Published February 2018

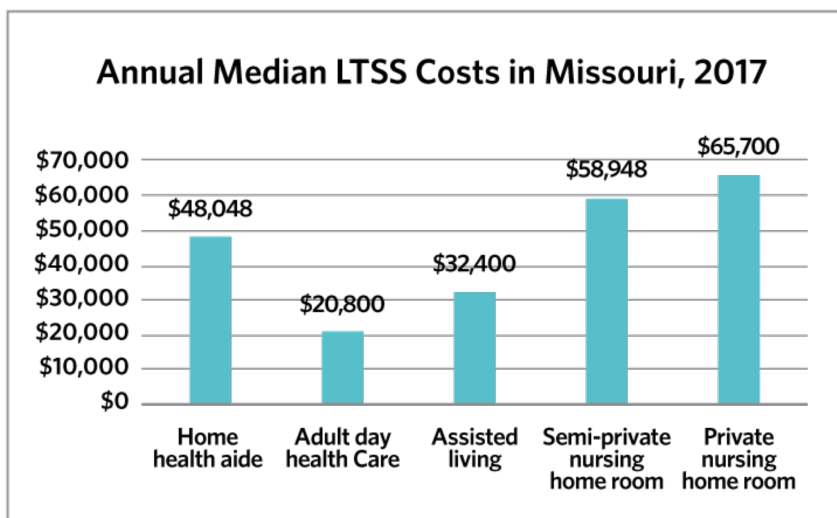
Rebalancing Missouri's Long-Term Services and Supports

The Affordable Care Act and recent health care reform proposals neglected a key health policy issue – long-term services and supports (LTSS). If left unaddressed, the health care system will struggle to meet the needs of an aging population. By 2050, one-fifth of the total United States population will be 65 years or older, and approximately 15.4 million people are estimated to need LTSS.[i] National spending on LTSS is projected to increase from 1.3 percent of gross domestic product (GDP) to 3.3 percent.[ii] States face the challenge of meeting increasing LTSS needs while undergoing fiscal pressure since Medicaid delivers the majority of LTSS.

Background

Missouri's population is rapidly aging as the "baby boomer" generation reaches retirement age. By 2030, the number of adults 65 years and older is expected to increase over 40 percent, and the population over 85 years old is anticipated to increase by 30 percent.[iii] As people age, they are more likely to need assistance with activities of daily living (ADLs) such as bathing, dressing, and eating. This daily care is referred to as LTSS. Researchers estimate that 70 percent of people over 65 years old will need LTSS in their lifetime, and people over 85 years old are four times as likely to require LTSS.[iv]

Informal caregivers (e.g., family, friends, and neighbors) provide the majority of care to older adults, but Medicaid is the primary payer of LTSS that is delivered by professional providers. Medicaid pays for half of national LTSS expenditures because individuals can rarely afford to pay for the care out-of-pocket and other insurance options are limited.[iv]



Genworth. "Compare Long Term Care Costs Across the United States." https://www.genworth.com/about-us/industry-expertise/cost-of-care.html

LTSS has traditionally been provided in institutions because states are required to cover nursing facility care through Medicaid. Increasingly individuals are receiving care from providers in their homes and nearby community organizations, referred to as Home and Community-Based Services (HCBS). HCBS is an optional benefit that states can include in their Medicaid programs.[v] Covered benefits typically include nurse visits, caregiver relief, personal care assistance (bathing and grooming), ADL assistance, and homemaker care (cooking, cleaning, and laundry).[vi]

The shift toward HCBS has been motivated by older adults' desire to "age in place" and further advanced by the 1999 *Olmstead v. L.C.* decision in which the Supreme Court ruled that care for people with disabilities should be provided in the "most integrated setting" appropriate.[vii] Integrated settings are defined as places where people with disabilities can receive care while still having the opportunity to live, work, and socialize with people who do not have disabilities.[viii] While the decision has helped reshape policy for individuals with disabilities and older adults alike, accommodations have been less comprehensive for adults who age into a disability.

Eligibility

Generally, Missourians who are 65 years or older and earn 85 percent of the federal poverty level (FPL) or less are eligible for Medicaid (known in the state as MO HealthNet) services.[ix] Currently, older adults with incomes greater than 85 percent FPL and fewer than $2,000 in assets (or $4,000 if married) can "spend down" to become eligible.[1] Spending down occurs when an older adults' medical bills are greater than their excess income. Older adults who spend down are responsible for paying medical expenses until they reach the MO HealthNet income limit.[x]

2018 Federal Poverty Level (FPL)		
	Annual Income	
Family Size	85% FPL	100% FPL or Poverty Line
1	$10,319	$12,140
2	$13,991	$16,460
3	$17,663	$20,780
4	$21,335	$25,100

Poverty Guidelines, published by the Office of the Assistant Secretary for Planning and Evaluation (ASPE), US Department of Health and Human Services, 2018

Even though HCBS is widely preferred by enrollees, MO HealthNet, like other Medicaid programs, defaults to providing LTSS in nursing facilities. States have the discretion to create enrollment limits, cap services provided, and set different eligibility standards for HCBS since they are not a required Medicaid service.

Financing

The shift in Medicaid spending from providing LTSS in nursing facilities to HCBS is referred to as "rebalancing." MO HealthNet spends approximately one-third of all expenditures on LTSS, and of the LTSS spending, 42 percent goes towards HCBS for older adults and people with physical disabilities.[xi] Spending on HCBS versus institutional care has increased by eight percentage points since 2009,[xii] yet Missouri still has the highest percentage of nursing home residents who only need low-care assistance (no help required with bed mobility, transferring, using the toilet, and eating) compared to all other states. [xiii] The data suggest that more individuals could live in a less-restrictive setting.

Rebalancing LTSS can be used as a mechanism to produce cost-savings for Medicaid programs. States with well-established HCBS programs have saved money over time compared to states that have spent a lower proportion of LTSS expenditures on HCBS.[xiv] Unlike facility-based care, HCBS does not include living expenses nor a set package of services regardless of need. As a result, HCBS costs approximately $12,482 per participant compared to $38,772 per nursing facility resident in Missouri.[xv]

In addition to lower per-capita cost, HCBS can create meaningful savings by preventing or reducing the duration of hospitalizations and nursing facility stays. However, once older adults are living in a nursing facility, they are less likely to move out to receive care through HCBS. Since MO HealthNet enrollees

[1] Asset limits increase incrementally by $1,000 for an individual and $2,000 for a couple each year until fiscal year 2021. After 2021, the limits will increase each year based the Consumer Price Index.
Missouri Secretary of State. 13 CSR 40-8.020 https://www.sos.mo.gov/CMSImages/AdRules/main/EmergenciesforInternet/13c40-8.020IE.pdf

have limited income and assets, they often do not have the resources needed to make the transition. Many nursing facility residents no longer have their homes nor income for rent and utility deposits. Consequently, investment in HCBS alone does not immediately realize the full potential for savings. [xvii]

Despite the potential for cost savings, rebalancing LTSS in Missouri may not yield the same outcomes as other states. MO HealthNet's finances benefit from nursing facility care over HCBS. The state relies on "provider taxes" imposed on hospitals, nursing homes, intermediate care facilities, and pharmacies as a source of Medicaid funding.[xvi] This tax income contributes to the state's share of Medicaid funding and subsequently generates additional federal funding through the federal match. Because a tax is levied on nursing facilities based on patient occupancy per day, shifting to HCBS instead of nursing home care could translate to less provider tax revenue.

Policy Options

Lawmakers should examine underlying incentives in the MO HealthNet program in order to truly rebalance LTSS and remove institutional bias. HCBS eligibility criteria should be no more restrictive than the requirements for nursing facility care. Statistical modeling shows that a reduction in spending on HCBS programs will result in an increase of LTSS expenditures. People who were receiving lower-cost services at home will have to shift to more-expensive nursing home services.[xvii] Alternatively, less restrictive HCBS eligibility criteria would help to avoid high-cost nursing home services.

Older adults and individuals with disabilities must be supported in order to transition from nursing facilities successfully. Missouri's Money Follows the Person (MFP) demonstration has helped over 1,635 nursing facility residents reintegrate into their communities since the program began in 2007, but the demonstration's funding expires in 2020. MFP has assisted older adults and individuals with disabilities by providing options counseling, transition planning, case management, and monetary assistance. The Missouri Department of Health and Senior Services estimated savings of $32,489 per MFP participant from fiscal years 2012 through 2015. Overall, MFP and HCBS produced an average cost savings of $1.5 million in general revenue per fiscal year during this period compared to the cost the participants would have incurred in nursing facilities. [xviii]

Missouri has some of the highest provider tax rates in the country, and MO HealthNet is therefore heavily dependent on this revenue.[xix] Federal health reform legislation has proposed phasing down the amount a state is allowed to tax. These provider tax reductions would have negative implications for the MO HealthNet program and its enrollees. The state would likely have to cut services in order to account for the loss of funds. In addition, limiting the nursing home provider tax would make nursing home care less cost-effective for the state. State officials should prioritize investment in HCBS as a sustainable solution which would ultimately reduce reliance on provider tax revenue.

Conclusion

Research shows that HCBS is less expensive to administer than nursing facility care and can prevent utilization of higher-cost services. Lawmakers should consider proactive, longstanding solutions to rebalance LTSS as the state's aging population continues to increase. This includes extending transition services to current nursing home residents and implementing supports (e.g. HCBS, case management, housing assistance, food delivery, etc.) for individuals to age at home before they require an institutional-level of services.

[i] Bipartisan Policy Center. (2013). “Facts on Long-Term Services and Supports.” https://bipartisanpolicy.org/blog/facts-long-term-services-and-supports/
[ii] Congressional Budget Office. (2013). “Rising Demand for Long-Term Services and Supports for Elderly People.” https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/44363-ltc.pdf
[iii] Senior Care. “Missouri Senior Guide.” https://www.seniorcare.com/directory/mo/#key-senior-statistics
[iv] Reaves, E. and Musumeci, M. (2015). “Medicaid and Long-Term Services and Supports: A Primer.” *Kaiser Family Foundation.* http://www.kff.org/medicaid/report/medicaid-and-long-term-services-and-supports-a-primer/
[v] Missouri Foundation for Health. (2017). “Missouri Medicaid Basics.” https://mffh.org/wordpress/wp-content/uploads/2017/03/MedicaidBasics2017.pdf
[vi] Walker, E. (2016). “Olmstead Ownership for Older Adults.” *Administration for Community Living, U.S. Department of Health and Human Services.* https://www.acl.gov/news-and-events/acl-blog/olmstead-ownership-older-adults
[vii] Kaiser Family Foundation. (2016). “Medicaid’s Role in Meeting Senior’s Long-Term Services and Supports Needs.” http://www.kff.org/medicaid/fact-sheet/medicaids-role-in-meeting-seniors-long-term-services-and-supports-needs/
[viii] United States Department of Justice Civil Rights Division. (2011). “Statement of the Department of Justice on Enforcement of the Integration Mandate of Title II of the Americans with Disabilities Act and O*lmstead v. L.C.”* https://www.ada.gov/olmstead/q&a_olmstead.htm#_ftnref6
[ix] Missouri Department of Social Services. (2017). “MO HealthNet Eligibility for Persons who are Aged, Blind or Disabled.” https://dss.mo.gov/fsd/pdf/mhn_elig_aged_blind_disabled_program_descriptions.pdf
[x] Missouri Department of Social Services. (2012). “Who Can Pay for Medicaid Spend Down?” https://mmac.mo.gov/who-can-pay-for-medicaid-spend-down/
[xi] Eiken, S., et al. (2017). “Medicaid Expenditures for Long-Term Services and Supports (LTSS) in FY 2015.” *Truven Health Analytics.* https://www.medicaid.gov/medicaid/ltss/downloads/reports-and-evaluations/ltssexpendituresffy2015final.pdf
[xii] Eiken, S., et al. (2017). “Medicaid Expenditures for Long-Term Services and Supports (LTSS) in FY 2014.” *Truven Health Analytics.* https://www.medicaid.gov/medicaid/ltss/downloads/ltss-expenditures-2014.pdf
[xiii] America’s Health Rankings. “2017 Senior Report.” *United Health Foundation.* https://www.americashealthrankings.org/explore/2017-senior-report/measure/low_care_nursing_home_residents_sr/state/MO
[xiv] Kaye, S., LaPlante, M., and Harrington, C. (2009). “Do Noninstitutional Long-Term Care Services Reduce Medicaid Spending?” *Health Affairs, 28* (1). doi: 10.1377/hlthaff.28.1.262
[xv] Missouri Budget Project. (2017). “Budget Basics: Community-Based Senior Services.” http://www.mobudget.org/wp-content/uploads/2017/02/Budget-Basics-Community-Based-Senior-Services.pdf
[xvi] National Conference of State Legislatures. (2017). “Health Provider and Industry State Taxes and Fees.” http://www.ncsl.org/research/health/health-provider-and-industry-state-taxes-and-fees.aspx
[xvii] Kaye, S. (2012). “Gradual Rebalancing of Medicaid Long-Term Services and Supports Saves Money and Serves More People, Statistical Model Shows.” *Health Affairs, 31* (6). doi:10.1377/hlthaff.2011.1237.
[xviii] Money Follows the Person Sustainability Committee. (2017). “Report of HB343.” *Missouri Department of Social Services.* https://dss.mo.gov/mhd/general/pdf/HB343-Sustainability-Report.pdf
[xix] Kaiser Family Foundation. (2017). “States and Medicaid Provider Taxes or Fees.” https://www.kff.org/medicaid/fact-sheet/states-and-medicaid-provider-taxes-or-fees/