

Money Can Follow the Person in Long-Term Care

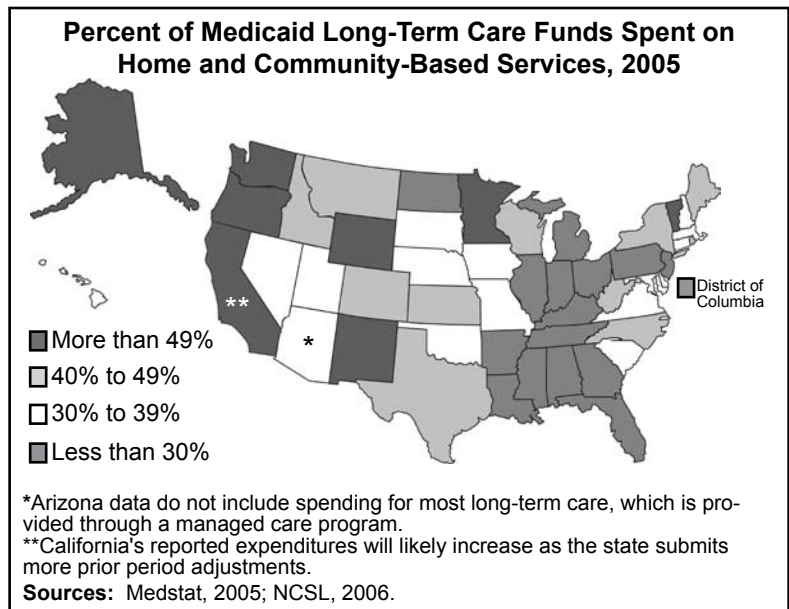
By Carla Curran

Most long-term care services are funded by Medicaid.

State legislators play a major role in reforming state long-term care systems. They are active participants in designing community-based programs, in supporting self-direction for consumers, and in providing opportunities for people living in institutions to move back into their community. Because most long-term care services are funded by Medicaid, rethinking Medicaid long-term care benefits is at the heart of state redesign efforts. States have developed an array of Medicaid home and community-based service waivers to support people outside of institutions. They also have sought to allocate other funding and more flexibility to create alternatives to institutional care. In most states, however, institutional expenditures account for the majority of Medicaid long-term care spending.

States now have additional federal support for long-term care.

Through a demonstration initiative entitled “Money Follows the Person,” states now have additional support from the federal government. This initiative is defined by the U.S. Department of Health and Human Services as a “system of flexible spending 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.” The new federal demonstration, which complements activities started under previous federal grant programs and builds on efforts already under way in several states, provides new financial incentives for states to initiate such programs. The map shows current distribution of Medicaid long-term care funding within each state.



A new project provides \$1.75 billion over five years.

Federal Action

The Deficit Reduction Act of 2005 creates a new demonstration project for states called Money Follows the Person. It will provide \$1.75 billion over five years to support those who wish to receive long-term care services in their home or community. Under the demonstration, states

will identify people in institutions who wish to move into community-based services and who can use Medicaid funds to pay for the services that will allow them to make the transition. States that receive funding will get an enhanced federal match for the first 12 months of services provided to each person who moves from an institution to the community. The states must propose a home and community-based system that will be sustained after the demonstration and must maintain services to participants after the 12-month enhanced match period ends. Eligible individuals are those who receive Medicaid benefits and who have resided in a hospital, nursing facility or intermediate care facility for people with mental retardation for at least six months. Funds are available during a five-year cycle and will be first awarded for a grant period beginning Jan. 1, 2007.

Federal grants providing assistance for Money Follows the Person and nursing home transition have been available on a smaller scale since 2001 through Real Choice Systems Change Grants. Thirty-three states have received nursing home transition grants designed to build the state long-term care infrastructure and increase options for those currently residing in nursing facilities. Money Follows the Person grants, under the Real Choice initiative, were awarded to nine states—California, Idaho, Maine, Michigan, Nebraska, Pennsylvania, Texas, Washington and Wisconsin. These states have tested service delivery approaches; considered integrating funding streams through pooled accounts for nursing home care, home and community-based waivers and state services; transferred funds from nursing home budgets to community accounts when an individual moves; and explored capitation arrangements. The new demonstration can help states rebalance their long-term care systems.

Since 2001, 33 states have received nursing home transition grants.

State Action

During the 2006 legislative session, New Mexico passed the Money Follows the Person in New Mexico Act, which authorizes using money that has supported a person in a nursing facility for home or community-based services.

Several states considered long-term care in their 2006 sessions.

West Virginia passed Senate Concurrent Resolution 88, which directs the Legislative Oversight Commission on Health and Human Resources Accountability to study the feasibility of allowing payment transfers for eligible individuals who transfer from institutional settings to community-based services.

New Jersey enacted the Independence, Dignity and Choice in Long-Term Care Act to allow more choices for consumers and to redirect an individual's long-term care funds toward a home or community-based setting. This law supports pooling of funding for nursing home and home and community-based waiver programs with state appropriations and requires funding parity between nursing facility and home and community-based services.

Selected Resource

Mollica, R., et al. *Money Follows the Person Tool Box*. New Brunswick, N.J.: Rutgers Center for State Health Policy and National Academy for State Health Policy: Community Living Exchange, August 2006; <http://www.cshp.rutgers.edu/cle/Products/MFPToolboxWEB.pdf>.

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MFP Demonstration Announcement: http://www.cms.hhs.gov/NewFreedomInitiative/downloads/MFP_2007_Announcement.pdf.