



Minnesota Department of **Human Services**

Disability Services Division

Consumer-Directed Services Budget Formula MR/RC Waiver

Background

Several years ago, the Department of Human Services (DHS) agreed to develop a standard way to identify budget amounts for people wanting to use the Consumer-Directed Community Supports (CDCS) service under the Mental Retardation or Related Conditions (MR/RC) Waiver program. DHS agreed to do this at the urging of families of consumers, advocates and county agencies. Stakeholders shared concerns that too much variation existed from county to county and case manager to case manager in how budgets were determined. Because there was little experience and few guidelines existed for establishing consumer-directed service budgets, it was unclear that individual budgets consistently related to the needs of individual situations in an equitable manner.

Families of consumers also expressed frustration with wide variations in how flexible counties were willing to be regarding needed changes in the plans for spending the consumer budget. At the same time, counties expressed that it was increasingly difficult to defend the decisions of the county about some consumer requests.

As data became more available, DHS did see that there was a lot of variation in how counties established budgets and in the guidelines that counties developed about the use of funding.

During the 2002 and 2003 legislative session, legislators approached DHS to voice concerns based on contacts with families of consumers, county agencies and advocates that left legislators with the following impressions:

- Inequitable treatment of consumers
- Questionable use of public funding by some consumers
- Lack of state control and guidance
- Inexperienced county management
- General need for a statewide system that was applied equitably to all

As a result of growing concerns over budgeting and plans to expand CDCS, the Office of the Legislative Auditor was asked by legislators to review the management of waiver programs, including the rules applying to CDCS. The Legislative Audit report recommended changes to CDCS that are consistent with those currently being implemented.

Federal **Involvement**

In order to make the needed changes, DHS worked with stakeholders in Minnesota and officials in the federal government. Federal requirements for the budget methodology changes included:

- Budget methodology used must apply to all users of CDCS, even those already having a CDCS budget
- Minnesota would be granted authority to transition current CDCS recipients to the new budget methodology over a period of time
- Minnesota must demonstrate that the budget for the MR/RC Waiver would continue to meet budget neutrality requirements (note: DHS was also required to meet additional state budget neutrality requirements)
- Minnesota must be able to track what was purchased by CDCS users through the establishment of billing codes that would allow the federal and state government to monitor and audit CDCS use
- Each CDCS recipient in Minnesota must have one Medical Assistance (MA) vendor to do all CDCS billing for goods and services purchased

After many months of negotiation about the budget methodology and other rules governing CDCS, Minnesota's application for an amendment to the state's waiver plan was approved in March of 2004. The approval allowed a six-month preparation period before new policies were put in force and the new budget method implemented. The approval also allowed additional transition time for people who already were using CDCS.

The federal approval includes that beginning Oct. 1, 2004:

- Adjustments are available to CDCS users who are entitled to increases in their budgets under the new methodology, after a revised service plan is completed
- Downward adjustments will be completed one year after the next annual review for current CDCS users who are entitled to less money in their CDCS budget, with no transition to extend beyond April 1, 2006
- CDCS users who decide to leave the CDCS option, remain entitled to all other waived services that are required to meet needs

Establishing a Budget Method

The CDCS budget method formula uses twenty-eight Characteristics/Variables and a Constant to develop the individual budget. The formula was developed using a sample of 11,697 waiver recipients meeting the following criteria:

- Received MR/RC Waiver services in calendar year 2003 **and**
- Continued to receive services in calendar year 2004

The analysis looked at the costs for services during calendar year 2003. Actual costs were used (**not** authorized levels) in order to assure that budget neutrality is maintained. In addition, half of the case management costs for each individual were set aside in order to

insure that counties are paid for the case management functions they are required to do under Minnesota Statutes.

In analyzing the sample, DHS identified those characteristics/variables that most influence or predict costs, so that those characteristics will be considered across all recipients when establishing a budget amount for an individual. In this way, DHS was attempting to address the desire for people with similar needs and situations to be entitled to similar budget amounts under CDCS.

After completing initial research and running statistical models, DHS tested the proposed formula. Testing included studying how the formula performed when compared to actual service costs and utilization in 2003. DHS also studied the impact of the formula on each county's budget. Since the county has no say in either increasing or reducing the formula amount provided to individuals, DHS had to ensure that sufficient funding remained in place to continue to provide services to recipients not using CDCS. This included having to analyze which CDCS recipients were likely to leave the CDCS option because the formula amount is not as high as their current amount, and which people would likely choose to enter the CDCS option because it provides them with more funding. Finally, this all needed to be done without increasing state spending.

DHS provided counties with this same data in order to verify information by an independent source and to solicit feedback about the impact of the formula amounts on recipients. Based on feedback, DHS did refine the formula.

The actual formula for determining individual budgets is as follows:

(Calendar Year 2003 total daily weights per person) x (0.9964) x (0.70)

NOTE: *The 0.9964 factor reflects the 1% reduction imposed in the 2003 legislative session. The 0.70 factor was necessary to keep counties within budgets provided to them.*

From the earliest stages of discussion, DHS openly discussed the advantages and disadvantages of a formula approach. This approach **does** ensure improved consistency and equity in how budgets are established for consumers. If a person changes his/her residence to another county, for instance, the CDCS budget would remain the same. However, in using a statistically based formula to set an individual budget, the budget amount provided to an individual reflects an average cost for a group of people or a particular characteristic.

Because Minnesota's MR/RC Waiver was originally developed to convert institutional services to community alternatives, the approved waiver plan has never imposed an individual cap on the amount that a county could authorize for an individual person. Instead, counties have been and continue to be responsible to remain overall within an allowable budget. This has provided flexibility to serve people with extremely challenging needs, including people with long institutional histories and no active family involvement. So, the decision to use a formula within this general structure meant that people choosing CDCS would be required to forego the flexibility of individual budget setting in order to get flexibility for how money is spent.

DHS maintains data about individual recipients in its Medicaid Management Information System (MMIS). DHS collects data about recipients of waived services in several ways:

- Screening document filled out by the county agency
- Service authorizations entered by the county agency
- Claims paid to providers for services to recipients

Using existing data, DHS identified the following Characteristics/Variables and Weights/Amounts to determine the factor for the *total daily rate* for individual users of CDCS:

CHARACTERISTICS (VARIABLES)	WEIGHTS/ AMOUNTS	RANGE*	SCREENING FIELD
Age Group	19.432	1-4	8
Level of Support & Services	48.724	1-4	37
Risk Status	-56.839	1-4	39
Profile	-4.263	1-4	Derived Field*
DTH Service Authorization Level	-8.737	1-3	Derived Field*
Medical	9.934	0-5	26
Mobility	4.780	0-8	30
Mental Health Services	14.358	0-1	45G
Self Preservation	5.973	1-3	34
Childhood Psychosis	35.518	0-1	12-15
Cerebral Palsy	8.394	0-1	12-15
Epilepsy	7.004	0-1	12-15
Seizures	2.151	0-5	29
Level of Mental Retardation	5.128	1-4	12-15
Related Condition(s)	13.063	0-1	12-15
Vocational	-1.481	0-6	35
Leisure & Recreation	2.590	0-5	36E
Occupational Therapy	5.078	0-1	45C
Community Living	3.248	0-5	36D
Daily Living Skills/House Mgmt	-3.108	0-5	36B
Expressive Communication	1.086	0-8	32
Aggressive, Verbal/Gestural	1.629	0-5	38D
Aggressive, Physical	7.188	0-5	38C
Property Destruction	5.627	0-5	38F
Inappropriate Sexual Behavior	4.093	0-5	38E
Injurious to Self	2.910	0-5	38B
Breaks Law	7.782	0-5	38H
Runs Away	4.980	0-5	38G
Constant	-120.534		

A code of "99" on the DD Screening Document **always scores a "0"** in the budget methodology

* **Derived Field**- obtain value from your county agency

Explanation of Characteristics (Variables)

All of the listed Characteristics/Variables are data elements reported on or derived from the DD Screening Document, collected as a part of a full-team screening process done by the county. In total, there are twenty-eight Characteristics/Variables and a Constant. The statistical analysis that was done looks at those Characteristics/Variables which most predict or influence the actual cost for services to individual waiver recipients. You will note that some Characteristics/Variables actually have a negative relationship. The Characteristics/Variables used are those, which consistently show a strong relationship, both positive and negative, based on data collected by MMIS. Only those that are **statistically significant** are being used.

The following Characteristics/Variables are used to identify scores for calculating the formula amounts. The county also receives a manual and periodic training on how to code the specific variables so that consistent definitions are used in determining the correct coding and range for each. The DD Screening Document Codebook for the DD Screening Document can be found on the following DHS Website: <http://www.dhs.state.mn.us/ddscdb>

Age Group: Scoring consists of four categories

- 1 = Birth to 17.5 years
- 2 = 17.5 years to 21 years
- 3 = 21 years to 28.5 years
- 4 = Over 28.5 years

Level of Support & Services: There are five levels from *Person accesses supports as needed* to *Persons requires 24-hour awake supervision*. A code of Unknown or "99" scores "0."

Risk Status: All waiver recipients score "1."

Profile: The profile (1-4) that determines how much the state allocates to the county's budget for the slot used by a recipient, with "1" being the highest need.

*Note: **Profile** is a **derived field**. Your county agency can give you the profile number by looking in the MR/RC Waiver Management System.

DT&H Service Authorization Level: There are three levels from *Intensive* to *Minimal* that reflect the level of supervision needed during the day based on the assessed need of the person, regardless of whether the person receives DT&H services. A code of "1" requires the most intensive assistance.

*Note: **DT&H Service Authorization Level** is a **derived field**. Your county agency can give you the score on this field by looking in the MR/RC Waiver Management System.

(Increases to the CDCS budget because a person is accessing DT&H services are accounted for in the **Age Groups**.)

Medical: Consists of six levels from *No serious/specialized medical needs* to *Needs on-site medical attention 24 hours/day*. A code of Unknown or "99" scores "0."

Mobility: Consists of nine levels from *No impairment* to *Not mobile due to overriding medical needs*. A code of Unknown or "99" scores "0."

Mental Health Services: This indicates if Mental Health services are to be included in the service plan. A code of "Y" scores "1"; a code of "N" scores "0."

Self Preservation: There are four levels from *Is capable of self-preservation* to *Is not capable of self-preservation*. A code of "99" scores "0."

Child Psychosis: If an ICD-9 code of 299 appears in fields 12,13,14 or 15, score "1". If the code **does not** appear, score "0."

Cerebral Palsy: If an ICD-9 code of 343 appears in fields 12, 13,14 or 15, score "1". If the code **does not** appear, score "0."

Epilepsy: If an ICD-9 code of 345 appears in fields 12,13,14 or 15, score "1". If the code **does not** appear, score "0."

Seizures: There are six levels from *No history or evidence of seizures* to *Seizures - uncontrolled*. A code of "99" scores "0."

Level of Mental Retardation: There are four levels of ICD-9 codes from *Mild* to *Profound mental retardation*.

- 1 = an ICD-9 code of 317 (mild mental retardation) or 319 (unspecified mental retardation)
- 2 = an ICD-9 code of 318 (moderate mental retardation)
- 3 = an ICD-9 code of 318.1 (severe mental retardation)
- 4 = an ICD-9 code of 318.2 (profound mental retardation)

Related Condition(s): This variable is a "yes" if the person meets the definition in Minnesota statutes and regulations. A "1" = **a diagnosis code of "V79.8"**

Vocational: There are seven levels from *Independent* to *Needs intensive support with or without adaptations*.

0 = Code of Unknown or "99"

1 = Code of 05 - Needs intensive support - with or without adaptations

2 = Code of 04 - Needs moderate support - with or without adaptations

3 = Code of 03 - Needs minimal support - with or without adaptations

4 = Code of 02 - Needs on the job training - time limited

5 = Code of 01 - Independent - requires typical training; may use adaptations

6 = Code of 09 - N/A (explain in NOTES section)

Leisure & Recreation: There are six levels from *Independent* to *Person unable to participate in an activity*. A code of "99" scores "0."

Occupational Therapy: This indicates if Occupational Therapy is to be included in the service plan. A code of "Y" scores "1"; a code of "N" scores "0."

Community Living: There are six levels from *Independent* to *Person unable to participate in an activity*. A code of "99" scores "0."

Daily Living Skills/Household Management: There are six levels from *Independent* to *Person unable to participate in an activity*.

0 = Code of Unknown or "99"

1 = Code of 05 - Person unable to participate in activity

2 = Code of 04 - Person participates with another's assistance for all or portions of an activity

3 = Code of 03 - Instruction required with expected outcome of increased independence

4 = Code of 02 - Minimal supervision (formal program not needed)

5 = Code of 01 - Independent

Expressive Communication: There are nine levels from *Functional* to *Does not have functional expressive communication*. A code of "99" scores "0."

Aggressive, Verbal/Gestural: There six levels from having *None* (no demonstrated verbal aggression) to *Very Severe*. A code of "99" scores "0."

Aggressive, Physical: There six levels from having *None* (no demonstrated physical aggression) to *Very Severe*. A code of "99" scores "0."

Property Destruction: There six levels from having *None* (no demonstrated property destruction) to *Very Severe*. A code of "99" scores "0."

Inappropriate Sexual Behavior: There six levels from having *None* (no demonstrated inappropriate sexual behavior) to *Very Severe*. A code of "99" scores "0."

Injurious to Self: There six levels from having *None* (no demonstrated self-injurious behavior) to *Very Severe*. A code of "99" scores "0."

Breaks Laws: There six levels from having *None* (no demonstrated breaking laws/criminal offenses) to *Very Severe*. A code of "99" scores "0."

Runs Away: There six levels from having *None* (no demonstrated running away) to *Very Severe*. A code of "99" scores "0."

Constant: The constant is applied to every individual and is based on the actual calendar year 2003 waiver and home care costs (less half of the case management costs) of non-CDCS recipients. When the values of the Characteristics/Variables 1-28 are added, the total amount will consistently exceed the actual amounts that were spent. The statistical modeling anticipates this and generates an amount (Constant) to assure a neutral starting point.

How **To** Calculate An Individual Budget Amount

Step 1: Each Characteristic/Variable is assigned a dollar Weight/Amount. See the chart on page 4 and with the Explanation of Characteristics (Variables) on page 5.

Step 2: Multiply the Weight/Amount for each Characteristic/Variable times the applicable Range/rating score determined by the individual DD Screening Document. See Explanation of Characteristics (Variables) on page 5 to assure you are using the range correctly. *For example:*

- If you are 25 years old, you would multiply: **19.432 x 3**
- If your level of service is coded 04 - Person requires 24 hour awake supervision, you would multiply: **48.724 x 4**
- If your Vocational is coded 02 - Needs on the job training - time limited, you would multiply: **-1.481 x 4**

Continue to calculate for each Characteristic/Variable in the same manner.

Step 3: Add the values calculated in Step 2 for each variable. This subtotal creates **your** Total Daily Weight.

Step 4: Multiply the Total Daily Weight (from Step 3) by 0.9964.

Step 5: Multiply the amount in Step 4 by 0.70. (This produces your Daily Average)

Step 6: Round the Daily Average Amount to the nearest penny and multiply this by 365 days. **This is your Individual Budget Amount.**

What Should Consumer Families Do?

The most important things that consumers and their families can do to assure that their budget amounts are accurate **and** future planning is completed include:

- Make sure there is a **full-team screening** completed
- Review information with your county case manager to insure that the screening document filled out by the county is correct
- Request a new **full-team screening** whenever needs change significantly (CDCS budgets can be adjusted based on these changes and a **full-team screening** is necessary to accomplish this)
- Tell your county case manager you want to review and receive a full explanation of all options available under the waiver, including remaining on CDCS or obtaining other waived services or home care (all CDCS recipients retain full rights to other waived service if they elect not to continue on CDCS)
- If your CDCS budget is increasing, meet with your county case manager to review your budget and how it will be used (you do not have to use the entire budget and it won't be decreased in the future if you don't)

- If your CDCS budget is decreasing, meet with your county case manager to review your budget and develop a transition plan over the next 12 to 18 months (your current budget will not be decreased immediately)

What Counties Should Be Doing

Each county received information about the changes to CDCS in March of 2004. DHS has offered opportunities to all counties to participate in training events sponsored by DHS. Counties have also been encouraged to update local policies and procedures by Oct. 1, 2004. DHS staff have been available upon request to provide consultation to counties as the counties prepare and plan for the changes.

In August of 2004, DHS distributed the final report to the counties on the new individual budget amounts for current CDCS recipients. DHS asked the counties to:

- Check screening documents to assure that correct information had been entered into the data system
- Meet with each current CDCS recipient about his/her new budget amount. During this meeting, explain in full the options available to the recipient:
 - 1) For recipients with budgets that entitle them to an increase (and if they need additional services), meet to review the service plan and make any changes that are necessary
 - 2) For recipients with a budget that decreases, explain the transition time available, explain *all other entitlement to service under the waiver*, and begin the process of determining what steps to take over the course of the next 18 months
- Inform each CDCS recipient or legal representative of the right to appeal