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**HHS PROVIDES FUNDING TO STATES  
FOR ALTERNATIVES TO NURSING HOME CARE IN MEDICAID**  
*“Money Follows the Person” Helps States Rebalance Long-Term Care Systems*

States will get additional help from the federal government to support elderly and disabled Medicaid recipients who wish to live in the community rather than institutions, HHS Secretary Mike Leavitt announced today.

Through competitive grants, the Centers for Medicare & Medicaid Services (CMS) will give states a total of \$1.75 billion over five years to help shift Medicaid from its historical emphasis on institutional long-term care services to a system that offers more choices for seniors and persons with disabilities from all age groups, including home and community-based services. This *Money Follows the Person* “rebalancing” initiative was included in the Deficit Reduction Act of 2005 (DRA) currently being implemented by CMS. This endeavor is also a part of President Bush's New Freedom Initiative.

“With this program, people who need long-term care and prefer to live in their own homes and communities can do so,” Secretary Leavitt said. “States will also get more for their money by giving the elderly and people with disabilities more control over how and where they get the Medicaid-funded long-term care services they need.”

“We’ve worked with advocates and states for years to end the institutional bias in Medicaid, and now we’ve got the best opportunity ever to do it,” said Mark B. McClellan, M.D., Ph.D., CMS Administrator. “We need to move as quickly as possible to make that shift across Medicaid. With new Federal funding, there is no longer any excuse for the status quo.”

States interested in applying for a “*Money Follows the Person*” grant can propose new programs to CMS that are aimed at sustaining people in their homes or communities who would have otherwise received care in a nursing home or other institution. The qualified expenditures may be eligible for an enhanced match rate from the federal government equal to an increase of 50 percent of the usual state Medicaid percentage contribution in addition to the usual match rate. In effect, the federal government will pay for 75 to 90 percent of the costs of transitioning individuals out of nursing homes and into community settings, and the associated long-term care benefit costs. Grant funds may also be used to help control how they receive these services.

The higher matching rate will be applied to certain services provided to an individual for a one year period after the individual moves out of an institution and into the community. Funds can be used not only for alternatives to institutional care services, such as home health care; they can also be used for

home modification costs, respite services to augment informal or unpaid caregivers, personal care and assistive devices. In their applications, states are encouraged to coordinate with local and state housing authorities to provide coordinated assistance for community-based housing needs. CMS and the Department of Housing and Urban Development (HUD) have made steps to establish a new interagency liaison to support this coordination.

“We know that accessible, affordable, integrated housing is critical to a person's ability to make the transition into the community, HUD Secretary Alphonso Jackson said. “My agency will strongly urge the Public Housing Agencies and Housing Finance Agencies in the states to work collaboratively with Medicaid programs to help create opportunities for those moving out of institutions into the community.”

Each state awarded a grant must continue to provide community services after the year of enhanced match as long as the person needs community services and is Medicaid eligible. The deadline for the first year's applications is Nov. 1, 2006. Demonstration grants will be competitively awarded to states from Jan. 1, 2007 through Sept. 30, 2011. Funds will be available for a five-year period; however, states must participate in the demonstration for a minimum of two consecutive years.

The Medicaid program traditionally pays for care for persons who are elderly and those with disabilities living in institutions who needed help with activities of daily living, because institutional care was the norm when the Medicaid law was enacted forty years ago. To provide home and community-based services, states must get a “waiver” of normal program rules designed to pay for care in institutions. Waivers and demonstration programs offer the promise of significantly lower costs per beneficiary and reductions in overall Medicaid spending as a result of giving individuals control over how to get their services, rather than requiring them to use institutional care in order to get Medicaid long-term care benefits. But rebalancing Medicaid coverage may have some short-term costs, which the new federal program enables states to overcome.

In addition to the Money Follows the Person initiative, the DRA made many changes in Medicaid that will allow states to add home and community-based services to their permanent array of benefits without having to go through the waiver process. For example, under another DRA provision, states now have the option to provide home and community-based services without needing a waiver.

“Even though personal control leads to better results and lower costs for people with a disability, it's still true today that most elderly or disabled enrollees do not have a choice about how they get their long-term care services under Medicaid,” said Dr. McClellan. “By working with states, advocates, and Medicaid enrollees to take advantage of these unprecedented opportunities, that's going to change.”

A copy of the “*2006 Money Follows the Person Rebalancing Initiative Demonstration Program*,” including the application forms, can be obtained at [www.grants.gov](http://www.grants.gov). For more details about the New Freedom Initiative, visit the CMS Web site at: <http://www.cms.hhs.gov/newfreedom/>.

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