

**Budget Neutrality Narrative for Waiver Performance Program Extension**

The New York State Department of Health (DOH) is seeking approval of an 1115 waiver amendment to continue delivery system and payment transformation efforts for an additional four-year period. This waiver includes a funding extension request as outlined in the following table:

**Waiver Programmatic Breakout by Waiver Year (Total Computable \$ millions)**

Funded Program	Year 1	Year 2	Year 3	Year 4	Total
Demonstration Year	22	23	24	25	-
Waiver Performance	\$1,210	\$4,838	\$1,896	\$1,896	\$9,840
Waiver Administration	\$40	\$40	\$40	\$40	\$160
Workforce Development	\$0	\$1,000	\$500	\$500	\$2,000
Social Determinants of Health	\$0	\$1,200	\$900	\$900	\$3,000
Interim Access Assurance Fund	\$0	\$1,000	\$0	\$0	\$1,000
<b>Total</b>	<b>\$1,250</b>	<b>\$8,078</b>	<b>\$3,336</b>	<b>\$3,336</b>	<b>\$16,000</b>

As required for all 1115 waiver amendment applications, DOH has prepared the necessary Budget Neutrality documentation. Through this exercise, DOH has identified the following two considerations for discussion with CMS as part of the review process:

**1. Unearned Funding from the DSRIP Program to Fund Year 1 of Waiver Performance Program**

DOH is seeking CMS approval to leverage previously approved, but undistributed federal funding authority from the DSRIP program to fund the first year of Waiver Performance expenditures (\$1.25B seen in chart above). Current projections for the total undistributed funds from the DSRIP program show \$1.25B in undistributed funds. Leveraging these undistributed funds from the DSRIP program would fully cover the funding for the first year of the Waiver Performance Program.

**2. Spending for Years 2 – 5 of the DSRIP Program Counted Against Historical Savings**

The DSRIP program was approved as a reinvestment of the savings generated through initiatives implemented by the Medicaid Redesign Team (MRT). With the implementation of the new Budget Neutrality guidance, formalized in the August 2018 State Medicaid Director (SMD) letter, it would appear the use of savings from what had previously been approved has changed. Now, the expenditures for the DSRIP program are counted against the savings generated during the current demonstration period and not against the previous savings generated by the state. Under the new Budget Neutrality guidance, states will be limited to carrying forward only those savings generated under the most recent five years' demonstration period.

The State is requesting CMS consideration for the application of the historical savings generated from the previous demonstration periods to the spending for years two through five of the DSRIP program. This request would more appropriately align the spending for the currently approved DSRIP program as a reinvestment of historical savings as was agreed to under of the initial DSRIP amendment. This request would also ensure that New York is not disproportionately impacted by the application of new Budget Neutrality guidance that was not introduced until four years after the approval of the initial DSRIP waiver application.

The current Budget Neutrality calculations, excluding this proposed amendment, project the following savings for the current demonstration

**1115 Budget Neutrality Project Savings by Waiver Year (Total Computable \$ millions)**

Demonstration Year	18	19	20	21	22	Total Savings (DY18-DY22)
Projected Savings	\$1,459	\$892	\$1,733	\$2,933	\$5,576	\$12,594

However, if the expenditures associated with the current DSRIP program were to be counted against the historical savings generated in the prior demonstration period as noted in the narrative above, the savings for the current demonstration period would be projected as follows:

**1115 Budget Neutrality Project Savings by Waiver Year, DSRIP Expenditures Excluded (Total Computable \$ millions)**

Demonstration Year	18	19	20	21	22	Total Savings (DY18 – DY22)
Projected Savings	\$1,459	\$892	\$1,733	\$2,933	\$5,576	\$12,594
+ DSRIP Expenditures*	\$2,703	\$3,027	\$2,540	\$1,944	\$0	\$10,214
Revised Savings	\$4,162	\$3,919	\$4,273	\$4,877	\$5,576	\$22,808

\*Applied against historical savings generated from previous demonstration periods.

This consideration would allow New York to carry forward (prior to the approval of this proposed amendment) a projected \$22.8B in savings to the next demonstration period versus savings of \$12.5B if the initial DSRIP program spending was counted against the savings of the current demonstration period.