



THE ROLE OF FINANCIAL MANAGEMENT SERVICES IN THE OPERATION OF A 1915(c) HOME AND COMMUNITY BASED SERVICES WAIVER

Division of Long Term Services and Supports

Disabled and Elderly Health Programs Group

Center for Medicaid and CHIP Services

Training Objectives

- Provide an overview of self-direction in 1915(c) Home and Community Based Services (HCBS) waiver programs
- Introduce the role of Financial Management Services (FMS) in self-direction of HCBS waiver services
- Provide an overview of FMS types, authorities, and functions
- Share state strategies for managing and overseeing FMS
- Discuss FMS flexibilities through Appendix K submissions to respond to disasters and emergencies, including in response to the COVID-19 Public Health Emergency (PHE)
- Highlight strategies where FMS entities can support state efforts to improve quality and promote fiscal integrity.

Introduction to Medicaid Self- Direction and Financial Management Services

Overview of Self-Directed Services

Self-direction promotes personal choice and control over the delivery of waiver and state plan services, including who provides the services and how services are provided.

- Participants may be afforded the decision-making authority to recruit, hire, train and supervise the individuals who furnish their services. The Centers for Medicare & Medicaid Services (CMS) calls this "**employer authority.**"
- Participants may also have decision-making authority over how the Medicaid funds in a budget are spent. CMS refers to this as "**budget authority.**"
- Participants, or their representatives if applicable, have decision-making authority over certain services and take direct responsibility to manage their services with the assistance of a system of available supports.
- The self-directed service delivery model is an alternative to traditionally delivered and managed services, such as an agency-directed model.

Self-Direction Options in Medicaid

States have several options under the Medicaid state plan and waiver authorities for providing enrollees with the option to self-direct Medicaid services.

Option	Authority
Home & Community Based Services Waivers (HCBS)	1915(c)
HCBS State Plan Option	1915(i)
Self-Directed Personal Assistance Services State Plan Option	1915(j)
Community First Choice (CFC) State Plan Amendment	1915(k)
Research and Demonstration Project Waivers	1115

Characteristics of Self-Direction

Each Medicaid funding authority has different guidelines, but all authorities share some common characteristics:

- A person-centered planning process, directed by the individual, to develop the plan of care.
- A written person-centered service plan authorized by the individual and signed by the provider.
- An individualized budget of funds.
- Information and assistance in support of self-direction.

FMS in Self-Directed Services

Financial Management Services (FMS) should be available to assist individuals in exercising budget authority.

- Individuals can perform some, or all, of the FMS functions themselves but may prefer to have an FMS entity assist with:
 - Understanding billing and documentation responsibilities
 - Performing payroll and employer-related duties such as withholding and filing federal, state, local and unemployment taxes; purchasing workers' compensation or other forms of insurance; collecting and processing worker timesheets; calculating and processing employee benefits; and issuing payroll checks
 - Purchasing approved goods and services
 - Tracking and monitoring individual budget expenditures
 - Identifying expenditures that are over or under the budget

Self Direction and Financial Management Services (FMS) in 1915(c) HCBS Waiver Programs

Self-Direction Programs by Funding Source

Medicaid funds the largest number of programs with opportunities for individuals to direct LTSS, with self-directed 1915(c) HCBS waiver programs being the most utilized program option.

AARP National Inventory of Self-Directed Long-Term Services and Supports Programs - 2019

Funding Source	Number of Self-Direction Programs (2019)
Medicaid State Plan	18
Medicaid 1115 Demonstration Waiver	18
Medicaid 1915(b) or (b)/(c) Waivers	2
Medicaid 1915(c) Waiver	155
Medicaid 1915(i) State Plan Option	2
Medicaid 1915(j) State Plan Option	3
Medicaid 1915(k) State Plan Option	7
Veterans' Health Administration	71
State General Revenue	13
Other Funding Mechanisms	20

Keys to Self-Directed Care: *Person-Centered Planning*

For participants that self-direct, the person-centered planning process allows for direct choice and control over receipt of waiver services.

- Depending on 1915(c) waiver design, participants may:
 - Act as an employer by selecting and hiring/contracting with direct support and other home and community-based services providers.
 - Negotiate direct support provider or employee wages and benefits.
 - Procure non-traditional goods and services documented within the service plan.

The goal of self-direction in 1915(c) waivers is to **empower** individuals to direct services in a home or community-based setting and **provide the necessary supports** to avoid institutionalization.

Keys to Self-Directed Care: *System of Supports*

Exercising enhanced choice and control over waiver service planning and procurement of goods and services requires that participants have supports necessary to navigate all available options.

- Supports vary by person and waiver design but typically include:
 - Information on self-directed care, health and welfare reporting, and individual rights and responsibilities.
 - Counseling and training to include management of budget expenditures, if applicable, on an ongoing basis.
 - Supports brokers, consultants, and FMS.
- States should work with individuals based on their needs to provide the resources and training to successfully navigate the self-directed care process, including supports for:
 - Participating in the ongoing development and monitoring of the service plan, budget (if applicable), and expenditures, and understanding what goods and services are covered.
 - Selecting, managing, and dismissing employees.
 - Working with the FMS to process payroll, including approval of provider time sheets, managing payroll taxes.

FMS in 1915(c) HCBS Waivers

When a 1915(c) HCBS waiver offers self-direction, the FMS acts as a fiscal intermediary on behalf of the participant.

- 1915(c) waiver authority prohibits states from making payments directly to participants.
- The FMS make payments, serving as a fiscal intermediary between the participant and the State Medicaid Agency (SMA). FMS functions include, but are not limited to:
 - Managing and directing the disbursement of funds contained in the self-directed budget.
 - Facilitating employer functions by performing activities such as processing payroll, withholding federal, state, and local taxes, and making tax payments to appropriate tax authorities.
 - Performing fiscal accounting and producing expenditure reports for the participant (or participant's representative) and state authorities.

State Options for Incorporating FMS

States fund FMS either as a waiver service or as an administrative activity.

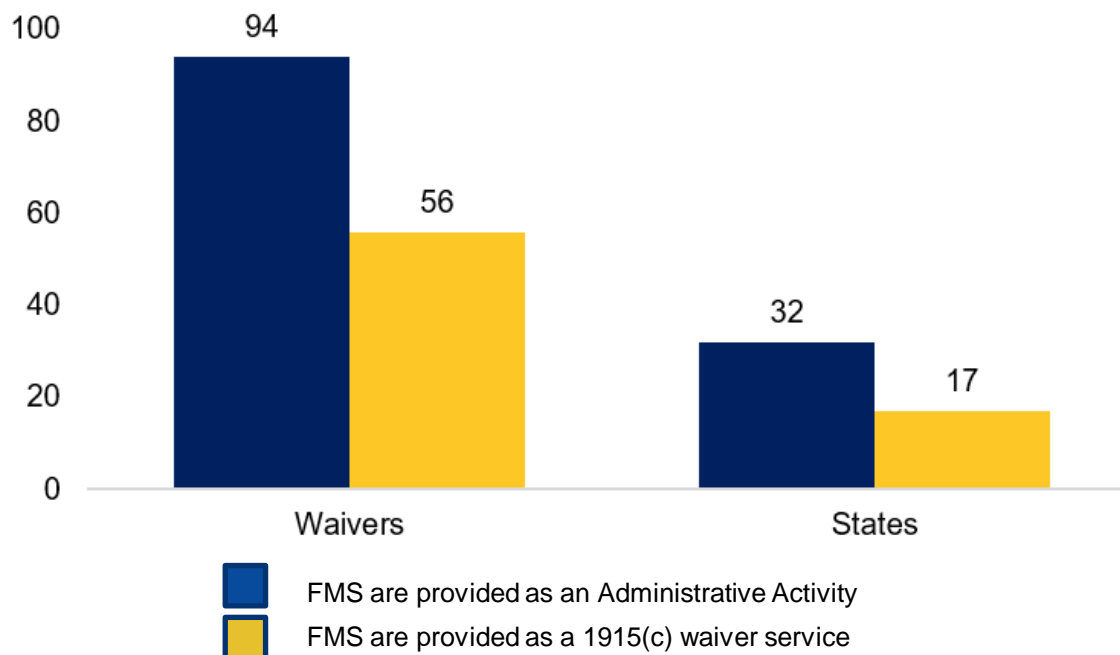
- Federal reimbursement, the approach to provider procurement, and participant choice vary based on the approach.

Feature	When Provided as a Waiver Service	When Provided as an Administrative Activity
Federal Reimbursement →	State's Federal Medical Assistance Percentage (FMAP)	Administrative FFP rate of 50%
Provider Procurement →	Any qualified FMS entity	State directly procures and may limit FMS entities
Participant Choice →	Free choice among qualified FMS entities	Must choose among FMS entities selected by the state

How States Administer FMS

Administration of FMS

- Among active 1915(c) HCBS waiver programs:
 - 94 of 150 (62.6%) waivers provide FMS as an administrative activity
 - 56 of 150 (37.3%) waivers provide FMS as a waiver service



Data as of June 30, 2020

FMS Functions by Authority

FMS functions differ based on the type of self-direction authority chosen by the state

- When participants have **Employer Authority**, the FMS will:
 - Assist the participant to verify worker citizenship status
 - Collect and processes timesheets of support workers
 - Process payroll, withholding, filing and payment of applicable federal, state and local employment-related taxes and insurance
- When participants have **Budget Authority**, the FMS will perform employer authority functions and:
 - Maintain a separate account for each participant's self-directed budget
 - Track and report disbursements and balances of participant funds
 - Process and pay invoices for goods and services approved in the service plan
 - Provide participant with periodic reports of expenditures and the status of the self-directed budget

Additional Functions of the FMS Entity

When specified in the waiver, the FMS may perform additional functions for budget authority, including:

- Executing and holding Medicaid provider agreements as authorized under a written agreement with the Medicaid agency
- Receiving and disbursing funds for the payment of self-directed services under an agreement with the Medicaid agency or operating agency
- Brokering and paying worker's compensation or other types of insurance premiums on behalf of participants
- Furnishing orientation/skills training to participants about their employer responsibilities
- Providing entities specified in the waiver with periodic reports of expenditures and the status of the participant's self-directed budget

Oversight of FMS

Federal Oversight Requirements for FMS

CMS outlines federal requirements for oversight of FMS in the 1915(c) Technical Guide to the waiver application (v3.6):

- States document the following regarding oversight of the provision of FMS:
 - How the state monitors and assesses the performance of FMS entities
 - How the state defines the entity responsible for monitoring
 - The frequency of performance assessments
- States have adopted several strategies to assess and monitor performance of FMS entities. These strategies include conducting:
 - Routine monitoring
 - Performance reviews, such as desk or on-site reviews
 - Independent financial audits
 - Satisfaction surveys

Oversight Strategies: *Routine Monitoring*

States may routinely monitor FMS performance.

Description	State Example
States monitor FMS entities, using available data, to assure services are being delivered according to federal and state policy and procedure.	One state conducts a monthly monitoring of claims submissions. Analysis of this data allows for the identification of inconsistencies, such as services billed that are not eligible for reimbursement. Inconsistencies are brought to the attention of the FMS entity within 48 hours.

Consideration for States

- Routine monitoring allows for:
 - More immediate identification and/or correction of identified issues
 - Analysis of data to determine patterns or concerns related to FMS operations
 - Development of timely trainings to establish expectations and highlight responsibilities for FMS entities
 - A consistent scheduled review of ongoing services provided by the FMS

Oversight Strategies: *Performance Reviews*

States may use performance reviews as a method of oversight for FMS.

Description	State Example
States conduct desk reviews, on-site reviews, or a combination to evaluate FMS performance.	One state, on a three-year basis, conducts performance reviews after conducting an initial evaluation. The performance review entails a review of FMS entity documentation to verify billed services were rendered and to ensure FMS entities are following required processes for administering FMS.

Consideration for States

- Performance reviews can be:
 - Integrated with ongoing post-payment reviews, which may reduce administrative and operational burdens on the state
 - Targeted:
 - To allow states to address state and/or national initiatives
 - To allow states to focus on or address identified or reported concerns and issues
 - Analyzed and trended over time to provide insight on ongoing FMS performance

Oversight Strategies: *Independent Financial Audits*

States may use independent financial audits as a method to monitor FMS performance.

Description	State Example
States use independent financial audits as a method of ensuring waiver providers deliver services according to federal and state requirements.	One state requires FMS entities to submit an annual report, completed by a licensed independent practitioner, such as a Certified Public Accountant, that reviews FMS payroll functions, including state and federal tax calculations, reporting, and payments.

Consideration for States

- Audits allow for:
 - Corrective actions or other remediation activities based on audit findings
 - Modifications to provider agreements or FMS entity contracts based on audit findings
 - An unbiased review of provider financials and operations
 - Reviews should be conducted by an independent auditor

Oversight Strategies: *Satisfaction Surveys*

States may use satisfaction surveys as a method of monitoring FMS performance.

Description	State Example
States measure participant satisfaction as a method to evaluate waiver providers, including FMS.	One state uses the National Core Indicators to assess satisfaction with self-directed services.

Consideration for States

- **Nationally recognized surveys:**
 - Assessment of participant satisfaction offers insight from the service recipient and can inform areas of interest for monitoring, quality assurance, and other oversight activities
- Using nationally recognized surveys audits allow for:
 - Corrective actions or other remediation activities based on audit findings
 - Modifications to provider agreements or FMS entity contracts based on audit findings
 - An unbiased review of provider financials and operations
 - Reviews should be conducted by an independent auditor
 - Comparisons with other states and an evaluation of national trends
- **State-developed surveys**
 - Internal state surveys allow for the flexibility to tailor questions and response options to the needs of the state's waiver operations and population
 - Allows states to shape survey questions to address issues identified under performance reviews.

Appendix K Flexibilities for FMS

Appendix K and Disaster Preparedness

Appendix K is a mechanism for states to take actions under existing 1915(c) HCBS waiver authority to respond to an emergency.

- **Temporary or emergency situations** include natural disasters, national security emergencies, environmental emergencies, and pandemics or epidemics.
- **Examples of actions states can take** include changes in access and eligibility, services, provider qualifications and types, payment rates, retainer payments, service plan development, and opportunities for self-direction.
- **Changes are temporary**, time limited and tied specifically to individuals and entities impacted by the emergency.
- **States may assess effectiveness** of the flexibilities implemented during the disaster to determine whether including them in the base waiver on an ongoing basis is advisable, as applicable.

Appendix K and FMS During the COVID-19 PHE

Appendix K submissions in response to the COVID-19 public health emergency (PHE) provide examples of how FMS can support a state's emergency response.

- States partnered with FMS entities to execute flexibilities in response to the PHE including, but not limited to:
 - Expansion of self-direction opportunities
 - Management of retainer payments
 - Assistance with budget changes, such as increases to allow for additional costs related to required services, as a response to the emergency
- FMS, in collaboration with states, acted to facilitate expanded self-directed service options, including additional options during the PHE to support participants to remain in their preferred setting.

Expansion of Self-Directed Opportunities

Some states used Appendix K to increase self-direction.

Example 1: Additional Waivers

- The state added self-direction to a waiver that previously did not offer the service model.

Example 2: Additional Services

- The state added self-direction of services, such as Supported Employment and Day Services, in a waiver that already offered self-direction.
- States offered self-direction in waivers or services only previously offered through the agency-directed model.
 - FMS supported state expansion of self-direction by adding new provider groups and enrolling additional participants into self-direction.
 - Some states increased payment rates for FMS to support the expanded responsibilities of FMS entities.

Retainer Payments

Some states used the FMS to manage self-directed retainer payments and changes to participant budgets.

Retainer Payments

- During the PHE, a state used FMS entities to make retainer payments to providers.
 - The FMS processed and delivered these payments which allowed employees hired by the participant to receive pay if the participant was placed under quarantine or hospitalized.
- One state used FMS to direct COVID-19 related retainer payments for services that include personal assistance for instances in which participants did not receive planned services under the self-directed model.
 - Retainer payments were used to maintain direct care provider networks when providers were unable to render services due to health and safety risks.
 - The state implemented procedures to avoid duplication of billing such as requiring self-directed participants and providers to produce supporting documentation detailing the reasoning as to why the participant was unable to receive services and when the participant would resume receiving services.

Participant Budgets

Some states used the FMS to manage self-directed retainer payments and changes to participant budgets.

Changes to Participant Budgets

- A state authorized FMS to support changes in participant budgets to deliver high priority services during the PHE.
 - The FMS could provide up to \$2000 above the authorized participant budget to provide additional personal supports, staff recruitment, and personal protective equipment.

Strategies to Enhance Quality and Fiscal Integrity Using FMS

Fiscal Integrity and Self-Direction

States should have oversight and monitoring processes to maintain and enhance fiscal integrity in the self-directed service model.

- U.S. HHS Office of Inspector General (OIG) has identified that Medicaid self-directed service models with significant participant control over selection and payment of personal care services attendants may be vulnerable to fraud, waste and abuse (FWA).
 - OIG found the most common FWA involved submitting claims for services that were never provided or were not allowed under program rules.
- State oversight and monitoring of self-directed 1915(c) waiver services may be targeted in order to:
 - Identify whether additional controls are needed to ensure that services are necessary and are provided.
 - Respond to allegations of substantiated incidents of provider and participant FWA.

FMS Fiscal Integrity Functions

FMS pre-payment controls and post-payment reporting functions support fiscal integrity activities in 1915(c) waivers.

- FMS controls and reporting vary by waiver program, but typically include:
 - Pre-payment controls for ensuring workers and vendors meet program requirements; obtaining service records; and ensuring service requirements are met prior to making payment.
 - Post-payment reviews for verifying that amounts expended during the reporting period are consistent with the participant's person-centered service plan, individualized budget, and supporting service documentation.
- For example, states may consider review processes to ensure that billed services were included and rendered in the type, scope, amount, and frequency specified in the person-centered service plan.
- Regular post-payment reporting by the FMS can help support fiscal integrity activities.

FMS Functions to Enhance Quality

FMS can perform functions that enhance quality in 1915(c) waivers.

- While their main purpose is to facilitate self-direction of services, the FMS also supports program quality by offering protections and safeguards for participants.
 - Verifying personal care attendant qualifications for participants who direct their services helps ensure they are served by qualified providers.
 - Verification of criminal background checks assists in protecting the participant's health and safety.
 - Requiring the FMS to flag notable self-directed budget variances (both over and under expenditures) helps the participant to manage and receive necessary services throughout the entire person-centered planning month or year.
- Using the FMS to manage administrative duties related to quality assurance of self-direction allows for:
 - Rapid identification of potential FWA or other quality-related issues.
 - Additional support with self-hired employees relating to hiring, firing, and overseeing service quality.
 - The management of the procurement and review of criminal background checks, which help ensure participant health and safety.

FMS as a Resource for States

States can use FMS data, information and relationships with providers and participants to enhance quality and promote fiscal integrity in 1915(c) waiver programs.

- States can leverage FMS data and reporting on participant spending, services and purchasing patterns, provider licensure and certification, employee vaccination status, first-aid certifications, and other employment requirements to analyze and trend service utilization and anticipate changes in service access.
- Because FMS entities work directly with participants and providers, they are uniquely positioned as a liaison to relay information such as education opportunities and additional oversight needs.

Strategy:

Leverage FMS Data and Reporting

Leveraging FMS data can help states identify program integrity risks.

- FMS providers commonly collect data that provides insights into participant service use and the employees they hire.
 - Self-directed participant data includes service request histories, purchasing patterns, and changes in vendor selection.
 - Data collected about employees hired by self-directed participants includes the number of participants the employee serves, the employee's turnover rate, and geographic distribution of employees.
- States may crosswalk FMS and Medicaid data to:
 - Augment post-payment financial reviews.
 - Identify and investigate potential issues based on irregular or suspicious employment and service patterns, or identify the need for additional research.

Strategy:

Participant Education

FMS entities are responsible for providing a system of supports to participants who self-direct.

- FMS assist with employment-related, budget-related, and administrative tasks and can identify education opportunities for self-directed programs, such as:
 - The purpose, value, and benefit of criminal background checks, drug screenings, vaccines, and first aid certifications.
 - Requirements for participant review and accuracy of service delivery documentation.
 - Effective and efficient use of budget and resources throughout the participant's person-centered planning month or year.
 - Ensuring that the individual is receiving services in a manner that protects their health and welfare.
- FMS entities collect and respond to participant feedback which can be used to inform future education opportunities and strengthen and expand access to 1915(c) HCBS waiver programs.
 - For example, FMS entities have unique insight relating to the availability of services, participant concerns, and other challenges.

Summary, Q&A, and References

Summary

States can maximize the role of FMS through leveraging FMS data and reporting, using FMS as a resource for participant education, and using FMS entities to assist with emergency and disaster management.

- FMS is an integral part of self-directed service delivery models for the 1915(c) HCBS waiver authority.
- States can leverage FMS entity partnerships to develop policies and procedures for maximum participant benefit.
- Effective practices, such as regular oversight, data collection and analysis, and trend reporting can promote fiscal integrity in self-directed programs and assist the state with managing an informed and robust HCBS system.
- Targeted education that empowers participants and their representatives can maximize the effective and efficient use of self-directed services and quality of service delivery.

Questions

Questions?

For further information, contact:

HCBS@cms.hhs.gov

Resources / Endnotes

- **The 1915(c) Technical Guide, revised January 2019**, waiver application information is located here: https://wsmmdl.cms.gov/WMS/help/35/Instructions_TechnicalGuide_V3.6.pdf
- **AARP's National Inventory of Self-Directed Long-Term Services and Supports Programs** provides information regarding self-directed programs, including those funded by Medicaid. The report can be found at this link: <https://www.appliedselfdirection.com/sites/default/files/SD%20LTSS%20National%20Inventory%20Report%202019.pdf>
- **Code of Federal Regulations, Title 42, Section 441.740 (42 CFR § 441.740)** The Federal regulation on self-direction can be found at this link: https://www.govregs.com/regulations/title42_chapterIV-i2_part441_subpartM_section441.740
- **Personal Care Services Trends, Vulnerabilities and Recommendations for Improvement: A Portfolio, Report date 2012**, The report can be found at this link: <https://oig.hhs.gov/reports-and-publications/portfolio/portfolio-12-12-01.pdf>
- **Self-Directed Services** provides an overview of Medicaid self-directed programs and can be found at this link: <https://www.medicaid.gov/medicaid/long-term-services-supports/self-directed-services/index.html>