



Community Engagement Section 1115 Demonstration Waiver Application

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DRAFT

Table of Contents

Background	1
Program Description	2
Enrollment Standards	3
Verification Methodology	3
Program Participation	4
Hypotheses Tested.....	5
Table 1: Hypotheses Tested	5
Demonstration Eligibility.....	6
Table 2: Demonstration Population.....	6
Demonstration Benefits and Cost-Sharing Requirements.....	6
Delivery System and Payment Rates for Services.....	6
Implementation of Demonstration.....	7
Demonstration Financing and Budget Neutrality	7
Table 3: Historical Information	7
Table 4: With and Without Waiver Projections for Demonstration Years	8
List of Proposed Waivers and Expenditure Authorities	9
Public Notice	9
Demonstration Administration	9

BACKGROUND

The South Carolina Department of Health and Human Services (SCDHHS) is the single state agency responsible for administering the Medicaid program. SCDHHS currently covers approximately one out of every four South Carolina citizens. As a key player in the delivery of health care across the state, the Medicaid program plays a substantial factor in the state's economy. Therefore, it is important that SCDHHS continually explores and experiments with programmatic changes aimed at maintaining stability in the Medicaid program while improving the health of South Carolina's population.

Improving the health and well-being of South Carolina's Medicaid population is the first step in elevating the state's overall health status. To do so requires looking beyond those factors within the health care system and more broadly addressing the social and economic determinants of health status. The Office of Disease Prevention and Health Promotion defines the social determinants of health as:

Conditions in the environment in which people are born, live, learn, work, play, worship and age that affect a wide range of health, functioning, and quality-of-life outcomes and risks.¹

In January 2018, the Centers for Medicare and Medicaid Services (CMS) issued guidance announcing an additional avenue for states to address social environment issues.² This new policy allows Medicaid programs to incentivize community engagement activities among non-elderly, non-pregnant adult Medicaid beneficiaries who are eligible for Medicaid on a basis other than disability. These programs, executed through 1115 waivers, are intended to promote better mental, physical and emotional health, as well as helping families rise out of poverty and attain independence.

A significant body of medical literature and scholarly research supports the link between health status and employment. This includes:

- Unemployment is generally harmful to health, and is correlated with numerous health challenges. Unemployed workers are more likely to have fair or poor health, and to develop a stress-related condition, such as stroke, heart attack or heart disease. In addition, unemployed individuals are more likely to be diagnosed with depression.³
- A study published in the *Disability and Health Journal* found that participants with any level of paid employment had a better quality of life and that their self-reported health status was higher and the per person per month Medicaid expenditures were less.⁴

Given the large role that state government plays in influencing the social environment of citizens, especially those dependent on social benefit programs, states must take responsible steps to address these needs holistically. Addressing these factors is a critical aspect of South Carolina's efforts to improve the health of its citizens, reduce the costs of health care and eliminate health disparities.

¹ <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-of-health>

² <https://www.medicaid.gov/federal-policy-guidance/downloads/smd18002.pdf>

³ <https://www.rwjf.org/en/library/research/2012/12/how-does-employment--or-unemployment--affect-health-.html>

⁴ <https://www.sciencedirect.com/journal/disability-and-health-journal/vol/6/issue/2>

Given strong evidence that employment and community engagement have positive effects on health outcomes, and in light of support from CMS to implement models that incentivize these activities, SCDHHS proposes the adoption of a section 1115 waiver to institute those activities statewide no later than Jan. 1, 2020.

PROGRAM DESCRIPTION

Under this waiver application, SCDHHS proposes to:

- Identify individuals eligible for community engagement activities and assist them with accessing necessary programs designed to support employment and community engagement activities.
- Improve health outcomes and economic factors for certain Medicaid individuals.
- Assist in the transition from Medicaid to other health insurance for certain individuals.

Through this section 1115 waiver application, SCDHHS seeks to develop a demonstration project for non-disabled adults enrolled in the Medicaid program who are unemployed. The following groups **will not** be included in this demonstration project:

- Children enrolled in Medicaid or the Children's Health Insurance Program (CHIP);
- Pregnant women;
- Disabled individuals, including individuals who have a medical condition that would prevent them from participation in this project;
- Individuals over the age of 65;
- Individuals who are the primary caregiver of a child under the age of six or someone who is disabled;
- Individuals receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI)
- Individuals participating in a Medicaid covered treatment program for alcohol or substance abuse addiction, including opioid addiction;
- Individuals receiving treatment for cancer, including those receiving treatment through Medicaid's Breast and Cervical Cancer Program;
- Individuals compliant with or exempt from the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) requirements related to employment; and
- Individuals who are determined by SCDHHS to be exempt on a case specific basis.

Individuals who are not in one of the above categories and who are enrolled in South Carolina Medicaid as a Parent Caretaker Relative (PCR) or who are receiving Transitional Medicaid Assistance (TMA) will be included in this demonstration project.

PCR and TMA individuals will be required to participate in community activities to maintain an active Medicaid enrollment status. Requirements of this nature are not new in South Carolina, as individuals enrolled in the TANF and SNAP benefits are already required to meet these stipulations. For those individuals required to participate in a community engagement program, the state intends to align, where possible, with work-search, education and training programs available through publicly-funded programs. Examples of compliant activities include:

- Participation in an adult secondary education program through a public-school district or technical college. The Department is exploring the provision of support for activities not otherwise covered by other state or federally-funded adult education programs, including the cost of GED testing.
- Full-time (as defined by the South Carolina Commission on Higher Education) participation in a degree or certificate- seeking program in an accredited institution of higher education.
- Compliance with unemployment insurance (UI) work-search requirements (first 16 weeks of UI benefits)
- For dual Medicaid-SNAP/TANF beneficiaries, demonstrated compliance with SNAP community engagement standards.
- Full-time employment or part-time employment for not less than 80 hours per month.

In addition to the mentioned exceptions and qualifying activities, the SCDHHS intends to issue guidelines that would provide validation of community requirements for certain individuals participating in and complying with medically necessary substance use disorder treatments that would otherwise impair an individual's ability to participate in employment, education or other community engagement activities.

SCDHHS hypothesizes that requiring work or community engagement will result in beneficiaries moving from Medicaid to private insurance, and more beneficiaries employed or engaged in other productive community engagement, resulting with improvements in health and well-being. Pursuant to the requirements of a demonstration waiver, SCDHHS intends to assess the effectiveness of these requirements in furthering objectives of the Medicaid program.

Enrollment Standards

Outside of requiring participation in community engagement activities, SCDHHS does not intend to modify or waive any other aspect of categorical eligibility for Medicaid beneficiaries. To identify individuals eligible for participation in community engagement activities, SCDHHS will employ a combination of methods. First, individuals will be identified based on their enrollment status as being in the PCR or TMA Medicaid eligibility categories. Next, SCDHHS will identify individuals who meet exemptions and will be exempt from community engagement activities. SCDHHS will then use all system information available to validate compliance across other public programs through systems and processes established by SCDHHS. The overarching goal of this process is to reduce the need for individuals to provide information to the state confirming their compliance with community engagement activities.

Verification Methodology

Exceptions. Exclusion from community engagement requirements will be based upon an individual's categorical eligibility and SCDHHS will exempt children, aged beneficiaries, blind, disabled and limited-benefit members based upon evidence currently supplied upon application to Medicaid. Those adult individuals made eligible through categories that do not require evidence to support an exception will be subject to community engagement requirements unless they provide evidence that:

- They are the primary caregiver of a child under the age six or disabled adult. This would apply to most single-parent households or two-parent households where one parent is disabled, or
- They are otherwise disabled and unable to participate in community engagement activities.

Indirect Validation. Several state agencies manage programs that encourage education and employment activities, and many of the programs require efforts comparable to those proposed in this waiver. The

Department intends to seek and obtain data-sharing and operating agreements with these programs to first provide external validation of community engagement to reduce duplication of effort and administration.

Direct Validation. While SCDHHS believes that the majority of exceptions and validations can occur through the collection of evidence during the eligibility process and through data-sharing activities with other public programs, some portion of Medicaid beneficiaries, community organizations and employers will need to interact directly with SCDHHS to provide community engagement data. SCDHHS intends to leverage existing and planned information technology infrastructure to manage this effort and will provide training and resources to out-stationed and county eligibility staff to support data collection and validation.

Integration with Existing Efforts. SCDHHS is developing advanced planning documents (APD) to leverage multiple sources of federal funding, including Health Information Technology for Economic and Clinical Health (HITECH) grants, to develop and integrate an interdepartmental case management information systems (ICMIS) platform to replace existing case management technologies in the agency. Concurrently, APD amendments relevant to the member management replacement project (MMRP) are underway to provide for the integration of eligibility decisions for Medicaid, SNAP and TANF using a common platform.

While independent of the community engagement efforts, the Department's existing strategic approach to furthering a Citizen 360 view of participants in public programs provides for a logical extension to community engagement designed to reduce administrative and programmatic duplication of common efforts across many public programs. SCDHHS believes that integrating community engagement implementation into current technology initiatives will materially mitigate the overall administrative cost of the community engagement initiative. In addition, SCDHHS believes that utilizing current technology initiatives will reduce the need for individuals enrolled in Medicaid to provide documentation to support compliance with community engagement activities.

Program Participation

Given that nearly two-thirds of Medicaid full-benefit beneficiaries are children, the Department has limited the analysis of potential participants to non-disabled adult full-benefit members under the age of 65, which amounts to approximately 83,461 individuals who would be required to either provide additional evidence of a qualifying exemption or comply with a community engagement program.

Individuals who do not provide evidence of a qualifying exemption or who are determined noncompliant with community engagement activities will have their eligibility placed in a suspended status until the requirements are met. Upon notification of compliance, SCDHHS will reactivate the individual's eligibility. Before suspending an individual's eligibility, SCDHHS will provide timely and adequate written notice to the individual. The notice will also provide full appeal rights as required under 42 C.F.R, Part 431, subpart E.

Individuals will be able to demonstrate compliance with community engagement activities using the current process in place to report changes and provide information that may impact their Medicaid eligibility status. This includes in-person at a county office, fax, email, telephone and mail.

Hypotheses Tested

During the approval period, SCDHHS proposes to test a series of hypotheses the state believes will lead to success in improving the health of Medicaid individuals. A detailed evaluation design will be developed for review and approval by CMS, in partnership with a selected external evaluation entity. The chart below identifies the specific hypotheses, methodology and potential performance measures associated with this demonstration.

Table 1: Hypotheses Tested

Hypotheses	Methodology	Performance Measure
Individuals participating in community engagement activities will transition to other health insurance.	Monthly, SCDHHS will track the number of individuals enrolled in the PCR and TMA eligibility groups who have other health insurance using information from the eligibility system and data matches through information used to identify third-party liability.	The number of individuals enrolled in the PCR and TMA eligibility groups who have obtained other insurance.
Providing community engagement activities for individuals enrolled in Medicaid will result in an increase in the number of individuals gaining employment in South Carolina.	Track the number of individuals who self-report community engagement activities and track the number of PCR and TMA individual participation rates for employment, new hires, and workforce activities using the Department of Labor data.	The number of individuals enrolled in PCR and TMA eligibility groups who become or remain employed during the demonstration period or participate in approved activities.

A detailed evaluation design will be developed for review and approval by CMS.

The demonstration will operate statewide.

SCDHHS is requesting a five-year waiver approval for this demonstration.

The demonstration will not affect or modify other components of the state’s current Medicaid and CHIP programs outside of eligibility.

DEMONSTRATION ELIGIBILITY

Current data elements indicate that approximately 188,001 of individuals enrolled in South Carolina’s Medicaid program are potentially eligible to participate in community engagement activities. Of those, approximately 104,540 appear to be in an exempt category. A portion of the remaining 83,461 participants may be exempt but data elements necessary to identify their status, such as participation in an adult secondary education program, is not captured in the current system.

Based on a State Medicaid Director letter dated July 17, 2001, the government-to-government relationship between the United States and Tribal Governments recognizes the right of Tribes to tribal sovereignty self-government and self-determination. South Carolina has one nationally recognized tribe, the Catawba Indian Nation. SCDHHS recognizes the Catawba Indian Nation’s tribal sovereignty and will work with the Tribal Government to decide their level of participation in this waiver demonstration.

The standards and methodologies used to determine eligibility for this demonstration are outlined in the program description.

The following table identifies information regarding the population SCDHHS is including in this demonstration waiver:

Table 2: Demonstration Population

Eligibility Group	Social Security Act and CFR Citation	Income Level
Parent Caretaker Relatives (PCR)	SSA §1931; 42 CFR 435.110	Under 100% of FPL
Transitional Medical Assistance (TMA)	SSA §408(a)(11)(A), §1931(c)(2), §1925, §1902(a)(52); and 42 CFR 435.112	Under 100% of FPL

DEMONSTRATION BENEFITS AND COST-SHARING REQUIREMENTS

The benefits provided under the demonstration will not differ from those provided under the Medicaid State Plan.

Cost sharing requirements under the demonstration will not differ from those provided under the Medicaid State Plan.

DELIVERY SYSTEM AND PAYMENT RATES FOR SERVICES

The delivery system used to provide benefits to the demonstration participants will not differ from the Medicaid State Plan.

No deviation will be made for services furnished through fee-for-service. Likewise, no deviations will be made for managed care capitation rates and contracting requirements.

No quality-based supplemental payments are being made to any providers or class of providers under this demonstration.

IMPLEMENTATION OF DEMONSTRATION

SCDHHS plans to implement the provisions outlined in this waiver at least six months after CMS approval. This time period allows sufficient time to communicate with participants the changes in the program and for the state to prepare and implement operational and administrative changes. Immediately after CMS approval, SCDHHS will develop a communication and implementation plan that clearly lays out timing, content and methodology in which individuals will be notified of program changes. SCDHHS will also develop educational materials for internal staff and external stakeholders to ensure a smooth transition for participants.

SCDHHS' engagement with partner agencies for the negotiation of data-sharing agreements and eligibility application redesign began in May 2018. Information technology systems development funded through various federal sources—including HITECH grants—will occur throughout calendar year 2019 (CY19), along with community outreach and program certification efforts necessary to operationalize and streamline the technology necessary to track and monitor eligibility related to community engagement activities as it relates to eligibility determination.

DEMONSTRATION FINANCING AND BUDGET NEUTRALITY

The budget neutrality calculation was created using a combination of historical data for the impacted population trended into future years and national data points.

To establish the without waiver (WOW) projection, actual historical data was used for the time periods fiscal year 2014 (FY14) through fiscal year 2017 (FY17). For fiscal year 2018 (FY18), minor projections were made to provide a reasonable estimate of retroactive enrollment to create a complete picture of FY18 enrollment. SCDHHS believes that this five-year time frame provides the most accurate trending as high enrollment growth was observed during FY14-FY16 but has plateaued since FY17. This five-year historic period was used to create a trend to project enrollment in member months and per member per month (PMPM) over the five waiver demonstration years.

Table 3: Historical Information

Enrollment and Member Months Average Growth

	Count	Member Months	PMPM
2014	114,330	940,876	\$369.39
2015	154,982	1,418,989	\$346.57
2016	196,393	1,731,032	\$336.45
2017	207,186	1,954,288	\$319.50
2018	209,244	1,949,467	\$327.39

This trended data was adjusted using figures from the Kaiser Family Foundation (KFF) for the with waiver (WW) calculation. KFF estimates 28 percent of South Carolina Medicaid members are non-working and non-

elderly, the target population of this waiver.⁵ Accounting for the non-primary child caregiver, non-elderly and non-working population, seven percent of remaining members are estimated to not fall into other compliance and exemption categories based on KFF national estimates. This is the population removed from enrollment figures due to this waiver's implementation.

Projected eligible member months, historical trends, PMPM cost and total expenditures are shown for the demonstration including fiscal years 2019-2023.

Table 4: With and Without Waiver Projections for Demonstration Years

Without Waiver					
	DY1-2019	DY2-2020	DY3-2021	DY4-2022	DY5-2023
Estimated Number of Member Months	2,256,006	2,610,746	3,021,266	3,496,337	4,046,110
PMPM	\$317.17	\$307.27	\$297.68	\$288.38	\$279.38
WOW Total Costs	\$715,538,946.08	\$802,201,773.90	\$899,360,809.89	\$1,008,287,307.10	\$1,130,406,487.02

With Waiver					
	DY1-2019	DY2-2020	DY3-2021	DY4-2022	DY5-2023
Non-Primary Caregiver Member Months	1,001,528	1,167,572	1,361,014	1,586,355	1,848,834
Non-Primary Caregiver, Non-Elderly, Non-Working Member Months	280,428	326,920	381,084	444,179	517,673
Member Months Remaining Noncompliant with Community Engagement Requirements	19,630	22,884	26,676	31,093	36,237
WW Medicaid Member Months (Removed)	(19,630)	(22,884)	(26,676)	(31,093)	(36,237)
PMPM	\$317.17	\$307.27	\$297.68	\$288.38	\$279.38
Removed Medicaid Enrollment Cost (Savings)	(\$6,226,040.77)	(\$7,031,676.19)	(\$7,940,790.94)	(\$8,966,594.06)	(\$10,123,971.78)
(Savings)	(\$6,226,040.77)	(\$7,031,676.19)	(\$7,940,790.94)	(\$8,966,594.06)	(\$10,123,971.78)
WW Total Costs	\$709,312,905.31	\$795,170,097.71	\$891,420,018.94	\$999,320,713.05	\$1,120,282,515.24

⁵ <https://www.kff.org/medicaid/state-indicator/distribution-by-employment-status-4/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

LIST OF PROPOSED WAIVERS AND EXPENDITURE AUTHORITIES

1902(a)(10)(A)

Waiver of 1902(a)(10), to the extent necessary, to allow SCDHHS to suspend Medicaid eligibility for individuals who fail to comply with provisions related to community engagement requirements.

PUBLIC NOTICE

SCDHHS is currently undertaking the activities, as prescribed by 42 CFR 431.408, to ensure an adequate opportunity for public notice and comment regarding this application. These include posting and access to the public notice and draft Community Engagement Section 1115 Demonstration Waiver Application, public hearings, meetings and a teleconference.

A full accounting of these activities will be added to for the final application.

SCDHHS will maintain a public website, at <https://msp.scdhhs.gov/cew>, throughout the public notice and application processes.

DEMONSTRATION ADMINISTRATION

As director of SCDHHS and state Medicaid director, Joshua D. Baker is the executive sponsor of this waiver application. Bryan Amick, deputy director for Office of Health Programs, is charged with the execution of the waiver application and the implementation of the resulting benefit changes.

SCDHHS' point of contact for this demonstration waiver application is as follows:

Name and Title: Kevin Bonds, program manager

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