

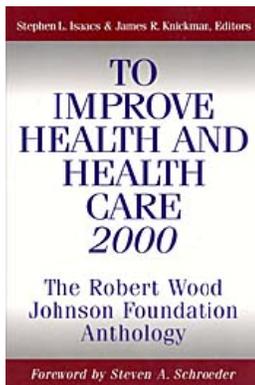
Coming Home: Affordable Assisted Living for the Rural Elderly

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Robert Wood Johnson Foundation

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Editor's Introduction

The Foundation's interest in assisted living comes from one of its targets in the chronic care area: increasing the capacity of communities to meet the supportive care needs of chronically ill people. To achieve this, communities must consider the types of services they think are most important and then develop strategies for making those services available. The models that are the focus of current Foundation grantees are adult day care, which is the subject of the chapter by Rona Henry and her colleagues in this volume; volunteer services for chronically ill people living in the community, which was discussed by Paul Jellinek and his colleagues in last year's *Anthology*; and assisted living, which is examined in this chapter.

With the dramatic growth of continuing-care retirement communities, assisted-living facilities are more available than they were a decade ago. However, continuing-care retirement communities tend to be very expensive, and beyond the reach of most seniors. Moreover, they are found largely in urban and suburban locations. Recognizing the need for assisted-living facilities that people with limited means living in rural areas could afford, in 1992 the Foundation approved a program called *Coming Home: Integrated Systems of Care for the Rural Elderly*. The program represented something of a departure from the Foundation's traditional activities, as it involved real estate development.

As Joseph Alper, a journalist specializing in health, science and technology and a contributing correspondent for *Science*, describes in this chapter, creating affordable assisted-living facilities is not easy. It requires, first of all, an understanding of real estate development and how to gain access to sources of loan or equity funds for low-cost housing. Second, it requires an understanding of an equally arcane field: health care financing and, in particular, how to obtain waivers of federal regulations so that Medicaid funds can be used to provide health, social and personal care services for low-income residents of assisted-living facilities. Third, it has the potential to raise political opposition, especially from the nursing home industry, whose financial interests could be threatened.

As Alper notes, the Coming Home Program has had to line up an array of partners in local communities, provide technical assistance, make loans for up-front feasibility studies and predevelopment costs, and help the sponsors arrange for long-term financing in order to build affordable assisted-living housing. It worked with housing and financing agencies, local planning agencies and state Medicaid programs to ensure that supportive services would be reimbursed in the affordable assisted-living facilities. Alper traces the program from its conception through its

modification and implementation. He concludes by drawing practical lessons from the Coming Home experience.

At age 67, Gloria Jean has had more than her share of ailments. She has suffered the ills associated with long-term drinking, she fought and beat ovarian cancer and then lung cancer while raising four children, and most recently she waged a six-and-a-half-month battle against pneumonia that put her in the Benedictine Nursing Center in Mt. Angel, Ore., set in the middle of berry farms about 15 miles northeast of her home in Salem. Though recovered from pneumonia, Gloria Jean now walks tethered to the oxygen tank that she pulls with her at all times, and by her own account needs some help to get along. "I just can't make it by myself at home anymore," she says. "It's too much work. I don't have the energy to cook anymore, and I can't always trust myself to take all of my medications on the right schedule."

In a perfect world, Gloria Jean would be able to afford the \$1,800 a month or more that would get her a place in one of the growing number of residential assisted-living facilities that now exist. There she would have her own apartment and access to any help she needs in daily living tasks, such as meal preparation, laundry, bathing and sticking to her medication schedule. But with Social Security as her sole source of income, even \$800 a month would be well beyond her means.

Gloria Jean's doctor recommended that she move in with one of her children, but that is not an option. "I love my kids, but I'd rather take my chances on my own before I'd ever consider moving in with one of them," she says. She also resists the idea of a nursing home. "I'm already going nuts, and the nursing home wasn't bad. But I'm not ready to die, and that's what nursing homes are all about."

Fortunately for Gloria Jean, a fourth option arose—Mt. Angel's newly constructed Orchard House Personalized Living Center for low-income elderly. Adjoining the Benedictine Nursing Center, this handsome 50-unit, two-story building is more than just a modern apartment building, though that's what it looks like from the outside. Besides having her own one-bedroom apartment, complete with bathroom and kitchen, Gloria Jean has access to a comfortable dining room and to a staff trained to provide daily living assistance at whatever level she needs to remain healthy. But unlike at the comparable private-pay facilities, her rent here is affordable—\$370 a month. "My guardian angel is watching over me, because this is the perfect solution," Gloria Jean says. "I have my own apartment and my independence, and yet I can get the

help I need as far as preparing meals and taking my prescriptions so that I won't get sick again. I want to enjoy a good many more years of life in a nice environment, with lots of people around for socializing, and this is it. I'm home."

A GROWING NEED FOR AFFORDABLE CARE OF THE ELDERLY

The Orchard House Personalized Living Center and two similar facilities in southern Illinois are among the first assisted-living facilities in the nation to open their doors to the low-income elderly living in rural areas. Assisted living is residential care that combines rental apartment living with supportive services to assist with the activities of daily living. These services may include personal care, housekeeping, linen service, meals, medication management and 24-hour supervision. Health, social and personal care services may be available at the residence or through arrangements with off-site providers. All three facilities were built to the same standards as the more expensive assisted-living facilities opened by companies such as the Marriott Corporation. However, these and several others now under construction are affordable to low-income residents thanks to a program known as Coming Home: Integrated Systems of Care for the Rural Elderly. This six-year program, created in 1992 with a \$6.5-million grant to the Oakland-based NCB Development Corporation, is one of the many Foundation projects that provides social and medical services for chronically ill and disabled individuals.

Today, more than 100 million people in the United States have chronic conditions with persistent and recurring health consequences. Of these, 41 million are limited in their daily activities by their conditions, and 12 million are unable to go to school or work or to live independently. Some 7 million elderly Americans now require long-term care for chronic conditions—a number that is expected to double by 2020. This problem is particularly acute in America's rural communities, which contain the nation's highest concentrations of elderly people. Currently, the elderly make up about 15 percent of the rural population, compared with 12 percent in urban areas. In many rural communities, as many as 25 percent of the residents are elderly.¹

Old age and chronic illness go hand-in-hand, and many rural elderly people need health, social and personal care services that are beyond the ability of their families or communities to provide. And in rural areas home care and assisted-living arrangements are almost nonexistent; this situation will get worse as the rural population ages. According to a study by the Institute for Health and Aging at the University of California, San Francisco, the number of potential caregivers is expected to decrease from 11 for each person age 85 or older in 1990 to only six by the year 2030.²

At the same time, many rural communities have excess bed capacity in their acute care hospitals and skilled nursing facilities—settings that are inappropriate for elderly people who are not ill enough to warrant a high level of care. However, these are often the only options available for low-income seniors. In addition, the low population density in rural areas and the scarcity of able caregivers make the provision of home health care services, which could be used instead of acute care facilities or nursing homes, very inefficient. Assisted-living facilities can fill the gap between living alone and living in a nursing home.

The kinds and amount of services that may be provided at assisted-living facilities vary from state to state. In Oregon, for example, assisted-living facilities can have a licensed health care practitioner, such as a nurse or a physician, on site twenty-four hours a day. In contrast, many states, including Illinois, Oklahoma and Colorado, prohibit assisted-living facilities from providing regular medical care to residents, though private physicians can visit their patients just as they would at any private residence. Such integrated systems of community-based care that link health, social and personal care services with assisted-living housing have been developed in many urban and suburban communities for moderate and upper income seniors. In fact, the construction of assisted-living facilities is a mainstream industry in the United States today, and in some parts of the country the availability of such facilities exceeds the demand for them. However, for-profit assisted living is far from affordable for most seniors: monthly fees in typical assisted-living residences can range from \$1,800 to \$5,000, pushing it out of the reach of seniors with annual incomes below \$30,000. (Of the 10.2 million households of people over 75 years old, 65 percent have incomes under \$30,000 a year.³) Yet few organizations are creating affordable assisted-living housing for low-income elderly and disabled people. The only alternative for most rural elderly people is moving away from their community or settling prematurely into a nursing home.

PULLING TOGETHER AFFORDABLE SERVICES AND HOUSING

Two components are necessary to create affordable assisted-living facilities for the nation's low-income elderly population. First, there is the housing component—finding financial resources to build or renovate safe, clean and architecturally appropriate housing that seniors with limited incomes will be able to afford. There are a number of ways to accomplish this, primarily through the use of the low-income housing tax credit program and equity or reduced interest rate loan programs. But many obstacles exist that are not easily overcome. "It's a formidable undertaking, particularly for most nonprofit organizations that would be involved in creating assisted-living facilities for low-income elderly populations," says David Nolan, vice president of the NCB Development Corporation. "These organizations would

certainly have the experience to manage such a facility, but they just don't have the staff or the expertise to pull together all the different financing and development pieces needed to make such a facility happen."

Second, there must be a better mechanism enabling residents to pay for housing and health, social and personal care services. In theory, Social Security and Supplemental Security Income can cover the rent; in practice, however, these sources of income are often too low. Supplemental Security Income payments, for instance, are about \$500 per month. Many health care costs of low-income seniors are covered by Medicare and Medicaid. If the state receives a waiver of the federal government's Medicaid rules and regulations, Medicaid funds can also be used to pay for personal care and social services; currently, thirty-seven states have received such waivers, though the coverage varies by state and is not always adequate. Few states have created integrated housing and services programs to facilitate the development of affordable assisted living.

The Coming Home program was created by the Robert Wood Johnson Foundation to provide solutions to these problems. In its original incarnation, Coming Home was designed to build on the experiences of a smaller project that the Foundation had funded in an attempt to help a rural community in North Carolina develop community-based systems that would provide chronic care for their elderly populations.

The Hampton Woods project in Northampton County, North Carolina, an area in which 14 percent of the 28,000 residents are age 65 or older, was designed to integrate an existing primary care health center with new institutional nursing, home and community-based services on a single campus. The project was sponsored by the Roanoke Amaranth Medical Group, a federally funded community health center, and it was to include a sixty-bed skilled nursing facility; twenty units of low-income housing with assisted-living services such as Meals on Wheels and housekeeping; a senior center; adult day health care; a rural health clinic within the nursing home; and market-rate housing units.

Each of these components was planned to allow for better coordination and integration of care, to minimize reimbursement problems, and to take advantage of operating economies of scale, particularly shared staff. As an additional benefit, Hampton Woods was designed to strengthen the primary care base of the county and to generate a substantial number of new jobs in a poverty-stricken area, demonstrating the importance of health care as a component of a rural economic development strategy.

Because the project lacked working capital for project management and immediate access to adequate financing, it took twenty years to complete. Only recently have all levels of care been integrated with one another. Project participants and state officials agree that a lack of real estate development expertise and knowledge about obtaining financing were critical factors that hindered the development of the campus. Nevertheless, major improvements in the delivery of care for the low income elderly of the area occurred.

Learning from this experience, the Robert Wood Johnson Foundation turned to the NCB Development Corporation when it was planning the Coming Home program. The NCB Development Corporation, affiliated with the National Cooperative Bank in Washington, D.C., provides financial services and technical support to community-based enterprises, and has expertise in real estate development and financing. "Since the North Carolina project ran into trouble because of a lack of expertise on some of the real estate development and financing issues, we thought that the NCB Development Corporation would be an ideal partner for Coming Home," says Nancy Barrant, a senior program officer at the Robert Wood Johnson Foundation.

After preliminary market research and an exploration of the various financing and reimbursement issues under a \$200,000 grant from the Foundation, the NCB Development Corporation's application for Coming Home was approved for six years that ended October 31, 1998. As conceived, Coming Home would fund the development of rural community-based systems of chronic care for the elderly at five sites across the country. It would provide technical assistance and approximately \$400,000 in outright grants and \$400,000 in loans to each site. The remaining grant money would cover the NCB Development Corporation's expenses. The total cost of each project was expected to be approximately \$3.76 million, with the majority of the funds coming from state and federal programs and conventional bank financing.

Almost immediately, however, the program ran into trouble. Barrant recounts what happened: "The day after the Foundation's board approved the money for Coming Home, the project director at the NCB Development Corporation resigned. Then we had a parting of the ways with one of our consultants, who had overseen the Hampton Woods project and perhaps had grown a little too close to the process. It wasn't a great start."

To replace the outgoing project director, the NCB Development Corporation hired David Nolan, who had been responsible for fundraising and marketing with San Francisco's On Lok Senior Health Services.

On Lok combines Medicaid and Medicare funding for the frail elderly and helps seniors remain independent in their own homes.

One of the first things Nolan did was to hire John Rimbach away from the Bank of America as deputy program director. Rimbach's experience in real estate development and tax-credit-based financing complemented Nolan's expertise in health care services for the elderly and Medicaid funding. Together, the two explored various ideas on how to meet the goal of Coming Home—establishing a community-based services system that would provide care for the chronically ill elderly outside of a nursing home or an acute care environment—in a manner that not only had a chance to succeed but that could also accomplish three other goals. "First, we wanted to leverage the Foundation's grant to the largest extent that we could," Nolan says. "Second, we wanted to create a program that we could replicate on a national scale. And, third, along the same lines, we wanted to build the long-term ability of the NCB Development Corporation to be able to assist a variety of community-based organizations that might be interested in developing community-based services for the elderly."

A NEW DIRECTION FOR COMING HOME

After nearly a year of study, the NCB Development Corporation team, working with the Foundation's staff, concluded that the best way to provide care for chronically ill, low-income rural elderly people was to build affordable assisted-living facilities. Perhaps more important, they identified four challenges facing rural, community-based organizations that wanted to develop assisted-living facilities for low-income elderly people:

- Gaining access to flexible predevelopment funds for feasibility studies and subsequent project costs such as architectural and engineering work, site acquisition and payment of fees.
- Identifying developers and sponsors with real estate finance experience from other sectors that they can apply to assisted-living projects.
- Identifying public financing programs available for these facilities and negotiating the procedures to get these funds.
- Working with state agencies on aging to identify ways to obtain reimbursement for the supportive services these facilities provide.

From the Robert Wood Johnson Foundation's perspective, these challenges indicated that Coming Home's main emphasis would be on issues surrounding real estate development. This was something new. "Real estate development was not an area in which the Foundation had been involved, and it caused some concern," Barrand says. "But the NCB Development Corporation staff made a compelling argument that this was the most effective means to the end result that was at the heart of the

Foundation's mission; namely, delivering health care services to an underserved, needy population." After this initial work, the NCB Development Corporation decided to take a four-pronged approach in working with community-based organizations that were interested in building assisted-living facilities for local low-income elderly people:

1. Technical assistance on real estate issues, including marketing studies, site selection and acquisition, financing plans, architectural and engineering services and obtaining permits.
2. Working with state agencies to coordinate Medicaid payments for the health, social and personal care services component of the project.
3. Identification of federal, state and private financing, particularly equity programs and low interest public financing, which would significantly lower the rent needed to service a conventional mortgage.
4. Short-term predevelopment financing from a \$4.3-million revolving loan fund to cover development-stage activities that would be repaid when project construction began.

Perhaps the most important decision in reformulating Coming Home had to do with the fourth element—program funds would not go into permanent project investment and capitalization but, rather, would provide short-term financing to cover the initial development costs that often amount to more than community-based not-for-profit organizations have available. Originally, the revolving loan fund was to be the source of permanent financing capital—estimated at \$600,000 to \$800,000 per site—that the developing organization could then leverage with other forms of permanent financing. Under the new strategic plan, the loan fund was used to provide any given project with enough money to complete the necessary market research, planning and predevelopment work. "These costs can easily reach \$125,000, and very few not-for-profit community-based organizations have that kind of money to risk," Nolan says. "But without spending that money, no project would ever happen. It was your classic Catch-22 situation, but one that the revolving loan fund could remedy."

The reason that the revolving loan fund could be used for startup costs is that there exists a number of permanent financing programs, at both the federal and state levels, that can be used to cover the costs of developing low-income rental housing and elderly housing. It is true that these programs had not funded many assisted-living projects, but people on the staff of the NCB Development Corporation were confident that, with their technical assistance and their reputation in the lending community, they would be able to attract funds for Coming Home projects.

The primary source of funding for low-income housing programs is federal low-income housing tax credits, which are allocated to each state on a per-capita basis—currently \$1.25 per state resident.

Organizations with projects for low-income residents apply to the designated state agency and compete for the limited allocation in any given year. Winners then package the credits and sell them to companies, which receive a ten-year stream of tax credits in return for an up-front payment. Typically, the buyer and seller negotiate the current value of the tax credits. The current value is based on factors such as market conditions, the timing of the pay-in and other risk factors. Today, selling organizations receive approximately 75 percent of the total credit award in cash. In most cases, tax credits will cover at least half of a project's cost.

Another source of funds is the HOME Investment Partnership Program—a federal initiative established under the National Affordable Housing Act of 1990. HOME funds are provided in the form of grants or soft loans, either of which lowers the cost of any additional debt financing needed to complete a project. The United States Department of Agriculture also has funds available for low-income housing through its low-interest-rate Community Facilities Loan Program. The Orchard House Project—fifty units of affordable assisted-living and fifteen units of foster senior care housing—received a \$7.3-million, 40-year, 5 percent loan commitment from this program, which is why residents such as Gloria Jean can afford to live there. State and local governments can also use their authority to issue tax-exempt bonds to help finance assisted-living facilities.

CHANGING STATE REGULATIONS

Providing technical assistance in the public financing arena, as well as on real estate development issues, fell on John Rimbach's shoulders. While mastering the ins and outs of tax credits and financing is certainly one of the most challenging feats in the low-income development world, mechanisms are in place to obtain such funds if one knows how and where to look for them. David Nolan took on the equally daunting task of trying to educate state policy-makers about the assisted-living model of care and to help them evaluate ways of reimbursing the costs of such care with Medicaid dollars.

To reduce the cost of Medicaid programs, legislators and other policy-makers in a number of states have used Medicaid reimbursement for various home- and community-based alternatives to nursing home placement. Many states have received federal waivers from Medicaid regulations and have developed demonstration programs that provide funding for alternatives to nursing homes. States most often fund these programs by setting aside some of their Medicaid funds to support alternative models of care that are no more expensive than current Medicaid-eligible programs. For example, Oregon's Vision 2000 initiative uses Medicaid funds to pay for the services component at the Orchard House project.

Reimbursement is approximately \$1,700 per resident per month, compared to the \$2,800 that the state

pays per resident each month for nursing home care. Illinois has approved a number of demonstration projects—two funded by Coming Home—but has failed to pass legislation making any of these programs permanent. Nolan has also worked with state policy-makers in Arkansas, Connecticut, Iowa and Oklahoma to evaluate how these states might approach reimbursement for services and housing provided by assisted-living facilities.

The major obstacle to enacting such programs, Nolan says, is intense lobbying by the nursing home industry. "It's estimated that one-third of nursing home residents could be cared for in assisted living at a reduced cost to Medicaid," he says. "Therefore the proliferation of affordable assisted living could be perceived as a threat to the nursing home industry. I see it as an opportunity—an opportunity to both save money for the state and provide an environment that seniors want." Deborah Karns, executive director of the Long-Term Care Authority in Tulsa, Oklahoma, which disburses Medicaid funds for the state, agrees: "We really had to battle the nursing home industry to be able to use Medicaid funds in the assisted-living model. But after working on this for four years, we were finally successful, and now we are going ahead with a Coming Home project in Tulsa."

TEST CASE: CACHE VALLEY IN ULLIN, ILL.

With the groundwork laid, the NCB Development Corporation began to solicit proposals in March 1994 from community-based organizations interested in developing assisted-living facilities for low-income seniors. Nolan hit the road, speaking to dozens of groups about Coming Home. One of the groups he spoke to was the Shawnee Health Services and Development Corporation (Shawnee), a not-for-profit community health and local development agency. Based in Caterville, Ill., it works with the Illinois Department on Aging, operating community health centers in a thirteen-county area in rural southern Illinois.

Its case managers also assess Medicaid and nursing home eligibility for the state. Toby Saken, who heads the Seniors Division, was intrigued by the program. Nolan encouraged her to apply for feasibility funding to see if there was a supportable market in this poorest part of Illinois. With predevelopment funds from Coming Home, the Shawnee Corporation conducted a feasibility study that demonstrated that Southern Illinois could actually support several assisted-living facilities for low-income seniors. Of the 45,984 people in a four-county area, 18 percent were seniors, and 77 percent of the senior population had an income below \$15,000 a year. With few elderly rental apartments and lengthy waiting lists for the few nursing homes, this was a region of the country ripe for Coming Home.

Furthermore, Shawnee's preliminary assessment found that other community-based organizations were interested in participating in such projects. Eventually, these groups came together and formed a new nonprofit entity—the River to River Residential Corporation—to work with Coming Home to create affordable models of assisted living throughout southern Illinois. The NCB Development Corporation strongly encouraged this pooling of interests because it set in place one organization that could eventually replicate any successes across a wide area. "We know the learning curve is going to be steep on the first project with any group, and so our priority is to work with organizations that are capable of developing and managing multiple assisted-living facilities," Nolan says.

River to River and the NCB Development Corporation decided to test the Coming Home program in Ullin, a village of 500 residents about an hour from Carbondale, the biggest city in southern Illinois. By April 1996, the Illinois Housing Development Authority had awarded low-income tax credits that, when sold to Mercantile Bank, netted River to River \$2.2 million. A month later the Illinois Trust Fund approved a \$500,000, 40-year loan at 1 percent interest. With River to River contributing \$25,000 and the Southern Illinois Health System another \$680,000 in permanent financing, the total package was in place. River to River then bought the land for the project in November, 1996; construction began in December, and the first tenants moved into the Cache Valley Assisted Living Residential Apartments in November 1997. By March 1998, all forty units of the \$3.4 million-dollar facility were occupied, and money from the Coming Home revolving loan fund was repaid.

In the 17 months from the time the tax credits were issued to the grand opening, the NCB Development Corporation and River to River had to overcome a number of obstacles. The chosen site, for example, lacked an adequate water source, so the residents of Ullin voted to give up their private water well, along with its autonomy and revenues, to join a regional water system being developed in the area. The Illinois Department of Commerce and Community Affairs then funded a new water tower and pipeline. Convincing a major urban bank to provide the tax credit equity for the project was a big undertaking; it was hard for the bankers to believe that tiny Ullin could support such a facility, particularly since no comparable facilities existed to prove that the concept would work. The NCB Development Corporation and River to River also spent countless hours working with the Illinois Department on Aging to develop a demonstration project that would permit Medicaid reimbursement for the services component. Historically in Illinois, any supportive services provided to Medicaid-eligible residents in a group home had to be contracted for directly between the resident and the provider. River to River received a waiver of this provision for the Cache Valley project. However, in order for River to River to be exempt from

standards and regulations that apply to Illinois nursing homes, the owner of the assisted-living facility must be different from the operator. As a result, River to River contracted with Addus HealthCare, a national services provider, to manage the facility, and Addus received Medicaid payment for services provided directly from the state's Department on Aging.

A year after opening, Cache Valley is a vibrant community. The 41 residents—there is one married couple—are unanimous in their joy at living there. "This is home, and both the people who live here and work here are my friends," said Zelma, whose one-bedroom apartment is decorated with hand-made afghans and dozens of family pictures. Ruth, who looks far too young to be a senior, says, "I'd probably be dead if it weren't for living here. Now I have a wonderful apartment and these people here are my family." Despite minor complaints—a lack of enough drawers in the kitchen for silverware being the biggest—the residents of Cache Valley certainly consider it a success.

The managers and the residents of the Cache Valley project report significant improvements in both the physical and mental health of the residents. Many of these seniors previously lived in substandard housing with inadequate heating. Most had become incapable of providing themselves with three meals a day, and almost all had trouble maintaining medication schedules. With assisted-living services, nutrition and medication compliance has improved significantly.

Aside from the welfare of the residents, two things stand out about Cache Valley. First, in no way does this appear to be a low-income housing project. This perception pleases the project architect, Jim Wilmot of Wilmot/Sanz in Gaithersburg, Md. "Our intention in creating the basic design for Coming Home facilities was to have them be at the standard of market-rate facilities, which we have experience designing, and not be like your typical low-income housing," Wilmot said.

The second surprise: smiling, happy staff. Nursing homes are notorious for a depressing atmosphere that affects not only residents but also staff. Certainly, the fact that Cache Valley has provided twenty-two well-paying jobs in the most economically depressed part of Illinois helps staff morale, but so too does the sunny atmosphere of the place. The result, visible in the interactions between staff members and residents, is a sense that the future is bright at Cache Valley—that this is a place full of life and promise, not one where death is hovering at the doorstep.

Cache Valley has been recognized in more concrete ways, too. The project won the Illinois Governor's Cup in 1998, an award that named Ullin as the state's No. 1 community for achievement through

volunteerism. Cache Valley was also recognized by the National Governors' Association as one of four model projects nationwide combining health care services and economic development, and by the Assisted Living Federation of America for its innovative design. And—this is perhaps the most quantifiable measure of all—Cache Valley saves the state of Illinois almost \$1,200 a month in Medicaid reimbursement.

COMING HOME AGAIN

With funds from the NCB Development Corporation, River to River is also developing additional assisted-living facilities in southern Illinois. The Big Muddy Assisted Living Residential Apartments in Murphysboro opened its doors to residents in October 1998. Big Muddy's fifty units for low-income seniors are filled, and there is a long waiting list for vacancies. The NCB Development Corporation and River to River signed an agreement for a third site, in Herrin, and look to expand to Anna and Metropolis.

The NCB Development Corporation is also working with a variety of other nonprofit organizations to develop other assisted-living facilities under the aegis of the Coming Home program:

- The Community Development Corporation of Bentonville, Ark., has started construction on a \$3-million, 40-unit facility that will provide an independent-living option with services available through an adjacent senior center. This arrangement was necessary because the Arkansas Medicaid program has not yet developed regulations or a reimbursement approach for assisted-living facilities. Coming Home staff members are working with state government officials to create the regulatory and reimbursement environment for assisted living and are starting feasibility studies for a second Bentonville project as a demonstration with Medicaid reimbursement.
- Senior Housing Options, a Denver-based nonprofit with 20 years of experience providing affordable housing and services for low-and moderate-income seniors within the metropolitan Denver area, broke ground in July 1998 on a \$3.4-million, 40-unit facility in Battlement Mesa, a retirement community in western Colorado. The developer of the retirement community donated a five-acre parcel of land within the community to add this assisted-living facility for low-income seniors. Colorado has approved Medicaid reimbursement for the service portion of the project.
- Mercy Services for Aging, based in Des Moines, Iowa, is sponsoring an assisted-living facility on land adjacent to its Mercy Health Center in Dyersville, Iowa. Construction is set to begin on the facility, which will have 15 affordable and 15 market-rate units. The project will be financed with tax-exempt bonds issued by the nonprofit owner of the facility. Iowa's Medicaid reimbursement policies, among the lowest in the nation, make the financial success of this project less than assured.
- The Long Term Care Authority of Tulsa, Okla., has completed feasibility studies for one of Coming Home's first projects planned for an urban setting. The Tulsa project is in the design

stage of a 50-unit facility. Construction is scheduled to begin in late 1999.

LESSONS LEARNED

Program directors and Robert Wood Johnson Foundation program officers for the Coming Home program cite a variety of lessons learned from this effort thus far:

- *With a strong partnership between a local sponsor and the appropriate state agencies, affordable assisted-living facilities can be developed in low-density rural areas.* As David Nolan is fond of saying, if an affordable assisted-living facility can be built and operated successfully in Ullin, it can be done anywhere. The keys to success are a committed community-based sponsor and state agencies willing to modify regulations or to grant demonstration waivers when necessary to provide Medicaid reimbursement for the services component. Projects in Oklahoma were delayed two years because of the lack of a reimbursement and regulatory environment in which services could be funded. In contrast, Illinois regulators demonstrated a willingness to experiment with new systems for Medicaid reimbursement, allowing projects there to proceed in a timely manner.
- *Consistent backing by the community is critical to the timely development of a facility.* Two Coming Home projects in particular have been stymied by the absence of consistent community support. In Mt. Angel, three different city managers held office during the development of the Orchard House facility, and only the first was truly supportive of the project. The other two forced the facility to make unplanned and unnecessary infrastructure improvements. In addition, the third city manager levied additional "processing" fees before the city would grant an occupancy permit for the facility; no prior development in the city had been required to pay these fees. As a result, residents who wanted to move into their new homes were delayed two months. In Estes Park, Colorado, squabbles among community groups and residents revolving around "not-in-my-backyard" issues stalled the land purchase for a project sponsored by Senior Housing Options. In the end, the city's leadership failed to take actions that would have moved the project forward.
- *Regional sponsors make better partners over the long term.* Projects both completed and under development demonstrate the steep learning curve in creating affordable assisted-living facilities for seniors. Although the NCB Development Corporation will work with inexperienced developers and those who plan to undertake only a single project, it prefers collaborating with sponsors having a broader vision and operating on a regional basis. River to River, Senior Housing Options and the Long Term Care Authority of Tulsa fit this model, and, in fact, are planning numerous projects. In addition, the Illinois Department on Aging is interested in replicating Coming Home in other parts of the state.
- *Inadequate Medicaid reimbursement of the costs of social and personal care services for residents of assisted-living facilities is a major roadblock to their development.* Researchers have begun to compare the costs and benefits of the assisted-living model of care to other models of care for low-income seniors with chronic conditions. Such analyses can provide valuable information for policy-makers in states considering a change in their Medicaid reimbursement and regulatory policies.
- *Short-term predevelopment financing from the revolving loan fund can have a significant impact on the success of projects and provides greater leverage for Foundation funds.* Revolving loan funds have been used for very different purposes than those originally planned. The critical need for capital in developing assisted-living facilities is not direct permanent financing. Rather, it is smaller amounts of funds for early-stage feasibility studies and for temporary bridge financing to prevent delays between different stages of a project. In fact, the use of the revolving loan fund for these purposes, combined with the expertise developed in managing the Coming Home program, has

prompted the NCB Development Corporation to develop a new business model that it believes it can apply to other underserved communities. The National Cooperative Bank has created a new entity, NCB Development Services, which will provide technical assistance, development services and short-term financing to assist community-based, nonprofit organizations to deliver goods and services to low-income individuals, families and communities.

Notes

¹ Health Care Financing Administration. "Statistical Report on Medical Care: Eligibles, Recipients, Payments and Services, HCFA Form-2082," *Health Care Financing Review* 17 (Statistical Supplement, table 112), 1995.

² C. Hoffman and D. Rice. *Chronic Care in America: A 21st Century Challenge*. Princeton, N.J.: The Robert Wood Johnson Foundation, 1996.

³ Op. Cit. Health Care Financing Administration, 1995.