

The Relative Cost-Effectiveness of Consumer-Directed Care: Evidence from the Cash & Counseling Demonstration

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Cash and Counseling

- Implemented in three states (AR, FL, NJ)
- Enrolled Medicaid PCS/HCBS waiver eligibles (10/98 - 7/02)
- Flexible use of benefit allowed
- Consumers could hire legally liable relatives, no Medicaid contracting requirements
- No screening of eligibles (representatives allowed)
- Counselors helped develop spending plan, monitored it
- Fiscal intermediaries wrote checks, withheld taxes

Study Design and Methods

- Randomly assigned applicants
- 1,700 - 2,000 adults per state, 1,000 children (FL)
- Separate analyses by state and age (<18, 18-64, 65+)

Measured Effects on:	Data
Consumers' well-being	Consumer survey @ 9 months
Caregivers' well-being	Caregiver survey @ 10 months
Hired workers' experience	Worker survey @ 10 months
Medicaid costs	Claims data for 2 years

Effects on Hours of Care

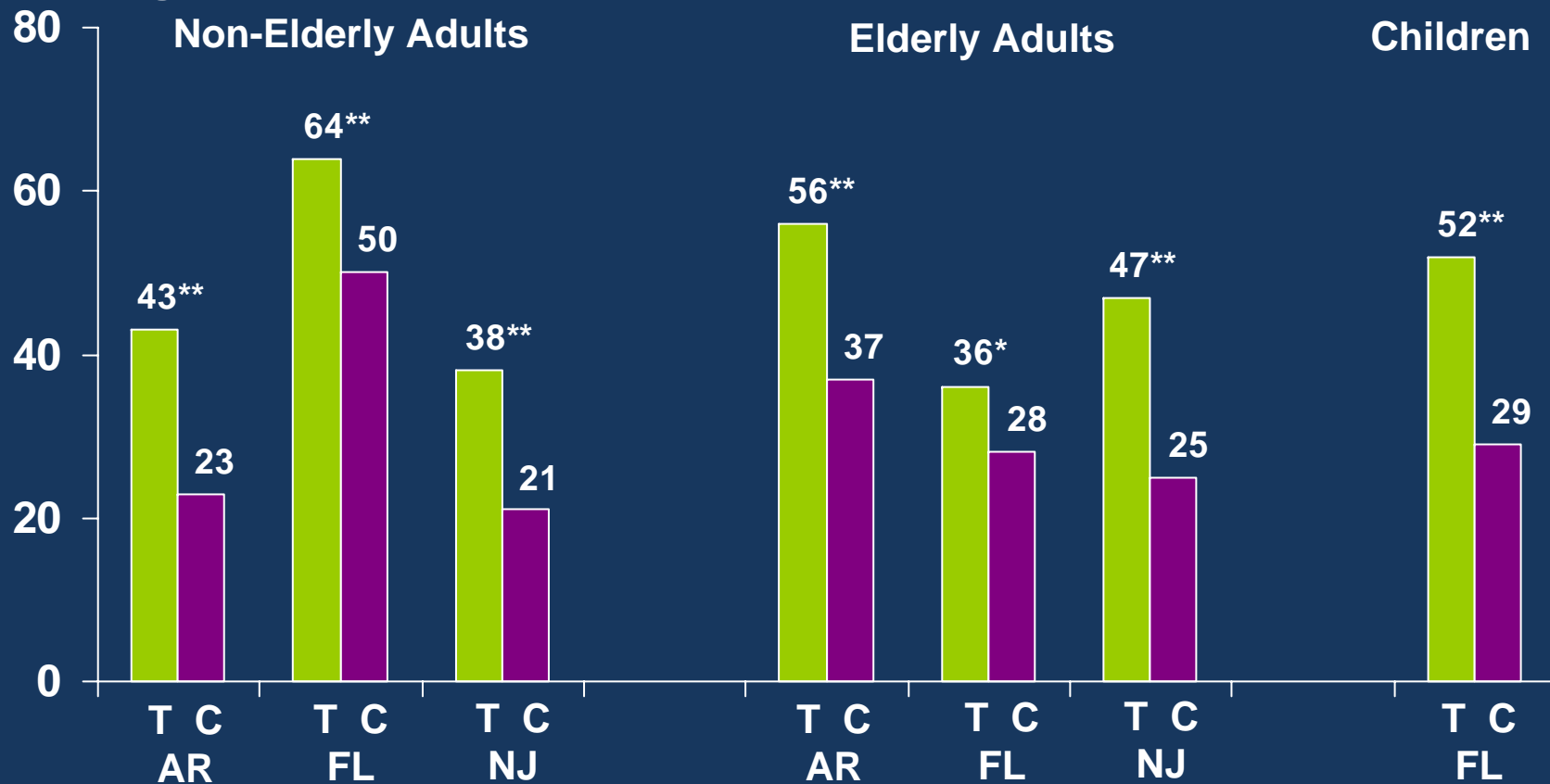
- Large increase in percentage getting any paid care
 - 94% vs 65% to 80%
- More hours of paid care (17% to 25%)
- Fewer unpaid hours (7% to 24%)
- Slightly fewer total hours of care
 - Except AR age 18-64 (-19%), FL 65+ (-12%)
- Little measurable effect on other allowance uses

Effects on Consumers' Well-Being

- Large reductions in unmet needs
- Large increases in satisfaction with care
- Care-related health problems/injuries same or lower
- Satisfaction with life increases greatly
- Works for children, adults < 65, elderly
- Only exception—if few get the allowance

Very Satisfied with Way Spending Life These Days

Percentage



*, ** Significantly different from control group at .05, .01 level, respectively.

Effects on Unpaid Caregivers

- Reduced total hours of care provided
- Much more satisfied with consumers' care, less worried
- Much less emotional/physical/financial strain
 - Fewer adverse effects on work life
 - Fewer adverse health effects
- Much greater overall satisfaction with life
- No effects for group whose hours increased

Effects on Medicaid Costs

For cashed-out benefits, cost per month received

- Increased for all states and age groups
 - Because control group underserved in AR and NJ
 - Because allowance > care plan amount in Florida DD groups

For total cost per beneficiary in study

- Personal care costs higher
 - Higher cost/month, higher percentage receiving
- Other Medicaid costs 4% to 17% lower (mostly long-term care)
- Total Medicaid cost 3% to 14% higher
- Only AR improved in Year 2

Effects on Medicaid PCS/HCBS Expenditures—Year 1

	AR	FL	NJ
Adults			
Nonelderly	+124% (\$3,005)**	+20% (\$3,696)**	+21% (\$1,946)**
Elderly	+88% (\$2,021)**	+4% (\$433)	+12% (\$1,241)**
Children	--	+26% (\$3,319)**	--

**Significantly different from zero at .01 level.

Effect on Total Medicaid Costs— Year 1 vs. Year 2

	AR	FL	NJ
All Adults			
Year 1	+14%**	+9%	+4%
Year 2	+5%	+12%**	+12%**
Children			
Year 1	--	+3%	--
Year 2		+8%	

**Significantly different from zero at .01 level.

Arkansas's Program Reduced Nursing Home Use

- 18% lower NH admits and costs over 3 years
- For both recipients of PCS at enrollment and new eligibles
- Medicaid savings on non-PCS:
 - Fully offset higher PCS costs for prior recipients
 - Offset little of higher PCS costs for new eligibles (only 1 in 3 controls received *any* PCS)
- Savings persist/grow in 3rd and 4th years

Lessons on Controlling Costs

- Consider limiting program to current recipients
- Use standardized assessment tool and independent staff to set allowance
- Adjust allowance amount to reflect *expected* use
- Use incentive-based contracts for counseling services
- Set clear and fair recoupment policy for unspent allowances
- Monitor reassessments and costs

Conclusions

- **Can increase access to care**
- **Greatly improves quality of life (all ages)**
- **Caregivers also benefit greatly**
- **States may be concerned about costs**
 - **But have learned how to control them**
 - **Waiver cost calculations show neutrality**
 - **Allowance set at 55% of agency rate (AR)**

Policy Issues

Results should allay fears about CD care, but:

- Higher costs may deter some states
- Allowance may increase demand for services
- Paying legally liable relatives troubles some
- Should consumer direction be *advocated*?
 - Agencies/unions will oppose it
 - States must decide on some key implementation issues

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