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Report to Congressional Requesters

April 1993

OLDER AMERICANS ACT

Eldercare Public-Private Partnerships

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GAO

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Program Evaluation and
Methodology Division

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April 16, 1993

The Honorable William D. Ford
Chairman, Committee on Education and Labor
House of Representatives

The Honorable Matthew G. Martinez
Chairman, Subcommittee on Human Resources
Committee on Education and Labor
House of Representatives

The Honorable William J. Hughes
House of Representatives

The Older Americans Act (OAA), first passed in 1965, was established to provide assistance through grants to the states in the development of new or improved programs specifically designed to meet the special needs of our nation's elderly (that is, persons aged 60 and over). Today, the programs under the act provide the major vehicle and only national network for the organization and delivery of social, nutritional, and other supportive services to older persons. This "aging network" consists of the Administration on Aging (AOA) and its 10 regional offices, 57 state units on aging (including territories), 670 area agencies on aging (AAAs), and nearly 25,000 local service providers throughout the nation.

When the Older Americans Act was passed, 26 million Americans were aged 60 or older, representing about 13 percent of the population. By 1990, their number had grown to 42.3 million, about 17 percent of the population. An estimated 83 million people will be 60 or over by the year 2030, and they will then represent nearly 28 percent of the population. Whatever the population increase, however, AOA funding was never sufficient, especially over the last decade, to serve the entire elderly population as intended by the OAA. While both the mission of AOA, as mandated under the OAA, and the number of elderly have grown, the resources required to carry out that mission have not kept pace.[1]

One result of these contradictory forces of shrinking resources and growing demands has been a search by the aging network for additional sources of funding that in turn has led to the creation of contractual relationships between AAAs and private corporations, called public-private

[1]The Administration on Aging: Harmonizing Growing Demands and Shrinking Resources (GAO/PEMD-92-7, Feb. 12, 1992).

partnerships. The AAAs provide certain eldercare services to private employers under partnership agreements. Some persons have criticized such arrangements on the grounds that they detract from one of the main purposes of the OAA; that is, that in the provision of services, preference should be given to older individuals with the greatest economic and social needs, with particular attention given to low-income minority individuals. Proponents of these partnerships suggest that they generate income for the AAAs that can then be used to provide additional services to disadvantaged elderly persons. At issue, then, is whether public-private partnerships do provide resources to the AAAs and whether the AAAs use these resources to help them reduce the gap between shrinking funds and growing demands for AAAs' services.

You asked us to describe (1) the extent and nature of these partnerships, and (2) the degree to which they have resulted in either additional funds for public services or other advantages for the aging network.

Background

More Americans are living longer than ever before owing to improvements in living conditions and advances in medical care. Old age is often accompanied by the development of chronic health problems, such as heart disease, arthritis, and other ailments. These chronic conditions, as well as other complications associated with old age, often result in the elderly being dependent on their children or other family members as caregivers. As more and more adults become caregivers in an environment of increasing health care costs, employers have responded through changes in employee benefit packages. Some employers are providing informational and supportive services to employees to help them care for older relatives and, in some cases, public-private partnerships result.

The Administration on Aging promoted arrangements for public-private partnerships between AAAs and private corporations for the purpose of providing employees with specific eldercare services.[2] The actual arrangements, however, were made by the affected parties.

Scope and Methodology

Our methodology consisted of reviewing the literature, administering a survey, visiting sites in New York City and Los Angeles, and interviewing aging network officials and experts. Based on discussions with your staff, we narrowed the scope of our study to those AAAs providing either

[2]Other eldercare services being provided through partnerships include seminars, workshops, information and referral, and caregiver support groups.

enhanced information and referral or case management services, or both, through a public-private partnership because these services (1) require more intensive activity on a continuing basis than do other types of eldercare services, and (2) were typically thought to generate revenues. We defined enhanced information and referral services to include conducting an intake assessment with an employee to identify caregiving problems, providing names and phone numbers of community resources, and conducting extensive follow-up such as counseling, checking on service eligibility, and calling the employee back to verify that the elderly relative received the service. We defined case management as the process of providing professional assessment of an older person's needs and developing an individualized care plan that specifies the types of community services that should be available to the older person.

We first researched the limited literature on public-private partnerships. We then surveyed AAAs using a combination of our own surveys and results from a recent survey performed by the National Association of Area Agencies on Aging (NAAAA).[3] By combining the surveys, we obtained questionnaire responses from 635 of 655 AAAs (a 97-percent response rate)[4] concerning whether they provided any of these eldercare services through a public-private partnership, and for those that did so, specific information about their partnerships.

We conducted our study between March and December 1992 in accordance with generally accepted government auditing standards.

Results in Brief

By 1991-92, only a small portion of AAAs had entered into public-private partnerships. Most of the AAAs with such partnerships that provided financial data on them were not generating enough profits through these arrangements to finance significant amounts of additional services.

[3]At the time we began our review, NAAAA had just completed a survey asking AAAs about public-private partnerships and made the results available to us. We classified AAAs that reported to NAAAA that they had no public-private partnerships as not having such partnerships. We followed up all nonrespondents with a short questionnaire to determine whether they met the NAAAA's criteria for a public-private partnership and eventually obtained this information for 100 percent of the 655 AAAs. Those indicating they had public-private partnerships on either the NAAAA's survey or our short survey were mailed a longer questionnaire. Of the 138 AAAs receiving the longer survey, 118 responded (85 percent). Of these, 75 had public-private partnerships as defined by us, while 43 met the NAAAA's criteria, but not ours (often this meant that they had provided some service to a private organization, but did not have any contractual relationship with the private group). In total, we received survey data on 635 of the 655 AAAs; the 20 nonrespondents were AAAs who did not respond to our longer survey.

[4]The number of AAAs in our universe, 655, is slightly lower than the previously cited figure of 670 because it does not include AAAs outside the 50 United States, such as in Puerto Rico and Guam.

Moreover, AAAs with partnerships reported typically using existing staff to provide services to those referrals they received. Of the 31 AAAs that reported both income and cost data for eldercare services provided in 1991, the AAAs had a median net profit of $0. Fifteen showed net profit generated from the partnerships, 13 broke even, and 3 reported net losses.

GAO's Analysis

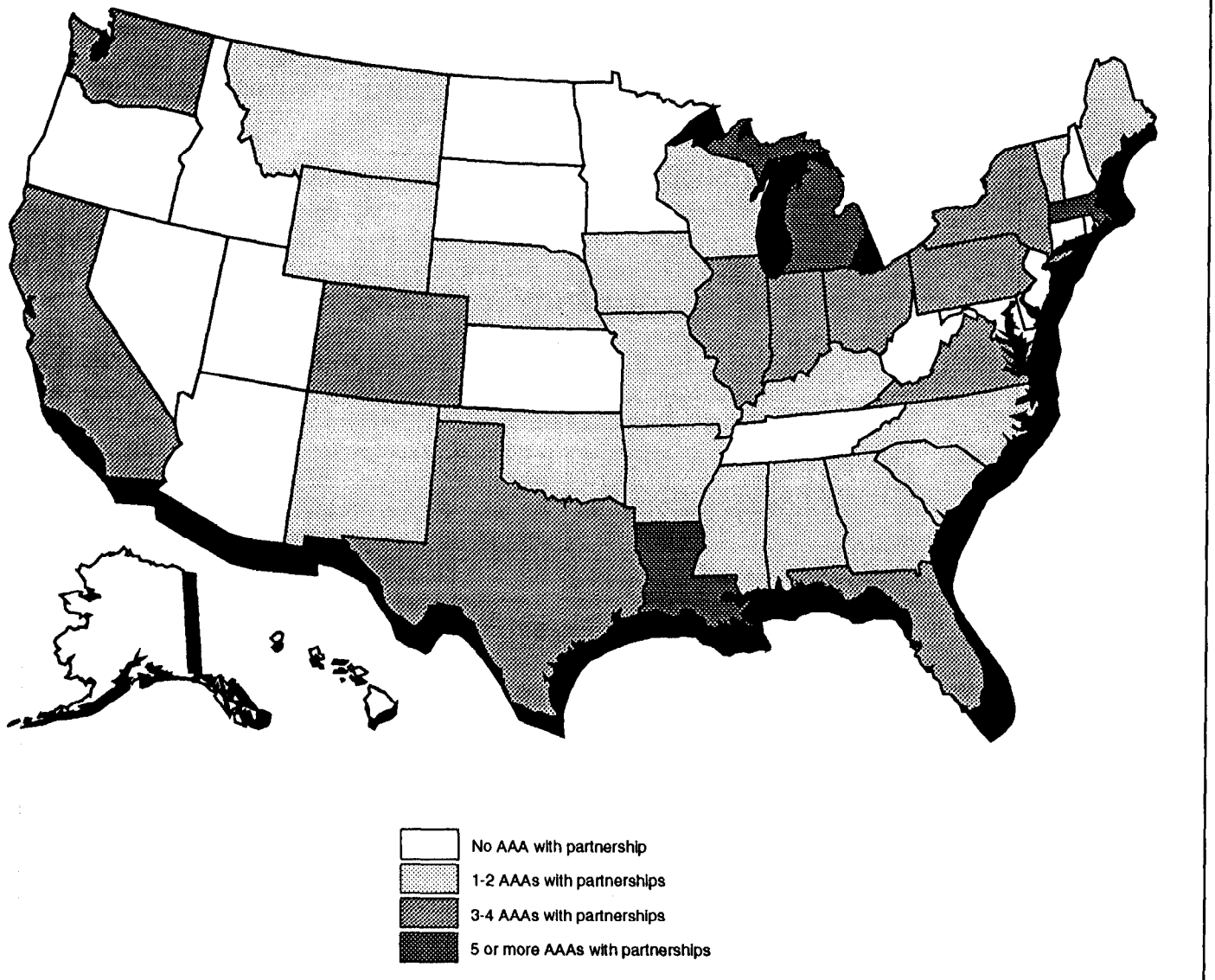
Few Partnerships Exist

Few AAAs—less than 12 percent—have entered into public-private partnerships to provide enhanced information and referral or case management services. For the 75 AAAs that report providing these services, the partnership appears to represent a modest level of activity. Of the 56 AAAs reporting income data, the median income generated in 1991 was $660.

About 88 percent of the 75 AAAs in public-private partnerships provide services to employers through a vendor, who acts as an intermediary. All 66 partnerships involving vendors were with three firms: Work/Family Elder Directions, the Partnership Group, or Working Solutions. Under these arrangements, the vendors act as a referral source. Another five AAAs have partnerships directly with employers, and four AAAs have partnerships with both vendors and employers.

The AAAs with partnerships are geographically dispersed, with some clustering around the Great Lakes region, as shown in figure 1. All of the partnerships started in or after 1987.

Figure 1: Number of AAAs With Public-Private Partnerships, by State



Partnership Services

During our review, we found that these 75 partnerships provided a variety of services to employers or vendors. AAAs were much more likely to provide enhanced information and referral services (70 out of 75) than to provide case management (7 out of 75). AAAs providing enhanced information and referral services were especially likely to report

furnishing these services: names and phone numbers of community resources (99 percent), written confirmation of referrals (84 percent), callbacks to see if services were received (75 percent), checks on service eligibility and availability (71 percent), and intake assessments conducted with the employee (69 percent). Counseling was less often provided (54 percent).

The seven AAAs that provided case management services typically reported providing most or all of the services we listed: developing individualized care plans, specifying types of community services that should be made available, arranging for services, conducting periodic monitoring of the care plan, and conducting periodic reassessments of the care plan.

We also found that 28 of the 75 AAAs provided services other than eldercare services, through contractual arrangements with insurance companies or other vendors. The primary service provided under these arrangements was client health assessments; that is, health assessments of older people were performed to assist insurance companies in determining client eligibility for long-term care insurance.

Scope of Partnership Is Generally Limited

Overall, the operations of these partnerships are limited in scope among those AAAs who reported. Among the 68 AAAs with partnerships providing data, the average number of reported referrals was four per month. Of the 56 AAAs reporting income from partnerships, the median income generated in 1991 was $660. Seventy-nine percent of the AAAs reported using existing AAA staff to provide these services.

Of the 56 AAAs that had partnership contracts in 1991 and reported data on income, 75 percent (42) received less than $2,700 in 1991 for partnership services. Income ranged from none to $2,664. The remaining 25 percent (14) received revenues ranging from $2,664 to $155,000.

Partnerships Have Not Produced Profits

Proponents of public-private partnerships have suggested that they can generate profits that may then be used to supplement shrinking resources for public services. By 1991-92, among the 31 AAAs that reported income and expense data, over half had realized no net profit through their eldercare partnerships that could support additional public services. Of the 31 AAAs reporting both income and expenses associated with eldercare services provided through partnerships in fiscal or calendar year 1991, the median net profit was $0. As shown in table 1, 15 AAAs showed a net profit,

13 broke even, and 3 reported losses. The median net profit for the 15 reporting a net profit was $598. Although start-up expenses might mask the profit potential of these partnerships, 63 percent of responding AAAs indicated that their first contract had been signed in 1989 or earlier.

Table 1: Net Profits or Losses for Public-Private Partnerships[a]

Outcome	Number of AAAs	Median net profit or loss
Generated profit	15	$598
Broke even	13	0
Reported a loss	3	-1,240
Total	**31**	**0**

[a]Fiscal or calendar year 1991.

The low proportion of partnerships providing income and expense data (31 out of 75 AAAs, or only 41 percent) raises the question of whether there is a bias in the responses. If there is a bias, the results from the full group could differ from those shown here. In addition, it is likely that the AAAs made different decisions about how to estimate income and expenses, especially in allocating expenses associated with partnerships. In our questionnaire, we asked AAAs to report on their income and expenses associated with their public-private partnerships work. We later combined these responses to calculate the net profit or loss. Although we performed certain completeness and consistency checks on the reported data and deleted some cases as a result, we did not otherwise verify the data.

Public Service Use of Increased Revenues

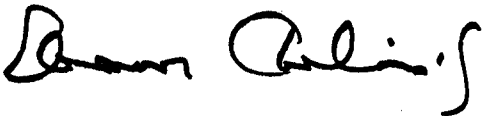
We asked AAAs that generated net profits what use was made of the added funds. Among the 15 AAAs that generated revenues, 11 responded, reporting they used these funds for maintaining or increasing services for the public (5 AAAs), general administration (4 AAAs), or maintaining or increasing services targeting low-income minority elderly (2 AAAs).

Agency Comments

We discussed the results of our work with responsible AOA officials, who generally agreed with our findings and brought some clarification to the potential response-bias issue. We were told that our findings conformed with agency officials' expectations: Their view is that very little income is being generated through such partnerships. Because of the general agreement, we believe that written agency comments were not necessary in this instance.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to the Director of the Office of Management and Budget, the Secretary of Health and Human Services, the U.S. Commissioner on Aging, and other interested parties.

If you have any questions or would like additional information, please call me at (202) 512-2900 or Robert L. York, Director of Program Evaluation in Human Service Areas, at (202) 512-5885. Other major contributors to this report are listed in appendix I.



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