Understanding residential care centers

We know how important it is to be informed about the businesses and institutions you work with. That’s why we developed this guide covering the statistics, trends, key terms and regulations regarding residential care centers.

With this Get Smart guide in hand, we can help you learn the things you need to know to write this type of business.

View guide
What is a residential care center?

These are licensed, smaller community residential centers that provide non-medical support services for people who may need more individualized 24-hour attention and support, often due to a disability. Adult residential facilities (ARFs) are also referred to as adult family homes, board and care homes, or personal care homes.

Some facilities may be classified as intermediate care facilities (ICFs). These facilities may offer a higher degree of individualized attention than an ARF.¹

Profile of a typical provider

Residential care facilities tend to be smaller and typically provide more care and individualized attention than an assisted living facility, but less care than a skilled nursing facility.²

Services offered by these centers include:³

- Bathing
- Medication management
- Housekeeping and laundry
- Toileting and incontinence care
- Support with other activities of daily living (ADLs)
- Often 24/7 support

About intellectual and developmental disabilities:

Intellectual and developmental disabilities are different, and an individual can have one or both. Intellectual disabilities (ID) occur before age 18 and typically are characterized by limitations in everyday activities such as personal care, communication, socialization and cognitive abilities. Developmental disabilities (DD) are severe chronic disabilities, usually occurring before age 22, that can be cognitive, physical or a combination of the two. An intellectual disability is typically also considered a developmental disability, but a developmental disability is not always an intellectual disability.³


1 in 5 adults experience some type of mental illness. Only 43% of adults with a mental health condition actually seek out care.4

About 4.92 million individuals (around 17%) have an intellectual disability.5

About 1 in 25 adults (11.4 million, 4.6%) experiences a serious mental illness in a given year.4

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Where the market is going

Trend 1: Residential care facilities for the developmentally disabled are highly reliant on Medicaid.6

Medicaid will continue to be the primary payer for a spectrum of institutional and community-based long-term services and supports (LTSS), including care for the developmentally disabled.

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Residential care centers guide

Where the market is going (cont’d)

Trend 2: Medicaid funding for home- and community-based services for long-term care varies by state.

Trend 3: The paradigm has shifted from larger institutional settings to much smaller community homes over the past few decades.7

Trend 4: Staffing and recruitment challenges persist.

There is an extreme shortage of care providers for people with intellectual or developmental disabilities in community residential settings.8

Trend 5: There is a need for better access to care.

Individuals with intellectual or developmental disabilities on average wait approximately 40 months on a waitlist to receive Medicaid waiver benefits compared with other groups targeted by waivers that spend only 2 to 26 months waiting.8

Trend 6: There are concerns about federal (Medicaid) funding.

The concept of Medicaid is a subject of much public debate.

The ACA expanded Medicaid coverage, with the federal government covering 100% of the expansion cost and the plan to cover 90% over time.9 The current administration is looking to change the system through a block grant program that would change how federal money is provided to states for Medicaid programs. The administration claims this will cap federal spending and increase program flexibility, while critics claim that this program will take away the health safety net, particularly for lower-income individuals.10


## Key terms to know

<table>
<thead>
<tr>
<th>USE THIS</th>
<th>DON'T USE THIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>He is a person with a disability</td>
<td>He is disabled/handicapped</td>
</tr>
<tr>
<td>She has a mental health problem or challenge</td>
<td>She is mentally ill/emotionally disturbed/psycho/insane/lunatic</td>
</tr>
<tr>
<td>He has an intellectual disability</td>
<td>He is retarded</td>
</tr>
<tr>
<td>She has autism</td>
<td>She is autistic</td>
</tr>
<tr>
<td>He experiences symptoms of psychosis</td>
<td>He is psychotic</td>
</tr>
<tr>
<td>She has a diagnosis of bipolar disorder/she is living with bipolar disorder</td>
<td>She is (a) bipolar</td>
</tr>
<tr>
<td>A student receiving special education services</td>
<td>Special education student</td>
</tr>
<tr>
<td>Died by suicide</td>
<td>Committed suicide</td>
</tr>
</tbody>
</table>

### Asperger’s syndrome
— Asperger’s syndrome may still be used as a descriptive term to identify those on the higher end of the autism spectrum.\(^\text{i}\)

### Autism spectrum disorder (ASD)
— ASD is not a mental illness, but a neurologically based developmental disability that significantly impairs the ability to communicate and to interact in a socially appropriate manner.\(^\text{ii}\)

### Down syndrome
— Down syndrome is a genetic disorder caused when abnormal cell division results in an extra full or partial copy of chromosome 21. This extra genetic material causes the developmental changes and physical features of Down syndrome.\(^\text{iii}\)

### Dual diagnosis
— Diagnosed with two disorders, such as those individuals diagnosed with mental illness and chemical dependence or individuals diagnosed with mental illness and developmental disabilities.\(^\text{iv}\)

### Home- and community-based services (HCBS)
— Home- and Community-Based Services refers to the array of services that are essential and appropriate to sustain individuals in their homes and communities, and to delay or prevent institutional care.\(^\text{v}\)

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### Relevant regulations

These are the main regulations currently governing residential care centers.

**Americans with Disabilities Act (ADA)** — The Americans with Disabilities Act (ADA) prohibits discrimination against people with disabilities in several areas, including employment, transportation, public accommodations, communications, and access to state and local government programs and services.15

**Developmental Disabilities Assistance and Bill of Rights Act** — In every state and territory, programs authorized by the Developmental Disabilities Assistance and Bill of Rights Act (DD Act) empower individuals with developmental disabilities and their families to help shape policies that impact them.16

**Olmstead decision (1999)** — This 1999 legal decision held that unjustified institutionalization or segregation of disabled individuals is discrimination and a violation of the ADA.17

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**State-by-state licensing and regulation**

For more information about state-by-state requirements for assisted living communities, read the compendium of residential care & assisted living regulations compiled by the Assistant Secretary for Planning and Evaluation (ASPE): [https://www.ada.gov/olmstead/olmstead_about.htm](https://www.ada.gov/olmstead/olmstead_about.htm)

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Exposures to recognize

The current and emerging exposures for residential care centers include:

- Elopement issues if a patient wanders off and hurts themselves or others
- Professional liability due to lack of supervision or misdiagnosis
- Acceptance of clients whose histories have not been fully vetted by the intake team

Note: In light of recent media stories around sexual harassment, be aware that vulnerable populations such as children and adults (both men and women) with intellectual or developmental disabilities experience sexual assault at rates seven times those for people without disabilities.18

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Get more information

To learn more about residential care centers, refer to the following associations, conferences and publications.

Associations and organizations:
- The Arc >>
- Autism Speaks >>
- National Alliance on Mental Illness >>
- National Institute of Mental Health >>
- Substance Abuse and Mental Health Services Administration >>
- American Psychiatric Association >>
- Mental Health America >>

Conferences:
- NAMI National Convention
- MHA National Conference

Journals and magazines:
- American Journal on Intellectual and Developmental Disabilities; Intellectual and Developmental Disabilities; and Inclusion (AAIDD) >>
Helpful resources and materials

The resources and materials here will help you write policies for residential care centers. Please contact your underwriter to get access to any of the documents.

Resources
- Human services new business supplemental application
- Human services automobile supplemental application
- OthersFirst property enhancements coverage forms:
  - Property enhancement forms: human services property endorsement; human services workplace violence loss of income endorsement; human services enhancement endorsement
  - Liability enhancement forms: human services workplace violence loss of income endorsement

Loss control and claims materials
- Preventing slips and falls
- Sexual abuse and molestation
- Cyber liability and Norton partnership
- Employee screening (background checks, drug tests)
- Non-owned auto
- Transporting passengers with special needs
- Residential facility cooking

Loss control and claims materials are available to Nationwide policyholders at MyLossControlServices.com.
Get started

Before writing policies for addiction treatment and counseling centers, find out the following information about the provider.

These factors will be considered for eligibility:

• Prefer facilities with property maintenance programs
• Check hiring, supervision and training practices
• Check for residential controls — physician screening, medication logs, signed release forms, staff-to-client ratio
• Prefer eight beds per individual home
• Place nonambulatory clients only on the first floor
• Consider level of care the facility provides to DD clients

For more information on how we can help protect residential care centers for people with disabilities or people with mental health problems, contact your underwriter.

The information included is designed for informational purposes only. It is not legal, tax, financial or any other sort of advice, nor is it a substitute for such advice. The information may not apply to your specific situation. We have tried to make sure the information is accurate, but it could be outdated or even inaccurate in parts. It is the reader’s responsibility to comply with any applicable local, state or federal regulations and to make their own decisions about how to operate their business. Nationwide Mutual Insurance Company, its affiliates and their employees make no warranties about the information nor guarantee of results, and they assume no liability in connection with the information provided. Nationwide, the Nationwide N and Eagle, Nationwide is on your side and Commercial Insight Center are service marks of Nationwide Mutual Insurance Company. © 2020 Nationwide CMO-0868AO.1 (03/20)