

Disability Waiver Rate System

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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). In fiscal year 2024, DWRS distributed about \$3.185 billion in state and federal funds for reimbursement to providers of qualifying services.

How are rates determined under DWRS?

The state sets the rates using the DWRS. The DWRS rate framework considers 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 9a). 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 two years (the most recent adjustment was made on January 1, 2024). 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 two years. 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.

¹ Unit-based services are services that are provided in units (such as 15-minute units). The total amount of unit-based services a person receives is based on an assessment of needs.

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 services;
- adult day services;
- adult day services bath;
- community residential services;
- customized living services;
- day support services;
- employment development services;
- employment exploration services;
- employment support services;
- family residential services;
- individualized home supports;
- individualized home supports with family training;

- individualized home supports with training;
- integrated community supports;
- life sharing;
- night supervision;
- positive support services;
- prevocational services;
- residential support services;
- respite services;
- transportation services; and
- other services as approved by CMS in the state MA disability waiver plans.

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. The 2013 Legislature enacted the DWRS, and it was implemented beginning on January 1, 2014.

The DWRS was phased in over a period of time. One of the key features of the DWRS was a phase-in period, called "banding" or rate stabilization, that lasted for six years. However, banding sunset on January 1, 2020, and the rates determined under the DWRS now apply.

What are some recent legislative issues?

In recent years, there have been legislative proposals to remove the regional variance factor, but these proposals have not been enacted. The 2024 Legislature repealed some reporting requirements for providers and DHS. Additional legislative proposals to modify DWRS have included: (1) modifying the list of applicable services as the approved MA disability waiver plans add or change services; and (2) modifying the rate calculation formulas.

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.



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