

How States are Leveraging Federal Dollars to Transform Home- and Community-Based Services

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In March 2021, the American Rescue Plan Act was signed into law, providing states with a temporary 10 percentage point increase in federal Medicaid matching funds for home- and community-based services (HCBS). These services – which range from personal care and respite for caregivers to job coaching and adult day programs – support the over 2.2 million Medicaid members who need assistance with everyday activities. Crucially, these services allow people to live safely in their homes and communities, instead of having to live in institutional settings like nursing homes.

How States Plan to Use These Dollars

After the passage of the American Rescue Plan, [the federal government required states to submit “spending plans” outlining how they will use these new funds.](#) From these spending plans, it’s clear that states want to use these investments to both strengthen existing home- and community-based services and launch broader system transformations to make support in the community more accessible, equitable, and person-centered.

States, for example, have proposed using these funds to:

- **Strengthen the direct support workforce for HCBS** by boosting wages and creating new career growth opportunities to attract and retain direct support professionals.
- **Expand the capacity of HCBS programs and ensure a strong provider network.** States are proposing initiatives to expand program capacity, so that more individuals can access care, and to strengthen provider networks, so they can meet the needs of all individuals – including those who may have extensive support needs.
- **Improve access to HCBS for underrepresented communities** and ensure services meet the needs of racially, culturally and linguistically diverse populations.
- **Ensure housing is affordable, so individuals have the choice to reside in the community.** These initiatives range from developing deed-restricted affordable housing units to launching an integrated housing model that includes housing navigators and tenancy supports.
- **Enhance systems to support consumer enrollment,** such as expanding and improving the Aging and Disability Resource Center/No Wrong door infrastructure, expediting eligibility processes, and funding training and outreach.
- **Strengthen mental health and substance use services,** including launching mobile crisis response teams, expanding access to specialized recovery housing, and creating new mental health services for children and youth.
- **Expand access to telehealth services, online social connection, and other assistive technologies** by making internet more available and purchasing assistive devices.

How States are Leveraging Federal Dollars to Transform Home- and Community-Based Services, cont.

Next Steps for Operationalizing Spending Plans

These initiatives highlight Medicaid's key role in supporting the independence, health, and wellbeing of the millions of children and adults who utilize home- and community-based services. However, state Medicaid agencies, many of which are already stretched thin by the COVID-19 pandemic, will have to do extensive work to implement these plans.

To operationalize these plans, states will need to:

- Work with the Centers for Medicare and Medicaid Services (CMS) to obtain necessary state plan and waiver authorities
- Launch new data systems to implement programs and track outcomes
- Build cross-agency and cross-sector relationships
- Amend contracts with managed care organizations
- Develop monitoring plans for new contracts, grants, and programs
- Conduct robust community engagement activities

Federal Partners Can Do More to Support Innovation

Federal partners can do more to support states in this crucial work. The Centers for Medicare and Medicaid Services (CMS) have given states important new flexibilities like allowing funds to be used for capital investments and internet connectivity. However, there are further opportunities for CMS and other federal agencies to drive innovation. For example, allowing the use of funds for rental assistance, as states often do with state general revenue, would be a significant step in addressing the biggest barrier to advancing home- and community-based models – housing. Since state payments to nursing homes include costs for “room and board,” home- and community-based models are significantly disadvantaged in comparison to institutionalized settings.

States' efforts to transform the HCBS system also face real sustainability concerns, as all “earned” federal matching funds must be spent by March 31, 2024. Congress should provide continued funding to ensure that these critical system transformations can be sustained.

American Rescue Plan funds represent an unprecedented opportunity for states to transform their systems of care for older adults and people with complex needs. Medicaid Directors and their partners in Aging and Disability agencies are leading the way but will need the support of federal agencies and Congress to create lasting change.

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