



A Guide to Long-Term Care for State Policy Makers

MONEY FOLLOWS THE PERSON INITIATIVES

“...system of flexible financing for long-term services and supports that enables available funds to move with the individual to the most appropriate and preferred setting as the individual’s needs and preferences change.”

U.S. Centers for Medicare and Medicaid Services

The goal behind federal and state long-term care (LTC) planning in recent years has been to rebalance the LTC system from its generally institutional nature to provide greater access to home and community services and supports for the elderly and others with disabilities. Consumers with long-term care needs often become nursing home residents because they are unaware of other publicly funded home and community-based services (HCBS) in their state, or because they cannot access such services due to limited funding and available slots in Medicaid or state-funded HCBS programs.

Redesigning LTC systems requires state officials to consider budgetary issues, particularly Medicaid funding, which is the largest single public source for financing LTC services and supports. Most state budgets have separate line items for institutional care and for HCBS, usually in different state agency budgets. The federal-state Medicaid funds for institutional care are considerably larger in most state budgets than the money allocated to HCBS.

States have determined that many nursing home residents could be served as well in their homes or in the community, which would be their preference in most cases. Questions arise about what resources are available to move many of these nursing home residents back to the community, who should be moved and what services will they need.

To address these issues, the federal government and states have developed a program called “Money Follows the Person (MFP)” to shift Medicaid funds budgeted for institutional care to home and community services when nursing home residents move back to the community. A significant component of MFP is a nursing home transition program that helps states build the necessary infrastructure to determine eligibility criteria for the residents who could most successfully make the transition,¹ identify specific individuals for the program, and provide assessment and care planning.

The federal government first began funding nursing home transition programs through a demonstration program that provided grants to 12 states from 1988 through 2000. These grants helped states to:

¹ A few states believe they should facilitate the move of all individuals who wish to return to the community regardless of the severity of their disability.

- Develop methods to identify nursing home residents interested in making a transition to the community;
- Provide up-front money for the costs of moving such as security deposits; and
- Provide transition coordination assistance or case management.

Following the demonstration program, the Centers for Medicare and Medicaid Services began awarding grants in 2001 to states for nursing home transition programs through the Systems Change grant program.

While the transition programs were being tested in a number of states, Texas was moving ahead with a plan to pay for the move of nursing home residents to the community using the funds that paid for their care in the institution. This plan became known as the “Money Follows the Person” program. The Texas Legislature added Rider 37² to the FY 2002-2003 appropriations bill, which stated that, when a person was relocated to the community from a nursing facility, the funds that had paid for his or her care in the nursing facility should be transferred to community care services for that person. The program was reauthorized for FY 04-05 (Rider 28), and in September 2005 was adopted as an annual separate line item appropriation for MFP expenditures.

In FY 2003, the federal government awarded \$6.5 million in grants for MFP programs in nine states under the Real Choice Systems Change program. These programs are testing such concepts as pooled funding for nursing home care and home and community-based services, the transfer of funds from nursing home budgets to community accounts, or capitation methods.³

In addition, the Deficit Reduction Act of 2005 (DRA) provides \$1.75 billion to be allocated over five years for state MFP efforts. States will receive an enhanced federal match for the services provided in the first 12 months of the transition period, with the expectation that the state will maintain the services after the 12-month period ends. Thirty-one states have received funds under the DRA Money Follows the Person Initiative.

Some examples of state legislative action to facilitate nursing home transitions and Money Follows the Person include the following.

- **Maryland:** House Bill 752 enacted during the 2002 legislative session, requires social workers in nursing homes to present residents with information about home and community-based services that might help them live in the community. In the 2003 legislative session, lawmakers enacted House Bill 478, the Money Follows the Individual Act. The law prohibits the Department of Health and Mental Hygiene from denying an individual access to HCBS waiver services due to a lack of funding for the program.
- **Colorado:** Legislation in 2004 (House Bill 04-1219) added community transition

² Through a “rider,” the Texas Legislature directs how already appropriated money is to be used.

³ A number of states couple their efforts to move people out of nursing homes with “diversion” projects that seek to provide increased options for people to remain in their homes or community residential housing rather than enter a nursing home.

services to the Home and Community-Based Services for the Elderly, Blind, and Disabled Medicaid waiver program and provided that such services should not exceed \$2,000 per eligible person per year. Colorado had received an \$800,000 Nursing Facility Transitions grant in 2001.

- **Illinois:** Public Law 093-0902 (House Bill 5057), enacted by the Illinois legislature in 2004, provided for a demonstration program of transition services in six areas of the state (“Community Reintegration Assistance”) administered by the Department of Aging. The department was to receive \$2 million per year from the Department of Human Services to help fund its “Home Again Enhanced Transition Program.” The state received a Real Choice Systems Change grant in 2001 and a Rebalancing Initiative grant in 2004 to help those with disabilities remain in the community or move from an institution.

What Are the Issues?

- **Is legislation necessary?** Because most states budget for institutional care separately from HCBS and appropriate funds to separate departments that have jurisdiction over these two LTC areas (as well as to yet another department with budget authority over Older Americans Act funds), legislation probably is needed to authorize pooled funds or transfers among budget lines. Some states (Washington, Vermont) have developed “global budgeting” or pooled funds for LTC services, whether in institutions or in the community, which could make unnecessary further legislation to facilitate nursing home transitions.
- **Are sufficient community supports available?** Providing a Medicaid HCBS waiver slot for an individual leaving a nursing home means one less slot for a person already in the community who may be on a waiting list for HCBS services, unless the state receives federal approval to increase the number of slots. However, the state’s waiver program may not include all services needed for the transitioning person, and some states do not cover personal care services under their Medicaid State Plan. Another serious problem in most states has been the lack of adequate and affordable housing. This shortage has led some states to turn to residential housing for people who are making the transition from nursing home to community.
- **The nursing home industry and backfilling of beds.** If rebalancing is to occur, the number of nursing home beds must decline over time. Otherwise, state Medicaid budgets will continue to be spent disproportionately on these facilities. Since some nursing homes have full occupancy, a person leaving for the community leaves open a bed that could be quickly filled. On the other hand, if the state insists that beds be taken off line with each transitioning individual, will some nursing homes face financial problems with fewer beds? Will reimbursement be adequate to cover rising resident acuity levels as those with fewer disabilities return to the community?

Nursing home occupancy rates have been low in some states in recent years. It is conceivable that programs to move more people from those facilities and intensified state efforts to divert people from nursing homes to community care could worsen the financial situation of some nursing homes. Does the state have nursing home

conversion programs in place to ease a facility's transition to other uses for its vacant beds?

- **Are these programs cost effective?** A September 2006 report on the programs in 10 states said that officials in those states concluded the programs were cost effective. Alaska and Texas used the difference between nursing facility and home and community costs to show cost effectiveness. Connecticut and Wisconsin used the length of time that people have been in nursing homes to help ensure cost effectiveness.

One major issue in measuring cost effectiveness is whether those transitioned would have left the facility in any event. Other issues include how savings are defined,⁴ what costs are included, whether length-of-stay data are collected, and whether the facility is allowed to fill the beds being vacated.

- **Quality of care:** Nursing home officials contend that many residents being returned to the community will be at risk for their safety and well-being. Will the 24-hour supervision available in the nursing home be replicated in a home or residential setting? Will direct-care workers be available when needed?

Resources

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<http://www.hcbs.org/files/97/4837/MFPToolboxWEB.pdf>

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http://www.cms.hhs.gov/DeficitReductionAct/20_MFP.asp

⁴ Looking for a reduction in nursing home spending or a reduction in the growth of such spending could be complicated by other factors such as larger rate increases for nursing homes than for HCBS providers or provider taxes that raise the amount that is claimed for nursing home expenditures but do not necessarily increase the amount that actually is spent.

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