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Justice and Economic Security for all Coloradans

Sequestration cuts to Older Americans Act would hurt Colorado's seniors, economy and budget

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Potential cuts in federal funding for programs such as Meals on Wheels and other programs that help frail seniors would not only reduce the quality of life for older Coloradans, but it would also hurt Colorado's economy.

Meals on Wheels is one aspect of a host of services provided by the Area Agencies on Aging (AAAs) that helps older Coloradans remain independent by providing assistance. The AAAs provide services such as low-cost meals, transportation, chores around the house and legal aid. Without those limited, but basic, services, many older Coloradans would no longer be able to live on their own and would be forced to move into nursing homes at a much greater cost to the state.

If the process of automatic spending cuts known as sequestration comes to pass, that group of services, known collectively as Senior Services, is expected to see an eight percent reduction in spending beginning March 1. That could cut off care to thousands of Colorado seniors who depend on that aid to remain healthy and living independently in their homes.

In the Denver metro area alone, the cuts could equal \$735,000. An analysis by the Colorado Center on Law and Policy on the effects of those potential cuts in the Denver metro area found that:

- More than 1,100 seniors could lose services.
- Contractors could be forced to lay off workers, which could contribute to \$8.8 million in lost economic activity.
- State spending could increase between \$0.9 million and \$2.1 million as needy seniors turn to Medicaid for help.
 - Ironically, this decrease of federal spending in cost-effective services could well cause federal spending on Medicaid to increase between \$1.4 million and \$3.0 million.

Unlike Medicaid, which is available to most low-income seniors, Senior Services are not means tested. And while Medicaid is guaranteed for all seniors who qualify,

the number of people who benefit from Senior Services is limited by the amount of funding provided by the federal and state government, regardless of need.

Research shows that most of the recipients of Senior Services are poor enough to already qualify for Medicaid and many more have an income that is below what is needed to meet basic needs. In addition, the seniors who receive these services are generally frail or in failing health and depend on these modest levels of assistance to remain living independently. The dangerous combination of poor health and low income means that the loss of home-delivered meals or help around the house could force them into a nursing home.

The seniors who already qualify for Medicaid would likely be forced to replace their lost benefits from Senior Services with the more comprehensive and more expensive services provided by Medicaid. Many of those seniors could end up in nursing homes. Many more seniors not yet Medicaid eligible who lose services as a result of Senior Services cuts could end up eventually having to turn to Medicaid for help if they enter a nursing home and deplete their personal assets during a lengthy stay. Those added Medicaid nursing home expenses would cost taxpayers more than the savings provided by cutting Senior Services.

In addition, the federal cuts to Senior Services would result in layoffs throughout the state as private sector contractors who provide services would reduce their staffing levels to adjust to having less money and serving fewer people. Those layoffs would have a ripple effect that would hurt Colorado's economy.

In the end, this effort that is designed to cut government spending and reduce the federal deficit — automatic spending cuts through sequestration — could actually force layoffs and increase government spending by shifting expenditures to more expensive services. Policymakers have an incentive to support lower-cost care that can delay or prevent seniors from entering nursing homes.

What is Senior Services

The benefits discussed in this report as Senior Services are provided by the Area Agencies on Aging (AAAs). The AAAs were established by the Older Americans Act in 1965. Colorado is divided into 16 regions that define the AAA service areas. The largest region is served by the Denver Regional Council of Governments (DRCOG), which covers 9 counties. Not only does DRCOG serve the largest metro area in Colorado, but it also serves more rural residents than any other AAA in Colorado.

The guidelines for AAAs are outlined in the Older Americans Act, the State Unit on Aging, and the Administration on Aging. The funding for AAAs comes primarily from two sources: the federal and state governments.

Senior Services is available to anyone 60 and older, but unlike many programs it is not means tested, meaning it is not limited to just low-income people. The ability to serve people regardless of income allows the AAAs to play a significant role in helping seniors remain independent by allowing them to stay in their home as they age. The number of people served by the AAAs is essentially determined by

funding. Given that AAAs in Colorado have waiting lists for core services, it is clear that insufficient funding prevents the AAAs from fully meeting the demand for these services.

Research shows that most of the people served by the AAAs either meet the federal definition of poor or are close to falling into poverty. Nearly all of the people served by the AAAs do not have enough money to meet their basic monthly needs, as defined by the Statewide Elder Economic Security Standard Index for Colorado, also known as the Elder Index.

Table 1 below compares the actual cost for Colorado seniors to meet their basic needs to the measure of poverty as defined by the Federal Poverty Level (FPL). The chart shows the income level for single and married seniors who are at the FPL, as well as those who earn twice as much as that, or 200 percent of the FPL. But the Federal Poverty Level is a measure of income inadequacy that is based solely on food costs. A better measure of the actual costs facing seniors is the Elder Index, which is produced, in part, by the Colorado Center on Law and Policy. The Elder Index captures the costs of housing, food, transportation, basic health care and other miscellaneous expenses. It is worth noting that the Elder Index figures listed in Table 1 do not capture the cost of privately paying for home- and community-based long term care services.

The cost-of-living for Colorado seniors		
	Single	Married
100 percent of Federal Poverty Level	\$10,890	\$14,710
200 percent of Federal Poverty Level	\$21,780	\$29,420
Elder Index—actual cost of basic needs for homeowners w/out a mortgage	\$18,120	\$28,608
Elder Index—actual cost of basic needs for renters	\$22,164	\$32,652
Elder Index—actual cost of basic needs for homeowners with a mortgage	\$28,848	\$39,336

Table 1

In 2011, the cost of basic needs for a senior who rents a home or apartment was \$22,164, which is essentially 200 percent of the federal poverty level. That is a telling threshold. According to the Administration on Aging, 48 percent of the people who receive home-delivered meals through AAAs nationwide are at or below 100 percent of the FPL and nearly all, 90 percent, are at or below 200 percent of the FPL. That means that nearly all the people who receive home delivered meals do not have enough income to pay their bills and would therefore be unable to independently cover the cost of paying for the services they would lose if Senior Services are cut.

National research shows overwhelmingly that AAAs serve vulnerable seniors. In addition to being at or near poverty, the people who receive services from AAAs tend to live alone and have health problems. A [report from the Administration on Aging in 2010](#) found that nationwide people who receive AAA services are at a higher risk of being placed in a nursing home than others in their age group.

Table 2 provides a profile of who receives Senior Services and some of the challenges facing them. For example, women are disproportionately served by Senior Services. While women account for 58 percent

of the senior population across the country, they receive 70 percent of the home-delivered meals. And while 32 percent of the seniors nationwide are 75 and older, 70 percent of the home-delivered meals feed people in that age group.

Table 2 also shows that for many seniors the services are indispensable. Ninety-nine percent of the people who receive homemaker/personal services say the aid they receive from those services allows them to remain in their homes. Nine out of 10 people who get home-delivered meals said the same thing.

Profile of Seniors who receive OAA services						
	Average of all seniors	Home-delivered meals	Congregate meals	Transportation	Homemaker/Personal services	Case management
Age 60-64	29	10	10	10	2	8
Age 65-74	38	22	33	28	24	29
Age 75-84	24	40	39	36	37	40
Age 85 and older	8	30	18	26	36	22
Female	58	70	69	n/a	n/a	n/a
Non-white	21	23	18	22	19	26
Single (2)	40	74	61	86	87	71
Service helps stay in home	n/a	91	59	86	99	87
Breathing or lung condition	12	42	32	42	42	49
Stroke	10	23	11	13	24	23
Receiving Medicaid		43	18	29	54	55
Below 100% poverty	15	48	34	n/a	n/a	n/a
Below 200% shortage	38	90	79	n/a	n/a	n/a

Table 2

Once seniors who receive these services are no longer able to live in their homes, they often end up in nursing homes. For low-income seniors, the cost of the nursing home is paid for by the Medicaid program. Medicaid is a federal-state partnership, which, among other things, provides health care to low-income seniors.

At DRCOG, Senior Services are divided into 11 categories, as shown in Table 3. The four most significant services, in terms of importance for helping seniors remain in their homes, are home-delivered meals, congregate meals, transportation and personal care. Those four services account for 71 percent of DRCOG’s AAA budget in 2012-13.

Measuring cuts to Senior Services in Denver region

With a budget of nearly \$8.6 million, DRCOG provides 11 types of services. Services are contracted through private providers. The exact number of recipients of Senior Services provided by DRCOG is unknown. DRCOG tracks the number of recipients by service category. In the 11 categories, a total of 31,259 clients are recorded. But many people receive more than one service so the actual number is lower.

In order to identify a reliable estimate of the number of people who use the services, CCLP applied conservative estimates to national data produced by the Administration on Aging for the rates at which people use more than one of the services offered by AAAs. For example, 39 percent of the people who receive congregate meals

DRCOG Senior Services budget		
Service	people served	funding
Home Delivered Meals	5,889	\$2,713,776
Transportation	3,350	\$1,659,925
Congregate Meals	4,782	\$1,075,000
Caregiver	3,100	\$703,380
Homemaker/Personal Care	474	\$659,338
Case Management	702	\$498,943
Material Aid	1,131	\$493,708
Education/Health Promotion	9,098	\$364,556
Legal Assistance	1,556	\$207,882
Counseling	891	\$114,179
Chore	286	\$75,000
Total	n/a	\$8,565,687

Table 3

nationally do not use any of the other AAA services. And 46 percent of the people who get meals delivered to them also receive help from one or more of the services.

Applying that approach to 2011 data provided by DRCOG leads to an estimate that the Denver area AAA provided home-delivered meals to 2,297 people who did not use any of the other services. Applying similar calculations to the other four core categories, the CCLP analysis determined that in 2011, 6,093 people used just one of the five core services offered by DRCOG.

Calculating the number of people who use multiple services was more difficult and less precise. Research and interviews with DRCOG staff confirmed that some people use one or two services while others use more. For this study, three was established as a conservative estimate of the number of services received by people who use multiple services. Based on that calculation, CCLP determined that 8,389 people used multiple services, for a total of 14,482 seniors in the Denver region who received assistance through the Senior Services provided by DRCOG.

Assuming DRCOG continues the current appropriation formula for funding its 11 categories of services, CCLP estimates 1,159 seniors would lose services if the 8 percent budget cuts are implemented. Those seniors would still need help with basic needs on a daily basis. Many of them will turn to Medicaid to fill that gap.

The financial cost

Cutting Senior Services would be a classic penny-wise, pound foolish decision. The services provided by DRCOG and the other AAAs are minimal, relatively speaking, and cost-effective. Eliminating some of those services, as shown above, would almost certainly drive some of the people who lose services to other public benefits.

To calculate a conservative estimate of the cost shift to the Medicaid portion of the state budget, CCLP focused on the loss of four of the most critical services: home-delivered meals, congregate meals, case management and personal care. Seniors who receive these benefits have said that those four services, plus transportation, are most important for helping seniors remain independent. But because some of the seniors who lose rides provided by the AAA transportation services will be able to get similar help through Medicaid the loss of transportation services is not considered in calculating the cost shift.

In two critical service categories — home-delivered meals and congregate meals — an estimated 118 people who already receive Medicaid benefits would lose access to Senior Services altogether.

Because of the variety of options that would face seniors if their services were reduced or eliminated, it is difficult to quantify the financial cost. Certainly, some of the people who lose these services would struggle to continue living independently in their home. For those people, their health could potentially decline dramatically and they could become a burden on their adult children. For many of those people, moving into a nursing home would become the only viable option. It is also difficult to estimate how many people would end up in a nursing home. But it is fair to say that of the elderly who receive Medicaid and lose their Senior Services benefits — again, we estimate that would be 118 people in the Denver area — it is reasonable to assume that those people would turn to Medicaid for additional help. CCLP estimates that the increase in Medicaid expenses for those services alone would offset the savings from the cuts to Senior Services. In the first year alone, state spending on Medicaid, just in the Denver area, would increase \$819,000. Federal spending would increase \$1.3 million.

The added pressure on Medicaid that the state and federal government would absorb increases if the calculation of added costs includes some of the 1,000 seniors who would be cut off from services but do

not already qualify for Medicaid. Taking into account that those seniors would qualify for Medicaid at different stages throughout the year as they spend down assets — and some would not qualify at all in the first year — the cost to the state for added Medicaid services could rise to \$2.1 million. The federal cost could reach a little more than \$3 million. That’s just for the Denver metro area. The actual cost to the state and federal governments could get even larger as that pattern of shifting services from AAAs to Medicaid is repeated throughout the state.

Services lost

Aside from the financial burden that could be placed on the state and federal government by cuts to AAA services, there would also be significant impacts on the lives of thousands of Coloradans. According to the CCLP analysis, in the Denver metro area, thousands of seniors could lose some sort of services. Many of those people could lose multiple services. Among the services that could be lost:

- 34,515 home-delivered meals, such as Meals on Wheels
- 12,392 congregate meals
- 6,516 rides to grocery stores and medical appointments
- 1,884 hours of homemaker and personal care services, which includes help with baths and laundry
- 216 hours of legal assistance, whether to fight benefit denials or to protect against abuse and fraud

Economic impact of cuts

The Senior Services program in the Denver is coordinated by DRCOG, but the services are provided by private contractors. CCLP used IMPLAN to develop the estimates of the economic impact. An 8 percent reduction in funding would result in the loss of an estimated 19 jobs and nearly \$1.9 million in economic activity in the region in the first year. Most of those job losses would occur at the private companies who contract to deliver the services. A few of those jobs would be eliminated in other industries as a result of the reduced economic activity.

IMPLAN economic modeling software utilizes Colorado-specific data while employing a mathematical economic technique called input-output modeling. IMPLAN uses data on how industries transact with other industries; specifically, it models how the output of one industry becomes an input to other industries, which contributes to final demand. To match these cuts to IMPLAN codes they were assigned as home health care services, passenger transportation, legal services, and miscellaneous professional support.

Summary

Senior Services provided by the Area Agencies on Aging plays a pivotal role in the health and independence of older Coloradans. The care and assistance provided by the AAAs is a cost-effective way to help seniors age with dignity in their homes. Cutting those benefits would mean not only reducing the quality of life of many seniors, but it would also jeopardize their health and make it harder for them to remain independent in their homes. As a result, many of those seniors who lose services would turn to other, more costly, public benefits, such as Medicaid-funded nursing home stays, to make

up for the lost aid. That shift in services would end up costing taxpayers more than the savings that would initially be seen by cutting Senior Services.

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