DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850

Center for Medicaid and State Operations

SEP 17 2003 SMDL #03-008

Dear State Medicaid Director:

Last year, I sent a letter highlighting promising practices and strategies available under current law to help states promote the principle of "Money Follows the Person." Since that time, this concept has been widely discussed in "Open Door" forums and I have received several requests for additional examples and clarification on this topic. This letter responds to those requests and sets forth a common understanding of the principle of Money Follows the Person.

Money Follows the Person refers to a system of flexible financing for long term services and supports that enables available funds to move with the individual to the most appropriate and preferred setting as the individual's needs and preferences change. It is a market-based approach that gives individuals more choice over the location and type of services they receive. As illustrated by the enclosure to this letter, a system in which Money Follows the Person is also one that incorporates the philosophy of self-direction and individual control in state policies and programs. It includes, but is not limited to, key systems to ensure: 1) the delivery of comprehensive information to individuals on long term supports and services through single access points; 2) the availability of responsive supports across settings and providers; 3) the existence of systems to ensure quality of life and services; and 4) the ability of separate funding streams to appear seamless on the part of the individual.

The Department of Health and Human Services has taken a number of actions to expand opportunities and assist states in the appropriate "rebalancing" of state long term service and support systems that embody the principle of Money Follows the Person:

- On July 28, 2003, Secretary Thompson transmitted legislation to Congress to authorize the *Medicaid New Freedom Initiative Demonstration Act of 2003*. Included in this package is a proposed $1.75 billion 5-year demonstration, entitled the *Money Follows the Individual Rebalancing Demonstration*, that would provide individuals with disabilities who reside in nursing homes with more choices to live in their own communities and will include provisions to ensure quality assurance. This legislation is awaiting Congressional action.

- The CMS is in the process of awarding almost $7 million to states under the 2003 *Real Choice Systems Change Grants* to assist them in implementing Money Follows the Person strategies.

- Four states have received approval of *Independence Plus* waivers that further empower families and individuals in exercising greater choice, control and responsibility for their services.

- The CMS has posted a series of *Promising Practices* reports on its Web site designed to assist states in identifying activities underway in other states that assist individuals to live better in the community, including activities in which funds move with individuals and their choices (see http://www.cms.hhs.gov/promisingpractices).

Money Follows the Person is a principle most evident in a system in which there is an equitable array of institutional and community-based options to respond to individual needs and preferences. Currently states vary in the degree to which community-based options are offered, with some states spending less than 10 percent and others more than 70 percent of their long term support expenditures on community-based options.[1] State "rebalancing efforts" that seek to reduce reliance on institutional care options and increase home and community-based supports set the context for strategies such as Money Follows the Person.

A number of states have pursued different strategies under existing law that can be useful models to states interested in making immediate changes to their delivery system. We highlight a few examples in the paragraphs below:

Arizona – Managed Care to Rebalance Systems and Promote Money Follows the Person

The Arizona Long Term Care System (ALTCS) uses a managed care model to provide long term support for older people and people with physical and developmental disabilities at risk of institutionalization. In Arizona's largest county, Maricopa County, three managed long term care plans compete with one another to provide a complete array of all Medicaid-covered services for their members, including acute care services, behavioral health services, long term supports, and the provision of prescription drugs. The state's capitation methodology serves as a policy tool for rebalancing the system. The ALTCS pays a blended capitation rate to the health plans, such that the plan is paid the same amount regardless of whether a person lives in a nursing home or in a home or community residential setting. In setting the capitation rate, the state assumes that a certain percentage of each plan's enrollees will be served in the community. Each year, the state adjusts the target rate of people to be served in community-based settings. With this system, plans are provided with a natural incentive to serve more people in the community.

[1] CMS/CMSO, CMS Form 64, *Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program,* FY 2002.

Indiana – Money Follows the Person/Rebalancing Efforts by Reducing Excess Capacity

In 2002, Indiana began an initiative to reduce excess utilization of its nursing facility industry by providing home and community-based services to people at imminent risk of nursing facility admission and to people in nursing facilities that are closing. Indiana funds this initiative using the dollars that would have been spent serving individuals in nursing facilities. To divert people from nursing facility admissions, Area Agency on Aging case managers work with hospital discharge planners to identify and offer home and community-based service options to hospital patients who may be admitted to a nursing facility from the hospital. In 2002, this effort provided home and community-based services for 316 people. In order to assist people in nursing facilities that are closing, Indiana developed a formal process to ensure people have an option to select home and community-based services. Teams comprised of local Area Agency on Aging and state agency staff were established to inform residents of facilities that were closing of their rights and service options, and to assist them in obtaining housing and supports in the community or in another institution.

Oregon – Money Follows the Person through Equal Access Points and Integrated Programs

Oregon's success in achieving an equitable balance between community-based and institutional supports is attributed to several related initiatives over the past two decades. We highlight two methods below:

- *Equal Access Through the Level of Care Determination Process*—Oregon bases its eligibility for long term support services on the level of care determination for each participant, irrespective of the setting in which they seek services. Each individual receives an identical comprehensive assessment conducted by a case manager employed by a single entry point. The assessment information is then electronically entered into a database that calculates whether a person meets the state's nursing facility level of care criteria. The state then decides whether sufficient funds are available to provide home and community-based or nursing facility services to all people who meet these criteria.

- *Merging Administrative and Regulatory Responsibilities at the State and Local Level*—A single state agency is responsible for managing all Medicaid community and institutional long term support programs. This integration of long term support programs is achieved not only at the state level but also at the local level. Oregon's single entry points throughout the state allow for an effective exchange of information about the full range of available options and combine responsibilities for assessing, determining eligibility, and case coordination. This approach permits Oregon to coordinate polices and procedures that promote common goals across all programs on many levels and has resulted in achieving greater success in negotiating a balance among competing programs.

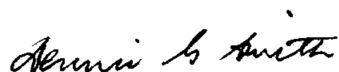
Several States: Self-Directed Services and the Use of Individual Budgets to Promote Individual Choices

Evaluations of programs that utilize self-direction and individual budget techniques have found that offering participants a high degree of choice, control, and responsibility improves service quality, enhances participant satisfaction, and expands the workforce providing home and community-based services. These programs also provide flexible supports and services that better meet participants' needs. Since 1996, states have gained experience with self-direction and using individual budgets through the National Cash and Counseling Demonstration and Evaluation Project (Arkansas, New Jersey and Florida), the Developmental Disability Self-Determination Projects (29 states), and other national and state initiatives. Based on the experiences and successes of these programs, CMS developed the *Independence Plus* Initiative in May 2002 to assist states that want to offer self-direction. To date, New Hampshire, South Carolina, Florida, and Louisiana have received *Independence Plus* waivers.

The above examples are practical solutions states have already taken to further balance their systems and promote the principle of Money Follows the Person. By incorporating Money Follows the Person principles into their Medicaid programs, states advance the concept of consumer control and self-direction in service delivery, and address the objectives of the President's *New Freedom Initiative*, and other important Federal, state and local efforts directed at community living.

I hope you find the clarification and examples useful as you continue in your efforts to meet the needs and preferences of all persons in your state who are elderly or have a disability. Any questions concerning this letter may be referred to Glenn Stanton, Acting Director, Disabled and Elderly Health Programs Group at (410) 786-6041.

Sincerely,



Dennis G. Smith
Director

Enclosure

cc:

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Enclosure

Key Building Blocks of a System in Which Money Can Follow the Person