

## Memo

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**From** Steve Eiken, Brian Burwell, Becky Selig

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**To** Distribution

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**Date** July 6, 2006

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**Copies**

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**Subject** **Medicaid HCBS Waiver Expenditures, FY 2000 through FY 2005**

This memorandum presents data on Medicaid 1915(c) Home and Community-Based Services (HCBS) waiver expenditures from Federal Fiscal Years 2000 through 2005. As in previous years, we have classified each individual HCBS waiver by the target population served in order to present information on the distribution of HCBS waiver expenditures across long term care populations.<sup>1</sup>

Table 1 presents HCBS waiver spending by target population from FY 2000 through FY 2005. Figure 1 presents the distribution of HCBS waiver expenditures by populations served in FY 2005. Figure 2 shows the growth in waiver spending by target population served from FY 2000 through FY 2005. Table 2 presents data on HCBS waiver expenditures by state.

Waiver expenditures increased 5.4% in FY 2005, from approximately \$21.5 billion to \$22.7 billion. FY 2005 waiver expenditures, as reported in the attached tables, will likely increase by another \$300 to \$600 million (1 to 3 percent) after states submit all prior period adjustments (See *technical information* section.). After all prior period adjustments have been submitted, we expect FY 2005 waiver expenditures to show an increase of about 7 to 8 percent over FY 2004. FY 2005 appears to be the first year of single digit expenditure growth in the history of the HCBS waiver program. Waiver expenditures have been increasing at an annual rate of 10 to 18 percent since 1998, and grew even more rapidly before then.

As shown in Figure 1, three-fourths of HCBS waiver expenditures – \$17.0 billion – are used to purchase long term supports for persons with mental retardation and other developmental disabilities (MR/DD). The high level of spending for MR/DD waivers is primarily a function of the higher per capita costs associated

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<sup>1</sup>Eiken, S. and Burwell, B. *Medicaid HCBS Waiver Expenditures, FY 1995 through FY 2000*, Medstat, July 6, 2001; Eiken, S. and Burwell B. *Medicaid HCBS Waiver Expenditures, FY 1996 through FY 2001*, Medstat, May 13, 2002; Eiken, S. and Burwell B. *Medicaid HCBS Waiver Expenditures, FY 1997 through FY 2002*, Medstat, May 15, 2003; Eiken, S., Burwell, B., and Schaefer, M. *Medicaid HCBS Waiver Expenditures, FY 1998 through FY 2003*, Medstat, May 25, 2004; and Eiken, S., Burwell, B., and Walker, E. *Medicaid HCBS Waiver Expenditures, FY 1999 through FY 2004*, Thomson Medstat: May 9, 2005.

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with providing supports to persons with MR/DD, since most waiver participants with MR/DD receive supports on a 24-hour basis.

Almost all other waiver expenditures were for people with physical disabilities and older people. Waivers serving one or both of these target populations accounted for \$5.1 billion in FY 2005. Waivers for people with brain injuries (BI) spent \$230 million, one percent of all waiver spending. As shown in Figure 2, waivers for persons with traumatic brain injury have experienced relatively rapid growth over the last five years. Waivers for people who need technology to sustain life and for medically fragile individuals accounted for an additional 0.5 percent of all waiver spending – \$109 million in FY 2005. Another \$62 million, 0.3 percent of total waiver expenditures, funded waivers for people with HIV or AIDS. Six waiver programs that serve adults with a primary diagnosis of mental illness or children with a serious emotional disturbance accounted for 0.2 percent of all HCBS waiver expenditures.

We have received a number of communications from states in past years, which have helped improve the accuracy of the information presented in these annual memos. Starting last year, we have been more proactive and contacted states where we believed the CMS 64 data may have been inaccurate. We have contacted states where one or more of the following occurred:

- A waiver had no reported expenditures in only one quarter, which may indicate a missing report.
- A waiver had unusually large increases and decreases in reported expenditures (e.g., a few hundred dollars in one quarter, a million dollars the next quarter, and then a few hundred dollars in the third quarter).
- A waiver had been approved before the end of FY 2005, but had no reported expenditures on CMS 64 reports.
- A waiver had reported CMS 64 expenditures for more than two years after the waiver was terminated.

In several cases, state waiver program administrators indicated that the CMS 64 data were inaccurate and provided CMS 372 reports or internal state reports that were 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 state administrators of HCBS waiver programs about 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 let us know. Please contact either Steve Eiken at [steve.eiken@thomson.com](mailto:steve.eiken@thomson.com) or Brian Burwell at [brian.burwell@thomson.com](mailto:brian.burwell@thomson.com).

We would like to thank Betsy Hanczaryk, John Hoover, and Sharon Jackson in CMS's Center for Medicaid and State Operations, Division of Financial Management for their assistance in making these data available and for assisting us in their interpretation.

### ***Target Population Information***

Information on target populations served by each waiver program was originally drawn from CMS internal reports and from *1915(c) Medicaid Home and Community Based Waiver Participants, Services, and Expenditures, 1992-1998* by Charlene Harrington, Helen Carrillo, Valerie Wellin, and Fanny Norwood. 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. Starting in last year's memo, we identified waivers that specifically target children with a serious emotional disturbance based on information developed by Marlene Walsh of Rutgers University.<sup>2</sup>

Starting with the memo written in 2004, we changed the target population for several waivers to clarify the age limits of waivers serving older adults. In previous years, we grouped all waivers targeting seniors under the category "Aged". Most of these waivers served people age 65 and older, but a few waivers had lower minimum age limits, usually 60. Some states expressed confusion regarding the minimum age for these waivers. Now waivers with minimum ages below the age of 65 are classified in the "Aged and Disabled" (A/D) category. Footnotes in Tables 1 and 2 mark the five waivers that serve people age 60 and older. Fifteen of the 16 "Aged" waivers in this year's report serve people age 65 and older. The other waiver, a Florida waiver providing Adult Day Health services, has a minimum age of 75.

### ***Technical Information***

The data in Tables 1 and 2 are drawn from CMS 64 reports, which states are required to submit to CMS on each individual waiver in order to receive Federal Financial Participation (FFP). The data reflect total reported expenditures, including both federal and state dollars. For both Table 1 and Table 2, 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. In the case of HCBS waivers, this is usually due to an underreporting of payments made for HCBS services for 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.

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<sup>2</sup> A matrix of information regarding waivers for children with serious emotional disturbances is available at [http://www.hcbs.org/moreInfo.php/topic/208/ofis/10/doc/976/Children's\\_SED\\_Waiver\\_Conference\\_Call](http://www.hcbs.org/moreInfo.php/topic/208/ofis/10/doc/976/Children's_SED_Waiver_Conference_Call).

The information in Tables 1 and 2 includes prior period adjustments submitted to CMS prior to the end of FY 2005 (September 2005). Some prior period adjustments apply to expenditures made in previous years, so the HCBS waiver expenditures for FY 2000 through FY 2004 reported in Tables 1 and 2 are somewhat different than the waiver expenditure data reported in last year's memo. Adjustments submitted in FY 2005 increased waiver expenditures by \$222 million in FY 2004 (1.0%) and by \$46 million in FY 2003 (0.2%). The adjustments decreased expenditures by \$5 million in FY 2002 (0.02%), \$2.4 million in FY 2001 (0.01%), and \$1.6 million in FY 2000 (0.01%). 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 2006 will moderately increase HCBS waiver expenditures reported in this memo, more so for FY 2005 than for FY 2004. We believe waiver expenditures in the most recently reported year will continue to be somewhat understated in future reports because states will not have submitted all prior period adjustments.

For Mississippi, the sum of the each waiver's expenditures for FY 2004 and FY 2005 is significantly less than the state totals in Table 2. The CMS 64 report allows states to report both total spending for HCBS waiver services and spending for each HCBS waiver. On the waiver-specific reports, Mississippi reported only \$7.5 million in FY 2004 and submitted no reports for FY 2005. During these years, Mississippi reported total HCBS waiver expenditures of \$70 million and \$99 million, respectively.

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 and 2 reflect expenditures in regard to 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. In FFY 2005, the reports captured HCBS spending in Michigan's combined 1915(b) and 1915(c) waiver because the state reported 1915(c) waiver expenditures separately. However, HCBS spending were not reported separately for 1915(b)/(c) waivers in Texas and Wisconsin. A Florida capitated long-term care program reported HCBS expenditures separately for only half of the year. Arizona has no HCBS waiver expenditures because virtually all spending for long-term care services is paid through capitation payments under an 1115 waiver.