

UPDATE

January, 2009

Cost Comparisons of Community and Institutional Residential Settings: Historical Review of Selected Research

Kevin K. Walsh, Theodore A. Kastner, and Regina Gentlesk Green
Mental Retardation, Volume 41, Number 2: 103-122, April 2003

In the 2003 article noted above a review of selected literature was undertaken to determine the validity of institutional vs. community cost comparisons. A number of methodological problems were identified in the literature reviewed that compromised much of the earlier research on the topic. Additionally, a number of considerations were outlined – *source of funds, cost shifting, cost variation, staffing, and case mix* – that need to be taken into account when such comparisons are undertaken.

The question has arisen whether the conclusion of this 2003 review, that large savings are not possible within the field of developmental disabilities by shifting from institutional to community settings, remains current.

For the reasons explained below, we find that the 2003 article continues to be valid in 2009 and beyond. That is, cost savings at the macro level are relatively minor when institutional settings are closed and, if there are any at all, they are likely due to staffing costs when comparing state and private caregivers.

As such, the study will continue to be useful in policy discussions in states.

Several factors point to why the study's conclusions remain valid in 2009:

Review Article. As a *review* article, the 2003 publication does not generate new *data*; that is, it reviews previous research. Because of this, the article is more resistant to becoming outdated. Those reading the article, however, would do well to keep in mind that the studies reviewed in the article employ cost figures that existed *at the time the original research articles were published*. Therefore, while the findings and conclusions drawn in Walsh, et al. (2003) will continue to be timely, the actual cost figures may need to be adjusted to current levels.

Stability of the Components. Because the service and support landscape remains, in large

part, similar in 2009 to 2003 and before, the conclusions of Walsh, et al. are likely to hold. For the most part comparisons reviewed generally compared congregate ICF/MR settings and community-based residential settings (typically group homes) funded under the Medicaid HCBS waiver. Although many states have been moving toward personal budgets and fee-for-service models, group homes continue to be a primary community residential service setting. In this way also the conclusions of the 2003 article continue to be applicable.

Stability of the Issues. As noted, the 2003 article presented descriptions of various considerations that affect cost comparisons across states. Because the structural components of the issue have remained unchanged (e.g., institutional settings, group homes) and the funding models have remained largely intact (i.e., Medicaid ICF/MR and HCBS waivers), the various factors affecting them, for the most part, remain as presented in Walsh, et al.

That is, there remains a great deal of cost variation from institutional to community settings as described in the article; cost shifting, as described in Walsh, et al., is to some extent likely to be structurally fixed in most states owing to the nature of state governments. That is, when certain costs disappear, when individuals are transferred from ICF/MR settings, it is highly likely that these costs will reappear in other state budgets (such as Medicaid). In nearly all instances, this is almost unavoidable. In short, costs don't just disappear when individuals are moved.

Based on the forgoing, it appears that the conclusions drawn in the 2003 article continue to be valid.

KKW, January 23, 2009