Policy in Brief   MACPAC

Compendium of Medicaid Home- and Community-Based Services Payment Policies for 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 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 composed of 18 service categories (Peebles and Bohl 2013). States have considerable flexibility to define these services, and 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, education, 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 direct care workers, direct support professionals (DSPs), and independent providers:

- **Direct care workers** include personal care aides (PCAs), home health aides (HHAs), and certified nursing assistants (CNAs). PCAs, who assist individuals with activities of daily living (ADLs) are the most common type of direct care worker (BLS 2020).

- **Direct support professionals** (DSPs) assist individuals with ID/DD, providing a broader range of services than PCAs, such as employment support. There are no federal training standards for direct support professionals.

- **Independent providers** are those 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 HCBS outpaces growth in the HCBS 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...

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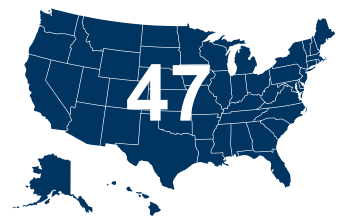
As of May 2023, 47 Medicaid programs used 258 Section 1915(c) waivers to cover HCBS.

70%

Of these 47 states, 33 of those states (70%) conducted a rate study.

82%

About 82% (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 currently include a classification for HCBS workers, and so states use labor categories with similar skills and training as those needed for specific HCBS.

TABLE 1-1. 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	**31**	**100%**	**37**	**100%**	**33**	**100%**
BLS	23	74	28	76	25	76%
State wage data	9	29	8	22	9	27%
Provider survey data	3	10	3	8	3	9%

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 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

Source: Milliman, 2024, review for MACPAC of Section 1915(c) waivers approved as of May 2023.

HCBS worker wages are one component of the HCBS payment rate and generally the largest. Other components include administrative as well as service-specific variation in HCBS worker time and costs (Figure 1).

FIGURE 1. Overview of Typical HCBS Rate Components

HCBS worker wages and benefits + Service-specific variances in HCBS worker time + Service-specific costs (e.g., transportation fleet vehicles) + Administration, program support, and overhead = HCBS rate

Note: HCBS is home- and community-based services.
Source: Milliman, 2023, analysis for MACPAC of Section 1915(c) waiver applications approved as of August 2023.

Many states conduct formal 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 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 33 Medicaid programs that conducted rate studies for one or more waivers, but copies of rate studies were only readily identifiable for 27 Medicaid programs and adoption of recommended rates could only be publicly confirmed across 8 Medicaid programs.

The scope of rate studies varied by state. For example, 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).

References

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