



The Nelson A. Rockefeller Center at Dartmouth College

The Center for Public Policy and the Social Sciences

## Policy Research Shop

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### New Hampshire Healthcare Reform

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#### *The Effect of Medicaid Expansion on Long Term Care*

Presented to Division 3 of the Finance Committee  
of the New Hampshire House of Representatives

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### **EXECUTIVE SUMMARY**

This policy brief considers the potential effects of the recent Medicaid expansion on the provision of long term care in New Hampshire. In 2010, Congress passed national health care reform that aims to impact positively the residents of the State of New Hampshire by easing the strain of long term care costs on New Hampshire's state budget. The main focus of this policy brief is the New Hampshire residential population, specifically the recipients of long-term care, and the cost of long term care for the State. Two of the federal government's efforts to improve access to and efficiency of healthcare, the Affordable Care Act and CLASS Act, are investigated. In order to assess the impact of these reforms on the State of New Hampshire, the authors of this brief engaged in an examination of the current landscape of long term care and its funding by conducting a series of interviews with policy experts to determine possible outcomes of the reform. Ultimately, the report recommends further investigation into the effects of specific elements of healthcare reform after several years have passed and more of the reform's details have been made clear.

### **1. CURRENT LANDSCAPE OF LONG TERM CARE IN NEW HAMPSHIRE**

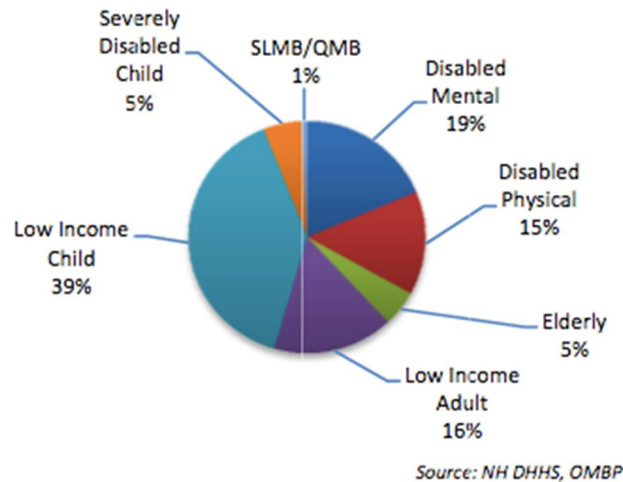
#### *1.1 Types of Long Term Care*

Long term care is provided for New Hampshire residents primarily through two types of delivery: in-home care and residential facility or nursing home care. In-home care involves a patient living independently with assistance from a trained medical professional who works directly in the home. The option is considered preferable to facility care because it affords the patient greater independence and normalcy, and is often less expensive. Nursing home care involves a patient relocating to a residential facility where staff can be on hand at all times to provide assistance. This type of care is extremely expensive for whomever bears the cost. Additionally, many service providers in the long term care industry report a preference of patients to receive in-home care, which can provide greater feelings of independence and freedom.<sup>1</sup> Although difficult to assess, there are cases of long term care services provided by family members directly.

There are a variety of reasons that might cause a patient to require long term care, including physical disabilities, mental disabilities, and advanced age, among others.<sup>2</sup> New Hampshire Medicaid spending for long term care services can be broken down by the seven categories presented in Figure 1.



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**Figure 1: Composition of Medicaid Population**

Figure 1 is important because it illustrates the specific cohorts that make up the population of people receiving long term care in New Hampshire. This breakdown could help policy-makers target specific vulnerable groups to reduce costs to the state. Poor children make up the largest cohort of recipients. Interestingly, the elderly population makes up a very small percentage of care recipients under Medicaid, probably because most elderly care recipients' needs are met through Medicare. The people who receive both Medicaid and Medicare support are called "duals" and are very expensive. Duals will be discussed later in the report as well.

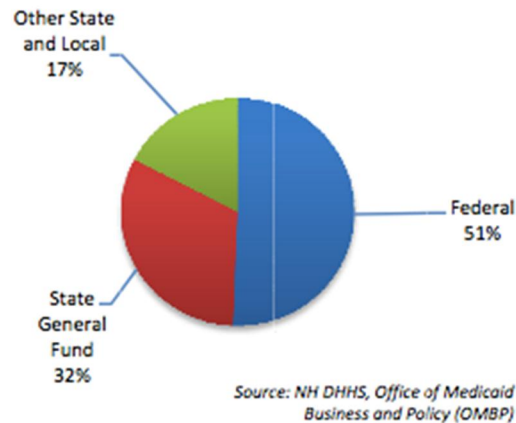
### *1.2 Funding Sources for Long Term Care in New Hampshire*

Long term care can be extremely expensive, regardless of the type. Right now, the cost of treatment is commonly covered by a combination of private insurance, Medicaid, and out of pocket expenses. Currently, the Kaiser Family Foundation reports that 77 percent of New Hampshire residents are covered by an employer-sponsored insurance program or a plan that was independently purchased. Eleven percent of the state's population is covered by a state plan and the remaining 12 percent are uninsured.

Medicaid is of greatest importance to this policy report as it assesses how healthcare reform will impact New Hampshire's budget. In 2008, New Hampshire spent \$1.3 billion on Medicaid. Just over half of that cost (51 percent) was covered by the federal government through matching funds, while New Hampshire taxpayers covered the remaining half. Figure 2 provides a breakdown of Medicaid funding sources for the State.



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**Figure 2: New Hampshire Medicaid Sources of Funding**

Figure 2 demonstrates that the majority of the cost of Medicaid coverage for New Hampshire citizen is covered by the federal government. Because this is true, it may well be that a majority of the savings that result from national reform will not benefit the New Hampshire state budget, but the federal budget. Still, New Hampshire tax dollars are covering 49 percent of the cost, which may represent a potential for significant savings to the state coffers if national healthcare reform results in lower Medicaid costs.

### *1.3 Cost of Long Term Care to New Hampshire*

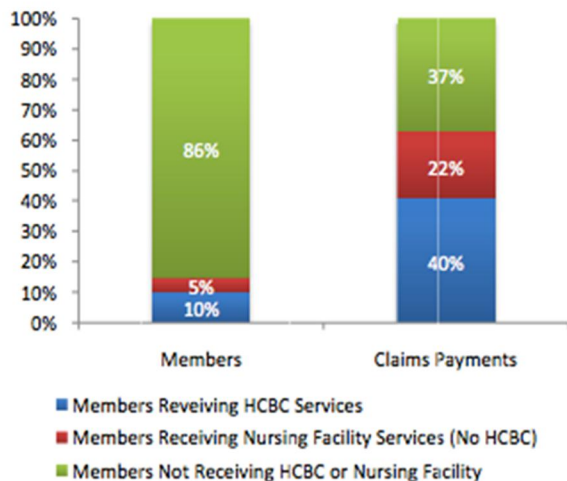
Low-income seniors present one of the greatest costs to the state. New Hampshire Medicaid had an average monthly cost of \$2,244 for each low-income senior it covered. According to the New Hampshire Department of Health and Human Services, “elderly adults, who rely on Medicaid for their long-term care needs, account for the largest percentage of payments. Elderly adults are 8 percent of the Medicaid population and account for 26 percent of total expenditures.”

Where Medicaid enrollees who would otherwise need institutional care, NH offers waivers to certain NH citizens for home and community based care. The average per member per month cost of waiver clients is \$2,787; whereas it is \$3,504 nursing home residents. Both of these figures are substantially higher than those of all other Medicaid recipients, who have an average monthly cost of \$284.



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**Figure 15: Distribution of NH Medicaid Members and Costs by Members Using Home and Community Based Care Services (HCBC), in Nursing Facilities, and all Others, SFY2008**



Source: NH DHHS, OMBP

**Figure 3: Distribution of New Hampshire Medicaid Members and Costs by Members Using Home and Community Based Care, in Nursing Facilities, and all Others, SFY 2008**

The findings presented in Figure 3 demonstrate that most long term care patients in New Hampshire are not receiving care through nursing facilities or community programs, but through in-home care and special arrangements, such as in-law apartments, home health aides, and assisted living arrangements. Yet, the majority of the cost of care comes from the 15 percent of patients who do use nursing facilities and community based care. Therefore, the state may save Medicaid funds by encouraging options other than community based care and residential or nursing facilities.

**2. NATIONAL HEALTHCARE REFORM AND LONG TERM CARE**

Unlike other states, New Hampshire has a comparatively high percentage of elderly and disabled citizens. It is said to be the “6<sup>th</sup> oldest state”<sup>3</sup> in the nation and has a “disabled population that is about one fifth of the state’s total population.”<sup>4</sup> As a result of this distinct demographic composition, changes to long term care coverage at the national level threaten the futures of thousands of New Hampshire residents who depend on affordable coverage.

Affordable long term options are already limited for this vulnerable population and aid from government programs such as Medicaid is not unlimited. Alternatives such as private care, especially in centers, are extremely expensive. For the poor who qualify for



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Medicaid, the cost to the state is often extremely high. The poor who do not qualify for Medicaid often go untreated. Most experts advocate for reform that get the maximum number of long term care patients into out-patient or homecare situations. Table 1 provides an an analysis of medicaid spending on long term care in New Hampshire compared with spending nationwide. New Hampshire spends significantly more on long term care in general than the nation as a whole, and significantly more on nursing home care.

Table 1  
Medicaid Spending

Expenditures	NH	US	NH	US	
Long Term Care	\$572,468,950	\$122,082,128,076	43.1	33.3	% of total spending
Nursing Home	\$314,619,705	\$50,920,122,905	55.0	41.7	% of LTC spending
Home/Personal Care	\$249,996,686	\$52,840,680,657	43.7	43.3	% of LTC spending

Source: Kaiser Family Foundation<sup>5</sup>

2.1 Patient Protection and Affordable Care Act

One of the most recent national health care changes that will directly impact New Hampshire’s Long Term Care constituents is the Affordable Care Act, passed in March 2010. In summary, the Act will not only “benefit 32 million Americans who were previously uninsured but enhance current and future health care systems by incorporating small businesses via tax incentives and limiting the ability of insurance companies to dictate the health care landscape.”<sup>6</sup>

The first most notable impact of this ACT for New Hampshire’s Long term Care recipients is the improvement of health facilities and access to those facilities. As a rural state transportation networks to different nursing homes and facilities is very difficult. Furthermore, the small percentage of health care professionals in New Hampshire is already stretched thin. To change this, the Affordable Care Act moved to improve access to health care facilities and products by “increasing the training, development and placement of more than 16,000 new primary care providers for the next five years” across the United States especially in areas of geographical constraint like that of New Hampshire.<sup>7</sup>

The second benefit of the Affordable Care Act New Hampshire’s Long Term Care recipients is the decrease out-of-pocket expense for Medicare recipients. The Affordable Care Act will “limit out of pocket expenses that beneficiaries incur for medicine and health care costs not covered by limited Medicare insurance packages known as the Medicare Part D donut hole by granting Medicare recipients a onetime \$250 rebate





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check.”<sup>8</sup> It is estimated that about “17,400 New Hampshire Medicare beneficiaries will be compensated for these costs.”<sup>9</sup>

Thirdly, since New Hampshire’s demographic composition includes a comparatively high concentration of disabled people, many of these individuals come with pre-existing conditions, both mental and physical. Nationally long term care recipients that fall under the category “recipients with pre-existing conditions” are usually marginalized within the health care system. New Hampshire will “receive \$19.8 million federal dollars to support uninsured individuals with pre-existing conditions.”<sup>10</sup>

Fourthly, to ensure that more organizations get involved in this overhaul process, New Hampshire long term beneficiaries will benefit from the new business incentives and retiree benefits. The Act has pushed forth a new incentive for small business owners who provide better coverage packages for their employees. “New Hampshire will receive tax credit incentives for 22, 600 small businesses which can be allocated to employees in need of long term care. Furthermore, for early retirees who are not covered by health providers or employees, New Hampshire will receive \$5 billion dollars under the temporary Early Retiree Reinsurance Program. Some of New Hampshire’s 16, 300 retirees who need long term care can benefit from this initiative. Finally, New Hampshire will receive \$150, 000 to be allocated to 57 community health centers to enhance the facilities situated at local community health centers that support individuals in need of long term care.”<sup>11</sup>

Finally, long term care recipients will benefit from funds to help them stay in more environmentally friendly spaces. On February 23, 2011, Secretary of Health and Human Services, Kathleen Sebelius announced that the Affordable Care Act will provide additional funding to programs that help Medicaid beneficiaries move out of institutions—such as nursing homes—and into community settings. “Sebelius said 13 states will get more than \$45 million overall in grants to launch the Money Follows the People program. That will make a total of \$621 million to extend the program through 2016. Funding was originally expected to expire in 2011. The Money Follows the Person program helps residents of nursing homes or other institutions find opportunities to go back to their own homes or communities. So far it has helped 12,000 individuals do this, officials said. Additionally, HHS proposed rules that would grant all states access to approximately \$3.7 billion in federal funding to the Community First Choice option program, which provides long-term care service and support. This program was started in October and allows states to get a 6% increase in federal matching funds for offering community-based attendant services and supports to Medicaid recipients.”<sup>12</sup> New Hampshire has not taken advantage of these new changes even though neighboring states such as Vermont and Maine already attained funding commitments up to 18 million dollars.





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### 2.2 CLASS Act

Whereas the Affordable Care Act worked to support long term care indirectly, the The (Community Living Assistance Services and Support Act) CLASS Act, is the provision of the health care reform bill set to enhance long term care specifically. “CLASS is a national, voluntary insurance program that offers working individuals some protection against the cost of paying for long-term services and supports.”<sup>13</sup> Currently to reap the benefits of this long term care options, beneficiaries have to pay a monthly premium for five years at an affordable rate. Furthermore the act is also working to not only make long term care coverage more affordable but to also provide incentives for this care to be in certain spaces. To increase the number of community based care, under the Class Act, the Community First Choice Option “provides states more federal Medicaid money if they set up community services and supports for Medicaid recipients who otherwise would require nursing home care.”<sup>14</sup> Furthermore, states that can divert more Medicaid recipients from nursing homes and other institutions to home and community based care will receive more Medicaid funding.

These initiatives are met with a degree of controversy. Some do not believe that the plan is financially feasible. Long term beneficiaries are usually high risk members and when the plan starts to spend money to cover the various health concerns of these beneficiaries some question whether the Act will still be kept in place which may be result in “a risk pool of mostly working disabled persons with costly needs.”<sup>15</sup> Furthermore the premium pricing into the plan is controversial because how can one determine the most affordable premium price to be inducted into the program especially when there is a possibility that initial premium costs will not be fixed in order to follow price trends as they fluctuate over time. The discussion over the actual success of the program still continues.

## 3. IMPLICATIONS FOR LONG TERM CARE IN NEW HAMPSHIRE

In order to predict accurately how the Obama reforms will directly impact the citizen and the state government of New Hampshire, we conducted a number of interviews with experts from within the state. The testimonies came from authorities within the state government, healthcare provision associations, and think tanks. Each of the interviewees works, in some capacity, with issues directly related to long term care and national reform’s effect upon it. The conclusions of those interviews lead us to make the following conclusions about effects on long term care.

### 3.1 Exact Effects on Long Term Care Difficult to Conclude for Some Time

One expert noted that 2011 is far too early to predict any sort of effects that Medicaid reform might have on New Hampshire. The earliest time frame that any changes might set in is 2014, when the expansion of Medicaid will make it easier for the state to identify



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exactly which citizens are eligible for coverage and which are not. Even in 2014, the fiscal soundness of the CLASS Act will not be known.

Another expert, one from a state think tank, noted that the strength of the healthcare reform efforts are the pilot programs that they institute. Those pilots that yield superior results will likely be expanded in the next ten to fifteen years and only then will major results be seen. One might characterize the current reforms as attempting to get everyone covered, then finding more efficient and cost effective ways to do business.

### *3.2 The CLASS Act Will Need Many Years To Prove Effective*

Some refer to the CLASS Act as a measure that will require a decade before budget experts are able to predict an accurate effect. The system must first establish rules and regulations, then enough citizens will have to pay into the program for many years before the dividends can be paid. Because the fund will need many years of future beneficiaries paying into it before it can be operational, there is no great test for its viability yet.

One interviewee had many questions about the CLASS Act. Most important was the question of assignment of benefits to dependents. Assuming the CLASS Act is financially viable, citizens must be able to transfer their benefits to family members, since most people who require long term care would never be able to work full time and adequately pay into the system for it to be budget neutral. The expert doubted that the system could ever be successful without a provision that allowed for reassignment of benefits.

One expert from the healthcare industry actually rode off the CLASS Act as poor planning. Because the Act only requires five years of contribution before beneficiaries can collect benefits, there is a perverse incentive not to sign up until later in life.

### *3.3 The ACA and CLASS Act Have Left Gaps That Must Be Filled*

Two experts regarded the healthcare overhaul effort as “disappointing” and left several questions unanswered and problems unsolved. One example is the problem of the middle class. Many upper middle class New Hampshire citizens, one noted, must completely drain their life savings on private care before they meet Medicaid eligibility standards. This leaves families struggling with personal cost of health care and presents an otherwise unhealthy drain on a lifetime of work and savings.

Another interviewee lamented the fact that many individuals plan estates and future plans around making themselves Medicaid eligible. She also stressed the importance of the reform, as New Hampshire’s over-65 population is predicted to grow to 20 percent of the state population by 2030. However, she did note that most “doomsday” predictions about



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the new healthcare laws assume 100 percent enrollment in the programs, which is almost never the case.

Some had hoped that the long term care reform would include more attention to the shortage of qualified community care providers, who are in short supply in New Hampshire. Low Medicaid reimbursement has led to difficulty attracting qualified, well-trained folks into the types of care that the state requires.

Health care industry experts remarked that state policies are actually much more important than national reform because states oversee workers and systems where the care actually takes place.

### *3.4 Most Effective Reforms Would Target Very Few People*

Two experts from different realms of work noted that over 75 percent of the cost of Medicaid is used to care for only about 20 percent of recipients of long term care. This means that only a few very seriously disabled citizens present an enormous burden to the state budget. If the state could improvise a means of providing cheaper care to those few citizens, the cost savings would be extraordinary.

One particularly regarded “duals” as needing attention. Duals are citizens who qualify for both Medicaid and Medicare. They are extremely expensive and are usually older and very frail. Treating their needs may require additional reform of Medicare on the national level.

## **4. CONCLUSION**

This report has reviewed the types of long term care New Hampshire citizens receive, the cost of those services, a review of the actual national reforms, and expert testimony to the predicted effectiveness of reform. The conclusions to be drawn are few. As of 2011, not much has actually changed for New Hampshire’s long term care system. In fact, not much will change, according to experts, until 2014 at the earliest. In order for policymakers to be properly equipped with information about the future effects of national healthcare reform on long term care, this same study should be conducted several years from now.



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