The "CPI" Allowance

For Clothing, Personal Maintenance, and Necessary Incidentals

A Report to the Washington State Legislature

As Required by
Chapter 346, Laws of 1998, Section 211(6)

Research and Data Analysis
Management Services Administration
Department of Social and Health Services

December 1998
Report Number 11.91

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Summary

This report to the legislature is required under Chapter 346, Laws of 1998, Section 211(6).

Purpose of the CPI allowance. Adults who live at long-term residences run or contracted by the Department of Social and Health Service (DSHS) are required to contribute their income towards the cost of their care. DSHS pays the balance and, generally, the state and federal governments share the cost of that balance payment.

Leaving the resident no money for personal use would be undesirable both from the person's point of view and the facility's. State and federal laws allow the person to retain a modest "CPI" sum to purchase clothing, personal maintenance and necessary incidental items. The rest of the person's countable income is paid over to the facility.

Two CPI allowance levels are in use. A "medical-institutional" CPI allowance, currently $41.62 per month, is in effect for adults living at medical facilities or institutions. This amount consists of a federally required $30 plus a $11.62 state supplement. Adults living at other DSHS-funded residences have a "CCF" CPI allowance, now $38.84 per month. The "CCF" allowance is set by the state; there is no federal requirement here.

Some residents do have other income. This is important when considering whether the state's CPI allowance levels are reasonable and adequate.

For example, under federal rules, SSI recipients may keep the first $20 of unearned income, generally their Social Security or pension payments, plus a portion of any earned income. Also, persons may keep cash or in-kind gifts from family and friends, if modest and irregular. DSHS does not have aggregate data on the personal use funds available to DSHS residential clients through such income exemptions or other sources.

CPI history relative to inflation. Washington State and the federal government have not changed their respective CPI allowance levels since 1988. In the ten years since then, the All Urban U.S. Consumer Price Index rose 38 percent; the Seattle Consumer Price Index rose 49 percent.

Comparisons with other states. The current Washington "medical-institutional" CPI allowance of $41.62 is 39 percent higher than the $30 allowance set by both Oregon and Idaho. Those states do not supplement the federally required $30.

The Washington "CCF" CPI allowance, now $38.84, is generally substantially lower (by 50 percent or more) than comparable allowances set by Oregon or Idaho.

State cost of increasing the CPI's Raising the $38.84 CCF rate to equal the $41.62 medical-institutional rate would have cost the state about $256,000 during full FY-99. A one dollar increase in both CPI's would have cost the state $208,000 per full year in FY-99. A one percent increase would have cost the state about $84,000 per full year. The two CPI levels could be equalized at no state cost by increasing the CCF CPI by $1.58 while lowering the medical-institutional CPI by $1.20.

Raising both CPI's to $160, that being the highest rate now authorized for adults in any state-funded residential care, would have cost the state $24,833,000 for full FY-99. Such a proposal was considered by the 1998 Legislature (HB 3074, SB 6732).

Chapter 346, Laws of 1998, Section 211(6).

The department shall report on the allowance for clothing, personal maintenance, and necessary incidentals provided to persons who receive services funded by state and federal moneys under Title XIX of the social security act. The report shall discuss the range of allowances granted for different populations and programs and compare the allowances to those provided to similar populations in other western states. The report shall also evaluate the need for a uniform amount provided to all populations and, if a uniform allowance is provided, at what level that allowance should be set. In compiling the report, the department shall consult with affected parties and divisions. The report shall be submitted by December 1, 1998, to the chairs and the ranking minority members of the appropriate committees of the legislature.

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Overview of cost-sharing for DSHS adult residential clients

Adults who live at long-term residences run or contracted by the Department of Social and Health Services (DSHS) are required to contribute their available income toward the cost of their care (their board and room). DSHS pays the balance and, generally, the state and federal governments share the cost of that balance payment.

To avoid leaving the person no funds for personal use, a state and federally-authorized clothing and personal incidentals (CPI) allowance sets aside for the person's own use a small portion of their income. The rest of their income is then paid over to the facility.

The CPI allowance is currently near $40 per month. The three-way sharing of residential costs is illustrated below, first without a CPI set-aside, then with a $40 set-aside.

Hypothetical example of three-way sharing of residential cost

Three shares		Without a CPI	With a $40 CPI	Effect of adding the CPI
	Monthly cost of the residential care (per DSHS contract)	$ 1200	$ 1200	
	Person's own income	500	500	
	CPI amount set aside for personal use	0	40	
1	Resident contributes rest of own income	500	460	$ -40
	Balance of cost of care is paid by DSHS	700	740	+40
2	Net state cost = 48 % (assume 52 % federal cost-sharing)	336	355	+19
3	Net federal cost = 52 %	364	385	+21

In this example, the residential care costs $1200 per month and the person's income is $500. With no CPI allowance the person would turn over to the facility their full $500 income, with DSHS then paying the $700 balance. Assuming 52 percent federal cost-sharing, the state treasury would bear $336 of that balance, and the federal government would bear $364.

Allowing the person to keep $40 for CPI use increases the state's net cost by $19 (to $355), and the federal cost by $21 (to $385). The $19 increase in the state's cost is the state's 48 percent share of the $40 increase in the balance payment by DSHS, that resulting from the CPI set-aside.

The effect of the CPI on state cost (as shown above) generally does not depend on the cost of the residential care nor on the amount of the person's own income. The net state cost of allowing the CPI set-aside depends only on the amount of the allowance and the federal cost-sharing rate for the particular residential program. It is therefore relatively easy to estimate the net state cost of changing the CPI allowance.

Purpose of the CPI allowance

Leaving the long-term residential client no money for incidental personal expenses would be undesirable both from the person's point of view and the facility's. Having no funds for small needs and pleasures would deny the person that small measure of discretion in managing their own life at the residential facility. The person would have to ask the facility for every small thing.

The facility, in turn, would face a stream of requests, mostly for small sums and for items that might not be truly "essential." This would impose on the facility a burden of petty decisions, plus the need to maintain equity across clients and categories of purchases. (The facility might well invent a cash allowance scheme.)

Consider also the effect on state costs. While the set-aside does increase public cost, the increase may be less than the full set-aside amount. Some of the items purchased by the resident with CPI funds are items (or greater quantities) that the facility would otherwise have to itself provide (or provide in greater quantities). Snacks, for example, or postage and long-distance phone calls, hairdresser services, personal care items, clothing, local public transportation, community entertainment. Were there no CPI, the facility could well bear some added costs for providing such items and, arguably, its DSHS-contracted rate would be set somewhat higher.

The example on the previous page also shows that in most adult residential programs the net state cost is only a portion of the public sector cost. The federal government pays the rest.

How do people actually use their CPI funds?

CPI funds are private, and DSHS has no data on how those funds are actually spent. Anecdotal information suggests wide variation in how people use these funds.

Shown on the next page are the kinds of goods and services reportedly often purchased with CPI funds.

Possible uses of CPI funds

Personal items and services	Community social activity, entertainment, education	Family and friends, other
Clothing	Local public transportation	Long-distance phone
Snacks, cigarettes	Meals and snacks out of facility	Postage
Cosmetics	Entertainment out	Greeting cards, gifts, favors
Beauty salon, professional hair styling	Educational program fees	Travel to visit family
More expensive personally preferred care items: Soap, shampoo, deodorant, etc		Dental care (such as bridgework) not covered by Medicaid
Magazines, newspapers, recorded music, video rentals		Medical care and alternative care not covered by Medicaid
Dry-cleaning, mending, alterations		

Clothing and snacks are common purchases. Some persons spend their CPI funds on many small items, others may purchase fewer but more costly items, such as educational fees or transportation to visit family. Some persons spend all their funds regularly, others spend little, in which case their savings balance grows, potentially reaching a level so high that a portion of that cash asset must now be contributed towards the cost of care.

What income is considered “countable” for payment toward one’s residential costs?

Almost all client income is considered available for payment toward their residential cost. The principal income sources for most DSHS residential clients are federal Social Security (OASDI) retirement or disability payments, and private retirement or disability payments. A smaller number receive federal Supplemental Security Income (SSI) plus state SSI supplements, and a few get fully state-paid General Assistance grants or Alcohol and Drug Addiction Treatment and Support Act (ADATSA) living stipends during treatment to end alcohol or drug abuse. Most other income sources would be counted as well.

In the unusual case where a person’s total income is greater than their residential cost, the person pays the full residential cost and retains the balance of their income. This is not common. Generally the facility’s board-and-room cost exceeds the resident’s income.

Two different CPI allowance levels are in use

A "Medical-Institutional" CPI allowance (now $41.62) applies to adults living at Title XIX-certified medical institutions. These facilities include nursing homes, the state hospitals, the state Residential Habilitation Centers, and community Intermediate Care Facilities for the Mentally Retarded.

This CPI allowance is established under federal law (Sec 1902(q), Title XIX of the Social Security Act), and Washington State law (RCW 74.08.090, WAC 388-478-0040). The allowance is comprised of a federally-set base amount, now $30, plus a Washington State supplement, now $11.62.

A "CCF" CPI allowance (now $38.84) applies to persons living at any other DSHS-funded adult residential facilities. This allowance is authorized by the state, under RCW 74.08.090, WAC 388-478-0045. There is no federally required CPI here.

The next display shows the history of the state's CPI allowance levels since 1973.

CPI monthly allowance levels since 1973

	"CCF" CPI	Med-Instit CPI	
1973	23.10	23.10	
1974-78	25.00	25.00	Persons 'grandfathered' into SSI received $27.30 per month
1979-80	32.50	32.50	$7.50 increase (30 percent)
1981-82	33.50	33.50	$1 increase (3 percent)
1983	34.50	34.50	$1 increase (3 percent)
1984-85	35.55	35.55	$1.05 increase (3 percent)
1986	36.62	36.62	$1.07 increase (3 percent)
1987	37.35	36.62	Till mid-1987 the CCF and med-institutional CPI levels were the same. On September 1, 1987, the CCF allowance (for 'adult residential care clients') was raised 2 percent. The medical-institutional CPI was not raised.
1988-98	38.84	41.62	In 1988 the federal CPI (the 'personal needs allowance') was raised from $25 to $30. The state supplement remained at $11.62. The state did increase the CCF CPI by 4 percent. No changes since 1988.

COPES clients. Adults funded through the COPES Medicaid waiver and living at DSHS-contracted residential facilities, by regulation (WAC 388-515-1505), may retain a CPI-like personal maintenance allowance of $58.84.

The $58.84 represents the $38.84 CCF CPI allowance plus the standard $20 federal exemption of unearned income under the Social Security Act. (The $20 exemption applies to all Social Security and SSI recipients and is not a CPI allowance as such. It is not referenced by the state's CPI WACs.) In the fiscal estimates, later, we will assume that any increase in the $38.84 CCF CPI would apply as well to the above COPES clients.

How CPI funds are set aside

Most often, after a person enters a DSHS-funded residential facility, they continue to receive whatever personal income they had previously been receiving. From that income, the CPI allowance is reserved in the person's own account or trust account, and the balance is paid over toward the facility's cost of care. This payment reduces the state's cost of care, and the federal share, where there is one.

This common arrangement is used for persons receiving federal Social Security retirement or disability income, or private funds such as pensions. This arrangement applies also to persons who receive federal Supplemental Security Income (SSI), if they are living at a facility other than a medical institution. Note that with this income pass-through arrangement, any routine cost-of-living increases to the person's income, as under federal Social Security, SSI or some private pensions, pass to the residential provider, except if the CPI set-aside amount is raised to retain that cost-of-living increase.

Administrative details vary. The person or their payee may receive the income, set the CPI sum aside, and pay over the balance. The reserved CPI would then remain in the person's (or payee's) custody. In other situations the person's income may be directed to the facility as payee, with the facility setting aside the CPI sum in a trust account. Payees would have substantial say in how CPI funds are used.

A different arrangement is used for the small numbers of persons living at state-contracted residences who receive state General Assistance (GA-U) income or ADATSA living stipends, and the somewhat larger number receiving federal-state SSI and living at a medical institution. In these situations (and assuming no other income) the GA-U grant or ADATSA stipend or SSI grant the person had received when living on their own is now reduced to exactly the CPI amount. This eliminates any need to transfer excess income to the facility, and any need for the facility to keep an accounting of those transfers. DSHS simply pays the facility its full contracted rate. (SSI recipients who live at a facility other than a medical institution continue to receive their full SSI grant plus state supplement, as described above.)

Note that the fiscal effect on state costs is different for these GA-U or ADATSA recipients, or SSI recipients at medical institutions, because their income grants are reduced to exactly the CPI level. For these persons, the fiscal effect of paying the CPI is not shared by the state and federal governments according to the cost-sharing for the residential program. Rather, as the GA-U, ADATSA, and SSI supplements now set to provide only the CPI amount are fully state-funded, the state bears the full cost of the CPI allowance, and would bear the full cost of any state-instituted increase to the CPI. The fiscal impact estimates that we present later include an upward adjustment for SSI persons living at medical facilities.

Further, because the CPI allowance for GA-U, ADATSA, and certain SSI adults is paid directly by their grant program, the fiscal effect of providing the CPI or of increasing the CPI is an expense increase in that income assistance account, rather than in the residential program account. Appropriations to implement a change in the CPI need to be allocated carefully to all the accounts that would be affected.

Some residents do have other income

Besides their CPI allowances, adults living at DSHS-funded residences may have other modest income. This is important when considering whether the state's CPI allowance levels are reasonable and adequate.

Under federal rules, SSI recipients may keep the first $20 of unearned income, generally their Social Security and pension payments, plus a small portion of earned income. Likewise, federal Medicaid rules exempt certain sums, generally small, from countable income.

Some residents may also enjoy in-kind or cash gifts from family or friends, usually given "when needed." Irregular or infrequent gift income, under $20 per month, is not counted as income. The availability of such gifts and their amounts no doubt vary substantially from person to person, depending on who their social supports are and on their own needs and desires. The availability of such funds is hard to measure and gifts are hard to monitor.

Aggregate data are not available on the types and amounts of funds available to DSHS residential clients through Social Security Act exemptions or from other sources.

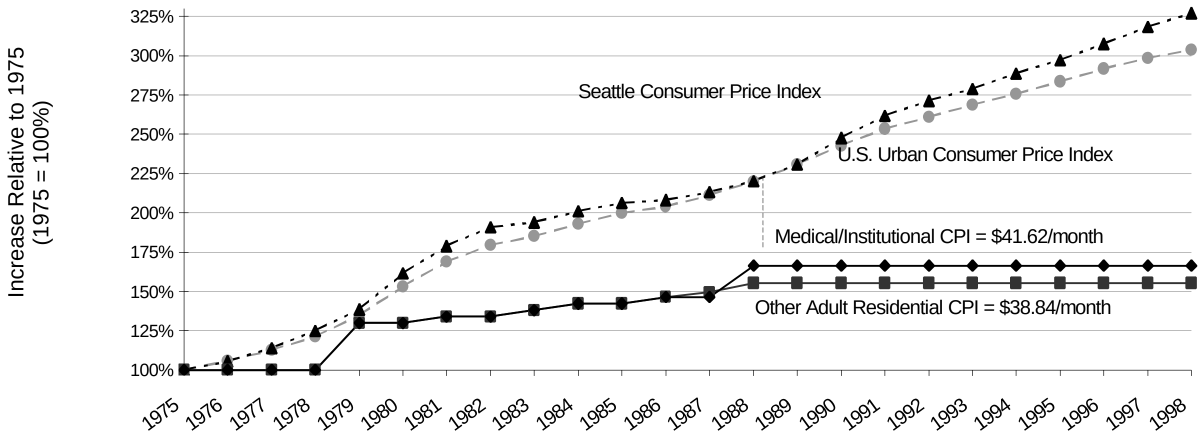
Has the CPI kept up with consumer price inflation ?

The next data display shows the growth in the state's CPI allowances since 1975, as a percentage of the 1975 allowance of $25 (1975=100%). The display also shows two consumer price indexes with 1975=100%.

The lower (solid) lines show the increases in the CPI allowances. The two upper (broken) lines show the Seattle and All Urban U.S. Consumer Price Indices. (1975 was set as the base year because we had ready access to consumer price inflation data from that year forward.)

The display takes into account the compounding effect of multi-year inflation. For example, two consecutive 10 percent increases (whether price increases or CPI allowance increases) would compound to a 21 percent increase after two years, and would be shown on the graph as a 21 percent increase since 1975.

Increase in CPI Allowance and Consumer Price Index, 1975-1998



In the earlier years, between 1975 and 1988, the medical-institutional and "CCF" CPI's increased 67 and 55 percent, respectively. Over the same time period the All Urban U.S. and Seattle Consumer Price Indices both rose 120 percent.

In the ten years since 1988, the federal and state CPI allowance levels have not been increased. Meanwhile, over that same ten-year period, the All Urban U.S. Consumer Price Index rose 38 percent, and the Seattle consumer price index rose 49 percent.

Comparisons with Idaho, Oregon

The next table shows comparable CPI allowance levels for Washington, Oregon, and Idaho. The data were obtained by telephone. (The CPI allowance laws, regulations and administrative structures in these two other states are quite different from Washington's, and cannot be directly compared.)

CPI allowance levels in Washington, Oregon and Idaho

	Type of care and person	WA	OR	ID
1	At medical institution, all adults	$41.62	$ 30	$ 30
At other adult residential programs:				
2	SSI recipient with a MH or DD disability	38.84	97*	58
3	SSI recipient who is a senior or with other disaability	38.84	75	58
4	GA recipient with a MH or DD disability	38.84	39	‘na
5	GA recipient who is a senior or with other disability	38.84	39	‘na

* Will increase to $100 on January 1, 1999

For adults living at a medical institution (Row 1 in the table) the Washington CPI allowance is higher. Whereas Washington State currently adds $11.62, Oregon and Idaho do not supplement the federally-set $30 CPI.

For persons living at state-funded facilities other than medical institutions, the Washington CPI is substantially lower. Amounts vary; see Rows 2-5, above. (The $3 increase anticipated for Oregon’s CPI for adults with mental or developmental disabilities results form a provision in that particular program that automatically increases the CPI allowance when there is an SSI cost-of-living increase.)

State cost of changing the CPI allowance

Using the attached spreadsheet we estimate the net state costs of changing the state’s two CPI allowance levels. The rows identify the residential programs where the allowance applies. For each program the sheet shows which CPI allowance is used, the estimated number of full-time equivalent residents there each year this biennium, and the estimated state and federal sharing of any increased cost resulting from a change in the CPI level.

An additional line recognizes that for SSI recipients living at medical/institutional residences, because their federal CPI contribution is fixed at $30, the state would bear the full cost of any CPI increase. For simplicity we assume these persons all live at nursing homes. (The spreadsheet ignores the higher 100 percent state cost for GA-U recipients living at residences that for most residents there have federal cost-participation. There are perhaps only a hundred or so GA-U recipients at such DSHS-funded residences.)

The sheet then shows the estimated net state costs of several possible CPI changes. The table below summarizes the estimated full year state costs of making these changes across all residential programs in FY-99.

Estimated FY-99 full-year state cost of possible changes to CPI allowance level

Possible change	FY-99 state cost
a. Raise the $38.84 CCF CPI to the $41.62 medical-institutional CPI	$ 256,000
b. Raise both CPI allowances by one dollar*	$ 208,000
c. Raise both CPI's by one percent*	$ 84,000
d. Equalize the two CPI levels at no state cost, by raising the "CCF" CPI (by $1.58), while lowering the medical-institutional CPI (by $1.20)	Near 0
e. Raise both CPI's to $160, the highest rate now authorized for adults living at state-funded residences	$ 24,833,000

* To estimate the effect of a multi-dollar or multi-percent increase, multiply these estimates accordingly.

Line **e** in the above table estimates the net state cost of two bills considered by the 1998 Legislature. HB 3074 and SB 6732 would have set DSHS CPI allowances at the highest rate currently authorized for persons in any state-funded residential care. (The bills had other provisions as well.)

This would be a costly change. At the state's veterans' homes, residents, both nursing care residents and domicilliary residents, have a personal needs allowance now set at $160 per month. This amount is authorized by RCW 72.36.160 and its implementing WACs.

Estimated state cost of allowing adult DSHS residential clients to keep a CPI allowance for personal use

	Now	*Five CPI changes considered here:* Raise CCF to = M-I	Raise both $1.00	Raise both 1%	To equalize at no cost: Lower M-I CPI by $1.20	Raise both to $160.00
Medical-institutional CPI	$41.62	$0.00	$1.00	$0.42	-$1.20	$118.38
"CCF" CPI for other adult residences	$38.84	$2.78	$1.00	$0.39	$1.58	$121.16

DSHS-funded residence	Which CPI: M-I	Which CPI: CCF	Now	Raise CCF to = M-I	Raise both $1.00	Raise both 1%	Lower M-I CPI by $1.20	Raise both to $160.00
Mental Health Division								
State Hospitals	x		$41.62	$0.00	$1.00	$0.42	-$1.20	$118.38
Community residential *		x	38.84	2.78	1.00	0.39	1.58	121.16
MHD subtotal								
Division of Developmental Disabilities								
Residential Habilitation Centers	x		41.62	0.00	1.00	0.42	-1.20	118.38
Institutions for the Mentally Retarded	x		41.62	0.00	1.00	0.42	-1.20	118.38
DD-specialized Group Homes		x	38.84	2.78	1.00	0.39	1.58	121.16
DD-specialized Congregate Care Facilities		x	38.84	2.78	1.00	0.39	1.58	121.16
DD-specialized Adult Family Homes		x	38.84	2.78	1.00	0.39	1.58	121.16
DDD subtotal								
Division of Alc & Substance Abuse								
Residences for ADATSA clients		x	38.84	2.78	1.00	0.39	1.58	121.16
Aging and Adult Services Administration								
Fully state-paid adult residential care		x	38.84	2.78	1.00	0.39	1.58	121.16
Paid thru T-XIX COPES program		x	38.84	2.78	1.00	0.39	1.58	121.16
Paid thru T-XIX Personal Care program		x	38.84	2.78	1.00	0.39	1.58	121.16
T-XIX paid Nursing Homes	x		41.62	0.00	1.00	0.42	-1.20	118.38
AASA subtotal								
For SSI adults at med-inst places: When estimating incremental costs: Adjust upward as state pays full marginal cost	x		41.62	0.00	1.00	0.42	-1.20	118.38
DSHS total								

DSHS-funded residence	Est'd (full time) persons FY98	FY99	Est'd State share FY98	FY99	Est'd state cost of raising CCF to = MI FY98	FY99	Est'd state cost of $1 increase FY98	FY99	Est'd state cost of 1% increase FY98	FY99	Est'd state cost of equalizing FY98	FY99	Est'd state cost of raising both to $160 FY98	FY99
Mental Health Division														
State Hospitals	$1,239.00	$1,239.00	82.1%	82.0%	$0.00	$0.00	$12,202.17	$12,193.25	$5,078.54	$5,074.83	-$14,642.60	-$14,631.90	$1,444,492.60	$1,443,436.56
Community residential *	2,357	2,357	70.2%	70.1%	55,164	55,129	19,843	19,831	7,707	7,702	31,352	31,333	2,404,188	2,402,692
MHD subtotal	**3,596**	**3,596**			**55,164**	**55,129**	**32,045**	**32,024**	**12,786**	**12,777**	**16,709**	**16,701**	**3,848,681**	**3,846,128**
Division of Developmental Disabilities														
Residential Habilitation Centers	1,263	1,248	51.2%	50.2%	0	0	7,764	7,516	3,232	3,128	-9,317	-9,020	919,152	889,798
Institutions for the Mentally Retarded	128	108	53.1%	52.5%	0	0	815	680	339	283	-979	-816	96,534	80,546
DD-specialized Group Homes	638	638	53.1%	52.4%	11,308	11,144	4,068	4,009	1,580	1,557	6,427	6,334	492,834	485,692
DD-specialized Congregate Care Facilities	245	244	100.0%	100.0%	8,173	8,140	2,940	2,928	1,142	1,137	4,645	4,626	356,210	354,756
DD-specialized Adult Family Homes	1,121	1,148	100.0%	100.0%	37,380	38,297	13,446	13,776	5,222	5,351	21,245	21,766	1,629,117	1,669,100
DDD subtotal	**3,395**	**3,386**			**56,861**	**57,581**	**29,034**	**28,910**	**11,515**	**11,456**	**22,021**	**22,890**	**3,493,848**	**3,479,892**
Division of Alc & Substance Abuse														
Residences for ADATSA clients	829	852	100.0%	100.0%	27,655	28,423	9,948	10,224	3,864	3,971	15,718	16,154	1,205,300	1,238,740
Aging and Adult Services Administration														
Fully state-paid adult residential care	110	104	100.0%	100.0%	3,670	3,469	1,320	1,248	513	485	2,086	1,972	159,931	151,208
Paid thru T-XIX COPES program	4,970	6,667	48.3%	47.6%	80,015	105,868	28,782	38,082	11,179	14,791	45,476	60,169	3,487,259	4,614,003
Paid thru T-XIX Personal Care program	906	368	48.3%	47.6%	14,586	5,844	5,247	2,102	2,038	816	8,290	3,321	635,706	254,680
T-XIX paid Nursing Homes	14,660	14,433	48.3%	47.6%	0	0	84,899	82,441	35,335	34,312	-101,879	-98,930	10,050,343	9,759,401
AASA subtotal	**20,646**	**21,572**			**98,270**	**115,181**	**120,248**	**123,873**	**49,065**	**50,404**	**-46,027**	**-33,467**	**14,333,239**	**14,779,292**
For SSI adults at med-inst places: When estimating incremental costs: Adjust upward as state pays full marginal cost	2,000	2,000	51.7%	52.4%	0	0	12,418	12,576	5,168	5,234	-14,901	-15,091	1,469,995	1,488,747
DSHS total	**28,489**	**28,554**			**$237,951**	**$256,314**	**$203,692**	**$207,607**	**$82,397**	**$83,843**	**-$6,480**	**$7,186**	**$24,351,063**	**$24,832,799**

** Includes MH-specialized and transitional congregate care residences*

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