



PRIMER ON *OLMSTEAD* AND MEDICAID FOR LAGUNA HONDA RESIDENTS

What Is *Olmstead*?

On June 22, 1999, the United States Supreme Court held in *Olmstead v. L.C.* that the unnecessary segregation of individuals with disabilities in institutions may constitute discrimination based on disability. The court ruled that the Americans with Disabilities Act, which prohibits discrimination based on disability, requires states and local governments to provide community-based services, rather than placement in nursing homes, psychiatric facilities and other institutions, for people with disabilities who can be served in the community. People who are unnecessarily institutionalized are entitled to be served in the community unless that would fundamentally alter the health service system.

Progress in implementing *Olmstead* has been slow. Many state and local governments have begun planning steps to promote community integration. However, these plans have produced little actual movement of people from institutions to the community. Where real progress has occurred, it is often the result of a lawsuit.

Who Pays for What Services?

The federal government and California each provide 50% of the funding for most services provided to California Medicaid recipients. The plaintiffs in *Chambers v. San Francisco* are all eligible for Medi-Cal (California's version of Medicaid). Because the Laguna Honda nursing home is so expensive to operate, San Francisco pays approximately \$130 per day for each resident on top of about \$270 from the federal and state governments. If San Francisco served these individuals in the community instead—at a considerably lower cost than in Laguna Honda—most of the services would be paid for through Medi-Cal by the state and federal governments. Currently, San Francisco pays 17.5% of the cost of in-home supportive services and the state and federal governments share the rest. Given the extremely high cost of serving people in Laguna Honda, taxpayers could benefit significantly from reallocation of those resources to provide the same services to people in community settings.

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Does Medi-Cal Cover Community Services?

Yes. California pays for a broad array of Medi-Cal services that can be used to serve people with disabilities in the community. Many are eligible for a “home- and community-based waiver” designed to enable people who would otherwise be served in a nursing home to receive services in their own homes. Medi-Cal recipients who need home health care, personal attendants, adult day care, case management, hospice care, mental health services, and other care should be able to receive those services in the community.

Additional Medicaid funds will soon be available specifically to implement *Olmstead*. Congress recently enacted a program called Money Follows the Person, which provides extra federal funding to encourage governments to move individuals out of nursing homes and into community settings. The California government has expressed its intent to apply for funds through this program, and thus additional federal dollars should be available to San Francisco to help serve people moving out of Laguna Honda.

Does Medicaid Pay for Housing?

Medicaid does not pay for housing, but numerous other programs help defray housing costs. These include individuals’ SSI disability income and housing funds that are not now used for these individuals, such as supported and assisted housing programs operated by the federal Department of Housing and Urban Development (HUD) and state and local housing subsidies. In addition, San Francisco could use Proposition A dollars to create community-living arrangements and could also reallocate money it currently spends on beds at Laguna Honda—dramatically reducing its costs in the process.