

Affordable Assisted Living in San Francisco

PROJECT FEASIBILITY STUDY HIGHLIGHTS

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Overview

AL Supply & Demand

Licensed AL Model:

- Service Subsidy Assumptions
- Development Cost & Financing Assumptions
- Challenges & Opportunities

Housing with Enhanced Services

- Key Programmatic Components
- Development Cost & Financing Assumptions
- Challenges & Opportunities

Project Assumptions

For examining the feasibility of two AL models – licensed RCFE and “housing with enhanced services,” selected working assumptions included:

- Models should address inadequate and declining supply of affordable assisted living
- Target population includes older adults with:
 - Chronic health and long-term care needs
 - Inadequate informal care supports to remain safely at home / apartment setting
 - Scheduled and unscheduled service needs
 - Inadequate financial resources to afford services at home or in licensed RCFE

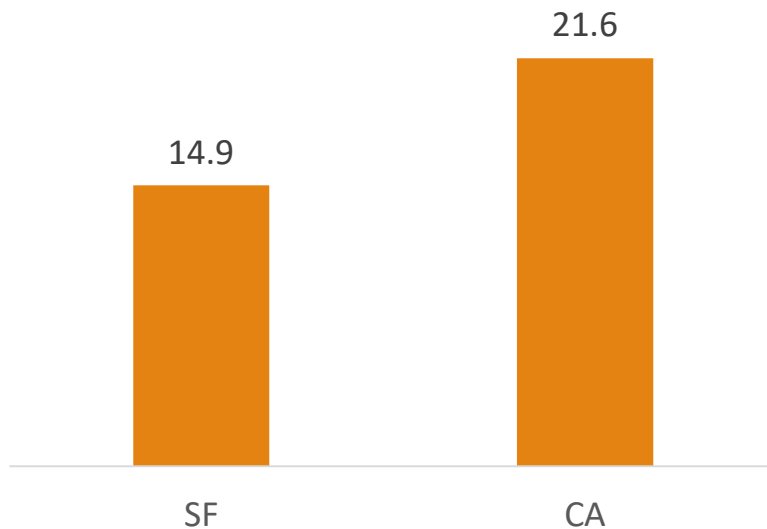
Recognize secondary market opportunities

- Apartment-style units for model flexibility, as well as financing, consumer preferences and market rate units
- Later phasing may provide time to address policy / programmatic barriers

San Francisco Licensed AL Supply

San Francisco has 31% fewer licensed beds per 100 older adults (age 85+) than California overall

RCFE Beds per 100 Population Age 85+ in San Francisco & California, 2021



All San Francisco RCFEs, 2021		
Size	# RCFEs	Licensed Bed Capacity
15 or less	35	320
16 - 25	2	42
26 - 50	6	237
51 - 100	4	263
101 +	13	2,439
Total	59	3,301

Notes:

- Includes 984 RCFE beds within larger campuses, many of which are occupied by IL residents
- Licensed bed capacity is often higher than available units to accommodate lower priced semi-private rates.

San Francisco Licensed AL Supply

- Declining supply of affordable AL while overall supply has increased
- Demand analysis focused on 25 RCFEs with 16+ bed capacity:
 - 1,491 total AL beds*
 - 388 MC designated beds reported by 10 of these projects, one of which is exclusively for MC
- Of these, 7 RCFEs served an estimated 210 Medicaid-eligible residents (18% of total RCFE beds in SF with 16+ beds)
- AL Monthly Cost: Median Base price is \$6,635 for a private unit plus \$465 to \$1,200 per additional level of care
- Newer apartment-style units (i.e. private with kitchenettes and bathroom) seem less common than older properties with mostly semi-private rooms and shared bathrooms.

* Excludes IL occupied beds and MC units

AL Demand in SF

- Estimated 64,130 individuals age 75+ in 2021
- Three market segments:
 - Med-Cal eligible: 1,694 households
 - < 138% FPL or \$17,775 annual income for individual; 2+ ADL needs
 - “Middle” market households: 2,798 households
 - Homeowners with \$17.8 - \$85k annual income; renters with \$25 – 85k annual income; 1+ ADL needs
 - “Private-pay” market households: 1,798 households
 - Homeowners with \$35k+ annual income; renters with \$85+ annual income; 1+ ADL needs

Licensed Assisted Living

AL Service Subsidies

AL Waiver

- Prioritizing NF and hospital relocation cases may address reported access barriers
- 5 tiers ranging from \$2,371 to \$6,080 / mo
- No indication that program size will grow at more than a modest rate or that local market rate adjustments will be implemented

DPH

- Provides “patch” to AL residents with behavioral, as well as complex health care needs (up to 30 clients at one larger RCFE)
- 3 tiers plus special rates ranging from \$1,064 to \$3,800 / mo
- No specified income criteria and can be layered onto other subsidies

PACE

- On Lok enrollment runs at about 1,000 participants and prefers to have no more than 10% in contracted RCFEs
 - 3 service levels individually negotiated ranging from \$2,500 to \$4,000 / mo
- IOA operates 2 PACE centers and serves members under On Lok’s delegated authority

AL Service Subsidies (cont'd)

Community Living Fund

- Provides subsidies for @ 30 AL clients via IOA (lead contractor) Purchase of Services.
- Higher financial eligibility criteria (300% FPL) helps address “Medi-Gap”
- Avg. monthly AL service subsidy for 2nd half of 2020 was about \$3,600. Rates may be higher in larger RCFEs
- Funding is at capacity (no new RCFE placements currently) but could be increased in the future potentially

Future Role of Health Plans

- San Mateo and Inland Empire Health Plans report positive experience subcontracting with RCFEs despite being inadequately reimbursed
- SF Health Plan will be assuming responsibility for Medicaid LTC costs in 2023; planning has yet to begin.
- In the longer term, health plans will likely serve a larger role in providing subsidies for RCFE residents considering individuals can not also be enrolled in AL waiver.

95-Unit AL Preliminary Development Costs

Uses	Total
Acquisition	\$ 15,000
Construction (Hard Costs)	58,863,802
Soft Costs (Architecture, Financing, Legal, etc.)	12,217,123
Reserves (Operating, lease-up & debt service)	3,797,499
Developer Fees	2,200,000
Total	\$ 77,093,424

Financing

HUD / FHA 232 loan

LIHTC if feasible in California

Service subsidy assumptions:

- Majority of 95 units (53%) occupied by residents with subsidies from CLF (n=24); PACE (n=14); AL Waiver (n=12); otherwise, self-pay (n=45)

Project gap scenarios:

- ranged from \$1.6 to \$38.5 million depending on available financing and resident payer mix

License AL Model: Challenges to Address

AL Waiver: Programmatic improvement uncertainties

Current CLF program size and RCFE slots

Project financing (particularly LIHTC) with evolving revenue stream assumptions

Timing of HCBS verification by CMS

Housing with Enhanced Services Model

Housing with Enhanced Services

- Assumes the same target population as the licensed model
- Services provided by outside organizations with some coordination
- Per RCFE regulations:
 - Can serve frail residents in affordable housing without a license if services are coordinated and there is no formal agreement with 3rd party service providers
 - Ongoing policy discussions may be warranted as model takes shape.

Proposed Model Components

1. Frailty preference for all units
 - To address reported need for “step-down” option that serves an AL-comparable population
 - For programmatic scale
2. Rental subsidies for all units
 - To serve Medi-Cal eligible residents
 - So residents qualify for subsidized services
3. “Clustered care” model for IHSS
 - To meet unscheduled needs (e.g. transferring and toileting; oversight for dementia)
 - To provide more efficiency in service delivery

Proposed Model Components (cont'd)

4. Funding for Resident Service Coordinators
 - To accommodate higher overall level of resident need
 - Contingent on HUD approval of additional costs
5. Funding for Wellness Nurse
 - Precedence established by other California county managed health plans
 - Potential partnership with San Francisco Health Plan
6. Meal service coordination
 - Through the inclusion of a commercial kitchen, CBAS / adult day program, and/or bundled IHSS hours
 - To accommodate more residents needing assistance with food services

95-Unit Housing with Services Preliminary Development Costs

Uses	Total
Acquisition	\$ 15,000
Construction (Hard Costs)	58,863,802
Soft Costs (Architecture, Financing, Legal, etc.)	12,217,123
Reserves (Operating, lease-up & debt service)	997,527
Developer Fees	2,200,000
Total	\$ 74,293,452

Financing

HUD 202, paired with other affordable housing programs and city funding

LIHTC if rental subsidies for all units:

- PRAC
- Some availability through the City
 - Est. 10 units to be subsidized through the Scattered Site program
 - Possibility of some subsidies through the SOS program

Housing with Enhanced Services -- Challenges to Address

Frailty preference: No precedent for an all-unit preference

Clustered care:

- Need to provide choice (family caregivers)
- DSS concerns about billing:
 - Initially unreceptive to SF IHSS proposal
 - But examples of clustered care with Medicaid funds exist: NJ, CT, CA's ALWP

SF Health Plan Partnership:

- No current incentive
- Opportunities through CalAIM but interest not definitive and timeline uncertain

Financing:

- Limited 202 funds
- Limited rental subsidies available through SF
- City Bond Financing

Conclusions

1. Policy and programmatic innovation opportunities exist with either model
 - *Patchwork approach to address financing and service delivery*
2. Housing with Enhanced Services model may be less contingent on expanding local funding for direct care subsidies as health plan investment in chronic care management capacity (for non-PACE clients)
3. Licensed model provides more opportunities to serve higher acuity, non-Medi-Cal eligible population while managing quality of care
4. Project funding barriers and advocacy work will require a longer-term development timeline for either model
5. Primary and secondary strategic partnerships will be critical for further model development