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Local Initiatives to Fund Services for Older Americans: Community Recognition of the Importance of Social Care

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Abstract

Despite the growing proportion of older adults in the United States, federal and state funding for nonmedical supportive services remains limited. To meet increasing demand, some communities across the nation are exploring alternative funding sources for aging services. Although no systematic database exists to track such local programs, through an array of data sources including a national survey, telephone contacts, and a web review, we identified 15 states that are using local funding to support aging services. Communities are using a variety of local revenue streams, such as property tax levies, payroll, and sales taxes to provide services for older adults and/or their family or friend caregivers. There are considerable differences in community approaches including the following: amount of revenue generated, service eligibility criterion, type of services covered, and management infrastructure. Critical policy questions surrounding equity issues within and across states are raised as communities create these alternative funding mechanisms.

Keywords

policy, community, home and community–based care and services, politics

Introduction

The growth in the number of older adults in the United States is having a profound impact on social, economic, and health systems. Current estimates project that the number of older adults will increase by 30% by 2030, giving rise to concerns about the funding available to support this population (U.S. Census Bureau, 2017). Expenditures on Medicare and Medicaid continue to increase, driven both by the sheer growth in the number of older people and continually rising health care costs. In 2018, Medicare expenditures of $605 billion accounted for 15% of the entire federal budget, with projections indicating that it will grow to 18% by the end of the decade (Centers for Medicare & Medicaid Services [CMS], 2019). Medicaid expenditures, which are used for acute and long-term services, represent the largest share of state budgets, typically ranging from 20% to 25% of total state general revenue expenditures (National Association of State Budget Officers, 2019). National expenditures of $593 billion are projected to rise 6% per year through 2027 (CMS, 2019). However, not all funding streams that support older adults have increased.

One area of spending that has not grown is the amount of federal funding allocated to the Older Americans Act (OAA) (Congressional Research Service, 2018). Since 1965, the OAA has provided social and supportive services to people aged 60 years and older with the goal of helping them live independently in the community, rather than relying on more expensive institutional care, such as skilled nursing facilities. Critics of current spending patterns suggest that limiting expenditures on the services typically funded by the OAA actually contributes to the increasing health and institutional long-term care bill in the United States (Thomas & Applebaum, 2015).

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States have attempted to respond to these concerns by dramatically expanding home and community–based services (HCBS) through Medicaid waivers that provide services such as personal care, home-delivered meals, medical transportation, and durable medical equipment. These HCBS waivers have been very successful in shifting Medicaid long-term services and support (LTSS) expenditures from nursing homes to the community (Eiken et al., 2018). Because Medicaid serves those individuals with disability and/or very low income, many older adults are excluded from this plan (Thomas & Applebaum, 2015). Therefore, some states have attempted to address this gap through the development of state-funded programs. Unfortunately, tremendous cost pressures on state budgets, including the high cost of the state match for the Medicaid program, has placed considerable constraints on most states' ability to provide additional support for aging services.

As a result, some counties and municipalities are using alternative funding strategies, such as property tax levies, to better serve older members of their communities. However, no formal database exists to keep track of such locally funded programs. Therefore, the purpose of this study was to examine how communities across the nation are utilizing local funding streams to support aging services.

Background

The OAA is the primary federal program aimed at funding nonmedical supportive services to America's older adults. The bulk of OAA funding is allocated to home-delivered and congregate meals, community services, support to caregivers, health promotion, and elders' rights and protection. Recent studies have found that the availability of such services impacts long-term care utilization. For example, states with fewer supportive services have a higher proportion of low-care residents in nursing homes (Thomas & Mor, 2013). In addition, individuals who receive congregate meals have been found to be less likely to be admitted to a skilled nursing facility or hospital compared to individuals who do not receive congregate dining services (Mabli et al., 2018). Despite these demonstrated impacts, a review of OAA funding shows that the footprint of the program has been dramatically reduced over the last four decades. The 1980 OAA allocation of $1 billion ($3.41 billion when corrected for inflation) served a population of 35.6 million, while today's allocation of $2.1 billion serves a 60-plus population of more than 70 million (Congressional Research Service, 2018).

An example of the importance of these services can be found in the recent Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed in response to the COVID-19 pandemic. The act included almost $1 billion for elders and individuals with disability to receive an array of support services, including $200 million for HCBS, $480 million for home-delivered meals, $100 million for family caregiver support, and $80 million to the aging and disability resource centers (U.S. Department of Health & Human Services [DHHS], 2020). This large one-time increase in funds reinforces the gap in support that exists for social care services needed across the nation.

While Medicaid HCBS waiver expenditures for the aged and disabled topped $25 billion in 2018, more than 90% of older Americans are not eligible for Medicaid (Eiken et al., 2018; Thomas & Applebaum, 2015). For many older people, particularly those with low and moderate income who are above the Medicaid eligibility criterion, the gap in service coverage is considerable. This problem is compounded by estimates that about 80% of older adults have at least one chronic disease (e.g., hypertension, diabetes, chronic obstructive pulmonary disease [COPD]) (Centers for Disease Control and Prevention/National Center for Health Statistics, 2015), but the health care system focuses almost exclusively on acute care. More often, older people and their families require LTSS, which are only minimally available in the current system (Aufill et al., 2019).

To meet the growing demand for non-Medicaid LTSS, states have successfully used local funding to support aging services (Payne et al., 2012). However, to date, little is known about how these alternate sources of funding are utilized across the nation.

Study Approach

This study examined different strategies employed by communities seeking to fund non-Medicaid LTSS with local dollars. Specifically, we sought to identify ongoing or renewable initiatives in which funds are collected at the county, township, or city level (e.g., property tax levies, payroll tax, sales tax, and other voter-approved funding), and allocated to local programs and services that provide support to older adults and their family or friend caregivers in the community. We characterize these initiatives as "locally funded." Funding made possible by umbrella human services levies are considered locally funded; however, funds generated via philanthropic efforts and state-funded programs were not included in the study, even when the funds were allocated at a local level.

As there is no existing database of locally funded aging services programs, we used an array of sources to identify these initiatives, including the following: a 2019 ADvancing States national survey of State Units on Aging (SUAs) asking about locally funded HCBS programs; direct telephone contacts with State Units on Aging, Area Agencies on Aging (AAAs), secretary of state's offices, county clerk's offices, and other officials involved in local funding efforts; and a web search for locally funded services, local levies, or ballot issues. This data collection process resulted in the identification of 15 states that utilize local funding streams to provide supportive services for older adults and/or their family or friend caregivers. While it is possible that other states do have local funds being generated for aging services, our review of all 50 states found only these 15 where local

Table 1. Identified States and Local Funding Streams.

State	Number of local regions	Type of funding
California	1	Voter-approved charter amendment
Illinois	30	Property tax levies
Kansas	42	Property tax levies
Kentucky	3	Payroll tax levies
Louisiana	28	Property tax levies
Michigan	66	Property tax levies
Missouri	55	Property tax levies and sales tax levies
Montana	6	Property tax levies
Nevada	6	Property tax levies
North Dakota	52	Property tax levies
Ohio	74	Property tax levies and one sales tax levy
South Carolina	3	Property tax levies
Washington	1	Property tax levy
West Virginia	7	Property tax levies
Wyoming	6	Property tax levies

funding could be confirmed. Table 1 illustrates the identified states, the number of local regions (i.e., cities, counties, or townships) within the state collecting local funds, and the type of tax used to generate local revenue.

Our search revealed that property tax levies are the most common source of local funding. Thirteen states have such levies at the county level, and three of these also have levies at the township level. Some of the property tax levies have been in existence since the 1970s, while others have been recently enacted. Some levy initiatives are included in state statutes and can continue indefinitely without voter-approved renewal unless an increase is sought. Other states require that levies be renewed periodically, typically every 3−5 years. In addition to property tax levies, other local funding streams were also identified. For example, Ohio and Missouri have sales tax funding in a small number of local regions. Kentucky has counties using voter-approved payroll tax levies. In California, voters in San Francisco recently approved a charter amendment specifying that city general funds be appropriated for services to older people.

Though the majority of locally funded initiatives target older people as service recipients, some initiatives are broader in their scope of who is eligible to receive supportive services. For example, the California program also serves adults living with disabilities and veterans through their initiative. Similarly, the Washington program in Seattle includes services for veterans and individuals who are homeless in addition to services for older adults. Some counties in Kentucky also use their funding to support mental health services and programs for individuals who are living with intellectual and developmental disabilities.

Although each of the 15 states utilize local funds, the amount of dollars generated and the means by which such funds are collected and distributed varies. In some cases, funds are distributed by an organization with the responsibility to only distribute the funds but not to provide services. In other cases, funds are allocated to an organization that provides services but can also contract with other agencies to provide services. Organizations tasked with only the distribution of local funds typically include county clerk's offices, county auditor's offices, community development offices, county fiscal courts, and senior services tax fund boards (i.e., volunteer boards appointed by county commissioners). Organizations responsible for service provision (sometimes contracting with other agencies to provide supportive services) include senior centers, councils on aging, county commissions on aging, community action agencies, and area agencies on aging.

Organizations responsible for allocation of funds but not providing services generally receive applications for funding from aging services providers in their county annually. Typically, funds are used for home-delivered meals, transportation, homemaking/personal care, and preventive health services. Some counties use a handful of providers, while others use a large number of providers. Much of this difference in allocation approach can be attributed to the amount of funds generated, the size of the county, and the aging services network in that county.

The amount of local funds differs dramatically both within and across states. For example, in Ohio, metropolitan counties like Hamilton (Cincinnati) and Franklin (Columbus) generate very large amounts of money for senior services tax levies ($30−40 million dollars annually), whereas some nonmetropolitan Ohio counties generate less than $50,000 annually (Muttillo, 2018). In some states, smaller counties were identified with levies generating as little as $16,000 per year.

State rules regarding the funds that property tax levies may generate also vary. Several state statutes limit the millage or tax rate to a specified amount (.5−2.0). The millage rate is the size of tax levied based on the value of the property (per $1,000 in assessed value). Missouri's voter-approved Hancock Amendment of 1980 limits taxing based on a ratio of total state revenues and personal income of citizens (Kevin-Myers & Hembree, 2012). Nevada allows counties with a population of less than 100,000 to propose a tax levy for specific community facilities and services, including services for senior citizens (Nevada Revised Statutes, § 377A.020). North Dakota provides matching funds from the state to counties with senior levies. The match is 87.5% of the total dollar amount of the levy up to 1 million (North Dakota Century Code, § 57-15-56). Finally, in some communities, programs reported using the locally generated funds as a source of match for OAA funding.

Policy Implications

National health expenditures increased 4.6% in 2018 to $3.6 trillion and are expected to reach $6.2 trillion by 2028 (CMS, 2019). The amount spent on older adults has increased as well. For those aged 65 years and older, the cost of health care spending was $19,098 per person in 2014 (CMS, 2019). However, unlike the majority of the world's economically developed countries, the United States spends a very small proportion of our public expenditures on social supports for older adults (Squires & Anderson, 2015). This becomes particularly salient when reviewing public expenditures for older people living with disability. Our major public program support for older adults in need of LTSS is Medicaid, but fewer than 10% of the older population is eligible for this program (Thomas & Applebaum, 2015). Unfortunately, older people who become Medicaid recipients do so when their health and long-term services needs become so large that they have essentially become impoverished. Our current public system spends large amounts of money *after* a person has a serious health incident or requires long-term services, and efforts to increase the efficiency of Medicare and Medicaid have been the dominant policy strategy (Congressional Research Service, 2018; Eiken et al., 2018). Critics have consistently argued that these programs fail to allocate resources to preventive or supportive services (Thomas & Applebaum, 2015). Despite the tremendous growth of the older adult population, the one federal program designed to provide preventive and supportive services, the OAA, has been cut in real dollars, except for the recent CARES response to COVID-19 with a one-time funding allocation (Congressional Research Service, 2018; DHHS, 2020).

Although there is much to be learned about the structure and operations of these locally funded initiatives, their existence does generate a number of important policy questions for consideration. Similar to concerns about local funding for education, do these levies create inequities? Does this approach provide even more resources to affluent regions, widening the disparity between high- and low-resourced counties across a state? Similarly, will such an approach contribute to even wider service gaps across states? Since states have the option of funding state-only programs now, one could hypothesize that local funding opportunities could actually increase state disparities, since local communities seem to be more amenable to local funding than many state officials. Although proponents of locally generated funds recognize this concern, they argue that the federal and state funding gap for LTSS is so pronounced that it is critical that alternative sources of revenue be identified.

An additional concern about local funding is that communities will simply change allocation priorities. As an example, in one of the very large levy counties, there was discussion about the local United Way shifting its allocation away from aging services under the assumption that the local levy program was generating adequate revenues. A related but additional issue of concern involved efforts to channel levy dollars for political purposes. In one community, an issue was raised about local commissioners routing local tax dollars to a specific agency without a transparent process.

On a larger scale, some have suggested that a widespread expansion of local funding would get the federal government "off the hook" in terms of addressing the serious challenge of funding LTSS. They argue that if a critical mass of communities turns to local funding options, then the federal government will ignore the problem, resulting in more inequities within and across states. This long-standing debate about whether the federal, state, or local governments should take the lead on delivering services to vulnerable populations has been commonplace throughout social welfare history. Local officials have indicated that while such debates continue on, there are people in need of assistance that are not getting the necessary support, and that is the critical issue that needs to be addressed.

Questions about equity across communities are important to consider, but there is evidence that suggests local funding initiatives may be good politics. A review of the levy experience in Ohio for example, found a 98% passage rate of tax levies across six elections, with no differences between red and blue counties across the state (Applebaum & Goldstein, 2019). Although we are still assessing political success through a follow-up survey, our initial telephone contacts indicate that these locally supported programs achieve high levels of political support at the community level. As the population ages, and as states and the federal government continue to debate the type and level of resources that should be made available to an aging population, it seems likely that local funding will continue to grow in importance. As such, it is vital that we have a better understanding of how such initiatives work and that we fully consider the accompanying opportunities and challenges.

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