

# FISCAL YEAR (FY) 2016–2017 MANAGED LONG-TERM CARE (MLTC) WAGE PARITY METHODOLOGY SUMMARY

## Objective

The purpose of this document is to provide further detail on the calculation of the Wage Parity program change adjustment applied to the FY 2016–2017 MLTC rate ranges. Further detail on this adjustment can be found in the FY 2016–17 MLTC Actuarial Memorandum dated August 19, 2016. Section 10 from the Actuarial Memorandum is included in the Appendix.

## Background

Effective March 1, 2014, New York Public Health Law 3614-C, Home Care Worker Wage Parity, requires that home care aide compensation be “no less than the prevailing rate of total compensation as of January 1, 2011 or the total compensation mandated by the living wage law, whichever is greater.” The State of New York (State), in consultation with the New York State Department of Labor, determined the collectively bargained prevailing rate as specified by this law.

## Methodology and Results

The State performed an analysis to estimate the value of this policy change, and Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, reviewed these results. The analysis formed the basis for this adjustment for this program change. A 6.25% program change adjustment was applied to the Personal Care and Other Home Health categories of service in the New York City (NYC) Area region. No adjustment was necessary for the Rest of State (ROS) regions.

Additionally, consideration was given to the impact of this program change on the NYC Area personal care and other home health trend assumptions to ensure that anticipated changes in the unit cost for these services is accounted for only once in the rate development.

The rest of this section provides additional information on the development of this adjustment.

## Source Data

- A targeted hourly wage, per Wage Parity Law requirements, was provided by the State and reflects the sum of the components listed below:
  - **Prevailing Wage** is the minimum rate of home care aide total compensation effective March 1, 2014, as determined by the State and the New York State Department of Labor in accordance with the New York Public Health Law 3614-C, Home Care Worker Wage Parity. The Prevailing Wage is \$14.09 for NYC Metro and \$13.22 for Nassau, Suffolk and Westchester counties.

- **Additional Provider Costs** include home care worker costs not included in the Prevailing Hourly Wage, such as taxes, workers compensation and overtime. The Additional Provider Costs for the NYC Area, as provided by the State, are \$2.26.
- **Worker Cost Change** is the calculated hourly cost increase for home care workers, as provided by the State. The Worker Cost Change for the NYC Area is \$0.34.
- **Plan LHCSA Admin** is the calculated hourly amount for LHCSA (Licensed Home Care Service Agency) costs provided by the State. The Plan LHCSA Admin for the NYC Area, as provided by the State, is \$2.45.

The total **FY 2016–2017 Target MLTC Hourly Worker Cost**, based on the components listed above, is \$19.05 for the NYC Area.

- The hourly wage before Wage Parity was determined from the plan-submitted MLTC Operating Reports (MLTCORs). The calendar year (**CY 2013 MLTC Base Hourly Rate**) was calculated from the existing and mandatory enrollee base data for Wage Parity covered services for CY 2013 only. The CY 2013 MLTC Base Hourly Rate for the NYC Area is \$17.10.

### Program Change Calculation

To develop the program change adjustment applied to the rates, the **FY 2016–2017 Target MLTC Hourly Worker Cost** was compared to the base **CY 2013 MLTC Base Hourly Rate**.

The table below summarizes these components and the development of the **Raw Wage Parity Program Change Adjustment**:

Line Description	Formula	NYC Area
FY 2016–2017 Target MLTC Hourly Worker Cost <sup>1</sup>	(A)	\$19.05
CY 2013 MLTC Base Hourly Rate	(B)	\$17.10
Raw Wage Parity Program Change Adjustment	$(C) = (B)/(A) - 1$	11.45%

The **Raw Wage Parity Program Change Adjustment** was prorated for two aspects:

- The program change adjustment is applied to the Personal Care and Other Home Health categories of service. Those categories of service are not limited to personal care aide and home health aide services. For example, Other Home Health includes therapeutic and preventive nursing services, private duty nursing, home health aide services and rehabilitation therapies, as well as pharmaceuticals for IV therapies. It is necessary to prorate the raw adjustment to ensure only the personal care aide and home health aide services portion of the total Personal Care and Other Home Health categories of service are increased for Wage Parity requirements.

<sup>1</sup> Note the FY 2016–2017 Target MLTC Hourly Worker Cost target hourly cost used for developing the Wage Parity Adjustment does not include consideration for Fair Labor Standards Act (FLSA) Cost. A separate adjustment is applied for consideration of FLSA impacts.

- The base data used in rate development covers 24 months (January 1, 2013 through December 31, 2014). As Wage Parity requirements were effective beginning March 1, 2014, 10 months of the base data (March 1, 2014 through December 31, 2014) already reflect Wage Parity requirements, and the unit cost for that time period does not need to be adjusted as the increased costs are already in the base data. The raw adjustment is prorated by a 14/24 factor to adjust only the portion of the base data before Wage Parity was brought into effect.

The table below summarizes the proration adjustments applied to the **Raw Wage Parity Program Change Adjustment** to arrive at the **Final Wage Parity Program Change Adjustment** for the FY 2016–2017 contract period:

Line Description	Formula	NYC Area
Raw Wage Parity Program Change Adjustment	(D) = (C)	11.45%
Home Health and Personal Care Aide Services Proration Factor	(E)	93.50%
Base Data Time Period Proration Factor	(F) = 14/24	58.33%
Final Wage Parity Program Change Adjustment	(G) = (D) * (E) * (F)	6.25%

The Wage Parity Adjustment is provided in Section 10 of the FY 2016–2017 MLTC Actuarial Memorandum. For the NYC Area region, a 6.24% adjustment is applied to Personal Care and a 6.32% adjustment is applied to Other Home Health. The different adjustments are due to a different utilization mix of services by the mandatory and existing populations. The adjustment is 6.25% on a combined Personal Care and Other Home Health basis.

**Appendix — Section 10 Wage Parity Adjustment Exhibit from FY 2016–  
2017 MLTC Actuarial Memorandum dated August 19, 2016**

<b>FY2016-17 Wage Parity Adjustment</b>	<b>Line Number</b>	<b>NYC Metro</b>	<b>Nassau, Suffolk, Westchester</b>	<b>NYC Area</b>
<b>Line Description</b>	<b>Formula</b>	<b>Result</b>		
Prevailing Wage	(A)	\$ 14.09	\$ 13.22	\$ 14.01
Additional Provider Costs (taxes, worker's comp, overtime)	(B)	\$ 2.26	\$ 2.26	\$ 2.26
Total Average Hourly Cost	(C) = (A) + (B)	\$ 16.35	\$ 15.48	\$ 16.27
Fair Labor Standards Act (FLSA) Costs	(D)	\$ 0.34	\$ 0.34	\$ 0.34
Total Average Hourly Cost with FLSA	(E) = (C) + (D)	\$ 16.69	\$ 15.82	\$ 16.61
Worker Cost Change	(F)	\$ 0.34	\$ 0.34	\$ 0.34
Avg. Hourly Cost and Worker Cost Change Subtotal	(G) = (E) + (F)	\$ 17.03	\$ 16.16	\$ 16.94
Plan LHCSA Admin	(H)	\$ 2.45	\$ 2.45	\$ 2.45
<b>FY2016-17 Target MLTC Hourly Worker Cost with FLSA</b>	<b>(I) = (G) + (H)</b>	<b>\$ 19.48</b>	<b>\$ 18.61</b>	<b>\$ 19.39</b>
<b>FY2016-17 Target MLTC Hourly Worker Cost without FLSA</b>	<b>(J) = (I) - (D)</b>			<b>\$ 19.05</b>
CY 2013 MLTC Base Hourly Rate	(K)			\$ 17.10
Raw Wage Parity Program Change Adjustment	(L) = (J)/(K) - 1			11.45%
Personal Care/Home Health Aide Proration Adjustment	(M)			54.54%
<b>Final Wage Parity Program Change Adjustment</b>	<b>(N) = (L) * (M)</b>			<b>6.25%</b>

**Notes:**

1. FY2016-17 Target MLTC Hourly Cost of \$19.05 is used for development of the Wage Parity Adjustment and is exclusive of FLSA. FLSA is adjusted for through a separate program change.
2. CY 2013 MLTC Base Hourly Rate is based on the CY 2013 plan reported MLTCOR data for Personal Care and Home Health Aides.
3. Raw Wage Parity Program Change Adjustment is applied to Personal Care and Other Home Health aide services only for the applicable number of months of the base data time period.
4. Personal Care/Home Health Aide Proration Adjustment represents the factor to reflect the aide services portion of total Other Home Health and Personal Care services as well as the portion of the base data time period adjusted.
5. Final Wage Parity Program Change Adjustment reflects the proration considerations and is applied to the blended two year base period.