



## Opportunities for Transforming California's System of Home- and Community-Based Services

Background Paper Prepared for the Assembly Committee on Aging and Long-Term Care

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### Introduction

State policymakers have long grappled with numerous challenges associated with a fragmented and unsustainable home- and community-based services (HCBS) system.<sup>1</sup> These challenges include multiple administrative structures implementing HCBS, a lack of coordinated data and planning, access issues, fiscal pressures, and others. Despite these challenges, the state can seize new opportunities and plan for a system that offers integrated, person-centered services and supports that are high quality and accessible, allowing individuals to receive services in the setting of their choice and in a manner consistent with their needs.

### Home- and Community-Based Services: Individual Choice and State Challenges

Most individuals needing long-term services and supports (LTSS)<sup>2</sup> prefer to receive services in the home and community and to avoid institutionalization whenever possible, which is a principle of the United States Supreme Court ruling in the 1999 case of *Olmstead v L.C.*<sup>3</sup> California's HCBS system was established out of a movement in the 1970s to provide critical services designed to help individuals remain at home and avoid institutional placement. As a result, a number of innovative HCBS programs were spearheaded in California and later expanded to other states. Such programs include the Program for All-Inclusive Care for the Elderly (PACE), Adult Day Health Care (ADHC), In-Home Supportive Services (IHSS), and the Alzheimer Day Care Resource Centers. California was once seen as a leader in providing services to support the full integration of persons with disabilities and seniors in community life. Despite these initial advancements, the HCBS system has been negatively impacted by a number of challenges:

- Fragmentation: California's continuum of care composed of primary, acute, and rehabilitative medical services along with long-term services and supports including home- and community-based services, is fragmented and unsustainable as a result of program development and expansion that has occurred in silos and without an overall system strategy. The senior or person with a disability and their caregivers struggle to navigate this system, often leading to difficulty accessing the necessary services and supports.
- Lack of system-wide data and planning: No single department or agency uniformly collects and reports data across all LTSS programs. Without comprehensive data, the state cannot evaluate program effectiveness and identify needs and gaps in service delivery. The state lacks a system-wide, long-range strategic plan based on population-level data that sets priorities and maximizes the use of limited resources.
- LTSS Budgeting by Silos: The State budgets separately for each LTSS program, whether Medicaid waiver, state plan service, or other HCBS program. This practice makes it difficult to budget

<sup>1</sup> The term "home- and community-based services" refers collectively to long-term services and supports that are provided outside of institutional settings.

<sup>2</sup> Long-term services and supports (LTSS) refer to a broad range of services by paid or unpaid providers that can support people who have limitations in their ability to care for themselves due to a physical, cognitive, or chronic health condition that is expected to continue for an extended period of time.

<sup>3</sup> For more detail about *Olmstead*, please see: The SCAN Foundation (2011). Long-Term Care Fundamentals Number 5: Implementing *Olmstead* in California. Available at: [http://www.thescanfoundation.org/sites/default/files/LTC\\_Fundamental\\_5.pdf](http://www.thescanfoundation.org/sites/default/files/LTC_Fundamental_5.pdf).

according to individual/population needs, and instead forces a “form follows funding” approach whereby individuals can only access programs based on the available funding.

- **HCBS Access Issues:** Individuals often struggle to access to HCBS due to long waitlists and lack of availability on a statewide basis. This issue can be attributed in part to the federal Medicaid “institutional bias”, through which Medicaid law provides an entitlement to institutional care but does not extend the same entitlement status to HCBS. As a result, California covers the costs of nursing home care for Medicaid beneficiaries but provides no similar guarantee for HCBS, as these services are optional and permissible, but not mandatory. This leads to an HCBS system in California that consists of a patchwork of Medi-Cal “optional” State Plan services<sup>4</sup> and Medi-Cal waiver programs that provide community-based alternatives for individuals who would otherwise require care in a nursing facility or hospital.
- **State/Local Fiscal Incentives:** HCBS service provision is further complicated by state/county program funding requirements. For services provided through the In-Home Supportive Services (IHSS) program, counties pay 17.5 percent, the state pays 32.5 percent, and the federal government pays 50 percent of the share-of-cost. For nursing facility services, the state pays 50 percent and the federal government pays 50 percent of the bill, relieving counties’ of their share-of-cost. Counties have no fiscal incentive to enroll individuals in the IHSS program; if these individuals are instead placed in an institution, the counties bear no fiscal responsibility for their care.
- **Fiscal Pressures:** The difficult fiscal climate and the optional nature of their services leaves HCBS programs the target of significant budget reductions. These two realities continue to threaten the progress California has made in providing community-based alternatives to institutionalization.

### **Addressing the Challenges and Seizing Opportunities**

Below is a series of opportunities to transform California’s fragmented and unsustainable HCBS system into one that offers integrated, person-centered services and supports that are high quality and accessible, allowing individuals to receive services in the setting of their choice, in a manner consistent with their needs. The Patient Protection and Affordable Care Act (ACA, P.L. 111-148) presents several opportunities to improve access to HCBS, as well as other opportunities to integrate LTSS across the continuum.

*Rapidly evaluate options in the ACA for enhancing Medicaid HCBS.* California is eligible to apply for two new state plan options that can improve access to HCBS with the support of an increased federal Medicaid match:

- **Community First Choice:** A new Medicaid state plan option, Community First Choice, offers community-based attendant services and supports to beneficiaries meeting the state’s criteria for nursing facility eligibility. States that choose this option will receive a six percentage point increase in their Federal Medical Assistance Percentage (FMAP – the federal government’s share of the Medicaid program). The Community First Choice option will be available to states in October 2011. In California, Trailer Bill SB 72, Chapter 8, Statutes of 2011 identified \$128

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<sup>4</sup> California’s optional State Plan services include In Home Supportive Services, Home Health Agency services and Targeted Case Management. At present, Adult Day Health Care remains part of the State Plan; however, the Legislature and Governor recently approved its elimination as a state plan benefit.

million in General Fund savings due to the assumption that the administration will apply and qualify for the Community First Choice State Plan Option.

- HCBS State Plan Option (1915i): The ACA revised the 1915(i) option originally established by the Deficit Reduction Act of 2005 by permitting states to enroll Medicaid beneficiaries into HCBS with incomes up to 300 percent of the Supplemental Security Income (SSI) amount and to extend the full range of Medicaid benefits to those receiving services through the state plan option. States may target benefits to certain populations, such as individuals with qualified functional impairments. Additionally, the law now requires “statewideness” of services under this option, meaning all who are eligible for services regardless of geographic location must have access. The changes to the 1915(i) state plan option became effective October 2010.

*Pursue administrative changes that foster operational and financial efficiencies leading to improved access to HCBS:*

- Create a global budget at the state level: To address the challenge of the siloed budget process, a more ideal system would allow individuals to access services based on need rather than on available funding by service. Consolidating nursing facility, IHSS, and other selected HCBS funding into a single appropriation would create efficiencies in LTSS financing and administration and help increase access to HCBS.
- Consolidate state-level administrative structures: Reorganizing and consolidating the currently fragmented state departments would improve coordination and build efficiencies across the LTSS continuum.
- Develop and implement a uniform assessment tool: Currently, consumers are assessed multiple times across multiple programs, a practice that is burdensome, duplicative, and inefficient for both individuals and the system of care. A uniform assessment tool would increase the understanding across service lines of what services an individual receives and how they match their needs. Furthermore, uniform assessment builds efficiencies in program administration and enables policy and planning based on population need.
- Establish an integrated information system: Bringing together data across the relevant departments would produce the analytics necessary for “real time” policy decision-making.
- Facilitate further nursing home transition: Maximize funds available through the newly-extended Money Follows the Person program to help facilitate the relocation of eligible individuals in nursing homes back to the community. Also, explore the potential for using these funds to support diversion from institutional settings with CMS.

California’s HCBS system is broken – it operates in silos, is difficult for individuals and their caregivers to navigate, and leads to inefficient delivery of services. Given the current economic climate, the state faces a critical moment to design a system that offers integrated, person-centered services and supports that are high quality and accessible, allowing individuals to receive services in the setting of their choice and in a manner consistent with their needs. The SCAN Foundation welcomes the opportunity to partner with state policy leaders to achieve this vision.

**ABOUT THE SCAN FOUNDATION:** The SCAN Foundation is dedicated to creating a society in which seniors receive medical treatment and human services that are integrated in the setting most appropriate to their needs. For more information, please visit [www.TheSCANFoundation.org](http://www.TheSCANFoundation.org).