

## **“Money Follows the Individual” Rebalancing Initiative**

In his FY 2004 budget, President Bush proposed a “Money Follows the Person ” (MFP) Rebalancing Initiative that would provide assistance to help states re-balance their long-term support systems more evenly between institutional and community-based service options. The President’s budget proposes \$350 million a year in funding for five-years, for a total of \$1.75 billion. This brief description of major elements of the proposed budget item simply reflects the original ideas that gave rise to the initiative. If Congress acts on the proposal, details could change substantially. Further material is currently being prepared in anticipation of the April 2003 NFI Open Door Forum, which will be devoted exclusively to a discussion of this initiative.

### **Goal**

The goal of this initiative is to assist states in developing and implementing a strategy to “level the playing field” and create a more equitable balance between institutional and community-based services spending; to increase the responsiveness and cost-effectiveness of the system; assist states to fulfill the Americans with Disabilities Act; and increase the amount of control individuals with disabilities are able to exert over service choices.

### **Key Concepts**

Two key concepts are involved:

- ❖ Money Follows the Person
- ❖ Rebalancing the Long Term Support System

When “money follows the person” in the long-term support system, services, supports, and financing move with the person to the most appropriate and preferred setting. They can change as his or her needs change. It is a market-based approach that gives individuals more choice over the location and type of service they receive.

By making the individual the focus of decision-making and funding, he or she is able to make more cost-effective decisions. For example, many individuals willingly substitute more effective or less costly services in lieu of traditional or overly medicalized services, when given the choice.

The second concept is to “rebalance” the long term support system. A balanced long term support system offers individuals a reasonable array of balanced options, particularly adequate choices of community and institutional options. Otherwise, citizens do not have real choice.

A few states have been successful in offering their citizens an effective balance of both community and institutional services. Nationally, however, about 71% of Medicaid long term support funding is devoted to nursing facilities and Intermediate Care Facilities for the Mentally Retarded (ICF-MR). The vast preponderance of states spend most of their Medicaid long term

support funding for institutional services. Long wait lists for community services are often the result. For those states, “rebalancing” involves improving community options and reducing the high reliance on institutional forms of service.

### **The Initiative Proposed to Congress**

For twelve months, the federal government would pay 100% of the cost of a Medicaid-equivalent package of home and community-based services for Medicaid-eligible individuals who move from a Medicaid-certified institution to the community, with the proviso that:

- ❖ The state agrees to continue funding for each individual beginning the 13<sup>th</sup> month after the person has transitioned to the community;
- ❖ The state reinvests savings or other resources to rebalance the long term care system;
- ❖ The state increases the infrastructure for community services and improve the ability of individuals live and participate in their communities;
- ❖ The state makes a commitment to take steps to enable money to follow the person to the most appropriate setting preferred by the individual.

The initiative would be assured for five years in order to give states adequate time to consult with stakeholders, design their plans, and prepare for implementation. Some states would be ready immediately. Other states would require legislation and further planning time. A five-year commitment would assure those states that the program would still be in place after they make their initial planning investments.

The intent is to promote improvement of systems rather than seeking the most novel strategy. This approach would enable all states to compete effectively, regardless of the current state of their long term care system.

### **The Financial Sense**

This initiative can make financial sense for states. It is tailored as a feasible option even in the midst of severe state budget shortfalls. If designed and implemented well, it could provide:

- ❖ **Immediate Financial Savings:** States are currently paying the Medicaid per diem for Medicaid-eligible individuals who reside in nursing facilities, ICFs-MR, or other Medicaid-funded institution. To the extent that such individuals transition to the community, with 100% federal funding for the community package for the first 12 months, states will secure an immediate savings. Even if the vacated bed is re-filled, (a) some beds will not be re-filled, depending on current occupancy levels, (b) if re-filled, there will be some time before the bed is refilled, (c) for nursing facilities, most beds are initially refilled with private pay individuals who only gradually spend-down.

State savings could immediately be applied to such uses as (a) building the community infrastructure, (b) diverting other individuals so they may continue living in the community, (c) helping institutional providers diversify or downsize.

- ❖ **Long Term Savings:** To the extent that the reinvestment of short term savings helps the state to rebalance its long term care system and reduce reliance on institutional services, the state will have created a source of long term savings. For example, a state that reduces its institutional capacity by 500 beds will have created the financial capacity to serve at least an equal number of additional people in their own home.

### **The Program Sense**

States will be encouraged to develop and adopt a coherent strategy for making their long term care systems (a) more responsive to the desires of its citizens, (b) more cost-effective, and (c) more balanced and less dependent on institutions (d) more responsive to the Americans with Disabilities Act.

### **Successful State Experience**

A number of states have undertaken initiatives to both rebalance their systems and enable money for follow the person. You may obtain additional information about some of these efforts from the CMS website. Look for:

- ❖ August 13, 2002 Letter: [www.cms.hhs.gov/states/letters/smd81302.pdf](http://www.cms.hhs.gov/states/letters/smd81302.pdf)
- ❖ Promising Practices: [www.cms.hhs.gov/promisngpractices/patspmr.pdf](http://www.cms.hhs.gov/promisngpractices/patspmr.pdf)
- ❖ Promising Practices: [www.cms.hhs.gov/promisngpractices/wifamcare.pdf](http://www.cms.hhs.gov/promisngpractices/wifamcare.pdf)