State Demonstrations Group

March 26, 2021

MaryAnne Lindeblad
Medicaid Director
Health Care Authority
626 8th Avenue SE
P.O. Box 45502
Olympia, Washington 98504-5010

Dear Ms. Lindeblad:

The Centers for Medicare & Medicaid Services (CMS) has completed its review of the Demonstration Year (DY) 3 Statewide Accountability Report (SWA) for Washington’s approved section 1115(a) demonstration entitled “Medicaid Transformation Project” (MTP) (Project No. 11-W-00304/0). CMS is approving the DY3 (January through December 2019) SWA as submitted on February 24, 2021. With this approval, the state may receive federal financial participation (FFP) for the at-risk Delivery System Reform Incentive Payment (DSRIP) funding for DY3. As described in Table 2 of the Special Terms and Conditions, the amount of at-risk DSRIP funding for DY3 is $11,795,000. Because Washington state and its providers met improvement goals for performance that are part of its DSRIP, the state may receive FFP for the full amount of DY3 at-risk DSRIP funding.

If you have any questions, please do not hesitate to contact your project officer, Ms. Diona Kristian, at 410-786-1102 or Diona.Kristian@cms.hhs.gov.

Sincerely,

[Redacted]
Angela D. Garner
Director
Division of System Reform Demonstrations

cc: Nikki Lemmon, State Monitoring Lead, CMS Medicaid and CHIP Operations Group
Statewide Accountability Report

Washington State Medicaid Transformation Project (MTP) Demonstration

Section 1115 Waiver

Demonstration Year: 3 (January 1 to December 31, 2019)
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Statewide accountability performance: demonstration year 3

In accordance with the Special terms and conditions (STCs), this report demonstrates Washington State’s performance across the defined Delivery System Reform Incentive Payment (DSRIP) statewide accountability components for demonstration year (DY) 3 (January – December 2019) of the Medicaid Transformation Project (MTP).

Statewide accountability components

The MTP STCs outline the parameters of DSRIP statewide accountability. The DSRIP Measurement Guide defines the statewide accountability measurement methodology. Starting in DY3, Washington State commits to demonstrating improvement and achievement of the following core components:

- Quality improvement: improvement and attainment of quality targets across a set of quality metrics.
- Value-based purchasing (VBP) adoption: improvement and attainment of defined statewide VBP adoption targets.

STC requirements

Required in DY3, a portion of DSRIP funding will be “at risk,” depending on Washington State’s advancement of VBP adoption and quality goals.

- **What this means:** if Washington State does not achieve the targets within the statewide accountability framework, the maximum available DSRIP funds will not be earned. The amount at risk is five percent in DY3 and increases to 20 percent in DY5.
  - Statewide performance across the ten quality measures determines 80 percent of the funding “at risk.”
  - Attainment of statewide VBP targets determines 20 percent of the funding “at risk.”
- Important caveat: As a minimum requirement for DSRIP funding, 100 percent of DSRIP funding will be at risk depending on whether Washington State achieved fully integrated managed care by January 2020. To comply with this requirement, at least two contracts for integrated managed care in each purchasing region must be effective as of January 1, 2020.

Quality improvement

The ten statewide accountability quality metrics align with other Washington State measure sets and contracts including: Apple Health managed care contracts, Statewide Common Measure Set, and pay-for-performance (P4P) metrics included in the Accountable Communities of Health (ACH) Transformation projects. A Quality Improvement (QI) model determines statewide performance across the quality metric set.

**Definition of achievement:** a QI composite score of 0.2 is required to receive full credit for the quality improvement component. This is the same threshold applied in the context of the QI Model used in Apple Health Managed Care contracts.

**Quality improvement performance**

View the brief narrative summarizing findings from the QI model in Appendix B for QI model and results.

VBP adoption

By the end of 2021 (DY5), 90 percent of total Medicaid managed care organization (MCO) payments to providers must be made through designated VBP arrangements for the state to secure maximum available DSRIP incentives.
**Definition of achievement:** statewide VBP adoption targets are consistent with Health Care Payment Learning and Action Network (HCP LAN) alternative payment model (APM) Categories 2C and above. VBP adoption performance is measured by two factors: improvement toward and achievement of the annual target. If the VBP adoption target is achieved, then the full VBP portion of the statewide accountability withhold is earned. If the target is not achieved, a portion of the withhold can still be earned based on the state’s improvement in VBP adoption from the prior year.

- **What this means:** in DY3, the VBP adoption goal is set at having 75 percent of all Medicaid MCO payments to providers made through designated VBP arrangements, increasing to 90 percent in DY5.
- **Important caveat:** designated VBP arrangements include those in Categories 2C and above in the HCP LAN APM framework.
- Washington State will determine whether VBP adoption targets have been met by leveraging the data and validation process as described in the managed care contracts used to determine MCO performance.

**VBP adoption performance**

VBP adoption performance score in the achievement of HCP LAN 2C-4B is set at 75 percent for DY 3. For the state to receive full VBP incentives for statewide accountability, ACHs needed to meet that target, or the improvement score (IS) methodology would be used to determine total incentives earned based on DY 2 performance and the target goal of DY 3.

The statewide performance score for DY 3 is 76.87 percent. Thus, meeting the target of 75 percent. With the current scoring methodology, the state overall VBP adoption score is 100 percent. Therefore, the state will earn 100 percent ($2,359,000) of the total at-risk dollars ($2,359,000) for DY 3, and total funds lost would be 0 percent. See a brief narrative summarizing state VBP achievement and improvement in Appendix C for the full calculation steps.

**Managed care integration**

Managed care integration is a foundational goal for Medicaid Transformation and characterized as a “statewide accountability quality metric” because all DSRIP incentives are at risk if statewide integration of physical and behavioral health does not occur by the January 2020 deadline.

Under the transformed system, MCOs are responsible for physical and behavioral health services for the Apple Health clients they serve. In addition, behavioral health administrative services organizations deliver crisis services that are available to all and manage regional functions, such as employing ombuds and managing a community behavioral health advisory board.

**Definition of achievement:** at least two contracts for integrated managed care in each purchasing region must be effective and beneficiary enrollment initiated as of January 1, 2020.

**Managed care integration status update**

As of January 1, 2020, the Health Care Authority (HCA) finished a multi-year effort to integrate physical health, mental health, and substance use disorder treatment services into one system for nearly 2 million Apple Health (Medicaid) clients.

**Statewide accountability composite score**

Eight of the ten quality measures contribute equal weight to the QI composite score (totaling 80 percent), with two measures splitting weight evenly. VBP adoption is weighted at 20 percent in recognition of its importance in the overall Medicaid Transformation effort and statewide value-based goals. The ten statewide accountability quality metrics were selected to align with other state measure sets and contracts including the managed care contracts, statewide common measure set, and P4P measures included in the ACH projects that can be accurately calculated at the regional level. HCA will adapt the QI model to determine statewide performance.
Composite score performance
The state’s performance towards the QIS measures has proven that the state met and exceeded the threshold expectations of 20 percent. There were six measures that either met the quality or improvement score baseline requirement, thus providing a measure composite score to be weighted for the total QIS. However, three measures did not improve from their previous baseline. Those measures received a zero in the measure composite score, contributing only as a weight percentage against the total QIS.

Table 1: statewide accountability at risk parameters

<table>
<thead>
<tr>
<th>DY3 DSRIP total earnable</th>
<th>DY3 DSRIP percentage at risk</th>
<th>DY3 DSRIP total at risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>$235,900,000</td>
<td>5%</td>
<td>$11,795,000</td>
</tr>
</tbody>
</table>

Table 2: statewide accountability assessment, DY3

<table>
<thead>
<tr>
<th>DY3 statewide accountability</th>
<th>Weight</th>
<th>Dollars at risk</th>
<th>Score</th>
<th>Full credit threshold</th>
<th>Percent earned</th>
<th>Dollars earned</th>
<th>Dollars Unearned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality improvement (QI)</td>
<td>80%</td>
<td>$9,436,000</td>
<td>0.74</td>
<td>0.20</td>
<td>100%</td>
<td>$9,436,000</td>
<td>$0</td>
</tr>
<tr>
<td>VBP adoption</td>
<td>20%</td>
<td>$2,359,000</td>
<td>0.77</td>
<td>0.75</td>
<td>100%</td>
<td>$2,359,000</td>
<td>$0</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>$11,795,000</td>
<td>-</td>
<td>-</td>
<td>100%</td>
<td>$11,795,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

HCA formally requests CMS review and approval of earned-at-risk DSRIP funding, according to statewide performance for DY3.
Attachment A: state contact

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chase Napier</td>
<td>Medicaid Transformation Manager</td>
<td>(360) 725-0868</td>
</tr>
</tbody>
</table>

For mail delivery, use the following address:

Washington Health Care Authority
Policy Division
Mail Stop 45502
628 8th Ave. SE
Olympia, WA 98501
Table 3: State performance - quality improvement component

<table>
<thead>
<tr>
<th>Source of Improvement (Quality Improvement Program)</th>
<th>1A. Antibiotic Medication Management (Initial Phase)</th>
<th>1B. Antibiotic Medication Management (Continuation Phase)</th>
<th>2. Medication Management for People with Asthma (5-15 Years)</th>
<th>3. Mental Health Treatment Penetration (0-18 Years)</th>
<th>4. All-Cause Emergency Department Visits per 1000 (All ages)</th>
<th>5. Plan All-Cause Readmission Rate (30 Days)</th>
<th>6. Substance Use Disorder Treatment Penetration (12-64 Years)</th>
<th>7. Well/Child Visits in the 3rd, 4th, 5th, and 6th Years of Life</th>
<th>8. Comprehensive Diabetes Care - Blood Pressure Control</th>
<th>9. Comprehensive Diabetes Care - Hemoglobin A1C (HbA1C) Control</th>
<th>10. Controlling High Blood Pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement Baseline Year/Measure Score (IS Baseline)</td>
<td>53.9%</td>
<td>55.8%</td>
<td>58.9%</td>
<td>52.4%</td>
<td>51.50</td>
<td>13.0%</td>
<td>31.0%</td>
<td>33.0%</td>
<td>63.6%</td>
<td>77.3%</td>
<td>23.7%</td>
</tr>
<tr>
<td>Mean (IS Baseline)</td>
<td>53.9%</td>
<td>55.8%</td>
<td>58.9%</td>
<td>52.4%</td>
<td>51.50</td>
<td>13.0%</td>
<td>31.0%</td>
<td>33.0%</td>
<td>63.6%</td>
<td>77.3%</td>
<td>23.7%</td>
</tr>
<tr>
<td>Target (IS &amp; IS)</td>
<td>63.6%</td>
<td>69.1%</td>
<td>75.0%</td>
<td>63.4%</td>
<td>63.4%</td>
<td>12.0%</td>
<td>32.8%</td>
<td>45.0%</td>
<td>78.3%</td>
<td>33.7%</td>
<td>72.0%</td>
</tr>
<tr>
<td>Source</td>
<td>NCQA</td>
<td>NCQA</td>
<td>NCQA</td>
<td>State</td>
<td>State</td>
<td>NCQA</td>
<td>State</td>
<td>NCQA</td>
<td>NCQA</td>
<td>NCQA</td>
<td>NCQA</td>
</tr>
<tr>
<td>Target Direction</td>
<td>Higher is better</td>
<td>Higher is better</td>
<td>Higher is better</td>
<td>Higher is better</td>
<td>Higher is better</td>
<td>Lower is better</td>
<td>Higher is better</td>
<td>Higher is better</td>
<td>Higher is better</td>
<td>Higher is better</td>
<td>Higher is better</td>
</tr>
<tr>
<td>Performance Measure Score</td>
<td>53.9%</td>
<td>55.8%</td>
<td>58.9%</td>
<td>52.4%</td>
<td>51.50</td>
<td>13.0%</td>
<td>31.0%</td>
<td>33.0%</td>
<td>63.6%</td>
<td>77.3%</td>
<td>23.7%</td>
</tr>
<tr>
<td>Q1 Weighting Factor</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Quality Score (QIS):
- Measure IS: Attainment
  - 0.01
- Measure IS: Span
  - 0.10
- Measure IS: Ratio
  - -0.07
- Measure IS: QI
  - 0.00

Improvement Score (IS):
- Measure IS: Attainment
  - 0.02
- Measure IS: Span
  - 0.12
- Measure IS: Ratio
  - 0.15
- Measure IS: QI
  - 0.22

Measure Composite Score
- 0.22
- 0.25
- 2.25
- 1.98
- 1.03
- 0.00
- 2.00
- 0.00
- 2.00

Measure Weight
- 4%
- 5%
- 11%
- 21%
- 11%
- 11%
- 11%
- 6%
- 10%

Quality Improvement Score (QIS): 0.74
QIS threshold for full credit: 0.20
Percent of at-risk funds associated with quality component earned: 100%
### Attachment C: value-based payment adoption

#### Table 4: Washington State VBP adoption performance

<table>
<thead>
<tr>
<th>Parameters</th>
<th>DY 1</th>
<th>DY 2</th>
<th>DY 3</th>
<th>DY 4</th>
<th>DY 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>VBP adoption target (HCP LAN 2C-4B)</td>
<td>N/A</td>
<td>N/A</td>
<td>75%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>VBP achievement - weight</td>
<td>N/A</td>
<td>N/A</td>
<td>50%</td>
<td>55%</td>
<td>60%</td>
</tr>
<tr>
<td>VBP improvement - weight</td>
<td>N/A</td>
<td>N/A</td>
<td>50%</td>
<td>45%</td>
<td>40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Achievement</th>
<th>DY 1</th>
<th>DY 2</th>
<th>DY 3</th>
<th>DY 4</th>
<th>DY 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement weight</td>
<td>N/A</td>
<td>N/A</td>
<td>50%</td>
<td>55%</td>
<td>60%</td>
</tr>
<tr>
<td>HCP LAN 2C-4B adoption target</td>
<td>30%</td>
<td>50%</td>
<td>75%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>HCP LAN 2C-4B adoption (actual)</td>
<td>49.7</td>
<td>65.68%</td>
<td>76.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achievement score</td>
<td>100%</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improvement</th>
<th>DY 1</th>
<th>DY 2</th>
<th>DY 3</th>
<th>DY 4</th>
<th>DY 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement weight</td>
<td>N/A</td>
<td>N/A</td>
<td>50%</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>Improvement percent</td>
<td>N/A</td>
<td>-100%</td>
<td>18%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Improvement score</td>
<td>N/A</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Result</th>
<th>DY 1</th>
<th>DY 2</th>
<th>DY 3</th>
<th>DY 4</th>
<th>DY 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>VBP adoption score</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>