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Home Care for Seniors: Trends In Service Levels and Costs

SUMMARY

NEARLY 5,000 OF NEW YORK CITY'S SENIOR CITIZENS received nonmedical home care services such as housekeeping, shopping, cooking, bathing, and other assistance last year under a program administered by the Department for the Aging. Roughly 70 percent of these seniors were age 75 or older. Home care services, which are provided by private agencies under contract with the city, can help seniors stay in familiar surroundings, avoiding the emotional disruption and financial burden of long-term nursing home care.

Until 2007, despite rising spending, DFTA had not met its goals for increasing the number of hours of home care provided. The past failure to meet the targets was blamed on a shortage of home care workers, and some advocates argued that the enactment of a living wage law, which took effect in 2003, would help service providers attract and retain staff. While there is insufficient data to assess whether the living wage has helped staff recruitment and retention, IBO has found:

- Prior to enactment of the living wage law, there was substantial growth in the number of seniors served, the hours of service, and total spending for Department for the Aging nonemergency home care. Between 1999 and 2003, annual growth averaged 4.4 percent for number of seniors served, 6.9 percent for hours of service, and 10.3 percent for total service costs.
- In 2004, the first full year the living wage law was in effect, total expenditures for regular home care grew by 14.2 percent from the prior year, while the level of service was largely unchanged.
- Between 2004 and 2007, the average annual increase in the number of seniors and hours of services for nonemergency home care declined to 2.9 percent and 1.0 percent, respectively, while spending growth slowed to an average increase of 5.3 percent a year.

**New York City
Independent Budget Office
Ronnie Lowenstein, Director
George Sweeting, Deputy Director
110 William St., 14th floor
New York, NY 10038
Tel. (212) 442-0632
Fax (212) 442-0350
e-mail: iboenews@ibo.nyc.ny.us
<http://www.ibo.nyc.ny.us>**

BACKGROUND

New York State established the Expanded In-Home Services for the Elderly Program (EISEP) in 1987 to help individuals aged 60 and over with a physical or mental impairment but are not eligible for Medicaid stay in their homes. Through the program, participants may receive a variety of services, although the city's Department for the Aging (DFTA), which administers EISEP in the city, uses most of the funding for case management and nonmedical home care services. The program is funded jointly by the state, counties, and program participants.

Before home care services can be provided to a senior, a needs assessment must be conducted by a case management agency. A case manager goes to the senior's home, assesses his or her situation, and then develops a care plan. Case management services are ongoing to ensure that adequate care is provided to each client. If approved for services, clients may receive assistance with housekeeping, which includes shopping, cooking, laundry, and light house cleaning and personal care, such as with eating, bathing and dressing. Clients may also be accompanied to medical appointments. The program also provides short-term, emergency home care if, for example, a senior is released from a hospital stay before regular home care services can be arranged.

In the current fiscal year, each county is required to match 25 percent of their state EISEP allocation. The current 25 percent match also applies to the state Community Services for the Elderly Program (CSE) grant, which is used by DFTA to help fund its home care services. CSE is a flexible funding stream that can be used to supplement various services for the elderly, including home care, transportation, and services provided in senior centers. Similar to EISEP, the goal of CSE is to maximize a senior's independence.

For the current state fiscal year, which began on April 1st, the Governor provided \$52.5 million statewide for EISEP. This includes \$2.5 million for a cost of living adjustment (COLA) for service providers. New York City's share of total state funding for EISEP in state fiscal year 2007-2008 is \$19.5 million or 37.1 percent and it includes \$972,087 for the COLA for service providers. New York State distributes program funding to each county based largely on the population of elderly persons that reside in that county. Currently, there are about 1.3 million seniors residing in New York City, who represent 39.1 percent of the total senior population residing in the state. Because a minimum level of state funding is provided to support EISEP services in counties with smaller senior populations, the share of state program funding for counties with larger senior populations is not exactly proportionate.

Cost to Participants. Program participants may be required to share the cost of the housekeeping and personal care they receive, depending on their monthly income, but there is no charge for home visits during which a care plan is developed or for subsequent case management services. There is no cost share for participants with monthly incomes below 150 percent of the poverty level. For those with monthly incomes between 150 percent and 250 percent of the poverty level, the cost share is based on a sliding fee schedule. Those above 250 percent of the poverty line pay the full cost of services. The state allows for some adjustments based on high housing costs.

In 2007 this means that a one-person household with an annual income below \$12,763 is exempt from cost sharing. If their income is between \$12,763 and \$25,525 the person shares some portion of the cost of the services, and if it is above \$25,525 he or she is required to pay the full cost of the services. An hour of DFTA-contracted housekeeping or personal care, costs on average \$15. According to the agency, a total of \$520,589 was collected in 2007 from seniors who contributed to the cost of home care services they received.

Number of Seniors Served. Last state fiscal year, a total of 42,826 seniors were served under EISEP, statewide, according to the New York State Office for the Aging. Of the total served, 66.4 percent were over the age of 75 and 46.6 percent had an income level below 150 percent of poverty and therefore, were exempt from cost sharing. Only 9.1 percent of seniors receiving EISEP services actually paid either a partial or full cost share. This is because the 42,826 clients reported by the state included seniors who received case management services, which is exempt from cost sharing. Statewide, a total of \$1.5 million was collected for EISEP services for which cost sharing applies.

Figures for New York City were mostly similar: 47.3 percent of the 24,379 seniors served under EISEP had an income level below 150 percent of poverty, but a higher number of seniors were over the age of 75 (70.4 percent) and a smaller portion had to partially or fully cover the cost of the services provided to them (5.0 percent). Excluding those seniors who only received case management services, which are exempt from cost sharing, IBO estimates that roughly a quarter of seniors in the city receiving home care are required to cover some or all of the cost of the home care services provided to them.

HOME CARE SERVICES BUDGET

Because of the way DFTA's operating budget was structured prior to 2005, it is only in recent years that we can examine the agency's programs and services and how they are funded. With

the improved budget reporting it is now possible to analyze DFTA's home care budget. City funds account for more than half of DFTA's home care budget. The state grants that make up the bulk of the non-city portion have fluctuated in size over time.

Recent Budgets. In 2007, the total operating budget for DFTA-contracted home care services was \$27.2 million. City funds comprised \$15.0 million, or 55.1 percent of the budget. An additional \$300,000 in Medicaid funding was received through an intra-city agreement with the city's Human Resources Administration for short-term home care services provided to DFTA clients about to be covered by Medicaid. (Note that these short-term services are different from the emergency home care services described elsewhere in this report.) State funds totaled \$11.9 million or 43.8 percent, which included \$9.4 million in EISEP funds and \$2.5 million in CSE funds.

In contrast, in 2006 the total budget for DFTA home care was slightly less (\$25.8 million) but city funds comprised a larger share (\$16.2 million or 62.8 percent). Intra-city funds remained the same at \$300,000. Less state funding was allotted—\$9.3 million or 36.0 percent. The latter consisted of \$6.6 million in state EISEP funds and \$2.7 million in state CSE funds.

State Grants. Since EISEP and, to a lesser extent CSE, comprise a large share of the funding for DFTA home care services, we examined the actual reimbursements from these two state grants. On average, DFTA has received \$10.9 million and \$5.7 million annually in state EISEP and CSE revenue, respectively, since fiscal year 1999. In fiscal year 2007 the agency's EISEP revenue was at the highest level for the period, at \$19.1 million and the agency's CSE revenue was \$6.4 million (lower than its peak in 2004 of \$7.3 million).

State Aid for Senior Home Care And Other Services has Grown				
<i>Dollars in millions</i>				
City				
Fiscal Year	EISEP	Percent Change	CSE	Percent Change
1999	\$8.8		\$5.2	
2000	8.8	0.0%	4.8	-6.4%
2001	9.0	2.4%	5.3	9.3%
2002	9.5	4.7%	6.2	17.3%
2003	9.4	-0.2%	5.8	-5.9%
2004	10.6	12.1%	7.3	24.3%
2005	8.6	-19.0%	4.5	-38.2%
2006	14.2	65.4%	6.0	33.2%
2007	19.1	34.6%	6.4	6.8%

SOURCES: IBO; Comptroller's Annual Financial Reports.

The Department for the Aging allocates its state EISEP and CSE funding across several programmatic and functional areas. In 2007, the agency allotted an equal share of the state EISEP grant

to home care and case management services—about 45 percent for each. The remaining 10 percent was allocated for insurance, such as medical, general liability and workers compensation, for DFTA contract agencies (5 percent); for the agency's Long-Term Care Unit, which provides information on long-term care and community options for supportive services (4 percent), and for administrative costs related to service procurement (1 percent). Most of the state CSE grant was split between home care services (about 40 percent) and case management services (26 percent) and the rest was distributed among senior centers (14 percent), central insurance (8 percent), and administration and related costs (12 percent).

PARTICIPATION, SPENDING, AND SERVICE TRENDS

The number of seniors receiving regular home care services through the Department for the Aging grew rapidly from 1999 through 2001, declined in 2002 and 2003, and then leveled off through 2006 before rising sharply in 2007. Expenditures for regular home care services have grown more steadily, declining in just one year (2005) since 1999. While expenditures for emergency services have generally declined, the number of hours of emergency services provided has been more variable over time.

In 1999, DFTA made standard home care services available to an average of 3,814 seniors. (Figures are not available for the number of seniors who received emergency home care services through the agency.) Between 1999 and 2001, the average number of seniors served grew by 1,019 to 4,833. Between 2001 and 2005 the number of seniors receiving regular home care declined to about 4,400 but in the past year this figure has climbed to nearly 5,000.

At the same time, DFTA's spending on contracts with home care agencies to provide services has steadily increased. From 1999 through 2007, city spending for regular home care services increased by \$11.0 million or 79.1 percent to \$24.9 million. Spending for emergency home care generally declined, from roughly \$500,000 in fiscal year 2000 (earliest year data are available) to approximately \$100,000 in 2007.

There was also an upward trend in the total hours of regular home care provided through 2004. Between 1999 and 2001, the total hours of regular home care provided increased by over 130,000 each year. After that it grew by about 48,000 hours between 2001 and 2002 and by over 25,000 hours each year for the two subsequent years. In fiscal year 2004 total hours of regular home care reached 1.58 million. Between 2005 and 2006 total hours of regular home care provided have ranged between 1.55 million to 1.58 million. But in 2007 they climbed to 1.61 million hours, the highest level over the nine years.

Total hours of emergency home care provided declined in the early part of this nine-year period and the trend then reversed and jumped significantly in 2005 and 2006 but last year it declined once again. Between fiscal years 2000 (earliest year data are available) and 2004, total hours of emergency home care provided declined by 28.7 percent, 15,067 to 10,739.

In contrast, between 2004 and 2006 total hours of emergency home care increased by 6,490 or, 60.4 percent, to 17,229 hours (highest service level to date). This increase is due to a change in the way DFTA contracts for emergency home care services. Previously, one contractor provided emergency home care for the entire city and over time demand for the service declined. Now all 13 home care contracts include emergency service units. According to DFTA, the latter has proved to be a more effective arrangement as it has raised awareness of the availability of emergency home care and substantially increased service levels. According to DFTA the decline in emergency home care in 2007—only 8,105 hours were provided—was influenced by the fact that there were new home care contractors in 2007 that were not as well known to the community.

EFFECT OF CITY'S LIVING WAGE LAW

The city's living wage law covers workers at private agencies contracted by DFTA to provide home care services. The impact of the increased wage costs, which were covered by DFTA, is apparent in the sharp rise in spending in 2004, the first full year after the living wage law took effect. The number of seniors receiving home care remained relatively constant through 2006, however, before increasing in 2007.

The living wage law (New York City Administrative Code Section 6-109) took effect on April 17, 2003. Under this law, low-wage workers, employed by firms that receive certain service contracts from the city, must be paid a living wage and provided with health benefits or a supplement to help cover health costs. Home care services provided by DFTA and the Human Resources Administration under its Personal Care Services Program are covered by this law. Other services covered by this law include building services, child care and Head Start, services to individuals with cerebral palsy, food services, and temporary services. The living wage is currently set at \$10.00 per hour or \$11.50 if health benefits are not provided by the employer.

DFTA amended its home care contracts in September 2003 to add funds retroactive to April 17, 2003, the date the living wage law took effect. For certain services other than home care, compliance with the new law was not required until existing contracts were up for renewal and extended or new contracts were awarded.

Prior to enactment, there was substantial growth in the number of seniors served, the hours of service, and total spending for DFTA regular home care. Between 1999 and 2003, annual growth averaged 4.4 percent for number of seniors served, 6.9 percent for hours of service, and 10.3 percent for total service costs. In 2004, the first full year the living wage law was in effect, total expenditures for regular home care grew by 14.2 percent from the prior year, while the level of service was largely unchanged. Between 2004 and 2007, spending growth for regular home care slowed to an average of 5.3 percent a year, while the average annual increase in the number of seniors and hours of service declined to 2.9 percent and 1.0 percent,

respectively. Thus, despite a marked increase in service levels in 2007, growth in the quantity of home care provided slowed after the living wage law took effect and the service became more expensive. With some seniors required to share some of the costs of the services provided, the living wage law has also increased their out-of-pocket expenses.

As noted above, the city has changed the way it delivers emergency home care and that change complicates any analysis of the impact of the living wage law on the agency's emergency home care spending and service provision.

Department for the Aging Home Care Spending, Participation, And Service Trends						
City Fiscal Year	Regular Home Care			Emergency Home Care		
	No. of Seniors Served	Contract Expenditures (\$ in millions)	Total Hours Provided	No. of Seniors Served	Contract Expenditures (\$ in millions)	Total Hours Provided
1999	3,814	\$13.9	1,192,000	Unavailable	Unavailable	Unavailable
2000	4,178	\$15.3	1,328,000	Unavailable	\$0.5	15,067
2001	4,833	\$18.5	1,476,800	Unavailable	\$0.3	12,427
2002	4,734	\$19.3	1,525,100	Unavailable	\$0.3	12,312
2003	4,465	\$20.4	1,550,500	Unavailable	\$0.3	12,086
<i>New York City's Living Wage Law takes effect</i>						
2004	4,444	\$23.3	1,577,600	Unavailable	\$0.3	10,739
2005	4,442	\$22.8	1,550,600	Unavailable	\$0.3	16,075
2006	4,474	\$24.3	1,577,400	Unavailable	\$0.4	17,229
2007	4,984	\$24.9	1,611,495	Unavailable	\$0.1	8,105

SOURCES: IBO; Department for the Aging; Mayor's Management Reports.

Attracting and Retaining Workers? Until 2007, despite increases in funding, DFTA had not been able to meet its home care service goals. In the Mayor’s Management Report for 2001 it was noted that this failure was due to a shortage of home care workers. Some advocates for the living wage law argued it would help address this issue by making it easier for the service delivery agencies to compete in the labor market. Since taking effect, the living wage law has boosted the hourly rate for DFTA-contracted home care workers from \$7.40 to \$10.00 (for those with health benefits).

The Department for the Aging, which contracts with several social service agencies to provide home care services, does not have comprehensive figures on the agencies’ contracted home

care workers. As a result, it is not possible to determine the extent to which the living wage law has helped attract and retain home care workers. However, data from the state Department of Labor provides some evidence that higher wages are helping to attract workers. Although the state’s definition of home care services is broader than we would want, the data shows that the labor force in New York City’s home care services industry—which includes home health aides as well as other job categories—has grown by an average of 9.5 percent annually from calendar year 2000 to 2006, with the strongest growth occurring in 2005 and 2006.

This report prepared by Ana Ventura

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