DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-03-17
Baltimore, Maryland 21244-1850

State Demonstrations Group

December 18, 2018

Jon Hamdorf
Medicaid Director
Kansas Department of Health and Environment
900 SW Jackson Ave., Suite 900
Topeka, Kansas 66612

Dear Mr. Hamdorf:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) is approving Kansas's request for an extension of its section 1115(a) demonstration titled, "KanCare" (Project Number 11-W-00283/7), along with modifications to the demonstration that will apply during the extension period. With this approval, the KanCare demonstration extension will be in effect from January 1, 2019 through December 31, 2023.

CMS's approval of this section 1115(a) demonstration is subject to the limitations specified in the approved expenditure authority–as well as the compliance with the enclosed Special Terms and Conditions (STC) defining the nature, character, and extent of federal involvement in this project. The state may deviate from the Medicaid state plan requirements only to the extent those requirements have been waived or specifically listed as not applicable to the expenditure authority.

Objectives of the Medicaid Program

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."

As this statutory text makes clear, a basic 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). By paying these costs, the Medicaid program helps vulnerable populations afford the medical care and services they need to attain and maintain health and well-being. In addition, the Medicaid program is supposed to enable states to furnish rehabilitation and other services to vulnerable populations to help them "attain or retain capability for independence or self-care," per section 1901 of the Act.

We are committed to supporting states that seek to test policies that are likely to improve beneficiary health, because we believe that promoting independence and improving health outcomes is in the best interests of the beneficiary and advances the fundamental objectives of the Medicaid program. Healthier, more engaged beneficiaries may also consume fewer medical services and have a lower risk profile, making the program more efficient and potentially reducing the program's national average annual cost per beneficiary of $7590.[1] Policies designed to improve beneficiary health that lower program costs make it more practicable for states to make improvements and investments in their Medicaid program and ensure the program's sustainability so it is available to those who need it most. In so doing, these policies can promote the objectives of the Medicaid statute.

While CMS believes that states are in the best position to design solutions that address the unique needs of their Medicaid-eligible populations, the agency has an obligation to ensure that proposed demonstration projects are likely to better enable states to serve their low-income populations, through measures designed to improve health and wellness and help individuals and families attain or retain capability for independence or self-care. Medicaid programs are complex and shaped by a diverse set of interconnected policies and components, including eligibility standards, benefit designs, reimbursement and payment policies, information technology (IT) systems, and more. Therefore, in making this determination, CMS considers the proposed demonstration as a whole.

Extent and Scope of the Demonstration

Kansas's KanCare section 1115 Medicaid demonstration was approved by CMS on December 27, 2012, with an approval period ending December 31, 2017. The demonstration became operational January 1, 2013. On October 13, 2017, CMS provided a one-year temporary extension for the demonstration under the same terms and conditions, through December 31, 2018.

The state's goals for the Medicaid demonstration were to expand the state's previous managed care program, which provided services to children, pregnant women, and parents in the state's Medicaid program, to also include aged, disabled, and dual eligible beneficiaries to receive Medicaid state plan and home and community based waiver services. The expansion of Medicaid managed care was expected to provide integration and coordination of care across the whole spectrum of health care (physical, behavioral, mental health and substance use disorders, and long-term services and supports), improve the quality of care through care coordination and financial incentives, control Medicaid costs by emphasizing health, wellness, prevention and early detection, and establish long-lasting reforms that sustain the improvements in quality of health and wellness for Kansas Medicaid beneficiaries.

The state is seeking a five-year demonstration extension, and proposes to build upon demonstration accomplishments including a number of program modifications. A description of each program approved in this demonstration is included below:

[1] U.S. Department of Health and Human Services 2017 Actuarial Report on the Financial Outlook for Medicaid.

1. *Managed Care*
   Kansas is requesting to continue managed care through the demonstration. Kansas currently has three MCOs administering managed care in the state. Kansas re-competed the MCO contracts and will maintain three MCOs total, with one new MCO. Kansas will continue to provide actuarially sound capitation rates under the requirements of 42 CFR 438.4(b) for payments.

2. *DSRIP*
   Kansas will continue its DSRIP programs for two years with the same two hospitals currently in the program and those hospitals will continue their existing DSRIPs. The University of Kansas is currently participating in the "STOP Sepsis: Standard Techniques, Operations, and Procedures for Sepsis" project and the "Supporting Personal Accountability and Resiliency for Chronic Conditions" project. Children's Mercy hospital is currently participating in the "Expansion of PCMH and Neighborhoods" project and the "Improving Coordinated Care for Medically Complex Patients" project. The DSRIP will transition into an Alternative Payment Model (APM) run through managed care starting in DY9.

3. *UC Pools*
   Kansas will continue its UC Pools at the same level of expenditures in the extension period as it had at the end of their demonstration. There are currently two UC pools under the 1115 demonstration, the Health Care Access Improvement Program (HCAIP) pool and the Large Public Teaching Hospital/Border City Children's Hospital (LPTH/BCCH) pool. The LPTH/BCCH pool funds an out of state (Missouri) children's hospital and the University of Kansas teaching hospital for UCC. The HCAIP pool funds other Kansas hospitals for UCC. The amounts of the UC pools are supported by an independent analysis by CMS using state UCC data. Funds from these pools will be used to assist providers with the cost of charity care for the uninsured. These charity care costs may not include bad debt, Medicaid shortfall, or other costs.

4. *Disability and Behavioral Health Employment Support Pilot*
   Kansas will provide new employment supports to beneficiaries with behavioral health diagnoses and eligible for a 1915(c), either by being on the waitlist or already being enrolled in the 1915(c). This voluntary pilot will be capped at 500 beneficiaries. Services will include pre-vocational support services, supportive employment services, personal assistant services, independent living skills training, assistive technology, and transportation, and are similar to services that could be offered as state plan home and community-based services (HCBS) benefit under section 1915(i) of the Social Security Act (the Act). Included in the pilot is a targeted expansion of Medicaid for individuals on Social Security Disability Insurance (SSDI) who would normally not be eligible for Medicaid without meeting spend-down requirements. Through the pilot, these beneficiaries will be eligible for both the pilot services and Medicaid state plan services. Certain beneficiaries participating in the Pilot will pay a premium, ranging from $0 - $205 on a monthly basis, consistent with premiums required under the state's *Working Healthy* Medicaid buy-in program.

5. *Substance Use Disorder (SUD)*
   Kansas will provide SUD services to beneficiaries in an institution for mental diseases (IMD) setting, for a SUD diagnosis through 1115 authority and with expenditure authority. Kansas plans to meet all the requirements outlined in the November 1, 2017 CMS letter to State Medicaid Directors on Strategies to Address the Opioid Epidemic for this portion of their demonstration.

Determination that the demonstration project is likely to assist in promoting Medicaid's objectives

In its consideration of the KanCare Medicaid 1115 Demonstration proposal, CMS examined whether the demonstration was likely to assist in improving health outcomes, whether it would address health determinants that influence health outcomes, and whether it would incentivize beneficiaries to engage in their own health care and achieve better health outcomes. CMS has determined the KanCare Medicaid 1115 Demonstration is likely to promote Medicaid objectives, and the waiver and expenditure authorities sought are necessary and appropriate to carry out the demonstration.

Continuing managed care in the state is likely to increase program sustainability by lowering costs to the state and making costs more predictable each year.
Continuing managed care in the state is likely to promote efficiencies that would help ensure Medicaid's sustainability for beneficiaries over the long term. Managed care allows the state to have a more predictable budget each year and may slow the costs of the Medicaid program from growing year over year, which CMS expects will allow beneficiaries to continue receiving Medicaid coverage over the long term in the state.

Continuing the UC and DSRIP pools is likely to increase program sustainability and advance innovative delivery system and payment models.
The UC pool for the unreimbursed cost charity care for the uninsured will assist critical Medicaid providers that experience a disproportionate burden of care for the uninsured, while limiting the financial burden on needy patients. Continuing the DSRIP pool with a transition to an alternative payment model in managed care supports will improve health outcomes for Medicaid beneficiaries. Integration of delivery system reform efforts into the state's predominant Medicaid managed care delivery system will enhance efficiency and effectiveness in delivery system reform efforts, to the benefit of Medicaid patients.

Approving the SUD program will allow the state to address opioid use disorders and other SUDs, which are a serious public health concern in Kansas.
The SUD program will improve access to high-quality addiction services and is critical to addressing SUD in the state. Under this program, all Medicaid beneficiaries will continue to have access to all current mental health and SUD benefits. In addition, all beneficiaries ages 19 through 64 will have access to additional covered services, authorized under section 1115(a)(2) of the Act, including SUD treatment services provided to individuals with SUD who are short-term residents in residential treatment facilities that meet the definition of an IMD. These services would otherwise be excluded from federal reimbursement due to the statutory restrictions on coverage of services provided in an IMD setting.

The new Disability and Behavioral Health Employment Support Pilot program is likely to promote beneficiary health and financial independence.

The Disability and Behavioral Health Employment Support Pilot will increase the health and financial independence of some of Kansas' most vulnerable beneficiaries. This will be achieved by increasing their ability to gain meaningful employment which will increase their abilities to socialize, feel personally accomplished, and achieve financial independence. Research shows a positive link between employment and improved health outcomes.[2] Unemployment has been shown to have negative health effects, such as negatively affecting mental health and increasing recovery time from illness and disease.[3] Demonstration projects that seek to improve beneficiary health and financial independence improve the well-being of Medicaid beneficiaries and, at the same time, allow states to maintain the long-term fiscal sustainability of their Medicaid programs and to provide more medical services to more Medicaid beneficiaries. Accordingly, such demonstration projects advance the objectives of the Medicaid program.

Elements of the demonstration request CMS is not approving at this time

In the state's demonstration extension application, the state requested certain additional flexibilities that CMS is not approving at this time. The state has asked CMS to defer consideration of these components: pilot programs to improve services coordination, community engagement requirements, time limits for some types of Medicaid eligibility, MediKan work opportunities, and independence accounts.

Consideration of Public Comments

CMS and Kansas received a large amount of public comments concerning the extension of the demonstration. A large amount of commenters expressed concerns about aspects of the State's application that it has withdrawn, such as the proposed community engagement requirement, and time limits on some types of Medicaid eligibility.

Many commenters also expressed concerns about the current operations of the KanCare demonstration. These concerns included issues with administration of the program, a perceived lack of transparency and efficiency in dealing with a backlog of applications, claims rejection, issues with prior authorizations, and credentialing procedures the commenters found to be

---

[2] Waddell, G. and Burton, AK. Is Work Good For Your Health And Well-Being? (2006) EurErg Centre for Health and Social Care Research, University of Huddersfield, UK;
Van der Noordt, M, Jzelenberg, H, Droomers, M, and Proper, K. Health effects of employment: a systemic review of prospective studies. BMJournals. Occupational and Environmental Medicine. 2014: 71 (10).
Crabtree, S. In U.S., Depression Rates Higher for Long-Term Unemployed. (2014). Gallup. http://news.gallup.com/poll/171044/depression-rates-higher-among-long-term-unemployed.aspx.
United Health Group. Doing good is good for you. 2013 Health and Volunteering Study.
Jenkins, C. Dickens, A. Jones, K. Thompson-Coon, J. Taylor, R. and Rogers, M. Is volunteering a public health intervention? A systematic review and meta-analysis of the health and survival of volunteers BMC Public Health 2013. 13 (773).
Chetty R, Stepner M, Abraham S, et al. The association between income and life expectancy in the United States, 2001-2014. JAMA. 2016; 315(16):1750-1766.

[3] Julianne Holt-Lunstad, et al., *Loneliness and Social Isolation as Risk Factors for Mortality: A Meta-Analytic Review*, 10 Persp. on Psychol. Sci. 227 (2015).

complicated,. Kansas has addressed many of these issues in their extension request. With respect to prior authorization issues, Kansas will start implementing electronic prior authorizations in July 2019 to streamline the process. Provider credentialing will also be improved by implementing a standardized application and enrollment process for all providers. In addition, the state plans to automate this process in the near future to streamline the process further and allow for more accurate tracking. Kansas is also planning to improve its data analytics capabilities in the extension period, allowing members, providers, and the state to access data and improve their user experiences. Kansas also plans to use data to continuously drive quality improvement in the Medicaid program in the state and will allow beneficiaries to access surveys to voice feedback to the state regarding program performance and beneficiary satisfaction. Kansas has completed a successful Corrective Action Plan in regards to Long Term Services and Supports, and has greatly improved its monitoring and capabilities of this aspect of its demonstration.

The federal comment period was open from December 28, 2017 – January 27, 2018. CMS received 467 comments in total. The state public comment period was open from October 27, 2017 to November 26, 2017. Kansas received 619 public comments in total.

CMS's approval of this demonstration is conditioned on compliance with the enclosed set of STCs which define anticipated federal involvement in the KanCare demonstration. The approval is also subject to your written acknowledgement of the award and acceptance of the STCs within 30 calendar days of the date of this letter–please send your written acceptance to your project officer, Mr. Michael Trieger. Mr. Trieger is available to answer any questions concerning your section 1115(a) demonstration and may be contacted as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and CHIP Services
Mail Stop: S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-0745
E-mail: Michael.Trieger1@cms.hhs.gov

Official communication regarding official matters should be simultaneously sent to Mr. Trieger and Mr., Associate Regional Administrator for the Division of Medicaid and Children's Health Operations in our Kansas City Regional Office. Mr. Scott's contact information is as follows:

Mr. James Scott
Associate Regional Administrator
Centers for Medicare & Medicaid Services
601 E. 12th Street, Suite 355
Kansas City, MO 64106
Telephone: (816) 426-6417
E-mail: james.scott1@cms.hhs.gov

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

Sincerely,

Mary Mayhew

Deputy Administrator
Director, Center for Medicaid & CHIP Services

Enclosures

cc: James Scott, Associate Regional Administrator, CMS Kansas City Regional Office
Michala Walker, CMS Kansas State Lead