ATI ADVISORY
IDEAS TO ACTION IN HEALTHCARE & AGING

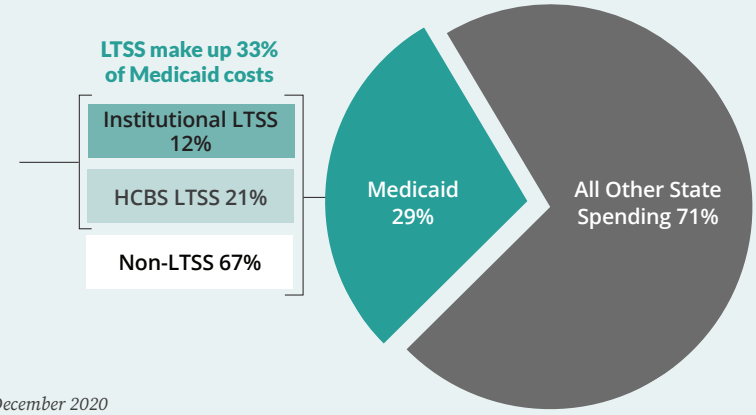
Lack of Financial Predictability Prevents States from Expanding Access to Home and Community-Based Services (HCBS)

Medicaid accounts for 29% of total state spending across all funding sources. This creates financial pressures on states, resulting in cuts to the Medicaid program during times of budget pressure, and reluctance to provide or expand services that are optional, such as HCBS.

Medicaid Accounts for 29% of State Spending, with LTSS Comprising Nearly Half of This

In 2018, 6% of Medicaid enrollees used LTSS and accounted for 33% of the program's costs.

States tightly control HCBS access, citing concerns related to financial predictability and inability to balance their budget.



Sources: NASBO Fiscal Survey of States, Fall 2020, MACPAC MACStats, December 2020

LTSS are Essential

LTSS help individuals with functional limitations and chronic conditions perform routine daily activities. HCBS LTSS allow individuals to age and live with dignity at home or in the community, rather than limiting their care to an institutional setting.

Uncertainty Inhibits States

States are concerned about a potential "woodwork" or "welcome mat" effect, but evidence suggests expanding HCBS eligibility does not increase overall LTSS utilization or expenditures. Additionally, states reportedly are unaware of budget controls available through some HCBS authorities.

HCBS Saves Money

Studies show that, compared with institutional care, HCBS results in lower per-person costs, decreased cost growth, and reduced adverse events.

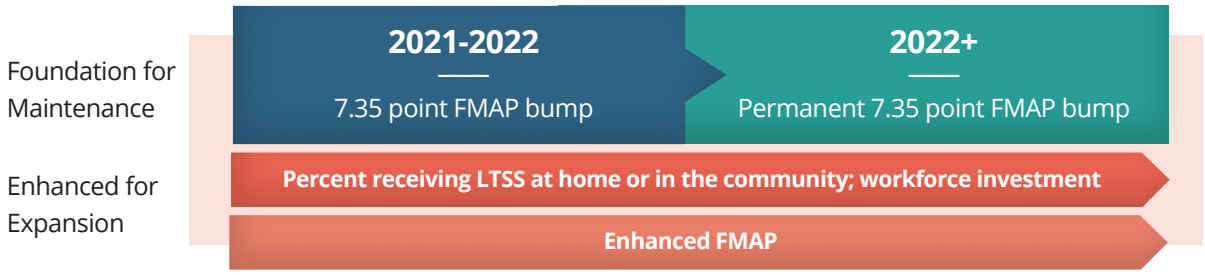
For examples of evidence and studies addressing the impact of HCBS on costs, see: Berish et al. Is There a Woodwork Effect? Dec 2018. AARP, State studies find HCBS to be cost effective, Mar 2013. AHRQ, Outcomes by HCBS Participant Characteristics, Dec 2012

Policymakers Can Provide Immediate Financial Assurances to States

Several policy and financing approaches could increase access to HCBS by alleviating state financial concerns. This is particularly important at a time when COVID-19 is creating state budget pressure and taxing the LTSS infrastructure.

Step 1 | Provide an Enhanced Federal Match for Medicaid HCBS

Congress should implement and make permanent the 7.35 point Federal Matching Assistance Percentage (FMAP) proposed in the February 2021 Budget Reconciliation. Congress should further increase FMAP to encourage additional HCBS service and eligibility expansion, and workforce investments. The additional FMAP enhancement should be awarded based on each of the following: 1) long-term plan for workforce investment, 2) state increases in the percentage of individuals with high levels of long-term services and supports needs served in community-based settings, and 3) the achievement of population-specific (e.g., older adults, individuals with physical disabilities) balance targets for percentage of individuals with high levels of need served in community-based settings.



Step 2 | Educate States on Existing HCBS Financial Controls

Coupled with enhanced funding, CMS should issue a State Medicaid Director Letter and/or Informational Bulletin educating states on financial controls available through various HCBS authorities. As an example, states are unaware of enrollment controls available through 1915(i) state plan authority and as a result, few use this approach to expand HCBS. Education for states on controls and successes associated with 1915(i) and other HCBS authorities could increase state uptake and expand access to HCBS generally.

Step 3 | Provide Data Access and Supports to States

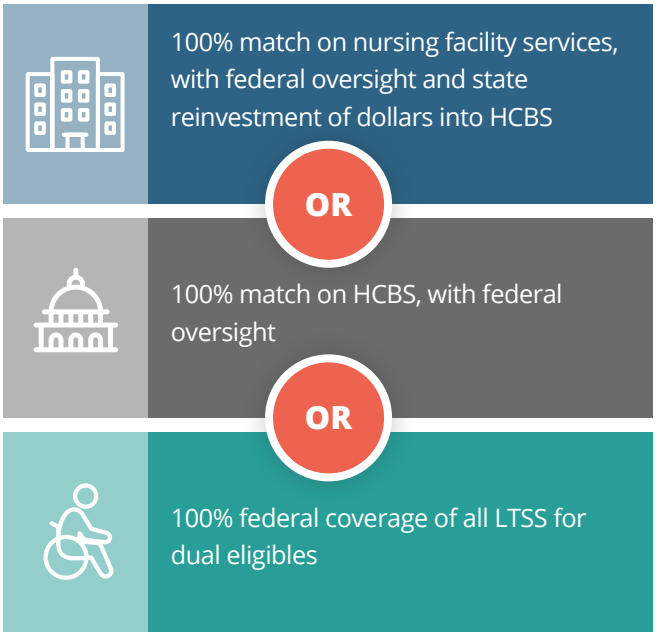
In addition to funding and guidance, states need assurances that investment in HCBS won't increase state spending through increased demand. Evidence disputes the fear of woodwork effect tied to HCBS expansions, but states often are not familiar with experiences nationwide. Also, annual budget cycles limit the ability to focus on longer-term spending. CMS should assist states in their understanding and evaluations of longer-term impacts of HCBS expansions, and should educate states on efforts and evidence nationwide.

Alternative Financing Approaches Would Allow Longer-Term Financial Predictability and Further Expansion of HCBS

After initial financial relief and incentives are provided to states, longer-term financing reform would help to improve equitable access to HCBS nationwide.

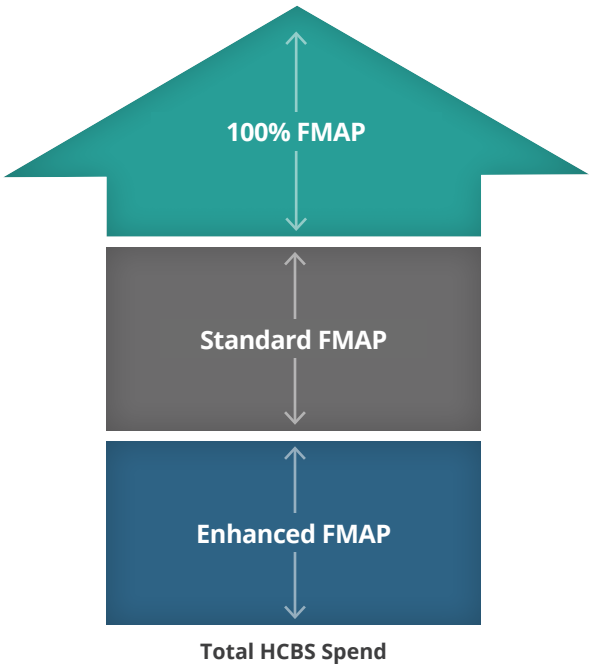
Approach 1. Federalize LTSS

Congress might federalize some portion of LTSS spend, for example all HCBS, all institutional, or all LTSS for individuals dually eligible for Medicare and Medicaid (dual eligibles). This approach increases state financial predictability while de-politicizing state decisions to expand HCBS (e.g., when it would otherwise decrease institutional provider taxes the state relies on to fund the Medicaid program). This also could facilitate better integration of care for dual eligibles, as a single payer would be at risk for and aware of their acute care and long-term care needs. This approach also should be coupled with minimum HCBS level of care eligibility standards applied nationwide.



Approach 2. Create a Shared Risk Model

CMS or Congress could pilot a mixed financing approach. This would include an enhanced FMAP up to a pre-determined, state-level spending threshold, a standard federal match above the core threshold and below a catastrophic threshold, and 100% federal payment above the catastrophic threshold. Thresholds would be determined based on a state's existing "balance" of HCBS, current level of unmet LTSS need, and degree of expanded services and eligibility. At a minimum, states would be subject to maintenance of effort.



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