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CENTERS for MEDICARE & MEDICAID SERVICES

THE NATIONAL EVALUATION OF THE
MONEY FOLLOWS THE PERSON (MFP) DEMONSTRATION GRANT PROGRAM

REPORTS FROM THE FIELD

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# *Transitioning Medicaid Enrollees from Institutions to the Community: Number of People Eligible and Number of Transitions Targeted Under MFP*

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*The Money Follows the Person (MFP) Demonstration is the most ambitious program to date aimed at helping Medicaid enrollees transition from institutions to the community. Over a five year period, 30 grantee states and the District of Columbia[1] plan to provide transition services to approximately 36,000 people who have been institutionalized for six months or more in nursing homes, psychiatric facilities, and intermediate care facilities for the mentally retarded. The MFP program targets only 0.9 percent of the approximately one million people who could be eligible each year. However, the program has the potential to increase the rate of transition for people in long-term institutional care in the grantee states by 15 to 40 percent annually. The extent to which the program increases transition rates will depend on grantees' ability to implement their programs, whether they target people who would not transition without assistance, and whether they can overcome barriers to moving high-need individuals into the community.*

The past two decades have witnessed increased efforts to move people from institutions into the community and to help them live there successfully. Three factors have contributed to this trend: rapidly increasing costs of institutional care, a growing population of elderly and people with disabilities, and evidence that many people in institutional care prefer to live in the community and could potentially do so at a lower cost. As the primary payor for long-term care services in the United States, Medicaid plays a key role in implementing new policy initiatives aimed at transitioning such individuals to the community.

The Money Follows the Person (MFP) Demonstration is the latest and most ambitious of these new Medicaid initiatives. From 2007 to 2011, MFP grant awardees will pair transition programs with other rebalancing initiatives in an effort to shift their Medicaid long-term care systems from institutional to community-based care. The MFP transition program targets Medicaid enrollees who have been institutionalized for at least six months in nursing homes, hospitals, intermediate care facilities for the mentally retarded (ICFs-MR), and institutions for mental diseases (IMDs). Grantees receive enhanced matching Medicaid funds to provide community-based long-term care and support services for up to 365 days after an MFP enrollee leaves an institution. As of June 2008, 30 states and the District of Columbia were participating in the program.

The MFP program has a greater scope and more allocated resources than previous Medicaid transition programs, such as the Nursing Facility Transition (NFT) grants and Real Choice Systems Change (RCSC) Grants for Community Living. From 1998 to 2000, the NFT program provided $4.7 million to help about 1,900 enrollees in institutional care transition to the

[1]Hereafter, we refer to the 31 MFP grantees, including the District of Columbia, as the 31 states.

**ABOUT THE MONEY FOLLOWS THE PERSON DEMONSTRATION**

*The MFP Demonstration, authorized by Congress as part of the 2005 Deficit Reduction Act, is designed to shift Medicaid's long-term care spending from institutional care to home- and community-based services (HCBS). Congress authorized up to $1.75 billion in federal funds to support a twofold effort by state Medicaid programs: (1) to transition people who have lived in nursing homes and other long-term care institutions for six months or more to homes, apartments, or group homes of four or fewer residents and (2) to change state policies so that Medicaid funds for long-term care services and supports can "follow the person" to the setting of his or her choice. MFP is administered by the Centers for Medicare and Medicaid Services (CMS), which awarded MFP grants to 30 states and the District of the Columbia. From 2007 to 2011, grantees will plan and implement programs to transition individuals from institutions to qualified community residences. CMS contracted with Mathematica Policy Research, Inc., (MPR) to conduct a comprehensive evaluation of the MFP demonstration and report the outcomes to Congress in 2012.*

community in 9 of the 12 grantee states for which data were reported (Eiken 2003). Most states that received RCSC grants used the funds to support nursing home transition and diversion efforts. Under this program, which has operated since 2001, about 3,600 people transitioned to the community in more than half the states for which data were reported (Gillespie 2005). In comparison, the 31 MFP grantees plan to use up to $1.75 billion in federal funding to transition approximately 36,000 Medicaid enrollees from institutions to the community.

Although the MFP program is ambitious compared to other recent programs, its scope relative to the size of the eligible population remains unknown. In this report, we provide the context needed to assess the scope of the program. We first profile the Medicaid population in long-term institutional care in 2004—the most recent year for which data are available. This population would have been eligible for a program like MFP had one been in place in 2004. We then summarize the number and rates of transition from institutions to the community in 2004, before the implementation of MFP, and compare these baseline figures in each state with the number targeted for the MFP transition program. Finally, we discuss the study's potential implications for the role of MFP in state efforts to reform their long-term care systems so that more people can live in the most integrated setting possible.

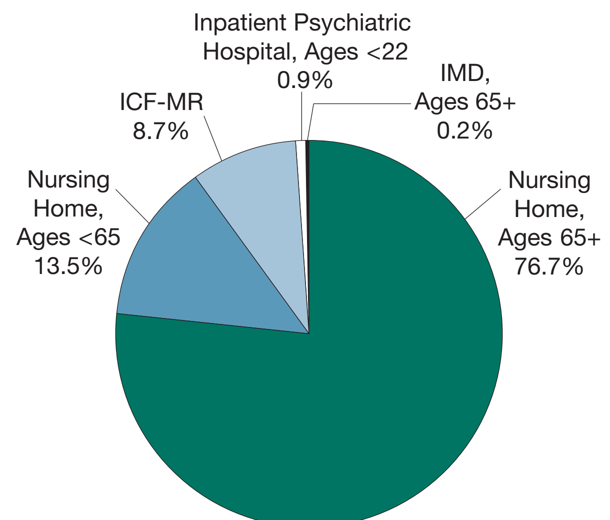
## Who Are the Medicaid Enrollees in Long-Term Institutional Care?

In 2004, 1,342,179 Medicaid enrollees received Medicaid-financed institutional care in the 31 MFP states (Table 1). Of these enrollees, 1,011,914 (75 percent) had been institutionalized for six months or more and would have been eligible for a program like MFP had one existed in 2004. Three states—California, New York, and Texas—accounted for more than 30 percent of MFP eligibles in 2004.

*Type of Institution and Age*. Nine out of 10 people eligible for a program like MFP were residing in nursing homes, and most were age 65 or older (Figure 1). Of all MFP eligibles in 2004:

- 77 percent (775,871) were age 65 or older and in nursing home care (elderly)

**Figure 1. Percent of MFP Eligibles in 2004, by Type of Institution and Age**




Source: MPR analysis of the 2004 Medicaid Analytic Extract files for 31 MFP grantee states.

**TABLE 1. INSTITUTIONALIZED MEDICAID ENROLLEES IN 31 MFP GRANTEE STATES IN 2004, BEFORE THE IMPLEMENTATION OF MFP**

| | | Medicaid Enrollees Institutionalized for Six Months or More | | | | | |
|---|---|---|---|---|---|---|---|
| State | All Institutionalized Medicaid Enrollees | All Target Groups | Nursing Home, Ages 65+[a] | Nursing Home, Ages <65[a] | ICF-MR | Inpatient Psychiatric Hospital, Ages <22[b] | IMD, Ages 65+[b] |
| Arkansas | 24,929 | 18,163 | 13,378 | 1,944 | 1,644 | 1,197 | 0 |
| California | 124,638 | 93,617 | 68,491 | 15,748 | 9,303 | 64 | 11 |
| Connecticut | 31,395 | 24,059 | 19,884 | 2,920 | 1,188 | 25 | 42 |
| Delaware | 4,142 | 3,169 | 2,546 | 386 | 207 | 24 | 6 |
| District of Columbia | 5,628 | 4,119 | 2,711 | 622 | 747 | 20 | 19 |
| Georgia | 40,722 | 33,882 | 28,296 | 4,424 | 1,162 | 0 | 0 |
| Hawaii | 5,050 | 3,465 | 3,004 | 382 | 78 | 1 | 0 |
| Illinois | 91,549 | 69,381 | 43,354 | 16,263 | 9,527 | 150 | 87 |
| Indiana | 43,770 | 34,034 | 26,276 | 4,235 | 3,320 | 145 | 58 |
| Iowa | 22,504 | 18,880 | 14,291 | 1,698 | 2,258 | 633 | 0 |
| Kansas | 16,513 | 13,072 | 11,021 | 1,218 | 644 | 29 | 160 |
| Kentucky | 31,567 | 20,190 | 16,693 | 2,291 | 816 | 380 | 10 |
| Louisiana | 46,197 | 31,720 | 21,440 | 4,600 | 5,605 | 38 | 37 |
| Maryland | 27,221 | 20,008 | 15,615 | 3,001 | 382 | 961 | 49 |
| Michigan | 44,649 | 34,462 | 30,538 | 3,711 | 143 | 33 | 37 |
| Missouri | 39,880 | 30,577 | 24,580 | 4,735 | 1,245 | 14 | 3 |
| Nebraska | 13,208 | 9,888 | 7,362 | 1,178 | 614 | 733 | 1 |
| New Hampshire | 7,459 | 5,824 | 5,404 | 385 | 30 | 5 | 0 |
| New Jersey | 47,374 | 38,345 | 29,598 | 4,531 | 3,090 | 894 | 232 |
| New York | 169,581 | 126,595 | 98,756 | 17,611 | 8,887 | 910 | 431 |
| North Carolina | 48,057 | 37,139 | 28,598 | 3,942 | 4,388 | 163 | 48 |
| North Dakota | 5,821 | 4,774 | 3,759 | 385 | 622 | 2 | 6 |
| Ohio | 92,760 | 70,670 | 52,213 | 10,756 | 7,682 | 19 | 0 |
| Oklahoma | 27,737 | 19,985 | 14,618 | 2,958 | 1,805 | 595 | 9 |
| Oregon | 10,964 | 6,666 | 5,155 | 952 | 51 | 467 | 41 |
| Pennsylvania | 95,353 | 68,665 | 57,446 | 6,075 | 4,127 | 756 | 261 |
| South Carolina | 20,274 | 16,432 | 12,351 | 1,518 | 1,918 | 390 | 255 |
| Texas | 112,657 | 87,181 | 63,586 | 10,873 | 12,492 | 160 | 70 |
| Virginia | 29,578 | 23,241 | 18,146 | 3,046 | 1,894 | 1 | 154 |
| Washington | 22,002 | 14,556 | 12,329 | 2,166 | 60 | 0 | 1 |
| Wisconsin | 39,000 | 29,155 | 24,432 | 2,383 | 2,172 | 128 | 40 |
| MFP Grantee Total | 1,342,179 | 1,011,914 | 775,871 | 136,937 | 88,101 | 8,937 | 2,068 |

Source: MPR analysis of the 2004 Medicaid Analytic Extract files for 31 MFP grantee states.
[a]Nursing home residents with disabilities who turn 65 during the year are classified as aged enrollees (65 or older).
[b]Medicaid does not cover psychiatric facility services for people ages 21 to 65. People age 21 are eligible for Medicaid psychiatric hospital services if they entered a facility before turning age 21. Enrollees in IMDs who were 64 years old at the beginning of the year and received Medicaid-financed IMD services during the year are included in the table and classified with enrollees age 65 or older.

ICF-MR = intermediate care facility for the mentally retarded; IMD = institution for mental diseases.

- 14 percent (136,937) were under age 65 and in nursing home care (people with disabilities)
- 9 percent (88,101) were in ICFs-MR (people with mental retardation or a developmental disability [MR/DD])
- 1 percent (11,005) were under age 22 or age 65 or older and receiving care in psychiatric facilities

Overall, 63 percent of MFP eligibles were age 75 or older in 2004 (Table 2). More than 34 percent were age

**TABLE 2. CHARACTERISTICS OF MEDICAID ENROLLEES INSTITUTIONALIZED FOR SIX MONTHS OR MORE IN 31 MFP GRANTEE STATES IN 2004, BEFORE THE IMPLEMENTATION OF MFP**

| Measure | All Target Groups | Nursing Home, Ages 65+[a] | Nursing Home, Ages <65[a] | ICF-MR | Inpatient Psychiatric Hospital, Ages <22[b] | IMD, Ages 65+[b] |
|---|---|---|---|---|---|---|
| Total number of MFP eligibles during the year (Medicaid enrollees in institutional care for 6+ consecutive months) | 1,011,914 | 775,871 | 136,937 | 88,101 | 8,937 | 2,068 |
| **Demographic and Eligibility Characteristics of MFP Eligibles** | | | | | | |
| Age distribution at the beginning of the year (percentage) | | | | | | |
| <21 | 1.7 | n.a. | 1.7 | 7.2 | 99.5 | n.a. |
| 21-44 | 6.7 | n.a. | 19.5 | 46.6 | 0.5 | n.a. |
| 45-64 | 14.9 | 1.1 | 78.7 | 38.9 | n.a. | 4.5 |
| 65-74 | 13.3 | 16.6 | n.a. | 5.0 | n.a. | 59.9 |
| 75-84 | 29.0 | 37.5 | n.a. | 2.0 | n.a. | 28.4 |
| 85+ | 34.4 | 44.8 | n.a. | 0.4 | n.a. | 7.2 |
| Percentage female | 67.6 | 74.7 | 46.3 | 41.8 | 37.0 | 55.0 |
| Race distribution (percentage) | | | | | | |
| White | 74.8 | 77.2 | 62.2 | 74.8 | 60.4 | 67.3 |
| Black | 15.2 | 13.4 | 24.7 | 15.1 | 24.5 | 24.1 |
| Asian | 0.9 | 1.0 | 0.9 | 0.4 | 0.5 | 0.5 |
| Other | 0.8 | 0.8 | 1.0 | 0.5 | 2.2 | 0.1 |
| Hispanic | 3.7 | 3.3 | 5.8 | 4.0 | 4.9 | 3.9 |
| Missing | 4.6 | 4.3 | 5.3 | 5.2 | 7.5 | 3.9 |
| Percentage receiving cash assistance (SSI)[c] | 13.9 | 7.9 | 34.7 | 37.1 | 28.5 | 21.9 |
| **Months Residing in Institution** | | | | | | |
| Percentage in ILTC for 12+ consecutive months at the start of the year | 64.3 | 62.3 | 60.9 | 92.1 | 15.9 | 62.7 |
| Percentage in ILTC for 6-11 consecutive months at the start of the year | 11.3 | 12.1 | 11.6 | 2.4 | 21.5 | 9.6 |
| Percentage of eligibles reaching the 6-month mark during the year | 24.4 | 25.6 | 27.6 | 5.5 | 62.6 | 27.7 |
| **Total Medicaid Expenditures** | | | | | | |
| Annual Medicaid expenditures per eligible | $48,869 | $38,643 | $59,181 | $118,339 | $82,361 | $98,377 |
| Medicaid expenditures per person per month enrolled | $4,663 | $3,736 | $5,417 | $11,291 | $7,635 | $9,717 |

Source: MPR analysis of the 2004 Medicaid Analytic Extract files for 31 MFP grantee states.

[a]Nursing home residents with disabilities who turn 65 during the year are classified as aged enrollees (65 or older).

[b]Medicaid does not cover psychiatric facility services for people between ages 21 to 65. People age 21 are eligible for Medicaid psychiatric hospital services if they entered a facility before turning age 21. Enrollees in IMDs who were 64 years old at the beginning of the year and received Medicaid-financed IMD services during the year are in the table and classified with enrollees age 65 or older.

[c]Summary statistics for SSI receipt exclude enrollees from 10 Section 209(b) states—Connecticut, Hawaii, Illinois, Indiana, Missouri, New Hampshire, North Dakota, Ohio, Oklahoma, and Virginia—that elected to use more restrictive Medicaid eligibility requirements for SSI recipients than those of the SSI program. In these states, SSI recipients are not automatically enrolled in Medicaid and they must apply separately for Medicaid coverage. Because Medicaid eligibility is not directly linked to SSI receipt, reporting of SSI receipt in the MAX is thought to be unreliable for these states.

ICF-MR = intermediate care facility for the mentally retarded; ILTC = institutional long-term care; IMD = institution for mental diseases; MAX = Medicaid Analytic Extract; n.a. = not applicable; SSI = Supplemental Security Income.

85 or older. Eligibles in ICFs-MR were predominantly ages 21 to 44 (47 percent in 2004).

*Other Demographic and Eligibility Characteristics.* About two-thirds of MFP eligibles were female, three-fourths were white, and approximately 14 percent received Supplemental Security Income (SSI) benefits in 2004 (see footnote c in Table 2). Only 8 percent of eligible elderly people in nursing homes received SSI benefits in 2004. In comparison, 35 percent of eligibles under age 65 in nursing homes received SSI benefits, and 37 percent of eligibles in ICFs-MR received SSI benefits.

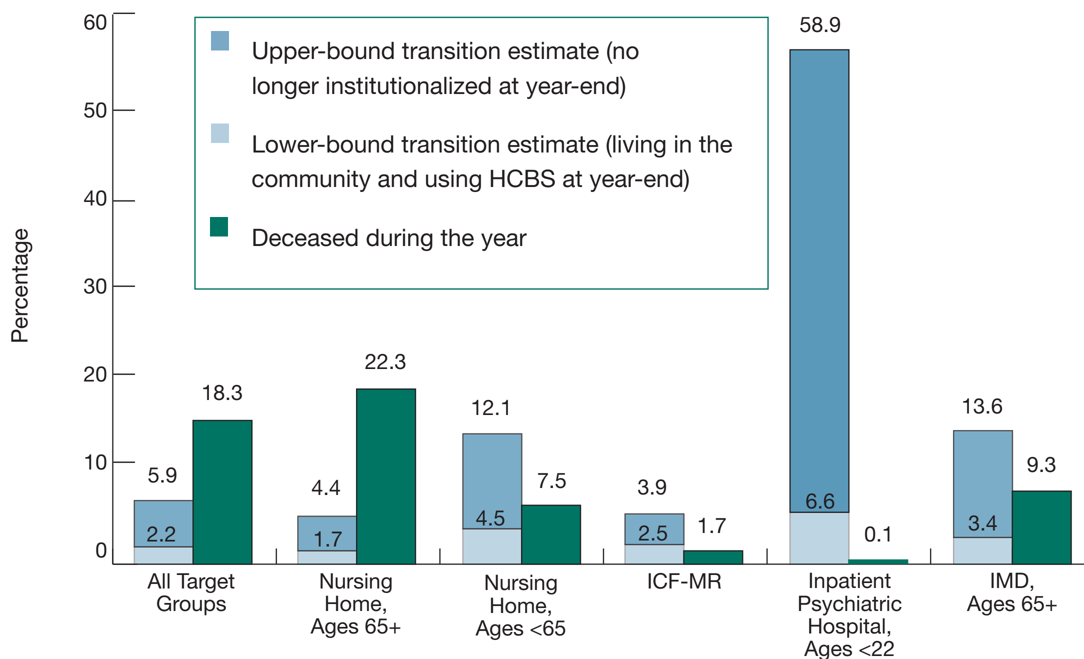
*Length of Institutionalization.* In January 2004, 64 percent of MFP eligibles had been institutionalized for 12 months or more. About 11 percent had been institutionalized for 6 to 11 months, and another 24 percent reached the 6-month mark during the year. The percentage reaching the 6-month mark was smallest among eligibles in ICFs-MR (6 percent) and largest among people under age 22 in psychiatric hospitals (63 percent), reflecting low and high turnover rates in these two populations.

*Medicaid Expenditures.* Only 2.2 percent of all Medicaid enrollees had been in institutional care for six months or more in 2004. However, these persons represented 29.7 percent of total Medicaid expenditures in the 31 grantee states during that year (data not shown). Across the 31 states, total Medicaid expenditures for each person in long-term institutional care averaged $4,663 per month enrolled in 2004 ($48,869 per eligible person, or almost $50 billion for the MFP-eligible population during the year). Enrollees in ICFs-MR had the highest monthly expenditures, at $11,291 per person in 2004. Elderly persons in nursing homes had the smallest monthly expenditures, at $3,736 per person in 2004.

## How Many MFP Eligibles Transitioned to the Community in 2004, Before MFP Was Implemented?

Of those institutionalized for six months or more in 2004, 5.9 percent (59,793) were no longer receiving Medicaid institutional care by the end of 2004. That is, they had no institutional claims in December 2004 and had not died during the year (Figure 2). Because some

**Figure 2. Percentage of Medicaid Enrollees Institutionalized for Six Months or More Who Transitioned to the Community or Were Deceased by the End of 2004 in the 31 MFP Grantee States**




Source: MPR analysis of 2004 Medicaid Analytic Extract files for 31 MFP grantee states.
HCBS = home- and community-based services; ICF-MR = intermediate care facility for the mentally retarded; IMD = institution for mental diseases.

of these enrollees may have entered hospitals or were receiving institutional care not financed by Medicaid, 5.9 is an upper-bound estimate of the percentage of MFP eligibles who transitioned to community settings in 2004.

To calculate a lower-bound estimate of transitions among these eligibles, we computed the percentage of Medicaid enrollees institutionalized for six months or more who were alive and using HCBS at the end of 2004.[2] This is a lower-bound estimate because (1) some people might transition to the community but not require HCBS and (2) we have probably understated the use of HCBS in 2004. Use of HCBS could not be identified when enrollees obtained care through managed care plans or when waiver services were paid in bulk. Approximately 2.2 percent of enrollees eligible for MFP in 2004 transitioned to the community and used HCBS during the year. Therefore, we estimate that 2.2 to 5.9 percent of MFP eligibles (22,373 to 59,793 enrollees) moved from institutions to the community in 2004.

Consistent with their short institutional stays, enrollees under age 22 in psychiatric hospitals were the most likely to have transitioned to the community by the end of 2004 (6.6 to 58.9 percent, or between 589 and 5,266 enrollees). Those under age 65 in nursing homes or age 65 or older in IMDs were also more likely than average to transition to the community in 2004. Between 4.5 and 12.1 percent of people under age 65 in nursing homes (6,159 to 16,522 enrollees) and 3.4 to 13.6 percent of people age 65 or older in IMDs (70 to 282 enrollees) transitioned to the community in 2004.

In 2004, 1.7 to 4.4 percent of elderly persons in nursing homes—by far the largest subgroup eligible for a program like MFP—transitioned to the community; this percentage represents 13,486 to 34,244 enrollees. Among those in ICFs-MR, the lower-bound and upper-bound estimates were 2.5 and 3.9 percent (or 2,199 to 3,479 enrollees).

[2]We used summary information about total Section 1915(c) waiver expenditures and total expenditures by service type to identify people who used HCBS during 2004. HCBS was defined to include Section 1915(c) waiver services and nonwaiver personal care, residential care, adult day care, home health care, hospice care, and private-duty nursing services. We restricted this analysis to enrollees who were institutionalized at the beginning of the year and had only one institutional stay during the year to make sure we only captured HCBS provided after the institutional stay ended.

We may be understating the total number of individuals moving from institutional to community care in the MFP states because some enrollees may have transitioned to the community but died before the end of the year. More than 18 percent of MFP eligibles died in 2004, including 22.3 percent of elderly eligibles.

## Whom Will MFP Grantees Target for Their Transition Programs?

*MFP Transition Goals.* As required by CMS, each MFP grantee established goals to help a specified number of people within five subgroups transition to the community during each year of the demonstration (Table 3). Because nearly all MFP grantees used the first demonstration year to plan and develop their transition programs, they set goals to enroll only 70 individuals in 2007, the first of five years in the demonstration period. Transitions in subsequent years are projected to increase appreciably and then taper off in the final year of the demonstration (2011).

Over the life of the demonstration, most transitions are expected to occur among adults age 65 or older (48 percent), people with physical disabilities (26 percent), and individuals with MR/DD (19 percent). The grantees expect to transition fewer individuals with mental illnesses or dual diagnoses, most likely because it is often difficult to find appropriate, affordable housing and community supports for such individuals.

Compared with the distribution of eligibles by type of institution and age in 2004, these transition goals indicate that MFP will disproportionately transition people under age 65 with physical disabilities and those with MR/DD. Younger people with physical disabilities represented about 14 percent of those eligible for MFP in 2004 but make up 26 percent of the MFP target population. Likewise, people in ICFs-MR represented 9 percent of those eligible for MFP in 2004, but people with MR/DD comprise 19 percent of those targeted by MFP from 2007 to 2011. In contrast, 77 percent of those eligible for MFP are "aged" (age 65 or older), but fewer than half of all MFP transitions are targeted to the aged.

Given that more than one million institutionalized Medicaid enrollees may be eligible for MFP in the 31 states, the total MFP transition goal of 35,572 is quite small. This number represents about 3.5 percent of all MFP eligibles and only 0.9 percent when calculated as an annual average (8,893 enrollees) from 2008 to 2011, when most transitions will occur. The number of people

**TABLE 3. STATE MFP DEMONSTRATION TRANSITION TARGETS: NUMBER AND PERCENTAGE OF TARGETED TRANSITIONS EACH YEAR IN 31 MFP GRANTEE STATES BY POPULATION GROUP**

| Year | Older Adults Ages 65+ | | People with Physical Disabilities | | People with MR/DD | | People with Mental Illness | | People with Other or Dual Diagnoses | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | |
| 2007 | 18 | 26% | 7 | 10% | 34 | 49% | 0 | 0% | 11 | 16% | 70 |
| 2008 | 1,764 | 42% | 1,096 | 26% | 1,013 | 24% | 124 | 3% | 192 | 5% | 4,189 |
| 2009 | 4,218 | 47% | 2,333 | 26% | 1,896 | 21% | 329 | 4% | 261 | 3% | 9,037 |
| 2010 | 5,126 | 48% | 2,722 | 26% | 1,980 | 19% | 456 | 4% | 329 | 3% | 10,613 |
| 2011 | 5,790 | 50% | 3,209 | 28% | 1,924 | 16% | 437 | 4% | 303 | 3% | 11,663 |
| **Total (All Years)** | **16,916** | **48%** | **9,367** | **26%** | **6,847** | **19%** | **1,346** | **4%** | **1,096** | **3%** | **35,572** |

Source: MPR analysis of MFP operational protocols approved by CMS as of June 30, 2008.
Note: Percentages may not add to 100 percent due to rounding.
MR/DD = mental retardation or a developmental disability.

moving into community settings could be even lower since several states have asked CMS to approve smaller transition goals than those specified in their approved MFP operational protocols. However, the number of transitions could also be higher if states with successful programs request and obtain additional federal funds to assist more people than originally planned.

As noted above, between 2.2 and 5.9 percent of the eligible population moves from institutions to community settings each year. The 31 MFP states could raise this rate by 15 to 40 percent annually,[3] provided they meet their goals. This assumes that the MFP programs will target individuals for relocation assistance who otherwise would not be able to leave their institutional residences. If the MFP programs help people who would have transitioned without assistance, the net increase in the transition rate will be lower than 15 percent annually and could even be zero.

*State Variation in MFP Transition Goals as a Percent of Eligibles.* The total MFP transition goal as a percent of all MFP eligibles masks substantial variation across the 31 states, both overall and by population subgroup. Under the demonstration, states select the number of proposed transitions, which populations they target, and the distribution of transitions across target subgroups. For example, four state grantees seek to transition only the aged and younger people with physical disabilities (Indiana, Michigan, New York, and South Carolina). In contrast, two other grantees plan to focus their transition efforts almost entirely on individuals with MR/DD residing in ICFs-MR (Iowa and the District of Columbia). Hence, it is important to compare each grantee's transition goals for each subgroup with the estimated number of MFP eligibles within that subgroup in each state.

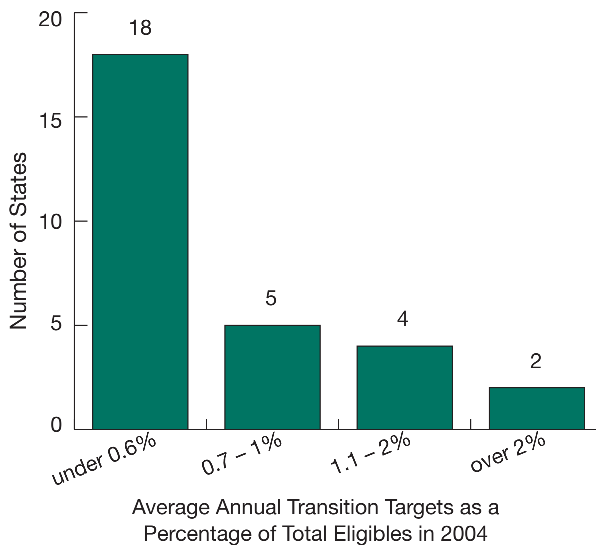
State transition goals for the five MFP population subgroups, which were defined by CMS, cannot be directly compared to the subgroups of MFP eligibles classified by institutional residence and age in the 2004 baseline data. However, two subgroups are relatively comparable: (1) people age 65 or older in nursing facilities and IMDs and (2) people with MR/DD in ICFs-MR.

MFP sites vary substantially in the extent to which they target individuals age 65 or older in nursing facilities or IMDs (Figure 3). Twenty-nine MFP states target this subgroup, and on average they seek to transition 4,229 (or 0.6 percent) of 760,918 MFP eligibles age 65 or older annually.

Grantees' average annual transition goals as a percentage of aged MFP eligibles range from 0.1 percent to 2.8

[3]The first percentage (15 percent) was calculated by dividing the average number of MFP transitions per year (8,893) by the number of MFP eligibles in the 31 states in 2004 who were alive but no longer in institutional care by year-end and may not have needed long-term care (59,793). The second percentage (40 percent) was calculated by dividing 8,893 by the estimated number of MFP eligibles who were living in the community and receiving HCBS at the end of 2004 (22,373).

**Figure 3. State MFP Transition Targets (Four-Year Average) as a Percentage of MFP Eligibles Age 65 or Older in 2004 (N=29 Grantees)**




Source: MPR analysis of 2004 Medicaid Analytic Extract files and MFP operational protocols approved by CMS as of June 30, 2008.

percent, with most of the 29 states targeting less than 1.0 percent of aged MFP eligibles. Six states have set total transition targets for the entire MFP demonstration period that exceed 1.0 percent of all aged MFP eligibles in 2004 (Hawaii, Michigan, Maryland, Nebraska, Oklahoma, and Oregon).

MFP states vary even more greatly in the extent to which they target people with MR/DD as a percentage of the total MFP-eligible population living in ICFs-MR (Figure 4). Among the 27 MFP states targeting this subgroup, the average number of people that states hope to transition each year (1,712) as a percentage of MFP eligibles in ICFs-MR in 2004 (73,833) is 2.3 percent. The percentage ranges from 0.1 to 98 percent across states, and one state (Oregon) aims to transition nearly as many long-term residents from ICFs-MR as were in such institutions in 2004.[4]

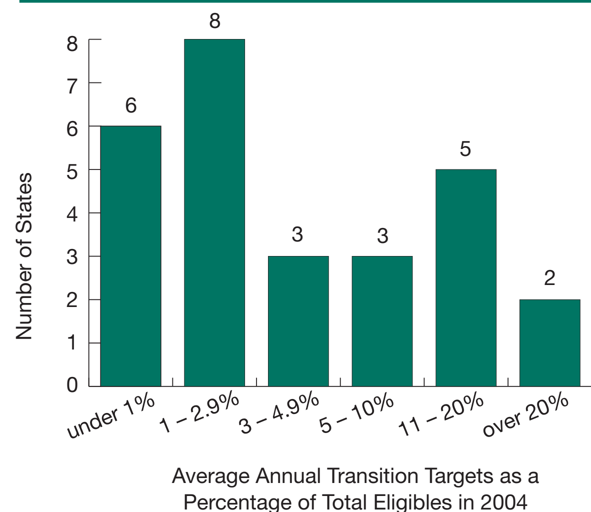
*Variation in MFP Transition Goals Relative to Baseline Transition Rates.* States also vary substantially in the extent to which they could increase the rate of transitions among those in long-term institutional care over the rate observed in 2004. While the average increase for all 31 MFP states could be 15 to 40 percent annually, the potential increase in the transition rate ranges from 3.4 percent to 86.5 percent across the 31 states (data not shown). Notably, nine grantees set transition goals that could potentially raise the rate of transition by 25 percent or more over the 2004 rate. Two of these states (Hawaii and New Hampshire) could see an increase of 50 percent or more each year of the demonstration.

If the 29 states that target aged people in institutional care reach their transition goals, they could increase the rate of transition to the community over the 2004 rate for aged eligibles by 12.5 percent annually (or from 33,850 to 38,079 enrollees). The increase could be as high as 32 percent over the lower-bound rate of aged eligibles who transitioned to the community and used Medicaid-funded HCBS at the end of 2004.

Among MFP eligibles with MR/DD, the rate of transition to the community could increase by 63 percent annually over the 2004 rate (or from 2,702 to 4,414 enrollees) if the 27 states targeting this population reach their goals. Using the lower-bound estimate of the 2004 transition rate for people in ICFs-MR, the increase could be as high as 100 percent among people

[4]The MFP transition numbers in Oregon suggest that the state will be targeting almost 100 percent of MFP-eligible individuals in ICFs-MR, but some people with MR/DD may be residents of nursing facilities or psychiatric hospitals instead.

**Figure 4. State MFP Transition Targets (Four-Year Average) for People with MR/DD, as a Percentage of MFP Eligibles in ICFs-MR in 2004 (N=27 Grantees)**




Source: MPR analysis of 2004 Medicaid Analytic Extract files and MFP operational protocols approved by CMS as of June 30, 2008.

with MR/DD. Because ICF-MR populations are usually relatively stable (only 5.5 percent of the MFP eligible population became eligible in 2004), the successful transition of people with MR/DD to the community may have long-term impacts on the size of the population remaining in ICFs-MR.

## Conclusions and Future Reports

Although the past two decades have witnessed a significant shift in the provision of long-term care services from institutions to the community, there were still more than a million Medicaid enrollees in long-term institutional care in the 31 MFP grantee states in 2004. These are among the most costly Medicaid enrollees, accounting for almost 30 percent of total Medicaid expenditures in these states in 2004. If MFP had existed at that time, most of these eligible people would have been elderly individuals in nursing facilities, who typically had transition rates of less than 5 percent.

State MFP demonstration programs are seeking to transition a small subset of the population in long-term institutional care—less than 1 percent each year. However, the rate of transition to the community among long-term residents of institutions is typically small—between 2 and 6 percent in 2004. Relative to this baseline transition rate, the MFP demonstration has the potential to increase the rate of transition by 15 to 40 percent annually.

The extent to which states can increase this rate under MFP will depend on whether their programs successfully target people who would otherwise remain institutionalized. Assessing whether grantees are able to do so will be a key focus of MFP's evaluation efforts (Brown et al. 2008).

MFP grantees are disproportionately targeting younger disabled individuals, possibly because they are easier to transition. Even so, MFP transition targets in some states may be difficult to achieve because the targeted individuals have complex medical conditions or high levels of functional dependence and therefore require more help finding appropriate housing and community services. For example, some states are targeting long-term residents of institutions who have physical and mental or behavioral health problems. Other states have well-developed nursing home diversion programs that effectively prevent individuals with low-care needs from being admitted to institutions; hence, those who remain in facilities are likely to have higher levels of need. In a future report in this series, we will compare the level of need and functional status of MFP participants who transition to the community in each state with the level of need and status of those who remain in institutions. Data permitting, we will also compare these MFP participants to a representative sample of those who have transitioned in the past.

To the extent that states are successful in reaching their transition targets, they will generate more federal MFP grant funds that can be used to further restructure their long-term care systems. CMS requires state MFP programs to reinvest a portion of federal matching revenues in rebalancing initiatives. We will examine in detail how MFP programs are planning to spend these "rebalancing funds" in another report in this series.

The amount of additional revenue states receive depends on their success in implementing transition programs and helping people with disabilities stay in the community. Previous transition programs have encountered numerous barriers, such as a shortage of affordable, accessible housing; lack of community services and personal care workers; and limited capacity of Medicaid HCBS waiver programs. In a future report, we will examine states' early implementation experiences and how they designed their programs to overcome these challenges.

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## DATA AND METHODS

**Data Sources.** The statistics presented in this report on the number and characteristics of Medicaid enrollees in institutional care are based on data from the 2003 and 2004 Medicaid Analytic Extract (MAX) files. States must report Medicaid eligibility and claims data into the Medicaid Statistical Information System (MSIS) quarterly, in a standard format. Although the uniform format of the data makes MSIS a cost-effective resource for national and cross-state analyses of the Medicaid program, considerable resources are needed to transform MSIS files into analytic files that are useful for research. Therefore, CMS produces MAX specifically for research purposes. MAX is an enhanced, research-friendly version of MSIS in which interim claims are combined into final action events and data have undergone additional quality checks and corrections.

Statistics summarizing the number of Medicaid enrollees targeted for the MFP transition program are from the MFP operational protocols that states were required to submit for the program and that were approved by CMS as of June 30, 2008.

**Identification of the MFP-Eligible Population.** We used service dates from Medicaid institutional care claims (nursing home, ICF-MR, or psychiatric facility) in MAX to identify Medicaid enrollees who had been in institutional care for at least six consecutive months in 2004. For enrollees with an institutional care claim in 2004, we used claims from 2003 and 2004 to create 24 monthly status indicators that specified whether an enrollee was in institutional care each month from January 2003 through December 2004. Breaks in institutional care that spanned two consecutive months were identified as transitions out of institutional care. Each enrollee found to be in institutional care for six or more consecutive months was classified by age group and by the type of institutional claim during the last observed month of the institutional stay.

**Expenditures.** The Medicaid expenditure data are based on totals for the entire year. Total expenditures represent expenditures for all types of services that appear in the MAX claims records, including prescription medications. Because MAX contains only enrollee-level information, these totals do not include expenditures for services billed in bulk to the state.

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