**Building and Transforming Coverage, Services, and Supports for a Healthier Virginia 1115 Demonstration Amendment**

The Centers for Medicare and Medicaid Services (CMS) allow states to waive certain federal Medicaid rules via section 1115 waivers. The Department of Medical Assistance Services (DMAS) is seeking to amend its existing Medicaid Section 1115 Demonstration Waiver entitled "Building and Transforming Coverage, Services, and Supports for a Healthier Virginia" (No. 11-W-0029713) with a new 1115 authority that will increase capacity for inpatient psychiatric treatment and crisis stabilization services for persons with a serious mental illness (SMI).

Pursuant to 42 CFR §431.408, DMAS is providing advance notice of this pending 1115 application and is providing an opportunity for the public to review and provide input on the Demonstration amendment application from November 8, 2024 through December 11, 2024. To view the draft renewal application, please visit the DMAS website at www.dmas.virginia.gov (Go to the "About Us" tab and click on "1115 Demonstration Waiver.")

**A. The program description, goals, and objectives to be implemented or extended under the demonstration project, including a description of the current or new beneficiaries who will be impacted by the demonstration.**

The SMI demonstration opportunity allows states, upon CMS approval of their demonstrations, to receive Federal Financial Participation (FFP) for services furnished to members eligible for the Medicaid and Medicaid expansion benefit plans during short term stays of less than 60 days for acute care in psychiatric hospitals or residential crisis stabilization settings when provided in a setting that is deemed as an IMD. SMI 1115 demonstrations require that states take actions to ensure good quality of care in IMDs, increase quality assurance oversight of the IMDs, and to improve access to community-based treatment services. While Medicaid eligible members aged 21-64 years of age will have access to the two new service options authorized as part of the SMI 1115 demonstration, there will not be any changes to member eligibility rules as part of this demonstration.

This amendment application proposes no changes to the current 1115 demonstration waiver programs (ARTS IMD and Former Foster Youth). By applying to add an SMI IMD program to Virginia's demonstration, Virginia will significantly enhance the array of inpatient service options for adults aged 21-64 with a SMI by adding service settings that may:

- Cover short term inpatient psychiatric treatment for members 21-64 who meet medically necessary criteria in psychiatric facilities that meet the definition of an IMD, and

- Cover short term residential crisis stabilization for members 21-64 who meet medically necessary criteria in residential crisis stabilization units that meet the definition of an IMD.

Inpatient psychiatric treatment and short term residential crisis stabilization services are covered by Virginia's Medicaid Plan, but coverage is limited either by age or by settings for the main adult population aged 21-64 due to the federal IMD exclusion. Currently, DMAS Contracted Managed Care Organizations cover these services in IMDs in certain situations with as an "in lieu of service" (ILOS), but the ILOS provision has a number of specific restrictions that limit effective service delivery for the SMI population as the ILOS option is not a required service delivery option, ILOS cannot be used for involuntary treatment such as inpatient treatment or residential crisis stabilization under a temporary detention order (TDO) and ILOS cannot be used for members in Fee For Service (FFS) Medicaid.

If implemented, there are five federally required goals that states must operationalize, and these are:

- Reduced utilization and lengths of stay in EDs among Medicaid beneficiaries with SMI or SED while awaiting mental health treatment in specialized settings;
- Reduced preventable readmissions to acute care hospitals and residential settings;
- Improved availability of crisis stabilization services including services made available through call centers and mobile crisis units, intensive outpatient services, as well as services provided during acute short-term stays in residential crisis stabilization programs, psychiatric hospitals, and residential treatment settings throughout the state;
- Improved access to community-based services to address the chronic mental health care needs of beneficiaries with SMI or SED including through increased integration of primary and behavioral health care; and
- Improved care coordination, especially continuity of care in the community following episodes of acute care in hospitals and residential treatment facilities.

Item 288.XX.2 of the 2024 Appropriations Act authorizes DMAS to apply for this opportunity and to align the application with the existing "Building and Transforming Coverage, Services, and Supports for a Healthier Virginia" (No. 11-W-0029713). The budget language does not authorize DMAS to implement any waiver program or complete any activities outside of the application.

**B. Proposed health care delivery system and eligibility requirements, benefit coverage and cost sharing (premiums, co-payments and deductibles) required of individuals that will be impacted by the demonstration, and how such provisions vary from the State's current program features**

The Medicaid eligibility groups impacted by this portion of the demonstration are illustrated in the table below. State plan groups derive their eligibility through the Medicaid state plan, and coverage for these groups is subject to all applicable Medicaid laws and regulations in accordance with the Medicaid state plan, except as waived in this demonstration.

**Demonstration Eligibility**

All Virginia Medicaid enrollees eligible for a mandatory or optional eligibility group approved for full Medicaid or FAMIS MOMS coverage and between the ages of 21-64 will be eligible for acute inpatient stays in an IMD under the waiver, as described in the table below. Only the eligibility groups outlined in next table will not be eligible for stays in an IMD under this waiver, as they receive limited Medicaid benefit only.

*Please note that this list does not imply any changes to existing service coverage and access to behavioral health services will not change aside from expanding the new 1115 benefits to these populations.

**Eligible (All Full Benefit Medicaid Enrollees)**

| **Category** | **Members Ages 21-64 Eligible for Demonstration Services in IMD** |
|---|---|
| Low Income Adults and Children | Yes |
| Expansion Adults | Yes |
| Aged, Blind, and Disabled | Yes |
| Pregnant Women | Yes |
| FAMIS MOMS and FAMIS Prenatal | Yes |
| Former Foster Youth (1115) | Yes |

**Not Eligible (Limited Benefit Categories)**

| | **Category** | **CFR** | **Social Security Act** |
|---|---|---|---|
| | Aged QMB | 42 CFR 435.123 | 1902(a)(10)(E)(i) and 1905(p)(1) |
| | Blind QMB | 42 CFR 435.123 | 1902(a)(10)(E)(i) and 1905(p)(1) |
| | SLMB | 42 CFR 435.124 | 1902(a)(10)(E)(iii) and 1905(p)(3)(A)(ii) |
| | QDWI | 42 CFR 435.126 | 1902(a)(10)(E)(ii) and 1905(s) |
| | QI | 42 CFR 435.125 | 1902(a)(10)(E)(iv) and 1905(p)(3)(A)(ii) |
| | Disabled/ESRD QMB | 42 CFR 435.123 | 1902(a)(10)(E)(i) and 1905(p)(1) |

| | | | |
|---|---|---|---|
| | Plan First | 42 CFR 435.214 | 1902(a)(10)(A)(ii)(XXI) and 1902(ii) and clause (XVI) in the matter following section 1902(a)(10)(G) |
| | MAGI Adult Incarcerated | 42 CFR 435.1009 - limits on FFP for incarcerated individuals<br>42 CFR 435.1010 - defines inmate of a public institution | |
| | Other Medicaid Incarcerated | 42 CFR 435.1009 - limits on FFP for incarcerated individuals<br>42 CFR 435.1010 - defines inmate of a public institution | |
| | MAGI Adult Emergency Services | 42 CFR 435.139 | |
| | Other Medicaid Emergency Services | 42 CFR 435.139 | |
| Note: *(QMB) Qualified Medicaid Beneficiary; (SLMB) Special Low Income Medicaid Beneficiary; (QI) Qualified Individual; (QDWI) Qualified Disabled & Working Individuals* | | | |

**Demonstration Cost-Sharing Requirements**

Member cost sharing in the form of copays and deductibles is prohibited. No modifications are proposed through this waiver. Medicaid beneficiaries will not have any cost-sharing responsibilities associated with these new 1115 waiver services.

**Delivery System and Payment Rates for Services**

The Commonwealth seeks a waiver of IMD exclusion for all Medicaid members ages 21-64 regardless of delivery system. Virginia does anticipate that current coverage of acute inpatient stays in IMDs, which is currently provided under the In Lieu of Services provision of managed care will instead be covered via traditional capitation and FFS methods. This change will impact the contractual and financial relationship between the Commonwealth and the managed care plans, but not the delivery system for the care itself. Additionally, temporary detention and involuntary commitments are currently carved out of managed care capitation rates, and would be carved in under this waiver, which is anticipated to have a minimal impact on overall capitation rates. No additional modifications to current Virginia Medicaid FFS or managed care arrangements are proposed through this waiver application.

Enrolled free standing psychiatric hospitals which currently provide TDO only services or services under ILOS provision include the following facilities. State hospitals that provide these services are not being considered for the initial demonstration application.

**Virginia Facilities:**

Dominion Hospital

Keystone Newport News

North Spring Behavioral Healthcare

Poplar Springs Hospital

Potomac Ridge Behavioral Health System

Riverside Behavioral Health Center

The Pines at Kempsville

Virginia Beach Psychiatric Center

**Out of State:**

Creekside Behavioral Health, Kingsport, TN

All are already part of the delivery system and contracted with health plans (for ILOS) and Medicaid (for state funded TDO) to provide these services, but their agreements are expected to change with the implementation of the proposed waiver program.

Regarding crisis stabilization units with more than 16 beds, there are multiple projects planned in larger population centers in Virginia. Specifically, projects aim to co-locate youth and adult crisis stabilization services under multiple wings within a single facility (16 adult residential crisis beds and 16 youth residential crisis beds). One example is a facility being designed in Prince William County which would provide adult services to include urgent care for behavioral health crises, sixteen 23-hour crisis stabilization recliners and sixteen crisis stabilization beds as well as youth services to include urgent care for behavioral health crises, sixteen 23-hour crisis stabilization recliners, and sixteen crisis stabilization beds. Similarly, ARTS facilities with 16+ beds of detox and inpatient SUD treatment capacity may consider adding residential crisis beds to serve MH and co-occurring populations.

**Payment Rates for Services**

Payment methodologies will be consistent with those approved in the Medicaid state plan. To the extent that new facility rates are required for Residential Crisis Stabilization Units (RCSUs), including room and board, the Commonwealth will follow all applicable laws and regulations for rate development and approval prior to claiming.

| Service | Current Rate (subject to change for future dates) |
|---|---|
| Psychiatric Inpatient Treatment | 1 unit = 1 day<br><br>Rates are based on individual considerations and updated annually. Rates are facility specific with an average reimbursement rate of $1159 per day. Rates are updated annually.<br><br>Current rates are posted to the DMAS website:<br><br>See "Free Standing Psychiatric Rates" here: Hospital Rates (virginia.gov) |
| Residential Crisis Stabilization | 1 unit = 1 day<br><br>Current rate of $847.04 |

**C. Estimate of the expected increase or decrease in annual enrollment, and in annual aggregate expenditures, including historic enrollment or budgetary data, if applicable.**

Historical data and member month and expenditure projections are presented here and indicate that this amendment is projected to demonstrate federal budget neutrality. The services relevant for the historical and projected spending include (1) free standing psychiatric hospital costs for inpatient stays, (2) acute care hospital costs for inpatient psychiatric stays, and (3) emergency department costs for psychiatric care. Services provided in waiver covered settings are not limited to a specific population, but to estimate the number of members utilizing these services, expenditures for adults 21-64 for inpatient psychiatric stay in either a freestanding psychiatric hospital or acute care hospital and emergency department visit for behavioral health diagnoses were considered as historical and projected waiver expenditures.

Five years of historical spending for adults ages 21-64 across inpatient stays in freestanding psychiatric hospitals, psychiatric inpatient stays in acute care hospitals, and psychiatric ED visits is provided here:

| | 2019 | 2020 | 2021 | 2022 | 2023 | Five Years |
|---|---|---|---|---|---|---|
| Total Medicaid Expenditure ($) | 190,830,262 | 208,285,204 | 227,686,239 | 234,873,783 | 305,268,016 | 1,166,943,504 |
| Eligible Member Months | 601,920 | 629,088 | 661,668 | 694,308 | 819,780 | |
| PMPM | $317.04 | $331.09 | $344.11 | $338.28 | $372.38 | |
| **Trend Rates** | | **Annual Change** | | | | **5 Year Average** |
| Total Expenditure | | 9.15% | 9.31% | 3.16% | 29.97% | 12.46% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Eligible Member Months | | 4.51% | 5.18% | 4.93% | 18.07% | 8.03% |
| PMPM | | 4.43% | 3.93% | -1.69% | 10.08% | 4.10% |

Using historical growth patterns above, the below tables outline without waiver (WOW) projections and with waiver (WW) projections. Without the waiver, a state-general funded "temporary detention order" fund (TDO fund) would continue to pay for involuntary IMD stays for adults 21-64 when the member is not eligible for the Medicaid benefit and when the member is served in a state facility which is excluded from this demonstration. Differences in spending projections under without waiver (WOW) and with waiver (WW) conditions include the following. First, it is expected that a portion of inpatient stays funded from the TDO fund (state general fund only) will shift to include federal financial participation (FFP). There is increased federal cost due to a shift from TDO fund to Medicaid (including some members in Base Medicaid and others in Expansion Population), as well as cost savings associated with hypothesized decreases in emergency room (ED) visits, inpatient readmissions and psychiatric care provided in EDs. Specifically we project a .5% decreased growth rate in PMPM across these three services under waiver conditions. These decreases in spending would offset the increased FFP associated with TDO fund cost shifts, achieving a budget neutral comparison (with slight savings)across the WOW and WW conditions.

Without Waiver Projections (Demonstration Years 1-5)

| | **Base Year DY 00** | **Trend Rate** | **DY1** | **DY2** | **DY3** | **DY4** | **DY5** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Eligible Member Months | 885,608 | 8.0% | 956,723 | 1,033,548 | 1,116,541 | 1,206,200 | 1,303,057 | |
| PMPM Cost | $387.65 | 4.1% | $403.54 | $420.09 | $437.31 | $455.24 | $473.90 | |
| Total Expenditure ($) | | | 386,075,870 | 434,182,973 | 488,274,709 | 549,110,328 | 617,518,939 | $2,475,162,819 |

With Waiver Projections (Demonstration Years 1-5):

| | **Base Year DY 00** | **Trend Rate** | **DY1** | **DY2** | **DY3** | **DY4** | **DY5** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Eligible Member Months | 885,608 | 8.0% | 956,723 | 1,033,548 | 1,116,541 | 1,206,200 | 1,303,057 | |
| PMPM Cost | $387.65 | 3.6% | $401.61 | $416.07 | $431.05 | $446.57 | $462.65 | |
| Total Expenditure ($) | | | 384,229,395 | 430,028,112 | 481,285,160 | 538,652,577 | 602,859,543 | $2,437,054,787 |

## D. Hypothesis and evaluation parameters of the demonstration

The Commonwealth's Independent Evaluator will work with CMS to amend the Demonstration evaluation design. Below are proposed hypotheses for this initiative. The specific evaluation methodology will be submitted with the updated Evaluation Design upon approval of the amendment, and the Commonwealth is committed to assuring the necessary resources will be available to effectively support implementation of a robust monitoring protocol.

Hypotheses, measures, and data sources are described below:

| Hypothesis | Evaluation Questions | Evaluation Parameters |
|---|---|---|
| Goal 1. Reduced utilization and lengths of stay in emergency departments among Medicaid members with SMI or SED while awaiting mental health treatment in specialized settings. | | |
| The demonstration will result in reductions in utilization and length of stays in EDs among Medicaid members with SMI, with a more pronounced impact on avoidable ED visits. The impact may be more pronounced for certain demographic characteristics and/or diagnoses. | • How much of an effect does the demonstration have on ED utilization among members who access residential treatment in IMDs under this waiver?<br>• To what extent is there an impact on avoidable ED admissions among members who access residential treatment in IMDs under this waiver?<br>• Does the demonstration have a secondary impact on reducing involuntary temporary psychiatric detention? | • Follow-up after Emergency Department Visit for Mental Illness (Adjusted HEDIS measure)<br>• Mental Health Services Utilization – Emergency Department (SMI diagnosis)<br>• Avoidable ED visits (SMI diagnosis)<br>• Involuntary psychiatric detention (SMI diagnosis) |
| Goal 2. Reduced preventable readmissions to acute care hospitals and residential settings. | | |
| There will be a measurable reduction in preventable readmissions due to the services and length of stay permissible under this waiver. | • Does the demonstration result in reduced preventable readmissions for members who receiving services in an IMD under this waiver? | • 30-day all cause readmission rate following psychiatric hospitalization |

| | | |
|---|---|---|
| | • To what extent is there a correlation between members with a SMI diagnosis receiving the clinically assessed Level of Care (LOC) and preventable readmissions? | • Members assessed for SMI services using standardized level of care screening tool<br><br>• Members receiving level of care services consistent with LOC assessment |
| Goal 3. Improved availability of crisis stabilization services, including services made available through call centers and mobile crisis units, intensive outpatient services, as well as services provided during acute short-term stays in residential crisis stabilization programs, psychiatric hospitals, and residential treatment settings throughout the Commonwealth. | | |
| Expanding the continuum of care and continuing to emphasize crisis stabilization will make these services more accessible to members when they need them. | • What populations are more likely to have increased usage of crisis stabilization services?<br><br>• To what extent do different types of non-residential crisis stabilization services see increased utilization following the implementation of the waiver?<br><br>• To what extent are members with a SMI diagnosis more likely to be connected to CSBs for service coordination? | • Utilization on non-residential crisis stabilization services (by type and sub-population)<br><br>• Members connected to CSBs as part of discharge planning from IMDs, including residential crisis stabilization units (by sub-population and diagnosis) |
| Goal 4. Improved access to community-based services to address the chronic mental healthcare needs of members with SMI or SED, including through increased integration of primary and behavioral health care. | | |
| The demonstration will improve access to community-based services through improved integration of care. | • Does the demonstration result in improved access to community-based services for members with a SMI diagnosis?<br><br>• Are there disparate impacts on specific service utilization or | • Utilization of mental health services (outpatient) for services including Outpatient Therapy and Psychiatric Services, Peer Recovery Supports, Intensive Clinic Based Supports, and |

| | | |
|---|---|---|
| | specific member populations?<br><br>• To what extent are members with a SMI diagnosis receiving integrated care?<br><br>• Does improved access to community-based services result in a reduction in the time between first episode psychosis and connection to care for youth and young adults? | Intensive Community Based Supports<br><br>• Rate of MCOs conducting ICT meetings for members with SMI diagnosis<br><br>• Time between first episode psychosis and connection to care (focus on youth and young adults ages 16-30) via EPINET |
| Goal 5. Improved care coordination, especially continuity of care in the community following episodes of acute care in hospitals and residential treatment facilities. | | |
| The demonstration will result in an increase in members who receive care for SMI at an IMD establishing care in the community following their stay. | • To what extent are members exiting IMDs after acute stays for SMI diagnoses more likely to receive care coordination supports?<br><br>• To what extent are members connected to CSBs following stays at an IMD? | • Follow-up after hospitalization for mental illness. (7 and 30 days)<br><br>• Members connected to CSBs as part of discharge planning from IMDs, including residential crisis stabilization units (by sub-population and diagnosis) |

The following data sources will be considered in designing the evaluation plan the waiver:

1. Medicaid claims and encounter data (administrative data)
2. Medicaid enrollment and provider availability data (administrative data)
3. Medicare claims data for people dually eligible for Medicaid and Medicare
4. State hospital data and involuntary commitment data from Department of Behavioral Health and Developmental Services (DBHDS)
5. Beneficiary and provider surveys and/or qualitative data

In addition to the independent evaluation, DMAS will provide quarterly and annual reporting specific to this amendment and in accordance with a CMS-approved Monitoring Protocol to be submitted following approval.

**E. Specific waiver and expenditure authorities that the State believes to be necessary to authorize the demonstration**

| Waiver/ Expenditure Authority | Use for Waiver/Expenditure Authority | Currently Approved Waiver Request? |
|---|---|---|
| Limitations on FFP<br>§ 435.1009 Institutionalized individuals. | Expenditures not otherwise eligible for federal financial participation may be claimed for services for individuals who are short-term residents in facilities that would otherwise meet the definition of an Institute of Mental Disease (IMD) for the treatment of SMI. | No (currently approved for SUD; this amendment requests approval for SMI) |

**Public Comment Information**

The 30-day public comment period for the demonstration is from November 8, 2024 to December 11, 2024. All comments must be received by 11:59 p.m. (Eastern Time) on December 11, 2024.

Copies of the demonstration application are available for public review and comment on the Demonstration page of the DMAS website at: www.dmas.virginia.gov (Go to the "About Us" tab and click on "1115 Demonstration Waiver.")

Public comments may be submitted via the Virginia Regulatory Town Hall public comment page at this link: https://townhall.virginia.gov/L/Forums.cfm (Scroll down to the Department of Medical Assistance Services and click on "View and Enter Comments.")

Comments may also be submitted by e-mail to lisa.jobe-shields@dmas.virginia.gov or by regular mail or in person at the address below:

Virginia Department of Medical Assistance Services
Building and Transforming Coverage, Services, and Supports for a Healthier Virginia Demonstration Amendment

Attn: Lisa Jobe-Shields
600 East
Broad Street
Richmond,
VA 23219

Two public hearings will be held to seek public input on the demonstration application. These meetings satisfy the requirements of 42 CFR 431.408 (a)((3)(iv).

The details of the hearings are as follows:

- Public Hearing #1: 1115 Serious Mental Illness Waiver Amendment- Public Meeting
  - Monday, November 18, 2024
  - 12:00 pm – 1:00 pm
  - Fairfield Area Library
  - 1401 N Laburnum Ave, Henrico, VA 23223
  - FA Meeting Room
    Virtual Attendance:
    - Link: Click Here

- https://teams.microsoft.com/l/meetup-join/19%3ameeting_YjZiNjE0MjMtNGM5Ny00MWQ3LThhMzEtMWI4NzIyZmQwNjAz%40thread.v2/0?context=%7b%22Tid%22%3a%2620ae5a9-4ec1-4fa0-8641-5d9f386c7309%22%2c%22Oid%22%3a%22061182d3-e09a-4db3-bbc4-ab2f201489e9%22%7d
- Meeting ID: 219 946 597 390
- Passcode: 7BGtSB

- Join by phone:
  - +1 434-230-0065, 577708503#
  - Phone conference ID: 577 708 503#

Lisa Jobe-Shields, Behavioral Health Division Director, will provide an overview of the Demonstration amendment application to individuals who are invited to attend in-person, by teleconference, and by webinar. This meeting will be recorded.

Public Hearing #2: Board of Medical Assistance Services Meeting
Tuesday, December 10, 2024
10:00 am – 12:00 pm
In person attendance: Conference Rooms 102 A&B, 600 East Broad Street, Richmond, Virginia 23219
Virtual attendance:
https://covaconf.webex.com/weblink/register/rba760d03940653afe731b1cffd21c2 e1

Join by phone
+1-517-466-2023 US Toll
+1-866-692-4530 US Toll Free
Access code: 2422 342 9589

Lisa Jobe-Shields, Behavioral Health Division Director, will provide an overview of the Demonstration amendment application during the Board of Medical Assistance Services public meeting. Individuals can also access this public meeting by teleconference and webinar. This meeting will be recorded and transcribed.

After considering public comments about the proposed demonstration amendment application, DMAS will make final decisions about the demonstration and submit a revised application to CMS. The summary of comments, as well as copies of written comments

received, will be posted for public viewing on the DMAS website along with the demonstration extension application when it is submitted to CMS.

Information regarding the "Building and Transforming Coverage, Services, and Supports for a Healthier Virginia" Amendment Application can be found on the DMAS website at: www.dmas.virginia.gov (Go to the "About Us" tab and click on "1115 Demonstration Waiver.") DMAS will update this website throughout the public comment and application process.

For more information about the "Building and Transforming Coverage, Services, and Supports for a Healthier Virginia" Demonstration, which the Commonwealth is seeking to amend, please visit the CMS website at https://www.medicaid.gov/medicaid/section- 1115-demo/demonstration-and-waiver-list/83451.

Section 1115 of the Social Security Act gives the U.S. Secretary of Health and Human Services authority to approve experimental, pilot, or demonstration projects that promote the objectives of Medicaid and the Children's Health Insurance Program (CHIP). Under this authority, the Secretary may waive certain provisions of Medicaid or CHIP to give states additional flexibility to design and improve their programs. To learn more about Section 1115 demonstrations, please visit the CMS website at https://www.medicaid.gov/medicaid/section-1115-demo/index.html