



Money Follows the Person and Assisted Living: State Considerations for Implementation

Overview

The Money Follows the Person (MFP) program aims to assist Medicaid beneficiaries transitioning from institutional settings to qualified community-based residences. Depending on a variety of factors — including state licensing requirements, available waiver and state plan services, and compliance with the Home and Community Based Settings Final Rule (HCBS Settings Rule) — MFP-participating states and territories may be able to support people participating in MFP to transition from an institutional setting to assisted living (AL).

Qualifying Community Residences in MFP

[The Deficit Reduction Act of 2005](#), which first authorized the MFP demonstration, defines qualified community-based residences as:

- A home owned or leased by the individual or the individual's family member;
- An apartment with an individual lease, with lockable access and egress, and which includes living, sleeping, bathing, and cooking areas of which the individual or the individual's family has domain and control; and
- A residence, in a community-based residential setting, in which no more than 4 unrelated individuals reside.

In 2008, CMS released [policy guidance](#) to clarify the types of residences in which MFP participants can reside. Further CMS [policy guidance](#) issued in 2009 clarifies the conditions under which community residential settings, including assisted living facilities, may meet the requirements of a qualified residence. The guidance also clarifies that if apartments with living, sleeping, bathing, and cooking areas are not required by the state or territory's assisted living facilities or settings regulations, MFP may only contract with those settings that offer apartment units.

In [Revisiting the Money Follows the Person Qualified Residence Criteria](#), published in 2022, MACPAC identified challenges with the qualified residence criteria that limit MFP transitions to AL in some states, including the cooking area requirement (as some AL settings may provide residents with only a refrigerator and microwave). This report also highlights that between 2015-2021, only 11% of all MFP participants transitioned to an AL setting.

Assisted Living Service Availability

After an MFP participant has transitioned to a community residence, they are eligible for MFP services¹ and benefits for up to one year. At that time, participants typically transfer to another Medicaid funded program, such as a 1915(c) waiver or 1115 demonstration program. States or territories considering including AL as a qualifying community residence for MFP transitions need to also offer AL as an ongoing service option.

In the 2009 policy guidance, CMS clarified that an MFP qualified residence cannot require that services must be provided as a condition of tenancy or from a specific company for services available. Participants who choose to live in an AL setting must still have a choice of providers of Medicaid services that are available in addition to the services included in the assisted living rate. As with other Medicaid-funded services, MFP participants retain their right to choice and should be provided with a choice of potential residences and service providers appropriate to their needs during the transition planning process.

HCBS Settings Rule Compliance

AL facilities that participate in Medicaid HCBS programs must comply with the HCBS Settings Rule. Several of the early barriers to transitioning individuals to AL settings were criteria that have since been addressed through the HCBS Settings Rule, such as the requirements to have a lease, to have lockable access and egress, and to support individuals to come and go freely from the setting.

If the state designed its MFP program before the HCBS Settings Rule was issued in 2014, or AL reached full compliance with the HCBS Settings Rule, the state may have identified barriers that have since been remedied through HCBS Settings Rule compliance. In such cases, we recommend the state re-examine its HCBS and AL policies to determine whether AL settings may now meet MFP criteria for transition.

MFP Operational Protocol

As detailed in the [2025 MFP Terms and Conditions](#), an MFP recipient state or territory must amend its MFP Operational Protocol (OP) when making changes to the required OP elements. One section of the OP addresses MFP-Qualified Residences. This section requires grant recipients to describe how the state or territory will verify and document the type of MFP-qualified residence an MFP participant resides in during the 365-day enrollment period, including a description of the process for identifying MFP-qualified residences. Should a state or territory choose to add AL as an MFP-qualified residence, the OP will likely need to be amended following the process outlined in the terms and conditions.

¹ MFP participants have access to Medicaid HCBS during their 365-day enrollment period that may include HCBS state plan and waiver programs, research and demonstration programs including section 1115 demonstrations, integrated care programs including Programs for All-Intensive Care for the Elderly, and managed long-term services and supports, including those authorized under section 1915(a) or section 1915(b) of the Social Security Act. MFP participants must meet Medicaid eligibility requirements for qualified HCBS and the services must be documented in a person-centered service plan. Note that ALFs are state licensed and Medicaid beneficiaries residing in an AL may receive HCBS waiver services or Medicaid state plan benefits or a combination of these services.