

House Finance Health & Human Services Subcommittee

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Testimony on Home and Community Based Long Term Care Services

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Chairman Burke, members of the Subcommittee, thank you for the opportunity to speak to you today about the provision of Medicaid long-term care services in Ohio.

Ohio’s National Ranking in Long Term Care Provision

Previous research done by myself and others has clearly established that long term care provision in a home or community based setting is both significantly less costly than nursing facility care (which is typically 3-4 times as expensive s home care) and also preferred by the vast majority of Ohioans. Consequently, it is widely agreed that rebalancing long-term care provision in a manner that increases the degree to which Ohio utilizes home and community based care providers is a win-win for both the state’s budget and those Ohioans who will receive care in their preferred setting.

However, despite recent improvements, Ohio continues to lag behind the rest of the nation in terms of the degree to which long-term care services are provided in a home or community based setting as opposed to an institutional (nursing facility) setting. According to the most recent data prepared by the Kaiser Family Foundation, Ohio currently ranks 44th among the 50 states in terms of the percentage of 2009 Medicaid long term care spending devoted to home and community based care provision. Ohio is currently ahead of only Illinois, Alabama, Arkansas, New Jersey, North Dakota and Mississippi. The table below provides a summary of Ohio’s rankings on Medicaid Home and Community Based Services (HCBS) Long Term Care spending.

Table 1: Ohio Medicaid Long Term Care Spending on Home and Community Based Services as Compared to the National Average, 2004-2009

| Year | Ohio Rank Nationally | Ohio HCBS Spending % | U.S. Average HCBS Spending % | Ohio vs. U.S. Avg. HCBS Spending Gap |
|-------------|-----------------------------|-----------------------------|-------------------------------------|---|
| 2004 | 48 th | 21.9% | 37.3% | 15.4% pts |
| 2005 | 49 th | 23.6% | 39.1% | 15.5% pts |
| 2006 | 44 th | 28.2% | 40.9% | 12,7% pts |
| 2007 | 46 th | 27.7% | 40.1% | 12.4% pts |
| 2008 | 44 th | 30.0% | 41.6% | 11.6% pts |
| 2009 | 44 th | 31.9% | 43.3% | 11.4% pts |

Source: Kaiser Family Foundation StateHealthFacts.org

Table 1 shows that Ohio has improved its utilization of HCBS services from 21.9% of Medicaid long term care spending in 2004 to 31.9% in 2009. Over the same time frame, Ohio has also reduced the gap between the state’s HCBS spending percentage and the national average percentage from 15.4 percentage points to 11.4 percentage points. However, despite these improvements, Ohio still ranks near the bottom nationally in HCBS Medicaid spending on long term care.

The Impact of Ohio’s Changing Demographics

Table 2 shows US Census population estimates for persons in selected age groups over the period from 2000 through 2030.

Table 2: Ohio Population in 2000 and Census Bureau Population Projections for 2010, 2020, and 2030 for Selected Age Groups

| | 2000 | 2010 | 2020 | 2030 |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| Under 18 | 2,888,339 | 2,744,431 | 2,703,516 | 2,640,671 |
| 18 – 24 | 1,056,544 | 1,093,946 | 991,176 | 981,836 |
| 25 – 64 | 5,900,500 | 6,150,823 | 5,970,902 | 5,570,999 |
| 65 – 69 | 402,668 | 457,578 | 628,434 | 631,200 |
| 70 – 74 | 387,584 | 358,507 | 509,536 | 594,033 |
| 75 – 79 | 325,468 | 288,397 | 337,775 | 471,118 |
| 80 – 84 | 215,241 | 235,351 | 230,152 | 338,174 |
| 85+ | 176,796 | 247,148 | 272,567 | 322,497 |
| Total 65+ | 1,507,757 | 1,586,981 | 1,978,464 | 2,357,022 |
| Total Population | 11,353,140 | 11,576,181 | 11,644,058 | 11,550,528 |

Source: US Census Bureau, Population Pyramids, 2005

The population of persons age 65 and up will increase from about 1.5 million to about 2.36 million over this period. This amounts to an increase of about 850,000 persons. *In percentage terms, persons in the 65 and older age group will increase from about 13% of Ohio’s population in 2000 to 20% in 2030.* This rapid increase in the 65 and over population in Ohio further accentuates the need to rebalance Ohio’s delivery of long term care services.

Table 2 also shows that the percentage of Ohioans in the 25-64 age range is expected to fall from 52.0% in 2000 to 48.2% in 2030. These percentages are important as it is these individuals will be those that will be the caregivers to Ohio’s elderly.

Using the term “elderly” to mean persons who are 65 years of age or older, Figure 1 summarizes the projected increases in Ohio’s elderly population by highlighting the comparison between 2000 and 2030. Figure 2 depicts a ratio relating the population of “caregivers” (those age 25-64) to the number of elderly (those 65 and older).

Figure 1:

Ohio: Comparison of Elderly Population in 2000 and Projected Elderly Population in 2030

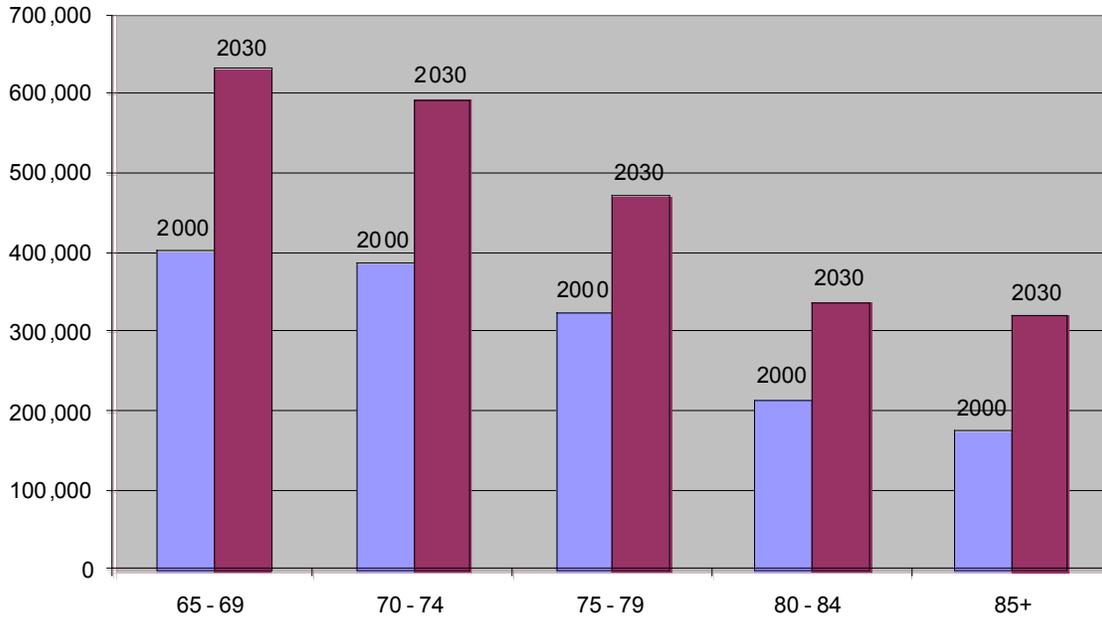


Figure 2

Ratio of Projected Population of Caregivers to Projected Elderly Population in Ohio - 2000 - 2030

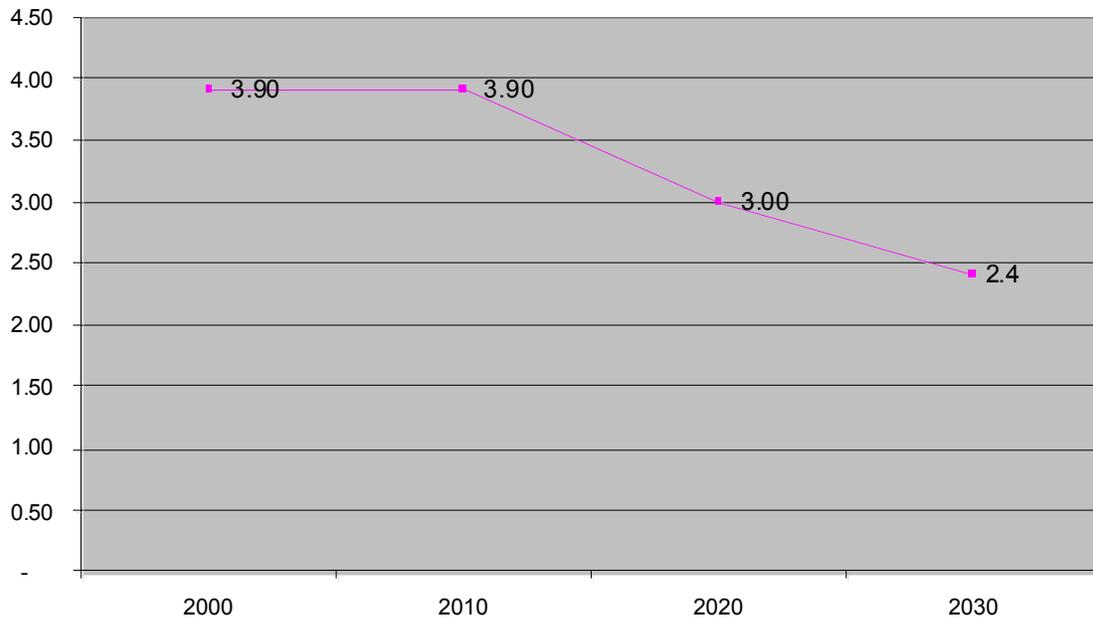


Figure 2 illustrates that the number of potential caregivers in the age 25 to 64 population will decline from 3.9 per elderly person in 2000 and 2010 to 2.4 per elderly person in 2030. Clearly, this combination of demographic changes will create stress on Ohio's systems for providing long term care services.

Home Care Reimbursement Rate History

The data presented in the first two parts of this testimony make it very clear that Ohio needs to rebalance its provision of Medicaid long term care services, not just in order to address current budget problems, but also to forestall even larger budget problems in the future as a result of Ohio's aging population. In this regard, the FY12-13 Executive Budget takes significant steps towards accomplishing this rebalancing, forecasting a 16.5% increase in PASSPORT, Assisted Living, Choices and PACE caseloads over the biennium. At the same time, however, the Executive Budget also calls for an 11% reduction in home health nurse reimbursement rates, a 6% reduction in home health aide reimbursement rates, and a 3% reduction in PASSPORT provider rates.

Table 3 below provides a summary of home health nurse and home health aide reimbursement rates from 1998 through 2011.

Table 3: Reimbursement Rates for Home Health Nurses and Aides, 1998-2011

| Year | Home Health Nurse | | Home Health Aide | |
|----------------------|-------------------|---------------|------------------|--------------|
| | Base Rate | % Change | Base Rate | % Change |
| 1998 | \$55.00 | -- | \$24.00 | -- |
| 1999 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| 2000 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| 2001 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| 2002 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| 2003 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| 2004 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| 2005 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| 2006 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| 2007 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| Proposed 2008 | \$56.65 | 3.0% | \$24.72 | 3.0% |
| Proposed 2009 | \$58.35 | 3.0% | \$25.46 | 3.0% |
| Actual 2008 | \$55.00 | 0.0% | \$24.00 | 0.0% |
| Actual 2009 | \$56.65 | 3.0% | \$24.72 | 3.0% |
| 2010 | \$54.95 | -3.0% | \$23.98 | -3.0% |
| Jan-Sept 2011 | \$54.95 | 0.0% | \$23.98 | 0.0% |
| October 2011 | \$48.93 | -11.0% | \$22.50 | -6.2% |

The data in Table 3 show that Ohio home health nurses and aides did not receive a rate increase from 1998 through 2008. Over this same time frame, reimbursement rates for

Ohio’s nursing facilities were increased on a regular basis. HB 119, the FY08-09 budget was supposed to enact 3% rate increase in FY08 and FY09, however one of these rate increases was eliminated and the other delayed as result of the recession. Furthermore, while the 2009 rate increase was enacted, it was later rescinded, leaving home health nurse and aides reimbursement rates in 2010 slightly below their levels in 1998. Finally, Table 3 shows that the 3% rate reduction proposed in the Executive Budget and scheduled to take effect in October 2011 would reduce the home health nurse base rate to \$48.93 and the home health aide base rate to \$22.50. By comparison, if the 1998 rates were increased in accordance with the Consumer Price Index, the rate at the end of 2010 would have been \$71.83 for a home health nurse and \$31.34 for a home health aide.

Table 4 shows that PASSPORT Personal Care rates from 2006 through the present. PASSPORT rates were increased in 2007 and 2008 and were also increased several times prior to 2006 (this data could not be compiled in time for this hearing but can be provided at a future date).

Table 4: Reimbursement Rates for PASSPORT Personal Care Services, 2006-2011

| Year | PASSPORT Personal Care | |
|----------------------|------------------------|--------------|
| | Base Rate (per hour) | % Change |
| 2006 | \$16.64 | |
| 2007 | \$17.12 | 2.9% |
| 2008 | \$17.64 | 3.0% |
| 2009 | \$17.64 | 0.0% |
| 2010 | \$17.64 | 0.0% |
| Proposed 2011 | \$17.12 | -3.0% |

The concern regarding the coupling of anticipated increases in HCBS services with decreases in provider rates is based on simple economics. One of the most basic tenets of economics is that the supply curve slopes upward. This reflects the fact that in order to increase supply, suppliers will typically require higher prices. The Executive Budget in fact presumes the exact opposite for home care providers 0 that they will somehow be able to deliver more services while being paid less.