

Medicaid Transformation Demonstration

Transforming the way care is delivered and paid for in Washington

Washington State and the Centers for Medicare and Medicaid Services (CMS) have finalized an agreement on a five-year demonstration that supports the goals of Healthier Washington—better health, better care, and lower costs.

Under the terms of the Medicaid Transformation demonstration, the state will receive up to \$1.5 billion in federal investment in return for rewarding high-quality care, taking a person-centered, holistic approach to care, partnering with communities to address social determinants of health, and holding down cost increases.

This demonstration sets a course for the nearly 1.9 million people in Washington who get their health care coverage through Medicaid (Apple Health). It reflects a collaborative effort to create a streamlined health system, created with input from health care leaders, providers, community advocacy groups, public health, and citizens.

Why is it called a demonstration?

The demonstration is the result of a “Section 1115 waiver,” a contract between federal and state governments that waives certain requirements, as long as the state can *demonstrate* that it will spend its dollars effectively. Under the demonstration, the state can use Medicaid funds for innovative projects, activities, and services that otherwise would not be eligible for Medicaid funding. It is not a grant; the state must show that it will not spend more federal dollars on its Medicaid program than it would have spent without the waiver.

Medicaid transformation goals

- **Reduce avoidable use of intensive services and settings**—such as acute care hospitals, nursing facilities, psychiatric hospitals, traditional long-term services and supports, and jails.
- **Improve population health**—prevention and management of diabetes, cardiovascular disease, mental illness, substance use disorders, and oral health.
- **Accelerate the transition to value-based payment**—using payment methods that take the quality of services and other measures of value into account.
- **Ensure that Medicaid cost growth is below national trends**—through services that improve health outcomes and reduce the rate of growth in the overall cost of care.

Paying for value

Value is where affordable, transparent costs meet appropriate high-quality care. The federal government and states across the nation recognize that the key to controlling costs and fostering health is to transform the health care delivery model to reward providers and health plans for value.

Investments in the demonstration will help us spend our Medicaid dollars more wisely by rewarding providers and health plans based on the quality of care people receive and its effect on their health, rather than the number of procedures and services provided.

We know these changes can be challenging. That’s why much of the demonstration’s focus will be on supporting providers and plans as they transition to these new delivery and payment systems.

These goals will be achieved through three initiatives.

Initiative 1: Transformation through Accountable Communities of Health

This initiative will provide communities with financial resources to improve the Medicaid health system at the local level. Each region, through its Accountable Community of Health (ACH), will pursue projects aimed at transforming the Medicaid delivery system, specific to the needs of their region, to serve the whole person and use resources more wisely. These projects will be aimed at:

- **Health systems and community capacity building**—*supporting financial sustainability through value-based payment; workforce development, and improvements in population health management, including data collection and analytic capacity.*
- **Care delivery redesign**—*integrating physical and behavioral health care; improving care coordination; making better transitions between services and settings; and improving diversion interventions.*
- **Prevention and health promotion**—*Focusing on opioid use, maternal and child health, access to oral health services, and chronic disease prevention and management for Medicaid beneficiaries.*

This is not a grant. ACHs and their partners will receive funds only after they meet identified goals. In the early years, payments will be made for meeting process milestones. Later, payments will be based on improvements in outcomes. For more information, visit the [Medicaid Transformation Initiative 1](#) page on the Healthier Washington website.

Initiative 2: Long-term Services and Supports

The state will create a “next generation” system of care that supports families in caring for loved ones. This system is focused on delaying or avoiding more intensive long-term services and supports (LTSS) when possible, creating better linkages within the health care system, and continuing a commitment to a robust LTSS system for those who need it. These services will be provided by two new limited benefit packages—Medicaid Alternative Care (MAC) and Targeted Supports for Older Adults (TSOA). For details, go to the [Medicaid Transformation Initiative 2](#) page on the Healthier Washington website.

Initiative 3: Foundational Community Support Services

Targeted supportive housing and supported employment benefits will be available to Medicaid enrollees who are most likely to benefit. Initiative 3 is built around the growing body of evidence linking homelessness and unemployment with poor physical and mental health. While Medicaid funds cannot be used to provide housing or jobs, supportive services can promote stability and positive health outcomes while preventing homelessness and dependence on costly medical and behavioral health care, and long-term institutional care. To learn more, go to the [Medicaid Transformation Initiative 3](#) page on the Healthier Washington website.

Stay informed

- Visit the [Medicaid Transformation](#) page.
- Join the Healthier Washington Feedback Network and receive regular updates and announcements of upcoming webinars—sign up on the How to Participate page at www.hca.wa.gov/hw.
- Send questions and comments to medicaidtransformation@hca.wa.gov.

New State General Fund dollars will not be needed for waiver activities.
