National Alliance for Care at Home

The Value of Medicaid HCBS and the Risk of Reductions

Currently, Congress is debating policies that could result in potential reductions to federal Medicaid expenditures. Though the policies are unclear at this time, any of the proposals under consideration would likely require cuts to Medicaid and/or corresponding state funding increases to offset the loss of Federal funding. Such state spending would necessarily pull resources from other parts of the system.

Prior experience with state fiscal constraints provides evidence of what could happen if funding to states is reduced. Because nearly all home and community-based services (HCBS) is optional for state agencies to cover, whereas nursing home care is mandatory, HCBS is at specific risk when state funding constraints occur. In an analysis of state actions during the economic downturn from 2010-2012, researchers found that HCBS was negatively impacted in every single state and the District of Columbia.[1] A summary table from the article outlines the breadth and depth of the reductions to Medicaid services:[2]

	Spent less per person*		Served fewer people		Either/both
	# States	Average reduction	# States	Average reduction	# States
IDD Waiver programs	33	10.8%	8	2.2%	36
Other Waiver programs / PCS	35	11.8%	20	8.3%	41
Home health	23	22.2%	29	15.1%	40
Cuts to any program	**47**		**40**		**51**

Thus, Medicaid funding cuts at the federal level would force states to cut optional services like HCBS, which would trigger mandatory nursing home care for individuals losing access to HCBS and drive a significant downstream increase in costs for both federal and state governments.

These cuts would occur despite ample evidence that Medicaid HCBS both reduces costs and is preferred by patients and families. An independent evaluation of Money Follows the Person, a grant program that transitioned individuals from institutional settings to the community, found that total spending on older adults decreased by 20 percent during the

[1] https://www.healthaffairs.org/content/forefront/history-repeats-faced-medicaid-cuts-states-reduced-support-older-adults-and-disabled

[2] Home health services referenced in this chart are those authorized by 1905(a)(7) of the Social Security Act.

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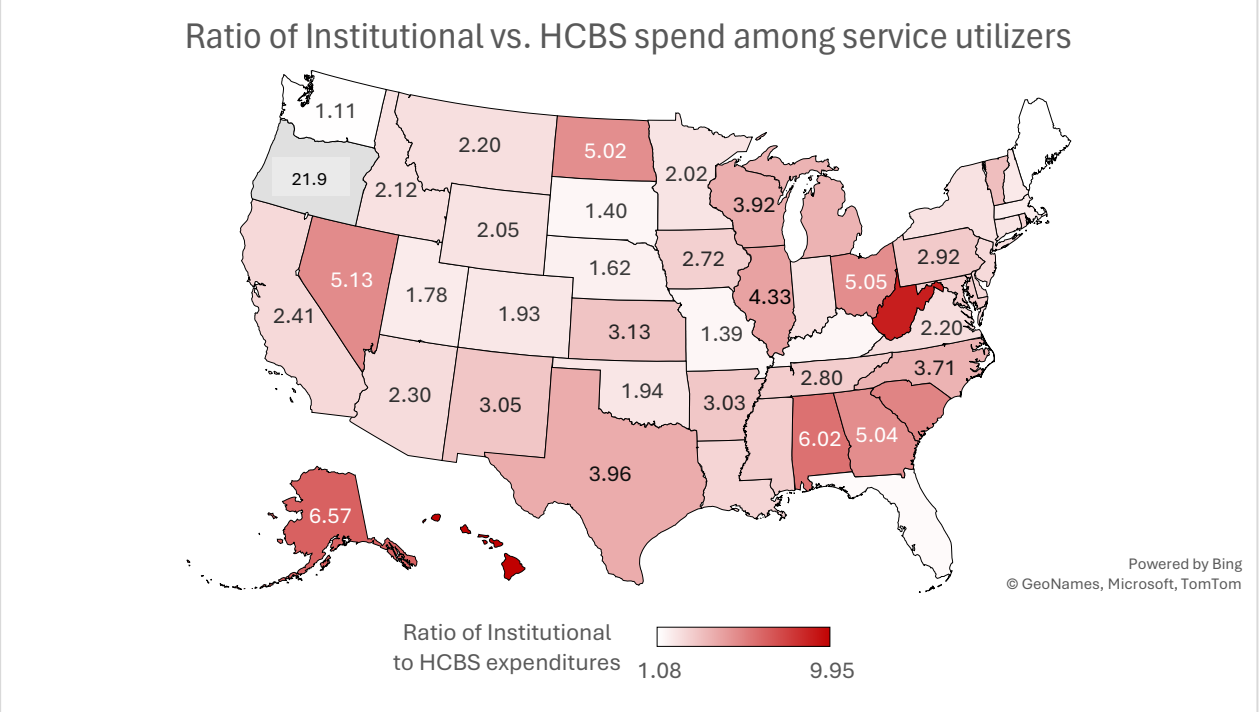
first year and 27 percent during the second year following their move to the community.[3] In fact, every state across the country spends less per person on HCBS than on institutions. The ratio of spending for individuals in institutions is nearly three times (2.92) that of those receiving HCBS, ranging from a low of 1.08 times to a high of over 21 times more costly.



Additionally, though data shows that more than 60% of national Medicaid LTSS expenditures are in HCBS, the actual proportion of individuals who receive HCBS is much higher at 86.5%. State programs range from slightly more than 56% of LTSS enrollees in an HCBS setting to over 99%.

[3] https://www.medicaid.gov/medicaid/long-term-services-supports/downloads/mfpfieldreport21.pdf

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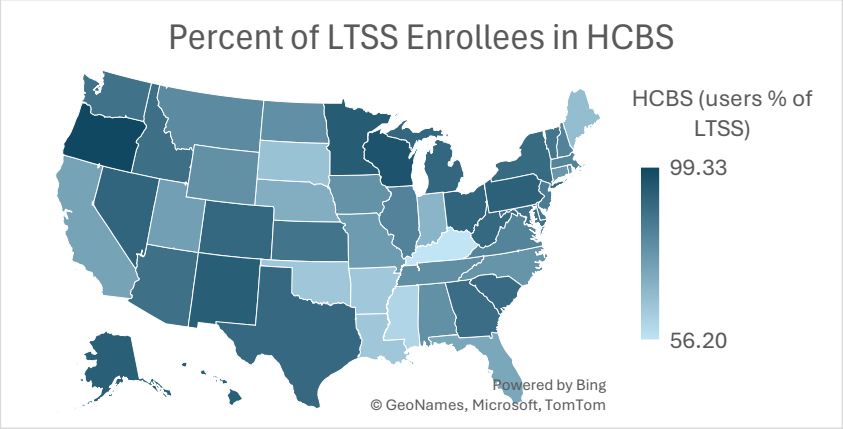
The simple reason for HCBS being at risk of cuts despite its value proposition is that states must meet short-term budgetary targets and will sometimes eschew long-term impacts in favor of short-term solutions. Because long-term care is such a significant portion of state budgets, and because institutional care is mandatory, HCBS offers a tangible way to balance state budgets in the immediate term.



Using CMS data on the average national per-person annual expenditures for HCBS vs. institutional care, the Alliance derived estimates of what would occur if states capped or reduced HCBS enrollment and individuals shifted into institutions as a result.[4] A 5% shift from HCBS to institutional care would result in an additional $6.5 billion of annual Medicaid expenditures nationwide – $65 billion over the 10 year budget window – thus undercutting the potential savings from Federal Medicaid reforms.

Reduction in HCBS case-load	Estimated spending increase
5%	$6,553,144,810
10%	$18,626,900,560
15%	$30,700,687,090

We also note that such cuts would have downward impact on health outcomes, individuals happiness and wellbeing, and family cohesion. We therefore strongly encourage Congress to avoid making cuts to programs that would negatively impact HCBS and cause unintended consequences.

[4] https://www.medicaid.gov/medicaid/long-term-services-supports/reports-evaluations