



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

CHERYL ROBERTS
DIRECTOR

SUITE 1300
600 EAST BROAD STREET
RICHMOND, VA 23219
804/786-7933
804/343-0634 (TDD)

November 1, 2022

MEMORANDUM

TO: The Honorable Janet D. Howell
Chair, Senate Finance Committee

The Honorable Barry D. Knight
Chair, House Appropriations Committee

FROM: Cheryl Roberts
Director, Virginia Department of Medical Assistance Services

SUBJECT: Annual Report on the Development of Plan for Section 1115 Serious Mental Illness (SMI) Waiver Application

This report is submitted in compliance with Item 304.JJJ. of the 2022 Appropriations Act which states:

304.JJJ. The Department of Medical Assistance Services shall continue working with the Department of Behavioral Health and Developmental Services to complete the actions necessary to qualify to file a Section 1115 waiver application for Serious Mental Illness and/or Serious Emotional Disturbance. The department shall develop such a waiver application at the appropriate time that shall be consistent with the Addiction Treatment and Recovery Services substance abuse waiver program. The department shall develop a plan with a timeline and potential cost savings of such a waiver to the Commonwealth. The department shall provide an update on the status of the waiver by November 1 of each year to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees.

Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

CR
Enclosure

Pc: The Honorable John Littel, Secretary of Health and Human Resources

Annual Report on the Development of Plan for Section 1115 Serious Mental Illness (SMI) Waiver Application

A Report to the Virginia General Assembly

November 1, 2022

Report Mandate:

Item 304.JJJ. of the 2022 Appropriations Act states “The Department of Medical Assistance Services shall continue working with the Department of Behavioral Health and Developmental Services to complete the actions necessary to qualify to file a Section 1115 waiver application for Serious Mental Illness and/or Serious Emotional Disturbance. The department shall develop such a waiver application at the appropriate time that shall be consistent with the Addiction Treatment and Recovery Services substance abuse waiver program. The department shall develop a plan with a timeline and potential cost savings of such a waiver to the Commonwealth. The department shall provide an update on the status of the waiver by November 1 of each year to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees.”

Background

On November 13, 2018, the Centers for Medicare and Medicaid Services (CMS) published a letter for State Medicaid Directors announcing an opportunity for states to apply for demonstration projects under section 1115(a) of the Social Security Act to improve care for adults with Serious Mental Illness (SMI) or children with Serious Emotional Disturbance (SED). This letter detailed the primary goals of the opportunity, including reduced utilization and lengths of stay in Emergency Departments among Medicaid members with SMI or SED awaiting mental health treatment in specialized settings and reduced preventable re-admissions to acute care hospitals and residential settings. This demonstration opportunity would allow the Commonwealth, upon CMS approval, to receive federal financial participation (FFP) for services provided to members during short-term stays at acute care in psychiatric hospitals or residential treatment settings that qualify as Institutes of Mental Disease (IMDs). Approval of this waiver would be of potential benefit to the Commonwealth, as the payment exclusion for services provided to members while residing in IMDs can be a barrier to ensuring access to acute care and may present an exacerbating factor in our state psychiatric bed crisis.

CMS set forth the following expectations for states in their applications of this waiver opportunity:

- The proposed project must be budget neutral to the federal government.
- Participating states must commit to taking a number of actions to improve community-based services. These improvements should be linked to a set of goals for the SMI/SED demonstration opportunity.
 - Improvements include improving connections to community-based care following acute care treatment, and implementation of a full array of crisis stabilization services.

About DMAS and Medicaid

The mission of the Virginia Medicaid agency is to improve the health and well-being of Virginians through access to high-quality health care coverage.

The Department of Medical Assistance Services (DMAS) administers Virginia’s Medicaid and CHIP programs for over two million Virginians. Members have access to primary and specialty health services, inpatient care, dental, behavioral health as well as addiction and recovery treatment services. In addition, Medicaid long-term services and supports enable thousands of Virginians to remain in their homes or to access residential and nursing home care.

Medicaid members historically have included children, pregnant women, parents and caretakers, older adults, and individuals with disabilities. In 2019, Virginia expanded the Medicaid eligibility rules to make health care coverage available to more than 600,000 newly eligible, low-income adults.

Medicaid and CHIP (known in Virginia as Family Access to Medical Insurance Security, or FAMIS) are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives an approximate dollar-for-dollar federal spending match in the Medicaid program. Medicaid expansion qualifies the Commonwealth for a federal funding match of no less than 90% for newly eligible adults, generating cost savings that benefit the overall state budget.

- Applications will consider state funding for outpatient community-based mental health services to assure the waiver opportunity would not create disproportionate draw to inpatient and residential levels of care.
- Applications should include a thorough assessment of current access to mental health services throughout the state and in particular, crisis stabilization services.

Waiver Status Plan and Timeline

Under the plan established in last year’s report, DMAS had intended to re-engage CMS in discussion of eligibility for application for the 1115 SMI Waiver in January 2022. At that point in time, DMAS had launched new services in line with CMS priorities to build out evidence-based and crisis-focused services in the community to avoid over-reliance on higher levels of acute care. However, due to COVID-19 pandemic limitations, it was not clear whether the services would be at a capacity sufficient to satisfy the waiver requirements and support federal budget neutrality. Additionally, unpredicted utilization of community stabilization services led to concerns about capacity for establishing the federal budget neutrality that is required for this waiver.

DMAS does not have a current estimate of potential cost savings to the Commonwealth for this waiver opportunity. Recent changes to our programs, including substantial transformation of crisis services and unpredicted utilization, will have their own impacts that will need to be further assessed before impacts of additional levels of care can be estimated with any accuracy. DMAS will most likely require additional time and possibly additional legislative authority to implement a broader range of evidence-based services, especially for the adult populations, before the Commonwealth is eligible to be approved for this transformative 1115 waiver opportunity.

The following timeline is proposed for DMAS to prepare for the waiver application in the context of meeting eligibility for the waiver through implementation of Behavioral Health Enhancement:

| Estimated Date | Readiness Plan Component/Task |
|-----------------------|--|
| January 2023 (FY23) | DMAS to contact CMS to re-initiate discussion of eligibility and identify any necessary services that would be required in order to qualify as an applicant for the SMI 1115 waiver |
| April 2023 | DMAS to convene stakeholders for preliminary discussion of application and impact on system following General Assembly Session. |
| July 2023 (FY24) | <p>Begin drafting demonstration plan in collaboration with stakeholders</p> <p>Develop legislative proposals related to becoming eligible for the waiver or to prepare for the 1115 waiver application process</p> <p>Develop annual estimate of aggregate expenditures by population group to develop the required baseline cost data that includes estimates based on first year / six months of new services</p> <p>Engage CMS to determine feasibility of budget neutrality models</p> <p>Develop enrollment data, including historical and projected coverage</p> <p>Develop required research hypotheses related to the demonstrations’ proposed changes, goals and objectives; develop methodological plan for testing hypothesis including evaluation indicators</p> <p>Assess delivery system changes necessary for implementation of the 1115 waiver</p> |
| August 2023 | Submit agency decision package(s) related to the 1115 waiver and BHE system changes to the Department of Planning and Budget (DPB) |
| July 2024 | Legislative approvals related to preparation for the waiver application assessed and decided in the 2023 General Assembly |

Appendix: Waiver Application Progress to Date

The following summary provides a timeline of DMAS's progress towards becoming eligible to apply for the 1115 SMI waiver and accomplishments to date:

| Date of Completion | Readiness Plan Component / Task |
|--------------------|--|
| FY19 | <p>Official "redesign" proposal and "continuum" vision document completed, published to DMAS website and presented to stakeholders</p> <p>Service-specific, statewide stakeholder implementation workgroup engaged for initial discussions</p> <p>DMAS integrates stakeholder feedback into preliminary service definitions, components and provider qualifications</p> |
| FY20 | <p>Service-specific, statewide Stakeholder Implementation Workgroup engaged for formal discussions of service definition, provider qualifications and service components</p> <p>Rate study completed by actuarial contractor</p> <p>Behavioral Health (BH) Redesign Report submitted to Chairmen of the House Appropriations and Senate Finance Committees</p> <p>Funding for BH Enhancement included in the Governor's Proposed Budget</p> <p>Drafting of State Plan Amendments, Medical Necessity Criteria, and project planning for implementation of Redesign/Enhancement</p> <p>COVID-19 hits Virginia; DMAS staff focus resources on pandemic response and maintain progress towards implementation plan for Enhanced Services</p> <p>Veto Session of the General Assembly: Funding for Enhancement of Behavioral Health Services are unallotted</p> |
| FY21 | <p>Funds for BH Enhancement re-allotted in re-convening of the Special Session</p> <p>Rapid re-engagement of project teams for the Enhancement of Behavioral Health</p> |
| FY22 | <p>Full implementation and reimbursement of Intensive Outpatient Services, Partial Hospitalization Programs and Assertive Community Treatment, Comprehensive Crisis Services, Multi-systemic Therapy and Functional Family Therapy Services</p> |