

# About Section 1115 Demonstrations

Section 1115 of the Social Security Act gives the Secretary of Health and Human Services authority to approve experimental, pilot, or demonstration projects that are found by the Secretary to be likely to assist in promoting the objectives of the Medicaid program. The purpose of these demonstrations, which give states additional flexibility to design and improve their programs, is to demonstrate and evaluate state-specific policy approaches to better serving Medicaid populations.

On March 14, 2017, the Department of Health and Human Services and CMS issued a letter to the nation's governors affirming the federal government's partnership with states to improve the integrity and effectiveness of the Medicaid program for low-income beneficiaries. The letter encourages states to bring forward proposals designed to accomplish this, grounded in ideas that reflect the dynamics and culture of a state.

A core objective of the Medicaid program is to serve the health and wellness needs of our nation's vulnerable and low-income individuals and families. Traditional Medicaid approaches to serving this diverse and medically complex population have not always been effective at eliminating barriers to access and quality services, and often lack adequate focus on long-term health and independence. Section 1115 demonstration projects present an opportunity for states to institute reforms that go beyond just routine medical care, and focus on evidence-based interventions that drive better health outcomes and quality of life improvements.

In addition to supporting state-led innovations, demonstration projects provide important platforms for enhancing our understanding of the Medicaid program and the outcomes it is producing. CMS is committed to robust evaluation of demonstration projects in order to properly gauge their effectiveness. Where certain demonstrations may ultimately prove to be more successful than others, CMS views states' ability to test different approaches as an important tool for continuous improvement. States are invited to propose reforms that build upon the lessons of past demonstrations as well as novel approaches designed to promote Medicaid's objectives, such as reforms that would:

1. Improve access to high-quality, person-centered services that produce positive health outcomes for individuals;
2. Promote efficiencies that ensure Medicaid's sustainability for beneficiaries over the long term;
3. Support coordinated strategies to address certain health determinants that promote upward mobility, greater independence, and improved quality of life among individuals;
4. Strengthen beneficiary engagement in their personal healthcare plan, including incentive structures that promote responsible decision-making;
5. Enhance alignment between Medicaid policies and commercial health insurance products to facilitate smoother beneficiary transition; and
6. Advance innovative delivery system and payment models to strengthen provider network capacity and drive greater value for Medicaid.

CMS performs a case-by-case review of each proposal to determine whether its stated objectives are aligned with those of Medicaid. CMS also considers whether proposed waiver expenditures are appropriate and consistent with federal policies, including the degree to which they supplant state-only costs for existing programs or services and can and should be supported through other federal and non-Federal funding sources.

Demonstrations must also be "budget neutral" to the Federal government, which means that, during the course of the project, Federal Medicaid expenditures will not be more than Federal spending without the demonstration. [CMS policy](#) (PDF 453.97 KB) requires the demonstration's budget ceiling to be rebased using recent cost data and growth trends at every extension, and will also limit carry-forward of accumulated savings from one approval period to the next.

Generally, section 1115 demonstrations are approved for an initial five-year period and can be extended for up to an additional three to five years, depending on the populations served. States commonly request and receive additional 3-year extension approvals. Certain demonstrations that have had at least one full extension cycle without substantial program changes will be eligible for CMS' "[fast track](#) (PDF 111.36 KB)" review process for demonstration extensions. For more information on the fast track federal review process for section 1115 Medicaid and CHIP demonstration extensions, visit the [How States Apply](#) page.

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## About 1115 Demonstrations

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