Partnership for Medicaid

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National Council for Community Behavioral Healthcare

National Hispanic Medical Association

National Rural Health Association

Improving the Continuum of Services in Medicaid Long-Term Care*

It is important that Medicaid provide an adequately funded, comprehensive program that ensures appropriate supports and services are provided in cost effective settings to qualified individuals who are aging and or have disabilities. As states "re-structure" their long-term care systems and attempt to lower costs simultaneously, it is important that benefits are not eroded, that seniors and people with disabilities continue to have access to choice in terms of care setting, and that the full continuum of services is available and adequately funded.

*The ideas and opinions expressed in this document reflect the contributions of individual members of the Partnership. While every effort has been made to achieve consensus among all members, the ideas expressed in this document are not necessarily those of, nor are they endorsed by, any particular member organization(s) of the Partnership.

BACKGROUND

Public programs play a significant role in our nation's long-term care system. Medicare plays a major role, but **Medicaid is the largest public source of funding for long-term care in the United States.** It is, and must remain, an essential lifeline for the most vulnerable Americans. Medicaid pays for 47% of the total amount spent on long-term care services in the United States. In FY 2004, **total federal and state Medicaid expenditures on all long-term care reached $100.5 billion and accounted for 35.7 percent of all Medicaid spending**. Yet, as the 77 million aging baby boomers begin to need long-term care, public programs funded by the federal and state governments will not be adequate to shoulder the entire cost of their care.

State and federal financing of long-term care costs is a significant issue both for state and federal budgets. Spending by the federal government and states for long-term care services through Medicaid has been growing rapidly. This growth in long-term care expenditures will continue to increase as our population ages. At the same time, Medicaid is attempting to keep pace with the needs of an aging population that wants to remain as active and engaged as possible. To be sure, it is important that Medicaid ensure that people with a disability are able to contribute to society to the greatest extent possible**. Growing demands on Medicaid threaten both the quality of life for people with a disability and the long-term viability of the program**. Responding to these challenges necessarily entails ensuring that those who cannot afford to pay for long-term care services are protected by benefits that reflect the best and latest evidence on how to get quality in long-term care, while encouraging and supporting those who are capable of paying for their own care to plan for their future in a manner that gives them control and does not require substantial public funding.

Long-term care in 1965 was centered on facilities, while today it far from offers the full range of services that are focused on what supports and services the person needs. Care in a nursing home is often an essential option for many Medicaid beneficiaries, especially with recent quality improvement initiatives undertaken by many nursing homes. But progress over the last several decades in supportive technologies and ideas for supportive care means that the decision about how to receive long-term care services can be a personalized decision for the beneficiary. Medicaid has responded to this need and **today, reported community based service expenditures were 33% of long-term care spending in FY2003 with 67% spent on institutional services.** Because of the cost of Medicaid-funded long-term care, the growing demographic that will need care and the desire of consumers to receive care in more settings than nursing homes, states are restructuring their Medicaid long-term care systems.

POTENTIAL SOLUTIONS

- ***Medicaid Re-Structuring*** – **States are moving toward re-structuring their Medicaid programs through the use of waivers and managed care, reducing "institutional bias" and developing innovative approaches such as the Program of All-Inclusive Care for the Elderly (PACE)**. In the last few years, the home and community based services (HCBS) movement has experienced a 16% growth rate in Medicaid spending. Currently, almost an equal number of beneficiaries receive Medicaid institutional services and HCBS, but spending on facility care is greater. There are several reasons for the higher costs of facility care, but of particular importance when conceptualizing a restructured LTC system is the fact that age and acuity levels impact costs. As the population ages and as the less medically fragile remain at home or in the community receiving services and supports under HCBS, the population receiving care in facilities will be older and more medically fragile thus their care will be more expensive. The aging population will require care in all settings, but the very old, i.e., 85 years and older are more likely to require facility care. **Any LTC restructuring plan undertaken at this time must account for the**

projected rise of the number of very old people and their likely need for nursing facility care, as well as the additional expense of caring for more acutely ill individuals.

Within the context of re-structuring, policymakers often ask whether savings can be found in diverting persons from facility care to home-based care. Comparisons of the cost of home and community based services vis-à-vis institutional care are inherently difficult. On the other hand, some studies have shown that HCBS can be more cost-effective than institutional care under certain circumstances, although no definitive conclusions have been reached. Efforts to entice states to move persons to home-based care solely on the basis of perceived cost savings and not based on a clinical assessment of whether the person can be safely served in that setting or the person chooses to be served there should be avoided.

Other re-structuring includes waivers that generally waive statewideness and benefit comparability rules in order to allow alternatives to traditional care. They allow states to use federal funds in ways that do not conform to federal program standards. Waivers are vehicles that can be used to either expand eligibility or narrow eligibility for Medicaid services. Historically, waivers were used to expand eligibility, but now there is an alarming trend of using Medicaid waivers to narrow eligibility for Medicaid services. States seem to view waivers as a way to address budget problems. Though states consider different approaches to achieve savings, for the most part waivers achieve savings principally by reducing coverage.

- ***Expand Program Of All-Inclusive Care For The Elderly (PACE)*** – Begun as an experiment in the San Francisco area, PACE serves individuals age 55 or older who live in a PACE service area and are certified by their state to need nursing home care, but are able to live safely in the community at the time of enrollment**. PACE combines Medicaid and Medicare funds for services that include adult day care, medical care from program providers, and home health and personal care.** If a PACE enrollee needs nursing home care, the PACE program pays for it and continues to coordinate his or her care. About seven percent of PACE participants reside in nursing homes. Core principles of PACE include: 1) Focus on frail elderly who require the level of care provided in a nursing facility: 2) Delivery of comprehensive integrated acute and long-term care services: 3) Interdisciplinary team approach to care management and services delivery; 4) Capitated integrated financing that allows the provider to pool payments received from public and private programs and individuals; and 5) Assumption by the provider of full financial risk. Currently there are 32 PACE programs in 18 states serving 10,500 enrollees.

- ***Curb Inappropriate Uses of Medicaid Estate Planning*** – Medicaid was never intended to become the nation's primary long-term care financing program. Although the Congressional Research Service has said it cannot quantify the extent to which it is happening, some have argued that there is a proliferation of Medicaid estate planning techniques that result inappropriate use of state and federal Medicaid funds for individuals who otherwise would not qualify for such public assistance. **While Medicaid must be preserved as a safety net program for those who need it, steps can also be taken to encourage people who are able to fund their own long-term care to do so as much as possible.**

- ***Long-Term Care Insurance*** – Encouraging citizens to plan for and fund their own long-term care through products such as long-term care insurance is a way to inject more private dollars into the long-term care system yet preserve Medicaid as a safety net program for those who need it. However, these policies can be very expensive and still

not provide sufficient assistance with long term care costs. One idea developed to address these shortcomings is the **Long-term Care Partnership Program** (in effect until 1993 in four states) that allowed states to provide individuals dollar-for-dollar or full-asset protection against Medicaid spend-down eligibility requirements when the individual buys a qualifying partnership policy. **This program could be re started, and other solutions should be developed to better handle the coming demographic of the Baby Boom generation without relying on Medicaid as the major payer of long-term care**.

- ***Home Equity*** – Most older Americans may prefer to remain in their homes as long as possible. Many have accumulated substantial amounts of home equity, including families whose other retirement resources may be very modest. Policy discussions on long-term care financing have largely ignored home equity as a potential source of private financing for in-home services and supports. **The development of reverse mortgages in the last 15 years offers a new way for older Americans to use their home to stay at home by tapping a portion of their home equity.** At the same time, every effort must be made to protect the interests of community spouses, and assurances must be provided that, once all available equity (and any other available assets) are depleted, Medicaid will step in and offer coverage to individuals who have used this mechanism.

- RECOMMENDATIONS -

It is important that Medicaid provide an adequately funded, comprehensive program that ensures appropriate supports and services are provided in cost effective settings to qualified individuals who are aging and or have disabilities. In addition, strategies should be promoted to improve the continuum of long term care services in Medicaid. These include: **Medicaid Re-Structuring of LTC, Expanding PACE program, curbing inappropriate estate planning techniques, encouraging the purchase of LTC insurance products,** and **exploring potential opportunities in the use of Home Equity.**