



**Long-Term Services and Supports Expenditures: HCBS
were a Majority of LTSS Spending**

July 31, 2015

Mike Smith, Centers for Medicare & Medicaid Services

Steve Eiken, Truven Health Analytics

Thank you for joining the webinar today. We will discuss this year's report on Medicaid expenditures for long-term services and supports. I'm Steve Eiken, a Senior Research Leader for Truven Health Analytics and the lead author of the report. Before we begin, I want to explain how we'll operate this webinar. In a moment, I will mute all phone lines except for the staff from the Centers for Medicare & Medicaid Services and Truven Health who will speak during the webinar. If you have a question, please use the chat function in GoToWebinar, which is on the lower right portion of your screen. After I present the data, we will read and answer questions. You may submit a question at any time. I know a common question is whether the slides will be available, so I'll answer that question right away. We will post the slides and a transcript of the webinar on Medicaid.gov. At this time, I will mute all lines except for the presenters' and we'll begin the webinar.

I would like to introduce the CMS sponsors for this report: Mike Smith, Acting Director of the Division of Community Systems Transformation in the Disabled and Elderly Health Programs Group, and Dr. Effie George, who works in this division. In addition to Mike and Effie, I'm joined by my Truven Health colleagues Paul Saucier, Director of Integrated Care Systems, and Randy Lum, Director of Software and Database Design. Paul is the director of the project and will monitor the chat room for questions. Randy is handling the slides for the webinar. We'll now go to the next slide, where Mike Smith from CMS will describe the context for the report.

Context

- CMS continues to support expansion of home and community-based services (HCBS) options, including several new and expanded incentives in the Affordable Care Act.
- CMS sponsors the annual long term services and supports (LTSS) expenditures report, which is posted on Medicaid.gov. The report is commonly used to calculate the percentage of total Medicaid LTSS that is spent on HCBS.
- The most recent data, from Federal Fiscal Year (FFY) 2013, is the first year in which HCBS were a majority of LTSS expenditures.
- CMS sponsors three additional reports:
 - A report identifying the number of Medicaid LTSS beneficiaries
 - A report with more specific spending data for Section 1915(c) waivers
 - A report on Section 1915(c) waivers based on CMS 372 data, including participants and expenditures

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CMS supports the expansion of home and community-based services options, including implementing several initiatives in the Affordable Care Act, including the new Community First Choice benefit, the Balancing Incentive Program, and the extension of the Money Follows the Person demonstration. CMS has sponsored this report for more than a decade and the most recent two reports are posted on Medicaid.gov. The report is commonly used to calculate the percentage of total Medicaid LTSS spent on HCBS. Most states have increased this percentage over time, improving the balance of the LTSS system. The most recent data, from Federal Fiscal Year 2013, is the first year in which HCBS were a majority of LTSS expenditures.

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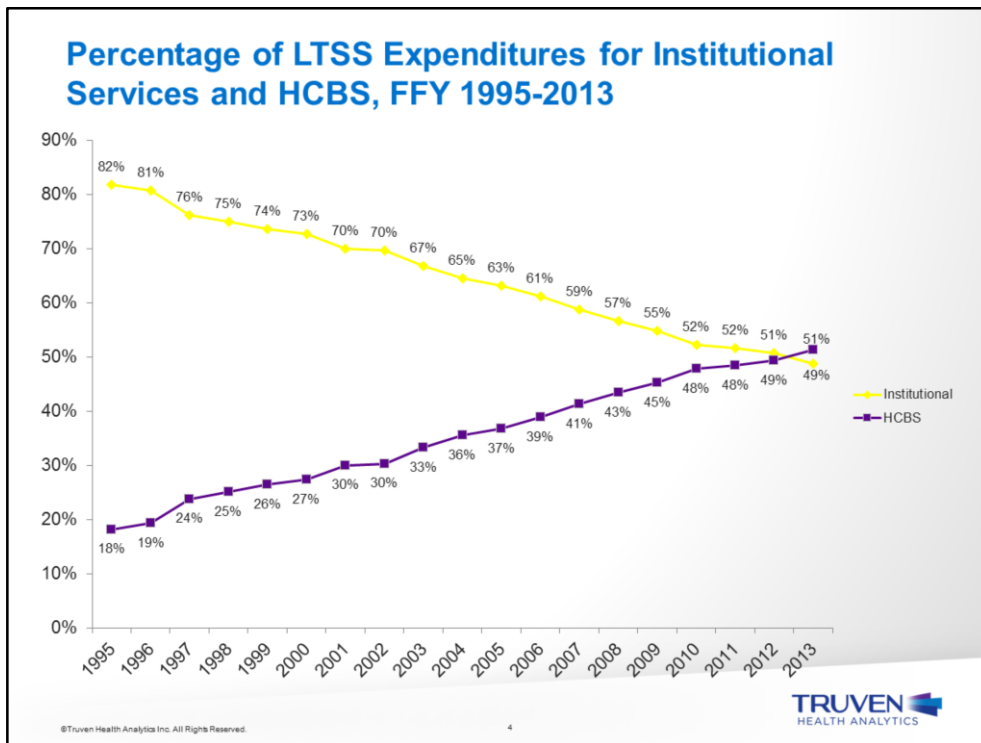
These reports will be released in the next two months. Last year's version of each report is available on Medicaid.gov.

On the next slide, Steve will briefly explain the data sources.

Data Sources

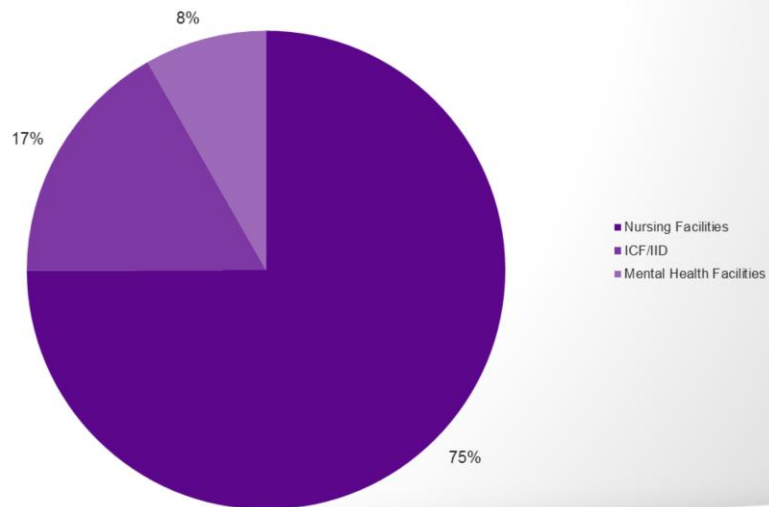
- Most data were from the CMS-64 Quarterly Expense Report, which states submit to CMS to claim federal matching funds.
- Beginning with FFY 2008, the data also included managed care data collected by Truven Health from states with managed LTSS programs.
- Expenditures from the Money Follows the Person (MFP) Demonstration budget worksheets submitted by participating states, provided by Mathematica Policy Research..
- U.S. Census Bureau population estimates to calculate expenditures per state resident.

The report is based on four data sources. As in previous years, most data were from the CMS Form 64 reports, quarterly expense reports states submit to claim federal matching funds. The CMS 64 does not clearly identify all of the LTSS provided through managed care programs. For most states, managed care expenditures were reported all together without specifying the individual services included in the capitation. As a result, Truven Health has requested LTSS data from states with managed LTSS programs, starting with data for 2008. We also collect spending on the Money Follows the Person demonstration using budget worksheets provided by the evaluation contractor, Mathematica Policy Research. Finally, we calculate expenditures per state resident using Census Bureau population estimates. The per capita spending in the report is based on all state residents. Now let's turn to the data, starting on the next slide.



The percentage of LTSS spending for HCBS increased from 49 percent to 51 percent in 2013, continuing a long-running trend of increased use of HCBS. You can see on the left that HCBS was less than 20 percent of LTSS spending in 1995 and has increased steadily since then. For the third consecutive year, institutional spending decreased while HCBS spending increased. On the next few slides, I'll explain what is counted as institutional and as HCBS, and I'll say more about recent trends in institutional and HCBS spending.

Distribution of Institutional LTSS Expenditures by Type of Service, FFY 2013

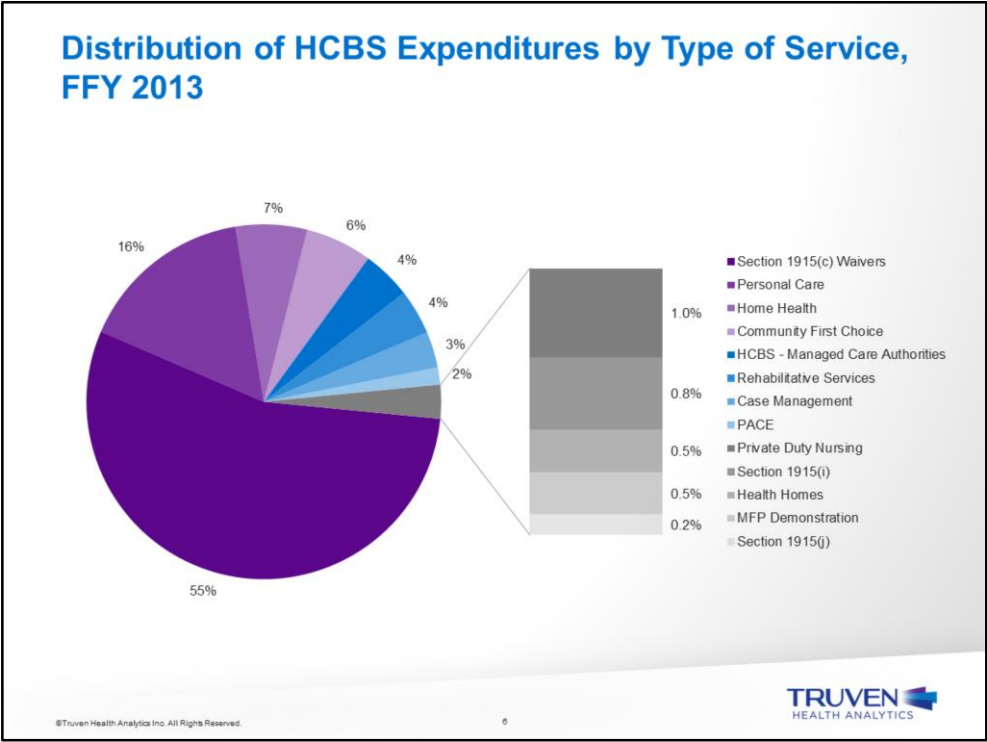


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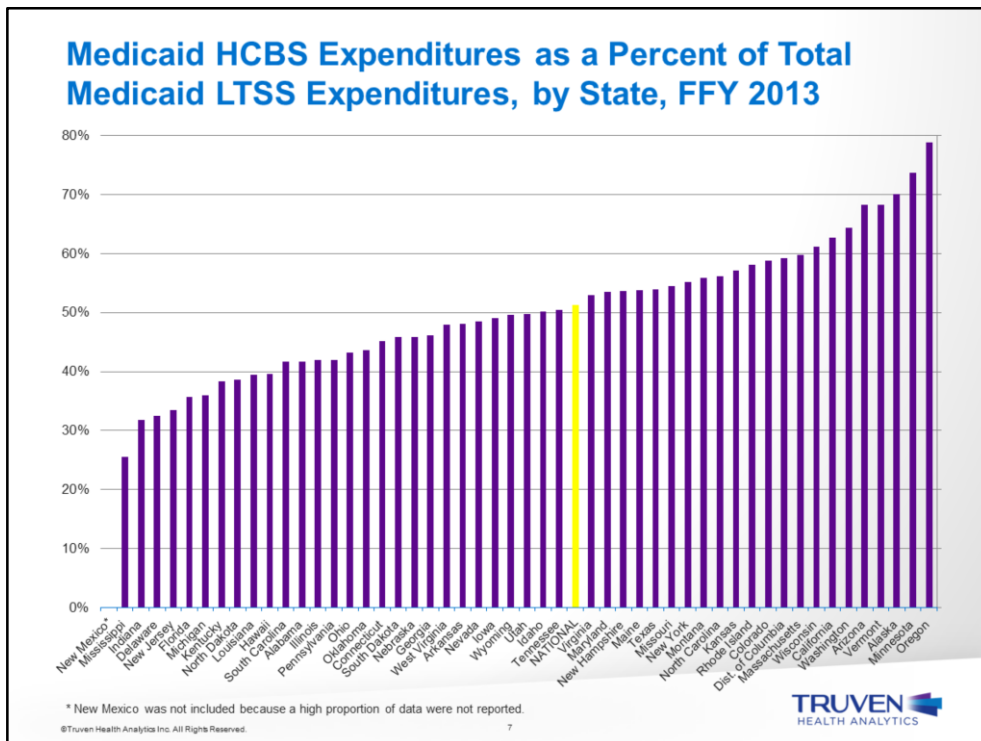
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This chart shows the distribution of Medicaid spending for the three types of institutional LTSS in the report: nursing facilities, intermediate care facilities for individuals with intellectual disabilities or ICF/IID, and mental health facilities. Nursing facility spending was 75 percent of total institutional expenditures. Nursing facility expenditures increased two percent in Federal Fiscal Year 2013. The other types of institutional services, ICF/IID and mental health facilities, had decreased spending that explains the overall institutional decrease. The next slide presents similar data for home and community-based services.

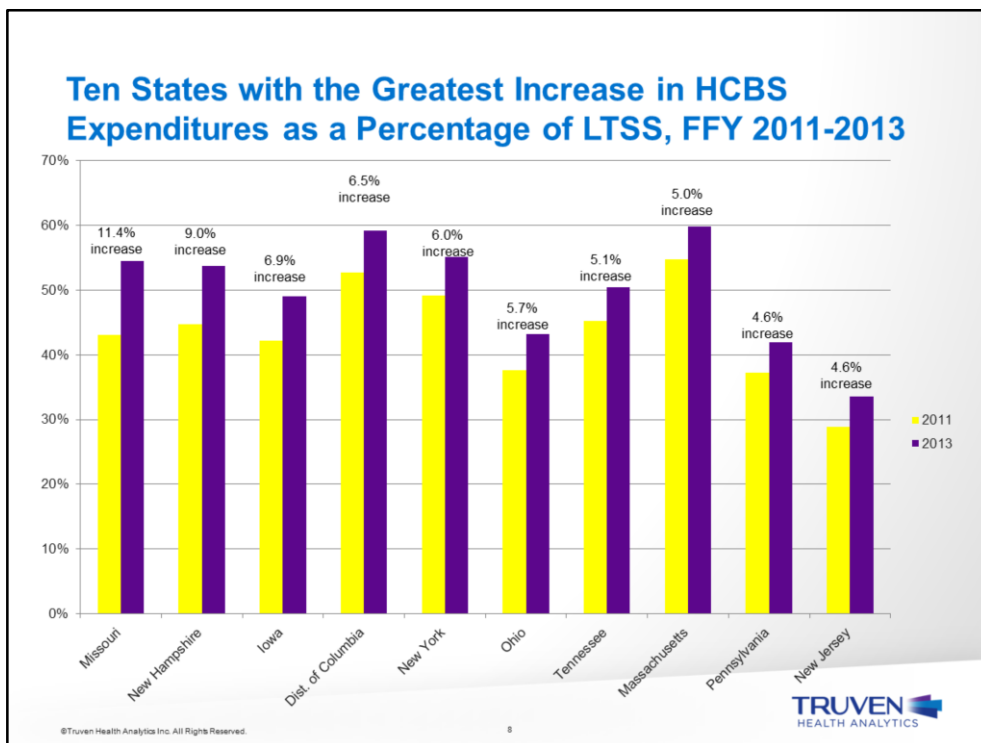


Many services are included in HCBS. These services are listed on this chart, which shows the percentage of HCBS expenditures for each type of service. A majority of HCBS, 55 percent, are furnished through Section 1915(c) waivers. More than 40 percent of expenditures were State Plan benefits, including the three benefits with the most expenditures after 1915(c) waivers: personal care, home health, and Community First Choice.

For 2013, 78 percent of the total HCBS increase in 2013 is explained by three service categories: Section 1915(c) waivers, state plan personal care, and HCBS authorized in managed care programs such as 1115 demonstrations and Section 1915(b) waivers. Now I'll move to the next slide and discuss variation among states in the balance of institutional and LTSS expenditures.



As this chart shows, there is significant variation across states. The states are almost evenly divided on either side of 50 percent, with 26 states below 50 percent of spending on HCBS and 23 states and the District of Columbia above 50 percent. As we'll see on the next slide, states also vary in terms of recent progress.



The ten states shown on this chart had the greatest increase in HCBS as a percentage of total LTSS from 2011 to 2013, a measure of balancing progress during a two-year period. These states ranged from an increase of 11 percentage points in Missouri to increases of 4.6 percentage points in New Jersey and Pennsylvania. The national average during this time period was a 2.9 percentage point increase. As shown on the next slide, all of these states participate in the Balancing Incentive Program except for the District of Columbia and Tennessee.

Balancing Incentive Program States among the 10 States with the Greatest Increase in HCBS Percentage, FFY 2011-2013

- Eight of the 10 states were Balancing Incentive Program states:
- Three states started during the time period covered in the report:
 - New Hampshire (FFY 2012)
 - Iowa and Missouri (FFY 2013)
- Five states started the Balancing Incentive Program after the time period of the report:
 - Massachusetts, New Jersey, New York, and Ohio (FFY 2014)
 - Pennsylvania (FFY 2015)
- Future reports with data from 2014 and 2015 should show even more growth in the percentage of HCBS

Eight of the top 10 states in balancing progress are Balancing Incentive Program states. Only three of these states started the program during the time period covered in the report: New Hampshire started in Federal Fiscal Year 2012 and Iowa and Missouri started in Federal Fiscal Year 2013. Five states started the Balancing Incentive Program after Federal Fiscal Year 2013: Massachusetts, New Jersey, New York, and Ohio started in FFY 2014 and Pennsylvania started in FFY 2015. I expect these states will continue to show growth in the percentage of HCBS when we have more recent data. Let's move to the next slide.

Total Medicaid LTSS Expenditures in Billions, FFY 2010-2013

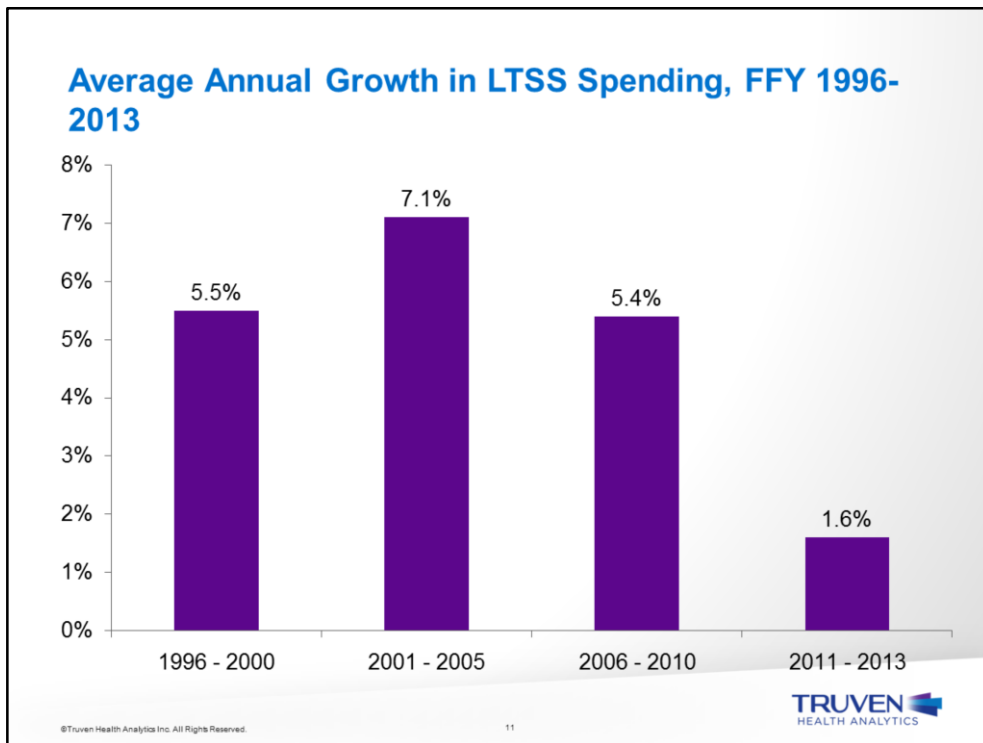
	2010	2011	2012	2013
Institutional LTSS	\$72.6	\$72.4	\$71.5	\$71.0
HCBS	\$66.6	\$67.8	\$69.6	\$74.8
Total LTSS	\$139.2	\$140.2	\$141.1	\$145.9

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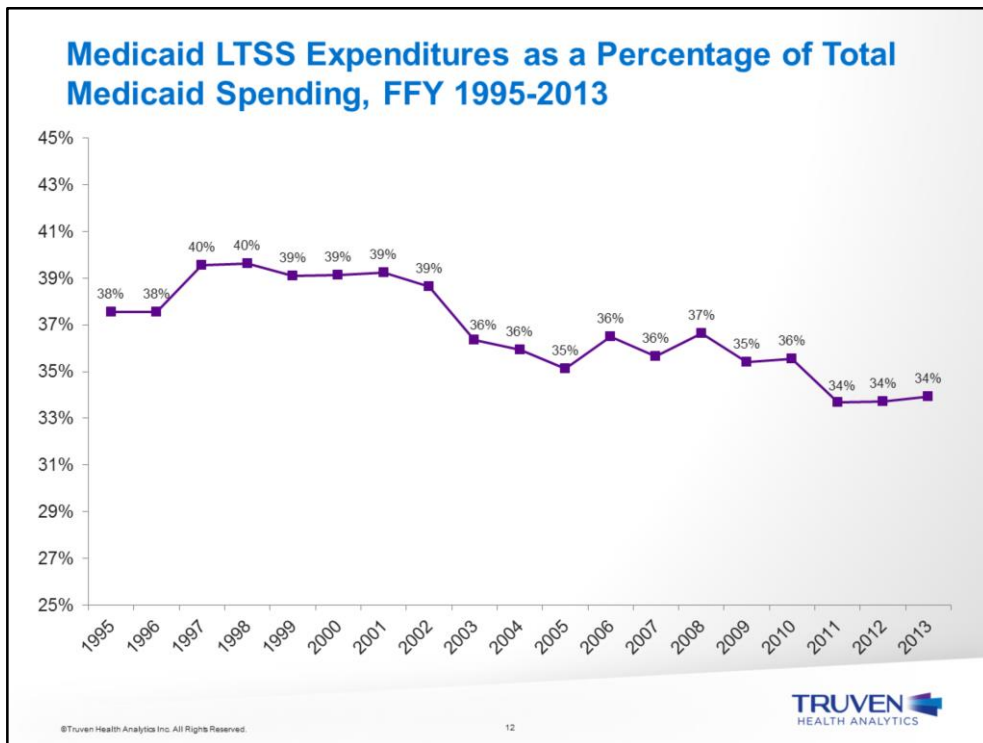
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This table shows Medicaid expenditures for total LTSS, institutional LTSS, and HCBS since 2010. Expenditure totals include both the federal and state share of Medicaid payments. Medicaid LTSS was about \$146 billion in FFY 2013 and increased 3.4 percent from FY 2012. This increase was higher than the previous two years, when spending increased by less than one percent per year. On the next slide, we'll compare recent cost trends to historic trends.



This slide shows average annual growth of total Medicaid LTSS since 1996. We show data in multi-year periods to smooth out year-to-year fluctuations and better show the long-term trend. Expenditure growth from FY 2011 through FY 2013 has been lower than historical averages. As we'll see on the next slide, the slower expenditure growth means LTSS is a smaller portion of total Medicaid spending.



As shown on this chart, LTSS has been a historically low percentage of total Medicaid expenditures since FY 2011. Each year from FY 2011 through FY 2013, LTSS was 34 percent of total Medicaid spending. We expect LTSS to be an even smaller portion of total Medicaid spending in FY 2014 and subsequent years, when total Medicaid expenditures will include the new Medicaid eligibility group for low-income adults established by the Affordable Care Act. On the next slide, I'll introduce variation by target population.

Variation by Population

- We present institutional services and HCBS expenditures for three target population groups:
 - Older people and people with physical disabilities
 - People with developmental disabilities
 - People with serious mental illness or serious emotional disturbance
- These categories are approximate because the data sources organize data by particular services or programs, not by diagnosis or age.

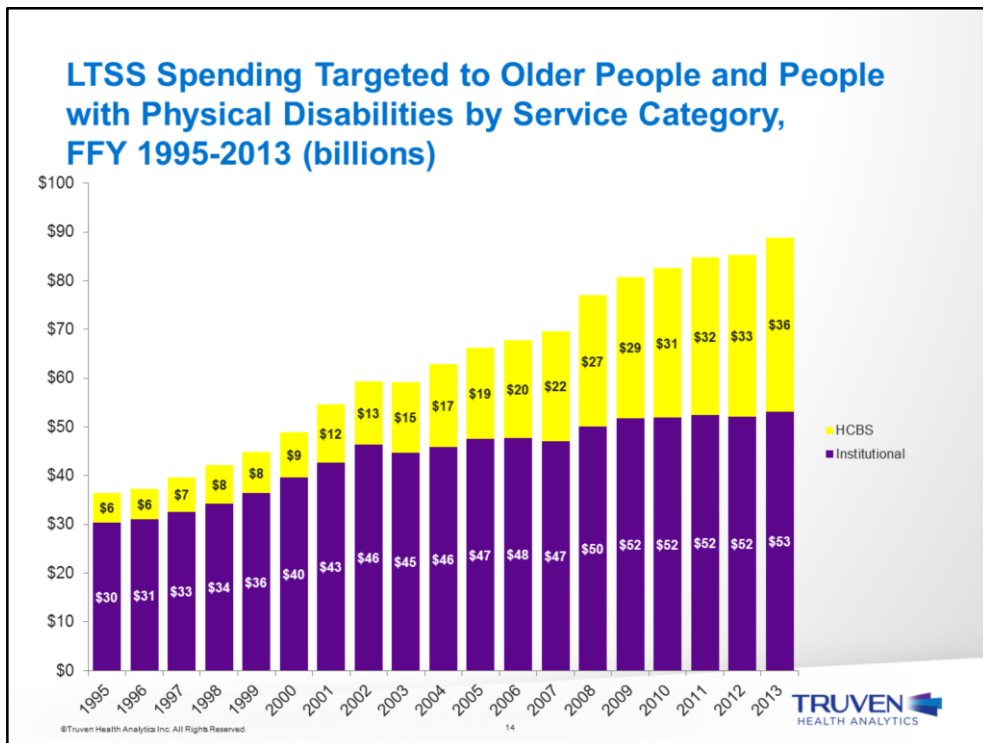
Each year, we present institutional and HCBS expenditures for three target population groups:

Older people and people with physical disabilities

People with developmental disabilities

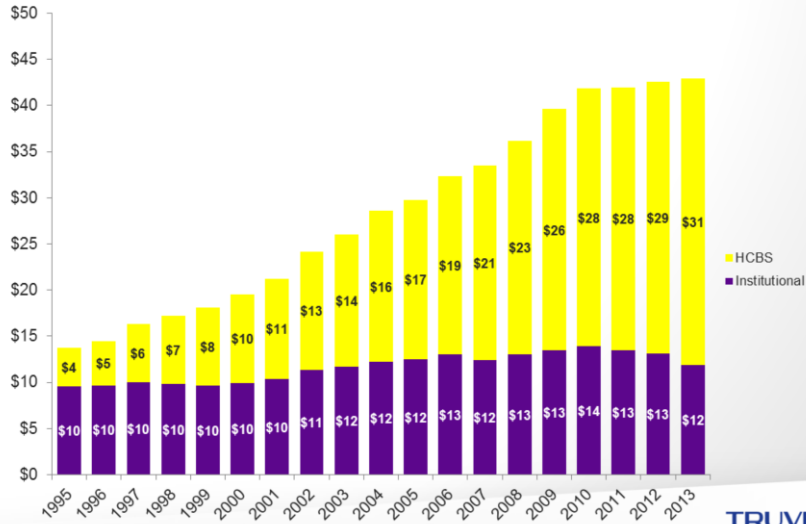
People with serious mental illness or serious emotional disturbance

These categories are approximate because the data sources for this report, such as the CMS 64, are organized by particular services or programs, not by diagnosis or age. For example, we know how much a state spends on state plan personal care, but we do not know how much of that amount is for older adults or people with physical disabilities. Based on studies of state programs, we categorize personal care as a program for older adults and people with physical disabilities, knowing some people with other conditions also receive personal care. The next slide is the first of the charts with target population data.



This chart shows data for programs targeted to older people and people with physical disabilities. HCBS comprised 40 percent of FY 2013 LTSS expenditures. The HCBS portion of LTSS expenditures has more than doubled from 17 percent in FY 1995, the first year of available data by the population served. Most of the increase occurred after FY 2002. Let's move to the next slide.

LTSS Spending Targeted to People with Developmental Disabilities by Service Category, FFY 1995-2013 (billions)

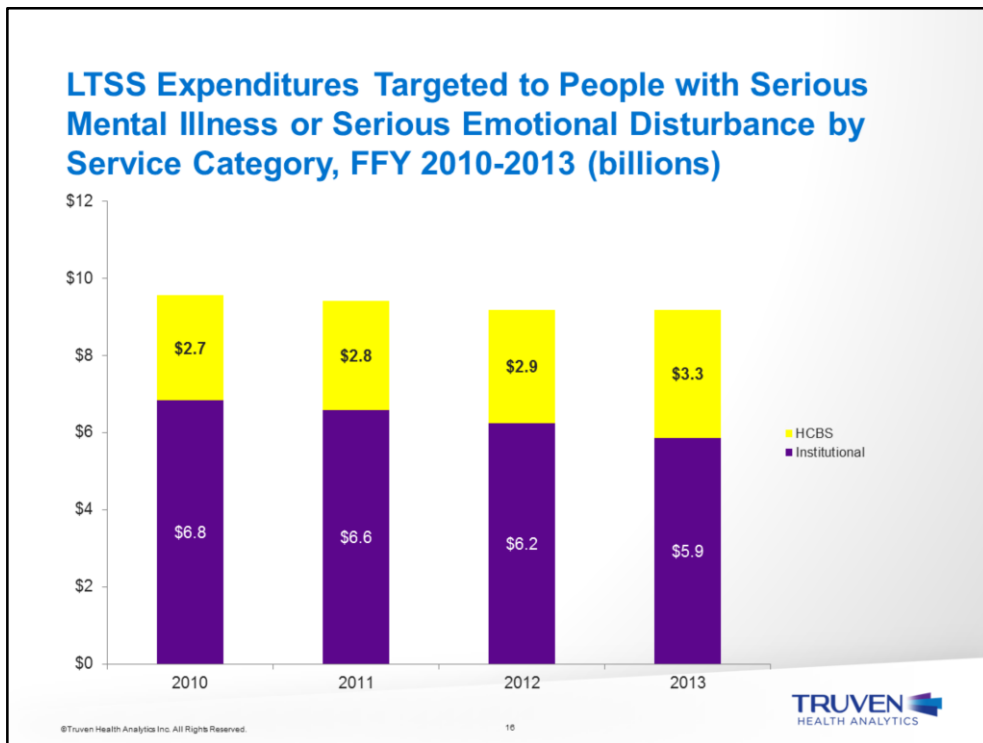


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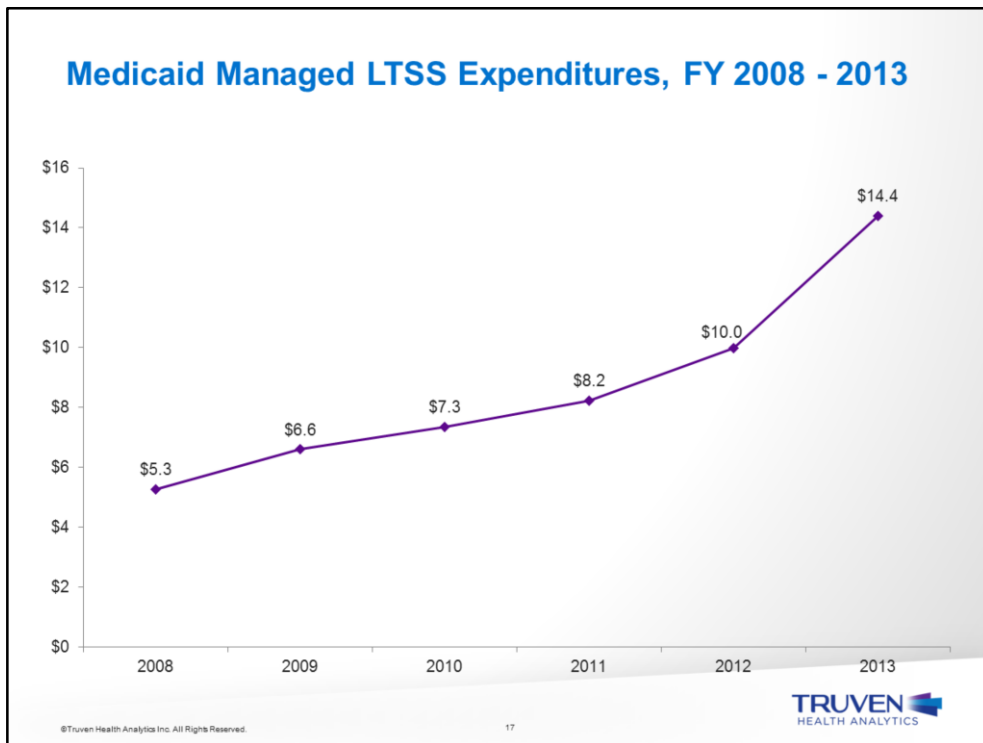
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This chart shows data for programs targeted to people with developmental disabilities. In FY 2013, 72 percent of national Medicaid LTSS expenditures were for HCBS. The HCBS portion of LTSS expenditures targeting people with developmental disabilities has more than doubled from FY 1995, when it was 30 percent. Next slide, please.



The last population chart shows data for programs targeted to people with a serious mental illness or a serious emotional disturbance. HCBS comprised 36 percent of FY 2013 LTSS expenditures nationally. The HCBS portion of LTSS expenditures has increased from 28 percent in FY 2010, the first year data became available for rehabilitative services, which accounts for most HCBS spending targeted to this population. The last chart of the presentation, on the next slide, shows the trend in managed LTSS data.



Expenditures for LTSS provided through managed care organizations, also known as MLTSS, increased 44 percent in FY 2013, from \$10.0 billion in FY 2012 to \$14.4 billion. Eighty percent of the increase is explained by changes in five states: expansions of MLTSS in New York, Texas, and North Carolina and new MLTSS programs in Kansas and Delaware. Managed care was four percent of Medicaid LTSS spending in 2008 and was 10 percent in 2013. The managed care data come from two sources, the CMS 64 and data requested directly of MLTSS states by Truven Health. Recent CMS 64 reporting requirements for states participating in the Balancing Incentive Program require those states to separate Medicaid managed care spending into three categories: acute care, institutional LTSS, and non-institutional LTSS. For states not in the Balancing Incentive Program, the primary source is information that states provide directly to Truven Health. The next slide summarizes conclusions from the report.

Conclusion

- HCBS were a majority of LTSS (51%) for the first time in FY 2013. For the third consecutive year, institutional LTSS spending decreased while HCBS expenditures increased.
- States vary significantly in balancing and in recent progress in the percentage of spending for HCBS.
- LTSS spending has grown slowly since 2011 (1.6 percent per year) after growth of more than five percent per year from 1996 through 2010.
- Variation by population continues. Services targeted to people with developmental disabilities are characterized by a higher percentage of spending for HCBS.
- The role of managed care in LTSS increased from 4 percent of LTSS in 2008 to 10 percent of LTSS in 2013.

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LTSS spending has grown slowly since 2011, 1.6 percent per year, after growth of more than five percent per year from 1996 through 2010.

Variation by population continues. Services targeted to people with developmental disabilities are characterized by a higher percentage of spending for HCBS, and

the role of managed care in LTSS increased from 4 percent of LTSS in 2008 to 10 percent of LTSS in 2013. Let's move to the final slide.

For more information

- The full report with explanatory narrative, national and state tables, and methodology are available at the following link.

<http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Long-Term-Services-and-Supports/Long-Term-Services-and-Supports.html>

- Find the link “LTSS Expenditure Report 2013”
- Contacts for questions:
 - Effie George, CMS, effie.george@cms.hhs.gov
 - Steve Eiken, Truven Health Analytics, steve.eiken@truvenhealth.com

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<http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Long-Term-Services-and-Supports/Long-Term-Services-and-Supports.html>. You also can find a link to it by searching for “LTSS Expenditures” on Medicaid.gov. You may contact Dr. Effie George, CMS, at effie.george@cms.hhs.gov, or Steve Eiken, at steve.eiken@truvenhealth.com, anytime with questions on this report. My colleague, Paul Saucier, has been monitoring the chat room for the webinar. Paul, are there any questions?