Medicaid is the nation’s major public health coverage program designed to address the acute and long-term care needs of millions of low-income Americans of all ages. Medicaid is the primary payer for long-term care covering a range of services including those needed by people to live independently in the community such as home health and personal care, as well as services provided in institutional settings such as nursing homes. Many of these critical services are not covered by Medicare or private insurance. The Patient Protection and Affordable Care Act (ACA) creates a number of new opportunities for states to balance their long-term care delivery systems by expanding access to Medicaid home and community based services (HCBS) programs.

Who Needs Long-Term Care Services and Supports?

Over 10 million Americans need long-term services and supports to assist them in life’s daily activities. The majority of individuals who receive long-term services are age 65 and above while 42 percent are under age 65 (Figure 1).

![People with Long-Term Care Needs](image)

People with long-term services needs span all ages and often have substantial acute care needs also. Children with intellectual disabilities such as mental retardation and developmental disabilities such as autism often need care throughout their lifetimes. Young adults with spinal cord and traumatic brain injuries and serious mental illness may need services for decades. Older people often need some long-term services due to decreasing mobility and cognitive functioning that comes with aging, and those with severely disabling chronic diseases such as diabetes and pulmonary disease need more extensive acute and long-term services as they age.

Who Qualifies for Medicaid Long-Term Care Services?

Medicaid is intended to assist low-income individuals and is not available to everyone who needs long-term services. Individuals must first meet financial qualifications for Medicaid coverage of long-term services and supports, in addition to meeting need criteria. For the elderly and people with disabilities with long-term services needs, these limits are often tied to the Supplemental Security Income (SSI) program – $674 per month in 2010 – but states can, and often do set higher limits. Additionally, elderly and disabled individuals who qualify for Medicaid must have very few assets ($2,000 for an individual and $3,000 for a couple, in 30 states).

Medicaid is also the safety net for long-term care services for those who become impoverished as a result of disabling illness or injury. Thirty-four states, including DC, allow the “medically needy” – those with high medical bills – to spend down to a state-set eligibility standard, and because few people can afford the high cost of nursing home care, 38 states allow people needing nursing home care to qualify with income up to 300 percent of SSI ($2,022 per month in 2010). However, individuals who apply for Medicaid...
assistance with nursing home care are subject to a “look back” period of five years for asset transfers during which eligibility may be denied. This is intended to prevent those above the eligibility levels for Medicaid from giving away their resources in order to qualify for Medicaid. Persons with substantial home equity are ineligible for Medicaid.

To address the gaps in private coverage, many states provide a means for higher income individuals to buy-into Medicaid, such as the Ticket-to-Work option, which allows individuals with disabilities to work and retain their health coverage, and the Family Opportunity Act for disabled children with family income up to 300 percent of poverty.

**What Services Does Medicaid Provide for Long-Term Care Populations?**

Over 3 million individuals, or 7 percent of the Medicaid population, rely on Medicaid long-term care services for a range of physical and mental health care needs. Medicaid coverage of long-term care includes a range of services and supports that assist individuals with performing activities of daily living (ADLs) and instrumental activities of daily living (IADLs). These range from providing assistance with eating, dressing, and toileting, to assisting with managing a home and medication management.

Medicaid covers a continuum of long-term care service settings. While many prefer to remain in the community, some individuals with extensive needs require nursing home care. Spending on Medicaid HCBS has been growing. In 2009, spending on HCBS accounted for 43 percent ($52.8 billion) of total Medicaid long-term care services spending, up from 13 percent in 1990 (Figure 3).

**Growth in Medicaid Long-Term Care Services Expenditures, FFY 1990-2009**

<table>
<thead>
<tr>
<th>Year</th>
<th>In Billions</th>
<th>Expenditure Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>$32</td>
<td>13%</td>
</tr>
<tr>
<td>1995</td>
<td>$54</td>
<td>29%</td>
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<tr>
<td>2000</td>
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<td>30%</td>
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<td>2005</td>
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<td>32%</td>
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<tr>
<td>2010</td>
<td>$109</td>
<td>42%</td>
</tr>
<tr>
<td>2015</td>
<td>$115</td>
<td>45%</td>
</tr>
<tr>
<td>2020</td>
<td>$122</td>
<td>45%</td>
</tr>
</tbody>
</table>

Spending patterns for Medicaid home and community-based services vary widely among states, with the percentage of long-term care expenditures going towards HCBS ranging from 13 percent in Mississippi to 73 percent in New Mexico. Demand for services in the community is growing. In 2009 there were 365,553 individuals in 39 states on waiting lists for Medicaid HCBS.

**Long-Term Care and Health Reform**

The ACA contains several provisions that expand Medicaid HCBS options:

- The law extends the Money Follows the Person demonstration program (MFP). MFP provides states with an enhanced federal medical assistance percentage (FMAP) for 12 months for each Medicaid beneficiary transitioned from an institution to the community during the demonstration period. The law also shortens the period of time during which participants must reside in an institutional setting before being eligible to transition into a community setting—from six months to 90 days.
- Establishes the Community First Choice Option to provide statewide home and community-based attendant supports and services to individuals with incomes up to 300% of SSI who require an institutional level of care. States electing this state plan option will receive a FMAP increase of six percentage points for these services.
- Creates the State Balancing Incentive Program that provides enhanced federal matching payments to states in order to increase the proportion of Medicaid long-term services and supports dollars going toward HCBS.
- Makes improvements to the HCBS state plan option by expanding the set of covered services, covering individuals with higher levels of need, and allowing states to extend full Medicaid benefits to individuals receiving HCBS.

To address coverage gaps in long-term care, the ACA establishes a national, voluntary insurance program for purchasing Community Living Services and Supports (CLASS Act). CLASS is designed to expand options for working adults who become functionally disabled and require long-term services and supports. Adults who meet eligibility criteria will receive a cash benefit that can be used to purchase community-based services and supports.

Additionally, the new law contains several provisions aimed at improving coordination of coverage and services for dually eligible Medicare and Medicaid beneficiaries. These include the creation of a Federal Coordinated Health Care Office and Center for Medicare and Medicaid Innovation within the Centers for Medicare and Medicaid Services.

**Outlook**

Medicaid continues to be the major financing system for long-term care services and supports in our nation. With demand for services in the community remaining high, states will continue to be pressed to expand access to Medicaid HCBS. Despite the current budget climate that has dampened the pace of some rebalancing efforts, 32 states expanded Medicaid long-term services and supports in FY 2010 (primarily expanding HCBS programs) and 32 states planned expansions for FY2011. The new long-term care provisions in health reform present more opportunities for states to meet the challenges associated with serving seniors and persons with disabilities with complex health needs who desire to live in the community.

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