Dept of Social and Health Services

Program 050 - Long-Term Care

2023-25 First Supplemental Budget Session

Policy Level - SY - AL and Dementia Care Stability

Agency Recommendation Summary

The Department of Social and Health Services (DSHS), Aging and Long-Term Support Administration (ALTSA), requests $56,987,000 ($26,441,000 GF-State) to support the viability of assisted living providers. The COVID-19 pandemic and the resulting Public Health Emergency has exacerbated previous staffing, workforce, and reimbursement issues. Increased needs for enhanced services, sudden inflation, and the unprecedented workforce shortage have created a serious threat to the viability of maintaining the provider network.

Fiscal Summary

Fiscal Summary *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2024	2025	2023-25	2026	2027	2025-27
Operating Expenditures						
Fund 001 - 1	$0	$26,441	**$26,441**	$26,441	$30,822	**$57,263**
Fund 001 - C	$0	$30,546	**$30,546**	$30,546	$31,166	**$61,712**
Total Expenditures	**$0**	**$56,987**	**$56,987**	**$56,987**	**$61,988**	**$118,975**
Revenue						
001 - 0393	$0	$30,546	**$30,546**	$30,546	$31,166	**$61,712**
Total Revenue	**$0**	**$30,546**	**$30,546**	**$30,546**	**$31,166**	**$61,712**

Decision Package Description

PROBLEM STATEMENT:

Prior to the COVID pandemic, many of Washington state's long-term care Medicaid rates were not keeping pace with increasing wages and costs. The assisted living facility (ALF) rate methodology has been partially funded since establishment in 2018. The Legislature has made several investments in the ALF rates in recent years, including the 2023-25 Biennium Budget, that brought the funding for the wage component up from approximately 68 to 79 percent. Although a significant improvement, ALF rates are significantly out of alignment with other residential settings that have seen higher rate increases. As an example, the labor component for adult family home rates is now funded at 95 percent. This separation in funding will continue to stress the ALF workforce as they struggle to compete with other care providers such as nursing facilities and adult family homes.

Specialized Dementia Care (SDC) also received additional funding in the last legislative session to shift from an all-inclusive rate to an add-on rate. However, the add-on rate was funded at $43.48, significantly lower than the weighted average rates for other comparable add-on services. For example, the average Expanded Community Supports (ECS) add-on rate is currently around $55. A lower SDC add-on rate for SDC compared to ECS does not align with the different contract requirements between the two service packages. For example, the SDC contract requires physical plant requirements, including a dedicated facility or separate wing for clients on the SDC program, which also includes separate outdoor space and a delayed egress system. The current rate inequity may incentivize a facility to accept only clients eligible for ECS, leaving clients who need SDC with fewer options. Ensuring that SDC services are prioritized and accepted at contracted facilities is critical. Adjusting the rate add-on to $60 will ensure services are stable.

PROPOSED SOLUTION:

ALTSA requests a total of $56,987,000 ($26,441,000 GF-State) to support the viability of assisted living providers. This funding would be used to increase the assisted living labor component from 79 to 95 percent and to increase the SDC add-on from $43.48 to $60 per day per client.

Assisted Living Facility Rate Methodology: ALTSA requests $50,015,000 ($23,185,000 GF-State) to fund the assisted living labor component at 95 percent to address workforce and access issues for Medicaid clients. This will affect approximately 7,106 clients and 324 facilities. This request is mirrored in the Developmental Disabilities Administration request.

Specialty Dementia Care: ALTSA requests $6,972,000 ($3,256,000 GF-State) to increase the SDC add-on to $60 per day per client. This

request will affect approximately 1,153 clients and 83 facilities.

EXPECTED RESULTS:
Most older adults want to live in their homes and get the services they need in their community. This proposal for rate increases will fund assisted living facility and Specialty Dementia Care providers at rates that are closer to the actual costs of operating these facilities. In turn, it will help increase access to needed services for clients with care needs that are more difficult to serve. Failure to ensure the financial stability of these rates will see an increase in the number of providers who refuse to accept Medicaid clients. At the client level, this will make it harder for individuals to remain in home and community-based services such as SDC in their communities near their loved ones.

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Assumptions and Calculations

Expansion, Reduction, Elimination or Alteration of a current program or service:

Not applicable.

Detailed Assumptions and Calculations:

See attached document, "050-PL-SY-AL and Dementia Care Stability Fiscal Model.xlsx."

Workforce Assumptions:

None.

Strategic and Performance Outcomes

Strategic Framework:

ALTSA 1 - SERVE INDIVIDUALS IN THEIR HOMES OR IN COMMUNITY-BASED SETTINGS OF THEIR CHOICE.

GOVERNOR'S RESULT WASHINGTON GOALS:
Goal 4. Healthy and Safe Communities, 4.2 Peer Bridger

Performance Measures	Incremental Changes 2024	Incremental Changes 2025	Incremental Changes 2026	Incremental Changes 2027
001345 - Percent of long-term services and support clients served in home and community-based settings	0%	0%	0%	0%

Performance Outcomes:

See Expected Results.

Equity Impacts

Community outreach and engagement:

Engagement with internal and external stakeholder groups, advocacy groups, facilities, and other interested parties has been ongoing on this issue to address pay and rate inequity across the many types of care settings. In addition to addressing continuing workforce issues, inflation, especially the recent spike, has driven up the costs of providing long-term care services across the board. DSHS will continue to partner with stakeholders to address inequities in the field of care providers.

Disproportional Impact Considerations:

There are no populations or communities who are marginalized or disproportionately impacted by this proposal. Should there be a change, appropriate action will be taken to address the issue.

Target Populations or Communities:

The target populations who will largely benefit from this proposal are DSHS clients, particularly individuals with dementia, and care providers. The lag in long-term care rates compared to increasing wages and inflation results in greater gaps and inequities for assisted living clients, particularly those harder to serve clients such as those with dementia. Many of these individuals are already experiencing difficulties in accessing and using Medicaid programs and services. The direct care workforce is primarily occupied by women and further compounded by intersectionality of women who are Black, Indigenous, people of color (BIPOC) communities who historically receive lower wages and experience poverty. The proposal will increase equity in health and human services for clients, and further economic justice and increase equity jobs and job training for care providers and assisted living owners to remain in business and address the needs for improved wages for direct care providers.

Dementia care efforts have focused on raising awareness about the value of early diagnosis and supports in groups at heightened risk of dementia, i.e., African Americans who have twice the risk compared with the White population for dementia and the Hispanic/Latinx population who have 1.5 times the risk. The Building Dementia Capable Communities program is an initiative that was designed to provide resources for local targeted approaches for Area Agencies on Aging to meet varying cultural needs. The cultural groups and priority dementia-related needs will vary by geographic area.

Other Collateral Connections

Puget Sound Recovery:

Not applicable.

State Workforce Impacts:

None.

Intergovernmental:

This request will have minimal impact on other agencies or governments. Anticipate Health Care Authority support as, when long-term care funding is insufficient, clients can end up in more expensive hospital settings.

Stakeholder Response:

Support is anticipated or known from provider associations including Washington Health Care Association and Leading Age Washington, providers, client advocate organizations such as the Long-Term Care Ombuds, and workforce unions including Service Employees International Union 775NW and Service Employees International Union 1199.

State Facilities Impacts:

None.

Changes from Current Law:

None.

Legal or Administrative Mandates:

None.

HEAL Act Agencies Supplemental Questions

Not applicable.

Reference Documents

050-PL-SY-AL and Dementia Care Stability Fiscal Model.xlsx

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No

Objects of Expenditure

Objects of Expenditure *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2024	2025	2023-25	2026	2027	2025-27
Obj. N	$0	$56,987	**$56,987**	$56,987	$61,988	**$118,975**

Agency Contact Information

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