the fiscal implications: public and private impacts

Throughout 2005, The Moving Forward Series has examined a variety of topics related to Senate Enrolled Act 49 and their vital importance to all Hoosiers.

With a mission to advance the public's understanding of the options available to persons with disabilities of all ages who need long term care, the Series has looked at several critical issues. These have included the financing of long term care, barriers to care, self-directed care, service options, and quality of care.

In this sixth and final installment for 2005, the Series will address the fiscal implications of SEA 493, the state's dramatic but yet-to-be implemented long term care reform law.

SEA 493 was passed in 2003 by the Indiana General Assembly with the expressed intent of "re-balancing" the state's publicly funded long term care system. The law, if fully implemented, will change the way people obtain and finance long term care (LTC) services.

The fiscal implications of the law are many.

Global budgeting for publicly funded long term care is established by the act. This will allow the state the flexibility that is needed to plan and implement the re-balancing of the long term care system. Re-balancing means moving people out of inappropriate institutions (including nursing homes), and moving people into appropriate lower cost home and community based services. In doing this, the law also requires that the state to stay within the confines of its overall (or available) long term care budget.

A full array of community based Medicaid funded long term care services is established in the law. This means whatever care is needed will be available to consumers in the future. This will allow market place dynamics to really work at a lower cost to consumers and taxpayers while providing quality care.

The law allows people served by Medicaid in institutions to move into more appropriate home and community based care. This includes assisted living and adult foster care, if they are also funded by Medicaid. In effect, the Medicaid funding will follow the consumer from an institutional setting to new home and community based services (HCBS). The law further states that any savings generated by moving a consumer into LTC alternative services may then be used to purchase HCBS for other eligible persons.

The law triples the Medicaid income eligibility level for people who need HCBS. The change, from 100 percent of the federal Supplemental Security Income standard to 300 percent of SSI, places HCBS income eligibility on the same plane as Medicaid nursing home care. This will make Medicaid funded HCBS affordable for thousands of Hoosiers and for most of them it will eliminate the threat of being forced into a nursing home.

The law gives nursing homes the authority to use bonding to finance their conversion to other forms of LTC. Like other sections of SEA 493, the bonding provision allows market mechanisms to create positive incentives for re-balancing and improving long term care.

Finally, the law establishes self-directed care as a Medicaid funded service. This will empower people who are able, to hire, fire, and direct their caregivers within the confines of their allocated Medicaid service dollars. It should be noted that self-directed care has already been successfully used in Indiana's outstanding CHOICE home care program, which is only funded by state tax dollars. Self-directed care is already used in many states to improve service quality, save money, and to increase the dignity and self-reliance of persons with disabilities.

The merits of the aforementioned features of SEA 493 have all been proven in other states. Similar laws have been used throughout the nation to save taxpayer dollars, reduce the use of expensive and inappropriate nursing home care, to reduce and eliminate HCBS waiting lists, to improve the quality of care, and to improve health care outcomes. With a total Medicaid long term care budget of 1.6 billion dollars per year it is clearly incumbent upon state officials to fully utilize the provisions of SEA 493. In many states the ratio of HCBS savings compared to nursing home care is over 3 to 1. States have also reduced their Medicaid nursing home populations by over 50 percent by using HCBS alternatives. These facts make the potential of SEA 493 to change the Indiana health care economic landscape enormous.

Today, the Daniels administration is in discussions with consumer advocates, leading citizens, academics, providers, consultants, and officials in other states regarding the best ways to implement SEA 493. In this process, The Generations Project is working with the organizations that compose the Indiana Home Care Task Force. These discussions are seeking the means to serve all Hoosiers who cannot afford long term care services by their own means and to fully realize the fiscal potentialities of the law.

In the end the best return on the public investment in SEA 493 will be the maximization of the state's human potential. If the law can help actualize the best in everyone affected by long term care then the benefits that will accrue to individuals, business, and institutions will be profound and lasting.