



Setting Up a Small Group Home

This month's blog originally appeared in January 2022; however, it continues to be an important and popular topic.

When contemplating an ideal environment for a loved one with a disability, a small group home is often considered, given its many benefits. In the majority of instances, families will work to find a placement in an existing group home that is typically owned and operated by a local non-profit service agency. In other situations, families will look to establish a long-term, and hopefully permanent, residence for their family member with a disability. Setting up a small group home requires careful research, and families should weigh the options before undertaking such an effort. For some families, there are limited options for housing options for long-term residential facilities for individuals with disabilities, which can put an additional strain on families seeking permanent housing for their loved one.

Funding

There are two important questions [James A. Caffry, Esq.](#) cautions should be answered before moving forward with exploring the creation of a small group home. The first question involves the residents that will occupy the home, and if they will need home and community-based services (HCBS) with Medicaid.

If clients suggest creating a non-profit or private group home one of the first questions would also be about funding sources. For the residents, understanding the funding capability and what sources of revenue they'll need, in addition to their adult' children's SSI and/or SSDI benefits to sustain the group living environment is critical information to have at the forefront.

The second key question involves the developmental services system of care in the state where the home will be created. What does the state allow in terms of a small, privately owned, or non-profit group living situation? It could be a group of families establishing an LLC, or a non-profit who will rely on outside sources of revenue in order to exist. Depending on the situation, the families might need to fund the operation of the building, but the support personnel providing the care for the adults in this living arrangement might be funded through Medicaid.

It's important to consider scenarios regarding the longevity of the situation. For example, what happens with the LLC if one of the residents wants to move out, or there is a health issue, or a resident dies? Is there a forced buy out? Reviewing the organizing documents and how the home agreements are structured is critical in determining the roles and responsibilities of each family.

Private vs. non-profit group home

Understanding the state laws regarding the creation of a small group home may dictate how the home is established, and under what operating rules.

For families considering a group living model – an entity can perhaps be established as a non-profit under state law, with a 501c3 designation from the IRS. If families can achieve that non-profit status there's a question of oversight, with an established board of directors and how the

organization will be operated. In some states, a nonprofit organization might have to be created as a requirement to receive Medicaid and developmental disability funding.

For a private group home, families might decide ahead of time who will purchase the house, pay for taxes and insurance, and what type of control each family will have on the living arrangements, staffing and daily operation of the home.

Family connections

The pandemic put additional strain on residential housing for individuals with disabilities, and the circumstances for many families, especially parents, generated heightened interest about how and when to band together to create a small group living home.

According to [Janet Lowder, CELA](#), clients typically want to speed up finding a secure living environment for their child with disabilities, while maintaining some control over the type of residential placement their child will be in.

Often families who know each other will band together and look for compatible people to plan something together. If one family is planning a group home, they need to get detailed information about it and sometimes the families join in setting this up. It can be helpful for the families and the individuals living in a group home to collaborate on the research and logistics.

In one instance, a family purchased the real estate for the house, and a group of families who wanted a small group home with a Kosher kitchen were able to pool their resources together to ensure this type of situation for their children. They had a very detailed agreement, with a separate organization and the operation of the house maintained primarily by the family who purchased the real estate.

Decisions about staffing, residents' lives and activities were decided by the families, each having an equal vote. The family who had the most financial equity in the arrangement did not have a greater say in the decisions. It can work so that an unequal investment in the small group home doesn't necessarily equate to how decisions are made about the house.

Logistics

Creating operating agreements and entering an LLC are both important steps to take for families considering setting up a small group home. The group homes that are thriving typically have been a result of careful planning and execution, with a lot of foresight into how the homes will operate, and how each family will contribute financially and with regards to oversight of the home.

The operating agreement should specify how the funds and resources are being distributed, and if the parties are all equal members of the LLC. In the case that the house doesn't work financially without a certain number of residents, there can be provisions in place, where a family can have a set amount of time to make alternate arrangements, particularly in the case when a new resident must be identified before a former resident can move out.

There are times when one family might hand pick the other residents to live with their child, but the process can be delayed because the roommates haven't become eligible for a Medicaid

waiver to cover the costs of the staffing in the home. The benefits that the residents qualify for impact who is going to be in the home and how the home is run.

It's also critical to understand the living situation for each resident, and how long they might be expected to stay in the group home. For individuals with a traumatic brain injury, one to two years might be the expected timeframe for a group living environment, while individuals with longer-term disabilities might require a more permanent housing arrangement.

Staffing issues can be a challenge for some small group homes, so deciding on the management and establishment of quality staffing personnel is important to discuss in advance of the arrangement. Some social service agencies will help provide support for personnel, while in some cases families might want to oversee the hiring of individuals based on a personal connection or specific qualifications.

Conflict

There might be situations that arise where one resident doesn't fit in, which can create problems for the other residents in the group home. It's important to plan ahead to consider how and what this type of conflict will be solved, and what protections exist for the family whose dependent is being asked to leave. Questions around financial responsibilities, notice periods and mediation might be factors that should be addressed early in conversations.

Although it can work, it can be problematic when family members get too involved in the day-to-day operation of the home and try to insert themselves into the personnel management and decision-making process of how the group home is run. Ideally there should be no surprises, and while it can be difficult for residents to adjust to new circumstances within the group home, everyone should agree on the decision-making process, keeping in mind what will be in the best interest of the residents.

Ideal scenario

While establishing a small group home can create an ideal living environment for an individual with disabilities, there are important conversations and decisions that must be made ahead of time to ensure a successful outcome.

The best-case scenario is that a strong operating agreement is put in place, and that everyone in the small group home is compatible and financially supported. The homes that work the best have families who agree on a single provider agency and run the day-to-day management of the home. This includes managing the finances of the home, and the oversight of the staff who will ensure the health and safety of the residents.

While there are numerous factors to consider with the creation of a small group home, the ideal living environment for the person with disabilities should remain the priority. Establishing and maintaining consistency with people, place and a stable environment can be accomplished with the thoughtful creation of strong operating agreements, qualified personnel, and careful oversight to ensure a productive and healthy living arrangement.

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