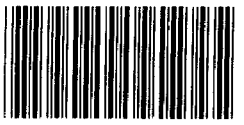
GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division



B-251768

May 17, 1993

The Honorable Edward M. Kennedy
Chairman, Committee on Labor and
Human Resources
United States Senate

Dear Mr. Chairman:

On October 21, 1992, you requested that we conduct a study of long-term care programs for the elderly and the disabled in Massachusetts. Specifically, you asked that we identify state and federal programs providing long-term care and their fiscal year 1992 funding. This correspondence contains the results of our study, which we provided to your office in a briefing on March 8, 1993.

Recent data on nationwide, long-term care expenditures are not readily available, but for 1988, such expenditures were nearly $58 billion.[1] Of this amount, about 52 percent was paid by federal, state, and local governments. Private sources, primarily out-of-pocket payments by individuals, accounted for the remaining 48 percent. Forecasts for long-term care spending show continuous growth and, by the year 2018, spending is expected to exceed $120 billion.[2]

In responding to your request, we interviewed officials in 3 federal and 10 state agencies to identify long-term care programs in Massachusetts. We also reviewed budget data and program literature to identify fiscal year 1992 program funds and services. Although other private and public organizations, particularly at the local level, also support long-term care for the disabled and elderly, the

[1]Congressional Budget Office, Policy Choices for Long-Term Care (June 1991), p. xi.

[2]Long-Term Care, Projected Needs of the Aging Baby Boom Generation (GAO/HRD-91-86, June 1991), p. 14.

services these organizations offer were not readily identifiable within the time frame of your request.[3]

Our definition of long-term care for this study encompasses the elderly and the disabled of all ages, as well as the services they receive to assist in coping with their basic needs and disabilities. These services include medical and therapeutic services for managing chronic illness, as well as social services that provide assistance with basic activities and routines of daily living, such as bathing, dressing, cooking, and cleaning. Service recipients were individuals who had lost some capacity for self-care due to age, chronic illness, or physical or mental conditions. Services were provided in institutions, in the community, and in the home.

LONG-TERM CARE SPENDING IN MASSACHUSETTS EXCEEDED $3 BILLION IN 1992

The federal government and the state spent about $3.3 billion to provide long-term care for persons of all ages in Massachusetts during fiscal year 1992. State funds accounted for about $1.8 billion, or just over half of total long-term care spending, compared with federal funding of $1.5 billion. Long-term care funds were administered by 10 state and 3 federal agencies. The state Departments of Public Welfare, Mental Retardation, and Mental Health accounted for about 75 percent of all long-term care spending, as shown in table 1.1.

---

[3]Not included in our study is the provision of long-term care to school-age disabled children by local education agencies in compliance with the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.). During school year 1987-88, the most recent year for which data are available, federal, state, and local spending on special education programs for disabled children totalled about $19 billion nationwide.

Table 1.1: Long-Term Care Funding by State and Federal Agencies (Fiscal Year 1992)

Dollars in millions

Agency	Funding amount
State agencies	
Executive Office of Health and Human Services	
Department of Public Welfare	$1,447.0
Department of Mental Retardation	592.0
Department of Mental Health	469.0
Department of Public Health	104.0
Department of Social Service	18.0
Rehabilitation Commission	15.0
Commission for the Blind	7.0
Commission for the Deaf, Hard-of-Hearing	3.0
Executive Office of Elder Affairs	124.0
Executive Office of Communities and Development	69.0
Federal agencies	
Department of Health and Human Services	
Health Care Financing Administration (Medicare)[a]	375.0[b]
Social Security Administration	17.0
Department of Veterans Affairs	85.0

[a]HCFA is also the source for federal Medicaid funds. We have included fiscal year 1992 federal Medicaid dollars in the totals for those state agencies receiving Medicaid reimbursements, namely the Departments of Public Welfare, Mental Health, Mental Retardation, and Public Health, and the Executive Office of Elder Affairs.

[b] Data shown for HCFA are Medicare funding for fiscal year 1991, the most recent available.

AGENCIES FUNDED AND ADMINISTERED A VARIETY OF LONG-TERM CARE PROGRAMS

Overall, long-term care services in Massachusetts were funded through a variety of federal and state programs. Medicaid, the largest of these, provided 60 percent, about $2 billion, of the $3.3 billion spent for long-term care (see table 1.2). Numerous smaller programs provided categorical long-term care services to the mentally retarded, Acquired Immune Deficiency Syndrome (AIDS) patients, the blind, the frail elderly, and others. Most of these programs were administered through the network of state agencies listed in table 1.1. The exceptions were the Medicare, veterans' benefits, and Supplemental Security Income (SSI) programs, which were administered by federal agencies. (Enclosure I is a directory identifying the administering agencies, their long-term care funding and services, and the program beneficiaries.)

MOST LONG-TERM CARE FUNDING WAS FOR INSTITUTIONAL CARE

As shown in table 1.2, about two-thirds of all long-term care spending in fiscal year 1992 was for services provided in institutions, primarily nursing homes, chronic hospitals, and intermediate care facilities for the mentally retarded.

Table 1.2: State and Federal Spending for Long-Term Care (Fiscal Year 1992)

Dollars in millions

Service type	Medicaid	Non-Medicaid	Total
Institutional	$1,678	$472	$2,150
Home/community based	317	715	1,032
Other[a]	0	135	135
Total	$1,995	$1,321	$3,317

[a]Includes programs with elements of both institutional and home- and community-based care, as well as some administrative, training, research, and other related costs.

The leading role that institutional funds play among all long-term care dollars is not unique to Massachusetts. Nationwide, institutional care has traditionally dominated long-term care spending.

MEDICAID FUNDS PREDOMINANTLY SUPPORTED INSTITUTIONAL CARE

In Massachusetts, most Medicaid long-term care dollars are used for institutional care. At the same time, most institutional long-term care is paid for by Medicaid (see table 1.2). About 84 percent of the $2 billion spent by Medicaid on all long-term care was for institutional care. And about 80 percent or $1.7 billion of the $2.2 billion spent on institutional long-term care was provided by Medicaid. Nationally, Medicaid funds also dominate public spending for institutional care.

Non-Medicaid funds provided about 20 percent of the state's total expenditures for institutional care. These funds came from programs such as Medicare, veterans' benefits, and Supplemental Security Income payments. Often, those receiving services under these programs were not eligible for institutional Medicaid services.

MOST HOME- AND COMMUNITY-BASED SERVICES PROVIDED WITH NON-MEDICAID FUNDS

About $1 billion was spent for home- and community-based long-term care services in Massachusetts during fiscal year 1992. In contrast to funding for institutional care, Medicaid played a lesser role in funding home- and community-based services, providing about one-third or $317 million of the total. Services under two Medicaid waivers, specifically intended to fund home- and community-based

care for elderly and disabled persons,[4] accounted for $82 million of the $317 million in Medicaid funding.

Two-thirds of spending on home- and community-based services, about $714 million, was from non-Medicaid sources and from both state and federal programs. Home- and community-based programs often extend to populations or services not covered by Medicaid. For example, under its Home Care program, the state's Executive Office of Elder Affairs spent about $102 million for home- and community-based services for frail elders. Only about $7.6 million of this total represented reimbursements for services provided to Medicaid-eligible clients.

State-funded programs also provide home- and community-based services to a growing number of disabled persons. Massachusetts is deinstitutionalizing much of its disabled population by closing some large state facilities. Many individuals from these institutions are being transferred to smaller, private, community-based facilities or supported in their own homes.

LONG-TERM CARE PROGRAMS HAVE DIFFERING ELIGIBILITY REQUIREMENTS AND OBJECTIVES

The variety of programs serving the elderly and the disabled, whether institutional or community-based, often have differing eligibility requirements and objectives. For example, Medicare funds limited stays in skilled nursing facilities only following hospitalization, regardless of income, while nursing home care under Medicaid has no hospitalization requirement, but does require strict income eligibility. Similarly, Medicaid services are designed to assist low-income persons, regardless of age, whereas services funded by the Older Americans Act are available only for those 60 years and

---

[4]Section 1915(c) of the Social Security Act (42 U.S.C. 1396n(c)) authorizes waivers permitting states to use Medicaid funds to provide home- and community-based services to persons at risk of institutionalization. Because the authority for section 1915(c) waivers originated in section 2176 of the Omnibus Budget Reconciliation Act of 1981, these waivers are also sometimes known as Medicaid 2176 waivers. Both the Massachusetts Executive Office of Elder Affairs and the Department of Mental Retardation operate programs under such a waiver, granted by the Health Care Financing Administration, the federal oversight agency for Medicaid.

older, and income is not a service criteria. (Descriptions of these and other federal programs supporting long-term care are in enclosure II.) In addition to these differences among federal programs, state-funded programs often have varying eligibility requirements and are administered by several state agencies.

LONG-TERM CARE AGENCIES AND PROGRAMS VARY WITH RECIPIENTS' AGE

In Massachusetts, long-term care services for the elderly are primarily coordinated through a single agency, the Executive Office of Elder Affairs (EOEA). To help individuals locate the services they need, EOEA employs case managers. In contrast to the elderly, the nonelderly disabled in Massachusetts can be served by several different agencies over their lifetime. For example, as illustrated in table 1.3, mentally retarded persons can be served by as many as five agencies over their lifetime even though their disability has remained the same.

Table 1.3: Agencies and Programs Serving the Mentally Retarded

Age	Agency	Program
0 to 3 years	Department of Public Health	Early Intervention
3 to 22 years	Local education agency	Special Education
18 to 22 years	Department of Social Services	Turning 22 transitional care
22 to 64 years	Department of Mental Retardation	Institutional or community-based services
65 years and older	EOEA	Medicaid and other programs

We did not determine the impact of these multiple programs and funding sources on disabled clients and service providers. However, some state officials told us that a lack of continuity in program administration and funding could disrupt delivery of appropriate long-term care.

We will make copies of this letter available to the appropriate congressional Committees. We will also make copies available to others on request. If you have any

additional questions or wish to discuss this matter further, please call me on (202) 512-7215.

Sincerely yours,

Joseph F. Delfico

Joseph F. Delfico
Director, Income Security Issues

Enclosures - 2

LONG-TERM CARE SERVICES AND PROGRAM FUNDING IN MASSACHUSETTS

STATE AGENCIES

Executive Office of Health and Human Services

Department of Public Welfare (DPW): DPW operates Massachusetts' Medicaid program, which is the primary funding source for long-term care in the state. Most Medicaid long-term care expenditures are for low-income nursing home residents. However, DPW also funds a number of community-based services, including home health care, adult day and foster care, hospice care, private-duty nursing care, and personal care attendants through the Medicaid program.

DPW also funds a demonstration project that provides health and social services in the home and in community day care centers to elders at risk of institutionalization. The demonstration project is jointly funded by Medicaid and Medicare and pays providers a set capitation payment for providing all services to enrolled elders. In addition, DPW operates the Common Health insurance program, using only state funds, to provide health insurance to some low-income working disabled persons or disabled children with working parents.

Medicaid funds, which in Massachusetts are evenly split between state and federal dollars,[1] comprised almost all of DPW's $1.4 billion fiscal year 1992 long-term care expenditures. This spending was heavily dominated by nursing home reimbursements, which totalled about $1 billion.

Department of Mental Retardation (DMR): DMR provides a comprehensive range of social and health services to about 20,000 mentally retarded persons in Massachusetts. Nearly half of DMR's budget was spent on institutional care for 2,500 individuals, with the remainder supporting home- and community-based services for about 17,500 individuals. Community-based services include day services, family support, transportation, case management, and personal care assistance. DMR also operates a range of community residences and provides additional home- and community-based services through a special Medicaid waiver (see p. 6). This waiver allows the state to use Medicaid funding to provide home- and

[1]Federal matching rates for Medicaid vary among states. The formula used to calculate the federal share of a state's payment for services is designed to provide a higher percentage of matching payments to states with lower per-capita incomes. During 1990, the federal share of Medicaid payments ranged from 50.0 percent to 80.2 percent.

community-based services for persons at risk of institutionalization. In addition, DMR provides respite care for caregivers of disabled persons of all ages.

In fiscal year 1992, DMR spent approximately $592 million for long-term care. Two-thirds of this funding, about $377 million, was state funding. The remaining $215 million was Medicaid federal reimbursements and included about $37 million for Medicaid waiver services.

Department of Mental Health (DMH): DMH targets its services to a priority population of adults with serious, chronic mental illness. The client population comprises both institutional and community-based users, who receive a wide array of supportive and health services. DMH subcontracts with private vendors for various types of community-based residences. DMH also operates a network of community mental health centers and contracts for day services, such as health care, and social and employment skill development.

In fiscal year 1992, DMH spent about $469 million for long-term care. Although all of the population DMH serves is Medicaid-eligible because of their disability, care provided to those in state institutes of mental disease is not reimbursed by Medicaid. As a result, federal Medicaid reimbursements to DMH totalled only about $35 million, a relatively small portion of DMH's overall spending. State funds represented about $414 million and federal block and project grants accounted for $10 million. Approximately $13 million in third-party reimbursements (including some Medicaid funds) was retained in a trust fund for community mental health centers.

Department of Public Health (DPH): DPH operates a variety of health programs, including institutional and community-based long-term care. Institutional long-term care is provided by four large chronic care hospitals. Community-based long-term care services include the Early Intervention Program for disabled infants and toddlers, health and social services for persons with AIDS, respite care, residential group homes, and methadone programs.

State funding accounted for about 60 percent, or $62 million, of DPH's total long-term care spending of $104 million in fiscal year 1992. The remaining 40 percent came from a number of federal sources, including $31 million for chronic long-term hospital care and $11 million in federal grants for a variety of community-based services.

Department of Social Services (DSS): Although long-term care is not a primary DSS focus, the department serves some children with long-term care needs. DSS may pay for the care of moderately disabled children in specialized foster homes if they have been court-

ordered into DSS custody or if their care is too problematic for their parents. DSS also coordinates with other agencies to provide transitional services for disabled children who are leaving school-provided special education and entering another agency for long-term care services. In addition to these services, a federal grant allows DSS to provide respite care for parents of children infected with Human Immunodeficiency Virus (HIV).

In fiscal year 1992, DSS spent about $18 million on long-term care services, and most was state funding. DSS received a federal demonstration grant totalling $186,000 to fund respite care. Slightly over one-half of all DSS state funds were spent on foster care programs for disabled children, while the remainder covered the costs of helping disabled children transition from special education programs.

Massachusetts Rehabilitation Commission (MRC): MRC provides long-term care services to some disabled adults. These services include home care assistance, independent living centers, personal care attendants for working adults, care for adults with severe head injuries, protective services, and other supportive social services. Several of these services are designed to prevent institutionalization by enabling the recipient to live in the community. MRC also helps DSS develop service transition plans for disabled children leaving special education and entering other agencies.

Almost all, 93 percent, of the $15 million that MRC spent on long-term care in fiscal year 1992 came from state sources. MRC received a $1.2 million federal grant to help fund its 10 independent living centers. MRC long-term care programs are designed to extend coverage to non-Medicaid eligible populations or services; therefore, MRC received no Medicaid reimbursements.

Massachusetts Commission for the Blind (MCB): MCB provides financial, social, and vocational services through a variety of programs serving blind and vision-impaired individuals. Two of these programs, Medical Assistance and Social Services, include long-term care. Services include Medicaid eligibility determination, respite care, homemaker services, independent living skills, and orientation and mobility training. Residential services for deaf-blind adults are also provided.

In fiscal year 1992, MCB spent $7 million on long-term care services for its client population. About $5.7 million, or 80 percent, came from state funds. The MCB also received $1.3 million in federal funds to provide social services.

Massachusetts Commission for the Deaf and Hard-of-Hearing (MCDHH): MCDHH provides long-term care services for the hearing-impaired.

These include interpreter services, case-management, service referrals, skill training, peer mentoring, and other independent living services. In addition, MCDHH is the state administrator for a federal cross-disability grant that provides increased access to assistive technology and related services to people with disabilities.

Total MCDHH long-term care expenditures in fiscal year 1992 were about $3 million. With the exception of the $635,000 federal cross-disability grant, all funds were provided by the state.

Executive Office of Elder Affairs (EOEA)

EOEA provided direct home- and community-based services through its Home Care Program to about 34,000 eligible elders. These services are provided under contracts with 27 Home Care Corporations, funded in part by a special Medicaid waiver (see p. 6).

Many of the Home Care Corporations are also Area Agencies on Aging. Through these agencies, EOEA administers nutritional and social services under the Older Americans Act. EOEA also operates the state's Long-Term Care Ombudsman program and provides nursing home screening under contract with the Department of Public Welfare. In addition, in cooperation with the state's Executive Office of Communities and Development, EOEA provides intensive home care and related services for at-risk elders who live in group housing arrangements.

In fiscal year 1992, EOEA funding for long-term care activities was about $126 million. Of this, about 80 percent, $100 million, was from the state. Federal funding included about $3.8 million in reimbursements under the Medicaid waiver and about $20 million under the Older Americans Act. Contributions from Older Americans Act clients, who are encouraged but not required to make donations, totalled $2.3 million.

Executive Office of Communities and Development (EOCD)

EOCD's state and federal housing budget is used primarily for vouchers; rent subsidies; and housing construction, maintenance, or both. Many beneficiaries of this spending are either elderly or disabled persons with special needs. Indeed, nearly two-thirds of Massachusetts residents in state-owned housing developments are elderly.

The $69 million in EOCD funding for elderly and special needs housing in fiscal year 1992 was almost evenly divided between state and federal sources. About $36 million, or 51 percent, of these funds came from the federal Section 8 housing program. An

additional $34 million came from state-funded operation, development, and maintenance programs.

FEDERAL AGENCIES

Department of Health and Human Services

Health Care Financing Administration (HCFA): HCFA provides funds for both Medicaid and Medicare. The first of these, Medicaid, is the nationwide health insurance program for certain low-income and disabled persons. States, which administer the program, also contribute to Medicaid funding. The second of these, Medicare, provides health insurance for the elderly and for disabled Social Security recipients; this program is federally administered by HCFA through contracts with third-party payers. Although designed to fund acute health care, Medicare provides some long-term care services. These include home health agency services, limited stays in skilled nursing facilities, and long-stay hospital services. HCFA also provides funds to the DPW's demonstration project, providing home- and community-based services to frail elders and a health insurance information and referral project.

Medicare long-term care spending totalled about $374 million in fiscal year 1991, the most recent year for which data were available. Agency officials estimate that expenditures for fiscal year 1992 were at least that great. In addition, HCFA funding for the community-based services demonstration project and the insurance information project totalled about $1 million.

Social Security Administration (SSA): SSA does not directly fund long-term care services. However, Supplemental Security Income (SSI) cash payments made to low-income elderly or disabled persons in licensed rest homes and nursing homes often offset long-term care costs. Massachusetts supplements the federal portion of SSI awards, an option available to all states.

During 1992, total SSI payments to Massachusetts residents in licensed rest homes and Medicaid facilities were about $16.5 million. Of this amount, about 60 percent were state supplemental funds and the remaining 40 percent were federal funds.

Department of Veterans Affairs (VA)

Three VA nursing homes and one VA domiciliary care facility provide institutional long-term care in Massachusetts. VA also provides home care services through its federally funded hospitals, and contracts with other facilities in the state for additional nursing home, day health, and hospital care. Other VA long-term care programs and services include the Spinal Cord Injury program,

ENCLOSURE 1

prosthetics, care for veterans with Alzheimer's disease, and intermediate and long-term psychiatric care.

VA long-term care funds for Massachusetts totalled about $85 million for fiscal year 1992. The largest long-term care budget items were nursing home care and intermediate and long-term psychiatric care, about $36 million and $22 million, respectively.

ENCLOSURE II

MAJOR FEDERAL PROGRAMS SUPPORTING LONG-TERM CARE SERVICES FOR THE ELDERLY AND DISABLED

Program	Objectives	Eligibility requirements	Administration	Long-term care services
Medicare/ Title XVIII of the Social Security Act	To pay for acute medical care for the aged and selected disabled	Persons 65 and over, persons under 65 entitled to federal disability benefits, certain persons with end-stage renal disease	Federal: HCFA/HHS State: None	Home health visits, extended hospital stays, limited skilled nursing facility care
Medicaid/ Title XIX of the Social Security Act	To pay for medical assistance for certain low-income persons	Aged, blind, disabled persons receiving cash assistance under SSI; others receiving cash assistance under Aid to Families With Dependent Children at state option; those who qualify as "medically needy"	Federal: HCFA/HHS State: State Medicaid Agency	Nursing home care, home- and community-based health and social services, out-patient care, facilities for the mentally retarded, chronic care hospitals
Social Services Block Grant/ Title XX of the Social Security Act	To assist families and individuals in maintaining self-sufficiency and independence	No federal requirements; state may require means tests	Federal: Office of Human Development Services/HHS State: State Social Services or Human Resources Agency; other state agencies may administer part of Title XX funds for certain groups; for example, State Agency on Aging	Services provided at the states' discretion, may include long-term care
Older Americans Act	Foster the development of a comprehensive and coordinated service system to serve the elderly	Persons 60 years and older; no means tests, but services are targeted to those with social or economic need	Federal: Administration on Aging/ Office of Human Development/HHS State: State Agency on Aging	Nutrition services, home- and community-based social services, protective services, and long-term care ombudsman
Supplemental Security Income/ Title XVI of the Social Security Act	To promote an income floor for needy aged, blind, and disabled persons	Aged, blind, and disabled persons who meet federally established income and resources requirements; states may make payments to other state-defined eligibility groups	Federal: Social Security Administration/HHS State: State supplemental payment program may be state or federally administered	SSI awards to persons in licensed rest homes may be retained by providers to help offset long-term care costs

Related veterans' health services	To provide health care services to eligible veterans	Eligibility varies by program: generally, veterans meeting certain services, disability, and/or income criteria	Federal: Veterans Health Administration/VA State: State veterans' agency for some programs	Nursing home, respite care, domiciliary care, hospital-based home care, adult day health care, and psychiatric care

(105572)