
Introduction

The Medicaid Waiver program for persons with mental retardation or related conditions is by far the largest of Minnesota's five waiver programs and the only one currently with a waiting list.

Medicaid program waivers, which are granted by the federal Centers for Medicare & Medicaid Services, allow the state to use Medicaid money to fund services in alternative settings for Medicaid-eligible people who would otherwise receive care in hospitals, nursing facilities, or intermediate care facilities. Since 1982, when the waiver programs began in Minnesota, eligible persons have increasingly chosen home and community-based settings over institutions.

Minnesota has five Home and Community-Based Waiver programs, each targeted to different populations. By far the largest is the Mental Retardation or Related Conditions (MR/RC) Waiver program. Because of a long waiting list of persons eligible for MR/RC Waiver services, the 1999 Legislature directed the Department of Human Services to reduce the size of the list. The department opened enrollment to all eligible persons for a three-month period in 2001, resulting in about a 50 percent increase in MR/RC Waiver program recipients that year alone. Shortly after this enrollment surge, the state's budget situation deteriorated. To manage waiver expenditures during a time of tight resources, the 2003 Legislature discontinued new openings in the MR/RC Waiver program, and the department changed its method for allocating MR/RC Waiver funds.

Although the state oversees the waiver programs, counties administer them. Questions about variation in counties' expenditures and practices, combined with concern about the current waiting list and the department's response to forecasted growth in spending, led to legislative interest in more information on the MR/RC Waiver program. In June 2003, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate the Medicaid Home and Community-Based Waiver programs, in particular the waiver for persons with mental retardation or related conditions. Our evaluation addressed the following questions:

- **How much does Minnesota spend on the Medicaid Home and Community-Based Waiver programs? What factors drive spending?**
- **How well does Minnesota's system for allocating MR/RC Waiver program resources to counties work?**
- **Does the state have sufficient controls to ensure that funds are spent appropriately for the component of the MR/RC Waiver program known as Consumer-Directed Community Supports (which allow waiver recipients greater control over their care and service providers)?**

To answer these questions, we analyzed Department of Human Services' data on caseloads, spending, and forecasted growth. We also analyzed data on

characteristics of individual MR/RC Waiver recipients and their waiver spending. We interviewed department personnel as well as county personnel in charge of administering waiver programs. For additional information on counties' administrative practices, we surveyed county MR/RC Waiver program administrators. For a broader set of perspectives, we interviewed representatives from organizations that advocate on behalf of recipients, and we surveyed advocacy organizations and associations of providers. We also reviewed 267 randomly selected case files from 12 counties offering Consumer-Directed Community Supports.

We did not evaluate the quality of care that Medicaid Waiver recipients receive. Nor did we assess questions about how well counties determine eligibility for the Medicaid Waiver programs.

Chapter 1 of this report provides background information on the Medicaid Home and Community-Based Waiver programs in general and the MR/RC Waiver program in particular. In Chapter 2, we examine spending and caseload trends for Medicaid Waiver programs and for institutional care. We also discuss funding issues for the MR/RC Waiver program. Chapter 3 focuses exclusively on the MR/RC Waiver program and evaluates controls intended to ensure appropriate MR/RC Waiver spending as well as county compliance with select state rules.