

**Introduction**

The New Hampshire Department of Health and Human Services (DHHS) is applying for a Section 1115 Demonstration Waiver from the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) to support the comprehensive reform of its Medicaid program. The primary purpose of NH’s “Building Capacity for Transformation” Section 1115 Demonstration Waiver is to request authority to recognize costs not otherwise matchable for mutually agreed upon Designated State Health Programs (DSHPs). The initiatives proposed within NH’s “Building Capacity for Transformation” Section 1115 Demonstration Waiver will include improvements to the delivery of mental health, physical health, substance use disorder (SUD), oral health, and population health programs and services. This concept paper presents background information about the urgent need for Medicaid reform in these areas, and outlines New Hampshire’s approach toward designing innovative reform programs and identifying funding opportunities necessary to implement them.

**Background and Current State**

DHHS’s mission is to join communities and families in providing opportunities for citizens to achieve health and independence. As such, New Hampshire is consistently ranked as one of the healthiest states in the US according to United Health Foundation's America's Health Rankings, but there is still more work to do. To date, New Hampshire has taken several significant steps toward addressing the population’s needs in its overall approach to health care reform. The graphic and subsequent sections below review these steps and outline their role as the catalyst for NH’s “Building Capacity for Transformation” Section 1115 Demonstration Waiver.

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**New Hampshire Health Care Reform**

- **Medicaid Transformation**
  - Serving the whole person through enhanced, cross-systemic care coordination

- **Expanded Health Coverage**
  - Expanding access to health care and improving the health status for those newly insured

- **Population Health**
  - Fostering public health integration and focusing on prevention for at-risk populations

- **Mental Health System Reform**
  - Increasing access to and capacity for community-based services to support recovery

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**Comprehensive Medicaid Reform**

New Hampshire is currently engaged in the comprehensive reform of its Medicaid program and its health care delivery system through its Medicaid Care Management (MCM) program. New Hampshire Senate Bill (SB) 147 was signed into law by the Governor in June 2011, mandating a MCM program in the State. The MCM program
is being implemented by DHHS via a three-step approach that recognizes the issues of specialty services for vulnerable populations, and is consistent with the spirit and letter of SB 147. The first step of the program launched on December 1, 2013 and included the mandatory enrollment of all Medicaid populations, except for dual-eligibles, who had the ability to opt out. The next step of the program will take into account the Medicaid eligibility expansion population and will begin on July 1, 2014. The final step of the program will include the mandatory enrollment of dual-eligibles, Medicaid waivered services, nursing home services, and other long term services and supports (LTSS). DHHS is also using MCM to stimulate payment and service delivery reform by an incentive program with its managed care organizations (MCOs) that requires each MCO to develop a payment reform plan and withholds 1% of the MCO’s premiums that is paid back if the outcomes defined in the plan are achieved.

DHHS is positioning its “Building Capacity for Transformation” Section 1115 Demonstration Waiver as an element of this broader MCM strategy, as there is significant alignment between the populations who will be included in third step of the program and those receiving the services DHHS plans to expand through this demonstration. The first step of the MCM program began the integration of physical and mental health care in the State and the MCM roll out will continue to improve the integration of and access to needed services, with an emphasis on both mental health and SUD treatment services. To begin progressing towards this goal, DHHS is proposing five related Designated State Health Programs (DSHPs) within this Section 1115 Demonstration Waiver, which are described in more detail below.

In addition to MCM, New Hampshire will be implementing an SUD benefit for newly eligible childless adult population, which the State estimates to number over 50,000. With the addition of this benefit, the newly eligible population will receive new SUD screening and treatment services under the New Hampshire Health Protection program, a program described in more detail below.

Also, in February 2013, CMS’s Center for Medicare and Medicaid Innovation (CMMI) awarded New Hampshire a State Innovation Model (SIM) Model Design grant to develop a State Health Care Innovation Plan and associated delivery system reform and payment reform models. New Hampshire focused its SIM design on models that work to reform the provision of Long Term Supports and Services (LTSS) in the State. The reform goals developed through the SIM process include improving access to care, promoting consumer direction, and strengthening linkages to acute medical care services for persons receiving LTSS across the continuum of care. New Hampshire is anticipating the forthcoming Funding Opportunity Announcement (FOA) from CMMI in order to determine how its SIM design goals may be advanced either through a SIM Testing grant application or in conjunction with NH’s “Building Capacity for Transformation” Section 1115 Demonstration Waiver.

In addition to its Medicaid transformation initiatives described in detail above, DHHS recently released its State Health Improvement Plan (SHIP) that will act as the State’s public health road map to guide health improvement work throughout New Hampshire. The SHIP defines measurable objectives, recommended strategies for improvement, and performance measures with time-framed targets for ten population health focus areas, including tobacco use, obesity/diabetes, healthy mothers and babies, and the misuse of alcohol and drugs. The SHIP aims to assist state and community leaders in focusing their work to improve the public’s health and to promote coordination and collaboration among public health partners, which has been reflected in the development of NH’s “Building Capacity for Transformation” Section 1115 Demonstration Waiver.
DHHS is also currently implementing the New Hampshire Health Protection Program, which is the State’s program for expanding health coverage to childless adults under the Affordable Care Act (ACA). The State will be expanding health coverage in three different ways: (1) through a Mandatory Health Insurance Premium Program (HIPP) that will help eligible workers pay for employer-sponsored insurance through calendar year 2016; (2) through a Bridge to Marketplace plan that will offer coverage to eligible individuals through either Managed Care Organizations (MCOs) or Qualified Health Plans (QHPs) on the exchange in calendar year 2014; and (3) through a Mandatory Premium Assistance Program that will provide coverage for eligible adults through QHPs on the exchange beginning in 2016.

The final element of New Hampshire’s comprehensive reform of its Medicaid program focuses on mental health system reform. On September 22, 2008, DHHS released “Addressing the Critical Mental Health Needs of NH’s Citizens – A Strategy for Restoration”, the Ten-Year Plan for the State’s public mental health system. In order to implement the community-based programs prescribed by this plan, the State is making new investments in its mental health system for the first time in nearly a decade. The State’s current Biennial Budget provides over $26 million in new funding for mental health programs and the State will be investing an additional $65 million in new community resources over the next four state fiscal years.

**Problem Statement**

New Hampshire recognizes that there is a particular need around restructuring how the State delivers mental health and SUD services, and the need to better integrate those services with the medical and LTSS services that residents receive. The current mental health system is disjointed in terms of the services that it provides, and its funding streams are misaligned. New Hampshire sees a strong opportunity to link these necessary mental health system reforms with the other reform initiatives previously described, and intends to use its “Building Capacity for Transformation” Section 1115 Demonstration Waiver to request Designated State Health Program (DSHP) funding as a catalyst to do so.

For example, as depicted in the table below, many children and adults are waiting far too long for mental health treatment in hospital emergency rooms, creating an ongoing crisis for both the provider and patients.

<table>
<thead>
<tr>
<th>Month</th>
<th>Count of Adults</th>
<th>Count of Children</th>
<th>Total Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>16</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>August</td>
<td>31</td>
<td>3</td>
<td>34</td>
</tr>
<tr>
<td>September</td>
<td>25</td>
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<tr>
<td>October</td>
<td>23</td>
<td>5</td>
<td>28</td>
</tr>
<tr>
<td>November</td>
<td>21</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>December</td>
<td>22</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>January</td>
<td>18</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>February</td>
<td>15</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>March</td>
<td>11</td>
<td>3</td>
<td>14</td>
</tr>
</tbody>
</table>
This data suggests that there is an inherent need to increase the number of psychiatric providers in the State, and to train and educate emergency room physicians on handling complex mental health and SUD patients. Similarly, New Hampshire’s provider network’s capacity to support the SUD treatment needs of its citizens is shrinking. With the addition of an SUD benefit into the State’s Medicaid program, this lack of capacity will only intensify. There is an inherent need to shift and/or improve on how SUD treatments are delivered, and one way to do so is by increasing the delivery of these treatments through hospitals, health systems, and/or community providers, e.g. community mental health centers (CMHCs), federally qualified health centers (FQHCs), and rural health clinics (RHCs). The data to substantiate these claims are evident. As depicted in the table below, in the state’s Fiscal Year (FY) 2011-2012, 33% of all adult Medicaid beneficiaries had mental health and/or SUD diagnoses, increasing by almost 1000 beneficiaries from the previous year. The linkages between these two service categories combined with the lack of capacity to provide treatment and services to this population are the delivery challenges this waiver seeks to address.

### New Hampshire Department of Health and Human Services

#### 1115 Demonstration Waiver - Designated State Health Programs (DSHP)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Age Category</th>
<th>Total Beneficiaries</th>
<th>MH/SUD Beneficiaries</th>
<th>Percent MH/SUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10/11</td>
<td>Adult</td>
<td>57,093</td>
<td>33,435</td>
<td>58.6%</td>
</tr>
<tr>
<td>FY11/12</td>
<td>Adult</td>
<td>57,253</td>
<td>33,991</td>
<td>59.4%</td>
</tr>
<tr>
<td>FY10/11</td>
<td>Child &lt; 19</td>
<td>106,581</td>
<td>20,548</td>
<td>19.3%</td>
</tr>
<tr>
<td>FY11/12</td>
<td>Child &lt; 19</td>
<td>107,249</td>
<td>20,955</td>
<td>19.5%</td>
</tr>
<tr>
<td>FY10/11</td>
<td>All</td>
<td>163,674</td>
<td>53,983</td>
<td>33.0%</td>
</tr>
<tr>
<td>FY11/12</td>
<td>All</td>
<td>164,502</td>
<td>54,946</td>
<td>33.4%</td>
</tr>
</tbody>
</table>

**Components of NH’s “Building Capacity for Transformation” Section 1115 Demonstration Waiver**

Based upon the delivery system challenges outlined above, DHHS has developed a list of five programs that it will propose to obtain Designated State Health Program (DSHP) funding from CMS through its “Building Capacity for Transformation” Section 1115 Demonstration Waiver. DHHS developed these programs in a collaborative manner, and they focus on a variety of different health issues, including mental health, SUD, oral health, and population health aspects such as obesity and smoking cessation. These programs were also developed to address the public health needs identified in the New Hampshire State Health Improvement Plan (SHIP), as DHHS recognizes how hospitals, health systems, and/or community providers can be strong partners in driving the health outcomes outlined in the SHIP.

**Designated State Health Programs (DSHPs)**

1. **Mental Health**

DHHS recognizes the importance of hospital, health systems, and/or community provider participation in each of the mental health system improvements described in the background section above. Therefore, DHHS proposes to establish a new mental health community reform pool that rewards hospitals, health systems, and/or community providers for their active participation in system reform initiatives and their
overall agreement to reform. This mental health community reform pool would encourage hospitals, health systems, and/or community providers to build an integrated physical and behavioral health system at the local level. DHHS envisions that these providers could benefit from receiving higher rates of reimbursement and additional pool payments based upon their participation, which would occur through the following five components:

<table>
<thead>
<tr>
<th>Reform Pool</th>
<th>Description</th>
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</table>
| Capacity-retention Payments  | • A hospital would receive this payment if it pledged not to reduce access to mental health/SUD related services in their health system  
• This payment would be 10% of the hospital’s existing Medicaid claim payments for mental health/SUD related services in their system, based on previous years  |
| Capacity-expansion Payments  | • If a hospital, health system, and/or community provider expands its capacity to provide mental health/SUD related services, DHHS would pay an enhanced rate for those services provided through the new “unit” for 3 years, using a 25% payment increase  |
| New Service Payments         | • If a hospital, health system, and/or community provider adds inpatient or outpatient mental health/SUD related services, DHHS would pay an enhanced rate for those services for 3 years, using a 10% payment increase  |
| Pilot Program Pool           | • Establish a pool for DHHS to fund grant applications from hospitals, health systems, and/or community providers to form pilots related to improving the delivery of physical health, mental health, and/or SUD treatments and services  
• Grant applications would be evaluated by DHHS based upon a defined set of criteria and will be aligned with DHHS’ incentive program with its MCOs to encourage payment and delivery reform  |
| Hospital Incentive Pool      | • Establish a pool that would begin to provide financial incentives in Year 3 of the demonstration, based upon a hospital, health system, and/or community provider’s ability to meet defined outcome measurements  
• This incentive pool would be funded by a 20% holdback in all four components of this broader mental health community reform pool  
• These hold backs would begin to accrue in Year 2 of the demonstration  |

2. Community-Based Mental Health

In addition to the mental health community reform pool outlined above, New Hampshire is requesting DSHP funding to help implement the components of its 10 Year Mental Health Plan and its December 2013 settlement with the United States Department of Justice. Specifically, DHHS is proposing to use DSHP funding to help implement these new programs in the State’s non-Medicaid population.

3. Substance Use Disorder (SUD)

One of the State’s population health goals as outlined in the SHIP is to address substance misuse by reducing the non-medical use of pain relievers and drug-related overdose deaths in the State. Meeting these goals will require a stronger workforce capable of providing enhanced SUD treatments and services. To address this need, DHHS proposes a grant program that would fund training education and workforce development programs focused on SUD treatments and services in which hospitals, health systems, and/or community providers would apply and DHHS would administer. Curriculum components would include,
but are not limited to:

- Crisis intervention
- Crisis stabilization
- ER and related continuum of care
- Related mental health comorbidities
- Neonatal abstinence syndrome (NAS)

4. Oral Health

It is estimated that approximately 40% of pregnant women have some form of periodontal disease\(^1\) and it is widely known that there is an association between maternal periodontal disease and preterm birth and/or low birth weight\(^2\). According to an analysis of New Hampshire Vital Records and birth certificate data, 7.6% of singleton babies, or 262 of 3,543 were born with a low birth weight (<2,500 grams) in the most recent year, CY2012. Evidence also suggests that there is a correlation between improved oral health and reduced costs for dental treatment in children whose mothers receive routine dental care. To address these health issues, DHHS would pilot an expanded Medicaid oral health program for pregnant women and mothers of young children that would accomplish the following:

- Establish an education program for all mothers to increase the understanding and value of oral health
- Encourage participation by all mothers who smoke in an approved smoking cessation program
- Establishes a benefit that provides coverage for dental services to all mothers during pregnancy until their child’s fifth birthday
  - This will include mothers over 21 years of age who are not currently eligible for any Medicaid dental services
  - This will include mothers under 21 years of age who are currently eligible for Medicaid dental services until they turn 21 or otherwise 60 days postpartum

Program rewards and incentives would be provided to women and children who meet certain performance criteria developed by DHHS. Women would have an opportunity to participate in the pilot program and its evaluation study, or elect not to participate. Non-participants would be eligible for the same dental services provided through the benefit mentioned above, and would receive the same education information provided to all mothers.

Dental services provided through the benefit to clients before they transition to MCM will be paid on a Fee-For-Service basis. When dental services are provided through the benefit to clients enrolled with one of New Hampshire’s MCOs, the MCO will be required by contract to reimburse for dental services for these eligibility groups. An actuarially sound rate will be developed and amended contract language will require

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\(^2\) American Congress of Obstetricians and Gynecologists [http://www.acog.org/Resources_And_Publications/Committee Opinions/Committee_on_Health_Care_for_Underserved_Women/Oral_Health_Care_During_Pregnancy_and_Through_the_Lifespan#19](http://www.acog.org/Resources_And_Publications/Committee_Opinions/Committee_on_Health_Care_for_Underserved_Women/Oral_Health_Care_During_Pregnancy_and_Through_the_Lifespan#19)
5. Population Health

For persons with a persistent and/or severe mental illness, staying physically healthy and fit is a special challenge; yet regular exercise and proper diet can be key elements in recovering from a major mental or emotional illness. To address this challenge, New Hampshire has piloted an “InShape” program that brings the benefits of exercise and a healthful way of living to individuals facing these concerns.\(^3\) In order to scale this program up, DHHS proposes the expansion of key components of the “InShape” program to additional populations. Specifically, this program would establish a funding pool to award grant applications from hospitals, health systems, and/or community providers to implement an InShape program that (1) includes children as participants and (2) includes 1915(c) Developmentally Disabled (DD) waiver enrollees as participants.

Another population health challenge that this population faces is tobacco use. Specifically, the rate of tobacco use among people with a substance use disorder or mental illness is 94% higher than among adults without these disorders. Approximately 50% of people with mental illnesses and addictions use tobacco, compared to 23% of the general population.\(^4\) Therefore, in addition to maintaining the health and wellness component of the InShape program that is focused on improving cardiovascular health by reducing obesity, DHHS proposes adding a third element to the program, which would require the addition of smoking cessation classes as a component for adults.

Impact on Proposed Populations

New Hampshire is not requesting any changes in Medicaid program eligibility through its “Building Capacity for Transformation” Section 1115 Demonstration Waiver. Therefore, there is no anticipated impact on total Medicaid enrollment as a result of these proposed DSHP programs. However, DHHS anticipates that current and newly expanded Medicaid beneficiaries in general will experience better health outcomes through:

- Increased access to certain services, such as mental health and SUD treatments, oral health services, and health and wellness services
- Improvements in the way their services are delivered at hospitals, health systems, and/or community providers

Impact of Demonstration on Benefits and Cost Sharing Requirements

Through its “Building Capacity for Transformation” Section 1115 Demonstration Waiver, New Hampshire proposes to offer Medicaid dental benefits to women who are pregnant until their child’s fifth birthday. Pregnant women under 21 years of age will continue to be eligible for Early Periodic Screening, Diagnosis, and Treatment (EPSDT) dental services. Dental services for pregnant women and mothers of young children through the benefit will differ from those provided under the Medicaid and/or CHIP State plan. Scope of dental services within the benefit will include comprehensive and periodic dental examinations, periodontal

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\(^3\) Monadnock Family Services [http://www.mfs.org/services/inshape/inshape](http://www.mfs.org/services/inshape/inshape)

services as indicated, restorative and limited prosthetic dental treatment, and extractions if medically necessary.

The cost sharing requirements under the Demonstration will not differ from those provided under the Medicaid and/or CHIP State plan. Copayments, coinsurance and/or deductibles will not differ from the current Medicaid State plan.

**Stakeholder Engagement**

DHHS will engage stakeholders in the further development of its “Building Capacity for Transformation” Section 1115 Demonstration Waiver. As part of the stakeholder engagement process required within the development of a Section 1115 Demonstration Waiver, the State will seek stakeholder input in the development of each DSHP program and conduct a robust engagement process to spread awareness about these system improvements. The design and improvements made by each DSHP program will demonstrate that by spending Medicaid dollars differently, DHHS can provide better health outcomes for its Medicaid clients, and these outcomes will be defined and measured throughout the length of this demonstration.

**Financing and Budget Neutrality Approach**

**Sources for Match**

Below is a preliminary list of DSHP funding sources. DHHS is in the process of identifying a complete list of sources that would be eligible for federal matching funds and inclusion in the DSHP proposals described above.

<table>
<thead>
<tr>
<th>State of New Hampshire Health Care Funding</th>
<th>Funding Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary of Potential DSHP Resources</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Funding Sources</strong></td>
<td><strong>Amount</strong></td>
</tr>
<tr>
<td><strong>State Funding Sources</strong></td>
<td></td>
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<tr>
<td>Department of Health and Human Services SFY 2015 Biennial Budget:</td>
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<tr>
<td>Glencliff Home General Funds</td>
<td>$7,544,949</td>
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<tr>
<td>New Hampshire Hospital General Funds</td>
<td>$24,650,441</td>
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<tr>
<td>Sununu Youth Services Center General Funds</td>
<td>$14,683,277</td>
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<tr>
<td>Department of Health and Human Services 10 Year Mental Health Plan/DOJ Settlement</td>
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<tr>
<td>Department of Corrections SFY 2015 Biennial Budget for Medical and Dental Services</td>
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</tr>
<tr>
<td>State Funding Sources Total</td>
<td>$60,866,354</td>
</tr>
<tr>
<td><strong>County Funding Sources</strong></td>
<td></td>
</tr>
</tbody>
</table>

5 Please note that this list of unmatched health care funding only reflects potential sources for DSHP match and has not yet been reviewed and analyzed sufficiently to determine whether all the funds are potentially useable for DSHP matching purposes.
Correctional Medical/Health Spending $6,093,757

Municipality Funding Sources

2013 Report of Appropriations Actually Voted (M-2 Form) reported to the Department of Revenue Administration

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Health Administration</td>
<td>$4,320,521</td>
</tr>
<tr>
<td>Health Agencies &amp; Hosp. &amp; Other</td>
<td>$7,367,123</td>
</tr>
<tr>
<td>Municipality Funding Sources Total</td>
<td>$11,687,644</td>
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<tr>
<td>Grand Total</td>
<td>$78,647,755</td>
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</table>

**Budget Neutrality Approach**

New Hampshire will maintain budget neutrality over the five-year lifecycle of its “Building Capacity for Transformation” Section 1115 Demonstration Waiver, with total spending under the waiver not exceeding what the federal government would have spent without the waiver. The budget neutrality approach is still under development, but is likely to follow the basic approach described below:

- The baseline historical data will include 5 full years of New Hampshire Medicaid expenditures derived from CMS-64 reports and related enrollment data from calendar year (CY) 2008 – CY 2012

- The projected “without waiver” expenditures will reflect the following changes between the baseline and waiver periods:
  - Enrollment trends, reflecting any anticipated trend differences by eligibility category (e.g., low income children and families, Medicaid-only disabled, and dual eligibles)
  - Medical service trends
  - Impact of known program changes (e.g., the impact of the United States Department of Justice settlement on behavioral health services)
  - Excludes the impact of New Hampshire’s Medicaid Care Management program that was implemented on December 1, 2013

- The projected expenditures under the proposed Section 1115 Demonstration Waiver will reflect the following changes to the “without waiver” projections:
  - Managed care savings resulting from the December 1, 2013 implementation of the Medicaid Care Management program for acute care services (i.e., “Step 1” services)
  - Trend differences due to Medicaid Care Management program implementation
  - The new financial impact of the proposed Designated State Health Program services included in the Section 1115 Demonstration Waiver