FISCAL IMPACT REPORT

LAST UPDATED

SPONSOR Herndon **ORIGINAL DATE** 1/24/2025

SHORT TITLE Medicaid for Personal Care Services **BILL NUMBER** House Bill 55

ANALYST Hernandez

APPROPRIATION*
(dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	$20,800.00	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA/MAD	**No fiscal impact**	**$194.6**	**$194.6**	**$389.2**	Recurring	**General Fund**
Total	**No fiscal impact**	**$194.6**	**$194.6**	**$389.2**	Recurring	**General Fund**

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Health Care Authority (HCA)

SUMMARY

Synopsis of Choose an item.

House Bill 55 (HB55) appropriates $20,800,000 from the general fund to the Health Care Authority (HCA) for the purpose of raising the Medicaid reimbursement rate for personal care service provider agencies to $23.50 per hour. HB55 requires that 70 percent of the $23.50 go toward compensation of direct care workers providing personal care services.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The appropriation of $20,800,000 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall revert to the general fund. Changing the reimbursement rate for providers for one year creates an expectation that the reimbursement will continue in future years, which makes this a recurring expense.

HCA notes that, due to the oversight requirements of ensuring that 70 percent of reimbursement payments goes to direct care workers, HCA would need to hire two additional FTE at a cost of $194.8 thousand. These FTE would be responsible for examining service provider agencies' overhead, travel, training and personal protective equipment costs along with their direct care workers' hourly wage to determine if 70 percent of the reimbursement payment is going to direct care workers.

SIGNIFICANT ISSUES

HCA notes that the $20.8 million appropriation is not sufficient to meet the requirements outlined in HB55. To pay each Medicaid personal care service provider agency $23.50 per hour of services, the necessary amount appropriated would need to be $51.4 million.

HCA emphasizes that, in order to access federal match for the increased reimbursement rate outlined HB55, the Medical Assistance Division will need to submit a waiver amendment to the federal Centers for Medicare and Medicaid Services (CMS). HCA states that this process typically takes four to six months and that, until CMS approves the waiver, HCA cannot increase the reimbursement rate. This would create a conflict with HB55's effective date; although the bill would become effective on June 20th, 2025, HCA would be unable to raise the reimbursement rate for personal care service to $23.50 until CMS approves the increase, likely four to six months after application.

ADMINISTRATIVE IMPLICATIONS

HCA clarifies:

> In spring of 2024, CMS issued the *Ensuring Access to Medicaid Services* final rule, also known as the access rule. The access rule requires a payment adequacy minimum performance standard that states must ensure 80 percent of Medicaid payments go to compensation for direct care workers by July 9, 2030. CMS has yet to publish guidance on the payment adequacy minimum performance standard and how states should implement, monitor and enforce it. In the absence of federal guidance, CMS has encouraged states to wait for further direction on access rule requirements before implementing.

AEH/rl/SL2