Policy Analysis Report

To: Supervisor Mar
From: Budget and Legislative Analyst's Office
Re: In Home Care for Seniors
Date: February 1, 2016

Summary of Requested Action

Your office requested that the Budget and Legislative Analyst conduct an analysis of strategies for helping seniors in San Francisco keep pace with the rising cost of private-pay in-home care. The questions that we were asked to address were: (1) How much have cost changes due to the City's increase of minimum wage impacted users of private-pay in-home care? (2) Are there any existing or proposed programs in other municipalities that are addressing this issue? (3) How many seniors are not receiving services because they cannot afford private services and do not qualify for government assistance? (4) How many seniors and people with disabilities are receiving assistance through the Community Living Fund, to help cover these costs?

For further information about this report, contact Severin Campbell at the Budget and Legislative Analyst's Office.

Executive Summary

In-Home Care Costs Beyond the Means of Most At-Risk Seniors

Using data from the American Community Survey (ACS), the Budget and Legislative Analyst's Office estimates that there are approximately 37,457 seniors (aged 65 years and older) with disabilities who may need in-home care in San Francisco as of 2013, irrespective of income. Only about 10,112 of these at-risk seniors, or 27 percent, earned sufficient income in 2013 to afford the average cost of in-home care and the minimum cost of living in the City.[1] An estimated 12,926 at-risk seniors, or 34.5 percent, have very low incomes below 125 percent of the federal poverty level, an important criterion for free in-home care services through City-administered Medi-Cal programs.

The remaining estimated 14,419 at-risk seniors, or 38.5 percent, have incomes that disqualify them from most of these City-administered programs but have incomes that are insufficient to pay for private care. The amount of care these 14,419 seniors with disabilities are receiving is unknown. Some could be receiving support from family and friends, some could be receiving an insufficient level of care, and other might receive no care at all. The City could pursue a variety of

[1] We estimate that the median cost of privately purchased in-home care was $11,784 in 2014, if provided at the minimum wage rate. If the median expense of this low-cost private care is added to the average minimum cost of living in San Francisco, $29,896 annually according to a recent MIT study, it suggests that the average San Francisco resident would need an annual income of at least $41,680 to afford in-home care.

policy options to assist this group of underserved seniors with disabilities. However, most would have significant costs for the City.

Impact of Minimum Wage on the Affordability of In-Home Care

The minimum wage rate in San Francisco increased from $9.79 per hour in 2009 to $12.25 per hour as of May 1, 2015. The increase in the minimum wage rate will make privately purchased in-home care more expensive. However, private care is already too expensive for most seniors with disabilities living in San Francisco. The group of 14,419 at-risk seniors estimated to be ineligible for most City-administered programs but unable to afford sufficient levels of private care would likely grow somewhat with the increasing minimum wage.

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In-Home Care in San Francisco

In-home care is a service that enables beneficiaries, usually seniors and persons with physical or cognitive impairments, to live safely at home rather than in a nursing facility. In-home caregivers assist people with disabilities with day-to-day activities, such as bathing, moving around, dressing, and meal preparation, to strengthen their ability to live at home safely and independently. This report evaluates the affordability of in-home care for seniors with disabilities in San Francisco.

At-Risk Seniors: *In this report, the "at-risk senior" population is defined as those persons who are aged 65 and older with disabilities that make it challenging to live independently. We use the following disability categories from the American Community Survey (ACS) to define this population: cognitive, ambulatory disability, self-care difficulties, or independent living difficulties.*

A person living with these or other disabilities may not necessarily require in-home care, but these categories from the ACS provide the most comprehensive and current data available.

In-home care is a critical service for the population of people with disabilities in San Francisco as it often results in better health outcomes and is half the cost of skilled nursing facilities.[2,3] However, costs for in-home care vary widely, and funding can come from a number of sources. Some individuals cover costs using long-term care insurance, since traditionally healthcare insurance providers do not cover non-medical in-home care. Others benefit from government-funded programs, primarily In-Home Supportive Services, which is a Medi-Cal program administered by the City. In-Home Supportive Services bases eligibility largely on income and assessed need. Lastly, individuals may pay for in-home care privately through agencies or by hiring in-home caregivers directly.

In-Home Care is a Cost-Effective Approach to Combat Premature Institutionalization

Research shows that in-home care is a cost-effective way to keep individuals out of institutions and in their communities while providing similar or better health outcomes.[4] The White House released a policy brief in April 2015 that called publicly financed, consumer-directed long-term care "one of the most promising developments in helping older Americans remain in their homes and community as they age."[5] The cost of providing in-home care nationwide has remained relatively stable, while all other types of care have risen in the past decade.[6] Furthermore, in-home care also provides better health outcomes for many patients.[7] In the face of overall rising healthcare costs, in-home care remains a valuable tool for keeping individuals independent and in their communities, while keeping costs down. Exhibit 1 below outlines the options generally available to residents of San Francisco in need of in-home care.

[2] Genworth 2015 Senior Care Survey
[3] California's IHSS program is likely most cost-effective for the state rather than the counties that implement it. "Considering the State Costs and Benefits: In-Home Supportive Services Program" California Legislative Analyst Office, January 21, 2009.
[4] "States Seek to Keep Seniors Out of Nursing Homes" Governing, October 2012
[5] White House Conference on Aging: Long-Term Services and Supports Policy Brief, April, 24 2015
[6] Genworth: 2015 Cost of Care Survey
[7] John A. Hartford Foundation, "Home – The Best Place for Health Care," a positioning statement from The Joint Commission

Exhibit 1: Overview of Available In-Home Care Options

Type	Eligibility	Costs
Unpaid care from family and friends	n/a	n/a
Low-Cost Independent Providers	n/a	Near minimum wage $12.25. Paid by individual or family. Could be more or less than minimum wage. Low-cost independent providers could be certified or uncertified caregivers.
Formal Paid Private Care – (certified caregivers from an agency)	n/a	$23 per hour[8] Training, background checks, and benefits are common. Paid by individual or family.
Long-term Care Insurance	Varies	Annual premiums range from $1,764 to $3,446 for an individual age 55.[9] Coverage and payout varies depending on plan.
In-Home Supportive Services (IHSS) – Medi-Cal Program	**For Free IHSS Benefits**: Medi-Cal eligibility (generally income at federal poverty level or below) and requires assistance with activities of daily living	Paid from Federal, State and City funds. Service providers earn minimum wage. Recipients receive payments from IHSS to pay care providers.
	Share of Cost Program: Medi-Cal eligibility requirements (has no more than $2,000 in assets if single, and up to $3,000 for couples) and requires assistance with activities of daily living.	Recipient pays for portion of services until their remaining income is reduced to their monthly share of cost or Federal Poverty Level. Remainder is paid from Federal, State and City funds. Service providers earn minimum wage.
Community Living Fund (CLF) Discretionary funds used to avoid more costly care facilities and allow participants to live at home.	300% of federal poverty level and requires assistance with activities of daily living.	Paid mostly by the City (approx. 77% of costs in FY15-16) and a combination of Federal and State funds. However, In-home care services are contracted through an agency that costs $34.10 per hour.

Source: Budget and Legislative Analyst's Office research.

How Many Seniors in San Francisco are in Need of In-Home Care?

We estimate that there were a total of 37,457 seniors reporting some type of disability that may require in-home care in San Francisco during 2013. This estimate comes from the US Census Bureau's annual American Community Survey, which we considered to be the most up-to-date and comprehensive data on the population of seniors with disabilities at the time of the report.

The American Community Survey asks respondents to report if they identify as having any of eight types of disabilities. Our analysis considered respondents who were at least age 65 and reported having one or more disabilities that were

[8] 2015 Genworth Study on Long-Term Care Costs Across the United States, using the Home Health Aide estimate for California. The hourly cost of care in San Francisco is likely higher given the high cost of living in San Francisco and its impact on wages.
[9] 2012 Long-term Care Insurance Price Index, American Association for Long-term Care Insurance

cognitive, ambulatory, or if they reported self-care or independent living difficulties.[10] The Budget and Legislative Analyst's Office views this population number as a high estimate of seniors at-risk of premature institutionalization if they do not receive adequate in-home care services.[11] A senior living with these or other disabilities may not necessarily require in-home care, but these categories from the ACS provide the most comprehensive and current data available. These categories serve as the basis of all estimates used in this report.

How reliable is self-reported disability data?

The disability questions used in the American Community Survey have been rigorously analyzed by researchers within the US Census Bureau and by academic and policy researchers. However, the accuracy of self-reported disabilities has been questioned by some researchers with concerns of both over and underreporting due to personal and cultural influences. Some inaccurate reporting is likely true, but it is infeasible for this report to independently and medically verify the nature of disability reporting across such a large population. Our estimates derived from American Community Survey data should be used to determine magnitude, and not as precise figures. Below is a selection of research articles that discuss the challenges of self-reported data further:

Review of Changes to the Measurement of Disability in the 2008 American Community Survey, Matthew W. Brault, U.S. Census Bureau, September 22, 2009

How Large Is The Bias In Self-Reported Disability?, Hugo Ben´Itez-Silva, Moshe Buchinsky, Hiu Man Chan, Sofia Cheidvasser and John Rust, Journal Of Applied Econometrics, December 2003

Precision of Disability Estimates for Southeast Asians in the American Community Survey 2008-2010 Microdata, Carlos Siordia and Vi Donna Le, Central Asian Journal of Global Health, 2013

At-Risk Seniors Served by Public Programs

To estimate the number of at-risk seniors who may not be receiving sufficient in-home care, we first calculated how many seniors are known to be receiving services. Some publicly funded programs in San Francisco provide these services primarily to low-income individuals. The main public programs that provide in-home care in San Francisco are In-Home Supportive Services (IHSS) and the Community Living Fund. IHSS is a Medi-Cal program that is administered by the City on behalf of the State of California. As of June 2015, approximately 73.6 percent or 16,512 of the active 22,426 IHSS participants were seniors (aged 65 and over).

[10] The definition of self-care and independent living difficulties adheres to the definitions used in the American Community Survey. Self-care difficulties are defined as challenges with bathing or dressing alone. Independent living difficulties are defined as the inability to complete errands independently, such as doctor's visits and grocery shopping, due to emotional, physical, or mental problems.

[11] Many studies estimate this population as only those individuals with self-care difficulties.

The Community Living Fund is an intensive case management program that supports community living for disabled persons on the verge of premature institutionalization. The Fund offers an array of services to people with disabilities in their homes, such as minor home modifications, rent subsidies, and in-home caregivers. The Fund may pay for in-home care, but only at a small level. The Fund is designed as a last resort for people with disabilities as they may only access services if they are unable to obtain adequate support from other programs such as IHSS.

The Fund served 339 clients in FY 2014-15. Approximately 40 percent or 134 of the program's participants were seniors. While most individuals in need of care would be eligible for services from the Fund, the small budget limits the reach of this program. Further details on public programs are provided in subsequent sections of this report.

At-Risk Seniors Not Served by Public Programs

The Budget and Legislative Analyst estimates that approximately 24,531 at-risk seniors may need in-home care but do not qualify for free IHSS benefits because their income exceeds the effective Medi-Cal eligibility limit of 124 percent of the federal poverty level. Of these 24,531 seniors, an estimated 14,419 have incomes that are above the federal poverty threshold but are insufficient to pay for private care. This group of 14,419 low-income at-risk seniors is not generally served by public programs and is of particular concern. While a portion of this group could access IHSS by paying a share of the cost, this IHSS Share of Cost option is scarcely used as it may not be financially feasible for many people with disabilities because they must spend down their available income considerably. As of June 2015, only 352 or 1.6 percent of IHSS beneficiaries participated in the share-of-cost program.

Some may purchase care from uncertified caregivers at or below the minimum wage rate. Others may receive care free-of-cost from family and friends, or receive financial support from others. However, this can have a negative impact. Families' lost wages due to reduced work hours or temporary unemployment, for example, to care for seniors with disabilities results in a total opportunity cost of approximately $522 billion annually in the United States.[12]

Others in this group who do not have family support and are unable to pay for care may receive insufficient care, and have a heightened risk of premature institutionalization. This results in worse health outcomes for the individual and may result in higher costs due to institutionalization. In cases where workers receive below minimum wage pay, they too will be negatively impacted.

To meet the needs of these individuals and minimize public spending on institutional care, there are a variety of policy options that the Board of Supervisors could consider. However, most options would require a balance between the high cost of providing such services and the existing need that at-risk seniors have for these services.

[12] RAND Corporation, 2015, Opportunity Cost of Informal Elderly Care in the United States

In-Home Care Costs Beyond the Means of Most At-Risk Seniors

Privately paid in-home care services are often too expensive for most people with disabilities of all ages in San Francisco. Formal private in-home care can cost up to an estimated $25,236 per year in San Francisco. This estimate is based on the $23 median hourly rate for private care in California cited by Genworth and the average 21.1 hours per week used by the population of seniors with disabilities receiving full IHSS services in San Francisco.[13]

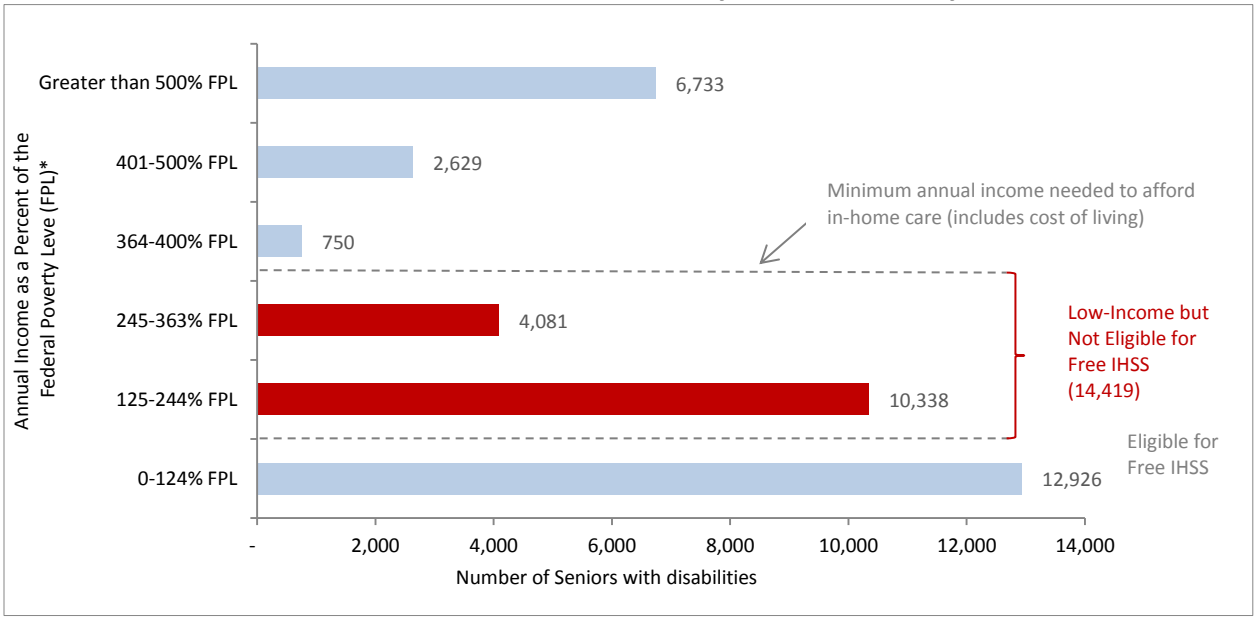
Alternatively, at-risk seniors may hire uncertified independent caregivers to provide in-home care since it is less expensive than paying for certified caregivers through a private agency. The Budget and Legislative Analyst estimates that the median cost of hiring an uncertified independent caregiver to provide in-home care was approximately $11,784 in 2014, using the minimum wage rate as the hourly cost of service and the average number of service hours per IHSS senior participant.[14] If this average cost of care is added to the minimum cost of living in San Francisco, $29,896 annually for an individual adult with no children according to a recent MIT study,[15] it suggests that the average San Francisco resident would need an annual income of at least $41,680 to afford in-home care. Only about 10,112, or 27 percent, of at-risk seniors in the City earned at least this amount in 2013.

The remaining group of at-risk seniors who cannot afford care can be divided into two groups: (1) those who are eligible for free public benefits and services; and (2) those who are ineligible but still have insufficient income to afford care. The first group is generally served by resources offered by the City's In-Home Supportive Services (IHSS) program, managed by the Department of Aging and Adult Services. The second group is not generally served by these programs and is of particular concern.

An estimated 14,419 at-risk seniors have income that exceeds eligibility limits for free IHSS but is insufficient to afford the full cost of care (see Exhibit 2 below). Annual income of these at-risk seniors will differ depending on the size of their families. The federal poverty level for a single person in 2013 was $11,490, while it was $15,510 for a family of two, $19,530 for a family of three, and so on. Some people within this group may receive care from family and friends, or receive financial support from them. Others in this group may receive insufficient care, have a heightened risk of premature institutionalization, or procure informal services at or below minimum wage.

[13] 2015 Genworth Study on Long-Term Care Costs Across the United States, using the Home Health Aide estimate for California. The Genworth study used the same $23 median hourly rate but estimated use at 44 hours per week per person, which resulted in an average annual cost of $52,624 per client in California.
[14] The average number of hours used by IHSS participants would provide a reasonable estimate of the number of service hours needed by at-risk seniors as it includes a range of low to high-need clients who are often poor.
[15] Required minimum income is based on the minimum cost of living in San Francisco for one adult in 2014, inclusive of taxes. MIT Living Wage Calculator, San Francisco County.

Exhibit 2: Distribution of At-Risk Seniors by Income to Poverty Ratio in 2013



Source: American Community Survey. Income based on Federal Poverty Level thresholds. Estimate excludes the population that is institutionalized or living in group quarters. Seniors with disabilities (65+) are defined as people with disabilities who are at risk of premature institutionalization without access to adequate in-home care.

*Annual income of at-risk seniors represented in this graph will differ depending on the size of their families. The Federal Poverty Level (FPL) for a single person in 2013 was $11,490, while it was $15,510 for a family of two, $19,530 for a family of three, and so on.

Public In-Home Care Programs

In-Home Supportive Services (IHSS)

The goal of IHSS is to enhance the ability of people with disabilities to live in their own homes independently. IHSS is a Medi-Cal program implemented by the City's Department of Aging and Adults Services (DAAS), using federal, state, and City funds. The IHSS FY 2015-16 budget is $180 million, of which approximately $32 million or 17.5 percent are City funds.

There are a number of eligibility requirements to qualify for IHSS. Applicants must live in their own homes, present a signed health care certification from a licensed health care professional, and demonstrate a functional need for in-home care. IHSS applicants must be enrolled in Medi-Cal, and therefore meet Medi-Cal income and resource eligibility requirements.

All applicants who meet the Medi-Cal asset level requirements may apply to receive IHSS benefits. Individuals may have up to $2,000 in assets ($3,000 for couples), including all checking and savings accounts, the value of stocks, bonds, and trust deeds, real property (other than their own home), automobiles (one vehicle would not be counted), promissory notes, and loans. After meeting the

asset level requirements, applicants can access IHSS benefits free of cost or by paying a portion of the cost out-of-pocket depending on their level of income.[16]

Accessing IHSS Free of Cost

With the implementation of the Affordable Care Act on January 1, 2014, all younger-adults (aged 18-64) with an annual income at or below 138 percent of the federal poverty level ($16,105 in 2014) became eligible for Medi-Cal, and could access IHSS benefits free of cost if they had a need for in-home care.[17] For seniors (aged 65 and over), there were no changes to the Medi-Cal income eligibility requirements. That is, only those seniors who are at or below 100 percent of the federal poverty level ($11,670 in 2014) are eligible for Medi-Cal, and are therefore also eligible for free IHSS benefits. Both of these groups must also comply with the asset restrictions to receive free IHSS benefits.

While the Medi-Cal income eligibility for seniors is 100 percent of the federal poverty level, a certain amount of each applicant's income can be disregarded when determining their income eligibility.[18] This can lead to seniors who are at or below approximately 124 percent of the federal poverty level ($14,471 in 2014) having eligibility for free IHSS benefits. The Budget and Legislative Analyst considers seniors with an annual income up to 124 percent of the federal poverty level as eligible for free IHSS benefits.

Accessing IHSS through the Medi-Cal Share-of-Cost Program

Individuals with an annual income that is above the Medi-Cal income eligibility limit but who meet the Medi-Cal asset level requirements may still receive IHSS services if they pay a portion of the cost out-of-pocket, also known as share-of-cost. This option allows participants to count their qualifying medical expenses, such as IHSS provided in-home care, against their income.[19] Medi-Cal makes payments for IHSS only after share-of-cost program participants have paid their portion of the service costs.

The benefit of this option is that it eases access to IHSS for a larger proportion of low-income people at a minimal cost to the City, since State and Federal funds cover most of the IHSS costs.

The IHSS Share of Cost program has had low participation. Only 352 people participated in the Share of Cost program as of June 2015, or 1.6 percent of IHSS participants. According to the Department of Aging and Adults Services, the

[16] All lawful permanent residents (green card holders) are eligible for Medi-Cal regardless of their date of entry, if they meet all other eligibility requirements. Also, all undocumented persons are eligible, but still must meet the same eligibility requirements as any other beneficiary such as income limits and California residency.

[17] Prior to the Affordable Care Act, only Medi-Cal participants who were at 100 percent of the Federal Poverty Line and met the asset level requirements were eligible for free In-Home Supportive Services.

[18] Social Security Income (SSI) recipients automatically qualify for IHSS. However, certain income does not count towards SSI income eligibility such as income tax refunds, home energy assistance, as well as income received from a number of State and local government programs. This discounted income is estimated to total up to approximately $250 per month ($3,000 per year).

[19] All applicants who meet the Medi-Cal asset level requirements are eligible to participate in the share-of-cost program.

primary deterrent to participation in the Share of Cost program may be that participants in San Francisco must spend down their assets so much that they would be left with insufficient income to afford the average cost of living in the City. The existing design for the share-of-cost program may be too costly for participants, and therefore, discourage enrollment.

Separate from the Share of Cost program, employed at-risk seniors with an annual income up to 250 percent of the federal poverty level ($29,175 in 2014) could access IHSS through the 250% Working Disabled Medi-Cal Program. Through this program, working at-risk seniors could access in-home care through IHSS by paying a monthly premium, depending on their income. The Budget and Legislative Analyst estimates that approximately 403 at-risk seniors in 2013 could access IHSS through the 250% Working Disabled Medi-Cal Program but does not have information on how many working at-risk seniors participate in the program.[20]

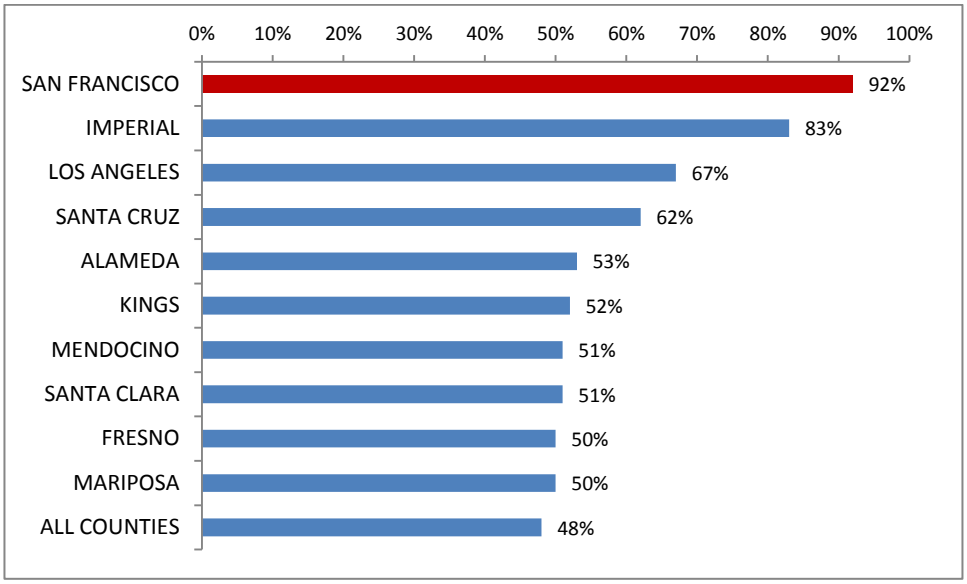
Utilization of IHSS

On average, 12,064, or 33.55 percent, of at-risk seniors met the Medi-Cal income eligibility threshold from 2010 through 2013. As shown in Exhibit 3 below, IHSS utilization in San Francisco was approximately 92 percent on average from 2011 to 2013. [21] Approximately 38.9 percent of Medi-Cal eligible adults with disabilities between 18 years and 64 years utilized IHSS. Most, if not all, Medi-Cal eligible at-risk seniors utilized IHSS.

IHSS has had high utilization among seniors since at least 2009 according to data collected from the Human Services Agency and the American Community Survey. Compared to all other counties in California, on average, the San Francisco IHSS program serves the highest proportion of the population of adults of all ages who had self-care difficulties from 2009 through 2013, as illustrated in Exhibit 3 below.

[20] Using data from the American Community Survey, the Budget and Legislative Analyst calculated this estimate using survey respondents reported employment status and corresponding income level.
[21] This graph uses a less conservative estimate of the population in need of in-home care, using only disabled person with self-care difficulties.

Exhibit 3: Top Ten California County IHSS Program Utilization Rates



Source: State of California In-Home Supportive Services Management Statistics Summary (2012 participant levels) and American Community Survey estimate of people with disabilities with self-care difficulties (three year average of 2011 to 2013).

The Department of Aging and Adult Services attributes the high overall IHSS utilization to the active network of advocacy groups and non-profit organizations that have raised the visibility of the IHSS program among the population of people with disabilities. In fact, there are some years where the number of seniors with disabilities using IHSS surpassed the number of estimated seniors who were eligible in San Francisco,[22] suggesting that most eligible seniors with disabilities already have access to the IHSS program.

In-Home Care Pilot Program

DAAS piloted an alternative Share-of-Cost program in 2000. The pilot program was targeted to individuals who met the Medi-Cal income and asset eligibility requirements of the IHSS Share of Cost program. The goal of the pilot program was to assist low-income people who struggled to pay their rent, transportation, and other living costs if they paid their share-of-cost for IHSS. Through the pilot program, IHSS covered 70 percent of a participant's share-of-cost. In FY 2008-09, the pilot program budget was $450,000 and served an estimated 114 participants.

While the pilot program was well-received by beneficiaries, DAAS faced many implementation problems. Medi-Cal's internal systems were not designed to process the pilot subsidy payments. As a result, it was difficult for DAAS to

[22] The Budget and Legislative Analyst's Office is unable to explain this discrepancy. The Department of Aging and Adult Services suggests that it may also be due to the Agency's practice of pro-active enrollment of participants in the program before they might otherwise report their emerging disabilities to the American Community Survey. The City's multi-department Long Term Care Coordinating Council plans to conduct focus groups to better understand the needs of the City's senior population, with an option to conduct a survey. If the Council decides to complete an in-depth survey to inform their research, this may yield more insight into the exact population of seniors with disabilities living in the City.

distinguish how much the City should reimburse the State for the pilot subsidies, and how much the City should pay the State for the usual City portion of IHSS costs. The pilot program was discontinued during the 2008 economic downturn when DAAS was forced to make budget cuts.

Community Living Fund

The Community Living Fund is administered by DAAS. The goal of the Fund is to lower the risk of premature institutionalization of seniors and persons with disabilities by providing some in-home care services for those with functional impairments. The primary use of this Fund is the Community Living Fund Program, which provides a combination of intensive case management and, when necessary, the purchase of services and items necessary for community living when other government programs are unable to provide support. The FY 2015-16 Community Living Fund budget is $4.8 million, of which approximately $3.7 million or 77 percent are City funds and $1.1 million are state and federal funds.

The Community Living Fund Program offers an array of other services, such as subsidies for housing and minor home modifications. The Community Living Fund Program may purchase private in-home care for clients who are ineligible for IHSS or require additional care beyond the maximum IHSS hours. In FY 2014-15, the Community Living Fund Program served 339 clients, which mainly comprised younger adults with disabilities under the age of 65. Of these 339 clients, 36 clients or 11 percent received support for home care.

In contrast to IHSS, Community Living Fund clients can have an income of up to 300 percent of the federal poverty level, which was $35,010 in 2014 for single persons. People with disabilities who apply for support from the Community Living Fund must demonstrate an urgent need for these services, and must have already sought support from other sources, such as IHSS, prior to applying. While a larger proportion of seniors and younger adults with disabilities are eligible for services through the Fund, the small program budget limits the reach of this program.

Veteran Affairs Benefits for Elderly Veterans

Veteran Affairs offers a number of programs that provide in-home care. The Aid and Assistance benefit and health care options such as a long-term care and geriatrics program are the main resources available for in-home care. In 2014, veterans comprised 2.8 percent (or 23,875) of the San Francisco population, with approximately 624 veterans with disabilities and living below the federal poverty level.[23] 480 or 76.9 percent of this population were seniors with disabilities. We were unable to access data on Veterans Affairs program participation for San Francisco. However, the number of low-income veterans with disabilities in San Francisco has steadily declined over the past three years, with a 24 percent decrease from 2012 to 2013.

[23] American Community Survey, Table B21007 for San Francisco County (by age, income, and disability)

Private In-Home Care Options

Types of Private In-Home Care Options:

Informal and family caregivers: *Unpaid care from friends and family.*

Uncertified Care: *Paid individual caregiver who is not certified or trained in a technical manner. May earn near-minimum wage. Estimated to cost $11,784 year based on an average of 21.1 hours per week.*

Formal and Agency-Based Care: *Primarily organized through agencies that train and screen workers. Some agencies may provide healthcare and other benefits to their workers. Estimated to cost $25,236 per year an average of 21.1 hours per week and the California-wide average cost for agency-based in 2014 of $23 per hour.*

Long-term Care Insurance: *Provides long-term in-home care for persons who develop disabilities. However, it is expensive with annual premiums that range from $1,764 to $3,446 for an individual age 55. Given the high cost and a low rate of use nationally, we assume few seniors in San Francisco maintain long-term care insurance.*

Informal and Family Caregivers

According to a 2015 report by the RAND Corporation on the cost of senior care, approximately one in five adults provide care for a family member or friend older than 50.[24] The report estimates that families' lost wages due to reduced work hours or temporary unemployment to care for people over 50, results in an opportunity cost of $522 billion annually in the United States. The costs of replacing this care by uncertified paid care and formal paid care are $221 billion and $642 billion respectively.

Unpaid support from family members and friends are likely one of the most common sources of in-home care for disabled younger adults and seniors. It is difficult to identify exact figures on the prevalence of family and friend caregivers in San Francisco. However, it is clear that the average time and cost of providing these services is quite high based on the previous estimates.

Private Pay Market

The private pay market is likely meeting the care needs of some seniors with disabilities. However, private care comes at a high cost. Not all individuals may be able to afford a sufficient level of care for their needs when paying through the private market. Seniors receiving partial care may be more vulnerable to premature institutionalization and worse health outcomes. This has a negative impact on the individual and the public, who may ultimately bear the cost of institutional care.

Uncertified Care

We categorize the private pay market by two basic types of service. The first is uncertified care where seniors with disabilities or their families may hire an individual caregiver who is not certified or trained in a technical manner. We estimate that uncertified care service is provided near the minimum wage rate, and similar to other types of domestic workers, may or may not be formal employees where taxes and benefits are paid by the employer. Uncertified care costs an estimated $11,784 each year on average, if paid at the minimum wage rate and based on the median 21.1 hours per week overserved in the population of seniors with disabilities receiving full IHSS services in San Francisco. This is lower than the yearly cost of private care provided by agencies but it is still an expensive option for many seniors with disabilities. Family members and friends may support seniors and people with disabilities by contributing a portion or the full cost of these services. However, we are unable to provide accurate estimates on how many seniors receive this kind of support. Even at these lower private care costs, the incomes of many people may be insufficient to obtain the adequate volume of hours needed to meet their full care needs. An additional negative

[24] RAND Corporation, 2015, Opportunity Cost of Informal Elderly Care in the United States

impact could be workers earning less than the minimum wage, but the extent of this potential problem is unknown.

Formal and Agency-Based Care

Formal and agency-based care is the second category of private pay options and is assumed to be higher cost than uncertified care. It is primarily organized through agencies that train and screen workers. Some agencies may provide healthcare and other benefits to their workers. While there are a variety of private agency-based care providers in San Francisco, accessing in-home care from these providers can be costly as well. In 2014, the average annual cost of private formal care is estimated at $25,236 in San Francisco. This estimate is based on the $23 hourly rate for private care in California cited by Genworth and the average 21.1 hours per week IHSS services to seniors with disabilities in San Francisco.[25] As this would absorb more than half of the average annual income of at-risk seniors, paying for private formal care is not a viable option for many.

Long-Term Care Insurance

Long-term care insurance is an option for some, but it is not widely used due to the high cost. We estimate that 703 individuals receive long-term care benefits, of which a portion may receive in-home care services and may be seniors.[26] Individuals can purchase long-term care insurance prior to having a disability as traditional health insurance does not typically cover non-medical care costs. Long-term care insurance may be secured through an insurance broker, employer-sponsored plans, State partnership programs, or plans offered through organizations. Medicare only covers short stays in nursing homes and a restricted amount of in-home care, usually after a recent hospitalization.

Privately purchased long-term insurance can be quite costly, but covers a wide range of services such as home modifications, in-home care, adult day care services, among other services. Annual premiums range from $1,764 to $3,446 for an individual age 55.[27] Seniors with disabilities who purchased long-term care plans while they were young or healthier tend to pay less for their insurance plans than those who purchased them at an older age. However, if an individual halts payments at any time, all prior investments in their long-term care insurance could be lost.

[25] The Genworth study used the same $23 median hourly rate but estimated use at 44 hours per week per person, which resulted in an average annual cost of $52,624 per client in California.

[26] According to the American Association for Long-term Care Insurance, 264,000 individuals received long-term care benefits in the US in 2012, or 0.008 percent of the population that year. An unknown subset of those individuals received in-home care services in particular, but the total is not calculated. We compared the national proportion against the City's population and estimate 703 individuals in San Francisco receive long- term care benefits, of which a portion may receive in-home care services in particular.

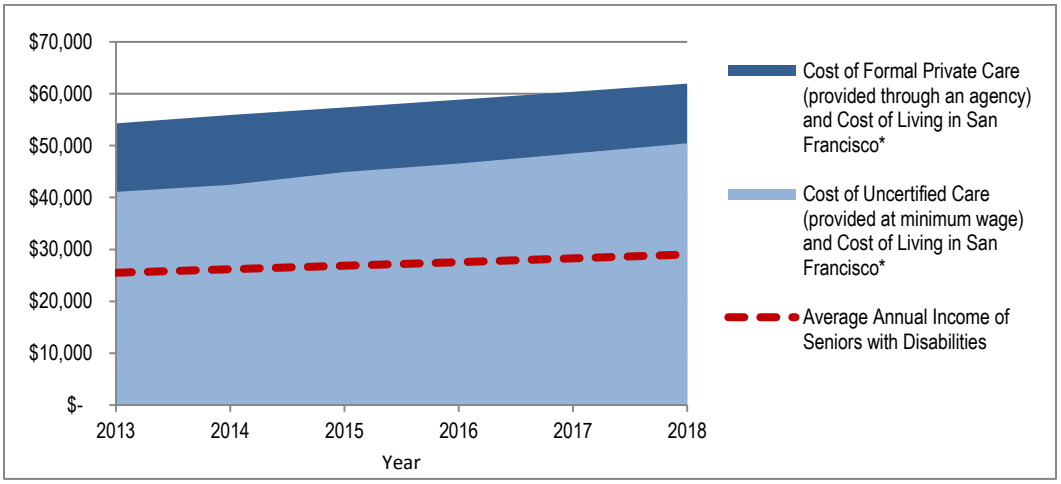
[27] 2012 Long-term Care Insurance Price Index, American Association for Long-term Care Insurance

Impact of Minimum Wage on the Cost of In-Home Care

San Francisco voters approved an increase in the City's minimum wage in November 2014. The minimum wage increased from $10.74 per hour in 2014 to $12.25 per hour in 2015. The minimum wage will increase to $15 per hour in 2018. The estimated average annual cost of in-home care provided by minimum wage workers increased from $11,784 in 2014 (as noted above) to $13,441 in 2015, an increase of 10.8 percent. The estimated average cost of in-home care provided by minimum wage workers will increase to $16,458 in 2018, an increase of 39.7 percent compared to 2014.

The increase in the minimum wage rate will make both uncertified and formal care more expensive, and as a result, will create further barriers for at-risk seniors to access in-home care. However, private in-home care is already too expensive for most at-risk seniors living in San Francisco. As illustrated below in Exhibit 4, the average annual income of at-risk seniors is projected to continue to remain well below the total cost of private in-home care plus the cost of living in San Francisco.

Exhibit 4: In-Home Care and Cost of Living in San Francisco is Already Unaffordable for Most



Source: American Community Survey on estimated annual income and Human Services Agency staff on the volume of in-home care hours used by IHSS program beneficiaries each week. Cost of living in San Francisco is estimated to be $29,896 in 2013, by an annual Massachusetts Institute of Technology study. All cost and income projections are based on 2013 actual estimates with the San Francisco Metro Statistical Area Consumer Price Index rate of change from August 2014 to 2015 of 1.026 percent applied to each subsequent year.

*The cost of formal private care is calculated using the Genworth study's hourly rate of $23 and the average 21.1 weekly IHSS service hours used in 2014 by seniors (65+). The cost of uncertified care uses the minimum wage rate as the per hour cost and the average 21.1 weekly service hours used in 2014 by seniors (65+).

How Were Minimum Wage Increase Costs Calculated?

To estimate the impact of the minimum wage rate increase on the cost of in-home care in San Francisco, the Budget and Legislative Analyst's Office first used the average annual income of at-risk seniors from 2013 American Community Survey. Income from 2014 to 2018 was projected based the San Francisco Metro Statistical Area Consumer Price Index rate of change from August 2014 to 2015 of 1.026 percent applied to each subsequent year.

We then compared these income levels to the projected changes in the cost for uncertified care and formal and agency-based care based on the increasing minimum wage. We used the same average 21.1 hours observed in San Francisco and mentioned earlier in the report to estimate annual costs. We then projected these trends with the assumption that supply and demand would remain constant through 2018.

These projected in-home care costs were added to the minimum average income needed for an individual adult living in San Francisco, $29,896, from the MIT Living Wage Calculator for San Francisco County. We also annually inflated the cost of living by the 1.026 index rate used for income from 2014 to 2018. Exhibit 4 above shows the outcome of these projections.

We determined that the difference in affordability is not significant as the cost of care was already too high for most seniors with disabilities. The combined cost of living and care was already increasing prior to the increase of the minimum wage rate. Even without an increase in the minimum wage rate, most at-risk seniors would still need outside support to afford in-home care costs.

Policy Options: Targeted Solutions to Maximize Resources

There are a variety of options to assist the estimated 14,419 at-risk seniors who are not typically eligible for public services in San Francisco, but are too low-income to afford in-home care. The City would bear the cost of expanding services to this population since they are generally not eligible for federal or state funds. Given this limitation, a full subsidy of in-home care services may not be financially feasible for the City, but a lesser subsidy or provision of service could be more affordable. There are also pilot programs the City could pursue, state and national policy issues that the City could advocate for, and opportunities for the City to better review and learn from its current programs.

How are Costs Estimated for the Policy Options?

The costs for the following policy options are estimated based on the 14,419 at-risk seniors who are not typically eligible for public services in San Francisco, but are too low-income to afford in-home care (those with incomes reported from 125 percent to 363 percent of the federal poverty level). The per-unit cost estimates are based on the actual costs incurred by San Francisco's IHSS program to deliver in-home care services.

IHSS participants may hire independent providers, who could be family members or friends, or contract certified workers to provide in-home care. Each of these modes of service has a different per hour cost for service delivery. For the estimated policy option costs, the Budget and Legislative Analyst assumed that approximately 95.2 percent of program participants would use independent providers and an estimated 4.8 percent would contract certified workers, based on historical data provided by IHSS showing IHSS participant service mode choices.

Estimated Weekly Hours of Service Used by Program Participants: The Budget and Legislative Analyst used the estimated 20.5 average number of weekly IHSS service hours used by seniors (65+) from 2012 through 2014, which are the most recent years of data available for IHSS service hour use. This figure includes seniors who use either independent providers or contracted certified workers. This is distinct from the 21.1 hours used earlier in the report to estimate costs for 2014 only.

Estimated per Hour Cost to Deliver In-Home Care: The policy option costs include the full IHSS administrative cost to deliver in-home care services, whether through independent providers ($15.88 per hour; average cost from 2013-15) or contracted care providers ($32.81 per hour; average cost from 2013-15). These administrative costs include the amount paid by IHSS to the care providers as well as any additional costs to manage the program such as administration.

Options to Expand In-Home Care Services

Providing in-home care to all 14,419 low-income and at-risk seniors who are not eligible for care under the IHSS program would cost the City General Fund an additional $256 million annually.[28] Given this significant cost, serving the entire population of low-income at-risk seniors who are not eligible for IHSS may be beyond the City's financial capacity. As an alternative, a targeted program focused on at-risk seniors with the highest need for these services would be more feasible. For example, a report by the California Legislative Analyst Office on the State's costs and benefits of the IHSS program recommends suggests that targeting would be the most cost-effective approach since some participants of IHSS were found to be very low-risk of institutionalization.[29]

There are a number of ways that the City could identify the most vulnerable seniors with disabilities. One option is to divide this population into income tiers, and offer additional services to the lowest income first. Exhibit 5 below displays the costs associated with an expansion of in-home care services to each possible income tiers. These income tiers simply divide the population of at-risk seniors into four increments of the federal poverty level from 125 percent through 363 percent.

Exhibit 5: Estimated Cost of In-Home Care Services Expansion by Income Tiers

Income Tiers	No. of At-Risk Seniors	100% Subsidy per person	60% Subsidy per person	40% Subsidy per person	20% Subsidy per person
125-184% FPL	5,202	$92,519,290	$55,511,574	$37,007,716	$18,503,858
185-244% FPL	5,136	$91,345,458	$54,807,275	$36,538,183	$18,269,092
245-304% FPL	1,674	$29,772,643	$17,863,586	$11,909,057	$5,954,529
305-363% FPL	2,407	$42,809,291	$25,685,574	$17,123,716	$8,561,858
Total	**14,419**	**$256,446,681**	**$153,868,009**	**$102,578,672**	**$51,289,336**

Source: Budget and Legislative Analyst Office estimates.

The City could consider paying only a portion of the costs for in-home care services per person, instead of paying the full annual cost. Exhibit 5 above also shows how much it would cost the City to offer three different subsidy rates to each at-risk senior. As an alternative subsidy option, the City could offer more generous subsidies to lower income seniors in the first income tier, and lower subsidies to those with higher incomes. At-risk seniors with a relatively higher income, such as 250 percent of the federal poverty level ($29,425 in 2015), may be able to pay more than at-risk seniors who are just above the IHSS eligibility threshold ($14,713 is 125 percent of federal poverty level in 2015).

[28] Based on the average number of service hours used per week by beneficiaries of the IHSS program (21.1 hours) who are aged 65 years and older. To project expansion costs, the Budget and Legislative Analyst also used the full administrative cost per hour for IHSS to deliver these services, incorporating the use of both independent providers and private contractors.

[29] "Considering the State Costs and Benefits: In-Home Supportive Services Program" California Legislative Analyst Office, January 21, 2009.

The program could further target services to low-income seniors with disabilities based on the severity of each senior's disability. As an example, two seniors with disabilities could earn the same level of income but experience vastly different levels of difficulties because of their disabilities. The Department of Aging and Adult Services could design a method to further stratify this group of underserved at-risk seniors in terms of both income and their ability to function independently and safely at home. Together, these two factors would paint a more accurate picture of the varying need for in-home care within this population.

Pilot Program for In-Home Care

The City could initially expand in-home care services to low-income seniors with disabilities who are not eligible for IHSS through a pilot program. This could be implemented through a new program or through the existing Community Living Fund Program. The Community Living Fund Program is mainly City-funded and provides an array of services to help keep seniors safely in their homes for a longer period. The program has flexibility in implementation and may already be prepared to evaluate whether a senior with disability is in need of more hours of in-home care per week, a one-time home modification, or other less expensive services. This could in fact lead to a reduction in costs if there are seniors who would be adequately served with low-cost one-time equipment purchases.

The pilot program could also feature a more comprehensive approach to reducing premature institutionalization. A combination of in-home care and other services could increase the benefit and the efficiency of in-home care services in San Francisco. Services could include in-home caregivers, but also offer the option of minor home modifications (e.g., shower installments), meal deliveries, and expert staff to advise seniors with disabilities on their in-home care options in both the public and private markets. The City could also consider partnering with Adult Day Care Centers to strengthen and expand the services available, rather than building a new program.

The Department of Aging and Adult Services commented that the success of any pilot program for these services would be contingent on (a) targeting at-risk seniors who are most in need, and (b) streamlining the subsidy payment process with existing systems. The Department of Aging and Adult Services could compile key lessons from IHSS to inform the design of a new pilot program. Pursuing a pilot program would also enable the City to gain feedback from program beneficiaries on the quality of alternative service models and to solicit recommendations for improvements. The pilot program could be used to assess the effectiveness of each of these services in reducing premature institutionalization.

Alternative Options to Ease Families' Ability to Care for People with Disabilities

Employers in California are required to provide 12 weeks of paid or unpaid job-protected family and medical care leave to employees who have been on staff for at least a year. While revising this benefit is outside of the Board's jurisdiction, increased advocacy at the State and Federal level to increase family care leave, or a guaranteed number of paid family leave days would further alleviate the

challenges that family face to care for seniors and people with disabilities. Furthermore, this would lower the opportunity cost that families now bear, such as leaving jobs for extended periods to provide care.

Another option is to advocate for tax credits at the State level for individuals who care for seniors and people with disabilities. A tax credit would serve as a wage subsidy: a tax credit that is the equivalent of one month of in-home care service at the minimum wage rate, which would be approximately $1,034 in 2015 per person. While these options would not provide adequate in-home care year round, it would provide additional relief to families who care for seniors with disabilities.

Evaluation of Program Performance

There is a need for more robust evaluation of how many adults of all ages with disabilities are not being served and why. The California Department of Social Services conducts a statewide community survey to assess how recipients view the quality of IHSS service. However, there are no existing measures to determine the proportion of the population in need that is being served by IHSS and other government-funded programs. Understanding how many people with disabilities are in need of the service could be used to set targets for increasing access to this critical program.