

Response to Questions on the FY 2018 Budget

Request By: Supervisor Herrity

Question: Please provide information on the possibility for the County to pursue Home and Community Based Services 1915(c) waivers as another option in the review of funding for Developmental Disability (DD) services.

Response: The possibility of utilizing Home and Community Based Services (HCBS) 1915(c) waivers as funding for Developmental Disability (DD) services comes with many significant challenges and risks. As background, Medicaid is financed by the federal and state governments and administered by the individual states. Federal funding is provided based on a state's per capita income – the federal match for Virginia is 50 percent. States set their own income and asset eligibility criteria within federal guidelines, and have the discretion to design their own Medicaid service program. Medicaid home and community-based “waiver” programs allow states to “waive” the requirement that an individual must live in an institution, or that a service must be offered to the entire population, to receive Medicaid funding. In Virginia, these services are especially important, as Medicaid eligibility is highly restrictive. The number and types of waivers are set by the General Assembly (GA), and are included in the state's Medicaid plan, which must be approved by the federal government.

Utilizing HCBS 1915(c) waivers as a funding option for DD services would create a “local match waiver,” in which Fairfax County would essentially operate a Medicaid waiver directly with the federal government for DD services, rather than that waiver being operated between the state and the federal government (as is currently the case for all waivers in Virginia). Such a change in Virginia – for a locality to become directly and financially responsible for a Medicaid waiver – carries substantial risks, as outlined below.

Logistical Challenges

First, there are logistical challenges – the state would need to re-open its recently-adopted redesign of Medicaid Waivers, which is not an easy or quick process, as all items in the state's plan could receive additional scrutiny and are potentially subject to change. An amended state plan would once again require federal approval, and the recent plan update was an arduous process because the state was using changes to Medicaid waivers to address findings from the US Department of Justice Settlement Agreement (DOJSA) related to the state's training centers.

Policy Concerns

Second, for the County to create its own Medicaid waiver could further entangle the County in the state's DOJSA, since much of the corrective action the state committed to depends upon the success of new waiver implementation. The County's position, as included in past Legislative Programs, has been that successfully implementing the DOJSA is the Commonwealth's responsibility and obligation, and not the responsibility of local governments. Additionally, it is not certain that the County could define what services are included in this local waiver – though the County could make its proposal narrow in scope, the definition of the new local waiver would need to be negotiated and approved by the state and the federal government. It is possible that the County would not have a role in

this negotiation and, as a result, may not be what was intended (for example, the three current waivers cover multiple services, so there would be a question about whether the County would be required to provide the 50 percent financial match on services for which the County it is not currently paying and not currently providing).

Also, as the determination of who receives a waiver must be a separate decision-making process using criteria established by the state, the County may not be able to define who would be provided services under the HCBS 1915(c) waivers, potentially creating a greater funding responsibility for the County. This process was recently changed with the redesigned waiver system, and an independent body now selects who receives the waivers allocated to Fairfax County by the state. If a new HCBS 1915(c) waiver is established, it effectively creates an entitlement to that local match funding for those with the local waiver, which would then be a County responsibility in perpetuity. It is also likely that there would be important administrative implications that would need to be assessed and planned prior to the creation of a local Medicaid waiver to ensure an adequate compliance structure, fiscal oversight, and other business support functions. The County would likely need to create an administrative system similar to what the state already has in place to manage a waiver program, which could involve significant local costs.

Long-term Risks

Third, Medicaid is one of the fastest growing items in the state budget, and financial support for Medicaid is a constant challenge for the state each year – because it is an entitlement program, the state must pay required costs. Even though Virginia ranks 47th in per capita Medicaid spending nationwide, the state has spent considerable time in recent years examining ways to reduce Medicaid expenses; the risk of additional future costs to the state has been a key factor in the GA's refusal to expand Medicaid in Virginia. The waiver program in particular has received a great deal of attention, as the state must add waiver slots each year to comply with the federal settlement agreement, at a sizable cost. Legislative staff have extensive concerns about the possibility that the County creating its own waiver program, including providing what would otherwise be the state Medicaid match, could create a precedent for localities funding a portion of Medicaid. Additionally, such an action potentially removes pressure on the state to address the inadequate Northern Virginia Medicaid differential, and may also remove pressure to address the approximately 2,000 Fairfax County residents currently on the waiting list for Medicaid waivers (representing approximately 13-18 percent of the statewide waiting list). The County would instead become the focus of advocacy efforts for more waivers each year rather than the state, absolving the state of a critical funding responsibility. Finally, there is considerable uncertainty about Medicaid at the federal level, which increases the risks for any Medicaid funding partners.