using a rate schedule jointly determined by DMAHS and the Division of Mental Health and Addiction Services. The two divisions would work together to operationalize this new service.

Subacute Psychiatric Rehabilitation Beds

A key policy goal of New Jersey's behavioral health system is to care for people with significant behavioral health needs within their community wherever possible and to avoid long-term placements in psychiatric hospitals or other institutions. Towards that end, New Jersey has created a system of subacute psychiatric beds, in partnership with several non-governmental inpatient behavioral health providers. These beds are designed as a medium-term bridge (typically limited to 30 days or less), to support a person's transition to an appropriate community placement. Subacute psychiatric care focuses on discharge planning to address the needs of the whole person, including connecting to clinically appropriate community supports, therapy, and housing opportunities. Absent these beds, individuals may remain in acute care hospitals for extended stays, or they may be referred for placement in state psychiatric hospitals, which typically have longer lengths of stay. Both of these alternatives are suboptimal from multiple perspectives. They may result in members not receiving the most appropriate care and support to allow them to return to the community as quickly as is safely possible. They may also unnecessarily consume limited resources in general acute care hospitals and state psychiatric hospitals.

Due to the prohibition of Medicaid fee-for-service funding for services provided within a Institute for Mental Disease,[27] New Jersey is currently supporting this level of care outside of Medicaid, using state-only funding and allowing only limited Medicaid managed care coverage as an "in lieu of" service. This puts the long-term viability of this successful clinical approach at risk, limits its reach, and creates a misalignment of incentives, given that the alternative of keeping individuals for long stays in an acute care hospital is Medicaid-reimbursable. As such, as part of our renewal application, New Jersey proposes to request expenditure authority to use Medicaid dollars to reimburse for care provided in subacute psychiatric beds. Such authority would be conditional on such beds being used exclusively to support further treatment and rehabilitative services that will improve an individual's readiness for discharge to the community and not as a placement or solution for individuals requiring longer-term institutional care. In light of this, we propose that this expenditure authority be conditional on subacute psychiatric care programs maintaining an average length of stay of less than 30 days. This proposal would be aligned with and support the focus on enhanced housing resources that we have described earlier in this paper.

Community Health Worker Pilot Program

DMAHS, in partnership with the New Jersey Department of Health and various external stakeholders, has identified Community Health Workers (CHWs) as a promising tool to enhance care coordination, address disparities, and improve outcomes for Medicaid beneficiaries. Various providers, funders, MCOs, and community-based organizations have already begun experimentation in this space in New Jersey. In order to support and advance this important

[27] See 42 CFR § 441.13

work, New Jersey requests expenditure authority as part of our renewal application to support a set of CHW pilots, to be administered by our MCOs in collaboration with DMAHS and the NJ Department of Health's Colette Lamothe-Galette Community Health Worker Institute.

In order to participate in this pilot, an MCO would need to submit a proposal to DMAHS to implement a pilot program. Each proposal will be required to include the following elements:

- **Target Population**: The target populations should be a clearly-defined subset of Medicaid enrollees, who can be identified using claims or related data. Appropriate target populations might include beneficiaries with certain diagnoses or with certain risk factors for adverse outcomes. Health equity will be an important consideration when establishing participation. For initial pilots, target populations could be limited to certain geographies or to patients of partner providers.

- **Intervention**: The interventions would be required to use CHWs to either offer care coordination services or to directly provide preventive or related services. MCOs would be required to submit detailed specifications on how the intervention would be delivered, including all necessary community or provider partnerships. Interventions would be expected to be scalable to the broader Medicaid population, should they prove successful.

- **Reimbursement methodology**: MCOs would be required to specify how CHWs and employing or affiliated providers would be reimbursed for services provided under the pilot.

- **Evaluation strategy**: MCOs would need to specify a strategy for evaluating the impact of their proposed pilots. DMAHS's strong preference would be that this strategy incorporate random assignment of beneficiaries to intervention and control groups. If this proves not feasible, an alternative strategy may be proposed. The evaluation strategy should also pre-specify which metrics or impacts would be used to define pilot success.

Once a pilot program has been proposed by an MCO and approved by DMAHS, services provided to Medicaid beneficiaries under the pilot would be eligible for Medicaid reimbursement. DMAHS would reimburse MCOs for such services through a separate direct payment, outside of the normal capitation payments. In order to limit the cost of such pilots, total Medicaid expenditures on this initiative would be limited to $5 million each year, equivalent to $25 million over the course of the renewal period.

Regional Health Hub Initiative

In 2020, New Jersey enacted legislation permanently establishing the Regional Health Hub program.[28] Building upon a previous Accountable Care Organization pilot program, this statute formally established a network of non-profit organizations based in local communities that work in close partnership with the State, with a focus on improving health outcomes, equity, and

[28] https://www.njleg.state.nj.us/2018/Bills/PL19/517_.PDF