THE GENERATIONS PROJECT

financing

This is the first of a six-part series concerning the implementation of SEA 493, a law passed by the Indiana General Assembly in 2003 to expand the availability of home health care in Indiana.

Financing the re-balancing of Indiana's system of long term health care through the implementation of 2003's Senate Enrolled Act 493 (Public Law 274) should be equally a question of **why** as well as **how** according to a recently released report by The Generations Project, Inc.

The almost $2 billion spent annually for long term care through Indiana's Medicaid program and the state-funded CHOICE program represent a significant portion of the State's Medicaid budget and total expenditures. However, in a recent spending analysis prepared by the Kaiser Commission on Medicaid and the Uninsured, Indiana ranked 48th among states in the percentage of long term care dollars spent in Federal fiscal year 2002 on Medicaid funded community based care for the aged and physically disabled

Moving Forward, a report on SEA 493 and long term care rebalancing in Indiana, shows that, by implementing SEA 493, Indiana can effectively save money and slow the growth of State Medicaid spending. By 2025, Indiana's 65 and older population is expected to increase to over 1.2 million, making it the second largest age category in the State and significantly increasing the number of Hoosiers in need of publicly funded long term health care services. Today there is widespread agreement that shifting funds and services (from institutions) to support consumers in their own homes and other community settings can and does achieve per person savings and makes imminent economic sense. Based on data compiled by the Indiana Home Care Task Force the average per year costs for a person on Indiana's Aged & Disabled Medicaid Waiver is nearly $17,000. This makes Indiana consistent with Colorado and other states that have reported savings on the order of 3 to 1 when comparing home and community based services with institutional care.

Maintaining a business as usual approach to long term care in Indiana will result in continued inflation in the State's Medicaid budget while waiting lists remain large or keep growing. According to CICOA, the Area Agency on Aging for the 8 County Indianapolis Metropolitan Area, their clients leave the waiting lists for a variety of reasons. Unfortunately, the number one reason is death and the number two reason is placement in a nursing home.

The Generations Project maintains that Indiana, through the full and optimal implementation of SEA 493, can reduce its daily nursing residential census by fifty percent in as little as five years. In other words, because of the institutional bias inherent in Indiana's publicly funded LTC system, The Generations Project believes that half of the daily census population in Indiana nursing homes could be better served in a home and community based setting.

In a model developed by the project based on the experience of other states, by transitioning 3,000 individuals from nursing homes to home and community based settings, Indiana could achieve estimated savings of $45 million in a single year. Through consistent effort in later years, hundreds of millions of dollars can become available for home and community based care under SEA 493.

"SEA 493 is unique because it ensures that we are decreasing the rate of growth in Medicaid spending," according to John Cardwell, Director of The Generations Project. "SEA 493 prescribes that community-based services must be provided at costs that are no greater than the costs for services provided to persons who reside in institutional settings – ensuring the creation of savings through re-balancing."

Moving Forward recommends that the State create savings by aggressively implementing the "dollars follow the person" funding provisions of the Act and use those savings to continue implementing 493 and providing appropriate home and community based services to those in need.

"Indiana must fully implement SEA 493," explained Nancy Griffin, State Director of AARP Indiana. "When it does, we will have created a system of LTC that is driven by consumer demand, that eliminates the bias toward nursing homes, that allows consumers to choose the least restrictive and most appropriate care setting, and that utilizes savings created through re-balancing to meet the needs of individuals on waiting lists for home and community based care. Then and only then will we be able to meet the needs of current *and* future populations," Griffin concluded.

Many states have implemented similar reforms in years past. The State of Washington continues to realize significant efficiencies in its long term care system when compared with Indiana because it utilizes a more balanced and appropriate distribution of its long term care dollars. Washington financed these reforms by aggressively transitioning individuals from nursing homes into more appropriate and less expensive home and community based settings.

In Indiana, the Area Agency on Aging (REAL Services) that serves Elkhart, Kosciusko, La Porte, Marshall, and St. Joseph Counties has recently documented these savings. In diverting 98 individuals who had been in a hospital or nursing home for 60 days or less into more appropriate home and community based care settings, REAL Services created $1.5 million – or $1,300 per client per month – in real savings for Indiana.

In neighboring Ohio, the Taft administration is suggesting, among other things, an increase in funding for home and community based care and a pilot program for Medicaid funded assisted living because these measures will save money. The non-partisan Ohio Commission to Reform Medicaid reports that by fully implementing assisted living as a Medicaid option, Ohio can realize savings of $28 million in FY 2005.

The full ***Moving Forward Report*** is available at www.generationsproject.org