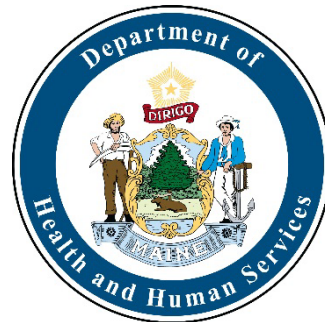


Update on Part AAAAA 125% Minimum Wage Provision and COLA in FY22-23 Biennial and FY22 Supplemental Budgets

February 17, 2022



In Review

- Governor proposed and the legislature passed a 2.3% COLA for FY23 for all services not otherwise receiving annual increases in the 22-23 Biennial Budget
- LD 1573 was incorporated into the Biennial Budget as Part AAAA to increase labor components of reimbursement rates to 125% of minimum wage
- Inflation has increased since the budget was passed. The FY22 Supplemental will seek to increase the COLA from 2.3% to 4.9%
- The FY22 Supplemental will also propose to accelerate the COLA from 7/1/22 to 1/1/22 for AAAA services subject to 1/1/22 rate adjustments
- When LD 1573 was incorporated into the budget, the fiscal was reduced. It also was only an estimated amount. The FY22 Supplemental will seek funding to fully fund the 125% provision

MaineCare Sections of Policy included in COLA and/or Part AAAA

COLA non-AAAA sections	COLA + Part AAAA Sections with 1/1/22 Rate Adjustments to 125%:	Part AAAA Sections with 7/1/22 COLA, ramps, 1/1/23 rate adjustments to 125%
Sec 13 Targeted Case Management	Sec 12 Consumer Directed Attendant Services	Sec 2 Adult Family Care Homes
Sec 23 Dev. & Behavioral Clinic Services	Sec 18 HCBS - Brain Injury	Sec 17 Community Support Services
Sec 30 Family Planning	Sec 19 HCBS for Older Adults & Adults w/ Disabilities	Sec 26 Day Health Services
Sec 40 Home Health Services	Sec 20 HCBS - Other Related Conditions	Sec 28 Rehab/Comm Supp for Children
Sec 91 Community Care Teams	Sec 21 HCBS - Intellectual & Developmental Disabilities	Sec 65 Behavioral Health
Sec 92 Behavioral Health Homes	Sec 29 HCBS - Intellectual & Developmental Disabilities	
Sec 93 Opioid Health Homes	Sec 67 Nursing Facilities	
Sec 97 Private Non Medical Institutions (E,F)	Sec 96 Private Duty Nursing	
Sec 102 Rehabilitative Services	Sec 97 PNMI Appendix C	
	LTC state-only services - Sec 61, 63, 68, 69, Chapter 5, 11	

MaineCare Rate System Reform

- Evaluation conducted by firm Myers & Stauffer in 2020-2021, issuing recommendations for actions by service area consistent with sound rate-setting principles:
 - Rates for services should receive annual cost of living adjustments and be rebased with updated data and any necessary service model updates at least every 5 years.
 - The Department is leveraging opportunity through Part AAAA to ensure that resulting rates reflect appropriate reimbursement level for all rate components, beyond labor components impacted by 125% of minimum wage.
- Department introduced Phase I of its plan through Biennial Budget Initiatives in Spring 2021, with support from Maine Legislature.
 - Focused on services with strong need for investment, and for which there was a data-driven, stakeholder-informed rate study from within the past 5 years. Studies older than 2 years old updated with more recent data, as appropriate.
- Submitted LD 1867 Rate Reform bill to codify principles and process for establishment of data-driven, equitable rates on a set schedule, with transparency, and input from stakeholders and experts.

Funding in the Biennial and the Supplemental Budget for COLA and Part AAAA

The biennial budget as passed by the Maine State Legislature and signed into law by the Governor included over \$500 million in all funds for MaineCare and DHHS provider payment increases

- This includes \$54 million in all funds for COLAs and Part AAAA, including ramp payments, that have initiatives in the supplemental budget
- The biennial budget also includes \$15 million in all funds for Part AAAA not affected by the supplemental

The supplemental budget requests \$99.9 million in all funds to fully fund and aggressively implement the COLA and Part AAAA initiatives in the biennial budget. This includes:

- \$10.3 million in all funds (\$3.1 million GF) for COLAs that are in policy sections not included in Part AAAA;
- \$51.4 million (\$20.0 GF) in all funds for the COLA component of policy sections included in Part AAAA; and
- \$38.2 million (\$12.7 GF) in all funds for the 125% of minimum wage component of Part AAAA

Together, the COLA and Part AAAA included in the biennial and supplemental budgets would invest \$154 million in direct care workers, behavioral health providers, and providers of long-term services and supports (\$169 million when counting Part AAAA services unaffected by the supplemental)

Summary of Funding in the Biennial and the FY22 Supplemental Budget for COLA and Part AAAA

	FY22				FY23			
	Appropriated		FY22 Supplemental		Appropriated		FY22 Supplemental	
	Total	GF	Total	GF	Total	GF	Total	GF
COLA non-AAAA sections	N/A	N/A	N/A	N/A	\$ 3,564,677	\$ 1,085,192	\$ 10,254,667	\$ 3,079,440
AAAA sections- COLA component	N/A	N/A	\$ 14,772,172	\$ 4,288,513	\$ 25,046,066	\$ 7,316,915	\$ 36,649,383	\$ 15,705,078
AAAA sections - 125% component	\$ 7,184,952	\$ 2,715,109	\$ 9,492,637	\$ 2,643,813	\$ 8,524,842	\$ 3,719,133	\$ 28,755,857	\$ 10,100,569
AAAA sections - ramps	\$ 5,657,888	\$ 1,809,172	N/A	N/A	\$ 3,925,521	\$ 1,118,297	N/A	N/A
Total	\$ 12,842,840	\$ 4,524,281	\$ 24,264,809	\$ 6,932,326	\$ 41,061,105	\$ 13,239,537	\$ 75,659,907	\$ 28,885,087

	Biennial Total					
	Appropriated		FY22 Supplemental		Appropriated + FY22 Supp	
	Total	GF	Total	GF	Total	GF
COLA non-AAAA sections	\$ 3,564,677	\$ 1,085,192	\$ 10,254,667	\$ 3,079,440	\$ 13,819,345	\$ 4,164,631
AAAA sections- COLA component	\$ 25,046,066	\$ 7,316,915	\$ 51,421,555	\$ 19,993,591	\$ 76,467,621	\$ 27,310,506
AAAA sections - 125% component	\$ 15,709,794	\$ 6,434,242	\$ 38,248,494	\$ 12,744,382	\$ 53,958,288	\$ 19,178,624
AAAA sections - ramps	\$ 9,583,409	\$ 2,927,469	N/A	N/A	\$ 9,583,409	\$ 2,927,469
Total	\$ 53,903,945	\$ 17,763,818	\$ 99,924,716	\$ 35,817,413	\$ 153,828,662	\$ 53,581,230

Example of Part AAAA and COLA increases: Section 21

- Section 21 providers have received or will receive sizable rate increases in FY22 and FY23
- As a result of new funding, the Agency Home Supports rate increased from \$27.72 as of 6/30/21 to \$29.28 as of 7/1/21, a 5.6% rate increase
- With implementation of Part AAAA and COLA, the rate will increase to \$32.13 effective 1/1/22, a 15.9% increase over the 6/30/21 rate, and is scheduled to increase to \$33.72 as of 1/1/23, a 21.6% increase

Section 21 funding increases in FY22-23

(in millions)

		FY22		FY23		Subtotal	
		Total	GF	Total	GF	Total	GF
FY22-23 Biennial (chapter 29)	General rate increase	\$26.59	\$8.00			\$26.59	\$8.00
FY22-23 Biennial (chapter 398)	General rate increase	-	-	\$26.59	\$7.98	\$26.59	\$7.98
FY22-23 Biennial (chapter 398)	2.3% COLA initiative	-	-	\$11.84	\$3.45	\$11.84	\$3.45
FY22-23 Biennial (chapter 398)	Part AAAA 125% min wage	\$3.73	\$1.17	-	-	\$3.73	\$1.17
Biennial subtotal		\$30.32	\$9.17	\$38.43	\$11.43	\$68.75	\$20.60
FY22 Supplemental (forthcoming)	Accelerate COLA and increase to 4.9%	\$9.52	\$2.42	\$17.55	\$5.91	\$27.07	\$8.33
FY22 Supplemental (forthcoming)	Fully fund Part AAAA	\$3.95	\$0.78	\$15.37	\$4.90	\$19.32	\$5.68
FY22 Supplemental subtotal		\$13.47	\$3.20	\$32.92	\$10.81	\$46.39	\$14.00
Total		\$43.79	\$12.37	\$71.35	\$22.24	\$115.14	\$34.60

Summary

- Between FY22/23 budget and this supplemental, more than **\$600 million** all funds to MaineCare and DHHS provider payments, including nearly **\$169 million** investment in direct care workers, behavioral health providers, and providers of long-term services and supports. And this doesn't include the direct care worker federal HCBS funding of \$116 million that affects many of these same providers.
- Consistent with the direction and intent of C.398, Part AAAA, we have ensured that all wages for sections in that law scheduled for 1/1/22 rate adjustments now assume at least 125% minimum wage.
- As a result of inflation since the last budget, the Governor is proposing to more than double that COLA from 2.3% to 4.9%, which is on all components of the rate, not just the wage component.
- The Administration is committed to a comprehensive, transparent rate process, including updating legacy rate information, budgeting for annual COLA increases, and utilizing actual per member information when feasible.