Volunteers of America®
National Headquarters

Recommendations to Improve the Integration of Medicaid Home and Community-based Services with Housing

Statement to the Medicaid Commission
March 13, 2006
Atlanta, Georgia

Volunteers of America appreciates this opportunity to address the Medicaid Commission on perhaps the most challenging piece of the Medicaid puzzle with the greatest implications for the long term sustainability of the program --- long term care for our nation's elderly and for persons with disabilities.

Our statement will emphasize the critical interrelationship of Medicaid Home and Community-Based Services ("HCBS") and housing. We will recommend policies that will promote a seamless system that will serve not only the coming wave of young retirees, but also the current population of frail and vulnerable seniors, including aging individuals with developmental disabilities.

By way of introduction, Volunteers of America is a national nonprofit, spiritually based organization that has been providing local human service programs and opportunities for individual and community involvement for over 100 years. We serve Medicaid beneficiaries across a broad continuum of care in our skilled nursing facilities, assisted living communities, Intermediate Care Facilities for people with developmental disabilities and mental retardation, supportive housing for homeless individuals, and through our home health care agencies. Our philosophy of care is to serve our clients in the least restrictive setting that allows them to maximize their dignity, independence, and quality of life.

In addition, Volunteers of America is one of the nation's leading providers of quality affordable housing for individuals and families in need, people with disabilities and the elderly in over 225 communities across the country. In fact, Volunteers of America is one of the largest operators of HUD's 202 senior housing program and 811 housing for people with disabilities. I mention this so that the Commission will understand the large base of operational experience that Volunteers of America has in the areas of housing and Medicaid related services --- two areas that figure most prominently in providing our nation's seniors with the quality of life and quality of care they desire and deserve.

The vast majority of Medicaid spending on non-institutional long-term care continues to occur through HCBS waivers. Although the number of people served by HCBS waivers has been steadily increasing over the last two decades, the majority (70 percent) of Medicaid long-term care dollars still goes toward institutional care. The largest group of

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beneficiaries receiving HCBS are the elderly and persons with disabilities. The next largest group of beneficiaries are those enrolled in waivers for persons with mental retardation/developmental disabilities.

Today, forty-nine states now operate approximately 275 Medicaid HCBS waivers, serving close to one million persons. By rebalancing their long-term care delivery system with greater emphasis on home and community-based services, states are striving to reduce overall Medicaid spending or cut its rate of growth. Clearly, there is growing recognition at the state and federal level that greater access to home and community-based services is critical to creating the kind of long-term care system consumers and policymakers want.

In fact, the recently enacted Deficit Reduction Act gives states the flexibility to provide HCBS services for the elderly and disabled by an amendment to its state plan, rather than by seeking a waiver from CMS. It should be noted, however, that giving states the authority to cap state plans and put people on waiting lists is a cause of concern among many advocates from the disability community.

Unfortunately, the place a person chooses to call home often makes a big difference as to the ease, accessibility, or eligibility of that person to receive Medicaid's Home and Community Based Services. For example, one affordable assisted living development in Vermont was financed by a combination of funds from HUD's Section 202 Assisted Living Conversion Program, the Vermont Conservation Board, the Community Development Block Grant and City Trust, HUD Special Purpose Funding, and tax exempt bond financing through the Vermont Housing Agency. However, because housing subsidy programs and Medicaid operate under different requirements, including those related to eligibility, extensive planning and collaboration is needed to enable multiple programs to work together.

While many states continue to explore innovative ways to combine Medicaid funding and subsidized housing to develop residential care options for low-income persons, the reality is that federal housing subsidy programs and Medicaid operate under different requirements, including those related to eligibility. Like the Vermont example, it is typical for providers to have to tap multiple public programs to piece together an adequate housing subsidy. This fragmentation has real consequences for senior and their families by creating serious gaps in the delivery of needed HCBS services that can help delay or divert people from more costly institutional care.

Policy Recommendations

The elimination of barriers that hinder the connection between HCBS and housing must be part of the Commission's vision for reforming the Medicaid system for the 21st century. The Medicaid Commission should recommend to Congress ways to expand and improve the mechanisms for the integration of Medicaid Home and Community-based Services with housing by:

1. **Requiring HUD and HHS to coordinate critical funding sources and eligibility criteria for long-term care and housing into a one-stop approval process, including Medicaid, Low Income Housing Tax Credits, tax-exempt bonds, HOME, CDBG, and Medicaid.** Thirty one states already have "single entry point" systems for Medicaid authorization, client assessment, eligibility determination, care plan development and quality assurance monitoring. It is time to expand the concept of the Medicaid "single entry point" system to include funding streams for housing subsidies and new senior housing construction. New models for coordinating CMS and HUD funding streams, applications, timetables, coverage and eligibility criteria must be developed.

2. **Improving the integration of Medicaid funding with federal housing subsidies by uncoupling Medicaid eligibility from the criterion that an individual must be nursing home eligible.** It is an outmoded requirement that demands participants who receive HCBS meet Medicaid's criteria for admission to a nursing home. States should have the flexibility to set broader standards for community-based care and a narrower one for nursing home care. A more flexible standard for HCBS would be a valuable tool for states to have to keep elderly and disabled individuals from deteriorating to the point where they meet Medicaid criteria for admission to a nursing home.

3. **Encouraging states to grant presumptive Medicaid eligibility to consumers about to be discharged from a hospital or other institutional setting.** Medicaid rules allow states to pay for services such as home modifications before a consumer leaves an institution to return home and is very helpful in arranging community-based care. However, when Medicaid eligibility is pending, consumers may not be able to return to their home immediately from a hospital or other institutional setting, unless Medicaid funding for home modifications is available on a presumptive basis.

4. **Reducing the financial risks to lenders/investors in subsidized facilities by providing project-based Medicaid HCBS waivers.** Currently, Medicaid HCBS waiver funding is tied to recipients, not facilities --- and is generally provided a few years at a time. By contrast, development of an assisted living facility requires a long-term mortgage loan plus long-term housing subsidies. Sponsors, lenders and providers of housing subsidies are reluctant to commit development funds up front when there is a risk that the Medicaid HCBS services funding may not be renewed. Possible tools might include the provision of long-term project based HCBS waivers. This approach would provide a governmental guarantee that a certain number of state licensed assisted living beds would receive at least a certain amount of HCBS funding over a specified number of years. This governmental guarantee would go along way toward facilitating appropriate long term mortgage financing for assisted living facilities. Florida's Department of Elder Affairs has pioneered the innovative use of project-based Medicaid waivers.

5. **Requiring more coordination between housing vouchers and HCBS waivers.** Medicaid does not pay for housing services except as part of institutional care. As a result, the inability to meet room and board costs of affordable residential alternatives, such as assisted living, put these options out of reach for many low-income seniors. New models to integrate housing and long-term care are important. For example, a HUD-CMS demonstration project allocated fifty Section 8 housing vouchers to each of ten states for individuals being discharged from nursing facilities. Good examples of programmatic coordination should be expanded and encouraged. As a matter of policy, Section 8 housing vouchers should be more available to seniors who are recipients of Medicaid HCBS waivers. Further, Congress should establish a clear policy that subsidies received for housing are not counted as income in determining Medicaid eligibility. This provision would make home-based services more accessible to seniors with low incomes.

6. **Improving the coordination of care for dual eligibles.** About seven million people are dually enrolled in Medicare and Medicaid. Many dual-eligible clients start as Medicare beneficiaries facing an acute episode that results in hospitalization. The incentives built into the Medicare hospital reimbursement system encourages speedy, rather than "preferred (or least costly) discharge. Hospital discharge planning needs to be realigned to facilitate returning home with services as needed. Hospital discharge planners should be required to have responsibility and accountability to the other public payer in the system (Medicaid). Medicare conditions of participation for hospitals could be used to elicit improved coordination. Having one system pay for acute care, and another for long term care without coordination leads to both unnecessary expense and poor client outcomes.

7. **Directing that Medicaid service funding be committed for seniors in Assisted Living Conversion Program facilities.** HUD's Assisted Living Conversion Program provides grants to nonprofits to convert certain units in an eligible housing facility into assisted living units for frail elders. Despite the proven need for such housing, the ALCP is not fully utilized because of a lack of funding for supportive services that are essential in an assisted living setting. Medicaid HCBS are the most appropriate service-funding source. However, it is difficult for housing providers to obtain a guarantee from State Medicaid programs that they will receive the HCBS waiver funding they need in order to serve eligible residents. Congress should direct that Medicaid service funding be committed to seniors in assisted living conversion facilities.

Conclusion

The scope of issues related to housing and supportive services is very broad and complex. I have selected just a few of what we feel are among the more pressing issues that could benefit from a strong policy discussion by the Medicaid Commission, Volunteers of America is ready to work with the Medicaid Commission, federal and state governments,

the not-for-profit sector, business, labor and families to work toward a cohesive public policy that will in the end allow seniors to live in the place of their choice, with access to the services they prefer, at a cost that is affordable to the individual and the government. Thank you again for this opportunity to present our thoughts and recommendations.

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