United States General Accounting Office

GAO

Report to the Chairman, Committee on Finance, U.S. Senate

July 1989

HEALTH CARE

Nine States' Experiences With Home Care Waivers

GAO/HRD-89-95

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-231228

July 14, 1989

The Honorable Lloyd Bentsen
Chairman, Committee on Finance
United States Senate

Dear Mr. Chairman:

This report responds to your office's September 1988 request for information on states' experiences in applying for, renewing, and administering Medicaid waivers to permit payment for home care provided to chronically ill children. Medicaid normally does not pay for long-term medical care provided outside of institutions. We visited nine states (California, Florida, Georgia, Maine, Maryland, Minnesota, Mississippi, Ohio, and Texas) and interviewed state and federal officials responsible for administering the Medicaid waivers to get their perceptions of the waiver process. The details of our scope and methodology are presented in appendix I.

Beginning in 1981, legislative and regulatory changes to the Medicaid program gave states the option of providing services to their Medicaid populations in a home or community-based setting. Such services could be offered to individuals needing long-term care if care in that setting did not cost more than care in an institution. Because different types of waivers are available, states have obtained more than one waiver.

Results in Brief

The nine states administered a total of 32 home and community-based waivers. Children were eligible for services under 24 of them and represented about 10 percent of the individuals served under these waiver arrangements.

Officials in eight of the nine states told us they were satisfied with the results achieved with their waivers: i.e., they were able to provide less costly home and community-based care. On the other hand, most states reported difficulties with their initial attempts to obtain waivers. Some state officials recalled the initial waiver application and approval process as a long, stretched-out, and uncertain process.

Other officials said the federal review comments were inconsistent. None of the difficulties experienced, however, deterred the states from applying for additional waivers. States reported less difficulty obtaining additional waivers.

Health Care Financing Administration (HCFA) officials said it takes time to review waiver applications because the waiver provisions are vulnerable to abuse and some applications are incomplete and not well supported. Most likely, the officials said, states experiencing inconsistent reviews had applications in process while the regulations were still in draft and being revised. We believe now that the regulations are final and states have gained experience with the process, fewer problems should occur.

Several states also had difficulties administering waivers. Some states had problems locating service providers willing to participate in the waiver programs because of Medicaid reimbursement rates and processes. Other states had staffing problems—three said too many staff resources were needed to obtain or administer waivers, while one said staff shortages hampered its outreach effort to identify beneficiaries and educate the community about the waiver program.

Background: Medicaid and Types of Waivers

Medicaid is a joint federal/state program of medical assistance for certain needy persons. Within federal guidelines, each state designs and administers its own Medicaid program under the auspices of HCFA, a component of the Department of Health and Human Services.

States have several options to provide services to individuals being cared for in the home and community setting. One option, authorized by section 134 of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248), allows states to amend their Medicaid plans to provide home care to certain disabled children under age 19 who would otherwise require care in a medical institution. If a state elects this option, all children meeting the eligibility criteria must be allowed to participate. Because of the potentially high cost, some states have been reluctant to pursue this option. Of the states reviewed, Georgia, Maine, and Minnesota amended their Medicaid plans to provide this option, but they had no data on the numbers of children served.

Another option allows states to request a waiver from the Medicaid rule that generally does not allow payments for long-term home care services. This option was authorized by section 2176 of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Waivers enable states to finance various home and community-based services for Medicaid beneficiaries who otherwise would be institutionalized. Such services could include case management, rehabilitation services, respite care, homemaker services, and others. The act provides for the granting of waivers

if states provide assurances and meet other requirements, to include assuring that the average cost of home and community-based care does not exceed what the costs would have been in the absence of the waiver. Waivers are approved for an initial 3-year period and can be renewed for additional 5-year periods.

HCFA offers two types of waivers, commonly called regular waivers and model waivers. They differ primarily in the number of individuals served and in the requirement that model waivers must include a provision that has the effect of not counting the income of parents or spouses in determining Medicaid eligibility. Model waivers can serve a maximum of 200 (increased from 50 when the waivers first started) disabled individuals at any one time, while regular waivers have no satisfactorily established limits. The number of people served by regular waivers is determined by the state and approved by HCFA based on an evaluation of the reasonableness of state estimates of cost-neutrality.

The nine states had 22 regular and 10 model waivers (see apps. II and III, respectively). Children were eligible for services under 24 of the waivers and represented about 10 percent of all the individuals served under these waiver arrangements.

States Satisfied With Waivers, Will Continue Them

In eight of the nine states we visited, officials said they were satisfied with the results achieved with their waivers: they were able to provide less costly home and community-based care. Texas, however, was generally dissatisfied with its two waivers, one in particular because it had not resulted in anticipated cost savings.

With respect to serving individuals and saving money, according to state officials:

- Georgia's waiver clientele more than tripled in 3 years.
- In California and Ohio, the waivers met the needs for home-based care of their target groups.
- California's waiver saved the state's Medicaid program over $16.8 million between 1982 and 1985.

Officials in all nine states planned to continue with most of their waivers. At the time of our field work, the states either had renewed or were renewing 7 waivers, and officials said that 19 others also would be renewed. Further, California, Florida, Georgia, Maryland, Minnesota, and Ohio planned to apply for additional waivers.

However, a few waivers were not being renewed because they had not met expectations, according to state officials. For example, a Texas model waiver had not resulted in anticipated cost savings because not enough individuals were being served. Texas is replacing this waiver with a regular waiver. A Florida waiver was not cost-effective and the actual caseload utilizing the services fell far below estimates. The waiver required clients to reside in certain group homes to be eligible for community services, and few clients were willing to reside in these homes.

Some Difficulties Obtaining Waivers, Mostly for Initial Requests

Eight states experienced difficulties with the application and review process. However, these difficulties seemed to be confined primarily to states' initial applications and some renewals. States had fewer problems with applications for additional waivers and renewals. One state reported no difficulties.

Applying for and renewing some first-time waivers caused difficulties, according to officials in the eight states. They said (1) the process was long and untimely; (2) the waiver regulations seemed to be constantly changing, which required rewriting the applications several times; or (3) HCFA's reviews raised issues that were inconsistent. The following examples were provided by state officials:

- Florida submitted its renewal applications 90 days before the expiration of two current waivers, as required. HCFA responded with an extensive list of questions 60 days into the 90-day period. Because the state was not able to immediately respond to these questions, it requested several 90-day extensions to keep the current waivers active. The state viewed HCFA's review as (1) untimely, because it received HCFA's questions just 30 days before the waiver's expiration date, and (2) inconsistent, because HCFA headquarters officials required certain items to be reinserted in the applications that the HCFA regional officials had deleted. Florida also spoke about changes in waiver rules, which to them always seemed to be in effect immediately.
- Processing a waiver application in Minnesota took 4 years and considerable correspondence. The primary problem was with the HCFA-prescribed formula for estimating less costly home and community-based care. State officials believed that cost savings should be shown on a case-by-case basis instead of a formula based on other data.
- Texas took about 2 years to develop a waiver application and almost another year to process it, during which time it seemed to the staff that

federal rule changes were constantly occurring, often leaving the staff unclear as to which regulations were in effect.

- California had to respond to what staff considered overly detailed review questions. For example, they said that HCFA questioned the accuracy of the cost figures in several tables in a waiver application. When the state rechecked the data, the amounts were off by only $18 (out of a total of $14,000) because of differences in rounding.

We discussed general, rather than specific, state problems with HCFA officials. Responding in general, they explained that interim regulations for regular waivers were published and circulated to the states in October 1981. But the final regulations were not approved until March 1985, and in the interim, the regulations and waiver program requirements underwent revisions. Most likely, HCFA said, states' comments about inconsistent review of waiver applications and constantly changing regulations resulted from HCFA's practice of notifying states of the latest revisions to the draft regulations when they had applications in process.

Also, HCFA officials said they are limited to two 90-day periods to review and process a waiver application or renewal, but states have no time limitations for responding to HCFA review questions. Some states have taken from several months to a year. Further, the officials said the time it takes to process a waiver renewal does not adversely affect the states' current waivers because states can request 90-day extensions.

Finally, the waiver application and renewal process is sometimes long, HCFA officials said, because each application is closely reviewed for compliance with regulations. The waiver provisions are vulnerable to abuse, they explained, in that some states use them to attempt to shift other costs to the Medicaid program. Such costs include those of other state programs that provide home care services. Also, waiver processing sometimes takes longer if applications are incomplete and not well supported or propose unique or unusual services that need close review for compliance with regulations.

Some states said they experienced relatively little difficulty in subsequent applications for additional waivers and renewals. Texas recalled having no problems when applying for a second waiver or with its replacement, and Mississippi experienced no problems renewing its waiver. Ohio had fewer problems applying for an additional waiver, while Maryland had fewer difficulties renewing its waiver.

From officials' comments it appeared that these states had less difficulty because they were familiar with the application process and the regulations had been issued. Moreover, HCFA officials said that unless a state proposes changes in a waiver's basic provisions, such as adding services or otherwise expanding coverage, the renewal process should be quicker.

Several States Experienced Administrative Difficulty

Six of the nine states experienced some difficulty administering waivers. While the comments were made in the context of the waiver program, some of them appeared to be problems inherent in the states' Medicaid program. For example:

- In Georgia, most registered nurses receive between $25 and $35 per hour for private duty nursing services, but the state Medicaid program pays only $17.50.
- Maryland was having difficulty finding physicians willing to provide services to waiver participants because the time they spend out of the hospital in meeting with other providers to review and assess patients' conditions and progress is not reimbursable. One participating physician withdrew from the waiver program, we were told.
- In the past, some Maryland providers were upset with the generally untimely state Medicaid reimbursement process and threatened to discontinue serving clients until paid for past services.
- In Minnesota, some county health departments were not participating in the waiver program because of liability concerns associated with managing the care of ill children.

Commenting on other administrative difficulties, California, Minnesota, and Ohio officials described the resources required to obtain or administer waivers as disproportionately high in relation to the number of people served or to total Medicaid expenditures. In Minnesota, officials said staff shortages hampered their outreach efforts to identify beneficiaries and educate the community about the waiver program.

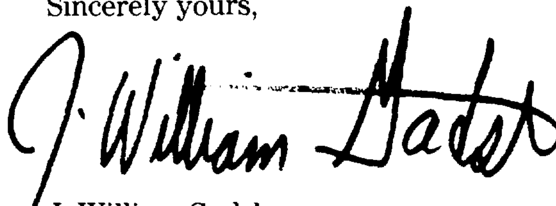
Agency Comments

The Department of Health and Human Services reviewed a draft of this report and had no substantive comments (see app. IV).

We are sending copies of this report to the Department of Health and Human Services. We also will make copies available to others upon request.

The major contributors to this report are listed in appendix VI.

Sincerely yours,



J. William Gadsby
Director of Intergovernmental
and Management Issues

Contents

Letter	1
Appendix I Scope and Methodology	10
Appendix II Inclusion of Children in Regular Waivers in Nine States	11
Appendix III Inclusion of Children in Model Waivers in Nine States	12
Appendix IV Comments From the Department of Health and Human Services	13
Appendix V Major Contributors to This Report	14

Abbreviations

HCFA Health Care Financing Administration

Scope and Methodology

For our review, we selected nine states—California, Florida, Georgia, Maine, Maryland, Minnesota, Mississippi, Ohio, and Texas—on the basis of geographic diversity and the variety of Medicaid waivers they received. To obtain information about waivers and states' experiences in obtaining and implementing them, we used a standardized interview guide. We met with state officials responsible for administering the waivers and staff responsible for preparing the waiver applications, determining eligibility, and conducting the day-to-day tasks associated with the waivers. In addition, we met with HCFA headquarters staff and discussed with them, in general, state officials' comments about their experiences with the waiver application and approval process.

Our objective was to obtain state officials' views and perceptions regarding the waiver program and HCFA's comments on the states' experiences. We did not review states' waiver applications and correspondence with HCFA or otherwise attempt to verify or resolve states' comments and experiences or HCFA's comments.

We performed our review in accordance with generally accepted government auditing standards between February and September 1988.

Inclusion of Children in Regular Waivers in Nine States

State	Number of waivers: Total	Number of waivers: Covering children	Individuals served[a]: Total	Individuals served[a]: Children
California	**4**	3	**2,728**	836
Florida	**5**	1	**2,631[b]**	[c]
Georgia	**1**	1	**7,671**	100[b]
Maine	**3**	1	**453**	100
Maryland	**2**	2	**763[b]**	83
Minnesota	**3**	2	**1,636**	508[b]
Mississippi	**1**	1	**141**	0
Ohio	**2**	2	**477[d]**	[c]
Texas	**1**	1	**283**	48
Totals	**22**	**14**	**16,783**	**1,675**

[a]At the time of our visit (only for waivers covering children).

[b]Estimated.

[c]Unavailable.

[d]One waiver had been approved but not implemented at the time of our review. Thus, the data represent just one waiver.

Inclusion of Children in Model Waivers in Nine States

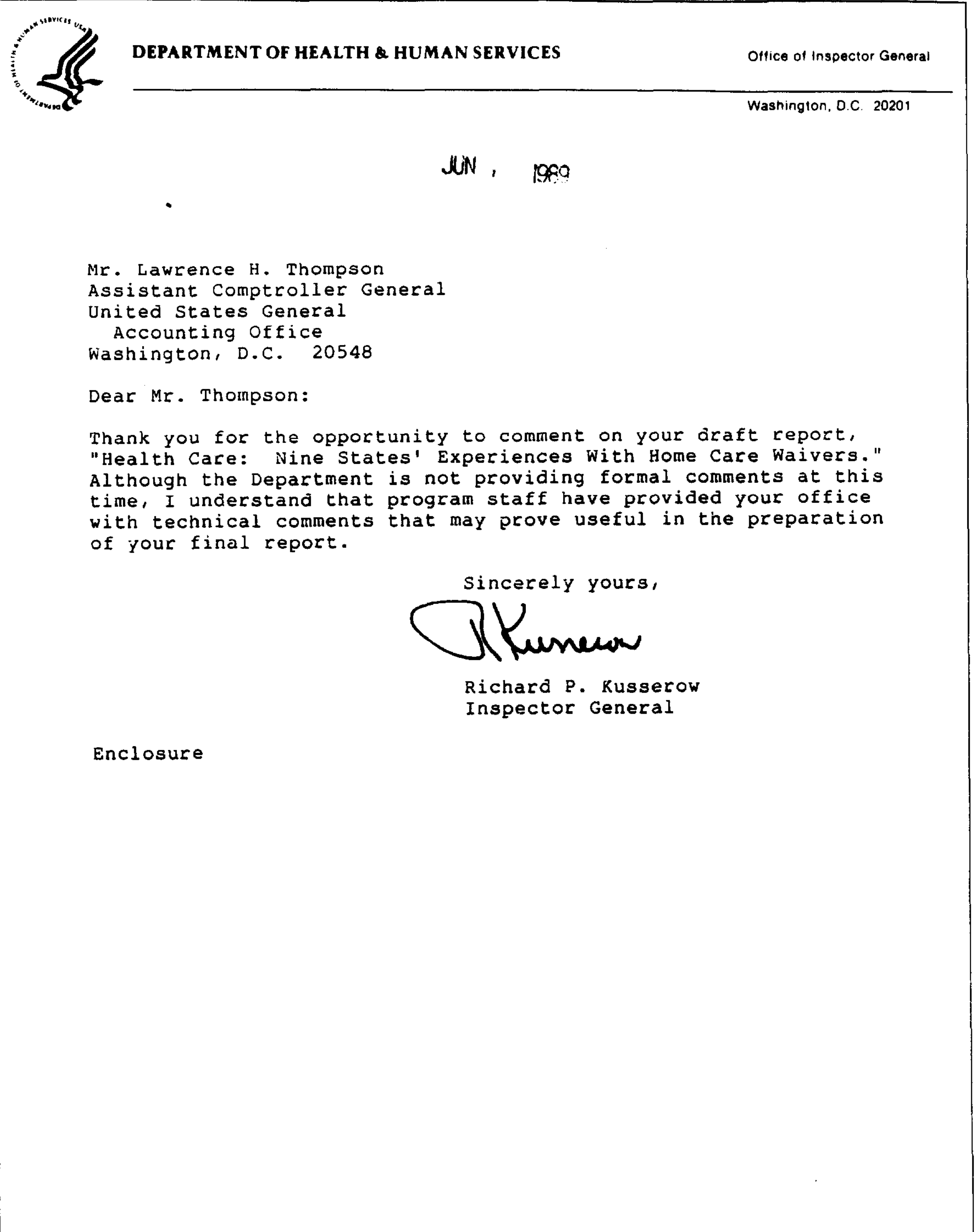
State	Number of waivers: Total	Number of waivers: Covering children	Individuals served[a]: Total	Individuals served[a]: Children
California	**1**	1	[b]	[b]
Florida	**0**			
Georgia	**2**	2	**6**	6
Maine	**0**			
Maryland	**1**	1	**5**	5
Minnesota	**1**	1	**36**	32
Mississippi	**1**	1	**0**[c]	
Ohio	**3**	3	**111**	92
Texas	**1**	1	**27**	27
Totals	**10**	**10**	**185**	**162**

[a]At the time of our visit (only for waivers covering children).

[b]Waiver had not been implemented at the time of our visit.

[c]The waiver requires individuals to be institutionalized at time of application and approval for waiver services. If the applicant is released before receiving approval, the individual loses eligibility. StateMedicaid waiver officials said that this strict eligibility criterion may explain why no one was being served by the waiver at the time of our review.

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN , 1989

Mr. Lawrence H. Thompson
Assistant Comptroller General
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Thompson:

Thank you for the opportunity to comment on your draft report, "Health Care: Nine States' Experiences With Home Care Waivers." Although the Department is not providing formal comments at this time, I understand that program staff have provided your office with technical comments that may prove useful in the preparation of your final report.

Sincerely yours,

Richard P. Kusserow
Inspector General

Enclosure

Major Contributors to This Report

Human Resources Division, Washington, D.C.

J. William Gadsby, Director of Intergovernmental and Management Issues, (202) 275-2854
John M. Kamensky, Assistant Director
Robert F. Derkits, Assignment Manager
Endel Kaseoru, Site Senior

Atlanta Regional Office

Nancy T. Toolan, Evaluator-in-Charge
Katherine Dubuisson, Evaluator

Cincinnati Regional Office

Michael F. McGuire, Site Senior

Dallas Regional Office

Mary K. Muse, Site Senior

Los Angeles Regional Office

Alexandra Y. Martin, Site Senior

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are $2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.