FREQUENTLY ASKED QUESTIONS (FAQ)
MEDICAID TRANSFORMATION WAIVER

The proposed Medicaid Transformation Waiver—is an opportunity for us to bring the 25 percent of the state served by Apple Health (Medicaid) into a transformed delivery system as described in the vision for Healthier Washington.

We are in the early stages of this project and have benefited from ongoing conversations with stakeholders, tribes, and others. We have developed this "starter set" of frequently asked questions from the issues many of you have raised. We will add to this document in the coming months and post updates on the Medicaid Transformation section of the Healthier Washington website (www.hca.wa.gov/hw).

We invite you to continue to send your questions and comments to medicaidtransformation@hca.wa.gov. Your feedback and suggestions will help us develop a successful application for our federal partners and, ultimately, a successful demonstration project that meets the needs of Washington's people and communities.

General

1. What is a Section 1115 waiver?

In this case, the term "waiver" has a particular meaning: The federal government grants a waiver to allow states to do something under Medicaid that they couldn't ordinarily do under Medicaid rules. Section 1115 of the Social Security Act gives the Secretary of Health and Human Services authority to approve experimental, pilot, or demonstration projects under the Medicaid and CHIP programs that demonstrate and evaluate potential program changes that improve care, increase efficiency, and reduce costs.

2. What is the timeline for this project?

We plan to release a draft application for public comment by the end of July. Once the application is posted on the Health Care Authority and Healthier Washington websites, there will be a 30-day public comment period—with public forums, a webinar, and opportunities to comment through e-mail. For up-to-date details, visit the Healthier Washington website (www.hca.wa.gov/hw).

After the 30-day comment period ends in late August, we will submit a revised application to the Centers for Medicare and Medicaid Services (CMS), along with the comments we've received, with a request for federal review. CMS will then have 15 days to review the application. If they decide to enter into negotiations with Washington, the application will be posted to the CMS website for a 30-day federal public comment period, followed by an extended negotiation period.

Unlike most waivers or grant programs—in which the project description, guidelines, and details are thoroughly outlined in the initial proposal—many of the details of Section 1115 waivers are developed through the negotiations between states and CMS, a process we expect will take several months. In fact, the application submission marks the *beginning*, not the end, of discussions that we will be having with our stakeholders, tribes, and partners, as well as CMS, throughout this process. There will be ongoing webinars,

meetings, and other avenues for engagement—including visits to parts of Washington we are not able to get to in August. All of these conversations will inform our negotiations with CMS. And, assuming our application is approved, there will be further discussions to implement the waiver and meet milestones established for Washington by CMS. If our application is approved, we expect the project development process will continue through the first year of the of the demonstration project as the State and its partners gear up.

3. Will I have an opportunity to comment on the draft application?

There will be many opportunities to comment on the application. For up-to-date information about the meetings listed below, go to www.hca.wa.gov/hw.

Legislative Committees	
Joint Select Committee on Health Care Oversight John L. O'Brien Building, Room B State Capitol Campus Olympia, WA	Wednesday, July 22, 2015 9 – 11 a.m.

Medicaid Advisory Committee	
Title XIX Medicaid Advisory Committee Courtyard Marriott Seattle/Southcenter Tukwila, WA Call-in option; limited seating. To attend in person, RSVP to medicaidtransformation@hca.wa.gov.	Friday, July 31, 2015 8:40 – 9:40 a.m.

Public Forums If you plan to attend a forum in person please let us know by sending an e-mail to medicaidtransformation@hca.wa.gov. We will send additional information about these meetings, including directions and call-in capacity, later this month.	
Pierce County Pierce College-Ft. Steilacoom Lakewood, WA	Monday, August 3, 2015 8 – 10 a.m.
Snohomish County Everett Community College Everett, WA	Monday, August 3, 2015 1 – 3 p.m.
Yakima County Yakima Valley Community College Yakima, WA	Tuesday, August 4, 2015 8 – 10 a.m.
Franklin County Columbia Basin College Pasco, WA	Tuesday, August 4, 2015 2 – 4 p.m.
Spokane County Spokane Regional Health District Spokane, WA	Wednesday, August 5, 2015 10 – 12 p.m.

Tribal Meetings These meetings are limited to tribal members and their representatives.	
Tribal Roundtable Health Care Authority	Wednesday, July 22, 2015 9 – 11 a.m.
Tribal Public Forum NATIVE Project, Spokane, WA	Wednesday, Aug. 5 2 – 4 p.m.
Tribal Consultation Health Care Authority	Wednesday, Aug. 12 10:30 a.m. – 3 p.m.

For those who are unable to attend these forums, we will also have an August webinar. You can e-mail comments to medicaidtransformation@hca.wa.gov or mail comments to: Washington State Health Care Authority, Attn: Medicaid Transformation, PO Box 42710, Olympia, WA, 98504.

4. **How do the ongoing efforts around early adopter integration, implementation of Behavioral Health Organizations and development of Accountable Communities of Health (ACHs) align with the timeline for the waiver?**

   Like ACH development and behavioral health integration, the Medicaid Transformation waiver is focused on the three Healthier Washington goals: healthier communities, whole-person care, and improvement in how we pay for services. We are moving quickly on the waiver application so that we can align with ACH development and the integration of physical and behavioral health through early adopters. We know there are challenges involved in undertaking multiple far-reaching initiatives at the same time. We also know that the benefits of these efforts—for Medicaid clients, providers, local communities, and the State—multiply when they are combined. We will be working closely with our partners in ACHs and local communities to make the transition as smooth as possible.

5. **How does this proposal improve population health?**

   Washington's Medicaid Transformation waiver demonstration fits underneath the broader Healthier Washington initiative, which makes building healthy communities and healthy populations a priority and addresses population health on many levels. The Medicaid Transformation waiver will align with and leverage these efforts.

   Unlike other Healthier Washington initiatives, the Medicaid Transformation waiver is, by definition, focused solely on Medicaid (Apple Health).

   It recognizes that Washington's Medicaid system must fundamentally shift its health care delivery system. This means moving from being programmatically "siloed" and focused on disease treatment to being fully integrated, family and community-driven, and focused on health improvement and recovery. Apple Health clients need a delivery system that is centered on health and provides supports for those with chronic illness to improve their health outcomes.

   The waiver demonstration includes a focus on prevention and health promotion for targeted populations. These investments would address and/or mitigate the underlying causes of illness that drive hospitalization and high costs in the system; ultimately, these investments will improve health. We will need to pursue

further definition, working with stakeholders and local communities, to identify specific transformation projects for investment, including those relating to population health.

6. **How does the state envision the role of primary care in Medicaid Transformation?**

Primary care providers are critical partners across the continuum of care. To support whole-person care, we must stimulate partnerships at the community level to correct existing gaps in the system. In particular, we must support providers and make investments that will strengthen care coordination.

Workforce is an issue for both primary care and behavioral health. The waiver demonstration will be just one of several efforts to advance workforce solutions. For example, discussions through the Adult Behavioral Health Task Force have raised workforce issues that impede transformation efforts, including ineffective coordination between primary care and other clinical and social service providers. The Task Force is devoting its July 24, 2015 meeting to this topic. More details are available at: https://app.leg.wa.gov/CMD/agenda.aspx?agency=4&year=2015&cid=18662&mid=22442

7. **Please provide additional details about the process of developing and selecting the statewide performance metrics for the Medicaid Transformation waiver demonstration.**

In applying for this waiver, the State has four primary goals:

- Reduce institutionalization/hospitalization
- Improve population health
- Accelerate the state's ability to pay providers for better outcomes rather than volume
- Bend the Medicaid "cost curve" by two percentage points below the national trend

The State will need to negotiate overall performance metrics with CMS to monitor implementation and determine the degree to which these goals are met. Organizations receiving waiver investments will need to report on operational milestones initially, moving to outcome-based metrics over time. These metrics will assess readiness to carry out transformation projects and, once underway, project performance to support continued funding.

Medicaid Transformation projects will use or build on the performance measure sets already in place in Washington. To guarantee that the state is facilitating mutual accountability across organizations, measures will be consistent with Apple Health managed care contracts. Measures specific to the waiver demonstration will be identified during the negotiation and development processes. The State will be looking for feedback and input from stakeholders, tribes, and partners on how success should best be measured at a regional level.

8. **What populations will the waiver cover?**

The Medicaid Transformation waiver covers all Apple Health (Medicaid) beneficiaries. Additionally, Washington will establish a new eligibility criteria and limited benefit package for individuals who are "at risk" for future Medicaid use because they need some long-term services and supports (LTSS) but do not currently meet Medicaid financial eligibility criteria.

9. What will happen to people's existing benefits? Will anyone's benefits be cut?

Apple Health clients' existing benefits will remain in place. No one's benefits will be cut.

As part of the demonstration project, Washington intends to better tailor its long-term services and supports benefits to meet the varying needs of its aging population by offering two additional limited benefit packages—the benefit described in the previous question, and a benefit that will provide supports to unpaid family caregivers. Additionally, the State will revise the functional eligibility criteria for nursing home services so that only those clients with the most serious needs qualify for institutional care; however, anyone currently receiving this level of care will continue to be served.

Transformation Projects

10. What are Accountable Communities of Health and what is their role in transformation projects?

Accountable Communities of Health (ACHs) are regional collaboratives that bring together health plans, physical and behavioral health providers, social service organizations, county governments, tribes, and others to make community-based decisions on health needs and priorities. ACHs are at the center of Healthier Washington. As of July, two ACHs—North Sound (Island, San Juan, Skagit, Snohomish, and Whatcom counties) and Cascade Pacific Action Alliance (Cowlitz, Grays Harbor, Lewis, Mason, Pacific, Thurston, and Wahkiakum counties) have received official ACH designation from the State. Seven other ACHs are in various stages of design and formation.

ACHs will play a key role in the Medicaid Transformation waiver, acting as coordinating entities for regional Medicaid Transformation projects. ACHs will lead and oversee these regional projects, coordinating project applications, receiving and distributing State funds to partners carrying out transformation projects, and reporting on progress.

11. What is the transformation project toolkit?

In the concept paper, the State proposed a transformation toolkit for regional transformation projects that reflects care models, development system redesign, capacity development opportunities, and population health priorities that were communicated throughout stakeholder conversations during the Healthier Washington planning effort.

The toolkit will provide the basis for regional transformation project applications and performance requirements.

Initial parameters for transformation projects include:

- Prioritizing evidence- and research-based interventions.
- Allowing for promising practices that show potential for desirable outcomes based on a well-established theory of change or preliminary analysis. These may be particularly relevant for ethnic minority and Tribal communities where evidence-based practices have not been fully researched and documented.
- Supporting regions in addressing regional capacity gaps to carry out statewide priorities and succeed in assuring fidelity of the models and addressing population health needs.

In addition to State parameters, the State and its stakeholders must meet certain federal requirements:

- The State as a whole must not spend any more federal dollars during the five-year demonstration period than it would have spent without the project. This is called budget neutrality.
- Expected savings and performance outcome milestones must be achieved within the five-year demonstration period.
- Transformation is expected to be sustainable after the demonstration period ends without continued federal investment.
- CMS will require a rigorous evaluation of the impact of project investments.

12. **How and when will stakeholders be engaged in the development of the transformation activity toolkit? Will the state include a menu of projects in the application it submits in August, or will projects be developed as part of the negotiation process? Who will approve the final toolkit?**

    The toolkit will not be included in the application we submit in August; it will be developed during the negotiation process with CMS. The toolkit will not be finalized until the demonstration project itself has been approved by CMS and implementation steps have begun. The State intends to engage stakeholders and partner with Accountable Communities of Health in shaping the transformation toolkit in late 2015 and early 2016. Ultimately, the transformation toolkit will be approved through a series of steps that engage CMS, the State, and regional partners.

    After a toolkit is established, the State will create an application process that will lay out a pathway for Accountable Communities of Health to coordinate their member partners in developing a portfolio of transformation projects that address state priorities, regional capacity needs, and population health improvement opportunities. These applications will leverage existing models of care and pilot projects that should be scaled and spread within the region.

13. **What tools or resources is the state planning on providing ACHs to help them build the capacity to be coordinating entities? In addition to the ACH designation criteria, will there be criteria released to approve ACHs to serve as Medicaid Transformation regional coordinating organizations? If so, when will they be released? What are the implications for an ACH's ability to successfully carry out its current roles and functions if it takes on the additional roles proposed in the waiver application?**

    While the State believes that ACHs are strategically the most viable entities to serve as the coordinating entity for Medicaid transformation projects, the current ACH designation process does not, alone, qualify an ACH for this role. Additional ACH qualifications and functions will be informed by CMS guidance and lessons learned from other states' waiver applications and experiences. These will consider the strengths and assets of ACHs as well as any functional and administrative capacity improvements necessary for transformation projects to be successful.

    The State will leverage the infrastructure assets built around ACHs through its State Innovation Models (SIM) test award. The recent SIM-related ACH designations of the North Sound ACH and Cascade Pacific Action Alliance show that ACHs are demonstrating an operational governance structure with balanced multi-sector engagement; strong backbone support to perform financial, administrative, and other collaborative functions; identification of priority areas and strengths based upon ongoing regional health needs

inventories and assessments; and an initial operating budget aimed toward a sustainability plan. The assessments also demonstrate ACH readiness for the next phase of development and evolution of capacity. Designation of all ACHs is expected before the end of 2015.

Under an approved waiver we expect that ACHs will be able to obtain additional resources for capacity development and technical assistance for coordinating entity functions. However, demonstration project-financed investments will only be made based on actual performance. As described earlier in this document, performance will initially focus on achievement of operational milestones, including capacity development. We have learned from other states that this might include milestones such as completion of regional health needs assessments and submission of transformation project financing applications. Other states have also invested in broad technical assistance to support coordinating entities as they prepare to carry out project objectives.

Washington's Medicaid transformation waiver demonstration is a game-changing tool to drive health system transformation, especially for Washington's Apple Health population. While the project must focus on addressing the opportunities and challenges facing the Medicaid population (given that investments use Medicaid financing), much of the Medicaid delivery system also serves a broader population. The project can thus enable a more connected and coordinated system beyond Medicaid. The role of the coordinating entity is an opportunity for ACHs to further strengthen their role as a multi-sector coordinating body to improve health care delivery, support a regional system for whole person care, build clinical community linkages, and address the social determinants of health. However, each ACH and its membership must opt in to become the coordinating entity for transformation projects financed through the waiver. We are considering alternatives if an ACH does not opt to become a coordinating entity or does not have the needed capacity to perform the duties of a coordinating entity.

Finance Strategy and Sustainability

14. This proposed role for the ACHs—with money flowing through them and thus bearing certain kinds of risk—is different than the non-risk-bearing role previously characterized in Healthier Washington documents, which focused on partnership with risk-bearing entities. Can you provide additional information?

It is important not to confuse the concept of "risk" or "accountability" envisioned for ACHs with the financial or insurance "risk" borne by managed care organizations as a fundamental basis of their business model. ACHs are not intended to displace the role of Apple Health managed care plans as risk-bearing entities. The plans receive capitated payments under contract with the State, primarily for the delivery of physical and behavioral services. In providing coverage for Apple Health clients, they are at financial "risk" should the cost and utilization of services exceed the capitated payments made for *clients*. This type of financial risk is an established principle of insurance and is quite different from the concept of financial accountability envisioned for ACHs.

For ACHs, initial conversations have focused on opportunities and accountability for planning, receiving, distributing, and monitoring investments in regional projects that would be financed through the waiver. Details of the underlying process, including performance requirements for initial process milestones and

future outcomes expectations, will be developed further in collaboration with ACHs so that the concept of "risk" is tailored to ACHs' capacity to support the process. (Performance measurement was described briefly earlier in the FAQ.)

15. What is a Delivery System Reform Incentive Payment (DSRIP)?

Delivery System Reform Incentive Payments (DSRIPs) are a way to provide a targeted source of funds for transforming Medicaid under this type of waiver authority. Washington is proposing that DSRIPs be used to fund Medicaid transformation projects. DSRIPs are considered performance payments, not grants. Over the course of the five-year demonstration period, projects funded through DSRIPs must show measurable improvements in client outcomes and must demonstrate how these improvements can be sustained once DSRIP funding ends.

16. How will sustainability post-demonstration be achieved?

Assurance that Medicaid transformation projects funded through the waiver will be sustained beyond the waiver—through non-federal funds—is key to CMS' approval of Washington's proposal. A specific plan for sustainability will therefore be an expected milestone in the "Special Terms and Conditions" that spell out the approved waiver agreement CMS and Washington negotiate. The underlying premise of sustainability is that both State and community investment will form the path for continued transformation support beyond the five-year waiver period. The State will need to work with CMS, ACHs, managed care plans, behavioral health organizations (BHOs), and other health delivery partners during the course of the demonstration project to develop and implement a sustainability plan.

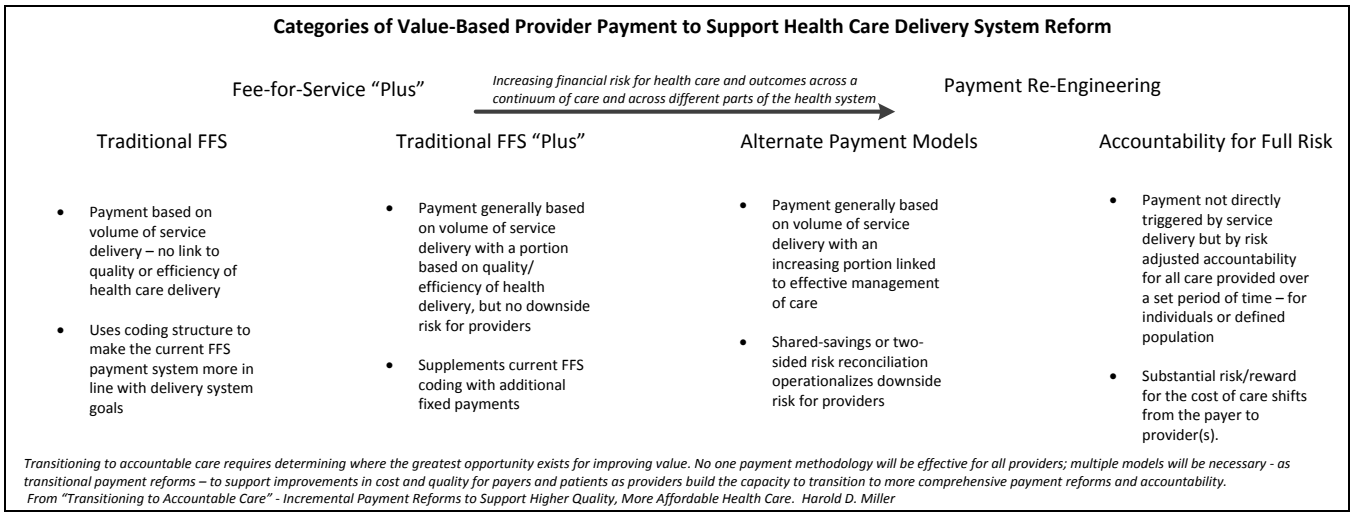
In addition, the success of the Medicaid transformation will be supported by (a) infrastructure development currently financed through Healthier Washington initiatives and (b) transitions in Medicaid purchasing toward integrated delivery of physical and behavioral health care through managed care health systems. Further details on these initiatives are available on the HCA website in the Healthier Washington section: www.hca.wa.gov/hw/

Based on similar waivers in other states we expect that, in Washington:

- Sustainability of Medicaid delivery system transformation funded through demonstration project investments will be achieved through the evolution of performance-based contracts between the State and managed care plans/BHOS; and through agreements between the State and ACHs, and between ACHs and their members.
- Transformation projects will drive movement from traditional fee-for-service-based provider payments toward value-based payment systems.
    - During Washington's 2013 State Health Care Innovation planning, the blueprint for transformation, we asked Apple Health managed care plans about their payment arrangements with providers serving the physical health care needs of clients. 24 percent of care was provided within a specific "budget" in which payment was not directly triggered by service delivery, but rather by responsibility for the care of a beneficiary (regardless of the volume of services).

Through current transformation initiatives and with the assumption of waiver and SIM investments, by 2019, 80 percent of State-financed health care—Apple Health and the Public Employees Benefits Board (PEBB) Program—will be purchased through managed care systems that adopt value-based payment arrangements.

- Our classification of value-based purchasing arrangements (below) reflects an array of payment models, most of which are employed to some degree in the current marketplace.



- In developing the sustainability plan, the State—in partnership with ACH members, including managed care plans and BHOs—will need to build an effective reinvestment strategy that defines, measures, and captures shared savings resulting from interventions financed through the waiver. Critical in this will be the assurance that managed care plans, BHOs and health and community service providers are not financially penalized when delivery transformations result in higher value of care and social supports for Apple Health clients. This will require the State to revise its approach for setting managed health care system rates. With CMS approval, we expect that flexibility in payment reform will encourage continued investments of savings realized in ongoing improvements.

17. What is a Designated State Health Program (DSHP)?

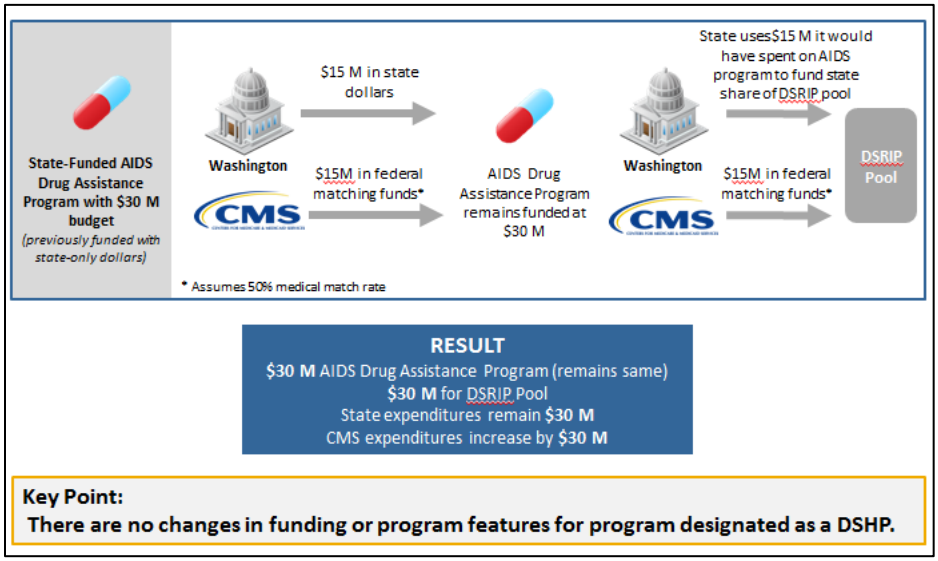
A designated state health program (DSHP) is an existing publicly-funded health program that supports low-income/uninsured individuals and for which CMS may provide federal matching payments if the program is not otherwise eligible for federal matching funds. DSHP programs must be funded completely with State dollars without in-kind contributions or maintenance-of-effort requirements attached to other federal programs.

With respect to the waiver, *after* making payments for DSHP programs, the State would be able to draw down federal matching funds to support transformation investments. There are no changes in funding or additional strings attached to programs designated as a DSHP. These programs, *once approved by CMS*,

simply provide an opportunity for the State to generate federal matching dollars for Medicaid transformation projects.

An example of a DSHP program and its potential to leverage federal matching funds is shown in Figure 1. The funds generated by DSHP programs build a pool of dollars, labeled "DSRIP" in the figure, which are then available for transformation investments that are not restricted in any way to the originating DSHP program. For example, the dollars generated by the DSHP program identified in Figure 1 could be available for a transformation investment related to integrating physical and behavioral health care.

Figure 1: Example of DSHP Program Financing (for illustration purposes only)



18. To what extent are intergovernmental transfers (IGTs) from local government and/or hospital systems being looked to as a source of non-federal share?

To finance the waiver, Washington must provide a share of investment financing equivalent to the federal investment. We expect to use a combination of intergovernmental transfers (IGT) and designated state health programs (DSHP). The state will follow CMS guidelines to identify the potential sources for funding the non-federal share. Currently, we anticipate the bulk of this financing will come from DSHP programs as described above.

For additional information and engagement opportunities, please visit the Medicaid Transformation page on the Healthier Washington website (www.hca.wa.gov/hw) and sign up for updates through the Feedback Network. Send questions and comments to medicaidtransformation@hca.wa.gov.