United States General Accounting Office

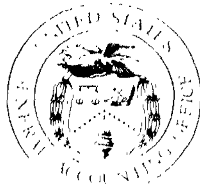
GAO

Report to the Subcommittee on Aging, Committee on Labor and Human Resources, U. S. Senate

October 1989

IN-HOME SERVICES FOR THE ELDERLY

Cost Sharing Expands Range of Services Provided and Population Served



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GAO/HRD-90-19

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-236510

October 23, 1989

The Honorable Spark M. Matsunaga
Chairman, Subcommittee on Aging
Committee on Labor and Human Resources
United States Senate

Dear Mr. Chairman:

In response to your request, we have examined approaches to cost sharing for in-home services for the elderly currently used by state and area agencies on aging. This report focuses on: (1) the extent to which these agencies currently use cost sharing, (2) the types of services being cost shared, (3) benefits and disadvantages of cost sharing, (4) the types of fee schedules used, and (5) the characteristics of clients participating in cost sharing.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to interested parties and make copies available to others upon request.

Major contributors to this report are listed in appendix II.

Sincerely yours,

Mark V. Nadel

Mark V. Nadel
Associate Director, National
and Public Health Issues

Executive Summary

Purpose

The Older Americans Act (OAA) of 1965, as amended, established the Administration on Aging (AOA) under the Department of Health and Human Services and authorized grants to a national network of state and area agencies on aging. These agencies serve as the focal points for community-based, OAA-funded services. Regulations implementing OAA prohibit the agencies from establishing mandatory fees for services financed under OAA, though they often charge fees for state-funded services. Recently, support has grown for giving state and area agencies the option to charge fees (cost share) for OAA program services provided to elderly clients who have the ability to pay.

During consideration of amendments to OAA in 1987, the Senate Subcommittee on Aging rejected proposals to authorize mandatory cost sharing specifically, in part because it felt that more information on the probable effect of cost sharing on program beneficiaries was needed. To provide better information for future deliberations, Chairman Spark Matsunaga asked GAO to examine state approaches to cost sharing. GAO focused on: (1) the extent to which states currently use cost sharing, (2) the types of services being cost shared, (3) the benefits and disadvantages of cost sharing, (4) the types of fee schedules used, and (5) the characteristics of clients participating in cost-sharing programs.

Background

State and area agencies on aging respond to growing demands for such in-home services as adult day care, assistance with meal preparation, and bathing, dressing, and grooming for an expanding elderly population. Yet, since 1981 federal support for these programs, when adjusted for inflation, has declined. Proposals to allow cost sharing for selected services have continued to surface from the inception of the OAA program. Other funding sources for in-home services permit or even require agencies to establish mandatory fee schedules for elderly participants who are able to pay.

Proponents of cost sharing argue that it can generate revenues to expand services and increase the number of low-income and minority individuals served. Likewise, they assert, it would improve service equity by linking payments made by elderly clients to their ability to pay for the service. Opponents fear that cost sharing would give service providers incentives to target more services to the affluent elderly. There also are concerns that cost sharing would deter service use by the elderly because (1) it imposes on them an income determination requirement, (2) they will view the services provided as welfare, or (3) it will reduce demand for necessary services.

GAO mailed a questionnaire to all state units on aging and all 675 area agencies on aging and also examined in detail certain aspects of cost-sharing programs in three jurisdictions. All 50 states and Washington, D.C., and 73 percent of the area agencies on aging responded.

Results in Brief

A growing number of state and area agencies on aging charge some elderly clients fees for in-home services funded through private and government sources. Typically, agencies use cost sharing for services that have a relatively high cost per client, such as adult day care and homemaker services.

Agencies on aging that responded to GAO's survey had a generally positive attitude toward cost sharing. Whether or not they currently cost-shared, respondents were more likely to favor than oppose amending OAA to authorize the practice specifically. Agencies that cost share indicated that it (1) allows them to serve more elderly clients and broaden the range of services provided and (2) is more likely to reduce than increase the possible welfare stigma associated with agency-provided services.

To preserve their commitment to serving the low-income elderly, cost-sharing agencies have built into the program such protections as sliding fee scales. Indeed, because their incomes are below the minimum at which charges are levied, most clients still receive the cost-shared services free. Among those paying fees, the fees represent a small share of income and cover only a fraction of the cost of providing the service. Eligibility and fees generally are based on self-reporting of income.

Principal Findings

Cost Sharing Extensively Used

Currently, cost sharing for in-home services funded by federal (other than OAA), state, and private sources is used to some extent in 36 states. About a third of the area agencies on aging responding to our survey use cost sharing. Most often, such services as adult day care, home health, and personal care services come under cost sharing. There appears to be little use of it for access services, such as transportation, outreach, and information and referral, or for services traditionally supported through volunteer efforts, such as home-delivered meals and friendly visits. (See pp. 12-15.)

State and Area Agencies Favor Cost Sharing

State and area agencies on aging surveyed support cost sharing primarily, they said, because it enables them to serve more clients and offer a broader range of services. Cost-sharing agencies indicated that it also allows them to

- improve equity of service delivery by requiring those who can afford it to help pay for services received,
- serve more low-income people,
- reduce the welfare stigma associated with receiving free services, and
- prevent cutbacks in services.

Both agencies that cost share and those that do not would like to see OAA changed to authorize the practice specifically. (See pp. 16-20.)

Self-Reported Income Basis for Client Fees

The most commonly used determinant of the fee for services is income, usually self-reported. One argument against cost sharing is that income reporting would cause a decline in participation by low-income and minority elderly. However, many agencies that do not cost share collect client income data. (See pp. 21-24.)

Fees Are a Small Share of Client Incomes, Service Costs

The majority of clients in cost-sharing programs pay no fee because their incomes are below the minimum level at which sliding fees are levied for relatively expensive services. In Illinois, for example, nearly 90 percent of clients are charged less than 10 percent of income for in-home services (the average cost of such services in the Illinois program exceeds $300). Apparently, few clients pay the full cost of services in cost-sharing programs. Most fee-paying clients pay less than 20 percent of the cost of the services provided. (See pp. 24-26.)

In-Home Services Targeted to Vulnerable Elderly

GAO found no evidence to support concerns that cost sharing would result in shifting services toward higher income elderly in the cost-sharing programs reviewed in three jurisdictions. The three programs we examined were targeted to the vulnerable elderly. The typical client was low-income, white, female, older, and unmarried or living alone. (See pp. 26-27.)

Matters for Consideration

The Congress should consider amending the Older Americans Act to authorize state and area agencies on aging to establish mandatory charges for in-home services for the elderly funded under title IIIB of OAA. Congress could consider built-in protections that are consistent with current practices in agencies that cost share. These would include: (1) excluding from cost sharing services already strongly supported by voluntary contributions, (2) adding measures to ensure that the very low-income elderly receive free services, and (3) limiting fees to a reasonable proportion of income for fee-paying clients.

Agency Comments

At the Subcommittee's request, GAO did not obtain official agency comments on a draft of this report. However, GAO did brief key Administration on Aging officials on the report.

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Abbreviations

AOA	Administration on Aging
GAO	General Accounting Office
OAA	Older Americans Act of 1965

Introduction

The Older Americans Act of 1965 (OAA), as amended, created the Administration on Aging (AOA) within the Department of Health and Human Services and provided a federal funding base for a broad range of social service and nutrition programs for the elderly. The act helped establish a diverse network of state and area agencies on aging[1] that draw upon OAA funding as well as other federal, state, and community resources. Currently, state and local agencies are faced with a growing need for in-home and supportive services for an expanding elderly population at a time when federal support is declining. AOA appropriations peaked in fiscal year 1981 at $885.6 million in 1988 dollars; by fiscal year 1988 they were $725.2 million, 18 percent below the fiscal year 1981 funding level. Funding is allocated to each state according to its population over 60 years of age. States use widely varying methods to distribute the funds among their area agencies on aging.

Currently, state and area agencies on aging are prohibited under regulations implementing the act from charging fees for services provided to OAA program beneficiaries. These services include access (transportation, outreach, and information and referral), in-home, and legal assistance services.[2] Recently, however, support has grown among service providers for development of some form of cost sharing or mandatory fee to clients for services supported by OAA funds. Cost sharing is seen as a way to expand services in an era of reduced federal support.

Background

OAA, as amended, authorizes financial support for state and area agencies providing a broad range of services to the elderly. Services funded under OAA may be made available to persons over the age of 60 regardless of their income level. However, the Congress directed program administrators to ensure that (1) "preference will be given to providing services to older individuals with the greatest economic or social needs, with particular attention to low-income minority individuals ....,"[3] (2)

[1] As of May 1988, 675 area agencies on aging provide social services to the elderly in the United States.

[2] Title III of the act authorizes grants to state agencies on aging to develop comprehensive and coordinated delivery systems for supportive services, nutrition services, multipurpose senior centers for the elderly and other purposes. Under part B of title III, state agencies are allotted funds for supportive services and senior centers which they, in turn, award to area agencies on aging. The supportive services include (1) access services (i.e., transportation, outreach, and information and referral); (2) in-home services (i.e., homemaker and home health aide, visiting and telephone reassurance, chore maintenance, and in-home respite care and adult day care as a respite service for families); and (3) legal assistance, among others.

[3] Title 42 U.S. Code, Section 3026 (a) (5) (A) (i) (1982 & 1989 Supp.).

recipient income is not a factor in determining eligibility for OAA title III program services, and (3) the recipient is given the opportunity to contribute voluntarily to the cost of the services.

Regulations implementing the act require agencies administering OAA programs to "provide each older person with an opportunity to voluntarily contribute to the cost of the service." (OAA specifically authorizes the solicitation of voluntary contributions from recipients of meals.) However, the regulations also state that "a service provider that receives funds under this part may not deny any older person a service because the older person will not or cannot contribute to the cost of the service."[4]

The regulatory prohibition on cost sharing in OAA programs is consistent with statements by the Senate Committee on Labor and Human Resources explaining a proposed (and ultimately enacted) provision in the Older Americans Act Amendments of 1984. In the Senate report, the Committee explained that it substituted the term "soliciting voluntary contributions" for the word "charges" in the nutrition program provisions of title III so that recipients of meals would not be coerced into contributing to the program. The Committee added that while it commended efforts to increase contributions for services, "services may not be denied any older person due to failure to make a contribution toward the cost of services."[5]

During the 1987 reauthorization hearings for OAA, the Subcommittee on Aging of the Senate Committee on Labor and Human Resources considered but did not adopt proposals to amend title III of the act to authorize demonstration projects allowing select states to develop cost-sharing arrangements for certain services funded under OAA. Those states would have demonstrated the effect of cost sharing on such title IIIB services as (1) in-home services, (2) home-delivered meals, (3) adult day care, and (4) transportation. While the 1987 proposals were never voted on, there is continuing interest in the issues related to cost sharing embraced in the proposals.

[4]Title 45 Code of Federal Regulations, Section 1321.67 (1988).

[5]Senate Report No. 98-467 (May 18, 1984), p. 18.

Views of Groups Representing the Aging on Cost Sharing Vary

Officials of the aging networks that we contacted gave us a range of views on the 1987 proposals to amend OAA to implement cost-sharing demonstration projects for OAA service programs. The arguments raised reflect the uncertainty regarding how cost sharing would affect programs. The proponents argued it would (1) establish equity among the many delivery systems, (2) generate monies to provide more services, and (3) increase the resources available to serve low-income and minority clients.

Opponents were concerned that a cost-sharing program could produce undesirable results. They suggested that its implementation could (1) provide incentives for state and area agencies to target services to the higher income elderly, (2) cause a decline in participation among the low-income and minority elderly, (3) place a welfare stigma on the program, and (4) reduce demand for necessary services.

Objectives, Scope, and Methodology

Spark Matsunaga, Chairman of the Subcommittee on Aging, Senate Committee on Labor and Human Resources, asked that we review existing state approaches to cost sharing in-home services. In considering initiating cost sharing, the Subcommittee found little definitive evidence on it even though many states were requiring cost sharing for many in-home services funded through sources other than OAA. After discussions with Subcommittee staff, we agreed to focus on: (1) the extent to which cost sharing is currently used, (2) the types of services that are being cost shared, (3) the benefits and disadvantages of cost sharing, (4) the types of fee schedules used, and (5) the characteristics of clients participating in cost-sharing programs.

We reviewed literature on the legislative history of the OAA, particularly the published conference reports and hearings that examined issues regarding fees and the 1987 reauthorization of the act. We met with officials in the aging network who had testified on the 1987 reauthorization to discuss their views on the implementation of cost sharing under OAA. To obtain national data on cost-sharing arrangements for in-home services to the elderly, we designed and distributed a questionnaire to all state agencies on aging in 50 states and the District of Columbia, and to all 675 area agencies on aging. The extent to which cost sharing is being used, the types of services cost shared, the structure of fees, and possible advantages or disadvantages of cost sharing were the key segments of the questionnaire. All 50 states, the District of Columbia, and 494 of the 675 area agencies (73 percent) returned the questionnaire.

To obtain more detailed information on client characteristics and fee structures, we reviewed programs that had more extensive client-specific data. These were sponsored by: (1) the Illinois Department of Aging, (2) the Rhode Island Department of Elderly Affairs, and (3) Pennsylvania's Delaware County Area Agency on Aging. Where available, we obtained client data on types of in-home services received, characteristics (i.e., race, age, sex, and marital status) of those receiving services, monthly income data (including, where available, assets and medical and housing expenses), fees charged, and numbers of elderly clients being served.

At the Subcommittee's request we did not obtain official agency comments on a draft of this report. However, we did brief key Administration on Aging officials on the report. We also asked the Illinois Department of Aging, the Rhode Island Department of Elderly Affairs, and the Delaware County Area Agency on Aging to review selected portions of the report. We incorporated their technical suggestions into the report as appropriate.

Our work was done from November 1987 to February 1989 in accordance with generally accepted government auditing standards.

With Cost Sharing, State and Area Agencies Expand Range of Services and Serve More People

While federal regulations prohibit the changing of fees for services funded under the Older Americans Act, many state and area agencies have established some form of cost sharing by requiring fees for in-home services funded from other sources. In fact, there is some cost sharing in 36 of the 51 states we surveyed.

There were a number of common approaches among the 162 state and area agencies on aging that currently use cost sharing. Cost sharing is

- most likely to be used for the more costly in-home service programs, such as adult day care or home health care; but
- seldom used for access services, such as information and referral, transportation, and services traditionally supported by voluntary contributions (e.g., home-delivered meals and friendly visits).

Agencies using cost sharing said it enabled them to provide a broader range of services and serve more people. A generally favorable attitude toward cost sharing was indicated by both agencies that currently cost share and those that do not; most supported amending OAA to allow cost sharing.

Cost Sharing Used to Varying Degrees in 36 States

Cost sharing is becoming increasingly commonplace in state and area agencies on aging. Of the 545 state and area agencies responding to our survey, 162 indicated that they had already adopted cost sharing to some extent. Most implemented cost sharing in 1985 or later. Another 22 respondents indicated they planned to soon implement it. While cost sharing is not allowed for OAA-funded services, the agencies have adopted a varied array of cost-sharing programs for selected services funded through other governmental and private funding sources, including social service block grants and Medicaid.[1]

State units on aging and/or area agencies on aging in 36 states require clients to help pay for some or all of the in-home services they offer (see table 2.1). The number of agencies in a state using cost sharing varies from a single state or area agency on aging in some states to all area agencies on aging in others. In 28 states, area agencies require payment of fees for some or all in-home services; in 6 states, state units on aging

[1] In 1981, Congress passed legislation authorizing the Secretary of the Department of Health and Human Services (HHS) to approve special state applications, referred to as 2176 waivers, allowing states to provide home and community-based services under their Medicaid programs. These waivers permit states to offer to eligible persons a wide variety of nonmedical as well as medical and medically related services that may be needed in order to prevent institutionalization.

require fees for services offered through state-administered in-home services programs. In Illinois and Wisconsin, cost sharing is used for in-home services offered through the state unit on aging as well as at least one area agency on aging.

Within each state, the number of area agencies cost sharing varies considerably, as table 2.1 indicates. Most cost-sharing area agencies (74 percent) responding to our survey indicated that they were required to employ client cost sharing for in-home services by either the state unit on aging, state legislation, or another funding source. Some agencies are implementing a state-designed cost-sharing approach, some have designed their own approach, and others require client cost sharing on a demonstration basis. This variation reflects the diversity of the programs among the various agencies involved as well as the experimental nature of many of the cost-sharing approaches.

Agencies More Likely to Require Cost Sharing for Higher Cost Services

State and area agencies are more likely to levy charges for high cost-per-client services and less likely to do so for access services and services traditionally supported through voluntary efforts. In addition, the number of services that area agencies cost share varied among respondents to our survey.

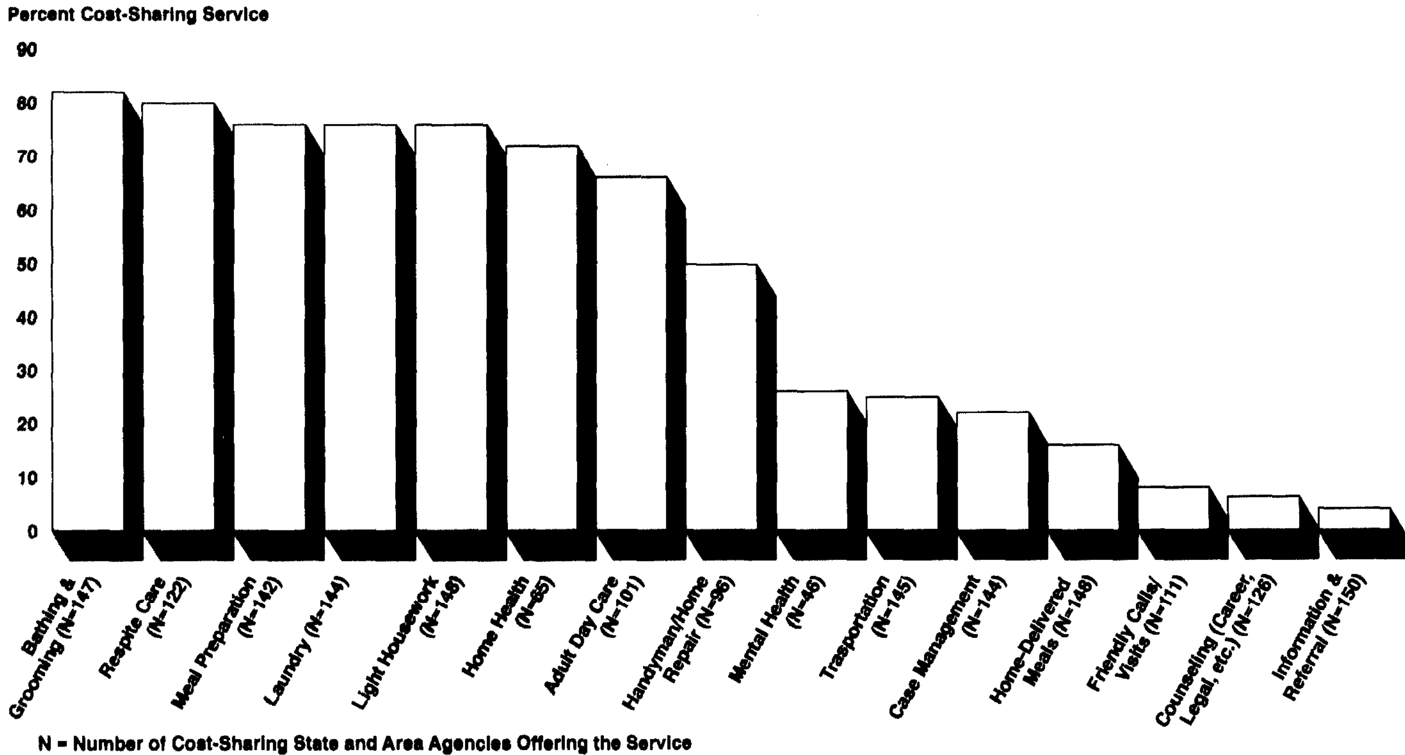
Such services as personal care and homemaker-type services (bathing, grooming, assistance with meal preparation, light housekeeping, etc.), adult day care, and home health care were more likely to be cost shared than lower cost services. A higher cost service, such as adult day care, may cost the agency $23 per day for a single client, while a lower cost service, such as a home-delivered meal, costs $2.68. The extent to which cost-sharing agencies require elderly persons to help pay for specific services varies; agencies are more likely to cost share services having higher unit costs (see fig. 2.1). Sixty-six percent of the cost-sharing agencies require fees for adult day care, while only 16 percent require fees for home-delivered meals.

Table 2.1: States With Cost-Sharing Agencies

State	Area agencies within the state (As of May 1988)	Area agencies responding to survey: No. responding	Cost sharing: No.	Cost sharing: Percent
Cost sharing done by area agencies:				
Maine	5	5	5	100
Oregon	18	10	10	100
Utah	12	3	3	100
Washington	13	9	9	100
Kentucky	15	13	12	92
New York	60	43	37	86
Idaho	6	5	4	80
Hawaii	4	4	3	75
Massachusetts	23	16	11	69
Florida	11	10	5	50
Pennsylvania	51	37	18	49
Georgia	18	14	5	36
Nebraska	8	7	2	29
South Carolina	14	11	3	27
Maryland	19	11	3	27
Virginia	25	24	6	25
Wisconsin[a]	7	4	1	25
West Virginia	9	5	1	20
Montana	11	8	1	18
North Carolina	19	12	2	17
New Jersey	22	15	2	13
Oklahoma	11	8	1	13
Tennessee	9	8	1	13
Illinois[a]	13	10	1	10
Kansas	11	10	1	10
Texas	28	20	2	10
California	33	24	2	8
Michigan	14	12	1	8
Ohio	13	12	1	8
Louisiana	48	30	1	3
Cost sharing done only by state agency:				
Connecticut				
Missouri				
North Dakota[b]				
South Dakota[b]				
Rhode Island[b]				
Vermont				

[a]The state unit on aging as well as at least one area agency requires elderly persons to help pay for the in-home services they receive.
[b]Has no area agencies on aging.

Figure 2.1: Extent to Which Agencies Cost Share Specific Services



Services for which state and area agencies are less likely to require elderly persons to help pay are, for the most part, services that usually are supported by voluntary efforts or access services. For example, home-delivered meals and transportation services traditionally have received strong support through voluntary contributions. Friendly calls and visits, on the other hand, generally are performed by volunteers. Case management, information and referral, and transportation are considered access services that assist a person in obtaining other available in-home services for which they are eligible. One-fourth or less of the cost-sharing agencies require client cost sharing for each of these services.

Cost Sharing Helps Agencies Serve More People and Expand Range of Services

Cost sharing is increasing among state and area agencies on aging because they perceive benefits from it. Specifically, agencies in GAO's survey indicated that they adopted cost sharing to (1) provide more services, (2) serve more people, and/or (3) improve the equity of service delivery by requiring those who can afford it to help pay for services received.

To get some measure of effect of cost sharing in our survey, we listed a number of potential effects of requiring people to pay for in-home services and asked state and area agencies to indicate to what extent each agency believed they experienced each effect. From survey responses, it appears that most state and area agencies, to at least some extent, believed they achieved the desired results through cost sharing.

The major effect of cost sharing was to enable state and area agencies to provide more services to eligible persons and serve more people overall, as figure 2.2 shows. Although 70 percent or more of the respondents indicated that this occurred at least to some extent, less than a third said that the effect occurred to a great or very great extent. Some agencies also indicated they were able to serve more minorities. Responses to survey questions on how many were served in the program were not consistent enough for us to get actual numbers of people served.

Cost-Sharing Agencies Offer Broader Range of Services

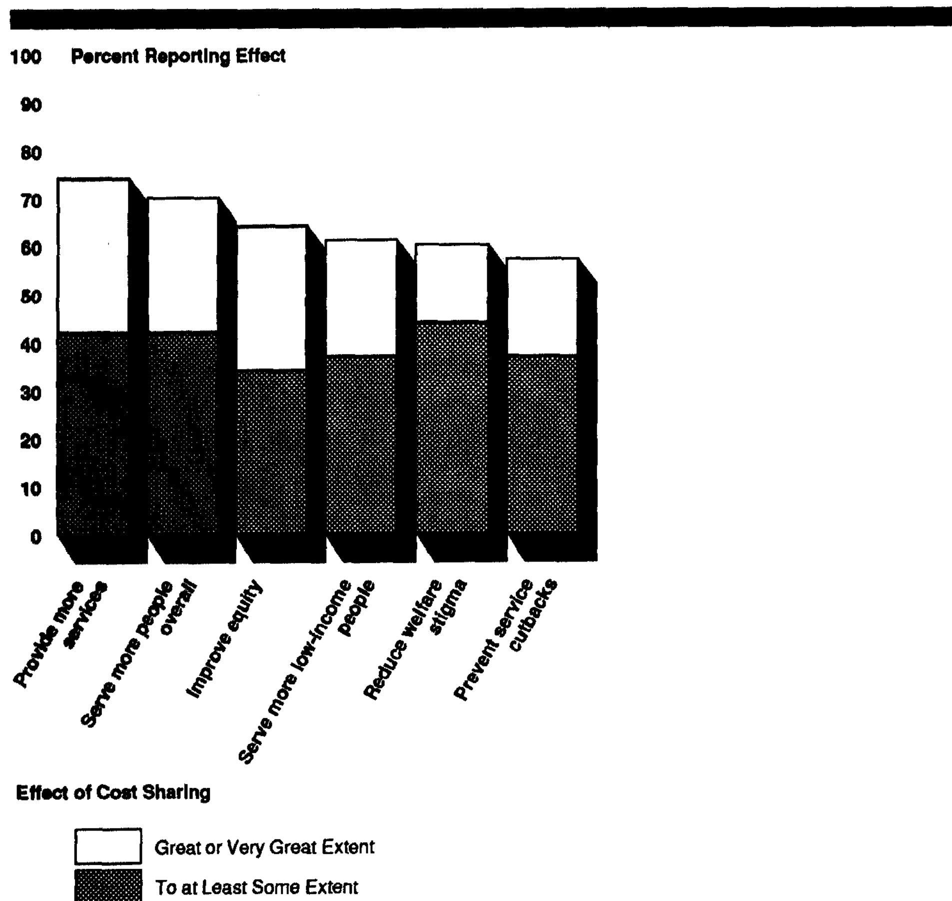
Cost-sharing state and area agencies offer a broader range of services (particularly expensive services) to their elderly clients than do noncost-sharing agencies (see fig. 2.3).

For such higher cost services as assistance with meal preparation in the home, respite care, and adult day care, more cost-sharing agencies reported offering these services than did agencies not charging fees. On the other hand, for services for which cost-sharing agencies generally do not require client fees (transportation, home-delivered meals, and information and referral), we found little difference between the number of cost-sharing agencies and noncost-sharing agencies offering the service.

Other Effects Noted by Cost-Sharing Agencies

At least 60 percent of the respondents believed that cost sharing improved equity of service delivery (payment based on ability to pay) and reduced the welfare stigma associated with receiving free services. Though these effects were positive, the respondents also perceived that the advantages typically occurred to a moderate extent, as figure 2.2

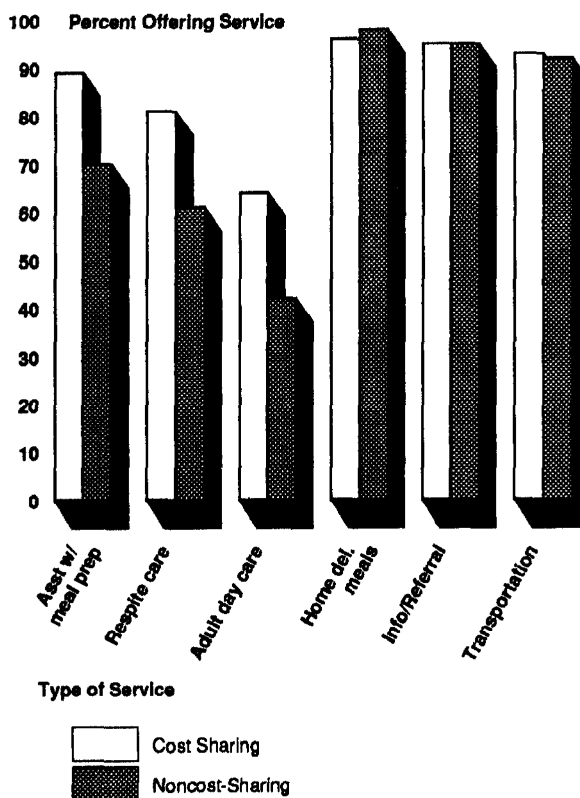
Figure 2.2: Effects of Cost Sharing Reported by Some State and Area Agencies on Aging



shows. Cost sharing by itself generally was not perceived as generating a major effect in these areas.

These survey results were reflected in the experiences of individual agencies we visited. In Delaware County, Pennsylvania, for example, the area agency began cost sharing to (1) stretch limited resources, (2) serve a broader spectrum of the elderly, and (3) bring about "equity" among elderly programs (i.e., by requiring elderly clients who could afford it to pay a fee rather than receive free services). Prior to cost sharing, according to area agency officials, the agency rarely served anyone whose income exceeded 125 percent of poverty. As a result, it became known as a welfare agency by referral sources for elderly clients in need of assistance. However, since cost sharing began, program officials told us that the demand for in-home services has increased among low-

Figure 2.3: Comparison of Services Offered by Cost-Sharing and Noncost-Sharing Agencies



income clients and agencies are also referring clients with somewhat higher incomes.

To some extent, cost sharing eliminated waiting lists and reduced government funding without cutting services, about a third of the state and area agencies on aging reported. Less than a third of the agencies indicated that cost sharing enabled them to serve more people of minority, ethnic or racial backgrounds, though in some agencies this may reflect the small population of minority elderly in the potential service pool. Just under a third of the cost-sharing agencies noted that the program discouraged service use by some clients. In at least one case, this was not perceived as a negative result of cost sharing. A study examining the effect of cost sharing on the Illinois in-home services program revealed that fees helped discourage service use by clients who had considerable resources available to provide in-home care because they were able to

purchase needed care at a cost less than their share of the state program rate.

Agencies Favor Amending the Older Americans Act to Permit Cost Sharing

The generally positive attitude toward cost sharing described above also is reflected in the attitude of state and area agencies on aging toward changing OAA to permit cost sharing for selected services. Agencies with cost-sharing experience (see fig. 2.4) generally were favorable to amending the act to permit agencies on aging to require some elderly to pay all or part of the cost of in-home services they receive. And, as indicated in figure 2.5, agencies currently not cost sharing were also more likely to favor than oppose such an amendment.

Figure 2.4: Views of Cost-Sharing Agencies on Amending Older Americans Act to Allow Cost Sharing

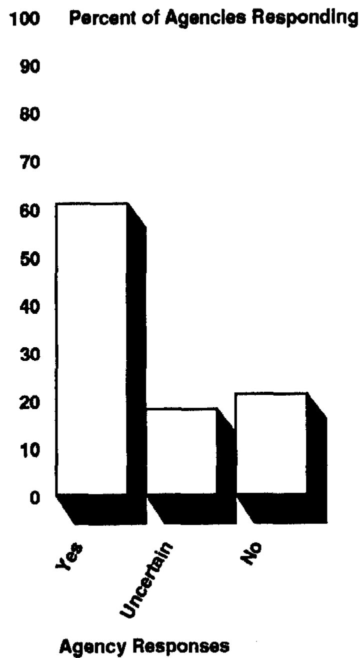
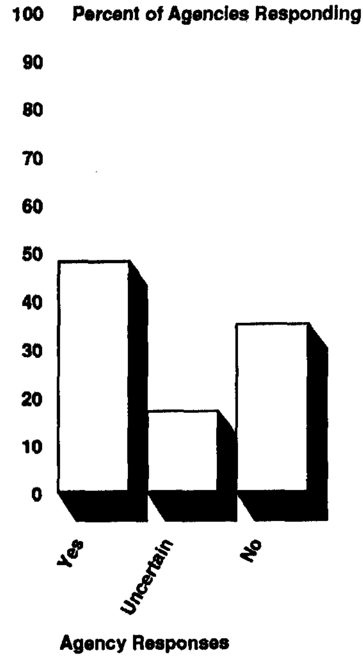


Figure 2.5: Views of Noncost-Sharing Agencies on Amending Older Americans Act to Allow Cost Sharing



Client Fees Generally Low Compared With Income and Service Cost

Agencies adopting cost sharing for in-home services were sensitive to the full range of concerns related to charging fees for services. They generally adopted sliding fee schedules, which still enabled lower income clients to receive services at no charge.

Determination of fees and methods used to verify client income were fairly straightforward. Indeed, many of the noncost-sharing agencies considered client income in an effort to encourage voluntary contributions. Cost-sharing agencies generally set client fees at low levels in relation to both the recipient's income and the cost of the services provided.

Demographic data collected on the characteristics of elderly persons receiving services through the Delaware County (Pennsylvania), Illinois, and Rhode Island in-home services programs showed that minority elderly and those living in single-person households were more likely to receive services free of charge.

Income and Cost of Service Key Factors in Determining Client Fees

Client income is the factor used most often by cost-sharing agencies in defining client fees. For some, it is the only factor, although definition of income varies considerably among agencies. Of the cost-sharing state and area agencies responding to our survey, 89 percent indicated that income is considered when determining client fees. Other factors considered by some cost-sharing agencies include the impairment level of the individual needing service, the relationship between the cost of the services provided and client income, and family size (see table 3.1).

Table 3.1: Six Factors Cost-Sharing Agencies Consider to Determine Fees

	Percent considering factor		
Factor	**Yes**	**No**	**NR[a]**
Income	89	4	7
Cost of service	55	33	12
Family size	46	40	14
Impairment level	20	64	15
Unmet needs	20	64	15
Assets[b]	18	79	4

[a]NR (no response) represents those cost-sharing state and area agencies that did not respond to this specific survey question.

[b]Question on assets answered by only those who use income as a factor.

Note: Some of the percentages do not add up to 100.

Typically, income is incorporated into the fee-setting process through the use of a sliding fee scale. Of the 162 cost-sharing agencies, 90 percent determine a person's fee in this way. An agency using a sliding fee

scale sets a lower fee for people with lower incomes and generally establishes an income level below which people receive the service at no charge. The majority of the agencies reported having such a minimum income level established. For example, of the sample group of 100 clients, in the Illinois state program, 35 percent of the in-home service clients paid a fee, while the other 65 percent received free in-home services. A few agencies (about 1 percent of the cost-sharing respondents) require everyone to pay a set fee for the service.

Various Methods Used to Determine Income

Because of the concerns about the potential for fees to discourage service use by eligible persons, we examined state and local agencies' approaches used to determine and verify the income and assets of cost-sharing clients. Though income is used almost universally as a determinant of mandatory fees, agencies vary considerably in how it is defined and most rely on self-declaration. Fewer than one-fifth (18 percent) consider client assets in defining income and setting fees.

How State and Area Agencies Determine Adjusted Income

Most agencies consider similar sources of income as well as expenses to arrive at a person's income when determining the fee. To determine income, most agencies consider personal, business and investment, and a spouse's income. Fewer than one-third consider income from other household members and government assistance programs (see table 3.2).

Table 3.2: Sources of Income Agencies Consider for Cost Sharing

Source of income	Percent considering source
Personal income (e.g., wages, salaries, retirement/pensions, social security retirement, income from insurance, etc.)	95
Business and investment (e.g., profits, interest, dividends, rent, etc.)	91
Income of a spouse living in the same household	88
Income from any household members other than spouse	31
Income from government assistance programs (e.g., Food Stamps, AFDC, etc.)	22

To determine adjusted income, 94 agencies deduct specific expenses—some the entire amount, others only a portion. The expenses most often deducted are for medical and housing (see table 3.3). For each type of expense allowed, however, the proportion of those deducting the entire amount varies from 39 to 71 percent.

Of the 144 cost-sharing agencies responding to questions about expenses deducted from income, 69 percent adjust a person's income for medical, housing, and other fixed payments. Of these, 4 percent set a standard deduction for expenses, 44 percent allow deductions for certain specific expenses, and the remaining 21 percent allow both a standard deduction and certain expenses.

Table 3.3: Expenses Deducted In Measuring Income for Cost Sharing

Type of expense	No. deducting expense	Percent deducting entire amount
Medical	62	71
Housing	51	39
Expenses of a spouse	28	54
Loan payments or debts	17	65
Business/work-related	12	58

How Agencies Consider Assets

Eighteen percent of the cost-sharing state and area agencies responding to our survey indicated that they consider a person's assets/incomes when determining the fee amount. One of two methods is used:

1. A portion of the asset amount is added to the person's monthly income to arrive at an adjusted income; e.g., Pennsylvania's Delaware County Area Agency adds 1 percent; or

2. A sliding scale is used; e.g., Maine adds 1-5 percent of an individual's assets to monthly income. The percentage added to income depends on the amount of the assets—the lower the asset value, the lower the percentage added to income.

Of agencies that consider assets for fee purposes, 92 percent said a specific amount is excluded from consideration. The excluded amounts range from $1,900 to $40,000.

Another way state and area agencies consider assets is to include assets in eligibility criteria. Ten percent of the agencies responding to our survey indicated that they have an asset ceiling above which people are ineligible to receive in-home services through the state or area agency. These ceilings ranged from $1,900 to $40,000.

How Agencies Obtain and Verify Income Information

State and area agencies use a combination of methods to obtain and verify income information, according to the 141 cost-sharing agencies that responded on this subject. However, most (56 percent) rely on some form of self-declaration, such as a statement signed by the individual declaring his/her income amount, as the sole means of verifying income.

Nineteen percent of the agencies responding require some form of documentation to verify income: personal records, such as tax returns or social security checks, or documentation from other programs that have already verified a person's income, such as Medicaid. Another 14 percent use a combination of self-declaration, and documentation. Only seven area agencies indicated that they did not verify income at all, including asking for a self-declaration of income.

The common use of self-reporting of income with minimal or no verification of income raises questions as to how accurately income is reported and whether services are always properly targeted to appropriate income levels. We had no information on the accuracy of self-reported income for this group of clients. Further research in this area may be required to assess the need for income verification to assure that services are properly distributed.

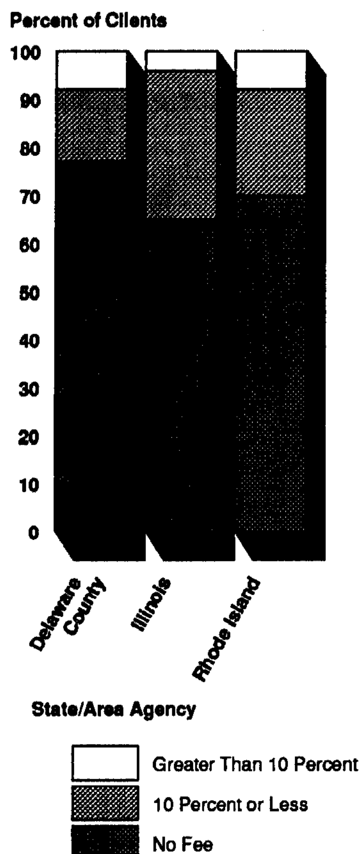
Noncost-Sharing Agencies Also Obtain Income Data

Concerns have been raised that requiring potential elderly clients to reveal personal income information to service providers for cost-sharing purposes may create a welfare stigma or discourage service use. Even agencies not involved in cost-sharing are likely to obtain information on the client's income. About 60 percent of the agencies responding to our survey collected and/or verified client income data. In most cases, these agencies also suggested a voluntary contribution amount to the client.

No Fees for Most Clients, Moderate Fees for Others

At the three cost-sharing programs that supplied detailed client characteristic data, the majority of clients paid no fee for the services received (see fig. 3.1). This indicates that lower income clients who lack the ability to pay are not being excluded from receiving services. Among those paying fees for in-home services, the required fee was typically less than 10 percent of the client's income even though the costs of in-home services provided were substantial. For example, the average cost of in-home services for clients paying fees in Illinois in their 1988 fiscal year was $304 per month. In each of the three programs, fewer than 10 percent of clients paid more than 10 percent of their income in fees.

Figure 3.1: Distribution of Clients by Percent of Income Paid in Fees



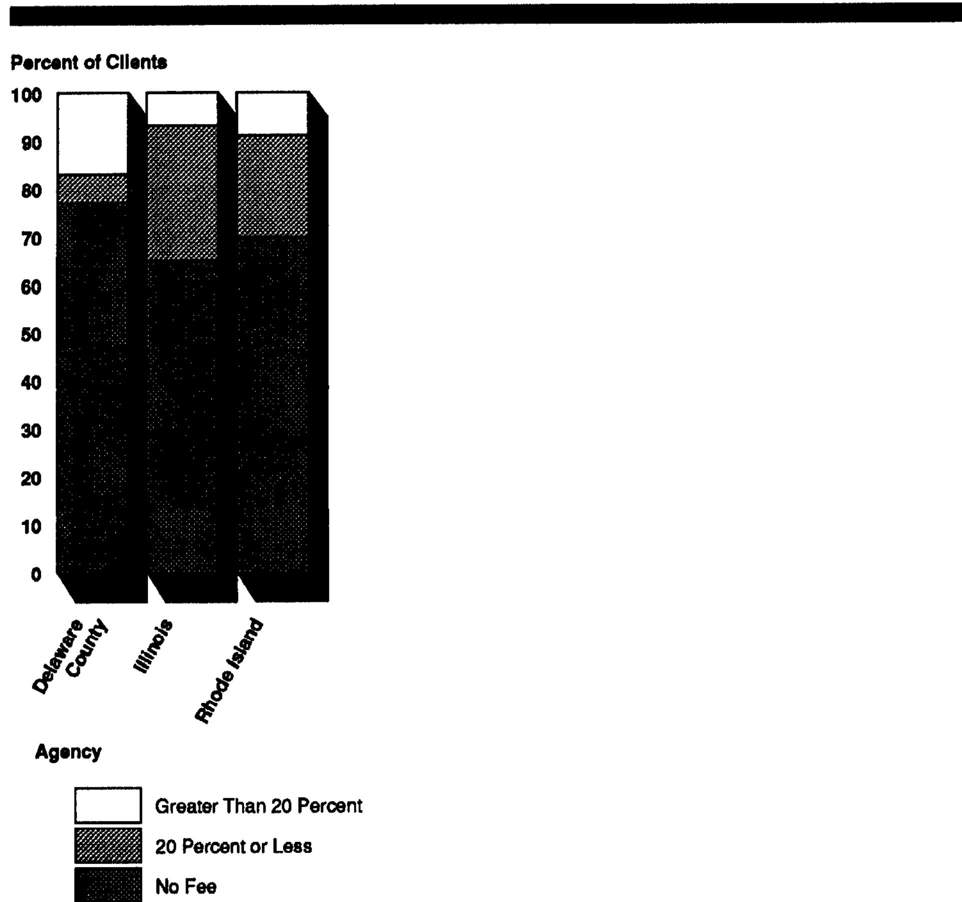
Fees Cover Fraction of Service Costs

While most clients pay no fees for service, charges for clients who do pay fees typically covered only a small portion of the costs of providing the service (see fig. 3.2). Even among those paying fees, most clients in Rhode Island and Illinois pay 20 percent or less of the cost of service.

In Pennsylvania's Delaware County program, where cost of service is not a factor in determining the fee, there is considerably more variation in the relationship between income and the cost of service provided. In Pennsylvania, 26 percent of the fee-paying clients paid 20 percent or less of the cost of service in fees. About a half of the fee-paying clients paid a substantial share of the service costs (over 90 percent). However, most of the latter were higher income clients; most of these clients paid

20 percent or less of their income in fees. Monthly incomes of those paying more than 20 percent of income ranged from $840 to $2,399.

Figure 3.2: Distribution of Fee-Paying Clients by Percent of Service Cost Paid as Fee



Differences in Characteristics of Fee-Paying and Nonfee-Paying Clients

Judging from characteristics of clients in the Delaware County, Illinois and Rhode Island programs, in-home services are targeted to the vulnerable elderly population. The typical client in these programs is low-income, white, female, older, and unmarried or living alone. However, data from the Illinois program points to differences in the characteristics of fee-paying and nonfee-paying clients (see table 3.4). White, male, and married clients are somewhat more likely to pay a fee, while black, female, and single individuals are more heavily represented in the nonfee-paying category and thus more likely to receive services free.

This results in part from the lower income levels for these subgroups of the population. Our analysis of limited data collected on characteristics of persons served in Delaware County showed similar results.

Table 3.4: Characteristics of Persons Receiving In-Home Services in Illinois (September 1988)

	Fee status (percent)		
Client characteristics	**Fee**	**Nonfee**	**Total**
No. of clients	13,058	16,022	**29,080**
Age			
Under 75	31	36	**33**
75 or over	63	59	**61**
Unknown	6	5	**6**
Race			
White	73	54	**62**
Black	26	43	**35**
Hispanic	1	2	**2**
Other	0	1	**1**
Sex			
Female	76	85	**81**
Male	24	15	**19**
Marital status			
Single	77	89	**84**
Married	22	10	**16**
Unknown	1	1	**0**

Conclusions and Recommendations

State and area agencies on aging extensively use cost sharing—that is, impose fees—for some elderly receiving in-home services funded through sources other than the Older Americans Act. Most agencies have indicated that their experiences with cost sharing have been favorable.

Conclusions

Cost sharing has allowed the agencies to serve more elderly clients and has broadened the range of services offered. Agencies also reported that cost sharing was more likely to (1) reduce than increase the possible welfare stigma associated with publicly provided services and (2) prevent service cutbacks.

Typically, agencies built protections into their cost-sharing programs to assure that they remained targeted to low-income elderly. Sliding fee scales, retention of free services for low-income clients, and use of monies from fees to expand service provision were common elements of cost sharing.

Asked whether OAA should be amended to allow state units on aging and/or area agencies on aging to require some elderly to pay for all or part of the cost of in-home services they receive, the agencies we surveyed (regardless of their cost-sharing experience) generally favored doing so.

Matters for Consideration by the Congress

The Congress should consider amending the Older Americans Act to specifically authorize state and area agencies on aging to establish mandatory charges for in-home services for the elderly funded under title IIIB of the act. The Congress could build in protections that are similar to current practices in agencies that cost-share. Such protections could include (1) excluding from cost sharing certain services already strongly supported by voluntary contributions, (2) adding measures to assure that the very low-income elderly continue to receive free services, and (3) limiting fees to a reasonable proportion of income for fee-paying clients.

Fee-Determination Process in Three Agencies With Cost-Sharing Programs

Most clients at the three cost-sharing programs from which we obtained detailed data on client characteristics paid no fee for services received. The fee determination process at these three agencies is described below.

Delaware County Area Agency on Aging (Pennsylvania)

Pennsylvania's Delaware County Area Agency on Aging considers the individual's income and family status to determine the fee for in-home services. Single persons with incomes below $602 per month and couples with incomes below $805 per month receive services free of charge. More than three-fourths of clients receiving cost-shared services pay no fee for the service. Persons with incomes above these levels pay fees based on a sliding scale.

Rhode Island Department of Elderly Affairs

In Rhode Island, the cost of the service is considered in addition to income and family status to determine the fee for services received. Client assets also are incorporated into the fee-setting process. Regardless of income, single elderly clients are required to pay a fee if assets excluding private residence exceed $4,000 and married couples pay fees when assets exceed $6,000. Income determines the fee rate a client pays, either 20 or 40 percent of the cost of services received, as follows: 20 percent for single persons with monthly incomes between $545 and $700 and couples with monthly incomes between $586 and $755; and 40 percent for single persons with monthly incomes between $701 and $1,000 and couples with monthly incomes between $756 and $1,250. No one pays a fee rate greater than 40 percent of the cost of the service.

The effects of incorporating monthly service cost as well as monthly income into the rate determination process for six clients with different incomes and levels of service utilization are illustrated in table I.1. Among the lower income clients (Group A), the first client (example A-1) pays less than 5 percent of income for a modest amount of in-home care. The third client (A-3), with a similar income level, pays more than a fourth of total income for in-home care, but receives services whose value exceeds total income.

For the clients with somewhat higher incomes (Group B), a similar pattern exists. The third client (B-3) pays a substantial fee, representing more than a third of total income. However, the client receives 86 hours of in-home care each month. Before cost sharing, these higher income

clients would have been ineligible for the agency in-home service program. Without program support, the cost of the services needed to maintain independent living would have been prohibitive for some of Rhode Island's fee-paying clients.

Table I.1: Cost-Sharing Clients Receiving Homemaker Services in Rhode Island

Example	Income	Service utilization (hours)	Actual cost of services	Fee amount	Fee rate (percent of service costs)
A1	$554	9	$82	$16	20
A2	551	43	409	78	20
A3	545	86	817	156	20
B1	807	17	163	62	40
B2	800	39	368	140	40
B3	810	86	817	311	40

Illinois Department of Aging

When determining the fee clients must pay, the Illinois Department of Aging considers (1) income, (2) marital status, (3) level of functional impairment, and (4) cost of service. Functional impairment is determined by a case manager, who looks at the applicant's level of disability and the availability of family or community support to compensate for that disability. The case manager then assigns a "determination-of-need score," which reflects the applicant's level of unmet needs. The higher the level of unmet needs, the lower the fee.

Single persons with monthly incomes up to $426 and couples with incomes up to $639 receive services at no charge. The fee paid by persons with incomes above these levels is based on a formula that considers income, the amount of services used, and the person's level of impairment. In fiscal years 1987 and 1988, the average fee paid by an Illinois client was about $27 per month.

Major Contributors to This Report

Human Resources Division, Washington, D.C.

Janet L. Shikles, Director, Health Financing and Policy Issues
(202) 275-5451
Mark V. Nadel, Associate Director, National and Public Health Issues
(202) 275-6195
Michael Gutowski, Assistant Director
Alfred R. Schnupp, Assignment Manager
Susan Y. Higgins, Evaluator-in-Charge
Kathy D. Leslie, Evaluator
Kevin B. Dooley, Evaluator (Computer Science)
Mark S. Vinkenes, Evaluator

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