



Center for Medicaid and State Operations  
Disabled and Elderly Health Programs Group (DEHPG)

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April 1, 2008

**To:** State Project Directors  
Money Follows the Person Rebalancing Demonstration

**From:** Gale P. Arden, Director

**Re:** Savings generated by Money Follows the Person Rebalancing Demonstration implementation

The Money Follows the Person Rebalancing Demonstration created by Section 6071 of the Deficit Reduction Act (DRA) of 2005 (P.L. 109-171), supports States efforts to “rebalance” their long-term support systems. The DRA reflects a growing consensus that long-term supports must be transformed from being institutionally-based and provider-driven to person-centered and consumer-controlled. The MFP Rebalancing Demonstration is a part of a comprehensive, coordinated strategy to assist States, in collaboration with stakeholders, to make widespread changes to their long-term care support systems. One of the major objectives of the Money Follows the Person Rebalancing Demonstration is, “to increase the use of home and community-based, rather than institutional, long-term care services.” (MFP Program Announcement, pp. 32, Application Review Information, Review Criteria, Section A, Rebalancing)

In order to accomplish this rebalancing from institutional to community-based long term care, grantees receive an enhanced Federal Medical Assistance Payment (FMAP) on demonstration services provided to individuals who have transitioned from qualified facilities to a qualified residence in the community. This enhanced match is intended to help States to expand their community-based long term care capacity and sustain the demonstration participants in community-based care settings after the demonstration period has ended. CMS requires States to continue to provide community-based services after the 12 month period for as long as the person needs community services and is Medicaid eligible.

CMS intends that once an individual has been transitioned to the community that savings over the cost of institutional services will then be *reinvested* into the States long term care system in order to increase the availability of Home and Community Based Services (HCBS). During the review of States’ proposals, applicants were evaluated for how strongly all sections of their proposals conveyed that the State had accepted this as a core purpose of the project and that they will use savings generated under MFP to rebalance their long-term support system so that