagnant or even decreased, we have seen many industries raise wages, either voluntarily or through required changes to the minimum wage. Now, we are faced with a scenario where our parents and loved ones with disabilities must compete with traditionally low-wage industries when recruiting workers. When faced with a choice a job in home care, transferring, showering and toileting a 300 pound individual, or working in retail, the physical and mental stresses that go along with home care all too often lose. Everyone deserves a right to a wage they can live on; but, it is imperative that when the State is in charge of funding programs, it must reimburse at a rate which allows for those wages to be paid.

The minimum wage increase must be funded and funding must be rationalized.

As demonstrated, the minimum wage increases are necessary. This workforce needs additional money. However, the failure of the Governor to fund these changes is inexcusable. This change will amount to $35 million in costs for the consumer directed personal assistance program during the 2016-17 budget year.

We must reiterate, CDPAANYS is supportive of the proposal to raise the minimum wage. We do not view this support as optional at this point. For years, we have advocated that to strengthen the ability of consumers to recruit and retain high quality workers, personal assistants in CDPA must make more in wages. However, CDPA is funded exclusively through Medicaid. We cannot raise the cost of a burger or t-shirt to offset this new cost, and implementation without funding is not an option.

These costs are layered on top of a system that has already degraded reimbursement to a point where fiscal intermediaries cannot add one penny to the cost of providing direct services. In an ironic twist, many have commented that they could dramatically increase their reimbursement by doing things such as purchasing company cars or increasing expense accounts; however, as good stewards of taxpayer dollars committed to the services they provide, this is not the course of action they choose.

Fiscal intermediaries (FIs) overseeing consumer directed personal assistance have the lowest administrative costs in the health care world, at 8-12% on average. The fact that the Medicaid reimbursement is insufficient has led to what is already an all-time low in funding for these organizations, with the average funding being less today than it was in 2006, not adjusting for inflation.

There is no more fat to trim. There are no more efficiencies to find. The failure to fund this minimum wage increase, and adequately fund this program, will cause fiscal intermediaries to go out of business.

CDPAANYS is not worried that one or two FIs will have to close their doors. We are discussing the potential wholesale collapse of an industry. In New York City alone, FIs will be forced to spend approximately $30 million in the first year to account for the minimum wage increase, without one penny being reimbursable. Those Upstate, particularly in Central New York and the Southern Tier, are likely to face losses of up to $4 million, equally devastating in terms of overall program size.

CDPA is integral to the State's efforts to achieve the Triple Aim of lowering costs, increasing quality and increasing satisfaction. We are critical to maintaining lower costs in managed care capitation. Conservative estimates indicate that we save the State over $75 million per year that would have to be spent if individuals used traditional home care or nursing services. With the number of people utilizing the service increasing dramatically, and the program's impact of lower capitation rates for managed care, that savings is only increasing.

This budget undermines all of that by ignoring a simple financial truth - that services cannot be delivered if the money is not there to pay for them. In proposing a minimum wage increase, Governor Cuomo used the name of Franklin Delano Roosevelt. He called on New Yorkers to

"...lift up the poor and the working families of this state and pay a real, decent wage that honors FDR's original intent and promise."

The Governor went on to note that the failure to pay a minimum wage that is a living wage amounted to nothing more than a subsidy for employers. He stressed that it costs $6,800 per month in public subsidies to keep a McDonald's or Burger King employee at the current minimum wage. What he fails to note is that Medicaid's inadequate reimbursement results in the State using that same $6,800 in subsidies to subsidize its Medicaid program.

What he fails to mention is that the accomplishment of his Global Cap and reining in Medicaid growth has come on the backs of the working poor, seniors and people with disabilities. It has come on the backs of single mothers and communities of color, who more often than not perform this work. It has come on the backs of our parents and loved ones who rely on these services for the ability to stay in their homes, living happy and productive lives.

These workers do backbreaking work and cannot afford to put food on the table for their families or heat their homes without benefits and subsidies from TANF, HEAP and other social safety nets. In other words, while the Governor decries McDonald's and Burger King for using public benefits to lower their bottom line, his Medicaid program is doing just that.

Again, it is worth stressing that CDPAANYS, our member fiscal intermediaries and the consumers who use this program are committed to working with the Governor and the Legislature to make the minimum wage increase a reality. Those who rely on this program for their ability to live in the community, and those who rely on it for their livelihood, cannot afford otherwise. However, they cannot afford the State's unwillingness to meet its obligations either.

Thank you very much for your time and I welcome any questions.