

New Medicaid Opportunities: Recently-Approved Waivers and Implications for Children's Hospitals

March 3, 2023

Speakers: Cindy Mann and Anne Karl



Cindy Mann

Partner, Manatt Health



Anne O. Karl

Partner, Manatt Health

- **Background**
- **Overview of AZ, OR, and MA 1115 Waivers: Implications for Children & Children's Hospitals**
- **Discussion**
- **Appendix**

Recent Waiver and Regulatory Approvals Break New Ground

Oregon Health Plan (9/28):

- Extended continuous enrollment for young children; 2-year CE for older children and adults
- Coverage expansion for youth with special health care needs
- Authorized HRSNs for transitioning populations

Vermont's Global Commitment to Health (6/28):

- Coverage expansion for individuals with a substance use disorder
- Payment and delivery system reforms, including flexibility to use waiver funds for HRSNs

CalAIM (12/21, 1/23):

- Approval to offer HRSN services thru "ILOS" regulatory authority
- HRSNs with 'room and board' component
- Financing flexibility
- Justice involved pre-release services

MassHealth (9/28):

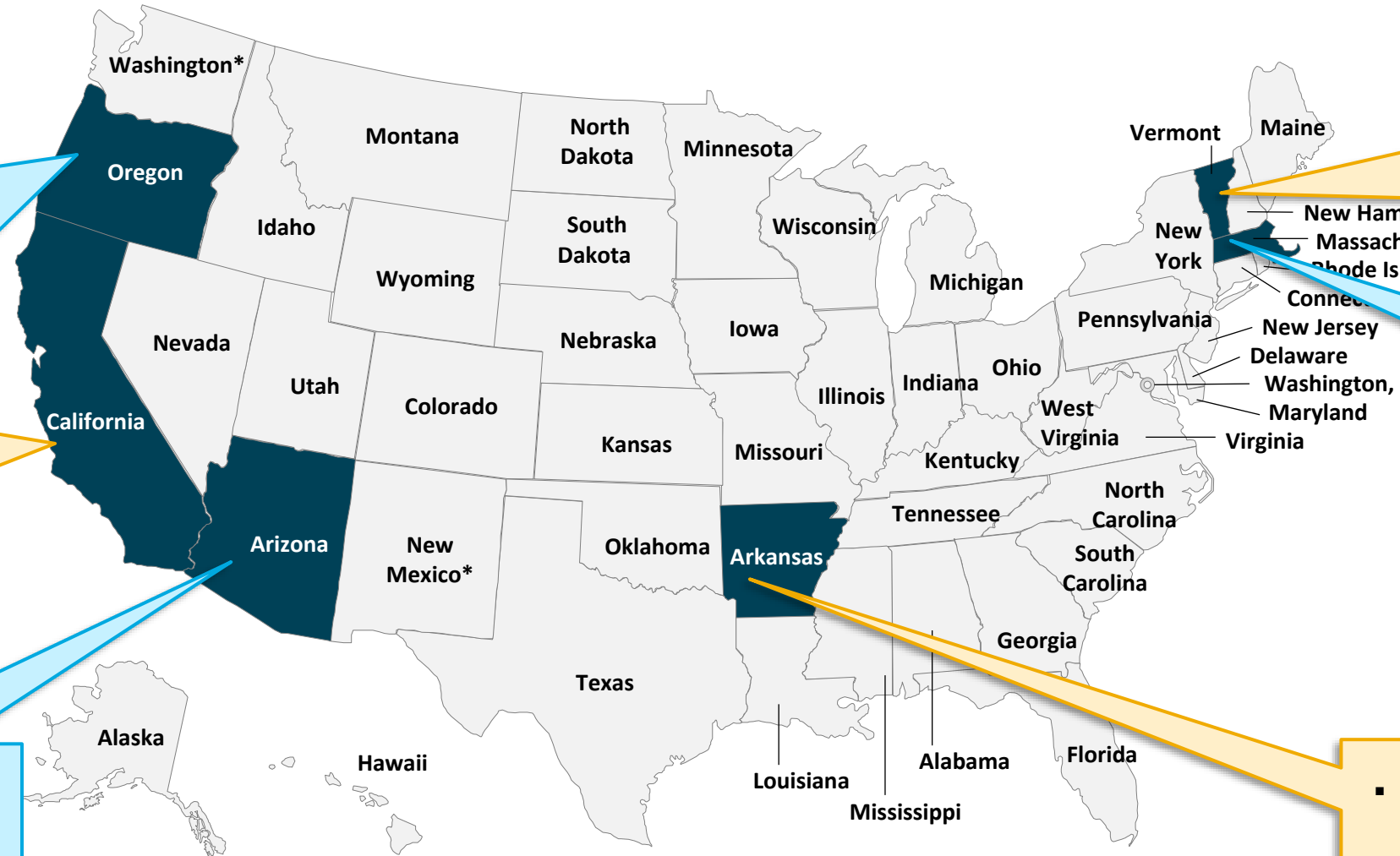
- Continuous enrollment policies for justice-involved and those experiencing homelessness
- Payment and delivery system reforms
- Delivery of services addressing HRSN with a focus on housing and behavioral health (with associated requirements for provider payment rates)

Arizona Health Care Cost Containment System (10/14):

- Payment and delivery system reforms
- Authorized HRSNs focused on housing (with associated requirements for provider payment rates)
- Financing flexibility

ARHOME (11/1):

- Delivery of services addressing HRSN with a focus on behavioral health, maternal health, young adults



KEY

- = 1115 approvals with HRSN policies
- = 1115 approvals with HRSN policies with a particular focus on kids
- * = states with pending 1115 waivers with similar HRSN policies

Key Themes in Recent Waiver Approvals

These waiver approvals provide an important view into the Biden Administration's perspective on the use of 1115 waiver authority.

- Willingness to implement creative, large-scale efforts to **promote coverage stability and expansion**
- Support for **transformational investments in HRSN** and advancing health equity
- New Designated State Health Program (DSHP) and budget neutrality policies will enable states to leverage 1115 demonstration to **test and sustain innovative new programs**
- CMS is attempting to take a **standardized approach** to several key elements of 1115 demonstrations which may simplify waiver review and approval

Overview of AZ, OR, and MA 1115 Waivers: Implications for Children & Children's Hospitals

Waiver Policies Affecting Children

The AZ, OR, and MA waivers include several component initiatives with direct implications for pediatric Medicaid enrollees in those states.

Approved Initiative	Arizona	Oregon	Massachusetts
Continuous eligibility (CE)		✓ CE (1) from initial Medicaid/CHIP eligibility to age 6 and (2) 2 years CE for adults and children over age 6	✓ 24-month CE for enrollees experiencing homelessness
Provider rate increases if primary care, behavioral health, or OB/GYN care are less than 80% of Medicare	✓	✓	✓
Youth with Special Health Care Needs (YSHCN) coverage/benefits		✓ Eligibility and benefits expansion for YSHCN	
Children eligible or qualify for new HRSN initiative	✓	✓	✓
Designated State Health Programs (DSHPs)	✓	✓	



CMS is currently evaluating additional waiver applications from New Mexico, California, and Washington, which include requests for similar policies for kids and may build on these initial three approvals.

Key Elements in Recent CMS Waiver Approvals

CMS's recent waiver approvals advance a range of new initiatives, paired with renewed financing opportunities and enhanced monitoring.



Continuous Enrollment



Health-Related Social Needs



Designated State Health Programs (DSHPs)



Changes to “Budget Neutrality” requirements



Enhanced Monitoring and Reporting

CMS and many states are focused on ways to reduce Medicaid coverage churn.

- Before the continuous coverage requirement during COVID-19, nearly **10% of children were uninsured for at least part of the year.**
 - Gaps in coverage disproportionately impacted children in communities of color.
- Currently, without a waiver, states can offer 12 months' continuous coverage to children in Medicaid and CHIP, but do not have the option to offer continuous enrollment for a longer time period or an option for adults.
 - Beginning January 2024, **states will be required** to provide continuous enrollment for children for 12 months (per the [Consolidated Appropriations Act, 2023](#))
- With the end of the PHE's continuous coverage requirements, states are seeking to implement strategies to retain gains in coverage and reduce Medicaid churn.

Source: Alker, J. and Osorio, A. [Why is Medicaid/CHIP Continuous Eligibility So Important for Kids?](#) Georgetown Center for Children and Families. October 8, 2021.

Continuous enrollment policies will significantly reduce children's risk of losing coverage.




- Both OR and MA's waiver approvals include **new, precedent-setting policies on continuous enrollment**.
 - Oregon, for example, is offering **multi-year continuous enrollment up to age 6** (e.g., birth through age 6), and **24 months of continuous enrollment for those aged 6+**
 - Massachusetts will offer 24 months of continuous enrollment for enrollees experiencing homelessness
- Oregon is the **first state in the nation** to provide continuous enrollment for children from the time of their initial Medicaid or CHIP eligibility determination until they reach age 6.
 - Washington has a similar 1115 [request](#) pending to provide continuous coverage to children up to 215% of FPL up to age 6.
 - New Mexico's 1115 demonstration renewal [request](#) includes continuous enrollment for kids up to age 6.
 - California [state law](#) requires that the State implement continuous enrollment for children up to age 5 no sooner than January 2025, subject to federal approval and state funding.







Enhanced Flexibility to Use Medicaid Funds for Health-Related Social Needs

HRSN services must be medically appropriate based on clinical and social risk factors. To support HRSN service providers, many of whom may not traditionally participate in Medicaid, states may receive federal matching funds (up to a cap) to invest in and build HRSN capacity.

Allowable HRSN services

-  Food
-  Housing (including up to 6 months rent)
-  Other health-related services with an evidence base for populations with clinical and social needs

HRSN capacity

-  Technology costs
-  Development of business or operational practices
-  Workforce development
-  Outreach, education, and stakeholder convening

Deeper dive on HRSN services approved in each of the three states is included below and in the appendix.

The recently approved waivers all include an array of evidence-based supports and case management targeted at different populations and social drivers of health.



Arizona will provide housing supports to enrollees experiencing or at risk of homelessness in addition to having a health need, such as serious mental illness, complex chronic health conditions, or long-term services and supports



Oregon will direct services to populations in transition (including YSHCN and children in the child welfare system) and will offer services such as housing supports, nutrition supports, case management, outreach, and education.



Massachusetts expanded its Flexible Services program and Specialized Community Support Programs to a broader range of populations that meet health-related criteria (e.g., behavioral health, complex physical health needs) and have specified risk factors (e.g., at risk for nutritional deficiency)

In all three states, children that meet the eligibility criteria are eligible for these enhanced supports and services.

The AZ and OR waiver approvals indicate CMS's willingness to approve DSHPs to obtain federal Medicaid matching for programs that had formerly been state-funded and use freed-up funds to finance the nonfederal share for other initiatives approached under states' 1115 waivers.

- CMS is prepared to approve DSHPs in other states with the following guardrails in mind:
 - DSHPs may only be used to finance a portion the **nonfederal share of new initiatives** that advance the objectives of the Medicaid program
 - ◆ No **supplantation** of existing state investments; monitoring required
 - States must contribute 15% of nonfederal share through non-DSHP funding sources
 - DSHP spending capped at **1.5% of total Medicaid expenditures** over the demonstration period
 - DSHP funding is **temporary**
- With these approvals, CMS is establishing limits and requirements to promote cost-effective and targeted investments while ensuring a strong foundation

As a condition of approving the HRSN initiatives in all three states and DSHPs in AZ and OR, CMS is requiring states to meet and maintain specific provider payment rates.

- States must maintain specific provider payment rates in **primary care, behavioral health, and obstetric care**
 - If the Medicaid rate is below 80% the Medicare provider rate, the state must increase the provider payment rate for each service by “an amount necessary so that the Medicaid to Medicare provider ratio **increases by two percentage points**” in the relevant delivery system(s)
 - ◆ Subsequently, the state must maintain the higher payment level for the duration of the demonstration
 - ◆ No requirement for further annual payment increases



Changes to “Budget Neutrality” to Allow Sustainable Investments

Federal policy requires that 1115 waivers be “budget neutral” to the federal government—meaning federal costs with the waiver must be no higher than without the waiver. Following engagement with stakeholders, CMS has made changes in the budget neutrality rules and process.

- Changes in calculation of the budget neutrality “**without waiver**” baseline:
 1. Consistently use the President’s Budget trend rate, rather than the lower of the President’s Budget trend rate or historical spending
 2. Allow “mid-course corrections” to adjust for spending increases that could have occurred without the waiver
 3. “Blended” rebase of baseline at renewal to preserve limited ability of states to generate savings
- **Increase the savings states can roll over** from prior demonstrations from five to ten years
- More consistent reliance on “**hypotheticals**” for certain investments, including HRSN; offsets not needed



Enhanced Monitoring and Reporting Requirements

Consistent theme from CMS around rigorous requirements for reporting and monitoring in addition to standard section 1115 evaluations.

Maintenance of Effort
States must maintain levels of state funding for social services related to their selected HRSN throughout the demonstration.
Required reporting: States must describe method for calculating baseline (pre-waiver) funding levels and submit annual monitoring reports.

HRSN Protocols
Required reporting: States must submit protocols describing eligibility criteria and scope of services, provider qualifications, and care management and how HRSN services infrastructure funding will be used.

Implementation Plan for New Initiatives
Required reporting: Plan must describe key policies and operational details not captured in the STCs, including goals, milestones, timelines for implementing HRSNs and infrastructure investments, as applicable.

Discussion

Appendix



Arizona will provide housing supports as part of their Housing and Health Opportunities (H2O) Program.

- ▶ **HRSN Services:** \$481.8 million on HRSN services (plus any unspent infrastructure dollars), including:
 - ▶ Housing supports (includes pre-tenancy and tenancy sustaining services, one-time transition and moving costs, housing deposits, housing transition navigation services, medically necessary home accessibility modifications, rent/temporary housing for up to 6 months, and utility costs)
 - ▶ Case management, outreach, and education
- ▶ **HRSN Infrastructure:** Up to \$67.5 million for infrastructure related to implementing HRSN services (e.g. IT; business/operational development; workforce development; outreach, education and stakeholder convening)
- ▶ **Other related investments:**
 - ▶ **Targeted Investments 2.0 program:** Provides funding that MCOs are directed to use to make specific incentive payments to providers with the goal of improving quality and health equity for targeted populations through addressing HRSN. Providers may conduct population health analyses related to HRSN and implement national standards for culturally and linguistically appropriate services.



Eligible Individuals (all eligible individuals entitled to services)

- ▶ Currently, or are at risk of, experiencing homelessness; and,
- ▶ Have a health need* on their medical record, including serious mental illness, high-cost high needs chronic health conditions or co-morbidities, or enrollment into the Arizona Long Term Care System

**Other criteria relating to specific clinical and social risk factors for eligibility will be subject to post-approval waiver negotiations between Arizona and CMS.*



CMS approved Oregon’s proposal to provide HRSN services for people in transition. Services will be offered as an entitlement, meaning all eligible individuals will be able to access services.

- ▶ **HRSN Services:** \$904 million (plus any unspent infrastructure dollars) on HRSN services, including:
 - ▶ Housing supports (includes pre-tenancy and tenancy sustaining services, one-time transition and moving costs, housing deposits, housing transition navigation services, medically necessary home accessibility modifications, rent/temporary housing for up to 6 months, utility costs, and medically necessary devices like air conditioners, heaters, humidifiers, air filtration devices, generators, and refrigeration units)
 - ▶ Nutrition supports (includes nutrition counseling and education, medically-tailored meals, and fruit and vegetable prescriptions)
 - ▶ Case management, outreach, and education
- ▶ **HRSN Infrastructure:** Up to \$119M for infrastructure related to implementing HRSN services (e.g. IT; business/operational development; workforce development)



Eligible Populations (all eligible individuals entitled to services)

Individuals in the populations below must have a documented need for the services based on clinical and social risk factors:

- ▶ YSHCN;
- ▶ Adults and youth discharged from an IMD;
- ▶ Adults and youth released from incarceration;
- ▶ Youth involved in the child welfare system;
- ▶ Individuals transitioning from Medicaid-only to dual eligibility status;
- ▶ Individuals who are homeless or at risk of becoming homeless; and,
- ▶ Individuals with a high-risk clinical need who reside in a region that is experiencing extreme weather events.

Massachusetts Health-Related Social Needs



CMS reauthorized and expanded Massachusetts’ HRSN services offered through the Flexible Services Program (FSP) and the Specialized Community Support Programs (CSPs). The state is subject to caps for the number of individuals who may obtain HRSN services.

HRSN Services: \$687.9 million (plus any unspent infrastructure dollars) on HRSN services

	Flexible Services Program	Specialized Community Support Programs
HRSN Services	<ul style="list-style-type: none"> • Housing supports (includes pre-tenancy and tenancy sustaining support, transition services, one-time transition/moving costs and housing deposits, medically necessary devices like A/C units and asthma remediation, and home modifications) • Case management, outreach, and education • Nutrition supports (includes counseling, meal delivery, medically-tailored food prescriptions, household nutrition support, and cooking supplies) • Transportation to services for tenancy supports 	<p>Specialized CSP services, which are outreach and supportive services to enable beneficiaries with behavioral health needs to use clinical treatment services and other supports, including:</p> <ul style="list-style-type: none"> • For Homeless Individuals: Assistance in finding, transitioning to, and maintaining housing • For Individuals with Justice Involvement: Assistance in transitioning back to the community • For Tenancy Preservation Program: Specialized services for individuals who face eviction due to behavior related to a behavioral health condition
Eligible Populations	<p>ACO-enrolled individuals aged 0-64 who meet at least one health needs-based criteria (e.g. behavioral health needs, complex physical health needs, frequent emergency department utilization, individuals with a high-risk pregnancy) and one risk factor (e.g. at risk for nutritional deficiency).</p>	<p>Individuals who are in CSPs due to homelessness, with a behavioral health need who are facing eviction as a result of behavior related to their condition (rather than strictly non-payment of rent), or are involved in the justice system.</p>

Arizona Health Care Cost Containment System 1115 Waiver Overview



Arizona’s waiver focuses on innovative programs to addressing social drivers of health, particularly housing accessibility. Additional proposals remain pending.

Approved Initiatives

Targeted Investments (TI) 2.0 program	<ul style="list-style-type: none">• Incentive payments to providers who meet specific targets to improve health quality by addressing social determinants of health
Health-related social needs (HRSN) services	<ul style="list-style-type: none">• Approval of Housing and Health Opportunities (H2O) Program, which includes:<ul style="list-style-type: none">• Housing supports for individuals with homelessness or experiencing other clinical/social risk factors• Case management services• State can claim infrastructure investments
Tribal Dental Benefit	<ul style="list-style-type: none">• Allows AHCCCS to reimburse IHS and other tribal facilities for dental services provided to American Indian/Alaska Native adults beyond the \$1,000 limit.
Provider rate increases	<ul style="list-style-type: none">• As a condition of approval for DSHPs and HRSNs, Arizona must increase their fee-for-service primary care provider payment levels
DSHP	<ul style="list-style-type: none">• DSHPs are approved to fund \$440.9 million (total computable) in HRSN services, HRSN infrastructure, and the TI 2.0 program

Oregon Health Plan 1115 Waiver Overview



In addition to HRSNs, Oregon’s waiver expands and stabilizes coverage. Additional proposals remain pending.

Approved Initiatives

Continuous Eligibility	<ul style="list-style-type: none">• Continuous (multi-year) enrollment for children from initial enrollment (e.g., birth) to age 6• Two-year continuous enrollment for children ages 6+ and adults
Health-Related Social Needs Services	<ul style="list-style-type: none">• Approval to offer “bundled services” as needed, for specific populations. Bundle includes housing supports, nutrition supports, case management, outreach, and education; rent/temporary housing for up to 6 months.• State can claim infrastructure investments• Service and infrastructure investments subject to a cap
Youth with Special Health Care Needs (YSHCN) Coverage/Benefits	<ul style="list-style-type: none">• Eligibility and benefits expansion for YSHCN who would either not otherwise be eligible for Medicaid under the State Plan or would be eligible but for adult rather than EPSDT benefits
Provider rate increases	<ul style="list-style-type: none">• As a condition of approval for DSHPs, Oregon must increase their fee-for-service primary care provider payment levels
DSHP	<ul style="list-style-type: none">• DSHPs are approved to fund \$535 million (total computable) in HRSN services, HRSN infrastructure, and the YSHCN eligibility and benefit expansion

Massachusetts MassHealth 1115 Waiver Overview



Massachusetts' waiver shares Oregon's focus on HRSN and some new continuous eligibility options; it also includes notable new primary care and health equity initiatives. Additional proposals remain pending.

Approved Initiatives

Continuous Eligibility	<ul style="list-style-type: none">• 12-month continuous enrollment for individuals released from correctional institutions• 24-month continuous enrollment for individuals experiencing homelessness
Hospital Quality and Equity Initiative	<ul style="list-style-type: none">• \$400 million (total computable) annually (except DY27-28) in expenditure authority<ul style="list-style-type: none">• For participating private acute hospitals to improve health care quality and equity• Up to \$90 million (total computable) annually (except DY 27) in expenditure authority for Cambridge Health Alliance to improve health care quality and equity and develop interventions for both its Medicaid population and the uninsured individuals it serves.
Health-Related Social Needs Services	<ul style="list-style-type: none">• Reauthorization and expansion of allowable medically necessary HRSN services for the state to cover• Includes housing supports, nutrition supports, case management, transportation, and education• As in OR, subject to caps and contingent on payment rate increases• State can claim infrastructure investments
Primary Care Delivery Model	<ul style="list-style-type: none">• Requires Primary Care ACOs to make PMPM payments to providers (other ACOs will have similar requirements via managed care authority)• Invests \$115 million per year in primary care through a new value-based sub-capitation model that requires providers to meet clear standards for access and team-based, integrated care
Primary care and behavioral health workforce	<ul style="list-style-type: none">• Invests \$43.24 million to cover student loan repayments, ranging from \$50,000 to \$300,000, for primary care providers and behavioral health providers; providers must commit to working for 4 years in a setting where at least 40% of the patient panel is Medicaid enrollees and/or uninsured individuals