THE ECONOMIC CRISIS AND ITS IMPACT ON STATE AGING PROGRAMS

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Results of All-State Survey

NASUA
National Association of State Units on Aging

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RESULTS OF ALL-STATE SURVEY

Introduction

The current economic crisis has many state aging directors grappling with difficult decisions on budget cuts and reductions in services. Not since the late eighties has the economy looked as sluggish. The most challenging times in the economy increase demand for state planning, budgeting, and monitoring for services that are delivered at the community level on everything from providing assistance with heating bills to providing home delivered meals as well as all types of home health supports.

The National Association of State Units on Aging (NASUA) surveyed its members to gauge the impact of the economic downturn on aging services. The members of NASUA are the nation's 56 officially designated state and territorial agencies on aging, often referred to as State Units on Aging (SUAs). This is the second survey on the economy that NASUA completed in 2008. The first survey was conducted in June 2008. The most recent and more extensive survey was conducted in November. Forty-four states and the District of Columbia responded to the survey. [1]

Role of State Units on Aging

The State Units on Aging (SUAs) were originally developed in response to the Older Americans Act (OAA) legislation signed into law nearly 45 years ago.[2] As a condition of receipt of OAA funding, each state is required to designate a single state agency responsible for implementing a statewide aging plan that

[1] Alabama declined to participate at this time. Other states not participating were: Alaska, Nebraska, Pennsylvania, South Dakota and Utah.

[2] Official agency names and organizational arrangements vary from state to state. For example, states may call their SUA a Department, Office, Bureau, Commission, Council, or Board. "State Unit on Aging" is a single term intended to encompass all of these variations. See "40 Years of Leadership: The Dynamic Role of State Units on Aging," September 2004, NASUA, page 6.

addresses the needs of older residents of the state. SUAs evolved significantly over the ensuing 45 years. SUAs have taken on the task of designing and implementing a nationwide system for home and community based services and supports. In 46 states, these services are planned and delivered in collaboration with Area Agencies on Aging, while ten states have opted to function as single planning and service areas.[3] SUAs work to ensure that all federal and state resources available to serve this population come together in a planned, coherent way in every state, region, and county across America.

Today SUAs administer billions of dollars from a broad array of federal and state funding sources, with approximately a third of the total derived from the federal OAA appropriation. Increasingly over the years, nearly all issues affecting the well being of older persons and their families, and in many states of late, individuals with physical disabilities, have come under the purview of the SUA.

In many states the SUA is now also responsible for the delivery and support of Medicaid Home and Community Based Services (HCBS) Waivers.[4] Over half of the SUAs administer the Medicaid HCBS elderly waiver program and nearly one-third also administer the Medicaid HCBS disabled waiver program.

States[5] rely on a number of financing strategies to deliver their services. In addition to Medicaid waivers, states combine funding from the Older Americans Act, Social Services Block Grant, the Low-Income Home Energy Assistance Program, the Community Services Block Grant, and other federal sources to deliver a package of benefits for their eligible seniors and individuals with disabilities. Further, the majority of states provide some funding for programming that is solely financed by the state.

The Social Services Block Grant (SSBG) has become an important source of funding for nearly half of the SUAs. States are using the SSBG funding to provide home delivered meals, transportation, adult protective services, adult daycare, housing, and foster care services among many others.

State Fiscal Conditions

According to the National Governors Association's (NGA) recent *Fiscal Survey of the States*, 27 states are reporting expected budget shortfalls for FY09 totaling $26 billion.[6] Nearly all states are subject to a legal requirement to balance their budgets, so they must either cut spending or increase revenue in an economic downturn in order to avoid a deficit.[7] According to the NGA, 20 states have cut $7.6 billion from their FY09

[3] Id., page 7. Alaska, Delaware, District of Columbia, Guam, Nevada, New Hampshire, North Dakota, Rhode Island, South Dakota and Wyoming are single planning and service areas.

[4] See Appendix A for a chart detailing the responsibilities of the state units on aging.

[5] Unless otherwise indicated from context, "state" or "states" refers to state unit on aging in the states and territories.

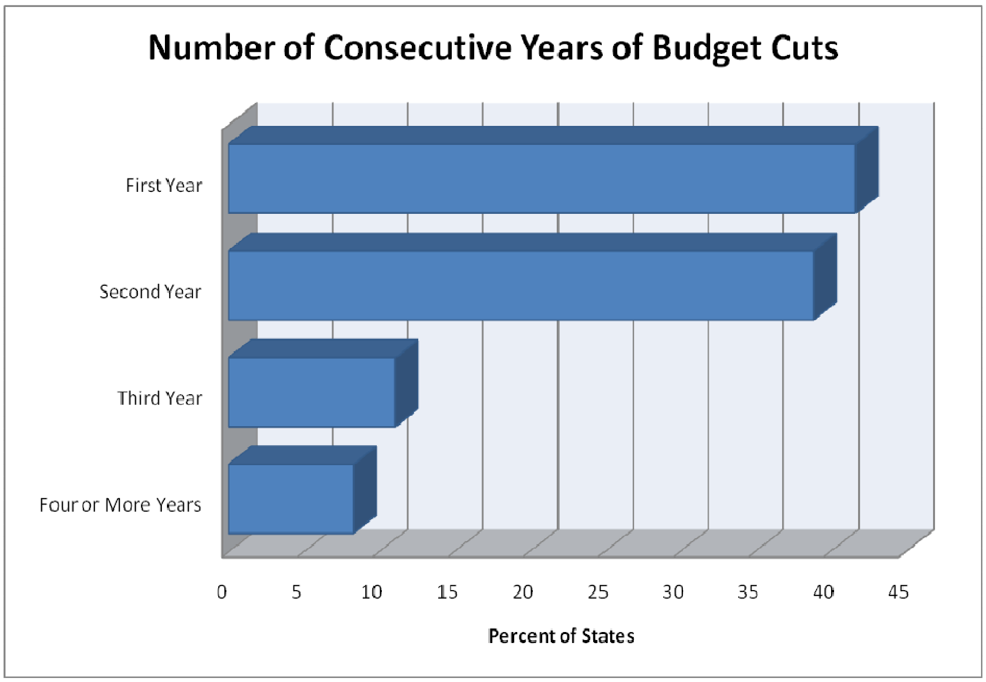
[6] The Fiscal Survey of the States, National Governors Association (NGA), National Association of State Budget Officers (NASBO), June 2008.

[7] All states except Vermont have a statutory, constitutional, or judicially interpreted requirement to have balanced budgets. There is some variation about what a balanced budget means. In some states, the governor's proposed budget must be

budgets while 30 states have identified additional shortfalls of $30 billion for FY09. The picture for FY10 is predicted by the states to be far worse than the fiscal condition in this current fiscal year with 25 states expecting shortfalls of $60 billion.[8]

Sixty-seven percent of states responding to the NASUA survey report a budget shortfall. Twenty percent of the states surveyed note that their budgets are balanced, but six of these nine states are making cuts either immediately or in the next state fiscal year. Of the six states reporting a budget surplus, two are proceeding cautiously in anticipation of a slowing economy and two others are in the process of identifying immediate cuts in anticipation of a shortfall due to lower than expected revenues. Thus, even those states not experiencing shortfalls at this time are bracing for more difficult times ahead.

While 42 percent of the SUA directors reported that this is the first year of budget cuts for their agencies, 14 states indicate that they will be making cuts for at least the second consecutive year. This is significant because states will likely have already made any easier one-time cost reductions and spent all of their savings in the first or second year of the downturn.[9] This finding is especially troubling in light of the fact that the majority of states reported that they anticipate additional budget cuts will be necessary for FY10.



balanced. In others, the enacted budget must be balanced. And in a third variation, the budget must be balanced at the end of a fiscal year or biennium. See Snell, Ronald K., *State Balanced Budget Requirements: Provisions and Practice* (Denver, Colo.: National Conference of State Legislatures (NCSL), 1996), updated 2004, http://www.ncsl.org/programs/fiscal/balbuda.htm.

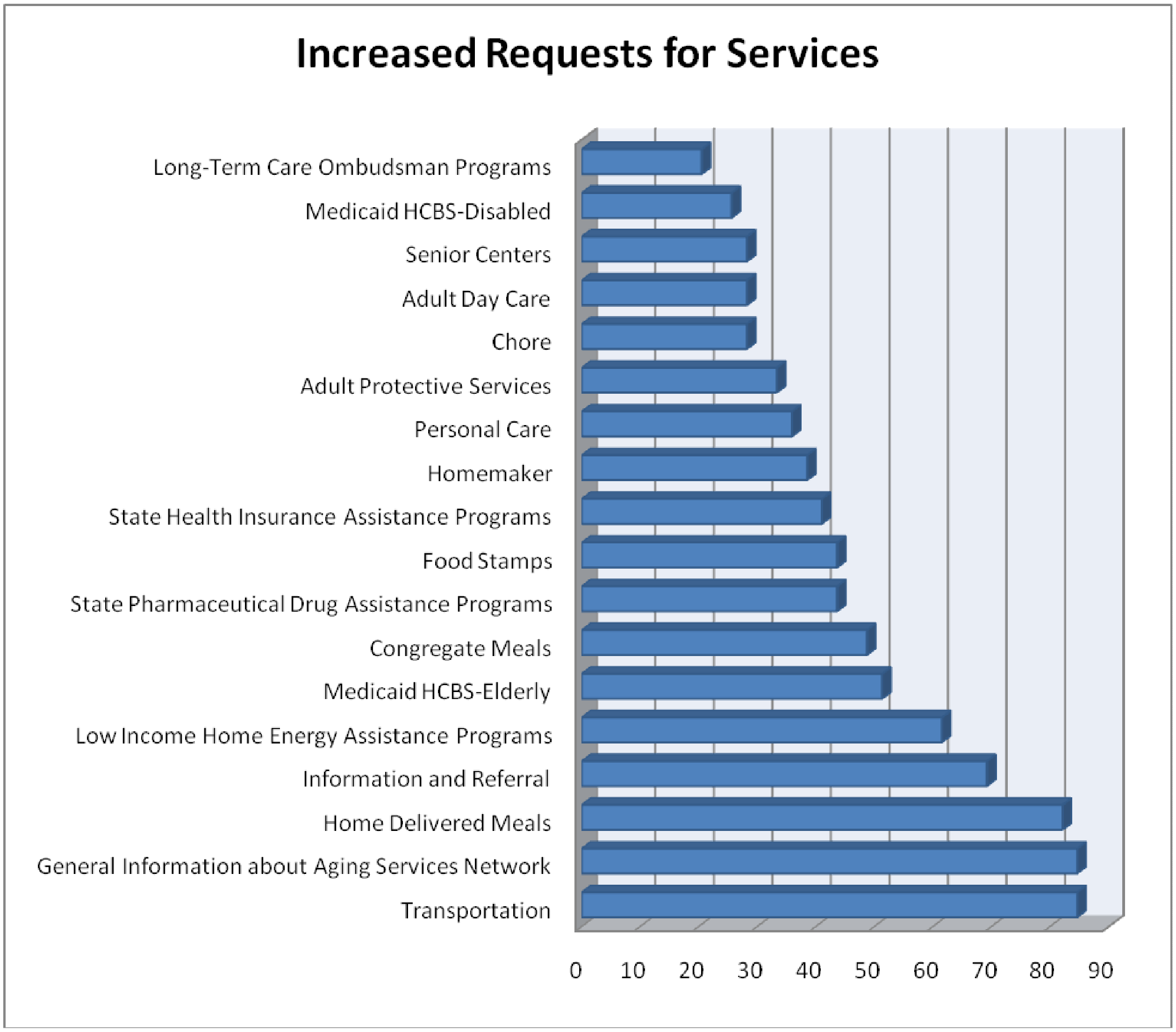
[8] "NGA and NCSL Call on Congress to Take Action for Economic Recovery", December 1, 2008.

[9] An example of an easier reduction is not filling vacant staff positions. Another one-time mechanism is using bonds to fund capital improvements and redirecting cash to other needs.

Responding to the Increasing Need

Increased Demand for Services

Historically during a downturn in the economy, states have played a vital role in assisting the most vulnerable citizens. The demand for state services in an economic slowdown increases just at a time when state budgets are tightening. In addition, states' experience the greatest impact on their budgets in the year after a recession ends, primarily because Medicaid growth occurs late in the recession and employment growth lags the recovery. [10]

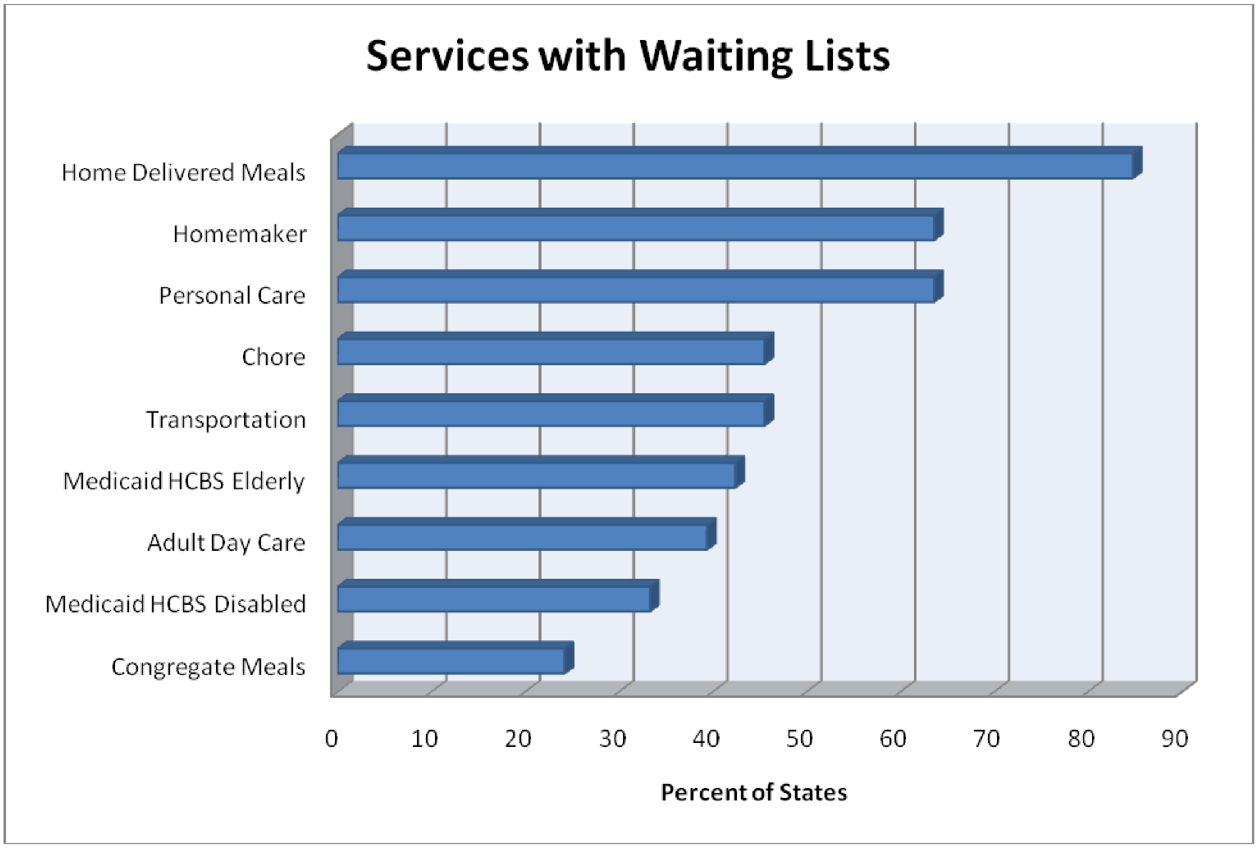


In this survey, states are already reporting an increase in the request for services as a result of the downturn in the economy. Requests for home delivered meals, transportation, and home heating all

[10] "Economic Recovery: A Federal-State Partnership," page 1, NGA, 2008.

increased in over 60 percent of the states. The largest percentage of states indicated that requests for transportation services had increased. Not surprisingly, as gas prices were at an all time high over the summer and fall, nearly 85 percent of the states that responded to the survey indicated that they were seeing an increase in demand for transportation services. Almost as many states noted an increase in the number of requests for home delivered meals.

With the winter months not yet in full swing, 62 percent of the states are already reporting a substantial increase in calls for low-income home energy assistance.



One troubling trend is the rise in calls for adult protective services reported in 33 percent of the states. State adult protective services programs are responsible for investigating abuse, neglect and exploitation of adults who are elderly or have disabilities. The long-term care ombudsman program[11] also fielded an increase in the number of calls during this time period.

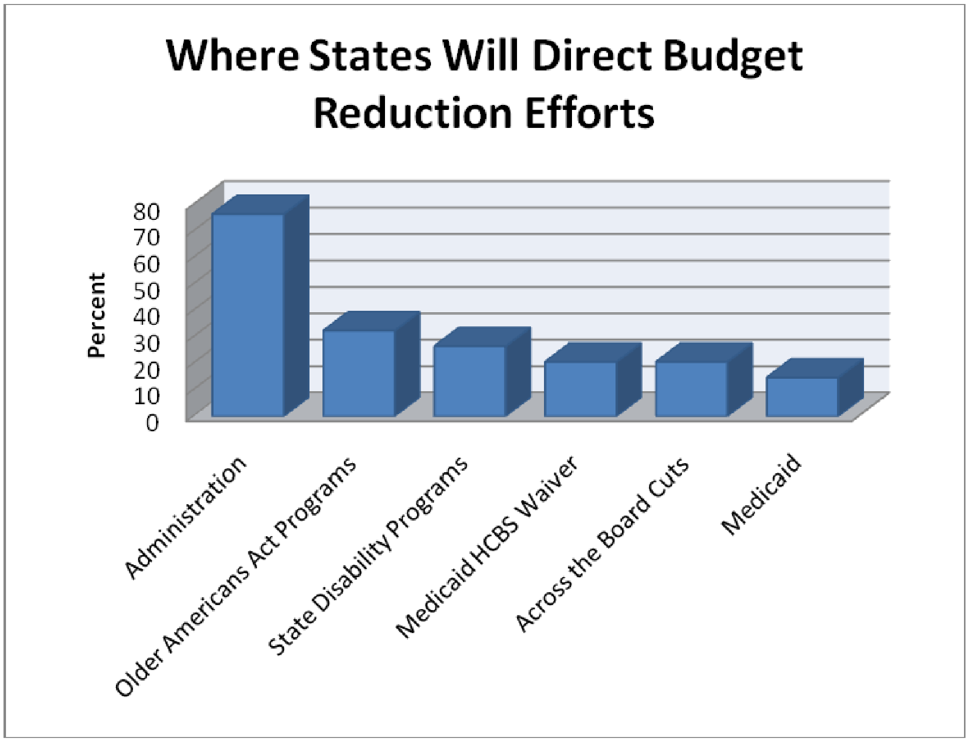
[11] The long-term care ombudsman program serves as an advocate and resource for older adults who reside in long-term care facilities such as nursing homes, assisted living and board & care homes. Ombudsmen help residents and their families understand and exercise their rights to quality of care and quality of life. The program advocates for residents at both the individual and systems levels by receiving, investigating and resolving complaints made by or on behalf of residents, promoting the development of resident and family councils, and informing governmental agencies, providers and the general public about issues and concerns impacting residents of long-term care facilities. Some states also operate a long-term care ombudsman program for individuals receiving home and community based services.

At the same time that 100 percent of the states indicated that they are considering cuts to administrative costs in their programs, over 80 percent of the states also reported an increase in calls seeking general information and referral to the aging services network.

Medicaid services were also in high demand with over 50 percent of the states logging an increase in requests for Medicaid waiver programs for the elderly.

Creating Waiting Lists for Services

One frequently cited way of dealing with the increase in demand for services while the state budget is tight is to create and maintain waiting lists for services. Eighty-four percent of the states indicated that they have waiting lists in place for services funded by their agency. Nearly 85 percent of the states reported that they have waiting lists for home delivered meals and 24 percent of the states indicated that they even have waiting lists for congregate meals sites. Over 80 percent of the states surveyed expect their waiting lists to stay the same or grow in FY10.



Budget Reduction Strategies

Timeframe for Budget Cuts

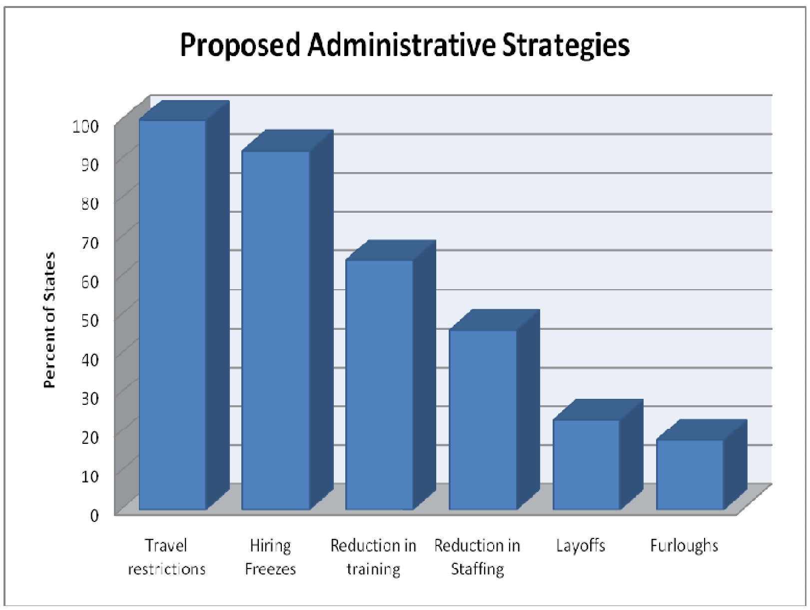
States were asked if they are receiving directives to reduce their SUA budgets either immediately or during the next fiscal year. Sixty-four percent of the states responding to the survey indicated that they are making cuts to the budget immediately. The vast majority of states making cuts for their FY09 budget said that they expect to make cuts in their FY10 budgets as well.

Of the states that responded, 44 percent remarked that they are being asked to make cuts of less than 5 percent; however more than 50 percent report instructions to make cuts to their budgets of between 6 and 15 percent. Nearly all of the states said that every agency within state government is compelled to make similar cuts.

Areas for Budget Reduction Efforts

While most states report that no final decisions have been made, they are evaluating all aspects of their operations for possible reductions. The most cited area for potential budget cuts is administrative services rather than reductions in direct service delivery. More than 75 percent of the states indicated that they will be cutting administrative services in FY09. Other areas slated for cuts include: Older Americans Act programs; state disability programs; Medicaid programs; Medicaid HCBS. Twenty percent of the states also related that they will be instituting across the board cuts to their programs.

States overwhelmingly indicated that they will direct their budget reduction efforts first towards administrative costs in order to minimize the impact on direct service delivery. One survey respondent noted a common approach that in these difficult times they "would be looking to protect basic services such as supporting food, shelter, and basic medical care."



Administrative Strategies

All of the states responding to the survey indicated that their state has imposed travel restrictions. Over 90 percent of the states also mentioned instituting hiring freezes under their reduction strategy. Nearly 50 percent of the states expect to reduce staffing. Nearly a quarter of the states anticipate layoffs of state employees and several expect that there will be furloughs of state employees. A large majority of states also indicated that they expect reductions in training opportunities for the remaining staff.

States also offered other administrative strategies for reducing costs including a more stringent review of contracts and procurement. Two states responded that they were considering moving to less costly office space. A large number of states indicated that they would be restricting all equipment purchases during this time period.

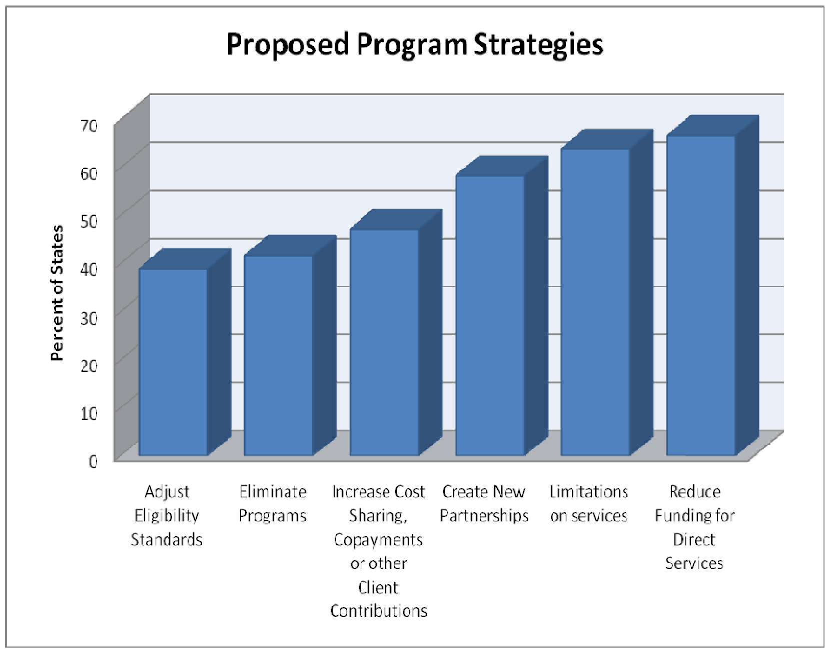
States disclosed that they will be reviewing the current delivery methods for home delivered food. Some states anticipate switching to a regionally based model instead of a county based system. Other states plan to cut back the number of times meals will be delivered to individuals. For example, instead of delivering meals five days a week states may switch to a system of delivering five meals once a week.

Several states indicated that they are working aggressively with their area agencies on aging to develop stronger partnerships in the community and to develop better business plans.

Program Strategies

States are extremely reluctant to impose reductions on programs that serve consumers directly. However, states are reporting that they are considering program cuts in an effort to deal with the shortfalls in their states. Many states indicated that they would cut aging programs that are solely state funded initiatives. States also pointed out that programs that are authorized by the state but have not yet started may be postponed. Examples of such efforts include expansions of Aging and Disability Resource Centers.

Nearly 70 percent of the states reported that they anticipate reducing funding for direct services as a result of the downturn in the economy and nearly as many states mentioned that the services that they are funding would have to be limited. The states relate that they would limit direct services to consumers by setting up restrictions on the duration of the services, establishing caps on amounts paid for services, or other types of constraints.



Several states declared that they would be reviewing all eligibility standards for their programs and possibly reducing the number of eligibles. For example, one state responded that it was examining reducing the income eligibility standard for the Medicaid waiver program from 300 percent of Supplemental Security Income (SSI) to 200 percent of SSI.

Rate freezes for providers were noted as another way that states would be dealing with the current financial crisis. States are also aggressively exploring ways to increase cost sharing, copayments and other client contributions, especially for programs funded primarily with Older Americans Act dollars. Several states revealed that they would be exploring ways to reduce cash assistance payments.

In addition to making budget cuts, more than half of the states responding indicated that they are working aggressively to develop new partnerships to, for example, leverage resources by sharing functions with other entities. [12]

[12] States are currently looking for every opportunity to defray costs during this period of economic downturn. A recent NASUA survey on ADRCs serving private pay consumers reveals that donations and cost sharing for some services can contribute financially to ADRC operations. Use of ADRCs by private pay consumers may also be a strategy for building a base of support for the ADRC program. To view the NASUA PowerPoint presentation, Serving *Private Pay Consumers – Skills*

Areas Exempted from Proposed Cuts

States were asked to provide information about what areas of their budget would be exempt from budget cuts. A number of states indicated that their Governor was committed to excluding cuts to direct services for aging services, if possible. A number of states, but not all, expect to spare the Medicaid HCBS waiver program from cuts. Several states noted that they would exempt Adult Protective Services from cuts in an effort to protect vulnerable adults.

Issues and Concerns

The economic slowdown has had a profound effect on states and their ability to provide services to older adults and individuals with disabilities. While many states may be able to protect their budgets from direct service program reductions by focusing cuts on administration, the majority of states believe that in FY10 services to older adults and individuals with disabilities will be reduced in order to balance their budgets. An unintended consequence of such reductions could be an increase in the rate of institutionalization, which would be more costly to the states and federal government.

Just as the national economic crisis causes increased difficulties for the states, so too will the state budget crisis create a further crisis for the local service providers and the Area Agencies on Aging who are already reporting their own tight budget conditions.

State Unit on Aging directors continue to respond creatively to the economic slowdown by looking for new ways to partner with area agencies on aging, other entities within their states, as well as ways to innovate with partners in the delivery of services and supports. However as the economy continues to worsen SUA directors' options will diminish.

For more information:

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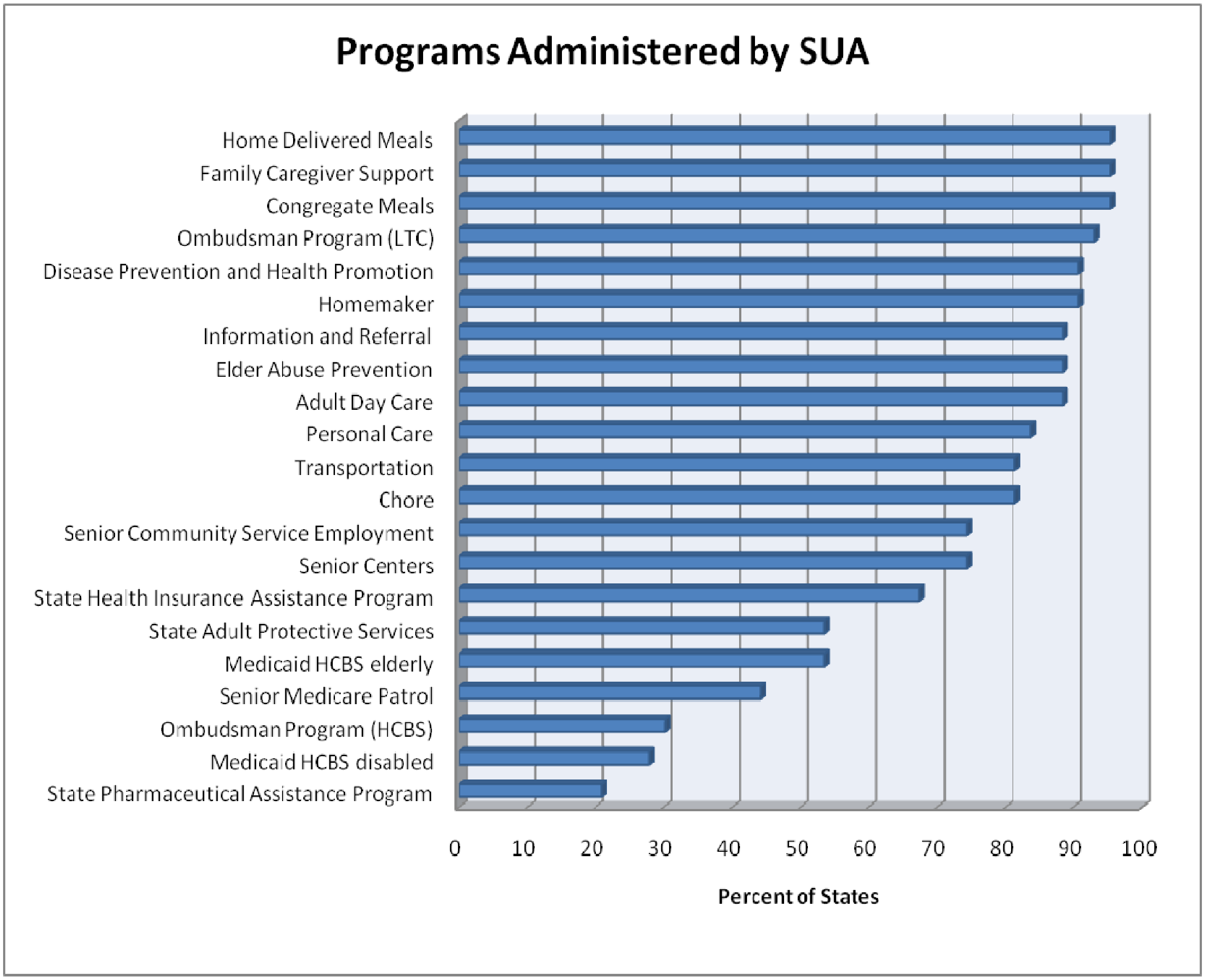
Training and Professional Development, see www.nasua.org. NASUA will soon release a comprehensive issue brief analyzing the results of the recent survey on ADRCs and Private Pay Consumers.

APPENDIX A


Programs Administered by SUA
Home Delivered Meals
Family Caregiver Support
Congregate Meals
Ombudsman Program (LTC)
Disease Prevention and Health Promotion
Homemaker
Information and Referral
Elder Abuse Prevention
Adult Day Care
Personal Care
Transportation
Chore
Senior Community Service Employment
Senior Centers
State Health Insurance Assistance Program
State Adult Protective Services
Medicaid HCBS elderly
Senior Medicare Patrol
Ombudsman Program (HCBS)
Medicaid HCBS disabled
State Pharmaceutical Assistance Program
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Percent of States