



# **Fiscal Policy MEMORANDUM**

TO: Members, Indiana Fiscal Policy Institute

FROM: Earl M. Ryan, President

SUBJECT: Home Care for the Elderly and Disabled  
(CHOICE)

DATE: April 19, 1990

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The other side of this Fiscal Policy Memorandum contains the text of an Indianapolis Business Journal article regarding the Indiana CHOICE program -- Community and Home Options to Institutional Care for the Elderly and disabled. CHOICE is intended to provide services to those "at risk of losing their independence."

The program is currently offered in nine Indiana counties and provides virtually any service that will assist a functionally limited individual in staying in his or her own home. Such services include homemaker services, home-delivered meals, home health care, home maintenance, and other similar services.

In fiscal year 1987-88, the CHOICE appropriation was \$750,000, for administration and start-up. In fiscal year 1990-91, the appropriation is \$21.3 million, an increase of 2700 percent in three years. This amount is intended to permit the program to expand to 20 counties. The rate and pattern of growth of this program indicate that it is on the way to becoming much larger than any past official estimates would indicate.

The Fiscal Policy Institute is preparing an independent estimate of the potential statewide cost of the CHOICE program. This will appear in an Institute report to be released in the next few weeks.

To our knowledge, the Institute is the only organization not associated with CHOICE that has continually monitored this potentially very large program. It is our expectation that future decisions regarding the direction of CHOICE will be better as a result of our review and analysis.

## Debit or credit?

Report questions the effectiveness of CHOICE

### IS SAVINGS OR COMFORT PROGRAM'S GOAL?

BY TAWN PARENT

CHOICE may not be the cost-saving option to Medicaid it was promoted to be, according to a soon-to-be-released report from the Indiana Fiscal Policy Institute.

The state-run program—Community and Home Opinions to Institutional Care for the Elderly and Disabled—provides at-home services to enable individuals to stay out of a long-term care

facility as long as possible, thereby saving Medicaid dollars. But the institute's report questions CHOICE's ability to prevent institutionalization and indicates the program will result in higher costs to the state than its current Medicaid bills.

"It's almost impossible to document savings in institutional care by providing services under CHOICE," said Earl Ryan, president of the institute. "We haven't been able to find any documentation of that occurring in other states."

Since it began in 1988, CHOICE has operated as four pilot projects involving nine counties. Eventually intended to

spread throughout the state, the program offers such services as respite care, meal delivery, transportation and adult day care. When the program was created, legislators specified that clients be "at risk" of losing their independence and that the cost of CHOICE services be less than the cost of nursing-home care.

The fiscal policy institute has doubts on both counts.

Although the Department of Human Services acknowledges the stickiness of judging cost savings, it currently bases savings figures on the average difference between maintaining individuals in a facility and providing services for them at home. Using this formula, the 1989 CHOICE annual report pegged savings for the fiscal year at \$789,360.

The institute's report, due out by early May, states that the concept is based on questionable assumptions:

- that all CHOICE clients would have been in an institution;
- that Medicaid would have paid for all services;
- that CHOICE clients would be average-cost residents in institutions.

The institute cited the following data in refuting those assumptions: A 1989 Indiana University study estimated that about 25 percent of CHOICE clients studied would not have entered nursing homes had the program not existed. The average nursing home resident is in a nursing home

seven months before becoming eligible for Medicaid services, so CHOICE services to those not already eligible for Medicaid would not result in savings until after the initial period, the report continued. Finally, CHOICE clients would likely be among the lower-cost nursing home residents, which would decrease the percentage of costs saved, the report said.

Since nearly two-thirds of Medicaid funding comes from the federal government, reducing the overall cost of servicing clients does not necessarily mean lower costs for the state, the report stressed. For example, if the total cost of supporting a patient in a nursing home is \$100,000 per year, the state's share is about \$36,000. However, if that person can remain at home through CHOICE for \$75,000 per year, the cost to the state rises to \$75,000

because CHOICE is completely state-funded.

"At risk" is a vague eligibility criterion, the institute charged. Unless they intercept people on the way to an institution or remove them from one, how can program administrators be sure clients would be institutionalized if not for CHOICE? the report asked.

The Department of Human Services assigns a score to each client based on their ability to perform personal and household duties. The department uses the score to determine a person's eligibility for the program. However, numerous other factors, such as support from family and friends and an individual's own state of mind, may determine whether they actually enter a nursing home, the report suggested.

"The assessment does measure functional capacities pretty well but it doesn't measure proclivity to go into a nursing home or some other form of institution," Ryan said.

CHOICE also has the opportunity to provide services that are helpful to the client but are not necessary to prevent institutionalization, the report stated. While improving the quality of life of the elderly and disabled may be a laudable goal, it is not the currently stated purpose of CHOICE, the report added.

"Take homemaker services," Ryan said. "You sure don't like to see people living in dirty houses. You can argue it's a service that should be provided, but when you get right down to the raw nitty gritty it may not make any difference in the decision to go into an institution."

If such services are going to be provided, then CHOICE needs to be re-evaluated based on different criteria, Ryan said.

"We're willing to believe the program can be a substantial improvement in qual-

ity of life," Ryan said. "But it was not sold to the General Assembly on that basis and the Department of Human Services does not have a good set of objectives and performance indicators on quality of life."

The institute predicts that already rapidly rising costs will make the program an increasingly hefty portion of the state budget. Funding increased from \$750,000 in fiscal year 1987 to \$5.8 million in fiscal year 1988. In this year's session the General Assembly added \$10 million to CHOICE's already \$20 million budget for the next two years. CHOICE's service area will expand from nine to 20 counties July 1.

Although individuals may receive CHOICE services regardless of income, those with incomes above a given level are expected to pay a percentage of the cost. However, program administrators do not plan to verify clients' stated income independently, which would invite people to underreport their earnings, the report noted. Cost-sharing has not been shown to be effective in other states, Ryan said.

The institute criticized the department for not producing any formal program review, which will be necessary to assure efficiency and effectiveness. The fact that state staff members have not yet produced written reports of the project indicates a lack of adequate monitoring, the institute said.

Program administrators will review the institute's report before its publication. Ryan said. Jeff Richardson, commissioner of the department, declined to comment on the report until he has the opportunity to study it, but emphasized that he welcomes analysis and criticism of the program.

CHOICE has problems, but that is natural for programs in their infancy, Richardson said. Administrators he has contacted in other states report that they are still fine-tuning such programs after seven or 10 years, he said.

Program officials are in the process of establishing some new guidelines for CHOICE that will cover cost-sharing, eligibility and service providers, Richardson said. He hopes to establish provisional rules by summer and codified regulations by the end of the year, he said.

The department is trying to acquire better data on which to base decisions, Richardson explained. He emphasized the need for thoughtful evaluation. Only by careful experimentation will administrators be able to build a strong program, he said.

"No stone will be left unturned," Richardson said of the program's review process. "In the beginning we were like a ship without a rudder. We had no guidelines, no management criteria. We still have a lot to learn. But if we work with people like the Fiscal Policy Institute...and other advocacy groups and the state legislature, we'll come up with a program that works."

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