



## Affordable Assisted Living & Nursing Facility Medicaid Cost Comparison 10/08

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In a 2004 report; State Assisted Living Practices and Options, affordable assisted living (AAL) expert Robert Mollica noted that assisted living is often estimated to be 30 to 50 percent less expensive than nursing facility costs. The following displays cost comparisons for Medicaid funded affordable assisted living and nursing facility rates for the states within the CMS Region V services area. Various sources were used and are documented for each state.

This is a direct comparison of Medicaid reimbursement rates for these care settings; however the lack of available information on current state nursing facility (NF) rates prompts the use comparisons across different years between the two care settings. As Medicaid NF costs and rates are from earlier periods than AAL, it is likely that they are higher in 2007. Regardless, the following demonstrates that Medicaid funded AAL is comparatively less costly than Medicaid funded NF costs:

- **Ohio** – AAL = 54% of NF cost
- **Illinois** – AAL = 43% of NF cost
- **Indiana** – AAL ranges from 61% to 79% of the 2002 NF rate
- **Minnesota** – AAL cost range from 28% to 64% of 2002 NF cost
- **Wisconsin** – Maximum AAL payment is capped at 85% of NF cost

It can be assumed that Michigan would also be a less costly alternative.

**Ohio** – AAL = 54% of NF cost

### Average Monthly Reimbursement Rates by Region\*: Nursing Home Residents vs. Assisted Living Waiver Participants:

<i>Region</i>	<i>Assisted Living Waiver Costs (2007)</i>	<i>Nursing Home Medicaid Costs (2005)</i>
1 Cincinnati	\$2,742.38	\$5,680.75
2 Dayton	\$2,618.63	\$5,236.21
3 Lima	\$2,742.38	\$4,602.26
4 Toledo	\$2,742.38	\$4,910.09
5 Mansfield	\$2,742.38	\$4,761.91
6 Columbus	\$2,742.38	\$5,141.04
7 Rio Grande	\$2,671.66	\$4,410.37
9 Cambridge	\$2,639.25	\$4,393.94
10a Cleveland	\$2,716.60	\$5,923.79
11 Youngstown	\$2,718.58	\$4,785.47
Sidney	\$2,742.38	\$5,802.76

**State Average Costs****\$2,710.82****\$5,058.96**

Source

Evaluation of Ohio's Assisted Living Medicaid Waiver Program, Scripps Gerontology Center, Miami University (2007)

**Illinois** – AAL = 43% of NF cost

The Medicaid AAL per diem rate is capped at 60% of the nursing facility rate paid in established regions\* to assure cost effectiveness. As of 11/05, actual costs for AAL were 43% of the cost for nursing facilities:

	<i>Per Diem '05</i>	<i>Monthly</i>
AAL	\$99	\$3,000**
NF	231	7,000**

Source

\* Residential Care & Assisted Living Compendium 2007, Robert Mollica, National Academy for State Health Policy

\*\* Chicago Tribune interview with Director of the Illinois Department of Healthcare and Family Service 11/6/2005

Note; the AARP report Across the States, Profiles of LTC and independent living 2006 states that the 2002 NF rate was \$90 per day

**Indiana** – AAL ranges from 61% to 79% of the 2002 NF rate

This state uses a tiered payment system with three AAL rates based upon a tenants' functional capacity as determined from points assigned from a clinical assessment.

Per Diem	NF 2002**
AAL 2007*	Total \$103
Level 1 \$62.74	
Level 2 71.85	
Level 3 80.95	

Source

\*Residential Care & Assisted Living Compendium 2007, Robert Mollica, National Academy for State Health Policy

\*\* AARP; Across the States, Profiles of LTC and independent living 2006

**Minnesota** – AAL cost range from 28% to 64% of 2002 NF cost

This state uses a case mix approach to classify assisted living consumers into cost groups based upon their level of service need. This approach is similar the tiered

approach used by IN but includes 11 possible categories. The state also sets monthly  
 The following displays both average monthly assisted living payment and the state  
 imposed monthly rate limits by case mix category and a calculated per diem for  
 both.

Case Mix	Average Per Day Payment*	Per Day Rate Limit*
A	\$35.84	71.62
B	40.73	81.52
C	47.79	95.61
D	52.44	98.78
E	54.46	108.94
F	56.11	112.24
G	57.92	115.84
H	65.31	130.69
I	34.36	134.13
J	71.42	142.97
K	83.30	168.12

NF 2002 per day reimbursement rate = \$130\*\*

Source

\*Residential Care & Assisted Living Compendium 2007, Robert Mollica, National Academy for  
 State Health Policy

\*\* AARP; Across the States, Profiles of LTC and independent living 2006

**Wisconsin** – Maximum AAL payment is capped at 85% of NF cost

Medicaid reimbursement for AAL is limited to 85% of the average Medicaid NF rate,  
 excluding room and board. Maximum spending for the total service plan is \$88.02 per  
 day, including all waiver services and care management:

Maximum AAL Maximum '07	2002 NF rate
\$88.02*	\$110**

Source

\*Residential Care & Assisted Living Compendium 2007, Robert Mollica, National Academy for  
 State Health Policy

\*\*AARP; Across the States, Profiles of LTC and independent living 2006