

# POLICY BRIEF

## The Impact of the Coronavirus Disease 2019 Pandemic on Section 1115 Demonstration Waivers



### Project Team

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## Background

The coronavirus disease 2019 (COVID-19) pandemic continues to have a disproportionate impact on marginalized, lower-income families, communities of color, and populations affected by social and health disparities, leading to high need for mental health and substance use disorder services.<sup>1-3</sup> For these same populations, Medicaid is the sole or primary payor for behavioral health (BH) services and their primary source of financial support.<sup>3-5</sup> The pandemic changed the BH care system and workforce, presenting a unique opportunity to innovate, expand, and improve BH delivery. In 2015, the Centers for Medicare and Medicaid Services (CMS) encouraged state Medicaid agencies to leverage innovative service delivery models for the treatment of substance use disorders (SUDs) through the Section 1115 demonstration project.<sup>6</sup> Through this demonstration project, CMS grants waiver authority, which allows a state to implement delivery models and payment systems through the use of federal matching funds. In order to further understand the impact of the COVID-19 pandemic on Medicaid policy, the BH Workforce Research Center (BHWRC) research team examined Medicaid policy changes on Section 1115 demonstration waivers as they apply to BH.

## Methods

In March 2020, BHWRC researchers created a typology of BH components within Section 1115 demonstration Waivers.<sup>7</sup> BHWRC researchers expanded this typology using waivers approved on January 6, 2022. On January 6, 2022, researchers collected all Section 1115 waivers through the Medicaid.gov State Waivers list.<sup>8</sup> Section 1115 demonstration Waivers were included in the typology if the waivers were active on January 6, 2022. Waivers marked as “pending” were included in the typology if the waiver was included in the March 2020 typology and had not yet expired as of January 6, 2022. To locate BH provisions within the waivers, a researcher conducted keyword searches using the following terms: “behavioral health,” “mental health,” and “substance use.” After collecting all currently approved Section 1115 demonstration Waivers, the team organized the waivers using the typological classification system. Upon collecting the approved waivers, researchers compared the typology from March 2020 to the typology from January 2022.

## Key Findings

Thirty-seven currently approved Section 1115 demonstration waivers contained BH provisions. The BH provisions mirror the waiver review from March 2020 and are categorized by 3 BH-related characteristics: (1) benefit expansion, (2) eligibility expansion, and (3) BH integration.<sup>7</sup>

Over the span of 21 months during the COVID-19 pandemic, 6 states received approval for Section 1115 demonstration waivers; it is unknown how many Section 1115 demonstration waiver applications were

submitted during this time. These 6 waivers contain provisions similar to those approved in March 2020. Two additional waivers were included in the January 2022 typology that were not included in the March 2020 typology; this is a result of amendments or a change in status from March 2020.

Of the waivers approved in March 2020, very few changes were made when these state programs submitted amendments or extension requests. California submitted amendments for BH integration provisions through a new delivery model and BH eligibility expansion provisions. Alaska, Florida, and Hawaii added amendments for other BH service expansion (i.e., peer recovery services) and Maryland's Section 1115 demonstration program added an amendment for institutions for mental disease (IMD)–Mental Health benefit expansion; no approved Section 1115 demonstration waiver from March 2020 was amended to include payment reform or IMD-SUD benefit expansion.

Since the approval of the 8 new state Section 1115 demonstration waivers, a greater percentage of waivers now include BH integration, BH eligibility expansion, and benefit expansion. The most commonly approved provision among the 8 new waivers is benefit expansion of IMD-SUD, followed by other BH services benefit expansion provisions. State Medicaid agencies least often included provisions for BH eligibility expansion. Leveraging Section 1115 demonstration waivers is a vital component to state Medicaid agencies. The Section 1115 demonstration waiver program provides opportunities for innovation and flexibility for states seeking to expand access and coverage of BH services.

## Conclusions

Medicaid plays a crucial role as the dominant payor for BH services. State Medicaid programs must continue to balance Medicaid funding and program goals for the health and well-being of Medicaid enrollees. States continually work to address unmet needs for BH services, and the Section 1115 demonstration waiver program is a dominant way to address these needs. The Section 1115 demonstration waiver program provides opportunities for innovation and flexibility for states seeking to expand access and coverage of BH services. Since the onset of the COVID-19 pandemic, several administrative challenges such as staffing transitions, policy changes, and increased enrollees have emerged.<sup>9</sup> As a result, state programs may have shifted their emphasis away from enhancing BH services.

Future research should seek to examine the reasons why Section 1115 demonstration waivers are denied, the impact Section 1115 demonstration waivers have on enrollment and BH service use, and sustainability of state programs. Though the direct impact of the COVID-19 pandemic on Medicaid policy might remain unclear, answering these questions and further exploring state Medicaid programs will help design and implement policies that align with state agencies and Medicaid beneficiaries.

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