

Waiver Spending and Funding

SUMMARY

Minnesota's spending on Medicaid Home and Community-Based Waiver programs has increased at an average annual rate of 23 percent during the past 12 years, far above the rate of inflation. Although cost per recipient increased faster than inflation in the four largest Medicaid Waiver programs, caseload growth has been the primary cost driver. The Mental Retardation or Related Conditions (MR/RC) Waiver program has a lower average cost per recipient than institutional care, but these savings have been more than offset by increased spending due to caseload growth, particularly during the 2001 open-enrollment period. Minnesota allocates MR/RC Waiver funds to counties based on prior-year spending, giving counties an incentive to spend to their budget limits. In addition, the allocation method only partially reflects the needs of waiver recipients, raising equity concerns that funds are not distributed to counties in proportion to their recipients' needs. We recommend that the Department of Human Services modify its method of allocating funds to counties to 1) avoid incentives that encourage counties to spend to their budget limits and 2) improve the distribution of funding to counties by better reflecting the needs of each county's MR/RC Waiver caseload. Demographic factors and waiting lists will likely add pressure for increasing MR/RC Waiver program spending. The state's policy of limiting access to the program helps control spending but raises equity concerns.

Medicaid Home and Community-Based Waiver programs were intended to be less costly than institutional care.

Medicaid Home and Community-Based Waiver programs were originally designed to help control rising Medicaid costs while also providing community alternatives to institutional care. In this chapter, we explore the extent to which increasing reliance on the waiver programs has actually resulted in savings for Minnesota. Specifically, we address the following questions:

- How much does Minnesota spend on Medicaid Waiver programs? How have waiver program expenditures changed compared with inflation and population growth?
- What factors drive spending on Minnesota's waiver programs?
- Have waiver programs resulted in lower spending per recipient and lower overall state spending?

- **How well does Minnesota’s method for allocating resources to the Mental Retardation or Related Conditions Waiver program work?**
- **How are spending and caseloads forecasted to change?**
- **What are the main policy options for controlling the MR/RC Waiver program spending?**

To answer these questions, we obtained spending and recipient data from the Department of Human Services for each of the Medicaid Waiver programs. We obtained similar data for institutional care under Medicaid, including intermediate care facilities for persons with mental retardation, state regional treatment centers, and nursing homes. We analyzed the Mental Retardation or Related Conditions Waiver program in more depth, using individual data on recipient characteristics. Finally, we reviewed a sample of case files for MR/RC Waiver recipients who received Consumer-Directed Community Supports.¹

SPENDING TRENDS

Overall expenditures for the Medicaid Waiver programs increased from \$82 million in fiscal year 1991 to about \$1 billion in 2003, an average increase of 23 percent per year.² In comparing this rate of increase with inflation rates and population growth, we found:

- **During the past 12 years, overall Medicaid Home and Community-Based Waiver expenditures grew at rates far higher than inflation and population growth rates.**

As Figure 2.1 shows, the four largest Medicaid Waiver programs (the Mental Retardation or Related Conditions Waiver, the Elderly Waiver, the Community Alternatives for Disabled Individuals Waiver, and the Traumatic Brain Injury Waiver) grew at annual rates of more than 20 percent per year, much higher than the average annual inflation rate of 3 percent and population growth of 1 percent. In contrast, the Community Alternative Care Waiver, the smallest waiver program, grew by an average of just 2 percent per year, a rate that was less than inflation. Table 2.1 lists the spending trends for each program.

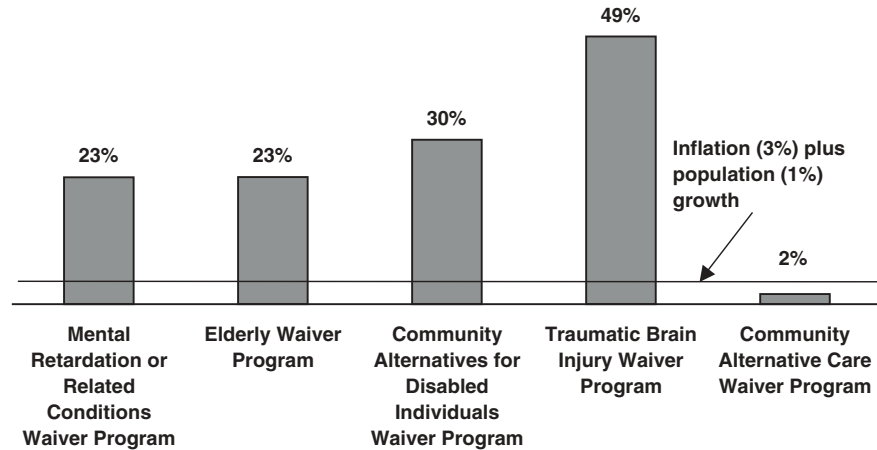
This rapid growth in spending on waiver programs reflects the state policy to promote less expensive community alternatives to institutional care. Later in this chapter we examine trends in institutional spending and address the extent to which the increased spending on the waiver programs resulted in cost savings for the state.

Rapid growth in Minnesota's Medicaid Waiver programs reflects state policies to encourage community alternatives to institutions.

¹ Additional details on the methodologies we followed are available on-line at www.auditor.leg.state.mn.us/ped/2004/pe0403.htm.

² These figures were not adjusted for inflation.

Figure 2.1: Average Annual Rates of Change in Medicaid Waiver Program Expenditures, FY 1991-2003



Expenditures on Minnesota's four largest Medicaid Waiver programs grew at average annual rates of 23 to 49 percent over the past 12 years.

NOTE: The rate for the Traumatic Brain Injury Waiver program is based on the change from fiscal years 1994 to 2003 because this waiver program did not start until 1992.

SOURCE: Office of the Legislative Auditor, analysis of unpublished tables used in the Department of Human Services' November 2003 forecast.

Table 2.1: Expenditures on Medicaid Waiver Programs for Select Years Between FY 1991-2003 (In Millions of Dollars)

Fiscal Year	Mental Retardation or Related Conditions Waiver Program	Elderly Waiver Program	Community Alternatives for Disabled Individuals Waiver Program	Traumatic Brain Injury Waiver Program ^a	Community Alternative Care Waiver Program	Total
1991	\$ 65	\$ 8	\$ 3	—	\$ 6	\$ 82
1994	129	14	6	\$ 1	10	161
1997	252	24	12	7	9	305
2000	412	43	24	14	5	498
2001	508	58	30	18	5	619
2002	702	74	44	25	6	851
2003	799	94	73	38	8	1,012

NOTE: Rows may not sum to totals due to rounding.

^aThe Traumatic Brain Injury Waiver program began in 1992.

SOURCE: Department of Human Services, Reports and Forecasts Division, unpublished tables used in November 2003 forecast.

FACTORS THAT AFFECT WAIVER SPENDING

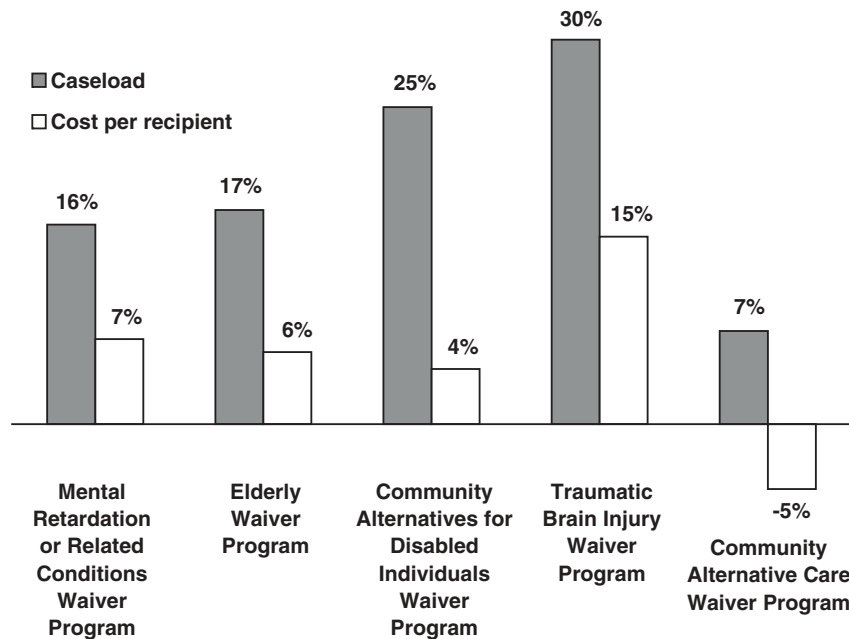
For each waiver program, we broke down cost increases between 1991 and 2003 into two components: caseload growth and increases in cost per recipient. We found that:

- **Although waiver program costs per recipient increased faster than inflation, caseload growth was the primary cost driver for Minnesota’s Medicaid Home and Community-Based Waiver programs between fiscal years 1991 and 2003.**

As Figure 2.2 shows, annual enrollment growth rates were substantially higher than the average annual growth rates in cost per recipient. Among the four largest waiver programs over the past 12 years, average annual enrollment growth rates ranged from 16 percent for the MR/RC Waiver program to 30 percent for the Traumatic Brain Injury (TBI) Waiver program.³ For the smallest waiver program

Caseloads for Minnesota's Medicaid Waiver programs grew faster than costs per recipient since fiscal year 1991.

Figure 2.2: Average Annual Rates of Change in Caseload and Cost per Recipient by Waiver Program, FY 1991-2003



NOTE: The rates for the Traumatic Brain Injury Waiver program are based on the change from fiscal years 1994 to 2003 because this waiver program did not start until 1992.

SOURCE: Office of the Legislative Auditor, analysis of unpublished tables used in the Department of Human Services' November 2003 forecast.

³ We measured enrollment using average monthly enrollment. Because the TBI Waiver program did not begin until 1992, we used the average annual growth rate between fiscal years 1994 and 2003.

Changes in eligibility requirements added to caseload growth.

(Community Alternative Care or CAC), enrollment grew by an average of 7 percent per year.

For three of the waiver programs, administrative and eligibility changes contributed to enrollment spikes. Although enrollment growth continued throughout this 12-year period, the Community Alternatives for Disabled Individuals (CADI), TBI, and MR/RC Waiver programs had unusually large enrollment increases in recent years. For example, enrollment in the CADI Waiver program increased by 43 percent from fiscal years 2002 to 2003. A few years ago, the Department of Human Services clarified for counties that people with mental illness who were certified disabled and at risk of nursing home placement were eligible for the CADI Waiver program. After the department clarified this policy and provided training for counties, enrollment increased at a faster rate. This suggests that it was the administrative change, not an increase in prevalence, that led to the higher rate of increase. Similarly, enrollment in the TBI Waiver program grew 49 percent between fiscal years 2002 and 2003. According to the department, three changes contributed to this increase, including: (1) allowing persons with degenerative brain injuries to be eligible for the TBI Waiver program, (2) moving control over TBI Waiver program entry from the state to the counties, and (3) increasing demand in the community to move disabled persons under age 65 out of nursing homes. For the MR/RC Waiver program, following annual growth rates averaging 13 percent between fiscal years 1991 and 2000, enrollment increased by 53 percent between fiscal years 2001 and 2002. As discussed in Chapter 1, this dramatic growth was due in large part to open enrollment.

Although caseload growth was the primary cost driver, average cost per recipient increased faster than inflation for the four largest waiver programs. Between fiscal years 1991 and 2003, average costs per recipient grew at annual rates of about 4 to 7 percent for the MR/RC, Elderly, and CADI Waiver programs and about 15 percent for the TBI Waiver program. This compares to a 3 percent annual inflation rate during that same time span. In contrast, the average cost per recipient for the CAC Waiver program declined by 5 percent per year.

For the MR/RC Waiver program, we examined additional factors contributing to cost increases. We found:

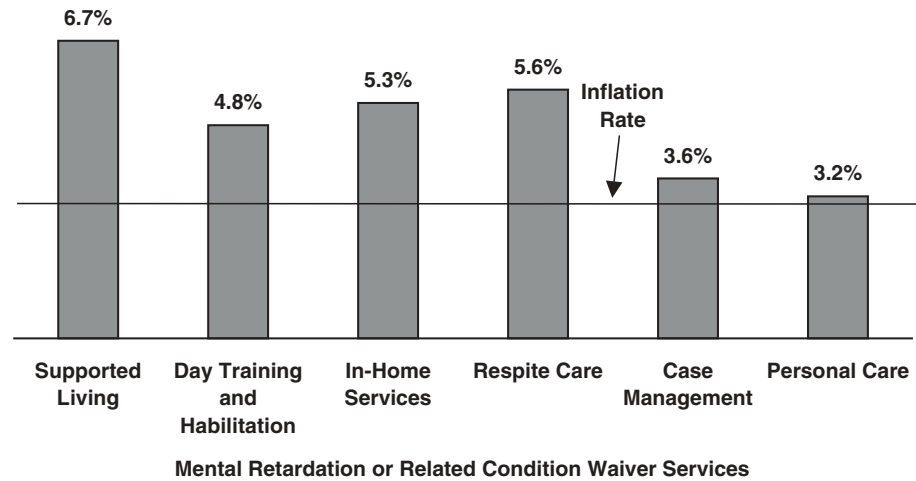
- **Increases in average rates paid to providers and expansion of services contributed to the growth in average costs per MR/RC Waiver recipient.**

Between fiscal years 1995 and 2002, average provider reimbursement rates generally increased faster than inflation.

Average provider reimbursement rates for MR/RC Waiver services tended to increase faster than inflation between 1995 and 2002, as Figure 2.3 shows. For instance, rates paid for supported living services (the largest sector of MR/RC Waiver spending) grew at an average annual rate of nearly 7 percent during this time period. Average annual rate increases for other services were between 3 and 6 percent.

The array of services covered by the MR/RC Waiver program expanded during this period, which also contributed somewhat to growth in spending. In 1998, the MR/RC Waiver program added or expanded several services, including Consumer-Directed services, transportation services, extended personal care

Figure 2.3: Average Annual Provider Reimbursement Rate Increases by Type of Service in the Mental Retardation or Related Conditions Waiver Program, FY 1995-2002



NOTE: The increase in rates for supported living services is based on fiscal years 1995 to 2001 because fiscal year 2002 rates are not comparable to rates from previous years.

SOURCE: Office of the Legislative Auditor, analysis of Department of Human Services' data on MR/RC Waiver program spending by type of service.

attendant services, chore services, and live-in caregiver expenses. As we describe in Chapter 3, our analysis of a sample of 168 Consumer-Directed cases found that 11 percent of the Consumer-Directed services were not typically funded by the MR/RC Waiver program. If these new services were used by the statewide Consumer-Directed caseload in the same proportion as in our sample, the cost of these new services would have been about \$5.7 million in fiscal year 2002. The other services added in 1998 accounted for about \$1.2 million in fiscal year 2002.

Average daily costs in fiscal year 2002 for MR/RC Waiver recipients living at home were about one-third of those for recipients in nonfamily foster care.

We also examined individual characteristics that affected MR/RC Waiver spending. We found that:

- **The MR/RC Waiver recipient's living arrangement affected spending more than other recipient characteristics.**

Average costs for recipients living at home were \$72 per day, compared with \$204 per day for recipients living in nonfamily foster care. Other factors that had smaller effects on spending include the degree of mental retardation, medical needs, behavior problems, size of county, and time of enrollment (whether or not recipients enrolled during the 2001 open-enrollment period). Table 2.2 shows how average daily spending varied by these individual characteristics during fiscal year 2002.

Table 2.2: Average Spending per Day for the Mental Retardation or Related Conditions Waiver Program, by Individual Characteristics, FY 2002

	Number of Recipients	Average Spending Per Day
Living Arrangement		
Home	6,375	\$ 72
Family foster care	764	104
Nonfamily foster care	6,629	204
Recipient Age		
0-16	3,455	84
17-21	1,621	103
22-29	2,285	142
30-39	2,426	163
40-49	2,232	171
50 or older	2,544	173
Diagnosis		
Mild mental retardation	5,170	121
Moderate mental retardation	3,920	127
Severe mental retardation	2,171	168
Profound mental retardation	1,445	222
Related conditions	1,322	107
Under 5 years of age with probable mental retardation	533	80
Profile of Recipients' Functional Characteristics ^a		
Profile 4	3,150	99
Profile 3	5,812	132
Profile 2	4,036	161
Profile 1	1,565	172
Aggressive Physical Behavior ^b		
None	7,461	120
Mild	3,238	141
Moderate	2,045	153
Severe	1,209	172
Very severe	599	199
Medical Needs		
No serious/specialized needs	3,342	105
Needs specialized medical attention in-office	9,561	137
Needs on-call medical attention	989	198
Needs on-site medical attention, but less than 24 hours per day	502	210
Needs on-site medical attention 24 hours per day	164	206
Time of Enrollment in Waiver		
During open enrollment	5,268	74
Not during open enrollment	9,295	173
Size of County		
Small	4,116	126
Medium-sized	1,985	129
Large	8,455	144
Total	14,563	137

NOTE: The table includes recipients who received services for at least six months in fiscal year 2002. Total number of recipients varies by characteristic because of missing data.

^aProfiles rank recipients from 1 to 4 with Profile 1 reflecting high needs and Profile 4 reflecting relatively low needs.

^bAggressive physical behavior is one of nine behavior scales used on the Department of Human Services' screening document used to document waiver recipients' needs.

SOURCE: Office of the Legislative Auditor, analysis of Department of Human Services' data on individual MR/RC Waiver recipients.

The department assigns MR/RC Waiver recipients into one of four profiles associated with recipients' service needs.

Average spending also varied by recipients' "profile." Based on recipients' functional characteristics, the department assigns recipients into one of four profiles that are designed to correlate with recipients' service needs. Profile 1 reflects high self-care needs and/or obstructive behavior, and Profile 4 reflects limited self-care needs and no major behavior problems. As we discuss later in this chapter, profiles are used to allocate part of the MR/RC Waiver program funds to counties.

While spending also varied by recipient's age, this is explained by the fact that older recipients tend to live away from home more so than younger recipients. Spending varied little by age within the same living arrangement and showed no consistent pattern.

Time of enrollment also affected spending during fiscal year 2002 because of delays in making the full range of services available to people who enrolled during the open-enrollment period of 2001. The spending figures in Table 2.2 reflect these delays as well as the fact that MR/RC Waiver recipients who enrolled during open enrollment were more likely than other recipients to be lower-cost children living at home.

Because older waiver recipients are more likely to live away from home than younger recipients, average spending tends to increase with age.

Variation in County Spending for the MR/RC Waiver Program

From our analysis of MR/RC Waiver recipients' expenditures we found that:

- **Average daily MR/RC Waiver program expenditures per recipient vary among counties, but the characteristics of counties' caseloads explain much of the variation.**

We categorized counties into three groups of large, medium-sized, and small counties and compared each county's expenditures per recipient with the average of its peer group of similar-sized counties. Figure 2.4 shows that in fiscal year 2002, average daily expenditures per recipient for 18 counties were more than 10 percent above the average of their peer counties. Average spending per recipient exceeded peer spending by more than 20 percent in 6 of the 18 counties.

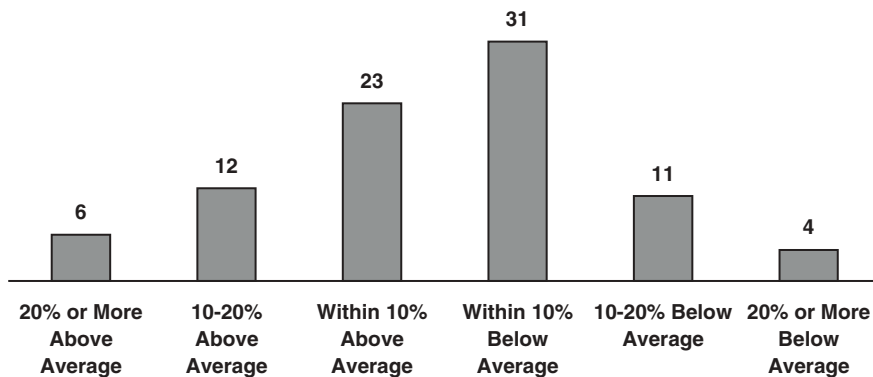
Among these 18 counties with higher than average spending per recipient, about half of the difference with peer spending levels is due to differences in living arrangement, profile ratings, degree of mental retardation, and whether recipients enrolled during open enrollment. Among the 6 counties that spent more than 20 percent above peer spending levels, these four factors explain 62 percent of the difference.

Another factor that helps explain variation in county spending, especially for counties with small caseloads, is unusually expensive cases.⁴ Even a small number of high-cost cases can affect a county's average spending. Statewide, 19 cases each cost over \$200,000 in fiscal year 2002, compared with an average annual cost of \$49,000 per recipient. In a few counties, eliminating these cases

⁴ According to one county, such cases involve waiver recipients who are medically fragile with multiple needs and challenging behaviors.

Figure 2.4: Number of Counties Above or Below Average Spending per Recipient for the Mental Retardation or Related Conditions Waiver Program, FY 2002

In 18 counties, average daily expenditures per MR/RC Waiver recipient were at least 10 percent higher than in similar-sized counties.



Percentage Above and Below Average Spending of Similar-Sized Counties

NOTE: We grouped counties by size and compared each county's spending to the average for its size category.

SOURCE: Office of the Legislative Auditor, analysis of Department of Human Services' data on county spending.

from the analysis substantially reduced the spending disparity between the county and its peers, although most were still above their peer average.

WAIVER AND INSTITUTIONAL SPENDING

To determine whether waiver programs helped contain Medicaid spending, we compared the cost of serving waiver recipients in the community with the cost in institutions. However, while waiver programs are substitutes for institutional care, they also attract people who are not interested in institutional care. Accordingly, we also examined recipient and expenditure trends for waiver and institutional programs combined.

MR/RC Waiver Program

The MR/RC Waiver program was originally designed as an alternative to institutional care in state-operated regional treatment centers or intermediate care facilities for persons with mental retardation (ICFs-MR). We found that:

- **Although the MR/RC Waiver program has a lower average cost per recipient than institutions, these savings have been more than offset by increased spending due to large caseload growth.**

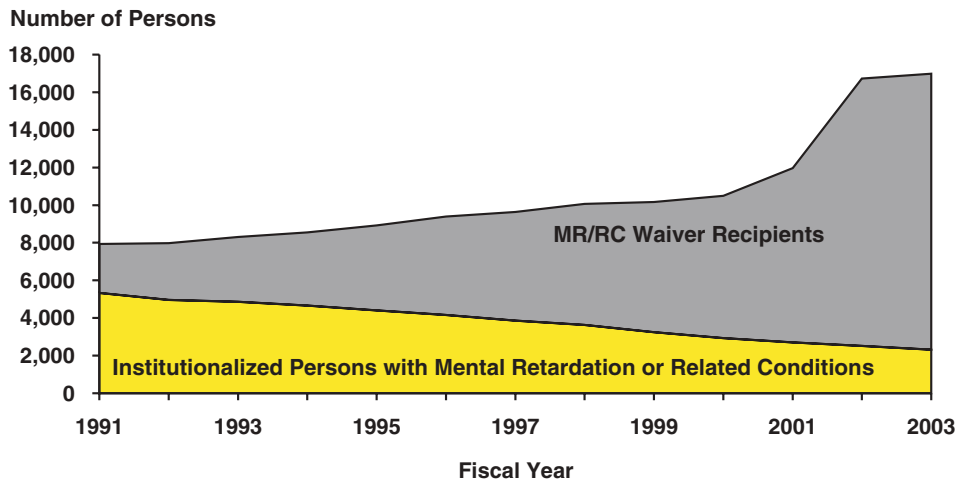
On average, institutional care cost about \$22,000 more per recipient each year than the MR/RC Waiver program.

Each year since the waiver program began in 1984, MR/RC Waiver services have cost less per recipient than institutional care. For example, in fiscal year 2002 the annual cost of Medicaid services and group residential housing was \$55,000 per MR/RC Waiver recipient, compared with \$77,000 per recipient for institutionalized Medicaid recipients with mental retardation or related conditions.⁵ This difference of \$22,000 is a rough estimate of the average cost savings when institutionalized care is replaced by MR/RC Waiver program services.

While the MR/RC Waiver program has reduced costs by replacing institutional care, these cumulative savings are smaller than the increase in costs due to expanding enrollment. Between fiscal years 1991 and 2003, the number of Medicaid recipients with mental retardation or related conditions living in institutions declined by about 3,000, saving roughly \$260 million in institutional spending. However, during the same time period, the number of MR/RC Waiver program recipients increased by about 12,000, as shown in Figure 2.5.⁶ Even allowing for the fact that many of the new recipients had below-average costs, we estimate that these cases cost roughly an additional \$600 million.

Caseloads for the MR/RC Waiver program grew far more since 1991 than institutional caseloads declined.

Figure 2.5: Number of Waiver Recipients and Institutionalized Persons With Mental Retardation or Related Conditions, FY 1991-2003



NOTE: Recipient counts are average monthly enrollments.

SOURCE: Office of the Legislative Auditor, analysis of unpublished tables used in the Department of Human Services' November 2003 forecast.

⁵ These cost figures are from unpublished data from Department of Human Services' reports to the federal government for fiscal years 1985 to 2002. The \$55,000 and \$77,000 cost figures differ from other figures in this chapter because they include expenses covered by regular Medicaid as well as the waiver program. Because institutions' normal rates include some services normally paid for by regular Medicaid, the department included these nonwaiver costs to make a fairer comparison.

⁶ In fiscal year 1991, there were 1,233 persons with developmental disabilities who lived in state-operated regional treatment centers and about 4,106 people who lived in ICFs-MR. All people with developmental disabilities left regional treatment centers by 1998, and by 2003, the number in ICFs-MR had declined to 2,314. The number of MR/RC Waiver recipients increased from 2,595 in fiscal year 1991 to 14,677 in 2003. All of the above figures are average monthly recipient counts.

Open enrollment in 2001 significantly increased spending on the MR/RC Waiver program but did not significantly reduce spending on institutional care.

The three months of open enrollment (late March through June 2001) clearly increased combined Medicaid institutional and waiver spending by a large amount. During open enrollment, waiver enrollment increased by about 5,500 persons, but the institutional caseload declined by only about 200 between fiscal years 2001 and 2002. While the growth in waiver enrollment was unprecedented, the decline in institutional caseload was not much different than previous years, as Figure 2.5 shows. The cost of serving persons who enrolled during open enrollment was \$142 million in fiscal year 2002. This is much larger than the savings associated with the 200 people leaving institutions, which is roughly \$16 million.⁷

To some extent, this increase in Medicaid spending following open enrollment could represent a shift in funding from counties to the state and federal governments since these recipients may have been receiving county-funded services prior to enrolling in the MR/RC Waiver program. However, county officials told us that the waiver program provides a much more extensive array of services than county-funded programs, which means that the amount of county funds that could have been shifted was small compared with the spending increases in the MR/RC Waiver program.

Rather than replacing institutional care, open enrollment appears to have replaced or supplemented services provided in the home.⁸ Open-enrollment recipients are much more likely than other recipients to live at home where they receive supports and services from their families. In fiscal year 2002, 85 percent of open-enrollment recipients lived at home, compared with 26 percent of other MR/RC Waiver recipients. In addition, open-enrollment recipients are less likely than other recipients to have diagnoses of severe or profound mental retardation and more likely than other recipients to have diagnoses of mild mental retardation. At the same time, when comparing recipients' profiles—a measure of recipients' functional abilities—open-enrollment recipients are similar to other MR/RC Waiver recipients.⁹

MR/RC Waiver recipients who joined during open enrollment were much more likely than others to be children living at home with their families.

Other factors that may affect the combined institutional and MR/RC Waiver caseload growth include population growth and changes in prevalence, but their impact on caseload growth has not been measured. For example, according to the University of Minnesota's Institute on Community Integration, medical advances have extended the lifetimes of people with mental disabilities. This suggests that the number of Minnesotans with mental retardation or related conditions is increasing by more than the state's population growth rate of 1 percent per year, but how much more is not clear.

In addition, part of the growth during open enrollment consisted of children from middle- and upper-income families. Although the MR/RC Waiver program

⁷ Between fiscal years 2001 and 2002, the average monthly recipients in ICFs-MR declined by 186. In fiscal year 2002, ICFs-MR had an average cost of \$83,470 per recipient for a full year of service. This figure differs from the figure used in the department's institutional cost comparison because the department's figure was based on the average annual cost for all recipients regardless of how long they were in the institution.

⁸ In this study, we did not review eligibility of MR/RC recipients, including those who enrolled during open enrollment.

⁹ While we did not study differences in participation rates among racial and ethnic groups for the MR/RC Waiver program, the department reported that because of open enrollment, the waiver program made significant progress in serving persons with minority racial and ethnic backgrounds.

primarily serves a low-income population, children from middle- and upper-income families can qualify on the basis of their own income and assets without regard to their parents' income and assets. Many of these parents pay fees to the department that are based on family size and income. Not all parents of the 3,500 children receiving waiver services reported income to the Department of Human Services to determine their waiver fees, but of the two-thirds who did, the average family income was \$50,000 in 2002 (and the median was \$46,000). The average fee paid by these families in early fiscal year 2004 was \$151 per month.¹⁰ About 1,000 of MR/RC Waiver children had parents with incomes exceeding \$50,000 during 2002.

Waiver Alternatives to Nursing Home Care

Three waiver programs are designed as alternatives to nursing home care—the Elderly Waiver, the CADI Waiver, and the TBI Waiver.¹¹ In addition, the state-funded Alternative Care program is an alternative to nursing homes for elderly persons who are at risk of nursing home care but whose income or assets make them ineligible for Medicaid.¹² We found that:

- **The Elderly Waiver, Community Alternatives for Disabled Individuals Waiver, and the Traumatic Brain Injury Waiver programs each cost less per recipient than nursing home care. Savings for the Elderly Waiver program have been roughly matched by spending increases due to expanding enrollments, but it is not clear how the other two waiver programs affected overall spending.**

In fiscal year 2003, the average annual cost per recipient for nursing homes was about \$40,300, about four times as high as the cost per recipient for the Elderly Waiver and the Alternative Care programs, about three times as high as the cost for the CADI Waiver program, and about 20 percent higher than the cost of the TBI Waiver program, as shown in Figure 2.6.¹³ This means that the enrollment in these waiver programs can increase by a substantially higher amount than the resulting decline in nursing home usage without increasing overall spending. For example, to break even, the state needs to reduce nursing home usage by just one person for every four recipients added to the Elderly Waiver program.¹⁴

Results of the model used by the Department of Human Services to forecast Medicaid expenditures indicate that the state roughly breaks even for the Elderly Waiver program. This model takes into account some of the other factors that affect nursing home usage, including changes in Minnesota's elderly population

Annual costs per recipient in the Elderly Waiver program were one-fourth of the cost per recipient in nursing homes.

¹⁰ Fees for fiscal year 2004 are based on income during 2002.

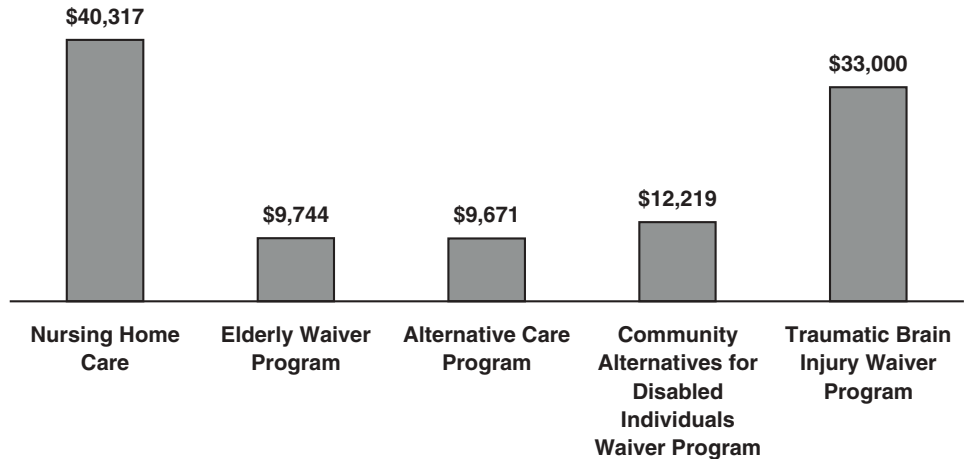
¹¹ The TBI Waiver program has two components—one is an alternative to nursing home care and the second is an alternative to neurobehavioral hospital care. In this section, all of the data refers to the nursing home alternative.

¹² People over age 65 may qualify for Alternative Care if they would become eligible for Medicaid within 180 days of entering a nursing facility and meet other asset requirements.

¹³ TBI is a much smaller program than the other three nursing-home alternatives. With an enrollment of only 570 persons in 2003, TBI had only a small effect on nursing home usage.

¹⁴ Enrollment in these three programs increased by 19,075 between 1991 and 2003 (from 4,571 in fiscal year 1991 to 23,646 in 2003). During the same time period, nursing home enrollment declined by 5,676 (from 28,508 to 22,832). Enrollment in the nursing home component of the TBI Waiver program increased by about 570.

Figure 2.6: Annual Costs per Recipient for Nursing Homes, Medicaid Waiver Programs, and Alternative Care, FY 2003



NOTE: Figure for Traumatic Brain Injury Waiver Program includes only the nursing home portion of the waiver.

SOURCE: Office of the Legislative Auditor, analysis of unpublished tables used in the Department of Human Services' November 2003 forecast.

and general economic conditions. Specifically, the model’s results suggest that the number of nursing home residents declines by one for every four recipients added to the Elderly Waiver program. The model indicates that the Alternative Care program affects nursing home usage by about the same amount as the Elderly Waiver program, but the Alternative Care program has a less beneficial impact on state spending because the state pays the full cost of the Alternative Care program while the cost savings from people leaving nursing homes are divided between the federal and state governments. In the past, the department tried estimating the impact of the CADI Waiver program on nursing home usage, but the results were not statistically significant. The impact of the TBI Waiver program is difficult to measure because it is much smaller than other programs that affect nursing home usage.

MR/RC WAIVER ALLOCATIONS TO COUNTIES

In 2003, the state began basing its MR/RC Waiver allocations on spending from the prior year.

To control spending increases, the Department of Human Services in January 2003 adopted a new method for allocating MR/RC Waiver funds to counties. In a process known as “rebasings,” the department decided to base 2003 allocations to counties on the amounts of actual paid claims during the prior year plus an adjustment for inflation and other cost factors.¹⁵ Initially, this change reduced

¹⁵ The initial rebasing amount was actual spending for fiscal year 2002 with increases of 3 percent for inflation, 1 percent to cover the cost of changes in recipients’ needs, and nearly 4 percent to cover the full annual costs of persons added to the waiver program during the year.

The 2003 MR/RC Waiver allocation to counties was less than it would have been under the former allocation method.

MR/RC Waiver funds that counties could spend by \$55 million from what the previous method would have provided. After the department made three adjustments to the rebasing during 2003, the size of the reduction was reduced to \$16 million. Also, the department for the first time allocated money for reserve accounts (intended to provide respite services when waiver recipients experience crises) within county budgets instead of keeping the reserves as separate accounts.¹⁶ Finally, the 2003 Legislature adopted a department initiative to make counties responsible for funding any spending in excess of their allocation amounts.

These changes were designed to ensure that spending would stay within the state budget by reducing the flexibility counties had to increase their spending. Under the previous allocation method, most counties had flexibility to increase spending because their allocations were often considerably higher than their actual spending. For example, during the past five years, the statewide difference between actual spending and the amount allocated to counties ranged from 5 to 18 percent.¹⁷ These gaps between allocations and actual spending were common because counties did not want to risk overspending their allocation. The gap between budgeted and actual expenditures often occurs because unanticipated changes, such as recipients using fewer respite care hours than planned or emergencies forcing a recipient off the waiver and into an ICF-MR for some period of time, affects how much money is actually spent on waiver services.

While the department's 2003 allocation method reduced the amount by which counties can increase their spending, counties have various ways to manage their budgets to meet the needs of their recipients. First, after counties receive their allocations for a year, they are free to use their resources as they think best meets the needs of their waiver recipients, as long as the counties stay within their overall allocations. Second, when recipients leave the program, counties may use the funds they spent on those recipients to increase services for other recipients or to fund services for new recipients. In addition, when counties have lacked resources to meet the health and safety needs of waiver recipients, the department has adjusted county budgets to meet those needs.

We examined the department's current funding allocation method in terms of the following dimensions:

1. State budget control, meaning whether the system allows the state to manage its budget;
2. Equity among counties, that is, how well the allocation method provides resources to counties in proportion to their recipients' needs;
3. Incentives to spend prudently; and

To manage their MR/RC Waiver budgets, counties may decline to add persons to the waiver program should a recipient leave.

¹⁶ The result, according to some counties, was a reduction in their general waiver budgets by whatever amount they set aside for the reserve.

¹⁷ The gap between allocations and actual spending reached a peak of 18 percent in fiscal year 2002, when counties were allocated \$883 million but actually spent \$723 million. This gap was especially large because many low-cost children who lived at home enrolled during the open-enrollment period in 2001, but the amount allocated to counties for those children did not take into account their lower spending requirements. The \$723 million in actual spending includes about \$21 million in home care services that are not part of the MR/RC Waiver program. The department includes funds for these services in county allocations. MR/RC Waiver expenditures presented earlier in this chapter do not include this program.

4. Administrative simplicity, meaning the degree to which the allocation method creates administrative burdens on counties or the state.

We found:

- **The Department of Human Services’ method of allocating MR/RC Waiver funds to counties allows the state to control spending, but it only partially reflects the needs of MR/RC Waiver recipients. It also creates incentives for counties to spend to their budget limit. In addition, delays in setting final county allocations make it difficult for counties to manage their budgets.**

State Budget Control – The new allocation method appears to have reduced spending growth in the MR/RC Waiver program. The department reported that counties as a whole have kept their spending under the new reduced budget amounts during the first three months of fiscal year 2004.

Equity Among Counties – The new allocation method does not allocate resources to counties in proportion to the needs of their caseload. Because the department is basing county allocations largely on the prior year’s spending levels, counties that spent prudently in the prior year would receive disproportionately low allocations compared with other counties with similar needs. In effect, the allocation method rewards counties with high spending and penalizes counties that were frugal.

The allocation method rewards counties that were high spending and penalizes counties that were frugal.

A second problem with using historical spending as a basis for county allocations is that the allocations will not change when a county’s overall needs change more (or less) than in other counties. For instance, counties with relatively large proportions of children on the waiver program are likely to bear a larger burden than other counties when these children move away from home. Recipients who live with their families one year but move into foster care the next will require higher expenditures that the initial year’s spending does not recognize. The large variation in proportions of children enrolled in the MR/RC Waiver program after open enrollment heightens this problem over time. After open enrollment, the proportion of children age 16 or under in county caseloads ranged from 46 percent in Chisago County to 5 percent in Ottertail County.¹⁸ Also, should a very needy recipient be



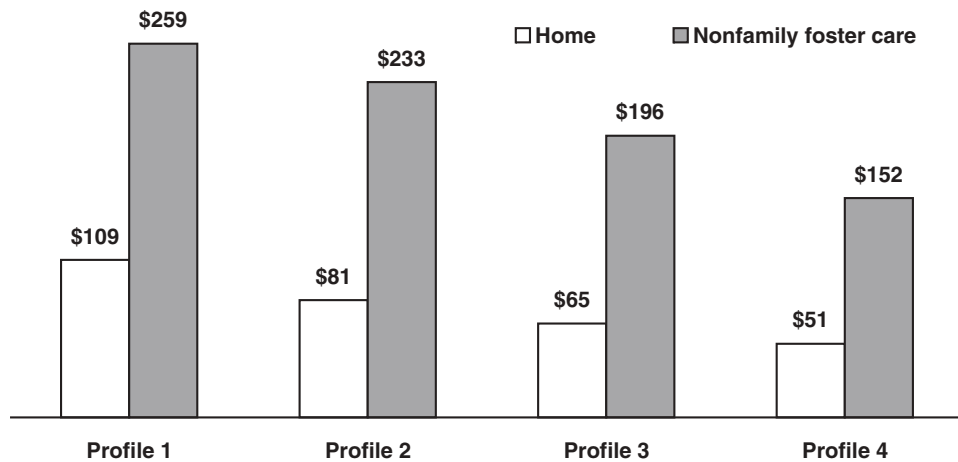
Whether waiver recipients live in their families' homes or in foster care affects costs.

¹⁸ This comparison excludes two small counties that did not have any children under age 17 enrolled in the MR/RC Waiver program.

replaced by a less needy recipient, the county receives a higher level of funding in the current year than it actually needs because the prior year's spending will include dollars spent on that very needy recipient.¹⁹

Another problem is the department's use of profiles. In developing its profile methodology, the department explicitly decided against including the recipient's living arrangement because it wanted instead to base waiver resources on recipients' functional characteristics.²⁰ This was predicated on the belief that recipients generally needed similar levels of support to address their functional abilities regardless of their living arrangement or the availability of family-provided supports. While important at the time because of the concern that recipients were being "institutionalized unnecessarily to receive additional waiver resources," the methodology does not reflect the large cost differences between living at home and foster care. Figure 2.7 shows that costs vary significantly by living arrangement within each profile. In Profile 1, for example, recipients living at home had average expenditures of \$109 per day, which is

Figure 2.7: Mental Retardation or Related Conditions Waiver Expenditures per Day by Profile and Living Arrangement, FY 2002



Within any of the four profiles of MR/RC Waiver recipients, average costs per day were higher for recipients in foster care than for those living at home with their families.

NOTE: Profiles were calculated for all recipients, including those without an official profile.

SOURCE: Office of the Legislative Auditor, analysis of Department of Human Services' data on individual MR/RC Waiver recipients.

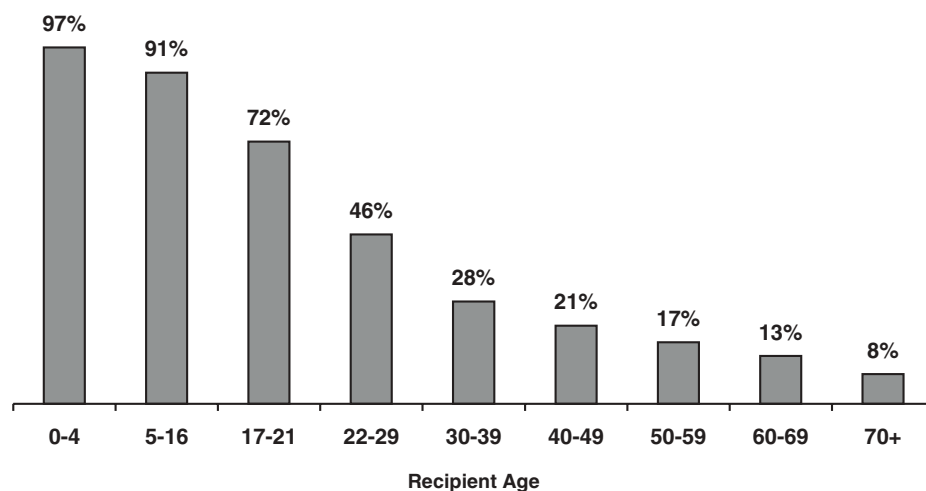
¹⁹ In addition, basing allocations on historical spending perpetuates problems that existed in the previous allocation method. For example, recipients who were already enrolled in the waiver when the profile system started in 1995 were not assigned a profile; instead they became part of a "base" for which the department made a separate allocation that was based on historical spending. Second, after the profile of a new recipient was determined, the allocation for that recipient continued to be based on his or her original profile regardless of whether the recipient's characteristics changed. Third, when a new recipient replaced a person who left the waiver program, the allocation for the new recipient was based on the profile of the previous recipient. As a result, if this profile system were continued unchanged for decades, the allocations would have eventually been based primarily on the characteristics of people who were no longer in the program.

²⁰ Department of Human Services, Division for Persons with Developmental Disabilities, *Summary Report: The MR/RC Waiver Allocation Structure* (St. Paul, March 1996), 9.

\$150 dollars less than the average expenditures for recipients living in nonfamily foster care at \$259 per day.

Using age in the profiles would reflect the costs of waiver recipients' differing needs without creating an incentive to inappropriately place persons in institutions. Age is highly correlated with living arrangement, as is shown in Figure 2.8. Age, by itself, is not a measure of need. It does, however, reflect the fact that younger recipients are more likely to live at home and receive support from their family, reducing the need to provide expensive public supports as in corporate-style foster care.

Figure 2.8: Percentage of Mental Retardation or Related Conditions Waiver Recipients Living at Home, by Recipient Age, FY 2002



SOURCE: Office of the Legislative Auditor, analysis of Department of Human Services' data on individual MR/RC Waiver recipients.

The department's profiles do not fully reflect cost differences associated with the severity of MR/RC Waiver recipients' degree of mental retardation.

The profiles also do not reflect cost differences associated with the degree of mental retardation. All four profiles contain recipients that range from mild through moderate, severe, and profound levels of mental retardation. Regardless of the profile, persons with a higher degree of mental retardation typically cost more than others. Within Profile 1, waiver spending in fiscal year 2002 differed by an average \$32 per day between recipients with mild mental retardation and recipients with profound mental retardation. The corresponding difference within Profile 2 was \$97 per day, and within Profile 3 it was about \$83 per day.²¹

Incentives – Because the allocation method used for 2003 is tied to prior-year spending, it creates incentives for counties to spend to the maximum. If they spend less than the full amount budgeted, they jeopardize the size of future years' budgets.

²¹ The difference in Profile 4 was \$39 per day, though this is not a very meaningful comparison because there were only 13 cases with profound mental retardation who were classified as Profile 4.

The 2003 allocation method caused delays that made planning difficult for counties.

Administrative Burden – The department’s MR/RC Waiver funding allocation method increased administrative burdens on counties. Counties did not know what their actual allocation would be for calendar year 2003 until the second half of 2003, making it difficult to plan for services. Initially, the department based county allocations for 2003 on the actual claims submitted for services in fiscal year 2002, plus an adjustment for inflation and other factors. Three adjustments totaling about \$39 million were made between June and October 2003 to reflect the full annual cost of services that were being provided in 2002. The adjustments occurred this late in the year because of lags between the dates that services were provided and the dates that providers submitted the claims. If the department continues to use this process in the future, counties will not know their actual allocations until late in the year.

More than two-thirds of counties reported it is difficult or very difficult to manage the gap between amounts allowed and amounts actually spent. The current allocation method heightens the consequences of not managing this gap because counties’ future budgets are at risk if they do not spend to their budget limit. In their responses to our survey, numerous counties wrote of the inability of current mechanisms to provide an accurate and up-to-date description of spending for their MR/RC Waiver recipients. Many counties believe additional state assistance is needed to help administer the MR/RC Waiver Program. One form of assistance that counties reported would be very useful is a method to monitor spending on a real-time basis.²²

The department’s new allocation method also increased administrative burdens on counties because the budget cuts led to an increase in appeals filed by recipients.²³ Minnesota Statutes provide the right to challenge counties’ social service decisions under various circumstances, including the reduction of MR/RC Waiver services.²⁴ This increase in appeals could occur under any change that cuts recipients’ services.

Revising the method of allocating counties’ budgets could improve the distribution of dollars according to caseload needs.

RECOMMENDATION

The Department of Human Services should change its allocation method to 1) improve the distribution of funding by better reflecting the needs of county caseloads, 2) avoid incentives for counties to spend to their budget limits, and 3) reduce administrative burdens on counties.

Although designing a new allocation method falls outside the scope of this study, it is important that the Department of Human Services consider the effects over time of basing allocations on prior-year spending. The department is studying its processes for determining eligibility and assigning benefits across all of the

²² Although such a tool may not be possible, the department may be able to make improvements, such as by updating Waiver Management System data on a more frequent basis. One of the impeding factors is that under federal Medicaid regulations, providers have up to a year to submit claims for services provided.

²³ Department personnel roughly estimated that whereas the department might have received one or two MR/RC Waiver appeals a month in previous years, it received about 100 during the first 11 months of 2003.

²⁴ *Minn. Stat.* (2003) §256.045, subd. 3 (a) (1).

Medicaid Home and Community-Based Waiver programs.²⁵ It hopes to achieve a streamlined process for assessing waiver recipients' needs and a new method of rationally assigning benefits to waiver recipients. As part of this study, the department should examine how to more closely tie the allocation method to the cost of services needed by recipients. This would not only make the method more equitable, it would avoid the incentive to spend to the budget limit. It could also reduce the administrative burden on counties by using readily available data on recipient characteristics rather than prior-year claims data, which is not complete until about six months into the following year. This would allow the final budget to be set earlier than is possible under the current method.

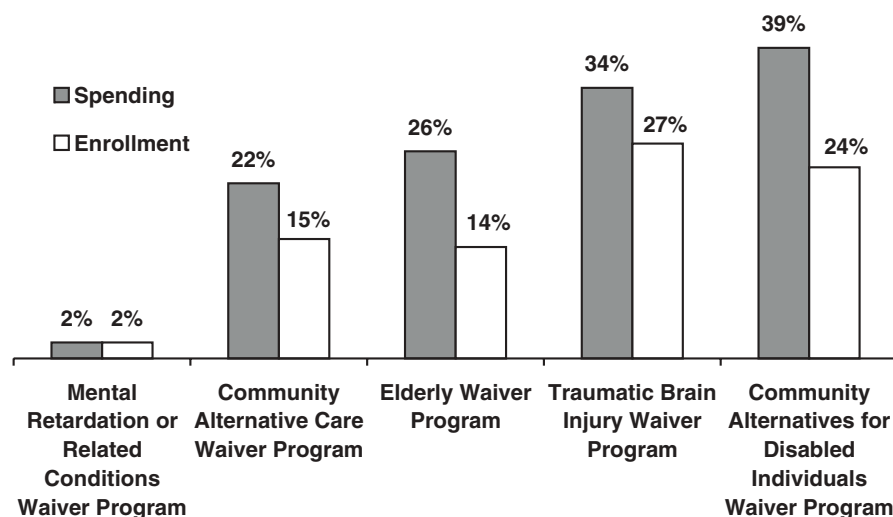
FUTURE WAIVER SPENDING

While MR/RC spending accounts for a majority of total waiver expenditures, growth in the MR/RC Waiver program is expected to be far smaller than in the other waiver programs, as shown in Figure 2.9. The Department of Human Services has forecast annual spending on the MR/RC Waiver to increase 2 percent annually, a much slower rate than the double-digit annual increases expected for the CADI, TBI, CAC, and Elderly Waiver programs.

Differences are similarly striking in forecasted caseload growth. MR/RC Waiver program enrollment is expected to increase 2 percent annually over the next four

Over the next four years, growth rates for the MR/RC Waiver program are forecasted to be much smaller than growth in the other Medicaid Waiver programs.

Figure 2.9: Projected Average Annual Growth in Spending and Enrollment for the Home and Community-Based Waiver Programs, FY 2003-07



SOURCE: Office of the Legislative Auditor, analysis of Department of Human Services' November 2003 forecast data.

²⁵ Minnesota Department of Human Services, Continuing Care Administration, *Request for Proposals for: Technical Assistance for the Development of a Comprehensive Long-Term Care Infrastructure Framework* (St. Paul, December 2003).

fiscal years, compared with far higher increases for the other Home and Community-Based Waiver programs.

The department has forecast low growth rates for the MR/RC Waiver program because of actions taken by the department and the Legislature in early 2003. As we described earlier in this chapter, the department reduced county allocations in January 2003. In addition, the 2003 Legislature reduced MR/RC Waiver program caseload growth by eliminating diversion allocations entirely for the 2004-2005 biennium.²⁶

The 2003 Legislature restricted new openings in the MR/RC Waiver program for the 2004-05 biennium.

In early 2003, some waiver recipients along with an advocacy organization and a provider association filed lawsuits related to the department's rebasing, but these lawsuits have not affected the department's forecast. A temporary restraining order imposed in March 2003 directed counties to refrain from any further changes to provider contracts due to the rebasing and directed the state to ensure no further reductions in authorized spending for individual beneficiaries.²⁷ Although the order limited counties' opportunities to reduce spending, the department did not revise its forecast because counties held down MR/RC Waiver spending below the levels of their allocations.

The Legislature and county and state officials who operate the MR/RC Waiver program can expect ongoing pressures for additional spending. We found that:

- **Long waiting lists for the MR/RC Waiver program and a large proportion of children currently enrolled in the program will likely add pressure for increased spending.**

As the large share of children now receiving MR/RC Waiver services age, they will be more likely to live away from home and require higher spending. Children under 17 years of age made up 23 percent of MR/RC Waiver recipients following open enrollment, compared with just 11 percent prior to open enrollment. The percentage of recipients living at home declines



When children now receiving waiver services age, they will be more likely to live away from home.

²⁶ In 2003, the Legislature also limited the growth in allocations for the Traumatic Brain Injury and Community Alternatives for Disabled Individuals Waiver programs, but these limits were less restrictive than the growth limits imposed on the MR/RC Waiver program. Also, the forecast, reflecting current law, assumes that the Legislature will not continue the restrictions for the TBI and CADI Waiver programs beyond the 2004-05 biennium.

²⁷ Although the March temporary restraining order was lifted at the end of August, the judge imposed a second temporary restraining order in mid-September prohibiting reductions in spending for waiver beneficiaries. The judge lifted the second order in early January 2004.

Waiting lists for the MR/RC Waiver program decreased following open enrollment in 2001 but increased 30 percent over the next two years.

with age, and foster care living arrangements are more costly than living at home. In fiscal year 2002, 92 percent of waiver recipients 16 years of age or younger lived at home, compared with 14 percent of recipients aged 50 and older.

Although waiting lists shrunk during the open-enrollment period in 2001, many people are currently on waiting lists, and the number is growing. With the addition of 5,500 MR/RC Waiver program recipients during open enrollment from late March through June of 2001, the number of people on waiting lists fell 35 percent, from 4,568 to 2,986 individuals. The decrease did not last long, however, as the waiting list increased about 30 percent over the next two years, reaching 3,877 at the end of fiscal year 2003. The actual number of people potentially waiting for the MR/RC Waiver program is even higher, as county staff told us that not all residents eligible for the MR/RC Waiver program are on the waiting list. The number of people on waiting lists may also grow because of the 2003 Legislature's decision to eliminate diversion allocations in fiscal years 2004 and 2005.

As might be expected, waiting lists are longest in the metropolitan-area counties, which tend to have the highest MR/RC Waiver caseloads.²⁸ Numbers of individuals on waiting lists in the seven-county metropolitan area represented 49 percent of all persons waiting for the waiver program at the end of fiscal year 2003; Hennepin County alone accounted for 22 percent of the state total. Only three counties (Kittson, Norman, and Wilkin) had no individuals on waiting lists at that time.

Waiting lists are likely to remain tight because once recipients begin receiving waiver services, they may continue to do so as long as they remain eligible. With any action the state takes to reduce waiting lists, it must continue to "assure the health, welfare, and rights of all individuals already enrolled in the waiver."²⁹ This prevents the department from removing persons from the waiver program even if others on the waiting lists have more severe needs.

POLICY OPTIONS FOR CONTROLLING MR/RC WAIVER PROGRAM SPENDING

The state controls MR/RC Waiver program costs largely with limits on access to the program and through the department's method for allocating county MR/RC Waiver budgets. We found that:

- **The state's policy of limiting access to the MR/RC Waiver program helps control spending but raises equity concerns. Alternative methods to control spending will involve difficult policy decisions.**

²⁸ *Minn. Stat.* §256B.0916, subd. 2(b) requires counties to consider certain factors, such as applicants' unstable living situations and the need to avoid out-of-home placement for children, when determining which applicants should have priority. According to our survey of county waiver administrators, counties were similar in their ratings of important or very important criteria for managing their waiting lists.

²⁹ Timothy M. Westmoreland, Director, U.S. Department of Health and Human Services Center for Medicaid and State Operations, letter to State Medicaid Directors, *Olmstead Update No: 4 Subject: HCFA Update*, January 10, 2001.

People waiting for MR/RC Waiver services may have needs equal to or greater than current waiver recipients, which creates equity concerns.

By controlling the number of new openings for the MR/RC Waiver program, the state limits access to the program but creates waiting lists. Because persons waiting for MR/RC Waiver services may have needs that are the same as or greater than persons already receiving waiver services, the waiting lists raise equity issues. The state could change how it manages MR/RC Waiver resources by using some mix of other cost controls. But while the options to control program costs may ease equity concerns, each has drawbacks and presents the Legislature with difficult dilemmas over the extent to which current MR/RC Waiver recipients can be served.

Obviously, one option for dealing with funding pressure and limited access is to increase appropriations for the waiver program. More dollars can serve more people and avoid limiting services. The feasibility of this approach, however, is limited by the budget realities the state faces. According to the Minnesota Department of Finance, Minnesota's economic outlook has weakened slightly since the end of the 2003 legislative session. In its November 2003 forecast, the department predicted a \$185 million deficit for the existing 2004-2005 biennium.³⁰ Although the forecasted deficit appears small compared to the \$4.6 billion deficit that confronted the 2003 Legislature, it portends a smaller likelihood for increased program spending. While the forecast showed that the state's budget reserve has grown by \$110 million to \$631 million, use of that reserve can only occur through legislative and gubernatorial action and is at best a short-term solution.

Other options to manage MR/RC Waiver resources are summarized in Table 2.3. Each option would reduce spending and leave room for new recipients, either by reducing the numbers of existing waiver recipients or reducing dollars spent on them, but each option has disadvantages. Controlling spending will produce tradeoffs regardless of the method or combination of methods used. Further, for any spending control, the Legislature would have to decide whether to apply it to all persons, in which case some portion of current recipients may lose eligibility, or apply it to only new enrollees, which would protect current recipients but bifurcate the caseload and slow the opportunity for capturing savings. A summary of these spending controls follows.

Options to control MR/RC Waiver spending present difficult tradeoffs and policy choices.

Table 2.3: Options to Control Mental Retardation or Related Conditions Waiver Program Spending

- Further restrict eligibility
- Limit the array or amounts of waiver services
- Lower expenditure levels for current recipients or set statewide caps on their budgets
- Further control payments to providers
- Design incentives to encourage lower-cost living arrangements

SOURCES: Office of the Legislative Auditor, analysis of Steven Lutzky, Lisa Maria B. Alecxih, Jennifer Duffy, and Christina Neill, *Review of the Medicaid 1915(c) Home and Community Based Services Waiver Program Literature and Program Data* (Prepared for the Health Care Financing Administration of the Department of Health and Human Services under a contract through the Lewin Group, June 15, 2000), 29-31.

³⁰ Minnesota Department of Finance, *November 2003 Economic Forecast* (St. Paul, December 3, 2003), 3.

Expenditures could be lowered while still retaining counties' flexibility over distributing their pool of funds, but lowering expenditures might still pose dilemmas over providing adequate services to waiver recipients.

Further Restrict Eligibility – The state could further restrict eligibility for the MR/RC Waiver, but federal approval would be required. Pending approval, the state could base eligibility on the severity of individuals’ needs or restrict program openings to those individuals who are at immediate risk of institutionalization.³¹ Either of these actions would create policy issues for the Legislature, such as determining to which group of eligible participants the waiver program should target funds.

Limit the Array or Amount of Services – The state could limit the types or amounts of services covered by the MR/RC Waiver program. As mentioned earlier, Minnesota’s MR/RC Waiver program covers a broad array of services, which advocates have pointed to as a program strength. Limiting the type or amount of service would prevent the waiver from tailoring services to individual needs as much as has occurred in the past. A variation of this spending control would be to impose a statewide definition of “need.” The focus could be on services that meet health and safety needs, to the exclusion of other services, such as chore services. Such a focus would, however, diminish the emphasis traditionally placed on defining needed services based on individuals’ own plans of care.³² Abiding by a centralized standard of need would also reduce county flexibility in dealing with people of widely varying needs.

Lower Expenditures for Current Recipients – The state could lower the level of expenditures for existing waiver recipients. This could be done in at least one of two ways. First, the state could reduce counties’ budgeted dollar amounts and let counties decide how best to apportion the reduced spending among their recipients. In effect, this would be akin to another rebasing. Counties would have the flexibility to decide how to best spend the money, but they would face some of the same dilemmas they faced in January 2003 in determining how to serve recipients’ changing needs without additional resources. Further, any existing inequities among counties could be exacerbated. Another version of this would base an overall reduction in county budgeted dollars on a revised allocation method that uses the profiles to a greater extent after improving them by incorporating important criteria, such as age. Such a change would reduce dollars overall and redistribute those dollars among counties in ways that better reflect the factors that drive costs. Counties would retain the flexibility to decide how to best spend their budgeted dollars. At the same time, though, many counties would still face dilemmas over fulfilling recipients’ needs with reduced funds.

A second way of lowering expenditures for existing recipients would be to set statewide caps on budgets for individuals according to their level of need. No recipient could receive an amount of spending that exceeded the state-set cap. While several counties have adopted their own budget limits for waiver recipients, grouping waiver recipients according to need is a difficult task. For example, as described earlier, the four profiles used to categorize new waiver enrollees are subject to a great deal of variation and do not reflect either the person’s degree of mental retardation or living arrangement. They do not change as a person’s needs change over time. Further, a state cap would not allow a county to spend more on

³¹ Increasing the service fees paid by parents on a sliding scale depending on income level is another mechanism to target services to those with lower abilities to pay.

³² Such limits might also conflict with the Olmstead decision that people with disabilities receive services in the most integrated setting appropriate to their needs.

unusually needy individuals unless there is also a process for approving exceptions to the cap.

Further Control Payment Rates – The state could further limit payment rates to providers. This could also be achieved if the state set rates for all MR/RC Waiver services (while accounting for cost-of-living differences around the state). Whether rate controls are an effective way to control spending is debatable, however. This method would also impose artificial constraints on the market place, obviating any price reductions occurring due to free market competition. Plus, rate reductions might jeopardize some providers' financial wherewithal to continue serving current waiver recipients.

Encourage Lower-Cost Living Arrangements – The state could design incentives that encourage waiver recipients to stay in their families' homes. Because recipients that live with their families have lower average costs than those living in corporate foster care settings, such incentives would help the state avoid higher-cost living arrangements. At the same time, though, they could prevent individuals from achieving the independence they desire and work against the program objective of self-determination. Lower-cost, out-of-home options could be explored, such as consumer-controlled cooperative housing. Because of the longer timeline needed to develop cooperative housing, this alternative would produce effects only in the long term; it would not affect spending in the short term.