

Maintenance Level

M2-AM Federal Medicaid Transformation Waiver

Agency Recommendation Summary Text

The Health Care Authority (HCA) requests 15.0 FTEs and \$538,682,000 in the 2017-2019 biennium to align with projected expenditures under the Medicaid Transformation Waiver expected to be approved by the federal Centers for Medicare and Medicaid Services (CMS). The other funds represent public entities willing and financially able to contribute funds through an intergovernmental transfer. These public entities will partner with the regional Accountable Communities of Health (ACH) and play a role in transformation projects. The waiver does not call for any expenditure of state general funds. 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.

Fiscal Summary

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 001-C GF-Medicaid	\$139,798,000	\$202,792,000	\$189,248,000	\$191,375,000
Fund 001-7 GF-Local	\$57,349,000	\$138,743,000	\$142,127,000	\$159,827,000
Total Cost	\$197,147,000	\$341,535,000	\$331,375,000	\$351,202,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	15.0	15.0	15.0	15.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund 001-C GF-Medicaid	\$139,798,000	\$202,792,000	\$189,248,000	\$191,375,000
Fund 001-7 GF-Local	\$57,349,000	\$138,743,000	\$142,127,000	\$159,827,000
Total Revenue	\$197,147,000	\$341,535,000	\$331,375,000	\$351,202,000
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. A – Salaries	\$1,116,000	\$1,116,000	\$1,116,000	\$1,116,000
Obj. B – Benefits	\$377,000	\$377,000	\$377,000	\$377,000
Obj. C – Contracts	\$162,179,000	\$292,556,000	\$277,851,000	\$296,077,000
Obj. E – Goods & Services	\$33,470,000	\$47,481,000	\$52,026,000	\$53,627,000
Obj. G – Travel	\$5,000	\$5,000	\$5,000	\$5,000

Package Description

Washington has submitted an application to the Centers for Medicare and Medicaid Services (CMS) for a five-year “Section 1115” Medicaid waiver demonstration. This will allow us to make investments that help us spend our 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 we deliver 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 the Department of Social and Health Services (DSHS) with funding provided to DSHS through an interagency agreement.

Revenue and expenditure projections are based on assumptions about 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.

The total requested GF-Federal appropriation is in addition to the carry forward level of \$147,551,000 per year.

Savannah Parker, Financial Services: 360.725.1321 or savannah.parker@hca.wa.gov

Decision Package Justification and Impacts

Performance Measure Detail:

Activity Inventory:

H005 HCA National Health Reform

What specific performance outcomes does the agency expect?

The 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 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?

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.

The proposal is for new activity for which the HCA does not have an appropriation to support.

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.

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 the 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 DSHS.

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.)