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IN-HOME SUPPORTIVE SERVICES PROGRAM

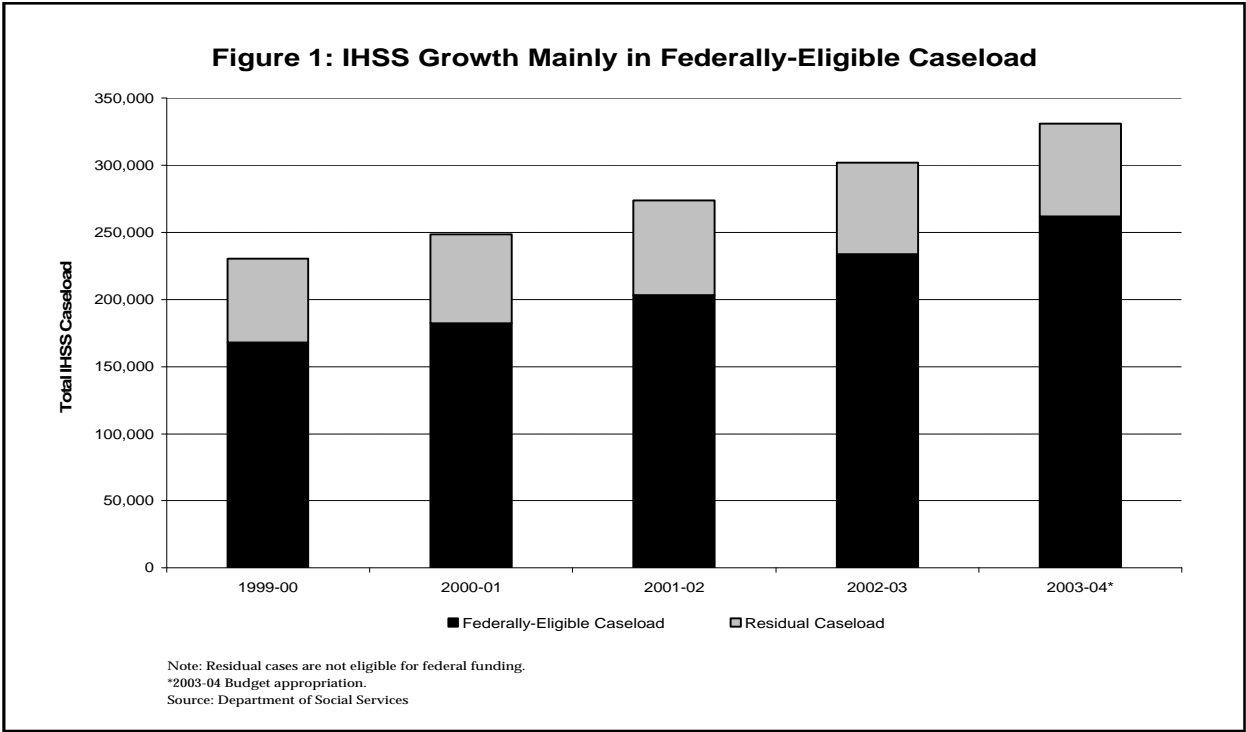
The In-Home Supportive Services (IHSS) Program provides services to low-income blind, disabled, or elderly individuals who live in their own homes to help prevent more costly out-of-home care. The Governor's budget proposals could severely impact the ability of individuals to remain safely in their own homes.

The IHSS Program provides services that enable low-income blind, disabled, or elderly individuals to remain safely in their own homes as an alternative to out-of-home care.

- More than half (50.9 percent) of IHSS recipients are disabled, 46.5 percent are elderly, and 2.5 percent are blind individuals.¹
- About three-quarters (79.1 percent) of the IHSS caseload is eligible for federal funding through the Medicaid program, which pays approximately half of the costs for these cases. This portion of the IHSS program is referred to as the Personal Care Services Program, or PCSP. Services that are eligible for federal funding include meal preparation, laundry, shopping, non-medical personal care services, assistance while traveling to medical appointments, and certain paramedical services ordered by a physician.
- The IHSS Residual Program covers services that are not eligible for federal funding. Services are ineligible for federal funding if services are provided by spouses or by parents for their minor children; if recipients receive payments in advance of services being delivered; or if only domestic services, such as meal preparation, laundry, and shopping, are provided. Also, services such as protective supervision or restaurant meal allowances are ineligible for federal funding. State and county funds cover these services.²

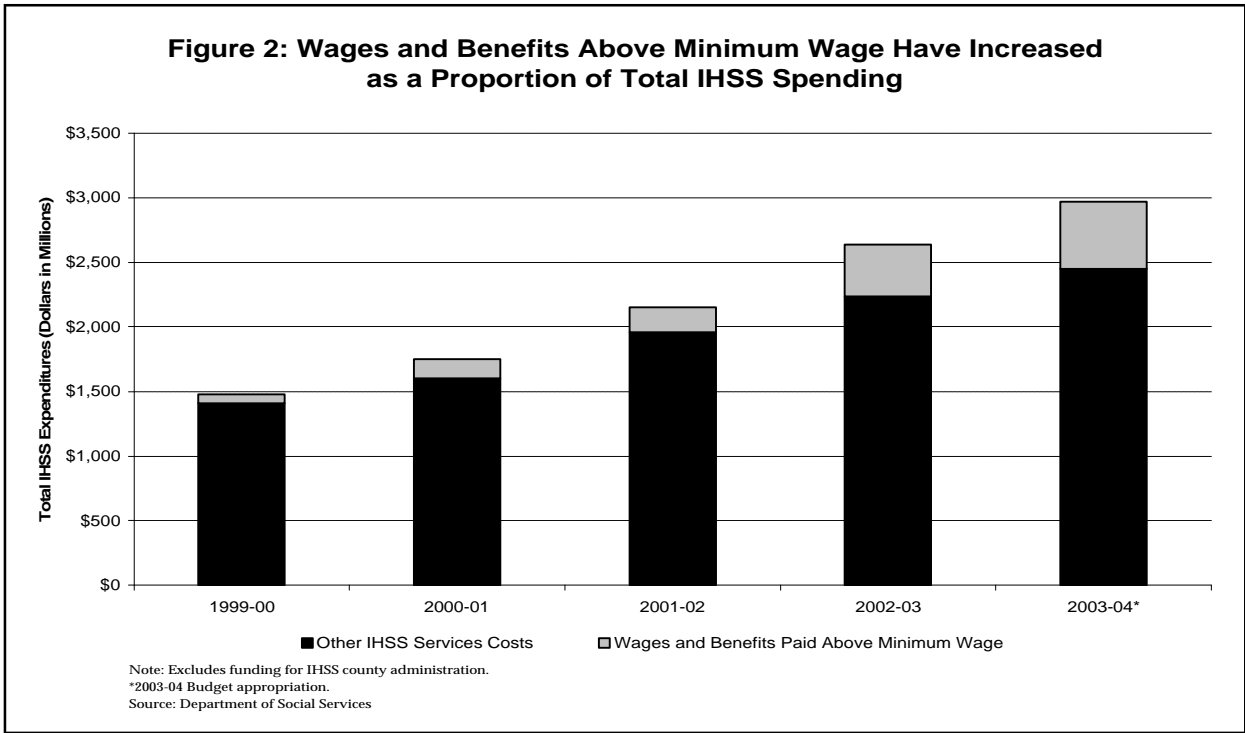
Most of the increase in IHSS spending is due to increases in caseloads and hourly costs.

- Total expenditures for IHSS services (not including funding for county IHSS administration) have doubled between 1999-00 and the 2003-04 Budget appropriation.
- Costs in the IHSS Program are mainly driven by three factors: caseloads, hours of service per case, and the hourly cost of providing services.
- The average number of hours of service per case has not changed significantly between 1999-00 and 2003-04.
- The growth in the elderly population has outpaced California's overall population growth and contributed to the increase in the IHSS caseload. For example, while the number of Californians aged 65 and older grew by 18.7 percent between 1990 and 2000 and is projected to increase by 22.7 percent between 2000 and 2010, the number of all Californians grew by 15.7 percent and is projected to increase by 15.3 percent during the same periods.
- Between 1999-00 and 2003-04, the overall IHSS caseload has increased by 43.7 percent. However, most of the growth is due to the increase in the federally-eligible caseload, which has



increased by 55.9 percent. The IHSS Residual caseload has increased by 10.8 percent between 1999-00 and 2003-04 (Figure 1).

- Hourly costs for providing services mainly include wages paid to IHSS providers of care. The 2003-04 Budget assumes the state will cover wages above minimum wage, between \$6.76 and \$9.50 per hour, and health benefits up to \$0.60 per hour for certain providers.³ Costs for providing health benefits and wages above the minimum wage have increased as a proportion of total IHSS spending, from 4.8 percent in 1999-00 to 17.6 percent in 2003-04 (Figure 2).



The Governor proposes to reduce IHSS spending by eliminating services and reducing support for providers.

- The Governor proposes to eliminate the IHSS Residual Program, effective April 1, 2004, for General Fund savings of \$88.8 million in 2003-04 and \$365.8 million in 2004-05. This could result in 74,995 low-income elderly, blind, and disabled individuals, or 20.9 percent of the total IHSS caseload, losing services that help them to live safely in their own homes (Appendix 1).
- For the federally-eligible (PCSP) caseload, the Governor proposes to eliminate domestic and related services for recipients who live with family members, when the need for services is provided in common with other household members, effective October 1, 2004. Services proposed for elimination include housecleaning, meal preparation, meal clean-up, laundry, food, shopping, and errands. When fully implemented, approximately 90,350 recipients could lose these IHSS services. This would result in General Fund savings of \$26.3 million in 2004-05 and \$35.1 million annually thereafter.
- The Governor proposes to reduce the state's share of cost for IHSS provider wages and benefits to the state minimum wage effective October 1, 2004, for General Fund savings of \$98 million in 2004-05 and \$130.7 million annually thereafter. Reductions would be phased in as existing contracts with labor unions and private contractors expire.

The Governor's budget proposals would limit the ability of elderly, blind, and disabled individuals to live in their own homes.

- According to the Department of Finance (DOF), IHSS Residual Program recipients could continue to receive services through the PCSP by switching providers; making provider payments through the regular payroll process rather than recipients receiving payments in advance of services being delivered; or being re-evaluated for services that would be federally-eligible. The DOF also indicates that IHSS Residual Program recipients could obtain services through other programs, such as Adult Day Health Care, Area Agencies on Aging, Regional Centers, and Caregiver Resource Centers.
- IHSS Residual Program recipients whose providers are spouses or parents could retain eligibility for services by seeking a different provider, such as a non-spouse, to care for them and thereby become federally-eligible. However, recruiting and retaining these new providers may be a challenge.⁴
- Reductions in provider wages and elimination of benefits due to the withdrawal of state funding above the minimum wage could impact the recruitment and retention of providers. Based on data for the fourth quarter of 2000, IHSS wages were the only source of earnings for about three-quarters (77 percent) of IHSS providers. For these providers, median monthly earnings were \$436. This represents about one-third (34.3 percent) of the 2003 federal poverty level for a family of three.
- County welfare departments, which authorize services for IHSS recipients, have experienced significant budget reductions that could impact their ability to promptly re-evaluate Residual Program individuals' need for services. According to the County Welfare Directors Association, frozen funding for county administration between 2001 and 2003 has resulted in annualized underfunding of \$20.3 million General Fund (\$63.1 million total funds). It is also unclear to what extent the re-evaluation would result in the authorization of federally-eligible services.
- Most of the other support programs listed above do not provide the types of services that the IHSS Program provides. Therefore, IHSS Residual Program recipients would not be able to utilize these programs in place of IHSS services. In addition, most of these programs have limited funding and the Administration has not proposed augmentations to adjust for

increased caseloads that could occur due to elimination of the IHSS Residual Program.

- The Administration assumes that immediate family members would take on more of the responsibility and costs for caring for elderly and disabled persons if domestic and related services were eliminated for the federally-eligible IHSS caseload. However, it is unclear to what extent these family members could or would provide these services in the absence of IHSS support.

Loss of IHSS services could result in more costly state-funded out-of-home care.

- It is uncertain how many IHSS recipients would enter out-of-home care if their IHSS services were eliminated or reduced due to the Governor's budget proposals.
- To the extent that elimination or reduction of IHSS services would result in increased caseloads in state-funded out-of-home care, any savings due to the budget proposals would be offset by increased state costs in other programs. Costs for out-of-home care, such as nursing facilities, are significantly higher than costs for IHSS services. For example, the average monthly cost of an IHSS Residual case is approximately \$650 (state pays 65 percent of costs), compared to about \$3,500 for a skilled nursing facility or about \$4,400 for an intermediate care facility (state pays about 50 percent of costs).

Proposals would result in the loss of federal funds.

- The state would lose approximately one dollar of federal funds for every dollar reduced from the federally-eligible portion of the IHSS Program. The budget proposals to eliminate domestic and related services for PCSP cases and to reduce state funding for provider wages and benefits would result in a loss of federal funds of \$191.3 million in 2004-05.

Agnes Lee prepared this Backgrounder. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions. Please visit the CBP's web site at www.cbp.org.

ENDNOTES

¹ Data are based on a 2002 characteristics report by the Department of Social Services that focuses on December 2001 IHSS recipients.

² California also uses federal Title XX Social Services Block Grant funds to cover costs in the IHSS Program.

³ Current law authorizes the state to pay for wages above the minimum wage and benefits for providers as negotiated by an IHSS Public Authority. Counties may establish a Public Authority to conduct IHSS activities, such as assisting recipients in finding IHSS providers, investigating the qualifications of potential providers, and providing training for providers and recipients. The \$9.50 wage level represents approximately 129 percent of the federal poverty level for a family of three.

⁴ A 2001 study by the Department of Social Services projected the number of IHSS recipients and providers from 2000 to 2040 and concluded that the demand for providers may be far greater than the supply in coming years.

Appendix 1: Impact of Proposed Elimination of the IHSS Residual Program by County

County	Number of Cases Affected*	County	Number of Cases Affected*
Alameda	2,688	Orange	2,330
Alpine	6	Placer	349
Amador	36	Plumas	42
Butte	694	Riverside	2,939
Calaveras	55	Sacramento	4,038
Colusa	81	San Benito	47
Contra Costa	1,070	San Bernardino	2,829
Del Norte	88	San Diego	5,532
El Dorado	185	San Francisco	2,506
Fresno	3,090	San Joaquin	1,417
Glenn	180	San Luis Obispo	462
Humboldt	593	San Mateo	645
Imperial	1,137	Santa Barbara	442
Inyo	32	Santa Clara	2,940
Kern	1,125	Santa Cruz	422
Kings	302	Shasta	703
Lake	433	Sierra	14
Lassen	61	Siskiyou	97
Los Angeles	27,529	Solano	504
Madera	254	Sonoma	721
Marin	330	Stanislaus	900
Mariposa	53	Sutter	151
Mendocino	435	Tehama	484
Merced	671	Trinity	29
Modoc	25	Tulare	953
Mono	24	Tuolumne	24
Monterey	651	Ventura	1,063
Napa	152	Yolo	131
Nevada	163	Yuba	139
		Total	74,995

*Based on IHSS Residual caseloads for April 2003 and projected for 2004-05.

Source: CBP analysis of Department of Social Services data