
COST-SHARING FOR OLDER AMERICANS



OFFICE OF INSPECTOR GENERAL
OFFICE OF EVALUATION AND INSPECTIONS

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COST-SHARING FOR OLDER AMERICANS

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INSPECTOR GENERAL**

EXECUTIVE SUMMARY

PURPOSE

To assess the experience of State programs for the elderly which provide in-home and adult day care services on a cost-sharing basis.

BACKGROUND

The Commissioner on Aging requested this study as a source of information on State experiences with cost-sharing programs. The Older Americans Act (OAA) of 1965 created the Administration on Aging and provides financial assistance to States for social service and nutrition programs for the 60-plus population. For FY 1990, appropriations were \$709 million, down 20 percent from 1981 when adjusted for inflation.

State and area agencies on aging cannot charge fees for title III services, although the law permits soliciting recipients for voluntary contributions. States, however, are free to charge for services provided through State funding rather than Federal title III funding. About 40 States have cost-sharing for some State-funded programs, and income-related sliding fee scales are generally used to set cost-sharing amounts.

METHODOLOGY

The study team sampled eight States with cost-sharing programs and interviewed recipients who are required to cost-share; assessed characteristics of cost-sharing programs; and interviewed State and local officials, including local service providers, involved in cost-sharing activities. The team also sampled four States without cost-sharing programs and obtained State and local officials' views on cost-sharing.

MAJOR FINDINGS

Recipients Are Responding Positively To Sharing Costs

- Cost-Sharing Is Considered Fair and Appropriate

Nearly 90 percent of recipients interviewed say paying is fair; over 80 percent say their share was figured fairly. Few say it is ever a hardship to pay. Nearly all say all States should require seniors to pay something for adult day care and in-home services, if they can afford it.

- Recipients Report Services Worth What They Pay For Them

Over 90 percent of recipients report satisfaction with their services and find them worth what they pay for them.

Cost-Sharing Seen As Effective And Efficient

- State Cost-Sharing Programs are Considered Effective Despite Limited Funding

State and local officials in all eight States say money from recipients of adult day care and in-home services actually helps expand programs and serve more recipients. Two-thirds from all eight States consider the cost-sharing programs in their States to be cost-effective.

- Cost-Sharing Programs Appear to Operate Efficiently

Recipients usually declare their income and are not investigated. Income-related sliding fee scales are used to determine the recipients' shares. State and local officials in all eight States say their programs bill by mail, usually monthly. Almost all recipients pay by check. All of the State programs have appeals mechanisms for recipients. Two-thirds of the State and local officials from all eight States say that they maintain services to recipients while they try to resolve payment issues.

Extending Cost-Sharing To Title III Has Strong Support, But Careful Planning Is Recommended

- Officials in States with Cost-sharing Programs Are Strongly Supportive

More than three-quarters of State and local officials interviewed say they feel positively about the cost-sharing feature of programs funded by their States. Over 70 percent say it helps to insure that adult day care and in-home services will continue. Ninety percent support cost sharing for adult day care and in-home services under title III of the OAA, with over 75 percent being fully supportive. Seventy-three percent support cost sharing for other title III services.

- Support for title III Cost-Sharing Also Exists in States Without This Feature

Nearly 75 percent of the noncost-sharing State and local officials interviewed support cost-sharing for adult day care and in-home services under title III. Almost 80 percent support cost-sharing for other title III services.

- Careful Planning and Flexibility Recommended by State Officials

State officials recommend educating the public on the need for and nature of this feature, and exempting those who cannot afford to pay. They want broad guidelines and maximum flexibility in implementing cost-sharing, and prefer self-declared disposable income, tied to sliding fee scales, as the method for establishing recipient charges.

AGENCY COMMENTS

The Commissioner on Aging reviewed the draft of this report and supports the study's findings.

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INTRODUCTION

PURPOSE

To assess the experience of State programs for the elderly which provide in-home and adult day care services on a cost-sharing basis.

BACKGROUND

This study was requested by the Commissioner on Aging as a source of information on State experiences with cost-sharing programs. The Older Americans Act (OAA) of 1965 created the Administration on Aging and provides financial assistance to States to develop new or improved social service and nutrition programs for older persons. Grants are allotted to each State based on the size of the 60-plus population. Appropriations for these programs are \$709 million for FY 1990, a decline of 20 percent from 1981 when adjusted for inflation.

The 1978 amendments to the OAA consolidated under title III the social services, nutrition services and multipurpose senior center programs formerly authorized under titles III, V and VII. The \$709 million in title III funding for FY 1990 is broken down as follows. Part B, which provides funding for a variety of supportive services, including health, transportation and legal assistance, has appropriations of nearly \$273 million. Part C, which funds nutrition services, including both congregate and home-delivered meal programs, has appropriations of over \$430 million. Part D (created by the 1987 amendments), which provides for non-medical in-home and adult day care services for frail older individuals, has nearly \$6 million.

State and area agencies on aging are not permitted to charge fees for title III services provided to recipients under present law and regulations, although the law permits solicitation of voluntary contributions from recipients. While title III mandates that these services be provided "to older individuals with the greatest economic or social needs, with particular attention to low-income minority individuals," recipient income has no bearing on eligibility for these services. In fact, income information may be collected from recipients on a voluntary basis only.

States, however, are free to charge recipients for services provided through State rather than Federal title III funding. Cost sharing by recipients is a concept currently gaining popularity in State and area agencies on aging as a means of maintaining and expanding community elder care programs amidst declining Federal support. About 40 States have already instituted cost-sharing arrangements for some State-funded programs, although not usually on a statewide basis. Cost-sharing is not mandatory in all these States and is usually structured around income-related sliding fee scales which suggest the amount of charges or expected voluntary contributions. These programs cover a range of services, including personal care, respite care, homemaker, home health aide and adult day care services. Congress has consistently resisted amending the OAA to permit charges for title III services under a cost-sharing program.

METHODOLOGY

Telephone and personal discussions were held with a purposive sample of 107 State and local aging program officials and other State respondents in eight States which have cost-sharing programs and in four States which do not. Included are 44 State and area agency officials; 39 local provider agency officials; 11 elder advocacy group representatives; 10 officials of area agency and provider agency State associations; and 3 State and local elected officials. All of these respondents are referred to as "State and local officials" in the report, unless otherwise noted. In addition, a purposive sample of 162 cost-sharing recipients in the eight cost-sharing States (12 to 25 per State) were interviewed by telephone.

Because many of these recipients are in poor health, recipient responses were provided by a responsible person acting as a surrogate, usually a spouse or child of the recipient, in 77 cases. As this situation is common in programs which serve the needy and frail elderly, the attitudes and perspectives of those who handle the finances of this population are important in understanding the impact of charges for services.

The State programs were selected based on the number of persons over age 60 within the State and the State's geographic location. States with cost-sharing programs were selected based on years of experience with cost-sharing. Within cost-sharing States, recipients were selected from area and provider agency cost-sharing programs which provided adult day care and in-home services. For this study, in-home services included: a) homemaker and home health aide; b) visiting and telephone reassurance; c) chore maintenance; and d) in-home respite care and adult day care outside the home as respite for families.

Officials administering cost-sharing were asked how they view cost sharing, how cost sharing has been implemented, whether cost-sharing is cost-effective, how eligibility is determined and how collections are made. Recipients were asked how they view cost-sharing and the mechanisms by which eligibility levels are determined and collections are made. Officials in States without cost-sharing were asked how they view cost-sharing and how they might want to see cost-sharing implemented in their States.

FINDINGS

RECIPIENTS ARE RESPONDING POSITIVELY TO SHARING COSTS

Cost-Sharing Is Considered Fair and Appropriate

Nearly 90 percent of recipients interviewed consider it fair that they have to pay something for the adult day care and in-home services they receive. A typical comment was: "I just don't expect something for nothing. I feel if we can, we should pay."

Almost all who gave an opinion are satisfied with the way their share of the cost was figured. One said: "I feel it was fair and they understood my financial limitations."

The great majority of recipients are billed on a monthly basis and pay for their services by personal check.

Few recipients find it is ever a hardship to pay for the services. Many indicate that providers have taken their financial circumstances into account and have made every effort to provide needed services at charges they could afford.

Nearly all recipients think all States should require seniors to pay something for adult day care and in-home services, if they can afford it. They expressed their strong feelings, typically, in the following ways: "It is a matter of pride and conscience. If you can pay it, you should," and "I feel that it is no more than right. If a person is able to pay, then the program would benefit and be able to provide services for more people."

Recipients Report Services Worth What They Pay for Them

Over 90 percent of the recipients report they are satisfied with their services and consider the services worth what they pay for them. One said: "It's exactly what I need. The help I get is wonderful and it is very much appreciated." A recipient's daughter said: "It has been such a big help. If she didn't have it, she'd be in a nursing home." Another recipient said: "When you need help and you receive good service, you're happy. I feel it is worth what I pay."

COST SHARING SEEN AS EFFECTIVE AND EFFICIENT

State Cost-Sharing Programs are Considered Effective Despite Limited Funding

Over 70 percent of cost-sharing State and local officials from all eight States expressing an opinion say that money collected from cost-sharing recipients in adult day care and in-home service programs actually helps expand these programs and serve more recipients. Those who believe otherwise cite obstacles to expanding programs and serving more recipients, and are unanimous that the lack of sufficient Federal, State and local funding is a major obstacle. Other major obstacles include insufficient revenues from cost-sharing

recipients (according to a substantial majority) and limited outreach (according to nearly half of them). More than half rate administrative costs as a minor obstacle.

More than 70 percent of respondents from all eight States expressing an opinion believe that cost-sharing programs in their States are cost-effective. Some feel that their programs are cheaper to administer than nursing home services, which they consider a less desirable and more costly alternative. In their minds, adult day care and in-home services are among the most important ways to maintain recipients in their homes and provide needed respite for those who live with them.

Cost-Sharing Programs Appear to Operate Efficiently

Recipients in most cost-sharing States declare their income and are not subjected to investigation and verification. Most State and local officials prefer this method since it maintains the recipient's dignity, encourages their participation and keeps the process simple and cost-effective. States vary as to the inclusion of liquid and non-liquid assets and the exclusion of medical and other extraordinary expenses.

Income-related sliding fee scales are used in all eight cost-sharing States to determine the recipients' shares. Nearly two-thirds of State and local official respondents from all eight States refer to their State's methods as means testing. However, many of them, as well as many respondents who cite other methods, oppose using the term. They dislike its welfare eligibility connotations. Since the services they fund and provide are available regardless of seniors' income levels, they find a term such as "income-related sliding fee scales" preferable.

Each cost-sharing State, however, uses similar but distinct criteria for determining those exempt from charges because of their income levels. In some States income at or below 100 percent of the Federal poverty level is the measure; elsewhere, 125 to 250 percent of poverty is used. Variations in the cost of living generally account for these differences. The percentage of recipients currently required to pay something for their services in the sample States ranges from 2 percent to 56 percent, averaging about 30 percent. In the sample of 162 recipients, the average cost share per recipient was about 33 percent.

According to interviews with State and local officials, all programs bill recipients by mail (usually monthly) for their share of the costs. About four of five sample recipients receive bills by mail. Almost all pay for these services by check.

All of the programs in the sample States have an appeals mechanism for recipients. Two-thirds of the State and local officials from all eight States say that most of their programs maintain services to recipients while they try to resolve payment issues; most write off the recipients' charges if the recipient is ultimately deemed capable but unwilling to pay.

EXTENDING COST-SHARING TO TITLE III HAS STRONG SUPPORT, BUT CAREFUL PLANNING IS RECOMMENDED

Officials in States with Cost-Sharing Programs Are Strongly Supportive

More than three-quarters of State and local officials interviewed in cost-sharing States feel positively about the cost-sharing feature of community service programs funded by their States. One State agency official offered a consensus in saying it is an “idea whose time has come,” because all other sources of funding for these programs are drying up.

Respondents also view cost-sharing as necessary for the continuation of these services. Over 70 percent of those interviewed in cost-sharing States say it helps to insure that adult day care and in-home services will continue to be provided in their States. Several State agency and elected officials report that while charges actually collected from small numbers of cost-sharing recipients do not always allow program expansion, the cost-sharing feature is politically necessary to assure continued legislative and private sector support. In one sample State, cost-sharing was adopted in order to secure an initial funding commitment from the governor and the legislature.

Ninety percent of all these respondents say they support cost-sharing for adult day care and in-home services under title III, with over 75 percent saying they are fully supportive. Seventy-three percent support cost-sharing for other title III services, including transportation, legal services and home-delivered meals, based, in part, on the positive experience of cost-sharing States.

Support for Title III Cost-Sharing Also Exists in States Without This Feature

Nearly three-quarters of the noncost-sharing State and local officials interviewed support cost-sharing for adult day care and in-home services under title III. Most point to a critical need for additional funding for these services which cost-sharing will help meet. Cost-sharing, in their view, would also help serve more recipients, expand programs and initiate new services. One area agency association representative said: “The demand for these services is growing and needs the most resources.”

Almost 80 percent of these respondents support cost-sharing for other title III services, including transportation, legal services and home-delivered meals. A provider representative predicts a significant benefit in expanding cost-sharing:

The long-range benefit would be the reorientation of the aging population, which is growing so rapidly, to a cost-sharing mode of operation for all services made available to them. We have to start some time, and the sooner the better.

Careful Planning and Flexibility Recommended by State Officials

State and local officials interviewed recommend a strong effort to make the public aware of the need for and nature of cost-sharing, assuring the public that only those who can afford to pay will be required to pay. They also recommend extensive use of statewide task forces, made up of representatives from agencies, communities and legislatures.

Respondents from several State and area agencies in noncost-sharing States would like title III cost-sharing demonstration projects conducted in several States, before a national program goes into effect.

Some respondents in cost-sharing States caution that a long-term State funding commitment is needed. This is because the cost-sharing feature may need several years to reach a level of efficient operation and significant revenues. In one State, described as “fiscally conservative” by a representative of a seniors’ advocacy group, an experimental cost-sharing program, currently limited to a few counties, will not be expanded because of rising costs. The program has become very popular and people from every county want access to it.

Supporters of cost-sharing under title III want flexibility at the State and local level when implementing the program and as much discretion as possible. For example, they want to be able to allow recipients to temporarily reduce or forego payments when unexpected or extraordinary expenses affect their ability to pay. All the State and local respondents want a cost-sharing program under title III to have broad guidelines, giving State, area and provider agencies sufficient discretion. In determining whether recipients must pay and how much, State and local officials prefer to have recipients declare their income and not be subjected to investigation and income verification. Most would like to use a simple method for determining disposable income.

Non-cost-sharing State area and provider agency respondents warn against the possibility of two standards of service emerging: one for those who can pay something and another for those who cannot pay. Representatives of several cost-sharing State area and provider agencies report they assess the needs of potential recipients first, then their financial status. This insures that those most in need of services are served first, regardless of income.

Non-cost-sharing State provider agency respondents also express some concern about the costs of additional personnel needed for assessments and for billing and collection. Cost-sharing States’ experience with administrative expenses varies, as does the agency (State, area or provider) which has to absorb the expenses. One area agency official said: “Local providers absorb any added costs for administering these programs - they’re not immediately passed on to us.” Conversely, a provider agency official said: “All administrative work is done by the area agency. We provide services and bill them. It’s very cost-effective for us.”

AGENCY COMMENTS

The Commissioner on Aging reviewed the draft of this report and supports the study's findings. The full text of the Commissioner's comments are included in appendix A.

APPENDIX



Administration on Aging

Washington, D.C. 20201

SEP 6 1990

TO: Michael Mangano
Deputy Inspector General for
Evaluation and Inspections

FROM: U.S. Commissioner on Aging

SUBJECT: OIG Working Draft, "Cost-Sharing for Older Americans"

We have reviewed the OIG Working Draft, "Cost-Sharing for Older Americans". We are pleased with the findings of the study and your presentation of these findings. Resources needed to maintain and expand services to the rapidly growing elderly population are difficult to find in the public and private sector. Therefore, client participation in the cost of services is one of the very few alternatives for addressing the increasing service needs of the elderly.

The OIG study directly supports the findings of the General Accounting Office on the same subject. However, the OIG study is particularly persuasive because it includes interviews with elderly service recipients and their families and documents their willingness to share in the cost of the services.

The Administration on Aging has recommended that the Department propose to the Congress that the Older Americans Act be amended to permit States to use cost-sharing for Title III services, with particular attention to Part B Services, provided to older persons with an income of at least 200% above the poverty level. I am certain that this study will help the Department convince the Congress that such amendments are viable and desirable.

We have no suggestions for changing this report. Thank you for your assistance in improving programs for the elderly.

Joyce T. Berry
for
Joyce T. Berry, Ph.D.