

## Developing Affordable Non-Medical Residential Care in Rural Communities: Barriers and Opportunities

by Elise J. Bolda, Ph. D.; Kimberly Mooney Murry, M.P.P.M.; Stephanie Flanary, M.P.P.M., J.D.;  
Muskie School of Public Service; John W. Seavey, Ph. D.; University of New Hampshire

### FINDINGS

Non-medical residential care (NMRC)<sup>1</sup> represents the fastest growing long-term care service development in the late 1990s (*Weiner, Stephenson, and Goldenson, 1998*). Consumers, their families, private developers and state policymakers 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 and their personal care require additional external support. 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. State policymakers view NMRC as a means of reducing the expensive costs for nursing home care.

There is significant potential for NMRC development in rural communities, where reliance on nursing homes has been substantial. However, due to lower population density and lower incomes of older rural adults, NMRC development requires particular attention to the demand for residential alternatives that are both attractive to private paying consumers and affordable to lower-income consumers. This is 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. The aim of this project has been to understand perceptions of barriers and opportunities for rural NMRC development among state and regional governmental units that might be expected to provide technical assistance and support, and current developers of NMRCs. Project staff conducted interviews with state staff and

NMRC developers in 14 states that were classified as an "early adopter," "in-process" or "demonstration" state.

The findings of this study indicate that the development of affordable NMRC is not only possible but is growing in rural communities. There are many examples of NMRC in remote and very small communities (*Leitenberg, 1999*). For example, rural communities in Vermont and other New England states 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 (*Bolda et al., 2000*). The authors have visited assisted living facilities in remote Oregon communities with as few as 700 people. However, rural development is highly variable across states due to unclear or conflicting public policies, the lack of supportive public policies, and/or the lack of needed technical assistance, and differing perceptions among rural older adult populations. This paper summarizes the key elements identified by developers and policy makers that are important for affordable NMRC development in rural areas to succeed. In addition, there are key lessons learned from our interviews with state policy leaders regarding the definition of NMRC policy and the need for technical assistance.

<sup>1</sup> We use the generic name *non-medical residential care (NMRC)* to describe residential housing with service options for long term care consumers, excluding nursing homes and skilled nursing facilities. These types of care settings are governed by state laws and include a host of arrangements referred to by over 40 state-defined labels including: assisted living facilities, residential care facilities, adult foster care homes, family care homes, etc.

*continued on the next page*

This study was funded by a grant from the Federal Office of Rural Health Policy, Health Resources and Services Administration, DHHS (Cooperative Agreement # CSUR00003-04). The conclusions and opinions expressed in the paper are the authors' and no endorsement by the University of Southern Maine or the funding source is intended or should be inferred. Working Paper #18, *Developing Affordable Non-Medical Residential Care in Rural Communities: Barriers and Opportunities* describes the policy and research background, methods and findings in depth, and is available from the Maine Rural Health Research Center. Copies of Working Paper #18 are available at our web site (<http://www.muskie.usm.maine.edu/Publications/rural/wp18.pdf>).

## Need for Clear, Consistent Policies and Regulations

Clarity on state policy expectations, regulations, and public payment mechanisms is essential for fostering the development of NMRC. Such clarity is important to developers, lenders, and potential tenants and their families. In the absence of clear state policy expectations and incentives, rural developers have difficulty attracting investors. Consistency in the definition of program and physical plant requirements across state agencies, and between federal and state programs, is particularly important. In one of the states included in this analysis, assisted living units may be licensed adult homes or unlicensed homes, with very little distinction between them. Other states such as Oregon have clear definitions regarding what constitutes an NMRC, what services might be expected, and what conditions might lead to a resident's discharge. In addition, conflicts between federal and state policies should be reconciled. For example, federal restrictions on the use of USDA money for "community space" (group dining rooms and common spaces) in multi-unit housing for older adults could be changed to make them more compatible with state-defined standards for non-medical residential care.

As with any policy development, all interested parties should monitor the mandated requirements on the level of care that NMRCs are expected to provide. These regulations must balance service costs and quality standards relative to other long term care settings such as nursing homes. Some consumers and advocates for the elderly maintain that residents should be allowed to age in place; this has implications for the level of services needed toward the end of life. Where is the line between non-medical residential care and nursing home care? Nearly two decades ago this issue was raised (*Vladeck, 1980*) and it remains a continuing source of concern (*GAO, 1999*). If there is little distinction between NMRCs and nursing homes, there will be increased pressure for more extensive state regulation of NMRCs similar to that governing nursing homes.

## Technical Assistance

While many rural communities lack housing development expertise, this can be overcome with coordinated technical assistance. Rural communities interested in developing affordable, non-medical residential care should be able to seek advice from those who have successfully completed projects. State policy makers can aid such efforts by assuring that technical assistance is

available to interested developers. Sources of technical assistance might include State Offices of Rural Health, State Units on Aging, State Housing Finance Agencies, and regional US Department of Agriculture (USDA) Rural Development Offices.

State Offices of Rural Health (SORH) represent a valuable though relatively untapped source of technical assistance. They often can define the potential market and community health needs. SORH staff generally understand state and local politics and may have information about pre-development resources and ways to organize community resources for supporting NMRC. SORH staff can identify underutilized hospital/nursing facilities or other public space within specific communities, defining both the potential locations and available structures amenable to retrofitting. Additionally, these offices can encourage rural health care providers to explore collaborative approaches to assuring consumer access to health services. The Rural Hospital Flexibility Program process also offers an opportunity for SORHs to urge rural communities to focus on the need for NMRC. In addition, SORH staff may help existing rural providers consider becoming developers of affordable NMRC.

To foster a more active involvement on the part of SORHs, regional meetings could be sponsored by the federal Office of Rural Health Policy to familiarize staff with the issues and opportunities for affordable NMRC development in rural communities. 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.

By creating inter-governmental understanding of housing and services, State Units on Aging (SUA) may also provide a valuable source of support for the development of affordable NMRC in rural communities. Educating one another and cross-pollinating the housing and services worlds can result in removal of unnecessary policy and regulatory barriers that make affordable development so difficult. As the state entity charged with advocating for older adults, an SUA can convene stakeholders and promote clear, uniform policies regulating publicly supported NMRC, housing/capital assistance, and services.

Working with regional Area Agencies on Aging (AAA), SUAs are in a unique position to understand the support systems needed by frail and disabled older adults living in rural NMRCs. SUAs may be ideally positioned to promote creative service packages through

co-location and/or cooperation among home and community-based service providers (e.g., nutrition programs, adult day programs, and transportation assistance) that are supported through the AAA network.

State Housing Finance Agencies (HFA) are also well placed for assisting 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.

Financial support through Medicaid waivers will continue to serve a central role in affordable NMRC. Oregon has developed assisted living services through innovative Medicaid waivers. Nebraska has recently completed its first year of low-interest loans and grants to nursing facilities for remodeling facilities, thereby converting excess nursing facility capacity into assisted living units. Under the conditions of these conversion grants, a portion of the 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 Trust projects that the \$35 million of grants awarded through December 1999 will be

recovered in roughly 13 years. Under the Robert Wood Foundation's *Coming Home* initiative to foster rural development of affordable assisted living, the Foundation is restricting grant support to those states that have Medicaid or Medicaid waivers for purchasing assisted living facility services.

## Conclusions

With increasing interest and innovation in meeting the challenges of affordable rural NMRC development, and with 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 where there is no clear policy leadership on NMRCs, there is an increased burden on staff within various agencies and on advocates for older adults to make rural NMRC projects happen. In the interim, rural communities with the will to develop NMRCs can try to find others with valuable experience to share and, in turn, can serve as models for other rural areas within their states. As local initiatives move forward, it is critical that state agencies provide support for new ideas emerging from rural communities. Creating support for coherent and consistent guidelines and requirements for affordable NMRC will continue to be a state responsibility. Federal agencies need to be flexible and recognize the vast differences among rural communities and the availability of financial and human resources in rural settings to support affordable rural NMRC development.

---

## References

- Bolda, E.J., Salley, S.T., Keith, R.G., Richards, M.F., & Turyn, R. M. (2000). "Creating affordable housing with services: Options and strategies." Working Paper #19. Portland, ME: University of Southern Maine, Edmund S. Muskie School of Public Service, Institute for Health Policy, Maine Rural Health Research Center.
- Leitenberg, B. (1999). "Assisted living: How to make it work in rural communities." Research and Policy Brief. Portland, ME: University of Southern Maine, Edmund S. Muskie School of Public Service, Institute for Health Policy, Maine Rural Health Research Center.
- United States General Accounting Office (1999). "Assisted living: Quality of care and consumer protection issues in four states. Washington, DC: GAO
- Vladeck, B.C. (1980). *Unloving care: The nursing home tragedy*. New York, NY: Basic Books, Inc.
- Weiner, J.M., Stevenson, D.G. and Goldenson, S.M. (1998). *Controlling the supply of long term care providers at the state level*. Washington, DC: Urban Institute.



# Research & Policy Brief

Maine Rural Health Research Center • Institute for Health Policy

SEPTEMBER, 2001

**Developing Affordable Non-Medical  
Residential Care in Rural Communities**

The Maine Rural Health Research Center (MRHRC) was established in 1992 to inform health care policy making and the delivery of rural health services through high quality research and policy analysis. The Center has three areas of special interest in its research agenda: (1) the availability, organization, and financing of rural mental health services, (2) institutional and community-based services for rural elders, and (3) changes in the organization and financing of rural health services.

*Edmund S. Muskie School of Public Service • 96 Falmouth Street, P. O. Box 9300, Portland, Maine 04104-9300  
Tel: (207) 780-4430 • Fax: (207) 780-4417 • TDD: (207) 780-5646 • [www.muskie.usm.maine.edu/mrhrcc](http://www.muskie.usm.maine.edu/mrhrcc)*

## Recently Published and Forthcoming Working Papers:

- Patterns of Health Insurance Coverage Among Rural and Urban Children (#26 forthcoming)
- Admission Severity and Mortality Rates Among Rural and Urban Nursing Facility Residents with Dementia (#25)
- Medicaid Managed Behavioral Healthcare in Rural Areas (#24)
- Strategies for Measuring and Increasing the Supply of Mental Health Professionals in Underserved Rural Areas (#23 forthcoming)
- Rural Long-term Care Integration: Developing Service Capacity (#22)
- Financing and Payment Issues in Rural Long Term Integration (#21)
- Models for Integrating and Managing Acute and Long Term Care Services in Rural Areas (#20)
- Creating Affordable Rural Housing with Services: Options and Strategies (#19)
- Multiple Hospitalizations Among Nursing Home Residents: Is Rural Residence a Risk Factor? (#17)
- Effects of Managed Mental Health Care on Service Use in Rural Areas (#16)
- Best Practices in Rural Medicaid Managed Behavioral Health (#15)