

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 545 (Senator Hollinger, et al.)

(Governor’s Task Force on Assisted Living)

Finance

Referred to Environmental Matters

Assisted Living Programs

This amended bill requires the Department of Health and Mental Hygiene (DHMH) to (1) serve as a point of entry for providing information to the public on “assisted living programs”; (2) be the lead agency for regulating assisted living programs; (3) provide the Office on Aging (OA) and the Department of Human Resources (DHR) with information about assisted living programs that will enable them to respond accurately to public inquiries about assisted living programs; and (4) delegate various responsibilities to OA and DHR to monitor and inspect assisted living programs. DHMH must adopt regulations by October 1, 1997 for the operation and licensing of assisted living programs according to the level of services provided by the program. DHMH is to charge licensing fees that will produce revenues that cover, but not exceed, the actual costs of regulating assisted living facilities.

The bill takes effect on October 1, 1997, except for the provision regarding adoption of regulations by DHMH, which takes effect October 1, 1996.

Fiscal Summary

State Effect: Assuming that assisted living regulations require inspections of domiciliary care homes not currently inspected, general fund expenditures could increase by \$265,100 in FY 1997. Future year expenditures increase with annualization and inflation. It is assumed that license fee revenues collected would equal the costs of regulating assisted living programs.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$265,100	\$321,600	\$333,300	\$345,500	\$358,200
GF Expenditures	265,100	321,600	333,300	345,500	358,200
Net Effect	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Fiscal Analysis

Bill Summary: The Office on Aging is required to adopt regulations governing eligibility requirements for assisted living subsidies and review the compliance of assisted living programs with the regulations adopted by DHMH to license assisted living programs.

DHR is only authorized to provide housing under the CARE (Certified Adult Residential Environment) program in assisted living program facilities that are licensed to operate by DHMH. The bill also repeals the advisory board of the CARE program.

It changes the name of "domiciliary care facility" to "assisted living program", "sheltered housing" to "congregate housing services", and the "Domiciliary Care Facilities Board" to the "Assisted Living Programs Board". The bill expands the voting membership of the Assisted Living Programs Board to 15.

Background: There has been an increase in the number of group homes, sheltered housing, domiciliary care homes, and board and care homes for the elderly in recent years in response to a greater demand for community-based services from the growing number of elderly persons. As a result, fragmentation among agencies that fund, monitor, and regulate community-based services for the elderly (the Department of Health and Mental Hygiene, the Office on Aging, and the Department of Human Resources) has become more problematic.

The Governor's Task Force on Assisted Living met during the 1995 interim to develop a consolidated, consistent, and comprehensive "assisted living" policy for Maryland. The task force was part of the Governor's regulatory review and reduction initiative. This bill incorporates the task force's recommendations.

State Expenditures:

Domiciliary Care Homes

Assuming that assisted living regulations require inspections of domiciliary care homes not currently inspected, expenditures could increase by an estimated \$265,100 in fiscal 1997 as a result of hiring eight new positions for inspections of registered domiciliary care homes. The *Task Force on Assisted Living* report prepared by the Governor's Task Force on Assisted Living notes that an example of uneven regulatory oversight in assisted living programs is represented by the annual inspections done by DHMH for licensed domiciliary care homes but that registered domiciliary care homes are inspected on a complaint basis only. Domiciliary care homes providing care to five or more unrelated individuals must be

licensed. Domiciliary care homes that provide care to two to four individuals must be registered.

The \$265,100 estimate reflects the cost of hiring eight positions: six Health Facility Surveyor Nurses to inspect registered domiciliary care homes, one Administrative Officer, and one Office Secretary; and the bill's effective date of October 1, 1996. It includes salaries of \$165,186, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- there are approximately 1,500 registered domiciliary care homes in the State;
- each inspection would take an average of 6 hours (6 hrs. x 1,500 inspections = 9,000 person-hours per year); and
- 6 Health Facility Survey Nurses would work 200 days per year @ 8 hrs. per day (1,600 x 6 = 9,600 person-hours per year).

Salaries and Fringe Benefits	\$224,080
Office Equipment	24,760
Other Operating Expenses	<u>16,260</u>
Total FY 1997 State Expenditures	\$265,100

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Board Meetings

The members of the Assisted Living Programs Board would be reimbursed for expenses under the standard State travel regulations. Any such expenditures would depend on the time, location, and frequency of the board's meetings. Expenses are assumed to be minimal and absorbable within the Executive Department's existing resources.

Other

An indeterminate amount of additional expenditures could be incurred to the extent that assisted living regulations as adopted apply to programs not currently subject to State regulation. The bill's requirements could also expand the scope of the Office on Aging's ombudsman role by adding new categories of facilities for which it must investigate complaints, resulting in additional expenditures of an indeterminate amount. On the other hand, to the extent that the bill's requirements promote alternatives to nursing home care, DHMH's workload in licensing and inspection of nursing homes could decline by an indeterminate amount.

State Revenues: Since the bill stipulates that the licensure fee for assisted living facilities must cover, but not exceed, the cost of regulation, general fund revenues would increase, assuming that assisted living regulations require the licensure of registered domiciliary care homes. The licensure fees for all assisted living facilities are likely to be revised so as to cover regulatory costs for DHMH, DHR, and OA. It is not possible at this time to reliably estimate the licensure fee and the degree to which revenues might be affected except to assume that fees will be set so that revenues cover regulatory costs.

Information Source(s): Department of Health and Mental Hygiene (Licensing and Certification), Office on Aging, Department of Human Resources, Department of Fiscal Services, *Task Force on Assisted Living* (Governor's Task Force on Assisted Living, November 21, 1995)

Fiscal Note History: First Reader - February 27, 1996

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