

Testimony on LD 210, An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2025, June 30, 2026 and June 30, 2027

Good afternoon, Senator Rotundo and Representative Gattine, Senator Ingwersen and Representative Meyer, and members of the Joint Standing Committees on Appropriations and Financial Affairs and Health and Human Services. My name is Arthur Phillips, and I am an analyst at the Maine Center for Economic Policy. I am here to testify in opposition to Part UU of LD 210.

State lawmakers, including this administration, have worked hard to establish a process for setting reimbursement rates for MaineCare and state-funded direct care supports and services. After years of neglect, lawmakers, including many of you, implemented a system to ensure that rates paid to providers were not woefully falling behind the actual cost of providing care. Among them is the statute that requires the labor portion of direct care costs be reimbursed at no less than 125% of the minimum wage and indexed each year.

Part UU, however, would nullify this work and significantly cut direct care workers' wages. The language removes the requirement to reimburse direct care labor at 125% or the requirement to implement an annual COLA. If passed, simply halting COLAs would reduce wages for direct care workers by up to \$1,690 annually by 2027, with the possibility of greater wage cuts depending on appropriations.

You have all likely heard the outcry over Part UU in recent days and weeks. Why? Because it takes us in precisely the opposite direction we need to go when we already know how hard it is to find care when we need it most. Because it will have negative health impacts and lead to more costly and perilous interventions for those who cannot access direct care and supports. Because it asks our most essential workers to shoulder the burden of our budget deficit, rather than asking those who have benefited the most in our economy to pay their fair share.

We know that if we do not pay direct care workers competitive wages, we are setting up a system that will fail and harm the people in Maine who deserve and are entitled to care. We also know it will have significant, reverberating impacts throughout our economy. Despite progress in recent years, MECEP's research finds that our collective failure to competitively compensate direct care professionals is keeping more than 8,000 people out of Maine's labor force. It costs our economy more than \$1 billion in economic output each year. It reduces state and federal budgets by nearly \$70 million annually. It causes costly burdens on our hospitals and limits their ability to provide acute care.

While lawmakers have taken significant steps in the right direction, we know that today in Maine, thousands of older adults, people with disabilities, and individuals with behavioral health

challenges do not receive the personal care and support services they qualify for through state and federal programs. Our research finds that Maine needs more than 2,300 additional full-time workers to bridge the gap between the care people are entitled to and approved for, and what is available. On top of this are the thousands of workers who leave direct care jobs each year, and the growing demand for direct care including individuals with disabilities and those requiring assistance as they age.¹

Direct care professionals are clear that their work is not for everyone, and many consider it a calling. However, they are similarly clear that they cannot sacrifice their own economic security to remain in the field. In a survey of hundreds of direct care professionals we conducted as a member of the Essential Care and Support Workforce Partnership, workers made clear that the number one thing our state could do to improve recruitment and retention is provide fair compensation.

Currently, direct care professionals in Maine are paid less, on average, than cooks, janitors, and customer service representatives. A recent analysis found Maine's direct care workers earned an average of \$1.92 cents less per hour than workers in occupations with similar entry-level requirements. Based on this, we find a competitive median wage for direct care workers should be at least 140% of minimum wage. Accounting for working conditions which contribute to very high turnover rates, wages may need to rise even more to meet all Maine people's needs.

Fortunately, in this session we will have the opportunity to pursue policies that secure the health of Maine residents and our economic stability by providing direct care professionals a competitive wage, and we look forward to a forthcoming hearing on Speaker Fecteau's bill to do just that. We also have several options for generating the revenue to pay for raising, not cutting, direct care professionals' wages. Currently, the richest 1% of Maine residents pay a smaller share of their income to state and local taxes than do middle class workers. Meanwhile, more than 4,200 corporations pay \$0 or less in Maine income taxes. We know we can do better for our state by asking those who benefit most in our economy to pay their fair share.

We urge you to reject Part UU and instead seek sustainable, fair ways to fund the direct care system so many of us rely on.

Thank you for the opportunity to testify and I welcome any questions you may have.

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¹ For more information and sources, please see "Closing the Gap: Maine's Direct Care Shortage and Solutions to Fix It," MECEP, June 2024, HYPERLINK "<https://www.mecep.org/jobs-and-income/closing-the-gap-maines-direct-care-shortage-and-solutions-to-fix-it/>", and "The High Cost of Undervaluing Direct Care Work," MECEP, April 2023, HYPERLINK "<https://www.mecep.org/health-care/the-high-cost-of-undervaluing-direct-care-work/>"