

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
2014 Summary Statement and Initiatives  
(Dollars in Thousands)**

HOUSING FOR THE ELDERLY (SECTION 202)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2012 Appropriation .....	\$374,627	\$879,300 <sup>a</sup>	...	\$1,253,927	\$1,056,468	\$862,227
2013 Annualized CR .....	376,920	181,922 <sup>b</sup>	...	558,842	421,000	896,515
2014 Request .....	<u>400,000<sup>c</sup></u>	<u>137,842</u>	...	<u>537,842</u>	<u>449,000</u>	<u>852,000</u>
Program Improvements/Offsets .....	+23,080	-44,080	...	-21,000	+28,000	-44,515

a/ Carryover includes \$7.6 million in collections and \$6.9 million in recaptures.

b/ Carryover excludes \$15.5 million that expired in fiscal year 2012.

c/ This number includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent of Budget Authority.

d/ Total resources for fiscal year 2014 excludes an estimated \$28 million in spending authority from offsetting collections related to the requested new authority to collect residual receipts, described in further detail below.

**1. What is this request?**

The Department requests \$400 million for the Housing for the Elderly (Section 202) program in fiscal year 2014, an increase of \$25 million from the fiscal year 2012 enacted level. The demand from low-income seniors for affordable housing is enormous and expected to grow in the years ahead as a generation of Americans find themselves aging in place with little wealth accumulation and increasing rates of disabilities. The current supply of housing that can allow elderly households to live independently and age in place is not nearly enough to keep up with present demand and projected population growth. Included in this request is \$20 million for new awards of Elderly Project Rental Assistance (PRA) to support additional units that employ innovative housing designs with home and community-based long-term support and services, \$70 million for renewal of Service Coordinator agreements, and \$310 million for the renewal and amendment of project rental assistance contracts (PRAC). The Budget also requests new authority to allow HUD to make more funds available for expansion through residual receipts collections, recaptures, and other unobligated balances, and proposes language to expand facilitate provision of Section 202 operating assistance-only contracts to fund supportive housing units aligned with State health care priorities.

By carefully targeting Section 202 assistance to very low-income elderly persons with multiple impairments in activities of daily living- i.e., those seniors most likely to be at risk for unnecessary institutionalization or those likely to misuse hospital services. This housing investment can achieve significant cost savings to Federal and State health care systems that are above the cost of the program.

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Best of all, HUD's investment of Section 202 operating assistance leverages not only existing affordable housing capital programs, in particular the Low-Income Housing Tax Credit (LIHTC) program which produces approximately 40,000 elderly restricted affordable units a year, but an increasing sophistication among health care providers who can use Medicaid waiver and other funding to provide the kinds of long term supports and services in the community that formerly required institutional settings.

### Elderly Project Rental Assistance

In fiscal year 2014, the Department requests \$20 million for Elderly Project Rental Assistance (PRA). The Department will make additional funds available for PRA through residual receipts collections, recaptures, and other unobligated balances. With the new authority to collect residual receipts from expiring contracts, HUD estimates that an additional \$26 million could be made available.

Section 202 PRA funding would be awarded to state housing agencies as well as directly to eligible nonprofit sponsors to expand the availability of affordable supportive housing for seniors. These awards will build on a body of emerging research underway by HHS and HUD that focuses on housing with services. Leveraging a growing evidence base around cost efficacy of these interventions, the Budget seeks to provide HUD with the flexibility to scale up best practices in order to prove out these innovative designs.

The Budget also proposes new language to allow HUD to expand the existing Delegated Processing Agency authority to facilitate the award funds through State housing agencies. State housing agencies, coordinating with state health care priorities, can act as a delegated processing agent for awarding and administering Section 202 funds. Applications in those states would be submitted to a State agency that has jurisdiction over the area where the proposed project will be located, generally as part of a competition process for Low-Income Housing Tax Credits (LIHTC), HOME funds, or other state and local housing funding. Those selected for funding must meet program requirements and demonstrate their capacity to perform, describe the financial resources and partnerships they bring with them (projects must be fully leveraged without capital resources), illustrate the need for deeply affordable elderly housing in the proposed location, and demonstrate the project's readiness to proceed. HUD may also elect to provide funds directly to nonprofit sponsors through a separate Notice of Funding Availability. While the number of units supported will largely depend on the design of programs, the Budget request of \$20 million could support as many as 3,400 new units.

### Service Coordinators/Congregate Housing Services Program

The Department requests \$70 million for Service Coordinators/Congregate Housing Services Program (CHSP) in fiscal year 2014 to extend funds to approximately 1,300 previously approved Service Coordinators and Congregate Housing Service grants. The purpose of the Service Coordinators program is to enable residents who are elderly or have disabilities to live as independently as possible in their own homes. Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. A service coordinator is a social service staff person who is responsible for assuring that residents, especially those who are frail or at risk, are linked to the specific supportive services they need to continue living independently and age in place. The primary responsibility of a Service Coordinator is to help link residents of eligible housing with supportive services

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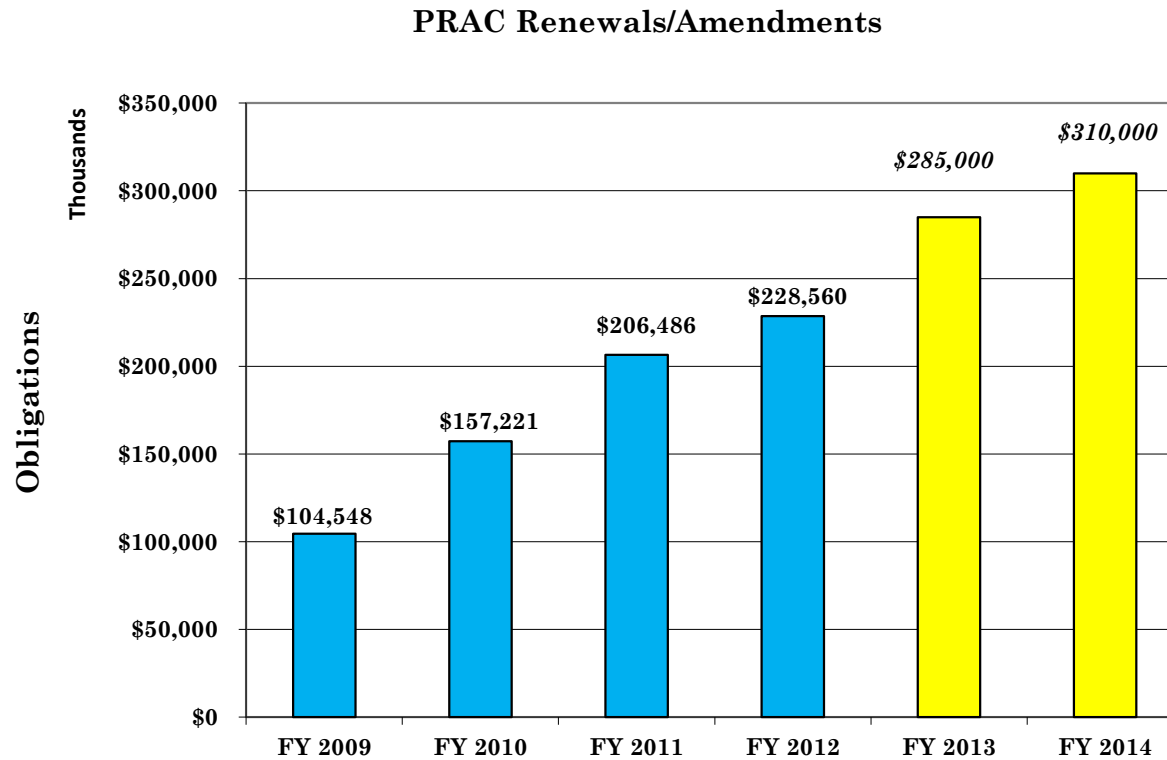
provided by community agencies. The Service Coordinator may also perform such activities as providing case management, acting as an advocate or mediator, coordinating group programs, or training housing management staff. The CHSP is an older, smaller program that is now only funded through renewals. CHSP subsidizes the cost of supportive services that are provided on-site and in the participant's home, which may include congregant meals, housekeeping, personal assistance, transportation, case management, etc.

### Project Rental Assistance Contracts (PRAC) Renewals/Amendments for Existing Section 202 Projects

The Department requests \$310 million for Project Rental Assistance Contracts (PRAC) Renewals/Amendments in fiscal year 2014. PRAC Renewals/Amendments provides continued assistance to tenants of Section 202 projects in which the initial PRAC has expired or all reserved funding has been disbursed. In the early stages of the Section 202 program, the initial PRAC terms were for 20 years; those terms were reduced to 5 years in fiscal year 1995 and further reduced to 3 years in fiscal year 2006. As the initial PRACs begin to expire, the rental assistance is renewed on a 1-year basis and continued through the PRAC Renewal/Amendment program. For Section 202 contracts, HUD estimates that \$26 million of the increased need in fiscal year 2014 is due to approximately 195 contracts being renewed or amended for the first time.

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The following graph shows growth of the PRAC Renewal/Amendment obligations since fiscal year 2009 and the estimated obligations through fiscal year 2014.



NOTE: Fiscal years 2013-2014 obligations are estimates.

The above graph illustrates the growth in the amount of budget authority that must be obligated annually to maintain operating assistance for Section 202 projects. As new projects come out of the construction pipeline and initial PRACs are depleted, this budget authority requirement will continue to grow with a similar trend. The fiscal year 2014 estimate reflects an analysis of subsidy balances on currently active Project Rental Assistance Contracts (PRACs) that are expected to require renewal or amendment.

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## **2. What is this program?**

The Supportive Housing for the Elderly program is authorized under Section 202 of the Housing Act of 1959; Section 210 of the Housing and Community Development Act of 1974, P. L. 86-372 (12 U.S.C. 1701q, 73 Stat. 654, 667); the National Affordable Housing Act, P. L. 101-625 (42 U.S.C. 12701); the Housing and Community Development Act of 1992 (P.L. 102-550); the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569), and the Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372).

The Service Coordinator Program is authorized under Section 808 of the Cranston-Gonzalez National Affordable Housing Act which authorized the use of Service Coordinators within existing projects for the elderly. Sections 674 and 676 of the Housing and Community Development Act of 1992 expanded the universe of projects eligible to receive service coordinator assistance by authorizing funding for service coordinators in Section 202, Section 8 and Sections 221(d)(3) and 236 projects. The Service Coordinator Program provides funding for the employment of Service Coordinators in HUD-assisted multifamily housing that is designed for the elderly and persons with disabilities. The Congregate Housing Services Program (CHSP) was authorized by the Housing and Community Development Amendments of 1978 to provide 3- to 5-year grants to fund service coordinators for eligible residents of Public Housing and Section 202 Housing for the Elderly or Persons with Disabilities.

### What is the Purpose of Section 202?

The Section 202 program provides funding to facilitate the creation of multifamily housing for very low-income elderly persons. Nearly 400,000 homes for low-income elderly households have been produced to date. Section 202 is currently the only federal program that expressly addresses this need for affordable elderly housing. Its impact is amplified through the leverage of other housing resources such as Section 8, Community Development Block Grants (CDBG), HOME Investment Partnerships Program (HOME), and Low-Income Housing Tax Credits (LIHTC).

### Who Does Section 202 Housing Serve?

To be eligible for residency in a Section 202 unit, a household must be composed of one or more persons at least 62 years of age at the time of initial occupancy, with a household income at or below 50 percent of the area median income. Most residents fall far below that threshold. The average annual household income for Section 202 households is between \$12,300 and \$12,600<sup>1</sup>

Tenants living in Section 202 supportive housing can access a variety of community-based services and support to keep living independently in the community and age in place. Thirty-eight percent of existing Section 202 tenants are frail or near-frail, requiring assistance with basic activities of daily living, and thus can be considered at-risk for institutionalization.<sup>2</sup>

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<sup>1</sup> Analysis by HUD Office of Policy Development and Research of 2012 PIC and TRACS data.

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Going forward, new Section 202 investments will expressly be targeted to serve the elderly population most in need of housing assistance: extremely low-income elderly who require assistance with activities of daily living.

### How Does Section 202 Work?

Traditionally, the Department has provided interest-free capital advances to non-profit sponsors to finance the development of supportive housing for the elderly. The capital advance is used to support the construction, rehabilitation or acquisition (with or without rehabilitation) of supportive housing for very low-income elderly persons, including the frail elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years.

In addition, operating subsidies, known as a project rental assistance contract (PRAC), are provided on an on-going basis to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent, which is limited to 30 percent of a tenant's income. The operating subsidy makes the housing more affordable to low-income elderly individuals by subsidizing tenants with the lowest incomes. The initial term of the PRACs is 3 years, after which the contracts are renewed annually, contingent upon the availability of funds.

In fiscal year 2014, the Department is proposing to maximize the effectiveness of Section 202 funds by giving states the option to identify target populations that would most benefit from this assistance and to layer Section 202 operating assistance into their pipeline of elderly-only affordable housing. Accordingly, Section 202 units would tend to represent a set-aside within larger affordable housing complexes funded by tax credits, HOME funds, or other sources in which the targeted residents would be markedly older, frailer, and poorer but would have access to community-based long term supports and services. This increased focus allows states to target elderly populations for assistance to those individuals who are most likely to otherwise require much more costly institutional care. This approach also takes advantage of the fact that an estimated 40,000 elderly-only affordable housing units are produced each year under the low-income housing tax credit which does not otherwise have any associated operating assistance. HUD would still retain the option to make funds available directly to nonprofit sponsors in those states which did not elect to participate in this program.

Prior to the inception of the Section 202 Capital Advance program, the Department offered the Section 202 Direct Loan Program. The Direct Loan program was authorized by the Housing Act of 1959 (P.L. 86-372), the first direct loans were issued in the 1960s and the program was discontinued after fiscal year 1991 with the enactment of the Cranston-Gonzales National Affordable Housing Act. Although properties supported by the direct loan program continue to operate, no new loans have been issued since fiscal year 1991. The program provided loans directly for the construction, rehabilitation or acquisition of rental properties to serve the elderly, physically handicapped, developmentally disabled or chronically mentally ill adults. The loan terms were for a maximum of 40 years and HUD is currently receiving repayments of these loans.

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<sup>2</sup> HUD, "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement", June 2008.

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### Who Receives Section 202 Housing Funds?

Key partners in the Section 202 program have traditionally been nonprofit organizations, including faith-based organizations, with a Section 501(c)(3) tax exemption from the IRS. Over the years, many nonprofit organizations have developed an impressive capacity to serve low-income elderly persons, not only in terms of building housing, but in maintaining that housing and providing or coordinating necessary supportive services. Smaller community-based non-profit organizations often partner with higher capacity regional or national organizations to make the projects happen. Since the need for this housing has been so widespread, Section 202 projects are located everywhere throughout the country, in large and small cities, small towns, and rural locales.

Starting in fiscal year 2014, the Section 202 program is proposed to provide project rental assistance to affordable housing developments for the elderly whose upfront capital costs are covered by other state and local sources. Under this model, state housing agencies or similar entities, coordinating with state health care priorities, may apply to be a delegated processing agent for awarding and administering Section 202 funds, taking advantage of efficiencies inherent in these same agencies' oversight responsibilities for tax credits, HOME funds or similar housing funding.

### Changes to the Program

The passage of the Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372) improved the program in several ways. The bill makes it easier to refinance older Section 202 projects in need of rehabilitation; provides flexibility in transforming less marketable studio apartments into one bedrooms; it established new rental assistance contracts for seniors at risk of being unable to afford rent increases due to refinances; made it easier for owners to make health and supportive services available to residents through service-enriched housing.

This new legislation complemented the Administration's broader Section 202/811 reform agenda which implemented policy and regulation changes to better target the program to support the most vulnerable elderly, bring new units on line faster, and better leverage each program dollar. Changes to the program have been done with input from, and in coordination with, the Department of Health and Human Services (HHS).

HUD is currently funding research jointly with HHS' Office of the Assistant Secretary for Planning and Evaluation (ASPE) and the Administration on Aging (AoA) to design an "Aging in Place" demonstration for seniors in an affordable housing setting. The study is expected to provide new information about the health care use of seniors that reside in HUD-assisted housing, how this differs by type of assisted housing, level of service enrichment, and health care use patterns. HUD is also collaborating with HHS on an evaluation of the Support and Services at Home (SASH) program in Vermont. The program is a Medicare/Medicaid demonstration of coordinated health and supportive services in affordable housing and the study will examine participants' outcomes and savings in care costs for seniors.

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### Salaries and Expenses (S&E) and Full-Time Equivalents (FTE) Request

A total of 159.9 FTE are requested for the Housing for the Elderly (Section 202) program which is a decrease of 5.5 from the fiscal year 2012 level. Total S&E funding is \$20.366 million or an increase of \$58 thousand from the fiscal year 2012 level. Personnel services decreased by \$2 thousand or less than 1 percent reflecting decreased FTE usage. Non-personnel services are increased by \$60 thousand due to increase in training.

### Workload by Function

The overall S&E requests reflect the following workload by functions for the Housing for the Elderly (Section 202) Program:

- Multifamily Asset Management and Recapitalization has 67.9 FTE (42.5 percent) to provide oversight and monitoring of Field staff implementation of policy and procedures related to sponsor and owner obligations and responsibilities; monitor Field achievement of goals and targets; ensures compliance with HUD business agreements with respect to financial and physical requirements; and oversight and monitoring of the Use Agreement and other contracts.
- Multifamily Grant Administration has 45.6 FTE (28.5 percent) to ensure the successful operations of the Section 202 Housing for the Elderly program helps non-profit organizations own and operate, affordable housing with supportive services for very low-income elderly persons. Section 202 funds under the Service Coordinator in Multifamily Housing program are also awarded to owners of certain multifamily housing projects to hire service coordinators to help link project residents to needed services as well as provide funds to directly fund services under the Congregate Housing Services program.
- Multifamily Production and Processing has 19.3 FTE (12.1 percent) are associated with the Section 202 programs to provide oversight and monitoring of policies and procedures related to sponsor and owner obligations and responsibilities; monitor field achievement of goals and targets regarding development of new units and the number of service coordinators hired and maintained, review and process requests for amending and or extending previously funded projects/grants; and draft Notices of Funding Availability announcing the availability of funds.
- Multifamily Subsidy Administration has 21.5 FTE (13.4 percent) for the MF rental assistance programs, unlike the Tenant-Based Rental Assistance program, provide rental assistance on behalf of eligible tenants residing in specific multifamily rental developments. These households are primarily seniors, families with children, and persons with disabilities.
- Multifamily Policy Development staff has 5.6 FTE (3.5 percent) used for rental assistance programs to develop policy on the renewal of Section 8 contracts and the provision of rent adjustments; writes guidebooks and notices; responds to inquiries regarding contract provisions, including internal and external correspondence, and waiver requests; develops and provides technical support and training on Section 8 contract renewals to HUD field offices, contract administrators, and property



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owners and management agents; and provides oversight and monitoring of field staff implementation of policy and procedures.

### **3. Why is this program necessary and what will we get for the funds?**

#### Overwhelming Demand

In February 2013, HUD released a summary of its biennial Worst Case Housing Needs Report. HUD found that the number of very low-income renters facing severe housing problems continues to grow. In 2011 nearly 8.5 million households had worst case housing needs, up from 7.1 million in 2009. This represents a 19 percent increase since 2009 and 43 percent since 2007.<sup>3</sup> Worst case needs are defined as renters with very low-incomes (below half the median in their areas) who do not receive government housing assistance and who either paid more than their monthly incomes in rent, lived in substandard conditions, or both. Housing needs cut across all regions of the country and included all racial and ethnic groups, regardless of whether they lived in cities, suburbs, or rural areas. In addition, large numbers of worst case needs were also found across various household types including families with children, senior citizens, and persons with disabilities.

The rise in hardships among renters is due to substantial increases in rental housing demand and weakening incomes that increased competition for already-scarce affordable units. Increases in demand were so great that they overwhelmed increases in supply of units affordable at incomes below 50 percent of AMI. As a result, the gap between the number of affordable units that were available for very low-income renters and the number of renters who need these units not only failed to improve in percentage terms, but worsened in absolute terms.

Although the Section 202 program has produced nearly half a million units, the need for affordable housing within America's elderly population is far from being met today and will continue to grow into the foreseeable future with the demographic shift that is taking place in the country. The number of people age 65 and older is expected to double from 35.0 million to 71.5 million and from 12.4 percent of the population to 19.6 percent between 2000 and 2030.<sup>4</sup>

The need for affordable housing among the most vulnerable segment of the elderly population is already tremendous. There are 547,192 unassisted Extremely Low-Income (ELI) elderly renter households with at least one disability and with housing problems (ex. paying more than 30 percent in rent and/or live in housing with physical problems), according to 2009 American Housing Survey.<sup>5</sup> Annual growth rate of U.S. population age 65+ between 2010 and 2020 is 2.94 percent.<sup>6</sup> This implies an annual household formation of 16,087 unassisted ELI elderly renter households with at least one disability and with housing problems.<sup>7</sup>

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<sup>3</sup> U.S. Department of Housing and Urban Development (February 2013) Worst Case Housing Needs 2011: Report to Congress--Summary.

<sup>4</sup> Congressional Research Service, "Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly residents" (September 2008).

<sup>5</sup> HUD, Worst Case Housing Needs 2009: Report to Congress (February 2011).

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An estimated 38 percent of all residents currently living in Section 202 properties could be considered “frail” or “near-frail.” However, often with the assistance of service coordinators, most of these residents are able to access community-based services, stay longer in their housing, and avoid more expensive institutional settings. Going forward, the Section 202 program intends to increasingly target housing assistance towards exactly this subset of the elderly population, given the tremendous cost-savings associated with independent living versus nursing homes or assisted living facilities.

Section 202 residents have the highest average age at the end of participation compared to other housing programs and housing occupied primarily by the elderly has greater success retaining residents until more advanced ages.<sup>8</sup> A study of service coordination found very high levels of satisfaction and it found that the presence of service coordinator staff who link residents to supportive services in the community increased residents’ length of stay by 10 percent in comparison with those without access to this service.<sup>9</sup>

The new strategic focus on the integration of housing, supportive and health care services has prompted a new study in collaboration with the Department of Health and Human Services (HHS). The study, currently in progress, is developing a conceptual framework that sets the parameters for understanding the elements of housing with coordinated health and long-term services and support for older adults. It will provide options for the design of a demonstration of housing with services to enhance aging in place for older adults, as well as examine the use of administrative and other data to target the appropriate places and individuals for such a service delivery model.<sup>10</sup>

### Cost-Saving Alternative to Institutionalization

As a consequence of the lack of affordable housing<sup>11</sup>, vulnerable elderly persons with health and long-term care services and supports needs often either: 1) are at increased risk of high cost emergency care utilization because of the lack of basic support or 2) reside in institutional settings such as nursing homes or Medicaid-funded board and care facilities. The cost of unnecessary emergency care for the elderly is one of the greatest contributors to the rising federal expenditures associated with the Medicare

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<sup>6</sup> Source: U.S. Census Bureau, Population Division. 2008. Table 2, Projections of the Population by Selected Age Groups and Sex for the United States: 2010 to 2050 (NP2008-T2). Retrieved from <http://www.census.gov/population/www/projections/summarytables.html>

<sup>7</sup> This assumes household size and incidence of disability does not have a major change for this age group between 2010 and 2020 and growth rate is similar for this income group (ELI).

<sup>8</sup> Locke, Gretchen, Ken Lam, Meghan Henry, and Scott Brown (Abt Associates Inc). 2011. *End of Participation in Assisted Housing: What Can We Learn About Aging in Place?* Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

<sup>9</sup> HUD, “Multifamily Property Managers’ Satisfaction with Service Coordination”, 2008.

<sup>10</sup> HHS/HUD, “Design of a Demonstration of Coordinated Housing, Health and Long-term Care Services and supports for low-Income Older Adults”, expected late 2012.

<sup>11</sup> 36.5 percent of renters age 62 and over paid more than half their incomes for housing in 2009. HUD Worst Case Housing Needs 2009: Report to Congress (February 2011).

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program. Similarly, the cost to the taxpayer of institutional settings is significantly more than the cost of a Section 202 unit, while not providing nearly the same quality of life for the resident.

Investments in Section 202 have the potential to offset greater state and federal expenditures on Medicaid and Medicare and provide an opportunity for low-income elderly to age in place in their own communities. Although the data does not exist to precisely determine the complete cost savings picture, an extrapolated cost savings can be arrived at through reference to several key data points. The Genworth 2012 Cost of Care Survey estimated the national average cost of nursing home at \$73,000 a year for a semi private room. The cost of this type of facility has been growing at 5 percent a year in the past 5 years.<sup>12 13</sup> The 2010 National Survey of Residential Care Facilities found that 2 out of 10 residents in Assisted Living Facilities are Medicaid beneficiaries. This represents approximately 97,000 people over 65 years of age, living in these facilities who are Medicaid beneficiaries. In 2010, the mean national total monthly charge per resident for residential care was \$3,165 (or \$37,980 a year).<sup>14</sup>

The annual housing assistance cost of a Section 202 unit is \$5,591. Adding in the national mean cost of Medicaid home and community-based waiver services per person per year (\$14,665), provides for a total cost of housing, home care, and supportive services assistance of \$20,256 per household. This is \$17,724 less than the average estimated cost paid by Medicaid for residents in assisted living facilities and \$52,744 less than a nursing home alternative.

If HUD assists 3,400 elderly households using fiscal year 2014 appropriations, the net cost savings to State and federal budgets could be as high as \$179 million a year.

Section 202 housing can also reduce Medicare expenditures on hospitalization and Emergency Room (ER) visits for people living in the communities who have chronic conditions and functional limitations, need support with Activities of Daily Living (ADLs), and are top spenders of Medicare and Medicaid. Among this group, almost 2/3 of health expenditures were for inpatient stays, emergency room visits and prescription drugs and only about 1/5 was for home health. Supportive housing can potentially reduce this high health costs by providing services that reduce falls and injuries and by improving management of prescription drug utilization, though the cost savings is not easily quantifiable.

In addition, under the Americans with Disabilities Act and the Supreme Court's *Olmstead* decision, states are legally obligated to favor community-based and integrated settings over institutional settings for elderly persons with disabilities.<sup>15</sup> State Medicaid

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<sup>12</sup> Genworth. 2012. Genworth Cost of Care Survey.

<sup>13</sup> Medicaid billing for a nursing home facility could be lower, but national data was not available on the cost of nursing homes for Medicaid beneficiaries.

<sup>14</sup> Caffrey, C. et al. 2012. Residents Living in Residential Care Facilities: United States, 2010. *NCHS Data Brief* 91.

<sup>15</sup> In *Olmstead v. L.C.*, 527 U.S.581 (1999), the Supreme Court held that Title II of the Americans with Disabilities Act prohibits the unjustified segregation of people with disabilities in nursing homes or other institutional settings. Federal regulations require that states or other public entities must reasonably modify their policies, procedures or practices to avoid such discrimination. 28 C.F.R. § 35.130(b)(7).

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agencies are making efforts to comply with this mandate through Medicaid home and community-based “waiver” programs administered by HHS’ Centers for Medicare and Medicaid Services. However, states often find themselves limited in achieving this mandate even when they have effective Medicaid waiver programs in place because the target population cannot afford the cost of renting a home in the community. In the most recent progress report of the HHS’ program, twenty out of 34 states reported insufficient supply of affordable and accessible housing options to transition people from institutional settings to the community.<sup>16</sup> Investments in Section 202 supportive housing align with and complement these state efforts to provide home and community-based services for elderly people with disabilities. The Department is working with HHS on several collaborative projects to increase access to affordable housing in community settings for elderly people with disabilities seeking to leave institutional settings related to the Section 202 program, such as HHS’ Money Follows the Person (MFP) program.

### **4. How do we know this program works?**

Over the course of a half a century, the Section 202 program has provided nearly 400,000 affordable homes for the elderly, including many with extremely low-income or significant health concerns. A study on Section 202 found that although Section 202 has a higher per-unit cost in comparison with Housing Choice Vouchers because of special accommodations and services provided, the cost of Section 202 is lower than the nursing home alternative. As stated previously, the annual cost of services in a Section 202 unit can be one-fourth to one-half the cost of nursing home care.<sup>17</sup> In addition, the Money Follows the Person evaluation indicates that there are possible savings that can be gained from moving elderly people with disabilities from institutional settings to the community. The MFP 2010 annual evaluation found that the average annual spending on home and community-based services (HCBS) per MFP participant was one-third lower than the average annual Medicaid spending on institutional care for elderly beneficiaries in nursing homes.<sup>18</sup>

Research has also found that supportive housing for the elderly, and the presence of service coordinators in particular, enables older residents to age in place. A study of satisfaction with service coordination found that the average length of stay was 6 months longer for residents in properties with HUD-funded service coordination.<sup>19</sup> This longer length of stay means less months spent in costly institutional care and translates into reduced turnover within the apartment buildings which lowers costs for the federal government and the property owner. A more recent study on the end of participation in assisted housing found that Section 202,

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<sup>16</sup> Mathematica Policy Research. *Money Follows the Person Demonstration: Overview of State Grantee Progress, July to December 2011*. June 2012. Retrieved from: [http://www.mathematica-mpr.com/publications/PDFs/health/mfp\\_jul-dec2011\\_progress.pdf](http://www.mathematica-mpr.com/publications/PDFs/health/mfp_jul-dec2011_progress.pdf).

<sup>17</sup> See previous section, citing to HUD, “Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement”, 2008.

<sup>18</sup> Mathematica Policy Research. 2011. *Money Follows the Persons 2010 Annual Evaluation Report: Final Report*. Retrieved from [http://www.mathematica-mpr.com/publications/pdfs/health/MFP\\_2010\\_annual.pdf](http://www.mathematica-mpr.com/publications/pdfs/health/MFP_2010_annual.pdf).

<sup>19</sup> HUD, “Multifamily Property Managers’ Satisfaction with Service Coordination” , 2008.

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with an average age at end of participation of 79 years, ranked among the best of HUD programs for length of tenure of elderly residents.<sup>20</sup>

Until now, one of the main limitations of research on Section 202 has been the lack of data on residents' need and utilization of health and long-term care services and supports. Without this data, it has been difficult to understand health outcomes for Section 202 residents and elderly residents of other assisted housing programs, their service utilization and risks of institutionalization, and cost effectiveness with respect to other forms of living arrangements.

There are three research initiatives that will address these limitations and provide a unique opportunity to answer some of these questions. The first is the research with the Assistant Secretary for Planning and Evaluation, HHS (ASPE) and the Administration on Aging (AoA) to design an "Aging in Place" demonstration for seniors in an affordable housing setting. The study, which is under contract to ASPE, has produced a literature review and case studies of promising programs, and it is expected to provide new information about the health care use of seniors that reside in HUD-assisted housing, how this differs by type of assisted housing and the level of service enrichment, and how these patterns differ from health care use patterns generally (e.g., frequency of emergency room use, potentially avoidable hospitalizations, etc.). This study will, for the first time, test the feasibility of matching HUD housing data with Medicare data to improve our understanding of household characteristics in HUD-assisted housing and to discern differences across programs in 12 pilot locations.

The second research project is the HHS and HUD evaluation of the Support and Services at Home (SASH) program in Vermont, a Medicare/Medicaid demonstration of coordinated health and supportive services in affordable housing for seniors. The evaluation will examine participants' outcomes and savings in care costs for seniors. Finally, HUD is matching the National Health Interview Survey data with HUD administrative data. This in-house research project will help understand the health status of HUD-assisted households.

The third is a new study in collaboration with the Department of Health and Human Services (HHS), as described previously. The study, currently in progress, is developing a conceptual framework that sets the parameters for understanding the elements of housing with coordinated health and long-term services and support for older adults. It will provide options for the design of a demonstration of housing with services to enhance aging in place for older adults, as well as examine the use of administrative and other data to target the appropriate places and individuals for such a service delivery model.<sup>21</sup>

### Quality of Life Example

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<sup>20</sup> Abt, "End of Participation in Assisted Housing: What Can We Learn About Aging in Place?", 2011

<sup>21</sup> HHS/HUD, "Design of a Demonstration of Coordinated Housing, Health and Long-term Care Services and supports for low-Income Older Adults", expected mid to late 2013.

## Housing for the Elderly (Section 202)

Mrs. K. moved into Restoration Towers in Detroit at age 66, when she could no longer live in her family home. Mrs. K. had a history of diabetes, hypertension and arthritis.

When Mrs. K. moved in she met with a Service Coordinator for an assessment. The Service Coordinator found that Mrs. K. was not monitoring her blood sugar and eating an appropriate diet and suggested Mrs. K. meet with the visiting nurse who came to the building every week to test residents' blood sugar. Mrs. K. used the van service at the building for doctor and dietician visits.

The Service Coordinator continued to monitor Mrs. K's need for assistance and referred her for housekeeping services which would provide housekeeping, doing the laundry and personal assistance in bathing. The Service Coordinator arranged for Mrs. K's meals to be delivered to her apartment and also made arrangements for a doctor to do home visits so Mrs. K. would not have to go to his office.

Mrs. K. passed away in her sleep at age 91 after having resided at Restoration Towers for 25 years. Mrs. K. was able to age in place in her own apartment with her own belongings, her friends just steps away, and a Service Coordinator to make sure she was getting the services she needed. Compared to the cost of a nursing home which would cost the government approximately \$70,000 a year, Mrs. K. lived independently with services for 25 years at Restoration Towers at the cost to the state of less than \$20,000 a year.<sup>22</sup>

### Leveraging Capital: Section 202 as a Magnet for More Funding

With the changes proposed in the Budget, the Section 202 program will be particularly well-designed to support leveraging of other housing funding, particularly Federal Low-Income Housing Tax Credits, HOME funds, and other state, local, and private funds. Because state and local agencies control almost all the new federal funds for new affordable housing construction through HOME and LIHTC, putting the Project Rental Assistance authority into their hands directly enables aligned capital investments.

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<sup>22</sup> Statistical data provided by Restoration Towers.

**HOUSING**  
**HOUSING FOR THE ELDERLY (SECTION 202)**  
**Summary of Resources by Program**  
**(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2012 Budget Authority</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2012 Obligations</u>	<u>2013 Annualized CR</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2014 Request</u>
Elderly Expansion .....	\$8,000	\$699,095	\$707,095	\$654,295	\$8,049	\$51,833	\$59,882	...
Elderly PRAC								
Renewal/Amendment ....	258,627	12,028	270,655	228,560	260,210	42,095	302,305	\$310,000
Service Coordinators/ Congregate Housing								
Service Program .....	81,000	90,389	171,389	127,141	81,496	43,754	125,250	70,000
Conversion to Assisted Living/Emergency								
Repairs .....	11,000	39,170	50,170	23,690	11,067	26,480	37,547	...
Planning Grant .....	...	35,618	35,618	20,732	...	1,760	1,760	...
Technical Assistance ..	...	2,000	2,000	2,000	...	...	...	...
Delegated Processing								
Demonstration .....	...	1,000	1,000	50	...	...	...	...
Senior Preservation								
Rental Assistance								
Contracts .....	16,000	...	16,000	...	16,098	16,000	32,098	...
State Housing Project								
Rental Assistance								
Demonstration .....	...	...	...	...	...	...	...	20,000
Transformation								
Initiative .....	...	...	...	...	...	...	...	...
Total .....	374,627	879,300	1,253,927	1,056,468	376,920	181,922	558,842	400,000

**NOTE:** \$13.1 million in Planning Grants and \$950 thousand in Delegated Processing funds expired in fiscal year 2012.

Housing for the Elderly (Section 202)

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Appropriations Language**

Below is the italicized appropriations language for the Housing for the Elderly (Section 202) account.

*For amendments to capital advance contracts for housing for the elderly, as authorized by section 202 of the Housing Act of 1959, as amended, and for project rental assistance for the elderly under section 202(c)(2) of such Act, including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, and for senior preservation rental assistance contracts, as authorized by section 811(e) of the American Housing and Economic Opportunity Act of 2000, as amended, and for supportive services associated with the housing, \$400,000,000 to remain available until September 30, 2017: Provided, That of the amount provided under this heading, up to \$70,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects: Provided further, That amounts under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 202 projects: Provided further, That the Secretary may waive the provisions of section 202 governing the terms and conditions of project rental assistance, except that the initial contract term for such assistance shall not exceed 5 years in duration: Provided further, That upon the request of the Secretary of Housing and Urban Development, project funds that are held in residual receipts accounts for any project subject to a section 202 project rental assistance contract and that upon termination of such contract are in excess of an amount to be determined by the Secretary shall be remitted to the Department and deposited in this account, to be available until expended: Provided further, That amounts deposited in this account pursuant to the previous proviso shall be available in addition to the amounts otherwise provided by this heading for the purposes authorized under this heading and, together with such other funds, may be used by the Secretary for demonstration programs to test housing with services models for the elderly: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading may be used for the current purposes authorized under this heading, notwithstanding the purposes for which such funds were originally appropriated.*

Note.--A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.