
Revised March 30, 2005

IN-HOME SUPPORTIVE SERVICES PROGRAM

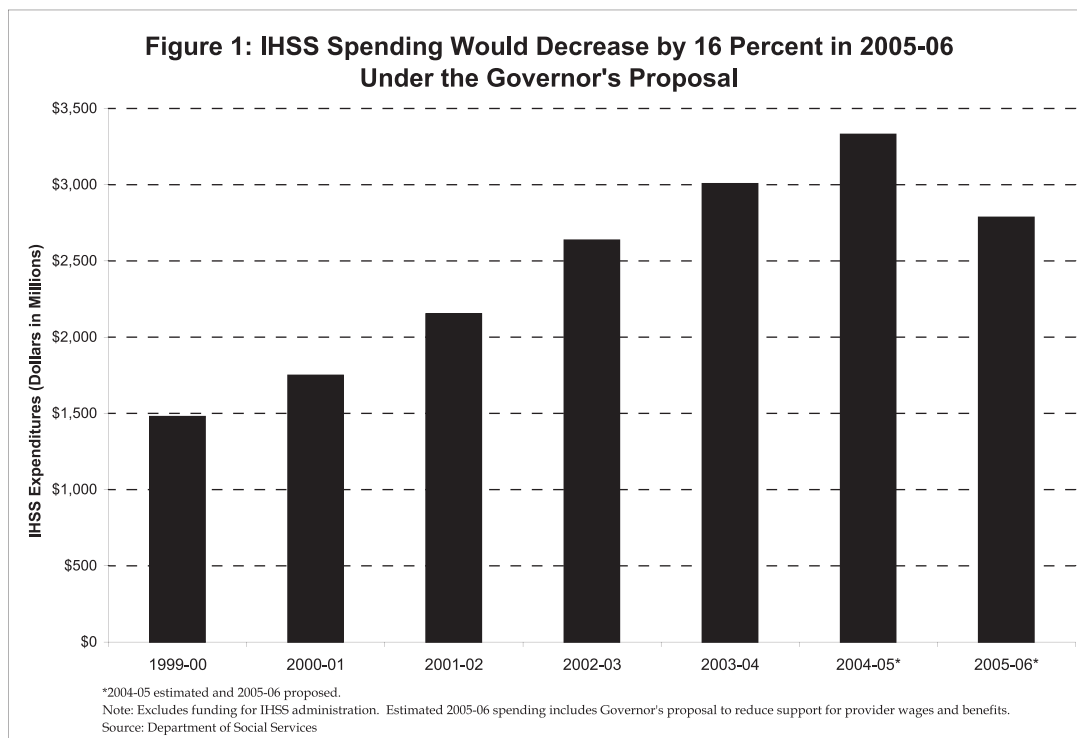
The In-Home Supportive Services (IHSS) Program provides in-home personal care and domestic services to low-income individuals who are blind, elderly, or who have disabilities. The Governor's budget proposal to reduce state support for providers of IHSS services could reduce the incomes of approximately 269,000 Californians. In addition, the proposal could impact the recruitment and retention of IHSS providers and increase the use of expensive out-of-home care.

The IHSS Program provides services that enable low-income individuals who are blind, elderly, or who have disabilities to remain in their own homes as an alternative to out-of-home care

- More than half (50.9 percent) of IHSS recipients have disabilities, 46.5 percent are elderly, and 2.5 percent are blind.¹
- IHSS services include meal preparation, laundry, shopping, non-medical personal care services, assistance while traveling to medical appointments, and certain paramedical services ordered by a physician.
- The federal government pays 50 percent, the state pays 32.5 percent, and the counties pay 17.5 percent of costs that are eligible for federal reimbursements.² The state pays 65 percent and the counties pay 35 percent of costs that are not eligible for federal reimbursements.³

Most of the increase in IHSS spending is due to increased caseloads and higher hourly costs

- Total expenditures for IHSS services (excluding funding for county IHSS administration) increased by 125.2 percent between 1999-00 and 2004-05 (Figure 1). Under the Governor's proposal, total expenditures would decrease by 16.3 percent between 2004-05 and 2005-06 (see below).
- Costs in the IHSS Program are mainly driven by three factors: caseloads, hours of service per case, and the hourly cost of providing services. Most of the increase in IHSS spending is due to caseload growth and increases in hourly costs.
- The IHSS caseload increased by 65.7 percent between 1999-00 and 2005-06. The growth in the elderly population has outpaced California's overall population growth and contributes to the increase in the IHSS caseload. For example, the number of Californians age 65 and older is projected to increase by 23.1 percent between 2000 and 2010. In contrast, the total number of Californians is projected to increase by 15.3 percent during the same period.
- Hourly costs for providing services are primarily wages paid to providers. The 2004-05 Budget assumes the state will cover wages and health benefits up to \$10.10 per hour for certain providers.⁴ Spending on wages above the minimum wage and health benefits has increased as a share of total IHSS spending, from 4.8 percent in 1999-00 to 17.6 percent in 2003-04.



The Governor's proposal could reduce the wages and benefits of IHSS providers, which could impact the recruitment and retention of providers and increase the use of expensive out-of-home care

- The Governor proposes to reduce state support for providers by only sharing in the cost of wages at the state's minimum wage of \$6.75 per hour.⁵ This would result in General Fund savings of \$164.0 million in 2005-06 and \$216.8 million annually thereafter.⁶
- Research suggests that the number of individuals who remain or become IHSS providers could decrease if wages and benefits are reduced, which could impact the ability of IHSS recipients to find providers.⁷
- To the extent that IHSS recipients cannot recruit or retain IHSS providers and thus go into state-funded out-of-home care, any savings due to the budget proposal would be offset by increased state costs in other programs. Costs for out-of-home care, such as skilled nursing facilities, are significantly higher than costs for IHSS services. For example, in 2005-06, the state's monthly cost for an IHSS case is estimated to be almost \$300, compared to about \$1,800 for a skilled nursing facility or about \$2,400 for an intermediate care facility.⁸
- A 2001 study by the Department of Social Services (DSS) estimated the number of IHSS recipients and providers from 2000 to 2040 and concluded that the demand for providers may be far greater than the supply in the future.

Despite increased federal funding for IHSS, the Governor proposes deep reductions

- The Governor's Proposed Budget includes \$230.9 million in state savings in 2005-06 from the federal government's approval of the state's request to use federal funds to help pay for IHSS cases that were formerly funded solely with state and county funds.⁹
- The Administration indicates that counties would have the option to reinvest local savings resulting from the increased federal funds in the IHSS Program. However, the state's budget crisis has already

taken a toll on county budgets, since the state has reduced funding for county health and human services programs. For example, the Governor's Proposed Budget fails to provide counties with funding increases to cover basic operating expenses for most county-administered health and human services programs for the fifth consecutive year.¹⁰ Counties have also been squeezed by more general pressures on their budgets.¹¹

Reducing provider wages and benefits would affect the poorest Californians and local economies

- The cut in state funding for IHSS wages and benefits would reduce the incomes of approximately 269,000 Californians (Appendix 1).¹²
- Based on 2000 data, IHSS wages were the only source of earnings for about three-quarters (77 percent) of IHSS providers. The median monthly earnings for these providers were \$436. These earnings represented over one-third (37 percent) of the 2000 federal poverty level for a family of three.¹³
- The state would lose one dollar of federal funds for every dollar reduced for federally-eligible expenditures. The Governor's proposal could result in a loss of federal funds of \$270.8 million in 2005-06 and \$357.9 million in 2006-07.¹⁴
- Because IHSS workers spend their wages in local communities, local economies would also be affected by the proposed reductions. Under the Governor's proposal, local economies could lose state and federal payments to IHSS providers for wages above the minimum wage and health benefits of \$434.8 million in 2005-06 and \$574.7 million in 2006-07.

Agnes Lee prepared this Budget Backgrounder. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at www.cbp.org.

ENDNOTES

¹ Department of Social Services, *In-Home Supportive Services: Recipient Report* (June 2002), p. 1.

² The Department of Social Services estimates that 80.7 percent of the IHSS caseload will be eligible for federal funding in 2005-06.

³ The cost sharing ratios apply to IHSS services, not administration.

⁴ Current law authorizes the state to pay for wages above the minimum wage and benefits for providers as negotiated by an IHSS Public Authority. Counties may establish a Public Authority to conduct IHSS activities, such as assisting recipients in finding IHSS providers, investigating the qualifications of potential providers, and providing training for providers and recipients. An hourly wage of \$10.10 is equivalent to 134 percent of the federal poverty level (FPL) for a family of three in 2004, based on full-time year-round work.

⁵ Under the Governor's proposal, the state would no longer share in the cost for health benefits. An hourly wage of \$6.75 is equivalent to 90 percent of the FPL for a family of three in 2004, based on full-time year-round work.

⁶ The Governor also proposes to reduce the state's share of costs for provider wages and benefits to the levels in place as of June 30, 2004, effective July 1, 2005. This would result in General Fund savings of \$42.7 million in 2005-06. This proposal would affect nine counties that have negotiated contracts in 2004-05 for higher wages and benefits for IHSS providers. The Governor's proposal to share only in the cost of wages at the state minimum wage would go into effect for all counties on October 1, 2005.

⁷ Candace Howes, *The Impact of a Large Wage Increase on the Workforce Stability of IHSS Home Care Workers in San Francisco County* (Connecticut College: November 2002).

⁸ The state's monthly cost for the IHSS case reflects the cost for a case that is eligible for federal reimbursements. The state's monthly cost for an IHSS case that is not eligible for federal reimbursements is estimated to be about \$500. The state would pay for nursing home/intermediate care facility costs in the Medi-Cal Program since many IHSS recipients are also eligible for Medi-Cal.

⁹ In July 2004, the state received federal approval to use federal funds for recipients whose services are provided by a spouse or parent (if the recipient is a minor child), recipients receiving payments in advance of services being delivered, and recipients

with allowances for restaurant meals. The state is waiting for federal approval to use federal funds for cases with protective supervision services in which the provider is not a parent or spouse and for cases in which only domestic services, such as meal preparation, are provided.

¹⁰ For a discussion of state budget cut impacts to county-administered health and human services programs, see California Budget Project, *Stretched Thin: State Budget Cuts Threaten California's Health and Human Services Programs* (May 2004). Counties received \$542.0 million (\$365.4 million General Fund) less in 2003-04 than they would have received if annual increases for basic operating expenses had been provided since 2001-02.

¹¹ For example, the 2004-05 budget agreement shifted \$1.3 billion in property tax revenues from local governments, including \$350 million from counties, to reduce the state's contribution to K-14 education. Under the budget agreement, the property tax shift occurs in 2004-05 and 2005-06.

¹² This figure represents the number of IHSS providers who were paid above the minimum wage during December 2004. Counties could increase their funding to offset the proposed reduction in state payments.

¹³ Department of Social Services, *IHSS Providers: Characteristics of Caregivers in the In-Home Supportive Services Program* (October 2001).

¹⁴ If counties were to increase their funding to offset the proposed loss in state payments, the federal government would provide one dollar for every county dollar for federally-eligible IHSS expenditures.

Appendix 1: Number of IHSS Providers and Wages/Health Benefits Paid, December 2004

County	Cost of Wages and Health Benefits	Number of Providers	County	Cost of Wages and Health Benefits	Number of Providers
Alameda*	\$10.10	12,338	Orange*	\$8.60	9,469
Alpine	\$7.11	15	Placer*	\$8.60	1,027
Amador	\$6.95	261	Plumas*	\$7.71	259
Butte	\$7.11	2,658	Riverside*	\$9.10	9,428
Calaveras	\$6.75	235	Sacramento*	\$10.10	13,900
Colusa	\$6.75	184	San Benito	\$9.50	267
Contra Costa*	\$10.95	5,670	San Bernardino*	\$8.88	13,628
Del Norte	\$6.75	339	San Diego*	\$9.10	16,710
El Dorado	\$6.75	520	San Francisco*	\$11.98	12,858
Fresno*	\$8.35	10,194	San Joaquin*	\$9.03	4,304
Glenn	\$7.11	393	San Luis Obispo	\$6.95	1,238
Humboldt	\$6.75	2,090	San Mateo*	\$10.38	2,060
Imperial	\$6.75	3,401	Santa Barbara*	\$8.60	2,201
Inyo	\$6.75	77	Santa Clara*	\$12.03	8,639
Kern	\$6.75	4,067	Santa Cruz*	\$10.10	1,828
Kings	\$6.75	1,248	Shasta	\$6.75	2,163
Lake	\$6.75	1,503	Sierra*	\$7.71	69
Lassen	\$6.75	226	Siskiyou	\$6.75	576
Los Angeles*	\$8.46	117,745	Solano*	\$10.10	2,454
Madera	\$6.75	1,185	Sonoma*	\$10.10	3,480
Marin*	\$10.35	1,296	Stanislaus	\$6.95	3,963
Mariposa	\$6.75	255	Sutter	\$6.75	587
Mendocino	\$8.50	1,285	Tehama	\$6.75	1,050
Merced	\$6.95	1,994	Trinity	\$6.75	369
Modoc	\$6.75	125	Tulare	\$6.75	2,020
Mono	\$7.11	45	Tuolumne	\$6.75	168
Monterey*	\$10.10	2,383	Ventura*	\$8.60	2,433
Napa*	\$10.10	651	Yolo*	\$10.20	1,284
Nevada*	\$7.71	827	Yuba	\$6.75	576
Total			292,218		

* County provides health benefits.

Source: Department of Social Services