

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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Federal Coordinated Health Care Office

To: **MaryAnne Lindeblad**, Director
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From:  **Tim Engelhardt**, Director
CMS Medicare-Medicaid Coordination Office

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In 2011, we began working together to develop new models of integrated care for people dually eligible for Medicaid and Medicare (Medicare-Medicaid beneficiaries). The demonstrations in your three states were the first to begin, each starting in 2013. I am writing to revisit timing issues to ensure we have a robust evaluation and a stable environment in which to build on the early successes in Washington, Massachusetts, and Minnesota.

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 now have early findings for the Washington, Massachusetts, and Minnesota demonstrations that began in 2013, including the Demonstration Year 1 annual evaluation reports. These reports include early signs of progress:

- Both Washington and Massachusetts focus group findings included some indications that the demonstrations are improving certain elements of beneficiary experience, including positive feedback on the role of care coordinators in helping them access services.
- Both the Washington and Massachusetts demonstrations have shown early trends suggesting declines in inpatient admissions. Admissions among Massachusetts enrollees fell from 192.2 admissions per 1,000 user months in the first baseline period to 164.2 in the first demonstration period, with a similar decline in Washington from 186.0 to 160.6 admissions per 1,000 user months.

- In Massachusetts, when asked to provide an overall rating (on a scale of 1 to 10 with 10 being the best) of their Medicare-Medicaid Plan (MMP) for 2014, most survey respondents ranked it a 9 or a 10.
- After the retrospective performance payment to the State of Washington, net Medicare savings for the Washington demonstration for the 2013-2014 performance period will be around 3%.
- The Minnesota administrative alignment demonstration has established some administrative processes that may be applicable to other integrated Dual Eligible Special Needs Plan (D-SNP) programs in the future. These include a new pilot for conducting joint CMS-State Medicare network adequacy reviews, collaborative structures for drafting and reviewing beneficiary materials, and integration of state-specific standards into the Medicare Model of Care requirements. And, in the meantime, a separate federal study found extremely positive outcomes for the underlying Minnesota Senior Health Options (MSHO) program on which this demonstration is built.

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.

In 2016 we executed a two-year extension for each of your demonstrations to allow additional time for evaluation reports and other demonstration results to become available during the demonstration period. As a result, we will have a number of additional findings for the Washington, Massachusetts, and Minnesota demonstrations between now and the scheduled December 31, 2018 end dates, including the second annual evaluation reports for these three demonstrations in 2017. However, due to factors including delays in the Transformed Medicaid Statistical Information System (T-MSIS) and, for Massachusetts, MMP encounter data availability, we are once again re-examining the evaluation schedule.

To allow for sufficient state budget planning, to allow Medicare Advantage bids in demonstration markets that accurately reflect demonstration status, and to allow time for the federal clearance process, our intent for these three demonstrations is to decide whether each will end, be modified, or expanded approximately 21 months prior to the scheduled end dates. That 21-month target, which will minimize beneficiary disruption, is almost upon us for the Washington, Massachusetts, and Minnesota demonstrations. However, we do not currently expect to have sufficient information by that point for a determination to be made regarding whether the models have met the criteria for expansion under section 1115A(c) of the Social Security Act. Therefore, we intend to work with each of you to extend the scheduled end dates for each demonstration by an additional two years (i.e., from December 31, 2018 to December 31, 2020).

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. Additional years of information will also strengthen the evaluation overall, providing additional results that CMS can use to understand

the performance of individual demonstrations and to compare the trajectories of the demonstrations to each other over a longer period of time.

However, consistent with federal law and based on the initial findings from the evaluation and other information, we retain the right to modify or terminate, at any time during the two-year extension period, any demonstration unless the Secretary determines, and the CMS Chief Actuary makes a certification with respect to spending, that the demonstrations are expected to improve the quality of care without increasing spending, reduce spending without reducing the quality of care, or improve the quality of care and reduce spending, as required by section 1115A(b)(3) of the Social Security Act.

At this time, we are offering this extension opportunity to Washington, Massachusetts, and Minnesota, where timing issues are most imminent. We will closely monitor the timeframe for results for the five demonstrations currently scheduled to conclude on December 31, 2019, and may consider at a later time whether or not to revisit a potential change to the end dates for those demonstrations as appropriate.

SHIP/ADRC and Ombudsman Funding

In accordance with changes in scheduled end dates, we intend to make additional funding available for ombudsman and SHIP/ADRC activities as we have in the past.

Next Steps

We ask for a letter of intent by March 1, 2017 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 Lindsay Barnette at lindsay.barnette@cms.hhs.gov.

As you know, 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 each of you to submit a letter of intent, but we note that 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 2017 to effectuate changes in scheduled end dates, including changes in the three-way contract (for Massachusetts), final demonstration agreement (for Washington), and memorandum of understanding (for Minnesota).

We expect, over the course of the demonstrations, to make other updates and improvements to these agreements. While in some cases we may use the opportunity to clarify other agreement language while updating the end dates, we view the change in end dates as an independent action. Material changes to these agreements outside of the updated demonstration end dates will require separate federal review processes. All parties will preserve their current opportunities to terminate the agreement or demonstration prior to the scheduled, extended 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 Lindsay Barnette at lindsay.barnette@cms.hhs.gov.