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NYS draft 1115 waiver amendment—State seeks $13.5 billion from federal government

By Laurie Cohen, Michael Taubin, and Justin Pfeiffer

State's proposed 1115 waiver amendment request, "Strategic Health Equity Reform Payment Arrangements," seeks $13.5 billion to continue transformation of Medicaid program with emphasis on social determinants of health.

What's the Impact

- $325M to support formation and operation of 8–9 Health Equity Regional Organizations (HEROs) charged with regional planning, data collection, reporting, and coordination activities.
- $116M to support formation of an equal number of Social Determinant of Health Networks (SDHNs), comprised of community based organizations (CBOs) engaged to address social care needs (SCN) of Medicaid members as well as additional funding to compensate CBOs for SCN interventions.
- $1.57B to fund supportive housing initiatives including community transitional services, tenancy supports, and medical respite programs.

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The NYS Department of Health hosted its second public hearing this week on the State's proposed 1115 waiver amendment request, titled "Strategic Health Equity Reform Payment Arrangements: Making Targeted, Evidenced-Based Investments to Address the Health Disparities Exacerbated by the COVID-19 Pandemic" (SHERPA). The public comment period on the proposal ends May 13, 2022. The draft waiver amendment can be found here.

For those unfamiliar with 1115 waivers, the "1115" refers to Section 1115 of the Social Security Act. Under Section 1115, state Medicaid programs can request that CMS waive certain federal laws that govern the medical services and healthcare-related activities that are eligible for federal Medicaid funds and that qualify as appropriate uses of the required state matching funds. CMS is not obligated to approve the application; however, history has demonstrated that CMS can be persuaded to fund novel approaches to healthcare delivery, when such proposals are backed up by data and a solid implementation plan.

The proposal seeks to build upon the experience and lessons learned from the recently concluded DSRIP program. The State is seeking $13.5 billion over five (5) years from the federal government to address "health disparities and systemic health care delivery issues that have been both highlighted and intensified by the COVID-19 pandemic."

The four goals of SHERPA are:

1. Building a more resilient, flexible, and integrated delivery system that reduces health disparities, promotes health equity, and supports the delivery of social care;
2. Developing and strengthening supportive housing services and alternatives for the homeless and long-term institutional populations;
3. Redesigning and strengthening system capabilities to improve quality, advance health equity, and address workforce shortages; and
4. Creating statewide digital health and telehealth infrastructure.

To achieve these goals, the State plans to utilize the federal funds to make investments in (1) regional planning through new Health Equity Regional Organizations (HEROs); (2) Social Determinant of Health Networks (SDHNs), comprised of community based organizations (CBOs) engaged to address social care needs (SCNs); (3) Advanced Value Based Payment (VBP) Models that fund the coordination and delivery of social care via an equitable, integrated health, and social care delivery system, (4) supportive housing services, with a focus on the homeless and long-term institutional populations; (5) the creation of a COVID-19 Unwind Quality Restoration Pool for financially distressed hospitals and nursing homes; (6) the expansion of workforce capacity; and (7) building digital and telehealth infrastructure and care models to expand access to care.

HEROs

As set forth in the draft waiver, there would be 8–9 regional HEROs whose primary purpose would be regional planning. The State has earmarked $65 million annually or $325M over five years to support the HEROs' regional planning, data collection, reporting, and coordination

activities. Unlike a DSRIP Performing Provider System, a HERO would not receive and distribute waiver funds. A HERO entity could be an existing entity, or a new entity formed by regional participants, including managed care organizations, primary care and other clinical and community based providers, IPAs including behavioral health IPAs, QEs, SDHNs, and others.

SDHNs

Similarly, the State is planning for 8–9 regional SDHNs, consisting of a network of CBOs. The SDHNs are expected to align with the regional HEROs and would be charged with providing evidence-based interventions to address a range of SCNs of individuals enrolled in Medicaid.

The SDHN in each region would be responsible for:

- Formally organizing CBOs to perform SCN interventions;
- Coordinating a regional uniform referral system and network with multiple CBOs, with partners such as health systems, community and specialty behavioral health providers, care managers, other health care providers, and local government agencies, including but not limited to health departments, departments of social services, and the criminal justice system;
- Creating a single point of contracting for SCN interventions in VBP arrangements or with other providers; and
- Advising on the best structure for screening Medicaid members for the key SCN social care issues and make appropriate referrals based on need by the entities designated by the State or MCOs to perform the standardized social needs assessment which could be performed by the MCO, SDHN, Health Home, or other entity best-positioned in the region to engage in these activities.

SDHNs would receive funding to support the development of their networks, including to develop IT and other business processes and capabilities. The CBOs in these networks would also receive payment for their services. A VBP incentive pool would use an established fee schedule to pay CBOs for interventions on a per service basis. As described in the draft waiver, the fee schedule would be similar to North Carolina’s Healthy Opportunities Pilot Program, which includes a standardized service name, rate, and service definition for each evidence-based intervention.

Enhanced Supportive Housing Initiative

The State is seeking $1.57B over five years to fund supportive housing initiatives including community transitional services, tenancy supports, and medical respite programs.

The State’s pitch to build upon its past efforts to partner MCOs and housing providers and link Medicaid members to available housing units. The application cites a 47% reduction in Medicaid costs associated with these past efforts, although it is unclear whether this statistic incorporates results from additional Medicaid initiatives that are not directly related to supportive housing.

The State has taken a strong position that supportive housing is a key component to improving population health. Under this proposal, HEROs would inventory supportive housing in their respective regions, focusing on the Medicaid member population; identify housing solutions by coordination with local, state, and federal agencies; and link high Medicaid utilizers who do not have housing to housing resources.

Additionally, the State proposes to use federal and state Medicaid dollars to fund an Enhanced Supportive Housing Pool. The funds would be used to:

- Create or expand respite care for individuals discharged from hospitals and at imminent risk of homelessness.
- For persons in institutional settings or who are homeless, services for finding supportive housing, including funds for short-term rental assistance (up to six-months) and security deposits.
- Provide support to persons needing assistance to safely stay in their current housing, including assistance with eviction prevention, landlord-tenant mediation, crisis intervention, and other services.
- Fund SDHNs to coordinate the above housing supports with complementary services.

The application proposes to ramp up supportive housing over the course of the five-year demonstration, from $63 million in Demonstration Year ("DY") One to $601 million by DY Five, a ten-fold increase. The State proposes to prove the efficacy of the initiative by measuring (1) the change in the number of referrals to supportive housing, and (2) the change in the rate that persons who were formerly homeless receive permanent housing. These measurements are not based on the more traditional claims data, and rely instead upon a proposed statewide social needs data platform that would uptake data from the HEROs and SDHNs.

Statewide Digital Health and Telehealth Infrastructure

The draft waiver also details various initiatives to expand the use of telehealth, earmarking $300M over five years to support these initiatives. Initiatives include, but are not limited to:

- $9M per year to connect approximately 19,000 homebound enrollees and those living in residential facilities with equipment and virtual care subscriptions, based on costs for similar previously grant-funded projects;
- $3.7M for 62 Medicaid Community Dental Health Coordinators (CDHC) at $45,000–$60,000 per year per CDHC, one per county. Includes $235,600 annually ($3,800 each) for a backpack containing tele-dental equipment, including high resolution tele-dental cameras;
- $3.7M to provide telehealth kiosks to at least three homeless shelters in each county at approximately $20,000 each; and
- $7M to supply 10,000 tablets ($700 each) to providers and enrollees who lack access to technology necessary for telehealth services.

Additional Proposals

The application includes requests to use Medicaid funds for several additional initiatives, some of which are less detailed than those described above. These funding requests include:

- A VBP Pool that would be available to financially distressed safety net hospitals, critical access hospitals, and nursing homes with a high Medicaid payor mix, for purposes in increasing engagement in VBP arrangements.
- Worker recruitment, retention, and training initiatives.
- Expanding use of telehealth, by allowing telehealth to be delivered by telephonic-only communications, where appropriate. The State asserts will allow for better delivery of service to persons in need of care, and less cancelled appointments.

After considering the testimony received at the two public hearings and public comment, the State is expected to submit the 1115 waiver amendment to CMS for approval. If approved, the State is planning for most provisions of the waiver amendment to take effect January 1, 2023. Additional time and planning will be needed to select and set up the HEROs and SDHNs and the VBP arrangements associated with these entities.

Nixon Peabody will monitor and provide future updates on the 1115 waiver amendment.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

Laurie Cohen
518.427.2708
lauriecohen@nixonpeabody.com

Michael Taubin
516.832.7521
mtaubin@nixonpeabody.com

Justin Pfeiffer
518.427.2742
jpfeiffer@nixonpeabody.com