

REPORT TO THE LEGISLATURE

Feasibility Review of Use of Housing Choice Vouchers in Medicaid Funded Assisted Living Facilities

ESSB 5950.SL Section 204 Proviso 57 (b)
September 30, 2025

Aging and Long-Term Support Administration
Home and Community Services/Office of Housing and Employment
PO Box 45600
Olympia, WA 98504-5600
(800) 422-3263
<https://www.dshs.wa.gov/altsa>

TABLE OF CONTENTS

Table of Contents

Executive Summary	3
Overview of Washington State Assisted Living Facility Payment Methodology	4
Recommendations	6
Addendums.....	10
Addenda A - Definitions:.....	10
Addenda B – Cost of Care Calculation:.....	10
Addenda C – Client Notice Examples:	10
Addenda D - Payment Examples:	10

Background

In the 2024 legislative session, HB2397, *concerning assisted living facilities that are owned or operated by affordable housing providers*, was introduced with the goal of permitting Assisted Living Facilities (ALF)¹ to leverage low-income housing tax credits and rental subsidies, thereby increasing access to assisted living. RCW 18.20.020(2) includes a clause that facilities subsidized by the Department of Housing and Urban Development (HUD) are not to be considered an Assisted Living Facility and instead be treated like other independent senior housing, independent living units in continuing care retirement communities, or other similar living situations. The bill aimed to remove the clause and allow ALFs that were owned or operated by Public Housing Authorities to be contracted Medicaid assisted living providers and also be eligible for HUD housing subsidies. In practice, certain Public Housing Authorities were already subsidizing units for ALFS with Medicaid clients via HUD vouchers.

The Department of Social and Health Services Aging and Long-Term Support Administration (AL TSA) cautioned that this proposed practice may conflict with Centers for Medicare and Medicaid Services (CMS) regulations. Legislation was withdrawn, and instead the 2024 Washington State Legislature directed AL TSA to convene a workgroup and produce a report to the Legislature, “examining how ALFs can use HUD vouchers in a manner than aligns with federal regulations and does not negatively impact receipt of federal Medicaid funding....and identify any barriers that would prevent the use of vouchers for Medicaid residents.”

In 2024 DSHS convened a workgroup consisting of representatives from the Aging and Long-Term Support Administration (AL TSA), Department of Commerce, Health Care Authority, Leading Age WA, and Vancouver Housing Authority. DSHS also engaged the Seattle Housing Authority, Tacoma Housing Authority, and Bremerton Housing Authority. Representatives from these housing authorities participated in the workgroup in 2025. Additionally, DSHS sought technical assistance from HUD and CMS:

- Representatives from the state agencies met with HUD six times between February 2024 and February 2025.
- Representatives from state agencies met with CMS on June 29, 2024, and August 13, 2024.

The state sought clarification from CMS on whether an ALF receiving a HUD voucher in addition to their full Medicaid contracted rate conflicted with the requirement that the Medicaid rate be considered payment in full. The federal election in November 2024 and subsequent transition of administrations caused communication delays between state representatives and CMS. At the start of April 2025, CMS communicated with the state that, “The Medicaid payment is the payment rate established in the HCBS waivers for the reimbursement of coverable HCBS services such as care and supervision. Medicaid does not cover room and board. The funding received by assisted living facilities from a housing

¹ For information on definitions used throughout this report, please see Addenda A.

voucher is related to reimbursement for room and board and therefore not considered part of the Medicaid rate.”

While CMS provided guidance that current ALF use of HUD vouchers was not in violation of the Medicaid contract, HUD expressed concerns that the client did not receive the benefit of the HUD voucher. HUD noted a main intent of the voucher program is to offset housing costs to the voucher recipient, which is why the calculation caps the tenant portion of rent at 30% of their income. Additionally, HUD noted that in WA, clients pay ALFs a combined payment for room and board. There is no set “room” or rent amount. HUD stated that the ALF could benefit from the use of the HUD voucher, so long as the voucher holder also benefits.

Given the responses from CMS and HUD, the workgroup reconvened to focus on recommendations that would satisfy federal requirements. As CMS did not have concerns if the ALF’s additional revenue was for room and board and not services, the workgroup focused on recommendations that would satisfy HUD concerns and alleviate the need for use of the HUD vouchers in ALFs. The following recommendations are detailed in this report:

- Separate room and board from a combined rate to an established rate for room and an established rate for board, 50% each from the current combined rate.
- Comprehensive Medicaid rate increases.
- Creation of a preservation capital program for residential providers for repairs and/remodeling.
- Creation of a residential capital program for ALFs and AFH within the Department of Commerce.

Overview of Washington State Assisted Living Facility Payment Methodology

Assisted Living Facility Rate Summary

The Office of Rates Management with DSHS AL TSA is responsible for modeling and setting Medicaid reimbursement rates for Assisted Living Facilities (ALFs). The Washington State Legislature details requirements for ALF rates in [RCW 74.39A.032](#). ALF Medicaid payment rates are client-specific rates based on the estimated cost of client care, operational costs, and room & board.

When a Medicaid client resides in an ALF they must contribute towards the cost of their room and board, and the cost of their care out of their available income. Not all clients have an income level that requires contribution toward the cost of care; however, all clients must contribute toward the cost of room and board (rent) and Medicaid funds cannot be used for this cost. The total financial responsibility, or the total monthly client payment is calculated based on their gross income and the combined amount of room and board and the overall cost of care for each individual client. The ALF receives the total financial

responsibility from the client, plus the state contracted payment, up to the state rate that was agreed to in the state contract.

Client Care

The client care component of the ALF Medicaid reimbursement rate encompasses the labor costs of the ALF rate and includes variables to recognize the time and intensity of client care, staff wages and fringe benefits.

The client care component is client-specific and subject to percent funding by the Washington State Legislature. Current funding increases can be found in the most recent budget bill: <https://fiscal.wa.gov/statebudgets/2024proposals/Documents/co/5950-S.SL.pdf>. Section 204(22)(a) calls out funding the labor component at 82%.

Operations

The operations component recognizes costs that are allowable under federal Medicaid rules for federal match. Because ALFs are not required to submit cost report data, ALF operations costs are based on reported operations costs from Skilled Nursing Facility cost reports. The ALF operations component is set at 90% of the statewide median SNF operations costs. The operations component is applied consistently for all clients and is subject to percent funding by the Washington State Legislature.

Room & Board

The room and board (R&B) component recognize costs that do not qualify for federal financial participation under Medicaid rules. Because the R&B component does not receive federal match, R&B is paid primarily through client share of food and shelter costs. Any R&B costs the client is unable to provide need to be covered by state only dollars. The R&B component is based on the Federal Benefit Rate, which is the amount established by the Social Security Administration as the supplemental security income (SSI) maximum payment amount, which was \$943 in 2024 and increased to \$967 in 2025. The R&B component is not subject to percent funding by the Washington State Legislature and is reimbursed at 100%. Any portion of the R&B rate not covered by the client out of their available income is paid out of state-only funds. [See R&B schedule here](#). An example of this might be if the client had no income, or if the client's income was less than the SSI Federal Benefit Rate.

Published Assisted Living Facility Rates

The ALF rate methodology calculates the total estimated cost of providing ALF services. However, the final published rates are based on appropriation from the Washington state legislature. ALTSA has not historically received an appropriation that funds 100% of the total estimated cost, so published rates represent the funded portion or percentage of the rate methodology. The funding percentage applies to the client care and operations components. Room & board is subject to rules related to client financial responsibility, and as such, is reimbursed to the ALFs at 100% as it is predominately client funded.

Recommendations

The following recommendations came out of the workgroup.

1. **Separate room and board from a combined rate to an established rate for room and an established rate for board for HUD housing voucher recipients in ALFs.**

In order to utilize a HUD voucher in an ALF in a way where the recipient benefits per HUD guidelines, one recommendation would be to assign portions of the Room & Board (R&B) payment to each “category”, as opposed to a combined R&B standard that is currently used. This split would allow the state to calculate where a voucher for rent would be applied, separate from board which can include food costs. After consulting the ALF group about what portion of the combined R&B rate could be Room and what portion could be Board, it was found that a 50/50 split would be beneficial to the recipient of the HUD voucher while also providing some benefit to ALF funding.

The workgroup spent most of its meeting time discussing the recommendation to separate room and board. Given the requirement of the proviso to examine “...how ALFs can use HUD vouchers in a manner than aligns with federal regulations and does not negatively impact receipt of federal Medicaid funding” and HUD’s guidance around vouchers needing to benefit the voucher holder, the workgroup and department supported this recommendation.

Room and Board standards are promulgated under WAC 182-513-1105 (7) & (8):

“(7) The room and board standard in an ALF used by home and community services (HCS) and the developmental disabilities administration (DDA) is based on the federal benefit rate (FBR) minus the current PNA [*Personal Needs Allowance*] as described under subsection (5) of this section.

(8) The current PNA and room and board standards used in long-term services and supports are published under the institutional standards on the Washington apple health (Medicaid) income and resource standards chart located at www.hca.wa.gov/free-or-low-cost-health-care/i-help-others-apply-and-access-apple-health/program-standard-income-and-resources.”²

Using the example in Addendum D, the R&B standard is \$839.80. Fifty percent is \$419.90 for Room and \$419.90 for Board costs. In one scenario the workgroup looked at, HUD calculated the ALF rent cost at \$592 per month. The Public Housing Authority calculated

² The Health Care Authority be updating WACs in the coming months due to recent administration name changes from Developmental Disabilities Administration (DDA) to Developmental Disability Community Services (DDCS).

the client portion of rent at \$265 and the HUD voucher payment was \$327. Under the current structure, the remainder of the client R&B cost went to “board” with the client receiving no additional benefit of the voucher. If R&B were split, the client would owe \$419.90 to cover their room. In the same scenario, the client’s portion of rent is \$265 and the HUD voucher pays \$327. The client would then pay \$419.90 toward board making the client’s total contribution \$684.90. The client would retain \$154.90 in addition to their Personal Needs Allowance (PNA) as a benefit of receiving a HUD voucher. The facility would receive \$172.10 more ($\$265 + \$327 + 419.90 = \$1,011.90$) than the standard R&B amount due to the benefit of the client having a HUD voucher.

Currently, for no income clients, the state is paying R&B, and the ALF is receiving the HUD voucher. Under this recommendation, with the 50/50 split of R&B, the HUD voucher would cover the “room” portion of rent and the state would only cover the “board” portion. In the above example, the HUD voucher would pay \$592 toward the rent/room and the state would pay \$419.90 for board.

Scenarios that illustrate the current practice and benefit of splitting R&B:

Current Practice, SSI Client:

Jane Doe moved into Totally Awesome ALF, which has Housing Vouchers for all its Medicaid beds. Jane Doe receives SSI, so pays \$839.80 to Totally Awesome ALF for room and board (R&B). Totally Awesome ALF also receives a HUD voucher for Jane Doe. The rent is \$592 with the voucher calculated at \$327 and Jane Doe’s portion at \$265. Jane Doe retains the Personal Needs Allowance (PNA) of \$103.20. Jane does not receive the benefit of the HUD voucher. Totally Awesome ALF receives a benefit of \$327 in addition to Jane Doe’s R&B payment.

50/50 split of R&B, SSI Client:

Jane Doe moved into Totally Awesome ALF, which has HUD vouchers for all its Medicaid beds. Jane Doe receives SSI. R&B is split, so Jane Doe owes \$419.90 for room and \$419.90 for board. Since Totally Awesome ALF also receives a HUD voucher for Jane Doe, her room portion is subsidized. The rent is \$592 with the HUD voucher calculated at \$327 and Jane Doe’s portion at \$265. Jane Doe retains the Personal Needs Allowance (PNA) of \$103.20 PLUS \$154.90 as a benefit of having the HUD voucher. Totally Awesome ALF receives the full R&B payment of \$839.90 PLUS \$172 as a benefit of having the HUD voucher.

Current Practice, No Income Client:

Jane Doe moved into Totally Awesome ALF, which has Housing Vouchers for all its Medicaid beds. Jane Doe has no income, so the state pays \$839.80 to Totally Awesome ALF for room and board (R&B). Totally Awesome ALF also receives a HUD voucher for Jane Doe. The rent is \$592 so the voucher is calculated at \$592 since Jane Doe has no income. Jane Doe and the state do not receive the benefit of the HUD voucher. Totally Awesome ALF receives a benefit of \$592 in addition to the state’s R&B payment.

50/50 split of R&B, No Income Client:

Jane Doe moved into Totally Awesome ALF, which has HUD vouchers for all its Medicaid beds. Jane Doe has no income. R&B is split, so the state pays R&B on behalf of Jane Doe. Since Totally Awesome ALF also receives a HUD voucher for Jane Doe, the room portion is subsidized. The rent is \$592, and since Jane Doe has no income, the HUD voucher is calculated at \$592. Since the HUD voucher pays for room, the state only covers board and pays \$419.90. The state saves \$419.90 as a result of the HUD voucher and Totally Awesome ALF receives a benefit of \$172 from the HUD voucher.

A split of R&B has not been used before. Currently a very limited number of ALFs utilize HUD vouchers. Splitting out R&B would take extensive systematic changes and workarounds in the eligibility system. The cost of those changes has not been estimated. The calculation would need to change annually on January 1st when R&B standards are updated and whenever a recipient's income goes below the R&B rate. Additionally, the calculation would change when HUD does their recertification for the voucher annually.

2. Comprehensive Medicaid rate increases.

While the use of HUD vouchers in ALFs is not widespread, some ALF providers pursue alternative funding mechanisms claiming Medicaid rates are inadequate. While there is no intention from Public Housing Authorities (PHA) to expand usage of HUD vouchers in ALFs, it is clear from the workgroup that the perspective of ALFs and their PHA partners is that there is a need for greater financial support to maintain the ability of ALFs to house Medicaid clients. As with recommendations c) and d), this recommendation would provide an alternative path toward increasing ALF revenue to negate the need to utilize HUD vouchers. These alternative pathways would benefit all ALFs receiving Medicaid in WA.

3. Creation of a preservation capital program for residential providers for repairs and/remodeling.

The workgroup recognizes the margin for publicly operated ALFs to preserve the building, provide upgrades to capital funded projects, and address significant damage to units. The goal of this recommendation is for Commerce to create a new legislatively funded capital funding program that would provide repairs, rehabilitation and preservation to existing projects.

Creating a dedicated funding source to preserve residential/communal facilities such as ALFs, Adult Family Homes, and Shelters would help sustain these needed projects. A dedicated capital preservation and repair account for emergency repairs may help minimize the need for leveraging HUD vouchers and would provide equitable access to preservation and emergency repair fund resources throughout the state.

4. Creation of a residential capital program for ALFs and AFH within the Department of Commerce.

Affordable Housing is defined under 43.185A.010 RCW:

(1) "Affordable housing" means residential housing for rental occupancy which, as long as the same is occupied by low-income households, requires payment of monthly housing costs, including utilities other than telephone, of no more than thirty percent of the family's income. The department must adopt policies for residential homeownership housing, occupied by low-income households, which specify the percentage of family income that may be spent on monthly housing costs, including utilities other than telephone, to qualify as affordable housing.

This recommendation proposes a distinct capital fund program separate from the capital funds for affordable housing and the behavioral health capital funded facilities. Having dedicated capital funding for residential facilities differentiates facilities from affordable housing and provides the capital needed to provide affordable long-term supports for individuals who are low-income.

The state can move forward with recommendation a) without any appropriation from the legislature. There would likely need to be some programming changes to state databases. Without dedicated funding, there might be need to incorporate manual system workarounds. Recommendations b), c), and d) would require legislative appropriations.

Addendums

Addenda A - Definitions:

Provides definitions for terms used throughout this preliminary report.

Addenda B – Cost of Care Calculation:

Description of how the state calculates the tenant portion of room and board and participation.

Addenda C – Client Notice Examples:

Provides more detail on how Vancouver Housing Authority has been calculating the tenant rent amount and the HUD voucher amount, utilizing the client responsibility letter from DSHS and the VHA calculation templates, for two of their Assisted Living Facilities, Arbor Ridge and Tenny Creek.

Addenda D - Payment Examples:

Provides examples of payment methodology for 50/50 split for an SSI ALF client and 50/50 split for a no income ALF client.