Pennsylvania
Department of Human Services

In Lieu of Services

Deputy Secretary Juliet Marsala

Office of Long-Term Living (OLTL)

House Aging & Older Adult Services and House Human Services Committee Joint Hearing

June 17, 2026

Chair Madden, Chair Mentzer, Chair Williams, Chair Heffley, and members of the House Aging and Older Adults and Human Services committees, I am Juliet Marsala and I serve as the Deputy Secretary for the Office of Long-Term Living (OLTL) in the Pennsylvania Department of Human Services (Department or PA DHS). I would like to thank you for the opportunity to testify today regarding In Lieu of Services (ILOS), specifically, the Department's Assisted Living In Lieu of Service (AL-ILOS) option available under the Community HealthChoices (CHC) managed long-term services and supports program, which is overseen by OLTL. I am pleased to have the opportunity to talk about this innovative option in the CHC program aimed at providing another high-quality service option to eligible participants in the program.

Background

Assisted living is not regulated by the federal government. As such, there is no single definition for "assisted living" in the United States. Assisted living is a term often applied to community-based residential settings that provide housing and meals (i.e., room and board), as well as various activities of daily living or long-term services and supports to assist a resident being served. Across the nation there are a wide variety of settings that may be referred to as assisted living with a myriad of service requirement levels. It is critical to keep this in mind when speaking about assisted living and especially when comparisons are provided using other state definitions for assisted living. For the purposes of today's testimony, I will be speaking about assisted living and assisted living residences as those concepts are regulated under Title 55, Chapter 2800 of the Pennsylvania Code. I have shared a one-page handout highlighting the key differences between Personal Care Homes, Assisted Living Residences, and Skilled Nursing Facility settings in Pennsylvania for your reference. The differences in requirements, particularly

in Licensed Staff and Staffing, address the different level of care needs of residents served in each setting.

In 2016, the Centers for Medicare and Medicaid Services (CMS) finalized regulations that formally recognized states' and managed care plans' abilities to provide services or settings that are substitutes for services or settings covered under the state plan ---this is what we term "in lieu of services." Prior to this, managed care plans could cover alternative services or services in alternative settings under risk-based contracts. Community HealthChoices managed care organizations (CHC-MCOs) can identify and pursue ILOS for health-related social needs or alternatives to current state plan covered services. By promulgating regulations, CMS's goal was to bring consistency to plans' use of these alternatives, as well as ensuring adequate enrollee protections. Under federal regulations, the following requirements must be met:

- ILOS must be a cost-effective, medically necessary service or setting that is offered to a participant as a substitute for a State Plan covered service or setting;
- Participants cannot be required to use the ILOS;
- ILOS must be provided at the option of the Managed Care Organization; (OLTL does not direct the CHC-MCOs on what ILOS options a CHC-MCO should develop.);
- ILOSs must not violate any applicable federal requirements, including 42 CFR § 438.3(e)(2); and,
- General prohibitions on payment for room and board costs under Title XIX of the Social Security Act still apply.

CHC AL-ILOS

As of June 1, 2026, there were 64 assisted living residences (ALRs) across the Commonwealth representing 5,384 licensed slots and approximately 69%, or 3700 slots, are

filled with Pennsylvanians who privately pay for room and board and personal care tasks. An assisted living residence offers all of the care provided in personal care homes but may be able to serve individuals with higher care needs as they have different staffing level, training, and building requirements. ALRs provide opportunity for residents to age in place and are licensed by PA DHS and must adhere to Title 55, Chapter 2800 of the Pennsylvania Code. An assisted living ILOS option in the CHC program allows Medicaid to assist with covering the costs for the personal care tasks. As I mentioned earlier, covering the cost of room and board is not permissible because an ILOS cannot violate any current rules that govern the Medicaid program.

An assisted living option was pursued by all three CHC-MCOs as an alternative for nursing facility placement. Nursing facility services are a covered state plan service, and assisted living is anticipated to provide a less restrictive and less costly option. The target group for AL-ILOS are Nursing Facility Clinically Eligible (NFCE) individuals enrolled in CHC who are in a nursing facility but are interested in transitioning to a less restrictive setting or individuals at risk of nursing facility placement who are interested in diversion from placement in a nursing facility. Individuals residing in a long-term care (LTC) facility or receiving home and community-based services (HCBS) can transition into an AL-ILOS and receive the ILOS services in place of their facility or HCBS services if all other eligibility criteria are met.

OLTL is supporting the AL-ILOS effort by enrolling assisted living residences (ALRs) as Medicaid providers for the specific purpose of ILOS tracking. As of May 1, 2026, OLTL has supported and enrolled 18 ALRs so they can continue the contracting process with each of the respective CHC-MCOs. These 18 ALRs represent over 28% of all licensed ALRs. The department continues to encourage more ALRs to join and to educate personal care home

operators that may be able to convert their license to become an ALR to consider this path to expand and strengthen network adequacy across the Commonwealth.

OLTL developed policies to outline the requirements for CHC-MCOs to provide AL-ILOS. In addition, OLTL developed a guidelines document outlining the enrollment process for all providers interested in offering the AL-ILOS option.

OLTL developed an operations report to track the utilization of AL-ILOS and outcomes for participants. In calendar year 2025, 15 individuals selected the AL-ILOS option. In the first quarter of 2026, 13 additional individuals selected the AL-ILOS option, almost doubling the total number of participants utilizing this option. Out of the 28 participants currently participating in the AL-ILOS, 12 individuals transitioned from a nursing facility to an ALR, and 16 individuals were diverted from nursing facility admission.

OLTL continues to monitor the utilization and outcomes of the AL-ILOS option under the CHC program. We engaged the University of Pittsburgh's Medicaid Research Center (MRC) to assist in completing an independent satisfaction survey of AL-ILOS participants and providers. We continue to collaborate with the CHC-MCOs and ALRs to ensure this remains an innovative option for CHC participants.

ILOS Eligibility

The department also implemented new eligibility procedures to ensure County Assistance Offices are correctly reviewing and processing eligibility for those seeking to reside in AL-ILOS. Individuals residing in the AL-ILOS who are NFCE are reviewed for Medical Assistance eligibility using the same rules used to determine eligibility for people eligible for Medical Assistance due to their need for care in a long-term care facility. Like Long-Term Care Medical Assistance, recipients may be responsible for making a monthly payment for their care to the

ALR. As part of the eligibility process, the CAO determines this amount which is often referred to as patient pay

Summary

As we continue to see growth in the use of the AL-ILOS, we will increase our ability to evaluate the impact of the AL-ILOS option and inclusion in the CHC program. We will evaluate the success of the program's compliance with the required parameters previously mentioned that are put forth by CMS and more importantly will assess the impact for Pennsylvanians receiving care. The implementation of the AR-ILOS option has been very beneficial and we are eager for more providers to enroll as a Medical Assistance provider and with the CHC MCOs. Building a strong and robust network across the Commonwealth will be critical for any additional expansion or adoption of assisted living residence as a permanent service. Including AL-ILOS as an option in the CHC program has provided a measured approach to understanding how it can meet the needs of eligible Pennsylvanians. From this AL-ILOS implementation approach we are able to carefully evaluate needed capacity building, provider education, and policy and operational workflow development. We are excited about the progress made with AR-ILOS implementation and look forward to continued growth and success in the years to come.