

**Joint Legislative Audit and Review Commission  
of the Virginia General Assembly**



**Impact of an Aging Population  
on State Agencies**

**Staff Briefing  
Ashley Colvin  
November 14, 2005**

# **Staff for this Study**

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# Presentation Outline

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- Background**
- Certain Factors Will Likely Affect the Extent of Demand for Agency Services or Funding (Report Chapters 1 to 3)**
- Unmet Demands Suggest that Some Agencies Are Not Well Positioned to Respond to Future Impact (Report Chapters 4 to 10)**

# Study Mandate

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- **House Joint Resolution 103 (2004) directs JLARC to study the “impact of Virginia's aging population on the demand for and cost of state agency services, policies, and program management”**
  
- **The resolution calls for a two-year study, which was conducted in two phases:**
  - **First Phase – Interim report in October 2004 provided demographic information and a preliminary analysis of the service demands of the aging population**
  
  - **Second Phase – Two final reports: this study and a companion study on the aging of the State workforce**

# Study Mandate (continued)

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- **The resolution identifies certain agencies to consult that are included in the final report:**
  - **Department for the Aging**
  - **Department of Corrections**
  - **Department of Health**
  - **Department of Health and Mental Health, Mental Retardation and Substance Abuse Services**
  - **Department of Medical Assistance Services**
  - **Department of Social Services**
  
- **Other agencies were also consulted**

# Scope and Content of the Study

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- **Focused on State agencies and local counterparts identified in mandate**
- **Impact is defined as the ability of agencies to provide funding or services to meet demand by eligible older Virginians**
  - **Based upon existing type and availability of services, and existing eligibility criteria**
- **Current unmet demands indicate that some agencies are not well positioned to meet potential increase in demand**

# Scope and Content of the Study (continued)

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- **The impact that an aging population will have upon State agencies in future years will ultimately be determined by State policymakers**
- **In most cases, increases in service provision are not inevitable, but instead rest upon policy choices**
  - **What is the role of the State in ensuring a minimum safety net?**
  - **What minimum quality of life for older Virginians is considered to be desirable, necessary, or affordable?**
- **Certain factors may affect extent of demand**
  - **Disability rates, availability of federal funds or caregivers, ability of retirees to pay for long-term care and other costs**

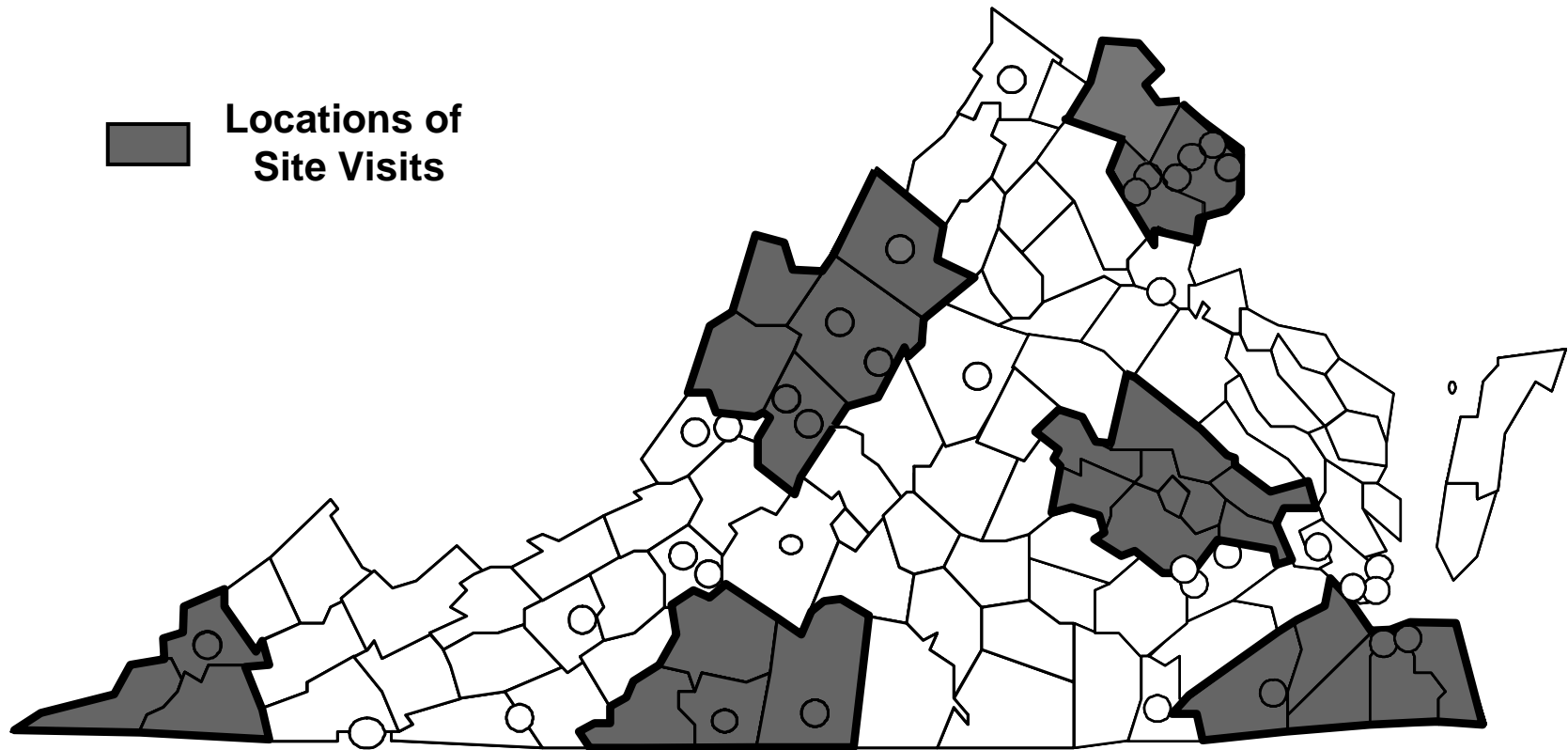
# Research Activities

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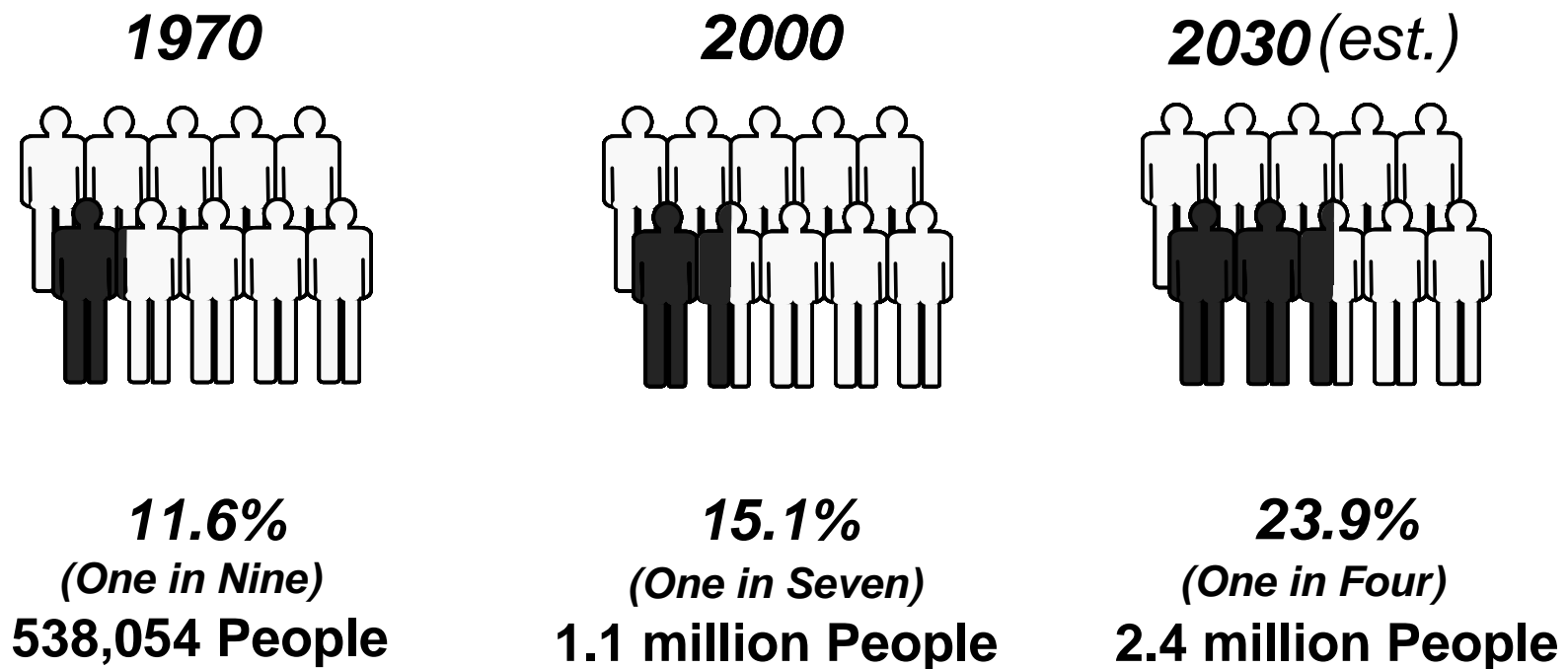
- **Structured interviews of State and local agency staff**
  - Local departments of social services
  - Local departments of health
  - Area agencies on aging
  - Community services boards
  
- **Interviews with providers and associations**
  
- **Document and literature reviews**
  
- **Analysis of data on agency services, costs, and persons served**
  
- **Survey of 62 State agencies (available on JLARC website)**

# Regions Chosen for Study Site Visits



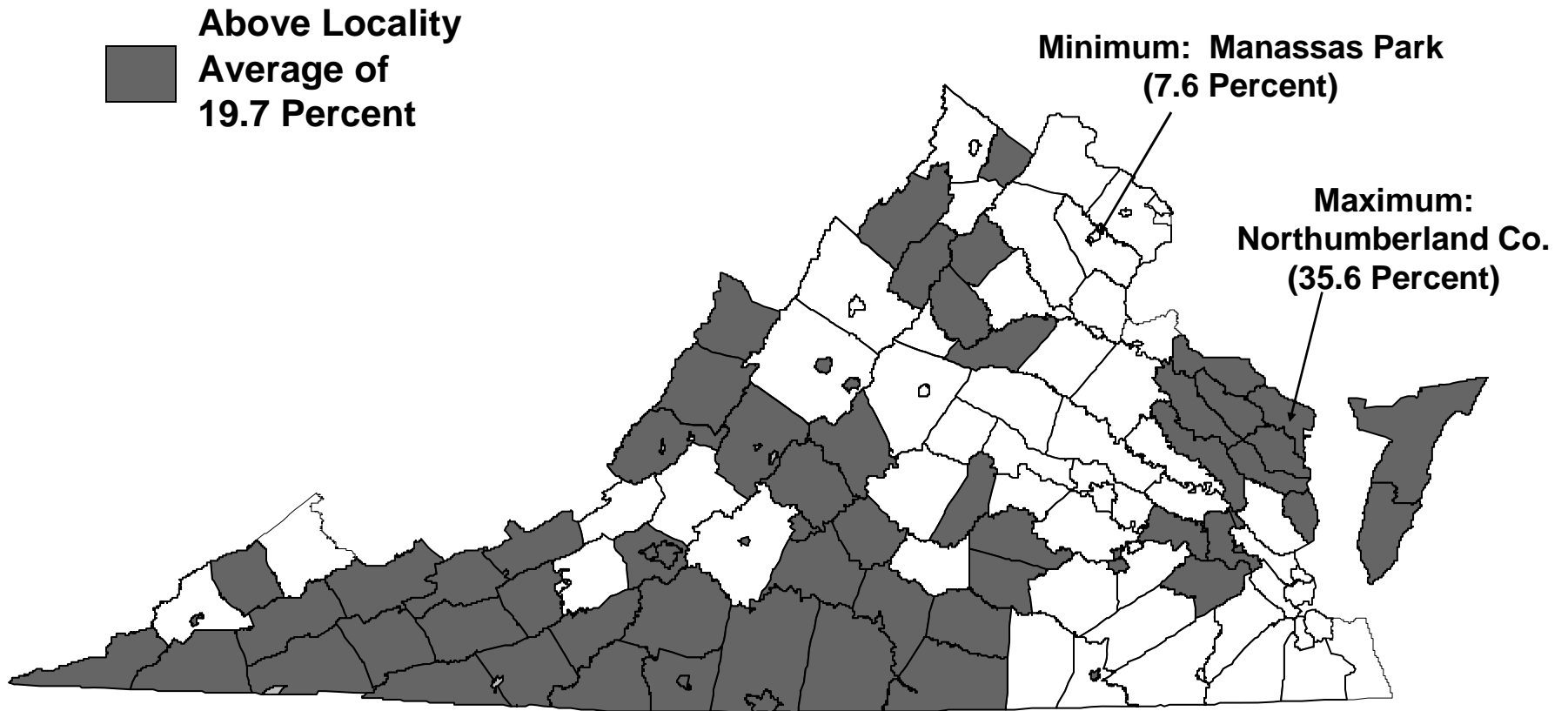
# Changes in the Ratio of Persons Age 60+ to the Entire Population

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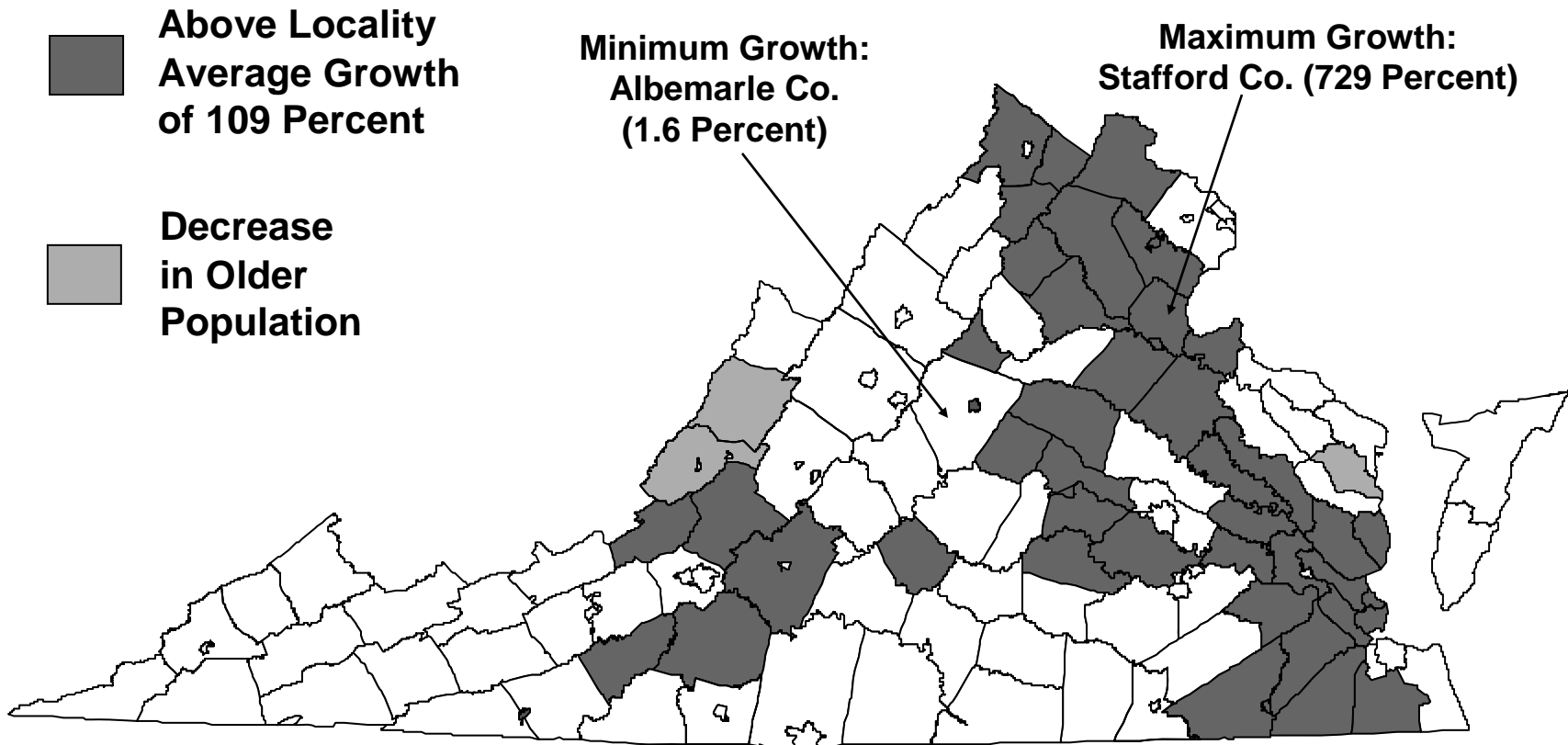
Source: JLARC staff analysis of U.S. Census Bureau Interim State Population Projections, 2005

# Older Persons as a Percentage of Population in 2004



Source: JLARC staff analysis of U.S. Census Bureau Annual Population Estimates, 2005

# Projected Growth of Older Population (2000 – 2030)



Source: JLARC staff analysis of data compiled by VDA from Final Population Projections prepared by VEC, 2005

# Presentation Outline

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- Unmet Demands Suggest that Some Agencies Are Not Well Positioned to Respond to Future Impact (Report Chapters 4 to 10)**

# **Growing Number of Virginians Age 85 and Older May Have the Largest Impact on Agencies**

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- **By 2030, the number of persons who are 85 and older is projected to double, and will constitute 2.5 percent of the State's population**
  
- **Increases in age are typically associated with increases in disability**
  - **Eligibility for many publicly funded programs are based upon need for assistance with activities of daily living (ADL)**
  
- **Health care costs typically increase with the number of disabilities**

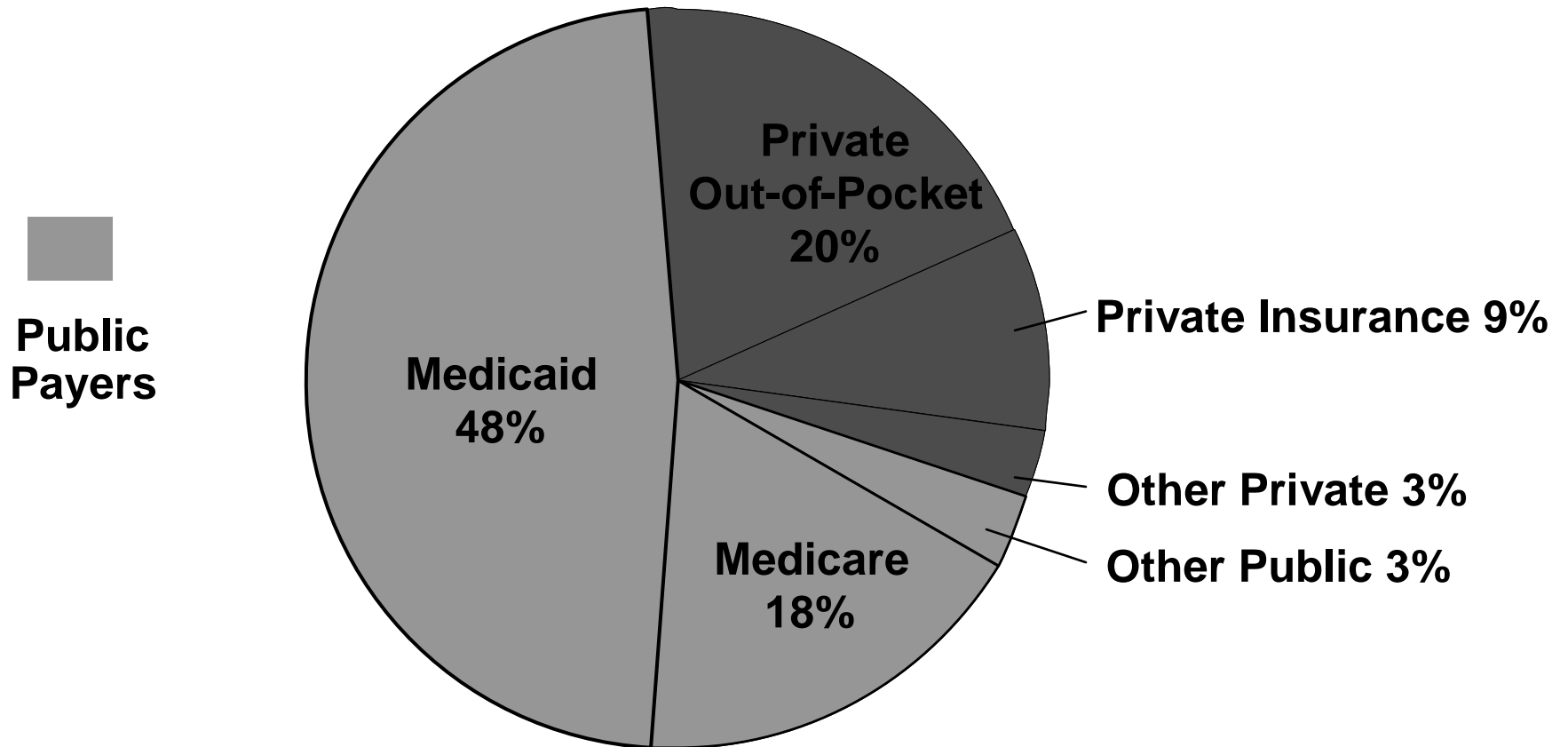
# Future Trends In Overall Disability Rates Are Not Well Understood

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- **Nationally, disability rates among older Americans have been decreasing for many years**
- **Published studies disagree about future trends of overall disability rates**
- **Certain factors, particularly those reported among baby boomers, may increase future disability rates**
  - **Number of Virginians with Alzheimer's Disease is expected to increase, which may impact spending**
  - **Obesity is reported to persist into later life and increase health care costs. More baby boomers are obese than today's older Virginians**

# Funding Sources of National Long-Term Care Costs (2003)



Source: Government Accountability Office (GAO)

# Many Eligible Older Virginians Benefit from Federal Programs

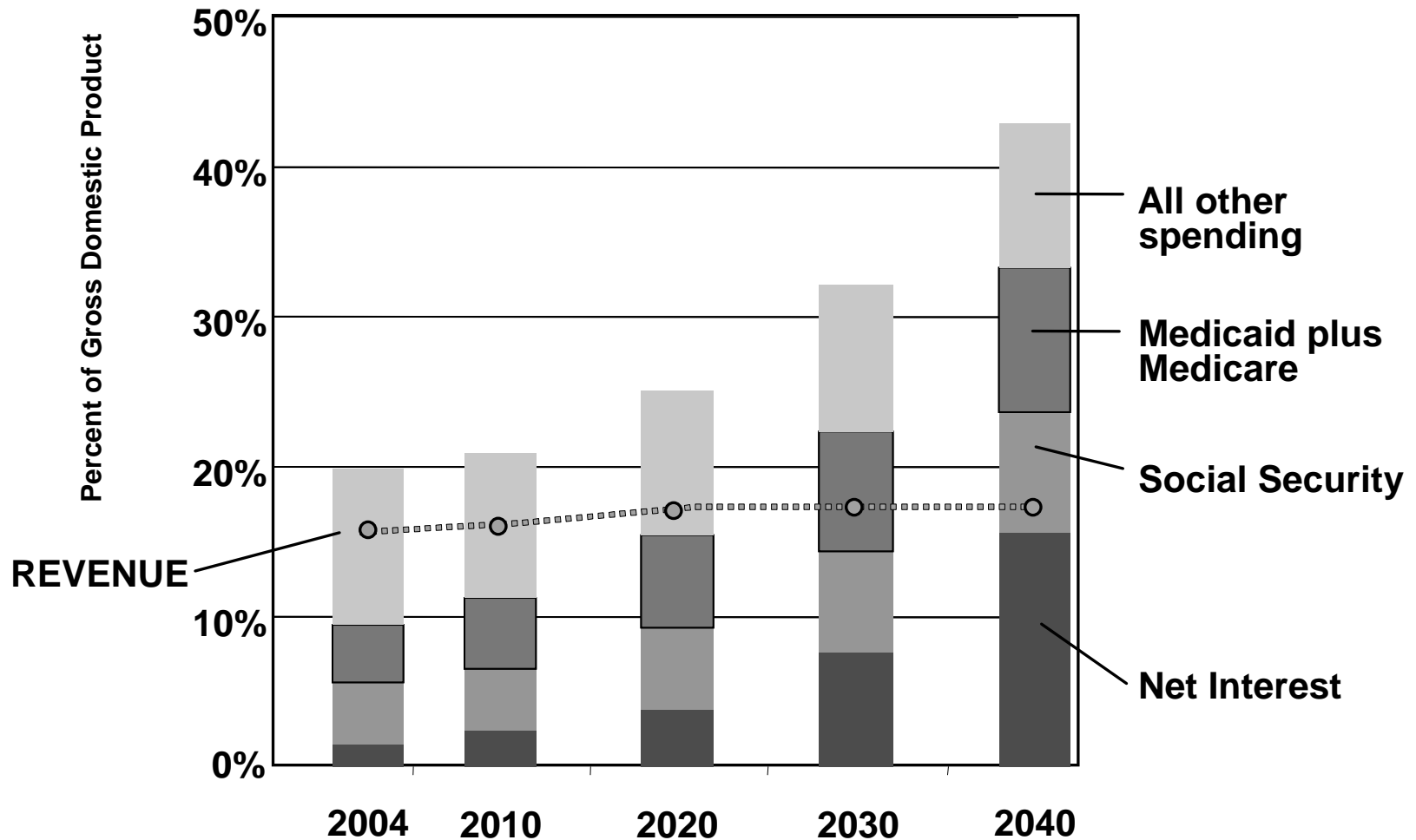
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- **Social Security provides benefits to 91 percent of Virginians age 65 and older**
  - For example, retired workers in Virginia receive about \$908 per month
  
- **Medicare provides some health care benefits to 89 percent of Virginians age 65 and above**
  - Premiums for Part B (\$88 in 2006) and Part D (\$32 in 2006) are deducted from Social Security checks
  
- **Medicaid provides more extensive long-term care, which is received by 11 percent of Virginians age 65 and older**

(Note: all percentages are from 2003)

# Federal Spending After 2015 Is Described as “Unsustainable”



Source: Government Accountability Office (GAO)

# Trends Suggest Some Retirees May Not Be Able To Pay for Health Care

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- Trends that may affect ability of persons to pay for health care and other services include:
  - Decreasing availability of private-sector pensions and retiree health care benefits
  - Some baby boomers may have less income in retirement than today's retirees
  
- If these trends continue, State and local agencies may face increased service demands
  - However, projected decreases in poverty rates suggest that eligibility rates for Medicaid may decrease

# Long-Term Care Insurance May Reduce Public Costs, But Obstacles Exist

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- **Some research indicates that long-term care insurance may reduce public health care spending**
- **Few persons have coverage, and obstacles exist to future use**
  - **Three percent of all adults in Virginia have coverage**
  - **Cost and eligibility can create barriers**
- **State and federal proposals seek to increase use**
  - **Bills in recent Sessions sought to create State tax credits**
  - **At the federal level, the Administration proposes lifting federal ban on new Long-term Care Partnership programs**

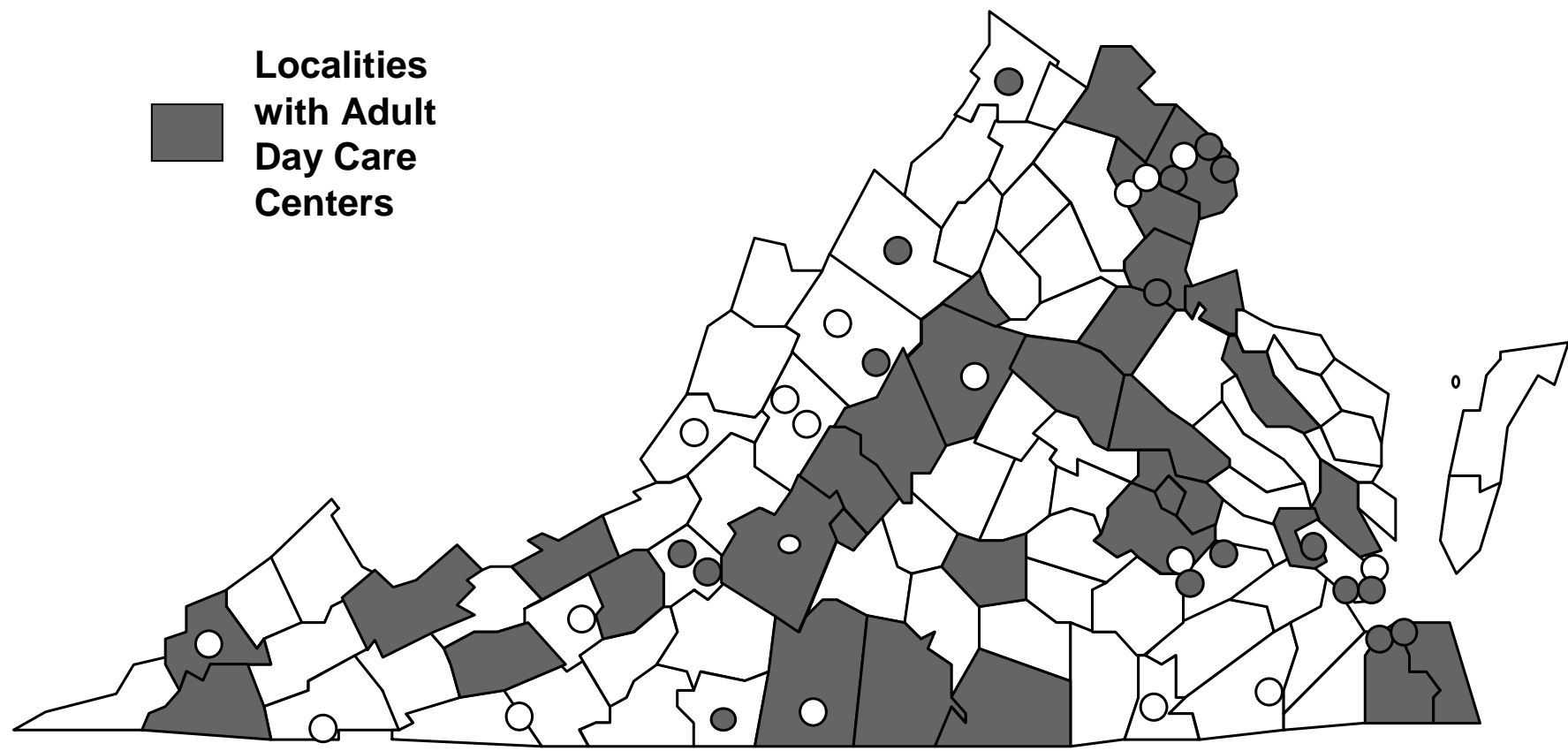
# **Future Availability of Caregivers Could Affect Extent of Impact on Agencies**

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- **Informal, unpaid caregivers provide most of the care to older persons, and may mitigate need for publicly funded services**
- **Future availability may be affected by trends in workforce participation and family structure**
- **State support could increase future caregiver availability, but there is unmet demand for current State-supported services**
  - **State funding for Caregivers Grant has been inconsistent**
  - **Statewide capacity for adult day care centers is 2,406**

# Adult Day Care Is Not Available Statewide



Source: JLARC staff analysis of DSS data on licensed adult day care facilities as of June 2004

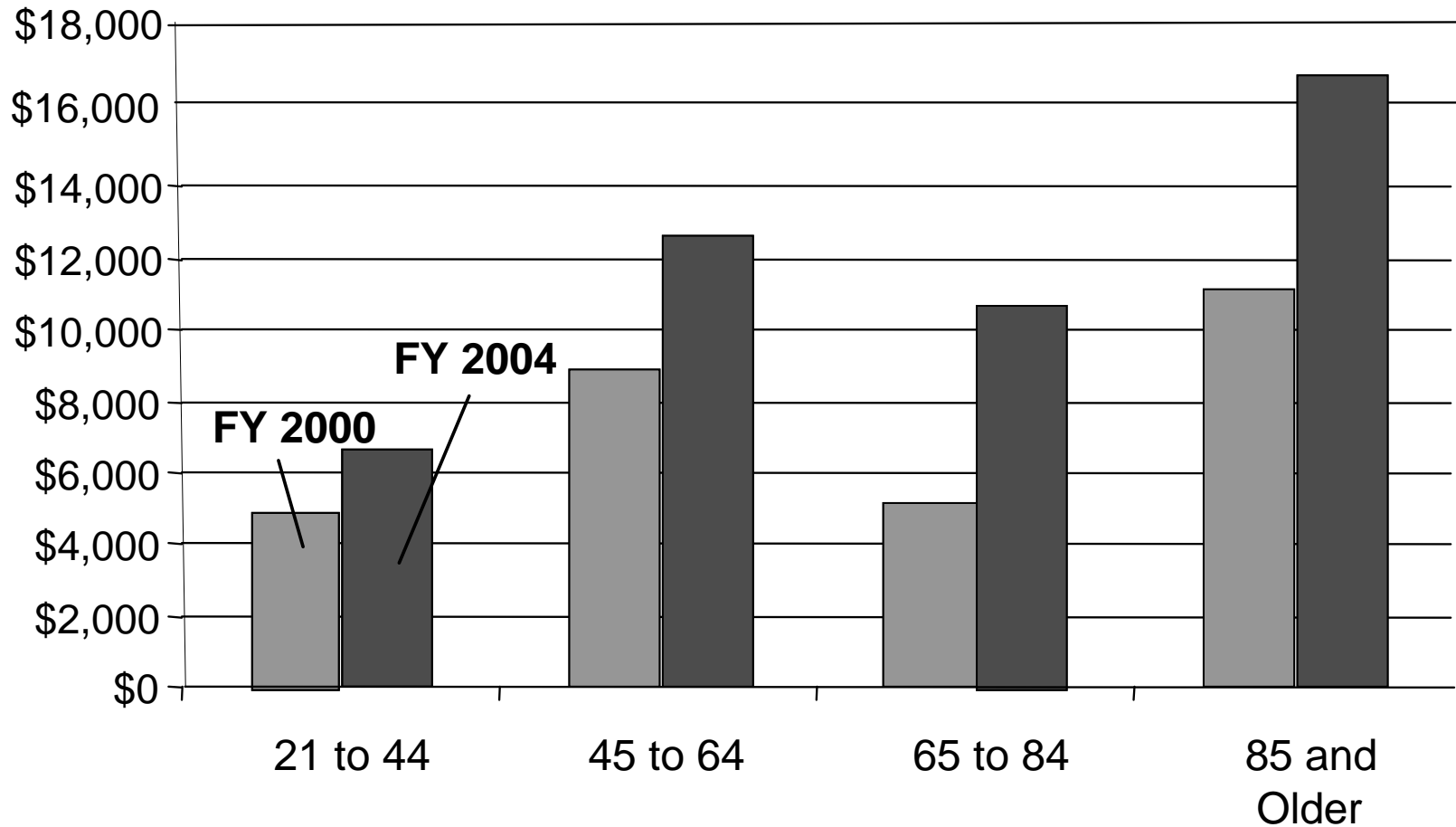
# Projections Indicate Shortage of Nurses and Other Health Care Workers

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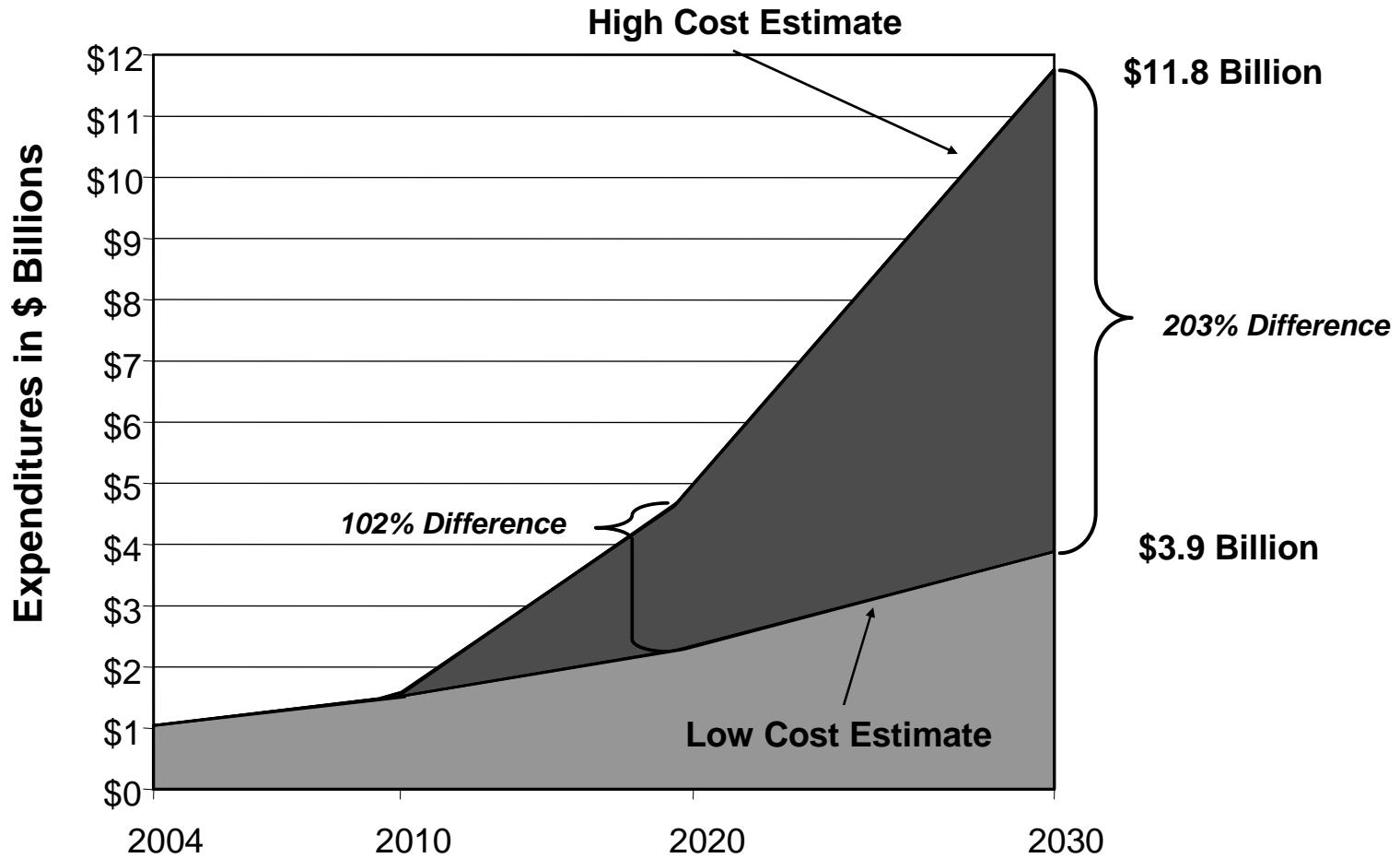
- **Virginia studies indicate aging population will contribute to projected shortage of nurses**
  - **PriceWaterhouseCoopers reports current shortage of 2,763 health care workers in northern Virginia**
  - **State Council of Higher Education for Virginia reports shortage of 22,600 registered nurses in Virginia by 2020**
  
- **Schools report inability to train all qualified applicants**
  - **Difficulty recruiting and retaining nursing faculty**
  - **Limited number of clinical sites**
  - **Inadequate student aid**

# Average Medicaid Expenditures Per Person Generally Increase with Age



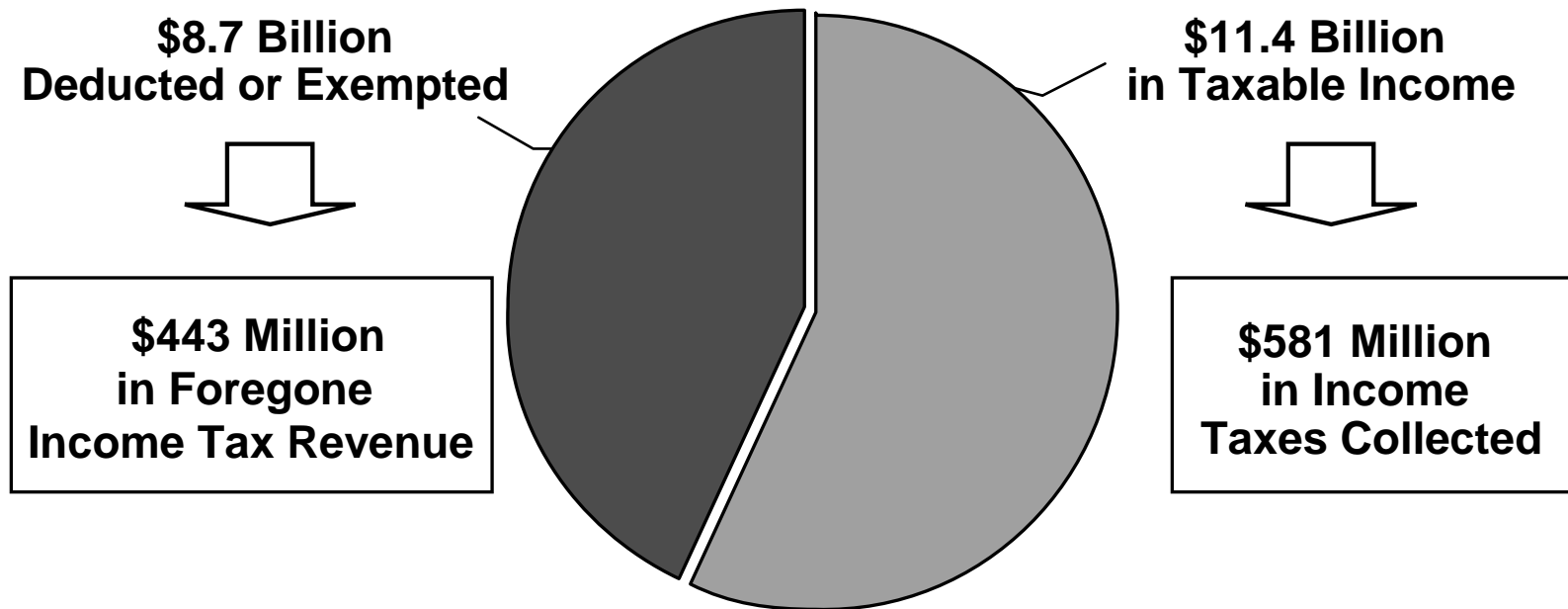
Source: JLARC staff analysis of Department of Medical Assistance Services data

# Medicaid Costs Are Projected To Increase



Source: Department of Medical Assistance Services (DMAS)

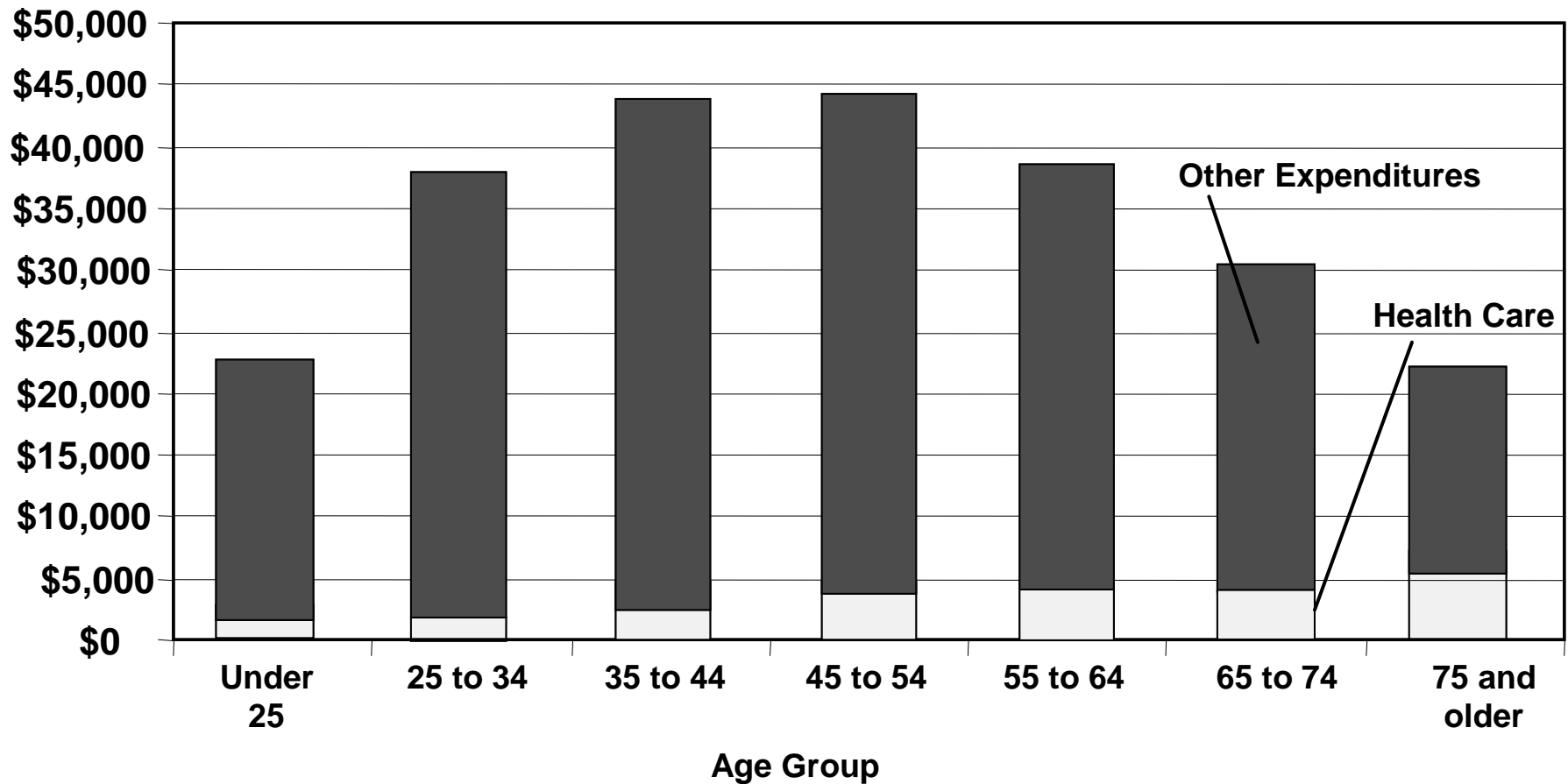
# Older Taxpayers May Affect Annual Income Tax Revenues (Age 65 and Older)



- In addition to impact on income tax collections, sales and use taxes may also be impacted because spending decreases with age

Source: Virginia Department of Taxation, Tax Year 2002

# Average Annual Consumer Expenditures Decrease with Age



Source: JLARC staff analysis of Bureau of Labor Statistics data, Southern Region (2002-2003)

# Presentation Outline

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- Background
- Certain Factors Will Likely Affect the Extent of Demand for Agency Services or Funding (Chapters 1 to 3 of the Report)
- Unmet Demands Suggest that Some Agencies Are Not Well Positioned to Respond to Future Impact (Chapters 4 to 10 of the Report)

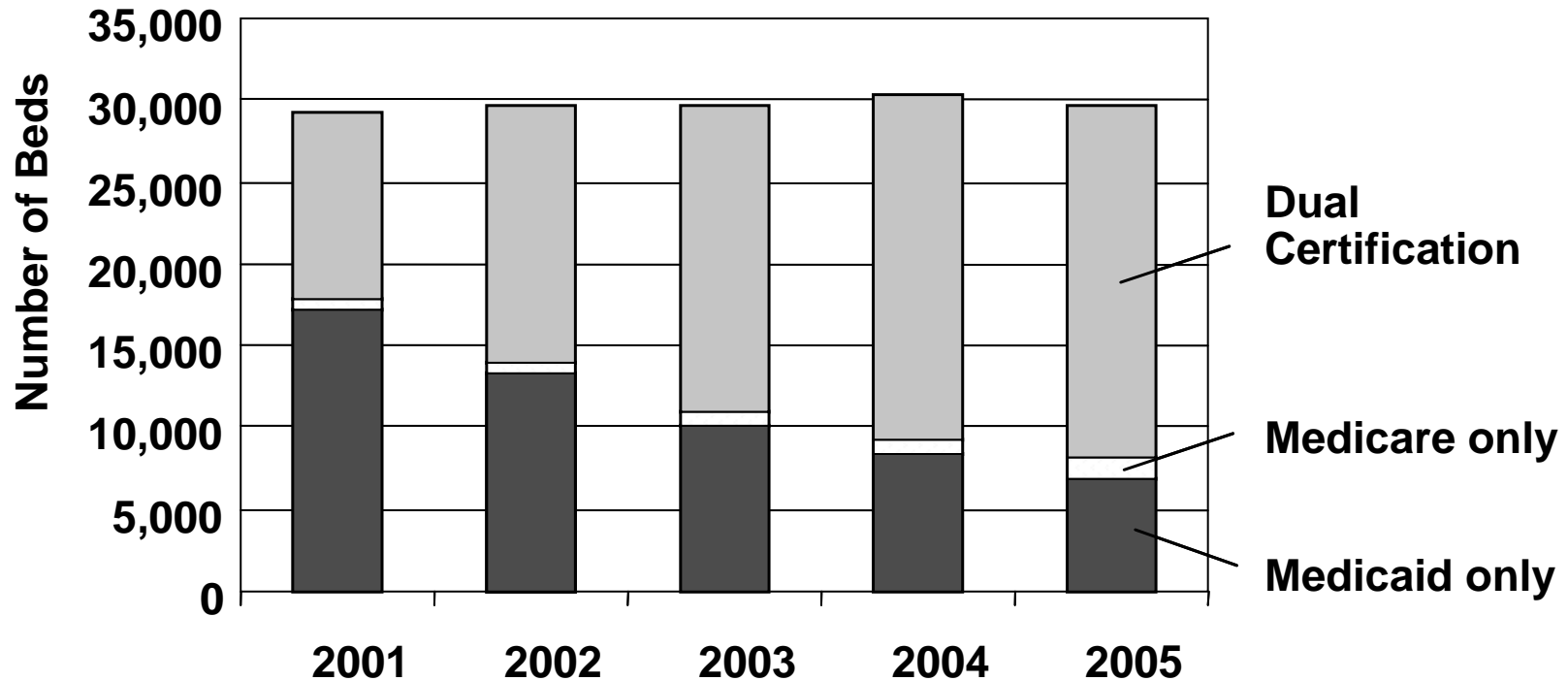
# Local Agency Staff Report Shortages of Medicaid-Funded Nursing Home Beds

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- **Seventy-nine percent of Medicaid nursing home are for persons age 65 and older**
- **Projections indicate total Medicaid nursing home expenditures will increase**
- **Local agency staff report shortages, although 91 percent of nursing home beds are Medicaid certified**
- **Certain factors may impede access**
  - **Nursing homes are reportedly unwilling to accept clients with behavioral problems or complex needs**
  - **Nursing homes reportedly prefer higher-paying clients**

# Proportion of Dually-Certified Nursing Home Beds Has Increased



■ VDH is taking steps to address access

# Shortage of Auxiliary Grant Beds in Assisted Living Is Reported

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- Assisted living facilities provide care to people who need residential care but who do not qualify for nursing home admission
- About 44 percent of auxiliary grant recipients are age 65 and older, and expenditures in FY 2004 were about \$8 million
- Assisted living facilities that accept the auxiliary grant agree to charge no more than the auxiliary grant rate
- As part of other legislative changes, the General Assembly increased rate to \$944 (\$1,086 in PDC 8)

# **Shortage of Auxiliary Grant Beds in Assisted Living Is Reported (continued)**

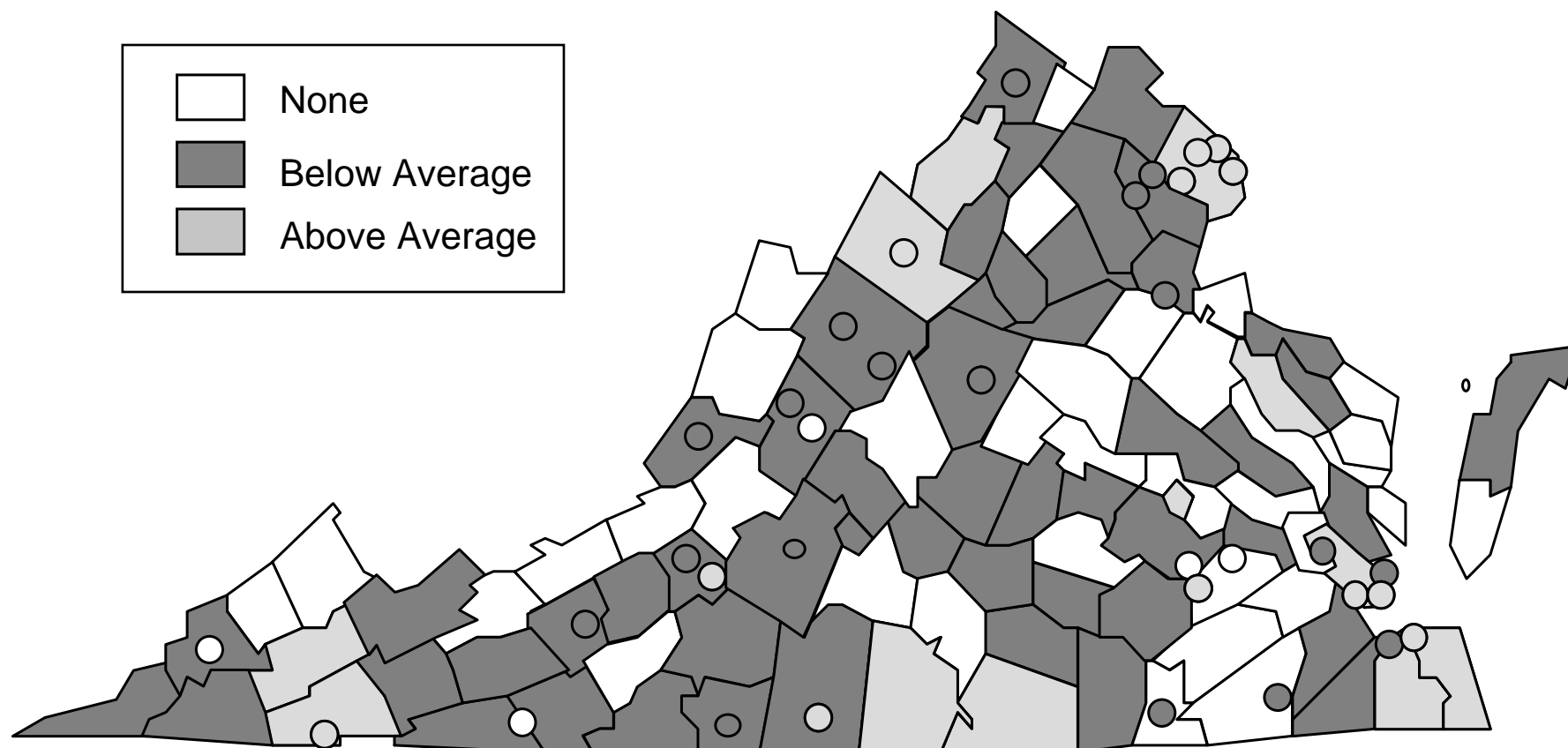
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- **State and local agency staff, and representatives of long-term care providers, state that some areas lack auxiliary grant beds**
  - **This is reported to impact certain localities due to increased demand for other local agency services**
  - **DSS data are limited, but suggest that 57 percent of facilities accept the grant.**
  
- **Better data may be needed to plan for future demand and evaluate the effectiveness of auxiliary grant rate increases**

# Number of Assisted Living Facilities That Accept the Auxiliary Grant (2004)

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Source: JLARC staff analysis of cost reports submitted to DSS as of July 2004

# Mental Health, Mental Retardation, and Substance Abuse Services

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- **Resource constraints are reported to limit the services available from agencies and providers**
  - **Community services boards (CSB) report that their reliance on Medicaid results in restrictions on who is served**
  - **Nursing homes report that Medicaid rate limits hiring of staff needed for residents with behavioral problems**
  - **State mental health hospitals, and mental retardation training centers, are reported to be affected by a lack of private and community-based services**
  - **Lack of community providers of MH, MR, and SA services that have geriatric training**

# Mental Health, Mental Retardation, and Substance Abuse Services (continued)

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- **Additional services are needed for an aging population**
  - **Mental health (MH):** Persons with behavioral problems due to dementia are typically not eligible to receive publicly funded MH services. Other public services are not designed to meet their needs
  - **Mental retardation (MR):** The lifespan of persons with MR is increasing. Lack of appropriate supportive services in the community may result in institutionalization
  - **Substance abuse (SA):** Medicaid does not pay for SA services, but the number of older Virginians who need SA services may increase

# Mental Health, Mental Retardation, and Substance Abuse Services (continued)

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- **Service demands and costs are likely to increase, but agencies report they are not prepared**
  - **Medicaid projections do not account for likely impact of increasing life expectancy among persons with MR, or the aging of their informal caregivers**
  - **Extent of existing unmet need for MH, MR, and SA services may be greater for today's older Virginians because of self-reliance and stigma**
    - **Baby boomers may be more willing to demand services**
  - **DMHMRSAS has conducted planning for MH needs of older Virginians, but not for MR or SA**

# Impact of an Aging Prisoner Population

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- **Between FY 1999 and FY 2003, Virginia's older prisoner population (age 50 and older) increased 56 percent, compared to 18 percent overall**
  - **Costs for older inmates are thought to be higher, but DOC does not maintain the data**
- **Supreme Court mandates provision of health care, but prisoners are not eligible for Medicaid or Medicare**
- **Efforts to release geriatric prisoners are hindered by lack of placement options and severity of crimes**
  - **A total of three inmates have been released under the State's Geriatric Release Program (inmates age 60 and older)**

# **Increasing Demand for Home and Community-Based Services May Impact Agencies**

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- **Some publicly funded services enable low-income and disabled seniors to receive care outside of residential settings such as nursing homes**
  - **Adult Services provided by local departments of social services (DSS)**
  - **Services provided by area agencies on aging (AAA)**
  - **Medicaid home and community-based waiver services**
- **These services are consistent with the State's long-term care policy adopted in the 2005 Session (HB 2036)**
- **Federal funds comprise 50 to 60 percent of funding for these services**

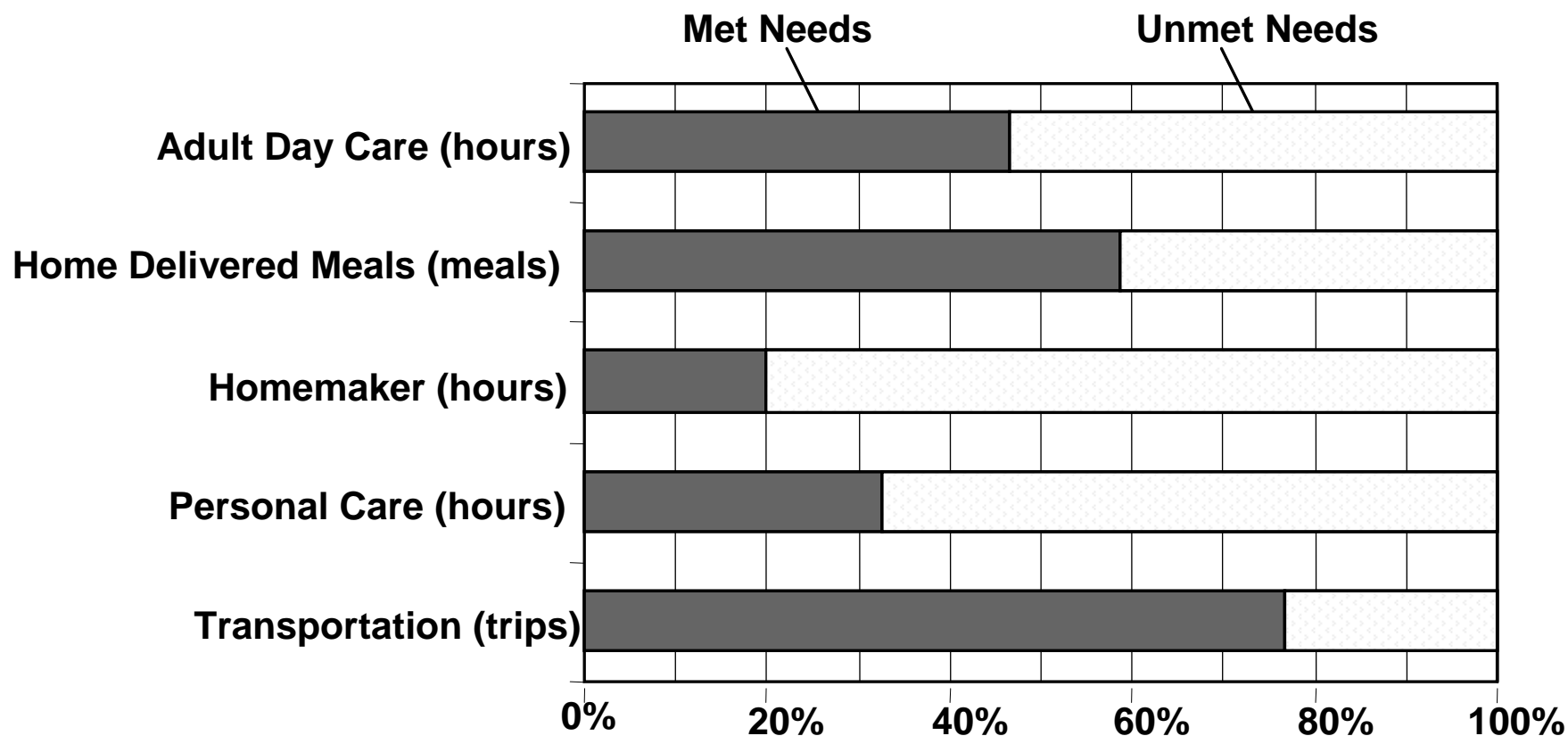
# Local DSS and AAAs Describe Current Provision of Services as a “Patchwork”

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- **Funding constraints are reported to limit the amount of services provided to recipients**
- **Extent of education and outreach efforts are limited**
  - **Local agency staff report not wanting to increase demand for services they cannot provide**
- **Data indicate services are not provided to some eligible older Virginians**
  - **90 of the 120 local DSS agencies report unmet demand. Waiting lists for companion care exceed ten months in 18 localities, and exceed 12 months in another 36 localities**
  - **Local DSS and AAA staff also report rationing services by providing lesser amounts than seniors require**

# Unmet Demand for AAA Services (FFY 2004)



Source: JLARC staff analysis of Virginia Department for the Aging data on Title III programs

# Extent of Unmet Demand Is Not Clear

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- **Variations in local data collection likely result in underestimation of unmet demand, but improvements in data would clarify extent of need**
  - **State Department of Social Services advises local DSS to update waiting lists annually, but local approaches vary**
  - **Local data reporting practices by AAAs vary, and unmet demand data do not clearly indicate specific service needs**
    - **For example: “Housing Repair” may include weatherization, plumbing, electrical work, or roofing**

# Access to Medicaid Waiver Programs Is Hindered by Patient Pay

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- Older Virginians most commonly use the Elderly or Disabled with Consumer Direction (EDCD) waiver
- The patient pay requirement is reported to prevent some older Virginians from receiving EDCCD services
- In some cases, the patient pay has reportedly increased demand for local DSS and AAA services
- If demand for home and community-based services increases, the patient pay may need to be reduced

# Availability of Case Management May Need to Increase

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- **Local pre-admission screening (PAS) teams report many persons seek Medicaid long-term care services after a crisis**
  - **PAS teams are not required to assist persons find a Medicaid provider**
  - **Some local PAS teams provide non-mandated case management**
  
- **Some AAAs also provide case management or “care coordination”**
  
- **If demand for home and community-based services increases, use of case management or similar programs may need to increase**

# Services for Vulnerable Older Virginians Are Limited

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- **Local DSS staff report that funding limitations restrict their ability to provide adult protective services**
  - **State DSS staff report funding is sufficient for investigations**
  - **LDSS staff report inability to provide services to address abuse or neglect after an investigation. Waiting lists for other DSS services appear to exacerbate this situation**
  
- **Long-Term Care Ombudsman program responds to complaints about quality of long-term care services**
  - **Current staffing level is below 1:2,000 level established in statute**
  - **Very few calls are from non-institutional clients, but increasing demand for home and community-based services could increase demand for this service as well**

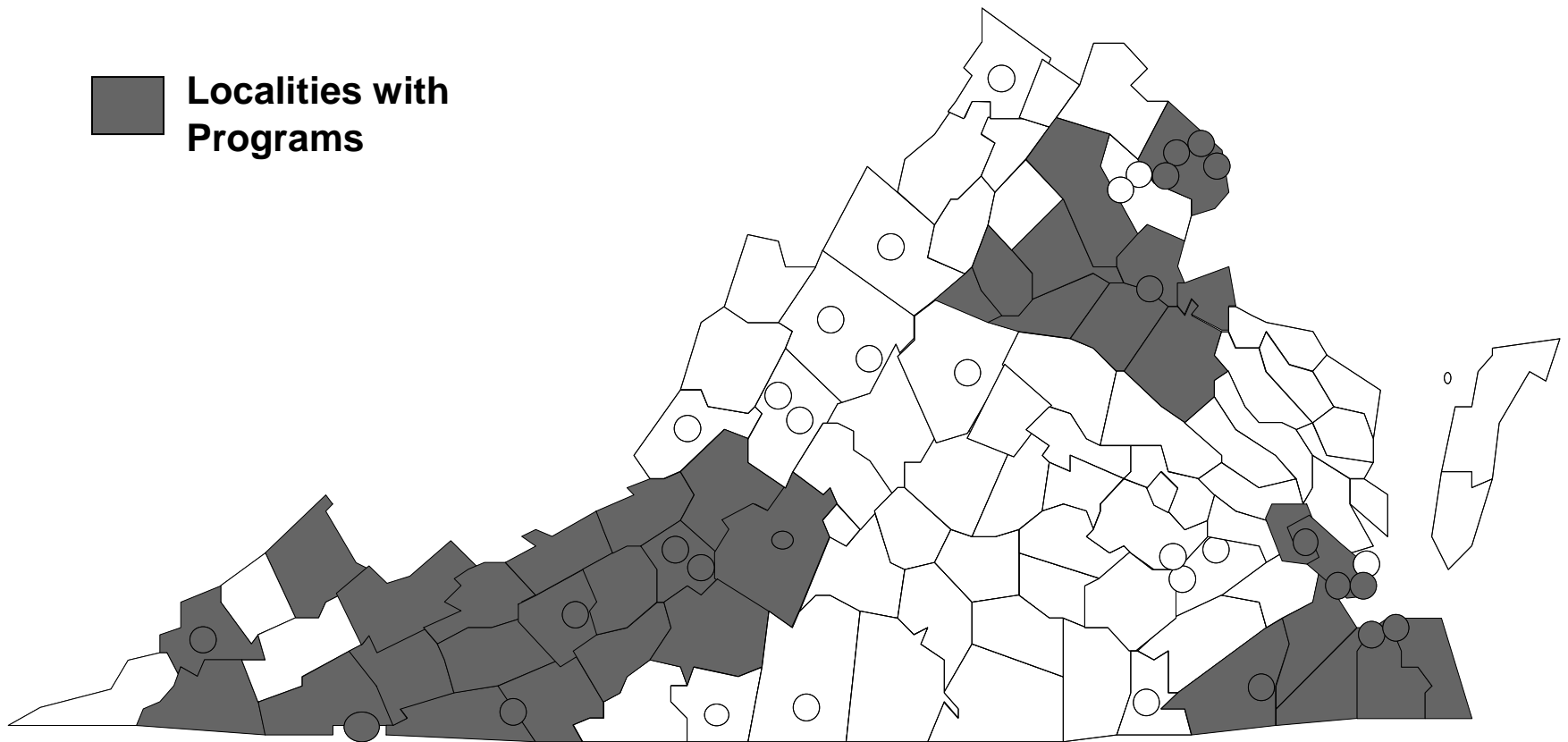
# Public Guardianship Programs Are Not Available Statewide

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- Circuit courts may appoint a guardian for incapacitated persons who cannot make health care or financial decisions
- The Virginia Public Guardianship and Conservator Program (VPGCP) assists indigent persons who need a guardian but who do not have family or friends. Most persons served are age 60 or older
- Unmet demand for public guardians are reported, and the demand could increase
  - VPGCP serves 213 people, but unmet demand is estimated to be about 2,000
  - *Code of Virginia* establishes a “statewide” program, but only 54 localities are served

# Areas Served by Local Public Guardianship Programs



Source: JLARC staff analysis of Virginia Department for the Aging data

# Housing Costs May Hinder Ability of Some Seniors To Live Independently

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- **Nineteen percent of Virginians age 85 and older pay 30 to 49 percent of income on rent and utilities. Another 32 percent pay half or more of their income on rent and utilities**
- **Local agency staff report that some older Virginians will stop paying for medications or the telephone in order to pay rent**
- **National projections indicate that demand for rent-assisted housing for seniors will increase by 2020**
  - **Waiting lists for Section 8 housing are already reported in many areas**
- **State and local staff report need for senior housing with supportive services**

# Housing Costs May Hinder Ability of Some Seniors To Live Independently (continued)

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- **Many Virginia homeowners age 85 and older are burdened by cost of mortgages, utilities, and taxes:**
  - 14 percent pay 30 to 49 percent of income on housing costs
  - Another nine percent pay half or more of their income on housing costs
  
- **Local agency staff report unmet demand for home repairs and modifications by low-income households**
  - Home repairs (electrical upgrades, roofs) may be needed to live safely and to receive in-home services. Modifications (wheelchair ramps, grab bars) may also be needed
  - Funding provided through DHCD has been decreasing, but VHDA recently provided additional funding to DHCD

# Aging Population May Increase Demand for Public Transportation

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- **Local agency staff report that some older Virginians need assistance with transportation to access health care, grocery stores, and other services**
  
- **Medicaid-funded transportation is available for medical appointments**
  - **Among Virginians age 65 and older: DMV data indicate that 79 percent held a driver's license in 2004, but only 12 percent of this age group was eligible for Medicaid in 2004**
  
  - **Among Virginians age 85 and older: DMV data indicate that 43 percent held a driver's license in 2004, but only 20 percent of this age group was eligible for Medicaid in 2004**

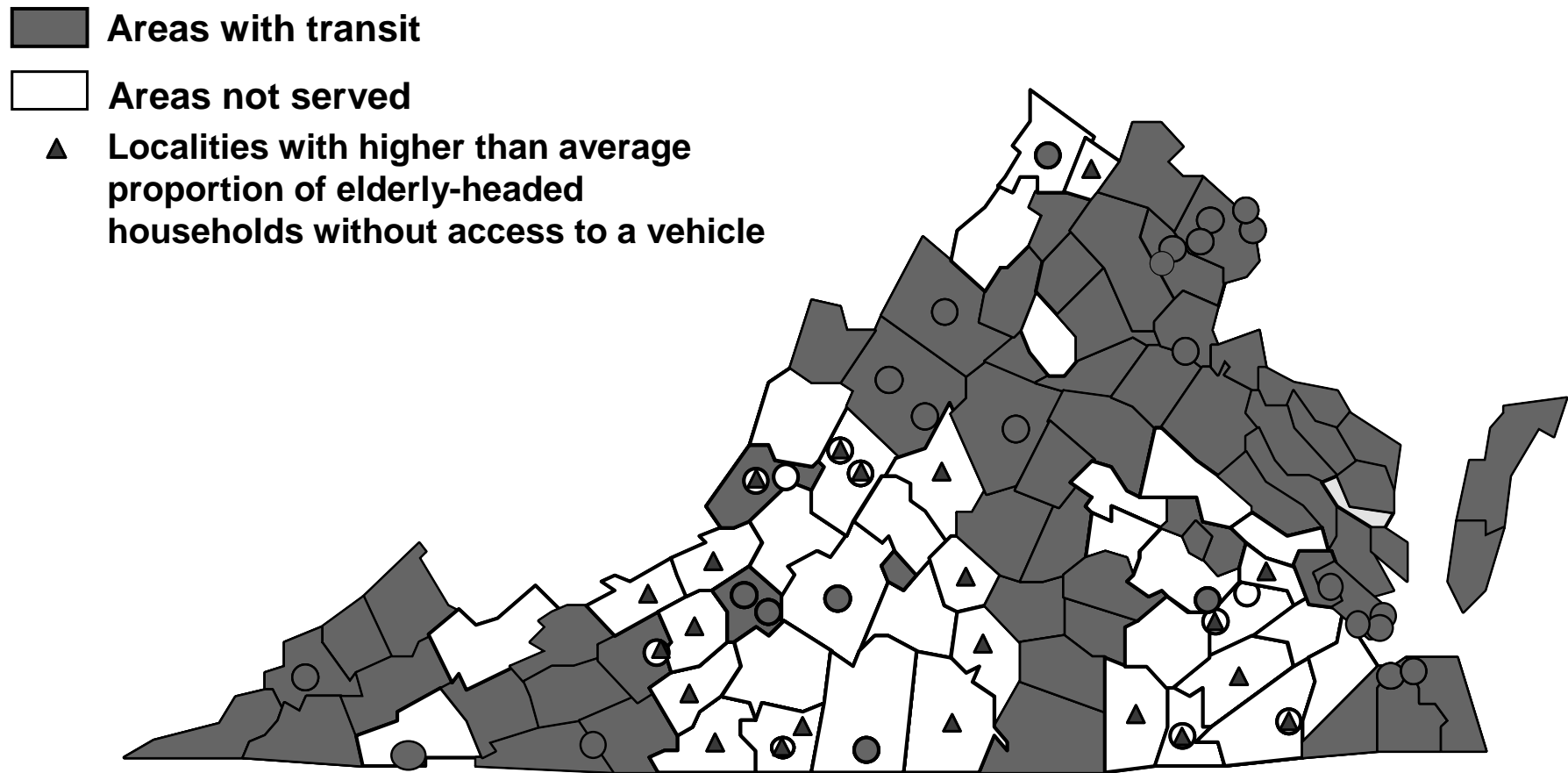
# **Aging Population May Increase Demand for Public Transportation (continued)**

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- **Many older Virginians do not have access to a vehicle**
  - This includes urban areas (28 percent of elderly-headed households in Arlington County) and rural areas (27 percent in Scott County)
- **One-third of localities lack public transportation**
  - Connection with needed services may be limited in areas that have public transportation, and not all areas of a locality have service
- **Funding specifically for the elderly and disabled equals 0.07 percent of all transportation funding in Virginia**
- **Commonwealth Transportation Board, and Department of Rail and Public Transportation, note need for more transportation services for seniors, including better land use planning**

# Availability of Public Transportation



Source: Department of Rail and Public Transportation

# Conclusions

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- **This report seeks to frame some of the key factors and issues surrounding the impact that an aging population may have on State-funded or provided services**
- **In some areas where the State is already involved, it appears that the impacts could be substantial, but the actual impact will depend upon policy choices**
  - **Medicaid**
  - **Mental health, mental retardation, and substance abuse services**
  - **Other home and community-based services**
- **In areas where the State currently has little or no direct involvement, there may be a call for a greater State role**
  - **State funding for rental assistance, affordable housing, repairs and modifications**
  - **Greater access to public transportation and improved land use**