Arizona has been one of the nation’s leaders in ensuring that seniors and people with disabilities are able to receive the long-term services that they need in their home or community. The health reform law signed by President Obama on March 23, 2010, gives Arizona options to do even more. Health reform includes several new programs for states to provide home- and community-based services (HCBS) through Medicaid, the major payer of long-term services for seniors and people with disabilities. One program, Community First Choice Option, gives Arizona the opportunity to expand home- and community-based services by providing added federal matching payments.

Community First Choice Option will be available to states in October 2011. There are several good reasons why Arizona should seriously consider this new opportunity to provide home- and community-based services in Medicaid.

This state fact sheet explores the following issues:

- The growing demand and rising costs of long-term care;
- The need for Arizona to continue its efforts to expand home- and community-based services; and
- How Arizona can use the new Community First Choice program to expand their home- and community-based services.
More Arizonans will need long-term services in the next few decades.

People with disabilities and seniors are the groups of people that are most likely to need long-term services. For example, about 70 percent of people over age 65 will need long-term services at some point. Over the next 20 years, the number of Arizonans who will need these services is projected to increase dramatically.

- Today, more than 1.4 million Arizonans fall into at least one of the groups that is most likely to need long-term services.
- In the next 10 years, the number of Arizonans over age 65—just one of the groups that is most likely to need long-term services—is projected to increase by nearly 65 percent, making up approximately 18 percent of the state’s population.
- By 2020, a projected 25 percent of Arizonans will fall into at least one of the groups that is most likely to need long-term services. By 2030, it will be 29 percent.

Many Arizonans who need long-term services will turn to Medicaid to help cover the costs of care.

Only 10 percent of people over age 55 and even fewer of those under age 55, have private insurance that covers long-term care. In addition, Medicare doesn’t cover most long-term services. As a result, most people who need this care must pay for it out of their savings. That can be financially devastating. About 16 percent of elderly individuals who enter a nursing home as private pay patients exhaust their savings to the point that they qualify for Medicaid. Among the nearly 17 percent of seniors who stay in a nursing home for five years or more, that figure increases to 29 percent.

- In Arizona, the average annual cost of a semi-private room in a nursing home is more than $62,000, which is more than Arizona’s median household income of $50,900.
- Though home care is much less costly, paying for it can still be a financial challenge. In Arizona, home health aides cost an average of $23 per hour, which can easily exceed $37,000 per year.
- The cost of long-term services is rising faster than general inflation, meaning it will be harder for Arizonans to afford care in the future.
Long-term services spending accounts for nearly one-quarter of Arizona’s Medicaid spending and will likely increase.

Arizona’s population is growing and aging—since 2000, the population has increased by 1.5 million and the population over 65 by more than 250,000—and with that, the state is spending a considerable amount of its Medicaid budget on long-term services. This trend is likely to continue as more Arizonans begin to need long-term services and deplete their assets paying for care.

- In 2008, Arizona’s Medicaid program, the Arizona Health Care Cost Containment System (AHCCCS), spent more than $1.8 billion on long-term services, which was about 24 percent of the state’s overall Medicaid spending.

Expanding home- and community-based services has been good for Arizona and Arizonans.

Arizona has a long-standing commitment to providing the option of home- and community-based care to its citizens who need long-term services. A guiding principle of the Arizona Health Care Cost Containment System (AHCCCS) is that “every effort should be made to support the ability of individuals to reside in [home- and community-based] settings.” The state began expanding the use of home- and community-based services in Medicaid in the 1980s—and it paid off. The rate of growth in Arizona’s Medicaid costs has slowed substantially and more Arizonans have access to the care they need in the setting they prefer.

- In its report on long-term services use in 2009, the Arizona Health Care Cost Containment System projected for the first time that in 2010, more than 70 percent of program enrollees receiving long-term services would be residing outside of a nursing home.

- With its focus on increasing use of home- and community-based services, the Arizona Health Care Cost Containment System has seen a consistent decrease in the use of institutional care, such as nursing homes. That is good for the Medicaid budget because, on average, home- and community-based services cost 20 percent less per person.
Expanding home- and community-based services can help the Arizona Health Care Cost Containment System participants and their families.

Most people who need long-term services would prefer to receive care in their community, rather than having to move into an institution. Expanding home- and community-based services gives more residents care in the setting they prefer, reduces nursing home admissions, and provides support for informal caregivers.

- A study of nursing home admissions from 1995 through 2002 found that a higher level of state expenditures on home- and community-based services was linked to lower nursing home admissions among childless seniors. States that doubled expenditures on home- and community-based services reduced their nursing home admissions in this population by 35 percent.

- Higher spending on home- and community-based services can provide needed assistance and support to family and other caregivers.
  - An estimated 900,000 Arizonans are uncompensated caregivers—they provide care to family members or others in need for free. These caregivers are a critical part of the long-term care workforce.
  - Without adequate support, the demands on uncompensated caregivers can have negative consequences. Caregiving costs and responsibilities cause more than one-third of caregivers to reduce their work hours, one-third to cut back on household spending, and approximately one-fourth to postpone personal medical care.
  - Lost wages, reduced spending, and delayed medical care can hurt Arizona families, reduce revenues to Arizona businesses, and harm the state’s economy.

Even though Arizona has done a lot to expand home- and community-based services, continued investment in these services will be vital.

Arizona is a national leader in delivery of home- and community-based services in its Medicaid program, the Arizona Health Care Cost Containment System. Even with its commitment to community-based services for seniors and people with disabilities, budget shortfalls have placed these programs at risk.

- Arizona is exploring ways to reduce overall Medicaid spending. This includes cuts to services that help people live independent lives, such as rehabilitation services.
- Cuts to services that help individuals remain independent and support community living can result in higher use of more costly nursing facility care.
New Opportunities in Health Reform

The health reform law gives states many new options to expand Medicaid home- and community-based care to those who need it. One option Arizona could take advantage of — Community First Choice Option — includes added federal matching funds to make it easier for the state to offer new services and continue building on its success in offering home- and community-based services through the Arizona Health Care Cost Containment System.

The Community First Choice Option

This is a new state plan option for home- and community-based personal attendant services. States that take up this option will receive a 6 percentage point FMAP increase for costs associated with the program. States can cover Medicaid-eligible individuals with incomes up to 150 percent of the federal poverty level ($10,830 for an individual in 2010), or states can use their Medicaid income limit for individuals who are eligible for nursing facility care so long as that income limit exceeds 150 percent of poverty. Participants with incomes over 150 percent of poverty must also meet the state functional eligibility requirement for institutional care based on either an assessment of the applicant’s ability to perform activities of daily living (ADLs) or a diagnosis of a cognitive impairment.

The program must include the following elements:

- Assistance with activities and instruments of daily living (ADLs and IDLs) and health-related tasks;
- Support for the acquisition, maintenance, and enhancement of the skills that are needed to complete daily tasks;
- Back-up systems for patients, such as emergency beepers, that will ensure continuity of care and support; and
- Individual training for participants in self-directed programs on hiring and dismissing attendants.

It also gives states the flexibility to include facility-to-community transition costs and additional items that will increase an individual’s independence or substitute for personal assistance. Care must be provided in a setting that allows for the greatest level of independence and integration with the community that is appropriate based on an individual’s needs. Services must be provided statewide with no enrollment caps. In addition, states must establish a Development and Implementation Council made up of seniors and people with disabilities, or their representatives, to collaborate on program design and implementation.
States cannot target populations based on age, disability, or any other criteria. During the first year of the program, the state must meet or exceed what it spent on Medicaid services for elderly individuals and people with disabilities in the previous year.

The Community First Choice Option gives states added financial support to build a broad home- and community-based care program in Medicaid that will serve residents who need long-term services, providing care to them in the most integrated setting that is appropriate.

**Conclusion**

Health reform gives Arizona a new option for expanding home- and community-based care in Medicaid that comes with added federal support. This program will help Arizona be better prepared to serve its citizens as the population ages and help make sure that Arizonans get care they need in the community — care that is less costly and that helps fulfill the state’s commitment to making sure residents who need long-term services can live as independently as possible. That’s good for Arizona and for Arizonans.

*References for this publication are available upon request.*

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