

The New Freedom Initiative

Issue

President Bush, in his FY 2005 proposed budget, funds The New Freedom Initiative (NFI) at \$13 million each to demonstration programs that provide respite care to caregivers of disabled adults; respite services to caregivers of children with severe disabilities; and Home and Community Based services for children residing in psychiatric residential treatment facilities. The introduction of legislation from the Bush Administration implementing the “Money Follows the Individual Rebalancing Initiative” and potentially other components of his NFI is anticipated. Senator Harkin (D-IA) and others have introduced legislation, “Money Follows the Person Act of 2003” (S.1394) that would implement one component of the NFI entitled; Money Follows the Individual Rebalancing Initiative.

AHCA Proposal

While AHCA supports the goals of the NFI, AHCA does not support the Money Follows the Individual Rebalancing Initiative.

Background

The American Health Care Association (AHCA) supports the *Olmstead* Supreme Court decision. The *Olmstead* decision preserves the principle of choice in residential settings. Specifically, the Court held “each disabled person is entitled to treatment in the most integrated setting possible for that person—recognizing that, on a case by case basis, that setting may be an institution.”

The NFI, an outgrowth of the *Olmstead* decision, was announced in February 2001 and represents a governmental framework for helping provide elders and people with disabilities with necessary support to live and participate in community life. The proposed “Money Follows the Individual Rebalancing Initiative” expands previous efforts to increase community-based alternatives.

In 1981, Congress established the Home and Community-Based Services (HCBS) Waiver program authorizing state’s use of Medicaid funds to pay for home and community based services for individuals who would otherwise require long term care services in a facility setting. While the waiver program allows states’ discretion in determining what populations will be served and which services will be allowed, the federal stipulations of the waiver require that: 1) room and board are not covered by Medicaid, and 2) the cost of providing home and community services must be cost-neutral to receiving services in an institutional setting.

The present system of long term care financing is inadequate and fails to meet the needs of people who are elderly or have disabilities. Currently, 33% of Medicaid long term care expenditures are in home and community based services and programs and 67% devoted to institutional services.

Status

AHCA fully supports elders and people with disabilities living in the most appropriate setting, according to their medical needs and their preferences. We are not opposed to government activity that breaks down barriers to community placement. We support legislation, such as the Lifespan Respite Care Act of 2003, that assists family caregivers and enable individuals to remain at home longer. However, we are concerned when community placement is touted as more economical, when funding for facilities is jeopardized and when the quality of care and life is diminished. AHCA supports adequate funding of supports and services across the long-term care continuum. However, AHCA does not support the “Money Follows the Individual Rebalancing Initiative” for these reasons:

Quality — There is a lack of quality and quality assurance in HCBS. According to the U.S. General Accounting Office’s (GAO) 2003 study of government oversight, more than 70% of the waivers for the elderly and disabled that GAO reviewed documented one or more quality-of-care problems. With an inadequate infrastructure to serve an increasing number of people in HCBS, quality of care and quality assurance problems likely will increase as, according to the GAO, Medicaid HCBS waivers increased by almost 70% since 1992 and the number of beneficiaries have tripled. In addition, experience has shown that quality of life does not improve by simply moving individuals from facilities to HCBS services.

Choice —The Money Follows the Individual Rebalancing Initiative erodes choice by incentivizing states to move people out of institutions. States would receive 100% federal funding for moving people out of facilities and into the community. Cash strapped states may move people for monetary reasons rather than if the individual could be best served in an alternative setting.

Extended Waiting --Currently, there are long waiting lists for Medicaid HCBS and individuals who are on these waiting lists would be negatively impacted as States would fill HCBS spots with individuals who are removed from facilities rather than those on waiting lists.

Action

AHCA believes that Congress should appropriate adequate funding for all long term care programs. However, under no circumstances should funding for one long term care program come at the expense of other existing long term care programs. AHCA supports adequate funding of supports and services across the long-term care continuum.

AHCA fully supports elders and people with disabilities living in the most appropriate setting, according to their medical needs and their preferences. We are not opposed to government activity that breaks down barriers to community placement. We support the Lifespan Respite Care Act of 2003 that assists family caregivers and enable individuals to remain at home longer. We cannot support legislation such as S. 1394 that erodes choice by setting up incentives based on economics as opposed to where the person is best served.

Members of Congress should support legislation that provides a comprehensive system with all options for consumers, affording elders and people with disabilities the choice to

receive the appropriate service, where they want it and a system that ensure high quality services.

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