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## Information and Planning Issue Brief Trends in Funding and Payer Sources

### Introduction

Recent changes in health care spurred by the Affordable Care Act and health care payment innovation have brought about many changes to the nation's health care system, not the least of which is an increasing recognition of the social factors that affect health care, health delivery and patient outcomes. These social factors include access to transportation, nutrition, in-home services and caregiver support. Many of these social supports are core services that Area Agencies on Aging (AAAs) offer. As the health care industry, especially hospitals and health plans, look for new partners to help address these social factors, AAAs are well-positioned to contract with health payers to provide these critical supports. By doing so, AAAs can diversify their funding streams and potentially increase revenue, while maintaining their mission to support older adults to live successfully in their homes and communities. This issue brief highlights key trends in AAA payer sources. Data for this report was gathered through the 2014 AAA National Survey.<sup>1</sup> Data from the 2016 AAA National Survey, to be published in summer 2017, was included when possible.

### Overview

Despite the rapidly increasing aging population, there has been only a slight change in the average budget of AAAs over the last several years. The average budget has increased by 13 percent since 2007 while the mean budget has increased by nearly 8 percent since 2007—even as the aging population increased by nearly 10 million individuals between 2007 and 2015.<sup>2</sup> The median budget should be considered the more precise portrayal of AAA budgets since it reduces the impact of budget outliers (those agencies with very large or very small budgets). It should be noted that cumulative inflation between 2007 and 2016 was approximately 16 percent.<sup>3</sup>

**AAA Budget Over Time (2007 - 2016)**

Year	Mean	Median	Range
2007	\$8.9 million	\$3.8 million	\$138,000 - \$286 million
2008	\$9.7 million	\$4.1 million	\$140,000 - \$281 million
2010	\$9.7 million	\$4.1 million	\$150,000 - \$320 million
2013	\$9.4 million	\$3.9 million	\$138,000 - \$292 million
2016	\$10.1 million	\$4.1 million	\$200,000 - \$284 million

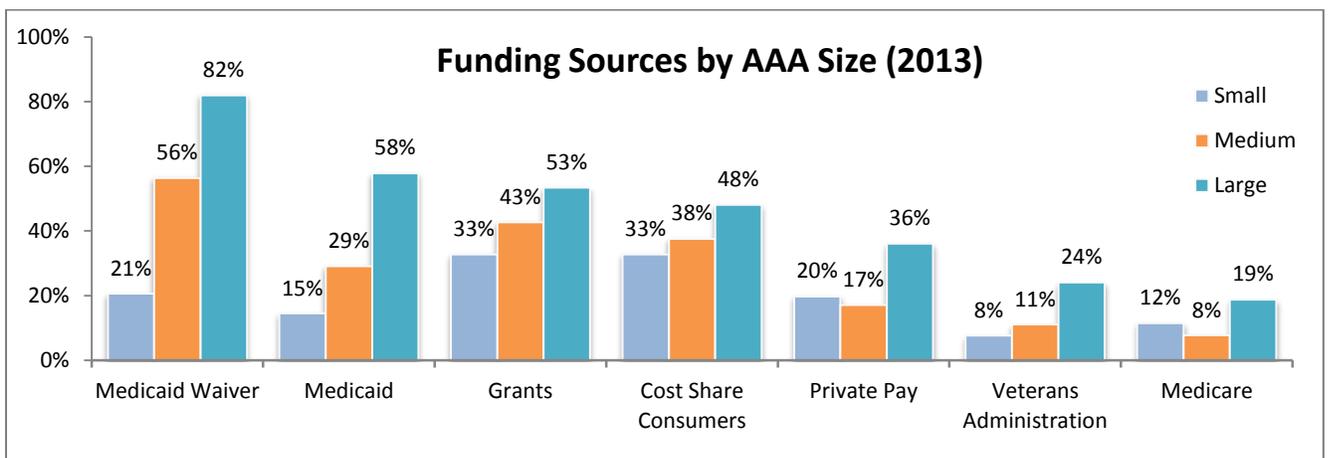
<sup>1</sup> <http://www.n4a.org/files/AAA%202014%20Survey.pdf>

<sup>2</sup> [https://aoa.acl.gov/Aging\\_Statistics/Profile/2008/index.aspx](https://aoa.acl.gov/Aging_Statistics/Profile/2008/index.aspx)

<sup>3</sup> [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm)

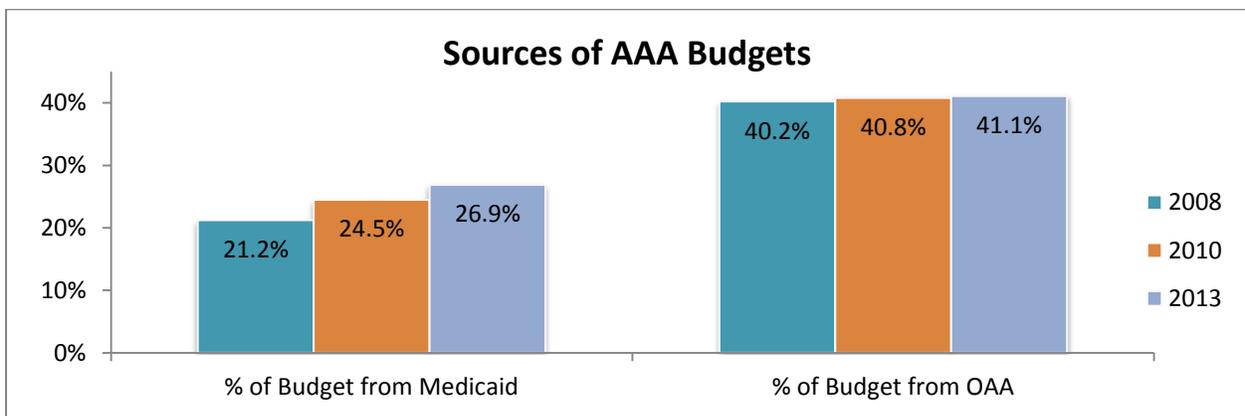
### AAA Funding Sources May Vary By AAA Budget Size

There are noticeable differences in the percentage of AAAs that report particular funding sources based on their budget size. In general, large AAAs were more likely to report that they receive some funding from a greater variety of funding sources. Large AAAs were also most likely to receive revenue from Medicaid Waiver, Medicaid and private pay. Medium-sized AAAs were typically second to larger AAAs in their participation with various funding sources. A variance to this pattern occurred for Medicare and private pay where small and large AAAs were more likely than medium-sized AAAs to see revenue from those sources. This may indicate that while the resources available to larger AAAs allow them to pursue more varied funding streams, at times the agility of smaller organizations can boost their participation.



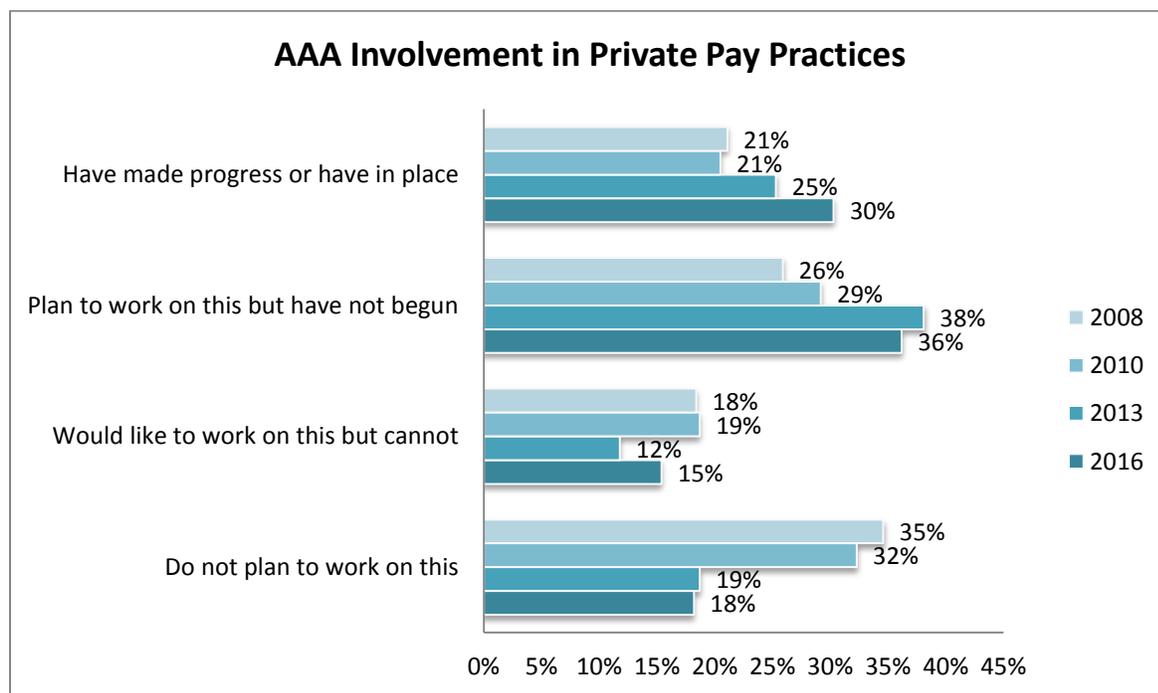
### Medicaid as a Proportion of AAA Budgets is Increasing

Despite the fact that the proportion of AAA budgets that come from the Older Americans Act (OAA) have remained essentially flat since 2008, AAAs are on average seeing an increased proportion of their budget from Medicaid. On average in 2013, AAAs reported 39.2 percent of their budgets is from the Older Americans Act and 26.9 percent is from Medicaid. (2016 data is not available for comparison due to changes in the wording of the question.)



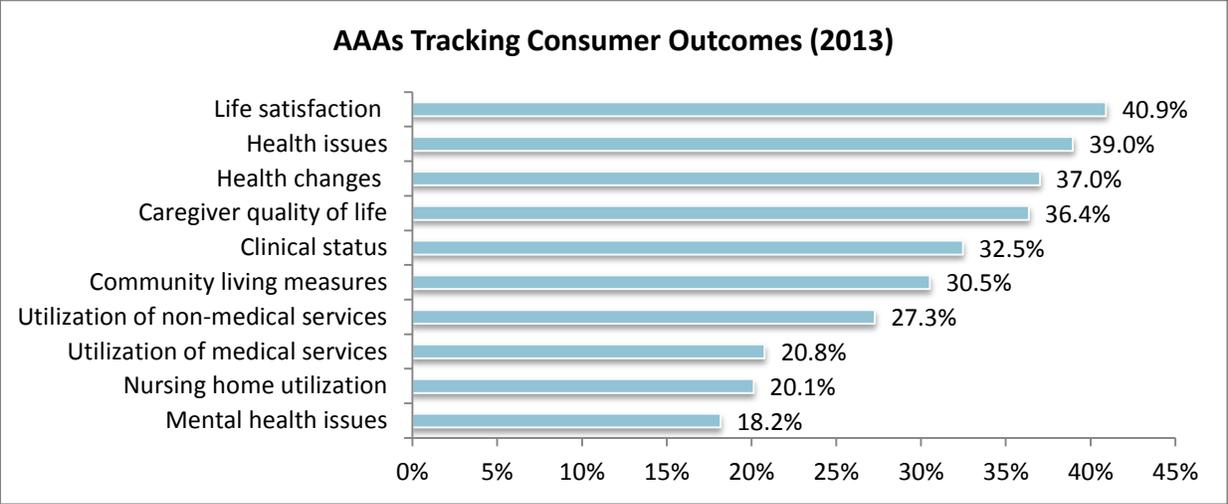
## Growing Interest in Private Pay Options

Private pay services can create opportunities for AAAs wanting to diversify funding streams and meet community demand for services. In general, private payment for services occurs when individuals pay the full cost for the services they receive. Private pay is an option for services not funded through federal or state dollars and is different from cost-sharing, which is a voluntary contribution permitted for certain services under the Older Americans Act. The last several years have seen a trend towards more AAAs establishing private pay programs or making progress towards launching a private pay program. A relatively constant percentage of AAAs report interest in working towards private pay but feel they face obstacles in doing so, while a growing number of AAAs plan to work on private pay but have not yet begun.



## AAAs Are Tracking Consumer Outcomes

The ability of AAAs to prove their value to health care payers' bottom line is essential for those looking to enter into partnerships with health care. AAAs that can demonstrate improvements in consumer outcomes, particularly on measures like health status, mental health status, ability to avoid re-hospitalization and emergency room visits, and ability to avoid institutional care, are well-positioned. Gathering this level of consumer data and outcome is a step beyond consumer satisfaction measures which is the most common consumer measure currently tracked. In 2016, 60 percent of AAAs reported tracking consumer outcomes or making progress towards tracking consumer outcomes. The chart below provides data on which types of outcomes measures AAAs track.



**Summary**

As the aging population continues to increase, many AAAs are funding a need to look at other payer sources outside of the Older Americans Act and Medicaid waivers to address the growing demand for services and supports. Through opportunities available through the Affordable Care Act and other health care payment incentives, AAAs are increasingly becoming part of the shift to value versus volume-based reimbursement. Data through the AAA surveys indicate that AAAs are seeking opportunities for reimbursement through Medicaid and are also pursuing private pay-related options. Partnering with health care entities entails new ways of doing business, including tracking of consumer outcomes that go beyond consumer satisfaction, including clinical status, health issues and health changes.

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