

Scripps Gerontology Center

Scripps Gerontology Center Publications

Miami University

Year 2007

Evaluation of Ohio's assisted living
Medicaid waiver program: Report on
program costs

J S. Brown
sbrow@muohio.edu

Robert Applebaum
applebra@muohio.edu

**Evaluation of Ohio's Assisted
Living Medicaid Waiver Program:**

Report on Program Costs

**J. Scott Brown
Robert Applebaum**

June 2007

**Evaluation of Ohio's Assisted
Living Medicaid Waiver Program:
Report on Program Costs**

**J. Scott Brown
Robert Applebaum**

**Scripps Gerontology Center
Miami University**

June 2007

STUDY TEAM

Scripps Gerontology Center

Robert Applebaum

J. Scott Brown

Karl Chow

Cary Kart

Jennifer Kinney

Valerie Wellin

Maragret Blenkner Research Institute

Farida Ejaz

Heather Menne

Jessie Richardson Foundation

Keren Brown Wilson

TABLE OF CONTENTS

TABLE OF CONTENTS	i
INTRODUCTION	1
BACKGROUND	1
STUDY QUESTIONS AND METHODOLOGY	3
Characteristics of Consumers across Service Tiers	4
Comparison of Consumers in Assisted Living, Nursing Home and PASSPORT	6
Comparison of Assisted Living Waiver and Nursing Home Medicaid Costs	10
REFERENCES	14

INTRODUCTION

In the 2006/2007 biennium budget, the Ohio Legislature authorized the Ohio Department of Aging to develop and evaluate an Assisted Living Medicaid Waiver Program. The waiver program received approval from the federal Centers for Medicare and Medicaid Services (CMS) to begin program operations in July 2006. The waiver is administered by the Ohio Department of Aging through its regional network of PASSPORT Administrative Agencies (PAA). This study evaluates program performance for the initial implementation period, July 2006 through March 2007. During that period the program enrolled 134 participants; as of June 1, 193 individuals had entered the program.

The evaluation includes three topical reports and a summary final paper. This report on *Program Costs* is accompanied by two other topical papers: *Consumer Access and Satisfaction* and *Assessment and Service Plan Development Process*. These three free-standing reports are combined into a final summary document.

BACKGROUND

The increase in the number of older people in the United States who experience a long-term disability has been dramatic, as have the costs of caring for this population. In the past decade, the number of older people across the United States with disability has increased by about 20%, and the national Medicaid long-term care costs have nearly doubled from \$49 to \$95 billion (Georgetown University, 2007). In Ohio, from 2000 to 2005 total Medicaid long-term care costs increased from \$3.2 billion to \$4.8 billion (50% increase) (Burwell et al., 2006). With estimates that the number of older people with disability in Ohio will more than double by 2035, the state faces a serious challenge in developing a system of long-term care that will meet the needs of Ohioans in an efficient and effective manner (Mehdizadeh et al., 2007).

In response to these challenges, states are in the process of changing their long-term care delivery systems to include a wider range of service options. Because the original Medicaid legislation, the primary funding source of public long-term care, emphasized care in the institutional setting, most states developed systems in which the vast majority of Medicaid services and expenditures were in nursing homes. In the past two decades, states have made a serious effort to reform long-term care. An expansion of in-home services through the PASSPORT program was Ohio's initial major response to this challenge. Accompanying this expansion have been a number of efforts including a nursing home pre-admission assessment process, development of two Program of All-Inclusive Care to the Elderly (PACE) sites, nursing home reimbursement reform, and a recent Money Follow the Person Grant to ensure that older people reside in the setting of their choice. The development of the Assisted Living Waiver Program represents an additional attempt by Ohio to expand the range of long-term care options for people with disability. Ohio became the 42nd state to implement a Medicaid Assisted Living Waiver Program.

To implement the Assisted Living Waiver Program, the Ohio Department of Aging (ODA), which is responsible for day-to-day management, partners with two other state agencies, the Ohio Department of Job and Family Services (ODJFS) and the Ohio Department of Health (ODH). ODJFS, as the single state Medicaid agency, has fiduciary responsibility for the program, while ODH is responsible for residential care facility licensure and data collection for the certification of assisted living providers participating in the program. The program uses case managers located in the 13 regional PASSPORT Administrative Agencies to assess client eligibility and to assist consumers in accessing and transitioning into assisted living facilities as

part of the waiver program. After a consumer is enrolled, case managers are responsible for monitoring the consumer's condition and the services provided in the assisted living facility.

To be eligible for the Assisted Living Waiver, participants must be either nursing home residents who would remain in the facility without the assisted living option or be currently enrolled in the PASSPORT, Choices, Ohio Home Care, or Transitions Waiver programs. Additionally, participants must be 21 years of age, meet the nursing home level of care criteria, have a need for assistance with activities of daily living that cannot be scheduled, and be Medicaid eligible. To enroll, eligible consumers must find a facility that has been certified by ODA and is able to accommodate the resident. As of March 1st, 2007, 50 facilities had received program approval to enroll Medicaid waiver participants. Program build-up has been slower than originally anticipated, and while this experience is typical for assisted living waiver programs nationally, it will be important to better understand the reasons for these enrollment patterns. Issues surrounding enrollment will be examined in depth in the final summary report.

STUDY QUESTIONS AND METHODOLOGY

This report examines the costs and characteristics of those individuals enrolling in the waiver program between July 2006 and March 2007. Assisted living resident characteristics are compared to Medicaid nursing home residents and PASSPORT enrollees. The costs of assisted living residents are compared to nursing home residents of the same region of the state. The data sources for this component of the analysis include the PASSPORT Information Management System (PIMS) and the Nursing Facility Minimum Data Set (MDS). Because the analysis sample for the study included only 134 assisted living residents, program comparisons represent preliminary findings.

Characteristics of Consumers across Service Tiers

Consumers in the Assisted Living Waiver Program are assigned to one of three service tiers based on levels of needed care with corresponding increases in costs. Although all enrollees in the Assisted Living Waiver Program must meet the nursing home level of care criteria, there are expected differences in disability and care needs between tier groupings. Tier 1 clients require no more than 2.75 hours of service per day. Tier 2 clients require more daily hands-on assistance from staff and up to weekly nursing assistance. These consumers use between 2.75 and 3.35 hours of service per day. The most severely impaired assisted living clients are placed in Tier 3, which is characterized by ongoing daily needs from both general staff and nursing assistance that requires more than 3.35 hours of service per day. The need for assistance with medication administration automatically results in a Tier 3 classification, regardless of hours of service provided per day.

The increasing care needs across the three tiers correspond to increases in daily service payments. Daily service costs by tier are \$50 for Tier 1, \$60 for Tier 2, and \$70 for Tier 3. A flat rate reimbursement for 2007 room & board of \$573 per month is applied across all tiers. Thus, the respective monthly reimbursement rates across the three tiers are \$2,122, \$2,433, and \$2,742 (assumes a 31 day month).

Table 1 shows the characteristics of Assisted Living Waiver Program enrollees across the three service tiers. Perhaps the most striking result in the table is the absence of any Tier 1 residents from the 134 persons enrolled through March 2007. Fourteen residents (10.4%) are placed in Tier 2, with the remaining 90% of participants being at a Tier 3 service level. Residents in both Tier 2 and Tier 3 are mostly female and largely white, non-Hispanic. The

Table 1
Demographic Characteristics of Assisted Living
Waiver Participants by Service Tier

	Tier 1 ^a	Tier 2 (%)	Tier 3 (%)
Gender			
Male	--	7.1	24.2
Female	--	92.9	75.8
Race^b			
White	--	88.9	86.9
Black	--	0.0	4.9
Other	--	11.1	8.2
Ethnicity			
Hispanic	--	0.0	0.8
Non-Hispanic	--	78.6	97.5
Age			
46-59	--	14.3	8.3
60-64	--	7.1	8.3
65-69	--	14.3	6.7
70-74	--	0.0	12.5
75-79	--	0.0	15.8
80-84	--	0.0	10.8
85-90	--	42.9	20.8
91+	--	21.4	16.7
Marital Status			
Married	--	7.1	10.0
Divorced	--	14.3	25.0
Widowed	--	57.1	53.3
Single	--	14.3	10.0
Unknown	--	0.0	1.7
N	0	14	120

^aNo clients placed in Tier 1.

^bPercentages for race based only on completed responses. Due to excessive missing data for race, the results should be interpreted with caution.

Source: PASSPORT Information Management System (PIMS)

majority of individuals in both tiers are widowed with less than 10% having a living spouse. About half of all residents are 80 or older.

Residents in both service tiers have similar levels of disability (See Table 2). For the activities (ADL) and instrumental activities of daily living (IADL) there is little difference between the two tiers. Residents in both tiers, with only a handful of exceptions, are disabled on all IADL items. This is also the case for both the bathing and mobility ADL items, with around 90 percent of individuals in either tier reporting difficulty in these domains. About one-third of residents in both tiers report difficulty toileting, and though at a much lower prevalence, about 7-10% of participants across both tiers report difficulty with eating. The only item that does not appear to fit the expected pattern is grooming, which shows more impairment for the Tier 2 grouping. Interpretation of this finding is limited by the small sample size of Tier 2 and will require additional analysis as the program increases in size.

The assessment of need for either partial or 24-hour supervision appears to be an area of potential importance in making comparisons between the two tiers. None of the Tier 2 clients have a need for either partial or 24-hour supervision, while one in five Tier 3 residents are placed in this category. Given the similarity in ADL and IADL characteristics, this item may turn out to be an important factor in tier assignment and will need further assessment as the program expands.

Comparison of Consumers in Assisted Living, Nursing Home and PASSPORT

Table 3 provides a comparison of Assisted Living Waiver participants to nursing home residents supported by Medicaid and PASSPORT consumers (Mehdizadeh et al., 2007). Assisted living participants, as are nursing home residents and PASSPORT consumers, are typically

Table 2
Disability Characteristics of Assisted Living
Waiver Participants by Service Tier

	Tier 1 ^a	Tier 2 (%)	Tier 3 (%)
ADL			
Bathing	--	92.9	94.2
Dressing	--	50.0	65.8
Eating	--	7.1	10.0
Toileting	--	28.6	35.8
Mobility	--	92.9	88.3
Incontinence	--	14.3	24.2
Grooming	--	64.3	36.7
IADL			
Community Access	--	92.9	99.2
Environmental	--	100.0	100.0
Shopping	--	100.0	97.5
Meal Preparation	--	92.9	99.2
Laundry	--	100.0	97.5
Needed Supervision			
24-Hour	--	0.0	13.3
Partial	--	0.0	7.5
None	--	100.0	79.2
N	0	14	120

^aNo clients placed in Tier 1.

Source: PASSPORT Information Management System (PIMS)

Table 3
Comparison of Assisted Living, Nursing Home, and PASSPORT

	Medicaid Nursing Home Residents (2006) (%)	PASSPORT Consumers (%)	Assisted Living Consumers (%)
Age			
46-59	11.2	N/A	9.0
60-64	5.5	10.7	8.2
65-69	6.2	16.0	7.5
70-74	7.7	17.4	11.2
75-79	12.1	18.5	14.2
80-84	17.3	18.2	9.7
85-90	20.4	11.5	23.1
91+	15.5	7.5	17.2
Gender			
Female	71.1	76.7	77.6
Race			
White	83.0	78.7	-- ^a
Marital Status			
Married	14.3	19.8	9.7
Divorced/Widowed	65.3	73.6	77.6
Never Married	20.3	6.6	10.4
ADL			
Bathing	91.6	96.0	94.0
Dressing	81.8	60.1	64.2
Transferring	70.1	--	--
Eating	33.3	10.9	9.7
Toileting	76.3	21.1	35.1
Mobility	--	75.6	88.8
Grooming	81.9	32.9	39.6
Number of ADL Impairments			
0	7.2	0.8	0.0
1	7.2	3.5	6.0
2	4.7	34.6	20.1
3	5.7	33.6	25.4
4+	75.3	27.5	48.5
Average Number of ADL Impairments	4.4	3.0	3.3
Incontinence	62.3	14.1	23.1
Needed Supervision			
24-Hour	--	9.5	11.9
Partial	--	9.1	6.7
N	36,678	28,565	134

^aPercentages not provided due to high rate of missing data for race category.

Source: MDS 2.0 July-September 2006

PASSPORT Information Management System (PIMS)

female and widowed or divorced. Assisted living residents are less likely to be married — less than 10% compared to 15% of nursing home residents and 20% of PASSPORT participants. Four in ten assisted living residents are age 85 and older. This proportion is comparable to nursing home residents and more than twice the PASSPORT figure.

Impairment levels across the three groups vary. Almost all assisted living participants, nursing home residents, and PASSPORT consumers report having difficulty with the bathing ADL, indicating that persons in all three settings have significant physical impairment. For all other ADL items, assisted living residents appear between the nursing home and PASSPORT consumer profiles. For example, the measure of difficulties in dressing shows 64% of assisted living residents with impairment, compared to 82% of nursing home residents and 60% of PASSPORT participants. Ability to get to and use the toilet shows more than one in three assisted living residents to be impaired, compared to three-quarters of nursing home residents and one in five PASSPORT consumers. Regarding incontinence, assisted living residents (23%) are less impaired than nursing home residents (62%), but are more impaired than PASSPORT consumers (14%). It should be noted that environmental and regulatory constraints in nursing homes limit resident mobility making disability comparisons across settings somewhat more difficult to interpret. For example, a nursing home resident who is slow in getting to the bathroom may be classified as impaired in that setting, while an assisted living or PASSPORT participant may be classified as independent.

In examining the summary measure of total ADL deficits, again the Assisted Living Waiver residents are in between the other two groups. Almost half of assisted living residents have at least four ADL deficits, compared to about three in ten PASSPORT consumers and four of five nursing home residents. The average number of ADL impairments also follows this

pattern with assisted living residents in the middle (3.3) between nursing home residents (4.4) and PASSPORT consumers (3.0). Because of the measurement challenges associated with some of the mobility items, we also compared those with three or more ADL impairments by setting. Almost three-quarters of the assisted living residents have three or more ADL limitations, compared to six in ten for PASSPORT and 81% of nursing home residents. Such an analysis makes the ADL rates look more comparable across programs. This suggests that further study of measurement of ADL across settings would be important to better understand program comparisons.

Comparison of Assisted Living Waiver and Nursing Home Medicaid Costs

Comparison of costs between the Assisted Living Waiver Program and nursing homes is a particularly difficult task for two reasons. First, the basis of reimbursement rates is fundamentally different in these two contexts. For the Assisted Living Waiver, reimbursement rates are determined by an individual's placement into one of three tiers based on disability and service need (e.g., amount of supervision needed, level of impairment, hours of services needed). Reimbursement in the nursing home context, however, is not based on individual factors, but rather is based on the average health and disability conditions of all residents in the facility — termed case mix. Thus, for example, a review of individual Medicaid nursing home costs for a resident with severe physical impairments who resides in a facility of predominantly moderately disabled persons may show lower Medicaid costs than a less disabled individual in a facility with more severely impaired residents. Second, reimbursement rates for the Assisted Living Waiver are applied on a statewide basis, whereas Medicaid nursing home reimbursement rates vary by region and by facility.

Table 4 shows the average Medicaid reimbursement rate for nursing homes and the average costs of Assisted Living Waiver residents by region. Nursing home Medicaid costs average about \$5,100 across the state compared to about \$2,700 for the Assisted Living Waiver Program across all regions of Ohio. Since most assisted living residents are placed in Tier 3, the level of regional variability in monthly public costs is considerably greater for nursing homes. The result of this regional variability in costs is a corresponding regional variability in the cost difference between nursing homes and assisted living. Monthly average individual costs are least different in Rio Grande (PAA 7) where nursing home reimbursement is \$1,738 higher than Assisted Living Waiver costs. At the other end of the spectrum, nursing home reimbursements are most different from Assisted Living Waiver costs in Cleveland (PAA 10a) where average monthly Medicaid nursing home costs are \$3,207 more than average costs of assisted living. Given that nursing home reimbursements vary by region due to cost-of-living reimbursement adjustments for more expensive urban areas of Ohio, these comparisons suggest the current assisted living rate may be more attractive in lower cost areas of the state. This may be one of the factors explaining why Rio Grande is the region with the second highest number of Assisted Living Waiver enrollees (26% of all enrollees) despite being a less populated area of the state.

An important policy question asks whether Assisted Living Waiver participants would be likely served in nursing homes. Because nursing home placement depends on a variety of functional, behavioral, social, and environmental factors, such comparisons are difficult to make. However, a comparison of functional rates of disability can provide estimate ranges.

As shown earlier in Table 3, Medicaid nursing home residents on average are generally more disabled than Assisted Living Waiver participants. With the exception of bathing, which does not differ for any group, Medicaid nursing home residents have a higher prevalence of ADL

Table 4
Average Monthly Reimbursement Rates by Region*:
Nursing Home Residents vs. Assisted Living Waiver Participants

PAA	Region Name	Assisted Living Waiver Costs** (2007)	Nursing Home Medicaid Costs** (2005)
PAA 1	Cincinnati	\$2,742.38	\$5,680.75
PAA 2	Dayton	\$2,618.63	\$5,236.21
PAA 3	Lima	\$2,742.38	\$4,602.26
PAA 4	Toledo	\$2,742.38	\$4,910.09
PAA 5	Mansfield	\$2,742.38	\$4,761.91
PAA 6	Columbus	\$2,742.38	\$5,141.04
PAA 7	Rio Grande	\$2,671.66	\$4,410.37
PAA 9	Cambridge	\$2,639.25	\$4,393.94
PAA 10 ^a	Cleveland	\$2,716.60	\$5,923.79
PAA 11	Youngstown	\$2,718.58	\$4,785.47
CSS	Sidney	\$2,742.38	\$5,802.76
Statewide Average Costs		\$2,710.82	\$5,058.96

*PAA 8 and PAA 10B are excluded since data show no Assisted Living Waiver participants in these regions.

**Regional figures for Assisted Living are based on case mix of participants.

** Assisted living costs are based on 2007 costs, nursing home costs are based on the 2005 survey of long-term care facilities.

Source: PASSPORT Information Management System (PIMS)
2006 Annual Survey of Long-Term Care Facilities

deficits. Medicaid nursing home residents average about one additional ADL item compared to Assisted Living Waiver participants. Three-quarters of Medicaid nursing home residents have four or more ADL impairments compared to half of the assisted living residents. On the other hand, the proportion of individuals with three or more ADL deficits is similar. Additionally, about one in five Medicaid nursing home residents have two or fewer ADL impairments, with almost 15% having zero or one impairment.

Applying these disability rates to assess what proportion of Assisted Living Waiver participants would use nursing homes in the absence of the program is not methodologically possible. However, given that almost half of the assisted living residents have four or more ADL deficits, and that almost three-quarters have three or more ADL impairments, it appears that there is considerable overlap between programs. As the program expands, a more in-depth comparison of assisted living participants to nursing home residents and an analysis of Medicaid costs for a longer period of time is necessary to better understand issues of cost-effectiveness.

REFERENCES

- Burwell, B., Sredl, K., & Eiken, S. (2006). *Medicaid long-term care expenditures in FY 2005*. Cambridge, MA: The Medstat Group.
- Georgetown University. (2007). *National spending for long-term care*. Washington, DC: Health Policy Institute.
- Mehdizadeh, S., Applebaum, R., Nelson, I. M., Straker, J., & Baker, H. (2007). *The changing face of long-term care: Ohio's experience 1993-2005*. Oxford, OH: Scripps Gerontology Center, Miami University.