

[The 2020-21 May Revision](#)

Analysis of 2020-21 May Revision In-Home Supportive Services Budget

Background

In-Home Supportive Services (IHSS) Provides Personal Care Services to Low-Income Seniors and Persons With Disabilities. The IHSS program provides personal care and domestic services to low-income individuals to help them remain in their own homes and communities. The IHSS program predominately is delivered as a benefit of the state federal Medicaid health services program for low-income populations (known as Medi-Cal in California). In order to qualify for IHSS, a recipient must be aged, blind, or disabled and in most cases have income below the level necessary to qualify for the Supplemental Security Income/State Supplementary Payment cash assistance program (for example, about \$940 a month for an aged and/or disabled individual living independently in 2019-20). IHSS recipients generally are eligible to receive up to 283 hours per month of assistance with tasks such as bathing, dressing, housework, and meal preparation. As of April 2020, about 560,000 recipients were enrolled in IHSS, each receiving, on average, 115 hours of paid services.

Program Costs Largely Driven by Caseload, Hours Per Case, and Hourly Wages. The primary cost drivers of IHSS are caseload, paid hours per case, and county wages for IHSS providers. All three items have experienced steady growth in recent years, resulting in growing IHSS costs.

Administration Assumes One-Time Increase in IHSS Costs Due to COVID-19. Older adults and persons with disabilities are at high risk for severe illness from coronavirus disease 2019 (COVID-19). As a result, older adults and persons with

disabilities may experience an increased need for supportive services to remain at home during the public health crisis. The May Revision provides about \$100 million in one-time General Fund costs for COVID-19 response efforts in IHSS across 2019-20 and 2020-21. (We describe in more detail what specific program components are expected to experience a cost increase as a result of COVID-19 later in the post.)

Assessment

Comparison of Governor's January to May Revision Cost Estimates

The May Revision provides about \$4.2 billion from the General Fund for support of the IHSS program in 2020-21—which is essentially flat when compared to updated estimated General Fund costs in 2019-20. It is important to note that this flat year-over-year General Fund expenditure level masks a number of cost increases, savings, and costs shifts. Specifically, the May Revision assumes a temporary increase in federal funding offsets over \$370 million in increased General Fund costs in 2019-20 and over \$800 million in estimated increases in General Fund costs in 2020-21. Additionally, the May Revision assumes \$205 million of General Fund savings in 2020-21 as a result of the Governor's May Revision proposal to reduce IHSS service hours beginning in January 1, 2021. (As of June 9, 2020, the Legislature's budget package does not include the Governor's proposed reduction in IHSS service hours.) All of these estimated savings are partially offset by estimated increases in service costs due to growth in IHSS caseload, hours per case, and average wages along with one-time costs associated with COVID-19 response efforts. While IHSS General Fund costs are estimated to remain relatively flat between 2019-20 and 2020-21, total fund and federal fund costs are expected to increase by 8 percent and 14 percent, respectively—primarily due to the increase in COVID-19-related enhanced federal funding. In this section, we discuss key differences between the Governor's January and May Revision IHSS budget estimates.

Adjustments to Total IHSS Costs in 2019-20 and 2020-21 Relative to January. As shown in Figure 1, while the May Revision estimates *higher* total IHSS costs in 2019-20 relative to the Governor's January budget (\$391 million higher), it estimates that 2020-21 total IHSS costs will be *lower* than the Governor's January budget (\$162 million lower).

Figure 1

In-Home Supportive Services Total and General Fund Costs

Comparison Between Governor's January and May Revision Budget Estimates (In Thousands)

	2019-20			2020-21		
	January	May	Difference May to January	January	May	Difference May to January
Total Fund	\$13,225.4	\$13,616.6	\$391.2	\$14,903.8	\$14,742.1	-\$161.7
General Fund	4,491.4	4,297.7	-193.7	5,204.0	4,246.6	-957.4

The following bullets summarize the main reasons for the difference in total IHSS costs.

- Higher 2019-20 Total IHSS Costs Relative to January Estimates.** In 2019-20, the increase in total IHSS costs between the Governor's January and May Revision budget estimates is largely due to higher growth in hours per case, higher average provider wages, and one-time costs associated with COVID-19 response efforts. These estimated increases in total costs are partially offset by slower than estimated IHSS caseload growth.
- Lower 2020-21 Total IHSS Costs Relative to January Estimates.** In 2020-21, the decrease in total IHSS costs between the Governor's January and May Revision estimates is largely due to the May Revision's proposed 7 percent reduction to IHSS service hours beginning January 1, 2021 and reduction to IHSS administrative funding levels. These estimated decreases in total costs are partially offset by one-time COVID-19-related costs.

Lower General Fund IHSS Costs in 2019-20 and 2020-21 Relative to January. As shown in Figure 1, the Governor's May Revision estimates lower IHSS General Fund costs in 2019-20 (\$194 million lower) and 2020-21 (\$957 million lower) relative to what was estimated in the Governor's January budget. The difference between the May Revision and January IHSS General Fund costs estimates is primarily driven by a temporary increase to federal funding offsetting General Fund costs in both the current and budget year. The difference between January and May estimates in 2020-21 is further compounded by the May Revision proposal to reduce IHSS service hours by 7 percent.

Caseload, Hours Per Case, and Hourly Wage Assumptions

Adjustments to Caseload, Hours Per Case, and Cost Per Hour Relative to January Estimates. We have reviewed the administration's estimates of IHSS caseload, hours per case, and hourly wage estimates in light of actual caseload and provider wage data, and raise no concerns at this time. The following bullets summarize the adjustments made to caseload, hours per case, and hourly wages between the Governor's January and May Revision budget.

- **Caseload.** The Governor's May Revision estimates that the IHSS caseload will grow by 4.1 percent in 2019-20 to 558,797 (0.5 percentage points lower than the January estimate). In 2020-21, the caseload is estimated to continue to grow by 4.1 percent to 581,901 (0.4 percentage points less than the January estimate).
- **Hours Per Case.** Based on more recent actuals, the Governor's May Revision estimates that average hours per case would increase to 113.9 per month in 2019-20 (an increase of about 2 hours per month relative to January estimates). In 2020-21, average hours per case would increase to 115.6 per month (an increase of about 2 hours per month relative to January estimates).
- **Average Provider Hourly Wages.** The Governor's May Revision estimates the weighted average (based on caseload levels) of IHSS provider hourly wages to be \$15.58 in 2019-20 (an increase of 5 cents from January) and \$16.59 in 2020-21 (a decrease of 2 cents from January). We note that this cost includes things other than wages and benefits, such as certain associated taxes and administrative costs. The increase in the weighted average of provider hourly wages in 2019-20 largely reflects the inclusion of locally negotiated provider wage and benefit increases not captured in January estimates. The decrease in the weighted average of provider hourly wages in 2020-21 is largely due to lower caseload estimates relative to January estimates.

COVID-19 Cost Estimates

May Revision Includes One-Time Costs Associated With COVID-19 Response Efforts. As shown in Figure 2, the May Revision assumes increased demand and overall costs for certain components of IHSS due to COVID-19. Specifically, these increased costs include additional paid overtime above currently authorized amounts

and establishment of an emergency back-up provider system. Across 2019-20 and 2020-21, the administration provides about \$100 million in one-time General Fund for COVID-19 response efforts in IHSS. The majority of these costs (over 70 percent) are expected to be incurred in 2019-20. It is our understanding that the May Revision estimates were largely finalized prior to the implementation of many of the COVID-19 response efforts. As a result, each COVID-19-related item for IHSS reflects a point-in-time cost estimate that could not be informed by actual utilization data.

Figure 2

May Revision COVID-19-Related General Fund Costs^a

(In Thousands)

	2019-20	2020-21
Federally Required Paid Sick Leave	\$49,820	\$16,584
Emergency Back-Up Provider System	11,820	10,348
Additional IHSS Provider Overtime	8,386	—
IHSS Social Worker Overtime	5,074	—
Personal Protective Equipment Distribution	293	—
IHSS Provider Name-Based Background Check	263	—
Total Costs	\$75,656	\$26,932

^aIncludes service and administrative costs.

COVID-19 = coronavirus disease 2019 and IHSS = In-Home Supportive Services.

Initial Monthly Data Shows Lower Hour Utilization and Costs Associated With COVID-19 Response Efforts. As shown in Figure 3, actual IHSS hour utilization data for April 2020 shows significantly lower utilization of three key COVID-19-related response efforts: federally required paid sick leave, emergency back-up providers, and additional IHSS provider overtime.

Figure 3

Utilization of IHSS COVID-19-Related Program Components

Comparing May Revision Estimates to Actual Hour Utilization Data for April 2020 (In Paid Hours)

Total Monthly Paid Hours	April 2020		
	Administration	Actual	Difference

Federally Required Paid Sick Leave	2,415,600	3,214	-2,412,386
Emergency Back-Up Provider ^a	3,340,667	1,768	-3,338,899
Additional IHSS Provider Overtime	913,481	205,711	-707,770

^aExcludes Los Angeles County given that the \$2 per hour wage differential does not apply to the county's pre-existing Back-Up Attendant Program.

IHSS = In-Home Supportive Services and COVID-19 = coronavirus disease 2019.

The following bullets describe utilization for each item.

- Federally Required Paid Sick Leave.** On March 18, the President signed a federal relief act which provides for two weeks of emergency paid sick leave when an employee is unable to work due to the COVID-19 pandemic. In the case of IHSS, the federally required paid sick leave benefit became available to IHSS providers on April 2, 2020 and will remain in effect until December 31, 2020. The May Revision assumed that between April 2020 and June 2020, about 49,500 providers would utilize, on average, about 50 hours of federally required paid sick leave each month. However, in April 2020, only 56 providers utilized the federally required paid sick leave benefit, each using, on average, 57 hours of sick leave.
- Emergency Back-Up Provider System.** On March 30, each county was required to implement an emergency back-up provider (EBUP) system in which providers are assigned to IHSS recipients when their regular provider cannot work due to circumstances related to COVID-19. Under the EBUP system, IHSS providers are paid an additional \$2 per hour above the current county wage rate to provide emergency back-up services. (The \$2 wage differential does not apply to Los Angeles County given that the county's existing Back-Up Attendant Program already receives a \$3 wage differential.) The EBUP system is expected to be in effect from April 1, 2020 to December 31, 2020. Between April 2020 and June 2020, the May Revision assumed that about 55,680 providers would each provide 60 hours of emergency back-up services each month. However, actual utilization data shows that 47 providers were paid an additional \$2 per hour for providing emergency back-up services in April 2020 (on average, each emergency back-up provider was paid for 38 hours).
- Additional IHSS Provider Overtime.** The May Revision assumes that between April 2020 and June 2020, about 91,330 providers will be paid for working an additional 10 hours of overtime above currently authorized amounts each month.

Based on April 2020 actuals, however, about 2,500 providers worked extra overtime (each provider worked, on average, 84 hours of additional overtime).

Recommendations

We Recommend Initial \$20 Million Downward Adjustment to COVID-19 General Fund Costs in 2019-20... As shown in Figure 4, based on April 2020 utilization data, we estimate that the administration’s COVID-19-related costs in IHSS are overstated by as much as \$20 million. As a result, we recommend a total downward adjustment of at least \$20 million General Fund in 2019-20.

Figure 4

COVID-19-Related General Fund Costs

Comparing May Revision Estimates to Recommended LAO Estimates for April 2020

Monthly Cost Estimates (In Thousands) ^a	April 2020		
	Administration	LAO ^b	Difference
Federally Required Paid Sick Leave ^c	\$16,570	\$22	-\$16,548
Emergency Back-Up Provider System	3,940	1,283	-2,657
Additional IHSS Provider Overtime	2,795	629	-2,166
Total Costs	\$23,305	\$1,934	-\$21,371

^aReflects monthly service and administrative cost estimates.

^bLAO estimates based on hourly cost projections from Department of Social Services.

^cDoes not include fixed one-time mailer costs (about \$109,000 total General Fund in 2019-20).

COVID-19 = coronavirus disease 2019 and IHSS - In-Home Supportive Services.

...And Continued Exploration of Additional Adjustments. The administration assumes the same COVID-19 monthly cost estimates for May 2020 and June 2020. However, April 2020 utilization data may be an indication that May 2020 and June 2020 COVID-19 costs may also come in significantly lower than May Revision estimates. Thus, we recommend that the Legislature request actual May 2020 utilization data and adjust 2019-20 COVID-19-related costs accordingly. Additionally, the May 2020 data will provide a clearer understanding of whether the significantly lower utilization and cost trend experienced in April has continued into May and is likely to continue into June 2020—in which case an additional adjustment to 2019-20 costs would be warranted.

