State Budgets: Challenges and Opportunities for Medicaid Home and Community Based Services

February 25, 2011
Friday Morning Collaborative

With support from The SCAN Foundation, NCOA leads a coalition of national aging and disability organizations working to protect and strengthen Home and Community-Based Services.

For more information about The SCAN Foundation visit:

www.TheSCANFoundation.org
Friday Morning Collaborative

- AARP
- Alliance for Retired Americans
- American Network of Community Options and Resources
- Association of University Centers on Disabilities
- Alzheimer’s Association
- Balezon Center for Mental Health Law
- Easter Seals
- Families USA
- Jewish Federations of North America
- Leading Age
- Lutheran Services in America
- National Alliance for Caregiving
- National Association of Area Agencies on Aging

- National Association for Home Care and Hospice
- National Committee to Preserve Social Security and Medicare
- National Council on Aging
- National Council on Independent Living
- National Disability Rights Network
- National Senior Citizens Law Center
- Paralyzed Veterans of America
- Paraprofessional Healthcare Institute
- Service Employees International Union
- The Arc/United Cerebral Palsy
- United Spinal Association
- Volunteers of America
Webinar Overview

- Introduction
  - Joe Caldwell, National Council on Aging

- Speakers
  - Judy Solomon, Center on Budget and Policy Priorities
  - Wendy Fox-Grage, AARP Public Policy Institute
  - Jerry Reilly, Washington ElderCare Alliance
  - Diane Justice, National Academy for State Health Policy

- Questions and Answers
  - 15 - 20 minutes

- Closing Remarks
All Lines Will Be Muted During the Call
At Any Time During the Presentation, Please Ask your Questions Using the Chat Function
State Budgets: Challenges and Opportunities for Home and Community Based Services

Judith Solomon
solomon@cbpp.org
45 States Are Anticipating Budget Shortfalls in FY12

Shortfalls as share of FY11 General Fund expenditures.

- Blue: Over 20%
- Light Blue: 11%-20%
- Lightest Blue: Under 11%
- Gray: Unknown Shortfall
- White: No Shortfall Reported

Source: CBPP survey.
Largest State Budget Shortfalls on Record

Total state budget shortfall in each fiscal year, in billions

-**Last recession**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>-$40</td>
</tr>
<tr>
<td>2003</td>
<td>-$75</td>
</tr>
<tr>
<td>2004</td>
<td>-$80</td>
</tr>
<tr>
<td>2005</td>
<td>-$45</td>
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<tr>
<td>2009</td>
<td>-$110</td>
</tr>
<tr>
<td>2010</td>
<td>-$191</td>
</tr>
<tr>
<td>2011</td>
<td>-$130*</td>
</tr>
<tr>
<td>2012</td>
<td>-$125*</td>
</tr>
<tr>
<td>2013</td>
<td>-$70**</td>
</tr>
</tbody>
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*Reported to date  
**Preliminary  
Source: CBPP survey, revised January 2011.
State Shortfalls After Use of Recovery Act Funds (Including August Extension)

Budget shortfalls in billions

<table>
<thead>
<tr>
<th>FY</th>
<th>Budget gaps offset by Recovery Act and extension</th>
<th>Remaining budget gaps after Recovery Act and extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>-$31</td>
<td>-$79</td>
</tr>
<tr>
<td>FY2010</td>
<td>-$68</td>
<td>-$123</td>
</tr>
<tr>
<td>FY2011</td>
<td>-$59</td>
<td>-$71</td>
</tr>
<tr>
<td>FY2012</td>
<td></td>
<td>-$119</td>
</tr>
</tbody>
</table>

FY = Fiscal Year
Revised September 2010.
State Tax Revenues Decline Sharply During Recessions

Percent change in quarterly total tax revenues from 2000 to 2010*

*Changes are on a year-over-year basis.

Sources: Census Bureau and Nelson A. Rockefeller Institute of Government.
Note: 2010 Q4 tax revenue is CBPP projection based on Census Bureau and Nelson A. Rockefeller Institute of Government.
Implications for Medicaid

- Most states reducing Medicaid budgets through cuts in benefits, provider payments and/or other measures
- Some governors and legislators pushing for flexibility
- New state waiver proposals likely
- Pressure to repeal maintenance of effort (MOE) provision
Maintenance of Effort

- MOE in Recovery Act expires 6/30/11
- MOE in Affordable Care Act covers adults until 2014 and children until 2019
  - Exception for states with coverage > 133% of the poverty line
  - If repealed, “optional” beneficiaries at risk
  - Special circumstance of expiring waivers
  - How MOE protects home- and community-based services waivers
What Else to Watch For

- Energy and Commerce Hearing with Governors on March 1
- Treatment of Medicaid in House Budget Resolution and Deficit Reduction Plans
- For more information: [www.cbpp.org](http://www.cbpp.org)
Weathering the Storm: The Impact of the Great Recession On Long Term Services and Supports
Research Methodology

E-Survey to 50 states, DC, and 4 territories

| Medicaid Agencies and State Units on Aging | Targeted programs for aged and physically disabled |

Follow up telephone interviews

Response: 49 states and DC

| 40 from both Medicaid and State Unit on Aging Agencies | 9 State Units on Aging only 1 Medicaid Agency only |
# Primary Findings

The Great Recession
- Remains a sustained and growing concern
- States using as opportunity to balance services from institutional to non-institutional settings

ARRA enhanced FMAP
- Allowed states to continue Medicaid and non-Medicaid HCBS
- Phase-down may force additional cuts in LTSS

Affordable Care Act
- Offers additional opportunities to expand HCBS services
- States need federal guidance on requirements
Reductions in Non-Medicaid Expenditures

Percent of Cuts

Number of States

Non-Medicaid State Expenditure Cuts
FY 2010

Notes: Washington, D.C. (not shown) had a cut of less than 5%.
Programs with Increased Service Demands FY10

- Home-Delivered Meals
- Information and Referral
- Respite
- Case Management
- Family Caregiver Support
- Personal Care/Assistance
- Transportation
- Homemaker
- Long-Term Care Ombudsman
- Adult Protective Services
- Disease Prevention/Health Promotion
- Chore
- Elder Abuse Prevention
- Congregate Meals
- Adult Day Care
- Food Stamps/SNAP
- Legal Assistance Development
- Assisted Living
- LIHEAP
- Community Transition
- SCSEP

Number of States

Number of States

0 5 10 15 20 25 30 35
End of ARRA Senior Nutrition Funding Will Have Significant Impact

- No impact
- Programs will be eliminated
- Waiting lists will increase
- Services will be eliminated
- Programs will be reduced
- Services will be reduced
- Too soon to tell

Number of States
Despite an increase in the number of APS calls, only two states increased funding for APS while the rest either flat-lined or decreased state appropriations.
Medicaid LTSS Policy Trends

States “holding steady” with Medicaid LTSS

- Implemented/plan few policy changes
- Provider reimbursement is the exception: by far the primary LTSS policy change
- HCBS a distant second but with slightly more enhancements for HCBS than restrictions

ARRA - and its extension - were critical

- Future remains uncertain with June 2011 expiration
State Outlook

**Great Recession**
- Will continue to stress LTSS systems

**Elections**
- Shifts in state leadership
- New Governors in 26 of 37 races
- 14 of the 26 also changed political party

**ACA**
- Will demand leaders’ attention and resources to implement

2/25/2011
Efforts to Prevent Cuts to Home and Community-Based Services in Washington

Jerry Reilly
Chair, Washington ElderCare Alliance
The Problem in Washington State

- $1 Billion revenue shortfall in FY 2011
- $4.5 Billion revenue shortfall in FY ’12 and ’13
- Due to a state constitutional provision protecting K-12 Education, almost ALL of shortfall must be borne by Health and Human Service Programs serving low income children, elders and people with disabilities. This will require finding $4.5 billion out of a $14 billion base (about one third of the current level).
Response of Advocates

• Inform the public of real world impact of reductions.
• Try to change the narrative in the legislature from “All Cuts” to a “Balanced” approach that included new revenues and examination of existing tax breaks.
• When appropriate ask the courts for temporary or permanent relief.
Response of Advocates

Arguments advocates have made to proposed cuts to HCBS in Washington

- Maintenance of Eligibility in Affordable Care Act
- Health and Safety
- Olmstead
- Cost-Effectiveness
The Power of Coalitions

- **Washington’s Elders are Well Organized**
  - ElderCare Alliance
  - AARP, Senior Lobby, Employee Unions

- **Elders Link up with Others**
  - Health Care Providers, Higher Education, Children’s Alliance, Think Tanks, Grassroots Community Groups, the Revenue Coalition, Journalists and Editorial Boards, Disability Organizations
Putting it all Together

Saving the Basic Health Care Program

- This Program Provides health Care for 54,000 low-income people not eligible for Medicaid.
- Would be Eliminated in Governor’s Proposed Budget.
- House Bill 1847 raises $155 million by repealing four tax breaks.
- Affects Banks, Coal, Elective Cosmetic Surgery, and Private Airplanes.
- Forces analysis of the value of tax expenditures as compared to the value of the Basic Health Care Program.
Summary

- Organize
- Build Coalitions
- Use All Tools
- Focus and Rally Around a Clear Objective
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Medicaid Financing Options for LTSS Adopted by the ACA

Diane Justice
National Academy for State Health Policy
February 25, 2011
Affordable Care Act Approaches to Increasing Medicaid HCBS Financing

• Financial Incentives: Enhanced Federal Matching Rates

• Medicaid State Plan Options

• Combined Strategies
State Balancing Incentive Payments Program

- Enhanced Medicaid Matching Funds for Medicaid HCBS Expenditures

- State Eligibility:
  - Submit Application to CMS
  - Spend Less than 50% of Total Medicaid LTSS on HCBS
  - Selected by CMS to Participate
  - Maintain HCBS Eligibility Standards as of 12/31/10
State Balancing Incentive Payments Cont.

• States Must Make 3 Structural Changes to HCBS Programs
  – Create Statewide System of Access Points for HCBS
  – Adopt Conflict Free Case Management
  – Use Standard Assessment Instruments for Eligibility Determination
Rebalancing Incentives Cont.

- States with Less than 25% Total LTSS Spending on HCBS Receive 5% Enhanced HCBS Match

- States with 25%-50% HCBS Spending Receive 2% Enhanced Match

- Total of $3 B for Enhanced Match: Must be Used by States to Expand HCBS
Money Follows the Person Demo

• Began in 2007: Amended by ACA

• 43 States Participating (13 new awards on 2/22/11)

• Enhanced Medicaid Match for HCBS Expenditures for Persons Leaving Institutions after 90 Days
  – Continues for 1 Year After Community Transition
  – Enhanced Match Reinvested in HCBS

• 100% FMAP available to grantees for systems rebalancing activities
Money Follows the Person Cont.

- Affordability Act Changes:
  - Enhanced Match Available for Persons Leaving Institutions in 90 Days (previously 180)
  - Medicare Rehabilitation Nursing Home Days Do Not Count Toward 90 Qualifying Days
  - Extended from 2011 Through 2016
  - Funding Increased from $1.75B to $4B
Community First Choice Option

- Medicaid State Plan Option with Enhanced Match
- CMS Issued Proposed Rules on 2/22/11
- Community Attendant Services & Supports
  - Funds Attendants Providing ADL and IADL Supports & Health Related Tasks
  - Funds Individual Skills Development for Achieving ADLs, IADLs & Health-Related Tasks; Back-up Systems; Voluntary Training on Attendant Management
  - May Fund Institutional Transition Costs, Tech Substitutes for Human Assistance
  - May Not Fund Voc Rehab, Education, Room & Board
Community First Choice Option, cont

• Participants Must Be Eligible for Medicaid Under the State Plan; Have Income Up to 150% of FPL or Have an Institutional Level of Care Need & Income Up to 300% of SSI

• States Cannot Set Program Enrollment Ceilings--Establishing an Entitlement to Services

• States May Not Waive Statewidenss

• States Receive 6% Enhanced Medicaid Match

• States Must Maintain Medicaid Spending for Personal Care Attendant Services for 1 Year
Medicaid State Plan HCBS

• Medicaid State Plan Option: Established in 2005: Amended by the ACA: Adopted with narrow scope by 5 states

• Eligibility Threshold Must be Less than Institutional Need

• Eligibility is “needs based” defined by state

• Participants Must be Eligible under the Medicaid State Plan & Have Income Up to 150% of FPL (State Can Also Enroll Persons Eligible for its 1915(c) Waivers)
Medicaid State Plan HCBS: Affordable Care Act Changes

- Expands Scope of Covered Services: Same as 1915(c)

- Enables States to Further Target Populations by Age, Disability and Diagnosis; May have targeted benefits

- States May Enroll Persons Eligible for HCBS Waivers in Addition to Persons with Non-institutional Level of Need

- Eliminates States’ Ability to Set Enrollment Ceilings (creating an entitlement)

- Eliminates States’ Ability to Waive Statewideness
To Ask A Question Please Use the Chat Function
Continue the Discussion

- Launching a new online community for state and federal advocates interested in Home and Community Based Services.

- Will provide opportunities for aging and disability advocates to interact and share information, resources, and strategies to protect and strengthen Home and Community Based Services.

- To join visit: www.ncoacrossroads.org/HCBS
Thank You

- You will receive a follow up e-mail with a link to a recording of this webinar and additional resources discussed today.

- Please share with other advocates in your state.

- As you exit the webinar please take a minute to answer a few questions to help us plan future webinars.

- Mark Your Calendars for the next Webinar:
  - Cost-Effectiveness of Home and Community-Based Services
  - March 25, 2:00 - 3:30 PM EST
  - Watch for announcement and registration