DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

November 21, 2022

Michael Randol
Medicaid Director
Montana Department of Public Health and Human Services
111 North Sanders
Room 301
Helena, MT 59620

Dear Mr. Randol:

The Centers for Medicare & Medicaid Services (CMS) is approving Montana's "Waiver for Additional Services and Populations" section 1115 demonstration extension (Project Number 11-W-00181/8), in accordance with section 1115(a) of the Social Security Act ("the Act"). The demonstration will continue to provide expenditure authority for: 1) 12-month continuous eligibility and full state plan benefits, except retroactive eligibility, for the Waiver Mental Health Services Plan (WMHSP) population up to a limit of 3,000 beneficiaries, who have been diagnosed with a severe disabling mental illness (SDMI) of schizophrenia, bipolar disorder, major depression or another SDMI; and 2) dental treatment services above the $1,125 state plan dental treatment cap to individuals determined categorically eligible for the aged, blind, and disabled (ABD) eligibility group, to which retroactive eligibility requirements will continue to apply. The state will maintain the authority to not provide retroactive eligibility for the WMHSP demonstration population, and will be required to evaluate the effects of this policy on beneficiary receipt of services and medical debt. This approval is effective through December 31, 2027, upon which date, unless extended or otherwise amended, all authorities granted to operate this demonstration will expire.

CMS's approval of this section 1115(a) demonstration is subject to the limitations specified in the attached expenditure authorities, special terms and conditions (STCs), and any supplemental attachments defining the nature, character, and extent of federal involvement in this project. The state may deviate from Medicaid state plan requirements only to the extent those requirements have been specifically listed as not applicable under the demonstration.

Budget Neutrality

Although there are no programmatic changes in this demonstration extension, CMS will now consider expenditures for the WMHSP demonstration eligibility group to be "hypothetical" for purposes of budget neutrality. Because these expenditures could be covered under the Medicaid state plan and thereby would be eligible to receive federal financial participation (FFP), CMS will effectively treat these expenditures as if they were approved in the Medicaid state plan for

purposes of the budget neutrality calculation. Hypothetical expenditures, therefore, will not necessitate savings to offset the authorized spending, nor will the state be able to generate "savings" from this expenditure authority.

Under section 1115(a) demonstrations, states can test innovative approaches to operating their Medicaid programs if CMS determines that the demonstration is likely to assist in promoting the objectives of the Medicaid statute. CMS has long required, as a condition of demonstration approval, that demonstrations be "budget neutral," meaning the federal costs of the state's Medicaid program with the demonstration cannot exceed what the federal government's Medicaid costs in that state likely would have been without the demonstration. In requiring demonstrations to be budget neutral, CMS is constantly striving to achieve a balance between its interest in preserving the fiscal integrity of the Medicaid program and its interest in facilitating state innovation through section 1115 approvals. In practice, budget neutrality generally means that the total computable (i.e., both state and federal) costs for approved demonstration expenditures are limited to a certain amount for the demonstration approval period. This limit is called the budget neutrality expenditure limit and is based on a projection of the Medicaid expenditures that could have occurred absent the demonstration (the "without waiver" (WOW) costs).

CMS is revising the approach to adjusting the budget neutrality calculation in the middle of a demonstration approval period. Historically, CMS has limited its review of state requests for "mid-course" budget neutrality adjustments to situations that necessitate a corrective action plan, in which projected expenditure data indicate a state is likely to exceed its budget neutrality expenditure limit. CMS has updated its approach to mid-course corrections in this demonstration approval to provide flexibility and stability for the state over the life of a demonstration. This update identifies, in the STCs, a list of circumstances under which a state's baseline may be adjusted based on actual expenditure data to accommodate circumstances that are either out of the state's control (e.g., expensive new drugs that the state is required to cover enter the market); and/or the effect is not a condition or consequence of the demonstration (e.g., unexpected costs due to a public health emergency); and/or the new expenditure (while not a new demonstration-covered service or population that would require the state to propose an amendment to the demonstration) is likely to further strengthen access to care (e.g., a legislated increase in provider rates). CMS also explains in the STCs what data and other information the state should submit to support a potentially approvable request for an adjustment. CMS considers this a more rational, transparent, and standardized approach to permitting budget neutrality modifications during the course of a demonstration.

Monitoring and Evaluation

The demonstration's Interim Evaluation Report[1] highlighted overall increases in beneficiary access to care, as well as decreases in utilization of emergency departments and crisis stabilization facilities for beneficiaries with SDMI. At least 84 percent of surveyed beneficiaries with SDMI noted that they were satisfied with their ability to access mental health services and

[1] Montana Section 1115 Waiver for Additional Services and Populations (WASP) Demonstration Waiver: Interim Evaluation Report. June 2022. This report is currently under CMS review and will be publicly posted once approved by CMS.

the quality and appropriateness of care provided. However, the report also found a 3.3 percent decrease in the percentage of SDMI beneficiaries receiving community-based mental health services from 2019 to 2020, which potentially could be associated with the disruptions in health care in 2020 due to the COVID-19 pandemic. For the ABD population, there was a slight increase in the percent of beneficiaries receiving dental services, and nearly all beneficiaries remained under the maximum dental benefit threshold from March 2017 through February 2021.

As outlined in the demonstration extension STCs, the state will undertake systematic monitoring and a comprehensive evaluation of the various demonstration components, per applicable CMS guidance and technical assistance. In particular, the state must collect necessary data to accommodate CMS's evaluation expectations to rigorously assess the effects of the state's retroactive eligibility "not applicable" policy on beneficiaries and providers, for example, by examining outcomes such as likelihood of enrollment and enrollment continuity, health status, and financial status. The state must also continue to monitor demonstration components through Annual Monitoring Reports. Such monitoring will provide data to demonstrate how the state is progressing toward meeting the demonstration's goals, and must cover all key policies under this demonstration.

The state must develop an Evaluation Design for this demonstration extension period by incorporating well-crafted hypotheses, research questions, and analyses that support understanding the effects of the demonstration and its key policy components on beneficiary coverage, access to and quality of care, and health outcomes, including outcomes related to mental health and wellness. Evaluation of the continuous eligibility policy must focus on outcomes including coverage, enrollment and churn (i.e., temporary loss of coverage in which beneficiaries are disenrolled but then re-enroll within 12 months) as well as population-specific appropriate measures of service utilization and health outcomes. Hypotheses for the retroactive eligibility "not applicable" policy must include (but are not limited to) the following outcomes: likelihood of enrollment and enrollment continuity, health status, and medical debt. To evaluate the dental program, the state must develop hypotheses related, but not limited to: utilization of preventive dental care services and dental-related emergency department visits. To address these hypotheses and research questions, CMS underscores the importance of the state undertaking a well-designed beneficiary survey to assess, for instance, beneficiary understanding of the various demonstration policy components and beneficiary experiences with access to and quality of care.

The state is required to contract with an independent evaluator to conduct the demonstration's Interim and Summative Evaluation Reports, in alignment with the approved Evaluation Design, to assess whether the demonstration initiatives are effective in producing the desired outcomes for beneficiaries and the state's Medicaid program overall. Additionally, the state and CMS will work collaboratively so the state's demonstration monitoring and evaluation efforts accommodate data collection and analyses stratified by key subpopulations of interest—to the extent feasible—to inform a fuller understanding of existing disparities in access, utilization, and health outcomes, as well as how the demonstration might support the bridging of such inequities.

Consideration of Public Comments

To increase the transparency of demonstration projects, sections 1115(d)(1) and (2) of the Act direct the Secretary to issue regulations providing for two periods of public comment on a state's application for a section 1115 demonstration that would result in an impact on eligibility, enrollment, services, cost-sharing, or financing. The first comment period occurs at the state level before submission of the section 1115 application, and the second comment period occurs at the federal level after the application is received by the Secretary. As enacted by the Affordable Care Act (ACA), and incorporated under section 1115(d)(2)(A) and (C) of the Act, comment periods should be "sufficient to ensure a meaningful level of public input," but the statute imposes no additional requirement on the states or the Secretary to provide an individualized response to address those comments, as might otherwise be required under a general rulemaking. Accordingly, the implementing regulations issued in 2012 provide that CMS will review and consider all comments received by the deadline, but will not provide individualized written responses to public comments (42 CFR 431.416(d)(2)).

One comment was received during the federal public comment period which opened on July 14, 2022 and closed on August 13, 2022. The commenter was in favor of the Montana's request to extend their Section 1115 Demonstration and to provide twelve-month continuous eligibility for those with a SDMI. The commenter also opined that continuous eligibility for those with SDMI supports better quality measurement of the care received by the SDMI population annually and helps to establish consistent Medicaid eligibility and continuity of care for this vulnerable population.

After carefully reviewing the public comments submitted during the federal comment period, CMS has concluded that the demonstration is likely to assist in promoting the objectives of Medicaid.

Other Information

The award is subject to CMS receiving written acceptance of this award within 30 days of the date of this approval letter. Your project officer is Ms. Wanda Boone-Massey who is available to answer any questions concerning implementation of the state's section 1115(a) demonstration and her contact information is as follows:

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We appreciate your state's commitment to improving the health of people in Montana, and we look forward to our continued partnership on the Montana Additional Services and Populations section 1115(a) demonstration. If you have any questions regarding this approval, please contact Ms. Judith Cash, Director, State Demonstrations Group, Center for Medicaid and CHIP Services, at (410) 786-9686.

Sincerely,

Daniel Tsai
Deputy Administrator and Director

Enclosure

cc: Barbara Prehmus, State Monitoring Lead, Medicaid and CHIP Operations Group