



Medicaid Service Funding Options for Affordable Assisted Living in
Michigan
An Information Brief for Housing Professionals

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Introduction

Housing and health care professionals operate in distinctly different worlds, each with their own terminology and array of programs. Housing and health care staff generally know the other's purpose but need to work more closely to integrate affordable housing and community based services to address the needs of a growing older population with limited financial resources. This briefing was prepared to help housing professionals (developers, operators, investors), interested in affordable housing with services in assisted living residences, understand the basics of Medicaid and the services available that will meet the needs of tenants intent on living independently in their private apartment for as long as possible. It is not a technical manual but does explain many of the features of what can be a complicated program.

Medicaid (MA) is a joint federal-state program that provides health care coverage for qualifying people with low-incomes and minimal assets. MA is administered by the Centers for Medicare & Medicaid Services (CMS) and coverage includes paying for hospital care, doctors' services, nursing-home care, home health services and other health services. The two Medicaid programs offered that are of the most interest to housing professionals associated with unlicensed assisted living are the MI Choice home and community based services program and the Program of All-inclusive Care for the Elderly (PACE). Both programs provide on-going personal care and health related services to older adults who meet the nursing facility admission requirements but who choose to remain in the community and receive long term care (LTC) supports. More information on these programs is provided later in this document.

Statement of the Problem

Michigan and the rest of the nation are experiencing unprecedented changes in their elderly population as it grows larger and older. The number of seniors in the U.S. is expected to double from 35 million in 2000 to 72 million by 2030, when one in five citizens will be over the age of 65. By 2050, one out of every four seniors will be age 85 or older. Research shows a strong link between advanced age, chronic health conditions, disability and the use of long-term care services. Older adults with low incomes are placed at greater risk for chronic illness and disability and accordingly in greater need of LTC services.

Many older adults with low incomes are faced with the dilemma of having to move from their home or apartment for a number of reasons that may include the loss of a caregiver, needed but unaffordable in-home services, limited accessibility in and/or around the home, the burden of the home's expenses, or other reasons. Currently, there are few viable alternatives that address the dual needs for affordable quality housing and community based LTC services.

Assisted Living is an important option for older adults who are too frail to live on their own but do not require or prefer 24 hour continuous nursing services provided in nursing facilities/nursing homes. In general, assisted living provides a rental apartment with access to supportive services and 24 hour supervision. Assisted living programs that target seniors with low to moderate incomes are defined as Affordable Assisted living (AAL).

Affordability is a substantial issue for the older population interested in assisted living. Nearly 35% of older adults live at or below 200% of the poverty level. In 2004, the national annual average cost of fair market or private pay assisted living was more than \$28,500 per year while 47% of those aged 65 years and

older have annual incomes of less than \$25,000. Further, nearly 70% of the 10.2 million households of people aged 75 years and older have incomes of less than \$25,000.

These converging trends places an enormous strain on the nation's and Michigan's publicly funded LTC system with MA costs expected to soar unless creative housing with services solutions are found. Affordable unlicensed senior housing properties linked with publicly funded health and supportive services can provide a cost-effective answer for meeting the LTC needs of lower-income seniors.

Affordable Assisted Living Overview

In Michigan, AAL is a specialized form of senior apartment housing that provides on-site personal care and health related services with rents priced at rates affordable to seniors with low to moderate incomes. A primary objective of the AAL effort is to integrate housing with community-based services; this involves developing accessible private apartments in tandem with access to private pay, MA and other service resources, including 24 hour supervision.

Generally, AAL supports persons who can no longer remain home, those who prefer to live in residences with available LTC services and those nursing home residents that wish to move back to the community and receive less costly LTC services. AAL is clearly a community based program providing the same personal care and home health services that are provided to consumers of in-home service programs. There is an emphasis on targeting AAL to MA consumers to broaden the scope of LTC settings available in the state's publicly funded LTC system and to utilize AAL dedicated funding within the state's current MI Choice in-home services Medicaid waiver program.

Developing housing with services in AAL settings creates operational efficiencies, lower LTC rates than nursing facilities and significant savings to federal and state MA budgets. The Robert Wood Johnson Foundation's multiyear and multistate AAL demonstration results show that participating states are paying an average of 62% less in state and federal Medicaid dollars to care for nursing facility eligible MA residents living in AAL settings. MI's neighboring states within CMS Region V include IL, IN, MN, OH and WI all have statewide AAL programs and are spending from 28% to 79% of the nursing facility rate.

MI's AAL project was initiated by MSHDA which formed partnerships with other state agencies including the Michigan Department of Community Health (MDCH), the Department of Human Services and the Office of Services to the Aging through an AAL Steering Committee. An established working agreement defines the commitments and contributions of each partner. The program developed by the Committee applies the AAL project in both newly constructed housing developments and in existing low income tax credit senior housing projects.

General Information about Medicaid, Medicare & dual eligibles

The MA program is governed by CMS at the federal level, which is within the Department of Health and Human Services. MA is a federal and state partnership; MA costs are shared between the federal government and states. MA is a federally supervised, state administered venture that provides primary, acute, and long term care services to individuals who meet income and resource (savings and other assets) requirements, and other categorical requirements (e.g., residency, citizenship). The MI Department of Community Health is the state MA agency and is responsible for setting policy, paying bills, contracting with providers, and managing the program. Most elderly MA beneficiaries are dually eligible for MA and Medicare.

Medicare is a federal health insurance program for people age 65 and older and people with disabilities under age 65 who receive Social Security Disability Insurance payments. Medicare provides primary and acute medical services to older adults and some younger individuals with a disability. Although Medicare covers nursing facility and home health services, they are authorized only during post acute or rehabilitative phases of an illness. Medicare services are short term and do not address long-term, custodial care.

Regarding **Medicaid**, only applicants whose income and assets fall within the guidelines are eligible for MA coverage. Eligible beneficiaries are “entitled” to all services MI covers under the regular MA program (referred to as the “State Plan”). In addition, CMS has the authority to approve coverage of services that support a person in the community who qualifies to be in an institution. States rely on CMS approved “waivers” to provide services or a program of services that are not otherwise covered under MA. The MI Choice program is funded through a home and community based waiver.

Federal regulations allow states to cover services that are not typically covered under the regular MA program through home and community-based waivers. Waivers are intended to substitute for institutional care and may only serve beneficiaries who could be admitted to a nursing facility if they applied or who live in a nursing facility and want to move to the community. The total cost of MI’s waiver services cannot exceed what the state would have spent in nursing facility cost in the absence of the waiver program.

MA & LTC

Most people think of nursing facilities when they think of LTC. MA is the primary payer for 67% of nursing facility residents in the United States. MA payment for nursing facility care is an entitlement, meaning anyone who meets the financial and functional/medical requirements can access this benefit. There is an over-reliance on relatively expensive institutional (nursing facility) care; MI spends over 70% of its MA LTC budget on nursing facility services and significantly less on home- and community-based services.

MA eligibility requirements differ for individuals applying to receive nursing facility services from those applying for the limited in-home services available under MI’s state plan. It is far easier to qualify for Medicaid funded nursing facility care creating a disincentive that leads to a significant number of residents in nursing facilities who do not require the level of care provided in an institutional setting. The CMS waiver option intends to resolve this disincentive by “waiving” MA state plan requirements with eligibility discrepancies. Waivers also add services to a state’s MA program to offer improved supports in the community.

Michigan does license adult foster care and homes for the aged entities that utilize MA state plan funded personal care services. Some licensed homes refer to their operations as assisted living, although the state has not previously had standardized assisted living programs, assisted living licensure, or specifically an AAL program as a component of the state’s Medicaid funded LTC system. In-home personal care services are also available in the state plan and can be accessed for AAL tenants who do not qualify for MI Choice or PACE programs.

MI Choice

Michigan’s home and community based waiver program serves individuals who qualify financially, meet the state’s nursing facility level of care and require at least one of the available services. Eligibility is complicated and seeks to cover individuals living in the community who would be financially eligible in an

institution (hospital, nursing home, or Intermediate Care Facility for the Mentally Retarded) under the “special income level” option. This option allows states to serve individuals whose income is less than 300% of the federal Supplemental Security benefit. For 2010, the federal SSI benefit standard is \$673 a month and 300% equals \$2,020 a month. Individuals cannot have more than \$2,000 in savings and other countable assets.

MI Choice services available include: personal care and supervision, homemaker services, adult day care services, counseling services, home delivered meals, respite care, personal emergency response systems, environmental accessibility adaptations, private duty nursing and other services that are required to keep a person from being institutionalized. Service needs are assessed and coordinated by supports coordinator teams comprised of social workers and registered nurses from MI Choice agencies. It is important to note that MI Choice reimbursement does not cover the cost of housing or rent.

MDCH contracts with regional waiver agents to administer the program locally, which includes most of the state’s Area Agencies on Aging (AAA). Waiver agents are required to provide all “medically necessary” services available through the waiver to address consumer needs in private residences, licensed residential care settings and unlicensed AAL residences. In addition to standard funding for the MI Choice service, MDCH can provide separate funding for consumers with extraordinary care needs (e.g. ventilator care) and state funds for one time or short term services not covered by the standard MI Choice services such as payment to avoid utility shut offs.

Waiver agents establish service agreements with a variety of home health and other in-home service providers to directly provide MI Choice services. A common AAL contractual arrangement is to enter into agreement with the AAL housing operator for meals and housekeeping services and with a home health agency to provide the personal care and health related services.

PACE

The Program of All-Inclusive Care for the Elderly is a managed care program that features a comprehensive service delivery system and coordinated Medicare and Medicaid financing. Managed care programs generally act as a gatekeeper working with the consumer to obtain needed health and LTC services. The comprehensive service package permits individuals to continue living at home while receiving services rather than be institutionalized. Participants must be at least 55 years old, live in the PACE service area, and be certified as eligible for nursing home care. Medicare or Medicaid resources are not used to pay for a consumer’s rent

The PACE program becomes the sole source of services for Medicare and Medicaid eligible enrollees including day care, in-home services and hospital and nursing home care as needed. A primary focus is the provision of adult day care that offers nursing; physical, occupational and recreational therapies; meals; nutritional counseling; social work and personal care. In-home services available through PACE are similar to those offered in MI Choice and medical care is provided by a PACE physician (medical director) along with medical specialists such as audiologist, dentist, optometrist, podiatrist, and speech therapist. The program also covers all necessary prescription drugs.

There are currently four PACE programs in MI located in Battle Creek, Detroit, Grand Rapids and Muskegon.

Other AAL Community based service options

In addition to serving as MI Choice waiver agents, AAAs provide a broad array of services that can be secured by AAL tenants. AAA's are part of a national network established through the Older Americans Act and administered by the Administration on Aging. The Administration designates a state unit on aging in each state. The MI Office of Services to the Aging oversees the operations of 16 AAAs in the state.

AAA Services range from information and assistance, wellness programs and a variety of in-home services. Most notably is Care Management which basically operates like MI Choice but the vast majority of consumers served are not Medicaid eligible. AAAs can also be a source of referrals for fair market tenants as services available normally do not require that consumers meet income or resource requirements and AAA's also operate centralized information and referral programs.

Questions about Medicaid services specific to housing

Can Medicaid pay for room and board for MI Choice or PACE consumers?

No, MA does not pay for rent or utilities but can provide home delivered meals in either a tenant's apartment or in a centralized dining area and housekeeping services. Although there is no source to pay ongoing utility costs, MDCH can use state funds for one time or short term expenses such as to avoid utility shut offs. Also, MI is one of a few states that use a separate source of funding from Civil Monetary Penalty funds to pay rent on a one time or short term basis but not on an on-going basis.

Are there limits on MI Choice services or the cost of individual service plan?

No, MI Choice waiver agents are required to cover all medically necessary services within the scope of the services available.

If an AAL tenant enters a nursing facility, can they still pay their rent?

Yes, federal regulations allow MI to exempt income that is needed to pay for maintaining a home or apartment for not more than six months as long as a physician certifies that the person is expected to return home. The MI Choice agency can coordinate this arrangement.

Are MI Choice services provided to assist individuals to locate and access housing?

Yes; finding affordable, accessible housing, negotiating a lease, mediating conflicts with a landlord, etc. can be covered under a service referred to as *supports coordination*; this service may also be referred to as care management, care coordination, or other terms. Supports coordination services are often used to foster the transitioning of a person from institutional care to a community setting or to help maintain a person in the community.

Are expenses associated with securing AAL housing reimbursable under MI Choice?

Yes, Medicaid can pay for transition services such as moving expenses and setting up a household (furnishing, household supplies, etc.). MI does cover transition services as a MI Choice service for Medicaid beneficiaries who move from an institution to the community. MI Choice can pay the reasonable costs of community transition services, including security deposits that are required to obtain a lease on an apartment or home, essential furnishings and moving expenses required to occupy and use a community domicile, set-up fees or deposits for utility or service access (e.g. telephone, electricity, heating) and health and safety assurances, such as pest eradication, allergen control, or one-time cleaning prior to occupancy.

Once a housing development is designated as an AAL site, are MI Choice funding for services guaranteed?

No, MI Choice is not an entitlement like MA state plan services so services cannot be guaranteed. However; MDCH has set aside a sum from the total MI Choice budget specifically dedicated to the AAL project and made other commitments; please see the attached “Affordable Assisted Living Statement of Available Medicaid Services” developed by the AAL Steering Committee.

If an AAL MI Choice tenant moves from the AAL, are the MA service funds dedicated to the AAL site for another tenant?

No, waiver services are “portable” and will remain with the tenant as long as eligibility is maintained if they move to another AAL site, senior housing or a private residence. MI Choice services are assigned to individuals and not providers; however, MI housing developers have agreements with MI Choice agents that either reserve or give priority for vacant apartments for MI Choice consumers.

How does MI Choice eligibility compare to Area Median Income levels?

MA income eligibility levels have no relation to standards used by subsidized housing programs. Individuals may be eligible for a housing subsidy but do not qualify for Medicaid in that the basis for income eligibility determination is different and MA considers savings and other assets. However; it is common that individuals meet qualifications for low-income housing and the MA funded MI Choice program. Information from the current AAL sites show that the MA eligibility requirement of 300% of SSI is equal to or less than 95% of the incomes at 50% of AMI.

What are environmental modification services and are these expenses covered by MI Choice in AAL settings?

This MI Choice service permits payment for physical adaptations to a consumer’s private residence that are necessary to ensure the health, welfare and safety of the consumer or that enable the consumer to function with greater independence in the home. Such adaptations include the installation of ramps and grab-bars, modification of bathrooms, the installation of specialized electric and plumbing systems that are necessary to accommodate needed medical equipment and other adaptations.

CMS policy does not allow waiver funded environmental modifications to be covered in buildings owned by providers of waiver services (licensed care settings) or in “public housing” settings. In that Low Income Housing Tax Credit AAL properties are privately owned and apartments are the private residences of tenants enrolled in the MI Choice program, some modifications that are specific to a tenant’s needs may be approved and covered by local MI Choice funders. However; MI Choice funding for physical adaptations cannot duplicate or replace physical design requirements established by MSHDA for the development of AAL residences.

Are MI Choice approved environmental modification costs reimbursable for eligible tenants if completed before they move into an AAL apartment?

Yes, the MI Choice consumer does not need to be a current leaseholder; however, costs cannot be covered for NFT consumers until the date they leave a nursing facility and enroll in the MI Choice program. The MI Choice program can also assess the accessibility and need for modifications in a person's private residence (including LIHTC-AAL residences) and vehicle when needed.

Are the services funded by the MI Choice program readily available and accessible?

The availability of MI Choice services vary depending on a consumer’s eligibility status and the demand for services in specific geographic regions of the state. AAL tenants currently enrolled in the MI Choice program access services and change their service plans as needs arise and without delay. MI Choice

agencies may presume eligibility for new or potential consumers who appear to meet eligibility requirements and can initiate services from the date of the consumer's initial needs assessment.

Some MI Choice agencies have waiting lists for services that can create substantial delays for individuals referred to the program. MA policy does; however, allow a priority status for some persons on a waiting list including those wishing to transition from an institution and those living at home who are at imminent risk of placement in a nursing facility. It is common that potential AAL tenants can receive a priority status and avoid delays in accessing needed services. In addition, the state MA agency has agreed to reserve some of Michigan's total MI Choice service openings specifically for the AAL initiative which will alleviate waiting list delays for AAL tenants. Please see the attached "Affordable Assisted Living Statement of Available Medicaid Services" developed by the AAL Steering Committee for additional information.

For more information on:

MSHDA and AAL;	http://www.michigan.gov/mshda
MI Medicaid and MI Choice;	http://www.michigan.gov/mdch
The Office of Services to the Aging & AAAs;	http://www.michigan.gov/miseniors
Adult Foster Care, Homes for the Aged and Personal care services;	http://www.michigan.gov/dhs
PACE;	http://www.npaonline.org
CMS;	http://www.cms.gov

MI Affordable Assisted Living – AAL Steering Committee Statement of Available Medicaid Services 3/23/10

Additional Medicaid service resources have been secured specifically for the AAL project to serve AAL tenants.

The Michigan State Housing Development Authority (MSHDA) formed a partnership with multiple state agencies through the development of a collaborative agreement and a state level Steering Committee to develop the Affordable Assisted Living (AAL) demonstration project. The Michigan Department of Community Health (MDCH) committed to amending the current MI Choice Medicaid community based waiver to provide services and support to AAL consumers as a contribution to the inter-agency collaborative agreement. The Centers for Medicare and Medicaid Services (CMS) has agreed to the concept of designating a certain number of MI Choice waiver slots, or service opportunities, awarded to Michigan for the AAL project. MDCH plans to submit an amendment of the waiver to CMS to establish this reserved capacity option within the MI Choice program.

MDCH earmarked Medicaid funding initially in the amount of \$1.2 million in fiscal year 2009 and a total of \$2.55 million for 2010 to provide services to AAL tenants. Through the inter-agency agreement, MDCH also committed to support future Medicaid funding for the AAL project, contingent upon sufficient appropriations.

Processes to access Medicaid funding available for AAL tenants are established

Procedures are in place to assure that AAL Medicaid funding is directed for services to tenants residing in AAL housing sites. Participating sites are designated by MSHDA, in cooperation with MDCH and other partners serving on the Steering Committee. Medicaid funding reserved for the AAL project is accessible to regional MI Choice waiver agents to purchase meals, personal care and health related services from on-site AAL providers or other providers chosen by AAL tenants. Waiver agents establish purchase agreements with on-site AAL service providers to deliver a comprehensive array of services and establish agreements with housing

operators to provide meals, housekeeping and transportation services. A person-centered planning process is used with each tenant to determine the type and amount of services and to select preferred service providers.

These Medicaid funds allocated to the AAL initiative are in addition to the annual allotment of MI Choice funding available to the regional waiver agents. Accordingly, new Medicaid revenue is available specifically for tenants of the AAL residences participating in the project.

MDCH's plans to reserve some of the state's total Medicaid MI Choice consumer service openings specifically for the AAL tenants which will provide additional opportunities for MI Choice consumers

CMS supports MDCHS' plan to use a reserved capacity option within MI Choice Medicaid waiver which will offer opportunities for qualifying individuals on waiting list for MI Choice services, who prefer to live in AAL settings, to move off of the list and enroll in the MI Choice program and receive services in AAL settings.