

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop: S2-26-12  
Baltimore, Maryland 21244-1850



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November 06, 2020

MaryAnne Lindeblad  
Medicaid Director  
Health Care Authority  
626 8th Avenue SE  
P.O. Box 45502  
Olympia, Washington 98504-5010

Dear Ms. Lindeblad:

Under section 1115 of the Social Security Act (“the Act”), the Secretary of Health and Human Services (HHS) may approve any experimental, pilot, or demonstration project that, in the judgment of the Secretary, is likely to assist in promoting the objectives of certain Act programs, including Medicaid. Congress enacted section 1115 of the Act to ensure that federal requirements did not “stand in the way of experimental projects designed to test out new ideas and ways of dealing with the problems of public welfare recipients.” S. Rep. No. 87-1589, at 19 (1962), *as reprinted in* 1962 U.S.C.C.A.N. 1943, 1961. As relevant here, section 1115(a)(2) of the Act allows the Secretary to provide federal financial participation (FFP) for demonstration costs that would not otherwise be considered as federally matchable expenditures under section 1903 of the Act, to the extent and for the period prescribed by the Secretary.

For the reasons discussed below, the Centers for Medicare & Medicaid Services (CMS) is approving Washington’s amendment of its section 1115(a) demonstration titled “Medicaid Transformation Project” (MTP) (Project Number 11-W-003040/1) effective November 06, 2020 through December 31, 2021. Approval of this amendment will enable the state to receive FFP, once CMS approves all required implementation plans as specified in the accompanying special terms and conditions (STC), for inpatient, residential and other services provided to otherwise-eligible Medicaid beneficiaries while residing in institutions for mental diseases (IMD) primarily to receive treatment for diagnoses of serious mental illness (SMI). CMS’s approval of this section 1115(a) demonstration amendment is subject to the limitations specified in the attached waivers and expenditure authorities, STCs, and any supplemental attachments defining the nature, character, and extent of federal involvement in this demonstration project. As detailed in the demonstration’s STCs, all state plan requirements apply, regardless of whether the services themselves are authorized under the state plan, unless a requirement is specifically identified as waived or not applicable. The state may deviate from Medicaid state plan requirements only to the extent those requirements have been specifically listed as waived or not applicable under the demonstration.

CMS and Washington are continuing to develop the state’s SMI Implementation Plan which, like all Substance Use Disorder (SUD) or SMI demonstrations, must be approved by CMS prior to the state receiving federal matching dollars under this demonstration. Once approved, CMS will include as Attachment O of the Special Terms and Conditions (STC).

### **Extent and Scope of the Demonstration Amendment**

This demonstration amendment will provide authority for the state to receive FFP for delivering treatment to Medicaid beneficiaries diagnosed with SMI while they are short-term residents in settings that qualify as IMDs, primarily to receive treatment for SMI. The goal of this amendment is for the state to maintain and enhance access to mental health services, and continue delivery system improvements to provide more coordinated and comprehensive treatment for beneficiaries with SMI. With this approval, beneficiaries will have access to a continuum of services at new settings that, absent this amendment, would be ineligible for payment for most Medicaid enrollees.

### **Determination that the Demonstration Project is Likely to Assist in Promoting Medicaid’s Objectives**

Under section 1901 of the Act, the Medicaid program provides federal funding to participating states “[f]or the purpose of enabling each state, as far as practicable under the conditions in such state, to furnish (1) medical assistance on behalf of families with dependent children and of aged, blind, or disabled individuals, whose income and resources are insufficient to meet the costs of necessary medical services, and (2) rehabilitation and other services to help such families and individuals attain or retain capability for independence or self-care.”

While this statutory text is not necessarily an exhaustive source of Medicaid objectives, it makes clear that at least one objective of Medicaid is to enable states to “furnish... medical assistance” to certain vulnerable populations (i.e., payment for certain healthcare services defined at section 1905 of the Act, the services themselves, or both). This amendment to the MTP demonstration promotes that Medicaid objective by expanding on the coverage of health care costs that would otherwise not be available. In addition, the provision of this additional coverage may lower program costs through improved beneficiary health, making it possible for the state to expand other coverage with the dollars saved. This further promotes the coverage objective of the Medicaid statute.

Furthermore, CMS has determined that approval of this amendment is likely to promote the objectives of the Medicaid program, by increasing access to services for individuals with SMI. Specifically, the demonstration amendment is expected to:

- Assist the state in increasing identification, initiation, and engagement in treatment of Medicaid beneficiaries diagnosed with SMI;
- Increase adherence to, and retention in, SMI treatment; and,
- Reduce inappropriate or preventable utilization of emergency departments and inpatient hospital settings through improved access to a continuum of services, including services.

in additional settings that, absent this demonstration, would be ineligible for payment for most Medicaid enrollees.

### **Consideration of Public Comments**

The state provided public notice for this amendment in accordance with the September 27, 1994 Federal Register notice (59 FR 49249) requirements for state notice. In accordance with the 1994 Federal Register, an acceptable public notice option is one where the section 1115 proposal is the result of state legislative enactment, when the outline of such proposal is contained in the legislative enactment. The state submitted this request as a result of a legislative enactment in April 2019 by the 66th Washington State Legislature, 2019 Regular Session, which contained an outline of the state's amendment proposal. The state additionally engaged stakeholders by presenting on the proposal at the following stakeholder meetings: the Health Information Technology planning meeting, the Behavioral Health Organization Administrator's meeting, and the Statewide Co-occurring Disorders Conference.

The state also conducted tribal consultation regarding its proposed amendment. Washington is home to 29 federally recognized tribal governments and two Urban Indian Health Organizations (UIHO). On January 22, 2020, the state sent written notification to these tribal stakeholders of its intent to pursue an amendment to its section 1115 demonstration. The state held two roundtable sessions with tribal representatives on January 20, 2020 and February 11, 2020 to consult and foster mutual understanding of the amendment request and determine the implications and potential benefits for tribes and UIHOs. The state then conducted formal tribal consultation on February 24, 2020 to further discuss the content and impact of the amendment request. The state incorporated feedback received during tribal consultation in its final submission to CMS, including input received on preferred utilization management strategies for fee-for-service claims, highlighting the role of health homes and the need to implement culturally-appropriate assessment tools.

After deeming the state's SMI application complete, CMS posted it on Medicaid.gov for a 30-day federal public comment period from April 22, 2020 through May 22, 2020. Only one comment was received during the federal comment period expressing general support of the MTP amendment.

### **Other Information**

CMS's approval of this demonstration amendment is conditioned upon continued compliance with the MTP's enclosed list of waiver and expenditure authorities and the STCs defining the nature, character, and extent of anticipated federal involvement in the demonstration. The award is subject to our receiving your written acknowledgement of the award and acceptance of these STCs within 30 days of the date of this letter.

Your project officer for this demonstration is Mr. Eli Greenfield. He is available to answer any questions concerning your section 1115 demonstration. Mr. Greenfield's contact information is as follows:

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Center for Medicaid and CHIP Services  
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7500 Security Boulevard  
Baltimore, MD 21244-1850  
Email: [Eli.Greenfield@cms.hhs.gov](mailto:Eli.Greenfield@cms.hhs.gov)

If you have questions regarding this approval, please contact Ms. Judith Cash, Director, State Demonstrations Group, Center for Medicaid and CHIP Services, at (410) 786-9686.

Sincerely,



Anne Marie Costello  
Acting Center Director and Deputy Administrator

Enclosure

cc: Nikki Lemmon, State Monitoring Lead, Medicaid and CHIP Operations Group