



U.S. Department of Health and Human Services
Assistant Secretary for Planning and Evaluation
Office of Disability, Aging and Long-Term Care Policy



MEDICAID COSTS UNDER CONSUMER DIRECTION FOR FLORIDA CHILDREN WITH DEVELOPMENTAL DISABILITIES

December 2004

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TABLE OF CONTENTS

ACKNOWLEDGMENTS	iii
EXECUTIVE SUMMARY	iv
INTRODUCTION	1
BACKGROUND	3
A New Model of Medicaid Supportive Services	3
Cash and Counseling for Florida Children	4
EXPECTED PROGRAM EFFECTS ON USE AND COST OF MEDICAID SERVICES	7
Hypotheses	7
Hypotheses About Subgroup Effects	8
METHODS	9
Data Collection and Sample	9
Outcome Measures.....	9
Estimation of Program Effects	9
Sample Description.....	11
RESULTS	14
Effect of Consumer Directed Care on Waiver Expenditures	14
Reasons for Treatment-Control Difference in Waiver Expenditures.....	14
Effect of Consumer Directed Care on Other Medicaid and Total Medicaid Services	18
Effects of Consumer Directed Care on Other Measures of Service Use.....	18
Subgroup Effects	20
DISCUSSION	21
Limitations.....	22
Implications of the Findings	23
REFERENCES	25
APPENDIX A: Additional Tables	27

LIST OF TABLES

TABLE 1.	Baseline Characteristics of Sample Members, By Evaluation Status.....	12
TABLE 2.	Receipt of Waiver Services, Personal Care, and Allowances	13
TABLE 3.	Effect of Consumer Directed Care on Medicaid Expenditures for Children, By Type of Service	15
TABLE 4.	Comparison of Actual to Baseline Monthly Waiver Costs	16
TABLE 5.	Estimated Effect of Consumer Directed Care on Selected Medicaid Service Use and Expenditure Measures	19
TABLE A.1.	Benefits Covered by Florida’s Developmental Services Waiver, By Type	27
TABLE A.2.	Actual and Baseline Waiver Costs During the First Post-Enrollment Year, By District	28
TABLE A.3.	Expenditures on Medicaid Private-Duty Nursing.....	28
TABLE A.4.	Effect of Consumer Directed Care on Medicaid Expenditures for Children, By Subgroup.....	29
TABLE A.5.	Estimated Effects of Consumer Directed Care on Key Quality Outcomes, By Whether Controlling for Ratios of Actual-to-Baseline Waiver Costs.....	31

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EXECUTIVE SUMMARY

When the parents of children with developmental disabilities rely on Medicaid waiver services for home- and community-based services (HCBS), they may not have as much control over their child's benefits as they would like. If parents, rather than case managers, could allocate the resources for their child's assistance, supplies, and equipment, they might be both better able to obtain the care their child needs and better satisfied with that care. This study of Consumer Directed Care, Florida's Cash and Counseling Demonstration program for children, examines the ways in which consumer direction affects the cost of Medicaid personal care services, as well as the cost and use of other Medicaid services.

Demonstration enrollment, which occurred between June 2000 and August 2001, was open to children age 3-17 who were receiving HCBS through Florida's Developmental Services Waiver program. After their parents completed a baseline survey, enrollees were randomly assigned to participate in Consumer Directed Care (the treatment group) or to continue receiving traditional waiver services (the control group). Parents of treatment group members were given the opportunity to receive a monthly allowance they could use to hire their choice of caregivers or to buy other services or goods to meet their child's care needs. Program consultants and fiscal agents were available to help them manage these responsibilities. The cost of Consumer Directed Care was expected to be similar to that of the traditional waiver program.

Outcome measures were drawn from Medicaid claims data for 1,002 children for the first two years post-enrollment. We used regression models to estimate program effects, while controlling for a comprehensive set of baseline characteristics.

Waiver expenditures per treatment group member were more than \$3,000 (about 25 percent) higher than waiver expenditures per control group member during the first post-enrollment year, and nearly \$5,000 higher during the second. The treatment-control difference in waiver expenditures was due to two factors. First, control group members incurred waiver costs that were 18 percent lower than expected in the first year and 9 percent lower than expected in the second year according to their discounted baseline support plans; and second, treatment group members' allowances were, on average, about 30 percent higher than expected in both years.

The treatment group's higher waiver expenditures were partially offset in both years by lower expenditures for Medicaid home health services. This difference in home health expenditures was due primarily to an increase in the proportion of control group members with high spending on Medicaid private-duty nursing after the demonstration began, whereas no such difference was observed for the treatment group. No other Medicaid costs were affected. Total Medicaid costs for treatment group children averaged nearly \$30,000, about 3 percent (\$880) higher than the control group's cost. The difference was statistically insignificant. In year 2, the difference grew to \$2,581 per child ($p=0.081$), about 8 percent higher than the control group's cost.

To control costs in the future, Florida may need to review its process for revising its support plans to ensure that allowances are not increased by counselors beyond those called for by a reasonable care plan. Conversely, Florida staff need to ensure that those in the traditional program (who had lower-than-expected costs) are able to receive the services they need.

Consumer Directed Care increased access to paid personal care and the quality of care received. Only individual states can decide whether they are willing to risk incurring somewhat higher total Medicaid costs in order to reap these sizable benefits. Ideally, states might be able to draw on Florida's experience to find ways to keep costs at the level incurred under the traditional system while preserving the highly favorable effects on children's well-being.

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