



ELDERLY CARE SERVICES IN LOUISIANA

The Aging of America

The number of people who are elderly is growing at a faster pace than the rest of the population across the country and in Louisiana. The U.S. Census Bureau projects that people age 65 and older will outnumber children by 2034, a first in the nation's history.

Those older adults represented 16.8% of the country's residents in 2020, and that segment of the population is expected to grow to 20.6% by 2030. In Louisiana, 16.4% of residents were age 65 or older in the 2020 Census, a percentage projected to reach 19.7% a decade later.

The aging population will place new demands on the long-term care system. The Southern Legislative Conference estimates that 70% of people 65 and older will need long-term care. Many of those older adults will rely heavily on taxpayer-financed health programs to provide those services and support.

Louisiana's costs for nursing home care and in-home care remain well below the national average but are expected to grow as the number of older people increases and the costs of health care services and ancillary support continue to rise. Care for older adults is expected to consume a larger portion of the Medicaid budget in Louisiana and other states.

Medicaid and Long-Term Care

Congress created both the Medicare and Medicaid programs in 1965. The Medicare program was designed to primarily serve the health care needs of the working population in retirement and those disabled before retirement. Medicaid was designed as a needs-based health care program for the poor, disabled and elderly.

Long-term care – often called long-term supports and services – is a broad array of services, often not specifically medical care, that is delivered in multiple settings to assist with activities of daily living to people who have limitations or chronic illnesses. Most long-term care helps with dressing, bathing, eating and using the bathroom.

To the surprise of many beneficiaries, Medicare provides very limited coverage of long-term care services. Separately, the U.S. Department of Veterans Affairs may help provide long-term care services for some veterans. Because of the limited role of Medicare and the VA, Medicaid serves as the primary source of funding for long-term supports and services.

The Medicaid program is financed by federal and state government dollars on a cost-share basis tied to poverty rates. Currently, federal funds pay for about 68 cents of every dollar spent on general Medicaid services in Louisiana, with some caveats. The total budget for Louisiana Medicaid in the current year is \$18 billion, most of that (\$13.3 billion) federal money. The Medicaid budget grows regularly as health care costs rise.

Spending on nursing homes and home- and community-based services for adults accounts for \$1.7 billion of the Medicaid total.

About 90% of those who receive health care through Medicaid in Louisiana – children, pregnant women and working-age adults who aren't disabled – receive those services in managed care. The state pays a per-member, per-month fee for each person enrolled in a health plan with a managed care company, and the enrollees receive services through a network of doctors and hospitals. However, long-term care programs for the elderly and people with disabilities are financed as fee-for-service, with a direct payment to the health provider, not managed care.

Long-Term Care Program

Nursing Homes

The federal government mandates that states participating in the Medicaid program cover certain health care services, including nursing home care. Anyone who meets the eligibility requirements cannot be rejected for nursing home care through Medicaid, while they can be forced onto waiting lists or unable to receive care through some home- and community-based services programs.

Nursing homes, or skilled nursing facilities, are state-licensed to provide professional nursing and rehabilitation services on a 24-hour-a-day basis. They are paid a facility-specific daily rate for each of their Medicaid residents, with higher rates for people who have a greater level of need.

Nursing homes account for the largest percentage of institutional care spending in Louisiana, with regular rate increases known as “rebasings” built into the program and driving up taxpayer-financed costs for the facilities. Medicaid spending on nursing homes has grown over the last decade from \$904 million in the 2013-14 budget year to an estimated \$1.3 billion this year, according to Medicaid data from the Louisiana Department of Health (LDH).

Meanwhile, the number of people served at nursing homes with Medicaid funding has fluctuated from 17,000 to nearly 28,000 over the same period. As of August, 17,549 people were in the facilities, according to LDH enrollment data. The number of nursing home residents has decreased in recent years, though taxpayer financed spending on the facilities has continued to rise. Medicaid spends anywhere from \$45,000 to \$52,500 per year for each nursing home resident.

Residents in the facilities receive other services not included in nursing home rates, such as inpatient hospital stays, prescription drugs, lab services, dental care and behavioral health services provided outside the facility. Some of these are covered via Medicaid managed care.

One area of uncertainty involves new nursing home staffing requirements the federal government finalized in April, aimed at increasing the quality of care. The rule, to be phased in over time, will require a minimum of registered nurse and nurse aide hours per day and require the facilities to have a registered nurse on staff 24 hours per day, seven days per week. According to the Kaiser Family Foundation, only about 3% of Louisiana's nursing homes meet all the new standards. Only 19% of nursing facilities nationwide currently are estimated to meet the staffing rule. The requirements could drive up costs for nursing homes and, therefore, spending on the facilities through Medicaid.

Home- and Community-Based Services

While nursing home care is a federal mandate for Medicaid programs, Louisiana also includes optional home- and community-based services in its Medicaid program, allowing people to stay out of institutional care with assistance that is not strictly medical in nature. These programs give people alternatives to nursing homes. The era of such services began in 1974 with the national authorization of the first home- and community-based programs in Medicaid.

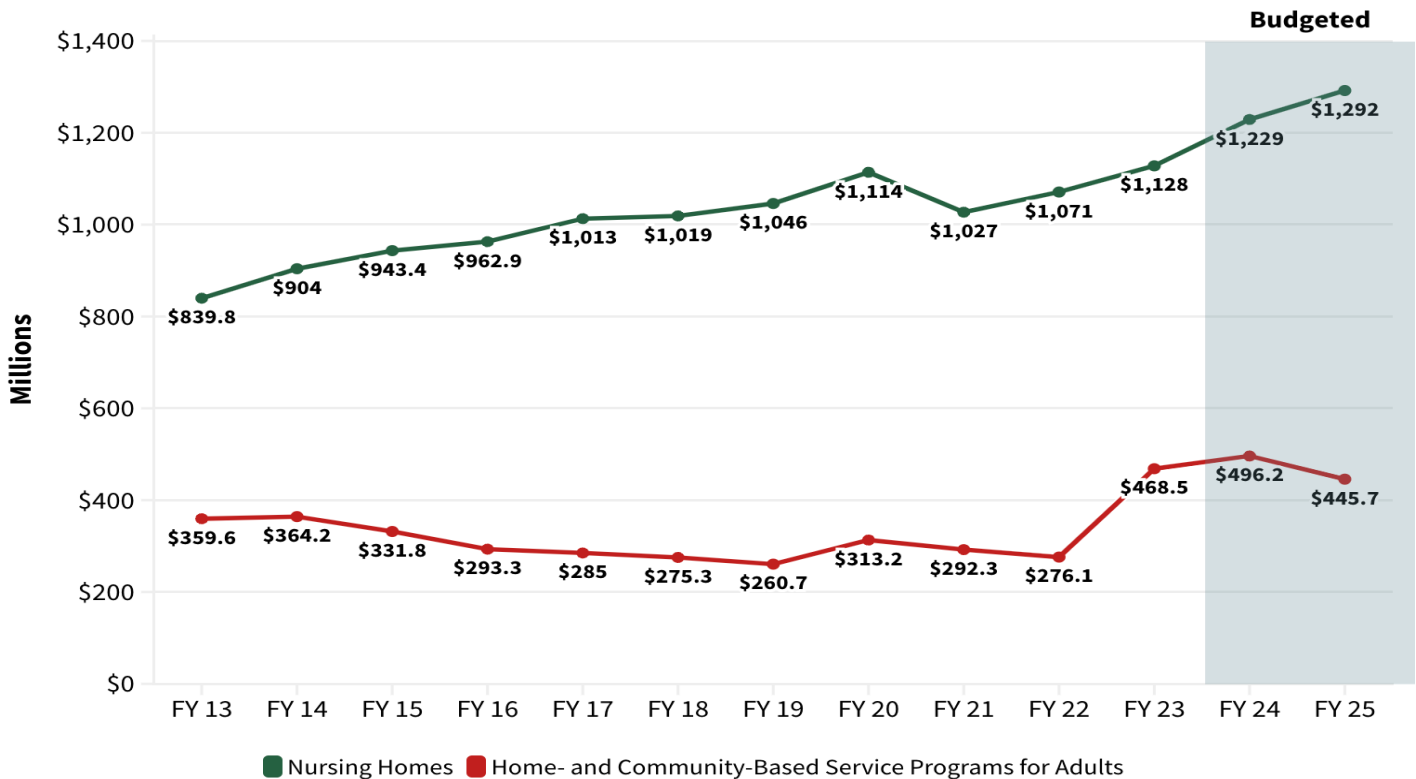
Medicaid spending in Louisiana on the four primary home- and community-based services programs for the elderly or adults with disabilities ranged from \$260 million to nearly \$500 million across the last decade, according to reports from the state Department of Health.

The programs, which serve about 17,000 to 20,000 people annually, are budgeted for \$446 million this fiscal year and are managed by the health department's Office of Aging and Adult Services. Medicaid spends anywhere from \$23,000 to \$38,000 for each person served by these programs annually, less than the per-person spending for nursing home care.

The state also spends hundreds of millions of dollars annually through Medicaid on home- and community-based services for children with disabilities.

Compared to other states, Louisiana spends a smaller percentage of its long-term care dollars in the Medicaid program on home- and community-based services for adults and children. Instead, the state steers most of its long-term care money to institutions like nursing homes and facilities for people with developmental disabilities. Louisiana spent 20% of its long-term Medicaid funding on home- and community-based programs in the 2019-20 budget year, compared to 62%

Medicaid Spending on Nursing Homes vs. Home - and Community-Based Services



Source: Louisiana Department of Health, Louisiana House Fiscal Division

nationally, according to the U.S. Centers for Medicare and Medicaid Services.

Among the programs for older adults and adults with disabilities:

- Louisiana started the **Long-Term Personal Care Services (LT-PCS)** program in 2004 to help with activities of daily life for elderly and disabled people over the age of 21 who qualify for nursing home care. Anyone who qualifies receives services. The average cost per person served through the program was \$23,462 in the 2023-24 budget year, according to the Legislative Fiscal Office.
- The **Program of All-Inclusive Care for the Elderly (PACE)** provides comprehensive medical and social services to certain elderly people still living in the community. Most participants are dually eligible for both Medicare and Medicaid. PACE provides services primarily in an adult day health center, supplemented by in-home and referral services. The program is small, limited to certain zip codes in New Orleans, Baton Rouge and Lafayette. The average cost per person was \$34,370 in the 2023-24 budget year, according to the Legislative Fiscal Office.
- Waiver programs receive federal authorization to “waive” some traditional Medicaid rules to offer services but often have waiting lists because they lack financing. Waiver programs for adults in Louisiana include the **Adult Day Health Care Waiver** and **Community Choices Waiver**. To participate, an individual must meet the same financial eligibility and medical certification criteria used for nursing home admission. The programs on average provide services at about one-third to one-half the cost of nursing home care per recipient.
 - ❖ The Adult Day Health Care Waiver (started in 1985) provides health care services and activities for elderly and disabled adults at a licensed facility for five or more hours per day, allowing family members to assist in care while maintaining employment and other daily responsibilities. Transportation is provided to and from the facility.
 - ❖ The Community Choices Waiver (started in 2011 as a replacement for a previous waiver program) provides a diverse array of services, such as home-delivered meals, in-home sensor monitoring, assistive devices, nursing assistance and skilled maintenance therapies, along with other services. In July, the program had a waiting list of more than 5,700 people who aren't receiving services through other programs, according to the health department. The average cost per recipient was \$37,100 in the 2023-24 budget year. Under a law enacted in 2023, the program has a dedicated trust fund (the Community Options Waiver Fund) to expand waiver slots. The trust fund receives deposits of up to \$50 million per year when state tax collections exceed Louisiana's revenue forecast and reach certain other benchmarks.

Limitations to Change

In addition to federal Medicaid requirements that prioritize nursing home services over waiver programs, Louisiana law creates difficulties for efforts to shift money away from nursing homes.

The state constitution limits reductions to certain health providers, such as nursing homes and hospitals, leaving other programs that provide long-term care more vulnerable to cuts if Medicaid faces cost constraints. Reductions to the protected provider groups can only be less than or equal to cuts for all other Medicaid providers and require a two-thirds vote from lawmakers.

Meanwhile, the nursing home payment methodology – once enacted through administrative rule – was placed in state law, making it more difficult to tweak the Medicaid rates. The law also calls for regular “rebasings” of nursing home rates, increasing their payments on a routine basis.