Medicaid Participation in the State Innovation Model Initiative

The initial State Innovation Model (SIM) Design/Test Grant (Round 1) emphasized multi-payer alignment and the participation of federal programs such as Medicare, Medicaid and CHIP. Round 2 of the SIM Grants sharpened its focus on federal programs and the importance of generating improvements in quality and a financial return on investment. This brief narrative is intended to highlight some of the changes in emphasis related to Medicaid and payment methods, and also references what we learned from our review of the Innovation Plans prepared by other Model Test and Model Design states.

Model Design Grant (Round 1)

The Funding Opportunity Announcement (FOA) for Round 1 of the SIM grant required Medicaid participation. However, it was not clear from the FOA or our interactions with CMMI that Medicaid needed to play a central role or participate early on in the test grant phase.

> From SIM Model Design FOA (Round 1): Pages 3, 4: *Funding for Model Design will support the required work. We expect states to: 1) bring a broad range of stakeholders into the design process; 2) design multi-payer payment and service delivery models that include Medicare, Medicaid, CHIP, and other payers…*

The model design FOA, contained language concerning payment reforms that favored total cost of care accountability, however, CMMI left open the question as to whether the emphasis on total cost of care accountability would be part of the SIM Model Test FOA(Round 2).

> From SIM Model Design FOA (Round 1): Page 11: *The plan should describe how broad-based accountability for outcomes, including total cost of care for Medicare, Medicaid, and CHIP beneficiaries, is created.*

Connecticut's Innovation Plan included Medicaid as one of the payers that would participate in alignment on quality measures and AMH standards. However, the Plan was not clear about when Medicaid would participate in payment reforms:

> From Connecticut Healthcare Innovation Plan (page 98): *Prior to implementation of the Innovation Plan, DSS is proposing to limit its use of a shared savings approach in Medicaid to the activities proposed under the Demonstration to Integrate Care for Medicare-Medicaid Enrollees ("duals demonstration")*.

Finally, Connecticut's Innovation Plan emphasized social determinants and the elimination of health disparities, but did not propose how Medicaid would achieve these goals for its beneficiaries who are disproportionately affected by these challenges.

SIM Model Test FOA (Round 2)

The SIM Round 2 FOA was released on May 22, 2014. The FOA reiterates the purpose of the Innovation Center is to test innovative payment and service delivery models to reduce Medicare, Medicaid, and

CHIP program expenditures while preserving or enhancing the quality of care received by CMS beneficiaries. Round 2 reinforced the importance of Medicaid participation, a value based payment model such as the Medicare Shared Savings Program (SSP), and a federal return on investment. The following excerpts are taken from the SIM Model Test FOA (Round 2):

> Page 3, *The Innovation Center believes that state governments, with the leadership of Governors, can be critical partners of the federal government and other health care payers to facilitate the design, implementation, and evaluation of community-centered health systems that can deliver significantly improved cost, quality, and population health performance results for all state residents, including Medicare, Medicaid, and CHIP beneficiaries*.
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> Page 5, defined a transformed care delivery system as one in which: *Every resident of the state has a primary care provider who is accountable both for the quality and for the total cost of their health care*….and one in which…*Performance in quality and cost measures is consistently high.*
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> Page 6, *One or more specific payment and/or service delivery models that include, but are not limited to, the state's Medicaid population, state employee population, and/or commercial payers' populations….CMS encourages applicants to propose payment models that directly align with one or more existing Medicare programs, demonstrations, and/or models, such as accountable care organizations (ACOs), primary care medical homes, and bundled payment programs*.
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> Page 11, *The state must obtain and submit an external actuarial certification of their Financial Analysis with their application. The CMS Office of the Actuary will assist in reviewing the reasonableness of the estimated cost to the government, and will review the potential for federal savings. The external actuarial certification, as well as the review of the CMS Actuary, will be considered in final selection of Model Test awards*.
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> Page 48, *Following the end of the review processes described above, the approving CMS official will make the final award decisions taking into consideration*:
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> - *the net Federal savings potential over the project period as reviewed and verified by OACT;*
> - *the likelihood that the proposed Model will result in the benefits expected, including a positive return on investment*

The requirement for federal savings during the project period has direct implications for the start date. Our financial analysis does not project a return on investment until the third year of a shared savings program. Accordingly, a 2016 start date is necessary to show a return by 2018. A higher level of participation is necessary to demonstrate a significant return.

After Connecticut's Plan was submitted to CMMI on December 30, 2013, and in anticipation of the release of the Round 2 FOA, the SIM PMO undertook an extensive review of the Innovation Plans submitted by other Model Test and Model Design states. The following was evident from this review:

- Medicaid was in many cases the leading strategy for care delivery and payment reform and the primary means of driving innovations in community integration and social determinants.

- The AMH focus on small to mid-size independent practices in Connecticut's plan would not be an effective strategy to promote community integration and social determinants even if Medicaid were a major, early stage participant.
- Without substantial Medicaid participation, Connecticut's SIM initiative would a) not achieve its community integration and health equity goals and b) not be competitive with other states nearly all of which were proposing to use Medicaid to achieve these goals.

As a result of this review, the SIM PMO and its state agency partners prepared Issue Brief #4, which proposed a strategy for engaging advanced networks and FQHCs in care delivery reforms focused on clinical integration and community integration as a means to address social determinants. The Issue Brief noted that Medicaid beneficiaries would be among those most likely to benefit from this new strategy.

In light of the above, DSS and the PMO formulated proposed near term and long term options for using Medicaid as a primary means to drive improvements in health and health care in Connecticut, with a special emphasis on the unique health and support needs of Medicaid beneficiaries.