



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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July 21, 1980

The Honorable Henry A. Waxman  
Chairman, Subcommittee on Health  
and the Environment  
Committee on Interstate and  
Foreign Commerce  
U.S. House of Representatives

Dear Mr. Chairman:

This letter is in response to your request for our [comments on H.R. 6194] which you introduced with Congressman Claude Pepper, Chairman of the House Aging Committee, on December 19, 1979. If enacted, H.R. 6194, the "Medicaid Community Care Act of 1980", would amend title XIX of the Social Security Act to provide for comprehensive assessments and community-based services under Medicaid.

In your letter you state that H.R. 6194 is intended to "redress inadequacies in the Medicaid system which encourages expensive and often unnecessary institutionalization." These problems were documented in a report which we issued on November 26, 1979, entitled Entering a Nursing Home--Costly Implications for Medicaid and the Elderly. The mechanisms established in H.R. 6194 should resolve many of these problems by: 1) assuring a more efficient allocation of Medicaid dollars in long-term care; and 2) offering many elderly and disabled individuals and their families the option of receiving services in their own homes or community in lieu of having to enter a nursing home.

Support of State and Community  
Long-Term Care Initiatives

This bill has many features which should contribute substantially to improvements in the delivery of long-term care services nationally. One of these is the focus on

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providing support for already ongoing State and community efforts in the delivery of community-based care as well as for the initiation at the local level of new methods. We think this approach is valid.

In our study, which included a review of demonstration and research projects in long-term care, we found that there was no universally accepted method of delivering and financing long-term care services. However, there was general agreement that certain project elements are integral to any effort if avoidable nursing home utilization is to be prevented. These include: a nursing home gate-keeping mechanism; a comprehensive needs assessment; a mechanism for planning, coordinating and monitoring community-based services; a single comprehensive source of funding; and controls over costs and utilization.

H.R. 6194 incorporates most of these elements while at the same time leaves the initiative to the States and communities to develop the variable approaches to organizing the delivery of long-term care services. In our opinion, this provides a maximum opportunity for each area to design a system which takes into account its own local requirements, service needs, and levels of resources.

The focus on maximizing State discretion is also apparent in the bill's option which enables States to voluntarily elect to participate in the program. If the State does participate it is then eligible for an increase in the Federal Medicaid match for community-based services of 25% above their current match or 90% total Federal match (whichever is less). <sup>1/</sup> This increased matching rate (and the additional services to which it can be applied) should provide the financial support many States have needed to expand their delivery of long-term care services.

Opportunities to Contribute to Increased  
National Understanding of Long-Term Care  
Needs, Service Requirements and  
Organizational Problems

H.R. 6194 will also provide an opportunity to gain experience and answers to questions in long-term care which

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<sup>1/</sup>Under Medicaid Federal financial participation is determined by the formula prescribed in section 1905(b) of the Social Security Act (42 U.S.C. § 1396d(b)) which authorizes payments of up to 63% of State costs. Currently the Federal Government pays for 50 to 78% of State costs.

heretofore have not been answerable under the more traditional approach of demonstration projects and research grants.

Long-term care demonstration grants generally have a time limited framework within which to operate; because of this many experience serious difficulties achieving their goals prior to termination of their grants. For example, most projects have to devote extensive time and effort to development and expansion of a wide range of services which are essential if avoidable institutionalization is to be prevented. Often one of the most critically needed services is residential housing which could take longer to develop than the life of the demonstration would allow.

H.R. 6194 provides the opportunity to States and communities to work toward improving long-term care delivery free from many of the constraints attributable to demonstrations and research projects. Consequently the bill has the potential to produce information which could lead to answering questions about long-term care delivery which many believe must be understood before major changes are implemented on a national scale.

Because of the potential experience to be gained under this bill, we would propose possible revisions to the reporting sections to assure that essential data are collected. Currently H.R. 6194 requires that the "State will provide to the Secretary annually, in conjunction with reports provided under section 1902(a)(6), information on assistance provided under the community care plan under this section and on the plan's impact on the amount and type of medical assistance provided under the State plan with respect to skilled nursing facility and intermediate care facility services." It also requires that "the Secretary shall annually report to the Congress, in conjunction with any other annual reports required to be made to the Congress with respect to the program under this title, on the plans approved under this section and on States which have elected the option provided under section 1902(h)."

Revisions to these sections might include a designation of responsibility to a central unit within the Department of Health and Human Services to: 1) design a data collection plan prior to initiation of activities under the Act; and 2) oversee the implementation of data reporting. The objective here would not be to constrain the variations which will occur among States but instead to assure that common data elements are utilized so that the information can be aggregated nationally. Data from these State programs could be

used for assessing the impact of different services and costs for clients who have different levels of functioning, for evaluating the effectiveness of alternative long-term care programs and for developing a more reliable basis for projecting nursing home bed needs.

### Assessments

Another strong feature of H.R. 6194 is the requirement that States participating in the program must provide a plan for community care assessments. It was the conclusion of our report that although Medicaid has a substantial stake in ensuring appropriate nursing home utilization, its assessment and placement procedures have not been adequate. Most of Medicaid's assessment procedures occur after the patient has already been admitted when it is too late to correct an avoidable placement. Medicaid's two preadmission reviews focus primarily on medical conditions and therefore do not provide information on other factors which are essential in determining whether an institutional or community setting is the most suitable long-term care placement. H.R. 6194 corrects these problems for those States which elect to participate by requiring a comprehensive social and medical assessment for each individual eligible or applying for assistance under the State plan who is likely to be in need of long-term skilled nursing facility or intermediate care facility services under the plan.

✓ We would recommend that assessments should also be available on a voluntary basis to all other nursing home applicants. Currently private pay patients enter nursing homes whether they need this care level or not, generally without a formal assessment of needs. After depleting their resources, they may convert to Medicaid. Because nursing homes are free to set their own admissions policies, they give preference to the more profitable private pay patients, making it difficult for Medicaid patients to find a bed in many areas.

✓ Because of the significant budgetary impact of private pay conversions to Medicaid expenditures we recommended in our study that: 1) comprehensive needs assessments should be mandatory for all individuals applying to nursing homes whose care would be reimbursed by Medicaid or Medicare; and 2) assessments should be available on a voluntary basis to all other applicants to institutions participating in Medicare and Medicaid.

The proposed Section 1913(a)(1)(D) of the Social Security Act provides that an individual who receives an assessment

under the Act and is determined to be in need of long-term facility services shall be informed of the feasible alternatives to the provision of institutional services. We would propose that the word feasible be defined to provide that if the noninstitutional service package is less expensive (as determined in the proposed section 1903(i)(5) and viable, admission to a nursing home under Medicaid would not be approved.

The proposed Section 1913(a)(2) lists the types of medical assistance available to individuals who are eligible under this Act to help them to remain in the community. Respite care, a service on this list, should be defined. Also we would propose subsuming nutrition counseling under homemaker services.

✓ Finally, services are to be provided to an individual accepted into the program to the extent (as described in the proposed Section 1903(i)(5)) that the cost does not exceed "a reasonable proportion, promulgated by the Secretary, of the amounts which would have been expended on skilled nursing facility services for such an individual during the period had the individual been institutionalized in such a facility during the period." Intermediate care facility (ICF) services should be added so that individuals who would be determined under an assessment as needing this level of care could receive a package of services in the community up to some amount (as determined by the Secretary) as would have been spent if he or she were in an intermediate care facility.

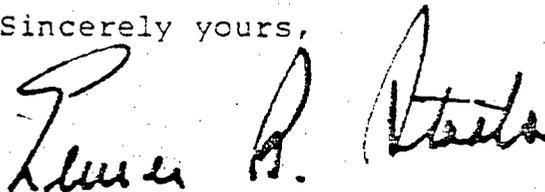
#### Eligibility

Our study devoted several sections to situations where some individuals were eligible for Medicaid if they entered a nursing home but were ineligible outside of an institution. Section 1902(h) as proposed in H.R. 6194 appears intended to address this inequity by allowing States to employ nursing home income eligibility standards for persons seeking non-institutional care in order to reduce current incentives toward nursing home entry. As currently stated however, the new program could end up becoming more restrictive in that it would limit participation only to individuals who if not institutionalized would receive cash assistance under the Aid to Families with Dependent Children program (AFDC), the Supplemental Security Income program (SSI), or State supplementation to SSI. ✓ We would propose revising this Section to assure that individuals who are eligible for Medicaid if they enter a nursing home would also be eligible outside of an institution.

We would also propose that private pay individuals be considered eligible to participate in this program and that services under the plan be made available to them on a reimbursable basis.

We would be pleased to provide any further assistance with H.R. 6194 that your committee may desire.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Luther B. Smith". The signature is written in dark ink and is positioned to the right of the typed name.

Comptroller General  
of the United States