LSA
Lutheran Services in America

Disability Network

March 14, 2006

Statement to the HHS Bipartisan Commission on Medicaid Reform

Mark A. Peterson, President and CEO, Lutheran Social Service of Minnesota

My name is Mark Peterson. I am the President and CEO of Lutheran Social Service of Minnesota, which celebrated its 140th anniversary last year. I am also proud to have served LSS of Minnesota in the capacity of CEO and President for the last 19 years.

I would like to begin by thanking you for your work on this Commission. Medicaid is the most important funding source in the lives of people with developmental disabilities. Your thoughtful and informed decisions will have tremendous human impact. Your recommendations should lead us toward reform so that Medicaid can continue to help people in the most effective and cost efficient ways.

Today, I speak to you on behalf of Lutheran Social Service of Minnesota (LSS of MN), Lutheran Services in America (LSA), and the LSA-Disability Network. Lutheran Services in America is an alliance of Lutheran church bodies and their health and human service organizations. LSA has over 300 member organizations, and LSS of MN is one of those members. This faith-based network serves over 6 million Americans annually, or about 1 out of every 50 people in the United States. The annual budgets of LSA members total over $8 billion.

The LSA-Disability Network is made up of LSA members who serve individuals with developmental disabilities. LSA-DN members provide support to more than 12,000 individuals in 30 states and the U.S. Virgin Islands. Our members share expertise in developing and providing high quality, individualized support, including rehabilitative services, work programs, residential services, respite care and independent living.

Lutheran Social Service of Minnesota provides a range of services for children, youth, families, seniors and people with disabilities, but today I want to focus on our support for individuals with developmental disabilities and their families. Medicaid has been an essential partner in our service to these individuals.

Most long-term care services for people with developmental disabilities in the United States are paid for by Medicaid. Annually LSS of Minnesota provides in-home and community based support for 600 individuals and is reimbursed by Medicaid for these services. Without these revenues, it would be impossible for LSS of Minnesota to provide these essential services.

The services that we provide can be lumped into two broad categories: in-home support and residential support. LSS of Minnesota provides in-home services which allow children and adults to remain in their family homes and receive services appropriate to their needs. Individuals and families benefit greatly from in-home services, since they enable families to care for disabled family members in their home instead of being forced to place them in another setting simply to receive the care they need. In-home services are typically more personal and much less expensive than similar services provided outside the home.

LSS of MN provides residential support to individuals who require 24-hour care most frequently through Home and Community Based Services (HCBS) under the 1915c waiver. Most of these individuals live in small shared living services or 'group homes' for 3 or 4 individuals. These homes allow individuals to remain an important part of their community while still receiving the special care they need. With the support of trained staff, these individuals participate in personal care, perform household chores and form lasting friendships with people in the communities in which they live and work.

Our services focus on independence, safety and skill development. The flexibility provided by home and community based services allows staff to tailor services to each individual and save valuable dollars by avoiding expensive institutional placement.

Though Medicaid is a tremendously important revenue source for these critical services, it is not without its challenges. The first challenge involves waiting lists for services that have grown across the nation. In Minnesota alone, more than 4000 individuals are waiting for support. In many cases aging parents are becoming too elderly to continue caring for their adult child and need additional support. In other cases, younger families need in-home services for their child. Medicaid funding must be available to meet the needs of disabled citizens waiting for services.

The second challenge is the disparity between Medicaid reimbursement rates and the actual cost of care. In the past few years Lutheran Social Service of Minnesota has had its reimbursement rates, cut, frozen and only partially restored. The effect has been to reduce our direct support and supervisory workforce. We worry more about service quality today due to these rate reductions and are challenged by higher turnover due to the stagnation of wages that are too low for the demanding responsibilities we require of our caregivers. Future cuts in reimbursement rates would have a devastating effect on both quality and availability of services for people with developmental disabilities. Without services, the strain on working families who are trying to support their disabled children in their own home can grow to the point that they are forced to place their child in out-of-home settings.

Medicaid reimbursement rates directly affect the wages of our caring staff. At LSS of MN approximately 70% of our Medicaid revenues go to pay wages and benefits, mostly to direct support professionals. If reimbursement rates are reduced, available wages and benefits will simply be too low to attract and retain a competent workforce. Even though we are a faith-

based, non-profit and work hard to attract philanthropic support, donated dollars simply can't fill a huge compensation gap.

The third challenge lies in Medicaid's historic bias toward institutional services. We know that investing Medicaid dollars in community supports is less costly because it helps people remain in their own homes, preserves their independence and keeps family caregivers involved.

Recent changes in the Deficit Reduction Act of 2005 begin to move Medicaid away from the institutional bias, but we ask that your recommendations for Medicaid reform clearly endorse home and community based services for individuals with developmental disabilities for both effectiveness and cost efficiency.

According to David Braddock's *The State of the States in Developmental Disabilities,* HCBS waiver costs for participants in 24 states were substantially below the cost of more institutional services such as ICF/MRs.

> In 2004...in 24 states, federal-state Waiver spending constituted 50% or more of total MR/DD long-term care spending. The HCBS Waiver cost per participant in each of these states [was] substantially below the institutional ICF/MR cost.[1]

Additionally, according to the Pew Center on the States, HCBS have been shown to save states money.

> "One big question is whether it saves money. Most of the evidence seems to suggest it can. As Medicaid programs triage the most functional patients into programs offering lower-level supports, they can keep much of the caseload away from expensive institutions."[2]

Lutheran Services in America supports a long-term care model that would allow an individual to receive services in their home and community first, before qualifying that individual for services in an institutional setting. As the need for support increases, so should the level of care available. In-home or smaller, more independent and cost efficient settings should be the first option for a person with a disability to receive Medicaid services. Comprehensive and high quality care for persons with severe medical needs should be available to those who need that level of care but only within an institutional setting as a last resort.

A final challenge lies in the need for Medicaid to encourage innovative partnerships with consumers of Medicaid services, their families/friends and traditional service providers. LSS of Minnesota believes consumers, families/friends and providers can create "circles of support" for Medicaid recipients with developmental disabilities. These circles would include both informal and traditionally licensed services. The individuals being served would have a greater voice in the direction of services.

---

[1] Braddock, David. *The State of the States in Developmental Disabilities.* The University of Colorado. 2005.
[2] Pew Center on the States. *Pew Center on the States Special Report on Medicaid.* 2006.

More personalized support and service costs could be reduced through the use of less formal supports. For example, neighbors could be reimbursed for travel to a doctor's appointment or for providing respite care. Family members could be reimbursed for providing specific care that would otherwise require more expensive solutions. These service combinations offer the win/win promise of more personalized and less costly services.

As you review the information presented to you today, we at Lutheran Social Service of Minnesota and Lutheran Services in America-Disability Network encourage you to remember that people with developmental disabilities are critically dependent on long-term supports and services. Disabilities cut across racial, ethnic, social, and socio-economic lines and can be financially devastating to working families. Though we recognize the need for reform of many aspects of the Medicaid program, the support that Medicaid provides to people with developmental disabilities and/or their families is essential.

For further information contact: Andrina Fiene, LSA-DN Public Policy Liaison, afiene@lutheranservices.org, 202-626-7949.