



Forum Session Meeting Announcement

Friday, April 25, 2008

11:45am–12:15pm — Lunch
12:15–2:00pm — Session

State Long-Term Care Strategies: Approaches to Managing Care and Controlling Costs

A Discussion Featuring:

Paul Saucier

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Technical Director

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Disabled and Elderly Health Programs Group
Center for Medicaid and State Operations
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U.S. Department of Health and Human Services

Judith Frye

Director

Office of Family Care Expansion
Division of Long-Term Care
Wisconsin Department of Health and Family Services

Pamela Coleman

Deputy Director, Medicaid/CHIP Division
Texas Health and Human Services Commission

Charles E. Reed

Chair

Washington State Home Care Quality Authority

Location

**Reserve Officers Association
of the United States**

One Constitution Avenue, NE
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*(Across from the Dirksen Senate
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State Long-Term Care Strategies: Approaches to Managing Care and Controlling Costs

OVERVIEW

For decades, federal and state policymakers have focused on the goals of better managing overall long-term care spending, offering consumers broader access to home and community-based services, and coordinating long-term care services. States have taken different approaches to meet these goals. Approaches range from initiation of managed long-term care programs to consolidation of state long-term care administration and financing in a single state agency. To date, direct state administration is still the dominant way services are financed and delivered, but some believe that state Medicaid managed long-term care arrangements may grow in the future. This Forum session will focus on state approaches to managing long-term care. It will include discussion from state representatives who have redesigned long-term care financing and service delivery, with and without using a capitated managed care approach.

SESSION

In fiscal year 2006, Medicaid expenditures for long-term care were \$100 billion, accounting for over one-third of combined federal and state Medicaid spending. Expenditures for institutional care remain the greatest share of long-term care spending, although spending for home and community-based care has increased in recent years.¹ State policymakers are looking for ways to control Medicaid long-term care expenditures, especially for institutional care. They also want to more effectively coordinate services for consumers and balance spending for institutional and home and community-based services.

In many states, authority for long-term care and aging and disability services programs is spread across multiple agencies, with different agencies having responsibilities for setting long-term care budgets, determining financial and functional eligibility, and contracting for services. Some say these fragmented administrative structures do not allow for strategic planning or efficient service delivery and make it difficult for long-term care systems to provide integrated and cost-effective care to consumers. Multiple home and community-based providers may seek and receive Medicaid reimbursement for individual services, with limited or no incentive to keep consumers from entering institutions and to ensure that overall consumer care is appropriate and coordinated. Over the past several decades, many states have made changes to long-term care financing and

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service delivery by creating broader access to home and community-based services through waiver programs. Some states have created single entry points for consumer access to services. States have also initiated ways to control costs, such as instituting preadmission screening, case management systems, and moratoria on new nursing home beds. But even with these actions, states are concerned about the increasing costs—especially with the growing elderly population—and are seeking ways to balance efforts to improve services outcomes for beneficiaries with measures to control costs.

STATE REDESIGN EFFORTS

States have been redesigning the management of long-term care through a series of administrative, service delivery, and financing reforms. Some states have implemented Medicaid managed long-term care programs, using various waiver authorities in the Medicaid statute. Other states have consolidated long-term care policy, financing, and administration into a single state agency. (Some states have combined aspects of both of these approaches.)

Medicaid Managed Long-Term Care

Under managed long-term care arrangements, a Medicaid program makes a single contractor responsible for arranging long-term care services and the contractor accepts the financial risk for paying for services provided. The contractor receives a fixed payment—a capitation amount—on behalf of consumers served. Capitation amounts are generally based on average costs for groups of beneficiaries, adjusted for various factors such as age, geographic location, and disability levels. A contractor may be a health maintenance organization, a community services agency, a provider organization, a county, or another entity.² Contractors are responsible for providing and coordinating services, arranging for providers, and keeping overall costs within the capitation amount.

According to an analysis by Saucier and Fox-Grage, three types of Medicaid managed long-term care models have emerged. In the first model, managed care organizations are at risk for Medicaid institutional and home and community-based services. In the second, organizations are responsible for long-term care services as well as additional Medicaid-covered services, such as primary and acute care. In the third, plans are responsible not only for Medicaid long-term care, acute care, and primary care, but also for Medicare services.³ (The analysis placed Wisconsin's Family Care program in the first model and the Texas STAR+PLUS program in the second model.)

With a few exceptions, managed care arrangements for people with long-term care needs "remain a niche product in a limited number of states."⁴ A 2005 study estimated that risk-based Medicaid managed long-term

care arrangements covered less than 3 percent of Medicaid beneficiaries needing long-term care.⁵ Other than Arizona's Long-Term Care System (ALTCS), no states have statewide managed long-term care programs (although Wisconsin has committed to implementing its managed care program, Family Care, region by region throughout the state). Some observers believe that states may expand Medicaid managed long-term care initiatives in the future as they look for new ways to slow Medicaid cost growth, coordinate services, and offer incentives for more consumer choice in services.

Long-Term Care Consolidation Initiatives

In some states, one agency has been given administrative control of the overall long-term care budget⁶ and is responsible not only for planning and development of long-term care policy but also for eligibility determination, regulation, service delivery, and quality for both institutional and home and community-based services. These actions are frequently accompanied by other reforms, such as creating a full range of long-term care service options, single entry points for consumer access to services, streamlined procedures for financial and functional eligibility determination and service authorization, ongoing case management, uniform consumer assessment protocols, and constraints on nursing home supply.⁷ Some states that have consolidated long-term care budget and policy responsibilities are also experimenting with Medicaid managed long-term care.

POTENTIAL BENEFITS AND RISKS OF MANAGED LONG-TERM CARE APPROACHES

Advocates for managed long-term care approaches believe that managed care organizations that are financially at risk for providing services may be in a better position (i) to control costs as a result of using capitation fees for services and (ii) to emphasize cost-effective, community-based alternatives to institutional care. Some believe that, under these arrangements, states may experience greater predictability in their long-term care budgets and may achieve accountability from managed care organizations. Advocates for managed care also believe that these arrangements can help ensure that consumers have the appropriate level and types of care and can coordinate the complex array of long-term care services for consumers (as well as and acute and primary care in states where these services are part of the managed care arrangement).

Critics of managed care arrangements fear that managed care poses risks to consumers. Some have been concerned that services could be rationed or curtailed if the capitation fees paid are not considered adequate. Others fear that services important to helping a long-term care population remain safely at home and in community settings may not be adequately covered. In addition, some consumer advocates say that managed care organizations may not fully understand the care needs of a vulnerable

population and may have less experience with long-term care than they do with acute care.⁸ Some have observed that managed care arrangements may be in conflict with consumer direction initiatives, where consumers have control of decisions about the services and providers they wish to use.⁹ Moreover, some states, like Washington, have been able to achieve effective care coordination for consumers, control long-term care spending, and maximize consumer choice without using capitated managed care arrangements.

KEY QUESTIONS

- What are the most important steps states need to take to more effectively manage long-term care financing and delivery?
- Does a state need to integrate both financing and services delivery in order to provide long-term care in the most efficient and effective way? What types of integration must take place?
- What are the most significant factors leading states to adopt managed care for long-term care services and supports? What are the most common models of Medicaid managed care, and how have they evolved? What populations and services are covered?
- To what extent can states reform long-term care financing and delivery to achieve consumer choice and restrain the growth in Medicaid long-term care spending without developing managed care capitation arrangements?
- What are the benefits and risks for consumers of participating in Medicaid managed long-term care plans? What impact has managed care had on consumer access and coordination of services, controlling costs of long-term care and/or acute care, and reducing waiting lists for home and community-based services? Does managed long-term care support or detract from consumer direction?
- To what extent is Medicaid managed long-term care part of an overall approach to coordinating both acute and long-term care for populations with chronic disabilities?
- Is Medicaid managed long-term care likely to grow as a financing and service delivery mechanism?

SPEAKERS

Paul Saucier will present an overview of Medicaid managed long-term care models used by states and what states hope to achieve in terms of quality and cost. He will also provide an estimate of current national enrollment in Medicaid managed long-term care programs. Mr. Saucier is director of the Institute for Public Sector Innovation (IPSI) at the University of Southern Maine's Muskie School of Public Service. He has studied state health policy

for more than 15 years, with a special emphasis on Medicaid, Medicare, and other public programs for older persons and persons with disabilities. Recently, Mr. Saucier has conducted policy research on managed long-term supports and services funded by the Centers for Medicare & Medicaid Services, AARP, and the Office of the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services.

Mary Sowers will describe the authorities states may use to provide long-term care under Medicaid managed care arrangements. Ms. Sowers is technical director for the Home and Community-Based Services Waiver Program, Division of Community and Institutional Services, Disabled and Elderly Health Programs Group, Center for Medicaid and State Operations, Centers for Medicare & Medicaid Services (CMS). Prior to joining CMS, Ms. Sowers spearheaded efforts to develop an Independence Plus 1915(c) waiver in Maryland and oversaw Maryland's Home and Community Based Services waiver, which serves nearly 10,000 individuals with developmental disabilities.

Judith Frye will discuss Wisconsin's Family Care, a program that integrates long-term care services for adults of all ages through care management organizations. She will also discuss the role of Aging and Disability Resource Centers (ADRCs) as single entry points for information and assistance for people needing long-term care services. Ms. Frye is director of the Office of Family Care Expansion in the Division of Long Term Care within the Wisconsin Department of Health and Family Services. Her responsibilities include statewide expansion of Wisconsin innovations in long-term care, including Family Care and Family Care Partnership, which are partially and fully integrated managed care programs for elders and adults with disabilities.

Pamela Coleman will discuss Texas' approach to Medicaid managed long-term care, its effect on consumer use of acute care services, and the state's efforts to coordinate managed long-term care services with Special Needs Plans (SNPs). Ms. Coleman has over 23 years' experience in health and human services. She currently serves as the deputy director, Medicaid/CHIP Division, for the Texas Health and Human Services Commission, where she oversees the contracting and performance of eighteen Medicaid and CHIP (Children's Healthcare Insurance Program) health plans serving over two million Texans. She is also responsible for direction and leadership of managed care initiatives for aged and disabled Medicaid clients. She led the development of the STAR+PLUS Program, an integrated acute and long-term care managed program.

Charles E. Reed will discuss how Washington state reformed its long-term care system to respond to consumer needs and control overall spending through a series of administrative actions without using a capitated approach. Mr. Reed is the chair of the Washington State Home Care Quality Authority. He was previously the deputy secretary of the Washington state Department of Social and Health Services. Prior to holding that position,

Mr. Reed headed the department's Aging and Adult Services Administration. In this capacity, he pioneered the development of a comprehensive long-term care system responsive to client choice. Washington state has been recognized nationally for expanding home and community care options while controlling costs.

ENDNOTES

1. Steve Eiken, Kate Sredl, and Brian Burwell, "Medicaid Long-Term Care Expenditures," memo and table, Thompson Healthcare, August 10, 2007, available at <http://hcbs.org/files/120/5954/2006LTCExpenditures.doc> and <http://hcbs.org/files/120/5959/2006LTCExpenditures2.xls>, respectively.
2. Paul Saucier and Wendy Fox-Grage, "Medicaid Managed Long-Term Care," AARP Public Policy Institute, Issue Brief 79, November 2005; available at http://assets.aarp.org/rgcenter/il/ib79_mmltc.pdf.
3. Paul Saucier, Brian Burwell, and Kerstin Gerst, "The Past, Present and Future of Managed Long-Term Care," Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, April 2005; available at <http://aspe.hhs.gov/daltcp/reports/mltc.htm>.
4. Richard Kronick and Karen LLanos, "Rate Setting for Medicaid Managed Long-Term Supports and Services: Best Practices and Recommendations for States," Center for Health Care Strategies, Inc., Resource Paper, March 2008; available at www.chcs.org/usr_doc/Rate_Setting_for_Medicaid_MLTS.pdf.
5. Saucier, Burwell, and Gerst, "The Past, Present and Future of Managed Long-Term Care."
6. These states include Texas, Vermont, and Washington. See Rosalie Kane *et al.*, "State Long-Term Care Systems: Organizing for Rebalancing," Centers for Medicare & Medicaid Services, Topic Paper 2, December 2006; available at www.cms.hhs.gov/NewFreedomInitiative/Downloads/Rebalancing_Topic_Paper_2.pdf. Other states include Michigan and Missouri. See Wendy Fox-Grage, "Pulling Together: Administrative and Budget Consolidation of State long-Term Care Services," AARP Public Policy Institute, February 2006; available at http://assets.aarp.org/rgcenter/il/2006_05_state_ltc.pdf.
7. Kane *et al.*, "State Long-Term Care Systems."
8. James M. Verdier, "Medicaid Managed Long-term Care, Challenges and Opportunities for State Policymakers and Low-Income Individuals," PowerPoint slides presented at Michigan Family Impact Seminar, Lansing, MI, October 23, 2007; available at www.fce.msu.edu/Family_Impact_Seminars/Mgd.%20LTC%20in%20MI%20Final1.ppt.
9. Mark R. Meiners *et al.*, "Consumer Direction in Managed Long-Term Care: An Exploratory Survey of Practices and Perceptions," *The Gerontologist*, 42, no. 1 (2002): pp. 32–38; available at <http://gerontologist.gerontologyjournals.org/cgi/reprint/42/1/32.pdf?ck=nck>.



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