Medicaid 1115 Waiver Trends in an Era of State Flexibility

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Lindsey Browning
Program Director for Medicaid Operations
National Association of Medicaid Directors

NAMD
National Association of Medicaid Directors

Outline

- The Medicaid landscape in 2018
- Waivers as a pathway for state-led innovation
  - Approved waiver concepts
  - Trends in waiver development
- Takeaways for County BH & DD Directors

National Association of Medicaid Directors

- Bi-partisan, standalone association
- Represent Medicaid directors in the states, DC and territories
- Consensus voice of Medicaid Directors in federal policy process
  - Strengthening federal/state partnership that underpins Medicaid
- Home for sharing best practices
  - Payment and delivery system reform
  - Behavioral health integration
  - Other innovation

The Medicaid Landscape in 2018

Medicaid Landscape in 2018

- Congress
  - Entitlement reform unlikely in 2018
  - Focus on opioid epidemic: "CARA 2.0"
- Administration
  - Goal of state flexibility and improved federal/state partnership
  - Greater emphasis on accountability for outcomes
    - Waiver milestones and robust evaluations
    - Medicaid Scorecard

Medicaid Landscape in 2018

"We commit to ushering in a new era for the federal and state Medicaid partnership where ***states have more freedom to design programs*** *that meet the spectrum of diverse needs of their Medicaid population."*

HHS Secretary Price & CMS Administrator Verma
Letter to Governors
March 2017

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

Dear Governor:

We write to you to affirm our partnership in improving Medicaid and the lives of those it serves. Medicaid is a safety net program that provides life-saving medical care to millions of Americans facing some of the most challenging health circumstances. In addressing the diversity and complexity of Medicaid recipients, we have a duty to ensure the highest level of quality, accessibility, and choices for Americans who rely on the program. We also have an obligation to taxpayers to make sure Medicaid operates in a way that best serves the most vulnerable populations.

Today, there are significant impediments that stand in the way of achieving these goals. Rigid and outdated implementation and interpretation of federal rules and requirements hinder states from focusing on their most important job: ensuring Medicaid achieves positive health outcomes for vulnerable individuals and families. The federal framework for Medicaid has not kept pace with emerging evidence around the factors that drive improvements in health outcomes. It often fails to properly account for demographic and geographic considerations, as well as health system variables, which vary in degree from one state to the next. Despite the significant investment by states and the federal government, the results should be better.

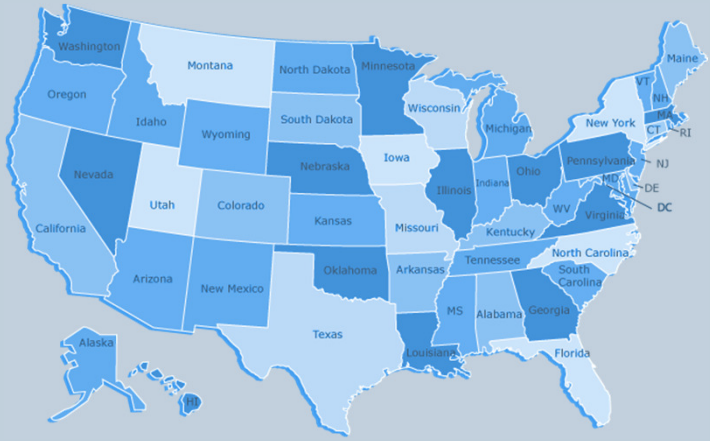
The expansion of Medicaid through the Affordable Care Act (ACA) to non-disabled, working-age adults without dependent children was a clear departure from the core, historical mission of the program. Moreover, by providing a much higher federal reimbursement rate for the expansion population, the ACA provided states with an incentive to deprioritize the most vulnerable populations. The enhanced rate also puts upward pressure on both state and federal spending. We are going to work with both expansion and non-expansion states on a solution that best uses taxpayer dollars to serve the truly vulnerable.

Today, we commit to ushering in a new era for the federal and state Medicaid partnership where states have more freedom to design programs that meet the spectrum of diverse needs of their Medicaid population. We wish to empower all states to advance the next wave of innovative solutions to Medicaid's challenges—solutions that focus on improving quality, accessibility, and outcomes in the most cost-effective manner. States, as administrators of the program, are in the best position to assess the unique needs of their respective Medicaid-eligible populations and to drive reforms that result in better health outcomes.

As we break down the barriers to support state initiatives aimed at continuously improving the health outcomes for their Medicaid population, we remain committed to certain mechanisms, which ensure state accountability for the outcomes produced by the Medicaid program. For example, budget neutrality for waivers and demonstration projects remains an important policy for protecting the long-term sustainability of the program for states and the federal government,

Medicaid Landscape in 2018

- Governors, state legislators, Medicaid Directors
  - Interested in Medicaid innovations and state flexibilities through 1115 waivers
  - Goals of improving health outcomes & ensuring sustainability
  - May also increase support for Medicaid
  - Section 1115 waivers
    - Authority to test new approaches to Medicaid coverage and care delivery
    - Must be budget neutral to federal government and likely to further goals of Medicaid



Approved Waiver Concepts

1. Community engagement/ work requirements
2. Substance use disorder waivers
3. Incentives for healthy behaviors
4. Premiums

Trends in Waiver Development

1. Continuum of care for SMI/co-occurring disorders
2. Continuum of coverage and stabilizing the marketplace
3. Modernizing Medicaid pharmacy benefit
4. Lifetime limits for Medicaid coverage
5. Innovations for duals
6. Alternative payment models for safety-net providers
7. Addressing social determinants of health

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State Innovation: Approved Waiver Concepts

Community Engagement/Work Requirements

- CMS guidance in January
- Approved waivers in KY and IN. Pending waivers in 6+ states
- Components of community engagement requirements
  - Populations
  - Definition of work/qualifying activities
  - Consequences of non-compliance
  - Alignment with SNAP, TANF work requirements
  - Exemptions – i.e., those in SUD treatment
  - ADA protections

Community Engagement/Work Requirements

- Operational considerations
  - IT/system infrastructure to apply exclusions and track compliance
  - Building linkages with existing programs & employment supports
  - Phase-in strategies and grace periods
  - Communications
  - Working with MCOs and other partners
- Be a resource to your state in operationalizing
  - Experience connecting individuals with BH/DD needs to work?
  - Help with strategies to ensure exemptions applied effectively (i.e., those in active SUD treatment)?

Revised approach to substance use disorder waivers

- 2017 CMS guidance revised the SUD waiver framework
  - Up front flexibility
  - Accountability for performance against milestones
- New waivers approved in West Virginia, Utah, New Jersey, Louisiana
- Ongoing operational considerations
  - Building treatment capacity across continuum, including MAT
  - Incorporating new provider types and services in Medicaid
  - Improving transitions of care
- Flexibility helpful, but need for comprehensive waivers to address those with co-occurring disorders

State Innovation: Trends in Wavier Development

Continuum of Care for SMI & SUD

- SUD 1115 waivers do not address IMD exclusion for those with mental illness
  - Prevents comprehensive transformation
- Medicaid Directors want to test value of providing full continuum of MH/SUD, regardless of delivery model
  - Would improve access to continuum of specialized services for those with SMI or co-occurring disorders
  - Appropriate protections to ensure right level of care (i.e., ASAM-equivalent criteria on mental health side?)
- Examples: Arizona and North Carolina

Continuum of Coverage & Stabilizing the Marketplace

- Recent changes in health landscape
  - Individual mandate repeal
  - “Skinny” plans in individual market
  - Increasing cost of health care and health insurance
  - 10-year extension of CHIP
- Improve coverage continuum across Medicaid, individual market, employer-sponsored insurance
- Stabilize the individual market, increase affordability, and ensure Medicaid sustainability

Continuum of Coverage & Stabilizing the Marketplace

- Moving "young and healthies" into the exchanges
  - Arkansas proposal to limit Medicaid expansion to 100% of the FPL
  - Idaho 1332 and 1115 waiver
    - Low-income adults into subsidized exchange coverage
    - Provide Medicaid for those with complex health needs
- Medicaid buy-in programs
  - Allow individuals on the individual market to purchase Medicaid coverage
  - Concept floated in Nevada in 2017; some legislatures exploring in 2018

Modernizing Medicaid Pharmacy Benefit

- Limited ability to drive innovation in drug coverage or manage costs
  - States must cover all FDA-approved drugs in exchange for "best price" on market
  - Best price doesn't mean one that is appropriate or sustainable
- Medicaid grappling with significant prescription drug cost growth
  - New high cost drugs
  - Inflation for generic drugs

Modernizing Medicaid Pharmacy Benefit

- Desire to test strategies to modernize the pharmacy benefit, including closed formulary
  - Already used in Medicare and commercial market
  - Would be done with significant consumer protections
- Massachusetts proposed waiver includes a closed formulary. Other states watching and waiting.
- Prospects of approval are unclear, but president's budget proposed testing closed formulary in Medicaid

Takeaways for County BH & DD Directors

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Takeaways for County BH & DD Directors

- Medicaid focus this year likely to shift away from Congress to state innovation through Section 1115 waivers
- States' ability to innovate in Medicaid depends on the willingness of Medicaid's federal partners to apply flexibility in new and different ways
  - Work requirements and SUD waivers are two examples of innovations states interested in
  - Whole array of other innovations states are contemplating
  - Desire to improve health outcomes and ensure sustainability of Medicaid (and not crowd out other state priorities)
- Be a partner in designing and implementing new innovations in Medicaid
  - Identify shared goals and areas of alignment – i.e., continuum of care for SMI
  - Lend your expertise

Questions?

Contact Information
Lindsey Browning
202-403-8626
Lindsey.browning@medicaiddirectors.org