



State Expenditures on Home and Community-Based Care for Disabled Elders

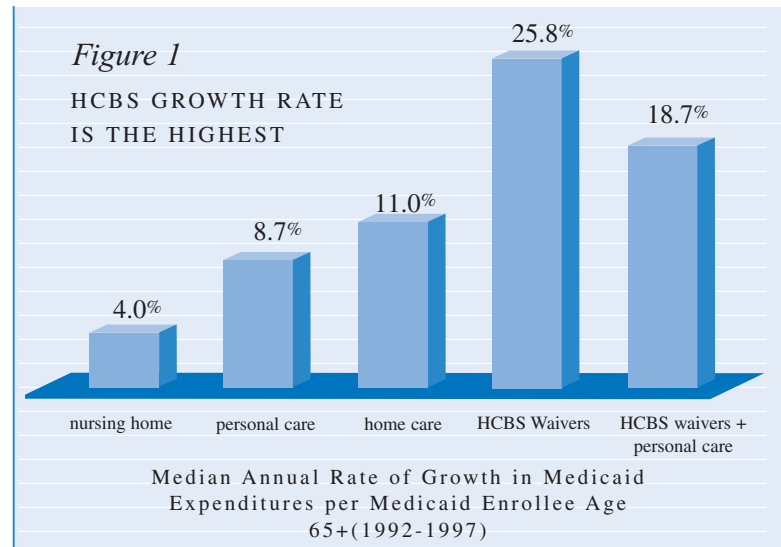
Two decades after a small number of states began significantly expanding public funding of home and community-based services (HCBS), advocates argue that public funding of long-term care (LTC) for older persons remains institutionally biased in most states. This fact sheet summarizes a recent analysis of Medicaid and other state spending on HCBS aimed at determining the extent to which states changed the allocation of their LTC resources during the 1990s — a time of widespread implementation of Medicaid HCBS waiver programs for disabled elders.¹ Although HCBS spending has grown much more rapidly than nursing home spending in recent years, the share of Medicaid LTC dollars going to HCBS for elders is still small in most states, suggesting that reallocation of a significant amount of public dollars from nursing homes to HCBS remains very difficult.

Medicaid Expenditure Trends

The Medicaid program, with shared state and federal financing, accounts for the majority of state spending on LTC for elders. Figure 1 reports the median annual rate of growth in Medicaid spending on LTC services by the 50 states and the District of Columbia.²

Medicaid spending on HCBS is growing faster than spending on nursing home care.

Spending on HCBS waiver programs serving disabled elders increased at an annual rate of roughly 25 percent between 1992 and 1997. In contrast, the median annual increase in nursing home spending (4.0 percent) was slightly below the overall rate of health care inflation.³ The rate of growth in spending on the optional Medicaid personal care benefit (26 states had this benefit in 1997) and on Medicaid home health care averaged 8.7 and 11.0 percent, respectively.



The best indicator of state efforts to expand Medicaid funding of HCBS for older persons, in our judgment, is the combined rate of growth in spending on HCBS waivers and spending on the optional personal care benefit. This is because Medicaid spending on home health care in many states appears to go primarily toward short-term post-acute care, with the non-elderly being the major users of this benefit. The median annual rate of growth for the combination of HCBS waivers serving elders and the optional personal care benefit was 18.7 percent from 1992 to 1997. In the remainder of this fact sheet, "Medicaid HCBS expenditures" refers to spending on these two benefits.

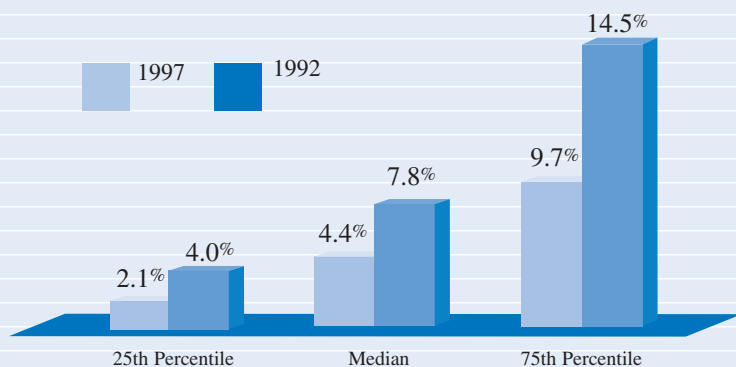
Despite rapid growth in HCBS spending, the share of Medicaid LTC resources going to HCBS is still small in most states.

Figure 2 shows that half of all states spent less than 7.8 percent of their total Medicaid LTC resources (i.e., nursing home plus HCBS dollars) on HCBS in 1997.

Although the median share of LTC resources going to HCBS increased considerably between 1992 and 1997 (from 4.4 to 7.8 percent, a relative increase of approximately 75 percent), the share of LTC resources going to HCBS remains quite small in most states.

Figure 2

SHARE OF EXPENDITURES GOING TO HCBS IS STILL SMALL IN MOST STATES



Note: HCBS means spending on waiver programs serving disabled elders plus spending on personal care

A small number of states do spend a substantial share of their Medicaid LTC resources on HCBS.

Although the share of LTC resources going to HCBS in 1997 remained below 15 percent in three quarters of the states (Figure 2), 5 states (New York, North Carolina, Oregon, Texas and Washington) spent more than 20 percent of their Medicaid LTC resources on HCBS in 1997 compared to only 1 state (New York) in 1992.

Trends in Other State Spending on HCBS

A minority of states spend a considerable amount of money on HCBS outside of the Medicaid program. Massachusetts, Wisconsin, California, and Pennsylvania are among the states with relatively large state-only HCBS programs serving elders. In Wisconsin, for example, total Medicaid expenditures on HCBS were \$133.2 million in 1997 and spending on the state-only funded Community Options Program was \$61.3 million. Except for California, these four states increased per capita spending on their state-only HCBS programs between 1992 and 1997, albeit below the rate of Medicaid HCBS spending.

Conclusions

The great majority of states continue to spend a relatively small share of their LTC resources on HCBS despite the fact that state HCBS spending for elders has grown much faster than nursing home expenditures in recent years. Medicaid waivers are the favored strategy that policymakers have used to expand public funding of HCBS.⁴

Two policies that have the potential to reallocate LTC resources, public funding of assisted living and managed LTC, are of particular interest to state policymakers. Key issues that policymakers should consider and strategies for successfully implementing these policies are the topics of two policy briefs also published by the Center for Home Care Policy and Research.^{5,6} For a copy of these briefs or a research report with a more detailed analysis of state LTC expenditure trends and policy priorities (see footnote #1), please call 212-794-6304.

Endnotes

¹ Murtaugh CM, MS Sparer, PH Feldman, et al. 1999. *State Strategies for Allocating Resources to Home and Community-Based Care*. New York, NY: Center for Home Care Policy and Research, Visiting Nurse Service of New York.

² Seven states are missing 1997 HCBS waiver data (CA, MT, NE, NV, NY, VA and WV), and one state is missing 1997 optional personal care benefit expenditures (DC). The final year of Medicaid HCBS expenditure data for these eight states is 1996 instead of 1997. To adjust for differences among the states in the size of their Medicaid programs and fluctuations in enrollment over time, expenditure data were divided by the number of Medicaid enrollees age 65 or older in each state. Data limitations prevented us from excluding spending on those younger than age 65. The statistics presented here, therefore, include expenditures on the non-elderly. However, with the possible exception of home health care, elders are the primary users of the services studied.

³ HCBS waiver expenditures do not include spending on waiver programs other than those for elders or elders and adults with physical disabilities who are nursing home eligible. Nursing home expenditures do not include expenditures on Intermediate Care Facilities for the Mentally Retarded (ICF/MRs).

⁴ Murtaugh, op cit.

⁵ Stevenson, DG, CM Murtaugh, PH Feldman and MR Oberlink. 2000. *Expanding Publicly Financed Assisted Living and Other Residential Alternatives for Disabled Older Persons: Issues and Options*. New York, NY: Center for Home Care Policy and Research, Visiting Nurse Service of New York.

⁶ Stevenson, DG, CM Murtaugh, PH Feldman and MR Oberlink. 2000. *Expanding Publicly Financed Managed Long-Term Care Programs to Provide Greater Access to Home and Community-Based Care*. New York, NY: Center for Home Care Policy and Research, Visiting Nurse Service of New York.

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