



Costs of Providing Financial Management Services in a Medicaid 1915(c) Waiver Context

*An Analysis of Publicly Reported
Appendix J Data*

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Introduction

The purpose of this resource is to compile state-reported data from 1915(c) waivers regarding the cost of Financial Management Services (FMS). This resource was developed in response to one of the most frequently asked questions among self-direction stakeholders— *“What is the average amount that a state pays for Financial Management Services?”* This resource does not offer a comprehensive answer; however, it provides preliminary data that can be updated over time, with opportunities for further analysis in the future.

Overview

This resource examines the cost of Financial Management Services in selected states: namely, those states that offer self-direction through a 1915(c) waiver framework, *and* have opted to structure Financial Management Services as a waiver service rather than an administrative activity. States must develop an estimate of the cost to provide each waiver service for each waiver year, which is then publicly reported to the Centers for Medicare and Medicaid Services (CMS) in Appendix J of the state’s waiver application. This resource compiles that Appendix J data to provide a national overview of state-reported cost data for Financial Management Services. (Note: When Financial Management Services is structured as an administrative activity, its costs are not publicly reported via Appendix J. For this reason, waivers that have structured Financial Management Services as an administrative activity were excluded from our analysis.)

Under federal rules for 1915(c) waivers, states must report such costs “to assure the average per capita expenditure under the waiver during each waiver year will not exceed 100 percent of the average per capita expenditures that would have been made during the same year for the level of care provided in a hospital, nursing facility, or ICF/IID under the State Plan had the waiver not been granted.”¹

This resource includes data from Medicaid 1915(c) waivers serving a wide variety of populations, including older adults, people with physical disabilities (PD), and people with intellectual and developmental disabilities (I/DD), among others. This data includes programs offering a Fiscal/Employer Agent (F/EA) model of Financial Management Services in which the participant or participant’s

¹ <https://www.medicaid.gov/sites/default/files/2019-12/estimating-documenting-factor-d-1915c.pdf>

representative serves as the common law employer of workers, and an Agency with Choice (AwC) model of Financial Management Services, in which the participant or representative co-employs workers alongside an agency.



It is critical to note that there is huge variation in how states define Financial Management

Services. Accordingly, the cost to provide Financial Management Services varies widely depending on the potential complexity of the scope of work as defined by the state. For example, some states may structure Financial Management Services to be a more limited function that is primarily administrative in scope—e.g., enrollment, payroll, tax, and reporting responsibilities. Other states may choose to expand the scope of Financial Management Services to include functions that CMS formally classifies as part of Information and Assistance in support of self-direction, such as providing program training and orientation to participants, supporting participants with worker recruitment, and training participants on being effective employers. Depending on the program design and model of Financial Management Services used, Financial Management Services entities may be required to cover additional costs, such as third-party overtime or employer contributions to health insurance premiums. All of these are contributing factors to the wide variances in cost noted in the tables below.

In addition to these compliance obligations, states are free to implement their own requirements that potentially increase the cost of providing Financial Management Services. For example, some states require each Financial Management Services entity to maintain an in-state brick and mortar location and/or require face-to-face enrollments to be completed with each participant. Such requirements, when included in a state procurement process or in Medicaid provider qualifications, can increase costs associated with providing Financial Management Services. Alternatively, some states have Financial Management Services structures in which a Financial Management Service entity may charge a smaller fee for participants who use an individual budget to purchase individual-directed goods and services, but do not hire any staff. Such structures would lower the overall average estimated cost of Financial Management Services reported via Appendix J.



States that seek to compare how their Financial Management Services costs compare to a national average or median should be aware that such comparisons are unlikely to be “apples-to-apples.” Any meaningful comparison must take into account the significant differences in Financial Management Services structure, scope, and responsibilities across programs.

Methods and Caveats

It is important to note that states vary widely in their methodologies for how these cost estimates are developed and reported. For example, some states simply report the current Medicaid rate for Financial Management Services as defined in its state's published fee schedule, while others may apply a cost-of-living adjustment or other historical trend derived from claims data for each waiver year to account for future expected rate increases. Most states reported their data using a per-month unit, but some reported their data using a per-15 minute, per-day, or other format.

Applied Self-Direction compiled the data as reported by states in Appendix J of their approved waiver applications, as well as the state-reported Financial Management Services model(s) used as reported in Appendix E. We did not perform additional validation of the data, given that CMS had already performed rigorous review of these costs as part of the federal waiver approval process and had already requested explanations when potential variances were detected.² As needed, we recalculated state-reported data to fit into a per-member-per month format. For example, for states that reported Financial Management Services cost via per-15-minute units, we multiplied the state-reported cost by the state-reported average number of units used per person per waiver year, then divided by 12 to obtain a monthly figure.

It should be noted the per-member-per-month cost estimate reported by a program via Appendix J may not necessarily match a per-member-per-month fee charged by a Financial Management Services entity due to the state's chosen methodology for calculating and reporting its Financial Management Services cost estimate for each waiver year. For example, a state that offers two different models of Financial Management Services, such as Agency with Choice and Fiscal/Employer Agent, will report a single combined number for "Financial Management Services" via Appendix J, even though the two models may have different rates and associated costs. In other words, Financial Management Services reimbursement rates and Financial Management Services cost estimates as reported in Appendix J of a waiver are sometimes identical, but are not necessarily so.

² <https://www.medicaid.gov/sites/default/files/2019-12/estimating-documenting-factor-d-1915c.pdf>



Most importantly, the information in this resource chart should not be treated as comprehensive. This resource provides an overview of national estimated Financial

Management Services costs across a broad range of populations served. However, it does not include waiver programs that have structured Financial Management Services as an administrative activity, nor does it include costs of Financial Management Services for programs that are offered via other Medicaid authorities, such as the 1915(k) Community First Choice option. This resource also excludes Financial Management Services costs for self-directed services that are not funded by the Medicaid program, such as the Veteran-Directed Care program. Further analysis is needed for these programs.

Finally, a small number of waivers that offer Financial Management Services as a waiver service have been excluded from this analysis. Generally, this occurred because Financial Management Services was not reported as a standalone cost in the Appendix J due to waiver design. For example, Kentucky's Home and Community Based Waiver reports the cost of Financial Management Services as a component of a larger service called Participant-Directed Coordination, which explicitly includes Information and Assistance activities in addition to Financial Management Services. For similar reasons, Minnesota's waivers supporting the Consumer Directed Community Supports program have been excluded because Financial Management Services costs were bundled with other services in the Appendix J, although the state publicly posts its Financial Management Services providers' rates.³

Data

All data is reported on a per-member-per-month (PMPM) cost basis. We have divided the data into five tables:

1. **Table 1:** Complete state-reported Financial Management Services cost data compiled from Appendix J, with each eligible waiver listed;
2. **Table 2:** Financial Management Services cost data only in waivers that report using a Fiscal/Employer Agent (F/EA) model of FMS exclusively;
3. **Table 3:** Financial Management Services cost data only in waivers serving older adults over 65 and people with physical disabilities (PD);

³ <https://mn.gov/dhs/people-we-serve/people-with-disabilities/services/home-community/programs-and-services/fms.jsp>

4. **Table 4:** Financial Management Services cost data only in waivers serving individuals with intellectual and developmental disabilities (I/DD);
5. **Table 5:** Median and average costs across all Financial Management Services models and populations.

Table 1: State-Reported Cost Estimates of Providing Financial Management Services as a 1915(c) Waiver Service: All Populations and All Financial Management Services Models

State	Waiver	FMS Model(s) ⁴	Population(s) Served	Minimum Cost PMPM ⁵	Maximum Cost PMPM ⁶
California	Home and Community-Based Services (HCBS) Waiver for Californians with Developmental Disabilities (DD)	F/EA, AwC	Adults and children with I/DD	\$58.65	\$58.65
California	Self-Determination	AwC	Adults and children with I/DD	\$110.00	\$110.00
Georgia	Comprehensive Supports Waiver Program (COMP)	F/EA, AwC	Adults and children with I/DD	\$75.00	\$75.00
Georgia	Elderly and Disabled	F/EA	Older adults, adults and children with PD	\$80.00	\$80.00
Georgia	Independent Care	F/EA	Adults with PD	\$75.00	\$75.00
Georgia	New Options	F/EA, AwC	Adults and children with I/DD	\$75.00	\$75.00
Idaho	Children's DD	F/EA	Children with I/DD	\$108.00	\$141.71
Idaho	DD	F/EA	Adults with I/DD	\$110.06	\$129.65
Iowa	HCBS - Brain Injury	F/EA	Individuals living with brain injury	\$95.65	\$103.53
Iowa	HCBS Elderly	F/EA	Older adults	\$68.97	\$71.77
Iowa	HCBS Health and Disability	F/EA	Adults and children with I/DD	\$68.97	\$68.97
Iowa	HCBS Intellectual Disabilities	F/EA	Adults and children with I/DD	\$178.74	\$193.47

⁴ The models of FMS reported here match what each state reported in their waiver application. In some instances, there may be discrepancies. For example, California's Self-Determination Waiver marked AwC/co-employer FMS only in their waiver application, but program documentation indicates a F/EA model in which the participant or representative serves as the sole employer is also available at https://www.dds.ca.gov/wp-content/uploads/2019/02/SDP_FMSRates_20190201.pdf.

⁵ Since cost is reported on an annual basis across multiple waiver years, this column lists the lowest cost reported in Appendix J across all waiver years.

⁶ Since cost is reported on an annual basis across multiple waiver years, this column lists the highest cost reported in Appendix J across all waiver years.

State	Waiver	FMS Model(s) ⁴	Population(s) Served	Minimum Cost PMPM ⁵	Maximum Cost PMPM ⁶
Iowa	HCBS Physical Disability	F/EA	Adults with PD	\$68.97	\$74.66
Kansas	Brain Injury	F/EA	Individuals living with brain injury	\$123.06	\$123.06
Kansas	HCBS for the Frail Elderly	F/EA	Older adults	\$127.55	\$127.55
Kansas	HCBS Technology Assisted	F/EA	Individuals who are medically fragile/technology dependent	\$114.86	\$114.86
Kansas	I/DD	F/EA	Adults and children with I/DD	\$121.48	\$121.48
Kansas	Physically Disabled	F/EA	Adults and children with PD	\$128.59	\$128.59
Kentucky	Acquired Brain Injury	F/EA	Individuals living with brain injury	\$69.79	\$69.79
Kentucky	Acquired Brain Injury - Long Term Care	F/EA	Individuals living with brain injury	\$92.96	\$92.96
Kentucky	HCBS Transitions	F/EA	Older adults, individuals with PD transitioning from facilities	\$66.67	\$91.67
Kentucky	Supports for Community Living	F/EA	Adults and children with I/DD	\$100.00	\$110.00
Maine	Consumer Directed Attendant Services	AwC	Older adults, adults with PD	\$60.00	\$60.00
Maine	Elderly and Adults with Disabilities	F/EA	Older adults, adults with PD	\$85.09	\$85.09
Michigan	Children's Waiver Program	F/EA, AwC	Children with I/DD or autism	\$124.95	\$135.25
Michigan	Choice	F/EA, AwC	Older adults, adults with PD	\$120.86	\$127.30
Michigan	Habilitation Supports	F/EA, AwC	Adults and children with I/DD	\$119.69	\$129.55
Michigan	HealthLink	F/EA, AwC	Older adults, adults with PD	\$86.90	\$97.82
Michigan	Children with Serious Emotional Disturbances	F/EA, AwC	Individuals with serious emotional disturbances	\$119.69	\$129.55
Missouri	Independent Living	F/EA	Adults with PD	\$110.00	\$110.00
Montana	Big Sky	AwC	Older adults, adults and children with PD	\$172.68	\$172.68
North Carolina	Community Alternatives Program for Children	F/EA	Individuals who are medically fragile	\$95.79	\$98.66
North Carolina	Community Alternatives Program for Disabled Adults	F/EA	Older adults, adults with PD	\$93.00	\$96.78

State	Waiver	FMS Model(s) ⁴	Population(s) Served	Minimum Cost PMPM ⁵	Maximum Cost PMPM ⁶
North Carolina	NC Innovations	F/EA, AwC	Adults and children with I/DD	\$168.67	\$182.57
New York	Office for People with Developmental Disabilities (OPWDD) Comprehensive	AwC	Adults and children with I/DD	\$557.00	\$557.00
Texas	HCBS Program	F/EA	Adults with I/DD	\$154.79	\$161.04
Texas	Community Living Assistance & Support Services (CLASS)	F/EA	Adults and children with I/DD	\$206.04	\$223.02
Texas	Deaf Blind w/ Multiple Disabilities	F/EA	Adults and children with I/DD	\$202.00	\$227.77
Texas	Home Living Program	F/EA	Adults and children with I/DD	\$154.79	\$156.34
Texas	Medically Dependent Children Program	F/EA, AwC	Individuals who are medically fragile	\$63.55	\$199.04
Utah	Acquired Brain Injury	F/EA	Adults with brain injury	\$97.14	\$97.14
Utah	Community Supports	F/EA	Adults and children with I/DD or autism	\$95.24	\$95.24
Utah	New Choices	F/EA	Older adults, adults with PD	\$95.24	\$95.24
Utah	Physical Disabilities	F/EA	Older adults, adults with PD	\$95.24	\$95.24
Utah	Waiver for Individuals Age 65 or Older	F/EA	Older adults	\$95.24	\$95.24
Wisconsin	Children's Long Term Support	AwC	Children with PD	\$59.10	\$63.42
Wisconsin	Family Care	F/EA, AwC	Older adults, adults with PD, adults with I/DD	\$53.27	\$57.86
Wisconsin	Include, Respect, I Self-Direct (IRIS) Home and Community-Based - Elderly & Disabled	F/EA, AwC	Older adults, adults with PD	\$71.00	\$71.00
Wisconsin	IRIS Home and Community-Based- I/DD	F/EA, AwC	Older adults, adults with I/DD	\$114.43	\$123.86
Median Cost				\$95.79	\$103.53
Average Cost				\$114.07	\$122.06

Table 2: State-Reported Cost Estimates of Providing Financial Management Services as a 1915(c) Waiver Service: F/EA FMS Only

Note: Waivers using Agency with Choice Financial Management Services have been excluded.

State	Waiver	FMS Model(s)	Population(s) Served	Minimum Cost PMPM	Maximum Cost PMPM
Georgia	Elderly and Disabled	F/EA	Older adults, adults and children with PD	\$80.00	\$80.00
Georgia	Independent Care	F/EA	Adults with PD	\$75.00	\$75.00
Idaho	Children's DD	F/EA	Children with I/DD	\$108.00	\$141.71
Idaho	DD	F/EA	Adults with I/DD	\$110.06	\$129.65
Iowa	HCBS - Brain Injury	F/EA	People living with brain injury	\$95.65	\$103.53
Iowa	HCBS Elderly	F/EA	Older adults	\$68.97	\$71.77
Iowa	HCBS Health and Disability	F/EA	Adults and children with I/DD	\$68.97	\$68.97
Iowa	HCBS Intellectual Disabilities	F/EA	Adults and children with I/DD	\$178.74	\$193.47
Iowa	HCBS Physical Disability	F/EA	Adults with PD	\$68.97	\$74.66
Kansas	Brain Injury	F/EA	People living with brain injury	\$123.06	\$123.06
Kansas	HCBS for the Frail Elderly	F/EA	Older adults	\$127.55	\$127.55
Kansas	HCBS Technology Assisted	F/EA	Medically fragile and technology dependent individuals	\$114.86	\$114.86
Kansas	I/DD	F/EA	Adults and children with I/DD	\$121.48	\$121.48
Kansas	Physically Disabled	F/EA	Adults and children with PD	\$128.59	\$128.59
Kentucky	Acquired Brain Injury	F/EA	Individuals living with brain injury	\$69.79	\$69.79
Kentucky	Acquired Brain Injury - Long Term Care	F/EA	Individuals living with brain injury	\$92.96	\$92.96
Kentucky	HCBS Transitions	F/EA	Older adults, individuals with PD transitioning from facilities	\$66.67	\$91.67
Kentucky	Supports for Community Living	F/EA	Adults and children with I/DD	\$100.00	\$110.00
Maine	Elderly and Adults with Disabilities	F/EA	Older adults, adults with PD	\$85.09	\$85.09
Missouri	Independent Living	F/EA	Adults with PD	\$110.00	\$110.00
North Carolina	Community Alternatives Program for Children	F/EA	Individuals who are medically fragile	\$95.79	\$98.66
North Carolina	Community Alternatives Program for Disabled Adults	F/EA	Older adults, adults with PD	\$93.00	\$96.78

State	Waiver	FMS Model(s)	Population(s) Served	Minimum Cost PMPM	Maximum Cost PMPM
Texas	HCBS Program	F/EA	Adults with I/DD	\$154.79	\$161.04
Texas	Community Living Assistance & Support Services (CLASS)	F/EA	Adults and children with I/DD	\$206.04	\$223.02
Texas	Deaf Blind w/ Multiple Disabilities	F/EA	Adults and children with I/DD	\$202.00	\$227.77
Texas	Home Living Program	F/EA	Adults and children with I/DD	\$154.79	\$156.34
Utah	Acquired Brain Injury	F/EA	Adults with brain injury	\$97.14	\$97.14
Utah	Community Supports	F/EA	Adults and children with I/DD or autism	\$95.24	\$95.24
Utah	New Choices	F/EA	Older adults, adults with PD	\$95.24	\$95.24
Utah	Physical Disabilities	F/EA	Older adults, adults with PD	\$95.24	\$95.24
Utah	Waiver for Individuals Age 65 or Older	F/EA	Older adults	\$95.24	\$95.24
Median Cost				\$95.79	\$98.66
Average Cost				\$109.00	\$114.69

Table 3: State-Reported Cost Estimates of Providing Financial Management Services as a 1915(c) Waiver Service, in Waivers Serving Older Adults and People with Physical Disabilities

Note: Waiver programs serving individuals with intellectual and developmental disabilities and/or people with other disabilities, such as brain injury, have been excluded from this analysis.

State	Waiver	FMS Model(s)	Population(s) Served	Minimum Cost PMPM	Maximum Cost PMPM
Georgia	Elderly and Disabled	F/EA	Older adults, adults and children with PD	\$80.00	\$80.00
Georgia	Independent Care	F/EA	Adults with PD	\$75.00	\$75.00
Iowa	HCBS Elderly	F/EA	Older adults	\$68.97	\$71.77
Iowa	HCBS Physical Disability	F/EA	Adults with PD	\$68.97	\$74.66
Kansas	HCBS for the Frail Elderly	F/EA	Older adults	\$127.55	\$127.55
Kansas	Physically Disabled	F/EA	Adults and children with PD	\$128.59	\$128.59
Maine	Consumer Directed Attendant Services	AwC	Older adults, adults with PD	\$60.00	\$60.00
Maine	Elderly and Adults with Disabilities	F/EA	Older adults, adults with PD	\$85.09	\$85.09
Michigan	Choice	F/EA, AwC	Older adults, adults with PD	\$120.86	\$127.30

State	Waiver	FMS Model(s)	Population(s) Served	Minimum Cost PMPM	Maximum Cost PMPM
Michigan	HealthLink	F/EA, AwC	Older adults, adults with PD	\$86.90	\$97.82
Missouri	Independent Living	F/EA	Adults with PD	\$110.00	\$110.00
Montana	Big Sky	AwC	Older adults, adults and children with PD	\$172.68	\$172.68
North Carolina	Community Alternatives Program for Disabled Adults	F/EA	Older adults, adults with PD	\$93.00	\$96.78
Utah	New Choices	F/EA	Older adults, adults with PD	\$95.24	\$95.24
Utah	Physical Disabilities	F/EA	Older adults, adults with PD	\$95.24	\$95.24
Utah	Waiver for Individuals Age 65 or Older	F/EA	Older adults	\$95.24	\$95.24
Wisconsin	Children's Long Term Support	AwC	Children with PD	\$59.10	\$63.42
Wisconsin	Family Care	F/EA, AwC	Older adults, adults with PD, adults with I/DD	\$53.27	\$57.86
Wisconsin	IRIS - Elderly & Disabled	F/EA, AwC	Older adults, adults with PD	\$71.00	\$71.00
Median Cost				\$86.90	\$95.24
Average Cost				\$91.93	\$93.96

Table 4: State-Reported Cost Estimates of Providing Financial Management Services as a 1915(c) Waiver Service, in Waivers Serving People with Intellectual and Developmental Disabilities (I/DD)

Note: Waiver programs serving older adults and people with physical disabilities have been excluded from this analysis.

State	Waiver	FMS Model(s)	Population(s) Served	Minimum Cost PMPM	Maximum Cost PMPM
California	HCBS Waiver for Californians with DD	F/EA, AwC	Adults and children with I/DD	\$58.65	\$58.65
California	Self-Determination	AwC	Adults and children with I/DD	\$110.00	\$110.00
Georgia	COMP	F/EA, AwC	Adults and children with I/DD	\$75.00	\$75.00
Georgia	New Options	F/EA, AwC	Adults and children with I/DD	\$75.00	\$75.00
Idaho	Children's DD	F/EA	Children with I/DD	\$108.00	\$141.71
Idaho	DD	F/EA	Adults with I/DD	\$110.06	\$129.65
Iowa	HCBS Health and Disability	F/EA	Adults and children with I/DD	\$68.97	\$68.97

State	Waiver	FMS Model(s)	Population(s) Served	Minimum Cost PMPM	Maximum Cost PMPM
Iowa	HCBS Intellectual Disabilities	F/EA	Adults and children with I/DD	\$178.74	\$193.47
Kansas	I/DD	F/EA	Adults and children with I/DD	\$121.48	\$121.48
Kentucky	Supports for Community Living	F/EA	Adults and children with I/DD	\$100.00	\$110.00
Michigan	Children's Waiver Program	F/EA, AwC	Children with I/DD or autism	\$124.95	\$135.25
Michigan	Habilitation Supports	F/EA, AwC	Adults and children with I/DD	\$119.69	\$129.55
New York	OPWDD Comprehensive	AwC	Adults and children with I/DD	\$557.00	\$557.00
North Carolina	Innovations Waiver	F/EA, AwC	Adults and children with I/DD	\$168.67	\$182.57
Texas	CLASS	F/EA	Adults and children with I/DD	\$206.04	\$223.02
Texas	Deaf Blind w/ Multiple Disabilities	F/EA	Adults and children with I/DD	\$202.00	\$227.77
Texas	HCBS Program	F/EA	Adults with I/DD	\$154.79	\$161.04
Texas	Home Living Program	F/EA	Adults and children with I/DD	\$154.79	\$156.34
Utah	Community Supports	F/EA	Adults and children with I/DD or autism	\$95.24	\$95.24
Wisconsin	Family Care	F/EA, AwC	Older adults, adults with PD, adults with I/DD	\$53.27	\$57.86
Wisconsin	IRIS - ID/DD	F/EA, AwC	Older adults, adults with I/DD	\$114.43	\$123.86
Median Cost				\$114.43	\$129.55
Average Cost				\$140.80	\$149.21

Table 5: State-Reported Cost Estimates of Providing Financial Management Services as a 1915(c) Waiver Service: Median and Average Costs Across FMS Models and Populations

FMS Models and Populations	Median Cost		Average Cost	
	Minimum Cost PMPM	Maximum Cost PMPM	Minimum Cost PMPM	Maximum Cost PMPM
All Populations and All FMS Models	\$95.79	\$103.53	\$114.07	\$122.06
F/EA FMS Only	\$95.79	\$98.66	\$109.00	\$114.69
Waivers Serving Older Adults and People with Physical Disabilities	\$86.90	\$95.24	\$91.93	\$93.96
Waivers Serving People with Intellectual and Developmental Disabilities	\$114.43	\$129.55	\$140.80	\$149.21

Recommendations for States and Other Payers

During Spring 2022, Applied Self-Direction solicited feedback about this data from our members that currently provide Financial Management Services in self-direction programs⁷. Members shared their knowledge and experience, providing the following feedback:



While cost is an important consideration when structuring Financial Management Services, it should not necessarily be the only consideration. Payers should identify clear

programmatic goals and keep these in mind when procuring Financial Management Services or structuring Financial Management Services as a waiver service. The Financial Management Services entity can be an immensely valuable partner to help payers achieve major programmatic goals, such as improving workforce recruitment and retention, enhancing program integrity, and/or increasing the percentage of eligible people who participate in self-directed services.

Selecting a Financial Management Services vendor based solely on cost or having Financial Management Services provider qualifications that do not address programmatic goals risks depriving payers of additional options and strategies to achieve their desired outcomes via the Financial Management Services function.

Payers should regularly revisit Financial Management Services contractual requirements and provider qualifications to adjust as needed, in conjunction with input from the Financial Management Services entity.



Financial Management Services is a complex function that oversees a wide array of operational and administrative requirements for self-directed services. For this reason, it is time-intensive for payers to develop a Request for Proposal, waiver provider qualifications, and/or a contract for Financial Management Services. Once these elements have been developed, they often do not change significantly over time and are instead “passed down” from program administrator to administrator.

Ensuring current contractual requirements remain relevant to the program’s needs can be helpful for both the payer and the Financial Management Services entity. For example, some members commented

⁷ <https://www.appliedselfdirection.com/membership-fms-entities>

that their payer requires them to obtain unique identifiers for each worker (e.g., Medicaid provider number and NPIs) that are never used for any purpose after they are obtained. Similarly, some members shared that they are asked to produce an ever-expanding list of reports about key program metrics, but many of the reports generated are never viewed. Other members commented that payers did not always have a clear understanding of how much certain contractual requirements cost, such as insurance, and therefore had unrealistically low estimates of how much Financial Management Services cost to provide. On the other hand, some members reported that some of the tasks they were required to perform were never specified in the contract, such as conducting regular trainings about self-direction for different audiences (e.g., payer staff, participants, families, etc.), or managing compliance with new state paid time off or paid sick leave requirements to which program participants are subject.



For these reasons, **it is advisable to revisit requirements** to determine whether the cost (and in many cases, time) payers impose on the Financial Management Services entity is necessary, and/or whether certain requirements can be adjusted to better fit the mutual needs of the payer and Financial Management Services entity. This can also lead to discussion about what the Financial Management Services entity may be managing that is not currently reflected in the contract. Revisiting requirements in this manner also provides Financial Management Services entities with the opportunity to educate payers about the unique costs, risks, and complexity associated with providing this crucial service.



A “race to the bottom” that continually drives down the costs of Financial Management Services across the country will not end well—not for payers, not for Financial Management Services entities, and not for participants. To be clear, members unanimously communicated that competing with one another on cost was expected and welcomed. However, continued selection of Financial Management Services vendors based *solely* on cost, and unrealistically low reimbursement rates for Financial Management Services as a waiver service, places worrisome downward pressure on pricing. Left unabated, continued downward pressure on an industry with razor-thin margins risks creating negative and unintended outcomes for payers and participants. Of course, some downward pressure can be expected. Innovations and investment in technology and an industry-wide transition toward electronic rather than paper-based transactions have created efficiencies that lowered the cost of providing Financial Management Services. Nevertheless, costs can only be cut so far.



Every program environment is unique, so it is impossible to provide a meaningful or accurate figure about what Financial Management Services “should” cost. However,

Financial Management Services is *the* primary safeguard for assuring program integrity and fiscal accountability in self-directed services. Continued rate cuts may force Financial Management Services entities to choose between closing their doors and cutting corners that should never be cut—for example, being less able to respond timely to participant phone calls because rate cuts forced layoffs of customer service staff.

Payers considering the cost of Financial Management Services are urged to consider the extraordinary value Financial Management Services entities provide. **Reduced investment in Financial**

Management Services necessarily means reduced investment in fraud detection and prevention. Furthermore, increasing strains on the Financial Management Services entity



often reduces satisfaction rates among participants. Over time, this often leads to fewer people participating in the extraordinarily cost-effective model of service delivery that self-direction offers. For such reasons, rate reductions for Financial Management Services can in some cases be “penny wise but pound foolish.” Connecting a Financial Management Services entity’s scope of work with larger programmatic goals, and connecting investment in the Financial Management Services entity with improved outcomes, is encouraged.