



Issue Brief

Long-Term Services and Supports Provisions in Health Reform

Background:

Currently, there are approximately 10 million Americans in need of long-term services and supports (LTSS), and that number is expected to increase to nearly 15 million by the year 2020. Since private long-term care insurance coverage is limited, many people pay out of pocket and rely on unpaid family and friends to help provide care. Those with the most significant needs sometimes have no other alternative but to “spend down” their assets to qualify for Medicaid. With Medicaid already overburdened, this equation is not ideal and it is not sustainable.

The final health reform legislation being considered by Congress includes multiple provisions related to improving (LTSS) for older Americans and younger people with disabilities. These provisions would not only increase independence, choice, and the ability to receive services in the community, but they also have the potential to reduce Medicaid costs and save states money over time. NCOA strongly supports the following LTSS provisions in the health reform package:

Community Living Assistance Services and Supports (CLASS) Provision

The CLASS provision would create a new national long-term care insurance program to help adults who have or who develop functional impairments to remain independent, employed, and engaged in their community. Financed by voluntary payroll deductions, enrollment in CLASS is available to full and part-time working adults. It does not include medical underwriting and exclusions based on pre-existing conditions like private insurance plans. After a five year vesting period and a determination of eligibility based on dependencies in Activities of Daily Living (ADLs), a recipient would have access to a cash benefit averaging \$75/day with no lifetime limit (the actual cash benefit will depend on the person’s level of impairment). Counseling services would also be available to every beneficiary. The CLASS program seeks to empower consumers: its flexible benefit could be utilized to meet an individual’s particular needs, such as paying a home health aide for several hours a day or for installing accessible rails in the bathroom.

The legislation includes safeguards that ensure that no taxpayer dollars will be used and that the program will be solvent for at least 75 years, and includes language that would allow the Secretary of HHS to provide additional safeguards as well. The Congressional Budget Office has found that the CLASS program would also result in Medicaid savings over time. The CLASS program can be expected to generate long-term savings and also allow older Americans and those with disabilities to maintain functional lives in their homes and communities.

Improvements to Medicaid Home and Community-Based Services (HCBS)

Currently, we spend approximately 73% of Medicaid long-term care resources for seniors and people with physical disabilities on institutional care, even though most individuals prefer the often less expensive and more cost-effective HCBS. According to AARP’s Public Policy Institute, Medicaid dollars can support nearly three older people and adults with physical disabilities in home and community-based settings for every person in a nursing facility. According to a study by Stephen Kaye published in a 2009 *Health Affairs* article, states that invested in HCBS, over a relatively short period of time, were able to slow their rate of Medicaid spending on long-term care. There are four provisions in the health reform bill that would increase access to HCBS. These provisions complement CLASS and each other, and are critically important elements of health care reform:

- **Community First Choice Option:** The Community First Choice program would create a state plan option for certain HCBS for people with disabilities who require an institutional level of care. States that take up the option would be required to make home and community-based attendant services and supports available to eligible individuals to assist them with activities of daily living, instrumental activities of daily living, and health-related tasks through hands-on assistance, supervision or cueing. States that do so would be eligible for an enhanced federal match rate of an additional six percentage points for reimbursable program expenses.
- **Removal of Barriers to Providing HCBS in the States:** These reforms would remove certain barriers to providing Medicaid HCBS, primarily by making it easier for states to use a flexible state plan amendment option that has been available under current law (Medicaid Section 1915(i)) but had included certain barriers to state participation. Specific changes include:
 - income eligibility criteria would be aligned with other HCBS programs by permitting waiver-eligible enrollees to qualify for the option with incomes up to 300% of SSI;
 - states would have greater flexibility to target certain populations in need, in part by waiving comparability requirements; and
 - current limitations on the scope of services covered would be removed.
- **State Balancing Incentives Program:** This program would temporarily increase the federal Medicaid matching rate for HCBS for states that undertake structural reforms to increase diversion from institutions and expand the number of people receiving HCBS. Qualifying states with less than 25 percent of total LTSS expenditures spent on HCBS will receive a 5 percent increase; states with 25-50 percent will receive a 2 percent increase. Within 6 months, a selected state would need to adopt: a single point of entry system, case management services, a standardized assessment instrument for determining eligibility, a system for monitoring capacity, and a data collection infrastructure.
- **Spousal Impoverishment Protections for HCBS Beneficiaries:** This provision would apply to spouses of individuals receiving Medicaid HCBS the same protections against impoverishment that are currently provided to spouses of nursing home residents covered under Medicaid. This provision would alleviate a huge financial and emotional burden for many married couples. Failure to provide such protections can bankrupt a healthy spouse or split families apart, providing incentives for divorce, lawsuits and other serious conflicts. Under current rules, Medicaid permits nursing home residents' spouses to keep one-half of the couple's assets, up to a ceiling. The maximum monthly income allowance is about \$2,700, while asset allowances range from about \$22,000 to \$110,000.

Finally, there is also language in the health reform bill to extend the **Money Follows the Person Rebalancing Demonstration** through 2016 and expand funding for **Aging and Disability Resource Centers** (ADRCs). The health reform bill would also establish a dedicated office to improve coordination of benefits for **persons eligible for both Medicare and Medicaid** (dual eligibles).

Conclusion:

Passage of health reform legislation that includes the LTSS provisions discussed above will help keep families together, promote choice and independence, reduce Medicaid spending, create jobs, and help to address what is likely the greatest unmet care need for millions of vulnerable Americans.

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