RESEARCH PAPER

MEDICAID HCBS WAIVER EXPENDITURES: FY 2003 THROUGH FY 2008

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MEDICAID HCBS WAIVER EXPENDITURES

This report is the latest in a series of annual reports that present expenditure data for Medicaid Home and Community-Based Services (HCBS) waivers authorized under Section 1915(c) of the Social Security Act. As in previous years, we have classified each HCBS waiver by the target population served in order to present information on the distribution of HCBS waiver expenditures across long-term care populations. For this year's report, we have refined the classification of waivers serving people with developmental disabilities so readers can identify waivers that specifically target intellectual disabilities and autism spectrum disorders (See Target Population Classification section).

Medicaid HCBS waiver expenditures totaled $29.9 billion in FY 2008, a 7 percent increase from $27.9 billion in FY 2007. Reported FY 2008 waiver expenditures will likely increase by another $200 to $500 million (1 to 2 percent) after states submit all prior period adjustments, as described in the Technical Information section.

After all prior period adjustments have been submitted, we expect FY 2008 waiver expenditures to exceed $30 billion and show an increase of at least $2.2 billion (8 percent) over FY 2007. This increase is close to the $2.25 billion average annual increase in HCBS waiver spending that has occurred since FY 2003.

We reorganized the tables this year readers can more easily view FY 2008 expenditures and spending for particular target populations:

- Table 1 shows reported FY 2008 HCBS Waiver expenditures for each waiver in effect during that year.
- Table 2 presents HCBS Waiver expenditure data from FY 2003 through FY 2008, by state, in alphabetical order.
- Tables 3, 4, and 5 present HCBS Waiver expenditure data FY 2003 through FY 2008 by target population.

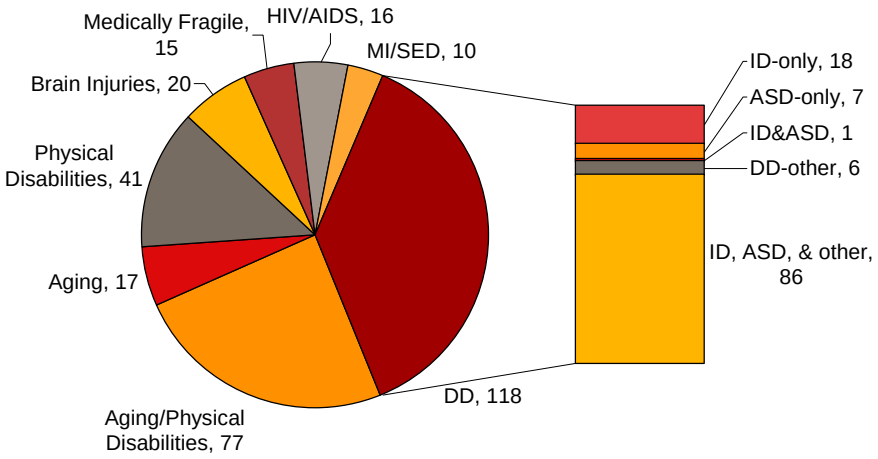
Table 3 shows data for waivers targeting older adults and/or people with physical disabilities. Table 4 shows data for waivers targeting people with developmental

disabilities. Table 5 shows data for other common populations, such as people with brain injuries and medically fragile children.

Our report for FY 2008 includes 314 HCBS waivers. This number includes waivers for which states reported expenditures as well as waivers that had no reported expenditures but had been approved by CMS by the end of FY 2008 (September 30, 2008). Forty-eight states and the District of Columbia had HCBS Waivers during FY 2008. The two states that did not have HCBS waivers, Arizona and Vermont, provided similar services as part of Research and Demonstration waivers authorized by Section 1115 of the Social Security Act.[1] Figure 1 shows the number of HCBS waivers in FY 2008 by target population.

Figure 1

Number of HCBS Waivers by Target Population, FY 2008



Target Population Abbreviations:
HIV/AIDS – Human Immunodeficiency Virus and/or Acquired Immunodeficiency Syndrome
MI/SED – Mental Illness and/or Serious Emotional Disturbance
ID – Intellectual Disability
ASD – Autism Spectrum Disorder
DD – Developmental Disabilities

TARGET POPULATION EXPENDITURES

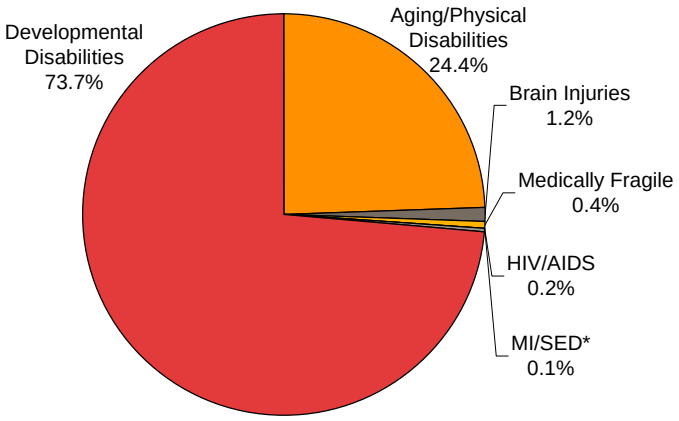
As shown in Figure 2 on the following page, three-fourths of HCBS waiver expenditures – $21.7 billion – purchased long term supports for persons with developmental disabilities (DD). This category includes waivers that serve the broad population of people with DD and waivers that target particular conditions such as autism spectrum disorders and intellectual disabilities. The high level of spending for DD waivers is

[1] Rhode Island started a Research and Demonstration Waiver that incorporates all Medicaid services, including HCBS waivers, in FY 2009.

primarily a function of higher per capita costs for this population, since many waiver participants with DD receive supports on a 24-hour basis.

Figure 2

Medicaid HCBS Waiver Expenditures by Target Population, FY 2008



*** Data are missing or inaccurate for the two largest SED waivers, in Kansas and New York. State estimates indicate these waivers account for a majority of MI/SED waiver spending.**

Target Population Abbreviations:
HIV/AIDS – Human Immunodeficiency Virus and/or Acquired Immunodeficiency Syndrome
MI/SED – Mental Illness and/or Serious Emotional Disturbance

Almost all other waiver expenditures in FY 2008 were for people with physical disabilities and older adults. Waivers serving one or both of these target populations accounted for $7.2 billion in FY 2008.

A few smaller population groups accounted for the remaining waiver expenditures:

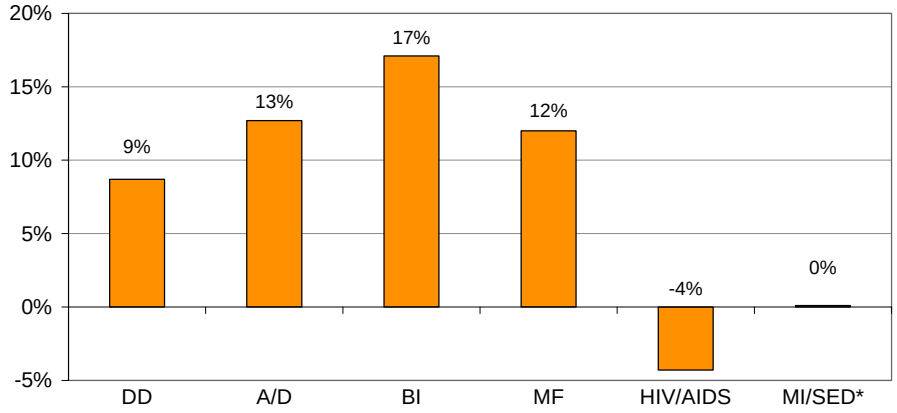
- Waivers for people with brain injuries spent $358 million (1.2 percent).
- Waivers for medically fragile children accounted for $116 million (0.4 percent).
- Waivers for people with HIV or AIDS accounted for $50 million (0.2 percent).
- Waivers that target either adults with mental illness or children with a serious emotional disturbance accounted for $36 million (0.1 percent).[2]

[2] Reported expenditures for children with SED decreased in FY 2008 because a waiver in Kansas was incorporated into a Freedom of Choice Waiver authorized under Section 1915(b) of the Social Security Act. This waiver's expenditures are now reported under the 1915(b) waiver with other managed care spending.

Figure 3 shows the five-year average annual increase in waiver spending by target population. Average growth rates for the two largest target populations groups were 9% for waivers serving people with developmental disabilities and 13% for waivers serving older adults and/or people with physical disabilities. The highest growth rate was for waivers targeting people with brain injuries, which increased an average of 17% per year. Expenditures for waivers targeting people with HIV or AIDS decreased 4% per year during this time.

Figure 3

Medicaid HCBS Waivers: Annual Compound Rate of Growth by Target Population, FY 2003 - 2008



*** FY 2008 data are missing or inaccurate for the two largest SED waivers, in Kansas and New York. State estimates indicate these waivers account for a majority of MI/SED waiver spending.**

Target Population Abbreviations:
DD – Developmental Disabilities
A/D – Aging/Physical Disabilities
BI – Brain Injuries
MF – Medically Fragile
HIV/AIDS – Human Immunodeficiency Virus and/or Acquired Immunodeficiency Syndrome
MI/SED – Mental Illness and/or Serious Emotional Disturbance

TARGET POPULATION CLASSIFICATION

When we began this series of reports in 2001, we drew information on waiver target populations from CMS internal reports and from a report by the University of California – San Francisco Center for Personal Assistance Services.[3] We verified target population data by reviewing copies of official waiver documents at CMS, and changed the target population for a small number of waivers as a result of this review. For new waivers, we identify the target population based on information from the state's waiver application as entered in the CMS Web-based Application for 1915(c) Waivers, from a list of waivers on the CMS Web site, or from the state's Web site.

[3] Harrington, Charlene; Carrillo, Helen; Wellin, Valerie; and Norwood, Fanny *1915(c) Medicaid Home and Community Based Waiver Participants, Services, and Expenditures, 1992-1998* University of California – San Francisco: July 2000

Between 2001 and 2007, we made four changes to the target population categories. These changes are described in detail in previous versions of this report:

1. Limited the "Aged" category to waivers targeting people age 65 or older (i.e., not 60 or older).
2. Added waivers for children with severe emotional disturbances (SED) to the category of mental health waivers based a summary of SED waivers by the Rutgers University Center for State Health Policy.[4]
3. Identified waivers that exclusively serve children.
4. Changed the "technology dependent/medically fragile" (TD/MF) category to "medically fragile children" to reflect the fact that most TD/MF waivers specifically targeted children.

NEW DEVELOPMENTAL DISABILITIES POPULATION CATEGORIES

For this year's report, we provide more information regarding waivers for people with developmental disabilities (DD). In previous years, we included all of these waivers in a single category. In the past year, we have received several requests to add a category to track the growing number of waivers specifically targeting people with autism spectrum disorders (ASD). While most DD waivers serve people with ASD, there are now several waivers that *only* serve people with ASD. In addition, some states have waivers that only serve people with intellectual disabilities (ID), and there is a policy interest in tracking these waivers separately as well.

We categorized DD waivers based on whether they serve one, two, or three of the following populations: people with ID; people with ASD; and people with DD diagnoses other than ID and ASD. We found six combinations of these three populations:

1. Waivers only for people with ASD.
2. Waivers only for people with ID.
3. Waivers that target DD diagnoses other than ID and ASD.
4. A waiver for people with either ID or ASD.

[4] Walsh, Marlene "Draft Summary of Children's SED HCBS Waivers" presented in a conference call to Community-based Treatment Alternatives for Children (CTAC) grantees. Rutgers University: August 2004

5. Waivers for people with DD, but not ID. These waivers do not serve people with ID unless they qualify because of another developmental disability diagnosis such as cerebral palsy or ASD.
6. Waivers that serve the broad population of people with developmental disabilities, including all three populations.

For each DD waiver, we obtained information regarding the above categories from the CMS Web-based Application for 1915(c) Waivers, from a 2008 report by Rutgers University Center for State Health Policy and the National Association of State Directors of Developmental Disabilities Services (NASDDDS),[5] and from a list of waivers on the CMS Web site. We obtained information from state Web sites for a few waivers that were not included in these three sources.

TECHNICAL INFORMATION

The data in Tables 1 through 5 are drawn from CMS 64 reports, which states must submit to CMS for each individual waiver in order to receive Federal Financial Participation (FFP). The data reflect total reported expenditures, including both federal and state dollars.

The CMS 64 data include prior period adjustments. States submit prior period adjustments to CMS 64 reports to adjust claims submitted in their regular quarterly reports. Adjustments usually correct an underreporting of payments made in a particular quarter. Our investigations have shown that the underreporting of HCBS waiver expenditures on CMS 64 reports is primarily associated with the administration of HCBS waiver programs by a state agency other than the state Medicaid agency. In these cases, the administering agency (e.g. a state Department of Developmental Disabilities Services) usually pays waiver providers directly and then reports the amount of aggregate payments to the state Medicaid agency. This process can cause delays in the reporting of HCBS waiver expenditures on the CMS 64, which are then later corrected through prior period adjustments.

The data in Tables 1 through 5 include prior period adjustments submitted to CMS prior to the end of FY 2008 (September 2008). Some prior period adjustments apply to expenditures made in previous years, so the HCBS waiver expenditures for FY 2003

[5] Zaharia, Ric and Moseley, Charles *State Strategies for Determining Eligibility and Level of Care for ICF/MR and Waiver Program Participants* Rutgers University: July 2008

through FY 2007 are somewhat different than the waiver expenditures data reported in last year's report.

Adjustments submitted in FY 2008 increased waiver expenditures by $493 million in FY 2007 (1.8%) and $29 million in FY 2006 (0.1%). Adjustments decreased waiver expenditures by $227 million in FY 2005 (1.0%), $10 million in FY 2004 (0.05%), and $13 million in FY 2003 (0.07%).

Since FY 1995, most states have submitted adjustments within two years of the initial CMS quarterly report. Thus, it is reasonable to assume that prior period adjustments submitted to CMS in later years will moderately increase HCBS waiver expenditures reported in this memo, more so for FY 2008 than for FY 2007.

A number of states have contacted us in past years, which has helped to improve the accuracy of the information presented in these annual memos. We have been more proactive and contacted states where we believed the CMS 64 data may have been inaccurate. We contacted states where one or more of the following occurred:

- A waiver had been approved before the end of FY 2008, but no expenditures were reported.
- No expenditures were reported in only one quarter, which may indicate a missing report.
- The reports indicated unusually large increases and decreases in expenditures.

In several cases, state waiver program administrators indicated that the CMS 64 data were inaccurate and provided other data they considered a more accurate measure of HCBS waiver spending. For consistency purposes, however, we have not replaced any reported CMS 64 data in the attached tables. Instead, we have used footnotes to indicate waivers where CMS 372 or other data may be more accurate.

We are interested in hearing from additional states whether the data presented in this memorandum are consistent with internal state reports of HCBS waiver spending. If there are discrepancies between internal state reports and the data reported in Tables 1 and 2, please contact Steve at steve.eiken@thomsonreuters.com.

CAVEATS

It is important to reiterate some caveats about CMS 64 data. First, CMS 64 data are by date of payment, not date of service. Thus, the data reported in Tables 1 through 5 reflect when payments are made to HCBS providers, not when waiver participants use HCBS services.

Second, CMS 64 reports represent state claims to the Federal government of expenditures that states believe are eligible for Federal matching funds. As a result of its audit process, CMS may disallow some of these claims as not eligible for Federal match.

Third, CMS 64 reports on HCBS waiver spending do not consistently represent spending for services provided through capitated managed care programs. For example, the FY 2008 reports captured HCBS waiver spending in Florida, Michigan, North Carolina, and Utah because these states reported 1915(c) waiver expenditures separately. HCBS waiver spending was not reported separately for managed care programs in Kansas, Texas, and Wisconsin. Minnesota started reported managed care spending for HCBS separately during FY 2008, so some of that state's managed care expenditures are included.

ACKNOWLEDGEMENTS

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