

California Long Term Care Budget Issues for 2004
by
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This paper reviews some of the California governor's budget cut proposals for 2003-04 and 2004-05 in long term care services.

IHSS Program

IHSS cuts would be about \$600 million in 2003-04 and 2004-05 or about 29 percent of the budget. This is a step backward in addressing the goals of the American's for Disability Act and the Supreme Court ruling on the Olmstead decision, which requires individuals who can live at home to be given that option as opposed to institutional care.

The IHSS program provided 27 million hours of personal care services to about 321,000 individuals in 2003. These are aged and disabled individuals who are very frail and extremely poor. Many are living alone and are vulnerable. Every year, 28 percent of IHSS individuals die, 14 percent enter a nursing home, and 17 percent enter residential care, showing how sick these individuals are.

The IHSS program spent \$2.8 billion on the program in 2003-04 but only \$8,820 per person, which is only 21 percent of what is spent to keep a person in a nursing home, not including the SSI/SSP funds for individuals living outside of an institution.

Residual Program. We are most concerned about the proposal to eliminate the IHSS residual program (\$455 million), which are those services provided by a spouse or parent, and are used by individuals needing protective supervision and those with severe disability who receive payment prior to service delivery. The elimination of this program would terminate services to 75,000 low-income aged, blind, and disabled Californians. Some of these individuals might be able to shift to the regular IHSS program for services, but because of a prevailing and severe shortage of workers (and very likely a further reduction in workers resulting from the proposed 30 percent reduction in hourly wages discussed below), many individuals would not be able to find a provider.

Those who cannot shift to regular IHSS or who cannot find workers will be at a greater risk of death and/or institutionalization in a nursing home which will cost the Medi-Cal program \$43,000 per person each year. If 10,000 more of these individuals entered a nursing home, there would be no savings to the cut, not to mention the negative change in the quality of life for these individuals.

Nursing home use and bed supply per population is low – CA ranks 45th in the nation in bed supply – in part because of the success of the IHSS program. CA nursing home occupancy rates are only 78 percent and have been declining steadily over the years. We think this is partially related to the success of the IHSS program for personal care services.

However, California is still out of compliance with the federal Olmstead Supreme Court ruling, which mandates states to offer home and community-based (HCBS) alternatives to institutional care for

Medicaid recipients. Even with IHSS, California lacks adequate HCBS to keep people at home and as a result, many are forced into institutions. California is 44th in the nation in terms of total HCBS waiver participants (50,537), while there are over 110,000 individuals in nursing homes.

Wages and Benefits. The second major proposal for cost savings is to eliminate benefits for IHSS workers and reduce wages down to the minimum wage (\$9.50 million dollars). Wages would be dropped from \$10.10 to \$6.75 and the benefit requirement and the employer of record requirements would be repealed. This will result in a loss of workers available, a higher rate of worker turnover, a loss of services, and very likely a reduction in the quality of care. Workers in the IHSS program already live in poverty and many are eligible for food stamps, and few have access now to health insurance. These policy changes will contribute to the growing number of poor and uninsured people in California.

Public Authorities. The elimination of state funding for the Public Authorities undercuts current efforts to facilitate the development of provider registries, improve training of providers, and it again shifts the burden for financial reporting and Social Security withholding to consumers. The long experience of these problems and burdens had been the basis for the initiation of the Public Authority program, which has been an innovative model for the country. There is no real rationale for dropping the authorities and eliminating them may reduce the amount and quality of services.

The current shortage of hours is already associated with a large amount of unmet need in hours (15 percent less than authorized). The reductions in services and workers due to the budget cuts could result in an increase in unmet need for personal care services throughout the state. The consequences of unmet need are: pain and discomfort, mobility restriction, going hungry, running out of food, getting burned, unintentional weight loss, dehydration, falls, staying in bed most of the time, soiled self, skin problems, and even death. Many of these consequences will lead to avoidable ambulance use, emergency room use, hospitalizations, and nursing home placement, which will all increase the cost to Medicare and Medi-Cal program. People who live alone are significantly more at risk for these consequences than those who live with others.

Nursing Homes

The budget proposal for freezing nursing home (NH) reimbursement rates for the year would cut \$46 million for wage pass-throughs for unionized facilities that will likely result in nursing homes cutting staffing hours, wages and benefits. NHs already have 70 % staff turnover rate (almost 3 out of 4 employees leave each year), which contributes to poor quality. 37 percent (over one-third) of facilities do not meet the minimum staffing hours and 93 percent provide staffing below the standards recommended by CMS and the IOM.

Although CA spends over \$6.5 billion on NHs, the daily Medicaid reimbursement rates have not kept pace with the increase in costs. The Medi-Cal rates for free standing facilities increased from \$112.93 per-day in 2001, to \$113.73 in 2002, to \$118.05 in 2003-04. The average nursing home cost was \$53,000 per year in 2001. Medi-Cal currently only pays 80 percent of the average cost for nursing home care. Controls on Medical daily rates will only make the financial losses on Medi-Cal residents worse.

These changes will place a number of facilities in jeopardy. Nursing homes are currently in financial jeopardy – 44 percent had financial losses last year – no improvement in the financial status of nursing homes since the previous year. There are 160 homes in CA in bankruptcy and several big chains are selling many or most of their CA facilities (Beverly and Sun). The homes most vulnerable to closure are in rural areas, are small under 50 beds, have a high percentage of Medi-Cal residents, and have low occupancy rates.

Other LTC Care Providers

Other non-institutional providers would also be negatively affected by the budget cuts in reimbursement rates. Adult day care health programs would be cut by \$12.7 million in state funds (and the same in federal matching funds); it is not clear why such a small program that provides services to frail disabled and elderly persons as a substitute for nursing home services is targeted for cuts. These adult day health care organizations are already in serious financial jeopardy and many could close as a result of this cut.

Summary

In summary, these proposals for cuts in long term care services can have disastrous consequences for the poor aged, blind, and disabled in the state. It can result in many negative consequences for individuals including: pain, negative health outcomes, hospitalization, nursing home placement, and death. Ultimately, these proposed budget reductions could actually be less than the potential increases in nursing home and hospital costs for the state Medi-Cal program. The serious negative impact on the poor aged, blind and disabled, the compliance issues with the Olmstead Supreme Court ruling, and the potential increases in Medi-Cal nursing home and hospital costs all show a need to re-evaluate the proposed cuts to these important long term care programs.

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