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Budget Proposals Turn Back Clock 30 Years in Long-Term Care Services for California Seniors

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The 2010-2011 California budget proposal released in January by Governor Arnold Schwarzenegger's office proposes deep cuts in community-based services available to low-income seniors and low-income Californians of all ages with disabilities.¹ The cuts will make it much more difficult for many older adults to continue to live safely in their own homes, create hardships for their families, lead to a loss of jobs and health insurance by direct service providers, and close many adult day care centers. Increased use of emergency rooms, hospital in-patient care and nursing facilities by affected older adults are likely to erode the financial savings of the reductions.² This policy note analyzes the likely consequences of the January 2010 proposals for seniors, their families and service providers.³ We find that the proposed reductions would reduce support for home care in the state to levels not seen for almost 30 years.

Key Services Cut or Eliminated

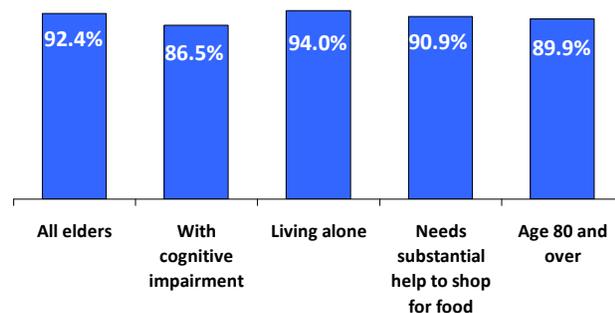
Five programs that help low-income older Californians remain safely in their homes are affected: In-home supportive services (reduced 80-100%); SSI/SSP (benefit amount reduced 8-11%); Adult Day Health Care (eliminated); Medi-Cal (up to 575,000 persons of all ages lose all coverage, the remaining lose specified benefits); and Cash Assistance Program for Immigrants (eliminated).⁴

In-home supportive services (IHSS) provides assistance in the home for needed personal care and offers essential household services to about 440,000 low-income elders and persons with disabilities whose health or safety would be compromised without assistance. The governor proposes to eliminate services for 87% of all current clients statewide. The governor also proposes totally ending the IHSS program if the state does not receive \$6.9 billion of new federal assistance (trigger cuts).

Data from nine counties around the state show that 92.4% of IHSS recipients in those counties would face a total loss of care (Exhibit 1).

Among those older adult IHSS recipients, 86.5% with a cognitive impairment will lose all of their paid caregiver hours. Similarly, 94% of those living alone, along with 90.9% of those who are unable to shop for their own food without substantial assistance, and 89.9% of those aged 80 and over will lose all their hours. These are characteristics that are commonly found to predict increased rates of institutionalization.⁵

Exhibit 1: Percent of Recipients Age 65 and Over Losing IHSS Services



Source: Data from Public Authority agencies in Kings, Los Angeles, Sacramento, San Benito, San Diego, San Joaquin, Santa Clara, Stanislaus, and Ventura counties.

IHSS was established in 1979 as an innovative service using a consumer-directed approach that became a national model. The proposed cuts would eliminate recipients with an average *functional index score* (FIS) of under 4 on a scale of 1- 4.99 (Exhibit 2). But the FIS was created as a statewide benchmark for assessing an individual's hours of required care, without taking into account extenuating circumstances.⁶ For example, there is a 92-year-old IHSS recipient who lives alone in a one-bedroom apartment and has a FIS of 3.0, but due to her circumstances receives the maximum of 282 hours allowable from IHSS. She has advancing dementia with increased confusion and forgetfulness, requiring assistance with nearly all her daily activities. While she does not need someone to do everything for her, she is incapable of completing basic tasks without prompting and direction (which is not captured by her FIS score but is reflected in the increased number of authorized hours). Under the governor's proposal she would lose all of her IHSS hours and be at a high risk for institutionalization.

Supplemental Security Income/State Supplementary Payment (SSI/SSP) provides cash assistance to 1.25 million low-income Californians who are aged, blind, or have a disability. About two-fifths of the recipients are age 65 and older (one-half million), and about two-thirds of older SSI/SSP recipients are single. Older adults use SSI/SSP income for housing, food, transportation and other services needed to live independently. The governor's proposal will cut benefits for the fourth time in the past 12 months—from the current \$845 to \$830 for a single older adult as of June 2010 (Exhibit 2).⁷ These cuts move California's benefits to their lowest level (in inflation-adjusted dollars) in the history of the program, covering less than half the basic cost of living for a single older adult in the state (which was over \$1700/month in 2007, see www.healthpolicy.ucla.edu/ElderIndex). These cuts also increase the pressure on older adults to abandon living independently and move into nonmedical, institutional care where SSI/SSP payment levels are higher and have remained constant at \$1,086 per month for single elders.

Adult Day Health Care (ADHC) provides 37,000 older adults with supervised care outside the home during the daytime, including medical monitoring, rehabilitation, socialization and meals. The governor proposes to eliminate this program altogether. In addition, in 2002 it was estimated that approximately 50% of ADHC clients also received IHSS assistance in their homes outside of ADHC hours. The proposed reduction in IHSS reduces the options for those who may also lose ADHC.

Medi-Cal is California's jointly funded federal-state Medicaid program of health insurance for 6.9 million low-income seniors, persons who are blind or have disabilities, and families with children. While almost all older adults have Medicare coverage, Medi-Cal is an important supplement for nearly 900,000 low-income California seniors as it pays for Medicare's deductibles and copayments, and covers important services that Medicare excludes.

Medi-Cal is the largest source of funds for long-term care services in California. The governor's proposals would most directly impact seniors if trigger cuts are implemented. They would eliminate the medically-needy category, which allows those with high health care expenses to deduct these expenses from their income, thus lowering their income enough to become eligible for Medi-Cal. Ten percent of all seniors on Medi-Cal fall into this medically-needy category. Since IHSS and ADHC are paid by Medi-Cal, these medically-needy seniors losing Medi-Cal could also lose eligibility for IHSS and ADHC.

Cash Assistance Program for Immigrants (CAPI) is a state-funded cash aid program for 8,500 aged, blind and persons with disabilities in California who are not eligible for the federally-funded Supplemental Security Income program solely because they are noncitizen legal immigrants.⁸ They may also be eligible for Medi-Cal and IHSS. The governor proposes to eliminate this program.

Exhibit 2: Proposed Long-Term Care Cuts, Governor's January Proposals

Program	2009 Pre-Cut Levels	January 2010 Current Status	Governor's 2010 Proposed Cuts	2009 and 2010 Cumulative Impact
IHSS	<ul style="list-style-type: none"> • 445,584 of all ages received IHSS in June 2009, approx. 60% are seniors • Services to all Functional Index Scores (FIS) 1-5 and Functional Limitation Rankings (FLR) 2-5 for domestic & related services* • State partly funds IHSS hourly wages up to \$12.10 	<ul style="list-style-type: none"> • Preliminary court injunction blocks FIS/FLR based cuts and reductions, 10/19/09 • Preliminary court injunction blocks cut to \$10.10/hour in maximum wages state will partly fund • Fraud and abuse prevention efforts increase administration with less state funding 	<ul style="list-style-type: none"> • Eliminate all IHSS services for FIS* less than 4 • Reduce state participation in IHSS hourly wages to \$8/hr + \$.60 in health benefits Both effective June 1, 2010 <p>Trigger Cuts**</p> <ul style="list-style-type: none"> • Totally eliminate program 	<ul style="list-style-type: none"> • Up to 427,000 recipients of all ages lose services (87% of all recipients) • Share of cost for IHSS services increases as SSI/SSP levels decrease • Medically needy have higher spend down (pay more) to reach maintenance level • Possible reduction in IHSS worker salaries in 45 counties where wages exceed \$8 per hour • Up to 370,000 IHSS workers lose some or all hours and health insurance <p>Trigger Impact**</p> <ul style="list-style-type: none"> • All recipients lose services, all workers lose jobs
SSI/SSP	<ul style="list-style-type: none"> • 552,847 seniors received in 12/08 • \$907/month max. for individuals on 1/1/09 • \$1,579/month for couples on 1/1/09 	<ul style="list-style-type: none"> • \$845/month max. for individuals; \$1,407/month for couples • No cost of living adjustments 	<ul style="list-style-type: none"> • To \$830/month maximum for individuals (federally allowed minimum) Effective June 1, 2010 	<ul style="list-style-type: none"> • Income drops for 552,847 seniors • Income down 8.5% for singles and 10.9% for couples
ADHC	<ul style="list-style-type: none"> • 37,000 recipients • Benefit maximum of 5 days/week 	<ul style="list-style-type: none"> • Preliminary court injunction blocks maximum benefit cut from 5 to 3 days, 10/10/09 • Revised eligibility expected to be more restrictive, effective 2010 	<ul style="list-style-type: none"> • Eliminate program 	<ul style="list-style-type: none"> • 37,000 older adults lose ADHC benefits
Medi-Cal	<ul style="list-style-type: none"> • 6.9 million aged, blind, disabled, family and child recipients; about 900,000 age 65 and over • Covers seniors' Medicare co-payments, deductibles and most long-term care costs 	<ul style="list-style-type: none"> • Services dropped for adults include vision, hearing and dental care; these are not covered by Medicare 	<ul style="list-style-type: none"> • Possible combination of limits on services, increased cost-sharing through co-payments <p>Trigger Cuts**</p> <ul style="list-style-type: none"> • End most optional benefits • Federal minimum eligibility • End Medically-Needy and Medically-Indigent Adult Long-Term Care programs 	<ul style="list-style-type: none"> • Increased out-of-pocket health care costs for low-income seniors <p>Trigger Impact**</p> <ul style="list-style-type: none"> • Seniors no longer able to deduct medical expenses against income to determine eligibility (medically needy), about 10% of current recipients
CAPI	<ul style="list-style-type: none"> • About 8,500 aged, blind and disabled legal noncitizens obtain cash assistance similar to SSI/SSP; they may also qualify for Medi-Cal and IHSS 		<ul style="list-style-type: none"> • Eliminate program effective June 1, 2010 	<ul style="list-style-type: none"> • 8,500 recipients will lose income

*FIS provides a benchmark related to statewide patterns of service hours, but does not necessarily correspond to the hours assigned to a specific individual; FLR reflects level of need for assistance with a specific task (3=needs some human help, 2=needs verbal assistance, 1=no assistance).

** Spending reductions that will go into effect if the federal government fails to provide \$6.9 billion of additional funding as projected in the governor's budget.

Proposed Cuts Compound 2009 Reductions

Last year's 2009-10 budget included several program reductions and eliminations that have already been implemented. In addition to the SSI/SSP reductions noted above, last year's changes made 9,000 seniors and persons with disabilities pay more before they became eligible for IHSS (through increased spend-down amounts), cut the Caregiver Resource Center state funding by more than half, and eliminated both the Department of Aging's Linkages Case Management Program and the Community-Based Services Program (impacting 35,000 seniors).³ More restrictive eligibility criteria for ADHC is scheduled to be implemented in March 2010.

Seniors Losing Services Have High Levels of Need

Statewide data are not readily available, but several counties provided data on the characteristics of older IHSS recipients who will lose all services under the governor's proposal (FIS score under 4).⁹ In the nine counties providing data, 33% of older IHSS recipients live alone, 31.5% have some level of cognitive impairment, 82% can not shop for their own food without substantial help, and 49% are age 80 and older. These are well-documented risk factors for nursing home use. (For county-level data, see www.healthpolicy.ucla.edu/pubs/Publication.aspx?pubID=399)

Examining the FIS data for seniors in Santa Clara County who are also enrolled in the Multipurpose Senior Services Program (MSSP) further documents the problems of using these scores. Eligibility for MSSP specifically requires that the recipient has a level of disability that certifies them for nursing home care. The average FIS for the 409 older adults in Santa Clara County with both IHSS and MSSP is 3.13. In total, 88% of seniors with both IHSS and MSSP have an FIS score below the 4 cut-off in the governor's proposal and 45% have an FIS score below 3.

Many Families Have No Care-Giving Reserves

The cuts to home-based services will impact care-giving families in California. These services are integral to a family's economic well-being. They provide support that allows some family members to maintain a job outside the home. For the two-thirds of paid caregivers who are family members, the income often makes it possible to forgo other paid employment so that they can serve as caregivers. Research shows that health insurance benefits are also an important reason that some family members take and keep IHSS jobs over others.¹⁰ Cuts to IHSS and ADHC would cause most caregivers to lose some or all of their care-giving hours and force mostly low-income families to scramble to find stopgap solutions for care.

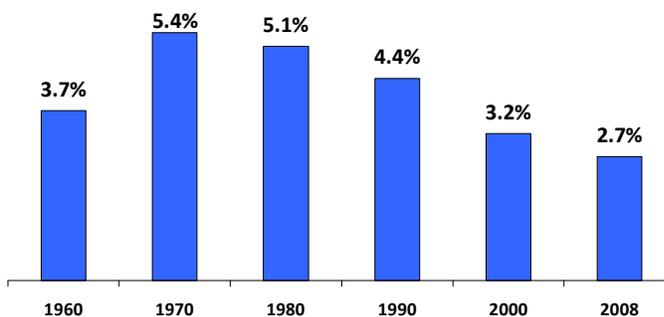
Where Can Seniors and Californians with Disabilities Go?

California has about 125,000 licensed nursing home beds, most of which (but not all) are Medi-Cal certified.¹¹ Of the total number of licensed beds, fewer than 20,000 are empty at any one point in time. Thus, there is room for no more than 5% of the IHSS recipients who may lose all services under the governor's proposal. There are a similar number of residential care facility beds (RCFs) for the aged and adults with less severe disabilities, but only a limited number are willing to accept SSI as payment in full. In sum, the maximum theoretical capacity of institutional long-term care is no more than 5% of those who are faced with losing all community-based services. In contrast, a recent Legislative Analyst's review of the IHSS program modeled a basic institutionalization rate of up to 50% for those losing IHSS services, and looked at the effect of rates as low as 16%.¹² Even the lowest institutionalization rate modeled, however, is three times the maximum number of possibly-available nursing home and RCF beds in the state.

Returning to the Past

In 1960, 3.7% of California's older adults were in institutions such as nursing homes. When Medi-Cal was established in 1966, the only long-term care benefit that it offered was nursing home care. As a result, the percent of seniors in nursing homes grew to 5.4%. In response to the rising costs associated with nursing home services, many of California's home-care programs like IHSS were established as Medi-Cal benefits. Following the growth in the availability of community services in the 1980s, institutionalization rate of older adults dropped steadily to 2.7% in 2008 (Exhibit 3).

Exhibit 3: Percent Age 65+ Living in Nursing Homes & Similar Institutions, California



Source: U.S. Census, *Integrated Public Use Microdata Series: Version 4.0*.
Distributed by the Minnesota Population Center, Minneapolis, MN.

Unemployment and Uninsurance Likely to Rise

The proposed reductions are likely to result in a significant loss of jobs in the state during a time of high unemployment. The California Association for Adult Day Services estimates that 7,600 employees will lose their jobs if Medi-Cal payment for ADHC services ends. In addition, up to 370,000 caregivers will lose some or all of their IHSS hours; many receive health insurance as part of their employment. All IHSS caregivers would lose all hours if the proposed trigger cuts take effect.

California's Long-Term Care Programs Need Reform, Not Reversals

Long-term care policy for the past 30 years in California and nationally sought to increase the ability of people with disabilities to remain safely in their own homes. The U.S. Supreme Court in *Olmstead v. L.C.* reinforced this trend, finding that the Americans with Disabilities Act of 1990 requires states to provide community rather than institutional placement when the community placement can be reasonably accommodated.¹³ The governor's emphasis on short-term budgetary savings in the January 2010 proposals undermines those goals. The size and scope of the proposed reductions would weaken community supports to levels not seen for almost 30 years.

Changes that are made with a goal of increasing the efficiency of the state's long-term care programs must do so within the context of maintaining the ability of those with disabilities to remain living safely in their own homes. The California Community Choices Project recently offered a thoughtful set of reforms for California's long-term care system.¹⁴ Their recommendations include creating a unified long-term care budget that includes nursing facilities, IHSS, ADHC and other related programs to allow for better planning and coordination of funding. Currently, the budget of each long-term care program is considered in isolation. The efficiency and effectiveness of the system would be improved by a single point of entry that would facilitate obtaining the optimal package of needed services. The Community Choices Project also contains several recommendations about nursing facility reimbursement and policy that would complement a renewed effort to prioritize community services.

California's seniors and persons with disabilities, their families and those who help them remain in the community, often at low wages, deserve public policies that serve long-established human service goals. The cuts proposed in January 2010 not only do not meet this standard, they represent a dramatic shift away from the policy of supporting vulnerable elders and persons with disabilities in the community.

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¹ Governor's Budget Summary 2010-2011. <http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf>

² D'Souza JC, James ML, Szafara KL, Fries BE. Hard Times: The Effects of Financial Strain on Home Care Services Use and Participant Outcomes in Michigan. *The Gerontologist*. 49:154-165, 2009.

³ Our analysis of California's summer 2009 budget cuts in long-term care is available at <http://www.healthpolicy.ucla.edu/pubs/Publication.aspx?pubID=380>

⁴ See also SCAN Foundation. California's Proposed 2010-2011 Budget: Senior-Related Program Reductions. Fact Sheet No. 1. January 2010. <http://www.thescanfoundation.org/node/333>

⁵ Gaugler JE, Duval S, Anderson KA, Kane RL. Predicting nursing home admission in the U.S: a meta-analysis. *BMC Geriatrics* 2007, 7:13. doi:10.1186/1471-2318-7-13

⁶ For an explanation of the FIS and why it is an inappropriate tool for determining who should lose services, see Exhibit 3 in Wallace SP, Benjamin AE, Villa VM, Pourat N. *California Budget Cuts Fray the Long-Term Care Safety Net*. Los Angeles, CA: UCLA Center for Health Policy Research, 2009. <http://www.healthpolicy.ucla.edu/pubs/files/LTC%20Budget%20Cuts%20FINAL%209-22-09.pdf>

See also Potential Consequences of California's 2009 Budget Cuts at:

<http://www.healthpolicy.ucla.edu/pubs/files/LTC%20CA%202009%20Cuts%20Backgrounder%202.pdf>

⁷ The maximum SSI benefit in 2009 was reduced on May 1, July 1 and October 1.

⁸ Beginning in 1996, legal noncitizen immigrants were not eligible for federal coverage for SSI or Medicaid for their first five years in the U.S. under any circumstances, and not until they had 40 quarters of qualified employment thereafter. Refugees were eligible starting when they arrived in the U.S., but for no more than seven years. Naturalized citizens are not subject to these restrictions. See

<http://www.socialsecurity.gov/ssi/text-eligibility-ussi.htm#qualified-conditions>

⁹ Data provided by Kings, Los Angeles, Sacramento, San Benito, San Diego, San Joaquin, Santa Clara, Stanislaus and Ventura County Public Authorities, February 2010.

¹⁰ Howes C. Love, Money, or Flexibility: What Motivates People to Work in Consumer-Directed Home Care? *Gerontologist* 48: 46-60.

¹¹ Harrington C, et al. 2008. State Data Book on Long Term Care, 2007 Program and Market Characteristics. San Francisco: Department of Social and Behavioral Science, University of California, San Francisco. See also Harrington C, Tsoukalas T. *Long Term Care Facts and Figures*. Oakland, CA: California HealthCare Foundation. November, 2009. <http://www.chcf.org/documents/hospitals/LTCareFactsFigures09.pdf>

¹² Legislative Analyst. In-Home Supportive Services Program: Considering the State Costs and Benefits. Sacramento, CA. January 2010. <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2176>

¹³ OLMSTEAD V. L. C. (98-536) 527 U.S. 581 (1999).

¹⁴ Mollica R, Hendrickson L. Home and Community-Based Long-Term Care: Recommendations to Improve Access for Californians. Sacramento, CA: California Community Choices, California Health and Human Services Agency. <http://communitychoices.info/index.html>