

## **Fact Sheet on the Need to Reinvest Federal Funds into DDD Community Services**

For the past decade, the Developmental Disabilities community has been vocal that all federal funds from the Home and Community-Based Services Waivers for people with developmental disabilities, known as the Community Care Waiver, should be reinvested in DDD community services. Despite our best efforts, a significant amount of Community Care Waiver (CCW) funds are being used for purposes other than DDD community services. The diversion of this money weakens the funding system and directly impacts the amount of people being served.

### **What is a Home and Community Based Services Waiver?**

- Home and Community Based Services waivers (HCBS) (also known as 1915 (c) waivers) allow States to waive portions of federal Medicaid requirements so that they can provide community-based services rather than institutional care to people with disabilities and the elderly. The Centers for Medicare and Medicaid Services (CMS) is the federal entity responsible for overseeing the HCBS waivers.
- New Jersey has 4 Home and Community Based Services Waivers. The Waiver for people with developmental disabilities is called the Community Care Waiver (CCW) and is administered by the Division of Developmental Disabilities (DDD).
- The CCW has been in effect since October 1982. In October 2008, New Jersey received approval to continue its waiver for five additional years. Amendments were made to the waiver to expand the types of services available under the waiver.
- Services in the CCW include: Case Management; individual supports (Residential; Habilitation (Adult Day, Extended and Supported employment); Respite Care; Environmental/Vehicle Accessibility Adaptations; and other services.

### **Federal Funding Issues**

- The amount of total federal outlays for Medicaid has no set limit (cap); rather the federal government must match whatever the State decides to provide, within the law, for eligible beneficiaries.
- The portion of the Medicaid program which is paid by the federal government, Federal Medical Assistance Percentages (FMAP), also known as Federal Financial Participation (FFP) is determined annually for each State by a formula that compares the State's average per capita income level with the national average.
- New Jersey's FFP rate is 50%. That means for every dollar New Jersey puts in, the federal government matches the state with 50 cents for eligible beneficiaries (meaning that the state only pays for 50 cents of each dollar).
  - Technically, the State spends the full amount of funds for waiver services and then requests reimbursement from the federal government for half of the funds.

- For Home and Community-Based Services Waivers, including the CCW, the federal government does not reimburse for the costs of room and board, so in New Jersey, the state's effective reimbursement for residential services in the CCW is between 35-40%.
- The American Recovery and Reinvestment Act (ARRA) provided a temporary enhanced FMAP for States based upon a formula which includes the increase in each state's unemployment rate. By September 2011, states must report to the federal government how these enhanced funds have been used.

### **How New Jersey uses its Federal Match for the Community Care Waiver (CCW)**

- Each year the State Treasury estimates the amount of federal funds New Jersey will receive for the CCW.
- Each year the State, through the budget process, determines how much in total will be spent on community services for people with developmental disabilities, including federal funds.
- After the budget is enacted into law the State spends funds on services and supports for people with developmental disabilities. The State then demonstrates to the federal Centers for Medicare and Medicaid Services (CMS) what portion of those funds have been spent on approved CCW services to eligible individuals. These expenditures are then eligible for federal matching funds. CMS then reimburses the State for half of these eligible expenditures and the reimbursement is put into the State Treasury.
- Since 2004, specific language in the New Jersey budget limits the amount of federal CCW reimbursement funds that the State may use to provide community services to people with developmental disabilities. This budget language prevents the full reinvestment of federal CCW reimbursement funds into DDD services. The language has the effect of allowing the State to spend federal CCW reimbursement funds on expenditures other than for services for people with developmental disabilities. Literally, tens of millions of dollars of federal CCW reimbursement funds have been allocated to services other than for people with developmental disabilities.
- For example, two years ago the Division amended the CCW to ensure that additional services are eligible to receive federal matching funds. The Division anticipated that these additional federal funds would be used to expand services in the community. However, the State Treasury determined that those funds (between \$6-9 million) should be put back into the General Fund for use for other State services. In addition, in FY 2007, more than \$143 million of retroactive federal funds from the waiver were used for other state purposes rather than for DDD community services.
- When the ARRA provided a temporary enhanced FMAP to states, New Jersey decided that the enhanced FMAP for the Community Care Waiver would not be used for services for people with developmental disabilities, but instead be used to assist with other state services and the deficit.

## What would Reinvestment of Federal Funds Mean to Community Services for People with Developmental Disabilities?

- Reinvestment of all federal funds for the Community Care Waiver would ensure necessary funds to build the community infrastructure for people with developmental disabilities. Over the past decade there has been little funding for the community infrastructure. People with developmental disabilities who live in the community need medical, behavioral, and psychiatric supports along with barrier-free housing.
- Full reinvestment of Medicaid CCW funds will create more community services for people with developmental disabilities:
  - If the State decides to spend (appropriate) the same amount of state funds on DDD community services in budget year 2 as it did in budget year 1, and if the State also spends all the federal money reimbursed for Medicaid services that the state provided in budget year 1, there will be more funds available for services.

Example: Based upon a sample state budget of \$1 million dollars for disability services in the community:

- Year 1: NJ spends \$1,000,000 of state money on community services that are eligible for Medicaid waiver reimbursement.
  - Year 2: NJ gets \$500,000 reimbursement from Medicaid for its Year 1 approved Medicaid waiver services.
  - Now, if NJ agrees to once again spend \$1,000,000 of state money in Year 2 on these services and also agrees to spend all of the federal Medicaid reimbursement money on community disability services, the state will have a total of \$1,500,000 for community services.
  - In this way the state *reinvests* its Medicaid waiver funds into community disability services.
  - This would allow the state to grow its capacity to support and serve people in the community every year. This would help the State meet unmet need, including serving people on the waiting list for services and people waiting to move from developmental centers into the community.
- In FY'11, New Jersey is estimating that it will receive more than \$371 million as reimbursement for providing services under the Community Care Waiver. The current budget language limits how much of these funds the State may use for DDD community services.
  - It is imperative that all federal funds are reinvested to build the necessary infrastructure for community services for people on the Waiting List and who are moving out of the State Developmental Centers under Olmstead.