

Research Highlights: Medicaid-Financed Home and Community-Based Services Research—A Synthesis

As part of our broader efforts to reform long term care (LTC) financing options, AHCA has released a new report on Medicaid home and community-based services (HCBS), entitled *Medicaid-Financed Home and Community-Based Services Research—A Synthesis*. The report, prepared by Avalere Health, LLC, examines relevant research literature on HCBS, with a focus on cost effectiveness and quality research. The purpose of this report is to inform policy discussions at the federal and state levels and provide a synthesis of what is known and not known about HCBS programs in the current body of peer-reviewed literature.

Literature Review Findings

Over the years, it has been difficult to assess peer-reviewed research on HCBS program success in reducing total LTC costs. To date, state cost-effectiveness findings on HCBS programs have been conflicting. In this context, “cost-effectiveness” means that HCBS expansion produced no new costs for states. In addition, understanding HCBS outcomes has been made even more difficult by the lack of information on states’ HCBS quality assurance and improvement strategies—particularly as HCBS has expanded. These uncertainties are magnified by increasing Medicaid budget pressures and an increasing demand for higher acuity services in nursing homes—all while new Medicaid program options to expand HCBS services, authorized by the Deficit Reduction Act of 2005 (DRA), have heightened state interest in HCBS options. Below are three key facts from the body of literature on nursing facility care and HCBS.

Fact #1. Nursing facilities and HCBS programs are appropriate for certain people, at certain times, and for certain periods of time. The literature shows that certain characteristics make it more likely that some people will either be served in nursing facilities or receive HCBS.¹ For nursing facilities, these characteristics include a cognitive impairment such as Alzheimer’s disease, significant and intense needs with daily activities, and few or no informal caregivers.² Additionally, nursing homes are increasingly meeting a demand among people with greater needs, as well as those requiring rehabilitative care such as after having hip replacement surgery.³ Persons receiving HCBS are more likely to have family caregiver involvement and assistance and have fewer needs resulting from cognitive impairments.

Fact #2. HCBS has not stopped Medicaid LTC expenditure growth. Research shows that HCBS can increase overall LTC costs. Long-standing research studies on HCBS programs reveals that most HCBS programs increase total LTC spending and are not cost effective for state LTC budgets.⁴ For a number of years, these studies have been cited in federal policy guidance on HCBS impacts.⁵ However, some research reveals cost-effectiveness, but only when states target HCBS to people who would have gone into a nursing home.⁶ Evidence of such targeting was found in only a few states and programs. According to the research literature, HCBS expansion has not significantly reduced demand for Medicaid-financed services in any state; in fact, evidence indicates

that the presence of HCBS increased demand.⁷ The DRA is attempting to introduce controls by establishing an HCBS state plan option that allows states to limit enrollment and expenditures. Despite these controls, however, the Congressional Budget Office counted the option as a cost—indicating that it would increase Medicaid spending by \$766 million between 2006 and 2010 and \$2.6 billion between 2006 and 2015.⁸

Fact #3. Research shows notable improvements in nursing home quality. However, little is known about quality in rapidly growing HCBS programs. Nursing homes are highly regulated and have national and statewide quality assurance and reporting requirements that provide information for consumer decision-making. In addition, recent reports show improvements in nursing home quality.⁹ However, unlike for nursing homes, there is no national HCBS quality data collection process, and gathering such data is challenging.¹⁰ Research also shows that existing HCBS quality approaches are inconsistent and vary widely across the states.

In conclusion, some of the key implications to be gleaned from the research literature on Medicaid-financed HCBS programs include:

- ✓ HCBS investment at the expense of facility-based services may result in future capacity issues as demand for higher acuity services increases.
- ✓ HCBS expansion and reduced facility-based spending are not a panacea for Medicaid LTC cost growth. New ideas that could increase the use of private LTC financing options (e.g., private LTC insurance, retirement saving) are needed.
- ✓ With little known about HCBS quality, HCBS expansion could put people at risk and invest additional state dollars in unclear quality outcomes.

The full report is available in PDF format on the AHCA Research website at www.ahca.org/research.

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¹ Spillman, B.C. and Black, K.J. (2006) "The Size and Characteristics of the Residential Care Population: Evidence from Three National Surveys." Prepared for the U.S. Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation by The Urban Institute.

² Rhoades, J., PhD. and Krauss, N., MS (1999) Medical Expenditure Panel Survey: Chartbook #3 – Nursing Home Trends 1987 and 1996. Agency for Health Care Research and Quality.

³ Bishop, C. (1999) "Where are the Missing Elders? The Decline in Nursing Home Use, 1985 And 1995. Health Affairs, Vol. 18, No. 4. 146-155.

⁴ Weissert, W.G., Cready, C. and Pawelak, J. (1988). "The Past and Future of Home and Community Based LTC." Milbank Quarterly, 66(2): 309 – 388.

⁵ Weiner, J. (May 2000) State Cost Containment Initiatives for Long-Term Care Services for Older People. Congressional Research Service. Doty, P. (June 2000) Cost Effectiveness of Home and Community-Based Long-Term Care Services. U.S. Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation.

⁶ Weissert, W.G., Cready, C. and Pawelak, J. (1988). "The Past and Future of Home and Community Based Long-Term Care." Milbank Quarterly, 66(2): 309 – 388.

⁷ Alexih, L., Corea, J., & Foreman, R. (2001). "Woodwork effect literature review and HCBS entitlement modeling assumptions." The Lewin Group.

⁸ Congressional Budget Office. (2005) Cost estimate, S. 1932 Deficit Reduction Act of 2005: conference Agreement, as amended and passed by the Senate on December 21, 2005. Retrieved from the Congressional Budget Office at <http://www.cbo.gov/ftpdocs/70xx/doc7028/s1932conf.pdf>

⁹ Government Accountability Office (GAO) (2003). Nursing Home Quality: Prevalence of Serious Problems, While Declining, Reinforces Importance of Enhanced Oversight. (GAO-03-561). GAO (2005). Nursing Homes: Despite Increased Oversight, Challenges Remain in Ensuring High-Quality Care and Resident Safety. GAO-06-117.

¹⁰ GAO (2003), Long-Term Care: Federal Oversight of Growing Medicaid Home and Community-Based Waivers Should Be Strengthened. GAO-03-576. Smith, G. and Jackson, B. (January 2004) National Quality Inventory Survey of HCBS Quality Assurance Programs. Centers for Medicare and Medicaid Services.