

Individual Budgets & Fiscal Intermediaries

Many U.S. states now have Medicaid Waiver options that allow people eligible for the waiver to determine how the waiver dollars allocated to them will be used within the parameters set within that state's waiver. Individual budgeting is used within self-directed service options not traditional group-based services.

Quality in Practice

The Centers for Medicare and Medicaid Services (CMS) defines an individual budget as *“the total dollar value of the services and supports, as specified in the plan of care, under the control and direction of the program participant.”*

CMS also requires individual budgets to be:

- **Evidence-based:** budget is based on actual costs and support needs that can be documented by some verifiable means
- **Consistent:** determination of support needs and budget is the same or similar for all involved in the process
- **Transparent:** open to public inspection
- **Regularly evaluated:** has an established method and time frame of evaluation.

How does a person decide what to buy with his/her individualized budget?

The first step to creating an individualized budget is for the person to decide what services and supports he/she wants to meet his/her needs. Most often people participate in a person-centered planning process to help them make those decisions. Family members and friends can also participate in the person-centered planning process.

Who can help the person figure out how to make decisions and manage the budget?

Generally, states will provide assistance to the person in making these decisions and managing the budget through an independent person – perhaps a supports broker, a facilitator or a consultant. It is this person's role to help the waiver participant in figuring out all the rules and practices associated with that state's self-directed program.

What services can be purchased using individualized funding?

The participant decides what services he/she needs. This means the participant may choose to buy any services, supports or goods if those services, supports or goods:

- Help the individual to meet his/her functional, medical and/or social needs and live life successfully
- Help the individual to reach the goals he/she has set for himself/herself
- Are not prohibited by Federal and State laws and regulations, including the State's Procurement Code
- Are not available through another source (i.e. covered by another insurance)
- Do one or more of the following:
 - The service or item would make it easier for the individual to do things that are hard because of his/her disability
 - The service or item would increase the individual's safety in his/her home environment
 - The service or item would lessen the individual's need for other publicly funded services

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Who determines the budget amount?

Generally speaking, states set the amount of money available to each person based on the state's criteria as outlined in their self-directed waiver.

Who handles the money?

CMS does not allow direct payments to waiver participants, so a fiscal intermediary handles the funds. A **fiscal intermediary** manages funds, makes payments, and accounts for expenditures made on behalf of the participant and according to his/her individual budget. The fiscal intermediary is not a direct service provider, but handles the business of securing services and supports. A fiscal intermediary can be a nonprofit agency, a payroll service, an individual, or any organization that the individual, family, or state selects. A fiscal intermediary must be able to provide payroll services, bill payments, benefits administration, contract negotiation, rate setting functions, and record keeping services.

The fiscal intermediary acts as a fiscal conduit, distributing funds as determined in the individual budget and keeping all applicable reports. Oftentimes, the fiscal intermediary also is the employer of record for persons providing support services and is responsible for completing tax, labor, and Social Security documents as needed. The fiscal intermediary as employer of record, calculates and files tax documents, distributes wages to support providers, manages workers' compensation, disability, and benefit insurances, and verifies citizenship/legal alien status of support providers. The waiver participant makes all decisions regarding hiring, supervising and firing support workers.

Are self-directed waivers the same in every state?

No. Self-directed waivers are optional, and every state sets its own criteria, policy and procedures in relationship to these waivers.

Why would someone want an individualized budget?

Self-directed waivers and individualized budgets allow the person to be an active participant in deciding how to live his/her life by choosing where and how he/she lives and what services and supports he/she buys. These may be new services, or services he/she now receives. With self-direction, the person will have more choice, more control, more flexibility and more freedom in his/her life.