



**Senior Nutrition Program Meal Services Elements for Sustainability:  
Guide to Establishing a Fee-for-Service Private Pay System**

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## Overview

Senior Nutrition Programs (SNPs) have historically established fee-for-service private pay systems for meals, in addition to providing meals funded by the [Older Americans Act](#) (OAA). These payment systems can help expand services beyond existing OAA funding, thereby increasing resources for enhanced capacity and quality of operation. Individuals served by fee-for-service private pay meal services often include younger persons who are homebound, have cooking or shopping limitations due to illness or disability and individuals who require short-term assistance while transitioning from hospital to home.

SNPs are challenged with implementing a fee-for-service private pay system that adheres to the requirements set forth by the OAA. OAA [Section 315](#) prohibits cost-sharing (which typically involves implementation of a sliding scale fee based on the client's income) for congregate and home-delivered meals and encourages voluntary, confidential and non-coercive contributions from participants.

During the Covid-19 pandemic, additional funding was provided to SNPs through the Families First Coronavirus Response Act and the Coronavirus Aid Relief and Economic Security Act. This allowed for temporary service expansion beyond usual funding limitations. This brief is intended to assist SNPs with preparation for the future, including fee-for-service private pay systems that may be appropriate during times of more limited funding.

Although generally referred to as "private pay," the term "fee-for-service private pay system" is used in this document since fee structures may vary across private pay systems.

## Payment Models

Establishing a fee-for-service private pay framework includes consideration of the fee charged to provide a meal:

- A **cost-reimbursement system** calculates the total cost of the meal including ingredients, labor and fixed or administrative costs. Most LSPs use a cost-reimbursement methodology to determine the "guest fee" price.
- Another method to determine the price for a meal is **fair market value**. This methodology is typically the total cost of the meal plus a "profit" or "surplus."

The collection of "guest" payments and the development of fee-for-service private pay systems are not to be confused with voluntary contributions or cost-sharing for nutrition services (which is not permitted).

One potential area for SNP contractual payment arrangements may include contractual agreements with healthcare/insurance organizations to provide medically tailored meals; SNPs interested in learning more may wish to consult [The Food is Medicine Advocacy Toolkit](#) or the National Resource Center on Nutrition and Aging's convening: [Nourishing Seniors Through Medically Tailored Meals](#).

Health care system transition to value-based care has increased opportunities to develop payment systems with SNPs and other aging network organizations. The Administration for Community Living (ACL) is developing a [Strategic Framework for Action: State Opportunities to Integrate Services and Improve Outcomes for Older Adults and People with Disabilities](#) which includes examining the use of

financing strategies (e.g., blending and braiding) at the federal, state, and local levels to broaden the

For more information about existing SNP payment models, refer to the 2015 [Process Evaluation of the Older Americans Act \(OAA\) Title III-C Nutrition Service Program](#).

### Principles, Policies and Procedures

To ensure equity, fairness, inclusion and adherence to the requirements of the OAA, SUAs, AAAs and LSPs that provide meals and other services funded by the OAA, fee-for-service private pay system policies and procedures must be established. A system of checks and balances is important when developing and implementing a fee-for-service private option. Some SUAs, AAAs and LSPs already have a system in place. For others, this is a new process. Regardless, these policies and procedures are required for a successful implementation that demonstrates consistency with the requirements of the OAA.

Before establishing a fee-for-service private pay system program, consider the following principles:

- **Target population** – Will the fee-for-service private pay option be available to anyone who wants it or will eligibility be limited to target populations (e.g., homebound persons under 60 years)?
- **Prioritization** – Is there an existing prioritization system for OAA services or does one need to be implemented? (See [Senior Nutrition Program Meal Services Elements for Sustainability: Guide to Prioritizing Clients](#))
- **Adherence to requirements in the OAA** - means-testing and cost-sharing are not permitted.
- **Effective communications** - includes cultural sensitivity, health literacy, partner organization participation in communications, translated materials, etc.
- **Education** - of the AAA/LSP organization such as the board, staff, community, funders and the public (including older adults).
- **Additional food and meal programs** – Food programs may include United States Department of Agriculture Commodity Supplemental Food Program, emergency food distribution, food pantries or grocery shopping assistance. Meal programs may include faith-based organizations, providers of medically tailored meals, MOW programs, etc. Lastly, consider the fees and accessibility of commercial meal delivery companies.
- **Accessibility and consumer-friendly services**<sup>1</sup> - Are phone, internet and/or home visits available? Social media outreach? Staff representative of the population served?

In developing policies and procedures in adherence to the OAA, consider the following:

- **SUA/AAA/LSP roles** –
  - [Section 305](#) states that SUAs are required to be “primarily responsible for planning, policy development, administration, coordination, priority setting and evaluation of all State

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<sup>1</sup> Adapted from National Center on Law and Elder Rights. 2018. Issue Brief: Targeting Older Americans Act Services Without Means Testing: Meeting the Challenge. <https://ncler.acl.gov/pdf/Targeting-OAA%20-Services-Without-Means-Testing-Issue-Brief.pdf>

- activities related to the objectives of the OAA.” SUAs should establish guidance, policies and procedures and provide technical assistance in this process.
- SUAs/AAAs are responsible for developing policies and procedures for implementation of the SNP, including adherence to the purposes of the SNP, core OAA eligibility, targeting and other OAA requirements. They are also responsible for developing monitoring tools, training and providing technical assistance to assure appropriate implementation.
  - SUAs/AAAs/LSPs may be responsible for [prioritizing clients](#) as well as waiting list development and maintenance when need or demand exceeds available resources or capacity.
  - **Financial coordination** - When accepting funds for OAA programs, SUAs/AAAs/LSPs are responsible for adhering to the requirements of the OAA. Program administrators should work with their fiscal counterparts to develop and ensure compliance through grant or contract terms.
  - **Eligibility for SNP** - There must be a fair process prior to offering a fee-for-service private pay option in order to ensure that no eligible individual (persons 60 and older) is pushed into a fee-for-service private pay option or denied service due to the inability to pay for a meal. Also, clear expectations must be set for offering OAA clients a position on a waiting list and moving them up on the list.
  - **Distinction between donations/cost-sharing/fee-for-service private pay systems** – Establish a clear distinction between the fee-for-service private pay option and cost-sharing systems. Voluntary, confidential and non-coercive contributions are essential to the OAA nutrition services implementation.
  - **Appropriate pricing** - Determine the price to be charged for a fee-for-service private pay option (fair market value or total cost reimbursement method).
  - **Reporting** – Establish a clear understanding that meals served to clients participating in a fee-for-service private pay option may not be reported as Nutrition Services Incentive Program (NSIP) meals in the State Program Report.
  - **Policies and contracting** - SUAs and AAAs cannot prohibit contracted non-profit entities from establishing and implementing a fee-for-service private pay system. However, SUAs and AAAs are required to ensure through policies, procedures, guidance, contractual agreements, monitoring and technical assistance that any fee-for-service private pay system is developed and implemented without being subsidized by OAA funding. Fee-for-service private pay systems cannot be supported with OAA funding.

### Business Planning

To implement a fee-for-service private pay system, AAAs and/or LSPs need to develop marketing and business plans. A marketing plan includes customer profiles, wants, needs and expectations regarding price, quality and service. [The National Resource Center on Nutrition and Aging](#) has a set of issue briefs on marketing for the SNP and LSPs. The [Aging and Disability Business Institute](#) has a variety of resources to help aging and disability network entities establish their business models by providing technical assistance and referrals to a vetted consultant as appropriate.

A detailed business plan should include the following:

- **Accounting** – There should be a separate accounting process for the fee-for-service private pay system. This involves calculating the total cost of the meal (e.g., food, labor, administrative costs, production costs and insurance) for cost-reimbursement and any surplus or profit for a fair market value methodology. For additional information, The National Resource Center on Nutrition and Aging has published a set of issue briefs on quality nutrition programs and the process of calculating the cost of a meal.
- **Monitoring** - Procedures set forth by SUAs/AAAs must be developed to ensure LSP and/or AAA (if the AAA is the direct service provider) services provided with OAA funding are aligned with OAA intent. Are there mechanisms in place to avoid perceived bias? What protocols ensure the SNP’s focus is on service to older adults and caregivers with the greatest economic and social need? How does the AAA/LSP ensure that eligible clients are not improperly steered toward the fee-for-service private pay option?
- **Waitlist Development, Implementation and Guidance** - Guidelines for waitlist development, implementation and maintenance must be developed. Procedures, guidance and best practices must adhere to SUA/AAA requirements and expectations. This includes targeting, procedures for how to establish a waitlist, who to include on the waitlist including prioritization, screening, re-screening or reassessment tools and intervals, procedures to notify participants about their position on the waitlist, how often waitlists are updated and referrals to other programs including fee-for-service private pay options.
- **Financial** – Management procedures including the organization’s payment structure for fee-for service private pay meals, determination of a client payment deposit for initial meals, billing and collection process, delinquent accounts, methodology of price charged to fee-for-service private pay clients, and if using a fair market value system, how any profit/surplus will be spent. Private non-profit AAAs/LSPs need to ensure proper expenditure of “profits” or “surpluses” to maintain Internal Revenue Service (IRS) status; government AAAs/LSPs need to ensure proper expenditure to assure accountability to the public and to the city or county.
- **Reporting**
  - Ensure the ability to report meals to the appropriate funding source: OAA, city or county, Medicaid Waiver, fee-for-service private pay, etc.
  - Ensure that the computer technology will allow the programmatic and fiscal input to match.
  - Ensure computer technology and systems can communicate with each other and allow appropriate reporting and accounting.
  - Ensure required technology is available and staff have been trained to utilize the appropriate system for the different funding sources.
- **Communication**
  - If the AAA/LSP is a private non-profit, request input and gain alignment from staff and the Board of Directors. The fee-for-service private pay concept may be a “culture change” from a first-come-first serve or charity-based approach and may require education and training for staff and board of directors.
  - If the AAA/LSP is a government entity, consider the “political” dynamics of the organization. Some government entities view funded programs as “free” or a charitable initiative and believe that services should be provided with public funds rather than private funding. Other government entities encourage a social enterprise approach when confronted with limited funding and capacity.

- Obtain public input and educate all funders and stakeholders.

### State Policy Examples

Examples of notable fee-for-service private pay programs include the New York Private Pay Initiative (NY PPI) and the Pennsylvania Department on Aging. Below is a brief summary of each of these models.

#### **Example #1**

The [New York Private Pay Initiative](#) (NY PPI) is an overarching and innovative re-investment model for the provision of nutrition and home care services. The NY PPI initiative clarifies that Area Agencies on Aging and service providers may enter in contractual, commercial or private pay relationships to generate additional revenue for the program provided. In addition, revenues will be reinvested into the program to serve eligible individuals and activities that do not disrupt or reduce services to individuals with the greatest need.

The NY PPI model, announced on January 31, 2020, was developed by New York State Office for the Aging (NYSOFA) in an effort to embed healthy aging and prevention policies into all aspects of state government. This collaboration with NY Area Agency on Aging Association (NY AAAA) developed the model and subsequent fiscal and reporting requirements.

The NY PPI model demonstrates fidelity to the Older Americans Act, and recognizes non-profit ventures must not utilize publicly financed infrastructure or resources to under-cut the market and provide a service at or below market rates (OAA, Sec 212). In addition, NYSOFA amended NY Elder Law (Sec. 203 (12)(b)) to authorize the NYSOFA Director to implement a private pay model with protocols for program administration, recognizing local, state and federal funds as insufficient to meet the current demand for services.

#### **Example #2**

The Pennsylvania Department on Aging established a policy allowing AAAs to establish private pay meal service:<sup>23</sup>

IV.8 AAAs and/or centers may implement a ... meal program at the discretion of the AAA, providing fresh or frozen meals on a private pay basis. The monies earned from the sale of these meals may provide an additional revenue stream to the AAAs. Meals provided ... do not need to meet menu requirements for congregate or home delivered meals.

IV.9 To ensure that private pay and other meal funds are not comingled, appropriate accounting procedures shall be put into place. Before implementing a private pay/fee for service meal program, AAAs and/or providers shall develop a business plan to assure appropriate accounting procedures and practices are followed. Private pay ... meals may not be recorded as [SNP]

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<sup>2</sup> Aging Program Directive. Revised APD # 15-03-02. November 2014. REVISED - POLICIES AND STANDARDS FOR THE DEPARTMENT OF AGING NUTRITION SERVICES. <https://www.aging.pa.gov/publications/aging-program-directives/Program%20Area%2003%20%20Congregate%20Meals/ADP%2015-03-02%20Nutrition%20Services.PDF>

<sup>3</sup> Policy language has been edited for clarity. Where breaks in actual language occur "... " Is inserted; where flow of a sentence is affected, transitional words have been added within "[ ]."

meals even if it is the same menu as served in the congregate meal setting. Title III funds or SNP funds shall not be used for [these] meals.

VI. Meal Contributions and SNAP Benefits. VI.2, c. SNAP benefits may ... be utilized for private pay meals.

Provision for Special Menu Needs: III.1 Special Meals, Individual Days – Meals provided by the AAA to increase participation or acknowledge a special holiday or event may be considered special meals. ... Special meals that do not meet nutrient requirements shall not be recorded as an SNP meal...these meals may be charged as a private pay meal ....

By establishing SUA policies, an SUA provides the basis for more expansive AAA policies and procedures, guidance and technical assistance for the development, implementation, monitoring and evaluation of a fee-for-service private pay system.

#### Meals on Wheels Organization Partnership Models (organizations may vary)

Non-profit [Meals on Wheels](#) (MOW) programs include well-established providers throughout the U.S. These organizations establish their own participant eligibilities that are typically more expansive than the OAA e.g., younger individuals with disabilities, chronic illness, etc. Some MOWs do not directly accept OAA public or government funds and may function in the same or adjacent jurisdictions with nearby publicly funded LSPs.

AAAs can contract with MOWs to provide meals and possibly additional SNP functions and services (e.g., assessments and reassessments, nutrition education) at a unit rate or flat fee. These AAA-MOW contract-based relationships provide meals on a contribution basis. MOWs may alternatively function as caterers for OAA funded programs or for other entities.

For non-OAA meals, MOW programs charge individuals directly for meals based on the total meal cost and a sliding-scale fee (what the client can afford), and the difference is subsidized by fundraising, grants, etc. These programs rely heavily on donors, volunteers, organizations and community members to provide in-kind supports and funding.

#### Summary

SNPs expect client growth with the aging population and future emergencies, but it may or may not be associated with increased funding. Limited resources (e.g., financial, volunteer, community, capability and capacity) will impact the ability of SNPs to respond to the increased client need. Part of the solution may be the establishment of a fee-for-service private pay system by the AAA and/or LSP. The establishment of such a system needs to be carefully conceived, developed, implemented, monitored and evaluated to ensure that AAAs and/or LSPs are aligned with the targeting requirements, the intent of the SNP, possible prioritization and other OAA requirements. A fee-for-service private pay system needs to be developed and implemented with sound program, accounting, financial and reporting management practices. The system also needs to assure equitable, fair and inclusive service and help enable expansion of financial resources.