

# Disability Waiver Rate System

September 2019

## What is the Disability Waiver Rate System?

The Disability Waiver Rate System (DWRS) is Minnesota’s uniform, statewide methodology to determine reimbursement rates for home and community-based services provided under the four Medicaid (MA) disability waivers—the community alternative care (CAC) waiver, the community access for disability inclusion (CADI) waiver, the developmental disability (DD) waiver, and the brain injury (BI) waiver (see [Minn. Stat. §§ 256B.4912, 256B.4913, and 256B.4914](#)). The 2013 Legislature enacted the DWRS and it was implemented beginning on January 1, 2014. In fiscal year 2017, DWRS distributed about \$1.8 billion in state and federal funds for reimbursement to providers of qualifying services.

## What prompted enactment of the DWRS?

In 2007, the Department of Human Services (DHS) was notified by the federal Centers for Medicare and Medicaid Services (CMS) that Minnesota’s four MA disability waivers were out of compliance with federal requirements for uniform rate-setting standards and methods. In order for Minnesota to continue to receive federal approval and funding for the MA disability waivers, the state needed to come into compliance with the federal requirements and develop uniform, statewide rate-setting standards and methods.

## Has the DWRS been fully implemented?

The DWRS is being phased in over a period of time. One of the key features of the DWRS is a phase-in period, called “banding” or rate stabilization. Initially, the banding period was five years, but the 2015 Legislature increased the banding period to six years.

Under banding, rates are stabilized both for providers who were providing services and individuals who were receiving services prior to the DWRS implementation. The old rates for these providers and individuals may only fluctuate up or down by a limited amount (ranging from 0 percent to 1 percent) from year to year. The rates determined under the DWRS are not applicable to most providers or individuals until the banding period is completed on January 1, 2020. According to the DHS, the DWRS rate methodology currently applies to about 30 percent of DWRS service expenditures (the remainder of DWRS service expenditures are subject to banding).

## How are rates determined under DWRS?

Prior to January 1, 2014, each county and tribe negotiated rates and entered into contracts with providers offering services in their geographic area. Now rates are set by the state using the DWRS.

The DWRS rate framework takes into consideration the following items: (1) supervision costs; (2) staff compensation; (3) staffing and supervisory patterns; (4) program-related expenses; (5) general and administrative expenses; and (6) intensity of recipient needs (see [Minn. Stat. § 256B.4912](#), subd. 3).

An individual’s service needs, as determined by an assessment, are the basis for calculating rates under the DWRS. Services reimbursed under DWRS are categorized into four service types: (1) residential support services; (2) day services; (3) unit-based services with programming; and (4) unit-based services without programming—each with a different rate calculation formula (see [Minn. Stat. § 256B.4914](#), subds. 6 to 9). The reimbursement rate for each type of service includes factors related to that service

type and personalized factors such as the staffing ratio and the units of service (e.g., 15 minutes, an hour, a day) needed. The calculations also include an adjustment factor for persons determined to have higher needs based on being deaf or hard-of-hearing and a competitive workforce factor. The rate that is established is per unit of service.

Staffing costs are determined using a base wage index that is automatically adjusted for inflation every five years (the first adjustment was made on July 1, 2017). Other framework components used in calculating rates include items such as: (1) supervisory span of control ratio; (2) employee vacation, sick, and training allowance ratio; (3) employee-related cost ratio; (4) general administrative support ratio; (5) program-related expense ratio; and (6) absence and utilization factor ratio. Certain framework components are also adjusted for inflation every five years. The frequency of the inflationary adjustments will increase to once every two years beginning July 1, 2022. Finally, the calculations include a regional variance factor to account for regional differences in the cost of providing services and, in some cases, a transportation add-on.

In addition, there is a rate-exception process for individuals identified by the county or tribe as having exceptional needs. Counties or tribes must submit exception requests to DHS for approval of an alternative payment rate.

### **What services have rates determined under the DWRS?**

Generally, the services offered under the four MA disability waivers have rates determined under the DWRS. Those services include: 24-hour customized living, adult day care, adult day care bath, behavioral programming, companion services, customized living, day training and habilitation, employment development services, employment exploration services, employment support services, housing access coordination, independent living skills, individualized home supports, in-home family support, night supervision, prevocational skills, personal support, residential support services, respite services, structured day services, supported living services, transportation services, and other services as approved by CMS in the state MA disability waiver plans.

### **What are some potential legislative issues?**

Legislative proposals to modify DWRS may include: (1) modifying the list of applicable services as the approved MA disability waiver plans add or change services; (2) removing or modifying the regional variance factor; and (3) modifying reporting requirements for providers and DHS.

In recent years there have been legislative proposals to remove the regional variance factor, but these proposals have not been enacted. The 2019 Legislature enacted new reporting requirements for providers and DHS. As these reporting requirements are implemented, they may need to be modified.

Finally DHS is currently working on a disability waiver reconfiguration initiative in order to simplify administration of the programs, incentivize person-centered supports, align benefits across waivers, enhance each person's personal authority over the person's service choice, encourage equity across programs, and promote long-term sustainability of needed services.



**MN HOUSE  
RESEARCH**

*Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.*