



NOV - 4 2016

Administrator
Washington, DC 20201

Dan Tsai
Assistant Secretary
Executive Office of Health and Human Services
One Ashburton Place
11th Floor
Boston, MA 02108

Dear Mr. Tsai:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved your request to amend Massachusetts' section 1115 demonstration project, entitled MassHealth (Project Number 11-W-00030/1), effective November 4, 2016, through June 30, 2017. Concurrently, we also are approving an extension of the demonstration, effective from July 1, 2017, through June 30, 2022. The amendment and extension will support the Commonwealth's implementation of Accountable Care Organizations (ACOs). Massachusetts anticipates that ACOs will represent a transformative step forward for MassHealth, building a system of broad and integrated provider-led care delivery organizations operating in partnership with agencies delivering health-related community services.

Extension Beginning July 1, 2017

Under the extension, beginning July 1, 2017, Massachusetts will move forward with the implementation of a statewide ACO program, centered around three ACO models in which Massachusetts providers can choose to participate. Massachusetts' ACO models aim to improve integration of care, coordination among providers and the member experience of care, while reducing the rate of growth in the cost of care and in avoidable utilization, and while maintaining clinical quality and access. Massachusetts' three ACO models hold ACOs financially accountable for cost, quality and member experience. ACOs' financial accountability for cost will initially include covered physical health, behavioral health and pharmacy services. Massachusetts will introduce financial accountability for covered long-term services and supports (LTSS) during the demonstration and the Commonwealth expects this to take place on or about year three of the demonstration.

ACOs will be able to invest in certain approved community services that address health-related social needs and are not otherwise covered under Massachusetts' Medicaid benefit. All MassHealth ACOs will be required to form linkages to state-certified Community Partners of Behavioral Health and LTSS in order to receive infrastructure funding. These community partners will be empowered to support ACOs with care coordination and management for members with complex behavioral health and LTSS needs. Community partners will serve as resources not just to MassHealth ACOs but also to MassHealth MCOs, and will be integral parts of a more integrated, member-centered Massachusetts delivery system.

Massachusetts' three ACO models have different characteristics to accommodate variation among providers within the Massachusetts delivery system: (1) Accountable Care Partnership Plans are managed care organizations (MCOs), each with a closely and exclusively partnered ACO with which the MCO collaborates to provide vertically integrated, coordinated care under a global payment; (2) Primary Care ACOs are provider-led ACOs that contract directly with Massachusetts' Medicaid agency as Primary Care Case Management entities to take financial accountability for a defined population of enrolled members through retrospective shared savings and risk, and potentially more advanced payment arrangements; (3) MCO-administered ACOs are provider-led ACOs that contract directly with Massachusetts' Medicaid MCO contractors to take financial accountability for the MCO enrollees they serve through retrospective shared savings and risk. CMS is authorizing Massachusetts to contract with ACOs through these three models and to pay ACOs using upside and downside risk arrangements.

The new ACO options will be available for MassHealth beneficiaries who are currently required to enroll in either the MassHealth Primary Care Clinician plan or a MCO, currently nearly 1.3 million members out of MassHealth's total population of 1.9 million members. CMS is authorizing MassHealth to offer lower cost-sharing for beneficiaries who choose ACO or MCO enrollment, as an incentive for members to enroll in one of those two delivery systems. All cost-sharing amounts will be consistent with Medicaid statutory and regulatory limits.

This approval incorporates a Delivery System Reform Incentive Payment (DSRIP) program that supports the development of ACOs throughout the state. DSRIP funds will help providers transition towards new care delivery models, improve beneficiary care and experience, and strengthen provider capacity. CMS is approving \$1.8 billion over five years for the MassHealth DSRIP program. This funding will be available only for this period as a one-time federal investment in delivery system reform within Massachusetts and will end after the five-year DSRIP period. Over time, DSRIP funding will phase down as programs should be sustainable without ongoing federal incentive payments. Massachusetts' DSRIP funding expenditure authority is partially at risk, based on Massachusetts' performance on a range of metrics – including metrics related to reduction in the growth rate of costs of care, metrics related to quality and metrics related to ACO implementation.

Massachusetts will use DSRIP funds to support several key reform initiatives. One stream of DSRIP funds will support care coordination and infrastructure costs needed to transition to ACOs. A second stream will support Behavioral Health and LTSS Community Partners for development of infrastructure and implementation of care coordination activities and a third stream of funds will support specific state-wide initiatives intended to support ACO development. This third funding stream includes funding to support primary care providers employed at community health centers, support to providers for participation in alternative payment methodologies, investments to reduce the boarding of members with Substance Use Disorder (SUD) or mental illness in emergency departments, and to support provider investments in improved accessibility to medical care for people with disabilities.

Under the extended MassHealth demonstration, the state will restructure its safety net care pool (SNCP) funding, which will be subject to an aggregate cap of \$4.489 billion plus the provider cap for the Disproportionate Share Hospital-like (DSH-like) pool. This funding is apportioned

among three main categories: 1) payments for uncompensated care, including payments from the DSH-like pool and the Uncompensated Care (UC) Pool; 2) payments for time-limited incentive based pools, including DSRIP; and 3) payments for Health Connector subsidies. Expenditures from the DSH-like Pool will be expressly tied to Massachusetts's federal DSH allotment. Expenditures from the UC pool will phase down by July 2018 to a new level based on the CMS-measured level of uncompensated hospital care for the low-income uninsured, using costs reported on the Healthcare Cost Report Information System. In 2017-18 the uncompensated care pool will be set at a transitional level of \$212 million. The pool will be set at \$100 million each year beginning in July 2018, and will remain at that level during the remainder of the extension period. The uncompensated care pool funds are restricted to charity care for uninsured individuals, and the UC pool distribution must be aligned with CMS uncompensated care pool principles that are specified in the demonstration terms and conditions. These principles were set out in CMS's November 20, 2015, letter to Executive Office of Health and Human Services (EOHHS).

The demonstration also provides authority for the Commonwealth to continue to utilize a streamlined eligibility redetermination process to renew Medicaid enrollments for families who are enrolled in Supplemental Nutrition Assistance Program (SNAP). This streamlined redetermination process will be applied to new categories of beneficiaries, including certain non-pregnant childless adults and parents who are receiving SNAP benefits.

Amendment Effective Through June 30, 2017

Under the amendment, Massachusetts will implement a new pilot ACO program (the ACO Pilot) in state fiscal year (SFY) 2017, preparing for its implementation of a statewide ACO reform in SFY 2018 (running from July 2017, through June 2018). The ACO Pilot will allow MassHealth to begin the transition towards accountable care and population-based payments (and away from fragmented, fee-for-service care) with selected, experienced ACOs under an alternative payment methodology that includes shared savings and risk.

In addition, through this amendment, behavioral health services authorized under the demonstration have been expanded to strengthen Massachusetts' system of recovery-oriented SUD treatments and supports, with one of the goals being to address illicit and prescription opioid drug addiction. Massachusetts will implement a more comprehensive array of outpatient, residential inpatient and community SUD services to promote treatment and recovery. All full-benefit MassHealth beneficiaries will have access to the full continuum of expanded SUD services. Members will be eligible to receive these expanded SUD services regardless of the delivery system through which they receive care.

The amendment also makes a number of other changes to the demonstration. Eligibility for the CommonHealth Program will be expanded to working disabled adults over the age of 65, to ensure continued access to their existing care arrangements and to CommonHealth benefits. For people otherwise eligible for MassHealth and with available coverage through a Student Health Insurance Plan (SHIP), Massachusetts will have the authority to require enrollment in SHIPs and to provide benefits through a premium assistance program. MassHealth will wrap the student health insurance benefit as needed to ensure that eligible students receive equivalent care and pay

equivalent cost sharing relative to MassHealth coverage. The program provides for year-long continuous eligibility regardless of changes in student income or other circumstances, as long as the individual is a student. This provision is contingent on approval of a Medicaid state plan amendment to require enrollment in SHIPs. Finally, the demonstration includes federal support for cost sharing subsidies for Health Connector enrollees with incomes up to 300 percent of the FPL, in addition to premium subsidies for this population that were previously authorized.

The CMS approval of this MassHealth demonstration extension and amendment is conditioned upon continued compliance with the enclosed set of Special Terms and Conditions (STCs) defining the nature, character and extent of anticipated federal involvement in the project. The state may deviate from the Medicaid state plan requirements only to the extent those requirements have been waived or specifically listed as not applicable to the expenditure authorities.

This award letter is also subject to our receipt of your written acceptance of the award, including the waiver and expenditures authorities and STCs, within 30 days of the date of this letter. Your project officer is Mr. Eli Greenfield, who may be reached at (410) 786-6157 and through e-mail at Eli.Greenfield@cms.hhs.gov. Communications regarding program matters and official correspondence concerning the demonstration should be submitted to Mr. Greenfield at the following address:

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
Mail Stop: S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850

Official communications regarding program matters should be sent simultaneously to Mr. Greenfield and to Mr. Richard McGreal, Associate Regional Administrator in our Boston Regional Office. Mr. McGreal's contact information is as follows:

Centers for Medicare & Medicaid Services
JFK Federal Building
Room 2325
Boston, MA 02203
Telephone: (617) 565-1226
E-mail: Richard.McGreal@cms.hhs.gov

If you have questions regarding this approval, please contact Eliot Fishman, Director of the State Demonstrations Group in the Center for Medicaid & CHIP Services at (410) 786-9535.

Page 5 – Mr. Dan Tsai

The CMS looks forward to continuing work with your staff on future developments within your demonstration.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew M. Slavitt". The signature is fluid and cursive, with a long horizontal stroke at the end.

Andrew M. Slavitt
Acting Administrator