



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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December 12, 2022

TO: Honorable Jay Inslee

FROM: David Schumacher
Director

SUBJECT: FINANCIAL FEASIBILITY OF 2023-25 CDE RATE RECOMMENDATIONS
SUBMITTED BY CONSUMER DIRECTED EMPLOYER RATE-SETTING
BOARD BY OCTOBER 1, 2022

Individual providers (IP) have transitioned from contracted employees of the Department of Social and Health Services (DSHS) to employees of the Consumer Directed Employer (CDE). With this transition, the state no longer negotiates a collective bargaining agreement with the union that represents IPs. Instead, RCW 74.39A.530 established the CDE Rate-Setting Board (Board) to evaluate and propose changes in the rates paid to the CDE.

RCW 74.39A.530(7) requires the Governor to submit a request for funds necessary to implement the Board's proposed rates if the rates are submitted to the director of the Office of Financial Management (OFM) by October 1 and the director certifies the rates as being "feasible financially for the state." If the director does not certify the rates as feasible financially for the state, the Governor is prohibited from submitting a request to the Legislature for funds necessary to implement the recommended rates.

This memorandum is provided to inform you that the Board's recommended rates submitted to OFM by October 1, 2022, are feasible financially for the state in considering the state's obligation to provide services for the health and safety of Washingtonians balanced against the current and forecasted economic and revenue conditions for our state.

Recommended rates

The Board is directed to propose an hourly rate for IPs. The hourly rate is composed of two components: (1) the labor rate, which shall be used exclusively for paying the wages, associated taxes and benefits of individual providers, and (2) an administrative rate used to perform the vendor's administrative duties. The labor rate includes a specific amount for health benefits.

The Board recommends the following hourly rate increases:¹

	End of FY2023	FY 2024	FY2025
CDE Labor Rate Component	\$28.55	\$32.02	\$33.86
CDE Administrative Rate Component	\$1.81	\$1.98	\$2.02
Total	\$30.36	\$34.00	\$35.88

In addition, the Board recommends a Home Care Agency administrative rate increase of \$.56 per hour.

¹ Pursuant to RCW 74.39A.310, funding will need to be provided for parity with agency providers.

Feasible financially for the state

To meet the October 1 deadline, the Board started meeting prior to the June 2022 quarterly state revenue forecast prepared by the Economic and Revenue Forecast Council. Although the June forecast indicated some negative factors, the revenue forecast for Washington continued to be stronger than expected. Since that time, the revenue forecasts have continued to improve. Since the September 2022 forecast, the cumulative major general fund state revenue has come in \$282.8 million (6.5%) higher than forecasted. The Economic and Revenue Forecast Council adopted the official state economic and revenue forecast at its November 18 meeting. The forecast increased the state's revenue projections by \$762 million for the remainder of the current biennium and \$681 million for the 2023–25 biennium.

The Board's guiding principles in determining the recommended rates are based on its mission. The Board's mission is to determine a rational and sound rate guided by the joint goals of continuing a successful self-directed, in-home care program and promoting the growth of the individual provider workforce, while sustaining the CDE.

Individual providers serve the most vulnerable Washingtonians. Their services keep many of the most vulnerable clients in their homes, which is both the less expensive alternative than providing services in other care settings and is the best environment for them. For example, without the services of IPs, more elderly clients may have to be placed in adult family homes or nursing homes at a much greater cost. Adding and retaining the IP workforce remains a high priority for the state.

The rate increases recommended by the Board are both fair and necessary to meet the above principles and workforce priorities.

Conclusion

Based on the economic information and what is needed to recruit and retain a quality IP workforce, I have determined that the 2023-25 CDE rates recommended by the Board and submitted to OFM by October 1, 2022 are feasible financially for the state. The request for funds necessary to implement the rates must be included in the Governor's proposed 2023-25 biennial operating budget that will be submitted to the Legislature.

cc: Jamila Thomas, Chief of Staff, Office of the Governor