



Adult Care Facilities Testimony

Provided by

Diane Darbyshire
Senior Policy Analyst
LeadingAge New York

Tuesday, September 19, 2017

Introduction

On behalf of the membership of LeadingAge New York, thank you for the opportunity to testify regarding adult care facilities, quality care, and the State Supplement Program (SSP). LeadingAge New York represents over 400 not-for-profit and public providers of services for the aging throughout the continuum. We are testifying on behalf of our membership, which includes approximately 100 mission-driven, not-for-profit adult care facility providers throughout the state. Our members are committed to their missions to provide quality care to the people they serve.

We thank the Assembly for your leadership on this issue and for passing legislation (A 6715-B) that, if signed by the Governor, would increase the SSP rate in April 2018. We applaud the Assembly's Health, Social Services, and Aging Committees for jointly examining this issue with these hearings, and for bringing attention to the needs and options of New York's poorest seniors.

I) Background on Adult Care Facilities and SSI/SSP

The term 'adult care facility' encompasses both adult homes and enriched housing programs, both of which serve people receiving Supplemental Security Income (SSI) as well as individuals who pay for their care with their own resources. Adult care facilities provide temporary or long-term, non-medical residential care services to adults who are substantially unable to live independently. Residents of these homes typically are in need of supervision and personal care services to enable them to maintain good personal health and hygiene, to carry out the basic activities of daily living, and to participate in activities in the facility and community. There are 576 adult care facilities currently licensed statewide. In 2016, 313 adult care facilities served SSI recipients. According to 2015 statistical data from the Department of Health, 82% of residents in adult care facilities are age 66 or older, with the majority of those residents being age 81 or older.

For those who qualify based on income and assets, SSI Congregate Care Level 3 pays for an individual's housing and services in an adult care facility. The Level 3 rate is \$1,429 per month, \$194 of which is allocated for the resident's personal needs allowance (PNA). Thus, \$1,235 per month, or \$40.60 per day, remains to pay for the resident's care in an adult care facility, which includes the provision of housing, meals, personal care, assistance with medications, case management, monitoring and supervision, housekeeping, and activities.

The Congregate Care Level 3 SSI benefit is comprised of both a state and federal portion. The federal portion of the benefit has a cost of living adjustment (COLA). Per the Social Security website, "the purpose of the COLA is to ensure that the purchasing power of Social Security and Supplemental Security Income (SSI) benefits is not eroded by inflation." The COLA is based on the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which is determined by the Bureau of Labor Statistics in the U.S. Department of Labor. Legislation passed in 1972 established automatic COLAs beginning in 1975.

Unfortunately, there is no commensurate adjustment for the state portion of the benefit, or SSP. Thus, despite the federal COLA, the overall Congregate Care Level 3 SSI rate has quickly fallen out of pace with rising costs.

The last increase to the state portion of the SSI benefit was enacted in the 2005 budget. It instituted a \$7 per day increase phased in over two years: \$3 per day effective 2006 and an additional \$4 per day effective 2007. In the *10 years* since the last increase in the state portion of the SSI rate, both the operational and staffing costs of running an adult care facility have increased significantly. Clearly, \$40.60 is not a sustainable rate for adult care facilities to serve the frail elderly.

II) What is the Actual Cost of Providing Care?

LeadingAge New York conducted an analysis of facilities that serve SSI recipients and determined that the average cost of care is \$69.95 per resident per day, nearly \$30 per day more than the actual SSI daily rate. This calculation was conducted using the most recent data available from the Department of Health, and it does not reflect costs associated with the minimum wage increase. Below is an explanation of this analysis.

a) Cost of Care Analysis

We selected adult care facilities that predominantly serve SSI recipients from the 2015 Annual Statistical Informational Report to perform this analysis. Data from the 2015 Adult Care Facility Not-For-Profit Financial Report, 2015 PPHA Adult Care Facility Financial Report was used to determine the cost per resident day. Beginning with the 2015 financial full data set, the overall cost was determined by adding capital cost and operational cost from the report. The cost per resident day was then determined by dividing the overall cost by resident care days, pulled in from Schedule K of the Financial Reports.

Next, the 2015 Annual Statistical Informational Report was filtered to show only facilities that have SSI residents. From those SSI facilities, those who also had assisted living program (ALP) beds were removed, because ALP residents have a higher acuity than adult care facility residents and receive Medicaid reimbursement.

The percentage of SSI residents was then determined by dividing the number of SSI residents by the end census number. Once that was determined, the cost per resident day was pulled in from the financial data.

After eliminating all outliers from the median, any SSI facility that had a percentage of SSI residents of 75 or higher was included in our analysis. The average cost per resident day was then determined on our sample size.

The result of our analysis is that the average cost per resident day for adult care facilities that have a resident population that is predominantly SSI eligible (75% or greater) is **\$69.95**. As

noted above, an adult care facility gets paid **\$40.60** per day to care for an SSI recipient – **\$29.35 less than the average 2015 cost.**

b) Important Considerations in Cost Analysis

The costs went up for adult care facilities in late 2016 and again this year as providers implemented changes to meet the new minimum wage requirements and other wage mandates. While many of our members pay higher than the minimum wage, they still had to increase wages to remain competitive. Recruiting and retaining quality workers is an ongoing challenge, and they immediately felt that pressure when the food service wages were raised. It has become increasingly difficult to recruit people when they have higher paying options in the food service industry.

In other words, this is an already significant gap that is quickly widening. Furthermore, the providers included in the aforementioned cost analysis will not receive any funding from the state to help pay for the costs associated with the minimum wage increase. How will providers be able to meet or exceed new wage requirements without additional support when they are already losing \$30 per resident per day?

c) Why is This Important?

Adult care facilities are a bargain for the state. Even if the SSI rate covered the costs to providers, the state will save money by keeping people in a lower level of care. The average 2017 nursing home daily Medicaid rate for people scoring a PA, the lowest Resource Utilization Group (RUG) score, is approximately \$250 downstate and \$180 upstate. It's clear that a modest investment in the SSP program can save significant Medicaid dollars by preventing unnecessary nursing home placement for low-income seniors.

Since 2010, 37 adult care facilities have closed, and three additional facilities have submitted closure plans to the Department of Health. We are likely to see more in the future. At the same time, there are people living in nursing homes on Medicaid now who could live in a lower level of care if beds were available in an adult care facility that accepted SSI recipients. But, as homes that serve people receiving SSI close, many communities are left with nursing home care as the only alternative. People generally can't return to their homes (if they are still available) because their needs exceed what could be managed in that setting. If the community has no other adult care facilities that serve SSI recipients and have openings, then the individual must move to another community or go to a nursing home. Unfortunately, if adult care facility residents are placed in nursing homes unnecessarily, there will be added cost to the state's Medicaid program.

Equally important is the quality of life of the senior, which is both a personal issue and a policy issue. Adult care facilities offer a critical service within our continuum of care for those who can no longer remain at home but don't yet need a nursing home. They offer a more home-like setting with greater opportunities for independence and access to the community. While

nursing homes offer a vital service in the state, they should be reserved for those who need that highest level of skilled care. Furthermore, it is the policy of New York State and the federal government to enable people to live in the least restrictive setting possible. Sadly, the SSI rate limits New York's poorest seniors from having access to adult care facilities as an alternative to nursing home placement.

Part of the focus of this hearing is to examine how quality can be improved. Some of our mission-driven, not-for-profit members' boards are contemplating closure because they are worried about continuing to be able to provide the high-quality care they are known for. For them, it is a question of survival, whether the SSI rate will be sufficient to make it financially feasible for them to serve low-income, elderly individuals. If the SSI rate is not increased, their boards must make some hard decisions about the future, but providing poor quality care is not an option.

III) Looking to the Future

New York has a growing population of seniors on the horizon who will be less able to pay for their long term care needs than today's seniors. We are also facing the possibility of cuts on the federal level to funding streams that support New York's long term care infrastructure. The state has many options to support low-income seniors to remain at home or to live in a nursing home, and yet there are limited options for low-income seniors in adult care facilities. If we fail to bring the SSI rate to an adequate level, we are likely to see *even fewer* options for low-income seniors in adult care facilities.

We can't afford the closure of another adult care facility that serves low-income seniors. We must strengthen the options for New York's low-income seniors *now* to prevent a future social and economic crisis.

Conclusion

Again, we thank the Assembly for your support in working to obtain an increase in the SSP rate for adult care facility services and hope the legislation will be signed to implement an increase in April 2018. Once the rate approaches an adequate level, an automatic cost of living adjustment should be established, as was done for the federal portion of the benefit, so the rate keeps up with the cost of providing care.