

Rural Development of Affordable Non-Medical Residential Care: Barriers and Opportunities

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Non-medical residential care (NMRC) represents the fastest growing long-term care service development in the late 1990s (Weiner, Stephenson, and Goldenson 1999). Consumers, their families, private developers and state policymakers all are hopeful that NMRC will meet their different needs. Consumers are anxious to find suitable, affordable, and non-institutional accommodations as they begin to find that home maintenance, household tasks, and their personal care require more energy than they can muster each day. Developers are exploring housing and service options to meet consumers' demands, and communities are looking for ways to help their older residents stay close to home. At the same time, state policymakers view NMRC as a means of reducing state spending for long-term care services--services that since the advent of Medicare and Medicaid have been provided primarily by nursing homes. Rural communities, where reliance on nursing homes has been substantial, have perhaps the greatest potential for NMRC development. Due to lower population density, and lower incomes of older rural adults, however, creation of NMRC requires particular attention to demand for NMRC that is both attractive to private paying consumers, and is affordable to lower-income consumers, a payer mix that is not typical for proprietary NMRC developers in urban areas.

This paper explores the challenges and opportunities for affordable NMRC development in rural areas. We know that such development can be done because there are several examples of NMRC in remote and very small communities (Leitenberg 1998). For example, in Vermont, several rural communities have developed NMRC variants using a cooperative ownership model that blends restoration of large old structures and tenant cost sharing for management, housekeeping, and meal preparation services. In these shared living arrangements, personal care services are provided through existing in-home care services in the community.

Get Some Help From Your Friends

While many rural communities lack housing development expertise, such deficits can be overcome with technical assistance. Rural communities with an interest in the development of affordable, non-medical residential care are well advised to seek the advice of others who have successfully completed such projects. State policy makers can aid in such efforts by assuring technical assistance is available. Other sources of technical assistance, though varying dramatically by state, include: State Offices of Rural Health, State Units on Aging, State Housing Finance Agencies, and regional US Department of Agriculture (USDA) Rural Development Offices.

Clarity on state policy expectations, regulations, and public payment mechanisms is essential for fostering the development of affordable NMRC. Such clarity is important to developers, lenders, and potential tenants, and in its absence, rural developers face added challenges to attracting investors and face potential delays that may result in lost opportunities.

Consistency in the definition of program and physical plant requirements across state agencies, and between federal and state programs, is particularly important. Low and moderate income consumers, state policy makers, and local developers share a common interest in assuring that existing federal resources, particularly programs that provide access to low cost capital are redefined in a manner that can support these types of affordable development. For example, rural housing and health related development funding from the USDA must eliminate restrictions that preclude their use due to conflicts with state regulation.

State and regional representatives of federal agencies, such as the USDA's Rural Development offices, need encouragement to develop a more active presence within the states for which they are responsible. These offices, along with the various state agencies (Housing Finance Agencies, State Units on Aging and State Offices of Rural Health at a minimum) must learn one another's language and begin to identify sources of technical assistance available for rural communities interested in developing local, affordable non-medical residential care. Such resources ideally will include dedicated staff with expertise in the development and financing issues that are central to affordable rural development of housing and service options. These entities need to establish a mechanism for maintaining a roster of trustworthy and knowledgeable developers who are willing to meet with local planning groups and who have experience developing affordable non-medical residential care in rural communities.

State Offices of Rural Health as Potential Sources of Technical Assistance

State Offices of Rural Health (SORH) represent a valuable, though relatively untapped source of technical assistance. They often can define community health needs relative to NMRC services, helping rural communities define their potential market. SORH staff generally understand local politics and may have information about pre-development resources and ways to organize community resources and support for NMRC.

SORH staff can assist state planning and development efforts by helping to identify underutilized hospital/nursing facility or other public space within their states or in specific communities, defining both the potential locations and available structures amenable to retrofitting as affordable NMRC. SORHs may have analyses of the medical care supply and access issues in various rural areas within a state, a resource for rural communities struggling with the packaging of services and plans for NMRC consumer access to services. Furthermore, given their potential involvement in sub-state health matters, SORH staff can help encourage rural health care providers to expand their horizons and explore collaborative approaches to assuring consumer access to health services.

The Rural Hospital Flexibility Program process defined by the Balanced Budget Act of 1997 offers an opportunity for SORHs to urge rural communities to focus on the need for NMRC. In addition, SORH

staff may be able to help rural providers consider becoming developers of affordable NMRC.

To foster a more active involvement on the part of SORHs, regional meetings to familiarize staff with the issues and opportunities for affordable NMRC development in rural communities could be sponsored by the federal Office of Rural Health Policy. Such gatherings, including State Units on Aging and state Housing Finance Agencies could also provide the impetus for development of technical assistance materials and networking opportunities for SORHs and state/regional representatives of the USDA Rural Development program.

State Units on Aging as Potential Sources of Technical Assistance

State Units on Aging (SUA) may also provide a valuable source of support for the development of affordable NMRC in rural communities by creating inter-governmental understanding of housing and services. Simply educating one another and cross-pollinating the housing and services worlds can result in removal of unnecessary policy barriers and regulations that make affordable development so difficult. As the entities charged with advocating for older adults, SUAs can convene state stakeholders and advocate sensible policies governing publicly supported NMRC, housing/capital assistance, and services.

Due to their work with sub-state Area Agencies on Aging charged with defining needs and services for older adults, SUAs are in a unique position to have a clear understanding of support systems needed by frail and disabled older adults living in NMRCs in rural areas. SUAs may be ideally positioned to promote creative service package financing through co-location and/or cooperation among home and community-based service providers supported through the aging network (such as nutrition programs, adult day programs and transportation assistance).

SUAs that opt to invest resources in developing rural, affordable NMRC development expertise can lead, or participate in, the development of prototypes of NMRC development to meet the unique and diverse needs of older adults.

Nebraska has recently completed its first year of offering low-interest loans and grants for nursing facilities to remodel their facilities and convert excess nursing facility capacity into assisted living units. Under the conditions of these conversion grants, a portion of all converted assisted living units must be available to Medicaid beneficiaries. With a state appropriation of \$40 million, the Nebraska Health Care Trust Fund/Nursing Facility Conversion Cash Fund allows facilities to use grant funds for construction, start-up costs, training expenses, and first-year operating losses. The program is designed as a mechanism to save Medicaid funds and projects that grants funds of approximately \$35 million (awarded through December 1999), will be recovered through Medicaid savings in roughly 13 years.

State Medicaid

While such dramatic policy changes may be unlikely in many states, Medicaid Waivers have and will continue to serve a central role in affordable NMRC. From the beginning, Oregon developed assisted living services through innovative use of Medicaid waivers. More recently, under the Coming Home initiative designed to foster rural development of affordable NMRC in rural areas, the Robert Wood Johnson

Foundation is restricting grant support to states that have established policies permitting Medicaid or Medicaid waiver funds to be used for purchasing services in NMRC.

State Housing Finance Agency Technical Assistance

State Housing Finance Agencies (HFA) are well placed for working with SUAs, rural health providers, and others interested in the development of affordable NMRC in rural communities. In addition to helping secure pre-development resources, HFAs have the expertise to educate other state organizations and potential developers/applicants about the array of potential financing options designed to enable development of affordable NMRC. While access to capital varies, identification of HFA staff resources targeted to affordable rural development may be critical to success in some states. At the same time, most state HFAs that have yet to engage themselves in the challenges to helping rural communities identify financing packages for affordable NMRC, may benefit from developing relationships with SUAs to gain a better understanding of the service needs of NMRC residents/tenants.

Conclusions

With increasing attention and growing innovation in meeting the challenges of affordable rural NMRC development, and the advent of financial and technical support for such development, the growth of affordable NMRC in rural communities is becoming a reality. In those states with no clear state leadership on this issue, the burden is on staff of state agencies and advocates for older adults to assure that such leadership is identified. In the interim, rural communities with the will to do so, likely can find their way to others with valuable experience to share regarding affordable NMRC in rural areas. In turn, these communities and their mentors/predecessors can serve as models for other rural areas in their states. As local initiatives move forward with development, it is critical that state agencies recognize and provide support for new ideas emerging from rural communities. Nonetheless, creating support for coherent and consistent guidelines and requirements for affordable NMRC will continue to be a state responsibility. In view of this reality, relevant federal entities such as USDA Rural Development programs must assure that they are in sync with state policies and recognize the vast differences between rural communities, their available resources, and their need for affordable rural NMRC development.. At the same time, state programs responsible for financing long term care services must help identify operating funds and fiscal incentives for affordable rural care non-medical residential care options.