



Leadership Briefing

How Michigan arrived at—and can move on from—its challenges with Direct Care Worker compensation.

More than 50,000 Direct Care Workers in Michigan's behavioral health system* provide daily support and independence to people with disabilities. However, DCW wages are tied to Medicaid funding, which hasn't kept up with the state's needs. As a result, many DCWs earn very low wages and often lack the most basic benefits, like health insurance.

Because of this, many DCWs are leaving their jobs for better-paying positions that offer more support for themselves and their families. Currently, there is 39% turnover in the field, which puts additional pressure on those trying to live and work within a system that pays an average starting wage of just \$16 per hour.

And when Michigan's minimum wage increases, the wage gaps will worsen even further. Worse still, as families who self-direct their care try to comply with the new sick time requirements, they'll be forced to reduce DCW wages still further.

Right now, Michigan's behavioral health system continues to collapse, creating a real—and worsening—state of emergency for people whose needs are greatest:

- Chronic or extended hospitalizations (we're talking months, not weeks),
- Reliance on aging parents for ongoing care and, most important of all,
- Providers are starting to withdraw services due to the lack of sufficient reimbursements

In short, Michigan now faces a costly—and dangerous— provider network adequacy issue.

During the past three years, the Legislature has been working to increase DCW compensation, and we are grateful for its efforts. However, long-term, consistent supports for caregivers is now decades overdue.

In the past, we've asked for DCW pay increases to ensure safety and independence for the people they serve. But while that is an essential part of the equation, it's not going to solve the entire problem.

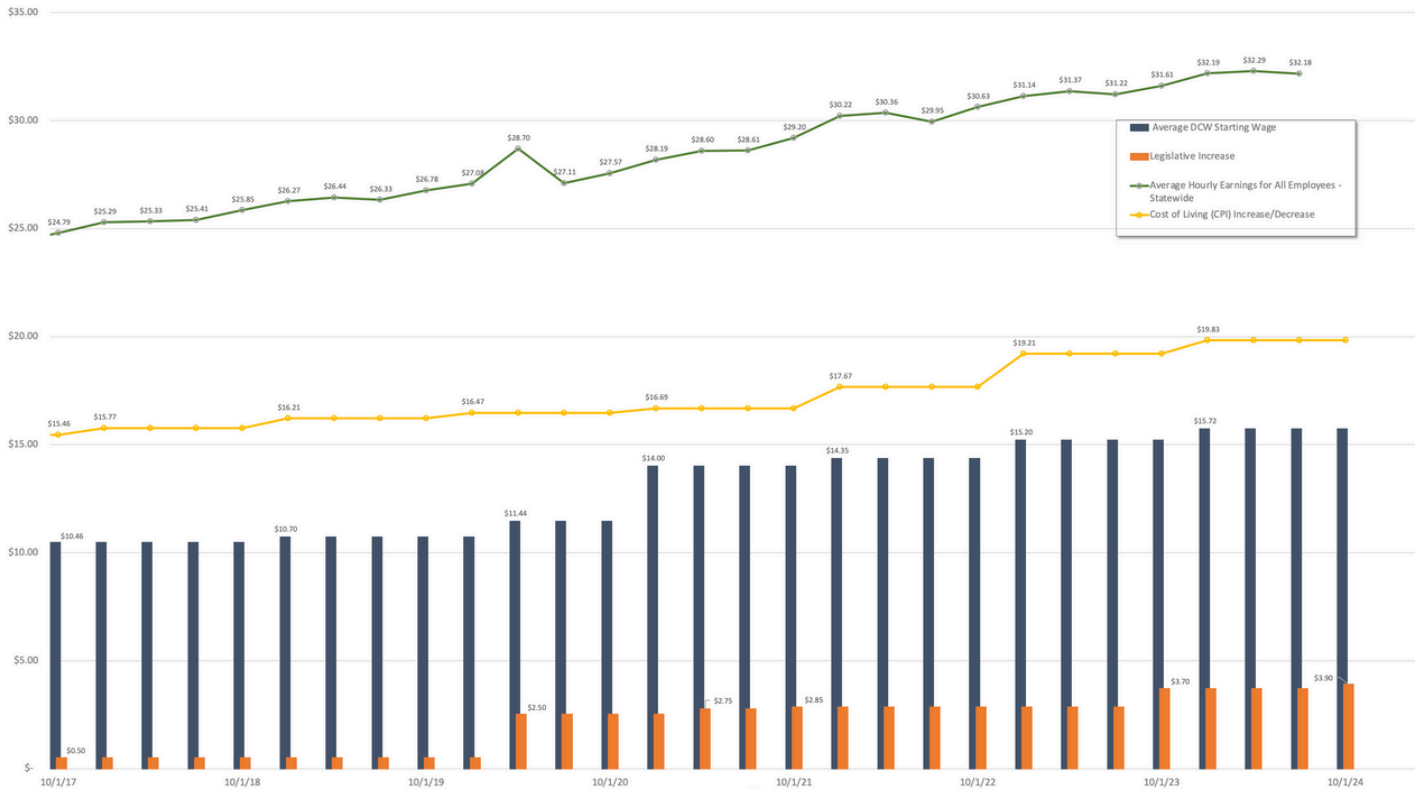
Who we are

- The Arc Michigan
- Autism Alliance of Michigan
- Association for Children's Mental Health
- Community Living Services
- Community Mental Health Association of Michigan
- Disability Network Michigan
- Incompass Michigan
- Mental Health Association of Michigan
- Michigan Assisted Living Association
- Michigan Developmental Disabilities Council
- Michigan Developmental Disabilities Institute
- Michigan Disability Rights Coalition
- Michigan Statewide Independent Living Council
- Michigan United Cerebral Palsy
- National Alliance on Mental Illness- Michigan

*Combined with DCWs working with other populations (e.g., individuals with disabilities and older adults in Michigan), the number of DCWs exceeds 100,000.



DCW Wages in Michigan aren't keeping pace with the cost of living—and legislative increases aren't enough



Find Administrative Efficiencies within the Medicaid Wage Pass-Through Model

Michigan DCWs are typically paid through multiple sources: federal Medicaid dollars, state general fund money (the orange columns in the graph above), and any available local funds.

One hundred percent of all state GF and local funds reach DCWs in Michigan. Generally speaking, the federal Medicaid funds, which make up most of the money available to pay DCWs, are handled through a wage pass-through system. Medicaid funds are distributed by the federal government, which are then allocated by the state. The funds make a stop inside MDHHS, which then allocates a portion to the state's pre-paid inpatient health plans (PIHPs). From there, the dollars go on to local community mental health agencies for distribution to DCWs. At each level, portions of the funds are removed to compensate these agencies for the administrative work associated with distribution and reporting.

A more efficient model is needed to ensure more of Michigan's Medicaid allocation can pay DCWs. Here's how we can build it:

Boost DCW Compensation

Michigan must increase its GF allocation to the state's 50,000 DCWs in the behavioral health system by \$4.00 per hour.

- Direct supervisors also must receive wage increases that are commensurate to the compensation of the individuals that report to them.
- DCWs should receive health care benefits and paid time off, as well as a supportive work environment.
- Rates for DCWs working in other sectors are increasing, but behavioral health is being left behind.

The total cost of the change in the behavioral health sector will be \$287 million.*

*The total cost in the behavioral health sector will be \$287 million gross Medicaid funding, of which approximately 2/3 consists of federal dollars.



Simplify Administration

Streamline and standardize reporting and documentation requirements, particularly with respect to Electronic Visit Verification and progress notes. This outcome will help the remaining pool of available DCWs to provide supports more effectively, including higher levels of service, rather than unnecessarily spending time on paperwork.

Elevate the DCW Profession

Work to boost opportunity and growth within the DCW profession by investing in other critical aspects of the field, including:

- Accessible, competency-based training
- Tiered certification promoting a career pathway
- Consistent, portable, recognized credentials
- Professional associations
- Ethical standards
- Research and innovation
- Mentorship and leadership development
- Advocacy and public awareness
- Recognition and awards
- Stakeholder collaboration
- Diversity and inclusion
- Continuous improvement

Partner with Local Economic and Workforce Agencies

Build better routes to DCW jobs and use data about the availability of local DCWs as a selling point for communities looking to attract new jobs and employers. By showing that it's possible for people with disabilities to live a full life in Michigan, we can make our state stronger and make economic development a priority.

- Build linkages with Michigan Works! agencies statewide as part of an effort to elevate the DCW profession.
- Seek opportunities to collaborate with economic and business attraction efforts.

Action is needed now. Michigan's direct care workers—and the families, businesses, and communities that depend on them—can't afford to wait.

Economic Benefits Accrue When the Workforce is Supported

According to a 2021 study authored by Great Lakes Economic Consulting, the statewide benefits of boosting DCW wages are significant.

A \$1 wage increase would generate an estimated \$4.8 million in additional state income tax revenue, a \$5 increase, \$24 million.

In addition, there will be benefits from increased productivity and better care for those receiving care. There will also be the societal benefits of improving the living standards of these workers, many of whom are minorities and women, and will contribute, in a small way, to reducing income inequality. It is not possible to place a dollar value on these benefits, but they are significant and important. Low wages also lead to a shortage of DCWs which has other economic consequences.

There are numerous accounts of parents of children with severe developmental disabilities who cannot find or lose caregivers due to a shortage of qualified staff.

Costs and Benefits of Wage Increase for DCWs*

	\$1 an Hour Wage Increase	\$5 an Hour Wage Increase
Costs		
Wage Increase	\$93 million	\$465 Million
Benefits		
Reduced Turnover	\$5.4 million	\$27 million
Reduced Public Assistance	\$3.2 million	\$16 million
Increased Tax Revenue		
Federal	\$17 million	\$85 million
State	\$7 million	\$35 Million
Increased Economic Activity	\$20 million	\$98 million
Total Benefits	\$52.6 million	\$261 million

*This table is reproduced from a 2021 report conducted by Great Lakes Economic Consulting, available at dcwmichigan.org.

We know Michigan can do better.

Working together, we can ensure the independence and well-being of people with mental illness and developmental disabilities. We can make it a point to deliver appropriate levels of compensation for Direct Care Workers in order to achieve this aim.

Let's make it happen.

