Policy in Brief

MACPAC

Compendium of Medicaid Payment Policies for Home- and Community-Based Services in Section 1915(c) Waivers

Summary

This compendium summarizes state Medicaid payment policies for home- and community-based services (HCBS) provided under the waiver authority of Section 1915(c) of the Social Security Act. The compendium also describes other authorities that states use to cover HCBS, such as state plan options and Section 1115 demonstration waivers, but payment methodologies for those authorities were not readily available.

The compendium reviews rate methodologies for three major service categories defined in the HCBS taxonomy that account for the majority of HCBS spending: home-based services, day services, and round-the-clock care. To organize unique state HCBS benefits, researchers developed the HCBS taxonomy, a uniform classification system comprised 18 service categories (Peebles and Bohl 2013). States have considerable flexibility to define these services. In our review, we found 253 unique, state-defined services that fit into these three taxonomy categories. Some of these services include home-based and day habilitation, personal care, prevocational services, adult day health, and in-home round-the-clock services.

Background

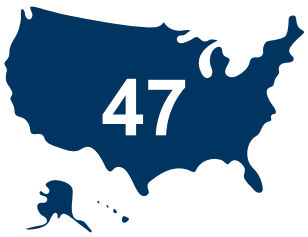
HCBS allow individuals with significant physical and cognitive limitations to live in home or home-like settings and remain integrated with the community. Medicaid payment policy plays a critical role in developing an HCBS workforce with the capacity and skills to meet the service needs of Medicaid beneficiaries receiving care through HCBS. Medicaid is the nation's largest payer of HCBS for individuals with intellectual disabilities or developmental disabilities (ID/DD), older adults, and individuals with physical disabilities (MACPAC 2023). As a result, Medicaid payment policy can have an important effect on the workforce.

We use the term HCBS workers broadly to include the following:

- **Direct care workers** (DCWs) such as personal care aides/attendants (PCAs), home health aides (HHAs), and certified nursing assistants (CNAs).
- **Direct support professionals** (DSPs) who assist individuals with ID/DD, providing a broader range of services than PCAs, such as employment support. There are no federal training standards for DSPs.
- **Independent providers** who are employed directly by beneficiaries through self-direction (sometimes referred to as consumer direction).

All states are reporting HCBS worker shortages as the demand for services outpaces growth in the workforce (Burns et al. 2023). The COVID-19 pandemic has further exacerbated HCBS workforce capacity challenges, making it difficult for states to maintain access to services.

By the numbers...



As of May 2023, 47 Medicaid programs used 258 Section 1915(c) waivers to cover HCBS.

Of these 47 states, 30 states conducted a rate study.

27 of the states that conducted a rate study made them publicly available.

Findings

Most states use wage data from the Bureau of Labor Statistics (BLS) to develop Medicaid wage assumptions for Section 1915(c) waiver services (Table 1). Other sources included state wage data, average wages from provider surveys, provider cost reports, minimum wage levels, market rates, and stakeholder feedback. BLS does not include a classification for HCBS workers, so states use other BLS labor categories that are comparable to HCBS workers in terms of skills and training.

TABLE 1. Wage Data Sources Used for FFS HCBS Rate Development in 1915(c) Waivers

Wage data source	Home-based services		Day services		Round-the-clock services	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
Total states in analysis	**30**	**100%**	**37**	**100%**	**34**	**100%**
BLS	23	77	29	78	24	71
State wage data	9	30	7	19	9	26
Provider survey data	3	10	4	11	4	12

Note: FFS is fee for service. HCBS is home- and community-based services. BLS is Bureau of Labor Statistics. Home-based services, day services, and round-the-clock services refer to HCBS taxonomy categories. Some states use more than one wage source during payment rate development. States excluded from the analysis do not operate FFS HCBS through Section 1915(c) waivers or did not indicate the wage source used in HCBS rate development in their Section 1915(c) waiver.

Source: Milliman, 2024, review for MACPAC of section I-2a of Section 1915(c) waiver applications approved as of May 2023.

HCBS worker wages are one component of the HCBS payment rate and generally the largest. Other staffing-related considerations during payment rate development include employee-related benefits and withholdings, acuity and service-specific variances in staff time, and the overall structure of the payment rate (e.g., reflecting team-based supports versus one-on-one care). Additional rate components reflect transportation, administration, program support and overhead costs. The use of non-wage assumptions in payment rates is more common for day services and round-the-clock services, which are often paid using a bundled rate per day, than they are for home-based services, which are often paid based on the number of hours a HCBS worker spends with a beneficiary.

Many states conduct formal, externally facing rate studies to develop assumptions for each component of the rate and also have processes in place to update these rate assumptions over time. There is substantial variance in the frequency of HCBS rate updates across waiver programs (ranging from annually to every five years), and rate implementation is subject to legislative approval.

Public documentation of rate studies, processes, and results, is also highly variable, with some states publishing formal rate study reports on their websites and others having very little external rate study reporting. It is important to note that states do not always fund HCBS rates at the rates recommended by HCBS rate studies, depending on state budget constraints. This review identified 30 Medicaid programs that conducted rate studies for one or more services, but copies of rate studies were only readily identifiable for 27 Medicaid programs.

The scope of rate studies varied by state. A rate study might be specific to one or multiple Section 1915(c) waivers, may include both state plan and Section 1915(c) waiver services, or may be designed to provide benchmark or minimum payment rates for use under managed care. Rate studies are typically performed by an outside contractor and include a provider cost and wage survey and a structured stakeholder engagement process designed to obtain input on payment rate assumptions (e.g., steering committee and provider workgroups).

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References

Burns, A., M. Mohamed, and M. O'Malley Watts. 2023. *Payment Rates for Medicaid Home- and Community-Based Services: States' Responses to Workforce Challenges*. Washington, DC: KFF. https://www.kff.org/report-section/payment-rates-for-medicaid-home-and-community-based-services-states-responses-to-workforce-challenges-appendix-tables/.

Peebles, V., and A. Bohl. 2013. The HCBS taxonomy: A new language for classifying home- and community-based services. Chicago, IL: Mathematica Policy Research. https://www.cms.gov/Research-Statistics-Data-and-Systems/Computer-Data-and-Systems/MedicaidDataSourcesGenInfo/Downloads/MAX_IB19_Taxonomy.pdf.

About MACPAC

The Medicaid and CHIP Payment and Access Commission (MACPAC) is a non-partisan legislative branch agency that provides policy and data analysis and makes recommendations to Congress, the Secretary of the U.S. Department of Health and Human Services, and the states on a wide array of issues affecting Medicaid and the State Children's Health Insurance Program (CHIP).