HOME AND COMMUNITY-BASED SERVICES FOR OLDER PEOPLE AND YOUNGER ADULTS WITH PHYSICAL DISABILITIES IN MICHIGAN

Final Report

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INTRODUCTION

Michigan, a large mid-western state with 9.8 million people in 1999\(^1\), provided home and community services to about 46,600 beneficiaries through its optional personal care benefit and 14,400 people through its Medicaid waiver during state fiscal year 2000. Michigan dramatically increased the number of Medicaid home and community-based services waiver slots from 4,000 in state fiscal year 1998 to 15,000 in state fiscal year 2000, an increase designed to expand home and community services options for people with disabilities. Despite the size of Michigan’s home and community services programs, nursing homes still dominate the state's long-term care system. In 2001, Michigan began implementing long-term care reforms designed to move away from discrete public programs to a coordinated, comprehensive system.

This paper outlines the home and community services system for older people and younger adults with physical disabilities in Michigan, focusing on the state administrative structure, eligibility and assessment, services covered by Medicaid and other programs, cost containment, and quality assurance. This report also summarizes government officials’ and key stakeholders’ opinions about how well the Medicaid and state-funded programs work.

Information was obtained from public documents, state of Michigan web sites, and interviews with nine state officials and key stakeholders including four consumer representatives, and six waiver agents and provider representatives. Interviews were conducted in person in Lansing, Michigan during March 2000. One telephone interview was conducted in the same month. Questions were asked using a structured, open-ended interview protocol. To encourage candor in their answers, respondents were told that they would not be quoted by name or identified by type of respondent within a state (e.g. nursing home industry representative in Michigan).

THE LONG-TERM CARE SYSTEM IN MICHIGAN

Michigan has a lower-than-average supply of nursing home beds and a substantial number of home health agencies. The state had 459 nursing facilities with 51,966 beds in

\(^1\) http://www.census.gov
1998—42.5 beds per 1,000 persons age 65 and over, compared with a national average of 52.5.\(^2\) According to the Health Care Association of Michigan, the nursing home census has remained at approximately 50,000 residents for the last 20 years. Department of Community Health figures show that the nursing home occupancy rate decreased slightly from 95 percent in 1996 to 93 percent in 1999.\(^3\)

Michigan has experienced growth in the number of assisted living facilities, which are not subject to certificate-of-need or a moratorium on new construction. In 1998, Michigan had a relatively high supply of nonmedical residential facilities—4,673 licensed residential facilities with a total of 46,191 beds—37.8 beds per 1,000 persons age 65 and over compared to the national average of 25.5.\(^4\) The state does not track how many unlicensed assisted living facilities are operating.

In 1998, Michigan had 251 certified home health agencies.\(^5\) The state allows home care agencies without licensure or certification to provide services to Medicaid beneficiaries so the number of certified agencies does not represent the universe of providers available to deliver home-based services.

Michigan’s Medicaid long-term care expenditures (nursing facility, home and community-based services waivers, and personal care totaled $1.4 billion in fiscal year 1998, 35 percent of which were for home and community-based waiver services and personal care services.\(^6\) These data include expenditures on persons with mental retardation or developmental disabilities but the remainder of the paper focuses on the aged and disabled populations.


\(^3\) Michigan Department of Community Health data analysis.


\(^5\) Ibid.

\(^6\) Michigan Department of Community Health data analysis.
PROGRAMS AND ADMINISTRATIVE STRUCTURE

Michigan has two large Medicaid home and community services programs and several much smaller state-funded programs. The MI Choice Waiver for the Elderly and Disabled, which started on a pilot basis in 1992, provides a range of home care agency-based services to people who would otherwise be eligible for nursing home care (See Chart 1). Fourteen thousand four hundred people received waiver services costing $101 million in state fiscal year 2000. The Medicaid Home Help program (an optional personal care service), which began in the 1970s, covers personal care services using a consumer-directed model, where most beneficiaries hire and fire individual workers (See Chart 1). For Home Help, beneficiaries do not need to be functionally eligible for nursing home services. The program had an average monthly census of 37,200 people and cost $157.7 million in state fiscal year 2000.

The Michigan Department of Community Health (MDCH), in 2001, created a Long-Term Care Initiative that now coordinates all long-term care programs serving older persons and younger adults with physical disabilities, including the Medicaid MI Choice waiver and the Home Help program. A separate state agency—The Family Independence Agency—has day-to-day operational responsibility for Home Help. The Long-Term Care Initiative is also responsible for developing and implementing a new, comprehensive long-term care system based on reforms recommended by the Long-Term Care Work Group in July, 2000.

Twenty-three “waiver agents” administer the MI Choice program at the regional level. Thirteen of the waiver agents are Area Agencies on Aging, five are private non-profit organizations, one is a home health agency, another is a health system, and three are community mental health boards. Waiver agents assess applicants’ functional, cognitive, and psychosocial status, and their need for services; arrange for home care agencies to deliver services; and monitor service delivery. Most of the state’s regions have more than one waiver agent, a result of the state’s emphasis on giving beneficiaries choice among agents. Four regions, including Detroit, only have one waiver agent.
## Chart 1: Michigan Home and Community-Based Services Programs

<table>
<thead>
<tr>
<th>MI Choice Home and Community Based Waiver for the Elderly and Disabled</th>
<th>Home Help (optional Medicaid personal care service)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year program started</strong></td>
<td>Waiver started in 1992 and became available statewide in 1998.</td>
</tr>
<tr>
<td><strong>Administrative Responsibility</strong></td>
<td>Department of Community Health/Medical Services Administration and Office of Services to the Aging</td>
</tr>
<tr>
<td><strong>Functional eligibility</strong></td>
<td>Adults age 18+ who need a nursing facility level of care</td>
</tr>
<tr>
<td><strong>Financial Eligibility</strong></td>
<td>Income test is 300% of Supplemental Security Income; Spouses of waiver recipients are protected from impoverishment.</td>
</tr>
</tbody>
</table>
| **Number of beneficiaries** | FY1998 4,100 slots used  
FY1999 9,800 slots used  
FY2000 14,400 slots used | FY1999 average of 36,800 beneficiaries a month and 46,600 in a year  
FY2000 average of 37,200 beneficiaries a month. |
| **Funding Source** | Medicaid | Medicaid |
| **Expenditures (FY00)** | FY1999 $67 million  
FY2000 $101 million | FY1999 $152.3 million  
FY2000 $157.7 million |
| **Covered Services** | Adult day care, chore services, counseling, home delivered meals, homemaker, up to 30 days of out-of-home respite annually, personal care supervision, training, transportation, environmental modification, personal emergency response systems, specialized medical equipment and supplies, private duty nursing. Waiver also authorizes state plan personal care. | Assistance with IADLs and hand-on personal care. |
| **Consumer direction** | Consumers can choose agencies and can get a new one if they are dissatisfied. | 85 percent of beneficiaries hire and fire individual workers and 51 percent of beneficiaries hire workers who are family |
| **Cost Containment Mechanisms** | Waiver agents cannot maintain waiting lists. The program pays agents an average per diem of $32 for services. Persons with complex medical needs must go through an exceptions process for approval of their care plans. | Care plans costing more than $1,000 a month must go through an exceptions process for approval. |
| **Quality Assurance Mechanisms** | Waiver agents periodically monitor providers' service delivery. | Day to day quality assurance is the responsibility of the consumer and care managers review provider logs and refer problems to Adult Protective Services. |
Local Family Independence Agency offices administer the Medicaid Home Help program. These offices do financial and functional assessments of applicants and provide care management to the programs’ beneficiaries.

Stakeholders pointed to lack of effective coordination among long-term care programs at the local level. The waiver and Home Help programs are supposed to cross-refer clients when appropriate but some stakeholders asserted that people generally receive services from the program they contact first. Another stakeholder said that some waiver agents refer applicants with extensive personal care needs to the Home Help program because it does not impose any limits on an individual’s benefits. State officials counter that waiver agent referrals to Home Help occur when a person has a stable medical condition and wants to direct services. Some stakeholders noted lack of coordination among waiver agents in a region; state officials attributed this to the tension that naturally arises from competition among agents for clients.

Michigan operates several programs supported solely with state funds. Care Management is housed within the Office of Services to the Aging and operates through the regional Area Agencies on Aging. This program served 7,000 persons age 60 and over in state fiscal year 1999, who were at high risk of entering a nursing home. The program uses Older Americans Act and state funds to purchase needed services for clients. The Personal Assistance Services Reimbursement for Employment program, administered by the Michigan Department of Career Development within Michigan Rehabilitation Services reimburses about 50 eligible, disabled working adults a maximum of $1,000 a month toward the cost of a personal assistant at the person’s workplace. The Physical Disabilities Services Program administered by the Department of Community Health provides about $1.3 million total to local Family Independence Agency offices to purchase home modifications and assistive technology not otherwise reimbursable under Medicaid. The program is open to all adults, subject to availability of funds.

**ELIGIBILITY CRITERIA AND ASSESSMENT**

The MI Choice and Home Help programs use different eligibility criteria and assessment protocols. When applicants for the Medicaid MI Choice waiver contact waiver agents, the staff conduct a telephone screening to determine whether applicants are likely to
meet Medicaid’s nursing home level of care criteria. The screening assesses health status, functioning, social support, and recent admission to a hospital or nursing home. If an applicant appears eligible based on the screening, then a team, composed of a nurse and a social worker, visits the applicant’s home to do a comprehensive assessment of health, functioning, social support, environment, and financial status.

The care management teams use professional judgement to determine whether applicants for waiver services meet the state’s published nursing home level of care criteria. The guidelines for exercise of professional judgement include definitions and examples of the types of care needed at skilled and intermediate levels in nursing homes. Key stakeholders commented that the guidelines are vague and the way in which professional judgment is exercised may lead to inconsistent application of the guidelines from one assessor to another. With a grant from the Robert Wood Johnson Foundation, the state has developed and is refining screening and placement algorithms that are based on empirical design, in order to allocate services equitably and rationally. State officials report that the casemix of clients across waiver sites is generally equivalent.

To be financially eligible for the waiver, applicants must have incomes at or below 300 percent of Supplemental Security Income; people who are Medicaid eligible, because they are medically needy, must first spend down each month to the community protected income level. The MI Choice waiver extends spousal impoverishment protections to spouses of waiver participants. The applicant can receive help in filling out all financial forms from the assessment team and the waiver agent will forward the forms to the Family Independence Agency for a financial eligibility decision, if the applicant wishes. Three quarters of the participants in the MI Choice waiver are age 65 or older; the remainder are adults age 18 – 64.

Local Family Independence Agency offices determine whether applicants meet the Home Help program’s functional and financial eligibility requirements. Medicaid Home Help beneficiaries must need assistance from another person with one or more instrumental

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7 O’Keeffe J, People with Dementia: Can They Meet Medicaid Level of Care Criteria for Nursing Homes and Home and Community-Based Waiver Programs, AARP, Washington, DC, August 1999.
activities of daily living; this standard is much less restrictive than the nursing home level of care criteria. However, state staff report that about one quarter of Home Help beneficiaries would likely meet nursing home level of care criteria. State staff said that 60 percent of the beneficiaries are under age 65. People cannot receive waiver and Home Help benefits at the same time. Medicaid financial eligibility criteria for Home Help require applicants to be categorically eligible or medically needy.

The state-funded Care Management program is available to persons who are age 60 and over. There is no financial eligibility test for this program, although participants are asked to share the cost of care management and direct services provided. Some waiver beneficiaries receive gap-filling services from this program while awaiting determination of their financial eligibility for the waiver.

CARE MANAGEMENT AND SERVICE PLANNING

Care managers’ caseloads vary by program. Waiver and Care Management care managers serve an average of 45 to 50 clients, whereas the average care manager has 100 clients in the Home Help program. Some waiver agents fear that caseloads will increase faster than the funds for administrative purposes. In addition, stakeholders complained that the rapid expansion of the MI Choice waiver over the past two years has seriously strained the waiver agents’ ability to perform assessments and monitor quality, leading to delayed assessments and claims of some quality problems. (See the section on quality of care below.) State officials assert that their new data system, which measures performance on administrative tasks, shows that the average number of days from screening to assessment was 12 in state fiscal years 1999 and 2000 and the average number of days between assessments was 66 in 2000. These measures are within the state’s waiver requirement of 14 days between screening and assessment and 90 days between reassessments.

If a waiver applicant is eligible for the MI Choice waiver, then the assessment team develops a care plan for him or her based on the concept of “person-centered planning.” This means that the team is to develop a care plan jointly with the beneficiary and ensure that the care plan is based on the consumer’s goals and desires for his or her life. The care plan must also maximize community resources, such as families, neighbors, or volunteer programs, before authorizing formal services. Care managers and beneficiaries are to
jointly determine the frequency and duration of services in the care plan. However, one observer, who was familiar with care management at the local level, commented that if beneficiaries do not agree with the care plan, the care manager will try to persuade them that the plan is what is best for them. In some cases, this entails persuading people to accept services that they may not want. State officials say that, to protect a person’s health and safety, care managers sometimes have to persuade people who might be afraid or shy that it is acceptable to receive services. Care managers are to contact beneficiaries to check on services within two weeks of their commencement to ensure that the care plan is being carried out properly. Care managers reassess beneficiary needs at 90-day intervals or sooner if the participant’s condition changes.

SERVICES

The waiver program covers a broad range of services, while Home Help and the state-funded Care Management program cover a narrower range of services. The MI Choice waiver covers: adult day care, chore services, counseling, home delivered meals, homemaker, respite, personal care, personal care supervision, training, transportation, environmental modification, personal emergency response systems, specialized medical equipment and supplies, and private duty nursing. When waiver beneficiaries receive personal care, they do so through Medicaid’s optional personal care service and about three-quarters of waiver beneficiaries use this service. Roughly half of beneficiaries use personal emergency response systems and home delivered meals, and one-third use homemaker and personal care supervision. Waiver beneficiaries cannot receive any services except out-of-home respite in licensed group residential settings, including adult foster care, because licensed residential facilities get a supplemental Medicaid payment through the optional personal care benefit. Residents of unlicensed assisted living facilities can receive waiver services because unlicensed facilities do not receive supplemental personal care payments and because these facilities are considered a person’s own home.

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8 Michigan’s Medicaid program provides personal care services to older persons and adults with physical disabilities in three ways using the optional personal care benefits. First, waiver beneficiaries have access to personal care services. Second, the Home Help program is funded as a personal care service. Third, licensed residential facilities get a supplemental payment for delivering personal care.
Michigan also uses its optional personal care program to fund the state’s Medicaid Home Help program, which offers personal care, and assistance with instrumental activities of daily living such as housekeeping, a much narrower range of assistance than those available under the MI Choice waiver. The services beneficiaries most frequently require are shopping, laundry, and housework. People can receive Home Help in their own home or in the community. One group of stakeholders complained that some staff from local Family Independence Agency offices tell beneficiaries that Home Help services are not available outside of the home, even though this is not the program’s policy.

The state pays a personal care supplement of $167.67 a month to residents who live in adult foster care homes or homes for the aged. The Department of Community Health also allows a separate, individually negotiated personal care payment of up to $100 a day for persons with traumatic brain injuries who live in adult foster care. Most stakeholders were supportive of extending Medicaid waiver coverage to licensed group residential settings. Consumer advocates tend to view these facilities favorably because of their emphasis on consumer choice and independence and because they are smaller than most nursing homes.

CONSUMER DIRECTION

The Medicaid Home Help program, the state’s largest home and community services program, provides opportunities for consumer direction. About 85 percent of all beneficiaries hire and fire their workers directly and 51 percent of all beneficiaries hire workers who are relatives. The Family Independence Agency serves as the fiscal agent for beneficiaries who hire their own workers. The advantage of this arrangement is that consumers do not have to file tax statements.

When asked about innovations in Michigan’s home and community services system, stakeholders responded that Home Help is innovative because it contains costs. The program largely relies on individual workers, whose hourly wages hover around minimum wage, rather than on more expensive agency services. One stakeholder characterized the Home Help program as an income transfer program that provides low-income families with a subsidy for keeping people with disabilities at home.
While the MI Choice waiver does not prohibit consumer direction, beneficiaries receive services from agency workers. Waiver agents encourage home care agencies to hire specific workers if the beneficiary expresses a preference for a particular person. The state intends to provide training and technical assistance to waiver agents to help them make consumer direction an option for participants. At present, some waiver agents are reluctant to let beneficiaries hire and fire their own workers because they fear liability for quality problems or worker injuries. However, some waiver agents advocate implementing consumer direction by tapping into the same fiscal agent system that Home Help uses. Other waiver agents believe that participants have enough choice because they can choose a new agency worker if they do not like their current worker.

COST CONTAINMENT

Michigan uses a variety of mechanisms to control costs and the methods vary by program and type of provider. The state controls nursing home spending through reimbursement rates and supply controls. Some key stakeholders complained that nursing home rates are too low, at an average of $110 a day. On the other hand, nursing homes, unlike waiver agents, received rate increases in 1999 and 2000. Michigan keeps its nursing home bed supply under tight control by requiring certificate-of-need review; there is currently a moratorium on new nursing home beds.

Michigan limits per diem costs in the waiver program. Waiver agents receive two per diem payments totaling a maximum of $42 a day; $9 or, in some regions, $10 of that amount goes for administrative services, including care management and agents receive $32 a day to cover participants service costs. Waiver agents are at risk because they must absorb all excess costs when their average service costs exceed $36 a day. Several key stakeholders asserted that some waiver agents are treating the $32 service amount as an individual rather than aggregate ceiling and are referring people with service needs exceeding this amount to the Home Help program. State officials said that this practice is forbidden and is stopped when brought to the state’s attention.

To help protect waiver agents from the high costs of clients with complex medical needs, the state has a “high cost exceptions process.” Waiver agents can apply for approval and state payment of any care plan costs exceeding $96 a day for persons with complex
medical needs. Care plan costs take into account the beneficiary’s personal care costs and waiver service costs. These costs are not considered in calculation of the waiver agent’s average per diem rate. The exceptions process is said to be cumbersome and exceptions have been granted to 40 people since April 1999. Another cost containment mechanism the waiver uses is to set limits on the hourly rates that providers can receive for delivering services.

Views of the waiver's cost containment measures vary. Some waiver agents believe that the average per diem rate for services is too low. Other key stakeholders agreed, saying that they had expected the rate to be adjusted for inflation in 1999 and 2000 but it was not. Low rates are causing the waiver agents to strictly limit payments to providers. Stakeholders asserted that this results in difficulty with recruiting and retaining workers and some home care agencies will not sign contracts with waiver agents unless agencies are guaranteed payment for at least a three-hour visit each time they serve a beneficiary. Also, waiver agents with a low volume of beneficiaries fear the risk of cost overruns should one of their clients have a high cost care plan. State data for fiscal years 1999 and 2000 show, in both years, that average waiver service costs per day were below the average per diem of $32 a day. Stakeholders also claim that administrative payment rates are inadequate.

The MI Choice program does not permit waiver agents to maintain waiting lists for people seeking to enroll in the waiver. Stakeholders contend that waiver agents do not have enough funding to meet the demand for screenings, assessments or services, therefore agents schedule screenings only during specific times of the day or week. The result is that some consumers must make repeated calls to receive screenings.

Home Help has no benefit ceiling but most local offices use a formula to determine an individual’s benefit amount. Each task in a beneficiary’s care plan is multiplied by the estimated time necessary to complete the task and that figure is multiplied by a local hourly wage rate. If beneficiaries’ costs exceed $1,000 a month, the care plan must go through a state exception process to gain approval. Local Family Independence Agency offices are supposed to set wages for Home Help workers based on prevailing wages in the local labor market. Although rates vary by county, on average Home Help workers receive $6.30 an hour as of June 2000.
QUALITY ASSURANCE

Michigan has a range of quality assurance mechanisms in place for waiver agents and for agency providers, but does not have many external mechanisms in place for the Home Help program. In order to select waiver agents during the statewide expansion of the waiver in 1998, Michigan invited organizations to demonstrate that they had the capacity and qualified staff necessary to serve as waiver agents. The first organizations to demonstrate the capacity received contracts with the state to serve as waiver agents. Agents did not compete on costs because the state wanted to ensure the quality of waiver agent services and consumer choice among agents. The state’s goal was to have at least two competing waiver agents in each region.

The Long-Term Care Division and the Office of Services to the Aging jointly-monitor waiver agents, their care managers, and home care agencies participating in the waiver using performance standards that the Office developed. These standards are also applied to the state-funded Care Management program. Quality monitoring for the MI Choice waiver and the Care Management program is carried out simultaneously and involves staff from Medicaid and the Office. The process includes on-site monitoring of service providers, audits of a sample of case records, and occasional special studies. Some advocates have concerns about the quality of waiver services and these concerns stem, in part, from the perception that the waiver agents’ per diem payment rate is too low. Other problems described were lack of care manager follow-up to ensure that beneficiaries receive appropriate services, workers not showing up to provide services, and lack of formal evaluations of the waiver.

The state has developed the MI Choice information system (MICIS), which produces reports on waiver agents’ performance and will be used to develop and test clinical indicators of quality. The indicators will be specific to subpopulations such as those with dementia. The state hopes to reward waiver agents who demonstrate outstanding performance and to identify poor performers. The state also plans to link MICIS data to the nursing home data system so that it can track client outcomes across settings.
Michigan does not require that home care agencies be licensed and the state’s nurse practice act allows nurses to delegate skilled tasks to trained aides. Criminal background checks are required of all home and community services workers. Waiver agents use the MICIS system to monitor home care agencies to determine if they deliver the required services; agents can compare care plans, service orders and provider billings. Some stakeholders complained that the information system has not been able to generate basic reports such as summary care plans and service utilization, and that the lack of these data hampers the waiver agents’ ability to manage costs and to develop care plans efficiently. State officials said that these types of problems have occurred during changeovers from one computer system to another and that technical assistance is available to help waiver agents manage the transition and use the new computer programs.

In the Home Help program, day to day quality assurance is the responsibility of the consumer. Care managers must approve all non-agency providers to assure the person is capable of performing needed tasks, review provider logs to ensure services are delivered, reassess clients every six months, and refer problems to Adult Protective Services. One stakeholder reported that care managers know their beneficiaries’ situations and that quality is generally good.

Adult foster care and homes for the aged, which are akin to board and care homes, are licensed in Michigan, but assisted living facilities are not. According to advocates, the state regulates adult foster care more closely than homes for the aged because state staff inspect the former biannually, while the latter are not inspected. Several stakeholders recommended providing more resources to enforcement of licensure laws governing homes for the aged. State staff report that adult foster care homes are inspected every two years during licensure renewal and also receive interim inspections thus state staff visit these homes at least annually. The state is now devoting more resources to inspecting homes for the aged and does so on an annual basis. Some stakeholders proposed licensure for assisted living facilities as a way to interject some uniformity and to help ensure basic quality of care.

Every long-term care provider representative interviewed reported difficulty recruiting and retaining workers and said worker turnover is very high. Competition from
other, less stressful service jobs reportedly aggravates these problems. Key stakeholders cited cases where clients did not actually receive services because agencies already had as many beneficiaries as they could manage. However, stakeholders reported that the Home Help program does not have as much difficulty with the labor shortage because many of the workers are family members. Another stakeholder claimed that in counties with higher wages for Home Help workers, recruitment problems are less severe than in other areas of the state.

Groups of younger people with disabilities have begun to address some of these labor shortage issues by setting up cooperatives of beneficiaries and workers in Ann Arbor and Grand Rapids to facilitate group purchase of benefits such as health insurance for workers.

**FEDERALISM ISSUES**

The key stakeholders mentioned that while HCFA has simplified the waiver application and renewal process by revising some of the formulas and using a preprinted check off list for waiver applications and renewals, challenges remain. The suggestions for changes to Medicaid long-term care provisions that stakeholders mentioned were:

- Waiver applicants should be allowed to spend down to the waiver income level, which in Michigan, is 300 percent of the Supplemental Security Income payment, rather than to the much lower community protected income level for people who are medically needy.

- The Supplemental Security Income asset limit of $2,000 should be raised because this low amount is a barrier to Medicaid eligibility.

- Michigan should request permission from HCFA to serve more “unduplicated” waiver beneficiaries and HCFA should approve this request.

- One stakeholder suggested that the Resident Assessment Instrument for Home Care used in the waiver and the Care Management program should replace the mandatory OASIS instrument because the former is the better tool.

- A stakeholder suggested that Section 8 housing vouchers be made available to institutionalized Medicaid recipients and community beneficiaries because nursing
home residents who want to return to the community may have lost their homes and
the protected income amounts for community beneficiaries are not high enough to
cover housing costs.

- HCFA central and regional offices should eliminate differences in interpretations of
  Medicaid policies and regulations when they exist and the waiver approval process
  should be shortened.

- HCFA should set up an information clearinghouse where states could learn from
  one another. For example, telephone conference calls for information sharing
  purposes would be very helpful.

**ISSUES FOR THE FUTURE**

The state faces four major challenges in the future: 1) how to reduce administrative
fragmentation at the local level, 2) how to balance the long-term care system so that the
appropriate proportion of resources is devoted to the home and community services that
people prefer, 3) how to ensure that all populations with disabilities receive an equitable
share of resources, and 4) how to contain costs effectively.

Administrative fragmentation appears to be an issue at the local level in Michigan.
There are at least two competing waiver agents in most regions of the state, some of which
do not communicate with one another, plus multiple local Family Independence Agencies,
which administer Home Help. As of 2000, an adult with disabilities could be faced with a
choice of at least three local entities when seeking government assistance and confusion
could well be the result. Some state officials view the choice as a boon to consumers and
are trying to create a single-point-of-entry into the long-term care system to assure access
to the full range of long-term care options.

The state has already taken several steps to create a more balanced long-term care
delivery system for older persons and younger adults with physical disabilities. Michigan
recently more than tripled the size of its Medicaid waiver, making home and community
services available to many more people. The state also plans to develop a case-mix
reimbursement system for all long-term care settings so that risk-adjusted payment follows
the person, regardless of what setting he or she chooses. The state says that in light of these
current efforts, it has little need to change the direction of its long-term care system reform in the wake of the Supreme Court’s Olmstead decision. The state has few intermediate care facilities for the mentally retarded, and the state continues to expand its home and community services options for the aged and disabled populations. However, some stakeholders asserted that Michigan’s long-term care system has little in place to prevent unnecessary admissions to nursing homes and they recommended a “crisis intervention program” that would create a stable environment for applicants until a care plan can be implemented. Another stakeholder noted that waiver agents are reluctant to assess nursing home residents because of lack of affordable, adequate housing.

The state has addressed cost containment issues in the MI Choice waiver program by setting average per diem rates for service and administrative payments to waiver agents. According to stakeholders, these cost constraints have led to problems, such as delays in performing assessments, difficulty in recruiting home care agencies, and inadequate monitoring of services. It is too soon to determine whether the problems will be resolved after the recent expansion of the waiver plays itself out.

The biggest step the state has taken to reform its long-term care system is the July, 2000 release of the Michigan Long-Term Care Work Group’s report,9 which is designed to fundamentally reform the state’s system. The Work Group included state legislators, representatives from the Department of Community Health, and the Office of Services to the Aging. The report was based on two years of public hearings held throughout the state that included testimony from a broad range of interested organizations and people. The Workgroup was concerned, in part, with the prospect of escalating costs stemming from the aging of the baby boom generation. A key interest of the Workgroup was to create or facilitate development of a long-term care system that will foster individual choice and increase the availability of non-institutional services to meet the needs of people as they age.

9 Michigan Department of Community Health, Long-Term Care Innovations: Challenges and Solutions, June 2000.
The Work Group outlined four models that the state will test in selected regions beginning in 2001. These models are designed to contain costs through capitated payment and to offer more choice to beneficiaries. The four models are:

1. Long-term care HMOs – health maintenance organizations that would have contracts with Medicaid and, perhaps Medicare, to deliver all health and long-term care services to beneficiaries in exchange for a fixed, capitated payment.

2. Regional provider organization – a partnership among multiple provider organizations that would form a single, integrated delivery system that could bear risk and deliver services in exchange for a fixed, capitated payment.

3. Virtual organization – an electronic communication network that would link corporation partners to provide instant communication on client needs and the network’s capacity to deliver services.

4. Care coordination model – which would build upon the existing waiver agent network to integrate delivery of health and long-term care services.

Each model would incorporate PACE – Program of All Inclusive Care for the Elderly; PACE integrates health and long-term care services and financing for persons age 55 and over who are eligible for nursing home care and receives capitated financing from Medicaid and Medicare. The four models would also have to meet Michigan’s licensure standards for health maintenance organizations.

In 2000, the state legislature made a one-time appropriation of $10 million in tobacco settlement funds to finance innovative long-term care projects that will reflect a commitment to improving access to care, quality of care, and quality of life. In October 2000, the Department of Community Health issued a request for proposal for “Long-Term Care Innovations,” and set up an Innovations Fund of $7.4 million for these projects.\(^{10}\) One-time-only awards will be issued to projects that demonstrate a “person-centered approach” to delivering services, innovation, and commitment to improving access to and quality of services. The projects must also follow the principles outlined in the

\(^{10}\) Michigan Department of Community Health, Request for Proposals for Innovations in Long-Term Care, December 2000.
Workgroup’s report and be related to one of the four models described above. Grants are expected to average $100 to $150,000 over a three-year period. Another request for proposal will be issued in the future to fund other start-up and evaluation activities designed to implement the Work Group’s recommendations. Depending upon which models the state eventually tests, Michigan may take a path that no other state has yet followed.