


Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: December 5, 2019

SUBJECT: Fiscal Impact Statement – Direct Support Professional Payment Rate Act of 2019

REFERENCE: Bill 23-214, Draft Committee Print as shared with the Office of Revenue Analysis on November 20, 2019

Conclusion

Funds are not sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. The bill will cost \$5,750,897 in local funds in fiscal year 2020 and a total of \$32,892,121 in local funds over the four-year budget and financial plan.

Background

The bill requires the directors of the Department of Disability Services (DDS) and the Department of Health Care Finance (DHCF) to base payments to providers that directly serve people with developmental disabilities on a wage equal to 117.6% of the minimum wage¹ or 117.6% of the living wage², whichever is greater, for direct support professionals. The bill applies only to providers directly serving people enrolled in the District's Medicaid Home and Community-Based Services Waiver for Persons with Intellectual and Developmental Disabilities program or the Intermediate Care Facilities for Individuals with Intellectual Disabilities program.

Direct service providers that employ direct support professionals may pay an individual employee a rate lower or higher than 117.6% of the minimum or 117.6% of the living wage based on the individual's experience and competency, so long as the average wage among direct service

¹ D.C. Official Code § 32-1003.

² D.C. Official Code § 2-220.01 *et. seq.*

The Honorable Phil Mendelson

FIS: Bill 23-214, "Direct Support Professional Payment Rate Act of 2019," Draft Committee Print as shared with the Office of Revenue Analysis on November 20, 2019

professionals is equal to 117.6% of the minimum or 117.6% of the living wage. Currently, the District's payments to direct service providers are based on the minimum wage, which will increase to \$15.00 per hour on July 1, 2020, as will the living wage.³ The bill will therefore increase the wage on which payments are based to \$17.64 an hour in fiscal year 2020.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. The bill will cost \$5,750,897 in local funds in fiscal year 2020 and a total of \$32,892,121 in local funds over the four-year budget and financial plan.

The bill will affect direct service providers serving people enrolled in two programs: the District's Medicaid Home and Community-Based Services Waiver for Persons with Intellectual and Developmental Disabilities, which is funded by DDS⁴, and the Intermediate Care Facilities for Individuals with Intellectual Disabilities, which is funded by DHCF. Increasing the payments to these providers so that the wages of direct service professionals will increase by 117.6% will cost approximately \$21 million a year for the Medicaid waiver funded by DDS, and approximately \$8 million a year for the intermediate care facilities funded by DHCF. Only 30% of this cost will be paid by the District government, since the federal government pays 70% of Medicaid costs, lowering the local cost to approximately \$6 million a year for the Medicaid waiver and \$2 million a year for the intermediate care facilities. The cost table below has the fiscal year 2020 cost pro-rated for an assumed effective date of February 1, 2020, and costs grow by 2.4% a year to account for scheduled increases in the minimum wage.⁵

Fiscal Impact of Bill 23-214, Direct Support Professional Payment Rate Act of 2019					
	FY 2020	FY 2021	FY 2022	FY 2023	Total Four-Year Cost
DHCF Cost: Intermediate Care Facilities					
Total DHCF cost	\$5,179,295	\$7,955,397	\$8,146,326	\$8,341,838	\$29,622,856
Local cost for DHCF (30% of total)	\$1,553,788	\$2,386,619	\$2,443,898	\$2,502,551	\$8,886,857
DDS Cost: Medicaid Waiver for Intellectual and Development Disabilities					
Total DDS cost	\$13,990,362	\$21,489,195	\$22,004,936	\$22,533,055	\$80,017,548
Local cost for DDS (30% of total)	\$4,197,108	\$6,446,759	\$6,601,481	\$6,759,916	\$24,005,264
Total local cost	\$5,750,897	\$8,833,378	\$9,045,379	\$9,262,468	\$32,892,121

³ The living wage, currently set at \$14.50, will also rise to \$15.00 on July 1, 2020, because it cannot be lower than the minimum wage, according to the Living Wage Act of 2006, effective June 8, 2006 (D.C. Law 16-118; D.C. Official Code § 2-220.01 *et seq.*).

⁴ DDS and DHCF enter into an MOU each year to transfer the funds.

⁵ After the minimum wage reaches \$15 per hour on July 1, 2020, it will grow each year by the increase in the Consumer Price Index for the Washington metropolitan region. The Office of Revenue Analysis projects a 2.4% increase in CPI throughout the financial plan.

The Honorable Phil Mendelson

FIS: Bill 23-214, "Direct Support Professional Payment Rate Act of 2019," Draft Committee Print as shared with the Office of Revenue Analysis on November 20, 2019

Table Notes

- The fiscal year 2020 cost is pro-rated for eight months of the fiscal year for an assumed effective date of February 1, 2020
- Costs increase by 2.4% a year, since the minimum wage is scheduled to increase by the increase in the consumer price index beginning July 1, 2021.
- The local cost is 30% of the total cost since the federal government pays 70% of Medicaid costs.

The cost estimate for the Medicaid waiver is based on the hours worked and services provided by direct service professionals from November 2017 to November 2018, the most recent waiver year with complete data. The estimate for the intermediate care facilities are based on the hours worked by direct service professionals in fiscal years 2017 and 2018, the most recent years for which we have data.⁶ We assume that demand for direct services provided by these programs will not change throughout the financial plan.

In addition to the cost of the wage increase, our estimate accounts for other costs the District pays direct service providers that increase with higher wages. These costs include those for employee benefits, program administration, social security taxes, and "all other health care", which includes items like medical supplies, pharmacy costs, maintenance of medical records, clothing for patients, and staff training.

⁶ Most data on hours worked come from FY 2018 cost reports, but for two providers we used FY 2017 cost reports since these providers have not yet submitted their FY 2018 reports.