Adopting the Community First Choice Option in PA: Consider the Savings

Pennsylvania could save $100.7 million in one year by implementing the Community First Choice option. If Pennsylvania provides 50% of its long-term care in a community based setting instead of in costly nursing homes, over the course of four years the savings would exceed $1.5 billion.

By: Leslie Allen, JD[1]

One of the single most costly expenditures in the Commonwealth's budget is its long-term care system for people with disabilities and seniors.[2] Pennsylvania has the unique opportunity to both improve live quality and save money by providing cost-effective community based care rather than expensive institution based services. The Community First Choice (CFC) option allows Medicaid recipients who need support with daily living to receive care in their homes, without first entering a nursing home and joining a waitlist for home based services. The CFC option makes home based care available to all ages and disabilities; the only requirement is that an individual meets the Medicaid criteria for institutional care.[3]

Implementing the CFC option in PA

Like many other states, Pennsylvania spends most Medicaid long-term care dollars on expensive nursing homes and other costly institutional settings instead of cost-saving home and community based care. This is both unnecessary and undesired by the majority of Medicaid eligible recipients.[4] At this current writing, there are 80,797 people with disabilities and seniors receiving long-term care in a nursing home setting.[5] Pennsylvania has the opportunity to allow people with disabilities to live in the community and achieve state savings. Implementing the CFC option will demonstrate the state's commitment to letting people decide where they want to live when they receive long-term care supports and services. This is a win-win for the care recipients and Pennsylvania's budget. The Federal Government has offered significant federal funds for implementing the CFC option and providing home based care.[6] Further, Pennsylvania saves money for every person it keeps from and transfers out of nursing home facilities. The CFC option makes home based care available for all ages. It is available for any person eligible for institutional care, including people with serious mental illness, people under 60, and folks who have Intellectual Disabilities.[7]

Savings: The other half of the Equation

The Department of Public Welfare (DPW) Office of Long-Term Living (OLTL) has focused on whether the Commonwealth can absorb the costs of implementing the CFC option rather than the savings generated by its adoption. Without disclosing their methodology, DPW estimates startup costs of $96 million due to administrative expenses.[8] Federal dollars and the overall reduction in the cost of care will offset most or all of the startup costs associated with implementing the CFC option.

- **Implementing the Community First Choice option will save an average of $31,920 per recipient by redirecting funding towards community based care from costly nursing home care.** In Pennsylvania, the average yearly cost for home based care averages $20,880 per month for a person with a physical disability in the year 2014, while nursing home care costs average about $52,800 per month.[9] Consistent with other states, Pennsylvania saves an average of $31,920 per year when it keeps an individual in the community.[10]

- **Implementing the Community First Choice option will generate $10 million to $11 million in revenue for Pennsylvania per year because the Federal Government will reimburse a greater share of the cost of home based care.** Pennsylvania currently provides home based care under waiver programs, most notably the Medicaid Attendant Care Waiver (ACW).[11] The Federal Government, who shoulders 51.82% of the ACW cost, would expand their support if the Commonwealth implemented the CFC option.[12] The Federal Medicaid Assistance Percentage (FMAP) provides an additional 6% if Pennsylvania enacts the CFC option. If the CFC option was implemented for 2015, Pennsylvania would save at least $11 million instantly from the increased Federal Government contribution.[13]

- **Increasing the number of Pennsylvanians receiving home based services will generate $9 million in 2015 Revenue because the Federal Government will provide more money if 25% of Pennsylvanians receive care in their homes.** The Federal Government has offered a financial incentive to states to provide one-quarter of their long-term care in home based settings. If states meet this goal by October 1, 2015, they receive an extra 5% FMAP to their long-term care Medicaid expenditure for two fiscal years and a 2% federal match after that. Right now, 21.9% of long-term care in Pennsylvania is delivered in a home based setting.[14] Pennsylvania

receives 52% federal match, and this incentive represents a $9 million boost in revenue in exchange for a very small increase in the number of people receiving home based care.[15]

- **Pennsylvania will be saving $747,101,620 once 50% of the population is receiving care in the community.** Pennsylvania presently has over 81,000 long-term care recipients eligible for nursing home care. Right now, 21.9% of eligible people receive home based care. For every extra person who stays out of a nursing home, Pennsylvania saves $31,920. The table below shows the increased savings as more people stay in the community and also provides the federal dollar savings.[16]

Table 1: Cost Saving For Expanded Community Based Care[17]

Balance of Nursing Home Services to Community Based Services	**2014/2015:** *75% Nursing Home Care and 25% Home Care*	**2015/2016:** *70% Nursing Care and 30% Home Care*	**2016/2017:** *60% Nursing Care and 40% Home Care*	**2017/2018:** *50% Nursing Care and 50% Home Care*
Savings with current level of community based care subtracted	$80,151,120	$209,427,120	$467,919,120	$726,471,120
FMAP Waivers 2%-5% match triggered when 25% of the long-term care recipients receive home based services	$9,377,500	$9,377,500	$3,751,000	$3,751,000
6% match for implementing community first choice option	$11,253,000	$11,253,000	$11,253,000	$11,253,000
Year Savings	$100,781,620	$230,057,620	$482,923,120	$741,475,120
Cumulative Savings	**$100,781,620**	**$330,839,240**	**$813,762,360**	**$1,555,237,480**

If in the next four years, Pennsylvania moved to 50% community based care the savings would conservatively total $1,566,237,480. This estimate keeps

the number of people receiving long-term care services constant, however the number of recipients is likely to jump in the next few years because of the aging baby boomer population.

Nursing Home Spending Will Increase Even Without the Implementation of the Community First Choice Option Because of Pennsylvania's Aging Demographic

Unlike the new savings and revenues discussed above, new nursing home costs will be incurred regardless of whether Pennsylvania adopts the CFC option. These continued escalating nursing home placement costs come from the demographic reality of the rapidly aging population of Pennsylvania. New costs come from the rapidly aging population of Pennsylvania. Right now, Pennsylvania has 2,617,959 residents over the age of 62. By 2020, this number will increase by 11.5% to 2,919,167 people.[18] The savings illustrated by Table 1 provide a solution for the Commonwealth to offset the costs anticipated by an increase in the number of people eligible and in need of nursing care.

Conclusion

Adopting the CFC option and expanding community based care by just 3% will save Pennsylvania $100 million in one year. The CFC option will almost certainly pay for itself. Even if start-up administrative costs totaled $96 million, Pennsylvania would still net a $4 million savings. Over the course of 4 years, the anticipated savings exceed $1.5 billion if Pennsylvania achieves 50% of long-term care services being delivered in the community. The savings and revenues highlighted above almost certainly offset the increased costs associated with implementation.

For more information, contact the Community First Choice Option Coalition at (866) 868-0386

[1] Leslie Allen is a 2014 Juris Doctorate Graduate from Temple University's Beasley School of Law.

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[2] The 2014/2015 Budget allocates $841,423,000 to long-term institutional care but only $89,082 to community based services. Long-term, institutional care is the single greatest expenditure.

COMMONWEALTH OF PENNSYLVANIA: 2014-15: GOVERNOR'S EXECUTIVE BUDGET, TOM CORBETT, E.7.19, 2014.

[3] *Medicaid Program; Community First Choice Option*, FEDERAL REGISTER (May 5, 2012), available at https://www.federalregister.gov/articles/2012/05/07/2012-10294/medicaid-program-community-first-choice-option.

[4] Wendy For-Grage and Jenna Walls, *State Studies Find Home and Community-Based Services to Be Cost-Effective*, AARP PUBLIC POLICY INSTITUTE, http://www.aarp.org/content/dam/aarp/research/public_policy_institute/ltc/2013/state-studies-find-hcbs-cost-effective-spotlight-AARP-ppi-ltc.pdf

[5] *Data From the Long Term Care Facilities Questionnaire*, PENNSYLVANIA DEPARTMENT OF HEALTH BUREAU OF HEALTH STATISTICS & RESEARCH, p. 16, file:///C:/Users/leslie/Downloads/Nursing_Home_Report_2012_1.pdf.

[6] *Federal Medical Assistance Percentage for Medicaid and Multiplied,* THE KAISER FAMILY FOUNDATION, last accessed April 27, 2014 at http://kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/.

[7] *Medicaid Program; Community First Choice Option*, FEDERAL REGISTER (May 5, 2012), available at https://www.federalregister.gov/articles/2012/05/07/2012-10294/medicaid-program-community-first-choice-option.

[8] 42 CFR § 441.

[9] COMMONWEALTH OF PENNSYLVANIA: 2009-10: GOVERNOR'S EXECUTIVE BUDGET, EDWARD G. RENDELL, E7.8, E7.9.

[10] U.S. Senator Thomas Harkin, *Separate and Unequal: States Fail to Fulfill the Community Living Promise of the Americans with Disabilities Act*, THE UNITED STATES SENATE HEALTH, EDUCATION, LABOR, AND PENSIONS COMMITTEE, p. 25, Jul 18, 2013, available at http://www.harkin.senate.gov/documents/pdf/OlmsteadReport.pdf.

[11] COMMONWEALTH OF PENNSYLVANIA: 2009-10: GOVERNOR'S EXECUTIVE BUDGET, EDWARD G. RENDELL 2014-2015, E.7.19, 2014.

[12] Implementation of the CFC option triggers a 6% increase in Federal Medicaid Match for at least a five-year period.

42 CFR § 441.; *Federal Medical Assistance Percentage for Medicaid and Multiplied,* THE KAISER FAMILY FOUNDATION, last accessed April 27, 2014 at http://kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/

[13] 11 million dollar estimate based on 2013/2014 and 2014/2015 fiscal estimates. If Pennsylvania adopts the CFC option, then the Federal Government will provide 58% matching funds for long-term care. In 2013/2014 the ACW cost $185,120,000. Right now, the Federal Government pays $99.4 million of that, if the CFC was adopted then the Federal government would have paid $110.3 million with CFC, generating $10.9 million in savings for Pennsylvania.

COMMONWEALTH OF PENNSYLVANIA: 2014-15: GOVERNOR'S EXECUTIVE BUDGET, TOM CORBETT, E.7.19, 2014.

[14] *Policy Brief: The Future of Medicaid Long term Care Services in Pennsylvania: A Wake up Call*, THE UNIVERSITY OF PITTSBURGH INSTITUTE OF POLITICS AND THE JEWISH HEALTHCARE FOUNDATION, Winter 2013, available at http://www.iop.pitt.edu/documents/Policy%20briefs/Medicaid%20Long-term%20Care%20in%20Pennsylvania.pdf.

[15] Currently, only 21.9% of Pennsylvanians receiving long-term care do so with home based services. [15] Under Section 10201 of PPACA, States that rebalance their long-term care to have 25% of services provided in the home by October 1, 2015 receive an additional 5% in Federal Medical

Assistance Percentage (FMAP) to help them offset transitional costs. Right now, Pennsylvania is receiving 52% FMAP. The 5% increase to FMAP is only guaranteed through 2015, and will likely be rolled back to 2% in 2016.

[16] There are roughly 81,000 Pennsylvanians receiving care in an institutional setting right now. According to the Governor's Blue Book, institution based care costs $4400 a month, totaling $52,800 a year per recipient. Alternatively, community based care costs $1740 a month, $31,920 a year. For each person kept out of nursing home facilities, the savings are $20,880. *Policy Brief: The Future of Medicaid Long0term Care Services in Pennsylvania: A Wake up Call,*

THE UNIVERSITY OF PITTSBURGH INSTITUTE OF POLITICS AND THE JEWISH HEALTHCARE FOUNDATION, Winter 2013, available at http://www.iop.pitt.edu/documents/Policy%20briefs/Medicaid%20Long-term%20Care%20in%20Pennsylvania.pdf.

Transforming Pennsylvania's Long-Term Services and Supports System, THE PENNSYLVANIA HOMECARE ASSOCIATION, 2011, available at http://www.pahomecare.org/_files/live/Bringing_LTC_Home_Report.pdf.

Data From the Long Term Care Facilities Questionnaire, PENNSYLVANIA DEPARTMENT OF HEALTH BUREAU OF HEALTH STATISTICS & RESEARCH, p. 16; COMMONWEALTH OF PENNSYLVANIA: 2009-10: GOVERNOR'S EXECUTIVE BUDGET, EDWARD G. RENDELL 2014-2015, E.7.19, 2014.

[17] For Pennsylvania to realize the savings in Table 1, new patients need to be diverted from nursing home based care and beds must close in existing institutions. While this report does not contemplate specific hospitals where closing of wings or wards is possible, such closures are the mechanism by which the state can achieve big savings. Pennsylvania can close beds by: (1) incentivizing the closing of beds in nonprofits and private sectors, (2) implementing a plan over the next five years to close public beds, and (3) for the State to make a commitment not to open more beds in the future.

[18] *Interim Projection of the Population by Selected Age Groups for the United States and States: April 2000 to July 1, 2030*, THE US CENSUS, p. 10, available at http://www.census.gov/population/projections/files/stateproj/SummaryTabB1.pdf.