



Medicaid Long-Term Care Costs

April 2020

What is the Medicaid Program?

Medicaid, or Medical Assistance (MA) as it is called in Minnesota, is a joint federal-state health care program that provides necessary medical services for low-income families, children, pregnant women, and people who are elderly (65 or older) or have disabilities.

Medicaid home- and community-based waivers were established under section 1915(c) of the federal Social Security Act of 1981. The waivers were intended to correct a bias toward institutional care in the Medicaid program. They allow states to offer a broad range of home- and community-based services to people who may otherwise be institutionalized.

In 1999, the U.S. Supreme Court ruled in *Olmstead vs. L.C.* that states have an obligation to ensure that people with disabilities are not forced to remain institutionalized when a more integrated setting is appropriate and the affected people do not object to the community placement. The court also indicated that states should have comprehensive, effective working plans for placing qualified people in less restrictive settings. This ruling prompted states, including Minnesota, to review their policies and practices and to determine whether they were most effectively supporting the relocation and diversion of people from institutional settings.

What are the funding sources for MA long-term care services?

The federal government pays a share of the cost of state MA expenditures. This is referred to as the federal medical assistance percentage (FMAP). Minnesota's usual federal match is 50 percent. The state pays the remaining 50 percent for most services (some services have a county share, such as long-term placements in ICF/DD facilities with seven or more beds). In fiscal year 2020, the projected total expenditure for all long-term care services was \$5.2 billion, with a state share of \$2.6 billion.

How do the expenditures compare for long-term care facilities versus waivers and home care?

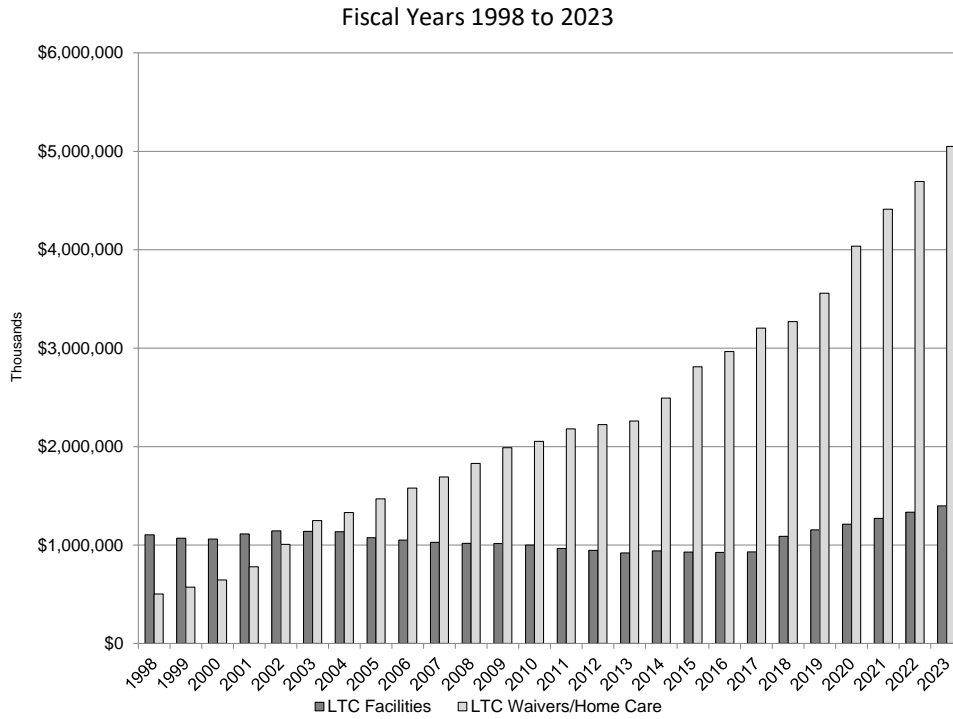
The average monthly payment per recipient for long-term care facilities (nursing facilities, county nursing facilities, ICF/DD facilities, and the State-Operated Services Mental Illness Program) is estimated to be \$6,643 in fiscal year 2020. This is higher than the estimated average monthly payment per recipient of \$4,495 for MA home and community-based waiver and home care (BI, CAC, CADI, DD, and elderly waiver and home health agency services, personal care, and home care nursing services).

As shown in the first graph on the next page, the total expenditures for the long-term care facilities decreased for several fiscal years before increasing again, while total expenditures for long-term care waivers and home health care have been increasing rapidly and the average monthly payments for both types of services have increased over time. This is mainly due to changes in participation rates between programs.

How many people receive MA long-term care services?

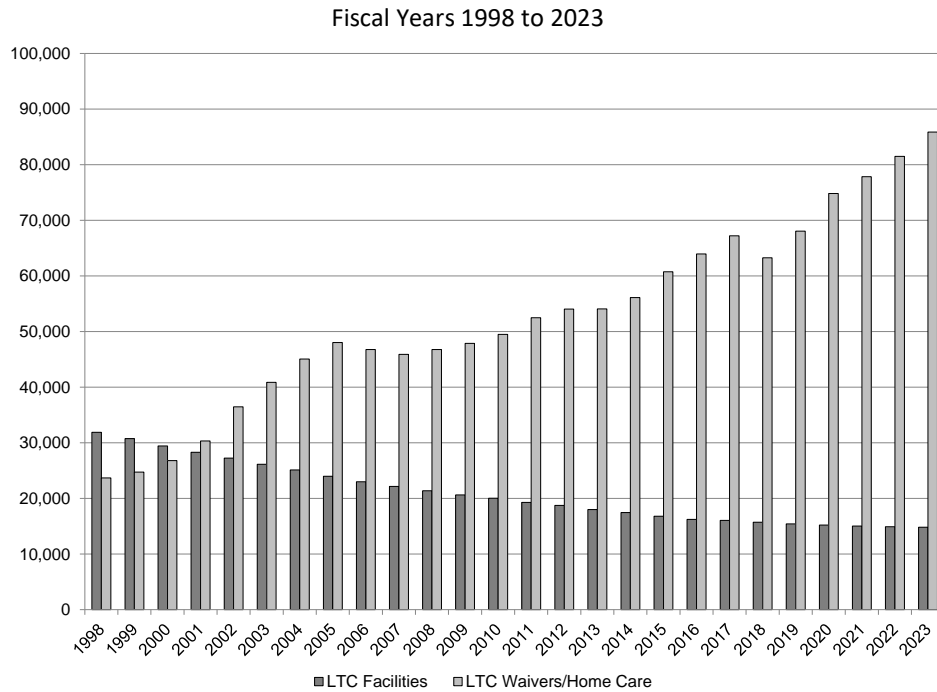
In fiscal year 2020, the projected monthly average number of recipients for MA long-term care facilities and waiver/home care services was 90,041. As shown in the second graph on the next page, the average number of recipients each month has declined in MA long-term care facilities but increased for MA long-term care waivers and home care during the same time period.

Total Annual Payments for LTC Facilities vs. Waivers/Home Care



Source: February 2020 Department of Human Services Forecast of Revenues and Expenditures
 Note: Fiscal Year 2020 to 2023 numbers are projected.

Monthly Average Recipients for LTC Facilities vs. Waivers/Home Care



Source: February 2020 Department of Human Services Forecast of Revenues and Expenditures.
 Note: Fiscal Year 2020 to 2023 numbers are projected.



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