

## Community-Based Medicaid Funding for People with Intellectual and Developmental Disabilities

By Richard Hemp, David Braddock and Martha King

State governments have been funding residential services for people with intellectual and developmental disabilities (I/DD) for more than 160 years. As illustrated in Figure 1, large, state-operated institutions were at their peak in 1967 and housed 195,000 people with intellectual and developmental disabilities.

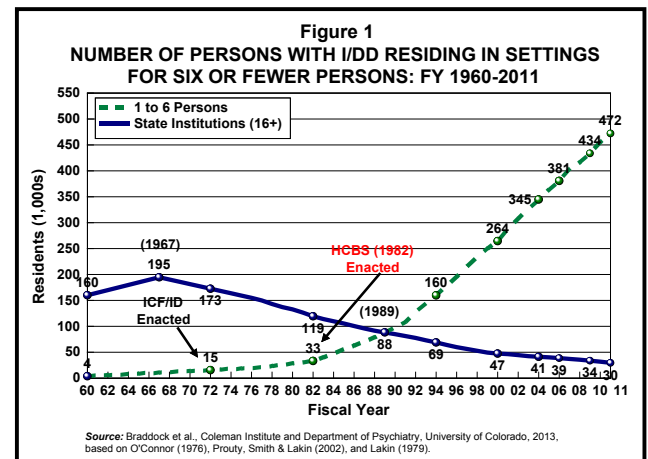
### Federal Action

In 1972, Medicaid began paying for services for I/DD facilities called Intermediate Care Facilities for the Mentally Retarded (ICF/MR), now referred to as ICF/ID.

Such facilities housed as many as 1,000 or more people and provided services such as medical care, occupational therapy and rehabilitation. In the 1980s, people with disabilities and their families began advocating for the opportunity to live in community-based residential and family settings.

In addition, states began to save money by accommodating people in smaller home-like settings rather than in large, costly institutions subject to more federal regulations. The landmark 1999 Supreme Court decision, *Olmstead v. L.C.*, required that people with disabilities receive services in the most integrated setting appropriate to their needs, thus adding momentum to the movement toward community care and family support services, and away from institution-based care.

In 1981, Congress authorized the Medicaid Home and Community-Based Services (HCBS) Waiver, allowing states to request federal permission to use Medicaid funds to pay for **long-term services and supports in community settings**. The authorization “waives” some federal Medicaid requirements to allow states more flexibility in determining specific populations to be served—for example, frail elderly, children with autism and those with I/DD—as well as the services provided under each waiver. Those services may include non-medical support such as home modifications, family-member training and respite care, and supported employment. HCBS Waiver spending in 2011 for all 1.4 million participants with disabilities and the elderly totaled \$38 billion. People with intellectual and developmental disabilities represented 45 percent of all waiver participants and 73 percent of waiver spending in 2011. **HCBS Waivers** have thus become a popular cost-effective alternative to institutional ICF/ID spending.

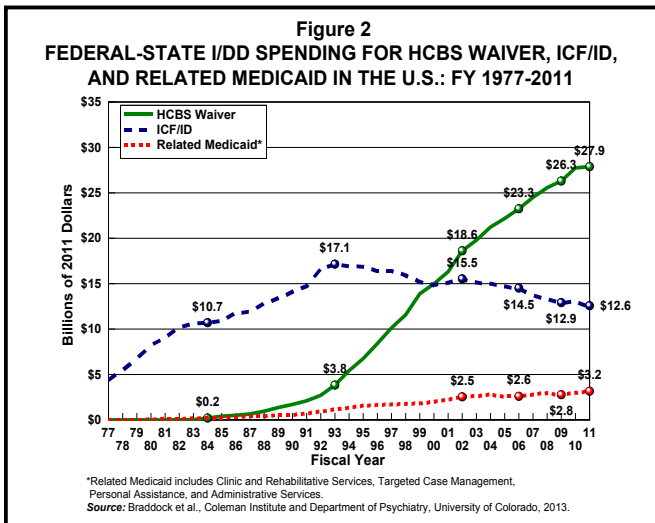


### Did You Know?

- States began to realize they could save money by accommodating people with intellectual and developmental disabilities in community-like settings.
- In 2011, the HCBS Waiver and related Medicaid services constituted 71 percent of Medicaid long-term services and support spending for people with intellectual and developmental disabilities.
- The District of Columbia and 12 states have closed their state-operated institutions entirely.

## State Action

The HCBS Waiver today finances a wide array of community residential services programs for approximately 627,000 people with intellectual and developmental disabilities. Figure 2 illustrates growing HCBS Waiver spending and declining institutional ICF/ID spending from 1993 to 2011. In 2011, the HCBS Waiver and related Medicaid services—such as targeted case management, personal care, and clinic and rehabilitation services—constituted 71 percent of total Medicaid spending for people with intellectual and developmental disabilities.



The use of HCBS Waivers varies widely among states. As summarized in Table 1, 49 percent of total nationwide spending on I/DD long-term services and supports in 2011 came from waiver funding, ranging from a high of 84 percent in Vermont to a low of 12 percent

in Mississippi. Many states that use the waiver extensively—such as Alaska, Arizona, Maine, Minnesota, New Hampshire, New Mexico, Oregon, Rhode Island and Vermont—rank high in their percentage of people in small group residences, apartments and family homes. In addition, some states—including Alabama, Alaska, Hawaii, Maine, Michigan, Minnesota, New Hampshire, New Mexico, Oregon, Rhode Island, Vermont and West Virginia—and the District of Columbia have closed their state-operated I/DD institutions entirely.

The [State of the States in Developmental Disabilities](#) project distributes periodic analyses of state spending and revenues for I/DD services and maintains a website profiling each state's use of the HCBS Waiver, the ICF/ID program and a range of other community supports.

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## Additional Resource

Braddock, D., R. Hemp et al. *The State of the States in Developmental Disabilities 2013: The Great Recession and Its Aftermath*. Boulder, Colo., and Chicago: Department of Psychiatry and Coleman Institute for Cognitive Disabilities, The University of Colorado; and Department of Disability and Human Development, University of Illinois at Chicago, 2013.

State/Jurisdiction	HCBS Waiver Spending <sup>1</sup>	Rank <sup>2</sup>
Vermont	84%	1
Rhode Island	82%	2
New Mexico	78%	3
Arizona	78%	4
Minnesota	75%	5
Oregon	74%	6
Alaska	74%	7
New Hampshire	74%	8
Maine	72%	9
Wyoming	71%	10
Alabama	71%	11
West Virginia	71%	12
Tennessee	66%	13
Kansas	66%	14
Michigan	65%	15
Colorado	64%	16
Wisconsin	62%	17
Nebraska	59%	18
Hawaii	59%	19
South Dakota	57%	20
Oklahoma	57%	21
Maryland	56%	22
Pennsylvania	56%	23
Kentucky	56%	24
Washington	55%	25
Montana	55%	26
New York	55%	27
Missouri	54%	28
Florida	54%	29
Indiana	54%	30
Utah	53%	31
Delaware	51%	32
Virginia	48%	33
Georgia	48%	34
North Dakota	47%	35
Nevada	47%	36
Louisiana	47%	37
District of Columbia	46%	38
South Carolina	44%	39
Iowa	42%	40
Texas	38%	41
Ohio	37%	42
North Carolina	37%	43
Massachusetts	37%	44
Connecticut	36%	45
Illinois	33%	46
California	32%	47
New Jersey	31%	48
Arkansas	30%	49
Idaho	30%	50
Mississippi	12%	51
United States	49%	

1. HCBS Waiver federal-state spending as a percentage of total I/DD long-term services and support spending.  
 2. States' ranking, highest to lowest, in Waiver % of total I/DD spending.