2028-2032 1115 Demonstration Extension Request Summary

September 2026

On September 14, 2026, the Massachusetts Executive Office of Health and Human Services (EOHHS) posted a request to extend the MassHealth Section 1115 Demonstration ("Demonstration") to the Centers for Medicare & Medicaid Services (CMS). Since 1997, the Demonstration has provided federal authority to advance health care delivery reforms, address whole-person health, improve quality health outcomes for MassHealth members, and drive provider accountability for the cost of care.

Under the current 2022-2027 demonstration, MassHealth has strengthened integrated, value-based care, holding providers accountable for the quality and total cost of care, and improving the integration of physical health, behavioral health, long-term services and supports, and other supports such as nutrition services to address the root causes of health problems and empower members to take control of their health. MassHealth's current Demonstration expires on December 31, 2027. We are requesting another five-year demonstration from January 1, 2028 – December 31, 2032.

The goals of the 2028-2032 Extension Request build upon successes from previous demonstrations. We intend to continue strengthening prevention, accountability, and value-based care to improve outcomes for members and advance the Commonwealth's health care affordability strategy, while ensuring responsible stewardship of state and federal resources.

Through the work outlined in this request, MassHealth will:

1. **Continue to promote value by improving access, quality, and efficiency;**
    - Continue MassHealth's value-based **ACO program**, maintaining core pillars of accountability for quality, member experience, and total cost of care, and emphasizing increased expectations for delivering value for the Commonwealth moving forward.
    - Offer new coverage of **Traditional Health Care Services** for members eligible to receive care at Indian Health Service (IHS) or tribal facilities.
        - Traditional healthcare services can include offerings like sweat lodges or smudging and are reimbursed at a 100% federal match (no cost to the Commonwealth).
    - Build on current efforts to incentivize hospitals to deliver value-based care in line with the Commonwealth's priorities through a new **Hospital Innovation and Healthy Communities Program (HIH-C),** which will include two components: 1) a Care Delivery Innovation (CDI) incentive program that will create accountability for more efficient acute care delivery, reduced avoidable

utilization, and enhanced health system coordination, and 2) a voluntary hospital global budget arrangement.
    - The CDI program will reward:
        - Care models that provide necessary acute care in the most appropriate, lowest-cost setting;
        - Tech-enabled interventions that empower patients to take control of their health; and
        - Hospital and ACO partnerships that target avoidable utilization.
    - Leveraging a **hospital global budget** model aligned with CMS' Innovation Center AHEAD model will drive delivery system reform across payers.
        - Hospital global budget sets a prospective budget for a limited subset of hospitals that incorporates (at least) inpatient and outpatient expenses.
- To maximize rebates from drug manufacturers and support stability for safety net hospitals, make 340B hospital access stabilization payments to enable hospitals to stop relying on 340B retail pharmacy margin.

2. **Strengthen innovative care delivery for primary care, behavioral health, and pediatric care, focusing on prevention, chronic disease management, and shifting the delivery system away from siloed, fee-for-service health care;**
    - Continue MassHealth's **primary care sub-capitation program**, which strengthens primary care through prospective capitation to support team-based, integrated care.
        - Support expansion of primary care capitation to include Medicare payments, aligned with the AHEAD model, and work with commercial payers to adopt capitation.
    - Continue **diversionary behavioral health and substance use disorder services** and care delivered in settings that qualify as institutions for mental diseases (IMDs).
        - Offer new coverage of Contingency Management, an evidence-based treatment for stimulant use disorder.
    - Continue **nutrition and tenancy supports** to address the root causes of chronic disease.
        - By addressing upstream drivers of health, these services have been proven to lead to decreased hospitalization and emergency department use, increase cost savings, and improve whole-person health.
    - Continue the **Reentry Demonstration Initiative**, which allows Medicaid coverage for certain individuals prior to release from incarceration to support the transition back to the community and re-connection to care.

- Discontinue Workforce Initiatives, authorized under the 1115 Demonstration (Student Loan Repayment and Nurse Practitioner Residency), as directed by CMS.[1]

3. **Support the Commonwealth's health safety net, including through ongoing, predictable funding for safety net providers with a continued linkage to accountable care.**
    - Maintain sustainable financing for the Commonwealth's health care providers through ongoing **Safety Net Care Pool** authority.
        - This will include continued authority for the Health Safety Net, Safety Net Provider Payments, and payments for IMDs and state-owned hospitals.
4. **Maintain near-universal coverage for all eligible Commonwealth residents.**
    - Maintain **premium assistance, Connector subsidies**, and **Medicare cost-sharing supports.**
    - Continue to cover expanded populations through programs such as **CommonHealth**, **HIV Family Assistance**, and **Medicare Savings Program**.
    - Continue policies to streamline eligibility processing, such as hospital presumptive eligibility and provisional eligibility for certain populations.
    - MassHealth will be required to **discontinue continuous eligibility** for justice-involved and homeless populations and **adjust retroactive coverage** from 3 months to 1 month or 2 months, per changes in federal policy.

Timeline
September 2026 – Post for state public comment
November 2026 – Submit extension request to CMS
January 2028 – Anticipated start date for new demonstration period

MassHealth's demonstration extension request reflects intensive and ongoing stakeholder engagement with sister agencies and stakeholders, including holding public meetings to provide opportunities for public engagement and verbal and written feedback, to inform policy design.

[1] CMS Letter, Section 1115 Demonstration Authority for Workforce Initiatives, https://www.medicaid.gov/resources-for-states/downloads/workforc-ltr-to-states.pdf