

Maintenance Level

M2-EK Medicaid Transformation Waiver

Agency Recommendation Summary Text

The Health Care Authority (HCA) requests a decrease of \$22,262,000 and an increase of 5.5 FTEs in the 2018 Supplemental to align with projected expenditures for Initiative 1 and 3 under the Medicaid Transformation Waiver, as recently approved by the federal Centers for Medicare and Medicaid Services (CMS). The waiver does not call for any expenditure of state general funds.

Fiscal Summary

Initiative 1 and Initiative 3:

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 001-C GF-Medicaid	\$55,088,000	(\$52,164,000)	\$18,957,000	\$51,068,000
Fund 001-7 GF-Local	\$14,669,000	(\$39,855,000)	(\$15,522,000)	(\$26,759,000)
Total Cost	\$69,757,000	(\$92,019,000)	\$3,435,000	\$24,309,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	4.0	7.0	7.0	7.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund 001-C GF-Medicaid	\$55,088,000	(\$52,164,000)	\$18,957,000	\$51,068,000
Fund 001-7 GF-Local	\$14,669,000	(\$39,855,000)	(\$15,522,000)	(\$26,759,000)
Total Revenue	\$69,757,000	(\$92,019,000)	\$3,435,000	\$24,309,000
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. E – Goods & Services	\$74,740,000	\$(92,843,000)	\$12,447,000	\$36,305,000
Obj. N – Client Services	\$(4,983,000)	\$824,000	(\$9,012,000)	(\$11,996,000)

Package Description

HCA is requesting updates to federal and local appropriations as those originally provided are not in alignment with current anticipated spending. Additionally, the HCA is requesting 4.0 FTEs in fiscal year 2018 and 7.0 FTEs in fiscal year 2019 to support the Medicaid Transformation Waiver, including transitioning five State Innovation Model (SIM) grant-funded positions to the waiver. We are requesting FTE authority only. Expenditures in other areas of the waiver have decreased to support these additional staffing costs.

The FTE request and specific workload association are outlined below:

Project Manager (WMS02) – 0.25 FTE in FY 2018 and 1.0 FTE in FY 2019

- Provide project management support
- Manage project plans for the waiver

Healthier WA Connector (WMS02) – 0.25 FTE in FY 2018 and 1.0 FTE in FY 2019

- Provide agency coordination between project management, policy, and program staff

Medical Program Specialist 3 (MPS3) – 2.25 FTEs in FY 2018 and 3.0 FTEs in FY 2019

- Support policy implementation, stakeholdering, translation between policy and operations, and maintenance and evaluation of transformation initiatives.

Community Transformation Manager (WMS03) – 0.25 FTE in FY 2018 and 1.0 FTE in FY 2019

- Manages the Office of Health Innovation and Reform including functions necessary for health systems transformation

Tribal Liaison (WMS02) – 1.0 FTE

- Waiver liaison with tribes and Indian health care providers, explaining the transformation initiatives – both current and changing – to tribes and Indian health care providers;
- Participate in meetings of tribes and Indian health care providers to help them understand policy and program changes, to understand their concerns and needs, and develop policies or adjustments to policies that balance tribal and Indian health care concerns and needs with agency needs;

Expenditures under the waiver's three initiatives fund (1) incentive-based payments for transformation projects designed to achieve sustainable goals of better care, better health and lower cost for the state's Medicaid population; (2) new services and supports for family caregivers that help people stay at home and avoid the need for more intensive services; and (3) supportive housing and supported employment services for those who are most vulnerable and have complex care needs.

Washington State received an agreement in principle from CMS for a five-year "Section 1115" Medicaid waiver demonstration. This will allow the HCA to make investments that help spend Medicaid dollars wisely and lead to a healthier Washington. Community providers will be the foundation for Medicaid transformation. Initiative 1 is intended to build incentives for providers who are committed to changing how the HCA delivers care. Primary care and behavioral health providers, hospitals, social service agencies, and other community partners all have a part to play in building a system that improves health outcomes. Initiative 2 provides long-term services and supports to enable people to be cared for at home instead of in more intensive service settings. Initiative 3 provides supportive housing and supported employment services to high-need populations. While the waiver agreement will be held by the HCA, initiatives 2 and 3 will be administered by DSHS.

Revenue and expenditure projections are based on assumptions pertaining to the number of potential transformation projects and the number of those potentially eligible for services under Initiatives 2 and 3—all within the context of the total budget amount expected to be negotiated with CMS. The expenditure breakdown is based on an analysis and recommendations by an external consultant (OTB Solutions), informed by interviews with agency representatives and comparisons to other states (notably New York) that have successfully negotiated 1115 waivers.

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Decision Package Justification and Impacts

Performance Measure Detail:

Activity Inventory

H005 HCA National Health Reform

What specific performance outcomes does the agency expect?

HCA expects to improve the quality and value of health care, and improve the health of, the 1.8 million Medicaid beneficiaries it serves in the state of Washington by achieving the following goals:

- Reduce avoidable use of intensive services and settings
- Improve population health
- Accelerate the transition to value-based payment
- Ensure that Medicaid per-capita cost growth is below national trends

What alternatives were explored by the agency and why was this option chosen?

Through the Section 1115 Medicaid waiver, the federal government has provided states with a unique opportunity to obtain federal funds for the purpose of delivery system transformation. Like several other states, Washington elected to respond to this opportunity by submitting a proposal in August 2015. The waiver opportunity aligns perfectly with the goals of Healthier Washington and CMS—achieving the “triple aim” of better care, better health and lower cost. No comparable alternative exists that allows the state to pursue these goals with the same size and scope.

What are the consequences of not funding this request?

HCA doesn't currently have enough federal and local expenditure authority to take full advantage of the Medicaid waiver demonstration. Therefore, the state will lose an opportunity to accelerate the transformation of Medicaid that was initiated by the Governor and Legislature as Healthier Washington and launched with the State Innovation Model (SIM) grant.

How has or can the agency address the issue or need in its current appropriation level?

Transformational work will continue as part of Healthier Washington, including:

- Integration of physical and behavioral health care
- Payment model reform
- Development of Accountable Communities of Health

- Performance measure development
- Value-based payment requirements in Medicaid contracting
- Assistance to providers through the Practice Transformation Support Hub

These activities receive support from the SIM grant.

Provide references to any supporting literature or materials:

None

Base Budget

If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.

This request does not propose to expand or alter the current program.

Expenditure, FTE and Revenue Assumptions, Calculations and Details:

Federal expenditures are estimated based on the expected results of negotiations with CMS regarding Medicaid savings that will accrue over the five-year demonstration period from the transformation activities proposed. The waiver does not commit GF-State expenditures. Workload (FTE) estimates are based on an analysis conducted by OTB Solutions based on interviews with agency leaders and experience from other states (notably New York) that have undertaken similar waivers.

Fiscal impacts for the out years assume that the appropriations in fiscal year 2019 carries forward to fiscal years 2020 and 2021 (biennialization).

Impacts to Communities and Other Agencies

Fully describe and quantify expected impacts on state residents and specific populations served.

The expenditure authority requested in this proposal will allow HCA to improve the delivery and increase the value of services provided to the state's 1.8 million Medicaid beneficiaries. With its focus on transformation, the waiver gives Washington the opportunity to develop better integrated, sustainable services focused on improved health outcomes, in a manner that bends the cost curve for the Medicaid program. By incorporating the state's nine ACHs, the waiver assures that the projects undertaken will be responsive to regional needs while assuring that best practices can ultimately be incorporated into the design of Medicaid service delivery across the state. Estimates of the waiver's potential impact are informed by the work of the Research and Data Analytics section of the Department of Social and Health Services.

What are other important connections or impacts related to this proposal?

Does this request have:

Regional/county impacts?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Other local government impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Tribal government impacts?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Other state agency impacts?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

Does this request:

Have any connection to Puget Sound recovery?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Respond to specific task force, report, mandate or executive order?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Contain a compensation change?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Require a change to a collective bargaining agreement?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Create facility/workplace needs or impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Contain capital budget impacts?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Require changes to existing statutes, rules or contracts?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Have any relationship to or result from litigation?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

If “Yes” to any of the above, please provide a detailed discussion of connections/impacts.

The Medicaid transformation waiver will have regional impacts in terms of the involvement of Accountable Communities of Health (ACHs). ACHs bring together leaders from multiple health sectors around the state with a common interest in improving health and health equity. There are nine ACHs that cover the entire state, with the boundaries of each aligned with the state’s Medicaid Regional Service Areas. The waiver also provides opportunities for Tribes to undertake transformation projects, either directly or in collaboration with their local ACHs.

Initiatives 2 and 3 of the waiver will be administered by the Department of Social and Health Services.

The introduction of new services under Initiatives 2 and 3 may require additional WAC language describing the services available and the eligible populations.

Information Technology (IT)

Does this request include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No



Yes

Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)