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August 24, 2016

Ms. Victoria Wachino, Director  
Centers for Medicaid and CHIP Services  
Centers for Medicare and Medicaid Services  
Department of Health and Human Services  
7500 Security Boulevard  
Baltimore, MD 21244

Eliot Fishman, Ph.D., Director  
State Demonstrations Group  
Center for Medicaid and CHIP Services  
Centers for Medicare and Medicaid Services  
Department of Health and Human Services  
7500 Security Boulevard  
Baltimore, MD 21244

Dear Ms. Wachino and Mr. Fishman,

The MO HealthNet Division and Department of Mental Health (collectively, “Missouri”) appreciate CMS’ willingness to work with us on the Missouri Mental Health Crisis Prevention Project Demonstration (the “Demonstration”) proposal in an effort to reach a sound, approvable program. We believe that the goals for the Demonstration directly align with the goals of the Secretary of the Department of Health and Human Services and the President regarding access to behavioral health care for vulnerable populations.

We believe that Missouri is making progress on the approval of our proposal; however, we are concerned that the recent CMS position on budget neutrality modeling may threaten the viability of our Demonstration proposal. Missouri respectfully seeks additional discussion with CMS leadership, as soon as possible, to resolve this outstanding issue quickly in order to move forward with the proposed program, which will provide needed access to comprehensive outpatient physical and behavioral health care services for individuals suffering from serious mental illness (SMI) and/or substance use disorder (SUD) who have no alternative for care.

The Legislature has granted the Department of Mental Health additional funds to support the targeted population identified in the Demonstration to provide critical behavioral health services to uninsured individuals who are at risk of becoming disabled. The Governor also fully supports this program and the goal of providing access to this vulnerable group. It is imperative that the Department of Mental Health take advantage of this consensus to provide these critical services with the available funding, as soon as possible. Thus, Missouri must promptly reach agreement on a budget neutrality model that is mutually acceptable and will allow Missouri a path forward on our shared goals.

Interpretive services are available by calling the Participant Services Unit at 1-800-392-2161.  
Prevodilačke usluge su dostupne pozivom odjela koji učestvuje u ovom servisu na broj 1-800-392-2161.  
Servicios Intrepretative están disponibles llamando a la unidad de servicios de los participantes al 1-800-392-2161.

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Missouri proposed a budget neutrality model based on a disability diversion model similar to (i) the averted birth model used in prior family planning 1115 demonstrations and (ii) disability diversion HIV/AIDS 1115 demonstrations. Under this model, data is used to predict the likelihood of at risk individuals becoming eligible for Medicaid due to disability. Budget neutrality is based on expected Medicaid expenditures once those individuals actually enroll in Medicaid and the State is at risk for expenditures beyond this budget limit.

CMS has stated that the budget neutrality model as proposed is not acceptable and requested Missouri to use the “standard” disability diversion budget neutrality model that was employed by Virginia in its recent GAP Demonstration. While CMS has cited the “Virginia model” as the “standard” disability diversion budget neutrality model, Missouri has been unable to find additional examples of this model in demonstrations. Missouri is not aware of a change in policy or formal declaration that the Virginia disability diversion budget neutrality model is now the standard for all disability diversion models, but rather understood that this only represented the efforts of a budget neutrality negotiation between CMS and Virginia.

Our understanding of the Virginia model is that the Without Waiver (WOW) costs include the current ABD State Plan population and the With Waiver (WW) costs include both the demonstration population as well as the ABD State Plan population, and Virginia must meet budget neutrality on the combined demonstration and ABD State Plan populations. The Virginia model unnecessarily places financial risk on the State for State Plan populations who are not affected by the demonstration. This is particularly troubling as other variables beyond the control of the demonstration could impact enrollment growth and/or expenditure growth in the ABD population, negatively impacting budget neutrality results. Such a model puts services and expenditures unnecessarily at risk and does not support the State or federal goals of providing benefits to this population. Missouri further understands that the financial risk for Virginia is minimized as a result of plans to expand Medicaid within the duration of the approved waiver period, making the demonstration population a State Plan population. This is a model that does not support Missouri’s goals. Missouri would like to further collaborate with CMS and discuss alternative options for budget neutrality.

To illustrate the challenges of including the ABD State Plan population (or a subset of that population) in the WOW and WW estimates and corresponding budget neutrality results for such a small waiver, the following information specific to Missouri is included for CMS consideration:

- The Demonstration is projected to serve just 1,000 enrollees in Year 1 which comprises less than 10% of the subset of the ABD State Plan population who would meet the same criteria for SMI or SUD as proposed in the Demonstration.
- The expenditures and enrollment in Missouri’s ABD population are influenced by a myriad of factors that are almost entirely outside of the control of this Demonstration. For example, over the five years of data used in development of the budget neutrality model (Calendar Years 2010-2014), the annual PMPM trend in the ABD-SMI/SUD population has ranged from 5.6% - 11.5%, with recent trends experienced at the higher range. Additionally, enrollment trends have generally been negative over this same time period, though it is not clear that would continue in the future.

- The Demonstration expenditures will be very disproportionate to those for the State Plan ABD population or even the subset of the ABD population as outlined in the first bullet above. As a result, even the smallest deviation from the State's overall ABD expenditure projections (or subset thereof) would subsume the Demonstration's projected savings, even if the Demonstration itself saved money. For example, if the actual cost trend of the ABD State Plan subset population is 1% higher than projected in the budget neutrality model for the Demonstration population, then in the first year of the Demonstration, the additional costs on the ABD State Plan subset population will exceed the savings projected on the Demonstration population by about eight times. Conversely, if the actual cost trend on the ABD State Plan subset population is 1% lower than projected in the budget neutrality model for the Demonstration population, the savings "realized" by this Demonstration will be significantly higher than what can reasonably be attributed to the actual waiver recipients.

Including a State Plan population as a benchmark in the budget neutrality calculation puts Missouri at risk for collecting federal financial participation on State Plan services (and therefore the State's ability to provide such services) if the State exceeds its budget in the waiver. This is not a risk that Missouri is willing to take. As outlined above, even limiting the population to a subset of the ABD population does little to limit the financial risk to Missouri since the historic variation in the expenditures for this non-waiver subset can easily overwhelm the projected savings for a small waiver population.

Given the size and scope of this proposed Demonstration, a more appropriate model for enforcement of budget neutrality can be found in Missouri's Woman's Health Services Program demonstration, approved by CMS on December 30, 2014. In that demonstration, the State is at risk for the *waiver expenditures* if it fails to demonstrate budget neutrality. The STCs explain that this remedy ensures "that federal demonstration expenditures do not exceed the level of expenditures that would have occurred had there been no demonstration." In addition, the Woman's Health Services Program demonstration requires the State to work with CMS on a corrective action plan if it fails to meet budget neutrality. Federal funding outside of the demonstration is not at risk.

Missouri would like the opportunity to discuss and work toward a win/win budget neutrality solution and development of a model that allows us to move forward quickly to serve those in need without access to these benefits that does not unnecessarily put our unaffected State Plan populations at risk. To that end, Missouri would like to schedule a call with you and others in CMS leadership to:

- 1) Discuss how Missouri can use a budget neutrality model that accurately measures whether the State is saving money through the waiver; and
- 2) Clarify the potential risks and corrective action(s) to which the State may be subject if it is unable to meet the budget neutrality limit.

Missouri believes that we have put forth a demonstration proposal that has the ability to significantly impact individuals at risk for becoming disabled, and we hope that CMS will continue to work with us to approve and implement that waiver. We look forward to additional collaborative conversations on the Missouri Mental

Victoria Wachino and Eliot Fishman

Health Crisis Prevention Project Demonstration proposal and are eager to continue those conversations as soon as possible. Please contact Debbie Meller at 573-751-6884 to coordinate the call to discuss the above issues.

Sincerely,

A large black rectangular redaction box covering the signature of Joseph Parks, M.D.

Joseph Parks, M.D.  
Director, MO HealthNet Division

A large black rectangular redaction box covering the signature of Mark Stringer.

Mark Stringer  
Director, Department of Mental Health

cc: Valisha Andrus  
James Scott  
Rick Gowdy