

July 22, 1993

TO: David Ellwood
Mary Jo Bane
Ken Apfel
John Monahan
David Cade

FR: Diana Fortuna, HCFA 

The attached discussion draft on 1115 waivers was sent to Ray Scheppach of NGA this morning.

cc: David Cooper
Howard Rolston
Christie Schmidt Bayne
Pat Woods ✓
Joe Antos
Rozann Abato

July 22, 1993

DRAFT - FOR DISCUSSION PURPOSES ONLY

POLICY PRINCIPLES FOR SECTION 1115 WAIVERS

The Department of Health and Human Services and the relevant Congressional committees support the waiver process granted under Section 1115 of the Social Security Act which allows for demonstration projects to test genuine innovations in policy and administration. The Department also believes that it should be possible to administer Section 1115, within the intent of the law, with substantially more flexibility, responsiveness, and creativity than has been the case in recent years. In the spirit of real partnership with state governments, we are committed to making the waiver process work far better for all concerned.

Timeliness and "Hassle Factor"

For Medicaid waivers, HCFA has already begun to implement procedures to substantially reduce processing time for 1115 waiver requests, while simultaneously minimizing the burden on applicants. Among the steps taken so far are:

- Expanding pre-application consultation with states;
- Setting, and sharing with applicants, a well-defined schedule for each application, with established target dates for processing and reaching a decision on the application;
- Maintaining a policy of one consolidated request for further information;
- Sharing proposed terms and conditions with applicants before making final decisions; and most importantly
- Establishing concurrent, rather than sequential, review of waivers by HCFA components, other units of DHHS, and OMB. The success of this strategy is evident in the approval of the major health reform proposal from Hawaii in under three months.

In the future, HCFA will be taking additional steps to simplify and streamline the waiver process, including:

- Expansion of technical assistance activities to the states;
- Reallocation of internal resources to waiver projects; and most importantly
- Development of multi-state waiver solicitations in areas of priority concern, including integrated long-term care system development, services for adolescents, and services in rural areas.

Many of these procedures have been in place for some time for AFDC waivers at ACF where response times are usually short. ACF will continue to work to streamline the AFDC waiver process and respond to state concerns.

Approval Criteria

The Department believes that the language of the statute requires that waivers should be used for projects that are real tests of legitimate policy approaches. Within that framework, we are prepared:

- to grant waivers to test the same or related policy innovations in several different states;
- to approve waiver projects ranging in scale from reasonably small to state-wide or multi-state; and
- to consider joint Medicare-Medicaid waivers, such as those granted in the PACE and SHMO demonstrations, and AFDC-Medicaid waivers.

We must reserve the right, of course, to disapprove or limit waiver applications which we believe involve unacceptable policy approaches (such as reducing access to health care), create potential violations of civil rights laws or equal protection requirements or constitutional problems. We would also stress the importance of having states engage in broad public consultation before the development of waiver projects.

Duration

Inherent in the notion of demonstration projects is that they be time-limited. We are committed, however, to approving waivers of at least sufficient duration to give new policy approaches a fair test, and to provide for reasonable evaluation results prior to the conclusion of the demonstration, recognizing particularly that new approaches often involve considerable start-up time and allowance for implementation delays. We are also committed, when successful demonstrations provide an appropriate basis, to working with state governments to seek permanent statutory changes incorporating those results.

Evaluation

The concept of evaluation is also inherent in the definition of waivers as tests of policy innovations, but our standards for evaluation design can be more flexible and project-specific than has been the case in the past, especially with respect to Medicaid waivers. In particular, while within site randomized designs continue to be the preferred approach for AFDC waivers, they will rarely be appropriate to large-scale Medicaid demonstrations. We are also eager to ensure that the evaluation process be as unintrusive as possible to the beneficiaries in terms of implementing and operating the waived policy approach,

while ensuring that critical lessons are learned from the demonstration.

Cost Neutrality

Our fiduciary obligations in a period of extreme budgetary stringency require maintenance of the principle of cost neutrality, but we believe it should be possible to maintain that principle more flexibly than has been the case in the past. In particular, we think it appropriate that cost neutrality be determined over the life of a demonstration project, not on a year by year basis, since many demonstrations involve making "up-front" investments in order to achieve out-year savings. We also recognize the difficulty of making appropriate baseline projections of Medicaid expenditures, and are open to development of a new methodology in that regard.

POLICY PRINCIPLES FOR SECTION 1115 WAIVERS

Last February, in discussions with the nation's Governors, President Clinton talked about the need for new thinking to address some of our nation's most significant social problems. He stressed that new ideas were needed and that to affect real change, those ideas must be tested in the public arena. He acknowledged the historic and essential role of states in the testing of new programs and looked forward to a partnership with states in the development and testing of social change. At that meeting, the President:

- committed his administration to supporting state-initiated research and demonstration projects that test new policy approaches to current social problems,
- supported experiments that test alternative ways to administer and deliver those programs, and
- directed the Department of Health and Human Services to work with the National Governors' Association to reexamine the policies and procedures that give states the ability to test innovations.

This document reflects the Department's efforts to meet the President's directives. Working with NGA and state representatives, the Department reviewed its authority, policies, and procedures in granting innovation waivers under Section 1115 of the Social Security Act. Through these policy principles, the Department reaffirms the President's commitment to an 1115 waiver process that is substantially more flexible, responsive, and creative than has been the case in recent years. In the spirit of real partnership with state governments, the Department is committed to making the waiver process work far better for all concerned.

Approval Criteria

Under Section 1115, the Department is given latitude to consider and approve research and demonstration proposals with a broad range of policy objectives. The Administration will:

- work with states to develop research and demonstrations in areas consistent with its own policy goals,
- consider proposals that test alternatives that diverge from that policy direction,
- consider, as a criterion for approval, a state's ability to implement the research or demonstration project, and

- give the state a full explanation of its decision if its proposal is denied.

Of course, the Administration reserves the right to disapprove proposals that create potential violations of civil rights laws or equal protection requirements or constitutional problems.

Within that overall policy framework, the Administration is prepared

- to grant waivers to test the same or related policy innovations in numerous states (Replication is the only valid mechanism by which the effectiveness of policy changes can be assessed.);
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The complex range of policy issues, design methodologies, and unanticipated events inherent in any research or demonstration makes it very difficult to establish a singular Administration policy on the duration of 1115 waivers. However, the Administration is committed, through negotiations with state applicants, to

- approve waivers of at least sufficient duration to give new policy approaches a fair test,
- provide reasonable time for the collection of meaningful evaluation results prior to the conclusion of the demonstration, and
- recognize that new approaches often involve considerable start-up time and allowance for implementation delays.

To give some certainty in the development of waiver applications, states should assume a five year duration. States may request, with justification, a longer or shorter demonstration period.

The Administration is also committed, when successful demonstrations provide an appropriate basis, to working with state governments to seek permanent statutory changes incorporating those results. In such cases, consideration will be given to a reasonable extension of existing waivers so as to prevent unnecessary disruption in

programs likely to be continued on a permanent basis.

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As with the duration of waivers, the complex range of policy issues, design methodologies, and unanticipated events also makes it very difficult to establish a singular Administration policy on evaluation. This Administration is committed to a policy of meaningful evaluations using a broader range of evaluation strategies (true experimental, quasi-experimental, and qualitative designs) and will be more flexible and project-specific in the application of evaluation techniques than has occurred in the past. This policy will be most evident with health care waivers. It should be noted that the Administration prefers a within-site randomized design approach for most AFDC waivers. However, in some cases, the Administration will consider evaluation designs with control groups in other geographic locations.

The Administration is also eager to ensure that the evaluation process be as un-intrusive as possible to the beneficiaries in terms of implementing and operating the waived policy approach, while ensuring that critical lessons are learned from the demonstration.

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Our fiduciary obligations in a period of extreme budgetary stringency require maintenance of the principle of cost neutrality, but the Administration believes it should be possible to maintain that principle more flexibly than has been the case in the past.

- The Administration will assess cost neutrality over the life of a demonstration project, not on a year by year basis, since many demonstrations involve making "up-front" investments in order to achieve out-year savings.
- In certain circumstances, a state may wish to test an innovation selectively through the 1115 waiver process that could otherwise be done statewide using a plan amendment process at considerable cost to the state and federal government. The State will be permitted to determine the state and federal costs as if it had submitted a plan amendment for the innovation and then use those costs as baseline in assessing the cost neutrality of the waiver.
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Timeliness and Administrative Complexity

The Administration has begun to implement procedures that will minimize the administrative burden on the states and reduce the processing time for waiver requests. Among the steps taken by the Health Care Financing Administration (HCFA) so far are:

- expanding pre-application consultation with states;
- setting, and sharing with applicants, a well-defined schedule for each application, with established target dates for processing and reaching a decision on the application;
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- establishing concurrent, rather than sequential, review of waivers by HCFA components, other units of the Department and the Office of Management and Budget. The success of this strategy is evident in the approval of the major health reform proposal from Hawaii in under three months. The Administration is committed to making the Hawaii waiver process the rule and not the exception to the rule.

By the end of the year, HCFA will complete the following to simplify and streamline the waiver process:

- expand technical assistance activities to the states;
- reallocate internal resources to waiver projects; and most importantly
- develop multi-state waiver solicitations in areas of priority concern, including integrated long-term care system development, services for adolescents, and services in rural areas.

Many of these procedures have been in place for some time for AFDC waivers at the Administration for Children and Families (ACF) where response times are usually short. ACF will continue to work to streamline the AFDC waiver process and respond to state concerns.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION



PHONE: (202)690-7858 FAX: (202)690-7383

Date: 7/22/93

From: Geri Goins

To: Kathi Way

Division: _____

Division: _____

City & State: _____

City & State: _____

Office Number: _____

Office Number: _____

Fax Number: _____

Fax Number: _____

Number of Pages + cover 6

REMARKS: _____

JUL 22 1993

10:am

DRAFT - FOR DISCUSSION PURPOSES ONLY**POLICY PRINCIPLES FOR SECTION 1115 WAIVERS**

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Timeliness and "Hassle Factor"

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- Target*
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THE WHITE HOUSE
WASHINGTON

7-22-93

Carol-

This is the HHS
draft on waivers to go to
NGA. Although Ray may
have some further requests,
this is a good proposal in my
estimation. I will be in meetings
until 9:30^{PM}. Just beep me to
discuss the details.

Kathi

Glad to hear things went well for
HAMP. Hope everything else is
O.K.

July 22, 1993

DRAFT - FOR DISCUSSION PURPOSES ONLY

POLICY PRINCIPLES FOR SECTION 1115 WAIVERS

Department recognizes value of state demo.

The Department of Health and Human Services and the relevant Congressional committees support the waiver process granted under Section 1115 of the Social Security Act which allows for demonstration projects to test [genuine innovations in policy and administration]. The Department ~~also~~ believes that it should be possible to administer Section 1115, within the intent of the law, with substantially more flexibility, responsiveness, and creativity than has been the case in recent years. In the spirit of real partnership with state governments, we are committed to making the waiver process work far better for all concerned.

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Approval Criteria

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[demonstrate the ability of the state to implement.]

ADVOCACY
Group
Legislative

Duration

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May work \rightarrow Have States identify time duration in application process

States should propose a time duration.

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Just more positive spin

Ask states to identify ways to evaluate projects.

while ensuring that critical lessons are learned from the demonstration.

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Concept problem --
AFDC - can you use waivers
to implement program changes
approvable through state
plan but not statewide.

MARY JO/DAVID

JUL 22 1993
10:am

DRAFT - FOR DISCUSSION PURPOSES ONLY

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For Medicaid waivers, HCFA has already begun to implement procedures to substantially reduce processing time for 1115 waiver requests, while simultaneously minimizing the burden on applicants. Among the steps taken so far are:

*preference given where consultation
in the state shows broad support and legislative consideration
public elected officials*
Pg. 3

Target 2

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Are Stark & Waxman
O.K.

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Promising and innovative policy approaches.

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Insert

with the public and elected officials.

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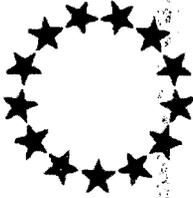
**NATIONAL
GOVERNORS'
ASSOCIATION**

Roy Romer
Governor of Colorado
Chairman

P. 1/5
Raymond C. Scheppach
Executive Director

Carroll A. Campbell Jr.
Governor of South Carolina
Vice Chairman

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1572
Telephone (202) 624-5300



NGA FAX TRANSMISSION FORM

DATE: 7/26/93

TO: Kathi Way

FAX NUMBER: 456-7739

FROM: **CARL VOLPE**
202-624-7729 (Commercial)
202-624-5313 (fax)

NUMBER OF PAGES: 5 (including this page)

REMARKS: Here's NGA's response on the 1115

PLEASE CALL JACKIE HALL AT 202-624-5341 WITH ANY PROBLEMS.

NGA REDRAFT -- FOR DISCUSSION PURPOSES ONLY

July 26, 1993

POLICY PRINCIPLES FOR SECTION 1115 WAIVERS

Last February, in discussions with the nation's Governors, President Clinton talked about the need for new thinking to address some of our nation's most significant social problems. He stressed that new ideas were needed and that to affect real change, those ideas must be tested in the public arena. He acknowledged the historic and essential role of states in the testing of new programs and looked forward to a partnership with states in the development and testing of social change. At that meeting, the President

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July 26, 1993

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— July 27

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

6:30 p.m.

Kathi —

Sorry I missed
you. There are
"budgeters" comments
for your considera-
tion. Please call
if you have any
questions.

Tex.

Wong
X5178

Nancy A P.02
July 26, 1993

NGA REDRAFT - FOR DISCUSSION PURPOSES ONLY

- All references to "Administration" will be replaced with "Department"
- POLICY PRINCIPLES FOR SECTION 1115 WAIVERS**

Last February, in discussions with the nation's Governors, President Clinton talked about the need for new thinking to address some of our nation's most significant social problems. He stressed that new ideas were needed and that to affect real change, those ideas must be tested in the public arena. He acknowledged the historic and essential role of states in the testing of new programs and looked forward to a partnership with states in the development and testing of social change. At that meeting, the President

- committed his administration to supporting state initiated research and demonstration projects that test new policy approaches to current social problems,
 - supported experiments that test alternative ways to administer and deliver those programs, and
 - directed the Department of Health and Human Services to work with the National Governors' Association to reexamine the policies and procedures that give states the ability to test innovations.
- Preamble will be modified in cover ltr. from the Secretary
 - OGC advises the President should not be party to a policy statement of the Department.

It should not appear that we negotiated exclusively with NGA. This document reflects the Department's efforts to meet the President's directives. Working with NGA and state representatives, the Department reviewed its authority, policies, and procedures in granting innovation waivers under Section 1115 of the Social Security Act. Through these policy principles, the Department reaffirms the President's commitment to an 1115 waiver process that is substantially more flexible, responsive, and creative than has been the case in recent years. In the spirit of real partnership with state governments, the Department is committed to making the waiver process work far better for all concerned.

Approval Criteria

consistent with the Social Security Act

Under Section 1115, the Department is given latitude to consider and approve research and demonstration proposals with a broad range of policy objectives. The Administration will:

- work with states to develop research and demonstrations in areas consistent with ^(the Department) its own policy goals,
- consider proposals that test alternatives that diverge from that policy direction,
- consider, as a criterion for approval, a state's ability to implement the research or demonstration project, and

NGA REDRAFT - FOR DISCUSSION PURPOSES ONLY

July 26, 1993

- give the state a full explanation of its decision if its proposal is denied.

Of course, the Administration reserves the right to disapprove ^{or limit} proposals that create potential violations of civil rights laws, or equal protection requirements, or constitutional problems. Like the States, we seek to preserve and enhance beneficiary access to quality services.

do not come with the intent of the laws governing Section 1115 and to disapprove proposals that

Within that overall policy framework, the Administration is prepared

- to grant waivers to test the same or related policy innovations in numerous states (Replication is the only valid mechanism by which the effectiveness of policy changes can be assessed.);
- to approve waiver projects ranging in scale from reasonably small to state-wide or multi-state; and
- to consider joint Medicare-Medicaid waivers, such as those granted in the PACE and HMO demonstrations, and AFDC-Medicaid waivers.

a number of

Consider including:

Duration States may be required to conform their demonstrations to the terms of national health care reforms including global budget requirements. The complex range of policy issues, design methodologies, and unanticipated events inherent in any research or demonstration makes it very difficult to establish a singular Administration policy on the duration of 1115 waivers. However, the Administration is committed, through negotiations with state applicants, to

- approve waivers of at least sufficient duration to give new policy approaches a fair test (e.g., 3 to 5 years);
- provide reasonable time for the collection of meaningful evaluation results prior to the conclusion of the demonstration, and
- recognize that new approaches often involve considerable start-up time and allowance for implementation delays.

To give some certainty in the development of waiver applications, states should assume a five year duration. States may request, with justification, a longer or shorter demonstration period.

^{Department} The Administration is also committed, when successful demonstrations provide an appropriate basis, to working with state governments to seek permanent statutory changes incorporating those results. In such cases, consideration will be given to a reasonable extension of existing waivers so as to prevent unnecessary disruption in

must remove cannot take away Congressional authority.

NGA REDRAFT - FOR DISCUSSION PURPOSES ONLY

July 26, 1993

programs likely to be continued on a permanent basis.]

Evaluation

As with the duration of waivers, the complex range of policy issues, design methodologies, and unanticipated events also makes it very difficult to establish a ^{single} Administration policy on evaluation. This Administration is committed to a policy of meaningful evaluations using a broader range of ^{appropriate} evaluation strategies [true experimental, quasi-experimental, and qualitative designs] and will be more flexible and project-specific in the application of evaluation techniques than has occurred in the past. This policy will be most evident with health care waivers. [It should be noted that the Administration prefers a ^{it is the preferred} within-site randomized design approach for most AFDC waivers. [However, in some cases, the Administration will consider evaluation designs with control groups in other geographic locations.] ^{Possible alt. language} However, in those cases where such an approach is methodologically inappropriate the Dept. will consider alternative evaluation design. The Administration is also eager to ensure that the evaluation process be as un-intrusive as possible to the beneficiaries in terms of implementing and operating the waived policy approach, while ensuring that critical lessons are learned from the demonstration.

unnecessary elaboration

Cost Neutrality

Our fiduciary obligations in a period of extreme budgetary stringency require maintenance of the principle of cost neutrality, but the Administration believes it should be possible to maintain that principle more flexibly than has been the case in the past.

- The Administration will assess cost neutrality over the life of a demonstration project, not on a year by year basis, since many demonstrations involve making "up-front" investments in order to achieve out-year savings.
- In certain circumstances, a state may wish to test an innovation selectively through the 1115 waiver process that could otherwise be done statewide using a plan amendment process at considerable cost to the state and federal government. The State will be permitted to determine the state and federal costs as if it had submitted a plan amendment for the innovation and then use those costs as baseline in assessing the cost neutrality of the waiver.]
- The Administration also recognizes the difficulty of making appropriate baseline projections of Medicaid expenditures, and is open to development of a new methodology in that regard.

Consider including:

In order to ~~not~~ assess and monitor actual costs, Audits of expenditures may be conducted periodically during the demonstration and before proposed waiver extensions are requested. ~~to~~ Allowance for reasonable deviations from planned costs will be made, although corrective actions may be

NGA REDRAFT -- FOR DISCUSSION PURPOSES ONLY

July 26, 1993

Timeliness and Administrative Complexity

The Administration has begun to implement procedures that will minimize the administrative burden on the states and reduce the processing time for waiver requests. Among the steps taken by the Health Care Financing Administration (HCFA) so far are:

- expanding pre-application consultation with states;
- setting, and sharing with applicants, a well-defined schedule for each application, with established target dates for processing and reaching a decision on the application;
- maintaining a policy of one consolidated request for further information;
- sharing proposed terms and conditions with applicants before making final decisions; and most importantly
- establishing concurrent, rather than sequential, review of waivers by HCFA components, other units of the Department and the Office of Management and Budget. The success of this strategy is evident in the approval of the major health reform proposal from Hawaii in under three months. The Administration is committed to making ^(an expedited) the Hawaii waiver process the rule and not the exception to the rule.

By the end of the year, HCFA will complete the following ^{steps} to simplify and streamline the waiver process:

- expand technical assistance activities to the states;
- reallocate internal resources to waiver projects; and most importantly
- develop multi-state waiver solicitations in areas of priority concern, including integrated long-term care system development, services for adolescents, and services in rural areas.

Many of these procedures have been in place for some time for AFDC waivers at the Administration for Children and Families (ACF) where response times are usually short. ACF will continue to work to streamline the AFDC waiver process and respond to state concerns.

~~suggests~~
~~implementation~~

requested if demonstration costs exceed a reasonable threshold over a given period. These corrective measures will be designed to ensure that Federal spending does not deviate too dramatically from planned levels and that the demonstration is ultimately ^{cost} neutral.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

NGA 1115 document edited

Facsimile Cover Sheet

To: Kathi Way

Organisation:

From:

Date:

Bruce's phone number
690-6726

Intergovernmental Affairs
200 Independence Ave., SW
Room 630 F
Washington, DC 20201
phone: (202) 690-
fax: (202) 690-5672

Recipient's Fax Number:

Number of pages including this sheet: 5

Remarks:

Pls. call me if you have questions. Ann Danielski
696-6036

check - cost neutrality
with Ballé / Nancy Ann
neutrality section

NGA REDRAFT - FOR DISCUSSION PURPOSES ONLY

July 26, 1993

- All references to "Administration" will be replaced with "Department"

POLICY PRINCIPLES FOR SECTION 1115 WAIVERS

Last February, in discussions with the nation's Governors, President Clinton talked about the need for new thinking to address some of our nation's most significant social problems. He stressed that new ideas were needed and that to affect real change, those ideas must be tested in the public arena. He acknowledged the historic and essential role of states in the testing of new programs and looked forward to a partnership with states in the development and testing of social change. At that meeting, the President

- committed his administration to supporting state-initiated research and demonstration projects that test new policy approaches to current social problems,
 - supported experiments that test alternative ways to administer and deliver those programs, and
 - directed the Department of Health and Human Services to work with the National Governors' Association to reexamine the policies and procedures that give states the ability to test innovations.
- Preamble will be modified in cover ltr. from the Secretary
- OGC advises the President should not be party to a policy statement of the Department.
- It should not appear that we negotiated exclusively with NGA.
- This document reflects the Department's efforts to meet the President's directives. Working with NGA and state representatives, the Department reviewed its authority, policies, and procedures in granting innovation waivers under Section 1115 of the Social Security Act. Through these policy principles, the Department reaffirms the President's commitment to an 1115 waiver process that is substantially more flexible, responsive, and creative than has been the case in recent years. In the spirit of real partnership with state governments, the Department is committed to making the waiver process work far better for all concerned.

Approval Criteria

consistent with the Social Security Act,

Under Section 1115, the Department is given latitude to consider and approve research and demonstration proposals with a broad range of policy objectives. The

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NGA REDRAFT - FOR DISCUSSION PURPOSES ONLY

July 26, 1993

- give the state a full explanation of its decision if its proposal is denied.

Of course, the Administration reserves the right to disapprove ^{or limit} proposals that create potential violations of civil rights laws, or equal protection requirements, or constitutional problems.

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a number of

Duration

The complex range of policy issues, design methodologies, and unanticipated events inherent in any research or demonstration makes it very difficult to establish a ^{single} Administration policy on the duration of 1115 waivers. However, the Administration is committed, through negotiations with state applicants, to

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- recognize that new approaches often involve considerable start-up time and allowance for implementation delays.

HHS will provide language replicator

To give some certainty in the development of waiver applications, states should assume a five year duration. States may request, with justification, a longer or shorter demonstration period.

^{Department} The Administration is also committed, when successful demonstrations provide an appropriate basis, to working with state governments to seek permanent statutory changes incorporating those results. [In such cases, consideration will be given to a reasonable extension of existing waivers so as to prevent unnecessary disruption in

must remove cannot take away Congressional authority. 2

NGA REDRAFT - FOR DISCUSSION PURPOSES ONLY

July 26, 1993

programs likely to be continued on a permanent basis.] *e*

Evaluation

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Unnecessary elaboration

Cost Neutrality

Our fiduciary obligations in a period of extreme budgetary stringency require maintenance of the principle of cost neutrality, but the Administration believes it should be possible to maintain that principle more flexibly than has been the case in the past.

- The Administration will assess cost neutrality over the life of a demonstration project, not on a year by year basis, since many demonstrations involve making "up-front" investments in order to achieve out-year savings.
- In certain circumstances, a state may wish to test an innovation selectively through the 1115 waiver process that could otherwise be done statewide using a plan amendment process at considerable cost to the state and federal government. The State will be permitted to determine the state and federal costs as if it had submitted a plan amendment for the innovation and then use those costs as baseline in assessing the cost neutrality of the waiver.]
- The Administration also recognizes the difficulty of making appropriate baseline projections of Medicaid expenditures, and is open to development of a new methodology in that regard.

Talk to OMB re: cost neutrality

NGA REDRAFT - FOR DISCUSSION PURPOSES ONLY

July 26, 1993

Timeliness and Administrative Complexity

The Administration has begun to implement procedures that will minimize the administrative burden on the states and reduce the processing time for waiver requests. Among the steps taken by the Health Care Financing Administration (HCFA) so far are:

- expanding pre-application consultation with states;
- setting, and sharing with applicants, a well-defined schedule for each application, with established target dates for processing and reaching a decision on the application;
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- establishing concurrent, rather than sequential, review of waivers by HCFA components, other units of the Department and the Office of Management and Budget. The success of this strategy is evident in the approval of the major health reform proposal from Hawaii in under three months. The Administration is committed to making ^{an expedited} the Hawaii waiver process the rule and not the exception to the rule.

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- reallocate internal resources to waiver projects; and most importantly
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DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

July 28, 1993

MEMORANDUM TO: Kevin Thurm
Bruce Vladeck
Rozann Abato
Joe Antos
David Cooper
Judy Feder/Naomi Goldstein
Mary Jo Bane
Howard Ralston
Ken Apfel/Christy Schmidt Bayne
Karen Pollitz
Richard Tarplin
Patricia Murdock
David Cade
Kathi Way
Michael Wald

FROM: John Monahan *JM*
Director, Intergovernmental Affairs

SUBJECT: Draft 1115 Policy--Copy Sent to NGA for Review

Attached is a copy of the Department's draft policy principles for Section 1115 waivers. This document was sent to NGA for review Wednesday, July 28, 1993. NGA will submit comments to the Department as soon as possible.

If you have any questions about this document, please call Ann Danelski at 690-6060.

Attachments

1115 Waiver Policy Language

Duration

The Administration is also committed, when successful demonstrations provide an appropriate basis, to working with state governments to seek permanent statutory changes incorporating those results. In such cases, consideration will be given to a reasonable extension of existing waivers.

Cost Neutrality

(would not rule out)

In assessing budget neutrality, the Department, on an exceptional basis, will consider methodologies in which expansions that would be permitted as State Plan Amendments are included in the definition of baseline costs, provided that federal costs under such a waiver would be less than would be expected under the State Plan Amendment.

- When a state requests only a waiver of "statewideness" requirements, to test on a substate scale a policy that could be adopted statewide with a State Plan Amendment, modifications to the usual cost-neutrality requirements may be considered if a sound evaluation is planned. When requests for "statewideness" waivers for policies that could be implemented by a plan change are part of a larger demonstration, the entire demonstration must be covered by cost-neutrality terms because the effects of particular demonstration policies cannot be isolated.

EXECUTIVE OFFICE OF THE PRESIDENT

Washington, D. C.

FAX TRANSMITTAL COVER SHEET

DATE: 28-Jul-93

TO:

KATHI WAY

SUBJECT:

BULLET ON COST-NEUTRALITY

FROM:

RICHARD B. BAVIER (202) 395-3844
OFFICE OF MGMT AND BUDGET, HRVL

*In assessing cost neutrality,
On an exceptional basis the
Department would consider.*

If there are any problems receiving this transmission,
please call the sender, or (202) 395-7370.

Here is an attempt to boil the earlier three paragraphs down to one bullet. I haven't run this by either HCFA or ACF, but will send them copies. I will send a copy Ann Danelski, as you requested.

- When a state requests only a waiver of "statewideness" requirements, to test on a substate scale a policy that could be adopted statewide with a state plan amendment, modifications to the usual cost-neutrality requirements may be considered if a sound evaluation is planned. When requests for "statewideness" waivers for policies that could be implemented by a plan change are part of a larger demonstration, the entire demonstration must be covered by cost-neutrality terms because the effects of particular demonstration policies cannot be isolated.

- Go statewide with project and baseline is a theoretical plan amendment, with some limits

In response
to your question - request
re: waiver policy principles.
QCR

July 29, 1993

Note to: Nancy-Ann

From: Cheri

Overall, the cost neutrality section looks ok. It is my understanding that the second bullet is designed for AFDC waivers and is not likely to be used for Medicaid waivers.

The first bullet addresses the issue of whether to include costs associated with optional eligibility expansions, for which States have not yet submitted a State plan amendment, in the baseline. HCFA allowed Hawaii to do this under the HealthQUEST demonstration for children with incomes up to 300% of poverty.

Allowing States to include the costs associated with purely hypothetical program changes in the baseline could be costly. A State, for example, could claim that it would have raised hospital reimbursement rates by 50% in the absence of a demonstration and proceed to pad its baseline by that amount.

Therefore, you may wish to recommend that only the costs associated with expansions that *will be implemented* as part of a demonstration be considered for inclusion in the baseline.

The first bullet would be amended as follows:

- In assessing budget neutrality, the Department, on an exceptional basis, ^{may} will consider methodologies in which expansions that would be permitted as State Plan Amendments and will be implemented under the demonstration are included in the definition of baseline costs, provided that Federal costs under such a waiver would be less than would be expected under the State Plan Amendment. *and expansion is not part of welfare demon AN AFDC demonstration*



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

Facsimile Cover Sheet

To: Kathi Way

Organization: _____

From: Ann Danelski for John Manahan

Date: 7/27

Intergovernmental Affairs
200 Independence Ave., SW
Room 630 F
Washington, DC 20201
phone: (202)690-
fax: (202)690-5672

Recipient's Fax Number: 456-7739

Number of pages including this sheet: 2

Remarks:

1115 Waiver Policy Principles

In response to the NGA's request, please review the proposed draft language for a bullet on cost-neutrality in the Department's 1115 waiver policy principles.

OMB Draft

- o When a state requests only a waiver of "statewideness" requirements, to test on a substate scale a policy that could be adopted statewide with a state plan amendment, modifications to the usual cost-neutrality requirements may be considered if a sound evaluation is planned. When requests for "statewideness" waivers for policies that could be implemented by a plan change are part of a larger demonstration, the entire demonstration must be covered by cost-neutrality terms because the effects of particular demonstration policies cannot be isolated.

OR

HCFA ORD Draft

- o In assessing budget neutrality, the Department is prepared on a case by case basis to consider the cost of eligibility expansions that are permitted under state plan amendment, as part of baseline costs.

624-
7729

~~o~~ *In assessing cost neutrality, the Department*
 • *Would not rule out consideration of other cost neutrality arrangements proposed by states.*



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

Facsimile Cover Sheet

To: Kathi Way

Organization: _____

From: John Monahan / Margaret Tigh

Date: 7/28

Intergovernmental Affairs
200 Independence Ave., SW
Room 630 F
Washington, DC 20201
phone: (202) 690-
fax: (202) 690-5672

Recipient's Fax Number: 456-7739

Number of pages including this sheet: 7

Remarks:



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

July 28, 1993

MEMORANDUM TO: Bruce Vladeck
Kevin Thurm
Judy Feder/Naomi Goldstein
Mary Jo Bane
Ken Apfel/Christy Schmidt Bayne
Jerry Klepner
Karen Pollitz
David Cooper
David Cade
Richard Tarplin
Patricia Murdock
Kathi Way
Micheal Wald
Howard Ralson
Rozann Abato
Joe Antos

FROM: John Monahan *mm*
Director, Intergovernmental Affairs

SUBJECT: Recommended Edits to NGA Draft 1115 Policy

Attached is the revised version National Governors' Association (NGA)/Department draft policy principles for Section 1115 waivers. This document reflects changes resulting from yesterday's 5:00 p.m. meeting/conference call with NGA.

Please review the draft by 3:30 p.m. today and give any comments to Ann Danelski at 690-6060. As promised, the draft will be sent to NGA for review by C.O.B. today.

DRAFT

Dear

Attached is a copy of the new policy principles that will govern the Department's consideration of waivers pursuant to Section 1115 of the Social Security Act. These principles reflect the commitment President Clinton made to the nation's governors to streamline the waiver process and to establish procedures by which federal agencies can work constructively with the states to facilitate testing of new policy approaches to social problems. The Department has already started to embrace the new policy principles, and within the next 12 months the Health Care Financing Administration hopes to complete a set of internal changes which will simplify and streamline the waiver process.

Our discussions with the National Governor's Association have been enormously helpful in the development of these policies. We recognize the historic and essential role of the states in the testing of new ideas and programs and look forward to a fruitful partnership with states in addressing the significant social problems facing us.

Sincerely,

NGA REDRAFT #4 - FOR DISCUSSION PURPOSES ONLY**POLICY PRINCIPLES FOR SECTION 1115 WAIVERS****Approval Criteria**

Under Section 1115, the Department is given latitude, consistent with the Social Security Act, to consider and approve research and demonstration proposals with a broad range of policy objectives. The Department will:

- o work with states to develop research and demonstrations in areas consistent with the Department's policy goals;
- o consider proposals that test alternatives that diverge from that policy direction; and
- o consider, as a criterion for approval, a state's ability to implement the research or demonstration project.

Of course, the Department reserves the right to disapprove or limit proposals on policy grounds. The Department also reserves the right to disapprove or limit proposals that do not come within the intent of the laws governing section 1115 and those that create potential violations of civil rights laws or equal protection requirements or constitutional problems. Like the states, the Department seeks proposals which preserve and enhance beneficiary access to quality services.

Within that overall policy framework, the Department is prepared to:

- o grant waivers to test the same or related policy innovations in multiple states, (replication is a valid mechanism by which the effectiveness of policy changes can be assessed);
- o approve waiver projects ranging in scale from reasonably small to state-wide or multi-state, and
- o consider joint Medicare-Medicaid waivers, such as those granted in the PACE and SHMO demonstrations, and AFDC-Medicaid waivers.

Duration

The complex range of policy issues, design methodologies, and unanticipated events inherent in any research or demonstration makes it very difficult to establish a single Department policy on the duration of 1115 waivers. However, the Department is committed, through negotiations with state applicants, to:

Page 2 - NGA REDRAFT #4

- o approve waivers of at least sufficient duration to give new policy approaches a fair test. The duration of waiver approval should be congruent with the magnitude and complexity of the program; e.g., large-scale statewide reform programs will typically require waivers of five years.
- o provide reasonable time for the collection of meaningful evaluation results prior to the conclusion of the demonstration; and
- o recognize that new approaches often involve considerable start-up time and allowance for implementation delays.

The Department is also committed, when successful demonstrations provide an appropriate basis, to working with state governments to seek permanent statutory changes incorporating those results.

Evaluation

As with the duration of waivers, the complex range of policy issues, design methodologies, and unanticipated events also makes it very difficult to establish a single Department policy on evaluation. This Department is committed to a policy of meaningful evaluations using a broad range of appropriate evaluation strategies (including true experimental, quasi-experimental, and qualitative designs) and will be more flexible and project-specific in the application of evaluation techniques than has occurred in the past. This policy will be most evident with health care waivers. Within-site randomized design is the preferred approach for most AFDC waivers. However, in those cases where such an approach is methodologically inappropriate the Department will consider alternative evaluation design. The Department is also eager to ensure that the evaluation process be as unintrusive as possible to the beneficiaries in terms of implementing and operating the waived policy approach, while ensuring that critical lessons are learned from the demonstration.

Cost Neutrality

Our fiduciary obligations in a period of extreme budgetary stringency require maintenance of the principle of cost neutrality, but the Department believes it should be possible to maintain that principle more flexibly than has been the case in the past.

- o The Department will assess cost neutrality over the life of a demonstration project, not on a year-by-year

Page 3 - NGA REDRAFT #4

basis, since many demonstrations involve making "up-front" investments in order to achieve out-year savings.

The Department is prepared to evaluate, on a case-by-case basis, waiver proposals that involve eligibility expansions otherwise permitted on the basis of State Plan Amendments, when the proposal would produce savings in federal costs relative to non-waivered eligibility expansions.

States may be required to conform their demonstration to the terms of national health care reform, including global budgeting requirements, and to the terms of national welfare reform.

- o The Department also recognizes the difficulty of making appropriate baseline projections of Medicaid expenditures, and is open to development of a new methodology in that regard.

Timeliness and Administrative Complexity

The Department has begun to implement procedures that will minimize the administrative burden on the states and reduce the processing time for waiver requests. Among the steps taken by the Health Care Financing Administration (HCFA) so far are:

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- o sharing proposed terms and conditions with applicants before making final decisions; and, most importantly,
- o establishing concurrent, rather than sequential, review of waivers by HCFA components, other units of the Department and the Office of Management and Budget. The success of this strategy is evident in the approval of the major health reform proposal from Hawaii in under three months. The Department is committed to making an expedited waiver process the rule and not the exception to the rule.

How do we know when an eligibility expansion would produce federal savings? States will always claim that the value of conforming to our proposals is better arguments with states

Page 4 - NGA REDRAFT #4

HCFA will complete the following steps to simplify and streamline the waiver process:

- o expand technical assistance activities to the states;
- o reallocate internal resources to waiver projects; and most importantly,
- o develop multi-state waiver solicitations in areas of priority concern, including integrated long-term care system development, services for adolescents, and services in rural areas.

Many of these procedures have been in place for some time for AFDC waivers at the Administration for Children and Families (ACF), where response times are usually short. ACF will continue to work to streamline the AFDC waiver process and respond to state concerns.

6/10
Nott

EXECUTIVE OFFICE OF THE PRESIDENT

Washington, D. C.

FAX TRANSMITTAL COVER SHEET

DATE: 29-Jul-93

TO: KATHI WAY

SUBJECT: DRAFT OF NGA COST-NEUTRALITY INSERT

FROM: RICHARD B. BAVIER (202) 395-3844
OFFICE OF MGMT AND BUDGET, HRVL

If there are any problems receiving this transmission,
please call the sender, or (202) 395-7370.

From HHS staff, I received a proposed addition to the bullet you asked me to send them yesterday. It reads:

"In assessing budget neutrality, the Department is prepared on a case by case basis to consider the cost of eligibility expansions that are permitted under the state plan amendment, as part of the baseline costs."

The use of the definite article before "state plan amendment" is confusing to me, but I take it the intent is to say, "if a state could do it with a plan amendment, the feds will count it in the baseline, instead of as a cost of the demonstration."

If that is the intent, it seems to me to represent a large fiscal risk to the federal government. States could say that, because they could have doubled their AFDC benefits, or greatly expanded their Medicaid population or services, that should be considered in the baseline. In the past, we have resisted that kind of reasoning.

As I understand it, part of the motive behind the sentence quoted above is to conform stated policy to what HCFA did with Hawaii's Medicaid waivers. I only know a little about the Hawaii waivers, but have doubts that it represents a good precedent for welfare waivers.

Kathi -
I think you will
find this of interest. I
agree with most of it -
Sorry I didn't get it to
you sooner. Belle

EXECUTIVE OFFICE OF THE PRESIDENT

23-Jul-1993 02:00pm

TO: Isabel Sawhill
FROM: Richard B. Bavier
Office of Mgmt and Budget, HRVL
CC: Barbara S. Selfridge
SUBJECT: RE: waiver policy

Generally, I think the draft position is good.

1) No mention is made of the Food Stamp Program, which has similar demonstration waiver authority in section 17(b) of the Food Stamp Act. That omission may be appropriate in a letter that is supposed to cover all HHS waivers under section 1115. However, a parallel communication from Agriculture and/or something from the White House that states a unified position on what the draft position terms "AFDC waivers" probably would be needed.

The Food Stamp Program gets involved in welfare demonstrations in two ways. Some States want Food Stamp Program waivers, as well as 1115 waivers. But even those that don't must include food stamp spending in cost-neutrality calculations. AFDC changes often lead to changes in food stamp spending.

At some point, the Administration probably needs to state that:

- a) It will provide a coordinated, concurrent review of welfare demonstrations that involves all the executive branch agencies that need to be involved.
- b) It will include all relevant open-ended entitlement programs in cost-neutrality calculations, and will figure cost-neutrality across these programs (so that savings in one can offset costs in another). As a suggestion, the following might be inserted in the second sentence of the cost neutrality paragraph in the draft position, between the word "determined" and the word "over",

"considering all affected entitlement programs."

2. In the past, when Medicaid waivers were approved as part of a welfare reform demonstration, we have required that the evaluation design cover those Medicaid waivers as well. I'm not aware of any intent on HHS's part to say evaluation of these Medicaid waivers should no longer be so rigorous, so I'd suggest that the second sentence in the Evaluation section be modified to read:

"In particular, while within-site random assignment of cases to treatment and control groups remains the preferred approach for evaluation of welfare waivers, including AFDC and Medicaid waivers that are part of welfare demonstrations, they will rarely be appropriate to large-scale, exclusively Medicaid demonstrations."

3. I don't think the first sentence in the Evaluation section of the draft position gets across the point we're trying to make. The current wording could lead someone to conclude that evaluation standards "for AFDC waivers" will be more flexible and project-specific than in the past. I'd suggest substituting for the first sentence in the Evaluation section:

"The concept of evaluation also is inherent in the definition of waivers as tests of policy innovations, but our standards for evaluation recognize that no single model will be appropriate for all the waivers granted under section 1115."

4. My own view is that we should make clear that geographical area as well as duration should be appropriate in light of the research purposes of the statutory authority. Since I got involved in developing multi-program waiver policy in 1987, I've been concerned that we often give statewide waivers because governors want to present demonstrations as implicitly-permanent state-wide program changes. Then, often, our research sample is drawn in just a few sites within the State.

Just as we shouldn't use 1115 authority to give waivers that last longer than it takes to find out what happened, we shouldn't give them for programs that are much broader than we need to find out what happened. I realize that can be a pretty subjective judgment, but it is a principle I think we ought to state.

I have to admit, such a policy would not sit well with governors. And so far, the only criticism we've received on this particular point was in the suit against California's benefit-cutting demo.

5. When HHS gets feedback on this draft policy, I think you and Nancy-Ann should attach a note that says you want to hear from HHS about their monitoring of cost-neutrality of demonstrations already underway. This is a real weakness in the whole waiver strategy. I have talked with HHS staff about this regularly for about a year now, but they always seem to have more pressing things to do than put a good system in place. There is a lot of money being governed by these cost-neutrality terms. A few months ago, it could be a mess that the current Administration found when it arrived, rather than one it owns. That argument will get increasingly less convincing.

Section 1115 Waiver Policy Alternative LanguageDuration

The Department also is committed, when successful demonstrations provide an appropriate basis, to working with state governments to seek permanent statutory changes incorporating those results. In such cases, consideration will be given to a reasonable extension of existing waivers.

Cost Neutrality

OPENING OFFER

- In assessing budget neutrality, the Department would not rule out consideration of other cost neutral arrangements proposed by states. *For example,*

FINAL OFFER

- In assessing budget neutrality, the Department, on an exceptional basis, may consider methodologies in which Medicaid eligibility expansions that would be permitted as State Plan Amendments and will be implemented under the demonstration are included in the definition of baseline costs, provided that federal costs under such a waiver would be less than would be expected under the State Plan Amendment... (additional clause suggested by OMB)... and the expansion is not part of an AFDC demonstration.

OPTIONAL

- When a state requests only a waiver of "statewideness" requirements, to test on a substate scale a policy that could be adopted statewide with a State Plan Amendment, modifications to the usual cost-neutrality requirements may be considered if a sound evaluation is planned. When requests for "statewideness" waivers for policies that could be implemented by a plan change are part of a larger demonstration, the entire demonstration must be covered by cost-neutrality terms because the effects of particular demonstration policies cannot be isolated.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

29-Jul-1993 07:37pm

TO: (See Below)

FROM: Richard B. Bavier
 Office of Mgmt and Budget, HRVL

SUBJECT: 7/29 16:18 draft of cost-neutrality paragraph

It looks like the principal change from the earlier version you read to me is the addition of the clause, "provided that federal costs under such a waiver would be less than would be expected under the State Plan Amendment."

It may be the hour, but I'm having trouble understanding what it means. It seems to mean that, if a demonstration that includes a waiver that could be approved in a State Plan will cost less than approving the State Plan amendment would, then it would be OK to count the costs of the waiver in the baseline. If that's it, I think we are back at our problem that we don't know in advance what these demonstrations or plan amendments will cost. So I don't see how the policy could be administered.

It really seems that HCFA wants a policy for these statewide Medicaid-only waivers that it would be unwise to adopt for welfare waivers (including the associated Medicaid waivers). If that is the case, I'd suggest striking the paragraph that begins "In assessing budget neutrality..." and adding a new paragraph after the remaining one that begins, "When a state..."

A { "When a State requests only Medicaid waivers for a statewide demonstration, not as part of a welfare demonstration, the Department may consider including in the cost-neutrality baseline the costs of Medicaid expansions that could have been approved as state plan amendments." *and will be implemented under the demonstration.*

I am not recommending this as waiver policy. However, if HCFA wants this policy and EXOP agrees, let's just state it clearly and make clear that it applies only to these statewide, Medicaid only cases.

My home phone is P6/(b)(6)

Distribution:

TO: Kathryn J. Way

TO: Isabel Sawhill
TO: Nancy-Ann E. Min

CC: Wendy C. New
CC: Barbara S. Selfridge
CC: Keith J. Fontenot
CC: Victor Zafra
CC: Cheri M. Rice

DRAFT

Dear

Attached is a copy of the new policy principles that will guide the Department's consideration of waivers pursuant to Section 1115 of the Social Security Act. These principles reflect the commitment President Clinton made to the nation's governors to streamline the waiver process and to establish procedures by which federal agencies can work constructively with the states to facilitate testing of new policy approaches to social problems. The Department has already started to embrace the new policy principles and within the next 12 months hopes to complete a set of changes which will streamline and simplify the waiver process.

Our discussions with the National Governors' Association have been enormously helpful in the development of these policies. We recognize the historic and essential role of the states in the testing of new ideas and programs and look forward to a fruitful partnership with states in addressing the significant social problems facing us.

Sincerely,

NGA REDRAFT #4 - FOR DISCUSSION PURPOSES ONLY

POLICY PRINCIPLES FOR SECTION 1115 WAIVERS

Approval Criteria

Under Section 1115, the Department is given latitude, subject to the requirements of the Social Security Act, to consider and approve research and demonstration proposals with a broad range of policy objectives. The Department will:

- o work with states to develop research and demonstrations in areas consistent with the Department's policy goals;
- o consider proposals that test alternatives that diverge from that policy direction; and
- o consider, as a criterion for approval, a state's ability to implement the research or demonstration project.

~~Of course~~, the Department reserves the right to disapprove or limit proposals on policy grounds. The Department also reserves the right to disapprove or limit proposals that create potential violations of civil rights laws or equal protection requirements or constitutional problems. Like the states, the Department seeks proposals which preserve and enhance beneficiary access to quality services.

Within that overall policy framework, the Department is prepared to:

- o grant waivers to test the same or related policy innovations in multiple states, (replication is a valid mechanism by which the effectiveness of policy changes can be assessed);
- o approve waiver projects ranging in scale from reasonably small to state-wide or multi-state, and
- o consider joint Medicare-Medicaid waivers, such as those granted in the PACE and SHMO demonstrations, and AFDC-Medicaid waivers.

Duration

The complex range of policy issues, design methodologies, and unanticipated events inherent in any research or demonstration makes it very difficult to establish a single Department policy on the duration of 1115 waivers. However, the Department is committed, through negotiations with state applicants, to:

The Dept. desire to facilitate the testing

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- o approve waivers of at least sufficient duration to give new policy approaches a fair test. The duration of waiver approval should be congruent with the magnitude and complexity of the project; e.g., large-scale statewide reform programs will typically require waivers of five years *or more.*
- o provide reasonable time for the collection of meaningful evaluation results prior to the conclusion of the demonstration; and
- o recognize that new approaches often involve considerable start-up time and allowance for implementation delays.

The Department is also committed, when successful demonstrations provide an appropriate basis, to working with state governments to seek permanent statutory changes incorporating those results.

Evaluation

As with the duration of waivers, the complex range of policy issues, design methodologies, and unanticipated events also makes it very difficult to establish a single Department policy on evaluation. This Department is committed to a policy of meaningful evaluations using a broad range of appropriate evaluation strategies (including true experimental, quasi-experimental, and qualitative designs) and will be more flexible and project-specific in the application of evaluation techniques than has occurred in the past. This policy will be most evident with health care waivers. Within-site randomized design is the preferred approach for most AFDC waivers. ~~However, in these cases where such an approach is methodologically inappropriate~~ *the Department will consider alternative evaluation designs. ^{when such designs are methodologically comparable}*

The Department is also eager to ensure that the evaluation process be as unintrusive as possible to the beneficiaries in terms of implementing and operating the waived policy approach, while ensuring that critical lessons are learned from the demonstration.

Cost Neutrality

Our fiduciary obligations in a period of extreme budgetary stringency require maintenance of the principle of cost neutrality, but the Department believes it should be possible to maintain that principle more flexibly than has been the case in the past.

- o The Department will assess cost neutrality over the life of a demonstration project, not on a year-by-year

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basis, since many demonstrations involve making "up-front" investments in order to achieve out-year savings.

- o States may be required to conform their demonstrations to the terms of national health care reform, including global budgeting requirements, and to the terms of national welfare reform.
- o The Department also recognizes the difficulty of making appropriate baseline projections of Medicaid expenditures, and is open to development of a new methodology in that regard.

Timeliness and Administrative Complexity

The Department has begun to implement procedures that will minimize the administrative burden on the states and reduce the processing time for waiver requests. Among the steps taken by the Health Care Financing Administration (HCFA) so far are:

- o expanding pre-application consultation with states;
- o setting, and sharing with applicants, a well-defined schedule for each application, with established target dates for processing and reaching a decision on the application;
- o maintaining a policy of one consolidated request for further information;
- o sharing proposed terms and conditions with applicants before making final decisions; and, most importantly,
- o establishing concurrent, rather than sequential, review of waivers by HCFA components, other units of the Department and the Office of Management and Budget. The success of this strategy is evident in the approval of the major health reform proposal from Hawaii in under three months. The Department is committed to making an expedited waiver process the rule and not the exception to the rule.

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HCFA will complete the following steps to simplify and streamline the waiver process:

- o expand technical assistance activities to the states;
- o reallocate internal resources to waiver projects; and most importantly,
- o develop multi-state waiver solicitations in areas of priority concern, including integrated long-term care system development, services for adolescents, and services in rural areas.

Many of these procedures have been in place for some time for AFDC waivers at the Administration for Children and Families (ACF), where response times are usually short. ACF will continue to work to streamline the AFDC waiver process and respond to state concerns.