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April 6, 2022

Ms. Judith Cash
Director
State Demonstrations Group
Center for Medicaid and CHIP Services
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

ASSET TEST AMENDMENT REQUEST FOR CALIFORNIA ADVANCING AND
INNOVATING MEDI-CAL (CALAIM) SECTION 1115 DEMONSTRATION

Dear Ms. Cash,

I am pleased to submit the enclosed request to amend the California Advancing and Innovating Medi-Cal (CalAIM) Section 1115 demonstration (Project No.: 11-W-00193/9) to increase and eventually eliminate asset limits for certain low-income individuals whose eligibility is not determined using the modified adjusted gross income (MAGI)-based financial methods.

Under California State [Assembly Bill 133 \(AB 133; Sec. 364; Welfare and Institutions Code § 14005.62\)](#), the California legislature directed the Department of Health Care Services (DHCS) to seek federal approval to implement a two-phased approach to increase and eventually eliminate the asset limits for non-MAGI coverage groups. Under Phase I, effective July 1, 2022, DHCS must apply a disregard of \$130,000 in nonexempt property for a single Medi-Cal enrollee and \$65,000 for each additional household member, up to a maximum of ten members. Under Phase II, effective January 1, 2024, DHCS must eliminate the asset test for non-MAGI Medi-Cal programs.

To date, DHCS has submitted and CMS has approved [State Plan Amendment \(SPA\) 21-0053](#) to implement the resource disregard under Phase I to increase the asset limits for most non-MAGI coverage groups; DHCS has not yet submitted to CMS a SPA for Phase II but intends to do so in the near future. However, because the authority to apply disregards under Section 1902(r)(2) of the Social Security Act is limited to certain enumerated coverage groups, SPA 21-0053 does not apply to “Deemed SSI groups,” specifically those mandatory Medi-Cal eligibility groups comprised of individuals who would be eligible for Medicaid if they were receiving Supplemental Security Income



(SSI) and/or state supplementary payments (SSP) but are no longer receiving such payments and are thus “deemed” eligible for Medi-Cal. Therefore, to maintain coverage access for individuals in the Deemed SSI groups under both phases, this enclosed request seeks Section 1115 authority to increase and eventually eliminate asset test limits for these groups that is not available under the State Plan.

DHCS looks forward to working with CMS to advance this request, with the goal of maintaining access to Medi-Cal coverage for low-income individuals. For any questions, please contact Ms. Saralyn M. Ang-Olson, Chief Compliance Officer, by phone at (916) 345-8380 or by email at Saralyn.Ang-Olson@dhcs.ca.gov.

Sincerely,



Jacey Cooper
State Medicaid Director
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Enclosures

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State of California
Department of Health Care Services
Medicaid Section 1115 Demonstration
Amendment Request:
CalAIM Asset Test Amendment

April 6, 2022



Section 1 – Historical Narrative Description of the Demonstration

Introduction

To help assure access to Medi-Cal for low-income individuals whose eligibility is not determined using the modified adjusted gross income (MAGI)-based financial methods, the California legislature directed the Department of Health Care Services (DHCS) to implement a two-phased approach to increase and eventually eliminate the asset limits for these populations. Effective July 1, 2022, Phase I will apply a disregard of \$130,000 in nonexempt property for a single Medi-Cal enrollee and \$65,000 for each additional household member, up to a maximum of ten members. As directed under California State [Assembly Bill 133](#) (AB 133; Sec. 364; [Welfare and Institutions Code § 14005.62](#)), and consistent with Section 1902(r)(2) of the Social Security Act, DHCS submitted a [State Plan Amendment \(SPA\) 21-0053](#) to CMS on August 31, 2021 to implement the specified resource disregard to increase the asset limits for most non-MAGI coverage groups, effective July 1, 2022. CMS approved SPA 21-0053 on November 21, 2021. Effective January 1, 2024, Phase II will eliminate the asset test for non-MAGI Medi-Cal programs. DHCS has not yet submitted a SPA for Phase II to CMS.

Because the authority to apply disregards under Section 1902(r)(2) authority is limited to certain enumerated coverage groups, SPA 21-0053 for Phase I does not apply to “Deemed SSI groups,” specifically those mandatory Medi-Cal eligibility groups comprised of individuals who would be eligible for Medicaid if they were receiving Supplemental Security Income (SSI) and/or state supplementary payments (SSP) but are no longer receiving such payments and are thus “deemed” eligible for Medi-Cal. These Deemed SSI groups are described in more detail below. The same will be true of the future SPA to eliminate asset limits during Phase II for the Deemed SSI groups.

To assure access for individuals in the Deemed SSI groups and to provide parity with the asset disregard policy for populations covered under SPA 21-0053, this Demonstration Amendment seeks authority to implement a resource disregard for Deemed SSI groups of \$130,000 for a single individual and an additional \$65,000 per household member, up to a maximum of 10 household members. In preparation for Phase II (elimination of the asset test) and in order to address all legislative requirements, DHCS is also seeking authority to eliminate the asset test limits for non-MAGI Medi-Cal programs for the Deemed SSI population via this demonstration amendment, as Phase II also falls within the five-year demonstration period. This amendment promotes the objectives of the Medicaid program to improve coverage for low-income populations.



Summary of Current CalAIM Section 1115 Demonstration

On December 29, 2021, CMS approved the California Advancing & Innovating Medi-Cal (CalAIM) demonstration. This five-year demonstration authorized the renewal of components of the state's prior Medi-Cal 2020 Section 1115 demonstration, in addition to new authorities, to continue advancing the State's goal of improving health outcomes and reducing health disparities for Medicaid and other low-income populations in the State. Building on the successes of the Medi-Cal 2020 demonstration, California has moved to implement whole person care strategies statewide through the State's CalAIM 1915(b) managed care delivery system and moved other aspects of the Medi-Cal 2020 demonstration into the Medi-Cal State Plan. The CalAIM Section 1115 demonstration initiatives include:

- Renewing the Global Payment Program (GPP) to streamline funding sources for care for California's remaining uninsured population with a renewed focus on addressing social needs and responding to the impacts of systemic racism and inequities on the uninsured populations served by California's public hospitals.
- Authorizing Community Supports services- recuperative care and short-term post-hospitalization housing.
- Authorizing the Providing Access and Transforming Health (PATH) Supports expenditure authority to (1) sustain, transition, and expand the successful Whole Person Care (WPC) Pilot and Health Home Program (HHP) services initially authorized under the Medi-Cal 2020 demonstration as they transition to become Enhanced Care Management (ECM) and Community Supports and (2) sustain justice-involved pre-release and post-release services provided through existing WPC pilots and support Medi-Cal pre-release application planning and IT investments.
- Continuing short-term residential treatment services to eligible individuals with a substance use disorder (SUD) in the Drug Medi-Cal Organized Delivery System (DMC-ODS).
- Authorizing Contingency Management as a DMC-ODS benefit, to offer Medi-Cal beneficiaries this evidence-based, cost-effective treatment for substance use disorder that combines motivational incentives with behavioral health treatments.



Section II. Proposed Amendment

This Demonstration Amendment seeks authority to implement the resource disregard to increase the asset limit as of July 1, 2022 and subsequently eliminate the asset test as of January 1, 2024 for Deemed SSI groups. No other changes to the CalAIM demonstration are being requested at this time.

Summary of Proposed CalAIM Section 1115 Demonstration Amendment Features

This Demonstration Amendment seeks authority to implement the Phase I resource disregard and Phase II asset elimination specified in AB 133 for Deemed SSI groups. These groups include so-called Pickle, Disabled Adult Child(ren) (DAC) and Disabled Widow(ers) (DWW) eligibility categories. These are mandatory Medicaid eligibility groups made up of individuals who lost eligibility for SSI and/or SSP due to increases in their Social Security benefits. While individuals receiving SSI/SSP are automatically eligible for Medi-Cal, federal law specifies that for these three eligibility categories no longer receiving SSI/SSP, individuals are “deemed” to be eligible for Medicaid as if he or she was receiving SSI/SSP, even though the individual does not actually receive SSI/SSP.

There are not many individuals enrolled in these groups statewide, but the Deemed SSI-groups are an important Medi-Cal coverage category for individuals who have been discontinued from SSI/SSP. Because Section 1902(r)(2) disregards cannot be applied to the Deemed SSI categories, California is requesting an amendment to the CalAIM demonstration to secure authority to implement a resource disregard for Deemed SSI groups of \$130,000 for a single individual and an additional \$65,000 per household member, up to a maximum of 10 household members as of July 1, 2022, as well as asset test elimination for the same population as of January 1, 2024. This demonstration amendment promotes the objectives of the Medicaid program by helping to assure access to Medi-Cal services and reducing administrative complexity for a vulnerable population.

California is not seeking any other changes to the CalAIM demonstration and is not making any other changes to the benefits or delivery system applicable to these deemed SSI groups. Individuals whose eligibility determinations are impacted by the demonstration amendment will continue to receive services through the State’s fee-for-service delivery system.



Summary of Current Demonstration Features to Be Continued Under the Section 1115 Demonstration Amendment

California does not seek to modify any other features in the currently approved CalAIM Section 1115 demonstration. The demonstration will continue to operate pursuant to the STCs issued by CMS on December 29, 2021.

Eligibility

The demonstration amendment request to implement a resource disregard to increase the asset limit, and subsequently eliminate the asset limit, will affect non-MAGI, Deemed SSI groups as described in the chart below.

Eligibility Group Name	Social Security Act and CFR Citations
Individuals Who Would be Eligible for SSI/SSP but for OASDI COLA Increases Since April 1997 (also known as the "Pickle" group)	1939(a)(5)(E) Section 503 of Public Law 94-566 42 CFR 435.135
Disabled Widows and Widowers	1939(a)(2)(C) 1939(a)(2)(E) 1634(d) 42 CFR 435.137 42 CFR 435.138
Disabled Adult Children	1939(a)(2)(D) 1634(c)



Medicaid Delivery System and Covered Benefits

The State does not propose any changes to the Medicaid health care delivery system for individuals impacted by the requested amendment; the Deemed SSI enrollees will continue to receive services through the State's fee-for-service delivery system.

Individuals whose eligibility determinations are impacted by the demonstration will also continue to receive benefits through the State Plan; the State does not propose any changes to benefits for Demonstration enrollees.

Section III. Implementation of Amendment

As directed by AB 133, California is seeking to implement the resource disregard to increase the asset limits for deemed SSI groups effective July 1, 2021, as well as eliminate the asset test for the same populations effective January 1, 2024. The Phase I implementation date aligns with the implementation timeline for SPA 21-0053 and will assure consistent implementation of this policy. DHCS intends to submit a SPA in the future to eliminate the asset test for all other non-MAGI coverage groups, aligned with the Phase II implementation date outlined in this demonstration amendment request.

Section IV. Requested Waivers and Expenditure Authority

This amendment request is seeking the following waiver and expenditure authorities to implement the resource disregard to increase the asset limit and subsequently eliminate the asset test for deemed SSI groups. To the extent CMS advises DHCS that additional or different waiver and/or expenditure authorities are necessary to implement this amendment, or if additional eligibility groups not currently identified in this request require 1115 authority, DHCS hereby requests such authorities.

Waiver Authority

Comparability

Section 1902(a)(17)

To the extent necessary to enable the state to apply targeted resource disregards as of July 1, 2022, and eliminate the asset test as of January 1, 2024, for the Deemed SSI populations in a manner that is not applied consistently to all eligibility groups in the state.

Expenditure Authority

Expenditures for medical assistance furnished to individuals in the following Deemed SSI populations who are eligible only based on applying a targeted asset disregard as



specified in the STCs, as of July 1, 2022, and elimination of the asset test, as of January 1, 2024:

- i. The Pickle Amendment Group under section 1939(a)(5)(E) of the Act and 42 CFR 435.135;
- ii. The Disabled Adult Child under sections 1634(c) and 1939(a)(2)(D) of the Act; and
- iii. The Disabled Widow/Widower group under sections 1634(d), 1939(a)(2)(C), and 1939(a)(2)(E) of the Act and 42 CFR 435.137-138.

Section V. Financial Data

To identify the populations affected by this demonstration amendment request, DHCS used 2019 data of applicants for Non-MAGI Medi-Cal programs who were denied for excess assets and otherwise would have been eligible for one of these SSI Deemed groups. There are approximately 41,000 beneficiaries currently enrolled in the three Deemed SSI categories covered by this amendment. DHCS estimates that there would be 9 newly eligible SSI Deemed individuals due to the increase in asset limits to \$130,000 for an individual and \$65,000 for each additional household member (up to 10) as of July 1, 2022. DHCS estimates there would be an estimated 13 newly eligible individuals due to the elimination of the asset limit as of January 1, 2024 (includes number of Deemed SSI individuals who were denied for failure to provide information).

The Deemed SSI groups are a stable population with a minimal annual growth of 2%. This is due to the strict criteria they must meet in order to be eligible for these programs. Additionally, individuals historically only enter these Medi-Cal programs when SSI has been discontinued. The average amount of SSI discontinuances does not typically change from year-to-year so a sizeable increase to this population would be unlikely.

Therefore, DHCS estimates a starting monthly PMPM of \$980.84 in DY 18 and a 5-year demonstration cost of \$1,096,000. This estimate is based on the expected newly eligible population, factoring in projected annual population and rate growth for the five-year demonstration period.

Exhibit 1 includes a data analysis worksheet that identifies the specific “with waiver” impact of the proposed amendment for budget neutrality.



Section VI. Evaluation and Demonstration Hypotheses

Upon approval of this Demonstration amendment, California will work with CMS to develop an evaluation design plan consistent with the Special Terms and Conditions (STCs) and CMS policy. Proposed evaluation hypotheses for the new Demonstration amendment are included in the table below.

Demonstration Hypotheses

Hypothesis	Evaluation Approach	Data Sources
Increasing and subsequently eliminating the asset test will improve and maintain access to Medi-Cal for vulnerable populations	Analyze enrollment trends	Eligibility and enrollment data
Increasing and subsequently eliminating the asset test will promote continuous coverage and continuity of care for vulnerable populations	Analyze enrollment trends, coverage gaps, and utilization of services	<ul style="list-style-type: none"> • Eligibility and enrollment data • Utilization and claims data

Section VII. Oversight, Monitoring, and Reporting

Upon approval of this Demonstration amendment, California will monitor expenditures and submit reporting, including quarterly and annual monitoring reports, consistent with the STCs and CMS policy.

Section VIII. Compliance with Public Notice Process

California conducted extensive public notice and stakeholder consultation related to increasing, and then eliminating, asset limits for certain Medi-Cal populations. The state conducted stakeholder engagement as part of both the legislative process and development of the Section 1115 demonstration amendment, as described below.

California’s State [Assembly Bill 133](#) (AB 133; Sec. 364; [Welfare and Institutions Code § 14005.62](#)) directed the Department of Health Care Services (DHCS) to implement a



two-phased approach to increase and eventually eliminate the asset limits for low-income individuals whose Medicaid eligibility is not determined using the modified adjusted gross income (MAGI)-based financial methods. The concept was initially introduced through California's State [Assembly Bill 683](#) (2019) and [Assembly Bill 470](#) (2021), eventually evolving to the two-phased approach enacted under AB 133 as part of the budget process.

During the legislative process, the State held two legislative committee hearings in [February 2021](#) and June 2021, where the legislature solicited public input on the proposed policy approach of increasing and eliminating the asset test for these populations. [Briefing materials](#) from the February 2021 hearing include extensive detail about the proposed policies and note the possibility that a federal Medicaid waiver could be necessary with respect to certain coverage groups. There were public comment periods during these hearings, in which attendees could ask questions on the issue and its approach, and DHCS and/or the legislature respond to the questions or comments. Commenters noted that they appreciated the work of the Department and continued to express a desire to remove these limits given the concerns with how low the amounts were.

Beyond the legislative committee hearings, DHCS discussed the proposal to increase and eventually eliminate the asset set in over 36 meetings with stakeholders over the course of 2021 and in 2022. These stakeholder meetings included discussions with consumers; counties; county welfare directors; consumer, disability rights, nursing home, and other health care advocates; nursing home associations; and tribal stakeholders, among others. Most recently, DHCS highlighted its plans to seek a demonstration amendment as part of a February 17 [Stakeholder Advisory Committee \(SAC\)](#) meeting, February 24 [Quarterly Tribal Consultation](#) meeting, and February 25 [Tribal and Designee Medi-Cal Advisory Process Webinar on Proposed Changes to the Medi-Cal Program](#). DHCS received two public comments during the Quarterly Tribal Consultation meeting on February 24, both positive and supportive of the State's plan to increase the asset limit and subsequently eliminate the asset test for Deemed SSI groups; no public comments on the asset test amendment were received during the public meetings on February 17 or February 25.

Through these forums, stakeholders had the opportunity to comment in person or by sending written comments and to ask questions about the proposed asset test increase and elimination approach. DHCS documented these stakeholder questions and comments, and provided written and verbal responses. DHCS discussed the need for federal approval throughout these meetings and, once CMS provided technical assistance indicating that a waiver would be necessary (in addition to a SPA) to encompass the Deemed SSI groups, DHCS communicated its intent to request a Section 1115 demonstration amendment where SPA approval was unavailable.

Exhibit 1. Asset Test Amendment Budget Neutrality

	Trend Rate	DY 18	DY 19	DY 20	DY 21	DY 22
Member Months^{1,2}	2.00%	54	110	268	273	278
PMPM³	4.95%	\$980.84	\$1,029.39	\$1,080.34	\$1,133.82	\$1,189.94

¹ DHCS estimates there would be:

- Effective July 1, 2022, nine (9) newly eligible Deemed SSI individuals due to the increase in asset limits to \$130,000 for an individual and \$65,000 for each additional household member (up to 10).
- Effective January 1, 2024, thirteen (13) newly eligible individuals due to the elimination of the asset limit including Deemed SSI individuals who were denied for failure to provide information.

² The Deemed SSI groups are a stable population with a minimal annual growth of 2%. This is due to the strict criteria in order to be eligible for these programs. Additionally, individuals historically only enter these programs when SSI has been discontinued, and the average amount of SSI discontinuances does not typically change from year to year.

³ The 4.95% trend rate is consistent with the trend rate used in California’s Section 1915(b) waiver. The trend rate is not specific to this initiative but is, nonetheless, viewed to be a reasonable aggregate trend assumption for this purpose.

<i>Hypothetical Services/Populations</i>	DY 18	DY 19	DY 20	DY 21	DY 22	5-Year Total
Projected WOW Expenditures	\$52,965	\$113,233	\$289,531	\$309,533	\$330,803	\$1,096,066
Projected WW Expenditures	\$52,965	\$113,233	\$289,531	\$309,533	\$330,803	\$1,096,066