

Generic Supporting Statement (May 2018)

Generic Clearance for Medicaid and CHIP State Plan, Waiver, and Program Submissions
(CMS-10398, OMB 0938-1148)

Information Collection # 56
Section 1115 Demonstration:
Budget Neutrality Workbook

Center for Medicaid and CHIP Services (CMCS)
Centers for Medicare & Medicaid Services (CMS)

A. Background

Section 1115 Medicaid Demonstration Projects

Under section 1115(a) of the Social Security Act, the Secretary of Health and Human Services (“Secretary”) may authorize a state to conduct experimental, pilot, or demonstration projects that, in the judgment of the Secretary, promote the objectives of title XIX of the Act. The Secretary (1) may, under section 1115(a)(1), waive provisions in section 1902 of the Act; and/or (2) may, under section 1115(a)(2)(A), authorize federal matching funds for state expenditures that would not otherwise be matchable (i.e., expenditure authority) under section 1903 of the Act. Section 1902 of the Act lists what elements the Medicaid state plan must include, such as provisions relating to eligibility, beneficiary protections, benefits and services and cost sharing. Section 1903, “Payments to States,” describes expenditures that may be “matched” with federal title XIX dollars, allowable sources of non-federal share, and managed care requirements.

Budget Neutrality Overview

Consistent with longstanding policy, CMS will not approve a demonstration project under section 1115(a) of the Act unless the project is expected to be budget neutral to the federal government. A budget neutral demonstration project will not result in Medicaid costs to the federal government that are greater than what the federal government’s Medicaid costs could have been absent the demonstration. The overarching goal of CMS’ budget neutrality policy is, therefore, to limit federal fiscal exposure resulting from the use of section 1115(a) authority in Medicaid.

Furthermore, to evaluate and assure budget neutrality, CMS subjects each demonstration to a budget neutrality test, which results in limits that are placed on the amount of federal Medicaid funding the state may receive over the life of the demonstration approval.

The characteristics of the budget neutrality test for each demonstration project are determined as part of CMS and state negotiations over the specific terms and conditions of the demonstration project. CMS requests that state officials attest to the accuracy of the data provided to CMS. The essential parameters of the budget neutrality test are specified in the demonstration’s Special Terms and Conditions (STC). CMS’s determination that a demonstration is expected to be budget neutral is based on forecasts, using reasonable projections of future spending and enrollment trends. CMS monitors budget neutrality throughout the demonstration period, and also performs a formal adjudication at the end of the demonstration period to determine whether the state’s actual spending has remained within the specified limit. If actual expenditures are found to have exceeded the limit, the state agrees to return any excess federal share to CMS via the expenditure reconciliation process as a condition of approval of every section 1115(a) demonstration project. CMS will perform an adjudication for every demonstration at the conclusion of each approval period.

The budget neutrality expenditure limits are based on projections of the amount of federal Medicaid funding (federal financial participation, or FFP) that the state could have received in the absence of the demonstration. As a condition of each section 1115(a) demonstration approval, states agree to limit their receipt of FFP to the amounts indicated in the budget neutrality test, and

to return any funds they receive, in excess of those limits, to CMS. A budget neutrality test is required for any section 1115 demonstration project, regardless of whether it involves use of section 1115(a)(1) waivers, section 1115(a)(2)(A) expenditure authority, or both. However, for demonstrations that include only waiver authorities under section 1115(a)(1), CMS may determine that the authorized waivers will not result in an increase in federal Medicaid spending, and deem the demonstration to be budget neutral without application of the general methodology described in this letter.

For demonstrations with authorized expenditure authority under section 1115(a)(2), determination of budget neutrality involves calculating that the demonstration project will likely achieve federal Medicaid “savings” sufficient to offset the additional projected federal costs resulting from the expenditure authority. Offsetting savings will be factored into the overall budget neutrality test for the demonstration and, if the total federal cost of the state’s Medicaid program (specifically, the portion affected by the demonstration) plus the expenditure authority is less than or equal to the projection of federal Medicaid spending without the demonstration, the demonstration as a whole (including the expenditure authority), is determined to be budget neutral.

In cases where expenditure authority is provided for coverage of populations or services that the state could have otherwise provided through its Medicaid state plan or other title XIX authority, such as a 1915 waiver, CMS considers these expenditures to be “hypothetical”; that is, the services would have been eligible to receive FFP elsewhere in the Medicaid program. For these hypothetical expenditures, CMS makes adjustments to the budget neutrality test, which effectively treats them as if they were approved Medicaid state plan services. Hypothetical expenditures, therefore, do not necessitate savings to offset the otherwise-allowable services. This approach reflects CMS’s position that states should not have to “pay for,” with demonstration savings, costs that could have otherwise been eligible for FFP under a Medicaid state plan or other title XIX authority; however, when evaluating budget neutrality, CMS does not offset non-hypothetical expenditures with projected or accrued savings from hypothetical expenditures.

B. Description of Information Collection

Performance Metrics Database & Analytics (PMDA) Overview

The 1115 PMDA application offers a source of high quality and timely data to improve the Center for Medicaid & CHIP Services (CMCS) ability to monitor demonstrations for the achievement of desired outcomes and projected cost savings. The states will upload and submit their budget neutrality workbook to CMCS via PMDA. Eventually PMDA will also be integrated into the Medicaid and CHIP Program (MACPro) System, which currently allows CMS and states to collaborate online to process State Plan Amendments (SPA), 1915 waivers, Quality Measures reports, advance planning documents, and other initiatives.

The goal of the PMDA application is to:

- Collect programmatic quality and other performance metrics, related reports and other information associated with selected 1115 demonstrations;
- Validate and track performance-based incentive payments for 1115 demonstrations that include them;

- Provide electronic reports that support CMCS oversight, monitoring and evaluation of 1115 demonstration performance, particularly on quality and other performance metrics, and on related incentive payments (if any);
- Produce analytic files to support demonstration evaluation.

Reporting on and Monitoring of Budget Neutrality Using the PMDA Budget Neutrality Workbook

The characteristics of the budget neutrality test for each Medicaid 1115 State Demonstration project are determined as part of CMS and state negotiations that culminate the demonstration's Special Terms and Conditions (STC). These STCs include a section describing the monitoring of budget neutrality, general financial requirements and corrective actions in the event that actual spending exceeds the specified limits. Together, these STCs describe the process by which the state should perform the respective calculations, as well as how to report the expenditures to CMS and reconciliation processes.

Per each demonstration's STCs, states are required to submit to CMS quarterly monitoring reports within 60-days of the end of each quarter, as well as an annual report within 90-days of a demonstration year's completion. These reports are required to include fiscal reporting to assist in the determination of whether or not the demonstration is tracking as budget neutral. In the event that a state is found to have exceeded its budget neutrality expenditure limit(s) at the end of its demonstration's period of performance, the excess funds must be returned to CMS. States return funds by entering a negative adjustment to expenditures claimed on their CMS-64 reports (OMB 0938-1265).

Currently, there are inconsistencies in the manner in which states report their financial data, in significant part due to minimal standardization of the collection instrument. This causes time-consuming reviews and does not support easy monitoring and assessment of budget neutrality over time or across the 1115 demonstration portfolio. To support more efficient, timely and accurate review of states' budget neutrality submissions, CMS has developed a standardized budget neutrality reporting form, known as the Budget Neutrality Workbook. Specifically, this workbook consolidates into a unified report a standard set of financial data. The standardization of the reporting methodology, together with automation of the reporting submission supports:

- consistency of evaluation,
- a streamlined communication methodology between states and CMS,
- increase in reporting accuracy,
- reduced timeframes required for monitoring and evaluation.

The new Budget Neutrality Workbook automates the entire submission process. By incorporating the workbook into the Medicaid 1115 Performance Metrics Database & Analytics (PMDA) workflow, submissions are parsed and validated, notifying the state of any upfront potential problems with their submissions, reducing downstream communication, and subsequent needs for clarification or modifications to the budget neutrality workbook. The workbook has been formulated for use for the entire life span of the demonstration (up to and beyond 25 years). This allows reuse of the same document, with updates for the quarterly period being reported, and discards the need to produce different documents for each quarterly or annual submission.

The PMDA application, which is used for submission, will historically retain all financial data and related documents, reducing the number of duplicate records required and the need for respondents to retain records.

C. Deviations from Generic Request

No deviations from the generic PRA request.

D. Burden Hour Deduction

We expect the burden hours to complete the PMDA budget neutrality workbook to be the same or similar to the hours it takes today for states to complete Medicaid budget neutrality spreadsheets. Today we require quarterly and annual budget neutrality reports, and the 4th quarter report may be included in the annual report. We expect to maintain the same number of reports. In addition, no different from current expectations, states will have to reference the CMS MBES system to obtain financial data on actual costs under the demonstration. These actual cost data are used to populate the currently used budget neutrality spreadsheets, and that will remain the case for the Budget Neutrality Workbook.

During User Acceptance Testing, California and Florida were sampled for hourly burden. Florida completed the form with 3-MEGs (Medicaid Eligibility Groups) within 45 minutes, and California completed the form with 20-MEGs within 1 hour and 15 minutes. Both states reported no variance in hour burdens.

CMS anticipates 53 state or U.S. territory Medicaid agency demonstration responses from 42 states. The workbook needs to be populated for each demonstration. States with multiple demonstrations will submit multiple workbooks, which is consistent with current submission methods. There are no anticipated additional annual costs with the exception of training costs.

No statistical methods are employed in information collection and in addition, the quarterly and annual reporting data fields are not duplicating any other collections.

Wage Estimates

To derive average costs, we are using data from the U.S. Bureau of Labor Statistics' May 2017 National Occupational Employment and Wage Estimates for all salary estimates (http://www.bls.gov/oes/current/oes_nat.htm). In this regard, the following table presents the mean hourly wage, the cost of fringe benefits and overhead (calculated at 100 percent of salary), and the adjusted hourly wage.

Occupation Title	Occupation Code	Mean Hourly Wage (\$/hr.)	Fringe Benefits and Overhead (\$/hr.)	Adjusted Hourly Wage (\$/hr.)
Financial Manager	11-3031	69.01	69.01	138.02
Health Services Manager	11-9111	53.69	53.69	107.38

As indicated, we are adjusting our employee hourly wage estimates by a factor of 100 percent. This is necessarily a rough adjustment, both because fringe benefits and overhead costs vary significantly from employer to employer, and because methods of estimating these costs vary widely from study to study. Nonetheless, there is no practical alternative and we believe that doubling the hourly wage to estimate total cost is a reasonably accurate estimation method.

Burden (Time and Cost) Estimates

Each state/territory will be required to complete the Budget Neutrality Workbook established by CMS, aimed at improving the consistency of budget neutrality across all 1115 demonstrations. The burden is associated with completing and submitting the template provided to states/territories by CMS to assist in this effort, as well as the burden related to states viewing as necessary the Budget Neutrality Playbook and the PMDA Budget Neutrality Training Video, as listed below.

States with multiple 1115 demonstrations are currently required to submit their budget neutrality data separately for each demonstration. This requirement will not differ.

Budget Neutrality Workbook We estimate forty-two (42) states reporting, with a total of fifty-three (53) 1115 demonstrations; however, we anticipate this number to grow in the upcoming years. Each demonstration is estimated to need 6 hours quarterly/annually at \$138.02/hr. for a financial manager to complete the necessary information in the budget neutrality workbook. We also estimate it will take 1 hour at \$107.38/hr. for a health services manager to review and submit the budget neutrality workbook as part of their quarterly/annual submission to CMS.

In aggregate we estimate an annual on-going burden for completing the workbook to be 1,855 hours (53 submissions per year x 7 hours/response x 5 responses/year) at a cost of \$247,907.50 [(53 submissions x 30 hr. /year x \$138.02/hr.) + (53 submissions x 5 hr. /year x \$107.38/hr.)] or \$4,677.5 per submission (\$247,907.50/53 submissions) or \$5,902.56 per state/territory (\$247,907.50/42 respondents).

Training & Instruction We estimate that each state will spend up to 30 minutes to review the “State User Budget Neutrality Playbook” and to watch the two videos “Overview of the Budget Neutrality Workbook Template (4:39 minutes) and Completing the Budget Neutrality Workbook Template (9:26 minutes).”

In aggregate we estimate 42 hours (30 minutes x 42 states x 2 respondents/state at a cost of \$5,153.40 [(30 minutes x 42 states x \$138.02/hr.) + (30 minutes x 42 states x \$107.38/hr.)] or \$122.70 per state/territory (\$5,153.40/42 respondents).

Burden Summary Our total burden estimates are set out in the following table.

Requirement	Respondents	Total Responses	Burden per Response (hours)	Total Annual Burden (hours)	Labor cost of Reporting (\$/hr)	Total Cost (\$)
Budget Neutrality Workbook	42	265 (53 responses x 5 responses/year)	7	1,855	Varies	247,907.50
Training & Instruction	42	42	1 (30 min x 2 respondents)	42	Varies	5,153.40
Total	42	307	8	1,897	Varies	253,060.90

Information Collection Instruments and Instruction/Guidance Materials

- (1) ***PMDA Budget Neutrality Workbook Template*** – instructional overview – provides details for completing the workbook and identifies each cell within the workbook that needs to be populated.
- (2) ***State User Budget Neutrality Playbook***
- (3) ***Video: Overview of the Budget Neutrality Workbook Template*** – (4:39 minutes—2 chapters) <https://cvpcorp-1115pmda.adobeconnect.com/bnwoverview/>
- (4) ***Video: Completing the Budget Neutrality Workbook Template*** (9:26 minutes—3 chapters) <https://cvpcorp-1115pmda.adobeconnect.com/subnw/>
- (5) ***Video Script: Completing the Budget Neutrality Workbook Template***

E. Timeline

Not applicable.