



Department  
of Health

Office for People With  
Developmental Disabilities

# CFR-Based Minimum Wage Methodology

June 10, 2024

# Overview

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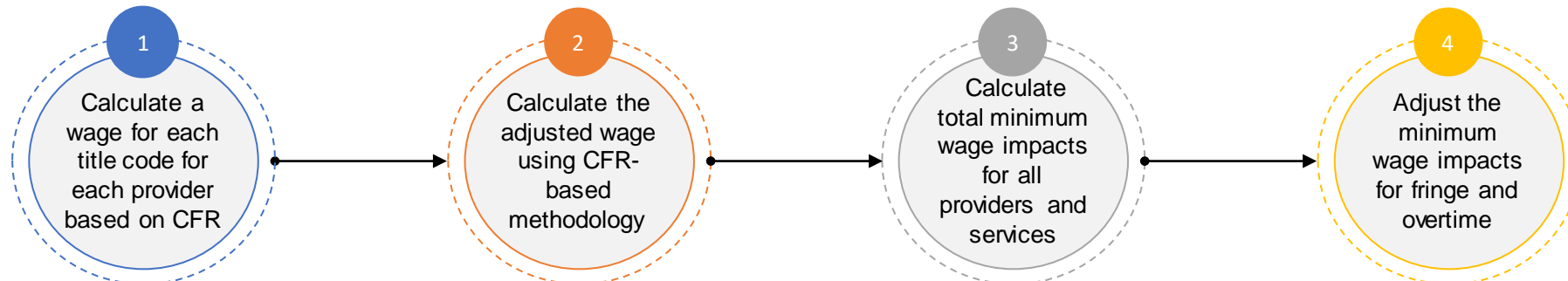
# Minimum Wage | CFR-Based Methodology

*This CFR-based methodology is a dynamic, provider-specific approach developed using industry research and largely relies on provider cost data*

1. The CFR-based methodology calculates provider-specific minimum wage impacts based on certified cost reports submitted by providers. Implied wages are calculated, using provider costs and hours, at the title code<sup>1</sup> level and adjusted to quantify the impact of increasing minimum wage.
2. The wages are adjusted based on a formulaic methodology developed and published by the [American Network of Community Options and Resources \(ANCOR\)](#)<sup>2</sup>, which is a national association of private community-based providers which supports individuals with intellectual and developmental disabilities.

According to the report, the calculation has been used in multiple rate-setting engagements for I/DD services in states that have scheduled minimum wage increases and recognizes the following wage effects:

- **Spillover Effect** – Employees currently making near the new minimum wage may receive pay raises to maintain some level of wage differential
  - **Compression Effect** – the differentials between salary bands decrease with the new minimum wage (i.e., the pay bands above minimum wage will be ‘compressed’)
3. The resulting adjusted wages are compared to the original wage to quantify the wage add-on amount. The add-ons are grossed up by hours reported on the providers’ CFR to quantify the aggregate minimum wage impact.
  4. The methodology includes adjustments to account for the impact of fringe benefits and overtime hours.



1. Different types of staff are identified by title codes reported in CY21 / FY21-22 cost reports
2. [Estimating the Impact of an Increased Federal Minimum Wage on I/DD Providers](#)



# Minimum Wage | CFR-Based Methodology

*The CFR-based methodology is an enhanced approach utilized for calculating minimum wage impacts and addresses many of the challenges of the historical methodology*

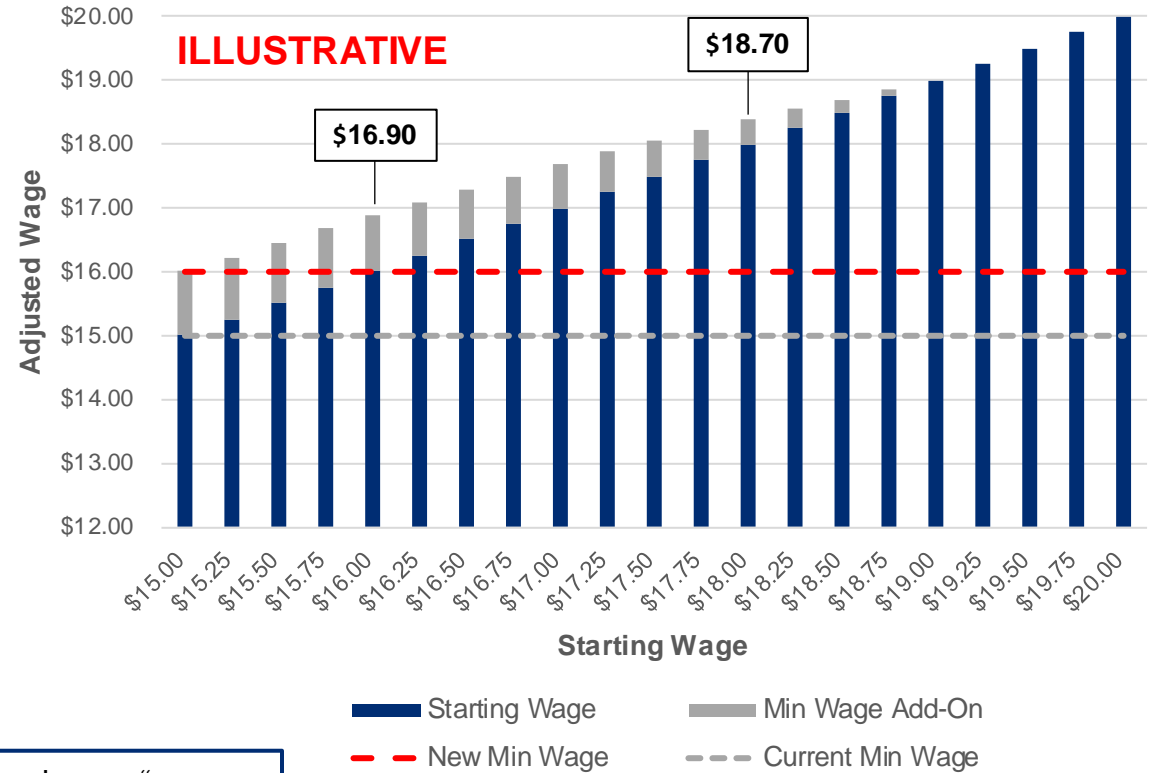
## Advantages of CFR-Based Methodology

- The CFR-based methodology is **developed and backed by research** published by ANCOR, a national I/DD provider advocacy organization, that is specific to minimum wage impacts on I/DD Direct Support Professionals (DSPs).
- This methodology **recognizes real-world wage pressures (spillover and compression)** as the minimum wage continues to increase over time.
- Minimum wage impacts are calculated **for different types of staff based on title codes**<sup>1</sup> for each provider and recognizes wage differences between those title codes (For example, Food Service Worker vs. Mental Hygiene Worker). As a result, minimum wage dollars are directed more towards the proportion of the workforce with lower wages.
- The methodology is developed using certified provider **cost report** data, consistent with the cost data used to develop rates.
- The methodology incorporates **wage related considerations** to adjust minimum wage impacts (fringe, overtime, etc.).
- **Reduces the administrative reporting burden** for providers and the State by removing a survey that is time-consuming to produce, analyze, and maintain.

# CFR-Based Methodology | Wage Adjustment

The below table provides examples on how provider CFR wages are adjusted using the CFR-based methodology when minimum wage moves from \$15 to \$16

Minimum Wage Increase				
2023 Min. Wage	2024 Min. Wage			
\$15.00	\$16.00			
Wage Band Above New Minimum Wage	Percentage of Incremental Dollar Retained	Starting Wage Example 1 \$16.00	Starting Wage Example 2 \$18.50	
\$15.01	\$16.00	90%	\$0.90	\$0.90
\$16.01	\$17.00	80%	-	\$0.80
\$17.01	\$18.00	70%	-	\$0.70
\$18.01	\$19.00	60%	-	\$0.30
\$19.01	\$20.00	50%	-	-
\$20.01	\$21.00	40%	-	-
\$21.01	\$22.00	30%	-	-
\$22.01	\$23.00	20%	-	-
\$23.01	\$24.00	10%	-	-
Total Premium above Old Min. Wage (\$15.00)		\$1.00	\$3.50	
Total Premium above New Min. Wage (\$16.00)		\$0.90	\$2.70	
<b>Adjusted Wage based on New Min. Wage (\$16.00)</b>		<b>\$16.90</b>	<b>\$18.70</b>	
Increase in Wage based on current wage		\$0.90	\$0.20	




The wage adjustment calculates the percentage of the premium or “excess wage” above the current minimum wage that is retained after the minimum wage increases. The retention percentage decreases with each additional marginal dollar.

# CFR-Based Methodology | Illustrative Example

The tables below provide a step-by-step example for how an illustrative provider's implied wages from CFRs are used to calculate minimum wage impacts when the minimum wage changes from \$15 to \$16

## Step 1 – Adjust CFR wages

Region	Corp ID	Title Code	Title Code Description	CFR Average Wage <sup>1</sup> [A]
1	12345	201	Mental Hygiene Worker	\$17.00
1	12345	317	Nurse - Registered	\$44.00
1	12345	505	Office Worker	\$16.00

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2024 Min. Wage Adjusted Avg. Wage [B]	2024 Min. Wage Add-On [C] = [B] – [A]
\$17.70	\$0.70
\$44.00	\$0.00
\$16.90	\$0.90

## Step 2 – Multiply minimum wage add-ons by CFR hours

Region	Corp ID	Personnel Title Code	Service	CFR4 Hours [D]	2024 Min Wage Add-On [C]	2024 Min Wage Impact [E] = [D] x [C]	Fringe % [F]	2024 Min Wage Impact <sup>2</sup> + Fringe [G] = [E] x [F]
1	12345	201	Supervised IRA	439,000	\$0.70	\$307,300	11%	\$341,103
1	12345	317	Supervised IRA	14,000	\$0.00	\$0	11%	\$0
1	12345	505	Supervised IRA	9,000	\$0.90	\$8,100	11%	\$8,991

## Step 3 – Add all Personnel Title Code level minimum wage impacts

Region	Corp ID	Service	Total 2024 Min Wage Impact
1	12345	Supervised IRA	\$350,094

1. CFR implied wages are adjusted for overtime
2. Minimum wage impacts are pro-rated to account for changes in authorized capacity between the CFR period and the effective rate period