

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

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Project Team

Caitlyn Wayment, MPH

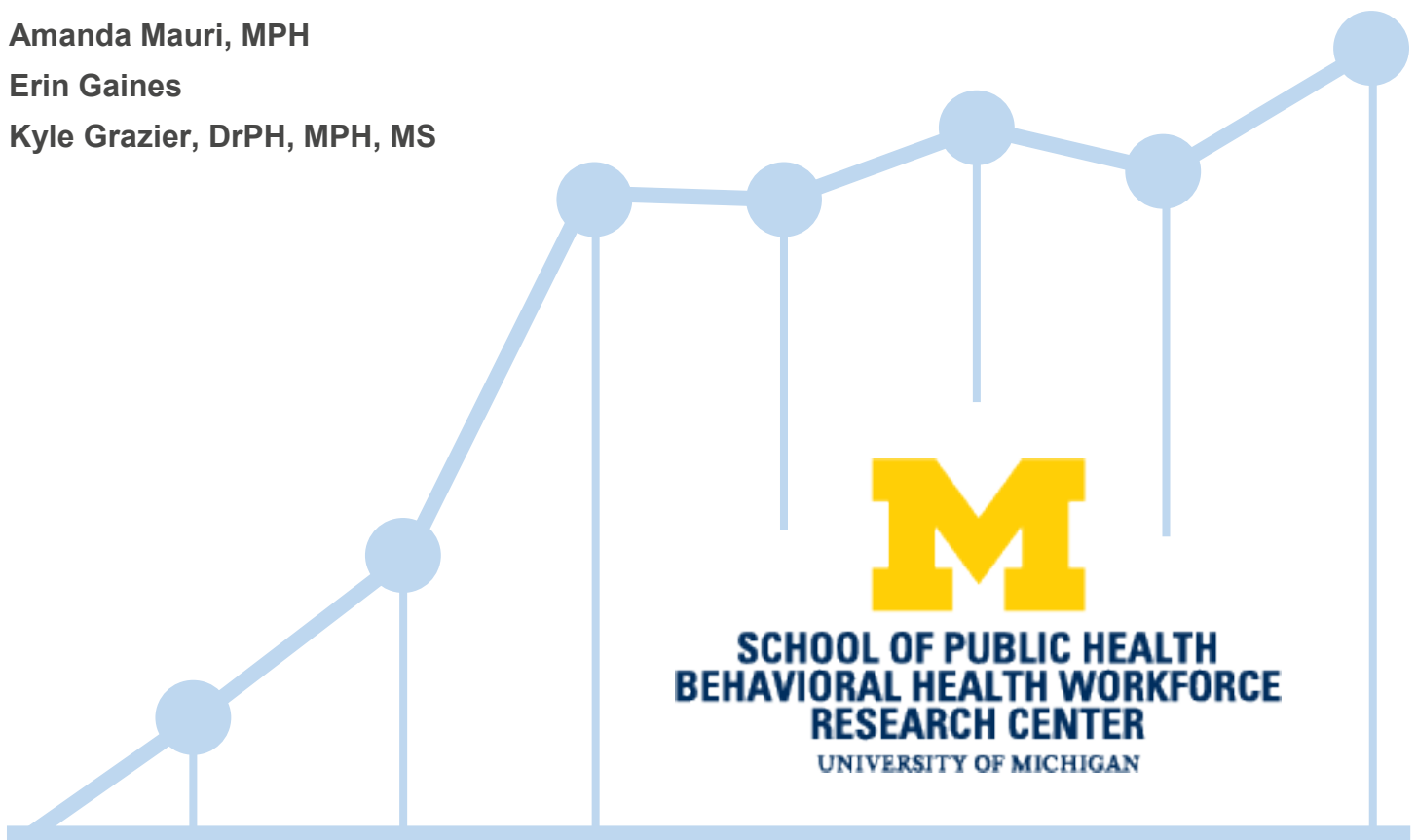
Isabella Ginsberg

Jessica Buche, MPH, MA

Amanda Mauri, MPH

Erin Gaines

Kyle Grazier, DrPH, MPH, MS



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Introduction

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.¹⁻³ For these same populations, Medicaid is the sole or primary payor for behavioral health (BH) services and their primary source of financial support.³⁻⁵

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 (SUD) through the Section 1115 demonstration project.⁶ 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. More specifically, beginning in November 2018, states began implementing Section 1115 demonstration waivers for innovative approaches to support and pay for short-term psychiatric care for adults aged 18–64 years in institutions for mental disease (IMDs), which previously restricted Medicaid enrollees' access to inpatient BH services.⁷ In addition to the IMD exclusion, states use Section 1115 demonstration waivers to improve care for Medicaid beneficiaries with BH needs.

Following the IMD exclusion guidance in November 2018, numerous states began implementing programs to cover various BH services and link the services to the IMD exclusion waivers. Most often, states use IMD-focused waivers for the coverage of SUD and mental health treatment, residential care, detoxification services, and various community-based services (e.g., crisis intervention services and peer recovery services).⁸

Previous efforts at the BH Workforce Research Center (BHWRC) sought to create a typology of the BH components integrated in Section 1115 demonstration waivers.⁷ This typology examined the BH components embedded within Section 1115 demonstration waivers. In Spring of 2020, the BHWRC research team examined 30 waivers that fit the inclusion criteria for Section 1115 demonstration waivers with BH components. The typology was defined by 3 BH characteristics: (1) BH integration, (2) benefit expansion, and (3) eligibility expansion.⁷

Since the Spring of 2020, the world has faced the COVID-19 pandemic. This pandemic changed the BH care system and workforce, presenting a unique opportunity to innovate, expand, and improve BH delivery. Despite this, the impact of the COVID-19 pandemic on Medicaid policy changes remains unknown. In order to further understand the impact of COVID-19 on Medicaid policy, the BHWRC research team examined Medicaid policy changes on Section 1115 demonstration waivers as they apply to BH.

This study assesses BH components embedded within Section 1115 demonstration Waivers and expands efforts from the BHWRC typology created in the Spring of 2020.⁷ More specifically, it examines waivers currently approved as of January 6, 2022 and compares these waivers to those approved as of March 6, 2020. This report will detail the impact of COVID-19 Medicaid policy changes on enrollees and the BH workforce through comparing the typology of waivers approved pre-pandemic to the waivers approved during the COVID-19 pandemic.

Methods

In March 2020, BHWRC researchers created a typology of BH components within Section 1115 demonstration Waivers.⁷ 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.⁹ 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.

Results

Section 1115 Demonstration Waivers: Behavioral Health Services

In the Spring of 2020, 30 approved Section 1115 demonstration Waivers contained BH provisions (Table 1).⁷ In January 2022, 37 Section 1115 demonstration Waivers contained BH provisions (Table 2). Of the 37 waivers, 11 states were pending amendments or extension requests, but had not yet expired. Because the waivers were still active and not expired, these 11 waivers are included in the typology. Since March 2020, a total of 8 new waivers were added to the typology, most (6 waivers) of which are Section 1115 demonstration waivers approved after March 2020.

Table 1:		
	Behavioral Health Workforce Studies ^{13,14}	Public Health Workforce Studies ^{2,15,16}
Occupational Titles Used	Health educator, health education specialists, community health worker, peer support specialist	Health educator, health education specialist, community health worker

[table 1]

[table 2]

It is important to note that on January 6, 2022, the Section 1115 demonstration waiver for Vermont was pending an extension request submitted on June 29, 2021. On June 28, 2022, CMS approved the extension request. However, the Section 1115 demonstration waiver expired on December 31, 2021. The approved Section 1115 demonstration letter¹⁰ states the approval is effective from “July 1, 2022 through December 31, 2027.”^{10(p1)} Because the previously approved Section 1115 demonstration waiver¹¹ expired on December 31, 2021, it is possible that the entire waiver authority was inactive from January 1, 2022 through June 30, 2022. However, it is unclear if this is the case. This is a unique case and the reason behind the lag in submission, approval, and expiration is unknown. The delay could be due to COVID-19, delays in updating the website, or multiple other factors. Because the currently approved Section 1115 demonstration waiver does not change any BH provisions from March 2020, the Vermont Global Commitment to Health waiver is included in the January 2022 typology.

Section 1115 Demonstration Waivers: Behavioral Health Typology

The typological classification system for January 2022 directly mirrors the March 2020 typology.⁷ This typology defines the BH provisions into 3 BH-related characteristics: (1) BH integration, (2) benefit expansion, and (3) eligibility expansion (Table 3).

[table 3]

Behavioral health integration is further broken down into 2 subcategories: (1) new delivery model and (2) payment reform. In order to qualify as a new delivery model, the Section 1115 demonstration waiver must detail a new program or method to further integrate BH and physical health services. This might be done through regional BH authorities managing integrated care services, increasing the presence of BH professionals in primary care offices, or similar models that increase integration. Integration through payment reform includes Section 1115 demonstration waivers seeking to implement an innovative payment approach that aids in the integration of BH and physical health services.

The subcategories for benefit expansion are: (1) IMD–Mental Health, IMD-SUD, and (3) other. State

demonstration programs that contain IMD–Mental Health provisions allow the state to use federal Medicaid matching funds to reimburse mental health treatment services; similarly, IMD-SUD provisions allow for the use of federal Medicaid matching funds for the reimbursement of SUD services. The other subcategory includes Section 1115 demonstration waivers that expand Medicaid benefits delivered in an IMD beyond mental health and SUD services. Some of these services include employment services, housing support, or peer recovery services.

Behavioral health eligibility expansions refer to Section 1115 demonstration waivers that expand Medicaid eligibility to a population otherwise ineligible for Medicaid under federal or state law.

Section 1115 Demonstration Waivers: March 2020 vs. January 2022

In the Spring of 2020, a total of 4 states (13.3%) contained provisions for BH integration through a new delivery model and 5 (16.7%) included provisions for integration through payment reform. In January 2022, a total of 9 states (24.3%) included new delivery models and 8 (21.6%) included payment reform provisions for BH integration. Of the states included in the March 2020 typology, 2 states (California and New Hampshire) added provisions for BH integration using a new delivery method and no states added provisions for BH integration using payment reform. Four of the 8 new states (50%) included in the January 2022 typology included BH integration provisions through new delivery models and 3 Section 1115 demonstration waivers (37.5%) contained provisions for BH integration through payment reform. Since the Spring of 2020, an additional 2 Section 1115 demonstration waivers include provisions for BH eligibility expansion. Of the 2 additional states, 1 was included in the March 2020 typology (California) and 1 state (Missouri) was approved after March 2020.

Similar to March 2020, Section 1115 demonstration waivers most likely included provisions for benefit expansion—specifically IMD-SUD provisions. Table 4 details key dates of approved Section 1115 demonstration waivers for IMD payment exclusions as of January 2022. In March 2020, 25 of 30 states (83.3%) contained provisions for IMD-SUD benefit expansion, 6 states (20%) included provisions for other benefit expansion, and 2 (6.7%) included provisions for IMD–Mental Health benefit expansion. This is similar to the January 2022 typology. Of the 37 approved waivers, 31 (83.8%) include IMD-SUD provisions, 14 (37.8%) include other benefit expansion provisions, and 7 (18.9%) contain IMD–Mental Health provisions.

When further comparing provisions for IMD-SUD benefit expansion from approved waivers in March 2020 to January 2022, no states with approved Section 1115 waivers from March 2020 added new provisions for IMD-SUD benefit expansion. The additional IMD-SUD benefit expansion provisions were from Section 1115 waivers approved after March 2020. Seven of the 8 (87.5%) new Section 1115 demonstration waivers added to the January 2022 typology contained provisions for IMD-SUD benefit expansion. Three states (Alaska, Florida, and Hawaii) with approved Section 1115 demonstration waivers added other benefit expansion by January 2022. Of the 8 new waivers, 5 (62.5%) included other benefit expansion provisions. Only 1 Section 1115 demonstration waiver approved by March 2020 (Maryland) added benefit expansions for IMD–Mental Health; this was approved on December 14, 2021. When analyzing the 8 new waivers, 4 (50%) include provisions for IMD–Mental Health benefit expansion.

Conclusion

Medicaid is a key player in the health and well-being of Medicaid enrollees. Because Medicaid plays a crucial role as the dominant payor for BH services, state Medicaid programs must continue to balance Medicaid funding and program goals. Prior to the COVID-19 pandemic, state Medicaid programs sought to enhance BH services through innovative designs. However, the COVID-19 pandemic led to various administrative challenges for state Medicaid programs. These challenges range from staffing transitions, policy changes, and increased enrollees.¹² As a result, state programs may have shifted their emphasis away from enhancing BH services. In addition to the shifts experienced at state agencies, the BH workforce endured challenges such as increased demand and modifications in service delivery.¹³ Despite challenges

faced by both state Medicaid agencies and the BH workforce, the direct impact of the COVID-19 pandemic on Medicaid policy changes remains unknown.

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 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 IDM-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.

Policy and Research Considerations

States continually work to address unmet needs for BH services, and the Section 1115 demonstration waiver programs is a dominant way to address these needs. This study examined 37 Section 1115 demonstration waivers and compared the components embedded in the waivers to Section 1115 waivers from March 2020. This comparison is a step in the direction of better understanding COVID-19 impacts on Medicaid policy changes.

However, this study only serves as a snapshot of 1 program embedded within state Medicaid agencies. Further analysis must be done to gain a more comprehensive understanding of impact COVID-19 on Medicaid policies. Beyond examining approved Section 1115 demonstration waivers, it is important to understand Section 1115 demonstration waivers that are denied or expired. 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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