

On the Verge: The Transformation of Long-Term Services and Supports

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Many states are undergoing or are about to undergo a dizzying array of long-term services and supports (LTSS) transformations. The lagging economy and increased demand for publicly funded LTSS are placing pressure on state policymakers to find solutions. As a result, many states either have or plan to implement Medicaid Managed LTSS, with 12 states having existing programs and another 11 with plans for implementation. At least 28 states are focusing on improved integration of care for people who are eligible for both Medicare and Medicaid. Many states used the economic downturn as an opportunity to balance services from institutional to noninstitutional settings, with 27 states reporting that home and community-based services census increased from fiscal year (FY) 2010 to FY 2011 and 31 states reporting expected increases from FY 2011 to FY 2012.

This In Brief summarizes a research report, *On the Verge: The Transformation of Long-Term Services and Supports*. The report presents the findings from a state survey conducted in fall 2011. State aging and disability agencies and Medicaid agencies from 48 states and the District of Columbia responded with long-term services and supports (LTSS) information on programs for older people and adults with physical disabilities.

State LTSS Transformations

Many states are on the verge of transforming the financing and delivery of LTSS. On the heels of the Great Recession, state policymakers are looking at solutions that include moving toward capitated, risk-based managed care for Medicaid enrollees with LTSS needs and focusing on better care and

cost containment for people who are dually eligible for both Medicare and Medicaid coverage (dual eligibles).

Many states either have implemented or plan to implement Medicaid Managed LTSS for individuals with LTSS needs, with 12 states having existing programs and another 11 with plans for implementation in 2012 or 2013. About half of the 11 states that are implementing Medicaid Managed LTSS have definite plans to implement statewide. At least 28 states are focusing on improved integration of Medicare and Medicaid services for dual eligibles.

Budget Cuts and Increased Demand

The lagging economy remains a growing concern for state agencies. States have used many administrative tools to curtail

expenditures. At the same time, demand for publicly funded services has grown, and resources, including staff, are stretched thin.

Although fewer states made cuts to LTSS in fiscal year (FY) 2011 than in FY 2010, 14 states made cuts to aging and disability services programs (non-Medicaid) in FY 2011. Eleven states were expecting to cut these programs in FY 2012. It is important to remember that even in the states that did not make reductions in this fiscal year, many states have sustained three years of consecutive budget cuts. Fewer states made cuts to Medicaid programs; most Medicaid cuts targeted provider rates. A handful of states, however, imposed restrictions to some Medicaid services, most notably personal care services.

Requests for services increase during an economic downturn because people have less income and assets and therefore qualify for government programs. While enrollment typically increases with more families and children qualifying, more than half of the states reported increased demands for Aging and Disability Resource Center services, information and referrals, and respite care in FY 2011.

Balancing Prioritized

Many states are using the economic downturn as an opportunity to balance services from institutional to noninstitutional settings. States continued to serve a greater number of Medicaid recipients with LTSS needs in their homes or communities. Of 37 responding states, 27 reported that home and community-based services census increased from FY 2010 to FY 2011, and 31 reported expected increases from FY 2011 to FY 2012. Twenty states reported that they expected the number of Medicaid nursing facility residents to decline, and nine expected the number to remain unchanged from FY 2010 to FY 2011. Only seven

expected the nursing facility census to increase. Surprisingly, many states were able to preserve their small but important non-Medicaid, state-only funded programs, which often serve people who do not qualify for Medicaid.

Staffing Changes and Reductions

There was a record number of new state officials in 2011, with 26 new governors, 40 new state aging and disability directors (78 percent turnover) and 11 new Medicaid directors (20 percent turnover). Reducing overall state aging and disability staff rather than cutting services continues to top the list of current and planned savings strategies.

Uncertainty of the Affordable Care Act

The recent health care reform law provides states with options to expand home and community-based services, yet many states are reluctant to commit to some of these programs because of litigation pending before the U.S. Supreme Court. States also are waiting for final federal implementation guidance.

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