

### Public Funding for Long-Term Care Services for Older People in Residential Care Settings

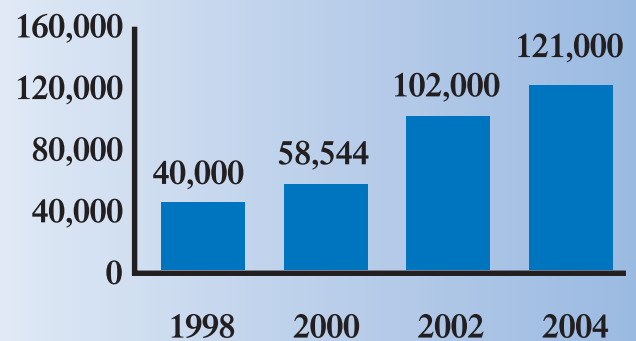
Provision of long-term care (LTC) services to older adults in group settings that are less institutional than nursing homes may be more economical than providing services in individual homes. This brief addresses a number of questions about how states can provide access to residential care through Medicaid.

**AUTHOR'S NOTE:** The content of this brief is based on O'Keeffe, J., & Wiener, J. (2004). *Public funding for long-term care services for older people in residential care settings* (Conference Paper). New York: The Center for Home Care Policy & Research, Visiting Nurse Service of New York.<sup>1</sup>

Long-term care (LTC) services are most often provided to older adults in their own homes (AARP, 2003; Mattimore et al., 1997; Zinn et al., 1993). Almost two million people in the United States (Newcomer & Maynard, 2002), however, receive LTC in group residential care settings (excluding nursing homes) and this number is rising rapidly. The number of Medicaid beneficiaries in these settings increased by 46 percent from 1998 to 2000 (Mollica, 1998), and from 2000 to 2002 the number increased by 75 percent to 102,000 beneficiaries (Mollica, 2002), and increased to 121,000 beneficiaries in 2004 (see Figure 1) (Mollica & Johnson-Lamarque, 2005).<sup>2</sup>

<sup>1</sup>Also published as: O'Keeffe, J., & Wiener, J. (2005a). Public funding for long-term care services for older people in residential care settings. *Journal of Housing for the Elderly*, 18(3/4), 51-79. And O'Keeffe, J., & Wiener, J. (2005b). Public funding for long-term care services for older people in residential care settings. In J. Pynoos, P.H. Feldman, & J. Ahrens (Eds.), *Linking housing and services for older adults: Obstacles, options, and opportunities* (pp.51-79). Binghamton, NY: The Haworth Press, Inc.

Figure 1. Medicaid Beneficiaries Receiving LTC Group Residential Services Outside of Nursing Homes



Source: Mollica, 2002; Mollica & Johnson-Lamarque, 2005.

<sup>2</sup>The number of residents receiving Medicaid in residential care settings is slightly underreported because it does not include data from Kansas. Kansas' reporting system does not differentiate between waiver clients served in their own homes and those served in residential care settings.

People live in residential care settings for a number of reasons, including:

- The lack of sufficient informal or formal care and the need for 24-hour supervision or unscheduled assistance
- The inability to pay privately for the level of home care services needed
- The social interaction a group setting can provide
- The need for specific services (e.g., house-keeping, laundry, meals and 24-hour emergency assistance)

Group residential care settings include a variety of different types of facilities, as well as both licensed and unlicensed boarding homes. O’Keeffe and Wiener (2004) used *residential care setting* for group residential care generally, and *assisted living* to refer “to a specific model of care that provides, at a minimum, private rooms and baths (with or without kitchens), and 24-hour staff to assist with scheduled and unscheduled needs” (p.7).

**Federal Medicaid rules only allow states to pay for the *service component* of care in residential care settings.**

**Medicaid will only cover room and board costs in institutions (e.g., nursing homes, intermediate care facilities for persons with mental retardation, and hospitals).**

## How Do States Use Medicaid to Fund Services in Residential Care Settings?

States can finance LTC services in residential care settings through Medicaid in one of two ways: 1) personal care services provided under the state plan and 2) home and community based services (HCBS) provided through a waiver program (see Table 1).

**Table 1. State Financing of LTC in Residential Settings**

	<b>Personal Care Option</b>	<b>HCBS Waivers</b>
<b>Population Served</b>	<ul style="list-style-type: none"> <li>• Generally a less severely impaired population</li> <li>• Must serve entire Medicaid population</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals must meet nursing home level of care eligibility criteria</li> <li>• Allowed to limit to specific locations and/or special populations</li> </ul>
<b>Services</b>	Traditional Medicaid services only	Additional services (e.g., respite) may be provided if they prevent institutionalization
<b>Number of States (2002 data)</b>	5	27
	8 Both (Personal Care Option and HCBS Waivers)	

## How Do Medicaid’s Federal Rules and State Policy Choices Determine Residential Care Options, and Eligibility for and Access to These Options?

While state Medicaid programs operate under federal rules, states nevertheless have considerable flexibility to design their programs. The combination of federal rules and state policy choices affects which residential care options are available, as well as eligibility for and access to residential care settings (see Table 2).

## Are Medicaid Reimbursement Rates and Beneficiaries’ Incomes Adequate to Cover Costs?

**Service Component:** Medicaid is one of the largest components of state budgets and, thus, often affected during tight budget times. The low level of Medicaid payment rates may prevent many providers from accepting Medicaid patients and/or limit the ability of Medicaid providers to provide high quality services. As highlighted by O’Keeffe and Wiener (2004), “No research to date

**Table 2. Federal Rules and State Policy Choices That Affect Residential Care Options**

### **Targeting**

Use of the personal care option can increase access by broadening eligibility to serve a less severely impaired population because, unlike the waiver, states may cover persons who do not require a nursing home level of care. On the other hand, if the state wants to target a narrower population, then the waiver is the appropriate choice because eligibility is limited to people who are nursing home eligible.

### **Financial Eligibility**

Waiver programs can increase access by expanding the number of people who are financially eligible for services because federal law allows states to provide Medicaid waiver services to persons with incomes up to 300 percent of the federal Supplemental Security Income (SSI) payment level. In contrast, to be eligible for personal care under the state plan, individuals must meet usual community-based eligibility standards, which are much lower and are typically the SSI level or up to 100 percent of the federal poverty level.

### **Spousal Protection**

States have the option to provide spouses of HCBS waiver clients the same income and asset protection as spouses of nursing home residents. If states do not elect this option, there is a disincentive for married clients to choose to receive residential care services through a waiver program.

### **Spend Down**

Medicaid can provide a safety net for individuals paying privately for residential care who then “spend down” to Medicaid eligibility. However, several barriers may prevent them from receiving Medicaid funded services in a residential care setting including:

- Providers may not accept Medicaid
- Unaffordable room and board charges
- A waiting list for waiver programs
- The individuals may not meet the state’s nursing home level-of-care eligibility criteria

has looked at the adequacy of reimbursement rates; however, the magnitude of differences among maximum payment rates raises concerns that some states may not be paying adequately for services” (p.3).

**Room and Board:** Medicaid clients may need assistance paying for room and board at the rates charged by residential care facilities. O’Keeffe and Wiener (2004) provide possible solutions to this problem:

- Limiting the amount providers can charge Medicaid residents for room and board to the federal SSI benefit of \$553 per month minus a small personal needs allowance
- Providing a state supplement to the SSI payment for persons living in residential care settings, and limiting the amount that can be charged to the combined SSI plus state supplement payment
- Setting waiver clients’ maintenance allowance high enough to enable them to pay for room and board
- Providing housing subsidies
- Permitting family income supplementation

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## How Do States Assure the Quality of Care Provided to Medicaid Beneficiaries in Residential Care Settings and Their Ability to Age in Place?

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Federal Medicaid waiver regulations require facilities to meet applicable state standards. Major quality issues in residential care settings include:

- **Privacy.** Though most private pay residents in assisted living have private rooms, few states require residential care settings receiving Medicaid funding to provide private units.
- **Staffing and Training.** Few states specify staffing ratios for residential care settings. No consensus exists on the amount of nursing

and other staff necessary to provide safe and quality care in residential care settings, in part because the type of care and type of residents vary widely. In addition, there is no consistency in terms of training requirements across types of residential care settings across states.

- **Aging in Place.** Allowing people to “age in place” as their needs change does not always conform to state regulatory approaches, which may require individuals who need a specific level of care to be served in specific settings. Regulatory changes may be needed to allow residents to remain in residential care settings as their needs increase. Currently, all states use admission and retention criteria to restrict the type and level of care provided in residential care settings (with the common restriction being “people who require a skilled as opposed to an intermediate level of nursing care cannot be served in a residential care setting” (O’Keeffe & Wiener, 2004, p.18).

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## Conclusion

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In order to increase access to and improve the quality of residential care options for older adults under the Medicaid program, states need to address a number of issues:

- **Quality.** Investigate creative options to assure quality of care in all residential care settings “without imposing rules that stifle improvements and without the regulated floor becoming the ceiling” (O’Keeffe & Wiener, 2004, p.20).
- **Costs.** Ensure that residential care settings are a viable option for all Medicaid patients in need of LTC by creating ways to make the room and board component affordable.
- **Education.** Provide adequate information to consumers so they can determine which residential care setting can best meet their needs.
- **Aging in Place.** Enable residents to “age in place” without making residential care set-

tings into de facto nursing homes by virtue of having to meet the needs of ever older and more impaired residents.

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THIS POLICY BRIEF WAS EDITED BY JOANN AHRENS.

This brief was based on the work of Janet O'Keeffe and Joshua Wiener of RTI International.

WE WOULD LIKE TO THANK THE ROBERT WOOD JOHNSON FOUNDATION FOR THEIR SUPPORT OF THIS PROJECT.

This brief is part of the Center's *Information Brokering for Long-Term Care* project, which aims to improve the accessibility of policy-relevant research and technical information to state and local decision makers whose actions affect the availability of LTC services and the ways in which they are organized and delivered.

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