

# Crushing the Workforce

## POVERTY WAGES UNDERMINE THE AVAILABILITY OF CRITICAL IN-HOME SERVICES FOR SENIORS AND PEOPLE WITH DISABILITIES IN TEXAS.

### EXECUTIVE SUMMARY

The facts are clear:

- By 2024, Texas will need another 102,030 community attendants to meet the growing demand for these services.
- Wages for community attendants have eroded by more than 30% over the last 50 years.
- Most attendants have no sick leave, vacation, health care, or retirement plans.
- At a base hourly wage of \$8, many attendants live below the poverty level and rely on public assistance to feed their families.
- Major retail and fast food employers have raised wages to \$10-\$13 per hour and more in response to growing competition and the high costs of turnover.

#### Key Fiscal Notes:

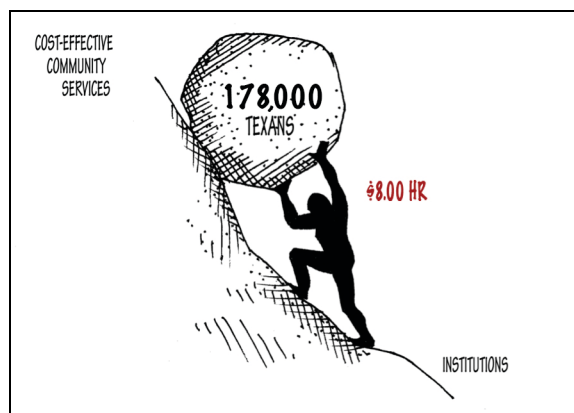
Cost: **\$1.254 Billion (General Revenue)** for \$10.50 per hour base wage in 2018, \$13 per hour base wage in 2019

Benefits over the 2018-2019 biennium:

- **\$338 Million** potential SNAP savings
- **\$303.7 Million** potential redirected to care by reduction in attendant turnover
- **\$1.6 Billion** additional federal funds
- Other fiscal savings on acute care, emergency room visits, hospitalization, and unnecessary institutionalization.

Recurring Annual Benefits

- **Up to \$209,690** savings per person who remains in the community and avoids institutionalization. The average annual per-person cost of community care is \$33,850, \$16,680 less than the cost of care at a nursing facility and at least \$209,690 less than the cost of care at a SSLC.



Like the Greek legend of Sisyphus, fruitlessly pushing a boulder up a hill over and over again, low wages keep many community attendants in an endlessly difficult situation. Texas needs to invest in its community-based care workers both to retain current staff and to recruit new and younger people into the field. With alternative employers (like major retailers) raising wages, community care is running out of people willing to take on these jobs just when a growing number of people need them the most. The work the attendants do is critical to people's ability to remain and

thrive in the community and must be compensated appropriately to avoid a harmful and hugely expensive system collapse.

#### Recommendation:

**Raise the \$8 base hourly wage for Community Attendants in home and community-based services programs to \$10.50 in fiscal year 2018 and \$13.00 in fiscal year 2019.**

## BACKGROUND

Texas spends roughly \$ 4 billion per year on a variety of Medicaid-supported home and community-based programs administered by the Texas Health and Human Services Commission (HHSC) that serve seniors and people with disabilities.<sup>1</sup> A large portion of these expenditures goes towards the wages paid to community attendants. The federal government covers approximately 56% of these costs, and Texas pays the remaining 44%.

About 178,000 seniors and people with disabilities in Texas rely on the care provided by community attendants through these programs. The work of these community attendants varies. Common tasks include helping people with getting in and out of bed, dressing, personal hygiene, toileting, grocery shopping, meal preparation, laundry, errands, maintaining a household, and traveling to and from work or school and other activities. Many community attendants are also called upon to assist with medication and other health-related tasks.

An estimated 298,000 people work as full- or part-time community attendants in Texas. Some attendants work in the homes of seniors and people with disabilities, others work in small group homes serving people with intellectual and developmental disabilities. In this paper, the term 'community attendant' encompasses any caregiver providing direct assistance with daily activities to individuals living in home or community-based settings, including personal care aides and home care aides.

### **Texas faces a crisis-level shortage of community attendants to meet its growing demand.**

Texas has the third largest older adult population among the states, totaling 3.1 million in 2014. With the aging of its Baby Boomer generation, the number of older adults is projected to increase 90% by 2030 - to 5.9 million.<sup>2</sup> Many of these seniors will need attendant support and services in their later years. However, Texas does not have the workforce of community attendants to meet the growing needs of this population alone, in addition to younger people with physical disabilities and/or intellectual and developmental disabilities. All these populations overwhelmingly prefer to live in the community.

Nationally, home care jobs are expected to grow five times faster than jobs overall from 2012 to 2022.<sup>3</sup> The Texas Workforce Commission has identified personal care aides and home health aides as two of the

*"Quality care in the community depends on the individual direct care worker – and it is very difficult to get quality workers without paying a competitive wage."*

*Marc Gold, former Texas Department of Aging and Disability executive*

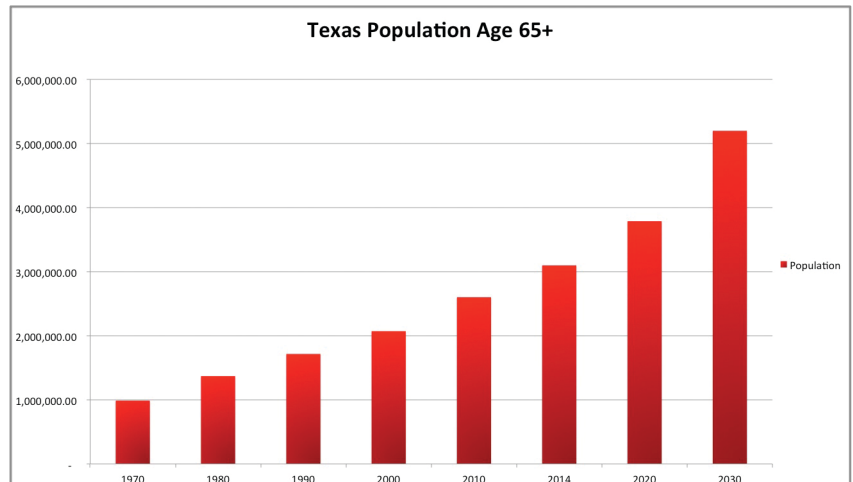


Figure 1 Source: "Aging in Texas: Introduction," Texas Demographic Center, June 2016. [http://demographics.texas.gov/Resources/publications/2016/2016\\_06\\_07\\_Aging.pdf](http://demographics.texas.gov/Resources/publications/2016/2016_06_07_Aging.pdf)

fastest growing occupations in Texas.<sup>4</sup> As can be seen in the chart below, the increase in these jobs is projected to reach 102,030 by 2024, outstripping the cumulative total of all other high-growth occupations. Beyond an aging population, demand for attendant care will be further augmented by the increasing prevalence of disabilities and aging of family and paid caregivers. 51% of attendants are over 45 years of age.<sup>5</sup>

Occupational Title	Annual Average Employment 2014	Annual Average Employment 2024	Number Change 2014-2024	Percent Growth 2014-2024	Annual Openings due to Growth	Annual Wage 2015
<b>1 Personal Care Aides</b>	<b>197,590</b>	<b>274,460</b>	<b>76,870</b>	<b>38.9%</b>	<b>7,685</b>	<b>\$17,991</b>
2 Cooks, Restaurant	88,320	124,570	36,250	41.0%	3,625	\$23,043
<b>3 Home Health Aides</b>	<b>63,550</b>	<b>88,710</b>	<b>25,160</b>	<b>39.6%</b>	<b>2,515</b>	<b>\$19,950</b>
4 Nurse Practitioners	8,090	11,970	3,880	48.0%	390	\$105,221
5 Operations Research Analysts	7,980	11,570	3,590	45.0%	360	\$84,228
6 Physical Therapist Assistants	6,110	8,760	2,650	43.4%	265	\$72,818
7 Physician Assistants	5,960	8,510	2,550	42.8%	255	\$99,573
8 Diagnostic Medical Sonographers	4,570	6,650	2,080	45.5%	210	\$74,638
9 Interpreters & Translators	4,860	6,930	2,070	42.6%	205	\$50,979
10 Cardiovascular Technologists & Technicians	4,570	6,530	1,960	42.9%	195	\$53,879

Figure 2 Source: Source: Texas Workforce Commission, Texas Labor Market Information, LMCI Tracer <http://www.tracer2.com/?PAGEID=67&SUBID=114>.

\*Fastest growing occupations with employment rate greater than or equal to 2,500 in 2014. Sorted by Number Change 2014-2024.

Demand for community attendants is already outgrowing the supply of attendants. When people can't find the care needed for themselves or a family member, it is a true crisis. Without attendants, older adults and people with disabilities will not have the support necessary to live in the community and could require institutional care. The HHSC "rule of thumb" is that community-based care costs 67% of nursing home care.<sup>6</sup> Quality of life is reduced when people with disabilities must be institutionalized, with much less freedom to live as they choose.

## **Poverty wages derail the recruitment of community attendants to meet rising demand.**

Though their services are vital to maintaining the health, independence, and dignity of thousands of Texans, community attendants hold some of the worst-compensated jobs in the state. The base wage is \$8.00 per hour. A tiny fraction of attendants have benefits, all others receive no sick leave, no vacation, no health insurance, no retirement benefits.

For almost 50 years, community attendants in Texas have seen their real wages decline. Wages have not kept up with inflation, undergoing a 30% erosion since 1968, as shown in the graph below. Texas also ranks next to the bottom for what it pays personal care aides across all states, with only Mississippi paying its attendants less.<sup>7</sup>

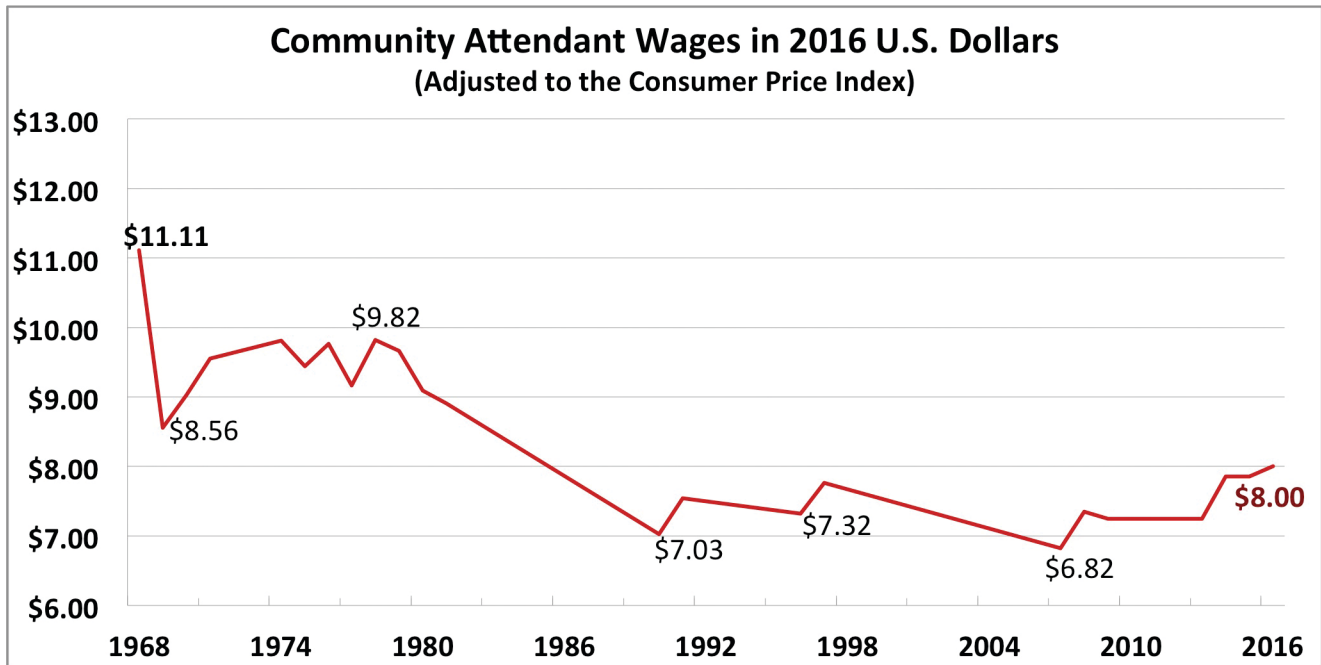


Figure 3 Source: Actual wages: U.S. Department of Labor, History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938 - 2009, <https://www.dol.gov/whd/minwage/chart.htm>. Adjustments for inflation made using the Consumer Price Index Inflation Calculator, Bureau of Labor Statistics, [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

Recruiting competent and committed people into such low paying jobs is increasingly difficult. Full-time work at \$8 per hour equals \$1,386 per month – an amount inadequate to pay rent, utilities, food, health care, child care and more. Most attendants must have their own car to travel to several clients’ homes, but receive no reimbursement for these costs.

*“Low wages make it extremely hard to recruit new attendants in Texas. We employ more than 800 community attendants in Texas but can't find enough people to keep the jobs filled. This chronic shortage of staff means paying overtime to existing staff to cover these shifts.”*

*Robert Hamm, Home and Community-based Services Provider*

For many attendants, these wages mean living in poverty. A national study found that one in four home care workers live in households with incomes below the federal poverty level.<sup>8</sup> In Texas, an attendant working full time earning \$8 per hour and supporting a family of 3 would fall below the 2015 poverty level.<sup>9</sup>

Poverty wages also mean that many attendants rely on some form of public assistance to support their families. A study of direct care worker households in Texas from 2012 to 2014 reported that 54% relied on means-tested public assistance.<sup>10</sup> For example, an attendant dependent on full-time wages of \$8 per hour, even for a household of one, qualifies for food benefits of \$2,328 annually from the Supplemental Nutrition Assistance Program (SNAP).<sup>11</sup>

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*"People are just not valued enough for this work that is critical to the people they assist. Many older attendants are 'aging out' and most younger people just don't want to do this work for such low wages- they see no future in it."*

*Nancy Crowther, Community Attendant Provider Organization*

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## **Alternative employers are raising market-driven, entry-level salaries and benefits substantially, making it tough to retain attendants.**

With unemployment in Texas at 4.6% in November 2016, competition for workers, particularly at lower wages, is tight and turnover is high.<sup>12</sup> In response, several major employers have raised entry-level salaries and benefits to a more competitive level for both recruiting and retaining workers in this market, as highlighted below.

**Target Corp:** Raised its minimum pay rate to \$9 per hour in April 2015 and to \$10 per hour in May 2016.<sup>13</sup>

**Wal-Mart:** Gave all its hourly workers a minimum of a 2% pay bump in February 2016 – increasing average hourly earnings to \$13.38 for full-time employees and \$10.58 for part-time workers, along with quicker access to paid time off.<sup>14</sup>

**McDonald's:** Raised the average hourly rate for restaurants it owns from \$9.01 to \$9.90 starting July 2015, with average wages climbing above \$10 per hour by the end of 2016. Employees receive meals and earn up to five days of paid vacation per year following their first year.<sup>15</sup>

Wages in other, more comparable jobs far exceed those of community attendants. The most comparable work occurs in state supported living centers and nursing homes that serve similar populations but in a different setting.

**State Supported Living Centers (SSLCs):** Direct support staff earn \$24,000 per year, equivalent to \$11.54 per hour.<sup>16</sup> As state employees, these workers also receive benefits such as sick leave, vacation, health care, and retirement that add costs of \$7,771 per year, raising the equivalent hourly wage to \$15.27. This highlights the value of sick leave, vacation, health care, and retirement benefits that very few community attendants receive, equal to another \$3.74 per hour.

**Nursing Home:** Work in a nursing home as a certified nursing aide pays an average of \$10.74 per hour, and benefits vary across providers.<sup>17</sup>

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*"In four months since my mother came home from the nursing home, we've gone through 12 attendants. The pay is so low, they only take the job as a 'stop gap' and leave when something better comes along, often with no notice."*

*Gerard Jimenez, Family Member*

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## Turnover of attendants constitutes a huge financial drain on the system and seriously impacts the quality of care.

Home health agencies in Texas report annual turnover rates ranging from 40% to 100%, way above optimum rates of 15% or below. These agencies, and consumers who hire directly, spend significant time and money advertising for, interviewing, and training new attendants. Other staff must cover shifts, often at a higher rate for overtime.

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*"On average, we lose four out of ten workers each year. People need to care, to have a desire to help people, but even caring attendants can't afford to stay when not paid a living wage."*

*Robert Hamm, Home and Community-based Service Provider*

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High turnover wastes time and taxpayer dollars that should be paying for care. A conservative estimate figures the cost of replacing a lost employee at 25% of the employee's annual compensation.<sup>18</sup> For community attendants earning \$8 per hour, or \$16,640 a year, the cost each time one leaves would equal \$4,160. Across the system, this would equal hidden costs of \$607.4 million a year.

When a community attendant quits, the consumer may have no services for some time, which can be life threatening until back-up care can be arranged. Consumers must call on family and friends or hire temporary assistance, but not everyone has access to such resources. Without consistent care, consumers cannot plan or commit to work or other activities. When a new attendant is hired, consumers must bring another new person into their home, building trust, teaching them the unique

circumstances of how to best meet their needs – all of which takes time and represents a major disruption in these peoples' lives. Individuals unable to access care could be forced to move to residential treatment settings like nursing homes at an annual per person cost of \$50,530<sup>19</sup> or SSLCs at an annual per person cost ranging from \$243,540<sup>20</sup> to \$312,695.<sup>21</sup> **If just 22.3% (5,922 individuals) of people currently on the Home and Community-based Services (HCS) waiver were forced to enter an SSLC due to loss of community care, the extra General Revenue cost to the State would eclipse the \$1.254 Billion GR request to raise the wages for community attendants to all 178,000 Texans.**<sup>22</sup>

## Investing in Texas' attendant workforce is critical to ensuring reliable and quality care for seniors and people with disabilities living in the community.

Concern about Texas' extremely low level of pay for attendants is not a new issue. Community attendant forums around the state have identified low wages combined with no benefits as the top issue for years.<sup>23</sup> Advisory committees have studied the problem, all reaching the same conclusion – that increased wages are critical to ensuring consistent quality care for people with disabilities living in the community.

Failing to even maintain real wages for attendants for decades has left Texas in an expensive crisis that can no longer be ignored. Shortages and vacancies leave people with disabilities and older adults without needed care, resulting in higher acute care, more frequent emergency room visits and unnecessary hospitalization and institutionalization.

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*"As a consumer, I depend on my attendant to show up. If they do not, I'm stuck in bed all day or in my wheelchair all night. This can lead to much more serious, even life-threatening health problems."*

*Gene Rodgers, Consumer*

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Taking long overdue action to increase the wages of attendants can turn this crisis around. Texas needs to invest in its community-based care workers to both retain current staff and to recruit new and younger people into the field. However, the time for incremental increases has passed. With alternative employers paying \$10-\$13 per hour, competition for a limited pool of workers is tight. With no benefits to offer, attendant wages must be even higher to successfully compete for quality workers.

## RECOMMENDATION

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### **Raise the \$8 base hourly wage for Community Attendants in home and community-based services programs to \$10.50 in fiscal year 2018 and \$13.00 in fiscal year 2019.**

The estimated cost of these changes to General Revenue would be \$396.3 million in fiscal year 2018 and \$858.5 million in fiscal year 2019. This investment by the state would draw down a significant increase in federal funds, estimated at \$509 million in fiscal year 2018 and \$1.1 billion in fiscal year 2019. These figures are based on estimates from HHSC for each \$1 increase in attendant base wage rates.<sup>24</sup> Phasing in the increase reduces the overall fiscal impact over the biennium, while still achieving the desired wage in fiscal year 2019.

Offsetting these costs will be several positive fiscal impacts. A reduction of turnover of community attendants within HHSC programs would redirect to care an estimated \$303.7 million over fiscal years 2018-2019, assuming a 25% reduction in turnover costs.<sup>25</sup> Reduced reliance by community attendants on HHSC's Supplemental Nutrition Assistance Program (SNAP) would save an estimated \$338 million in fiscal years 2018-2019, assuming a 25% reduction in claims.<sup>26</sup> The State would save significant dollars on reduced acute care, fewer emergency visits, and less institutionalization.

## CONCLUSION

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Keeping compensation very low drives unreliable attendant care and is a false economy. Texas is responsible for health care costs for its Medicaid population and should be motivated to maximize consumer health and thereby reduce costs. Moving the base hourly wage from the current \$8 to \$13 by fiscal year 2019 to build a more viable and stable community attendant workforce in Texas is long overdue and critical to meeting future demand. These changes would finally stop the hemorrhaging of attendants and stem the drain on resources lost to excessive turnover. Attendants would no longer have to live at or below the poverty level, relying on government food assistance to support their families. Most importantly, these changes would help ensure that consumers and families have access to more reliable and quality care, and are not left stranded due to vacancies and shortages in community attendants.

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<sup>1</sup> Department of Health & Human Services, Legislative Appropriations Request, 2018-2019, p. 2.F.1 for Fee-for-service programs + estimates based on historical data for STAR Plus and STAR Kids.

<sup>2</sup> *Ageing in Texas: Introduction*, p. 1. Texas Demographic Center, June 2016.

[http://demographics.texas.gov/Resources/publications/2016/2016\\_06\\_07\\_Aging.pdf](http://demographics.texas.gov/Resources/publications/2016/2016_06_07_Aging.pdf)

<sup>3</sup> *Paying the Price: How Poverty Wages Undermine Home Care in America*, p. 3. PHI: Quality Care Through Quality Jobs, February 2015. <http://phinational.org/sites/phinational.org/files/research-report/paying-the-price.pdf>

<sup>4</sup> *Fastest Growing Occupations for Texas Projected 2010-2020*. Texas Workforce Commission, presented to the House Select Committee on Health Care, Education, and Training, August 28, 2014.

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- <sup>5</sup> *U.S. Home Care Workers: Key Facts*, p. 2. PHI: Quality Care Through Quality Jobs. <http://phinational.org/sites/phinational.org/files/phi-home-care-workers-key-facts.pdf>
- <sup>6</sup> Marc Gold, in conversation with Dennis Borel, November 2016.
- <sup>7</sup> "State to State Wage Comparison, Personal Care Aide Wages in 2014," PHI: Quality Care Through Quality Jobs. <http://phinational.org/policy/issues/wages/wage-data-state/personal-care-aide-wages>
- <sup>8</sup> *Paying the Price: How Poverty Wages Undermine Home Care in America*, p. 5. PHI: Quality Care Through Quality Jobs, February 2015. <http://phinational.org/sites/phinational.org/files/research-report/paying-the-price.pdf>
- <sup>9</sup> "Poverty Thresholds for 2015 by Size of Family and Number of Related Children Under 18 Years," U.S. Census, <http://www.census.gov/library/ublicatins/2016/demo/p60-256.htm>
- <sup>10</sup> "Texas: Direct-Care Worker Households Relying on Means-Tested Public Assistance, 2012-2014," PHI: Quality Care Through Quality Jobs, <http://phinational.org/policy/states/texas/>
- <sup>11</sup> "How to Get Help, SNAP Food Benefits," Texas Health and Human Services. <https://yourtexasbenefits.hhsc.texas.gov/programs/snap/>
- <sup>12</sup> "Local Area Unemployment Rates, November 2016," Bureau of Labor Statistics. <http://www.bls.gov/lau/>
- <sup>13</sup> Nandita Bose, "Target Increases Minimum Wage to \$10 an Hour." Reuters, April 18, 2016. <http://www.reuters.com/article/us-target-wges-exclusive-idUSKCN0XF2L4>
- <sup>14</sup> Sarah Nassauer, "Wal-Mart to Boost Wages for Most U.S. Store Workers." Wall Street Journal, January 20, 2016. <http://www.wsj.com/articles/wal-mart-to-increase-wages-for-most-u-s-store-workers-1453315937>
- <sup>15</sup> Phil Wahba, "McDonald's Says its Wage Hikes Are Improving Service." Fortune, March 9, 2016. <http://fortune.com/2016/03/09/mcdonalds-wages/>.
- <sup>16</sup> "Direct Support Professional Salary," November 15, 2016, El Paso State Supported Living Center, <http://www.indeed.com/q-Direct-Support-Profession-l-El-Paso,-TX-jobs.html>
- <sup>17</sup> "2014 Cost Report, Average Certified Nursing Assistant Wages," Texas Health Care Association, November 14, 2016.
- <sup>18</sup> Ibid, p. 9.
- <sup>19</sup> Texas Health and Human Services System Consolidated Budget Request 2018-2019 Biennium, October 2016.
- <sup>20</sup> Texas Health and Human Services Commission Legislative Appropriations Request for Fiscal Years 2018-2019 Volume 1, section 3A p. 251. September 12, 2016. <https://hhs.texas.gov/sites/hhs/files/documents/about-hhs/communications-events/news/fy18-19-lar.pdf>
- <sup>21</sup> Non-State Operated Intermediate Care Facilities For Individuals With Intellectual Disability Or Related Conditions (ICF/IID) Payment Rates Effective September 1, 2015, p. 3. <http://legacy-hhsc.hhsc.state.tx.us/rad/long-term-svcs/downloads/2015-09-icf-rates.pdf>
- <sup>22</sup> Cost Comparison Report as required by the 2016-17 General Appropriations Act, House Bill 1, 84th Legislature, Regular Session, 2015 (Article II, Department of Aging and Disability Services, Rider 21), p. 3. Department of Aging and Disability Services, December 2016.
- <sup>23</sup> "Personal Assistance Services: Input, Influence, and Impact Survey," Coalition of Texans with Disabilities, March 2015. [http://www.txdisabilities.org/public/upload/files/general/PAS\\_Survey\\_Report\\_2015\\_final.pdf](http://www.txdisabilities.org/public/upload/files/general/PAS_Survey_Report_2015_final.pdf); and "Summary of Statewide Forums on Recruitment and Retention Strategies for Attendants," April-June 2014.
- <sup>24</sup> "Health and Human Services Consolidated Budget Request, 2018-2019 Biennium," p. 118. October 2016. <https://hhs.texas.gov/sites/hhs/files//documents/about-hhs/budget-planning/consolidatedbudgetrequest2018-2019.pdf>
- <sup>25</sup> *Examining the Evidence*, p. 106. 2004-2005. This study reported a 57% reduction in turnover. Our calculation assumes a modest 25% decrease. Turnover Calculation: 298,000 attendants X 70% full time X 70% turnover on average X \$4,160 cost per person who quits = \$607,443,200 per year annual turnover. Then, if we assume 25% reduction based on increased wages = \$151,860,800 per year or \$\$303,721,600 for the biennium. [http://www.irle.ucla.edu/publications/documents/LivingWage\\_fullreport.pdf](http://www.irle.ucla.edu/publications/documents/LivingWage_fullreport.pdf)
- <sup>26</sup> "Texas: Direct-Care Worker Households Relying on Means-Tested Public Assistance, 2012-2014," PHI: Quality Care Through Quality Jobs, <http://phinational.org/policy/states/texas/>. SNAP Calculation: 298,000 attendants X 54% on means tested assistance X (\$350 average benefit x 12 months = \$4200/ year) = \$168,966,000 reduced per year or \$ 337,932,000 per biennium.

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