

**Supporting Statement – Part A**  
**Section 1115 Demonstration: Long Term Services and Supports and  
Other Service Models for Individuals with Disabilities and Chronic  
Conditions**  
**CMS-10412, OMB 0938-New**

**A. Background**

Long term care represents a significant share of Medicaid budgets and a substantial opportunity to improve care for beneficiaries while lowering costs. Under federal statute, nursing home services are mandatory and home and community-based services (HCBS) are optional, creating what has traditionally been known as “an institutional bias.” Despite the considerable progress States have made in recent decades to maximize opportunities for community living, most States are still striving to “rebalance” their long term service systems. Several States have successfully used 1115 demonstrations to “tip the institutional bias” within Medicaid by providing HCBS as a prevention measure rather than having to offer HCBS access only as an equivalent to institutional services.

**B. Justification**

**1. Need and Legal Basis**

Section 1115 of the Social Security Act provides the Secretary of Health and Human Services broad authority to authorize experimental, pilot, or demonstration projects likely to assist in promoting the objectives of the Medicaid statute. Flexibility under Section 1115 is sufficiently broad to allow states to test substantially new ideas of policy merit. States seeking interventions for individuals needing LTSS to lower costs, improve care and improve health can utilize the 1115 demonstration to test and deliver innovative services and approaches to better and more efficiently meet the needs of this population. States frequently seek to achieve better outcomes through improved care coordination, and reduced institutional and preventable hospital utilization for individuals with disabilities, individuals with chronic conditions, and individuals who are aging. Some States have chosen to deliver these services through managed care service delivery models. Section 1115 demonstrations provide a vehicle for innovations in both care delivery and payment methodologies.

The application for a section 1115 Demonstration must be submitted by the single state Medicaid agency. Proposals are subject to the Centers for Medicare & Medicaid Services (CMS), Office of Management and Budget (OMB), and Department of Health and Human Services (HHS) approval, and may be subject to additional requirements such as site visits before implementation. CMS does not have a specific timeframe to approve, deny, or request additional information on the proposal. Additionally, CMS usually develops terms and conditions that outline the operation of the demonstration project when it is approved.

Projects are generally approved to operate for a five-year period, and states may submit renewal requests to continue the project for additional periods of time. Demonstrations must be "budget neutral" over the life of the project, meaning they cannot be expected to cost the Federal government more than it would cost without the waiver.

2. Information Users

State Medicaid agencies are responsible for developing section 1115 demonstration applications and submitting them to CMS. CMS reviews the proposal to determine whether it is likely to promote the objectives of the Medicaid program. If the requirements are met, CMS approves the State's submission giving the State the authority to implement the demonstration.

3. Use of Information Technology

The forms are available in electronic format. We expect every submittal to be forwarded to CMS in an electronic format. The forms create streamlined and structured data, decreasing the time required by States to develop their submissions to CMS.

4. Duplication of Efforts

There is no duplication of similar information.

5. Small Businesses

There is no burden on small businesses.

6. Less Frequent Collection

Once a demonstration program is approved, there is no need to resubmit information during the approval period unless the State elects to change its program.

7. Special Circumstances

There are no special circumstances or impediments related to the proposed information collections.

8. Federal Register/Outside Consultation

The 60-day Federal Register notice published on September 30, 2011 (76 FR 60845). No comments were received.

9. Payments/Gifts to Respondents

There are no payments or gifts to respondents.

10. Confidentiality

Program submissions to CMS from States are public information, and there is no personal identifiable information collected in the documents. No assurance of confidentiality is provided to respondents.

11. Sensitive Questions

There are no questions of a sensitive nature.

12. Burden Estimates (Hours & Wages)

There is a universe of 56 potential respondents, including States and Territories. Although States have the option to submit demonstration proposals under Section 1115, they are not required to do so if they choose to operate their Medicaid program solely within the context of Title XIX Medicaid authority. However, it is possible that all 56 respondents could submit applications under this authority.

Each respondent would submit an application that would be approved for 5 years, meaning each respondent could provide two responses per decade. This means each respondent would respond 0.2 times per year ( $2 \text{ responses} \div 10 \text{ years} = 0.2 \text{ responses per year}$ ). This means the potential annual number of responses is 11.2 per year ( $56 \text{ respondents} * 0.2 \text{ responses} = 11.2 \text{ responses per year}$ .)

The estimate of time involved for completing the application for the Section 1115 demonstration is 40 hours. In the above scenario, each State could spend 40 hours to produce 0.2 responses per year, resulting in 8 hours per year per respondent ( $40 \text{ hours} * 0.2 \text{ responses} = 8 \text{ hours}$ ) or 448 total hours ( $8 \text{ hours per year per respondent} * 56 \text{ respondents}$ ).

To complete and return the templates, we estimate an average cost of \$40 per hour, which is equivalent to the 2011 base salary of a GS-14 Step 1 Federal employee and a comparable position to State employees likely responsible for completing and returning the templates. Under the above scenario, the annual cost is \$320 per respondent ( $\$40 \text{ per hour} * 8 \text{ hours}$ ) or \$17,920 total ( $\$320 * 56 \text{ respondents}$ ).

13. Capital Costs

There are no capital costs associated with this information collection.

14. Cost to Federal Government

There is no cost to the Federal government.

15. Changes to Burden

This is a new collection.

The subject template of this PRA request reduces burden on the States applying for Section 1115 demonstration authority for long term supports and services. Prior to the development of this form, no standardized template existed. Each State who wanted to apply for this authority created long narrative applications. This form streamlines the process by offering structured data and upfront policy guidance to States about specific options in the application, reducing the amount of time required by each State applicant to create an application and engage in interactive and ongoing dialogue with CMS after the application is submitted.

16. Publication/Tabulation Dates

There are no plans to publish the information for statistical use.

17. Expiration Date

CMS does not oppose the display of the expiration date.

18. Certification Statement

Exception to the certification statement is not requested.