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

Preliminary findings of a 50 state survey presented to the National Home and Community Based Service Conference September 27, 2010
Funded by AARP under direction of the Public Policy Institute

Built on 5 prior NASUAD state surveys

Presenting on preliminary findings

Final report to be released later this Fall
Research Methodology

E-Survey to 50 states, DC, and 4 territories

Medicaid Agencies and State Units on Aging  Targeted programs for aged and physically disabled

Follow up telephone interviews

Response: 45 states and DC

36 from both Medicaid and State Unit on Aging Agencies  10 State Units on Aging only
Primary Findings

The Great Recession
- Remains a sustained and growing concern
- States using as opportunity to balance services from institutional to non-institutional settings

ARRA enhanced FMAP
- Allowed states to continue Medicaid and non-Medicaid HCBS
- Phase-down may force additional cuts in LTSS

Affordable Care Act
- Offers additional opportunities to expand HCBS services
- States need federal guidance on requirements
States Continue to Struggle through Tough Economy

BUDGET CONTEXT
Recession Remains a Significant Factor

Major revenue sources (PI, Corp, and Sales Tax) below pre-recession levels for most states

Only 9 states project 2011 levels at or above 2007 collections
5 expect 2011 revenue to be 25% or more below 2007 collections

Revenue down but states must contend with increasing service demand
Percent Change in State Tax Revenue
2007 (actual) to 2011 (projected)
Personal Income, Corporate, and Sales Taxes

Notes: 2011 figures are estimates. For Illinois, this map uses projected revenue from NASBO’s 2006 report because 2007 data was not available.
Impact of the Recession on non-Medicaid funded LTSS

AGING AND DISABILITY PROGRAMS
Non-Medicaid State Expenditure Cuts
FY 2010

Notes: Washington, D.C. (not shown) had a cut of less than 5%. 
States Use A Variety of Strategies to Make Reductions

Number of States Responding

Types of Strategies

- Limited Services
- Formed New Partnerships
- Eliminated Services
- Eliminated Programs
- Adjusted Eligibility/Limited Enrollment
- froze or reduced Provider rates
- Increased Cost-Sharing in
- Used Regional Delivery Systems
- Delayed Implementation of New Programs
- Other

SFY10
SFY11
Programs with Increased Service Demands FY10

Types of Services

- Information and Referral
- Home-Delivered Meals
- Respite
- Case Management
- Personal Care/Assistance
- Family Caregiver Support
- Transportation
- Homemaker
- Long-Term Care Ombudsman
- Disease Prevention/Health Promotion
- Chore
- Adult Day Care
- Elder Abuse Prevention
- Congregate Meals
- Adult Protective Services
- Food Stamps/SNAP
- SCEP
- Legal Assistance Development
- Community Transition

Number of States
End of ARRA Senior Nutrition Funding Will Have Significant Impact

- No impact
- Waiting lists will decrease
- Programs will be eliminated
- Waiting lists will increase
- Services will be eliminated
- Programs will be reduced
- Services will be reduced
- Too soon to tell

Number of States

10/4/2010
Despite an increase in the number of APS calls, only one state increased funding for APS while the rest either flat-lined or decreased state appropriations.
Impact of the Recession on Medicaid funded LTSS

MEDICAID
Medicaid LTSS Policy Trends

States “holding steady” with Medicaid LTSS

- Implemented/plan few policy changes but slightly more expansions or enhancements for LTSS than restrictions
- Provider reimbursement is the exception: by far the primary LTSS policy change - HCBS a distant second
  - More states implemented or plan to implement rate increases than decreases

ARRA - and its extension - was critical

- Future remains uncertain with June 2011 expiration
Some states budgeted for an extension of ARRA with a 6.5% enhancement to their standard FMAP through June 30, 2011. Congress enacted a phase-down of the enhancement.
U.S. Medicaid Enrollment Increases in Economic Downturns

Aged and Disabled enrollment largely unaffected by economic fluctuations, but....

Enrollment increase in other groups creates fiscal stress

may prompt states to curtail LTSS

Enrollment increases likely contribute to LTSS policy decisions

Annual growth rate:

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>10.2%</td>
</tr>
<tr>
<td>1993</td>
<td>7.1%</td>
</tr>
<tr>
<td>1994</td>
<td>5.1%</td>
</tr>
<tr>
<td>1995</td>
<td>3.4%</td>
</tr>
<tr>
<td>1996</td>
<td>-0.6%</td>
</tr>
<tr>
<td>1997</td>
<td>-3.3%</td>
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<tr>
<td>1998</td>
<td>-1.9%</td>
</tr>
<tr>
<td>1999</td>
<td>0.4%</td>
</tr>
<tr>
<td>2000</td>
<td>3.2%</td>
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<tr>
<td>2001</td>
<td>7.5%</td>
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<tr>
<td>2002</td>
<td>9.3%</td>
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<tr>
<td>2003</td>
<td>5.6%</td>
</tr>
<tr>
<td>2004</td>
<td>4.3%</td>
</tr>
<tr>
<td>2005</td>
<td>3.2%</td>
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<tr>
<td>2006</td>
<td>0.2%</td>
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<tr>
<td>2007</td>
<td>-0.6%</td>
</tr>
<tr>
<td>2008</td>
<td>3.0%</td>
</tr>
<tr>
<td>2009</td>
<td>5.4%</td>
</tr>
<tr>
<td>2010 (Pro)</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Total Medicaid Spending Growth, 1996-2010

Economic Downturn,
Enrollment & Cost Growth,
2000-2003

Strong Economy,
Welfare Reform,
Enrollment Drops,
Managed Care
1995-1998

Low Enrollment Growth
& Medicare Part D
2006-2007

Economic Downturn
2008-2010

NOTE: Data for State Fiscal Years, for total Medicaid spending, including state, local and federal funds.

While Total Medicaid Funds Grew During the Recession, State Funding Experienced Negative Growth due to ARRA

FY 2000 - FY 2010

ARRA Enhanced FMAP (2009-2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>State General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>8.7%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>8.4%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>10.4%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>12.9%</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>8.5%</td>
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</tr>
<tr>
<td>2005</td>
<td>7.7%</td>
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<tr>
<td>2006</td>
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<tr>
<td>2007</td>
<td>6.4%</td>
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<tr>
<td>2008</td>
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<td>3.8%</td>
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<td>5.7%</td>
</tr>
<tr>
<td>2010</td>
<td>6.3%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

Provider reimbursement was the major policy area in which states made changes.

### States that Expanded Benefits or Increased Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Implemented in 2010</th>
<th>Planned for 2011</th>
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</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>HCBS Benefits</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>State Plan Benefits</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Provider Payments</td>
<td>19</td>
<td>14</td>
</tr>
</tbody>
</table>

### States that Restricted Benefits or Reduced Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>1</td>
</tr>
<tr>
<td>HCBS Benefits</td>
<td>5</td>
</tr>
<tr>
<td>State Plan Benefits</td>
<td>2</td>
</tr>
<tr>
<td>Provider Payments</td>
<td>11</td>
</tr>
</tbody>
</table>
ARRA and PPACA MOE Requirements
Protected Eligibility Standards

- MOE effectively restricted eligibility changes
  HCBS waiver slot reductions

- 29 states reported no eligibility changes in 2010
  or planned for 2011

- 3 states expanded standards in 2010

- 1 state plans 2011 restriction
  - but will not follow through if MOE violated
States appear to be committed to holding steady or increasing HCBS benefits.

Slightly more states have or plan to increase HCBS benefits than have or plan to decrease benefits.

**HCBS Benefit Changes**
Implemented in 2010 or Planned for 2011

- **2010**
  - Decrease: 5
  - Increase: 7
  - No Change: 25

- **2011**
  - Decrease: 6
  - Increase: 9
  - No Change: 22
Most Home and Community Based waivers experienced upward trend in number served

Based on states reporting average daily census for at least two years in FYs 09, 10 & 11
Medicaid nursing facility census is expected to decrease or remain static in most states.
Few states reported cuts to State Plan Benefits

*PCS was most frequent service cut among states that trimmed*

**Impact of Changes to Medicaid Non-Institutional LTSS-Related State Plan Benefits 2010**

- Positive Impact
- Negative Impact
- No Impact

**Impact of Changes to Medicaid Non-Institutional LTSS-Related State Plan Benefits 2011**

- Positive Impact
- Negative Impact
- No Impact
2010 provider rate changes - a mix of increases and decreases

States were most likely to change NF rates
Fewer rate changes planned for 2011 – with the exception of NF
Many states reported plans to develop or expand managed long term care initiatives.
Impact of the Recession on States Ability to Use HCBS Opportunities in

AFFORDABLE CARE ACT
States Likely to Pursue HCBS Options in Affordable Care Act

- State Balancing Incentive Program
- Community First Choice Option
- Money Follow the Person - Existing Grantee
- Money Follows the Person - New Grantee
- Medical/Health Home-Planning Grant
- Medical/Health Home-SPA
- Medical/Health Home-Community Health Teams

Number of States:
0 5 10 15 20 25 30
What to expect in 2011

STATE OUTLOOK
State Priorities in the Current Economy

- Maintaining current service levels
- Developing IICBS
- Creative use of technology
- Scaling back of services
- No expansion of services
- No change in priorities
- Not developing IICBS

Number of States

10/4/2010
Frequently Noted Medicaid Priorities

- Balance/Expand HCBS
- Integrate acute/long-term care & services for duals
- Focus on quality and/or access
- Maintain level of services
State Outlook

Great Recession
- Will continue to stress LTSS systems

Elections
- 37 Govs up – potential shift in state leadership

ACA
- Will demand leaders attention to implement
For additional information:

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www.aarp.org/ppi

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www.healthmanagement.com

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www.nasuad.org