Spending Plan for Implementation of American Rescue Plan Act of 2021, Section 9817

Additional Support for Medicaid Home and Community-Based Services during the COVID-19 Emergency

JUNE 2021
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June 11, 2021

Anne Marie Costello, Acting Deputy Administrator and Director
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

Dear Deputy Administrator and Director:

On behalf of the Commonwealth of Virginia and the Virginia Department of Medical Assistance Services (DMAS), I would like to offer our Spending Plan for the Implementation of the American Rescue Plan Act of 2021, Section 9817. Furthermore, I would like to provide the following assurances:

• The Commonwealth is using the federal funds attributable to the increased FMAP to supplement and not supplant existing state funds expended for Medicaid Home and Community-Based Service (HCBS) in effect as of April 1, 2021;
• The Commonwealth is using the state funds equivalent to the amount of federal funds attributable to the increased FMAP to implement or supplement the implementation of one or more activities to enhance, expand, or strengthen HCBS under the Medicaid program;
• The Commonwealth is not imposing stricter eligibility standards, methodologies, or procedures for HCBS programs and services than were in place on April 1, 2021;
• The Commonwealth is preserving covered HCBS, including the services themselves and the amount, duration, and scope of those services, in effect as of April 1, 2021; and
• The Commonwealth is maintaining HCBS provider payments at a rate no less than those in place as of April 1, 2021

The point of contact for quarterly spending plan and narrative submissions is Chris Gordon, Chief Financial Officer, chris.gordon@dmas.virginia.gov.

Sincerely,

Karen Kimsey, Director
Executive Summary

Virginia Medicaid moved to a managed long-term services and supports (MLTSS) program in 2017. Since that time, the MLTSS program has grown to approximately 275,000 members. As a major payer for LTSS in Virginia, Medicaid has an opportunity to support the home and community-based services (HCBS) setting through investments in providers, services, and improving member supports.

Virginia’s MLTSS program and proposed initiatives align with the Centers for Medicare & Medicaid Services (CMS) goals to expand and enhance the HCBS setting, supporting members choosing to stay in their home and rebalancing the LTSS system from institutional care to community-based care. Through expanded investments and innovation, Virginia aims to strengthen the Commonwealth’s HCBS infrastructure, ease transitions from institutions to community-based settings, and avoid unnecessary or unwanted institutionalization.

Virginia proposes to utilize enhanced federal medical assistance percentage (FMAP) for HCBS to increase access to services within the HCBS setting and related supports, invest in technology and infrastructure to the HCBS setting, promote quality of care, and develop the HCBS workforce, including recruitment and retention strategies.
Spending Plan Narrative

Virginia Medicaid includes a MLTSS managed care program, uniquely equipped to cater to the needs of our LTSS population. As a program of approximately 275,000 members, plus members in fee-for-services awaiting managed care placement, Virginia Medicaid is a major payer of LTSS in the Commonwealth. Therefore, Medicaid has a unique opportunity to support the HCBS setting through investments in providers, services, and improving member supports.

Using the increased Federal Medical Assistance Percentage (FMAP) for HCBS provided through ARP, Virginia Medicaid aims to promote CMS’s goals to expand and enhance the HCBS setting. Additional funds will be invested to strengthen the Commonwealth’s HCBS infrastructure, increase provider capacity, and ease transitions from institutions to community-based settings. The increased investment in these critical services will enable Medicaid to better care for some of our most vulnerable members, and allow members to age in place, avoiding unnecessary and potentially unwanted institutionalization. Rebalancing the LTSS system from the institution to community-based services is a priority for our MLTSS program and Agency.

Based on the guidance CMS issued in the State Medicaid Director Letter (#21-033) on May 13, DMAS proposes to invest additional FMAP funds into building provider capacity and addressing COVID-19 related activities and needs. DMAS believes investment in this area will improve equitable access to care, which is essential in continuing to build a high-quality, HCBS system.

DMAS has identified four potential areas to invest increased FMAP:

- **Access to HCBS and support services** – Efforts would include initiatives to provide funding to providers who need additional financial support to ensure the impact of COVID-19 does not prevent them from sustaining their services and ensuring access to Medicaid members. Funding could also be targeted to incentivize additional capacity building for underutilized services, such as waiver and HCBS behavioral health supports;
- **Initiatives to promote high quality care** – Examples of such initiatives include efforts to improve care coordination and member experience with HCBS services;
- **Technology and HCBS Infrastructure** – Funds used for these purposes would include capital investments needed for developing and improving interagency systems, such as identifying critical incidents and social needs; and
- **Workforce development**: Initiatives in this area may include items such as trainings for providers, especially for those working with members using HCBS services and requiring additional behavioral health support. Other initiatives would include recruitment and retention activities to ensure Virginia maintains a high-quality HCBS workforce.
Virginia 2021 Legislative Approval

In Virginia, proposed investment plans are subject to state legislature approval. During the recent General Assembly session, language was added to the state Appropriations Act to reserve authority to appropriate additional federal funds for “current services” provided through ARP for the Administration, while the General Assembly retains authority to expend state funds (Item 313 LLLLLL).

The state legislature has indicated that Developmental Disability Waiver (DDW) HCBS providers are of particular interest, and it intends to include these providers in any additional opportunities provided by federal funds, such as through ARP (Item 313 FFFFFF). DMAS anticipates more specific guidance from the General Assembly, Administration, and stakeholders on intended initiatives to support DDW providers.

The Virginia General Assembly is scheduled to hold a Special Session to address critical COVID-19 related needs, including ARP appropriations. While the date has not yet been set, the Special Session is expected to open in early July 2021. The Virginia General Assembly has the discretion to approve, disallow, or modify the proposal set forth through this application. Virginia will update this spending plan quarterly and with final detailed proposals following the Special Session.

Relevant Virginia Budget Language:

- LLLLLL. Notwithstanding the provisions of Item 479.10 of this Act, the Director of the Department of Planning and Budget shall have the authority to appropriate additional federal Medicaid revenue for current services as provided for in the American Rescue Plan Act of 2021 (ARPA). However, no expansion of Medicaid programs or services shall be implemented with ARPA funds unless specifically authorized by the General Assembly. Any state funds offset by this additional federal revenue shall remain unspent and shall be retained until expenditure of such funds is reauthorized and appropriated by the General Assembly.

- FFFFFF. It is the intent of the General Assembly that from any additional federal funding that is provided to the Commonwealth to offset the economic impacts from COVID-19 that a portion of such funding shall be set aside and allocated to provide support payments to Medicaid Developmental Disability Waiver providers that have experienced a significant disruption in operations and revenue during the COVID-19 public health emergency (PHE). The Department of Medical Assistance Services, in collaboration with the Department of Behavioral Health and Developmental Services, the Virginia Network of Private Providers, the Virginia Association of Community Rehabilitation Programs (vaACCSES), representatives of different types of waiver providers, and other appropriate stakeholders shall develop criteria to determine the eligibility for and the amount of the support payments. The criteria shall prioritize providers that have received no other state or federal assistance to date during the PHE, other waiver providers that have received some limited assistance from state and federal sources, and waiver providers that are at risk of closing due to the PHE disruption and for which the Commonwealth needs to maintain an adequate provider network such that when the PHE emergency ends there are sufficient providers to meet the service needs of Medicaid members.
Spending Plan Projection

DMAS estimates that Virginia is eligible for $273 million in supplemental federal funds prior to reinvestments. This estimate is based on historical HCBS utilization assuming an increased 10% FMAP for the period of April 1, 2021 through March 31, 2022.

Below, DMAS has provided our expected total expenditures for both our fee-for-service population and our members in managed care for HCBS services eligible for the enhanced FMAP, during the referenced time frame (Table 1). Additionally, DMAS estimated potential gains through reinvestment and the total increase in Federal funding attributable to Section 9817 of the ARP. This estimate assumes DMAS is able to reinvest 33% of our state equivalent funding before April 2022, and further assumes the federal declaration of a Public Health Emergency 6.2% increased FMAP is still in effect through the end of calendar year 2021. Under these assumptions, DMAS estimates that the supplemental funding would total $269.5 million in the first year, and a total of $634.4 million over the course of the three years.

If the implementation schedule or spending projections are modified during the Virginia General Assembly Special Session this summer, or subsequent action by the General Assembly, DMAS will update these estimate to reflect final state approved plans.

| Table 1: Funds Attributable to the HCBS FMAP Increase |
|------------------------------------------|---------|---------|---------|---------|---------|---------|
|                                | Q3: Apr to Jun | Q4: Jul to Sep | Q1: Oct to Dec | Q2: Jan to Mar | Total    |
| Fee-For-Service                  | $268.4M   | $268.4M   | $268.4M   | $268.4M   | $1073.6M |
| Managed Care                     | $414.6M   | $414.6M   | $414.6M   | $414.6M   | $1658.4M |
| Total                            | $683M     | $683M     | $683M     | $683M     | $2732M   |

Funds attributable to the HCBS FMAP increase

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<th>Q1 FY 2022</th>
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Stakeholder Feedback

Over the course of the last few months, DMAS has met with internal and external stakeholders to identify potential opportunities for additional investment and to identify the HCBS service providers who are most in need of supports that were not addressed by previous funding opportunities. Additionally, DMAS intends to issue a request for comments via the Commonwealth Town Hall to gather formal input from stakeholders and the HCBS community.

In an effort to ensure DMAS is supporting our providers and members through this public health emergency, the Department has routinely engaged a variety of HCBS stakeholders, including:

- State partners, such as licensing and oversight entities;
- MCOs; and
- Professional organizations and advocacy groups representing constituents such as member advocacy groups, waiver providers, durable medical equipment, home health, private duty nursing, Programs of All-Inclusive Care for the Elderly, nursing facilities, and behavioral health groups

The stakeholder engagement to date has emphasized the need for additional provider recruitment and retention efforts, and the importance of qualified staff availability. In order to ensure that the entire HCBS community and stakeholders have an opportunity to engage the Department and Commonwealth on potential uses for enhanced federal funds, DMAS is issuing an RFI in June. This request for comment will request input on opportunities related to 1) improving access to HCBS services and supports, 2) improving quality of care, 3) potential investments in technology and HCBS infrastructure, and 4) workforce development.

Contents of Stakeholder Feedback:

- Rate increases and additional recruitment and retention activities may increase provider capacity
- Stakeholders vary within the specific provider types and requested the recruitment/retention activity focus as they continue to lose staff
- DMAS intends to offer a Town Hall request for comment to gather formal stakeholder input