

BALANCING INCENTIVE PROGRAM



AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

ID: 562

JANUARY 2013

OBJECTIVE

A new federal program called the Balancing Incentive Program offers states enhanced federal funding to support the shift of funding from institutional to non-institutional long-term services and supports (LTSS).

KEY FACTS

- ◆ Texas qualified to earn an additional 2 percent Federal Medical Assistance Percentage (FMAP) on Medicaid non-institutional LTSS from October 1, 2012 to September 30, 2015.
- ◆ Freed-up General Revenue Funds available as a result of the enhanced federal funding must be used for provision of “new or expanded offerings of non-institutionally based long-term care services and supports under the State Medicaid program.”

BUDGETARY IMPACT

Texas has been approved to earn an estimated \$301.5 million in enhanced federal matching funds. The actual amount received will depend on Texas’ expenditures on Medicaid non-institutional LTSS during the program period of performance.

STATUTORY REFERENCES

Authorized by Section 10202 of the Patient Protection and Affordable Care Act of 2010 (Pub. L. 111-148).

The federal Balancing Incentive Program (BIP), authorized by the Affordable Care Act, incentivizes transformation of state long-term care systems by encouraging states to shift spending from institutional to non-institutional long-term services and supports (LTSS). The purpose of the program is to improve access to non-institutional LTSS and encourage states to make structural reforms to their long-term care systems. A total of \$3 billion is available for distribution to states for services provided from October 1, 2012 to September 30, 2015. States that spend less than 50 percent of their total Medicaid long-term care expenditures on non-institutional LTSS during 2009 qualify to receive an enhanced Federal Medical Assistance Percentage (FMAP). States that spent 25 to 50 percent on non-institutional LTSS qualify for a 2 percent enhanced FMAP and states that spent less than 25 percent qualify for a 5 percent enhanced FMAP.

To qualify for this additional funding, a state must:

- Spend more than 50 percent of expenditures for LTSS on non-institutional services by the end of the program period of performance.
- Make structural reforms in long-term care systems including:
 - No wrong door/single point of entry system,
 - Conflict-free case management services, and
 - Core standardized assessment instruments.

REQUIREMENTS RELATED TO FEDERAL FUNDS

General Revenue Funds “freed up” as a result of the enhanced FMAP may be used only for provision of “new or expanded offerings of non-institutionally based long-term care services and supports under the State Medicaid program” per the Affordable Care Act and the terms and conditions of Texas’ approval. The BIP Technical Assistance Center provided further clarification to states that a three-part test can be used to determine whether the use of enhanced FMAP meets legislative requirements. If a state can answer “Yes” to all 3 of the following questions, its proposed use of funds is acceptable:

- Does the proposal increase offerings of or access to non-institutional LTSS?
- Does the proposed expansion/enhancement of offerings/access benefit Medicaid recipients?
- Is the proposal something that Medicaid funds can typically be spent on (i.e., the proposal does not involve a prohibited use of Medicaid funding)?

BIP IMPLEMENTATION IN TEXAS

The Department of Aging and Disability Services (DADS) is the state’s designated agency for BIP implementation. DADS submitted the state’s BIP application and it has been approved by the Centers for Medicare and Medicaid Services. The state can earn an estimated \$301.5 million in additional federal matching funds. The actual amount of additional

funding will be based on the level of eligible Medicaid non-institutional LTSS spending during the program period; funding for all states is limited to a \$3 billion appropriation. A preliminary estimate of expenditures at DADS and the Health and Human Services Commission eligible to receive the enhanced match is \$4.2 billion in fiscal year 2013 and \$10.5 billion in fiscal years 2014–15 (for an estimated total of \$85.0 million in fiscal year 2013 and \$209.4 million in fiscal years 2014–15 in enhanced federal funds). Eligible programs include:

- Home and community-based services under 1915 (c) or (d) (such as Community-based Alternatives) or under an 1115 waiver (STAR + PLUS)
- State plan home health
- State plan personal care services
- State plan optional rehabilitation services
- The Program of All-Inclusive Care for the Elderly (PACE)
- Home and community care services defined under Section 1929(a) (Community Attendant Services)
- Self-directed personal assistance services in 1915(j) (a subset of Primary Home Care)
- Private duty nursing authorized under Section 1905 (a)(8) (provided in home and community-based settings only)

New activities that would be eligible to receive the match if Texas chooses to create them:

- Affordable Care Act, Section 2703, State Option to Provide Health Homes for Enrollees with Chronic Conditions
- Affordable Care Act, Section 2401, 1915(k) - Community First Choice (CFC) Option

Expenditures related to the Money Follows the Person demonstration (a federal program that incentivizes states in helping persons move from institutions to community settings) may not be matched at the enhanced rate but may count toward the state's non-institutional LTSS spending total. CMS has provided additional guidance that the enhanced federal funding should be spent by September 30, 2015.

ANTICIPATED BIP ACTIVITIES RELATED TO STRUCTURAL REFORMS

Expected activities related to the required structural reforms include:

- **No wrong door/single point of entry system:** The state will improve integration of financial/functional eligibility systems across health and human services agencies and DADS plans to expand the number and responsibilities of Aging and Disability Resource Centers.
- **Conflict-free case management services:** Even though there are some programs in which the same agency provides case management and direct services, DADS believes appropriate firewalls are in place and expects to monitor and reinforce existing policies. It is not anticipated that there will be significant changes in how case management is provided in Texas.
- **Core standardized assessment instruments:** DADS does not anticipate any significant changes to existing functional assessment tools or processes across LTSS programs (known as "Level 2" screens). DADS is considering creating a new higher-level screen which will be developed to help consumers self-direct toward appropriate services.

The estimated cost to implement required changes is not available at this time, but DADS expects to leverage BIP and Money Follows the Person funding when implementing the structural reforms. The department is working on its detailed implementation plan which is to be completed by December 2012. The legislature will retain authority to direct how remaining BIP funding is used.

USEFUL REFERENCES

State of Texas Balancing Incentive Program Application, June 29, 2012: <http://www.dads.state.tx.us/providers/pi/bip/index.html>.

Mission Analytics Group, The Balancing Incentive Program: Implementation Manual, October 2011: http://hsd.aphsa.org/Home/doc/Balancing_Incentive_Program_Manual.pdf.

CONTACT

Lindsay Littlefield Email: Issuebrief@lbb.state.tx.us