

CMS Approves Innovative Pilot Program to Address Social Determinants of Health as Part of North Carolina's New Medicaid Waiver

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The Centers for Medicare and Medicaid Services (CMS) approved a Section 1115 waiver for North Carolina on October 19, 2018 that includes an innovative new pilot program. Embedded in the larger waiver, which is focused primarily on managed care and substance use disorder services, is a \$650 million pilot program designed to promote efforts to address the social determinants of health for high-risk, high-cost beneficiaries. It is the first significant waiver-based program targeting social determinants in the Trump Administration and could be a model for other states' initiatives.

The waiver authorizes up to four regional pilots which will each be organized around a Lead Pilot Entity (LPE), to be chosen through a competitive bidding process. The LPE will be responsible for coordinating the pilot's operations and will be accountable for its success. The LPE will assemble a network of health care providers, community-based organizations and social service agencies, and will contract with managed care plans (which in North Carolina's program are prepaid health plans or PHPs) to provide services to pilot enrollees. The state will provide funding to the LPEs for infrastructure development, service reimbursement and incentive payments, as further described below.

The pilots will provide enhanced case management and other services to eligible individuals in the following four areas:

- **Housing:** Including tenancy support and sustaining services, housing quality and safety improvement, access to legal assistance, support for a security deposit, and post-hospitalization assistance;
- **Food:** Including food support services such as nutrition counseling and education, funding for nutrition provided through food banks for medical conditions, and meal delivery services;
- **Transportation:** Including non-emergency health related transportation, such as public transit and private services (taxis, ride-sharing) for accessing the pilot services; and
- **Interpersonal Violence/Toxic Stress:** Including transportation, support resources (including assisting individuals to transition out of traumatic situations), access to legal assistance, and child-parent support.

To be eligible for pilot services, beneficiaries must meet at least one of a list of specified needs-based criteria (tied to health-related chronic or other conditions) and have one or more risk factors. The risk factors are: homelessness/housing insecurity, food insecurity, transportation insecurity, and being at risk of, witnessing or experiencing interpersonal violence.



The state will provide up to \$100 million to the LPEs and PHPs for capacity building at the outset of the pilot, to cover costs of developing the infrastructure to support the program, assembling a provider network, training providers and setting up payment, reporting, monitoring and program integrity systems.

The remainder of the \$650 million will be in the form of service reimbursement and incentive payments. Funding for services will flow from the state through the prepaid health plans to the LPEs, which are required to reimburse their network of providers according to a state established fee schedule or bundled payment arrangement. In addition, participants (including LPEs, PHPs and the provider networks) are eligible for incentive payments for meeting or exceeding specified metrics, which become increasingly tied to outcomes and value in the later years of the pilot. The incentives are structured to establish a path to value-based payment, beginning with incentive funding in the first two years, withholds in the third and fourth years, and shared savings in the final year of the program. The state is required, at the end of the pilot, to submit a plan to CMS to incorporate successful interventions into its statewide managed care program.

The North Carolina pilot program indicates CMS' willingness to use its "expenditure authority" under 1115 waivers—its authority to provide federal match for state expenditures that otherwise would not be matchable—for significant investments in new models of care. New waiver programs approved to date by the Trump Administration have focused primarily on community engagement/work requirements/personal responsibility and substance use disorders. This pilot program is a departure, and could encourage other states to explore creative uses of the flexibility inherent in 1115 waivers to develop new approaches to addressing social determinants, and more broadly in fostering delivery system reform.

Eyman Associates has been deeply involved in the evolution of Section 1115 waivers since they first became major vehicles for Medicaid reform in the early 1990s. More recently, we have been assisting clients to use both these authorities and new authorities under CMS' managed care regulations to achieve programmatic and delivery system objectives. To explore options for developing or modifying waiver or managed care programs in your state—or for any of your Medicaid needs—reach out to any one of us. We look forward to hearing from you.

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