Medicaid Policy Changes: The Deficit Reduction Act & People with Disabilities and & Older Adults

CSHP

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Goals

- **Discuss opportunities in Deficit Reduction Act of 2005 for people with disabilities and the elderly to receive services in their homes and communities.**

- **Tips on sustaining pilot projects.**

- **Discuss what to take into account when reforming a state's long-term care system**

Abbreviations

- **CMS** = Centers for Medicare & Medicaid Services

- **HCBS** = home and community based services

- **LTC** = long-term care

- **NF** = Nursing Facility

- **NFT** = Nursing Facility Transition

The Call for Rebalancing LTC Spending

- A well-intentioned desire to keep government spending down by restricting long-term care spending only to those who "really needed" it resulted in an institutional bias in long-term care in many states.

- However, consumers prefer HCBS and it is cheaper than institutional care

Rebalancing, cont.

- HCBS waivers to serve consumers in their homes and communities became available in 1981.

- The Supreme Court's 1999 Olmstead decision (that unwanted institutionalization constituted discrimination under the ADA) spurred many states into action.

Rebalancing, cont.

- The federal government began to offer its Real Choice Systems Change grants in 2001, to assist states in redesigning long-term care systems to serve consumers in the setting of their choice.
    - A subset of these grants were specifically targeted toward transitioning consumers from nursing facilities to the community.
- The Deficit Reduction Act (DRA), passed in 2005, continues the federal government's efforts.

Philosophy Behind DRA

- **"The DRA reflects a growing consensus that long-term supports must be transformed from being institutionally-based and provider-driven to "person-centered" and consumer-controlled."**

  Source: CMS, Initial Announcement for Money Follows the Person Rebalancing Demonstration, p.8

Opportunities in Deficit Reduction Act of 2005

- **Changes passed in February 2006 (S1932) will take effect in January 2007**

- **More flexibility with HCBS**

- **HCBS demonstration project funding opportunity**

DRA 2005: HCBS Without Waivers

- **States can offer access to HCBS through state plan amendment**
  - **Individuals up to 150% of poverty line**
  - **Do NOT have to meet nursing home level of care needs**
    - i.e., can tighten NF eligibility without a concurrent change in HCBS eligibility
  - MAY limit number of enrollees and other restrictions formerly allowed only with waivers
  - May offer the option of self-directed services (also added as an option for waiver clients)

Money Follows the Person Rebalancing Demonstration

- **Demonstration project awarded on a competitive basis (CMS released RFP on July 26, 2006; due date is November 1, 2006)**

- **$1.75 billion over 5 years**

- **The federal government will pay a higher share of costs (78% versus 57% on average, but can go up to 90%) for the first year of HCBS for people who have been institutionalized for a minimum of 6 months**

- **Preference given to states that:**
  - **provide assistance to multiple targeted groups**
  - **allow self-directed services**

Demonstration Requirements

- One application per state; state Medicaid agency must be lead applicant and must employ a full-time project director to oversee planning and implementation.

- Demonstration periods must be no less than two consecutive fiscal years (and no more than five)

- States must indicate targeted group(s) and the number of individuals to be transitioned.

Requirements, cont.

- States must propose an HCBS system that will be sustained after the demonstration period, though they may also offer enhanced services during the demonstration to achieve more transitions.

- States must participate in a quantitative and qualitative evaluation to be done by CMS.

Review Criteria

- **Rebalancing—20%** (how strongly state accepts increasing HCBS as core of project)

- **Strength/Appropriateness of Qualified HCBS program –15%** (the system that will be in place at the end of the demonstration)

- **Transition Demonstration Proposal—15%** (5% for multiple populations; 5% for self-direction; 5% for identifying, assessing, informing, meeting needs of target population).

- **Emphasis on Consumers—10%** (Consumer decision-making during planning; consumer satisfaction measured during demonstration)

Review Criteria cont.

- **Housing—5%** (work with Housing Finance agency to plan, address housing shortages)
- **Collaboration with Institutional Providers—5%** (Gaining cooperation in screening residents and planning for transition; discussions about bed/institutional closure and conversion)
- **Project Administration—10%** (adequate staffing and costs)
- **Quality—10%** (quality improvement mechanisms)
- **Financial Review Criteria—10%** (applicant provides sufficient information in application)

Sustaining Pilot Programs

- Pilot or demonstration programs provide a way to test and fine-tune innovative ideas.

- Keeping them going once the initial funding runs out can be a challenge.

- Planning ahead is the key!
  - Collecting data—how can you measure the effectiveness of the program, and anticipate critics?
    - Working with a university or other external evaluator can give your data more legitimacy.
  - Identify sources of continued funding
    - Research the process of obtaining funding and figure out what you will need well in advance (foundations will have funding cycles and application criteria; governments have budget cycles)

Sustaining, cont.

- Selling the program in a compelling way
  - Think about your target audience and how best to reach them
  - Usually a mix of numbers and narratives is best
    - Give an overall picture of program operations (numbers)—number served, dollars saved, etc.
    - "Put a face on" the numbers with the personal story—for example, a consumer who has transitioned from a facility to a community, and how it has changed their quality of life. This communicates meaning in a way that numbers cannot.

Example--Connecticut

- Connecticut secured state funding for its nursing transition program to sustain it beyond the CMS grant.
  - In preparing to measure costs, program staff asked state budget and Medicaid personnel ahead of time how to measure costs to determine the effects of the program.
  - They were also very aware of the deadlines to be recommended for inclusion in the state's budget, and worked very hard to keep the program visible long before the grant ended.
  - In addition to the cost and other data, they included first-person testimony from a consumer who transitioned to the community after 20 years in a facility.

# How are States Reforming Their LTC Systems?

Long-Term Care Funding Strategies

- **Global budgeting—allocate funds for long-term care, flexibility in how funds are used**
  - NJ just passed legislation requiring global budgeting and funding parity between NF and HCBS (June 2006)
  - Oregon and Washington use this budgeting method, with one administrative unit managing the entire LTC budget (institutional and HCBS). Vermont plans to do this under its 1115 waiver.
  - Texas and Wisconsin established some ability, through statutory language, to transfer funds between institutional and HCBS budgets.
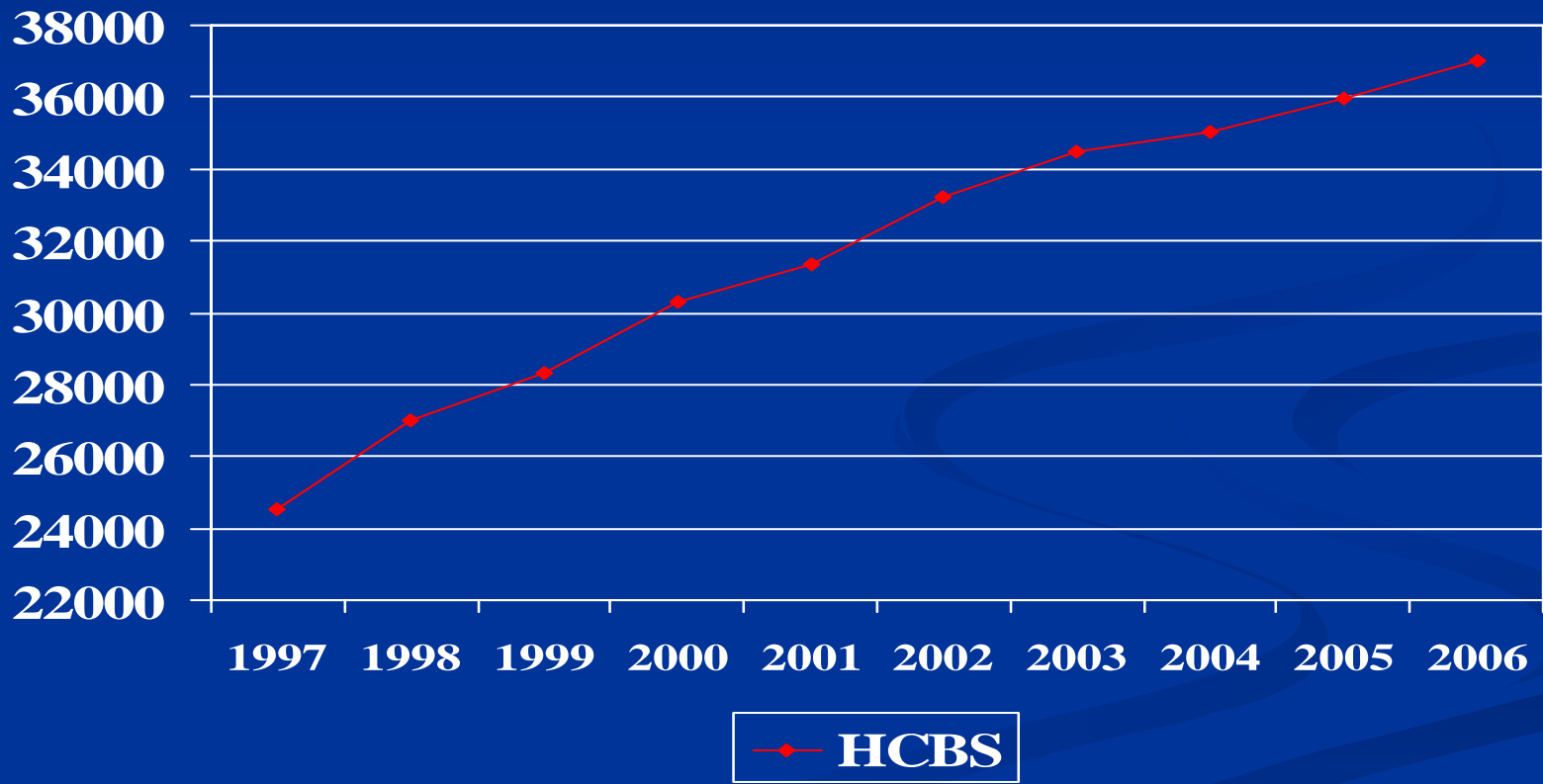
Example

- **States like Washington and Oregon have shown that strong use of HCBS helps to "bend the curve" in state LTC spending**

- **NH caseload falls while HCBS absorbs growth in service demand**
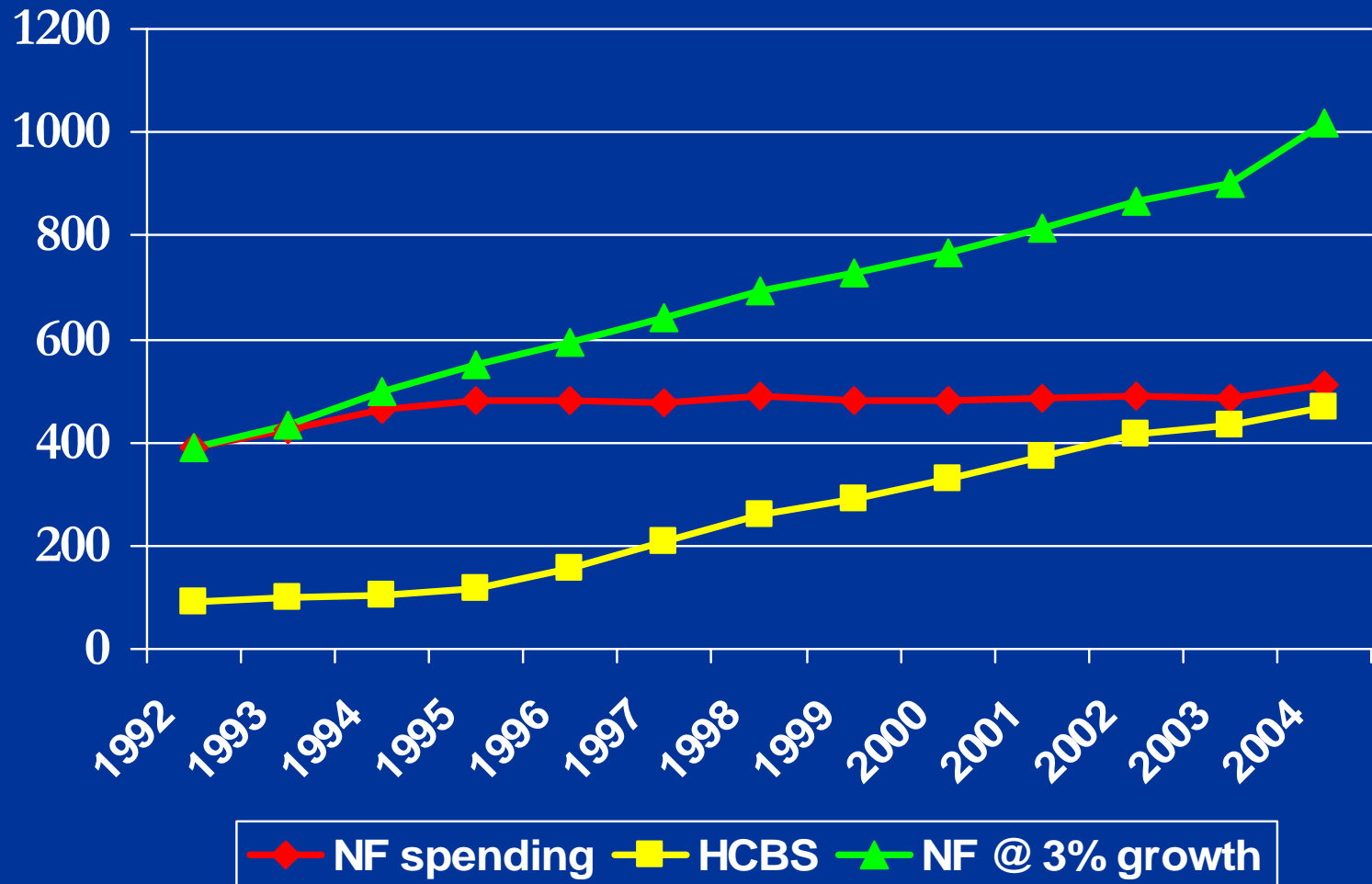
Washington: NF Caseload Trends
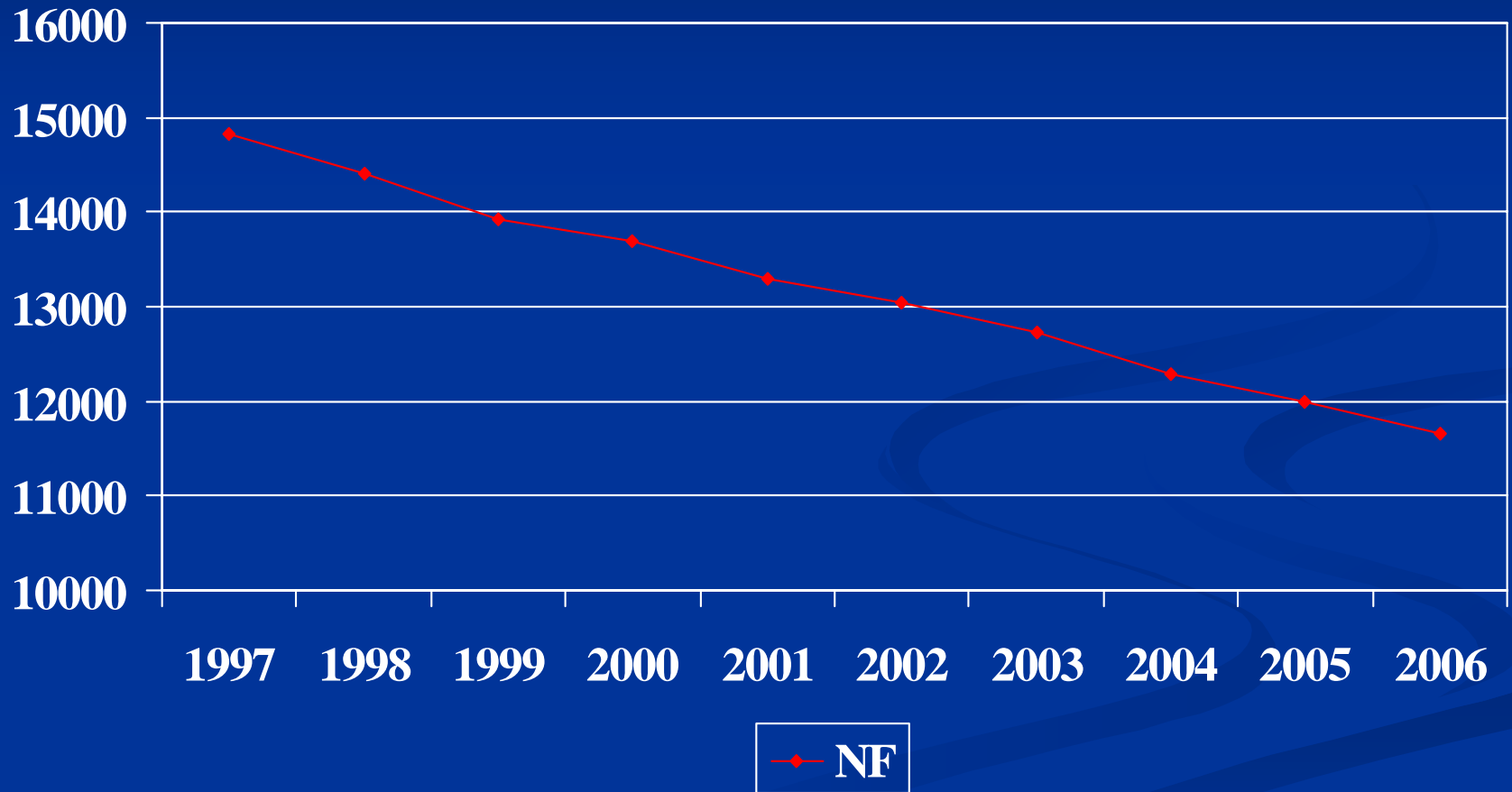
Figures for July each year
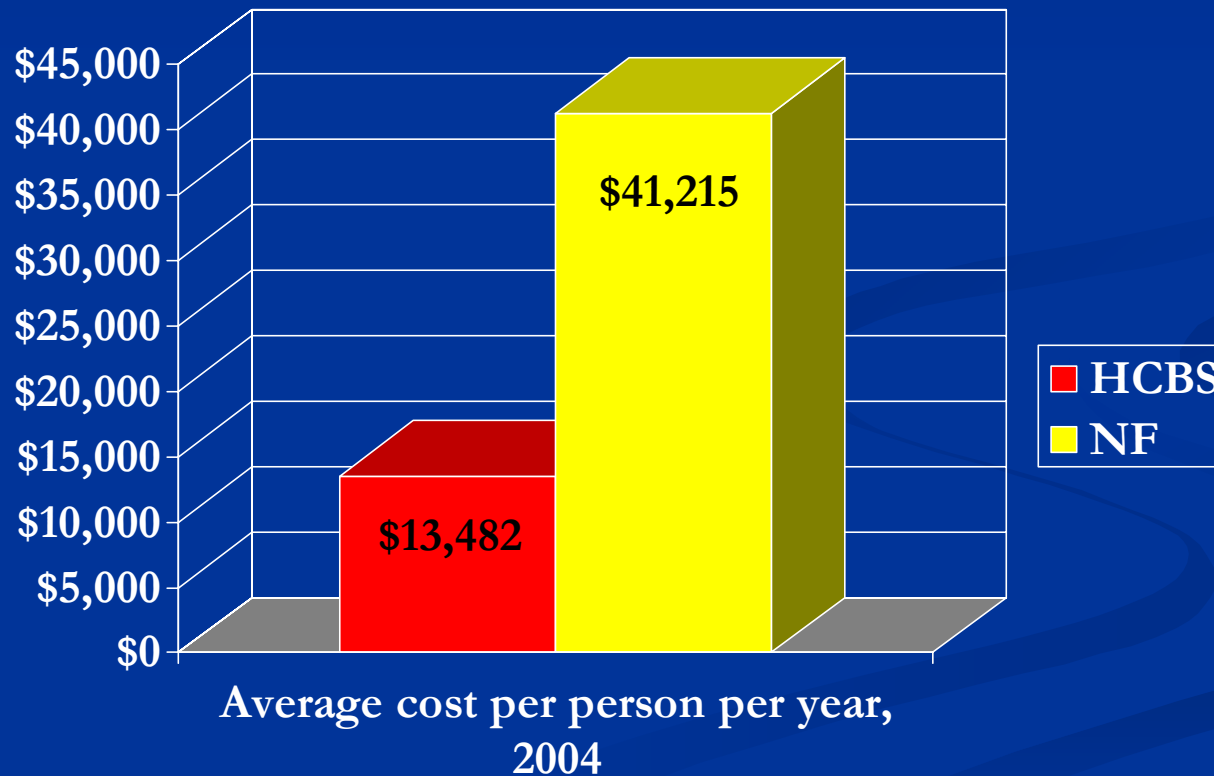
Washington: HCBS Caseload Trends

Figures for July each year

Washington LTC Spending trends (millions)

Legend: NF spending (red), HCBS (yellow), NF @ 3% growth (green)

Washington

- 3 individuals can be served in the community for the cost of every person in a facility

Average cost per person per year, 2004

Legend:
- HCBS
- NF

HCBS: $13,482
NF: $41,215

Long-Term Care Funding Strategies

- **Incentives to use HCBS or close NF beds if excess capacity**
  - Capitated managed LTC—Arizona and Florida found that careful rate-setting provided incentives for HCBS services.
  - NF Conversion to Assisted Living—Nebraska and Iowa provided grants to NFs wanting to convert.
  - Voluntary planned closure—in Minnesota, NFs had direct incentives to close beds.

Things to Consider When Reforming Your State's LTC System

When Reforming LTC System, Assess Strengths, Weaknesses

- Goal—build on strengths while shoring up weak areas.
  - No two states will be exactly alike.
- Assess LTC needs. Identify largest needs to work toward as well as changes that can be easily made, to keep momentum.
  - Review existing infrastructure
  - State demographics and projections
  - Many states have LTC Taskforces or an Olmstead plan. To start researching, see http://www.pascenter.org

When Reforming LTC System, Assess Political Climate

- How will proposed changes be received by stakeholders?
  - Affected industries—nursing homes, home health agencies, hospitals, assisted living, adult day providers
  - Advocacy groups—AARP, ADAPT, Centers for Independent Living

When Reforming LTC System, Engage Stakeholders Constructively

- Engage stakeholders constructively by viewing/treating them as partners with something to contribute, rather than as obstructions

- Be aware of and prepared to make amends for past conflict

- Envision a role for stakeholders ahead of time and provide a way for them to be heard and involved.

Engage Stakeholders Constructively, cont.

- Give stakeholders authority/ownership AND accountability for outcomes
    - Note: People must participate in defining outcomes before they will be accountable for working toward them.
    - If stakeholders feel that they are simply being asked to rubberstamp decisions made without them, they will complain or refuse to participate.

Example--Connecticut

- In sustaining its NFT program, NFT staff involved many different stakeholders and gave the stakeholders control of things in order to get them to take ownership
  - I mentioned a few slides ago that they asked state budget and Medicaid staff how to measure costs/effectiveness. In addition, these staff did the analysis, and then "owned" the results.

Further Assistance

- See our web site: www.cshp.rutgers.edu/cle for issue briefs on how states are reforming their LTC systems.

- For the DRA specifically, my colleague Bob Mollica has written a paper on the state plan option and the demonstration, and we will continue to provide technical assistance to states as the deadline approaches.

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