talking about HEALTH CARE REFORM

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Helping People with Long-Term Health Care Needs:
Improving Access to Home- and Community- Based Services in Medicaid

Most people who need long-term help with daily activities would prefer to receive the care they need in the community, rather than having to move to an institution such as a nursing home. And for many, staying in the community is a good choice. Not only is community-based care preferable in many cases, but experiences from some states show that providing more long-term services in the community can save money, too.[1]

But Medicaid, the major payer for long-term services in the United States, is structured to favor institutional care over home and community care.[2] While community-based services can be cost-effective in the long run, developing them requires an initial investment, and that can be hard for states, especially during the current economic downturn.[3] As a result, Medicaid beneficiaries' access to home- and community-based services is often inadequate.[4]

What if states could provide more people with the care that they need, in the setting that works best for them, and save money in the process? Expanding access to home- and community-based services for people in Medicaid could do just that. And health reform gives states incentives to establish new programs that will expand home- and community-based services in Medicaid.

Today, Medicaid is skewed toward institutional care rather than home- or community-based care.

- The majority of Medicaid spending on long-term services—59 percent—is for institutional care.[5] That's because the way Medicaid is structured favors institutional care. The federal government pays a portion of each state's Medicaid expenditures, provided that the state's program meets certain criteria.[6] Among those criteria is mandatory coverage of long-term nursing home care (institutional care) for adults. By contrast, coverage of home- and community-based services is not required, although all states provide some of these services.
- The availability and use of community-based long-term services varies widely from state to state. Spending on these services ranges from 12 percent of total Medicaid long-term services spending in Mississippi to almost 75 percent in Vermont.[7] And while nine states spend more than 50 percent of their Medicaid long-term services budget on community-based care, 11 states spend less than 30 percent.[8]
- The variation in spending suggests that access to home- and community-based care can be improved in most states.

What Health Reform Does

- **Creates a new Medicaid option for states to provide home- and community-based attendant services and supports.**
  - **What Health Reform Does:**
    - Health reform establishes a new Medicaid state plan option called the Community First Choice Option, starting October 1, 2011. This option covers community-based attendant services and supports to help Medicaid beneficiaries with daily activities and health-related tasks.
    - States that take up this option will receive a 6 percentage point increase in their federal match for costs associated with the program.
  - **Why This Makes a Difference:**
    - Many of the options that states use to add home- and community-based services to their Medicaid programs allow them to limit access to these services by establishing program caps or waiting lists, or by offering services in limited regions rather than statewide. Many require that the programs be budget-neutral.
    - States that use the Community First Choice Option will have to provide services and supports to all people who meet the program's needs-based criteria. Services will have to be offered statewide. This will expand access to these services for Medicaid recipients. States will also have more latitude because the program does not have to be budget-neutral.
    - The 6 percentage point increase in the federal match for expenses associated with Community First Choice is significant and will help states cover the costs of expanding these services.

- **Gives states incentives to make program changes that have been shown to increase the use of home- and community-based services.**
  - **What Health Reform Does:**
    - Health reform creates a second optional program, State Balancing Incentive Payment Program, effective October 1, 2011 through September 30, 2015. This option gives additional federal funding to states if they make structural and administrative changes to their Medicaid programs—changes that have been shown to reduce nursing home use, increase the use of home and community services, and help contain spending on long-term services.
    - Participating states will be required to develop a plan that details how they will increase use of home- and community-based services in their Medicaid programs.
    - States that take up this option will receive an increase of up to 5 percentage points in their federal matching payments for the associated costs. States that currently have the lowest use of community-based services will get the largest increases.

- **Why This Makes a Difference:**
  - This option will provide significant financial incentives for states to make the kinds of Medicaid reforms that have been shown to increase home- and community-based care in states such as Washington and Oregon.
  - In Washington, Medicaid reforms helped the state reduce nursing facility care from 82 percent of Medicaid long-term services spending in 1993 to 16 percent in 2005.[9]

- **Prevent the impoverishment of spouses of individuals who use home- and community-based services.**
  - **What Health Reform Does:**
    - Starting in 2014, health reform will require states to provide the same financial protections that are currently available to spouses of Medicaid beneficiaries who are in long-term care institutions to the spouses of Medicaid beneficiaries who are using home- and community-based services.
  - **Why This Will Make a Difference:**
    - Since 1989, Medicaid has required states to allow one spouse to keep some income and assets without jeopardizing the Medicaid eligibility of the spouse who is living in a nursing facility. This helps protect the family member who is still living in the community from extreme financial hardship.
    - Currently, states are not required to extend those same financial protections to the spouse of someone who is receiving home- and community-based services. This is true even though the cost of home health care can be an extreme financial burden. For example, employing a home health aide for four hours a day costs an average of more than $42,000 a year.[10]
    - Requiring states to extend spousal financial protections to families that are using home- and community-based services will make it possible for more families to care for loved ones at home. No longer will a husband or wife have to institutionalize a spouse who needs long-term services because that is the only way to provide the spouse with care and still retain enough money to avoid impoverishment.

Through these measures, health reform helps states expand access to home- and community-based services in Medicaid. It moves us closer to providing those who need long term services with the care they need in the most appropriate, least restrictive setting possible.

Endnotes

[1] H. Kaye, et al., "Do Non-Institutional Long-Term Care Services Reduce Medicaid Spending?" *Health Affairs* 28, no. 1 (2009): 262-272.

[2] In 2006, Medicaid paid for 40 percent of all long-term services costs in the United States, making it the largest single payer for long-term services. The second and third largest payers were Medicare and out-of-pocket spending by individuals, at 23 and 22 percent, respectively. Kaiser Commission on Medicaid and the Uninsured, *Medicaid and Long-Term Services and Supports* (Washington, Kaiser Family Foundation, February 2009), available online at http://www.statehealthfacts.org/comparetable.jsp?ind=180&cat=4.

[3] H. Kaye et al., op cit.

[4] One of the options that states can use to provide home- and community-based services in Medicaid is through a Home- and Community-Based Service waiver, which is granted by the Department of Health and Human Services. However, these waivers permit states to maintain waiting lists, and the length of these waiting lists is an indicator of access issues. From 2006 to 2007, the number of people on waiting lists increased by 18 percent. Terrance Ng, et al., *Medicaid Home- and Community-Based Service Programs: An Update* (Washington: Kaiser Commission on Medicaid and the Uninsured, December 2008), available online at http://www.kff.org/medicaid/upload/7720_02.pdf.

[5] Terrance Ng, et al., op. cit.

[6] The federal share of a state's Medicaid expenditures is determined separately for each state using a formula that takes into consideration state income relative to the national average. The federal match is at least 50 percent.

[7] Kaiser Family Foundation, "Distribution of Medicaid Spending on Long Term Care, FY 2007," State Health Facts.org, available online at http://www.statehealthfacts.org/comparetable.jsp?ind=180&cat=4, accessed on October 6, 2009. Figures include Medicaid spending on more skilled home health care, as well as on personal care services.

[8] Ibid.

[9] Rosalie A. Kane, et al., *Rebalancing Long-Term Care Systems in Washington: Experience up to July 31, 2005, Abbreviated Report*, submitted to the Centers for Medicare and Medicaid Services, Advocacy and Special Initiatives Division, available online at http://www.hpm.umn.edu/ltcresourcecenter/research/rebalancing/attachments/baseline_case_studies/Washington_abbreviated_baseline_case_study.pdf, accessed on October 8, 2009; Ohio Department of Aging, *Ohio's Unified Long-Term Care Budget*, available online at http://aging.ohio.gov/resources/publications/regional.ppt, accessed on October 8, 2009. The piece reviews experiences from other states.

[10] In 2008, average costs were $29/hour for a home health aide and $18/hour for less skilled homemaker services. National Clearinghouse for Long-Term Care Information, U.S. Department of Health and Human Services, available online at http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Costs_Of_Care/Costs_Of_Care.aspx#What, page last modified on April 13, 2009, accessed on October 6, 2009.

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