Nicole Comeaux  
Director, Medical Assistance Division  
New Mexico Human Services Department  
State Capitol  
Room 400  
Santa Fe, NM 87501  

Dear Ms. Comeaux:

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 of the Act allows the Secretary to waive compliance with the Medicaid program requirements of section 1902 of the Act, to the extent and for the period he finds necessary to carry out the demonstration project. In addition, section 1115 of the Act allows the Secretary to provide federal financial participation 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 New Mexico’s request to amend its section 1115(a) demonstration entitled, “New Mexico Centennial Care 2.0 1115 Medicaid Demonstration (Project Number 11-W00285/6) (demonstration), in accordance with section 1115 of the Act.

Specifically, this approval removes three authorities previously approved as part of the 2018 demonstration extension, as requested by the state: co-payments for non-emergency use of the emergency room and non-preferred prescription drugs, monthly premiums for the Adult Expansion Group, and limitations on retroactive eligibility beginning on February 8, 2020. Additionally, the amendment authorizes the state to increase the number of Community Benefit slots by 1,500 throughout the remainder of the demonstration approval period and to expand the Centennial Home Visiting pilot program by removing restrictions on the number of counties and potential members that may participate in the pilot program.
This approval is effective from the date of this approval letter through December 31, 2023. CMS’s approval of this section 1115(a) demonstration is subject to the limitations specified in the attached expenditure authorities, waivers, Special Terms and Conditions (STCs), and any supplemental attachments 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 specifically listed as waived or as not applicable to expenditures or individuals covered by expenditure authority.

Objectives of the Medicaid Program

As noted above, the Secretary may approve a demonstration project under section 1115 of the Act if, in his judgment, the demonstration is likely to assist in promoting the objectives of title XIX. The purposes of Medicaid include an authorization of appropriation of funds to “enabl[e] 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.” Act § 1901. This provision makes clear that an important objective of the Medicaid program is to furnish medical assistance and other services to vulnerable populations. But, there is little intrinsic value in paying for services if those services are not advancing the health and wellness of the individual receiving them, or otherwise helping the individual attain independence. Therefore, we believe an objective of the Medicaid program, in addition to furnishing services, is to advance the health and wellness needs of its beneficiaries, and that it is appropriate for the state to structure its demonstration project in a manner that prioritizes meeting those needs.

Section 1115 demonstration projects present an opportunity for states to experiment with reforms that go beyond just routine medical care and focus on interventions that drive better health outcomes and quality of life improvements, and that may increase beneficiaries’ financial independence. Such policies may include those designed to address certain health determinants and those that encourage beneficiaries to engage in health-promoting behaviors and to strengthen engagement by beneficiaries in their personal health care plans. These tests will necessarily mean a change to the status quo. They may have associated administrative costs, particularly at the initial stage, and section 1115 acknowledges that demonstrations may “result in an impact on eligibility, enrollment, benefits, cost-sharing, or financing.” Act § 1115(d)(1). But in the long term, they may create incentives and opportunities that help enable many beneficiaries to enjoy the numerous personal benefits that come with improved health and financial independence.

Section 1115 demonstration projects also provide an opportunity for states to test policies that ensure the fiscal sustainability of the Medicaid program, better “enabling each [s]tate, as far as practicable under the conditions in such [s]tate” to furnish medical assistance, Act § 1901, while making it more practicable for states to furnish medical assistance to a broader range of persons in need. For instance, measures designed to improve health and wellness may reduce the volume of services consumed, as healthier, more engaged beneficiaries tend to consume fewer medical services and are generally less costly to cover. Further, measures that have the effect of helping individuals secure employer-sponsored or other commercial coverage or otherwise transition
from Medicaid eligibility may decrease the number of individuals who need financial assistance, including medical assistance, from the state. Such measures may enable states to stretch their resources further and enhance their ability to provide medical assistance to a broader range of persons in need, including by expanding the services and populations they cover.\(^1\) By the same token, such measures may also preserve states’ ability to continue to provide the optional services and coverage they already have in place.

Our demonstration authority under section 1115 of the Act allows us to offer states more flexibility to experiment with different ways of improving health outcomes and strengthening the financial independence of beneficiaries. 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.

**Background on Medicaid Coverage in New Mexico**

New Mexico’s Centennial Care section 1115 Medicaid demonstration was approved by CMS on July 12, 2013 for an approval period of January 1, 2014 through December 31, 2018. The state’s goals for the demonstration were to modernize the program by enrolling most Medicaid and CHIP beneficiaries into pre-paid managed care, consolidating various pre-existing delivery system waivers into a single comprehensive managed care product, providing a comprehensive Community Benefit (personal care and home and community based services) to all participants with a nursing facility level of care need, and offering a beneficiary reward program to incentivize healthy behaviors. The demonstration also included a hospital uncompensated care pool and a Hospital Quality Improvement Incentive Pool.

On December 14, 2018, CMS approved a five-year extension for the New Mexico 1115 Medicaid demonstration and the state changed the demonstration name to Centennial Care 2.0. The extension authorized the state to receive federal financial participation for the continuum of services to treat addictions to opioids and other substances, including services provided to Medicaid enrollees with a substance use disorder who are short-term residents in residential and inpatient treatment facilities that meet the definition of an Institution for Mental Diseases. In

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\(^1\) States have considerable flexibility in the design of their Medicaid programs, within federal guidelines. Certain benefits are mandatory under federal law, but many benefits may be provided at state option, such as prescription drug benefits, vision benefits, and dental benefits. Similarly, states have considerable latitude to determine whom their Medicaid programs will cover. Certain eligibility groups must be covered under a state’s program, but many states opt to cover additional eligibility groups that are optional under the Medicaid statute. The optional groups include a new, non-elderly adult population (ACA expansion population) that was added to the Act at section 1902(a)(10)(A)(i)(VIII) by the Patient Protection and Affordable Care Act (ACA). Coverage of the ACA expansion population became optional as a result of the Supreme Court’s decision in *NFIB v. Sebelius*, 567 U.S. 519 (2012). Accordingly, several months after the *NFIB* decision was issued, CMS informed the states that they “have flexibility to start or stop the expansion.” CMS, *Frequently Asked Questions on Exchanges, Market Reforms, and Medicaid* at 11 (Dec. 10, 2012). In addition to expanding Medicaid coverage by covering optional eligibility groups and benefits beyond what the Medicaid statute requires, many states also choose to cover benefits beyond what is authorized by statute by using expenditure authority under section 1115(a)(2) of the Act. For example, recently, many states have been relying on this authority to expand the scope of services they offer to address SUD beyond what the statute explicitly authorizes.
addition, the state received authority to implement two pilot programs, one for home visitation and the other for pre-tenancy and tenancy supports for individuals living with Severe Mental Illness. The state also received authority to implement premiums and co-payments for certain beneficiaries as well as a waiver of retroactive eligibility for some beneficiaries.

**Extent and Scope of the Demonstration Amendment**

On June 12, 2019, New Mexico submitted an amendment application. In its amendment application, New Mexico requested to remove the following authorities from the demonstration: authority to impose co-payment requirements; authority to implement monthly premiums for beneficiaries in the Adult Expansion Group with a household income above 100 percent of the Federal Poverty Level (FPL) and to terminate coverage and impose a lock-out for nonpayment of premiums; and beginning on February 8, 2020, the waiver of retroactive eligibility.

New Mexico also requested authority to increase the number of Community Benefit slots by 1,500 for individuals who are not otherwise eligible for Medicaid under the state plan and who meet a Nursing Facility Level of Care by which the state has conducted an assessment verifying the individual has a reasonable indication that nursing facility services may be necessary in the future during the demonstration period.

New Mexico also requested to expand the Centennial Home Visiting pilot program by removing the restriction on the number of counties the pilot program may be implemented. In addition, CMS is approving the state’s request increase the number of individuals enrolled in the program beyond the current 300 individuals. CMS is approving all of these requests.

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

For reasons discussed below, the Secretary has determined that the demonstration as a whole, as amended, is likely to assist in promoting the objectives of the Medicaid program.

CMS expects that increasing the number of Community Benefit slots for Medicaid individuals will further improve access to high-quality, person-centered services. Increasing the number of slots will allow elderly individuals that are at risk of aging out of the Other Adult Expansion population to continue to receive Community Benefit services.

Expanding the Centennial Home Visiting Pilot Program to allow additional counties to participate in the pilot program and to remove the cap on the number of beneficiaries who can receive services through this pilot program will allow the state to further address the specific complex needs of more high-risk pregnant and postpartum women, and infants and children up to age two throughout the state.

Some studies have shown improvement in the lives of children and families by home visits from a nurse, social worker, or trained personnel, including prevention of child abuse and neglect, positive parenting, improvement in maternal and child health, and the promotion of

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child development and school readiness. Some research additionally shows this positive impact continues into adolescence and early adulthood, as the participating children were less likely to use cigarettes, alcohol, and marijuana, and less likely to have mental health internalizing disorders. In addition, some research has shown that evidence-based home visiting programs provide a positive return on investment to the community through savings in public expenditures on emergency department visits, child protective services, and special education, along with increased tax revenues from parents' earnings.

CMS is removing three authorities previously approved at the request of the state: authority to require co-payments, monthly premiums for the Adult Expansion Group, and a waiver of retroactive eligibility. In the 2018 demonstration extension, CMS determined the state’s request to incorporate co-payments, monthly premiums, and to waive retroactive eligibility promoted the objectives of Medicaid; however, states have the discretion to remove demonstration programs to meet the needs of the state’s Medicaid population.

**Consideration of Public Comments**

To increase the transparency of demonstration projects, sections 1115(d)(1) and (2) of the Act direct the Secretary to issue regulations providing for two periods of public comment on a state’s application for a section 1115 demonstration that would result in an impact on eligibility, enrollment, benefits, cost-sharing, or financing. The first comment period occurs at the state level before submission of the section 1115 application, and the second comment period occurs at the federal level after the application is received by the Secretary.

Section 1115(d)(2)(A) & (C) of the Act further specify that comment periods should be “sufficient to ensure a meaningful level of public input,” but the statute imposes no additional requirement on the states or the Secretary to address those comments, as might otherwise be required under a general rulemaking. Accordingly, the implementing regulations issued in 2012 provide that CMS will review and consider all comments received by the deadline, but will not provide written responses to public comments.

CMS received 29 comments during the federal comment period for the amendment. All of the comments received were supportive of the changes New Mexico was proposing under the amendment. Comments were submitted by individuals and organizations, including Centennial Care 2.0 beneficiaries, provider organizations, legal advocates, and health care management entities. Many commenters supported the requests to remove co-payment and premium requirements and waiver of retroactive eligibility, expressing concerns that these requirements would be barriers to health care coverage and impose financial burdens to Medicaid beneficiaries. For increasing the number of Community Benefit slots, many commenters supported providing services to beneficiaries aging out of the Medicaid system, assisting with the

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3 Pediatrics March 1998, 101 (3) 486-489; DOI: https://doi.org/10.1542/peds.101.3.486
transition to nursing facilities as needed, and increasing the number of beneficiaries who can receive long-term community supports. Many commenters also commended the state for expanding this Centennial Home Visiting Pilot Program to additional counties to improve the health and well-being of children and parents throughout the state.

Other Information

CMS’s approval of this amendment is conditioned on compliance with the enclosed set of STCs defining the nature, character, and extent of anticipated federal involvement in the project. The award is subject to your written acknowledgement of the award and acceptance of the STCs within 30 days of the date of this letter.

Your project officer for this demonstration is Mr. Michael Trieger. He is available to answer any questions concerning your section 1115 demonstration. Mr. Trieger’s contact information is:

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

Sincerely,

Calder Lynch
Deputy Administrator and Director

Enclosure

cc: Peter Banks, State Monitoring Lead, CMS Medicaid and CHIP Operations Group