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MEDICAID

States' Plans to Pursue New and Revised Options for Home- and Community-Based Services

GAO Highlights

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Highlights of GAO-12-649, a report to congressional requesters

Why GAO Did This Study

The 1999 Supreme Court decision in *Olmstead v. L.C.* held that states must serve individuals with disabilities in community-based settings under certain circumstances. Under the joint federal and state Medicaid program, states are required to cover nursing facility care for eligible individuals, while the provision of most HCBS is optional. In 2010, PPACA created two new options and revised two existing options for states to cover HCBS for Medicaid beneficiaries.

GAO was asked to assess the implementation status of the four Medicaid HCBS options in PPACA. GAO assessed (1) how the four options are structured to increase the availability of services, (2) what is known about states' plans to use the options, and (3) factors affecting states' decisions regarding implementing the options.

To determine the structure of the options, GAO reviewed federal statutes and regulations and interviewed officials at CMS. To determine what is known about states' plans, GAO obtained copies of states' grant applications and state plan amendments. To understand factors affecting states' decisions, GAO conducted interviews with officials in 10 states. The states were selected to reflect a range of state Medicaid spending for HCBS as a percentage of total Medicaid expenditures for long-term services and supports.

GAO provided a draft of this report to HHS. HHS had no general comments on the report but provided technical comments, which GAO incorporated as appropriate.

View GAO-12-649. For more information, contact Katherine Iritani at (202) 512-7114 or iritanik@gao.gov.

What GAO Found

The four Medicaid options for home- and community-based services (HCBS) included in the Patient Protection and Affordable Care Act (PPACA) provide states with new incentives and flexibilities to help increase the availability of services for Medicaid beneficiaries. Two of the options were newly created by PPACA, and the other two were existing options amended by the law. Three of the options provide states with financial incentives in the form of enhancements to the Medicaid matching rate that determines the federal share of the program's costs.

Medicaid Options for HCBS in PPACA

Option	New or existing?	Financial incentives?
Community First Choice Covers personal care and other services for eligible individuals.	New	Yes
Balancing Incentive Program Provides incentives for eligible states to rebalance their long- term services and supports systems towards more home- and community-based care.	New	Yes
Money Follows the Person Supports the transitioning of eligible individuals who want to move from institutional settings back to the community.	Existing	Yes
1915(i) state plan option Covers a range of HCBS for eligible individuals.	Existing	No

Source: GAO analysis.

As of April 2012, 13 states had applied for and received Money Follows the Person grants, in addition to the 30 states and the District of Columbia that had received grants prior to PPACA, and states were beginning to apply for the other three options. The 13 new Money Follows the Person states were awarded $621 million and were in various stages of implementation. One state had applied for Community First Choice. Two states had received approval to participate in the Balancing Incentive Program, and the Centers for Medicare & Medicaid Services (CMS) was reviewing two additional state applications. Three states had received approval to offer the revised1915(i) state plan option since PPACA's enactment.

The 10 states GAO contacted reported considering several factors in deciding whether to pursue the PPACA options, including potential effects on state budgets, staff availability, and interaction with existing state Medicaid efforts. States were attracted by the increased federal funding available under some of the options, but were concerned about their ability to contribute their share of funding. Limited staff resources and competing priorities were also concerns. Finally, broader Medicaid reform efforts, such as transitions to statewide managed care, and the potential interaction with existing HCBS options factored into states' considerations. The Department of Health and Human Services (HHS) and CMS have initiatives under way to assist states with their HCBS efforts. The complexities of the Medicaid HCBS options available and the changing factors affecting states' planning underscore the importance of ongoing federal technical assistance to help states navigate various HCBS options as they seek to ensure appropriate availability of HCBS.