

NEW YORK FAMILIES DEPEND ON HOME CARE - HOME CARE NEEDS SUPPORT

Support \$150 Million from MCO Tax for Licensed Home Care Services Agencies (LHCSAs)

WHY IS THIS CRITICAL?

According to the Governor's budget, **demand for home care is growing by 12%** annually as New York's older adults and persons with disabilities increasingly rely on these essential services. Home care enables individuals to remain in their homes at a **lower cost than institutional care**.

Licensed Home Care Services Agencies, or **LHCSAs, provide high-quality, cost-effective care**, yet they face rising operational expenses, similar to other healthcare providers. However, unlike hospitals and nursing homes, **LHCSAs lack the ability to offset costs through cross-subsidization, making adequate funding essential**.

RISING COSTS THAT THREATEN HOME CARE SERVICES

While wages for home care aides have increased, LHCSAs also face growing costs for:

- Nursing salaries
- Health insurance & benefits for office staff
- Administrative wages & benefits (service coordinators, compliance staff, managers, trainers, etc.). There is increased need to keep pace with aide wages and other industries.
- Unemployment & workers' compensation insurance
- Insurance (general liability, cybersecurity, auto)
- Sick leave requirements for office staff
- PPE costs for both field and office staff
- Recruitment & retention efforts (advertising, job postings)
- Training & certification programs for home health aides
- Staff training, conferences, education, subscriptions
- Travel expenses
- Technology & cybersecurity (electronic health records, software fees, compliance systems)
- Office infrastructure & operational costs (rent, utilities, payroll services, equipment, IT systems, postage, supplies, answering services)
- Legal & accounting services
- Borrowing costs to maintain weekly payroll
- State-mandated reporting (cost reports, statistical reports, etc.)
- Bad debt
- Medicaid assessment tax

CURRENT FUNDING IS INADEQUATE

Medicaid reimbursement rates have not kept pace with wage increases. When the state mandates wage hikes, managed care plans often fail to increase reimbursement rates accordingly, creating massive financial shortfalls.

Unlike hospitals and nursing homes, LHCSAs rely almost entirely on Medicaid, which fails to fully cover operational costs. As a result, many are closing, merging, or struggling to sustain services, forcing families to seek costlier alternatives.

To survive, agencies have turned to unsustainable measures—depleting reserves, relying on credit, delaying payments, and seeking private equity. Despite strict wage and hour compliance, underfunding forces cuts to other operational essentials, weakening infrastructure and stability. LHCSAs simply lack the financial support to meet market demands.

LHCSAS PROVIDE CARE THAT SAVES VALUABLE MEDICAID DOLLARS

20 hours of personal care at home / week costs **65% less** than nursing home care
30 hours of personal care at home / week costs **48% less** than nursing home care
40 hours of personal care at home / week costs **30% less** than nursing home care

CLARIFYING LHCSA ADMINISTRATIVE COSTS: A MORE ACCURATE BREAKDOWN

The administrative component of the home care rate is more accurately categorized as follows:

- **Operational Supervision & Support (8.4%)** – Includes nursing oversight, home health aide (HHA) supervision, and care coordination/team support.
- **Other Operational Support Services (2.2%)** – Covers education, quality assurance, and staff recruitment.
- **Business Support Services (5.1%)** – Encompasses HR, IT, finance, call center operations, legal compliance, and communications.
- **Management & Facilities Support (1.7%)** – Accounts for rent, facility-related expenses, and general management costs.

HOW DO LHCSA ADMINISTRATIVE COSTS COMPARE?

LHCSA operational costs are consistent with those of hospitals, nursing homes, clinics, and private medical practices, aligning with New York State's reimbursement policies across healthcare sectors.

NYS Fee-for-Service regulations permit up to **28% of personal care service costs for administrative expenses.**

Nursing homes, by comparison, can allocate **30% of total costs to non-direct resident care.** Importantly, the 70% required for direct resident care includes operational expenses like facility maintenance, nursing administration, and other essential services. Non-direct costs encompass administration, capital and depreciation, debt service, taxes, rent, and fiscal services.

DEFINING "ADMINISTRATIVE & GENERAL" (A&G) COSTS

While the definition of A&G costs varies, the costs do not. For LHCSAs, any cost outside of direct home health aide or personal care wages is classified as administrative.

However, hospitals and nursing homes categorize many of these same costs under healthcare delivery rather than administration - highlighting an inconsistency in classification.

The Takeaway

LHCSA administrative costs are reasonable, necessary, and comparable to other healthcare providers. To ensure the sustainability of home care services, reimbursement models must reflect the true costs of delivering high-quality, compliant, and accessible care.

SUPPORT \$150 MILLION FROM MCO TAX FOR LICENSED HOME CARE SERVICES AGENCIES (LHCSAS)