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Incentives for Home and Community-Based Care Under the Affordable Care Act

Implications for Supplemental Security Income Receipt

One in three 65-year-olds will eventually require long-term care. Medicaid covers approximately 60% of all long-term care expenses, but does not cover care received at home or in assisted living unless there is a state waiver program permitting coverage¹. The Affordable Care Act's (ACA) Balancing Incentives Program authorized more than \$3 billion to support Medicaid coverage of home and community-based care. A change in residential patterns of the elderly could have important implications for Supplemental Security Income (SSI) since low-income older adults eligible for SSI may receive lower benefit levels if living with relatives. It is important to understand the impact of the ACA's Balancing Incentives Program on the living arrangements of financially vulnerable older adults and their receipt of SSI.

The Balancing Incentives Program (BIP) and Residential Choices of the Elderly

The BIP aimed to “rebalance” Medicaid spending on long-term care between institutional and home or community settings from 2011 to 2015. States that spent no more than half of their total Medicaid long-term care dollars on home and community-based care were eligible to participate.

¹ See O'Shaughnessy, C. (2014). National Spending for Long-term Services and Supports, 2012. https://hsrc.himmelfarb.gwu.edu/cgi/viewcontent.cgi?article=1272&context=sphhs_centers_nhpf

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Participating states had to increase home and community-based care spending to 50 percent of total Medicaid long-term care spending (25 percent in Mississippi) and implement three structural reforms: (1) a single point of entry system to simplify pathways to enrollment; (2) a core standardized assessment for everyone applying for services; and (3) conflict-free case management to ensure that the entities carrying out initial assessments were not also providing the care. BIP funds could serve anyone within participating states in need of long-term care. This study focuses on 15 states that listed older adults as a target population in their applications (see map in Figure 1).

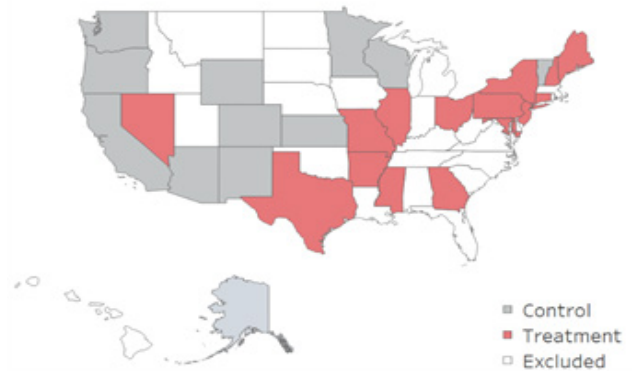


Figure 1: *Balancing Incentives Program: Control and Treatment States*

Studying the BIP Effect

Using data from the American Community Survey (ACS) and Health and Retirement Study (HRS), this study compares the 15 participating states targeting older adults (treatment group) to BIP-ineligible states (control group), measuring nursing home residence, co-residence with family, residential moves, as well as SSI receipt rates and amounts. We analyze associations between the BIP and five outcomes of interest for several years before and after the BIP took effect. These estimates control for a variety of demographic variables, and show that the treatment and control states have similar trends and patterns in the years before the BIP took effect.

BIP States that Targeted the Elderly Do Not Show Changes in Residential Choices

There is no consistent evidence of changes in the rates of institutional residence by the elderly after states targeting the elderly implemented BIP. However, older people in these states do show a reduction in cohabitation with relatives. These changes coincide with increases in SSI receipt and payment amounts.

These findings could be interpreted as evidence that the BIP enabled older people to live independently, which is especially notable given the overall trend towards higher rates of cohabitation. However, the trend is small. Conversely, these findings could be interpreted as evidence of home and community-based services crowding out care that would otherwise be provided privately by relatives—a so called “woodwork effect.” BIP may have triggered people who otherwise would not have been considering institutionalized care to receive services.

By focusing only on Medicaid savings, policymakers may miss important fiscal impacts arising from program interactions. This analysis provides the first empirical evidence of the association between SSI receipt, and home and community-based services programs and infrastructure.

Implications

The increase in SSI receipt and decrease in cohabiting are small in size, but still have important implications. This analysis shows that annual SSI payments increased by approximately \$235 per year among recipients in BIP states and the share of the population aged 65 and older receiving SSI expanded by 1 percent in BIP states. SSI recipients moving from cohabiting to independent living is associated with an increase of approximately \$300 million in SSI payments.

It is important to note this analysis is narrowly focused on SSI. For example, this study does not examine if the elderly are substituting Medicaid-funded care for family care. This might mean that family members are spending less time in caregiving, leaving them more time to work and earn income, as well as pay associated payroll and other taxes. These effects could potentially offset any additional cost of the BIP to the SSI program.