CARING ACROSS GENERATIONS

Universal Family Care: A Plan for Maine

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Introduction

Fifty years ago, millions of Americans found a dream within reach. In what Nancy Fraser calls the "family wage" system,[1] men with well-paid (often union) jobs earned a wage that was large enough to support their whole family, including their spouse and children. This expectation, that workers should earn enough to support more than just themselves, contributed to the largest expansion of the middle class—and the most dramatic narrowing of income inequality—ever in American history.

The family wage system reflected the strengths and weaknesses of the New Deal's signature programs. On the one hand, old age, disability, and unemployment qualified workers and their families for public support, a tremendous accomplishment that took decades of organizing to achieve.

On the other hand, the system had problems. First, workers paid for these programs through regressive—albeit initially small—payroll taxes. Today, most Americans pay more of their income in payroll taxes than any other kind of tax.[2] With one notable exception discussed below, American payroll taxes are regressive.

Second, the New Deal excluded many people from this prosperity along lines of race and gender. In terms of race, key employment protections did not extend to domestic and agricultural workers, at the insistence of Southern segregationists in Congress who intentionally excluded the mostly African-American and immigrant workers in these occupations. Scholars estimate these Black farmers missed out on approximately $600 billion in benefits, nearly the entire value of the 2009 economic stimulus, as they became too old to work in the late sixties and early seventies.[3]

In terms of gender, the family wage system reinforced the premise that women belonged in the home, performing care work outside of the formal wage system. Households making less than the family wage were out of luck; they simply had to make do with less. Thus, while the New Deal alleviated the most desperate forms of poverty, it relied on the patriarchal subsidy of women's unpaid care work.

[1] See chapter four in *Fortunes of Feminism*, Nancy Fraser, Verso 2013.
[2] http://www.cbpp.org/research/federal-tax/policy-basics-federal-payroll-taxes
[3] https://csd.wustl.edu/Publications/Documents/WP16-17.pdf

Today, the family wage system is no longer an American value, for better *and* for worse. On the positive side, second wave feminism drastically reduced the stigma around women entering the workforce. Efforts to apply protections to agricultural and domestic workers have inched along in many states, including Maine, and at the federal level, with homecare workers winning, for example, the right to overtime pay. But dramatically increasing inequality means, for most American families, the family wage system has been traded for another way of life that really cannot be described as better—and, for many families, is actually worse.

There are several causes, all of which are related to the rise of market-based policies that both parties pursued at the end of the twentieth century. First, very few occupations provide enough income to support an entire family, particularly with the decline of unions and the offshoring of jobs. Second, with more members of the family entering the workforce to make up for declining wages, families face a set of dramatic new costs, as the bills arrive for previously unpaid care work. In particular, childcare and care for the elderly—the kind of work deliberately excluded both from the employment protections and public benefits of the family wage social insurance system—must now be paid for like any other commodity. Exacerbating this problem, the United States still lacks a paid family and medical leave system, meaning families must often choose between caring for a loved one and paying for basic necessities.

As a result, we face a care crisis. In Maine, the cost of childcare already exceeds the cost of in-state tuition at the University of Maine, and is nearly the cost most families pay for housing.[4] At the other end of life, Maine is the oldest state in America. By 2030, the share of Maine's population over 65 will double, meaning over 110,000 more people will require aging services. Many people assume Medicare covers the home healthcare services necessary to allow otherwise independent seniors to age outside of a nursing home or similar facility. It does not. In fact, the median annual cost for home healthcare in Maine is over $50,000,[5] more than most Maine households earn in an entire year. Furthermore, private long-term care insurance is expensive (about $3,000 a year for a married couple in their sixties[6]), very few people have it,[7] and it's not clear that the private insurance market will even survive.[8]

In other words, obliterating the family wage system—particularly with respect to childcare and home healthcare—has created problems the "free market" cannot solve. This shows up acutely in the twin problems of workforce development (from the

[4] Based on the Economic Policy Institute's calculation of the cost of in-state tuition at a four year public college, and the average rent in Maine. http://www.epi.org/child-care-costs-in-the-united-states/#/ME
[5] https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/cost-of-care/118928ME_040115_gnw.pdf
[6] http://assets.aarp.org/rgcenter/health/state_ltcb_09_me.pdf
[7] http://assets.aarp.org/rgcenter/health/state_ltcb_09_me.pdf
[8] http://time.com/money/4250147/long-term-care-insurance-rising-premiums

perspective of centers and agencies) and low wages (from the perspective of workers). Families simply cannot afford to pay more for care. Employers claim they cannot pay wages competitive enough to recruit, hire, train, and retain a stable, talented workforce. Constant turnover often means lower quality of care. Normally, a company could raise wages (and perhaps prices) to offer a higher quality product, driving innovation in the market. But so long as families cannot pay more, providers cannot raise wages by raising prices. (Medicaid/Mainecare, the payer of most homecare services, contributes to this problem with low reimbursement rates.) Greater public investment is the only solution.

Yet income inequality erodes the primary revenue source, payroll taxes, for all of the largest family wage social programs through which we might make those public investments. For example, Social Security (old age, survivor, and disability) payroll taxes are capped at income earned under $118,000. Most unemployment insurance taxes are capped at even lower income levels. The dramatic wage growth experienced by upper-income earners means an increasing share of wages do not support these programs, both threatening their viability and preventing their modernization in the post-family wage era. Furthermore, unearned income (like stock dividends) makes up a rising share of income for the very rich, but is not subject to any of the taxes that support existing family wage programs. Thus, not only do family wage programs not meet the needs of modern Americans, economic inequality is eroding their fundamental financial structure.

Thankfully, some often-overlooked national precedents point to a way forward. As Thomas Piketty et. al recently documented,[9] the only meaningful growth in "income" for America's working class since the 1970s comes from the rising in-kind value of Medicaid and Medicare's benefits, the most progressively financed family wage program. Thanks to President Clinton's 1993 budget, the Medicare payroll tax is not capped. Thanks to the Affordable Care Act, Medicare payroll taxes have a progressive rate structure, where the wealthy pay a *higher* rate on their top income, *and* some of their non-wage income is subject to taxation at an equivalent rate. Medicaid's funding, of course, comes primarily from progressive federal income taxes, and a mix of progressive and regressive state revenues. These programs, both in terms of their benefits and financing, offer a way forward. Surviving decades of neoliberalism, progressively financed investments in care quietly became the most successful—indeed the only—check on income inequality for America's working class. We must build on this foundation.

For these reasons, it is time for *universal family care*, a social program for the

[9] http://gabriel-zucman.eu/files/PSZ2016.pdf

twenty-first century. Simply put, it establishes paid family and medical leave, universal childcare for children under four, and universal homecare for seniors and people with disabilities. It fills in exactly the gaps—for families and for workers—created by the family wage system *and* the dramatic expansion of economic inequality. It takes key expenses out of the household budget, raises wages for care workers (mostly women), and is paid for by simply removing the exemption of wage and non-wage income from the Social Security payroll tax regime[10] for income over $118,000. Essentially, this extends the payroll tax fairness reform Clinton began in 1993, by moving from a regressive payroll tax structure to at least a mostly flat payroll tax structure. Furthermore, the program is governed by those directly impacted: workers, parents, seniors, people with disabilities, and providers.

Below, we outline the details on how universal family care would work. Our vision for this proposal is ambitious, but not static. We expect it will be refined, for example, as we determine how many people would utilize formal childcare or homecare services if cost were not an obstacle, and to ensure that investments are structured to support improvements in the quality of care. Furthermore, our revenue mechanism, though significant, still only brings the wealthy to a payroll tax rate equal to everyone else. Just as Medicare has a progressive payroll tax rate, so should we consider adopting additional higher rates of taxation for the wealthy in order to make improvements and enhancements to this system, payroll tax fairness reform that would complete the work that began in the Affordable Care Act. We look forward to working with partners in Maine and across America to continue to refine these ideas; only together can we make the meaningful changes necessary to meet the challenge of providing care within the context of growing economic inequality, an aging population, fundamentally altered gender roles, and persistent racial disparities. Here is our humble contribution to this conversation.

[10] 6.2% contributed by the employee, and 6.2% from the employer

How Universal Family Care Works

Program Design

Paid Family Leave

A mother, father, or adoptive or foster parent, or an individual taking time off from work because of a medical condition or to care for a seriously ill family member, is eligible for eight weeks of paid leave at 90% of their wages. They complete a simple form disclosing when they need leave, attaching a copy of one document proving their relationship to the child (like a birth certificate) or a doctor's certification that they or their family member needs care for a medical condition. Family members include children, grandchildren, spouses, domestic partners, parents of spouses or partners, siblings, or grandparents. Note: the paid family and medical leave system will be outlined at more detail in a stand-alone bill, including how it is paid for.

For Parents of Children Under Four

When parent(s) return to work, all children three years old and under can enroll, free of charge, in home-based or center-based childcare. Everyone would be able to enroll their children in childcare, free of charge, just like public school. At their local Department of Health and Human Services Offices, families will receive the vouchers necessary to cover the full costs of their children's enrollment in formal childcare.

Parents will have the same options for full-time and part-time care as are available under Maine's "friends and family" program, which allows childcare subsidies to go to small, unlicensed providers, to ensure the maximum options for parents. Additionally, for families where a parent stays at home to care for a child under four years old, they will receive $125 a month per child under four years old.

As Maine school districts expand their public pre-K programs for four-year-olds, programs already included in the state's funding formula, our hope is to create a seamless transition from birth (paid leave) through childcare to formal public education. To be clear, children over the age of three certainly have important childcare needs beyond the scope of this proposal; parents who work full time still need childcare even when their children are in pre-K programs, for example. By establishing universal access in the early years, we both address a critical gap, and hopefully build momentum for greater access for older children.

"My partner and I work full-time, but even with that, childcare is still a large chunk of our budget. It's basically the equivalent of another mortgage payment.

If we were able to have even a small childcare subsidy, that would help us put some savings aside every month."

—Sherri Blumenthal, Lewiston

For Families Needing Homecare for the Elderly and People with Disabilities

All families in Maine will be able to access homecare services for seniors and people with disabilities. Based on funds available, the Universal Family Care Trust Fund (UFCTF) will determine a subsidy level for family caregivers in situations where the individual does not require professional care, and the family itself is able to provide it. The Section 21 waitlist will be funded, ensuring people with disabilities can access the care they need. For seniors not covered by Medicaid, they or their families can hire an agency, who will then be reimbursed by the state, the same way existing MaineCare programs work (except with a reimbursement rate structure that guarantees living wages for workers).

Eligibility for formal homecare will be based on existing programs already provided through MaineCare, but now made available to the general public. Most programs in Maine require that a person need assistance for two of the following Activities of Daily Living (ADLs): bed mobility, transfer, locomotion, eating, toilet use, dressing, and bathing.[11] A medical professional must assess and certify the ADLs. Individuals must not reside in a hospital, nursing facility, Intermediate Care Facility for the Mentally Retarded (ICF-MR), Adult Family Care Home, a Private Non-Medical Institution (PNMI), or any other similar setting. Just as in MaineCare, people are eligible for care as long as medically necessary, so long as individuals can safely remain at home.

"My partner Artis is wheelchair-bound and needs care all day. A year ago, we made the decision to look into homecare. For the last year, we have had a wonderful worker, Sue, who comes to our house from 9 AM to noon, five days a week.

Recently, our homecare needs have increased, and we currently pay for the additional services out-of-pocket. Even with our good retirement plans and pensions, we know that we cannot pay for this much care on our own for much longer."

—John Bernard, South Portland

For Childcare Centers, Homecare Agencies, and the Self-Employed

Childcare providers will be reimbursed by the state Universal Family Care Trust Fund (UFCTF) for the cost of providing childcare in their region, initially based on the market studies already conducted for Maine's childcare subsidy, and then set by the UFCTF itself. The reimbursement rates may vary to both incentivize and directly resource quality improvements. Existing resources from programs like the Child Care Development Fund, Temporary Assistance for Needy Families, Head Start, and child welfare will be integrated such that

[11] http://www.maine.gov/dhhs/audit/rate-setting/documents/S12P052410.pdf

families do not need to worry about qualifying for these separate means-tested programs, and the state can still draw down federal resources intended to make childcare affordable for low income people.

Homecare providers and their agencies already receive most of their income through reimbursement by state programs. Just as in childcare, the first part of building out this program will involve increased reimbursement rates, similar to what was passed in LD 886 in 2016.[12] This will allow providers to build a larger, more stable workforce. There will also be a dedicated wage pass-through to ensure these additional resources increase wages and benefits for workers.

Over time, as providers have the resources to pay higher wages and make improvements, the goal will be to increase quality standards. If quality standards increase before funding, providers will not be able to keep up, particularly in areas that serve low-income children and children of color. Workforce development is an essential part of the program to ensure improvements in the system for families and for those providing care.

For Care Workers

The median wage for homecare and childcare workers in Maine is just a little above $10/hour. Due to low wages (because of low reimbursement rates from the government and the inability of families to pay more on the private market), employers struggle to recruit, hire, train, and retain good workers. Thus, to expand access, it is critical to raise wages to attract more workers. Our model is based on the wages of the typical worker (and therefore income for providers) increasing by 50%, including all the benefits and overhead necessary to maintain quality services, and ensuring that workers share equitably in that increase, discussed more below.

As wages increase through public financing, the public has an interest in improving quality standards. To that end, workers will gradually receive more training and be required to undergo a certification process. A good model to learn from comes from Washington State, where homecare workers must undergo 75 hours of training and then pass a certification exam, ensuring the workforce knows how to provide care correctly, safely, and in ways that meet the specific needs of unique populations.[13]

[12] http://legislature.maine.gov/LawMakerWeb/summary.asp?ID=280055504
[13] https://www.dshs.wa.gov/sites/default/files/ALTSA/hcs/documents/LTC%20Worker%20Training%20Requirements.pdf

Workers have a right to create their own associations to collectively bargain over their wages, benefits, and working conditions.

Administration

This system will be overseen by the Universal Family Care Trust Fund,, composed of twelve members, all elected by the constituencies they represent: two childcare centers, two homecare agencies, two childcare workers (including the self-employed), two homecare workers (including the self-employed), two parents with children in the childcare system, and two individuals using the homecare system (or their guardians).

The Trust Fund's advisory committee must include at least the Commissioners of Education, Labor, and Health and Human Services; the Treasurer; the Speaker of the House; and the Senate President. These individuals may designate representatives to serve on their behalf. The board will determine what to do with pre-existing advisory councils for childcare and homecare.

The board's responsibilities include:

- Holding revenue generated through the new payroll tax (and its equivalent for the self-employed and non-wage income).
- Reporting to the legislature each year on its past and future status.
- Determining the portion of state funding that agencies must use on worker's wages and benefits.
- Setting reimbursement rates to maximize access, workforce development, and quality standards. The board may make eligibility more generous that outlined in this proposal, so long as it does not endanger the financial health of the fund.

Like the Social Security trust fund, all income not currently needed to pay benefits and expenses must be invested in interest-bearing obligations of the U.S. or the state of Maine, or in obligations guaranteed as to both principal and interest by the U.S. or state of Maine.

The Department of Health and Human Services (HHS) will be the agency primarily responsible for the administration of this program. The childcare program will be built out of the state's existing childcare subsidy programs (namely CCDF, but quickly incorporating TANF, and child welfare). The homecare program will be built out of the state's existing homecare programs

(like Home Health Services under MaineCare Benefits Manual Section 19). Eventually, the homecare, childcare, and paid family leave programs within HHS will all operate out of a unified "Office of Family Care."

Currently, the Office of Child and Family Services (OCFS) and the Division of Licensing and Regulatory Services within HHS maintains a list of licensed childcare providers. These capacities within HHS will expand to maintain a full list of licensed workers and providers of childcare and homecare, as well as the parents of children in the childcare system, and the individuals (and guardians) using homecare services. HHS will work with partner with other entities, like the community college system and the department of labor, to create the workforce training programs as outlined above. HHS will also administer the elections for the UFCTF board.

Over time, HHS's online system, ACES, will expand to allow easy access to the paid family leave, childcare, and homecare programs. By incorporating information about quality standards, it will function like an exchange, where families can research providers in their area that meet their needs.

To ensure awareness of the program, all Maine employers must have posters visible to their workers, informing them of the availability of these services.

Financing

Employers will need to collect the UFC payroll tax if they have employees who make over $118,000 a year. This is essentially the same process as already exists for collecting state unemployment insurance taxes. The self-employed will need to fill out the equivalent on their state income taxes, just as they already must for Social Security taxes through the self-employment contribution tax (SECA). Non-wage income will be paid through the individual income tax form, just as Medicare's net investment income tax is administered (IRS form 1040 line 37). The tax rate is 6.2% for employees and 6.2% for employers, the same structure as OASDI Social Security taxes.

Policy Summary

Childcare ($295 million new funding; building on $62 million existing)

- Universal childcare, with all children under four eligible.
- $125/month/child for families providing care for children outside of organized care.

Homecare ($138 million new for Maine)

- Universal homecare for all seniors and people with disabilities, both formal and informal.
- Our model assumes *triple* the number of seniors receive homecare, as our population ages and we transition from a nursing home-centered model.

Workforce Development, Organization, and Administration ($2 million)

- Increased quality standards that follow workforce development investments (starting with wages) that ensure access and fairness to communities of color and low-income communities.
- All workers given the option to have payroll check off to form worker advocacy organizations.
- 50% wage and benefit increase for care workers.

Paid Family Leave: Details to be rolled out with other coalition partners

Revenue (new revenue $440 million)

- "Busting the cap" on Social Security payroll taxes at state level: 6.2% employee and 6.2% employer contributions (12.4% total) on income over $118,000, adjusted annually by inflation.
- "Payroll fairness" or "worker solidarity" tax: applying the 12.4% tax regime to all *non-wage* income over $118,000, like dividends from stocks.
- Existing federal appropriations: Head Start, Child Care Development Block Grant, Temporary Assistance for Needy Families, Medicaid (for existing homecare services), and a little Medicare.
- Existing state appropriations: child welfare services, childcare tax credits (obsolete), Head Start, state childcare subsidies.

Administration

- Like Social Security, this model is intentionally not means-tested.
- Like K-12 public education, there are no deductibles or immigration status requirements.
- Like Medicare, there are no "accounts" that workers pay into, that determine their benefit levels.
- For reasons of workforce development, efficiency, and program integrity, funding flows directly to providers wherever possible.
- Both the childcare and homecare programs will scale up over five years.

Implementation

Year	Administration	Childcare	Homecare
2018	Revenue begins to accrue on January 1 when new taxes take effect. Initial funding transfer to HHS to staff the trust fund and begin implementation; to the labor department to print posters. February 1: Appointments to transitional board. March 1: Universal Family Care Trust Fund transitional board convened. By March 31: DHHS applies for waivers. April 1: All employers required to post notices of eligibility for family care. DHHS conducts outreach to stakeholders to make sure they understand the process. July 1: Aotification sent to all groups informing them of the upcoming elections; regular transfers to DHHS account. November: Election held.	July 1: CCDF subsidy increased to 75% level for market + all infants in Maine become eligible. July 1: $125/month informal child care subsidy established for parents of infants.	July 1: Section 21 wait list funded. July 1: At a minimum, the first 5,000 additional seniors eligible for homecare. If necessary, waitlist forms for those who need it.
2019	January 1st: UFCTF board officially sits. Based on assessment of trust fund, reimbursement rates set, and portion mandated to wages set. Research and plan for creation of quality incentives.	All infants and one year olds eligible for voucher and informal care subsidy.	Next 5,000 seniors eligible for homecare (8,000 total).
2020	Implementation of quality incentives, workforce training.	All children two and under eligible for voucher and informal care subsidy.	Next 5,000 seniors eligible (12,000 total—likely comes close to meeting need.
2021	November: Election of new board members. December 31: First term of board members ends.	All children three and under eligible for voucher and informal care subsidy	Completely open eligibility

2018: Year One

On January 1, the new payroll taxes are effective. Revenue should begin accruing to the trust fund's special account at the end of state fiscal year 2018. On February 1, the Speaker of the House and the Senate President must make their appointments to the transitional board of the Universal Family Care Trust Fund. They each make one appointment in the six categories. As soon as $200,000 accrues to the account, a transfer is made to the Department of Health and Human Services to begin implementation of the policy and staff the UFCTF. As soon as the next $10,000 accumulates, a transfer is made to the Department of Labor to begin printing posters necessary to notify employees of their ability to access the new policy. By March 1, the transitional trust fund board convenes, and begins to oversee the implementation of the program, and plan for the first board elections in November. By the end of March, DHHS applies for the necessary Medicaid waivers. By April 1, employers are required to display the posters produced by the Department of Labor notifying employees of their access to these programs. By July [t], the transitional UFCTF board, through the Department of Labor, in conjunction with DHHS, creates a process to notify all eligible parties of the first board election, as they begin to participate in the new system. The election takes place in November, on the same day as Election Day for political offices.

At the start of fiscal year 2019, July 1, the childcare voucher level is increased to 75% of market rate—if it has not been increased already. Also on that day, all children under one year of age become eligible for the voucher. Additionally, DHHS begins to enroll and send checks to parents of infants. The Section 21 waitlist for people with disabilities is filled, and the first 5,000 seniors become eligible for homecare, based on a lottery. DHHS maintains a waiting list for seniors needing care, which will be filled by lottery each year until enrollment is completely open.

2019: Year Two

On January 1, the universal family care trust fund board officially convenes. After assessing the financial health of the fund, enrollment targets, etc., they come to an agreement for reimbursement rates to be effective in the fiscal year beginning July 1. They also begin their research into gradually increasing quality standards such that access is still maintained to a broad array of

providers, particularly those serving rural and low-income communities. The quality improvement includes the establishment of the workforce training center and training requirements for the care workforce.

All children one year and under become eligible for the childcare voucher or informal care subsidy; the next 5,000 seniors become eligible for homecare, working off the waitlist established the year before.

2020: Year Three

Quality standards tied to reimbursement rates are rolled out and the care workforce training center is established. All children two and under are eligible for vouchers and the informal care subsidy, and the next five thousand seniors are eligible for homecare. Based on our estimates, this probably come close to meeting the existing needs of seniors for homecare, but a small waitlist may still remain.

2021: Year Four

In November, the board is up for election as their first three-year term comes to a close. The last day of the first board is December 31. Childcare and homecare programs should now be open for full eligibility: all children three and under, all seniors over the age of 65. Importantly, as Maine continues to age, the population of seniors will still grow for quite some time. This underscores the importance of the trust fund managing its finances, as well as the potential for the childcare side to make it more affordable for families to raise children in Maine, offsetting the challenges of a smaller workforce that must support a growing older population.

Methodology

Calculating the Cost of Childcare

First, we estimate the overall cost of providing universal childcare. We start by looking at the Annie E. Casey Kids Count tool from the 2015 census. It breaks down, state by state, the number of children under the age of five.[14] It's important to separate out children under one, because infant care costs more than toddler care (one- and two-year-olds), and preschool-age children (three- and four-year-olds).

After determining the number of children potentially eligible for childcare, we use a 2011 Census report to estimate how many of those children are likely to use formal childcare.[15] According to that report, about 36.5% of children under five receive care in organized facilities or non-relative care. Our first goal is to make sure all of that can be publicly funded. Of course, we expect that making formal care affordable will mean a higher percentage of children will enroll. Because it's impossible to know how much of an increase that will be, we make a conservative guess: an additional 28.6% of children under five will enter formal care, an increase of about 75%. That represents about half of all children who receive care in "other" ways (no regular arrangements, multiple arrangements). Thus, we estimate that 65% of children will be in formal care by the time this policy take effect.

Unfortunately, we could find only national estimates for children in paid arrangements, and 2011 is the most recent year that this data was easily available. In the next iteration of this estimate, it would be good for a researcher to get into this Maine-specific data to figure out the rate of children in a paid childcare arrangement. We do, however, feel confident about using this percentage as a conservative estimate,[16] as the overall rate of childcare utilization has been declining slightly in recent years, and we have no reason to

[14] http://www.datacenter.aecf.org/data/tables/100-child-population-by-single-age?loc=21&loct=2#detailed/2/21/false/573,869,36,868,867/42,43,44,45,46,47,48,49,50,51,52,53,54,55,56,57,58,59,60,61/418
[15] Page 15. http://www.census.gov/content/dam/Census/library/publications/2013/demo/p70-135.pdf
[16] Page 15. http://www.census.gov/content/dam/Census/library/publications/2013/demo/p70-135.pdf

believe Maine's childcare utilization rates are lower than other states. In the next steps, we actually assume all children in a paid arrangement are in only center or home-based childcare arrangements, which tend to be more expensive than when families, for example, pay a friend or neighbor to watch their children. Thus, even if more than 46% of Maine children were in a paid childcare arrangement, we build in an overestimate of the cost to keep our numbers conservative.

Next, we estimate the total cost of all the children likely in a paid arrangement. We assume that each age cohort (infants, toddlers, preschoolers) make up the same portion of children in a paid arrangement as they do the population overall. For example, if there are 12,863 infants in Maine, making up 19.88% of all children under five, we assume that 19.88% of the total children estimated in a paid arrangement (29,950) are infants, giving the estimate of 2,877 infants in a paid arrangement.

After we estimate how many children are in a paid arrangement for each cohort, we then estimate how much the care for each cohort costs. This data set comes from the 2013 childcare market report for Maine.[17] This report is based on a survey sent to all licensed home and center-based childcare providers in the state. It breaks out costs and the number of slots available by age cohort, and full-time versus part-time.

We use these ratios to estimate the cost of care for each cohort. According to the report, center-based care accounts for 67.4% of childcare center slots, while homes account for 32.5%. (As mentioned above, to be conservative, we assume for cost-estimating purposes that all children in paid arrangements are in center or home-based, licensed care.) Additionally, we estimate the number of children in each cohort needing part-time or full-time care. For example, in the market survey, 49.67% of infants in childcare had full-time care, while 50.33% of infants in childcare had part-time care.

Then, we apply these ratios for full-time/part-time care and center/home based care to the fiftieth percentile market rates for each category. This allows us to get cost estimates for each age cohort, by full-time or part-time care. Note, because we use the fiftieth percentile, we are effectively using the median price, not the average or mean. Below we discuss why our numbers might be conservative (i.e. result in a cost estimate that is high). It could be that the median price is actually higher than the average price, because there is little demand for very expensive childcare.

[17] http://www.maine.gov/dhhs/ocfs/ec/occhs/2013-state-of-maine-market-rate-report.pdf

Bear in mind, these cost estimates are for the existing market rate. Obviously, one of our main goals is to increase wages for workers, meaning more money needs to flow into the system, increasing the overall cost. We make that adjustment later on.

At the same time, it is worth pausing to check to see if our estimate for the overall cost of childcare for children under four makes sense. Here is a crude way to do that. We know from economic census data that in 2012, the overall receipts of child daycare services was $137 million (NAICS 62441).[18] Based on the methodology above, we get a cost estimate of about $156 million just for our cohort of children (ages 0-3). In other words, our cost estimate for this narrow cohort amounts to about $19 million more than the gross receipts for all childcare providers for all children in childcare in 2012. For those concerned that our estimate might be too conservative, inflating the cost of childcare in Maine, keep in mind that the census data estimates only 628 childcare providing establishments in Maine in 2012, while the market report received responses from over 1,000 in late 2012, early 2013. At that time, the state had 1,951 licensed providers on file. In other words, the census data is likely somewhat underestimating the size of this sector, allowing us to feel that our estimate is conservative, but still realistic enough to plan around.

After getting a sense for the cost of childcare for all children under three at the current market rate, we make a few adjustments to estimate the cost of our policy. First, we increase the per-child amount of money going into the existing childcare sector by 50%. In other words, if families paid $180/week for full time infant care in a childcare center, the state would now reimburse that childcare center $270 per child.

We picked that 50% rate because we would like to ensure workers can earn higher wages and providers can invest in quality of care improvements. For example, according to Bureau of Labor Statistics data, the mean wage for childcare workers in Maine is $10.67/hour.[19] If providers receive 50% more for all their costs, including wages, it seems quite reasonable to pay workers $15 an hour.

Additionally, we expect that more parents will enroll their children in home or center-based professional childcare arrangements should this policy pass. For that reason, we increase the cost of the program by an additional 20%, based on increased enrollment.

[18] http://thedataweb.rm.census.gov/TheDataWeb_HotReport2/econsnapshot/2012/snapshot.hrml?STATE=21&COUNTY=ALL&x=34&y=9&IND=%3DCOMP%28C2%2FC3*1000%29&NAICS=62441
[19] http://www.bls.gov/oes/current/oes399011.htm#st

Then we back out public money already in the system: state[20] and federal[21] Head Start funding, the state childcare expense tax credit,[22] and state childcare subsidies. Maine childcare subsidies come from three main sources: the Childcare Development Fund, Temporary Assistance for Needy Families, and Child Welfare.[23] For CCDF, the Health and Human Services report gives detailed information for children under five, breaking out data by infant/toddlers, preschoolers, and school-aged children. Unfortunately, for TANF and child welfare, we can only see the total appropriation for all children, in particular school-aged children for which our policy does not apply. Assuming that the age distribution of children receiving CCDF subsidies roughly corresponds to those using TANF and child welfare resources, we estimate the portion of state resources already expended in helping to cover the cost of childcare for children three and under.

After that, we subtract the total cost of our policy by the public money already flowing into the system. That gives us the cost of new money we must raise to pay for a universal childcare program.

Calculating the Cost of Homecare Policy

We start under the assumption that the provision of universal homecare applies to seniors over the age of 65 and 1,264 people with disabilities on Maine's Section 21 waitlist. (We do not know of other waitlists for people with disabilities needing homecare.)

We derive the additional cost of filling the Section 21 waitlist by multiplying the number of people on the waitlist[24] by the per capita cost of the existing program, for the most recent fiscal year (2014) for which data is available.[25]

Then we determine how many more seniors likely need care than those who can access it now through Medicaid. To determine the number of people likely to need homecare in a given year, we work off of the microsimulation done by Kemper, Komisar, and Alecxih in 2005, which seems to be the best available analysis.[26] They estimate 65% of those turning 65 in 2005 will need some kind of

[20] FY 15-16. http://www.ecs.org/ec-content/uploads/01252016_Prek-K_Funding_report-4.pdf
[21] Fy 14-15: https://eclkc.ohs.acf.hhs.gov/hslc/data/factsheets/2015-hs-program-factsheet.html
[22] http://www.maine.gov/revenue/research/tax_expenditure_report_15.pdf
[23] http://www.maine.gov/dhhs/ocfs/ec/occhs/documents/CCDF%20REPORT.pdhttp://www.maine.gov/dhhs/ocfs/ec/occhs/documents/CCDF%20REPORT.pdf
[24] http://www.maineparentcoalition.org/section-21--29.html#/news
[25] http://muskie.usm.maine.edu/Publications/DA/Long-Term-Services-Supports-Use-Trends-Chartbook-SFY2014.pdf
[26] Page 342. http://www.alisprotect.com/UncertainFuture.pdf

at-home care: 1.4 years on average in informal care, 0.5 years formal care, and 1.9 years of any care at home. We round up to say that, for those 65% of people who need home-based care, they need about two years of it. With average life expectancy at 79.2 years,[27] that means about 14% of the average person's life who needs home-based care after the age of 65 will be spent in care. (Although life expectancy is increasing over time, so too is health, and we rely on different factors outlined below to keep our numbers conservative.)

We then apply those ratios to the total number of people over 65 to estimate the number of people in a given year that need home-based care. To keep our numbers conservative, we use the Muskie School's estimate of the number of seniors in Maine by 2025.[28] Current U.S. census numbers have Maine's total population at 1,329,328, with seniors constituting 18.8% of the population, or 249,914 people. The Muskie estimate of 368,042 seniors by 2025 thus allows us to keep our numbers conservative, factoring in the growth of seniors over time. Furthermore, the microsimulation data includes both formal and informal care (with informal care making up a larger portion). We apply the same formal care cost estimates to informal care as we do to formal care, again to keep the numbers conservative.

Thus, we multiply the total number of seniors by the percent who will need home-based care by the percent of their life that will be spent in care between the ages of 65 to 79 to estimate their number of people in a given year who need care.

To determine the cost of providing care, we examine the per capita cost of similar homecare programs, specifically sections 12, 96, 40, and the "money follows the person" initiative.[29] These programs include consumer-directed attendant services, private duty nursing, home health services, and the care necessary to move people out of nursing homes into less-expensive, home-based settings. Home health services is the least expensive program (per capita), at $1,508 per person per year. Private duty nursing and consumer directed attendant services come in between $5,000 and $7,500 per capita.

"Money follows the person," while less expensive than nursing home care, is the most expensive program per capita (at over $15,000 per capita), likely because people in nursing homes by definition need higher levels of care. Notably, we

[27] Page 17. http://www.measureofamerica.org/wp-content/uploads/2013/06/MOA-III.pdf
[28] Page 8. http://muskie.usm.maine.edu/Publications/DA/Long-Term-Services-Supports-Use-Trends-Chartbook-SFY2014.pdf
[29] Page 4. http://muskie.usm.maine.edu/Publications/DA/Long-Term-Services-Supports-Use-Trends-Chartbook-SFY2014.pdf

do not include cost estimates for programs for people with disabilities, as clearing the waiting list for those home-based services is addressed separately above.

Further research that could run a micro-simulation of this policy would do well to estimate the needs of our currently unserved population. Lacking that analysis, we simply average all of these current HHS services together across all the populations served. Presumably, the unserved population is finding some way to get by on their own right now outside of nursing homes, so they likely skew somewhat healthier, again keeping our numbers conservative. That's how we arrive at our estimate of a little over $4,400 per person.

Multiplying that per capita estimate by the number of seniors we estimate needing care gets us the total cost of providing homecare to seniors. We then subtract the existing money in the system from that total cost to determine the cost of providing unmet needs.

Similar to our check of childcare costs, we consult overall economic data on Maine's homecare industry to see if our numbers look right. Using NAICS code 624120 (Services for the Elderly and People with Disabilities), we see that total receipts in Maine come to $263 million.[30] Our proposal to bring $138 million more into the homecare system, an increase of over 50% to a primarily federally funded sector, for the elderly (and people with disabilities on the section 121 waitlist) seems like a reasonable increase to both meet unmet demand in future years as well as increase reimbursement rates overall.

To determine care already provided, we subtract the people already in nursing homes.[31] This is a conservative number because, by using today's nursing home population, we are essentially assuming that the nursing home population stays constant between now and 2025, with homecare absorbing essentially all of the growth in needed services. We also subtract seniors already in some kind of residential care.[32] We also subtract the number of seniors getting homecare through public programs, mostly through Medicaid/MaineCare.[33] Once those

[30] http://thedataweb.rm.census.gov/TheDataWeb_HotReport2/econsnapshot/2012/snapshot.hrml?STATE=21&COUNTY=ALL&x=13&y=3&IND=%3DCOMP%28C2%2FC3*1000%29&NAICS=62412
[31] http://kff.org/other/state-indicator/number-of-nursing-facility-residents/?dataView=0&activeTab=graph&currentTimeframe=0&startTimeframe=11&selectedRows=%7B%22nested%22:%7B%22maine%22:%7B%7D%7D%7D&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D
[32] Page 41 shows 3,934 people in residential care for all payers, with 91% over the age of 65. We multiply 3,934 by 91% to get our estimate. http://muskie.usm.maine.edu/Publications/DA/Long-Term-Services-Supports-Use-Trends-Chartbook-SFY2014.pdf
[33] This includes half of Section 19 (estimating how many people with disabilities to pull out), all of sections 12, 96, 40, and "money follows the person". Page 4. http://muskie.usm.maine.edu/Publications/DA/Long-Term-Services-Supports-Use-Trends-Chartbook-SFY2014.pdf

subtractions have been made from the total universe of seniors we estimate to need home-based care, we get the estimate of the cost at current market rates for meeting unmet needs for homecare. We then multiply that cost by 50% to ensure increased wages for workers, allowing the median wage to rise to at least $15/hour. We then adjust up the cost of eliminating the waitlist for people with disabilities at a higher reimbursement rate, and add that to the senior cost as well, giving us the total cost of meeting the unmet home care needs in Maine at livable wages.[34]

Calculating Revenue Raised

To calculate the amount of revenue raised, we use the IRS tax data for Maine for 2014, the most recent year available. [35] The IRS breaks down income by single and joint returns by all the lines on the IRS 1040 returns.[36] Line 7 on the 1040 corresponds to the twenty-third line in the spreadsheet of IRS data for salaries and wages (what people get on their W2 forms), the income that would be subject to a payroll tax.

We start by determining the income over the Social Security cap. Because we are using 2014 data, we use the 2014 Social Security cap of $117,000.[37] (It automatically goes up with inflation.) The IRS segments tax return data into income categories. The relevant groupings are $100,000 to $200,000, $500,000 to $1 million; and $1 million and over. For each category, we know the number of single and joint returns and the overall income, allowing us to calculate the average income for each kind of return. The only adjustment we make to income is subtracting the amount of self-employment taxes (the equivalent to payroll taxes) that businesses reporting income on their individual income tax returns have already paid. (This corresponds to row 100 on the IRS tax return spreadsheet.) We remove this income because it is counted as a business loss against the business income that is being reported. We don't import any other deductions below line 23 on the IRS 1040 form because none of the other deductions lower payroll taxes for workers.

[34] For the wage models of homecare in Maine, see the most recent report prepared for DHHS by Burns and Associates: http://www.maine.gov/dhhs/oads/trainings-resources/initiatives/documents/MEOADSPersonalCareRateModelsProposed093015Rev1.pdf. This is what LD 886, which just became law, was based on. That bill gave certain homecare workers a 50% raise, consistent with our policy. Our estimates do not include that already allocated raise, again making our numbers conservative.
[35] https://www.irs.gov/uac/soi-tax-stats-historic-table-2
[36] https://www.irs.gov/pub/irs-pdf/f1040.pdf
[37] https://www.ssa.gov/oact/cola/cbb.html

Once we have created accurate income measurements for each category, we then subtract the $117,000 threshold from the average income for each category.

For example, for returns between $100,000 and $200,000, the average adjusted gross income for single filers is $133,355, meaning $16,355 would be subjected to the new 12.4% payroll fairness tax. For single filers, we multiple the average income over the threshold by the 12.4% tax and the number of filers in that income category. We do the same calculation for double-income filers, but we then multiply it by two, because there are two incomes per return.

Finally, we add up the revenue generated in each income category and adjust it for inflation using the Bureau of Labor Standards Consumer Price Index Inflation Calculator.[38] Because we use 2014 income data and a 2014 Social Security cap, we are essentially determining how much revenue this policy would have raised in 2014 dollars. By increasing that income by inflation, we get a sense of how much this policy change would be worth in 2016 dollars. That calculation still seems conservative for our purposes, because wherever we can, we are not calculating demand for our benefits for a 2016 population. For example, we base our homecare costs on the population of seniors in 2025, a dramatic increase over the 2016 population.

[38] http://www.bls.gov/data/inflation_calculator.htm

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