

Oregon's Long-Term Care Sector:

An Analysis of the Sector and the
Economic Impacts from Potential
Reductions in Funding

*Prepared for The Campaign for Oregon's
Seniors and People with Disabilities*

ECONorthwest

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Executive Summary

The Campaign for Oregon's Seniors and People with Disabilities engaged ECONorthwest to measure the dimensions of the long-term care sector in Oregon, and evaluate the economic impacts from potential reductions in state general funding and the resulting loss of federal matching funds.

The long-term care sector in Oregon is extensive and is composed of three major sub-sectors: 1) nursing, residential care and assisted living facilities; 2) in-home and adult foster care providers; and 3) state and local offices. The sector is divided into these three sub-sectors for economic modeling purposes. Although adult foster homes are linked to residential care and assisted living facilities for funding purposes, the wage, labor, and spending profiles of adult foster homes and the larger residential care and assisted living facilities differ greatly. Adult foster homes and in-home care providers both provide largely non-medical services to relatively few recipients per provider and were grouped together because of these and other similarities. Likewise, nursing homes, residential care and assisted living facilities share a number of similarities in how they produce services and are grouped into one sub-sector for this reason.

For the purposes of this study, only providers that accept state funding were considered. Oregon's long-term care sector is very diverse and includes a robust private-pay sector. Although private-pay only providers are a significant and important part of Oregon's long-term care sector they are not the focus of this study, and as such, are not included in any aggregations or calculations. Table 1 summarizes employment, number of recipients, and total employment for the long-term care sector, as defined for this study.

TABLE 1: Summary of the Long-Term Care Sector in Oregon

Fiscal Year	Sector	Employment	Recipients	Total Expenditures
2007	Nursing, residential care, and assisted living facilities	22,589	27,438	\$1,112,458,536
2008	In-home and adult foster care providers	14,032	14,854	\$249,216,403
2008	State and local offices	1,898	n/a	\$126,042,391

Source: ECONorthwest calculations using OHCA, SEIU, and O4AD data.

Note: Facilities and providers without Medicaid contracts are not included in these calculations. These numbers would be much greater if private-pay providers were included.

Nursing, residential care, and assisted living facilities provide 24-hour long-term care services to, primarily, seniors. In FY2007, there were 133 nursing home facilities and 439 residential care and assisted living facilities in Oregon. These facilities employed almost 22,600 workers and provided long-term care services to approximately 27,500 recipients.

*This report was prepared by ECONorthwest's Portland office for The Campaign for Oregon's Seniors and People with Disabilities. Questions regarding the report should be directed to ECONorthwest's Portland office at (503) 222-6060.

In-home and adult foster care providers offer services to those who require long-term care, but whose medical needs do not require 24-hour, nursing facility. In FY2008, the in-home and adult foster care sector employed almost 14,000 workers and provided long-term care services to almost 15,000 recipients.

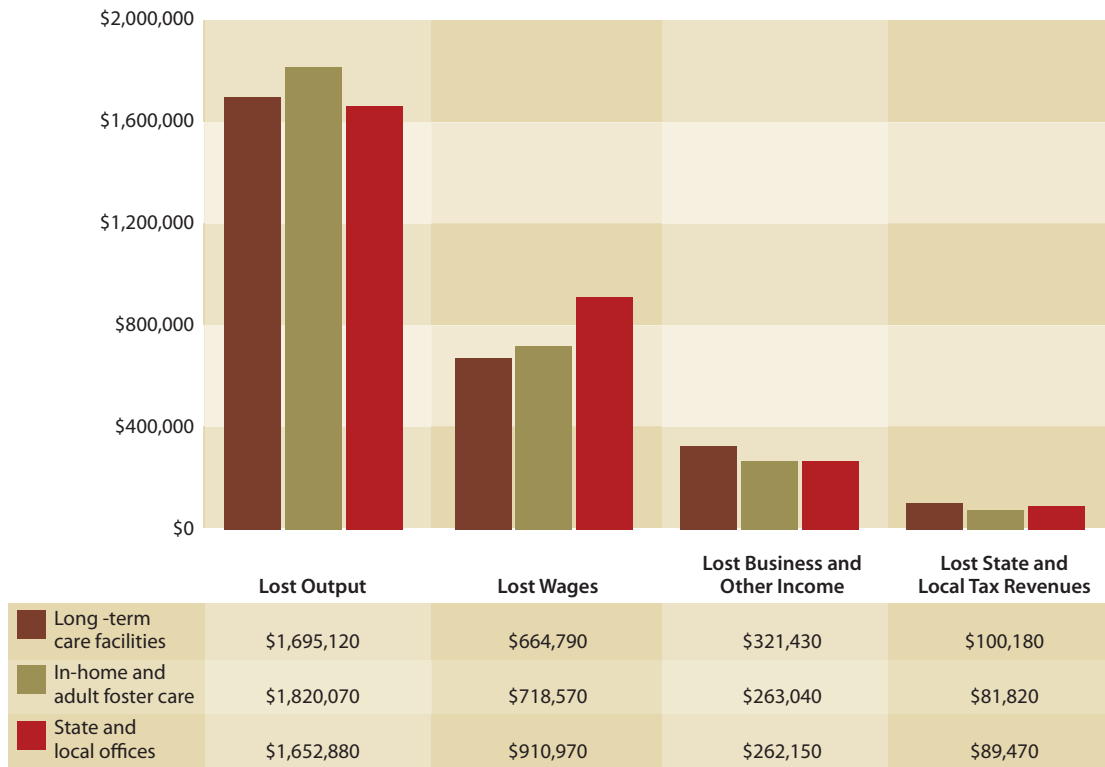
In addition to these sub-sectors discussed above, the State of Oregon Department of Human Services performs important administrative functions, such as providing oversight on Medicaid funding distributions and information services to those eligible for Medicaid assistance. Local government offices provide eligibility determination services, care plan authorization, and ongoing case management. According to information provided by the Oregon Association of Area Agencies on Aging and Disabilities (O4AD), these state and local offices employed almost 1,900 workers and had a budget of \$252 million for the 2007–2009 biennium.

As part of recessionary macroeconomic factors and general budget tightening pressures, the Governor’s Office has requested that all state government agencies prepare a list of potential budget reductions for the 2009–2011 biennium. Under a 10 percent reduction option package, the Oregon Department of Human Services projects a \$66.6 million reduction in state general funding for long-term care programs in the next biennium. Unlike many other state programs, a majority of long-term care recipients qualify for Medicaid assistance. As such, these programs enjoy the added benefits of matching federal funds, which are delivered to the state at a rate of approximately \$1.70 in federal funds for every dollar spent by the state, for most programs. Consequently, reducing state general funding for these long-term care programs will also result in a reduction in federal matching funds coming into the state on behalf of these programs and their recipients.¹ **For Oregon, this means that the \$66.6 million reduction in state general funding would lead to a \$110.5 million reduction in federal matching funds.**

The proposed budget cuts under the 10 percent budget reduction option are not certain, and the size and exact mix of actual budget cuts for Oregon’s long-term care sector are unknown. As a result, ECONorthwest modeled the economic impacts associated with a \$1 million reduction in federal matching funds for each of the three long-term care sub-sectors discussed earlier. The output, income, and tax impacts attributed to a \$1 million reduction in federal matching funds are summarized for each long-term care sub-sector in Figure 1.

¹ ECONorthwest’s modeling approach assumes that reductions in state funding of long-term care programs will either be reallocated elsewhere in the State budget or returned to tax payers. This approach assumes that there are no net economic impacts directly associated with the reductions in state spending. Federal matching funds, however, represent an “export” of the state economy since these funds will likely be spent outside of Oregon. Reductions in state spending on long-term care for seniors and persons with disabilities will result in a reduction in federal matching funds. It is this loss in federal matching funds that has a negative or contractionary effect on the state’s economy.

FIGURE 1: Economic Impacts From a \$1 Million Reduction in Federal Matching Funds for Oregon’s Long-Term Care Sector, by Major Sub-Sector (2008 dollars)



Source: ECONorthwest using IMPLAN

ECONorthwest estimates that the economic impacts associated with a \$1 million reduction in federal matching funds for **nursing, residential care, and assisted living facilities** are:

- A reduction of \$1,695,120 in total economic activity statewide, including the loss of approximately \$665,000 in wages, \$32,000 in small business income, and \$290,000 in other income, rents, and profits. These declines in economic activity would translate into the loss of \$100,180 in state and local government tax revenues.
- The loss of approximately 36 full-and part-time jobs, of which 29 jobs are in the long-term care sector.

The economic impacts associated with a \$1 million reduction in federal matching funds for **in-home and adult foster care providers** amount to:

- The loss of \$1,820,000 in total economic activity in Oregon, including \$719,000 in wages, \$74,000 in small business income, and \$189,000 in other income, rents, and profits. These reductions in economic activity would lead to loss of an estimated \$81,800 in tax revenues for state and local taxing jurisdictions.
- The loss of approximately 26 full- and part-time jobs for in-home service providers, and another seven jobs in other sectors of the economy.

The economic impacts associated with a \$1 million reduction in federal matching funds for **state and local offices** offering supporting services to the long-term care sector and recipients are:

- A decline in \$1,652,880 in economic activity for Oregon, including \$910,970 in wages, \$41,170 in small business income, and \$220,980 in other income, rents, and profits. These output and income declines would lead to the loss of \$89,470 in state and local government tax revenues.
- The loss of approximately 14 full- and part-time jobs in state and local offices, and 6 jobs in other industry sectors.

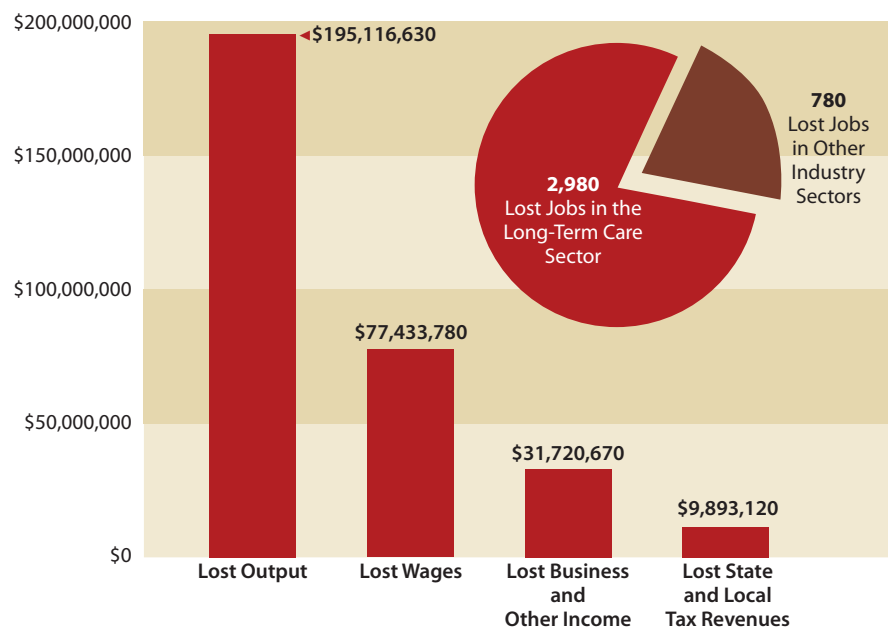
As requested by the Governor’s Office, the Oregon Department of Human Services prepared a list of potential budget reductions for the 2009–2011 biennium. Under a 10 percent reduction option package:

- Nursing, residential care, and assisted living facilities would lose \$26.6 million in state funding, resulting in the loss of \$45.4 million in federal matching funds.
- In-home and adult foster care providers would lose \$37.4 million in state funding and \$62.8 million in federal matching funds.
- State and local offices would lose \$2.6 million in state funding and \$2.4 million in federal matching funds.

The potential economic impacts associated with the lost federal matching funds, under the 10 percent reduction option package for the 2009–2011 biennium, are shown in Figure 2.

FIGURE 2: Potential Economic Impacts Under the DHS 10 Percent Reduction Option Package (2008 dollars)

According to our economic impact model of Oregon, a \$110.5 million reduction in federal matching funds would translate into a \$195.1 million decrease in economic activity, including \$77.4 million in wages, \$31.7 million in foregone business and other income, \$9.9 million in reduced state and local tax revenues. In addition, approximately 3,760 full- and part-time jobs throughout the state would be lost as a result of the reduction in federal matching funds alone.



Source: ECONorthwest using IMPLAN

The Long-Term Care Sector in Oregon

This section of the report provides an overview of the long-term care sector in Oregon for the 2007–2008 fiscal year (FY2008). Data was provided by the Oregon Health Care Association (OHCA), SEIU Local 503, and O4AD.² The data was then thoroughly vetted and fact checked through a collaborative effort involving ECONorthwest economists and senior staff at each of these agencies.

The long-term care sector is diffuse, with a broad range of long-term care services being offered by a variety of providers in a variety of settings. ECONorthwest combined similar programs and activities to form the following three long-term care sub-sectors: 1) nursing, residential care, and assisted living facilities, 2) in-home and adult foster care providers, and 3) state and local offices. The sector is divided into these three sub-sectors for economic modeling purposes. Although adult foster homes are linked to residential care and assisted living facilities for funding purposes, the wage, labor, and spending profiles of adult foster homes and the larger residential care and assisted living facilities differ greatly. Adult foster homes and in-home care providers both provide largely non-medical services to relatively few recipients per provider. For these reasons, adult foster homes and in-home care providers were grouped into one sub-sector. Likewise, nursing homes, residential care and assisted living facilities share a number of similarities in how they provide services and are grouped into a single sub-sector.

It's important to emphasize that, for the purposes of this study, only facilities and providers with Medicaid contracts were considered. Oregon has a large private long-term care sector, but it is generally not directly affected by state funding reductions.³ As such, these privately funded providers are not included in any aggregations or calculations in this study.

Nursing, Residential Care, and Assisted Living Facilities

Nursing, residential care facilities, and assisted living facilities provide facility-based long-term care to full-time residents in need of 24-hour supervision or emergency services. Nursing homes provide an assortment of services to patients, including: medical and non-medical care services, as well as cooking, cleaning, social, and supervisory services. According to OHCA, in FY2007, Oregon had a total of 142 nursing home facilities with 133 facilities (or 94 percent) receiving funding under the state Medicaid program. In FY2007, Medicaid-funded nursing homes provided long-term care services to over 7,500 primarily elderly residents, with over 50 percent receiving Medicaid assistance. These Medicaid-funded nursing homes employed 10,900 employees in FY2007. A majority of nursing home employees are caregivers and laundry, cooking, and cleaning staff. In FY2007, laundry, cooking and cleaning staff made just over \$19,000 year, while nursing aides and assistants earned just under \$21,000 year.

² FY2008 as defined in this report is July 1st, 2007 – June 30th, 2008. OHCA provided nursing, residential care, and assisted living facility data from FY2007 and in-home care agency data from FY2008. SEIU provided adult foster home and in-home services data from FY2008. O4AD provided data on government offices and Medicaid spending from FY2008 and the 2007–2009 biennium.

³ Oregon Project Independence (OPI) is a totally state funded long-term care program that is not eligible for federal matching funds. And although it may receive funding reductions, it is not included in this study.

Residential care and assisted living facilities provide services to adults with functional limitations who don't require the intensive, 24-hour care offered by nursing homes. However, like nursing facilities, assisted living and residential care facilities provide medical and non-medical care services, as well as cooking, cleaning, and other care functions. In FY2007, Oregon had 439 residential and assisted living facilities with a total of almost 20,000 residents. Just over 30 percent of these residents received Medicaid assistance. Residential care and assisted living facilities employed 11,600 full- and part-time employees in FY2007. Similar to nursing home employees, most residential care assisted living facility employees are caregivers and support staff. The average wage for workers in this sector was just over \$15,000 per year in FY2007.

In total, Medicaid-funded nursing homes, residential care, and assisted living facilities employed approximately 22,500 full- and part-time employees and provided long-term care services to over 27,000 residents in FY2007.

In-Home and Adult Foster Care Providers

In-home and adult foster care providers offer long-term care services to seniors and persons with disabilities in residential and small facility settings rather than in large facility settings. The in-home and adult foster care sub-sector is composed of adult foster homes and in-home service providers. Adult foster homes are licensed to provide long-term care services for up to five seniors or persons with disabilities in the home of the provider, while in-home service providers deliver long-term care services in the homes of recipients.

According to SEIU, in FY2008, Oregon had over 2,500 homes that provided adult foster care services to the elderly and people with disabilities. Medicaid eligible adult foster homes are permitted to have up to five residents. Residents at adult foster homes pay a fee, set by the state, for room and board and receive 24-hour assistance with daily tasks. In FY2008, adult foster homes provided services to 3,920 residents. Almost 80 percent of Medicaid eligible adult foster care bills are paid by Medicaid, the rest are paid by residents. Adult foster homes employed about 3,060 employees in FY2008. Most adult foster homes have only one employee—the home-based provider. Some of the larger adult foster homes hire additional employees. On average, adult foster home employees received wages just under \$17,000 per year in FY2008.

In-home care providers are individuals or agencies that provide long-term care services in the recipients' own homes. In-home recipients meet Medicaid eligibility for nursing home placement but remain at home due to the availability of family or other forms of support. The range of long-term care services that may be provided is extensive. For example, some recipients may only require a few hours of assistance every week from a traveling provider, while other recipients receive 24-hour care from a provider that resides in the recipient's home. Live-in and spousal in-home care workers provide 24-hour availability to seniors and people with disabilities who have unanticipated and unscheduled care needs.

In FY2008, approximately 10,900 people received long-term care services under the State of Oregon's in-home care program or from in-home care agencies that have Medicaid contracts. The State of Oregon's in-home care program had 10,200 employees with an average wage of \$16,000 per year in FY2008. In-home care providers receive wages that are collectively-bargained for by the Service Employees International Union, and that vary based upon the level and type of service

provided. Medicaid funding is the sole income source for providers receiving funding under the state in-home services program. As such, this sub-sector is extremely vulnerable to Medicaid funding reductions.

In total, the in-home and adult foster care sub-sector provided services to approximately 14,800 recipients and employed almost 14,000 full and part-time employees in FY2008.

State and Local Offices

The State of Oregon Department of Human Services office for Seniors and Persons with Disabilities, located in Salem, administers Medicaid funded programs by providing oversight on the distribution of Medicaid funds and eligibility assistance to the elderly. These services are provided through local Area Agencies on Aging and state offices throughout Oregon.

State and local offices provide eligibility for Oregon Health Plan, Food Stamps, Medicaid long-term care and other disability benefit programs. For the purposes of this study, only employees involved with providing or supporting long-term care eligibility, service authorization and case management services are considered. In FY2008, these state and local offices employed almost 1,900 employees and had a budget of \$126 million. All Oregon state Medicaid programs and recipients rely on these state and local offices.

Summary of the Long-Term Care Sector

Table 2 shows employment, number of recipients and total expenditures for the three sub-sectors described previously. The most recent data for nursing, residential care, and assisted living facilities are from FY2007, all other data are from FY2008. As can be shown by the table, in FY2008, in-home and adult foster care providers and state and local offices employed a total of 15,930 employees and spent just over \$375 million. In FY2007 nursing, residential care, and assisted living facilities employed over 22,500 full- and part-time employees, served over 27,000 recipients and spent \$1.11 billion. Facilities and providers without Medicaid contracts are not included in these calculations.

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Note: Facilities and providers without Medicaid contracts are not included in these calculations.

Figure 3 shows the distribution of long-term care recipients in Oregon, by county. As one would expect, high population regions have more long-term care recipients than low population regions. As a result, the number of long-term care residents is greater in the high-population counties in the Willamette Valley.

