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Testing One, Two, Three: CMS' New Demonstration Opportunity to Address Health-Related Social Needs

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Medicaid policymakers have been busy. In fall 2022, the Centers for Medicare & Medicaid Services (CMS) issued 1115 waiver approvals in **Arizona, Arkansas, Massachusetts, and Oregon**. These states have exciting plans for Medicaid transformation, and their 1115 waiver approvals reflect new federal flexibilities to address health-related social needs (HRSN), a key aspect of CMS' strategy to promote health equity. On December 6 and December 12, CMS hosted calls exploring these new approvals and officially announced a new state 1115 demonstration opportunity.

Here are three takeaways from that announcement and related approvals.

1. More people will be eligible for Medicaid services that address HRSN.

The new demonstrations will enable states to cover HRSN services as Medicaid benefits. Some of these HRSN services have previously been covered through home- and community-based services programs under Social Security Act § 1915(c) and 1915(i). New demonstrations are testing if these services may benefit a slightly broader group of Medicaid enrollees with relevant clinical and social risk factors. For example, states have focused on justice-involved populations, individuals experiencing homelessness or at risk of homelessness, individuals transitioning from nursing facilities, and pregnant people with high-risk conditions. In **Arizona, Massachusetts, and Oregon**, HRSN services will be available to specific Medicaid enrollee populations in both traditional (i.e., fee-for-service) and managed care delivery systems and will be recognized in managed care rate development. CMS and states will measure whether these services improve health outcomes, prevent lapses in enrollment, and reduce disparities.

2. States interested in the demonstration can choose among a list of nutrition and housing supports, and may be able to access federal funding for related infrastructure.

Under the new demonstration opportunity, states can request to provide a variety of nutrition and/or housing support services (see below table). Additional services may be considered on a case-by-case basis. Funding cannot supplant funding from other non-Medicaid sources, and states must explore

partnerships with entities supported by other federal funding sources, like Continuum of Care programs for individuals experiencing homelessness.

For example, **Arkansas** will provide housing and nutrition supports to people with high-risk pregnancies during pregnancy and up to two years postpartum, people living in rural areas with serious mental illness or substance use disorder, and young adults with specific risk factors such as prior incarceration. **Arizona** and **Oregon** will provide post-transition housing (i.e., for those moving from institutional or congregate settings back to the community) for up to six months, a housing service entirely new to Medicaid.

States with recent approvals can also use federal funds to support capacity-building efforts to improve how HRSN services are delivered and track outcomes. States can use these “HRSN infrastructure” funds for electronic referral systems, trauma-informed training, and community health worker certification, and to convene and gather input from community stakeholders. **California**, which received CMS approval for its 1115 demonstration in December 2021, used the authority to launch Providing Access and Transforming Health. This program provides community-based organizations with capacity-building funds and technical assistance, and supports collaborative planning and implementation groups.

HRSN Services Considered for 1115 Demonstrations

HRSN CATEGORY

SPECIFIC SERVICES CONSIDERED UNDER 111. DEMONSTRATIONS

Nutrition Supports

- Nutrition counseling and education
 - Medically tailored meals
 - Meals or pantry stocking for children under 21 or pregnant people
 - Fruit and vegetable prescriptions and/or protein box
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HRSN CATEGORY**SPECIFIC SERVICES CONSIDERED UNDER 1115 DEMONSTRATIONS**

Housing
Supports

- Rent/temporary housing for up to six months, specifically for individuals transitioning out of institutional care or congregate settings such as nursing facilities, large group homes, congregate residential settings, Institutions for Mental Diseases, correctional facilities, and acute care hospitals; individuals who are homeless, at risk of homelessness, or transitioning out of an emergency shelter as defined by 24 CFR 91.5; and youth transitioning out of the child welfare system including foster care
- Traditional respite services
- Day habilitation programs and sobering centers
- Pre-tenancy and tenancy sustaining services
- Housing transition navigation services
- One-time transition and moving costs
- Medically necessary home accessibility modifications and remediation services (e.g., carpet replacement, mold and pest removal, ventilation improvements)
- Medically necessary home environment modifications (e.g., air filtration, air conditioning, heating)

3. CMS is making it easier for states to use 1115 demonstrations to provide HRSN services, with guardrails.

In the past, states have had to identify savings to provide these services via an 1115 waiver and meet requirements around cost neutrality. States now can do fewer “arithmetic acrobatics” by classifying HRSN services as “hypothetical” expenditures in cost neutrality calculations, subject to a cap.

CMS is setting guardrails for HRSN and medical spending, ensuring that new HRSN services do not cut into delivery of health care. HRSN services cannot account for more than three percent of the state's annual total Medicaid spending, and states have to make sure their rates are sufficient to cover core medical services. States will have to ensure that ratios between Medicaid to Medicare rates are at least 80 percent for primary care, behavioral health care, and OB/GYN care, and agree to rate increases, if not.

Additional Efforts to Promote Health Equity

These new 1115 demonstrations also provide additional pathways for states and CMS to promote health equity in Medicaid.

- **Providing accountability for health equity.** Over the past few years, states have — for the first time — begun developing and testing programs that create accountability for health equity. In the past, quality improvement and value-based payment (VBP) programs paid out bonuses based on meeting quality metrics for the full population. New models are now starting to pay for improvements in health equity outcomes and equitable care delivery. **Massachusetts** is using its 1115 waiver to create a hospital VBP program linking payment to improved demographic data collection and decreased health disparities. **Arizona** is building on prior successes in integrated care with its new Targeted Investments 2.0, which will pay a bonus to primary care practices that better coordinate care and HRSN interventions. CMS plans to develop a health equity measure slate, showing federal interest in health equity accountability and further supporting state creation of new account programs.
- **Ensuring continuous coverage.** People enrolled in Medicaid often move between Medicaid, other sources of coverage, and no insurance — discouraging health plans and providers from investing in initiatives that take a long time to impact health. **Oregon** focused heavily on continuity of coverage in their 1115 waiver. They created continuous enrollment for Medicaid-eligible children under six years old, 24-month enrollment for children and adults six years and older, and expanded eligibility for “youth with special health care needs” until age 26. Continuous coverage provides more opportunities for early and sustained access to preventive care and can set the stage for improved health. Continuity of coverage will also encourage longer-term investments in health, especially for children, who can look forward to a healthier adolescence and adulthood.

Looking Forward

A wave of 1115 waiver approvals highlights how states and CMS are taking advantage of new flexibilities to address HRSN and promote whole-person, equitable care. This progress is exciting, and new CMS guidance will help additional states around the country explore these new flexibilities in upcoming 1115

demonstrations. Find out more about the new demonstration opportunity, and be on the lookout for additional guidance letters from CMS.