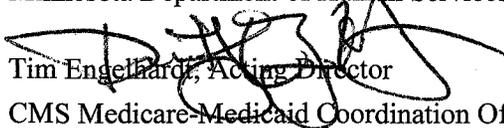




To: **Kay Ghahremani**, Associate Commissioner for Medicaid/CHIP
State of Texas, Health and Human Services Commission
Gretchen Hammer, Medicaid Director
Colorado Department of Health Care Policy and Financing; Medicaid & Child Health Plan
Jason Helgeson, State Medicaid Director, Deputy Commissioner
New York State Department of Health
Cindi Jones, Director
Virginia Department of Medical Assistance Services
Jennifer Kent, Director
California Department of Health Care Services
MaryAnne Lindeblad, Director
State of Washington, Health Care Authority
John McCarthy, Director
Ohio Department of Medicaid
Felicia F. Norwood, Director
Illinois Department of Healthcare and Family Services
Christian Soura, Director
South Carolina Department of Health & Human Services
Kathy Stiffler, Acting Medicaid Director
Michigan Department of Community Health
Daniel Tsai, Assistant Secretary for MassHealth
Massachusetts Department of Health and Human Services, Office of Medicaid
Marie Zimmerman, Medicaid Director
Minnesota Department of Human Services

From:  Tim Engelhardt, Acting Director
CMS Medicare-Medicaid Coordination Office

Date: July 16, 2015

In 2011, we began work together to develop new models of integrated care for people dually eligible for Medicaid and Medicare (Medicare-Medicaid beneficiaries). The first new demonstration began in July 2013, and today – thanks to the incredible work of so many people within your agencies – we have demonstrations underway in 12 different states. While several demonstrations just started serving beneficiaries in the last few months, there are already early signs of progress:

- Participation – Over 400,000 full-benefit Medicare-Medicaid beneficiaries are enrolled in either the capitated or managed fee-for-service financial alignment models. In some states, almost 50% of the eligible population is now enrolled in fully integrated systems of care.
- Assessments – For many individuals, a comprehensive assessment is the gateway to person-centered planning and active engagement. Over 150,000 individuals have participated in



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assessments upon demonstration enrollment. Only a small fraction of the population would have completed similar assessments in the absence of the demonstrations.

- Capacity – Health plans participating in the capitated model have hired over 2,500 care coordinators, in addition to making substantial investments in information technology and other care coordination infrastructure.

We are still striving to fully realize the vision for person-centered systems to serve Medicare-Medicaid beneficiaries, but we have never been closer than we are today. Please extend our thanks to all of your staff who have worked so hard to get us to this point.

Demonstration and Evaluation Timing

The long-term viability of the models we are currently testing depends on whether we are able to measure improvements in quality and overall cost savings. An evaluation of the quality of care furnished under the models and the changes in spending under the Medicare and Medicaid programs by reason of the models is also required by law. As you know, CMS has contracted with RTI International to evaluate the demonstrations. We expect RTI's first significant, quantitative, comparison group-based analysis for each demonstration will be ready about one year after completion of the initial full demonstration year, plus the time needed for claims run-out, data collection, and data analysis. As such, the first major set of analyses – which we will make public – should be available about one year before the scheduled end date for each demonstration.

We have taken note that, based on your feedback, this timing does not fit well with state budget planning cycles. Some of you will soon start developing budgets for state fiscal years that extend beyond the scheduled end dates for the demonstrations. And even when the first major evaluation reports are complete, since they will be based on only the first full demonstration year, they may conclude that more experience is needed before assessing overall success or failure. We want to avoid a circumstance in which we are awaiting evaluation results of a model before understanding its long-term future but obliged to cease investment in the requisite infrastructure in advance of a scheduled end date.

Therefore, we intend to work with interested states to extend the scheduled end dates for each demonstration by two years. We believe that a change in the scheduled end dates will minimize the risk of beneficiary disruption and support clearer decision-making in state budgeting while our external evaluator collects and analyzes data on beneficiary outcomes. However, consistent with federal law and based on the initial findings from the evaluation and other information, we will modify or terminate any demonstrations that are failing to improve outcomes as described in section 1115A(b)(3) of the Social Security Act.



SHIP/ADRC and Ombudsman Funding

In accordance with changes in scheduled end dates, we will make additional funding available for ombudsman and SHIP/ADRC activities. Aggregate, annualized funding levels will be similar to the amounts currently available. Information about application processes is forthcoming.

Next Steps

We ask for a letter of intent by September 1 to indicate whether you are interested in extending the scheduled end date for the demonstration. The letter of intent will be non-binding. They may be sent to Rayva Virginkar at rayva.virginkar@cms.hhs.gov.

All states with approved demonstrations are required to support ongoing stakeholder engagement on the demonstrations. This engagement should extend to planning for the resources and infrastructure development to ensure that the demonstrations are successful, including during any time added by extending the scheduled end dates. We encourage all interested states to submit a letter of intent, but effectuating a change in the scheduled end dates of the demonstrations will be contingent on demonstrated ongoing stakeholder engagement.

CMS will begin working with interested states later in 2015 to effectuate changes in scheduled end dates, including changes in the three-way contracts or final demonstration agreements (as applicable). We expect, over the course of the demonstrations, to make other updates and improvements to the contracts. While in some cases we may use the opportunity to clarify contract language while updating the end dates, we view the change in end dates as an independent action. Material changes to the three-way contracts will require separate federal review processes. All parties will preserve their current opportunities to terminate the contract or demonstration prior to the scheduled end date.

We look forward to continuing our work with you to improve the ways in which we serve beneficiaries dually eligible for Medicaid and Medicare. If you have any questions about this memorandum, please contact Rayva Virginkar at rayva.virginkar@cms.hhs.gov.