



Serving California's Most Vulnerable

Understanding the Challenges of Licensed Residential Care Facilities across the State



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About This Report

California’s Adult Residential Facilities (ARFs) and Residential Care Facilities for the Elderly (RCFEs), also known as *board and care* or *assisted living* facilities, are state-licensed residential facilities available for people who need ongoing, non-medical care and supervision due to age, disability, or mental health status. These facilities, which serve people with varying levels of income and financial resources, provide housing, meals, and 24-hour non-medical personal care. This report describes California’s ARFs and RCFEs and outlines their current sustainability challenges. The report then presents potential solutions California is implementing to increase funding for these facilities. The report concludes with a discussion of the choices that will be available to stakeholders in California over the next year.

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Executive Summary

Background

California’s Adult Residential Facilities (ARF) and Residential Care Facilities for the Elderly (RCFE), also known as *board and care* or *assisted living* facilities, are state-licensed residential facilities available for seniors and people who need ongoing, non-medical care and supervision. These facilities serve people with varying levels of income and financial resources by providing housing, meals, and 24-hour non-medical personal care. Some facilities exclusively serve older adults, while others serve non-elderly adults with disabilities or focus on serving people with serious mental health disorders. Across California, facilities are owned by individuals, non-profit community organizations, and corporations and range from serving fewer than 10 to more than 100 people.

These facilities serve two important roles in California. First, they support the state’s efforts to comply with the U.S. Supreme Court’s Olmstead decision. This 1999 federal ruling entitles people with disabilities to live and receive services in their community in the least restrictive and most integrated settings possible, as alternatives to institutional settings. Second, licensed residential care facilities are a less costly option for providing continuous care for people who do not need skilled nursing care or intensive clinical care for acute medical or behavioral health conditions (i.e., in hospitals, nursing homes, or inpatient psychiatric facilities). However, though Medicaid (known as Medi-Cal in California) and Medicare, as well as other forms of health insurance, pay for care in hospitals and nursing homes, *funding to pay for the care provided in California’s ARFs and RCFEs is limited.*

Current Challenges for ARFs and RCFEs and Efforts to Address Them

ARFs and RCFEs are closing at high rates across California, particularly in Los Angeles County and other high-cost areas of the state. *Low payment rates paid by Social Security Income/Social Security Supplemental Payment (SSI/SSP) recipients and high operating costs are among the key reasons for these facilities’ closures,* as they make ongoing operations financially unsustainable for facilities that serve low-income residents. California state and local officials are attempting to identify alternative sources of funding. Currently, two options are being implemented: 1) expansion of the state’s existing Medi-Cal Assisted Living Waiver (ALW) program and 2) “rate patches.”

1. In 2021, the California Department of Health Care Services (DHCS) submitted a plan to the U.S. Department of Health and Human Services for additional spending tied to American Rescue Plan Act funds that are available to support a broad range of home and community-based services, capacity-building investments, and other activities that expand or strengthen current Medicaid Home and Community-Based Services (HCBS).¹ One expenditure outlined in the state’s HCBS spending plan is eliminating the ALW waitlist. The plan, which received federal approval in January 2022, adds approximately 7,000 spots to the ALW program, which will cover the current waitlist and support future enrollments. DHCS also hopes that, without a waitlist, additional ARFs and RCFEs will be encouraged to apply for the program’s benefits for their residents.² Federal rules require that Medicaid’s HCBS such as those covered through the ALW must be delivered in home and community-based settings. Full compliance with these “HCBS settings rules” is required by March 17, 2023. Some of the ARFs and RCFEs that currently receive funding through ALW may find it difficult to meet these requirements, and this may create additional challenges for both providers and residents.

2. Some California counties have instituted rate “patches,” which offer enhanced rates ranging from \$15 to \$125 a day to supplement payments facilities can receive on behalf of SSI/SSP beneficiaries. These counties use funding from local sources, federal grants from sources such as the Substance Abuse and Mental Health Services Administration (SAMHSA), or allocations of state Mental Health Services Act funding to facilitate placements into ARF or RCFE facilities for specific groups of individuals. These groups often include people with serious mental illness or highly vulnerable people who are experiencing homelessness. While this funding has helped to facilitate access to residential care facilities for many vulnerable adults who are engaged with county services, these supplemental funding measures may not be sufficient to provide a sustainable solution, particularly for facility operators that face costs for mortgages or increased staffing costs in facilities that serve residents who need higher levels of care.

Additionally, California’s fiscal year 2021-2022 budget dedicated more than \$800 million over three years to preserve or expand the capacity of residential adult and senior care facilities through the acquisition, construction, or rehabilitation of facilities across the state. This Community Care Expansion Program is administered by the California Department of Social Services (DSS).³ State legislation (AB 172), enacted in September 2021, guides the disbursement of these funds. The program provides funding for both capital grants to support the development of new or expanded residential facilities in a range of settings and for the preservation of existing licensed residential care facilities including \$55 million for operating subsidy payments.⁴

Finally, in 2020, California enacted legislation (AB 1766) that requires DSS to collect information and annually notify each county’s department of mental health or behavioral health which licensed residential care facilities are serving vulnerable residents, including clients in county services. The legislation also requires DSS to send quarterly reports on the number of permanently closed licensed residential facilities and to notify counties within three days when a licensed facility intends to close permanently. Prompt notification of facility closures may provide opportunities for counties and their partners to facilitate transitions to new owners or operators of these properties.

Emerging Opportunities for Innovation in California

Providers of housing and services for people experiencing homelessness and other stakeholders in California have been working with policymakers and their partners in government agencies to strengthen commitments to reducing homelessness among seniors and people with disabilities.

- In January 2021, California adopted a Master Plan for Aging that includes a goal to end homelessness for older adults by investing “in innovative solutions to prevent older adult homelessness, reduce barriers to accessing housing programs and services, and promote the transition of those experiencing homelessness to affordable and accessible housing models, with supportive services.”⁵
- California’s state budgets for fiscal years 2021-22 and 2022-23, combined with the state’s HCBS spending plan and additional federal resources in response to the COVID-19 pandemic, provide an unprecedented level funding for communities to address the housing and support needs of people who are experiencing or at risk of homelessness.⁶
- Beginning in 2022, California’s Medi-Cal program launched California Advancing and Innovating Medi-Cal (CalAIM), an initiative that provides enhanced flexibility and incentives for Medi-Cal

managed care plans to implement enhanced care management for all beneficiaries with complex needs, including people experiencing homelessness. CalAIM authorizes Medi-Cal managed care plans to offer an array of Community Supports that include services to help people navigate transitions from homelessness, hospitals, nursing homes or jails to housing and support stable tenancy.

Stakeholders in California are also exploring program models that would provide alternatives to licensed residential care, including enhanced services available to permanent supportive housing residents. Local and state leaders are interested in strengthening and expanding the availability of licensed residential care and exploring alternative models of delivering enhanced care in other types of housing. Pandemic recovery funding and expanded state investments in solutions to end homelessness can help to support these efforts.

Conclusion

ARFs and RCFEs are an important community resource for people who are experiencing or at risk of homelessness and who need ongoing non-medical care and supervision. These licensed residential care facilities are not, however, the only options for offering housing combined with this level of supportive services. It is important for California's leaders and funders to both strengthen the state's capacity to provide licensed residential care and explore other models of enriched support to help a growing population of older adults and people with significant disabilities who are experiencing or at risk of homelessness.

Increased investments are needed for licensed residential care facilities that are willing to serve people with income from SSI/SSP, including ongoing operating support as well as one-time assistance with capital improvements. California policymakers are already taking steps in response to this need, through funding allocations in the state's fiscal year 2021-2022 and 2022-23 budgets and the HCBS Spending Plan. With these funds, communities across the state can expand, rehabilitate, and preserve licensed residential care facilities for their most vulnerable residents. Some of these new resources specifically target licensed residential care facilities, with the goal of stabilizing their funding, investing in capital improvements, and addressing the service needs of people who live in these facilities.

State and local government agencies and their partners, including Medi-Cal managed care plans, now face choices about how to invest these new and expanded resources. These resources provide opportunities to strengthen the community's capacity to make residential care facilities available to people experiencing homelessness who need and choose this option. However, funders and other stakeholders also need to assess how different models of housing and services for people with needs for enhanced services work in practice. ***This should include research that engages seniors and people with disabilities who have lived experience in these programs to assess the extent to which they address their needs in ways that respect consumer choice and dignity and maximize opportunities for people to thrive in affordable and integrated home and community-based settings.***

1. Introduction

California’s persistent housing crisis places the state’s most vulnerable adults – older people, people with severe mental illness, and people with disabilities – at high risk of experiencing homelessness. In the next ten years, the percentage of the homeless population age 65 and older is predicted to nearly triple.⁷ For example, researchers project that the number of homeless adults age 65 and older in Los Angeles County will have increased from 4,700 in 2015 to 13,900 in 2030.⁸ Older adults often need both affordable housing and a range of supports, including help with housekeeping, medication reminders, and transportation assistance. As their mobility and functioning decline, some older adults and people with significant disabilities also need assistance with personal care, including help with meals, dressing, bathing, and other activities of daily living. Older adults who are experiencing or at risk of homelessness have needs that are comparable or higher to those of other older adults.

Many people with disabilities and older adults can receive assistance in their homes and in community-based programs that offer meals, social activities, in-home caregiving, and other services. Others might need or choose to live in residential care facilities that have continuous onsite staff to assist residents. California has established a system of licensed residential care facilities for adults who need non-medical “care and supervision.” This system of licensed residential care includes facilities that serve people with a wide range of income levels or financial resources. However, only a subset of these facilities are accessible and affordable to people with low incomes or who are housing insecure or experiencing homelessness.

This report describes California’s licensed residential care facilities – specifically, Adult Residential Facilities (ARF) and Residential Care Facilities for the Elderly (RCFE) – and outlines their current sustainability challenges. The report then presents current efforts to increase California state funding for these facilities and why these facilities are an important resource in the continuum of available housing for people experiencing homelessness. The report concludes with a discussion of the choices that will be available to stakeholders in California over the next year.

2. What Is Board and Care?

California's state-licensed residential care facilities, also known as **board and care** or **assisted living** facilities, are available for people who need ongoing, non-medical care and supervision due to age, disability, or mental health status. These facilities serve people with varying levels of income and financial resources by providing housing, meals, and 24-hour non-medical personal care. Some facilities exclusively serve older adults; some serve other adults with disabilities; others focus on serving people with serious mental health disorders. Across California, facilities are owned by individuals, non-profit community organizations, and corporations. The number of residents a facility serves ranges from fewer than 10 to more than 100. The state's Community Care Licensing Division within the Department of Social Services (DSS) oversees the licensure of these facilities.

The most prevalent types of these residential care facilities are ARFs and RCFEs.

- **Adult Residential Facilities (ARFs)** provide 24-hour, non-medical care and supervision for clients ages 18-59 with a mental, physical, or developmental disability or clients age 60 and older meeting certain requirements.
- **Residential Care Facilities for the Elderly (RCFEs)** provide housing arrangements that include non-medical care and 24-hour supervision for people age 60 and older.

These facilities serve two important roles in California. First, they support the state's efforts to comply with the U.S. Supreme Court's Olmstead decision. This 1999 federal ruling entitles people with disabilities to live and receive services in their community in the least restrictive and most integrated settings possible, as alternatives to institutional settings. Second, licensed residential care facilities are a less costly option for providing continuous care for people who do not need skilled nursing care or intensive clinical care for acute medical or behavioral health conditions (i.e., in hospitals, nursing homes, or inpatient psychiatric facilities). However, though Medicaid (known as Medi-Cal in California) and Medicare, as well as other forms of health insurance, pay for care in hospitals and nursing homes, ***funding to pay for the care provided in California's ARFs and RCFEs is limited.***

For CA residents who are low-income and rely on Social Security Income/Social Security Supplemental Payments (SSI/SSP) and need ongoing, non-medical care and supervision due to age, disability, or mental health status, the options are limited. ***Only a relatively small number of ARFs and RCFEs are affordable and accessible to people who rely on SSI/SSP benefits.***

California state law limits the amount that licensed residential care facilities can charge for residents whose income includes SSI/SSP benefits, but data on the number and location of such residents is limited. DSS estimates that fewer than one in six facilities has any residents who receive SSI/SSP but does not report numbers and locations of beneficiaries or trends over time.⁹ However, advocates, local governments, and other stakeholders report that the number of licensed residential care facilities that are available to vulnerable people with extremely low incomes

Data Limitations

State and local officials know little about who uses ARFs and RCFEs. There is no statewide database on the demographic characteristics (including race or gender) or the needs of people who live in these facilities, where people are referred from, their prior living situations, or destination upon exit. The state's DSS Community Care Licensing Division collects information on the licensed facilities, but this data does not include resident characteristics.

has declined in many parts of the state. Although no statewide data system tracks this decline, several counties have raised concerns about declines in licensed care facilities that serve elderly or disabled adults who are experiencing or at risk of homelessness. Those concerns are particularly evident in areas with high housing costs such as the San Francisco Bay area and Los Angeles County. Both have experienced recent drops in the number of beds in smaller facilities, which are more likely than larger facilities to serve people with lower incomes and people with mental health disorders.

In 2020, California enacted legislation (Assembly Bill 1766) that requires its DSS to collect information and send an annual report to each county's department of mental health or behavioral health of all licensed residential care facilities that accept the rate paid by SSI/SSP beneficiaries who have mental health disorders and the number of licensed beds at each facility. The legislation also requires DSS to send quarterly reports to each county regarding the number of licensed residential facilities that have closed permanently and to notify the counties within three days after the state receives notice that a licensed facility intends to close permanently. These reports are expected to allow counties to better understand which facilities are serving vulnerable residents, including clients in county services. Prompt notification of facilities that will be closing could provide opportunities for counties and their partners to facilitate transition of these properties to new owners or operators.

3. Sustainability of the “Care and Supervision” Model

Adult Residential Facilities (ARF) and Residential Care Facilities for the Elderly (RCFE) are closing at high rates across California, particularly in Los Angeles County and other high-cost areas of the state.

- Between 2016 and 2019, approximately 40 facilities closed in Los Angeles County, a decline of about 1,000 beds.¹⁰
- San Francisco reported 43 fewer licensed residential care facilities in operation in 2019 compared to 2012, a decrease of 243 beds. These declines have been greatest in small facilities with 15 or fewer beds, which traditionally have been more accessible to people with lower incomes and those with mental health disorders. In January 2021, San Francisco had 8 fewer facilities but a net increase of about 229 beds compared with 2019. This increase reflects the recent opening of several facilities with 100+ beds for older adults, which offsets continued declines in smaller facilities.¹¹
- In August 2021, Los Angeles County Department of Mental Health reported that since January 2021, 18 ARF and 43 RCFE had closed, a decline of 383 beds. All facilities that closed were small, with 15 or fewer beds. Los Angeles County does not know whether these closed facilities had been serving residents receiving SSI/SSP benefits and whether they served people with mental health disorders or histories of homelessness.

Low payment rates paid by Social Security Income/Social Security Supplemental Payment (SSI/SSP) recipients and *high operating costs* are among the key reasons these facilities close. The combination of low payment rates and high operating costs makes ongoing operations *financially unsustainable*. The costs to operate California’s ARFs and RCFEs are reported to average **\$2,500 to \$4,000 per person per month**; costs can be even higher in the Los Angeles region or other high-cost areas.¹²

Facility operators and other stakeholders report that the expenses of staffing the “care and supervision model” and owning and operating the facility are *not financially sustainable for facilities that rely on SSI/SSP payments*. Effective January 1, 2023, older adults and people with disabilities in California who are living in poverty and lack income from other sources receive an SSI/SSP payment of \$1,492.82 each month (SSI \$914 / SSP \$578.82) if they live in a setting that provides out-of-home non-medical care.¹³ If they live in ARFs or RCFEs, they pay about **89 percent of their monthly SSI/SSP income to the facility**, or \$1,324.82. They keep the remaining \$168 as a personal needs allowance. The \$1,324.82 is paid to the facility operator for room and board plus care and supervision.¹⁴

*This revenue of approximately \$44 per day per person is far below the facility’s minimum daily operating cost.*¹⁵ As a result, many facilities do not accept residents whose income comes from SSI/SSP. ARFs and RCFEs that do serve people with SSI/SSP income have found it increasingly challenging to continue to operate as costs have risen. Like other businesses, these facilities must increase their

In 2019, San Francisco’s Assisted Living Workgroup analyzed annual costs and monthly breakeven rates for licensed residential care facilities, using three scenarios. For family-owned and operated facilities with 90 percent occupancy, the monthly breakeven rate was \$2,563 per person per month for a facility owned outright by the operator (no mortgage) or \$3,841 for a facility that has a mortgage. In these facilities, often some family members work without receiving a salary. For a new facility with a large mortgage and paid staff, the monthly breakeven rate was \$6,183.

^a City and County of San Francisco Long-Term Care Coordinating Council Assisted Living Workgroup. Supporting Affordable Assisted Living in San Francisco. January 2019. https://www.sfhsa.org/sites/default/files/media/document/migrated/LTCCC_ALF_FinalReport_01.20.19.pdf

3. SUSTAINABILITY OF THE “CARE AND SUPERVISION” MODEL

employee wages in accordance with new minimum wage regulations and meet the repair and maintenance costs associated with operating. Payment rates also must cover housing, 24-hour non-medical care, food, and supportive services for residents.

4. Current Efforts to Expand Funding Options

California state and local officials are attempting to identify alternative sources of funding for Adult Residential Facilities (ARF) and Residential Care Facilities for the Elderly (RCFE). Two options are being implemented: (1) expansion of the state’s existing Medi-Cal Assisted Living Waiver (ALW) program and (2) “rate patches” funded by counties.

4.1 Medi-Cal Assisted Living Waiver Program

Under federal policy, Medicaid cannot pay for “room and board,” but Medicaid can pay for a wide range of health services, including Home and Community-Based Services (HCBS) and other benefits that are intended to help seniors and people with disabilities avoid institutionalization and get the support they need to live in community settings. Under current California state law, people who are elderly or disabled and enrolled in Medi-Cal may receive Medicaid-funded personal care benefits through the state’s In-Home Supportive Services program if they live in their own home. **However, people who live in licensed residential care facilities in most cases are not eligible to receive these services.**¹⁶

Currently, only a small number of licensed residential care facilities across California receive additional Medicaid funding through the state’s ALW program; only about 7,500 Medi-Cal beneficiaries across 15 counties receive services through ALW.¹⁷ Participating residential care facilities receive the same monthly payment from the person’s Social Security Income/Social Security Supplemental Payment (SSI/SSP) benefit (\$1,324.82) for their room and board. The ALW program pays an additional fee for a package of services that include personal care and supervision. ALW payment rates vary based on the person’s level of care needs, from \$84 to \$200 per person per day (\$2,520 to \$6,000 per 30-day month).¹⁸ As of October 2022, a statewide waiting list for ALW services had more than 4,000 people.¹⁹ Exhibit 1 displays the 2022 breakdown of payments on behalf of residents with and without the state’s ALW program.

Exhibit 1. 2022 Payments to Facilities for Residents with and without California’s Assisted Living Waiver Program

For ARF and RCFE Residents with Income from SSI/SSP	
Monthly payments to facilities for residents NOT enrolled in the Assisted Living Waiver program	Monthly payments to facilities for residents who are enrolled in the Assisted Living Waiver (ALW) program
Resident’s SSI/SSP payment to facility = \$1,324.82	Resident’s SSI/SSP payment to facility = \$1,324.82
*Some counties provide additional funding for enhanced residential care services	Additional payment by Medi-Cal ALW based on resident’s level of care needs
	Payment rates per person, per day (per 30-day month)
	Tier 1 = \$84 (\$2,520)
	Tier 2 = \$101 (\$3,030)
	Tier 3 = \$115 (\$3,450)
	Tier 4 = \$133 (\$3,990)
	Tier 5 = \$200 (\$6,000)

Sources: <https://www.cdss.ca.gov/Portals/9/CCL/EM/22APX04.pdf>; <https://www.dhcs.ca.gov/services/ltc/Documents/Reimbursement-Rates-2022.pdf>

In 2021, the California Department of Health Care Services submitted a plan to the U.S. Department of Health and Human Services for additional spending tied to American Rescue Plan Act funds that are available to support a broad range of home and community-based services, capacity-building investments, and other activities that expand or strengthen current Medicaid HCBS.²⁰ California's HCBS Spending Plan was approved by the federal government in January 2022. One expenditure outlined in this spending plan is eliminating the ALW waitlist. The plan adds approximately 7,000 spots to the ALW program, which is intended to cover the current waitlist and support future enrollments. The Department of Health Care Services also hopes that without a waitlist, additional ARFs and RCFEs will be encouraged to apply for the program's benefits for their residents.²¹

4.1.1 Home and Community-Based Alternatives Waiver Program

In addition to the ALW, California has another Medicaid HCBS waiver program that could potentially be used to provide services to eligible Medi-Cal beneficiaries. The state's Home and Community-Based Alternatives (HCBA) waiver program. The HCBA waiver provides care management services to people at risk for nursing home or institutional placement. The care management services are provided by a multidisciplinary care team comprising a nurse and a social worker. The care management team coordinates a range of services that are available through the HCBA waiver or other benefits (e.g., medical, behavioral health, In-Home Supportive Services) and arranges for other available long-term services and supports available in the local community. These services are provided in the participant's community-based residence, which could be a licensed residential care facility or other housing owned or rented by the participant or a member of their family. California plans to amend the HCBA waiver to integrate it with ALW services in 2024.²²

Because HCBA waiver services can be offered in a range of housing settings, including but not limited to licensed residential care facilities, the integration of services offered through these two waiver programs potentially could expand opportunities for using ALW to help pay for services delivered in other types of housing settings.

4.1.2 Compliance of Assisted Living Waiver Program with Federal Rules Governing Home and Community-Based Services

One complicating factor for the use of the ALW program is that the federal government requires that Medicaid-reimbursed HCBS services be delivered only in "Home and Community Based Settings" as defined in federal regulations. The federal HCBS Settings Rule was finalized in 2014 and full compliance with it is required by March 17, 2023.²³

In October 2022, California published its updated *Statewide Transition Plan for Compliance with Home and Community Based Settings Rules*.²⁴ Development of this Transition Plan included a state review of licensed residential care facilities where participants currently are receiving services through ALW or HCBA waiver programs. For these licensed residential care facilities, the onsite assessment reviewed provider policies, procedures and handbooks, staff training, lease agreements, participant rights documents, and pictures and location of buildings, including accessibility.

Where facilities were not fully compliant with the HCBS Settings requirements, facility operators were provided with information about the HCBS compliance deadline and required to complete a plan with proposed remedial actions. At the time of the state's review of these licensed residential care settings, only 26 percent of facilities were fully compliant. Sixty percent of facilities were identified as "compliant

with modifications,” meaning that providers had described how they intend to achieve compliance.²⁵ Providers must be fully compliant with the HCBS Settings Rule by March 17, 2023, to continue to serve people who are receiving services from ALW or other HCBS programs. At that time, the state will begin to disenroll or potentially transfer residents from settings not fully compliant.

4.2 Rate Patches Funded by Counties

Some California counties have instituted “rate “patches,” which offer enhanced rates ranging from \$15 to \$125 a day to supplement payments facilities can receive on behalf of SSI/SSP beneficiaries. These counties use funding from local sources, federal sources such as the Substance Abuse and Mental Health Services Administration, or allocations of state Mental Health Services Act funding to facilitate placements into ARF or RCFE facilities for specific groups of people, often including those with serious mental illness or highly vulnerable people who are experiencing homelessness. While this funding has helped to facilitate access to residential care facilities for many vulnerable adults who are engaged with county services, these supplemental funding measures might not be sufficient to provide a sustainable solution, particularly for facility operators that face costs for mortgages or increased staffing costs in facilities that serve residents who need higher levels of care.

- In Los Angeles, the County’s DHS and DMH have been spending more than \$20 million annually, including funding from DHS’s Housing for Health program and from Substance Abuse and Mental Health Services Administration grant funding, to implement the Enhanced Residential Care program. This program contracts with nearly 200 ARFs and RCFEs to serve patients of the County’s health system and clients who are engaged in mental health services, supplementing the amount paid by these SSI/SSP recipients for room and board, in order to ensure that these facilities can provide the supportive services needed. In addition to these monthly payments, DMH also has allocated \$11.2 million for a capital improvement project to help residential care facilities address critical needs for deferred maintenance or health and safety concerns and quality improvements; and \$500,000 to launch a membership association for ARFs and RCFEs, with the goal of strengthening their capacity to effectively serve residents with mental health conditions.

Increasing the Supply of Board and Care for People Experiencing Homelessness in Los Angeles

In Los Angeles County, the Department of Health Services’ (DHS) Housing for Health program partners with the non-profit organization Brilliant Corners to use flexible funding to subsidize housing placements for people experiencing homelessness. A portion of this flexible funding is being used to supplement the amounts residents pay for “room and board” and provide monthly Enriched Residential Care payments to the operators of licensed residential care facilities. These payments are used for people who have high levels of disability and need more intensive assistance with activities of daily living, medication management, and other care and supervision. DHS and Brilliant Corners identified several existing residential care facilities that were closing. Brilliant Corners then facilitated transitions of these properties to new owners and operators and established a master lease for the facilities, using the DHS funding for Enhanced Residential Care. Brilliant Corners then subcontracted with another organization selected by DHS to operate the facility and deliver services to residents. The new operators, experienced providers of licensed residential care, have a strong record of serving people who have experienced homelessness, as well as the demonstrated ability to expand into a new facility.

- In San Francisco, several programs and funding sources provide enhanced funding to ARFs and RCFEs for services to about 800 clients. Most of these subsidies are provided by the County’s Department of Public Health for people with behavioral health needs. Additional subsidies are provided by its Department of Aging & Adult Services Community Living Fund for people at risk of placement in skilled nursing facilities and in specialized programs such as the Program for All-Inclusive Care for the Elderly.
- Alameda County Behavioral Health Care Services has established a Housing Support Program and allocated nearly \$5 million in fiscal year 2021-22 for ARFs and RCFEs to provide enhanced services to adults with serious mental illness. The funding, which supplements payments from clients who receive SSI/SSP benefits, is intended to pay for individualized, person-centered services that improve daily functioning; help residents maintain housing stability; and increase community connections and access to needed services, including health and behavioral health services. Facilities that contract with the County for these services are expected to support Housing First principles and help residents move to more independent living arrangements over time.²⁶

4.3 State Funding for Community Care Expansion

In many parts of the state, licensed residential care facilities have significant deferred maintenance or need building renovations to improve the quality and accessibility of their facilities, including repairs or improvements to address violations of state licensing standards. Some facilities are closing because they do not generate the needed capital through current payment rates to cover current operating costs and also make needed improvements. Without both infusions of capital funds and support for ongoing operating costs, these properties might be converted to other uses, reducing the community’s capacity to provide residential care.

California’s fiscal year 2021-22 budget dedicated more than \$800 million over three years to preserve or expand the capacity of residential adult and senior care facilities through the acquisition, construction, or rehabilitation of facilities across the state. This Community Care Expansion (CCE) Program is administered by the Department of Social Services.²⁷ State legislation (Assembly Bill 172), enacted in September 2021, guides the disbursement of these funds. The legislation authorized the use of a portion of these funds (\$55 million designated in the budget) for capitalized operating subsidy reserves.²⁸ The legislation directed DSS to allocate these funds through competitive grants to counties and tribal entities and to establish program criteria that prioritize preserving existing facilities that serve people who receive SSI/SSP benefits. As a condition of receiving funds, facilities are required to prioritize SSI/SSP beneficiaries, including people who are experiencing homelessness or at risk of homelessness.

The CCE Program’s funding is being used both for capital grants to support the development of new or expanded residential facilities in a range of settings and for preservation of existing licensed residential care facilities.

- In January 2022, DSS released a Request for Applications for \$570 million of CCE funding (statewide) for adult and senior care facilities.²⁹ These funds can be used for costs related to the development of new facilities or the expansion of existing facilities in a range of residential settings that include but are not limited to licensed residential care facilities, as well as recuperative care (medical respite) and independent residential settings. Applications are accepted and approved on a rolling basis until all funding has been awarded to qualifying projects. A total of \$245,347,045 has

been allocated to make awards to projects in Los Angeles County. As of October 2022, two projects in Los Angeles County have been awarded a total of \$10.3 million in funding for a total of 124 beds.³⁰

- In June 2002, DSS released a Notice of Funding Availability to allocate a total of \$195 million (statewide) to counties to preserve existing licensed residential care facilities.³¹ This preservation funding was allocated for two purposes:
 - **Capital projects** (\$140 million statewide): To pay for physical repairs or upgrades to existing facilities to prevent facility closures and ensure compliance with licensing standards. Los Angeles received an allocation of \$53,497,135. These funds must be obligated by June 30, 2024, and liquidated by June 30, 2026.
 - **Operating subsidy payments** (\$55 million statewide): To provide monthly payments to facilities for qualified residents or reimbursements for actual costs or operating deficits. Los Angeles received an allocation of \$19,654,821. These funds must be obligated by June 30, 2027, and liquidated by June 30, 2029.

5. The Importance of Board and Care for People Experiencing Homelessness

Homeless service providers and community organizations in California have been working with policymakers and their partners in government agencies to strengthen commitments to reducing homelessness among seniors and people with disabilities. The state’s Master Plan for Aging, adopted in January 2021, established the goal of ending homelessness for older adults. The Master Plan commits the state to “*continue to invest in innovative solutions to prevent older adult homelessness, reduce barriers to accessing housing programs and services, and promote the transition of those experiencing homelessness to affordable and accessible housing models, with supportive services.*”

Many people with medical or behavioral needs who experience homelessness, including seniors and people with disabilities, can achieve stability and thrive in permanent supportive housing (PSH – independent permanent housing coupled with supportive services) or other affordable housing, particularly if they can access needed services and supports in the community.

However, PSH has limitations of who it can serve and the level of services the model can provide (see text box). Therefore, some of the most vulnerable individuals who experience homelessness are referred to licensed residential facilities if they need a higher level of care than PSH can offer, including medication management or assistance with activities of daily living. Licensed residential care facilities are important housing type amongst a community’s continuum of housing assistance and supportive services that serve the most vulnerable people experiencing homelessness who many need 24-hour non-medical care and support. Policy makers and funders need to think about the sustainability of the model for the most vulnerable community members, who may not be able, even if just for a short time, live independently.

California’s state budgets for fiscal years 2021-22 and 2022-23, combined with the state’s Home and Community-Based Services spending plan and additional COVID-19 federal resources provide an unprecedented level of funding for communities to address the housing and support needs of people who are experiencing or at risk of homelessness. At the same time, the State’s Medi-Cal program has launched the California Advancing and Innovating Medi-Cal (CalAIM) initiative to provide enhanced flexibility and incentives for Medi-Cal managed care plans to implement enhanced care management for all beneficiaries with complex needs, including people experiencing homelessness. CalAIM authorizes and encourages Medi-Cal managed care plans to provide an array of Community Supports, or In Lieu of Services, that include services helping people navigate transitions from homelessness, hospitals, nursing homes, or jails to housing and supporting stable tenancy.

State and local government agencies and their partners, including Medi-Cal managed care plans, now face choices about how to invest these new and expanded resources (see Exhibit 2). These resources provide opportunities to strengthen the community’s capacity to make residential care facilities available to people experiencing homelessness who need and choose this option. However, funders and other stakeholders also need to assess how different models of housing and services for people with needs for enhanced services work in practice. This should include research that engages seniors and people with disabilities who have lived experience in these programs to assess the extent to which they address their needs in ways that respect consumer choice and dignity and maximize opportunities for people to thrive in affordable and integrated home and community-based settings.

The Limits of Permanent Supportive Housing

California state law limits the types of services that may be arranged or offered by housing providers in unlicensed settings, including Permanent Supportive Housing (PSH). These laws contain provisions intended to allow people with disabilities to receive support services for community living in the least restrictive settings possible. However, they can have the effect of limiting the extent to which PSH providers can arrange or facilitate the delivery of some services for residents who have significant disabilities or age-related functional impairments.

State law provides that **a license is not required** where a housing provider offers services that are limited to meals, transportation, housekeeping, recreational and social activities, the enforcement of house rules, counseling on activities of daily living, or service referrals, as long as the provider meets two conditions:

- After any referral for services, residents must independently obtain care and supervision and medical services without assistance from the housing provider or any person or entity with an organizational or financial connection with the housing provider; and
- No resident can have an unmet need for care and supervision.

A memorandum of understanding between the housing provider and a service agency establishing an agreement that a housing provider would refer residents does not necessarily itself constitute an agreement for care and supervision of the resident. A resident's inability or failure to obtain all needed care and supervision could potentially trigger a licensing requirement for the housing provider.

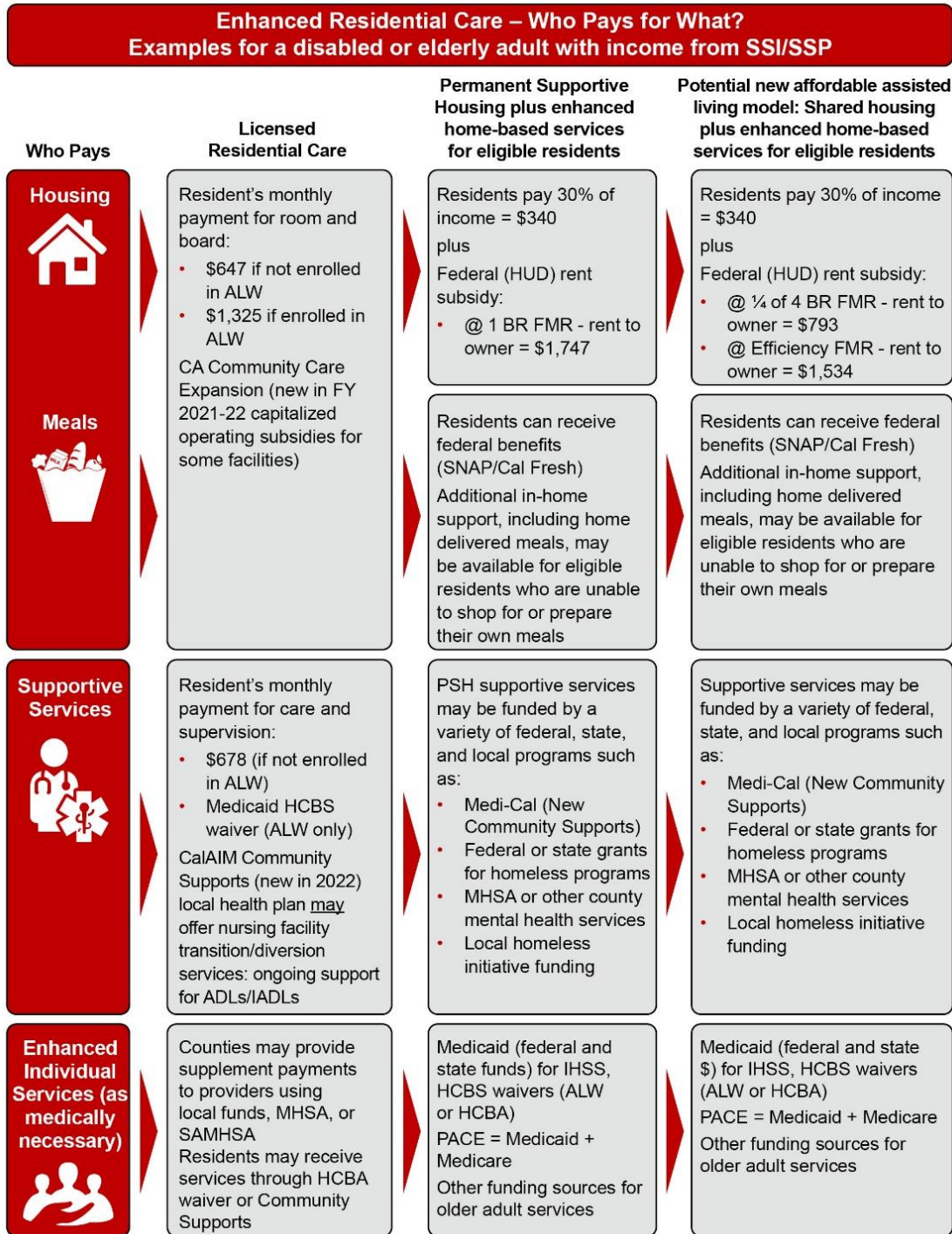
The law provides some exceptions to licensing requirements, including for affordable and supportive housing where supportive services are made available to residents at their option, as long as the project owner or operator does not contract for or provide the supportive services. The housing project owner or operator may coordinate, or help residents gain access to, supportive services.

State law also provides that community residential care facility licensing requirements do not apply to any independent living arrangement or supportive housing for people with disabilities who are receiving "community living support services" that meet specific requirements. For purposes of this exception, supportive housing must have all of the following characteristics:

- It is rental housing that is affordable to persons with disabilities;
- Each of the tenants holds a lease or rental agreement in their own name and is responsible for paying their own rent;
- Each tenant has their own room or apartment and is individually responsible for arranging any shared tenancy;
- The housing is permanent, in that the tenant can remain in the housing as long as they comply with the terms of the lease and pay the rent;
- The housing is subject to state and federal landlord tenant laws; and
- Participation in services is not required as a condition of tenancy.

Supportive housing meeting these terms may provide "community living support services" without triggering a license requirement. The tenant must be able to choose whether to engage in the services and what services to use, based on their own preferences and goals for independent living.

Exhibit 2. Enhanced Residential Care Models in California – Who Pays for What?



NOTES: Los Angeles County fair market rents (FMRs) used for purpose of illustration. Enhanced individual services include services such as skilled nursing, personal care services for assistance with activities of daily living (ADLs)/instrumental activities of daily living (IADLs), or occupational therapy.

KEY: CalAIM = California Advancing and Innovating Medi-Cal. HUD = U.S. Department of Housing and Urban Development. IHSS = In-Home Support Services. PACE = Program for All-Inclusive Care for the Elderly. SNAP = Supplemental Nutrition Assistance Program (referred to as Cal Fresh in California). HCBA = Home and Community-Based Alternatives.

6. Conclusion

Adult Residential Facilities (ARFs) and Residential Care Facilities for the Elderly (RCFEs) are an important community resource for people who are experiencing or at risk of homelessness who need ongoing non-medical care and supervision. These licensed residential care facilities are not, however, the only options for offering housing combined with a high level of supportive services. This report explains the importance for California's leaders and funders to both strengthen the state's capacity to provide licensed residential care and explore other models of enriched support to meet the needs of a growing population of older adults and people with significant disabilities who are experiencing or at risk of homelessness.

State and community leaders need better data regarding the number of beds in licensed residential care facilities that are available to people with income from Supplemental Security Income/State Supplementary Payments (SSI/SSP), the locations of these facilities, and the characteristics of people with low incomes who are living in them. This data could be used to track trends in the supply and demand for beds in licensed residential care among people with extremely low incomes and allow policymakers and funders to pursue policy initiatives such as land use policies in areas with declining availability or critical shortages in residential care facility capacity.

Increased investments are needed, including ongoing operating support and one-time assistance with capital improvements, for licensed residential care facilities that are willing to serve people with income from SSI/SSP, including people who have behavioral health disorders, and people who have been experiencing homelessness. California policymakers are already taking steps in response to this need, through funding allocations in the state's fiscal year 2021-22 budget and HCBS Spending Plan. With these funds, communities across the state can expand, rehabilitate, and preserve licensed residential care facilities for their most vulnerable residents. Some of these new resources specifically target licensed residential care facilities, with the goal of stabilizing their funding, investing in capital improvements, and addressing the service needs of people who live in these facilities.

California is now making substantial investments in a wide range of housing and supportive service initiatives to address homelessness and to expand and strengthen services for seniors and people with disabilities and complex needs. Some of these investments and program initiatives create opportunities to provide more intensive supports to low-income seniors and people with disabilities in a range of housing settings. For example, new Medi-Cal services, including expanded HCBS, can be aligned with federal and state resources for housing assistance to create and strengthen the capacity to serve highly vulnerable people in permanent supportive housing or other subsidized housing, in home and community-based settings that meet the requirements of federal rules.

California's Medi-Cal program, including HCBS waivers, and other program initiatives contained in the state's HCBS Spending Plan should be used more flexibly to allow beneficiaries to receive services in housing they choose, in settings that fully comply with the requirements of federal rules regarding home and community-based settings including some licensed residential care facilities, affordable and supportive housing, or other community settings. This could provide additional payment for the services that are delivered by ARFs and RCFEs or for increased services for residents who live in these facilities, as well as increased choice, privacy, and opportunities for community integration. Alternatively, expanded and more flexible HCBS spending could allow residents to get the services they might need to

move to other housing settings that offer greater privacy and autonomy and that leave residents with more of their income for personal expenditures.

Now and in the next few years, state and local government agencies and their partners face choices about how to invest and maximize the impact of these new and expanded resources. These resources provide opportunities to strengthen the community's capacity to make residential care facilities available to people experiencing homelessness who need and choose this option. However, funders and other stakeholders also need to assess how different models of housing and services work in practice for people with needs for enhanced services. ***This assessment should include research that engages seniors and people with disabilities who have lived experience in these programs to assess the extent to which the programs address their needs in ways that respect consumer choice and dignity and maximize opportunities for people to thrive in affordable and integrated settings.*** That research should consider differences in preferences for people with different racial, ethnic, and gender identities. For example, *do residents participate meaningfully in decisions about medications? Do residents have meaningful choices about where they live and the services they receive? Do they have opportunities for community integration? A critical question is whether licensed care facilities or enhanced PSH without licensing come closer to fidelity to a Housing First model.*

Glossary

ALW	Assisted Living Waiver
ARF	Adult Residential Facilities
CalAIM	California Advancing and Innovating Medi-Cal
DHS	Los Angeles County's Department of Health Services
DMH	Los Angeles County's Department of Mental Health
DSS	California's Department of Social Services
HCBS	Home and Community-Based Services
PACE	Program of All-Inclusive Care for the Elderly
PSH	Permanent Supportive Housing
RCFE	Residential Care Facilities for the Elderly
SSI	Supplemental Security Income
SSP	State Supplementary Payment

Notes

- ¹ For more information about the goals and opportunities related to these federal funds, see <https://www.kff.org/medicaid/issue-brief/potential-impact-of-additional-federal-funds-for-medicaid-hcbs-for-seniors-and-people-with-disabilities/>
- ² More information about the HCBS Spending Plan, including the *California Department of Health Care Services Initial, Revised, and Final Approved HCBS Spending Plan*, can be found at <https://www.dhcs.ca.gov/provgovpart/Pages/HCBS.aspx>. A narrative update report can be found at <https://www.dhcs.ca.gov/provgovpart/Documents/Revised-DHCS-HCBS-Spending-Plan-Narrative-Q1.pdf>
- ³ Health and Human Services Budget Summary. <http://www.ebudget.ca.gov/2021-22/pdf/Enacted/BudgetSummary/HealthandHumanServices.pdf>. More information about the Community Care Expansion program can be found at <https://www.infrastructure.buildingcalhhs.com/grantees/cce/>
- ⁴ The budget includes one-time allocations of \$355 million from the state’s General Fund and \$450 million from the federal Coronavirus Fiscal Recovery Fund.
- ⁵ California Department of Aging, *California Master Plan for Aging*, <https://mpa.aging.ca.gov/>
- ⁶ California Homeless Coordinating and Financing Council, September 2021, *Putting the Pieces Together: Guide to Strategic Uses of New and Recent State and Federal Funds to Prevent and End Homelessness*, https://www.bcsb.ca.gov/hcfc/documents/covid19_strategic_guide_new_funds.pdf. Letter from California Interagency Council on Homelessness co-chairs on new state and federal funding opportunities, July 2022, https://bcsb.ca.gov/calich/documents/letter_funding_opp.pdf
- ⁷ County Behavioral Health Directors Association, California, “Loss of Board and Care Facilities at Crisis Level: Undermines California Counties’ Efforts to Support Individuals with Serious Mental Illness, Older Adults, and Persons with Disabilities at Risk of Homelessness,” <https://namisantaclara.org/wp-content/uploads/2020/11/Loss-of-Board-and-Care-Facilities-is-at-Crisis-Level-2.28.20.pdf>
- ⁸ Dennis P. Culhane, Dan Treglia, Thomas Byrne, Stephen Metraux, et al., 2019, *The Emerging Crisis of Aged Homelessness: Could Housing Solutions Be Funded by Avoidance of Excess Shelter, Hospital, and Nursing Home Costs?* <https://www.aisp.upenn.edu/wp-content/uploads/2019/01/Emerging-Crisis-of-Aged-Homelessness-1.pdf>
- ⁹ Unpublished *CCL SSI Data Summary* provided by California’s Department of Social Services, February 9, 2021. Legislative Analyst’s Office, 2020, *Overview of Community Care Licensing and Board and Care Facilities*, <https://lao.ca.gov/handouts/health/2020/Overview-of-Community-Care-Licensing-Board-Care-Facilities-022420.pdf>
- ¹⁰ County Behavioral Health Directors Association, California, “Loss of Board and Care Facilities at Crisis Level: Undermines California Counties’ Efforts to Support Individuals with Serious Mental Illness, Older Adults and Persons with Disabilities at Risk of Homelessness,” <https://namisantaclara.org/wp-content/uploads/2020/11/Loss-of-Board-and-Care-Facilities-is-at-Crisis-Level-2.28.20.pdf>
- ¹¹ City and County of San Francisco Long-Term Care Coordinating Council Assisted Living Workgroup, January 2019, *Supporting Affordable Assisted Living in San Francisco*, <https://www.sfhsa.org/file/8256/download?token=RgD1puZf>
- ¹² County Behavioral Health Directors Association, Op Cit.

- ¹³ The SSI/SSP payment for recipients in “non-medical out-of-home care (NMOHC)” settings is available to people living in the home of a relative who is not a parent or legal guardian or in licensed residential care.
- ¹⁴ Supplemental Security Income in California. Non-Medical Out of Home Care (NMHOC) Payment Standard information, <https://www.cdss.ca.gov/Portals/9/CCL/EM/22APX04.pdf>
- ¹⁵ SSI/SSP Payment of \$1324.82 over a 30-day period.
- ¹⁶ California Department of Social Services, 2021, *In-Home Supportive Services (IHSS) Program*, <https://www.cdss.ca.gov/in-home-supportive-services>
- ¹⁷ California Department of Health Care Services, Integrated Systems of Care Division, *Assisted Living Waiver (ALW) Year to Date Enrollment and Waitlist January 2019 through October 2022*, <https://www.dhcs.ca.gov/services/ltc/Documents/ALW-YTD-Dashboard-Oct2022.pdf>
- ¹⁸ California’s 2022 ALW rates, <https://www.dhcs.ca.gov/services/ltc/Documents/Reimbursement-Rates-2022.pdf>
- ¹⁹ Ibid. California Department of Health Care Services, Integrated Systems of Care Division, *Assisted Living Waiver (ALW) Year to Date Enrollment and Waitlist January 2019 through October 2022*, <https://www.dhcs.ca.gov/services/ltc/Documents/ALW-YTD-Dashboard-Oct2022.pdf>
- ²⁰ For more information about the goals and opportunities related to these federal funds, see <https://www.kff.org/medicaid/issue-brief/potential-impact-of-additional-federal-funds-for-medicaid-hcbs-for-seniors-and-people-with-disabilities/>
- ²¹ California Department of Health Care Services, July 12, 2021, *Implementation of the American Rescue Plan Act (ARPA) of 2021 Section 9817: Additional Support for Medicaid Home and Community-Based Services (HCBS) during the Covid-19 Emergency*, <https://www.dhcs.ca.gov/Documents/DHCS-HCBS-Spending-Plan-Web-Package-7-12-21.pdf>; updated September 17, 2021, <https://www.dhcs.ca.gov/Documents/Updated-HCBS-Spending-Plan-Package.pdf>. A report describing progress in implementing California’s HCBS Spending Plan is available at <https://www.dhcs.ca.gov/provgovpart/Documents/HCBS-Spending-Plan-Narrative-Report-Q1-2022-2023.pdf>
- ²² Information on the waiver integration amendment is available at “Home & Community-Based Alternatives Waiver and Assisted Living Waiver,” <https://www.dhcs.ca.gov/services/ltc/Pages/Home-%26-Community-Based-Alternatives-Waiver-and-Assisted-Living-Waiver-Integration-Amendment.aspx>.
- ²³ For more information, see <https://www.medicaid.gov/medicaid/home-community-based-services/guidance/home-community-based-services-final-regulation/index.html>. For HCBS Final Rule Implementation Update, see <https://www.medicaid.gov/medicaid/home-community-based-services/downloads/hcbs-settings-rule-imp.pdf>
- ²⁴ See *Statewide Transition Plan for Compliance with Home and Community Based Settings Rules*, October 2022, <https://www.dhcs.ca.gov/services/ltc/Documents/Statewide-Transition-Plan-for-Compliance-with-Home-and-Community-Based-Settings-Rules.pdf>
- ²⁵ The state also reviewed some non-licensed affordable and supportive housing sites where some residents receive HCBS waiver services. All of those sites were determined to be fully compliant with HCBS settings rule requirements. The Statewide Transition Plan specifies that private residences that are rented or owned by participants or their family members, including subsidized affordable housing or permanent supportive housing developments funded through a variety of federal programs, are “settings presumed to be in compliance.”

- ²⁶ Alameda County Behavioral Health Care Services Request for Pre-qualification (RFPQ) 21-03 for Housing Support Program. For more details, see <https://gsa.acgov.org/do-business-with-us/contracting-opportunities/current-bid/?bidid=2396>
- ²⁷ Health and Human Services Budget Summary, <http://www.ebudget.ca.gov/2021-22/pdf/Enacted/BudgetSummary/HealthandHumanServices.pdf>
- ²⁸ The budget includes one-time allocations of \$355 million from the state's General Fund and \$450 million from the federal Coronavirus Fiscal Recovery Fund.
- ²⁹ Request for Applications, <https://www.infrastructure.buildingcalhhs.com/joint-request-for-applications-rfa/>
- ³⁰ The CCE Data Dashboard tracks Community Care Expansion awards by region, <https://dashboard.buildingcalhhs.com/index.php/cce-data-dashboard/>
- ³¹ Community Care Expansion Preservation Program, <https://www.infrastructure.buildingcalhhs.com/preservation/>