

CHAPTER II
HCB WAIVER UTILIZATION
AND EXPENDITURES

II. HCB WAIVER UTILIZATION AND EXPENDITURES

This chapter furnishes basic statistical information regarding the way in which states are employing the HCB waiver program to serve persons with mental retardation and other developmental disabilities. In particular, the following questions are examined:

How many people with developmental disabilities are being served through the HCB waiver program, nationwide and on a state-by-state basis?

How does utilization of the HCB waiver program compare to the ICF/MR program, the other principal alternative source of Medicaid financing of long-term care services to individuals with developmental disabilities?

What trends are being observed in state and federal expenditures for HCB waiver services?

On average, how many dollars are being spent to support individual program participants?

In general, this chapter follows the same lines of inquiry as NASMRPD's 1989 report on the HCB waiver program in examining these questions. The information contained in that report, however, has been updated.

A. Data Notes

As with nearly any effort to assemble up-to-date information on services furnished by the states to persons with developmental disabilities, it is important to discuss how the data contained in this report was collected as well as its strengths and weaknesses.

The basis of most of the information reported in this chapter is as follows:

Data on HCB waiver utilization (the number of persons participating in each state's program) and spending (federal Medicaid payments plus state/local matching dollars for services authorized under a state's waiver program) for the period FY 1981-82 to FY 1987-88 is based nearly entirely on information collected by the University Affiliated Program at the University of Illinois at Chicago (UAP/UIC) (Braddock et al., 1990). In a few instances, this data has been updated to reflect more accurate data which became available after UAP/UIC conducted the survey upon which its report was based.

Utilization and spending for the period FY 1988-89 through FY 1990-91 relies on data collected by NASMRPD in its 1989 and 1990 surveys of states which have HCB waiver programs in operation. [N.B., See below for a discussion of the strengths and weaknesses of this data.]

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Information on ICF/MR spending and utilization in relying principally on information collected by HCFA or on behalf of HCFA by private contractors (Burwell, 1990).

Each of these data sources has its strengths and weaknesses. By and large, each is satisfactory for purposes of assessing nationwide program trends but less satisfactory in supporting interstate comparisons of spending and utilization trends.

In conducting its 1990 survey of states which operate HCB waiver programs on behalf of persons with developmental disabilities, NASMRPD's objective was to update and extend the information on program spending and utilization contained in its 1989 HCB waiver report. In particular:

The Association's last report was based on survey information gathered from state HCB waiver program coordinators during the spring of 1989. Coordinators were asked to furnish information on spending and utilization for state FY 1988-89 and FY 1989-90. In most instances, the timing of the survey dictated that respondents furnish estimates for both years. In this year's survey, waiver program coordinators were asked to verify the accuracy of last year's estimates as well as furnish estimates for FY 1990-91.

In many cases, coordinators revised previous estimates. Some of these revisions reflected increased spending and utilization compared to previous estimates; in other cases, prior estimates were revised downward.

Given the dynamic nature of the HCB waiver program, NASMRPD recognized that, in many instances, states would have HCB waiver amendments, renewal applications or new program requests under review by HCFA at the time the 1990 survey was being conducted. Such changes could affect estimated spending and utilization for FY 1990-91. In such instances, HCB waiver program coordinators were given the latitude of estimating FY 1990-91 spending based on their best judgment regarding final HCFA action on such requests. Generally speaking, coordinators adopted the conservative approach of estimating spending and utilization without assuming that HCFA would approve such changes. Where changes were approved by HCFA between the time the survey was completed and the publication of this report, coordinators were asked for updated information as appropriate.

Data reported for FY 1990-91 solely reflects expected program participation and spending for HCB waiver program which have been approved by HCFA and are expected to be in operation during FY 1990-91. Excluded is data on states which have requested that HCFA approve a new waiver program or plan to make such an application in the near future. Hence, the information reported here is not based on a presumption

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that HCFA will approve program expansions. See Chapter III for a discussion of these prospective program expansions.

Unlike NASMRPD's 1989 report, this report incorporates data on program spending and utilization under Arizona's special Section 1115 waiver demonstration program as it affects persons with developmental disabilities. While this program differs in many respects from programs authorized under federal HCB waiver statutes, there are sufficient similarities to warrant its inclusion here. Arizona's program is profiled in Chapter III. In discussing certain program trends, the effects of this inclusion are isolated.

As with last year's survey, a few states did not respond. In such cases, the expenditures and utilization levels reported here are based on responses to last year's survey and/or approved HCFA utilization and spending levels. The non-responding states operate relatively small HCB programs; consequently, the substitution of such estimates for state survey responses are not likely to have a substantial effect on the nationwide expenditure and utilization levels reported here.

In general, the FY 1989-FY 1991 HCB waiver data contained in this report reflect the best estimates of states operating HCB waiver programs.

While collecting data directly from state HCB waiver program coordinators has the obvious strength of going directly to the best source of accurate information, there are weaknesses with this approach as well. NASMRPD's survey instructions attempted to define a common framework within which data would be reported. In some instances, states were not able to use this framework and, instead, substituted figures from their annual federal waiver reports, reports which have their own peculiarities (Smith, Katz, and Gettings, 1989). For example, with regard to the number of individuals receiving HCB waiver services, NASMRPD asked that each state base its survey response on the number of participants at the end of each fiscal year in order to measure how many persons with developmental disabilities were participating in the program at that point in time. In some cases, states reported the total number of individuals who had been or were expected to be served in the program over the course of a year (as dictated by HCFA reporting requirements). In such instances, reporting the number of program participants in this fashion can distort program utilization statistics.

In addition, the use of self-reported data has inherent drawbacks. Respondents might over or underestimate spending and utilization. Such data cannot be independently verified. Inevitably, the conservatism or optimism of respondents colors the data, particularly where utilization and spending must be estimated.

At the same time, there are no likely alternatives to collecting current data on this program. Federal reports on HCB waiver spending and utilization have been spotty at best and cannot be compiled until well after a reporting period has ended. Thus, such reports help identify histori-

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cal trends but do not furnish information regarding the current scope of the program. In addition, particular features of such reports introduce considerable "statistical noise" into the analysis of spending and utilization trends.

Comparing information collected from states during 1989 and the updated information they supplied in 1990, it is clear that state estimates proved to be generally but not completely accurate. For both FY 1988-89 and FY 1989-90, states tended to overestimate the number of program participants by 3-4 percent overall. State expenditure estimates, however, proved to be more accurate, at least in the aggregate.

While all types of qualifications can be made about the data reported here, it is important not to lose sight of the fact that this data provides generally sound indications of trends in HCB waiver spending and utilization on behalf of persons with developmental disabilities as well as measures of the variations among states in employing this program.

B. Program Participation

Table II-A (following page) contains state-by-state data on the number of individuals with developmental disabilities participating in the HCB waiver programs from FY 1981-82 through FY 1990-91. The chart below shows nationwide utilization trends over the same period:

HCB Waiver Program Participants:
FY 1982 - FY 1991

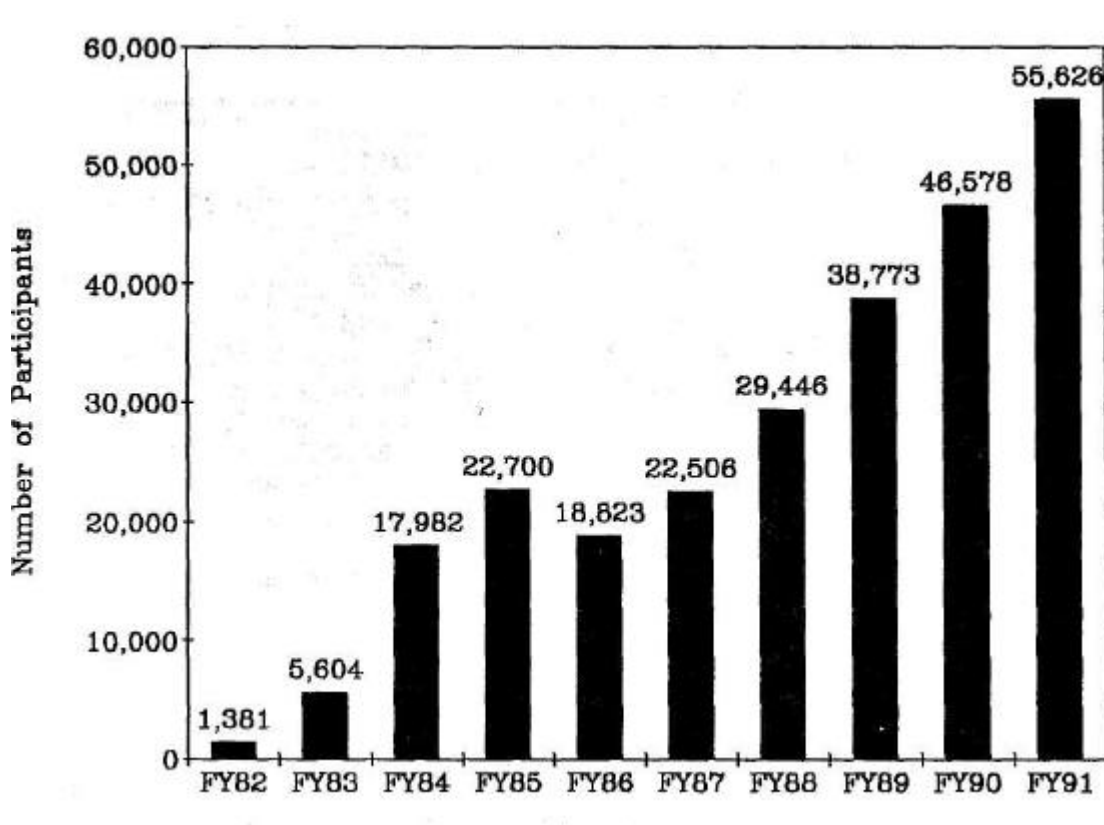


Chart II-A

II. HCB Waiver Utilization and Expenditures

Nationwide, the number of HCB waiver program participants with developmental disabilities has been climbing at a brisk pace since 1986. The estimated number of individuals receiving waiver-financed services in FY 1991 will be nearly three times the FY 1986 level. In addition:

Since 1986, year-to-year growth in the number of waiver participants has averaged roughly 24 percent. However, growth slowed in FY 1990 and is expected to slow slightly more during FY 1991, when the number of program participants is expected to increase by about 19 percent. This downward trend in program growth reflects the maturing of the HCB waiver program. As the program has taken hold in an increasing number of states, the effects of additional states entering the program is diminished. Many states began to fully utilize their existing waiver programs while several other states initiated their first full scale waiver program during the FY 1986-89 period.

The nationwide totals have been significantly affected by the inclusion of data on the Arizona Section 1115 waiver demonstration program, which in FY 1991 is expected to serve 4,700 individuals. This program began in December 1988. If Arizona's program is excluded, then the growth in the number of waiver participants, nationwide, between FY 1986 and FY 1991 falls to an average of 22 percent a year, with expected growth during 1991 expected to be 19.4 percent. [N.B., Excluding Arizona's program, the number of waiver participants nationwide was 35,920 in FY 1988-89 and 42,667 in FY 1989-90 and is expected to reach 50,946 during FY 1990-91.]

In 1986, 34 states operated MR/DD HCB waiver programs serving a total of 18,800 individuals. In 1991, these same 34 states expect to serve 42,500 program participants, or roughly three-quarters of all persons with developmental disabilities served through the HCB waiver program nationwide. These states, which have relatively mature waiver programs, account for slightly over 60 percent of the growth in the number of waiver participants nationwide over the six-year period between 1986 and 1991. Overall, these states have experienced an annual rate of growth in the number of program participants of nearly 18 percent during this period. Hence, even states with relatively mature HCB waiver programs have experienced a relatively brisk pace of program expansion.

While the initiation of waiver programs by additional states over the past five years helps explain some of the growth in the total number of program participants, the continued expansion of more mature programs also has been a significant contributing factor.

In contrast, the most recent available information regarding utilization of ICF/MR services (Burwell, 1990) continues to indicate that this program continues to grow at a much slower pace. In 1989, states reported serving 147,767 persons in ICF/MRs versus 143,077 in 1984. Between 1984

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and 1989, the number of persons residing in ICF/MRs increased at an average rate of 0.6 percent a year (Burwell, 1990). In contrast, the number of HCB waiver program participants grew at a rate of nearly 17 percent annually over the same period.

In most states, change within the ICF/MR program over the past eight years has taken the form of reducing certified beds in large publicly-operated facilities, while a relatively limited number of states have sponsored the development of small (fifteen bed or less) ICF/MR operated facilities. In more than one-half the states, ICF/MR utilization declined between 1984 and 1989 (Burwell, 1990). In states where ICF/MR utilization grew during this period, only four states sustained an annual rate of increase in excess of 10 percent. Hence, during the period in which the HCB waiver program has rapidly expanded as a Medi-caid financing option for community developmental disabilities services, ICF/MR utilization has remained relatively stable. Change in the ICF/MR program has been characterized by: (a) the shift from larger to smaller facilities; and, (b) a redistribution of beds among states, depending on the particular state's policies governing the proper role of ICF/MR financing (Lakin et al., 1990).

Persons eligible to receive services under the HCB waiver program must meet ICF/MR eligibility criteria; in other words, the programs are intended to serve the same target population. Together, the ICF/MR and HCB waiver programs will serve roughly 213,000 individuals with severe, life-long disabilities during 1991. More than one-quarter of these individuals will be served through the waiver program. In 1986, roughly 164,000 persons with developmental disabilities received services via the ICF/MR and HCB waiver programs. At the time, the waiver program accounted for only roughly 12 percent of these individuals.

NASMRPD's 1989 report observed that, on a nationwide basis, the HCB waiver program has accounted for nearly all the growth in the number of individuals with developmental disabilities receiving Medicaid-financed, long-term care services. From all indications, this observation remains correct. Collectively, states are employing the HCB waiver program as their principal means of meeting the needs of persons with developmental disabilities who require more intensive, ongoing assistance and supports, rather than continuing to develop additional ICF/MR bed capacity to meet their needs.

While it cannot be argued that the creation of the HCB waiver program has been solely responsible for the stabilization in ICF/MR utilization over the past eight years, the waiver program clearly has played a major role in redirecting the expansion of Medicaid long-term care services away from the ICF/MR program and toward other alternatives.

In the near to mid-term, it is likely that the number of individuals participating in the HCB waiver program will continue to grow at a brisk pace. As will be discussed in greater depth in Chapter III, more states are likely to enter the program during FY 1991. In addition, other states have submitted or will submit program renewal requests and amendments to HCFA that call for increasing the number of program parti-

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cipants. Finally, other states already have received HCFA's approval to expand their programs further over the next one-five years.

Whether the future rate of growth in the number of program participants will match the 20 percent plus rate that has been experienced over the past five years is impossible to predict. The extent to which states will continue to press for continued HCB program expansion will be affected by a number of factors, including decisions on further downsizing and closing of publicly-operated facilities, federal HCB waiver policies, the fiscal health of the states, and so forth. It seems clear, however, that growth in this program will be more vigorous than the comparable growth of the ICF/MR program.

C. Program Participation: Variations in State Utilization

During FY 1991, nineteen states will serve 1,000 or more people with developmental disabilities in their HCB waiver programs. Collectively, these states plan to serve 42,513 individuals or 76.5 percent of all program participants nationwide. Ten states (AL, AZ, CA, CO, FL, MA, MI, MN, NJ, PA) expect to serve 2,000 or more individuals in their waiver programs during FY 1991. These states will serve about 28,000 program participants or slightly more than one-half the national total. Arizona's Section 1115 demonstration waiver program serves the largest number of program participants (4,700). New Jersey and California expect to serve more than 3,700 individuals in 1991.

By measuring the number of individuals receiving HCB waiver services per 100,000 in each state's general population, it is possible to gain a clearer picture of the relative size of each state's program in relationship to programs operated by other states. Table II-B at the top of the following page displays this statistic for all states except those which only operate model waiver programs or are in the first year of operating a larger-scale HCB waiver programs during FY 1991. For reference, collectively these states on average serve 27.1 program participants per 100,000 general population.

Eighteen of these 41 states operate waiver programs which serve relatively fewer individuals than the average for all states. In six states, the number of individuals served per 100,000 in the general population is less than one-half the average of all states.

On the other side of the coin, ten states (AZ, CO, CT, MN, NH, ND, RI, SD, UT, VT) operate relatively large scale HCB waiver programs. In these states, program participation is at least double the average for all states. Five states (AZ, ND, RI, SD, UT) have program participation rates three times or more the nationwide average.

These apparently large variations in the degree to which states employ the HCB waiver program to meet the needs of persons with developmental disabilities who need ongoing services and supports stem from a variety of factors. Some states decided to use the HCB waiver as their principal means of employing Medicaid dollars to support community services during the early years of the program. Many of these states also used HCB waiver financing extensively to support their efforts to reduce the

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Table II-B

HCB Waiver Program Participants
per 100,000 General Population: 1991

Alabama	49.2	Louisiana	5.3	N. Dakota	191.6
Arizona	127.8	Maine	36.7	Oklahoma	29.7
Arkansas	6.8	Maryland	20.1	Oregon	53.8
California	12.4	Mass.	36.9	Penns.	20.7
Colorado	69.3	Michigan	25.6	Rhode Isl.	96.7
Connecticut	54.9	Minnesota	65.4	S. Dakota	112.9
Delaware	35.7	Missouri	33.5	Tennessee	14.0
Florida	20.2	Montana	52.9	Texas	6.5
Georgia	3.3	Nebraska	55.5	Utah	85.5
Hawaii	17.0	Nevada	13.8	Vermont	62.5
Idaho	29.6	New Hamp.	83.0	Washington	36.9
Illinois	6.5	New Jersey	49.9	W. Virginia	23.5
Kansas	16.7	New Mexico	15.4	Wisconsin	34.2
Kentucky	25.7	N. Carolina	14.5		

size of large, publicly-operated facilities for persons with mental retardation and other related conditions. Programs serving relatively large numbers of individuals tend to be more mature and, hence, have benefitted from experiences that they gained during earlier years.

States with lower participating levels typically have entered the program only in the last few years; or, for a host of reasons, they have decided to rely on the development of ICF/MRs as a means of meeting the needs of people with developmental disabilities to a greater extent than states with more extensive programs. The degree of variation in state utilization of the waiver program is yet another example of the marked differences among states in their strategies for serving persons with developmental disabilities. Such differences are at least as noticeable in state utilization of the ICF/MR program (Lakin et al., 1990).

Again, efforts underway in many states to initiate new waiver programs or expand current programs will result in a continuing shift in nationwide utilization patterns.

D. Program Expenditures

Table II-C (following page) displays state-federal Medicaid expenditures for HCB waiver services on a state-by-state basis for the period FY 1982-FY 1991. Trends in nationwide spending (expressed in both actual dollars and constant dollars to control for the effects of inflation) are illustrated in the Chart II-B at the top of page 14.

During FY 1991, state-federal HCB waiver expenditures on behalf of persons with developmental are expected to reach nearly \$1.2 billion. [N.B., Excluding Arizona's Section 1115 demonstration waiver program, spending in other states is likely to top \$1.1 billion during FY 1991.]

TABLE II-C
DEVELOPMENTAL DISABILITIES HCB WAIVER PROGRAMS STATE-
FEDERAL MEDICAID EXPENDITURES: FY 1982 - FY 1990 (\$

Alabama	-----	\$2,470.4	\$4,615.7	\$7,274.3	\$7,741.1	\$8,325.7	\$8,186.7	\$9,430.9	\$10,411.8	\$12,400.0
Arizona(a)	-----	-----	-----	-----	-----	-----	-----	51,500.0	69,400.0	80,100.0
Arkansas	-----	-----	-----	-----	-----	-----	-----	-----	255.0	1,600.0
California	-----	4,000.0	6,000.0	25,222.0	26,600.0	30,400.0	38,458.1	47,932.8	51,289.9	48,648.7
Colorado(b)	-----	-----	10,892.0	16,857.4	21,090.2	25,454.8	31,399.3	34,871.9	42,354.6	52,713.6
Connecticut(c)	-----	-----	3.2	3.2	3.2	7.0	5,417.6	26,677.0	60,079.0	63,137.4
Delaware	-----	-----	-----	237.9	497.1	845.5	1,766.1	3,391.9	4,541.8	4,704.8
Florida	-----	-----	15,229.5	16,464.8	15,473.0	12,849.8	13,904.8	18,900.0	17,766.0	18,000.0
Georgia	-----	-----	-----	-----	-----	-----	-----	2,361.0	7,408.0	8,247.0
Hawaii(d)	-----	-----	126.8	309.0	411.0	564.6	645.3	1,187.9	1,295.9	2,584.1
Idaho	-----	-----	20.9	98.5	191.5	568.2	726.6	1,067.6	1,658.3	2,158.3
Illinois	-----	-----	454.0	6,177.2	11,091.8	12,839.6	13,356.6	14,500.0	16,100.0	16,900.0
Indiana(e)	-----	-----	-----	-----	-----	-----	-----	-----	-----	359.9
Iowa(f)	-----	-----	-----	-----	-----	-----	42.3	53.7	53.7	53.7
Kansas	-----	-----	71.0	571.7	683.3	637.7	845.2	759.5	3,502.6	3,243.1
Kentucky(g)	-----	-----	730.1	7,934.7	9,807.4	10,974.1	13,201.4	16,550.1	20,891.2	22,423.2
Louisiana	-----	2,354.5	8,000.8	7,344.1	-----	-----	-----	-----	286.4	1,145.5
Maine	-----	-----	316.0	2,976.5	3,899.0	5,673.8	7,751.6	11,681.1	12,315.6	12,908.0
Maryland	-----	-----	512.0	6,456.2	12,234.9	21,708.0	23,661.7	23,889.0	32,441.0	38,280.0
Massachusetts	-----	-----	-----	5,785.0	8,994.6	13,278.0	15,800.0	26,200.0	48,057.3	69,965.1
Michigan(h)	-----	-----	-----	-----	-----	79.8	22,353.0	34,612.6	44,104.2	57,216.6
Minnesota	-----	-----	-----	890.9	6,057.0	13,170.0	24,370.7	46,944.4	55,000.0	79,000.0
Missouri	-----	-----	-----	-----	-----	-----	-----	9,085.0	23,030.0	36,288.3
Montana	374.9	817.3	1,250.0	1,522.6	3,442.1	3,595.9	4,300.8	4,723.5	5,235.6	8,462.9
Nebraska(i)	-----	-----	-----	-----	-----	-----	5,897.4	11,086.0	13,884.0	19,628.0
Nevada	-----	362.0	863.4	974.2	1,460.2	1,489.4	1,688.0	1,665.2	2,050.0	2,235.9
New Hampshire	-----	-----	6,798.6	9,536.6	11,190.6	13,518.4	18,981.1	25,505.9	31,564.4	39,600.0
New Jersey	-----	-----	21,242.0	21,142.0	21,548.0	35,888.0	36,092.0	70,152.4	82,309.6	97,312.8
New Mexico(j)	-----	-----	-----	390.0	726.4	1,409.6	2,100.6	2,384.0	2,697.2	2,943.9
New York(k)	-----	-----	-----	-----	109.5	711.8	933.3	933.3	1,040.4	1,040.4
N. Carolina(l)	-----	-----	97.5	433.0	1,764.0	3,058.9	4,489.3	5,676.7	8,350.4	12,831.4
North Dakota	-----	-----	439.9	2,865.6	4,414.7	5,438.2	6,110.9	11,755.4	13,900.7	15,589.5
Ohio(m)	-----	-----	97.1	249.2	688.7	1,130.5	1,961.1	3,823.2	3,823.3	9,923.3
Oklahoma	-----	-----	-----	-----	60.0	392.0	1,324.8	3,506.4	9,426.1	11,818.0
Oregon	1,868.5	4,923.3	8,293.2	6,610.1	4,348.3	8,305.8	15,231.1	22,794.2	34,189.4	47,863.9
Pennsylvania(n)	-----	-----	2,760.3	8,104.9	18,339.5	35,974.8	70,645.4	81,969.0	107,700.0	120,100.0
Rhode Island	-----	-----	415.7	924.0	4,509.6	5,648.0	4,718.8	9,555.4	12,645.2	12,575.1
South Dakota	-----	2,511.2	3,239.6	4,232.9	5,075.5	6,153.3	7,581.4	9,100.9	10,874.5	13,554.6
Tennessee(o)	-----	-----	-----	-----	-----	1,853.1	5,832.4	6,411.9	7,338.6	11,390.0
Texas(p)	-----	-----	-----	-----	539.4	1,828.1	4,176.4	6,993.7	12,139.2	20,480.5
Utah(q)	-----	-----	-----	-----	-----	-----	6,416.3	7,809.0	10,874.0	13,366.0
Vermont	-----	487.0	3,324.7	5,212.1	4,291.5	4,839.9	5,303.8	7,045.6	8,954.0	10,255.0
Virginia(r)	-----	-----	-----	-----	-----	-----	-----	-----	-----	8,146.5
Washington(s)	-----	-----	3,378.0	14,591.8	15,269.2	12,068.2	16,973.7	13,748.1	16,791.3	35,603.0
West Virginia	-----	-----	57.3	277.9	353.7	777.2	1,817.8	2,850.0	7,197.2	10,040.3
Wisconsin(t)	-----	-----	119.0	601.7	1,445.4	3,503.4	9,410.1	14,837.3	23,514.7	30,132.0

Total \$2,243.4 \$17,925.7 \$99,348.3 \$182,272.0 \$224,351.4 \$304,961.1 \$453,873.5 \$705,923.5 \$948,742.1 \$1,186,970.3
000's)

FY 1982 FY 1983 FTT5P FTT585 FTT588 -- FTT987 - FTJSK -- FTTggg - FY 1990 FY 1991

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HCB Waiver Expenditures:
FY 1982 - FY 1991

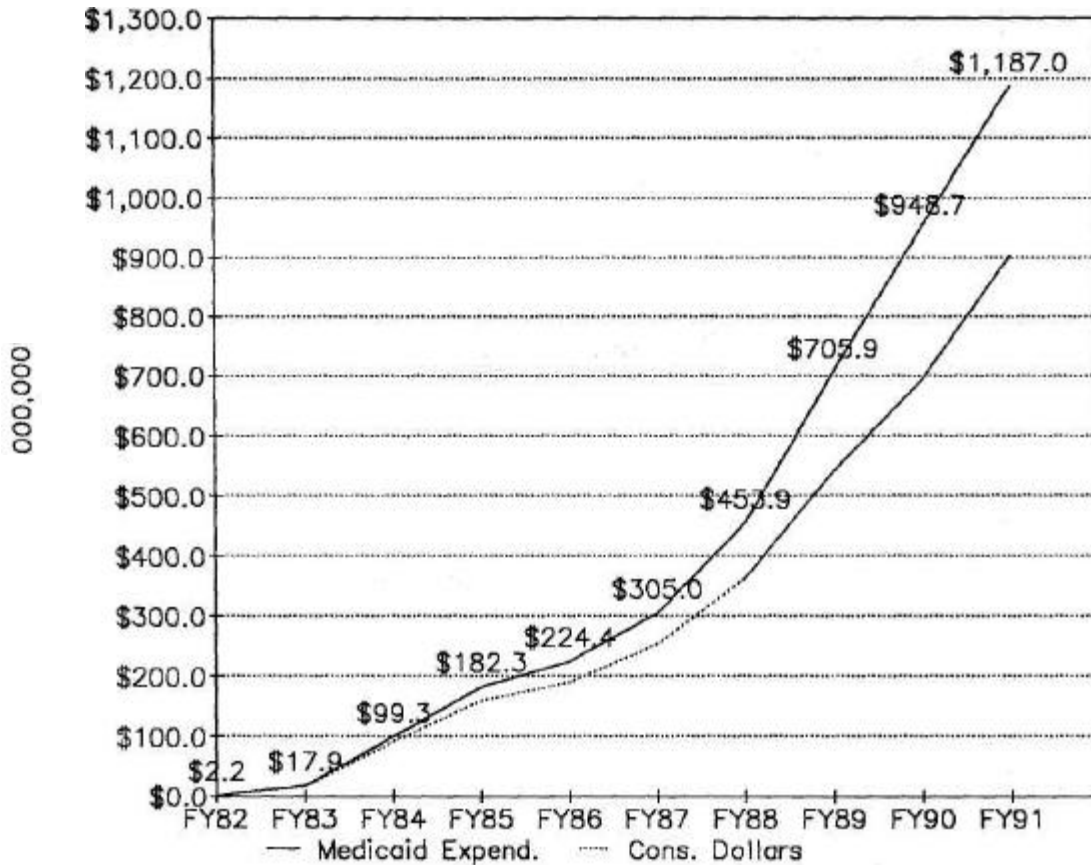


Chart II-B

This projected spending level compares to \$453.9 million in FY 1988. Hence, FY 1991 spending will be more than two and one-half times the spending level only four years ago. The annual rate of spending increase since FY 1988 is about 38 percent. As is the case with the decrease in the rate of growth in the number of program participants, the rate at which spending is increasing is slowing somewhat. For example, between FY 1990 and FY 1991, states are projecting a 25 percent increase in spending.

State-federal HCB waiver spending on behalf of persons with developmental disabilities is obviously increasing at a very rapid pace, whether measured in actual or real dollars. Indeed, programs serving persons with developmental disabilities continue to dominate the HCB waiver program. During FY 1989, total state-federal spending for all HCB waiver programs (including programs which serve to persons who are elderly or physically disabled) reached \$1 billion (Miller, 1990). Of that total, about 62 percent supported services to people with developmental disabilities. Since 1986, developmental disabilities HCB waiver programs have accounted for more than one-half of all state-federal waiver expenditures nationwide.

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In FY 1991, eight states (AZ, CO, CT, MA, MI, MN, NJ, PA) estimate that state-federal HCB waiver expenditures will top \$50 million. Collectively, these eight states account for about \$620 million in HCB waiver spending, or roughly 52 percent of the total nationwide. In comparison, only one state (Pennsylvania) had HCB waiver spending in excess of \$50 million during FY 1988.

State-federal HCB waiver expenditures are growing at a significantly faster pace than ICF/MR expenditures. According to HCFA data (Burwell, 1990), between FY 1986 and FY 1989 ICF/MR spending increased at an annual rate of 9.3 percent, not adjusted for inflation. During the same period, developmental disabilities HCB waiver spending nearly quadrupled. Still, with ICF/MR spending likely to reach \$7.3 billion in 1991, it continues to be the dominant source of federal assistance to states to pay for long-term care services on behalf of persons with developmental disabilities. HCB waiver spending, however, has now reached roughly 16 percent of the ICF/MR program's expenditure level. In FY 1986, developmental disabilities waiver spending was less than 5 percent of the dollars expended on ICF/MR services.

During recent years, the growth in ICF/MR expenditures has been due almost entirely to increases in the costs of serving facility residents, rather than due to increases in the number of individuals with developmental disabilities being served in ICF/MR-certified facilities. Between FY 1986 and FY 1989, the average cost of serving an individual in an ICF/MR increased from \$34,768/year to \$44,999/year, an annual rate of increase of nine percent (Burwell, 1990). In contrast, growth in HCB waiver spending has been spurred principally (although not entirely) by increases in the number of program participants.

Again, given requests that states had pending before HCFA in late 1990 and the likelihood that additional states will enter the HCB waiver program during 1991, it appears virtually certain that HCB waiver spending on behalf of persons with developmental disabilities will continue to grow at least a double-digit pace for the foreseeable future.

E. Per Capita Expenditures

State-federal HCB waiver spending per program participant continues to increase, although at a pace that is less rapid than in the ICF/MR program. The Chart II-C at the top of the following page displays nationwide average per capita program expenditures for the period FY 1982 - FY 1991, not adjusted for inflation.

As can be seen from this chart, average annual per capita waiver expenditures are expected to reach \$21,338 during FY 1991, an increase of roughly 5 percent over the prior year's level. Since FY 1986, average per capita expenditures have increased at annual rate of 12.4 percent; this rate of increase, however, has slowed in recent years.

The increase in average per capita expenditures stems from a wide variety of factors, including real increases in the costs of furnishing

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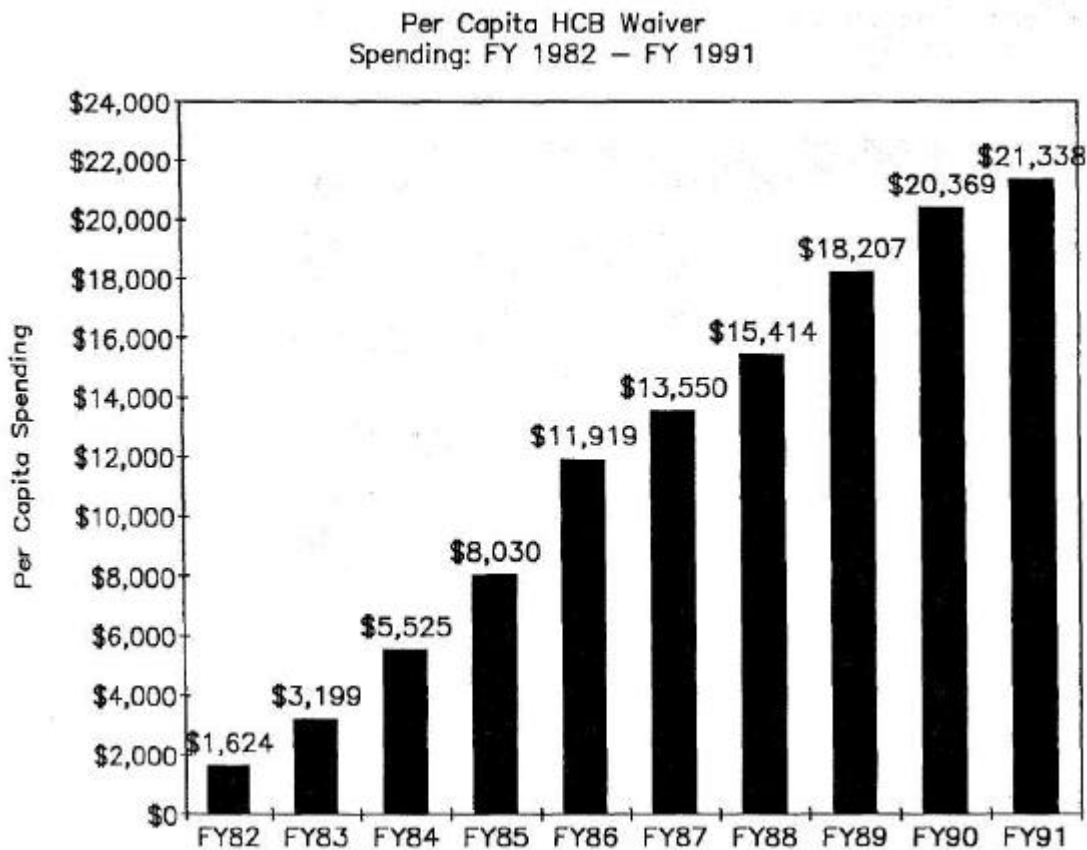


Chart II-C

HCB waiver services (particularly in states which have employed the program extensively to support the placement of individuals out of large public facilities and into community programs), the effects of inflation, and the fact that the phase-in of state programs usually results in per capita costs continuing to rise until the program reaches a stable caseload. As noted above, per capita expenditures for HCB waiver services seem to be stabilizing as the program matures.

In FY 1991, average per capita costs in the ICF/MR program are expected to reach nearly \$50,000/resident/year for all types of facilities (i.e., both public and private, large and small facilities). Thus, on a per person basis, the costs being incurred by states to support HCB waiver program participants are averaging roughly 40 percent of institutional services. Even if allowances are made for other Medicaid state plan services furnished to HCB waiver participants, as well as the income assistance and other non-waiver dollars used to meet the costs of "room and board" in HCB waiver-financed residences, the costs being incurred to support individuals in the HCB waiver program are far below those which states are experiencing in serving individuals in ICF/MRs.

Since the inception of the HCB waiver program, the average cost of serving program participants has been significantly lower than ICF/MR costs. A host of factors account for this difference. From a broad

perspective, however, the HCB waiver program continues to demonstrate that alternatives to institutional services are very cost-effective on average. At the same time, many state waiver programs incur costs in excess of average ICF/MR per capita costs on an individual program participant basis. The capability within the HCB waiver program to tailor services and supports on a person-by-person basis is a central reason for the overall cost effectiveness of the program.

It is difficult to predict the future course of average spending on HCB waiver services, since the nationwide average itself is a blended average of widely variant costs being incurred in individual states (see below). If recent trends hold, however, it is likely that per capita costs will continue to be relatively stable.

F. Per Capita Costs: Variations Among the States

On a state-by-state basis, there are relatively wide variations in per capita expenditures for HCB waiver services. Table II-D below displays estimated per capita expenditures for waiver services by states during FY 1991.

Alabama	\$6,200	Louisiana	\$5,114	N. Dakota	\$12,695
Arizona	17,043	Maine	28,494	Oklahoma	12,599
Arkansas	10,000	Maryland	39,751	Oregon	31,161
California	13,145	Mass.	31,445	Penns.	48,762
Colorado	22,979	Michigan	24,525	Rhode Isl.	12,924
Connecticut	34,863	Minnesota	27,526	S. Dakota	17,158
Delaware	20,020	Missouri	21,049	Tennessee	16,579
Florida	6,842	Montana	19,913	Texas	18,434
Georgia	38,901	Nebraska	22,305	Utah	9,049
Hawaii	13,672	Nevada	13,469	Vermont	29,051
Idaho	7,194	New Hamp.	42,811	Washington	19,757
Illinois	22,838	New Jersey	25,191	W. Virginia	23,680
Kansas	7,796	New Mexico	12,581	Wisconsin	17,936
Kentucky	23,603	N. Carolina	13,311		

As can be seen from this table, per capita expenditures range from a low of \$5,100 to a high of nearly \$49,000. In ten states, per capita spending is more than 25 percent above the national average. Seven states (CT, GA, MD, MA, NH, OR, PA) estimate average per capita spending at greater than \$30,000 per participant during FY 1991. On the other hand, in fifteen states average per capita waiver expenditures are expected to be 25 percent or more below the national average during 1991.

These wide variations among the states in average per capita spending on waiver services are the result of a host of factors. In states which

II. HCB Waiver Utilization and Expenditures

have employed the program extensively as a means of downsizing or closing large public facilities, per capita costs tend to be higher. Obviously, per capita costs are influenced by payment levels for ICF/MR services in each state; such payment levels vary substantially from jurisdiction to jurisdiction. In some cases, the relatively low per capita waiver costs in a state may be explained by the availability of a wider range of regular Medicaid state plan services which can be used to complement the services offered under a state's waiver program.

In Michigan, for example, program participants typically also receive Title XIX-reimbursable personal care services under the State's Medicaid plan. In other states, such services may not be available and, hence, HCB waiver dollars are used to support day-to-day assistance to program participants (for example, Idaho's HCB waiver program is used exclusively to pay for personal care services to program participants). Finally, historical and other local factors may explain this high level of variation in per capita spending on waiver services.

G. Conclusion

The picture that emerges from the above data is one of a rapidly expanding program. Clearly, the HCB waiver program has not reached a point of homeostasis and is not likely to in the near to mid-term. While the rapid rate of growth that has been experienced over the past five years may slow down somewhat, the HCB waiver program in all probability will continue to expand at a faster pace than the ICF/MR program.

Within these broad nationwide trends, individual states continue to exhibit a good deal of variability in the degree to which they rely on the waiver program as a source of Medicaid financing for long-term care services on behalf of people with developmental disabilities. Such variability, however, is to be expected since one of the essential premises of the HCB waiver program was that states should be given considerable flexibility in employing this financing option to meet the needs of program participants.

II. HCB Waiver Utilization and Expenditures

Explanatory Notes to Tables II-A and II-B

- (a) Arizona receives federal Medicaid financing for home and community-based services under a Section 1115 demonstration waiver program which became effective in December, 1988. Dollar expenditures exclude estimated cost of acute care medical services furnished to program participants, which also are authorized under the demonstration program.
- (b) Colorado operates a "regular" HCB waiver program as well as an OBRA waiver program targeting nursing facility residents with developmental disabilities.
- (c) Connecticut's figures include services furnished under the State's "regular" HCB waiver program, a model waiver program, and an OBRA waiver which was approved by HCFA effective January, 1990.
- (d) Hawaii operates two "regular" HCB waiver programs on behalf of persons with developmental disabilities.
- (e) Model waiver program serving persons with autism.
- (f) Model waiver program.
- (g) "Regular" HCB waiver program plus one model waiver program,
- (h) "Regular" HCB waiver program plus one model waiver program,
- (i) "Regular" HCB waiver program plus one model waiver program.
- (j) New Mexico operates two waiver programs: one serves adults with developmental disabilities while the other serves children with severe disabilities,
- (k) Model waiver program.
- (l) "Regular" waiver program plus model waiver, (m) State has operated two model waiver programs. Figures also are based on part-year implementation of an OBRA waiver program approved by HCFA in July 1990 and a "regular" HCB waiver program expected to be approved in early 1991. (n) "Regular" waiver program plus an OBRA waiver, (o) "Regular" waiver program plus a model waiver program, (p) Texas operates two waiver programs: one for persons with mental retardation and another for individuals with "related conditions."
- (q) "Regular" waiver program plus an OBRA waiver, (r) "Regular" waiver program plus an OBRA waiver; figures assume January 1991 implementation, (s) State operates a "regular" waiver program plus an OBRA waiver and one model waiver program, (t) "Regular" waiver plus an OBRA waiver