Attachment A

The Bell Policy Center

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Sales Tax Revenue To Older Coloradans Cash Fund

Senate Bill 13-127

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Testimony to the House Finance Committee
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My name is Robert Semro, and I am a policy analyst with the Bell Policy Center. The Bell is a non-partisan, non-profit research and advocacy organization founded on progressive values and dedicated to expanding opportunity for all Coloradans.

The Bell Policy Center supports Senate Bill 127. Colorado is facing an impending long-term-care crisis as a result of the state's aging demographic **profile**. Unless the state legislature explores new and less costly ways of financing **support services for long-term care**, the impact on future state budgets will be increasingly unmanageable. Senate bill 127 represents one small but important step in meeting this much larger challenge.

Age 65+ households in Colorado will increase by 123 percent between 2010 and 2030[1]. At some point in their lives, approximately 870,000 to 930,000 Coloradans in that population may require long-term care.[2] Unfortunately, the cost of long-term care is high and is expected to increase.

Here are some measures that illustrate the current high costs:

• According to the 2012 Genworth Cost of Care Survey, the average hourly rate for private pay homemaker services in Colorado is $20 per hour. The average annual cost of a private pay single bedroom in an assisted living facility is $44,433 or almost $122 per day. Over the last five years assisted living costs have increased by 8 percent. For a semi-private room in a skilled nursing facility in Colorado, the average annual private-pay cost is $75,190, or $206 per day. Those costs have increased by 4 percent over the last five years.[3] Given those costs, it will not take long for some Colorado citizens to spend down their life savings and assets. In fact, a large portion of the senior and baby boom population is not prepared to absorb these costs and is likely end up on Medicaid if no other alternative to high-cost long-term care is available.

• In terms of state Medicaid spending, according to HCPF's Long Term Benefits Data Book, the per-capita cost to the state of long-term care in a Class I nursing facility was $57,251 in FY2010-11. PACE per-capita costs were $42,427 for the same fiscal year. The per capita cost of an HCBS EBD waiver beneficiary was $24,839.[4]

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1 *State Demography Office, Colorado's Aging Trends, Department of local Affairs March 2012*

2 *Colorado Health Institute, Long Term Services and Supports in Colorado, updated Jan. 2012*

3 *Genworth 2012 Cost of Care Survey*

4 *Colorado Department of Health Care Policy and Financing, Long Term Benefits Data book, June 2012 version*

• A larger picture of state spending in the future comes from the University of Denver Study, "Financing Colorado's Future." According to that study, General Fund expenditures for HCPF will triple by FY 2024-25, from nearly $1.8 billion to about $5.5 billion.[5]

There is an alternative to the high-cost path, and the Area Agencies On Aging are a key component. The services provided by the AAAs are substantially more cost-effective for the state. The average cost for a recipient of AAA services provided through the Denver Regional Council of Governments is about $4,200 per year[6]. AAA services are tailor-made to the needs of the recipient, and that targeting creates savings.

The services provided by this program and funded by this legislation have the potential to be more cost-effective by a factor 4:1 compared to Medicaid HCBS services and 8:1 compared to a Medicaid nursing facility.[7] At that savings rate, delaying 100 to 200 people a year from going on to Medicaid would likely save the state more than the first-year funding requested in Senate Bill 127.[8]

Unfortunately, given Colorado's aging population, the recession and funding challenges, the AAAs have not been able to keep up with ever-growing demand, and this has created long waiting lists. This is a program that is popular, it works, it is very cost effective and it represents a practical alternative to premature entry into Medicaid for many Coloradans. Funding the AAAs today may represent a hedge against far more costly forms of care tomorrow.

Beyond the savings to the state, these programs enable people to age in place in their homes and communities longer. Senate Bill 127 provides us with an option that is both cost-effective and promises a higher quality of life. However, make no mistake, the AAAs represent a "canary in the coal mine". It may be one of the first, but it will most certainly not be the last program to become overstrained by this historically unprecedented demographic shift. We urge the committee to support Senate Bill 127, and we thank Representative Primavera for sponsoring this legislation.

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[5] *University of Denver: Financing Colorado's Future: An Analysis of the Fiscal Sustainability of State Government, April 2011*

[6] *DRCOG calculation. Other AAAs in Colorado and other states have calculated similar costs*

[7] *Initial estimate based on comparison of average AAA costs and average state Medicaid costs*

[8] *Ibid*