AARP Public Policy Institute

Weathering the Storm: The Impact of the Great Recession on Long-Term Services and Supports

Thirty-one states cut non-Medicaid aging and disability services programs in fiscal year (FY) 2010, with more than half of the states reporting increased demands for information and referrals, home-delivered meals, respite, case management, personal care assistance, family caregiver support, transportation, and homemaker services. Twenty-eight states anticipated making cuts to these programs in FY 2011, when an end to American Recovery and Reinvestment Act stimulus funding will put fiscal pressure on state Medicaid budgets.

This In Brief summarizes a research report, *Weathering the Storm: The Impact of the Great Recession on Long-Term Services and Supports,* written by the AARP Public Policy Institute, the National Association of States United for Aging and Disabilities, and Health Management Associates.

The report presents the findings from a survey of all 50 states and the District of Columbia in the summer of 2010. State Units on Aging and Medicaid agencies responded with information and data on programs for older individuals and adults with physical disabilities.[1] Forty-nine states and the District of Columbia responded to the survey.

States Cut Services

The recession remains a sustained and growing concern for the 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.

Thirty-one states cut aging and disability services programs (non-Medicaid) in FY 2010. Twenty-eight states were expecting to cut these programs in FY 2011. Fewer states made cuts to Medicaid programs; most Medicaid cuts targeted provider rates. A handful of states, however, imposed cuts to services, most notably personal care services.

Requests for services increase during a recession because people have less income and therefore qualify for government programs. More than half of the states reported increased demands for information and referrals, home-delivered meals, respite, case management, personal care assistance, family caregiver support, transportation and homemaker services in FY 2010.

Balancing Remains a Priority

The good news is that many states are using the economic downturn as an opportunity to balance services between institutional and noninstitutional settings. States continued to serve a greater number of Medicaid recipients with long-term service support (LTSS) needs in their homes or communities. Of 41 responding states, 35 reported that home and community-based services (HCBS) census increased in 58 waivers from FY 2009 to FY 2010/2011. Concurrently, 22 states reported that they expected the number of Medicaid nursing facility residents to decline, and 12 states expected the number to remain unchanged in FY 2011. Only four of the responding states expected the nursing facility census to increase.

The American Recovery and Reinvestment Act (ARRA) Stimulus Funds Preserved Programs

ARRA provided additional funding to state Medicaid programs by increasing their federal medical assistance percentages (FMAP). The increased funds helped states to temporarily maintain services. However, many states expect they will need to make additional cuts in LTSS when the enhanced FMAP phases down and expires in June 2011.

The Affordable Care Act Provides Opportunities and Challenges

The recent health care reform law provides states with new opportunities to expand HCBS, yet many states are reluctant to commit to these programs until further federal guidance is issued.

Looking Ahead

While most states were " weathering the storm" in FY 2010, recent anecdotal evidence suggests that even in the states that had earlier reported little effect from the economic downturn, the tide is now turning, causing additional fiscal stress on systems.

The election of 26 new governors is likely to shift state aging and disability policy in a record number of states. The new leadership at the state level will extend to the appointment of key personnel in state Health and Human Service agencies, state Medicaid agencies, and other state departments. This turnover in the states may slow efforts to achieve HCBS goals as the new leadership confronts budget issues and gets up to speed.

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[1] This is a point-in-time study that does not reflect state budget cuts that were made in FY 2008 or FY 2009. Data reported in this study reflect state officials' perspectives prior to the November 2010 elections.

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