MEMORANDUM

To: Interested Parties
Re: Reconciliation Funding for the Better Care Better Jobs Act Date: July 18, 2021

This memorandum addresses the funding necessary to carry out the Better Care Better Jobs Act (S. 2210/H.R. 4313)—a key plank of the American Jobs Plan.

In March 2021, President Biden and Vice President Harris proposed spending $400 billion to "solidify the infrastructure of our care economy." According to the White House, "These investments will help hundreds of thousands of Americans finally obtain the long-term services and support they need, while creating new jobs and offering caregiving workers a long-overdue raise, stronger benefits, and an opportunity to organize or join a union and collectively bargain."[1]

To advance the Administration's plan, the Better Care Better Jobs Act was introduced in June 2021 by 40 Senators, co-led by Senators Casey, Wyden, Schumer, Murray, Hassan, Brown and Duckworth as well as in the House by Representatives Dingell, Pallone, Schakowsky and Matsui. The Better Care Better Jobs Act has two primary purposes. It would:

1) Expand access to quality home-based services and care for millions of older adults and people with disabilities.[2] According to one analysis, service use would rise by 3.2 million more Americans, representing an 88 percent increase in access[3]; and

2) Fairly compensate direct care workers, turning home care jobs into family-sustaining jobs, minimizing persistent turnover and promoting retention.[4]

Additionally, the Better Care Better Jobs Act would support many of America's 53 million family members who currently shoulder the burden of caregiving, often without compensation, respite or support.[5] Indeed, a recent analysis found that approximately 1.1 million caregivers would be able to return to work as a result of the bill's historic investments.[6] Further, the legislation's emphasis on lifting up home care workers would fundamentally transform the lives of people of color, who make up 62 percent of this workforce, many of whom are women.[7] Today, one in six home care workers earn poverty wages.[8]

Through the creation of more than half a million new home care jobs the Better Care Better Jobs Act would bolster the Nation's economy, while promoting access to home-based care that is more cost-effective than congregate care.[9] Medicaid expenditures for long-term services and

[1] White House. "Fact Sheet: The American Jobs Plan." (March 2021)
[2] Better Care Better Jobs Act (June 24, 2021). Congress.gov.
[3] Frank, R. & Gruber, J. (2021). Impacts of Better Care Better Jobs Act on Home Care and Jobs.
[4] Better Care Better Jobs Act (June 24, 2021). Congress.gov.
[5] AARP. (2020). Caregiving in America: 2020 Report.
[6] Frank, R. & Gruber, J. (2021). Impacts of Better Care Better Jobs Act on Home Care and Jobs.
[7] PHI. (2019). United States Home Care Workers: Key Facts.
[8] Ibid.
[9] Frank, R. & Gruber, J. (2021). Impacts of Better Care Better Jobs Act on Home Care and Jobs; Fox-Grage, W. & Walls, J. (2013). State Studies

Find Home and Community-Based Services Cost Effective; AARP Public Policy Institute Spotlight. (2017). Stretching the Medicaid Dollar: Home and Community-Based Services are a Cost-Effective Approach to Providing Long Term Services and Supports.

supports have declined significantly over the past twenty years in large part due to efforts to transition to home and community-based services.[10] In 2017, MACPAC reported that the average cost of home and community-based services per person was just over $26,000 a year, significantly less than the $80,000 to $100,000 for nursing home and other congregate care.[11]

In sum, the potential effects of this proposal are profound—reaching into every community and into the homes of millions of families. Americans resoundingly affirm this historic investment. Across party lines, more than 3 in 4 Americans express support for the proposal.[12] The Better Care Better Jobs Act has been endorsed by **over 170 national and state organizations** representing aging, disability and labor voices, among others, including the Alliance for Retired Americans, SEIU, The Arc of the United States and Catholic Charities USA.

Proposed Investment under Discussion: As noted above, the American Jobs Plan called for a $400 billion investment in home and community-based services in order to meaningfully expand services for people with disabilities and older adults and to increase compensation for workers.

The Senate Budget Committee is tentatively considering a proposed topline funding amount of $150 billion towards this proposal as part of the $3.5 trillion budget resolution currently under discussion. This is a $250 billion reduction from the amount proposed by the Biden-Harris Administration, and a $150 billion reduction from the preliminary, approximate score of the Better Care Better Jobs Act communicated by the Congressional Budget Office (CBO).

CBO reported that the legislation, as written, would cost roughly $300 billion and that participation among states would likely be high. A marked reduction in funding will not allow for the effective implementation of this policy, if states elect to participate at all, and will create grave tensions within the broad-based coalition that supports this effort.

A $150 Billion Investment is Insufficient: Medicaid home and community-based services are desperately needed by millions of Americans. State waiting lists document at least 820,000 people waiting for services, while researchers estimate there are many millions more who need services but are discouraged by the wait time of up to 14 years.[13] Robust funding is needed to address both the official wait lists and unmet demand for care.

To address the expansion of services, there must be a steady workforce that can deliver the care. Direct care workers and home-care specialists are in high demand. States and provider agencies report job vacancies for home care workers at 20 percent or higher with an annual turnover rate of 40 to 60 percent.[14] Today, there is little incentive to join or stay in this industry as direct care jobs do not generally provide a living wage. The vast majority of the workforce, which is largely comprised of women and people of color, is overworked, underpaid and under supported.[15]

[10] Murray, C., Tourtellotte, A., Lipson, D., & Wysocki., A. (2021). Medicaid Long Term Services and Supports Annual Expenditures Report: Federal Fiscal Years 2017 and 2018. Chicago, IL: Mathematica.

[11] MACPAC. (2018). Medicaid Home and Community-Based Services: Characteristics and Spending of High-Cost Users; Genworth.

(2021). Cost of Care Survey.
[12] Data for Progress. (2021). Memo: Voters in Key States Support the Build Back Better Agenda.
[13] Kaiser Family Foundation. (2019). Waiting List Enrollment for Medicaid Section 1915(c) Home and Community Based Services Waivers; MACPAC. (2020). State Management of Home- and Community-Based Services Waiver Waiting Lists.
[14] PHI. (2019). United States Home Care Workers: Key Facts.
[15] PHI. (2021). Caring for the Future: The Power and Potential of America's Direct Care Workforce.

As noted above, the Better Care Better Jobs Act addresses both of these challenges by providing states with funding to strengthen and expand services and to better compensate workers.[16] These two goals are inextricably linked. Decreasing topline funding to $150 billion would force states to decide between investments in services and investments in the workforce, as detailed below.

Limiting Access to Services: At a $150 billion funding level, states that choose to raise worker wages to competitive levels (i.e., $15/hour in many places, more in states and localities with higher costs of living) would be left with limited resources to expand services for older adults and people with disabilities currently on wait lists, let alone those needing services who have not yet applied for home-care supports.

In addition, this could force states to implement anemic service expansions in order to meet the bill's requirements. As an example, when faced with limited resources, states have strictly limited allowed hours of personal care services, dramatically reducing access to the benefit. Such limitations would severely compromise the benefits of this policy to care recipients as well as the employment gains.

Limiting Workforce Improvements: Alternatively, states could choose to invest the limited funds in the bill's service expansion requirements at the expense of Medicaid reimbursement rate increases and the intended policy of enhancing worker compensation, resulting in nominal wage increases that would still not provide for a living wage. This risks expanding services without ensuring the availability of a sufficient workforce to provide care, creating severe access challenges, while failing to implement policies central to the American Jobs Plan.

Limiting State Participation: Some states may determine that, with reduced funding, meeting the bill's requirements is not financially feasible and may choose not participate in the policy at all. Others may elect not to participate to avoid policy and political tensions resulting from being forced to choose between workforce and service improvements. This would significantly limit the availability of expanded services and increased compensation for workers, and it would create a divided country where some states would provide needed services to residents and residents of other states would go without the care they need.

A Minimum $250 Billion Investment is Necessary: At a minimum, an investment of $250 billion is needed to promote meaningful access and advance towards a living wage for the direct care workforce, as envisioned in the American Jobs Plan and the Better Care Better Jobs Act.

Meaningful Access to Services: In 2017, MACPAC reported that the average cost of home and community-based services, per person, was just over $26,000 a year.[17] Using this figure, eliminating existing state wait lists for home and community-based services would require approximately $21 billion per year in the post-planning, implementation period of the policy.[18]

Notably, the Better Care Better Jobs Act includes expansions that would go well beyond the elimination of wait lists; these expansions are not reflected in this estimate.

[16] Musumeci, M. (2021). How Could $400 Billion New Federal Dollars Change Medicaid Home and Community-Based Services? Kaiser Family Foundation.
[17] MACPAC. (2018). Medicaid Home- and Community-Based Services: Characteristics and Spending of High-Cost Users. [18]Under the proposed legislation, states would have two years of planning and eight years of implementation. To eliminate state wait lists, home and community-based service costs of $21 billion would be for eight years, totaling $168 billion.

Meaningful Compensation for Workers: The current median wage for direct care workers is approximately $12 per hour.[19] Expert analysis of the President's and Vice President's proposal found that raising current wages to $15 per hour would cost approximately $6 billion a year. [20] This investment would also occur during the policy's post-planning, implementation period.[21]

In sum, a minimum of approximately $220 billion is needed to carry out the legislation's service expansions and workforce improvements; however, this estimate does not include administrative costs, oversight, monitoring and evaluation, nor the need to train, recruit and retain a strong workforce. In particular, experience at the state level shows that ample funding for oversight is necessary to ensure that increases to Medicaid payment rates are in fact passed through to front line workers through enhanced wages.

Further, this cost estimate does not include funding for a key priority of the Better Care Better Jobs Act, which would give states the option to adopt workforce registries through additional federal funding. Such registries build on promising state practices and are intended to help individuals and families access care, while also giving workers the opportunity join a union.[22] Additionally, states and the Centers for Medicare & Medicaid Services will need funding during the bill's planning and implementation periods to develop, execute and oversee the program.

Duration of Funding: A permanent, 10-year investment is necessary to carry out the transformative goals of the Better Care Better Jobs Act, which provides for a planning period of an average of two years and eight years of program implementation.[23] Briefings with CBO and the National Association of State Medicaid Directors (NAMD) confirm that states require certainty and long-range funding to develop the infrastructure necessary to support the goals of the American Jobs Plan, as outlined in the Better Care Better Jobs Act.

Short-term funding, such as that provided through the $12.7 billion in emergency home and community-based services funding provided through the American Rescue Plan, has resulted in investments in one-time purchases such as vans, computers and data systems but not in increased reimbursement rates or expansion of services. State Medicaid directors report that only a predictable, long-term federal investment will result in the development of a new workforce that can sustain expansion of services.

In conclusion, an investment of $150 billion in home and community-based services will compromise Congress's and the White House's ability to carry forward the goals of the American Jobs Plan and the Better Care Better Jobs Act, and to deliver on the promises made to the American public. What is needed is a bold investment, amounting to a minimum of $250 billion over 10 years.

[19] PHI. (2019). United States Home Care Workers: Key Facts.
[20] Pellidino, C. L. (2021). The Economic Effects of Investing in Quality Care Jobs and Paid Family and Medical Leave. Political Economic Research Institute.
[21]Under the proposed legislation, states would have two years of planning and eight years of implementation. To raise wages costs an estimated $6 billion per year for eight years, totaling $48 billion.
[22] Lieberman, A., Loewenberg, A. & Love, I. (2021.) "Valuing Home and Child Care Workers." New America Practice Lab. [23] The Better Care Better Jobs Act allows states to use a one to three year planning period. State Medicaid directors have indicated that the average planning period is likely to be two years.