



HCBS Waiver Expansion and Medicaid Nursing Home Spending: Implications

December 24, 2012

Introduction

- Analysis suggests that home-based services have helped states save hundreds of millions in Medicaid dollars that would otherwise have been spent on nursing home care.
- The expansion of Medicaid home and community-based services (Section 1915(c)) waiver programs has been associated with a sharp decline in the growth of Medicaid nursing home residents.
- As a result, state Medicaid spending on nursing home care for elderly residents is lower than would have been predicted, in the absence of the home and community-based services (HCBS) waiver program expansion.
- Home care, in particular assistance with activities of daily living (ADLs), and home health are among the principal HCBS waiver program services.

Projected Number of Elderly Medicaid Nursing Home (NH) Residents, in the Absence of HCBS Waiver Expansion

State	Number of Elderly (65+) ¹ Medicaid NH Residents, 1999	Percentage Growth in Elderly (65+) ² Poverty Population, 1999-2008	Projected Number of Elderly Medicaid NH Residents, 2008
CA	91,577	31%	119,966
NJ	38,550	11%	42,791
FL	61,878	34%	82,917

¹ Nursing home residents under age 65 are more likely to need care due to disability. Data on elderly Medicaid NH residents are from the Medicaid Statistical Information System (MSIS).

² The Census Bureau reports data only on the number of poor 65 and over, not the number of poor 75 and over.



Projected vs. Actual Number of Medicaid Nursing Home Residents

State	Projected Number of Elderly Medicaid NH Residents, 2008	Actual Number of Elderly Medicaid NH Residents, 2008
CA	119,966	88,815
NJ	42,791	33,354
FL	82,917	55,779

Medicaid Savings Associated with Decreased Use of Nursing Home Care

State	Actual Medicaid NH Expenditures, 2008 (millions)	Projected Medicaid NH Expenditures Using 1999 Prevalence (millions) ¹	Estimated Savings, 2008 (millions)
CA	\$2,768	\$3,739	\$971
NJ	\$1,452	\$1,863	\$411
FL	\$1,906	\$2,833	\$927

¹ Projected Medicaid NH expenditures calculated based on 2008 Medicaid NH expenditures per resident, from MSIS.

Increases in HCBS Waiver Program Spending Offset Savings on Nursing Home Care

State	HCBS Expenditures, 2008 (millions) ¹	HCBS Expenditures, 1999 (millions)	Increase in HCBS Spending, 1999-2008 (millions)
CA	\$131	\$22	\$109
NJ	\$148	\$35	\$113
FL	\$45	\$1	\$44

¹ HCBS expenditures are from MSIS.

Net Medicaid Savings Associated with Decreased Use of Nursing Home Care/HCBS Waiver Expansion

State	Estimated Savings on Nursing Home Care, 2008 (millions)	Increase in HCBS Spending, 1999-2008 (millions)	Estimated Savings Net of HCBS Spending Increase, 2008 (millions)
CA	\$971	\$109	\$862
NJ	\$411	\$113	\$298
FL	\$927	\$44	\$883

Spotlight on Florida: Recent Research Finds Investment in HCBS Is Associated with Savings on Nursing Home Care

- Hahn and colleagues examined the relationship between Medicaid HCBS waiver expenditures and the prevalence of “low-care”¹ nursing home residents in Florida counties in 2007.²
- The authors analyzed facility–level data and county-level market characteristics (including HCBS waiver expenditures) for 653 Florida nursing homes.
- Data modeling showed that a \$10,000 increase in per capita HCBS waiver expenditures was associated with a 3.5 percentage point reduction in low-care nursing home residents.

The authors conclude that Medicaid HCBS waiver programs may reduce the number of low-care residents in nursing homes.

¹ Low-care was defined as residents who require no physical assistance in any of the 4 late-loss activities of daily living (bed mobility, toileting, transferring, and eating).

² Elizabeth A. Hahn, BS, Kali S. Thomas, MA, Kathryn Hyer, PhD, MPP, Ross Andel, PhD, and Hongdao Meng, PhD (2011): Predictors of Low-Care Prevalence in Florida Nursing Homes: The Role of Medicaid Waiver Programs., *The Gerontologist*, 51:4, 495-503.



Discussion of Findings

- The analysis in this presentation is illustrative rather than definitive.
- There have not been any controlled experiments (e.g., random assignment demonstrations) testing the impact of HCBS waiver program expansion on Medicaid nursing home and overall long-term care spending.
- Accordingly, we can show that HCBS waiver expansion is associated with reductions in Medicaid spending on nursing home care, relative to expected levels, but we cannot prove that the HCBS expansion caused these reductions.
- One recent study analyzed several data sets to determine savings associated with HCBS expansion and found that HCBS saved \$57 billion nationally in 2006.¹

¹ Charlene Harrington PhD, Terence Ng JDMA & Martin Kitchener PhD (2011): Do Medicaid Home and Community Based Service Waivers Save Money?, Home Health Care Services Quarterly, 30:4, 198-213

Methodological Considerations

- This analysis focuses solely on HCBS waiver spending, rather than all Medicaid HCBS spending (i.e., including spending under the mandatory home health and optional personal care benefits), in order to illustrate the impact of HCBS waivers as a policy innovation.
 - » The Medicaid Statistical Information System (MSIS) defines HCBS waiver spending as payment for services furnished under a §1915(c) waiver approved under the provisions in 42 CFR Part 441.
- The analysis is limited to Medicaid NH residents and HCBS waiver program participants over age 65.