



Center for Medicaid, CHIP, and Survey & Certification

SMDL# 10-012

ACA# 3

June 22, 2010

**RE: Extension of the Money Follows the Person  
Rebalancing Demonstration Program**

Dear State Medicaid Director:

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (the Affordable Care Act), Pub. L. No. 111-148. This landmark legislation includes several provisions addressing the needs of people living with disabilities and elderly individuals who require long-term care, including the extension of the Money Follows the Person Rebalancing (MFP) Demonstration Program for an additional 5 years (the funding was scheduled to expire at the end of FY 2011). The extension of the MFP Demonstration Program through 2016 offers States substantial resources and additional program flexibilities to remove barriers and improve people's access to community supports and independent living arrangements.

This letter provides background about the MFP Demonstration Program, explains improvements made by the Affordable Care Act, details how the Affordable Care Act will impact current MFP grantees, and provides preliminary information for non-participating States that may be interested in pursuing new funding. As discussed in our letter of May 20, 2010, the MFP Demonstration Program is an important tool States can use to make greater progress in achieving the promise of the ADA and *Olmstead*. That letter is available at <http://www.cms.gov/smdl/downloads/SMD10008.pdf>

**Background**

The MFP Rebalancing Demonstration Program provides assistance to States to balance their long-term care systems and help Medicaid enrollees transition from institutions to the community. The MFP Demonstration Program, authorized by Congress in section 6071 of the Deficit Reduction Act of 2005 (DRA), is designed to help States shift Medicaid's long-term care spending from institutional care to home- and community-based services (HCBS). Congress initially authorized up to \$1.75 billion in Federal funds through fiscal year (FY) 2011 to:

- 1) Increase the use of HCBS and reduce the use of institutionally-based services;
- 2) Eliminate barriers and mechanisms in State law, State Medicaid plans, or State budgets that prevent or restrict the flexible use of Medicaid funds to enable Medicaid-eligible individuals to receive long-term care in the settings of their choice;
- 3) Strengthen the ability of Medicaid programs to assure continued provision of HCBS to those individuals who choose to transition from institutions; and,
- 4) Ensure that procedures are in place to provide quality assurance and continuous quality improvement of HCBS.

The MFP Demonstration Program offers an enhanced Federal Medical Assistance Percentage (FMAP), as well as significant financial resources, to support the administration of the demonstration and implementation of broader infrastructure investments. These investments include initiatives such as: creating systems for performance improvement and quality assurance, developing housing initiatives, supporting staff for key transition activities, improving the direct care workforce, and building “no wrong door” access to care systems.

Currently, twenty-nine States and the District of Columbia have implemented MFP Demonstration Programs. After a pre-implementation period, States began actively transitioning individuals into community settings in the spring of 2008. Since the beginning of calendar year 2009, the number of participants transitioning has increased as solutions to barriers were identified and significant technical assistance is continuing to be provided to help States meet transition benchmarks they set. As of December 2009, almost 6,000 individuals have returned to the community as a result of these demonstrations.

### **Advantages to Participating States**

This section reviews some of the benefits to States of participating in the MFP Demonstration Program, including opportunities to develop unique home and community-based demonstration services to help individuals make the transition from institutional care to quality, person-centered services in the home:

***Enhanced FMAP:*** The MFP Demonstration Program provides an enhanced FMAP rate for qualified services, which include HCBS services and demonstration services. This rate is equal to taking the published FMAP for a State, subtracting it from 100 percent, and dividing the total by half, and adding that percentage to the published FMAP. As an example, a State that normally has a 50 percent FMAP will have a 75 percent FMAP under MFP. The enhanced MFP FMAP cannot exceed 90 percent. The enhanced rate is available for qualified services provided to an MFP participant for 365 days after transition from an institution.

***Increased FMAP through December 31, 2010:*** The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides States an increased FMAP from October 1, 2008 through December 31, 2010. CMS will use the applicable Recovery Act increased FMAP as the base from which to calculate States’ MFP-enhanced FMAP rate each quarter during this period, subject to a 90 percent cap. To illustrate, if a State’s regular FMAP rate is 50 percent, and is 62 percent under the Recovery Act, then the MFP enhanced rate would be 81 percent (rather than 75 percent, as in the example above). The resulting enhanced MFP FMAP rate cannot exceed 90 percent.

***National Technical Assistance (TA):*** CMS has contracted with experts in the long-term care field to assist grantees, at no cost to the State, by providing the support and expertise necessary to enable the States to work through problems and barriers to implementation. The TA providers, along with support from the CMS Project Officers and Regional Office Analysts, are available to ensure success.

***HCBS and Demonstration Services:*** HCBS and demonstration services are reimbursed at the enhanced MFP FMAP. Qualified HCBS services are HCBS waiver services that will continue

once the MFP Demonstration Program has ended. Demonstration services are services that can be covered under Medicaid and that will only be billed to grant funding during an individual's 12-month transition period. After the demonstration period, the State is not obligated to continue the demonstration services, but may choose to fund them through Medicaid for eligible individuals, or through other funding streams.

***Supplemental Services:*** Reimbursement is provided for services that will only be available for the MFP Demonstration Program period and are not covered by Medicaid. These services are reimbursed at the State's published FMAP (which includes the increased FMAP during the Recovery Act period).

***Full Reimbursement for Specific Administrative Costs:*** Reimbursement associated with the operation of the MFP grant may be provided after the submission, review, and approval of the grant application's Operational Protocol. Examples of eligible reimbursable items that may be considered in a State application's Operational Protocols are: key personnel; MFP travel, training, outreach and marketing; IT infrastructure to accommodate the MFP reporting requirements; and completing the Quality of Life survey requirements.

### **The Affordable Care Act**

Section 2403 of the Affordable Care Act (ACA), titled "Money Follows the Person Rebalancing Demonstration," provides an opportunity for those States that are presently participating in the program to continue building and strengthening their MFP Demonstration Programs and for additional States to participate. The law amends section 6071 of the DRA to make the following changes:

- 1) Extends the MFP Demonstration Program through September 30, 2016, and appropriates an additional \$450 million for each FY 2012-2016, totaling an additional \$2.25 billion. Any remaining MFP appropriation at the end of each FY carries over to subsequent FYs and is available to make grant awards to current and new grantees until FY 2016. Grant awards shall be made available to the State for the FY in which the award was received and for additional FYs. As such, any unused portion of a State grant award made in 2016 would be available to the State until 2020.
- 2) Expands the definition of who may be eligible for the demonstration. Under the DRA, only those individuals who resided in a qualified institution for more than 6 months were eligible to participate in the MFP Demonstration Program. For these individuals, the increased FMAP to the State for HCBS is available up to 365 days after the individual transitions from an institution to the community.

Under the Affordable Care Act, individuals that reside in an institution for more than 90 consecutive days are now eligible to participate in the demonstration. However, one exception applies in the expanded definition of eligibility: days that an individual was residing in the institution for the sole purpose of receiving short-term rehabilitation services that are reimbursed under Medicare are excluded and will not be counted toward the 90-day required period. On May 17, 2010, CMS issued additional policy guidance to existing

grantees regarding the criteria, detailed in the grant solicitation, that should be used to determine the applicability of the new 90-day exclusion.

- 3) Additional funding is provided through 2016 for the National MFP Evaluation. The Affordable Care Act extends the DRA provision that a maximum of \$1.1 million per year shall be available for research and evaluation purposes and is part of the \$2.25 billion total noted above.

### **What This Means for Current Grantees**

The current MFP Demonstration Programs will experience a seamless transition into the next 5 years of the Demonstration authorized under the Affordable Care Act. CMS will not require currently participating States to compete again through a new solicitation process. States will only need to submit a written request to the CMS Grants Office in the summer of 2011 for continued participation in the MFP grant program. All current MFP grantees may continue to operate their programs within their approved Operational Protocols, and, in response to annual budget requests, CMS will make supplemental grant awards through 2016. However, given the program extension, additional funding, and added program flexibility provided by the Affordable Care Act, we expect and encourage current grantees to explore immediately – in consultation with CMS – opportunities to modify, extend, and expand their existing programs.

### **MFP Grants May Be Awarded to States Not Currently Participating**

CMS will post a grant solicitation in late July to [www.grants.gov](http://www.grants.gov) to offer States not currently participating the opportunity to apply for an MFP Demonstration Program Grant through a competitive award process. Early in the solicitation process, CMS will provide States with specifications for developing the grant application. Assistance to interested States will be provided via State/applicant calls and Webinar briefings. If awarded a grant, the State's application will become the Operational Protocol for program implementation, enabling the State to begin transitioning individuals soon after the award. After the posting to [www.grants.gov](http://www.grants.gov), States will have 120 days to develop and submit the MFP application.

Extension of the MFP Demonstration Program and funding is an important outcome of the Affordable Care Act for thousands of persons living with disabilities and elderly individuals who are unable to secure the support they need to achieve their choice of community living. For participating States, the extension of the program with additional funding is an opportunity for States to continue to expand MFP Demonstration Programs and to make significant progress in rebalancing their long-term care systems. For those States now eligible to apply for a new MFP Rebalancing Demonstration Program, it is a unique opportunity to give many individuals, now living in institutions across this nation, the choice to live and receive long-term care services in their homes and communities.

We hope you will find this information helpful. Questions regarding the MFP Demonstration Program may be directed to Ms. Barbara Edwards, Director, Disabled and Elderly Health Programs Group at 410-786-7089.

Sincerely,

/s/

Cindy Mann  
Director

cc:

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