DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-14-26
Baltimore, Maryland 21244-1850

CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid and State Operations
Disabled and Elderly Health Programs Group (DEHPG)

April 1, 2008

To: State Project Directors
Money Follows the Person Rebalancing Demonstration

From: Gale P. Arden, Director

Re: Savings generated by Money Follows the Person Rebalancing Demonstration implementation

The Money Follows the Person Rebalancing Demonstration created by Section 6071 of the Deficit Reduction Act (DRA) of 2005 (P.L. 109-171), supports States efforts to "rebalance" their long-term support systems. The DRA reflects a growing consensus that long-term supports must be transformed from being institutionally-based and provider-driven to person-centered and consumer-controlled. The MFP Rebalancing Demonstration is a part of a comprehensive, coordinated strategy to assist States, in collaboration with stakeholders, to make widespread changes to their long-term care support systems. One of the major objectives of the Money Follows the Person Rebalancing Demonstration is, "to increase the use of home and community-based, rather than institutional, long-term care services." (MFP Program Announcement, pp. 32, Application Review Information, Review Criteria, Section A, Rebalancing)

In order to accomplish this rebalancing from institutional to community-based long term care, grantees receive an enhanced Federal Medical Assistance Payment (FMAP) on demonstration services provided to individuals who have transitioned from qualified facilities to a qualified residence in the community. This enhanced match is intended to help States to expand their community-based long term care capacity and sustain the demonstration participants in community-based care settings after the demonstration period has ended. CMS requires States to continue to provide community-based services after the 12 month period for as long as the person needs community services and is Medicaid eligible.

CMS intends that once an individual has been transitioned to the community that savings over the cost of institutional services will then be *reinvested* into the States long term care system in order to increase the availability of Home and Community Based Services (HCBS). During the review of States' proposals, applicants were evaluated for how strongly all sections of their proposals conveyed that the State had accepted this as a core purpose of the project and that they will use savings generated under MFP to rebalance their long-term support system so that

individuals would have a choice of where they live and receive services. States are required to establish an annual benchmark of increase in HCBS monies as well as "a description of methods that will be used by the State for each fiscal year to increase the dollar amount and percentage of expenditures for HCBS" (MFP Program Announcement, Demonstration Design p. 26 point 4). This annual increase is evaluated through quarterly reporting and is required for continued participation in the program. Upon subsequent evaluations CMS will examine what evidence there is that the State has rebalanced its resources to provide more Medicaid consumers long term care supports in the community in place of institutions.

Prohibited Use of Grant Funds

As stated in the MFP Program Announcement, "MFP is *not* to be used to supplant existing State, local, or private funding of infrastructure or services such as staff salaries, etc. Medicaid funds are *not* to be used for expenses that will not primarily benefit individuals of any age who have a disability or long-term illness." Additionally, States will be evaluated annually as required by the statute, against numerical benchmarks representing the States' commitments to increasing support for home and community-based long term care services. CMS will review the amount of savings generated annually by the transition program as one factor of the States' capacity to follow through with steady and significant home and community-based care improvements.

Summary

The Money Follows the Person Rebalancing Demonstration was created as a part of the Federal Deficit Reduction Act and reflects a growing consensus that long-term care support systems must be transformed from being institutionally-based and provider-driven to person-centered and consumer-controlled. MFP supports grantee States to do this by offering an enhanced FMAP on demonstration services for individuals who have transitioned from qualified institutions to qualified residences. In addition to this enhanced match MFP also offers States the flexibility to provide Supplemental Services that would not ordinarily be covered by the Medicaid program (e.g. home computers, cooking lessons, peer-to-peer mentoring, transportation, additional transition services, etc.) that will assist in successful transitions. States are then expected to reinvest the savings over the cost of institutional services to rebalance their long term care services for the elderly and disabled population to a community based orientation.