

Issue Brief – Aging Waiver & Alternatives Programs

DIVISION OF AGING AND ADULT SERVICES

NUMBER DHS-07-22

AGING WAIVER AND ALTERNATIVES PROGRAM

The Area Agencies on Aging (AAA) under the Division of Aging and Adult Services (DAAS) is requesting a continuation of FY 2006 one-time funding, administrative funding and increase costs for services for the Aging Waiver Program for FY 2007. In addition, the DAAS is requesting increased funding for the Alternatives Program to cover the increased cost of services and the applicant list. The total request from DAAS is an ongoing appropriation from the General Funds of \$747,500.

OBJECTIVE

The objective of these programs is to provide services that will allow senior citizens to remain in a community setting rather than in a skilled nursing facility.

DISCUSSION AND ANALYSIS

I. Aging Waiver Program

The Division of Aging and Adult Services (DAAS) under the State Medicaid plan has a waiver program for aging services. Waiver programs are exceptions to the Medicaid plan which states can opt for to provide services that are less expensive or cost neutral. In the case of the Aging Waiver, DAAS through the waiver program can provide services to the elderly allowing them to live in their homes rather than a skilled nursing facility (approximate annual costs of \$4,951 for the waiver versus \$23,944 for skilled nursing facility).

Nationally, about 9 percent of all Medicaid enrollees are elderly, yet 25 percent of the total expenditures are for elderly services with 84 percent of the Medicaid funding being used for waiver programs.

The aging waiver can play a key role in reducing the costs of a growing population. According to the U.S. Census Bureau, 330 boomers (referring to baby boomers) will turn 60 every hour in 2006, almost 2.9 million by the end of the year.

Continuation of FY 2006 One-time Funding for the Waiver Program - \$300,000

The 2005 Legislature appropriated one-time General Funds for FY 2006 to cover the change in rate for about 206 clients from \$3,677 in FY 2004 to \$4,951 in FY 2005, plus administrative funding of \$37,600. If these clients were to be moved to nursing homes, the cost to the state would be almost \$4.5 million. In order to maintain the same level of support, DAAS is requesting the one-time funding be converted to ongoing in FY 2007.

Administrative Costs for the Waiver Program - \$144,600

The aging waiver program was amended in 2005, changing the ratio of Medicaid payments for administrative costs. For example, Medicaid used to pay a 3 to 1 ratio for the funding of client assessments to determine program eligibility. Under the new guidelines, the ratio was reduced to 1 to 1. Additionally the feds are requiring a greater emphasis on increasing the number of providers for waiver clients which increases the costs for training, monitoring and reviewing of case plans. In the first quarter of FY 2006, the administrative costs due to the change. The ratio increased by 81 percent from the administrative expenditures from the same period in FY 2005.

Increase Costs of Waiver Services - \$23,900

The Department of Health's Medicaid/Health Care Finance has estimated a 2 percent increase in the cost of services based on the current level. The impact on DAAS will result in a reduction of services which would equate to about 22 individuals. If these clients were to be moved to nursing homes, the cost to the state would be almost \$636,000. In order to maintain the same level of support, DAAS is requesting funding to cover the increase costs of services.

II. Alternatives Program

The Alternatives Program is similar to the Aging Waiver except it is for non-Medicaid eligible persons who wish to remain in their homes. This program is

totally supported with State resources and costs about \$3,900 annually.

Increase Costs of Alternatives Services – \$79,000

This request is based on a 2 percent increase in the base in order to maintain the current level of support. If this increase in costs is unfunded, the amount of services will have to be reduced which would equate to about 25 persons.

RECOMMENDATION

It is the recommendation of the Analyst that the Division of Aging and Adult Services receive a one-time appropriation of \$300,000 for the Aging Waiver for FY 2007. In addition, the Subcommittee may want to prioritize this request for funding of \$447,500 for administrative costs, the increase costs of services for both the waiver and alternatives program, and the alternative applicant list.

Alternative Applicant List - \$200,000

The alternatives program has an applicant list of persons waiting for services. Funding of the applicant list for the alternatives program, will allow 63 elderly on the list to remain in their homes. DAAS has been unable to provide services for 593 seniors.