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PUBLIC/PRIVATE ELDER CARE PARTNERSHIPS

Balancing Benefit and Risk

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SUMMARY

A new and unusual form of public/private partnership has developed in which corporations buy elder care services from area agencies on aging for company employees who care for elderly persons. This may include information and referral, case management, needs-assessment surveys, caregiver support groups, and other services.

These public/private partnerships offer both benefit and risk for Older Americans Act (OAA) programs. The benefit is infusion of private funds into an oversubscribed system of public services for persons 60 years of age and older under OAA. The risk is possible neglect of activities to achieve the public mission under OAA. These activities include the targeting of benefits to socially and economically disadvantaged individuals, state oversight of area-agency-on-aging activity, and preservation of the independence of area agencies to act in the public interest.

The Chairman, Subcommittee on Human Services, House Select Committee on Aging, requested that GAO review state policies to determine whether they permit such partnerships and assess whether they adequately protect the public mission. GAO reviewed state policies on area agency involvement in corporate elder care, prepared at the request of the Administration on Aging (AOA). AOA did not require action because it was uncertain of its authority in this area. AOA's request was a good first step, but AOA did not systematically follow up by ascertaining whether states developed final policies, assessing if policies adequately addressed public-mission responsibilities, or offering technical assistance. This lack of follow up has contributed to gaps in state policies.

State agencies on aging in 45 states and the District of Columbia permit area agencies on aging to enter into corporate elder care contracts. Five states, however, have policies stating they will not enter into elder care contracts with corporations.

In 41 states and the District of Columbia, state elder care policies fall short of ensuring protection of the public-mission responsibilities of area agencies on aging. The most notable problem GAO found is that state policies do not adequately address the need to target services to individuals with greatest economic or social need. A number of states also did not adequately address the need for state agency oversight of area agencies, indicate that public funds should not subsidize private services, or address other issues raised in AOA's program instruction.

GAO believes AOA should assess which state policy guidelines most need strengthening and provide technical assistance to states to strengthen state policy guidelines for area agencies. Also, the Congress may wish to consider statutory language to clarify AOA's oversight authority regarding corporate elder care partnerships.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here this morning to discuss our report on balancing public benefit and risk when area agencies on aging enter into contracts with corporations to provide elder care services to company employees.[1] The benefit is the infusion of private funds into an oversubscribed system of public services for persons 60 years of age and older authorized under the Older Americans Act (OAA). The risk is possible neglect of activities designed to fulfill the public mission under OAA. These activities include the targeting of benefits to socially and economically disadvantaged individuals, state oversight of area-agency-on-aging activity, and preservation of the independence of area agencies on aging to act in the public interest. If we are to realize the benefits of these new arrangements, it is important that we act early to prevent potential problems.

The term elder care has several meanings. We are using the term corporate elder care, today, to mean a service sponsored by a corporation on behalf of its employees who have caregiver responsibilities for an elderly individual. Elder care services that a corporation may sponsor include information and referral, case management, needs-assessment surveys, caregiver support groups, and other services. Our report is concerned with corporate elder care services provided through contracts with area agencies

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[1]Older Americans Act: More Federal Action Needed on Public/Private Elder Care Partnerships (GAO/HRD-92-94, July 7, 1992).

on aging, the local agencies responsible for implementing OAA. These contracts may take two forms (1) a contract between an area agency and a corporation and (2) a contract between an area agency and a vendor, which in turn sells elder care services to a corporation.

In 1990, the Administration on Aging (AOA) asked state agencies on aging to develop elder care policies to guide area agencies on aging when they entered into corporate elder care contracts. You asked us to review these policies by

-- determining whether states have developed policies that permit elder care contracts between corporations and area agencies on aging and
-- assessing whether state policies adequately ensure that their public mission will be preserved when area agencies on aging enter into corporate elder care contracts.

To obtain the information requested, we reviewed corporate elder care policies that states had developed as of October 1991 in response to a request from AOA. We first determined which state policies permit the development of area-agency-on-aging elder care contracts with corporations. We then identified 10 issues in AOA's program instruction concerning protection of the public mission and assessed the extent to which the state policies adequately addressed these issues (see app. I).

AOA TOOK EARLY STEPS BUT DID NOT FOLLOW THROUGH

In 1990, AOA became concerned that area agencies on aging were developing corporate elder care contracts without explicit federal or state oversight. There was, for example, concern that an area agency might offer services under contract exclusively to a corporation and not to others in the community, or that an area agency contract with a corporation would be known only to the agency and the corporation signing it. To initiate oversight at these levels, AOA asked state agencies on aging to develop policies to encourage corporate elder care among area agencies on aging while preserving their public mission under OAA. It is important to note that AOA requested state action through a program instruction, rather than requiring it through a program instruction or regulation, because it was uncertain about its statutory authority to oversee corporate elder care contracts with area agencies on aging.

We believe AOA's program instruction was a good first step to help prevent potential problems that could adversely affect those served by OAA programs. However, AOA did not systematically follow up on the process it started by ascertaining whether states developed final policies, assessing if policies adequately addressed public-mission responsibilities, or offering technical assistance where policies fell short. AOA's lack of follow up and uncertainty over its authority in this area, combined with lengthy rulemaking procedures in some states and the unusual form of this type of public/private partnership, contributed to gaps in state policies on corporate elder care.

MOST STATE POLICIES ALLOW, AND MANY ENCOURAGE, AREA AGENCIES TO ENTER INTO CORPORATE ELDER CARE CONTRACTS

All states have developed policies on corporate elder care in response to AOA's program instruction, although eight of the policies are not final. Our review of these policies shows that state agencies in 45 states and the District of Columbia permit area agencies on aging to enter into corporate elder care contracts. About three-fifths of these states have policies that specifically encourage area agencies on aging to pursue these arrangements. Five states have policies stating that they will not enter into elder care contracts with corporations.[2]

State and area agencies on aging believe that corporate elder care contracts can improve their capacity to fulfill their public-mission responsibilities. These improvements include upgrades in the comprehensive and coordinated service systems available to the public, cross subsidies to disadvantaged clients, and greater access to informal caregivers by reaching them through their place of work.

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[2]These states are Alaska, Delaware, New Hampshire, North Dakota, and South Dakota.

MOST STATE POLICIES DO NOT ADEQUATELY ADDRESS PUBLIC-MISSION RESPONSIBILITIES

Only four states adequately addressed all 10 issues we identified in the AOA program instruction concerning public-mission responsibilities in their final policies.[3] These issues include targeting of benefits to socioeconomically disadvantaged individuals, ensuring state oversight of area agency activities, preserving the ability of area agencies to act in the public interest, and prohibiting the subsidy of private services with public dollars (see table 1). In 41 states and the District of Columbia, state corporate elder care policies fall short of ensuring protection of one or more of the 10 issues identified in AOA's program instruction. The most notable problem we found is that state policies do not adequately address the need to target services to individuals with the greatest economic or social need (see table 1).

[3]These four states were Arkansas, New York, Oregon, and Texas. New Mexico addressed all 10 issues but had not finalized its policy at the time of our analysis.

Table 1: States Do Not Adequately Address Elder Care Issues in AOA Program Instruction

AOA requested states to address	**AOA requested states to address issue by**	**Number of states not adequately addressing issue[a]**
Targeting criteria	Providing criteria that state agency on aging will use to periodically assess area agency on aging performance in targeting individuals with greatest economic or social need, particularly low-income and minority individuals	37
Targeting methods	Specifying methods that state agency on aging will use to ensure that area agencies on aging that provide corporate elder care will continue to fully and effectively meet their responsibilities to target their efforts on older individuals with the greatest economic or social need, particularly low-income and minority individuals	20
State oversight of area agencies on aging	Stipulating that corporate elder care contracts should not restrict the ability of state agencies on aging to exercise oversight of area agencies on aging	13
State agency on aging need for elder care information from area agencies on aging	Indicating that corporate elder care contracts should not include withholding of information from the state agency on aging it needs to carry out its oversight of area agencies to ensure the preservation of public-mission activities	13
The use of public funds to supplement services to corporations	Indicating that public funds should not be used to supplement payments made by a corporation under a corporate elder care contract	8
Ability of area agencies to be independent and act in the public interest	Specifying that a corporate elder care contract should not limit an area agency on aging's ability to judge or act in the public interest	7

AOA requested states to address	AOA requested states to address issue by	Number of states not adequately addressing issue[a]
Confidentiality of client and elder care contract information	Prescribing norms for confidentiality of information in corporate elder care contract activity, such as information in the corporate elder care contract or information identifying individuals receiving services	7
Fiscal controls and accountability	Establishing and implementing appropriate fiscal controls to ensure separate accountability of OAA funds, or other public funds awarded to area agencies on aging, and funds from private, corporate elder care contracts	5
Description of area agency approach to elder care in area plan	Describing in the area agency's Area Plan, or amendment to Area Plan, filed with the state agency on aging, the area agency's plans for, and/or current involvement with corporate elder care	2
Exclusivity of elder care services provided to corporations	Indicating that corporate elder care contracts should not limit area agencies on aging from providing similar services or benefits to other companies or groups in its service area	1

Source: GAO analysis of state policies on corporate elder care developed in response to AOA program instruction.

[a]Includes the 45 states and the District of Columbia that permit area agencies on aging to enter into corporate elder care contracts but not the 5 states that do not permit elder care contracts with corporations.

State Policies Do Not Ensure Targeting of OAA Services to Those in Greatest Need

We found weaknesses in state policies regarding targeting of benefits to individuals in greatest economic or social need, a key goal of OAA.[4] Of the 45 states and the District of Columbia that permitted elder care contracts, 37 states did not specify criteria or standards to assess the local agencies' efforts to serve low-income and minority individuals. Targeting benefits requires criteria or standards to judge the success of targeting practices after implementation of corporate elder care services. A state might specify such standards, for example, by mandating that area agencies establish standards for response time, caseloads, and waiting lists to ensure that low-income and minority individuals are appropriately served with public funds.

In addition, 20 states did not describe the method or mechanism they would use to achieve targeting criteria when engaged in corporate elder care activities. A state could, for example, specify on-site inspection of client socioeconomic data to ensure that targeting standards are met.

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[4]OAA title III, sec. 302(20) defines "greatest economic need" as the need of an elderly individual resulting from an income at or below the poverty levels established by the Office of Management and Budget. Title III, sec. 302(21) defines "greatest social need" as the need of an elderly individual caused by noneconomic factors, which include physical and mental disabilities, language barriers, and cultural, social, or geographic isolation, including that caused by racial or ethnic status that restricts an individual's ability to perform normal daily tasks or threatens the individual's capacity to live independently.

State Policies Do Not Ensure Protection of Other Public-Mission Responsibilities

We also found that state policies do not address a number of other public-mission objectives. Thirteen state policies do not include language stipulating that corporate elder care contracts should not restrict the ability of states to exercise oversight of area agencies on aging. Thirteen policies also do not indicate that corporate elder care contracts should not restrict information state agencies need for such oversight. A number of states do not adequately address issues ranging from maintaining the ability of area agencies on aging to act in the public interest to establishing and implementing fiscal controls to account separately for OAA and private funds. And eight states did not finalize their policies.

CONCLUSIONS

Responding to an AOA program instruction, 45 state agencies on aging and the District of Columbia have developed policies that permit, and in many cases encourage, area agencies on aging to enter into corporate elder care contracts. In 41 of these states and the District of Columbia, however, state policies do not adequately address key issues included in AOA's program instruction to ensure that the elder care practices of area agencies on aging are consistent with the agencies' public mission. Many states, for example, do not provide adequate guidance for ensuring that OAA funded services will be targeted to individuals in greatest economic or social need. In addition, many states do not specify that corporate elder care contracts should not restrict the ability of state agencies to oversee area agencies or prevent state agencies from getting information they need to carry out these responsibilities. Only four states had final policies that adequately addressed all 10 issues we identified in AOA's program instruction.

In summary, we believe that AOA's concern about protecting the public mission of area agencies was well-founded and that the actions it sought in its program instruction were reasonable attempts to address this concern. AOA, however, did not do enough to follow up on the process it started. Lack of AOA follow up, AOA's uncertainty over its authority to oversee issues related to corporate elder care, and the complexity of these issues at the state level contributed to gaps in state policies regarding corporate elder care.

RECOMMENDATIONS AND MATTER FOR CONGRESSIONAL CONSIDERATION

AOA should do more to (1) assess which state policy guidelines most need strengthening and (2) provide technical assistance to states where needed to strengthen state policy guidelines for area agencies on aging. In addition, the Congress may wish to consider statutory language to clarify AOA's oversight authority regarding corporate elder care partnerships.

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The combination of an aging population and increased pressure on the informal caregiving network as more women enter the work force is creating a challenge for OAA and other federal programs. This challenge is how to meet growing needs in new ways and with different partners. Corporate elder care may be one way of strengthening OAA agencies and the informal caregiving network.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions.

SCOPE AND METHODOLOGY

To obtain the information you requested, we reviewed corporate elder care policies that states had developed as of October 1991 in response to AOA program instruction 90-06 of April 1990.[5] We reviewed draft versions of policies for states that had not finalized their policies and included these draft policies in our analysis. We collected policies from AOA that it had received from state agencies and we collected some policies directly from states where AOA either had not received a policy or for which AOA had only a draft policy.

In reviewing the policies, we first determined which states permit the development of area agency on aging elder care contracts with corporations. Second, we identified 10 issues in AOA's program instruction concerning the protection of the public mission and then addressed these issues. We coded state policy responses as inadequate if a policy did not mention an issue or if the policy provided only general assurances rather than describing a specific type of action that a program administrator should take to ensure preservation of public-mission activities. We did not evaluate the content of state policy responses to assess if they were likely to achieve their stated objectives because this was beyond the scope of our work.

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[5]AOA's program instruction requested that states develop and submit their final policies to AOA by November 1, 1990.

We also interviewed cognizant officials at AOA and made site visits to collect information on how some states developed their policies and how they expected corporate elder care to fit into their overall mission. In Massachusetts, Ohio, and Oregon we interviewed officials at state agencies on aging, area agencies on aging, and employers involved in elder care programs. In addition, we reviewed the literature on corporate elder care.

We performed our work from September 1990 through December 1991 in accordance with generally accepted government auditing standards.