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July 1, 2026

MEMORANDUM

MEMO NO.
QI-2613

TO: QUEST Integration (QI) Health Plan

FROM: Meredith Nichols MN
Med-QUEST Division Administrator

SUBJECT: FUND DISBURSEMENT GUIDELINES: SECTION 1115 DEMONSTRATION HEALTH-RELATED SOCIAL NEEDS (HRSN) INFRASTRUCTURE INVESTMENT

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COMMUNITY CAPACITY GRANT PROGRAM OVERVIEW

1. Background and Context

The purpose of this document is to outline requirements for Health-Related Social Needs (HRSN) infrastructure investments administered through Community Capacity Grants and to provide Quest Integration (QI) Health Plans with guidance on program parameters, responsibilities, operational requirements, and other details related to grant administration. The parameters described in this guidance align with approved Special Terms and Conditions (STCs) and applicable approval attachments as established by the Centers for Medicare & Medicaid Services (CMS) through Hawai'i's QUEST Integration Section 1115 Demonstration approval.

Through its Section 1115 Demonstration, Hawai'i has approval to administer two HRSN programs: Community Integration Services Plus (CIS+) and Nutrition Supports. These programs allow qualifying Medicaid beneficiaries to receive evidence-based, clinically-appropriate services that address housing and nutrition needs, respectively. To support implementation, Hawai'i's Med-QUEST Division (MQD) is authorized to invest Medicaid funding in infrastructure necessary to build provider and community capacity, strengthen service delivery systems, and support program sustainability. MQD's goals for these infrastructure investments are to:

- Build on existing community resources and develop new service delivery capacity.
- Support the tools, systems, and operational resources necessary for HRSN program implementation.
- Invest in durable infrastructure that promotes sustainability beyond the demonstration period.

MQD intends to use HRSN infrastructure funding to support three complementary investment strategies: (1) Community Capacity Grants to support individual provider needs; (2) shared community resource investments; and (3) operational infrastructure investments necessary to implement HRSN programs.

1. ***Community Capacity Grants (Focus of Guidance)*:** MQD will invest in organization-specific capacity building for community-based organizations through Community Capacity Grants administered by QI Health Plans. Under this model, community-based organizations that currently provide, or plan to provide, Medicaid HRSN services may apply for grants to develop the operational, workforce, and technological capacity needed to deliver services.
2. ***Shared Community Resource Investments*:** To further support community-based providers and members, MQD will use HRSN infrastructure funds to invest in shared

community resources, such as educational and technical assistance resources for HRSN providers and components of a statewide closed-loop referral system.

3. ***Operational Infrastructure Investments:*** MQD will use HRSN infrastructure funds to support statewide initiatives necessary to operationalize HRSN programs. This may include investments in activities, organizations, and processes that address shared operational needs for HRSN service delivery, such as establishing a fiscal intermediary for CIS+ Housing Expenses Support payments.

To support statewide investment in shared resources and operational infrastructure, MQD may administer funds for statewide investments directly or direct QI Health Plans to support coordination and administration of funding for statewide investments. Under MQD's direction, QI Health Plans will coordinate activities, engage vendors as appropriate, and disburse funds to advance MQD's HRSN priorities. In certain instances, MQD or QI Health Plans may also introduce separate procurement processes, applications, or solicit proposals to support specific statewide investments where vendors are needed (e.g., establishing a fiscal intermediary for CIS+ Housing Expenses Support payments).

MQD will work in collaboration with QI Health Plans and HRSN community partners to assess statewide needs, determine funding levels, and provide direction on funding priorities, funding mechanisms, and implementation approaches.

The sections that follow are limited to the administration of Community Capacity Grants and do not apply to broader HRSN infrastructure investments.

2. Applicant Eligibility

Consistent with CMS-approved protocols, Community Capacity Grants are intended to support community organizations with existing or planned roles as providers of Medicaid-covered HRSN services. QI Health Plans must review applications to determine whether applicants meet eligibility requirements and are appropriately positioned to support the development and implementation of Hawai'i's HRSN programs. Applicant eligibility does not guarantee that a funding request will be approved.

Eligible Organizations

The following community organizations are eligible to apply for and receive Community Capacity Grants:

- HRSN providers enrolled in Hawai'i's Online Kahu Utility (HOKU) system as an eligible HRSN provider type, as described in relevant guidance.

- Community organizations that are currently delivering similar or related services outside of Medicaid and intend to enroll in the HOKU system as one of the eligible provider types.
    - Applicants who are not yet enrolled in the HOKU system are only eligible to receive limited funding for specific pre-enrollment activities until they have enrolled in the HOKU system. Additional information on funding use limitations for this applicant type can be found in the **Allowable and Prohibited Funding Uses** section of this guidance.

Note on Eligible Organizations:

MQD recognizes that many types of community partners contribute to the broader HRSN ecosystem; however, **organizations that do not have a direct service provider role in Medicaid HRSN delivery may not apply for Community Capacity Grant funding**. This includes entities such as suppliers (e.g., farmers, housing landlords, utility companies) or other community partners whose involvement is indirect and is not subject to Medicaid oversight or reporting requirements. However, these entities may still benefit from Community Capacity Grant funding through allowable arrangements with eligible applicants.

Current or future HRSN providers may apply for funding to pay for support from other entities, as long as said support is within the allowable funding categories outlined in the **Allowable and Prohibited Funding Uses** section of this guidance document. For example, an applicant may request funding to pay for relevant technical assistance provided by another organization, but the organization providing technical assistance cannot itself apply for funding.

Minimum Criteria

Applicants must meet the following minimum eligibility criteria to receive Community Capacity Grant funding. At a minimum, QI Health Plans must confirm that the applicant has:

- Applied in accordance with the application process and timelines established by QI Health Plans.
- Submitted a complete application, including a budget request, in accordance with the standardized templates found in **Appendix A – Minimum Community Capacity Grant Application Content** and **Appendix B – Community Capacity Grant Budget Template** of this guidance document.
- Enrolled in or attested intent to enroll in the HOKU system as an eligible HRSN provider type.

- For applicants not yet enrolled in HOKU, attested that their organization does not appear on applicable federal or state exclusion lists, including:
    - Hawai‘i Provider Exclusions/Reinstatement List[1]
    - U.S. Department of the Treasury Office of Foreign Assets Control (OFAC) Sanctions Lists
    - Social Security Administration Death Master File (SSADMF)
    - System of Award Management (SAM) Exclusions Database
    - U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG) List of Excluded Individuals and Entities (LEIE)
- Attested intent to serve as an HRSN provider for at least one HRSN service.
- Demonstrated capability to provide one or more HRSN services delivered to Medicaid beneficiaries in Hawai‘i. For the purposes of this requirement, capability is defined as having either:
    - One (1) or more years of relevant experience providing HRSN, similar, or related services in Hawai‘i; ***OR***
    - Demonstrated experience operating in Hawai‘i for at least one (1) or more years and capacity to participate in the delivery of one (1) or more HRSN services.
- Demonstrated capacity to deliver culturally and linguistically appropriate services by:
    - Demonstrating a willingness and ability to draw on community-based values, traditions, and customs to devise strategies to better meet culturally diverse member needs, and to work with knowledgeable persons of and from the community in developing focused interactions, communications, and other supports.
    - Demonstrating a willingness to provide services to people of all cultures, races, ethnic backgrounds, and religions, including those with limited English proficiency and/or disabilities, and regardless of gender, sexual orientation, or gender identity, in a manner that recognizes, affirms, and respects the worth of the individual member and protects and preserves the dignity of each.
- Attested to financial stability, demonstrated through a current external audit indicating no material weakness or significant deficiencies that would impede responsible management of public funds.
    - **Note:** Applicants may submit a viable financial plan, as defined by QI Health Plans, if they do not have a current external audit (e.g., newly established organizations).
- Attested that requested Community Capacity Grant funding will not duplicate other federal, state, and local funding for the same purpose, including any funds used directly by the applicant or indirectly by a supporting entity.

[1] Additional information on Hawai‘i’s Provider Exclusion/Reinstatement List is available at https://medquest.hawaii.gov/en/plans-providers/provider-exclusion-reinstatement-list.html

3. Allowable and Prohibited Funding Uses

Allowable uses and funding parameters are designed to accommodate variation in providers' existing capacity and operational needs, while ensuring alignment with federal requirements and state priorities. Within these parameters, QI Health Plans are responsible for reviewing all funding requests to determine whether the proposed use is appropriate, reasonable, and aligned with the applicant's role in HRSN program implementation and MQD's priorities for the HRSN programs.

Allowable Funding Uses

Consistent with the Section 1115 Demonstration approval, Community Capacity Grants can be used to build organizational capacity within the following domains:[2]

- Business and operational practices
- Technology investments
- Workforce development
- Education and outreach

Table 1 includes examples of allowable funding uses within each domain. These examples are illustrative and are not intended to be an exhaustive list. Applicants may request funding for other activities, so long as the proposed uses align with the domains described above and within the CMS-approved protocols. If, during application review, a QI Health Plan is uncertain whether a proposed use of funds is allowable within these domains, the QI Health Plan may escalate to MQD for further review and guidance.

Alignment with allowable funding domains does not, on its own, guarantee grant funding approval. Additional guidance on the evaluation of applications is included in the **Application Evaluation Criteria and Award Parameters** section of this guidance document. MQD may also specify additional requirements or guidance, as appropriate, to further refine funding priorities over the course of the demonstration period.

Table 1: Community Capacity Grant Funding Domains and Example Uses

Funding Domain	Example Uses
Business and Operational Practices *Policies, procedures, and*	**Program Participation Assessment:** Limited funding for staff salary, payments to subcontractors, or other costs associated with assessing the feasibility of program participation and/or evaluating the costs and benefits of

[2] https://www.medicaid.gov/medicaid/section-1115-demonstrations/downloads/hi-quest-int-dmnstn-aprvl-01082025.pdf

operational infrastructure	program implementation. Activities may include staff or subcontractor time associated with, for example, organizational gap analyses, contract review or development, legal review, and financial impact analysis. **Policies or Workflow Development:** Staff salary, payments to subcontractors, or other costs associated with developing or updating policies and workflows needed to operationalize HRSN services, including: • Referral and service delivery • Billing, invoices, and claims submissions • Data sharing and reporting • Program oversight and monitoring • Member privacy and confidentiality **Equipment and Supplies:** Purchasing equipment or supplies needed to support the delivery of HRSN services (e.g., computers, tablets, office chairs, desks, etc.). **Administrative Support:** Staff salary or payments to subcontractors to provide administrative support such as billing support, revenue cycle management, data entry, program coordination, or other implementation support functions. **Program Startup Costs:** Staff salary, payments to subcontractors, or other costs associated with remittance processing or electronic fund transfer setup, clearinghouse setup/electronic data interchange enrollment, contracting, or other necessary costs to establish HRSN program processes and protocols.
Technology Investments *Systems, tools, and data infrastructure*	**Technology Systems:** Purchasing, configuring, or modifying technology to support HRSN program activities, such as: • HRSN billing • Claims submission • Service delivery documentation • Eligibility screening • Case management/referral tracking • Data sharing/care coordination • Analytics, reporting, and monitoring **Software Licensing/Subscriptions:** Purchasing licensing or subscriptions for software platforms integral to HRSN operations. **Technology-Related Services:** Staff salary, payments to subcontractors, or other costs associated with services

	needed to configure and implement systems, set-up information technology (IT) security/HIPAA compliance controls, or onboard/train staff on new, modified, or existing systems.
Workforce Development *Staffing and training*	**Staffing:** Staff salary, payments to subcontractors, or other costs associated with recruiting, hiring, and onboarding staff to support HRSN service delivery. **Required Training and Certification:** Staff salary, payments to subcontractors, or other costs associated with required training or certifications for staff participating in HRSN programs, such as: • Trauma-Informed Care training • Fair Housing training • The National Institute for Medical Respite Care (NIMRC) certification • The Food Is Medicine Coalition Medically Tailored Meal (MTM) accreditation **Optional Training and Certification:** Staff salary, payments to subcontractors, or other costs associated with optional trainings to strengthen service delivery, such as: • Certified Specialist of Inspection – National Standards for the Physical Inspection of Real Estate (CSI-NSPIRE) accreditation • Cultural competency training • HRSN program specific training on privacy, confidentiality, documentation, screening, referral, or reporting **Training Development:** Staff salary, payments to subcontractors (e.g., subject matter experts on HRSN implementation and service delivery), or other costs associated with developing training materials. **Conferences:** Costs associated with attending conferences and convenings relevant to workforce development for HRSN service delivery. **Translation and Interpretation Services**: Staff salary, subcontractor payments, or other costs associated with translation or interpretation for HRSN implementation and service delivery.

Education and Outreach *Engagement and awareness*	**Education and Outreach Activities and Material Development:** Staff salary, payments to subcontractors, or other costs associated with developing materials or conducting outreach and education to, for example, increase awareness of HRSN services and referral pathways. **Administrative costs:** Administrative or overhead costs associated with outreach and education activities directly tied to HRSN program implementation (e.g., renting event spaces).

Note*:* Applicants not yet enrolled in the HOKU system may apply to receive funding covering the full scope of allowable activities but are ***only*** eligible to receive a one-time payment of up to $50,000 in funding associated with Program Participation Assessment, as described in Table 1 above, until they have enrolled in the HOKU system. QI Health Plans are responsible for ensuring that only applicants enrolled in the HOKU system receive funding covering the full scope of allowable activities. Additional information on funding request parameters can be found in the **Application Protocol** section of this guidance document.

Prohibited Funding Uses

At a minimum, Community Capacity Grants must not be used for any of the following:

- Activities for which other payments have been made, or will be made, by another federal, state, or local funding source for the same purposes
- Any project, activity, or workforce cost not associated with HRSN program development or implementation (e.g., staff time for non-HRSN responsibilities or services)
- Real estate investments or construction
- Capital expenditures or projects (e.g., industrial-grade refrigerators)
- Vehicles
- Costs incurred to cover ongoing financial losses
- Debt restructuring and bad debt
- Costs for defense and prosecution of criminal and civil proceedings or claims
- Donations and contributions
- Entertainment costs (e.g., receptions, parties, sporting events, etc.)
- Alcohol
- Fines and penalties
- Fundraising or investment management costs
- Goods or services for personal use
- Costs associated with idle facilities or infrastructure
- Interest expense
- Marketing materials not directly related to HRSN
- Lobbying

- Memberships and subscription costs not related to HRSN programs
- Patent costs
- Recurring insurance costs (e.g., liability or rental insurance)
- Individual-level incentives (e.g., commission or similar performance-based bonuses)
- Research grants or expenditures not related to HRSN program monitoring or evaluation
- Any other project, activity, or workforce cost outside the scope of allowable Community Capacity Grant funding uses

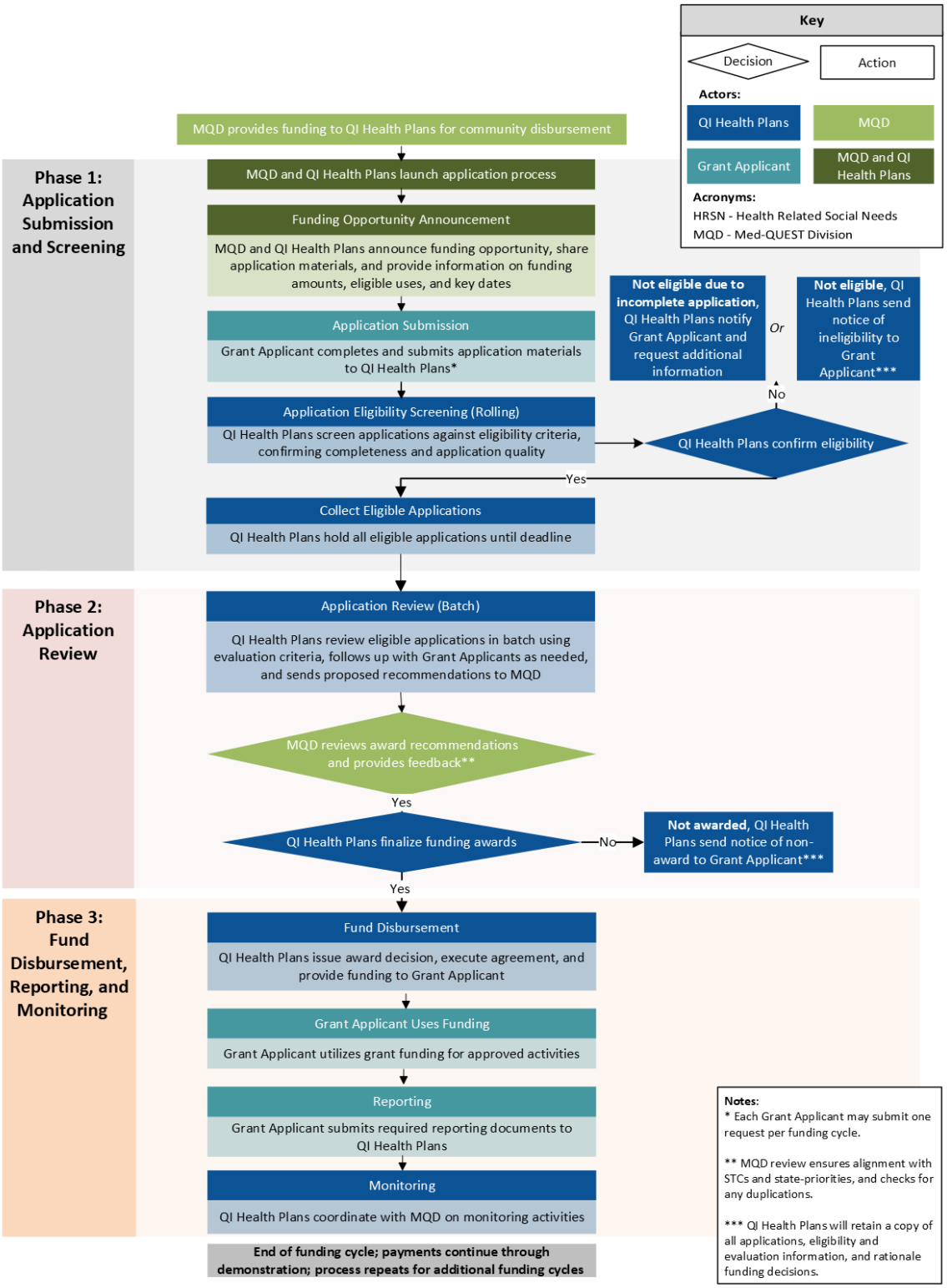
QI Health Plans must deny funding requests that include any prohibited uses. If a QI Health Plan or MQD determines through post-award monitoring or other oversight activities that grant funds have been used for prohibited purposes, MQD will require appropriate corrective action. Corrective action may include recoupment of improperly spent funds or termination of the award. Additional information on post-award monitoring is included in the **Preventing Fraud, Waste, and Abuse** section of this guidance document.

FUND DISBURSEMENT OPERATIONS

4. Community Capacity Grant Administration Process

Figure 1 below outlines MQD's intended process for administration of Community Capacity Grants.

Figure 1. Community Capacity Grants Administration Workflow



5. Roles and Responsibilities

QI Health Plans are responsible for administering Community Capacity Grants with MQD oversight. QI Health Plans must collaboratively develop and maintain a centralized grant administration process for application submission and screening, application review, award determination, fund disbursement, and post-award reporting. This process must align with the roles and responsibilities outlined in this section and the workflow included in the **Community Capacity Grant Administration Process** section of this guidance.

In developing and operating a centralized process, QI Health Plans must coordinate with MQD and with each other, as applicable, to support consistent implementation of Community Capacity Grants and to ensure administrative activities and payments to community organizations are not duplicative.

The roles and responsibilities described in this section apply regardless of the specific centralized administrative process used, including if any function is delegated jointly to a third-party entity. If QI Health Plans collectively decide to delegate any responsibility, QI Health Plans remain fully accountable for ensuring that all delegated functions are conducted in accordance with this guidance and applicable federal and state regulations.

Education and Outreach Responsibilities

MQD and QI Health Plans share responsibility for education and outreach for Community Capacity Grants. These activities must ensure that community organizations are informed about eligibility requirements, submission requirements, application timelines, and other relevant program details.

MQD is responsible for providing QI Health Plans with advance notice of key program information, including application and award timelines, available funding amounts, and other information needed to support coordinated outreach (e.g., website updates, newsletter blasts, etc.) prior to application launch.

QI Health Plans are responsible for supporting the MQD coordinated outreach efforts as applicable, in addition to communicating any additional operational or administrative details needed to support application submission and grant administration – such as application format and submission method.

Application Submission and Screening Responsibilities

QI Health Plans are responsible for collectively establishing and operating a centralized application submission process consistent with MQD guidance and the parameters included in the **Application Protocol** section of this document.

QI Health Plans must collect all applications submitted during a specified application window in a centralized location. QI Health Plans may screen applications for completeness and eligibility on a rolling basis during the application window. If an application is incomplete, QI Health Plans must notify the applicants regarding the incomplete status, specify the missing information, and request additional information as appropriate. QI Health Plans should provide technical assistance to help applicants submit complete applications and address deficiencies identified during the application review.

If an applicant is deemed ineligible for a reason other than application completeness, QI Health Plans must issue a notice of ineligibility, including reason for the determination, consistent with the **Applicant Eligibility** section of this guidance document.

QI Health Plans must retain all applications received, notices of incomplete applications or ineligibility, and written documentation for eligibility determinations.

Application Review and Award Determination Responsibilities

QI Health Plans must review all complete and eligible applications and associated funding requests. Application reviews must be consistent with evaluation domains, prioritization considerations, and award parameters included in the **Application Evaluation Criteria and Award Parameters** section of this document.

QI Health Plans must evaluate each application and associated funding request and develop proposed recommendations to approve, partially approve, or deny funding for each request listed in the application budget. QI Health Plans may request clarification or additional information from applicants, as needed, to support review and decision-making. QI Health Plans must document all proposed recommendations, including the rationale for partial approvals or denials, and submit to MQD a consolidated packet of proposed recommendations encompassing all applications received during the application window.

MQD will provide input on QI Health Plans' proposed recommendations within the timeline established by MQD. Upon receipt of MQD feedback, QI Health Plans will finalize award decisions. QI Health Plans may revise proposed recommendations to reflect MQD input or to support equitable disbursement of available funding, as needed.

QI Health Plans must notify all applicants of final award decisions, including partial awards and denials, and should indicate in notices that all award decisions are final and may not be

appealed. QI Health Plans must retain all application evaluation materials and rationales for final funding decisions.

Fund Disbursement Responsibilities

MQD will distribute Community Capacity Grant funds to QI Health Plans for disbursement to awarded community organizations. QI Health Plans are responsible for timely disbursement of awarded funds to community organizations in accordance with approved award amounts and requested expenditure timelines. QI Health Plans must also ensure that fund disbursement is coordinated in a manner that prevents duplication of payments across funding cycles.

Post-Award Monitoring and Reporting Responsibilities

Awarded community organizations are responsible for appropriate, compliant fund expenditure and must report on fund usage to QI Health Plans in accordance with **Preventing Fraud, Waste, and Abuse** section of this document. QI Health Plans must maintain documentation of post-award monitoring activities. QI Health Plans may request additional information or impose additional reporting requirements, as needed.

MQD and QI Health Plans share responsibility for monitoring Community Capacity Grant fund usage to prevent fraud, waste, and abuse (FWA). QI Health Plans will share relevant data with MQD to support state oversight and must escalate any potential instances of FWA for further investigation and corrective action, as needed. MQD may direct QI Health Plans to suspend or terminate funding in cases of confirmed FWA and may recoup funds, as necessary.

Additional requirements for post-award reporting and monitoring are included in the **Post-Award Reporting and Monitoring** section of this document.

Summary of Roles and Responsibilities

Table 2 summarizes MQD, QI Health Plan, and Grant Applicant responsibilities across key tasks for administration of Community Capacity Grant administration.

Table 2: Ongoing Grant Administration Responsibilities

Task	MQD Role	QI Health Plans Role	Grant Applicant Role
Education and Outreach	**Responsible:** Provide key program information, including minimum application questions and budget templates, award timelines, available funding amounts, and	**Responsible:** Collectively finalize application materials that align with MQD's minimum application questions and budget templates and determine centralized	**May support:** Share information with community partners, as appropriate.

	other program information to support coordinated outreach.	submission format and method. Conduct education and outreach to promote awareness of funding availability, eligibility requirements, application times, and submission requirements.	
Application Submission and Screening	**May support:** Provide guidance to QI Health Plans, as needed, to confirm applicant eligibility.	**Responsible:** Collect and screen applications to ensure applicant eligibility. Issue notices of incomplete applications or ineligibility, if necessary. Retain applications, screening and evaluation materials, and rationale for funding decisions.	**Responsible:** Complete and submit application materials using final templates.
Application Review and Award Determination	**Responsible**: Review QI Health Plan recommendations and provide input.	**Responsible:** Evaluate funding requests, request additional information as needed, develop initial recommendations, finalize and share final award decisions with applicants.	**May support:** Provide clarification or additional information to QI Health Plans, as requested.

Fund Disbursement	**Responsible:** Disburse grant funding to QI Health Plans for disbursement to awarded community organizations.	**Responsible:** Disburse award funding to community organizations.	**Responsible:** Deploy and track grant award funds in alignment with approved application and budget template
Post-Award Monitoring and Reporting	**Responsible:** Conduct oversight activities, potentially complete spot audits, coordinate action in cases of fraud, waste, or abuse, as needed.	**Responsible**: Collect required post-award reports; coordinate data sharing with MQD, monitor fund usage, escalate potential instances of fraud, waste, and abuse to MQD.	**Responsible:** Establish and maintain systems to track fund utilization in alignment with reporting requirements. Submit routine funding usage reports. Participate in additional monitoring or audit activities, as requested.

PROGRAM PARAMETERS

6. Application Protocol

Application Submission Process

MQD will establish a minimum of two funding cycles, each with defined application submission windows. Eligible community organizations may submit applications only during an open application window. QI Health Plans will collect applications in a centralized location on an ongoing basis during each application window. Applications submitted outside of an established application window will not be accepted.

To apply to receive Community Capacity Grants during a funding cycle, applicants must submit a completed application and corresponding budget that reflects the minimum content described in **Appendix A – Minimum Community Capacity Grant Application Content** and **Appendix B – Community Capacity Grant Budget Request Template** of this guidance document. QI Health Plans may include additional application questions, as needed to support evaluation of applications, and may determine the format and method of submission for applications and budget requests (e.g., emailing to a shared QI Health Plan inbox or submitting

through an electronic portal) as long as the minimum content described in the appendices is included in any final materials.

Applicants may only submit one application and receive one award per application window. If an application is incomplete upon initial submission, applicants may address identified deficiencies and resubmit the application after being notified by the QI Health Plan.

All award decisions should be considered final and non-appealable. Applicants who are not awarded funding, or who would like to request additional funding later, may apply in subsequent funding cycles. QI Health Plans must consider any prior awards to ensure funding is not duplicative and is justifiable in the context of prior funding received. Evaluation of applications must align with the **Allowable and Prohibited Funding Uses** and the **Application Evaluation Criteria and Award Parameters** described in this guidance document.

Joint Applications

Joint applications are permitted, with one applicant listed as the lead entity. In these instances, applicants will need to provide adequate details in their application and budget template that articulate how funding will be utilized and shared amongst the co-applicants, and how activities will be coordinated among the partner organizations. All co-applicants must meet the eligibility criteria described in the **Applicant Eligibility** section of this guidance document and may not separately apply for or receive Community Capacity Grant funding if applying through a joint application. In submitting a joint application, the lead entity remains responsible for the accuracy of information submitted and compliance with Community Capacity Grant requirements and other state and federal regulation.

Funding Request Requirements

Within the application and budget request, applicants must clearly identify the intended use of requested funds and their anticipated timeline for expending funds. All requested funds must fall within the allowable use categories outlined in the **Allowable and Prohibited Funding Uses** section of this guidance document and may not be used to retroactively reimburse expenses incurred prior to award approval. QI Health Plans may require additional documentation to support requested funding amounts, as needed to inform decision-making.

Applicants may request funding to support multi-year activities. QI Health Plans will distribute funding consistent with the applicant's projected expenditure timeline.

7. Application Evaluation Criteria and Award Parameters

QI Health Plans are responsible for reviewing and considering all applications submitted within an application window. The criteria and parameters described in this section are intended to support consistent application review, ensure appropriate use of funding, and promote alignment with the purpose of Community Capacity Grants.

QI Health Plans have reasonable discretion in determining whether funding requests are appropriate, reasonable, and aligned with the applicant's role in HRSN program implementation and the state's priorities. QI Health Plans must document the basis for all funding decisions, including approvals and denials, in alignment with the requirements outlined in the **Roles and Responsibilities** section of this document.

Evaluation Domains and Prioritization Considerations

Evaluation Domains

QI Health Plans must evaluate all applications across each evaluation domain listed below:

- Applicant Eligibility[3]: QI Health Plans must confirm that the applicant meets the eligibility parameters established in the **Applicant Eligibility** section of this document . QI Health Plans must deny funding to ineligible applicants.
- Allowability of Funding Requests: QI Health Plans must confirm that proposed activities and expenditures fall within allowable Community Capacity Grant funding uses and abide by funding use limitations established in the **Allowable and Prohibited Funding Uses** section of this document. QI Health Plans must deny any parts of funding requests that include prohibited uses.
- Alignment of Funding Requests with Community Capacity Grant Purpose: QI Health Plans must assess whether funding requests provide clear and well-supported justification for Community Capacity Grant funding and whether the proposed activities are intended to build organizational capacity necessary for HRSN service delivery and HRSN program implementation.
- Organizational Readiness and Feasibility[4]: QI Health Plans must evaluate whether the applicant demonstrates sufficient organizational capacity to carry out the proposed activities within the anticipated timeframe.
- Budget Reasonableness: QI Health Plans must assess whether requested costs are necessary and proportionate to the proposed capacity-building activities and expenditure timeline. Budget items must be adequately described and justified. Certain types of costs, such as technology investments, staff salary and fringe benefits, or

[3] QI Health Plans should review applicant eligibility on a rolling basis prior to batched application review to allow sufficient time to notify applicants of ineligibility or to request additional information if an application is incomplete.

[4] MQD's definition for organizational readiness may evolve as the demonstration continues. MQD will notify QI Health Plans if additional requirements for organizational readiness are implemented for.

physical items, may warrant heightened scrutiny to assess the scope, sustainability, and alignment with proposed activities. QI Health Plans may approve partial awards, modified budgets, or conditions as appropriate.

Prioritization Considerations

QI Health Plans are also encouraged to consider the following factors when prioritizing funding decisions. These considerations are intended to guide discretion and do not constitute eligibility requirements or binding award conditions.

- Population Served: QI Health Plans may consider whether the applicant serves, or proposes to serve, populations with historically limited access to services.
- Geographic Location: QI Health Plans may consider whether the applicant serves, or proposes to serve:
    - Rural or underserved regions
    - Areas where there are geographic gaps in HRSN provider or network coverage
    - Areas with limited HRSN service capacity relative to regional need
- Local Community Presence: QI Health Plans may consider whether an applicant demonstrates meaningful engagement with their local community, including partnerships with local organizations or suppliers (e.g., local farmers), and how the proposed activities may benefit their local community.
- Sustainability of Investment: QI Health Plans may consider whether the proposed activities are expected to produce benefits that extend beyond the demonstration period by supporting durable organizational capacity, investments that produce generational change, infrastructure, skills, or systems.

Award Parameters

MQD will establish an aggregate cap for each Community Capacity Grant funding cycle, in alignment with the Section 1115 Demonstration approval. In the event an aggregate funding cycle cap is reached, MQD will provide guidance to QI Health Plans on how to manage available funds, which may include approaches such as prioritization of certain funding request activities, proportional award adjustments, or other allocation methodologies.

QI Health Plans may approve partial awards, modified budgets, or impose conditions, as appropriate and consistent with the evaluation domains described in this document.

QI Health Plans must ensure that awards are reasonable, non-duplicable, and aligned with the HRSN program's goals. QI Health Plans should make reasonable effort to equitably distribute funding within each funding cycle to community organizations across services, geographies, and populations served; however, available funding is limited.

Award Modifications

Recipients may make reasonable modifications to proposed activities within their approved budget or projected expenditure timeline without prior approval, as long as the modification does not significantly alter the intended purpose of the awarded funding (e.g., substituting comparable equipment or software for items with similar cost and purpose, reallocating funding for staff time to another staff position that will conduct similar HRSN activities to those proposed in an application, etc.).

Significant modifications to funding use (e.g., funding entirely new activities, reallocating funding intended for software to fund staff time, etc.) or timelines require prior approval from QI Health Plans before a recipient may implement these changes.

The total approved award amount is fixed. Increases to the overall approved award amount are not permitted within a funding cycle, but modifications may include reallocation of funds across approved budget categories within the total approved award amount. Independent of whether the modification does or does not alter the intended purpose of the awarded funding, any change of more than 10% of the total budget will require review and approval.

QI Health Plans must document approval or denial of significant modification requests and notify recipients of decisions within 15 business days of receiving a request. QI Health Plans may determine the appropriate process and method of submission for significant modification requests and approvals within these parameters.

All modified uses and timelines must comply with the requirements outlined in this guidance and be reported in accordance with the **Post-Award Reporting and Monitoring** section, regardless of whether prior approval was required.

Recipients may carry forward unspent funds each year, provided that all funds are expended on approved activities within the demonstration period (ending December 31, 2029). Funds not expended by this time may be recouped by the state.

Funds used for purposes or in manners other than those approved may be subject to recoupment by the State.

Conflict of Interest Safeguards

QI Health Plans must maintain and enforce written conflict-of-interest policies applicable to all staff or contractors involved in the review, selection, award, and administration of funding. Such policies must require disclosure of any actual or potential conflicts of interest and provide for appropriate mitigation, including recusal from all stages of the process to include from decision-making where a conflict exists.

QI Health Plans may not award funding in a manner that results in self-dealing or preferential treatment. Documentation demonstrating compliance with conflict-of-interest requirements must be retained and made available to the state upon request.

POST-AWARD REPORTING, MONITORING, AND EVALUATION

8. Preventing Fraud, Waste, and Abuse

MQD is committed to maintaining strong program integrity and ensuring full compliance with all applicable federal Medicaid statutes, regulations, and demonstration requirements. All Community Capacity Grant activities must align with Title XIX of the Social Security Act and implementing regulations, except where specific provisions have been expressly waived or identified as not applicable. This includes requirements related to the identification, investigation, and referral of suspected fraud, waste, and abuse (FWA). Consistent with federal requirements, MQD will maintain effective systems and safeguards to prevent, detect, and address FWA in the administration of Community Capacity Grants under the Section 1115 Demonstration and will provide CMS with documentation of these systems upon request. MQD takes these responsibilities seriously and has made program integrity a core component of Medicaid program design and operations. This commitment is reflected in an existing, well-established approach to program integrity that governs activities across the program. For example, as described in detail in Section 12 of the State's QI Health Plan contract, managed care plans are required to implement and operationalize robust compliance programs, including designated compliance officers, formal compliance plans, and governance structures that elevate compliance oversight. Plans must routinely monitor their operations and submit detailed reports to the State on addressing FWA, including actions taken in response to suspected or confirmed misconduct. These requirements are complemented by State-led provider screening and enrollment processes and established procedures to investigate and refer potential fraud or abuse, including coordination with law enforcement when appropriate. Importantly, these existing program integrity expectations apply fully to the Community Capacity Grant initiative.

Building on this strong foundation, MQD will implement enhanced monitoring and oversight for Community Capacity Grant administration, consistent with CMS expectations for heightened internal controls. Minimum requirements for post-award reporting, data sharing, monitoring, and escalation of potential FWA are described in the **Post-Award Reporting and Monitoring** and **Program Evaluation** sections of this guidance document. However, MQD also promotes a culture of accountability in which all partners share responsibility for safeguarding program resources. All entities participating in this initiative – including QI Health Plans, HRSN Providers, and other community organizations – are expected to actively support program integrity efforts by maintaining effective internal controls, monitoring for potential FWA, and promptly reporting concerns through MQD's established channels.

9. Post-Award Reporting and Monitoring

Minimum Reporting Requirements

MQD will establish reporting periods in alignment with Community Capacity Grant funding cycles. During each reporting period, QI Health Plans must ensure that awarded community organizations report fund utilization and must develop a standardized process for collecting the minimum required information.

At a minimum, community organizations must report on the following:

- Amount of Community Capacity Grant funds spent during the reporting period and cumulatively;
- Specific activities and items supported by grant funding during the reporting period, including any modifications to initially proposed activities;
- Any delays to the approved expenditure timeline, including the reason for the delay; and
- Confirmation that the funding has not duplicated other federal, state, or local funding.

QI Health Plans must submit collected data, as well as information on applications, application review, and awardees to MQD to support program monitoring, CMS reporting, and evaluation of the Section 1115 Demonstration. MQD will work with QI Health Plans post-implementation to develop a standardized reporting form for submission of data to MQD.

QI Health Plans may not alter any information reported by awarded community organizations. QI Health Plans may return data submissions to awardees for correction or clarification as needed.

Post-Award Monitoring

QI Health Plans must routinely review reported fund utilization data to identify potential irregularities and must escalate any suspected instances of FWA to MQD within 14 days of discovery.

Examples of irregularities that must be escalated include, but are not limited to:

- Use of funds inconsistent with approved activities or budget, unless formally approved, including:
    - Salary or fringe costs for staff who are no longer employed by the organization or for roles not included in the approved budget
    - Workforce or operational cost not tied to approved HRSN activities
    - Technology or equipment used for purposes outside the approved scope
    - Payments to supporting entities beyond the approved scope
    - Costs incurred outside the approved expenditure period, including retroactive expenses

- Missing, unaccounted-for, or unsupported expenditures
- Use of funds for unallowable or prohibited purposes
- Failure to submit required reports or submission of incomplete reports
- Changes in provider type or organizational status that may affect eligibility or compliance

In these instances, MQD will direct QI Health Plans to take appropriate corrective action, which may include, but is not limited to, technical assistance to help the recipient to correct the non-compliance, development and oversight of a remediation plan, suspension, termination, recoupment of funding, or referral to law enforcement, as appropriate.

MQD may also conduct spot audits to ensure that Community Capacity Grant funds are used and reported appropriately. QI Health Plans and awarded community organizations are required to participate in audit activities and provide required documentation. MQD and/or its partners will evaluate fund utilization in relation to the goals of the Community Capacity Grant initiative and the broader HRSN programs. MQD or partners may request additional information from QI Health Plans or grant awardees to support evaluation activities.

10. Program Evaluation

MQD contracts with the University of Hawai'i Social Science Research Institute (UH SSRI) to conduct independent program evaluation for Section 1115 Demonstration Waivers to assess the efficacy of new programs under the demonstration. As part of their evaluation, UH SSRI will evaluate what HRSN infrastructure is developed through Community Capacity Grants and how this infrastructure supports HRSN implementation. UH SSRI's evaluation activities will be linked to the broader HRSN program evaluation and will take place in accordance with CMS evaluation requirements and the Section 1115 Demonstration Evaluation Design. The Evaluation Design will be shared upon approval by CMS.

To support UH SSRI's evaluation, QI Health Plans and awarded organizations, as a condition of award, must engage in and facilitate any data collection activities initiated by the UH SSRI evaluation team, such as participating in interviews, focus groups, on-site visits, or surveys.

APPENDIX CONTENT

Table 3: Appendix Content

Location	Title	Description
Appendix A	Minimum Community Capacity Grant Application Content	The minimum content that must be included in the Community Capacity Grant Application developed by QI Health Plans. These questions

		are designed to gather key information on applicant eligibility, organizational background, and rationale for proposed expenditures. QI Health Plans may determine the application format and method of submission of the application and may include additional questions to support evaluation consistent with the **Application Evaluation Criteria and Award Parameters** section of this guidance document.
Appendix B	Community Capacity Grant Budget Template	An Excel-based budget template for detailed itemization of activities and requested amounts. The budget template must be submitted by Community Capacity Grant applicants as part of their application.