Medicaid and Community Services for Developmental Disabilities
By Richard Hemp, David Braddock and Martha King

Should state lawmakers be concerned about the rapid rise in Medicaid spending for home and community-based services for people with mental retardation and other developmental disabilities (MR/DD)? Probably not, if they also notice the related downturn in appropriations for expensive institutional services in intermediate care facilities for the mentally retarded (ICFs/MR) (see figure).

As of 2004, 49 states and the District of Columbia committed a majority of total MR/DD spending to family-scale and individualized residential and community services. Furthermore, 28 states now commit 75 percent or more of total funding to community services (see table, page 2).

Since 1981, Medicaid’s Home and Community Based Services (HCBS) waiver has been a key factor in shifting resources from institutional care to community services. These waivers, which exist in all states, have helped contain rising Medicaid long-term care costs and continued reliance on institution-based services.

The intermediate care facilities for the mentally retarded program remains institutionally oriented. In 2004, about 107,000 people lived in facilities, 60 percent of whom were in an institution for 16 or more people. Of the remaining, 20 percent resided in a facility with between seven and 15 residents, and 20 percent were in a home for six or fewer people.

The waiver finances a wide range of community services that help people remain in their own homes or in other community residential settings. These services include supported living; personal care; residential habilitation; supported employment; day habilitation; family support; respite care; homemaker assistance; home health aides; case management; transportation; assistive technology; adapted equipment; home modification; and occupational, speech, physical and behavioral therapy.

People with MR/DD make up 41 percent of the nearly 1 million waiver participants and account for 74 percent of waiver spending, which totaled $21.1 billion in 2004. HCBS waiver programs
State-operated institutions have closed in several states that increased waiver spending.

Combined federal, state and local MR/DD spending for HCBS waivers surpassed intermediate care facility spending in 2001. Adjusted for inflation (2004 dollars), spending for ICFs/MR peaked at $12.7 billion in 1993 and declined by 6 percent through 2004. In contrast, waiver spending grew fourfold from 1993 to 2004, from $2.7 to $15.7 billion. Seven of the top 10 states that appropriated the greatest proportion of their MR/DD funding for community services in 2004—Alaska, Vermont, Hawaii, New Hampshire, Rhode Island, New Mexico and Maine—no longer have state-operated institutions. West Virginia and the District of Columbia also have done away with such state-operated facilities.

To qualify for waiver services, people now must meet a state’s criteria for Medicaid eligibility in an institution such as an intermediate care facility or nursing home. Beginning in January 2007, states will have more flexibility to offer Medicaid community-based services to certain people without a waiver. Under provisions of the federal Deficit Reduction Act of 2005, states also will be able to provide community-based services to people who do not require the level of care provided in a nursing home or other institution. The Congressional Budget Office estimates that 120,000 additional people will be covered under the new option between 2007 and 2015.

The national State of the States in Developmental Disabilities Project at the University of Colorado distributes periodic analyses of state spending for MR/DD services in the states and maintains a Web site that profiles each state’s use of the HCBS waiver and the ICF/MR program (http://www.ColemanInstitute.org/stateofthestates).

**Selected References**


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