DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

Mike Smith
Secretary
Vermont Agency of Human Services
280 State Drive
Waterbury, VT 05671

DEC 0 5 2019

Dear Secretary Smith:

Under section 1115(a) of the Social Security Act ("the Act"), the Secretary of Health and Human Services ("Secretary") or the Centers for Medicare & Medicaid Services (CMS), operating under the Secretary's delegated authority, may authorize a state to conduct experimental, pilot, or demonstration projects that, in the judgment of the Secretary, are likely to assist in promoting the objectives of the Medicaid program, as discussed below. Congress enacted section 1115(a) of the Act to ensure that federal requirements did not "stand in the way of experimental projects designed to test out new ideas and ways of dealing with the problems of public welfare recipients."[1] As relevant here, the Secretary (1) may, under section 1115(a)(1), waive provisions in section 1902 of the Act; and/or (2) may, under section 1115(a)(2)(A), authorize federal financial participation (FFP) for state expenditures that would not qualify for FFP under section 1903 of the Act (i.e., provide "expenditure authority"). Section 1902 of the Act lists what elements the Medicaid state plan must include, such as provisions relating to eligibility, beneficiary protections, benefits, services, and premiums. Section 1903, "Payments to States," describes expenditures that may be "matched" with federal title XIX dollars, allowable sources of non-federal share, and managed care requirements.

For the reasons discussed below, CMS hereby approves Vermont's amendment to its section 1115(a) demonstration, "Global Commitment to Health" (BHT) (Project Number: 11-W-00194/1). Approval of this demonstration amendment will enable Vermont to receive FFP for inpatient services provided to otherwise-eligible Medicaid beneficiaries while residing in institutions for mental diseases (IMD) for diagnoses of serious mental illness (SMI) and/or serious emotional disturbance (SED). Vermont also submitted its SMI/SED Implementation Plan. CMS has completed its review of the Implementation Plan and determined that it is consistent with the requirements set forth in the STCs and is, therefore, concurrently approving the Implementation Plan as Attachment P. With this concurrent approval, the state may begin receiving FFP under the terms of the demonstration amendment.

Objectives of the Medicaid Program

Under section 1901 of the Act, the Medicaid program provides federal funding to participating states "[f]or the purpose of enabling each state, as far as practicable under the conditions in such

[1] See S. Rep. No. 87-1589, at 19 (1962), as reprinted in 1962 U.S.C.C.A.N. 1943, 1961.

state, to furnish (l) medical assistance on behalf of families with dependent children and of aged, blind, or disabled individuals, whose income and resources are insufficient to meet the costs of necessary medical services, and (2) rehabilitation and other services to help such families and individuals attain or retain capability for independence or self-care..."

As this statutory text makes clear, a basic objective of Medicaid is to enable states to "furnish . . . medical assistance" to certain vulnerable populations (i.e., payment for certain healthcare services defined at section 1905 of the Act, the services themselves, or both). By paying these costs, the Medicaid program helps vulnerable populations afford the medical care and services they need to attain and maintain health and well-being. In addition, the Medicaid program is supposed to enable states to furnish rehabilitation and other services to vulnerable populations to help them "attain or retain capability for independence or self-care," per section 1901 of the Act.

We are committed to supporting states that seek to test policies that are likely to improve beneficiary health because we believe that promoting independence and improving health outcomes is in the best interests of the beneficiary and advances the fundamental objectives of the Medicaid program. Healthier, more engaged beneficiaries also may consume fewer medical services and have a lower risk profile, making the program more efficient and potentially reducing the program's national average annual cost per beneficiary of $7,590.[2] Policies designed to improve beneficiary health that lower program costs make it more practicable for states to make improvements and investments in their Medicaid program and ensure the program's sustainability so it is available to those who need it most. In so doing, these policies can promote the objectives of the Medicaid statute.

While CMS believes that states are in the best position to design solutions that address the unique needs of their Medicaid-eligible populations, the agency has an obligation to ensure that proposed demonstration projects are likely to better enable states to serve their low-income populations, through measures designed to improve health and wellness and help individuals and families attain or retain capability for independence or self-care. Medicaid programs are complex and shaped by a diverse set of interconnected policies and components, including eligibility standards, benefit designs, reimbursement and payment policies, information technology (IT) systems, and more. Therefore, in making this determination, CMS considers the proposed demonstration as a whole.

In its consideration of Vermont's proposal, CMS considered whether the demonstration was likely to assist in delivering high-quality, clinically appropriate treatment to beneficiaries diagnosed with SMI/SED and receiving treatment while they are short-term residents in settings that qualify as IMD. CMS has determined the demonstration is likely to promote these Medicaid objectives, and the waiver and expenditure authorities sought are necessary and appropriate to carry out the demonstration. Specifically, the demonstration amendment is expected to assist Vermont in increasing identification, initiation, and engagement of Medicaid beneficiaries diagnosed with SMI/SED; increase adherence to, and retention in SMI/SED treatment; and reduce inappropriate or preventable utilization of emergency departments and inpatient hospital settings through improved access to a continuum of care services in additional settings that, absent this demonstration, would be ineligible for payment for most Medicaid enrollees.

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[2] U.S. Department of Health and Human Services 2017 Actuarial Report on the Financial Outlook for Medicaid.

Extent and Scope of the Demonstration Amendment

Vermont has met the expectations outlined in the November 13, 2018 State Medicaid Directors Letter (SMDL) #18-011. Approval of this demonstration amendment will enable Vermont to receive FFP for inpatient services provided to otherwise-eligible Medicaid beneficiaries while residing in IMDs for diagnoses of SMI and/or SED.

Consideration of Public Comments

The state originally asked for broad IMD authority in its SUD amendment request which the state submitted on January 29, 2018. The state's state public comment period for the original request was open from December 14, 2017, through January 14, 2018. In addition, the state held two public hearings on December 18, 2017, and January 5, 2018, that each offered teleconferencing. The state received no formal public comments. The first federal public comment period was open from February 7, 2018, through March 8, 2018. CMS received no comments.

Vermont opened a second public comment process from August 1, 2019, through September 1, 2019. The state also posted a comprehensive description of the amendment to its state website, and distributed the draft amendment request to an e-mail listserv. The state received two public comments that both indicated support for the state's effort to support and expand care available in both IMDs and the community. Consistent with CMS' guidance to Vermont, CMS opened a second federal comment period on September 18, 2019, ending October 18, 2019, and appended additional materials that were required for a complete application per the SMDL. Two commenters indicated their support for the amendment during the second federal public comment period; the commenters welcomed the expansion of IMD reimbursements, and of the availability of community-based care.

Other Information

CMS' approval of this demonstration is subject to the limitations specified in the enclosed authorities and STCs which define the nature, character, and extent of federal involvement in this project. The state may deviate from the Medicaid state plan requirements only to the extent they have been specifically listed as waived or not applicable to expenditures or individuals covered by expenditure authority.

This approval is also subject to your written acknowledgement of the award and acceptance of the STCs within 30 calendar days of the date of this letter. Please send written acceptance to your project officer, Mr. Eli Greenfield. Mr. Greenfield is available to answer any questions concerning your section 1115(a) demonstration and may be contacted as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and CHIP Services
Mail Stop: S2-25-26
7500 Security Boulevard
Baltimore, MD 21244-1850

Telephone: (410) 786-6157
E-mail: Eli.Greenfield@cms.hhs.gov

Official communications regarding this demonstration should be simultaneously sent to Mr. Greenfield and Mr. Francis McCullough, Director, Division of Medicaid Field Operations (DMFO) East, in our Regional Operations Group (ROG). Mr. McCullough's contact information is as follows:

Mr. Francis McCullough
Director, Division of Medicaid Field Operations East
Regional Operations Group
Centers for Medicare & Medicaid Services
Jacob K. Javits Federal Building
26 Federal Plaza, Room 3811
New York, NY 10278-0063
E-mail: francis.mccullough@cms.hhs.gov

If you have any questions regarding this approval, please contact Mrs. Judith Cash, Director, State Demonstrations Group, Centers for Medicaid & CHIP Services at (410) 786-9686.

Sincerely,

Calder Lynch
Acting Deputy Administrator and Director

Enclosure

cc: Francis McCullough, Director, Division of Medicaid Field Operations East
Gilson DaSilva, CMS State Lead, Regional Operations Group