

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 670 (Senator Zucker, *et al.*)
Finance and Budget and Taxation

Department of Aging - Assisted Living Program Subsidies - Determinations

This bill requires the Secretary of Aging to provide a subsidy of \$1,000 for each qualified, low-income senior to reside in an assisted living program under the Senior Assisted Living Group Home Subsidy (SALGHS) program. Beginning July 1, 2023, and each three-year period thereafter, the subsidy must be adjusted by inflation, as specified. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund expenditures increase for the Maryland Department of Aging (MDOA) by an indeterminate amount beginning in FY 2021, as discussed below. Revenues are not affected.

Local Effect: Revenues and expenditures for local area agencies on aging (AAAs) increase to provide additional subsidies to assisted living providers in their jurisdiction.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The Secretary must (1) develop assisted living programs for seniors in conjunction with specified entities; (2) make maximum use of rent and other subsidies available from federal and State sources; and (3) provide for and set, by regulation, the amount of subsidies necessary from State general funds to help low-income seniors live in assisted living programs as an alternative to more costly institutional care. These subsidies may be disbursed monthly for residents of assisted living programs whose annual income is less than their cost of care for assisted living services. When necessary and in accordance

with available funds, the Secretary must provide subsidies for congregate meals, housekeeping, and personal services for assisted living programs and develop eligibility requirements for such subsidies. The Secretary must adopt regulations to govern eligibility requirements for subsidies. This program is known as the SALGHS program.

Under Maryland regulations (COMAR 32.03.03.03) assisted living facilities can apply to participate in SALGHS by submitting an enrollment form and other necessary documentation to the local AAA. Once an enrollment form is approved, the facility enters a service agreement executed by the local AAA. When a senior eligible for a subsidy under the program resides in or is accepted for admission to the facility, the facility receives SALGHS funds from the local AAA paid on the behalf of each senior enrolled in the program.

To be eligible for the subsidy, a senior must (1) be a current resident or have been accepted for admission as a resident in a facility enrolled in SALGHS; (2) be physically or mentally impaired and in need of assistance with the activities of daily living provided by the assisted living program; and (3) meet financial eligibility requirements. To be financially eligible, the senior's (1) net monthly income must be less than the approved monthly fee for the services provided; (2) net annual income may not be higher than 60% of the State median income as determined by the U.S. Department of Housing and Urban Development; and (3) resources may not be greater than \$11,000 for a single individual or \$14,000 for a married individual.

Per Maryland regulations (COMAR 32.03.03.07), the monthly subsidy amount paid by a local AAA to an assisted living program on behalf of a subsidized resident is equal to the lesser of the difference between the subsidized resident's net monthly income and the facility's approved monthly fee or \$650. The cap on the amount of the subsidy has not been changed since 2003.

Background: MDOA advises that, in fiscal 2019, SALGHS provided \$4,368,589 in subsidies for 552 seniors. Although MDOA has data on the number of individuals receiving a subsidy and the total funding provided in each participating jurisdiction, at this time it is unable to provide data about the amount of subsidies individual seniors receive or the number of months a subsidy is provided to an individual senior in a given year.

In previous years, MDOA has advised that, in some areas of the State, providers are unable to admit residents who, even with the subsidy, do not generate enough income for the provider to cover operating expenses. As a result, those with the lowest income are routinely denied access to the program and are more likely to go to a nursing home.

The fiscal 2020 budget appropriated approximately \$4.37 million for SALGHS; the Governor's proposed fiscal 2021 budget includes \$4.96 million for the program.

In Maryland, assisted living programs are licensed by the Office of Health Care Quality. In 2020, there are 1,558 licensed assisted living programs in the State, of which 1,129 have between one and nine beds.

State Expenditures: MDOA general fund expenditures increase by an indeterminate amount beginning in fiscal 2021 to provide a \$1,000 monthly subsidy to individuals in the SALGHS program. As data is not available about the specific subsidies provided to individual participants, *for illustrative purposes only*, assuming that each of the 552 seniors who received subsidies in fiscal 2019 received a \$650 monthly subsidy for a full year, costs would increase by \$350 per month per participant. Thus, general fund expenditures could increase by \$2.3 million in fiscal 2021.

Under an alternative scenario, increasing the amount of the subsidy does not necessarily increase the total amount of funding provided for the program. Accordingly, fewer individuals would receive subsidies under SALGHS in fiscal 2021. *For illustrative purposes only*, assuming each individual able to be served by the program in fiscal 2021 were to receive the full \$1,000 subsidy for a full year, only 413 individuals could receive funding under the Governor's proposed fiscal 2021 budget.

Additionally, beginning July 1, 2023, the monthly subsidy must be adjusted for inflation. Thus, general fund expenditures potentially increase further or the number of individuals receiving the subsidy further declines beginning in fiscal 2024.

The Maryland Department of Health advises that, to the extent higher subsidies allow seniors to reside in assisted living longer before becoming Medicaid-eligible, Medicaid expenditures (50% general funds, 50% federal funds) may decrease by an indeterminate amount.

Small Business Effect: The vast majority of assisted living facilities in Maryland are small businesses. Increasing subsidies for seniors provides greater income to participating facilities and may allow them to accept additional residents.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 564 (Delegate Hettleman, *et al.*) - Appropriations.

Information Source(s): Maryland Department of Aging; Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2020
rh/jc

Analysis by: Amberly Holcomb

Direct Inquiries to:
(410) 946-5510
(301) 970-5510