Licensed Residential Facilities Purchasing Guidelines

Summary of 5123-3-11

Room and Board Definition: Refers to certain costs incurred by a licensee for providing services to individuals in a residential facility. ***It includes reasonable individual-specific expenses aligned with each resident's service plan and general facility costs.***

Individual-Specific Expenses Include:

1. Adaptive equipment and routine medical supplies.
2. Healthcare-related costs (e.g., dental, eyeglasses).
3. Personal hygiene products.
4. Costs for recreational activities (excluding staff wages).
5. Clothing for individuals.
6. Supplies for safety during procedures involving bodily fluids.

Residential Facility Costs Include:

1. Administrative overhead expenses directly related to property management of the residential facility.
2. Utilities (electric, gas, water, basic TV/internet)
3. Cost of food after food stamps and other available resources are expended. This includes food eaten inside or outside the home.
4. Maintenance and repairs (e.g., lawn care, pest control).
5. Depreciation and interest on facility equipment.
6. Lease or rental of facility furnishings.
7. Major structural improvements/major maintenance.
8. Non-food supplies for food preparation and General household supplies.

Financial Guidelines:

- **Unearned Income**: Includes income not earned through work, such as disability benefits.
- **Income Treatment**: Both earned and unearned income are considered in the month received. **County boards can recoup past payments from non-routine income sources.**
- **Room and Board Payments**: Rates are set through contracts between the county board and the licensee, subject to annual review.

Individual's Financial Responsibilities:

- Individuals retain a portion of their income as personal funds, with stipulations for both earned and unearned income.
- The licensee calculates the individual's income to determine room and board obligations, billing the county board for any balance owed.

Responsibilities:

- **County Board**: Identifies resources to assist with room and board costs and ensures payments are made to the licensee.
- **Licensee**: Responsible for accurate income calculations and billing.
- **Individuals/Guardians**: Required to provide income information and make timely payments.

This framework ensures that individuals in residential facilities receive necessary support while managing financial responsibilities collaboratively between the county boards and licensees.

What are the Key Components of "Reasonable Costs":

1. **Reasonably Necessary and Related to the Service**:
    - Costs must be reasonably necessary to provide the service.
    - If the cost is not related to the service being provided or the individual's care needs, it would not be deemed reasonable.
2. **Market and Industry Standard**:
    - Reasonable costs should align with what is **customary or typical** for that type of service within the local market or industry.
    - For example, the cost of food or supplies should reflect the typical cost in the local community for those items.
3. **Cost-Effectiveness**:
    - The costs should be **proportionate** to the benefit or outcome achieved. For example, paying for a high-end, luxury service or item (such as a gourmet meal or excessive therapy equipment) would generally not be considered reasonable unless it is directly required for the person's well-being and documented in their care plan.
    - The licensee should strive to use cost-effective methods and avoid wasteful or inefficient expenditures while still meeting the person's needs.
4. **Adequate Documentation**:
    - For a cost to be deemed reasonable, it must be **documented adequately**. Providers are required to maintain records that show the costs are appropriate, necessary, and linked to the services rendered.
    - The documentation must include receipts, invoices, or other proof that justifies the expense.
5. **Compliance with State and Federal Regulations**:
    - Reasonable costs must comply with both **state and federal regulations**, including Medicaid guidelines and any specific rules that apply to Ohio's Medicaid waiver programs for individuals with developmental disabilities.
6. **No Extravagance**:
    - The definition of "reasonable" also implies that costs should **not be excessive or extravagant**. For example, it would not be reasonable to use funds to pay for luxurious or high-cost items or services when a more modest alternative would suffice to meet the person's needs.

Example:

For a licensed group home for individuals with developmental disabilities whereas the agency provides meals, **reasonable costs** would include:

- The **cost of food** purchased for meal preparation should align with typical grocery store prices in the area.
- If dining out as part of a community outing, the cost of the meal at a restaurant should be reasonable—**typically a regular meal at a mid-range restaurant**, not an expensive fine-dining experience, unless there is a specific need related to the individual's dietary preferences or service goals.

Summary:

Reasonable costs are those that:

- Are **reasonably necessary** to achieve the desired outcome of the service,
- Are **customary** in the local market,
- Are **proportionate** to the individual's needs and goals,
- Are **well-documented** and comply with applicable regulations, and
- Are not **excessive or extravagant**.

In essence, **reasonable costs** must be **justifiable**, **appropriate**, and **aligned with the service being provided** to ensure that the expenditures are in line with both the individual's needs and the regulatory standards.

Key Considerations for Luxury Items and Client Income

1. **Use of Personal Income vs. Agency Funds:**
    - **Agency funds (or waiver dollars) are intended to cover services and items reasonably necessary for the individual's care, health, and well-being.**
    - If a client has **personal income** (e.g., from employment, SSI, or other sources), they are generally expected to use those **personal resources** to pay for **luxury items** that go beyond their basic care needs.
        - **Luxury items** are typically defined as those that are **not reasonably necessary** for the individual's health, well-being, or daily living. Examples might include things like high-end electronics, expensive jewelry, designer clothing, or gourmet food items that aren't part of the individual's dietary needs.
2. **Impact of Client Income on Medicaid Coverage:**
    - If the individual **has income**, that income is typically used to pay for their personal needs, and **Agency funding or waiver dollars should not be used** to cover non-essential items.
    - **Luxury items** purchased using Waiver funds would generally not be considered **reasonable** or **allowable**, even if the individual has the income to purchase those items. Medicaid is specifically designed to cover essential services and supports,

such as housing, food, medical care, and other services that help individuals with developmental disabilities live more independently.

3. **Medicaid Eligibility and Personal Resources:**
    - Medicaid eligibility often involves a **means test** where income and assets are considered to determine whether the individual qualifies for certain programs or services.
    - If the client has sufficient income to afford luxury items, this could influence the level of **Medicaid eligibility** (for example, whether they are eligible for a full Medicaid waiver or are required to contribute a **share of cost** toward their care).
    - **Income from the client** can sometimes offset the costs of services (e.g., the client might pay for additional services or luxury items directly). However, **Medicaid** should **only cover what is deemed reasonable** for their care and the services in the care plan.
4. **Documentation and Justification:**
    - If a **luxury item** is being requested as part of the individual's care, it must be **justified** as part of the individual's service plan "ISP" (documents that the client can use their own funds to purchase the luxury item) and shown to meet the person's **functional needs** or **care goals**. For instance, if the individual requests an expensive sensory item because it's recommended as part of a therapeutic treatment plan, it could potentially be covered by the client's funds, but it must be well-documented and meet Medicaid guidelines.
    - If the client has the means to purchase the item with their own income, the agency should be clear about the **source of payment** and avoid using Waiver/Agency funds for non-essential items.
        - **Please send an email to Tonya Phillips when completing your credit card allocations when such purchase is being charged to the client.**
5. **Community and Social Activities:**
    - For **community integration activities**, it is more acceptable to cover **reasonable costs** for things like attending a concert or movie, but again, the costs should align with the **reasonable expectations of the service**.
    - **Luxury costs** for activities (e.g., private VIP experience) would generally not be covered by Agency/Waiver funds unless there is a clear and documented need that aligns with the individual's goals in the service plan and can be funded by the client's funds.

How to Navigate the Situation for Licensed Homes

If your client has income, here is what you should consider:

- **Use the agency's funding for necessary services** (housing, food, medical care, and other essential supports).
- **Use the client's personal income** to cover **luxury items or non-essential purchases**.
- If the item in question is something that could be classified as **reasonable** based on the individual's health or well-being (for example, a therapeutic item for sensory processing needs), it should be discussed with your director to ensure that it meets the regulatory

criteria including reaching out to the County SSA and the Fiscal Office (Tonya Phillips and Jennifer Priske).
- Be sure that all **purchases are well-documented** to reflect the client's needs and income and avoid mixing Medicaid funds with personal income when purchasing luxury items.

Summary

- **Agency funding** should be used for **necessary** items and services as defined by the individual's care plan and Medicaid regulations for all licensed group homes.
- **Luxury items** (such as high-end electronics, expensive clothing, or personal items) should typically be paid for using **the individual's own income.**
- If the item can be shown to be **necessary** for the person's well-being, or if there is a clear therapeutic or functional need, then it might be eligible for coverage, but that would need to be documented and justified.

The ultimate goal is to ensure that **funding** is used for services that promote the individual's **health, independence, and quality of life**, not for **personal luxury or non-essential purchases**. If your client has the financial means, they should cover those luxury costs out of their own pocket after discussions with your Director, Fiscal and County SSA.

If you're unsure whether a particular item can be covered, please reach out to your Director and the Fiscal Office.