How States Use Federal Medicaid Authorities to Finance Housing-Related Services

By Allie Atkeson **March 2021**

To address the housing needs of their Medicaid enrollees, states can leverage a variety of federal Medicaid authorities to deliver housing-related support services to individuals with disabilities and chronic conditions. This report explores the various federal waivers states used to increase supportive housing and reduce their Medicaid costs.

Background

Housing is an essential social determinant of health. Evidence shows a strong association between access to safe, affordable, and stable housing and positive health outcomes. Housing with supportive services, known as permanent supportive housing, supports individuals with complex medical needs and reduces emergency department use. Supportive housing also helps individuals remain stably housed over the long term.

There is also a strong return on investment for states that implement permanent supportive housing programs. By investing in supportive housing, states and localities can reduce health care, homeless shelter, and corrections costs. For example, Oregon reported a 12 percent savings in Medicaid expenditures one year after moving 1,625 individuals into affordable housing with support services. Many states support housing's role in health by funding housing-related services in their Medicaid programs.

NASHP recently finished its three-year Health and Housing Institute with state officials from Illinois, Louisiana, New York, Oregon and Texas. The institute's goal was to break down agency silos within states and strengthen services and supports that assist low-income and populations with complex conditions in becoming and remaining successfully and stably housed. Maximizing policy levers and authorities available through the Medicaid program was critical to increasing housing-related services and tenancy supports.

Priority Populations

States are currently engaged in supportive housing initiatives for people with disabilities, mental health diagnoses, substance use disorder (SUD), multiple chronic conditions, and those experiencing or at-risk of homelessness.

States are also focused on deinstitutionalization due to mandates set by the 1999 Supreme Court case, Olmstead, Commissioner, Georgia Department of Human Resources et al. vs. L.C.. The case stated that institutionalization of individuals with disabilities who can be served in the community is unjustified segregation. Research indicates that community-based settings are more cost effective, less restrictive, and provide better outcomes for individuals with disabilities than institutions. As a result, the Centers for Medicare & Medicaid Services (CMS) has issued guidance, known as the *Olmstead Letters,* to help states identify services that support deinstitutionalization.

Medicaid and Housing-Related Services

Medicaid provides services for individuals with low incomes as well as specific populations, including those with intellectual, developmental, and physical disabilities. People who are homeless or at risk of homelessness generally qualify for Medicaid, especially in states with expanded programs for low-income adults. There is also increased national attention and resources for supportive housing for people with SUD. In November 2020, the Secretary of Health and Human Services released a report on housing-related services and supports under state Medicaid programs as a part of the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities (SUPPORT) Act. This report identifies federal authorities to provide housing-related services to people with SUD.

While Medicaid cannot pay for housing development or rent, with the exception of security deposits in some states, it can support services for enrollees to find and sustain housing. These services, defined by each state, can include:

- Education and training on the role, rights, and responsibilities of the tenant and landlord;
- Early detection and intervention for behaviors that may jeopardize housing, such as late rental payment and lease violations;
- Assistance with the housing recertification process; and
- Coordination with services and service providers for primary care, SUD treatment, mental health providers, and vocational and employment support.

Medicaid authorities allow states to test approaches to program financing and delivery by waiving Medicaid statutory requirements, and amending existing state plans. The following explores how states use Medicaid Section 1115 Demonstration waivers, 1915(b) Managed Care Authorities, 1915(c) Home- and Community-Based Services (HCBS) waivers, 1915(i) HCBS state plan amendments, the 1915(k) Community First Choice Option, and Health Homes to finance housing-related services.

1115 Demonstration Waivers

Section 1115 demonstration waivers allow for "experimental, pilot, or demonstration projects that are found by the Secretary to be likely to assist in promoting the objectives of the Medicaid program." Section 1115 demonstrations allow states to test innovative models and address social determinants of health and are considered to be more flexible than other federal Medicaid authorities. Section 1115 waivers also allow states to target services for population groups and within specific geographies. Section 1115 waivers must be budget neutral to the federal government, meaning the federal contribution cannot exceed the amount without the demonstration initiative. Savings generated from the demonstration can also be invested in other innovations, such as coverage expansions in state Medicaid programs. States are also required to conduct monitoring and evaluation of their 1115 demonstrations, findings that can be useful to other states looking into implementing similar demonstration waivers. Most 1115 waivers are approved for a five-year period and can then be renewed for up to three to five years.
Trends across housing-related 1115 waivers show that states target different groups, but primarily focus on individuals with high emergency department use, SUDs, and serious mental illness (SMI).

- **Virginia** recently added eviction prevention and housing transitional services for individuals with serious behavioral and physical health needs at risk of homelessness through a 1115 demonstration waiver. These services include:
    - **Individual housing and pre-tenancy services:** Includes a housing assessment, financial literacy education, application assistance, an individualized housing support plan, and identification of resources to obtain housing.
    - **Individual housing and tenancy-sustaining services***:* Updating individual housing support plans as needed, assisting in securing independent living supports, educating

about roles and responsibilities of tenants and landlords, making home modifications, linking to community resources, and providing annual pest eradication treatment as needed.

- **Community transition services***:* Provides up to $5,000 per member per lifetime to help individuals obtain an independent community-based living setting. Allowable expenses include security deposits, home furnishings, and home modifications.

1915(b) Managed Care Authority

A section 1915(b) waiver is one avenue for states to implement a managed care program among other provisions. This waiver allows states to waive requirements for comparability, statewide access, and freedom of choice and it can be approved for two years. Savings achieved through managed care can be used to provide housing-related services.

As identified by the SUPPORT Act report, few states leverage the 1915(b) authority for housing-related services.

- In **Colorado**, the state's Community Mental Health Services Program includes Assertive Community Treatment (ACT). ACT teams, staffed by licensed clinicians and peer specialists, provide 24/7 individualized services to adults with a serious mental health diagnosis including housing assistance.

1915(c) Home- and Community-Based Services (HCBS) Waivers

Section 1915(c) HCBS waivers are designed to provide services in community-based settings rather than institutional settings. These waivers must provide services that cost less than services offered in institutions, protect individuals' health and welfare, have adequate and reasonable provider standards, and are individualized and person-centered.

States can operate multiple HCBS waivers and define target groups by age or diagnoses and choose the maximum number of enrollees allowed. HCBS services can be offered to individuals earning up to 300 percent of the federal poverty level (FPL). HCBS waivers can cover housing, pre-tenancy services, tenancy-sustaining services and transition services. States primarily use 1915(c) waivers to cover individuals with disabilities – not individuals at risk of homelessness, with chronic conditions, or SUD. This is due to the waivers' requirement that individuals meet an institutional level of care for services. Some states, including Louisiana, operate different waivers for children and adults.

Louisiana currently operates four 1915(c) HCBS waivers:

- **Children's Choice Waiver:** Covers housing stabilization and transition services for individuals with autism, intellectual disabilities (ID) and developmental disabilities (DD) for ages 0-20.
- **New Opportunities Waiver***:* Provides housing stabilization, transition services, and $3,000 per member per lifetime maximum for security deposits and essential home furnishings.
- **Residential Options Waiver:** Covers in-home caregiving, community living supports, one-time transitional services, housing stabilization, and transition services for individuals of all ages with autism, ID and DD.
- **Supports Waiver***:* Promotes housing stabilization and transition services for individuals of all ages with autism, ID, and DD.

1915(i) State Plan Home- and Community-Based Services

The 1915(i) state plan authority is similar to 1915(c), but allows states to provide HCBS services through a State Plan Amendment (SPA), rather than a waiver. States cannot limit the number of individuals eligible or geography for services and beneficiaries qualify through needs-based criteria, rather than institutional criteria used for the 1915(c). States can use age, disability status, diagnosis and/or Medicaid eligibility group to target their benefit for individuals earning below 150 percent of FPL.

The 1915(i) state plan option is considered to be more broad than the 1915(c) option, however states may struggle to create targeted service programs due to eligibility requirements. States can use risk of homelessness as a needs-based criteria, however eligibility must include other levels of functionality, such as behavior, cognitive abilities and medical risk factors.

- **North Dakota's** 1915(i) state plan amendment (SPA) was recently approved to provide community transitional services and housing support services to individuals with a mental health or SUD or disability. Services include benefit application, lease applications, one-time expenses for furnishings and modifications, financial literacy training and education on the roles of landlords and tenants.

1915(k) Community First Choice (CFC) Option

The CFC state plan option was established by the Affordable Care Act (ACA and allows states to provide person-centered home- and community-based attendant services and supports. States receive a 6 percent increase to their Federal Medical Assistance Percentage (FMAP) for this option. States cannot cap the number of individuals participating and cannot target special populations. Eligible individuals must:

- Be eligible for Medicaid under the state plan;
- Meet an institutional level of care;
- If not entitled to nursing facility services, have an income below 150 percent FPL; and
- Enroll voluntarily.

Under the option, states can finance transition costs such as security deposits and home furnishings and other expenditures that support and individual's independence.

- **Oregon** and **Maryland** cover these housing-related services in their CFC programs.

Health Homes

Section 2703 of the ACA allows states to develop health homes for Medicaid enrollees with chronic conditions. States can implement a health home through an SPA. Health home services are eligible for a 90 percent-enhanced FMAP for the first two years of the SPA. Health home services include these six core services;

- Comprehensive case management;
- Care coordination;
- Health promotion;
- Comprehensive transitional care and follow-up;
- Individual and family support; and
- Referral to community and social services.

Health homes do not expire like waivers and SPAs. As of December 2020, 21 states and Washington, DC were operating 37 health home models. Six states terminated their SPAs and are no longer offering health home services.

- **California's** health home program provides housing transition and tenancy-sustaining services for individual with chronic conditions, mental illness, or chronic homelessness as defined by its

SPA. Multi-disciplinary care teams must include a housing navigator to "…foster relationships with housing agencies and permanent housing providers, including supportive housing providers; partner with housing agencies and providers to offer the member permanent, independent housing options, including supportive housing; connect and assist the member to get available permanent housing; coordinate with member in the most easily accessible setting."

State Examples

Federal Medicaid Authority	State	Populations Served	Housing-related Services Covered	Status of Waiver/SPA
1115 Demonstration Waiver	Illinois Behavioral Health Transformation	Criteria for 1915(i) State Plan Amendment program include individuals with either repeated emergency department use or two or more chronic conditions, and imminent risk of placement in an institution or experiencing homelessness.	Pre-tenancy supports and tenancy sustaining services	Active, expires 6/30/2023
	Maryland Assistance in Community Integration Services Pilot	Capped at 600 individuals annually who have frequent hospital use or two or more chronic conditions and those who experience homelessness or are at risk of institutional placement.	Community transition services, tenancy-based case management services, and tenancy support services.	Pilot active as of 7/1/2017
	Massachusetts MassHealth Community Support Program for People Experiencing Chronic Homelessness (CSPECH)	Individuals who are chronically homeless or high users of health care services.	Tenancy support services	Active, expires 6/30/2022
	North Carolina Medicaid Reform Demonstration	Enrollees with identified need based on case management assessment tool	Housing navigation, inspection, move in support, utility set-up, home remediations and modifications, one-time payment for rental support and first month's rent, and short-term, post-hospitalization housing. Fee schedule for services.	Active, expires 10/31/2024

	Oregon Oregon Health Plan	Adults with SMI, SUD, and are homeless or at risk of becoming homeless.	Support to locate and obtain housing, care coordination, transitional services to a supported environment, case management, and room and board.	Active, expires 6/30/2022
	Virginia Building and Transforming Coverage, Services, and Supports for a Healthier Virgin*ia*	High-need enrollees (18 and older) with a SMI, SUD, or complex medical condition with a history of chronic homelessness, institutionalization, frequent emergency department (ED) usage, or involvement with the criminal justice system.	Eviction prevention, transition support from institutions to community settings, tenancy-sustaining services, and employment support.	Active, housing benefit to begin July 2022 and expires 12/31/2024.
1915(b) Managed Care Authority	Colorado Accountable Care Collaborative Community Behavioral Health Services Program	Adults with a serious behavioral health diagnosis	Assertive Community Treatment: Service delivery model that includes housing assistance by clinicians and peer specialists.	Approved 7/1/2018, expires 6/30/2023
1915(c) Home- and Community-Based Waiver	Washington, DC *Persons with Intellectual and Developmental Disabilities*	Individuals with ID/DD ages 18 and older.	One-time transitional services, including security deposits, furniture and linens, set-up fees, or deposits for utilities. Lifetime maximum of $5,000 per individual.	Active, expires 11/19/2022
	Louisiana Children's Choice Waiver	Individuals up to age 20 with autism, ID, and DD	Housing stabilization service and housing stabilization transition services.	Active, expires 6/30/2024
	Louisiana New Opportunities Waiver	Individuals with autism, ID, DD ages 3 and older.	Housing stabilization service, housing stabilization transition service, one-time transitional service including security deposits and essential furnishings. Lifetime maximum of $3,000 per individual.	Active, expires 12/31/2021
	Louisiana Residential Options Waiver	Individuals of all ages with autism, ID, and DD.	Housing stabilization service and housing stabilization transition services.	Active, expires 6/30/2023

	Louisiana Supports Waiver	Individuals with autism, ID and DD ages 18 and older.	Housing stabilization service and housing stabilization transition services.	Active, expires 6/30/2024
	Minnesota Community Access for Disability Inclusion	Individuals with physical and other disabilities up to age 64	Housing access coordination	Approved, expires 09/30/2025
	Minnesota Community Alternative Care	Individuals with other disabilities up to age 64.	Housing access coordination	Approved, expires 3/31/2023
	Minnesota Developmental Disabilities Waiver	Individuals of all ages with an ID or DD of all ages.	Housing access coordination	Approved, expires 10/26/2022
1915(i) Home- and Community-Based Services State Plan	Connecticut Housing and Engagement Support Services (CHESS) Initiative	Individuals age 18 and older who meet the Housing and Urban Development definition of homelessness, have a diagnosis and risk score defined by the Healthcare Effectiveness Data and Information Set (HEDIS) Plan All-Cause Readmissions measure	Pre-tenancy and transition assistance, housing, and tenancy-sustaining services	Submitted to the Centers for Medicare & Medicaid 6/1/2020
	Minnesota	Individuals with disabilities, mental illness, or SUD who are experiencing or at risk of homelessness or transitioning from an institutional setting	Housing stabilization transition services and housing stabilization-sustaining services.	Approved 7/20/2020
	North Dakota	Individuals with a mental health, SUD, or disability	Provides community transitional services and housing support services.	Approved, expires 9/30/2025
1915(k) Community First Choice (CFC) Option	Maryland	Individuals who qualify for nursing facility services or have an income below 150% of the FPL	Support system activities and expenditures for transition costs	Approved 1/1/2014
	Oregon		Support system activities and expenditures for transition costs	Approved 7/1/2013
Section 2703 Health Homes	California Heath Home Program	Individuals who meet conditions based on chronic conditions, mental illness, or chronic homelessness as defined by the SPA.	Multi-disciplinary care teams must include a housing navigator for those experiencing homelessness. Services include housing, and transition and tenancy-sustaining services.	Approved 12/19/2017

	Missouri Community Mental Health Center (CMHC) Healthcare Homes	Individuals with: • An SMI • Mental health condition and SUD • Mental health condition or SUD with a chronic condition and risk factors	Referral to community and support services, including housing	Approved 11/13/2019

Sources:

- *Corporation for Supportive Housing: Summary of State Actions: Medicaid and Housing Services*
- *MACPAC: Medicaid's Role in Housing*
- *NASHP State Strategies to Improve Health Through Housing Services*
- *State Housing and Services Options in 1915(c) Waivers for People with Developmental Disabilities*

Conclusion

To address the housing needs of their Medicaid enrollees, states can leverage a variety of federal Medicaid authorities. These authorities allow states to target housing-related services for individuals with disabilities, SUD, SMI, and other chronic conditions. Research from supportive housing programs in Seattle, Santa Clara, CA, and New York City show that supportive housing programs help individuals achieve sustained housing.

It is also expected that there may be a shift in the approval of Medicaid authorities under a new Administration. Section 1115 waiver demonstrations generally reflect priorities identified by leadership at CMS. Under the Trump administration, 1115 waivers could be used to support work requirements and payments for individuals in institutions for mental disease, despite the deinstitutionalization priority recommended under *Olmstead.*

The Biden administration, supportive of the ACA and Medicaid expansion, is expected to support continued flexibility for states through 1115 waivers without block grants or work requirements. This additional flexibility could include coverage expansions and additional services, such as housing supports.

While these authorities allow for the financing of services for specific individuals, states cite the ability to work across health and housing sectors and data sharing as other important tools for supportive housing. The National Academy for State Health Policy (NASHP) will begin a second health and housing institute this spring to support additional states in strengthening their services and supports that assist low-income and vulnerable populations in becoming and remaining successfully and stably housed.

For more information about NASHP's health and housing efforts, visit its Housing and Health Resources for States center or contact Allie Atkeson.

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