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Aging Alert

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ADVOCATES TO LEGISLATORS – “DON’T CUT HOME CARE!” NATIONAL REPORTS SAY HOME CARE REDUCES MEDICAID SPENDING

Between 2002 and 2006, funding for the MI Choice Medicaid Waiver program was frozen at \$100 million. Governor Granholm strongly supported the program, even reopening enrollment on a limited basis a year after she took office, but one budget crisis after another made additional funding scarce. Then in 2005, the Governor’s Long Term Care Task Force issued its recommendations. That group’s powerful consensus for more consumer choice led the administration to recommend an increase in MI Choice for FY 2007. Helping the cause were early pilots for the nursing home transition program, demonstrating there were people in nursing homes who could safely return home, producing an immediate and tangible savings for Medicaid.

The administration’s support, and strong advocacy by the aging and disability networks with legislators, broke the \$100 million ceiling. This year, MI Choice is funded at \$159 million, and for the first time, people living in foster care and homes for the aged can access MI Choice. And proving the wisdom of decisions to expand home-based care through MI Choice and Home Help, nursing home spending decreased for the first time in history from 2007 to 2008, saving \$18 million.

The Governor’s budget for next year recommends \$176 million for MI Choice, paid for by transitioning more people out of nursing homes, along with wage increases for low-paid Home Help workers.

“HCBS (home and community-based service) programs may be one instance in which offering people greater choice also helps reduce costs.”

University of California at San Francisco

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“Targeting Medicaid home and community-based services for budget cuts may be shortsighted. Recent evidence indicates that ...over time, states that invest in HCBS experience slower Medicaid expenditure growth...”

AARP Public Policy Institute

Advocates hope that home care gains won’t be lost in this latest budget crisis, and point to two recent reports that further bolster their claims for cost-effectiveness. One study, published this year in the *Journal Health Affairs*, was done by the University of California at San Francisco. Their research showed that for the period 1995-2005, Medicaid spending growth was less for states that invested more in home and community-based services (HCBS).

The second report, released by AARP's Public Policy Institute, examined recent data and studies on the cost-effectiveness of home care, and concluded, "By analyzing the best available data, this report concludes that HCBS is cost-effective. States that invest in HCBS can, over time, slow their rate of Medicaid spending on LTC." Looking specifically at two Great Lakes states, the report says, "Between 2003 and 2008, the number of Medicaid beneficiaries living in nursing facilities dropped 7% nationally. In Minnesota and Wisconsin, nursing home beneficiaries fell by 20% - due in part to the expansion of HCBS."

States have been able to contain and even reduce costs, largely avoiding a feared 'woodwork effect....'

University of California at San Francisco

On the subject of the "woodwork effect," (people who refuse to use a nursing home would willingly get services at home if they are available) the AARP report says, "...the experiences of Oregon, Washington, and Wisconsin indicate that states can control overall spending if they reduce their use of nursing homes while they expand HCBS." The California study agrees, "...states have been able to contain and even reduce costs, largely avoiding a feared 'woodwork effect' in which the demand for services was predicted to grow tremendously once HCBS programs became available."

The aging network is also worried about the future of state-funded aging programs (through OSA).

The aging network is also worried about the future of state-funded aging programs, administered by the Michigan Office of Services to the Aging (OSA). Those programs have the advantage of not being means-tested, so seniors that are \$1 or more over MI Choice eligibility level can still receive some help. Aging professionals say that OSA programs are very

effective in diverting people from nursing homes and the Medicaid program. But their state funding makes them attractive to budget-cutters. OSA lost almost \$2 million in the Governor's Executive Order cuts this year, and agencies have been warned that 15% cuts are possible for next year.

DID YOU KNOW?

Health care is Michigan's largest employer. Within health care, long term care jobs are expected to grow 20% between 2006 and 2015 – creating 25,000 new jobs.

Direct-care jobs, such as nurses aides and home care aides, fuel much of this growth. They increased by 32% from 1999 to 2007, and are 28% of all health care jobs.

The average income for a direct care worker is \$16,446 a year, and wages do not keep up with inflation.

One quarter of direct care workers overall do not have health benefits. Home care workers are especially hard hit with one-third uninsured.

Statistics from "Michigan's Direct-Care Workforce" by PHI (www.PHInational.org), December 2008

LEGISLATURE MAKES FRESH START ON HEALTH CARE REFORM

New packages of bills were introduced in the Michigan House and Senate in May to help the uninsured, and make individual policies more accessible and affordable. Representative Marc Corriveau (D-Northville), chair of the House Health Policy Committee, is leading the charge in the House of Representatives, while Senator Tom George, M.D., Chair of the Senate Health Policy Committee, is heading the Senate effort. Their goal: to find common ground and pass legislation this year to help many of Michigan's 1.2 million citizens without coverage.

Both proposals would be funded by collecting monies from all insurers, including Blue Cross Blue Shield, HMOs, and commercial insurance companies. While the funding schemes are different, both would use new funds to expand health coverage using federal programs, lower premiums for the low-income, and help insurers by creating a catastrophic pool to pay for high cost individuals. Both proposals create "basic" policies standardized across all insurers and subsidized for lower-income individuals.

The House package, House Bills 4934-4943, would use new funding to expand "MI Child," a federal program providing health coverage for children. Its second priority is providing a subsidy for adults with incomes up to 300% of poverty level (\$32,490/year) to help them purchase a basic policy. The third priority is providing a subsidy for seniors up to 300% of poverty purchasing Medicare supplemental (Medigap) policies from commercial insurers. The current subsidy on Blue Cross Medigap policies would continue for seniors up to 300% of poverty (\$32,490/year), and be phased out for those with more income.

The Senate package (Senate Bills 579-582) takes a different approach. It would allow more people to enroll in the Medicaid program, covering individuals with yearly incomes up to 200% of the poverty level (\$21,660). It would also provide subsidies for those between 200% and 300% of poverty ((\$21,660 - \$32,490/year)

to help them purchase a basic policy. The Senate does not change the current subsidy for Blue Cross Medigap policies.

Blue Cross Blue Shield, a state-chartered nonprofit, has accused for-profit commercial insurers of "cherry picking" to weed out the sick, leaving the Blues with high cost customers. Under current law, Blue Cross is required to accept all individuals with pre-existing conditions, while insurance companies can screen applicants. Both proposals address this problem by requiring for-profits to accept those with pre-existing conditions. The House applies the requirement to all individual policies, while the Senate applies it to the basic policies. Both the House and Senate limit coverage exclusions for pre-existing conditions to six months for all insurers, and both build in financial incentives for healthy behaviors.

The plans take different approaches in handling rate increases. Under current law, commercial insurers are allowed to increase premiums after filing them with the Insurance Commissioner. In contrast, Blue Cross rate increases can be challenged by the Attorney General and must be approved by the Insurance Commissioner. The Senate maintains the current system but sets timelines for the approval of Blue Cross rates. The House creates the same system for all insurers, including the Blues, allowing them to raise rates as long as they meet certain requirements. If it turns out the rates were too high, refunds would be paid with interest.

Both packages include other consumer protections, and the House includes proposals making other improvements, such as mandating electronic prescriptions, creating a health assessment website, and creating a statewide computerized system to record people's treatment wishes. The House also includes one consumer protection affecting employees in small groups. House Bill 4936 would prevent insurers from increasing premiums based on the claims history of the group.

HOUSE BILLS OF INTEREST TO SENIORS

Sponsor's name in parentheses.

For more information on legislation, go to www.michiganlegislature.org.

- HB 4127 VETERANS** (Rick Jones) Allows veterans and active military to obtain a special designation on their driver's license. In House Military & Veterans Affairs & Homeland Security Committee.
- HB 4172 FLU VACCINE** (Robert Jones) Requires hospitals to offer the flu vaccine to all seniors 65+ admitted as inpatients. In House Health Policy Committee.
- HB 4180 FUNERAL REPRESENTATIVE** (Moss) Allows individuals to designate a funeral representative in writing, with the authority to make funeral arrangements. In House Judiciary Committee.
- HB 4196 NO SMOKING** (Slavens) Bans smoking in commercial and public buildings, including restaurants and bars. Provides exceptions for cigar bars, tobacco shops and home offices. In House Regulatory Reform Committee.
- HB 4203 VETERANS** (McDowell) Allows prisoners of war to purchase hunting and fishing licenses for \$2, and disabled veterans/prisoners of war to get free access to state parks and campsites. Passed House. In Senate Senior Citizens & Veterans Affairs Committee.
- HB 4246 INCOME TAXES** (Opsommer) Would create a new deduction for the penalties on early withdrawals from retirement plans, exclude from income 50% of a veteran's disability payments, and make improvements in the Homestead Property Tax Credit. In House Tax Policy Committee.
- HB 4283 RENOVATIONS TAX CREDIT** (Miller) Creates an income tax credit for home renovations assisting seniors or people with disabilities. In House Tax Policy Committee.
- HB 4316-8 PRODUCT LIABILITY** (Lisa Brown, Kennedy, Slavens) Eliminates the current immunity protecting drug manufacturers from lawsuits, allowing retroactive lawsuits and civil suits. Passed House. In Senate Government Operations & Reform Committee.
- HB 4339 PNEUMONIA VACCINE** (Robert Jones) Requires hospitals to offer the pneumonia vaccine to all seniors 65+ admitted as inpatients. In House Health Policy Committee.
- HB 4341 NO SMOKING** (Bauer) Bans smoking in commercial and public buildings with no exceptions. In House Regulatory Reform Committee.
- HB 4385 UTILITY SHUT-OFF** (Moore) Requires utility companies to include with any shut-off notice, the energy assistance telephone number at the Department of Human Services, or refer customers to 211. Passed House. In Senate Energy Policy & Public Utilities Committee.