

April 29, 2011

The Honorable Kathleen Sebelius  
Secretary of the U.S. Department of Health and Human Services  
330 Independence Avenue, S.W., Room 4257  
Washington, DC 20201

Dear Secretary Sebelius:

On behalf of the State of Washington, I am pleased to transmit a proposal outlining the next phase of bold action to transform Washington's health care system including specific requests of the Center on Medicare and Medicaid Innovation (CMMI) to assist us in the design and implementation of these reforms. This submittal follows an initial discussion between my staff and CMMI staff in December 2010 and your visit to Washington State in February 2011.

Washington State has a track record spanning several decades of government, private employers, health care providers, health plans, and consumers working together to enhance health care quality and efficiency. We are very proud of our accomplishments in the arena of providing access for low-income individuals and families, providing long term care services and supports for seniors and those with disabilities, and serving as a national leader in containing costs while improving quality. In 2005, my administration set a course of bold and innovative actions to 1) emphasize evidence-based health care, 2) promote prevention, healthy lifestyles and healthy choices, 3) better manage chronic care, 4) create more transparency in the health system and 5) make better use of information technology. We have achieved significant success with these strategies; however, we can and must do more – be even bolder in our actions.

Earlier this year, I set a goal of reducing the overall trend in health care spending in Washington State to no more than 4 percent annual growth by 2014 while maintaining or improving patient health outcomes. I have invited other public and private purchasers, insurance carriers, and health care providers to join me in committing to his goal. For its part, Washington State government is pursuing aggressive reforms in the following key arenas.

- **Value Based Benefit and Payment Reforms** – transforming our health care system into one where public and private payers and providers test, confirm, than adopt new, common business models that sustain a strong primary care base and promote the delivery of value-based, patient-centered care.
- **Delivery System Reforms** – transforming our health care system into one where care is integrated, where providers respond to routine reporting that highlights efficient and inefficient practices and where consumers, providers and payers make informed decisions for more effective and efficient use of health care resources resulting in better health outcomes.
- **Consumer Engagement** – transforming our health care system into one where consumers are informed and incented to take greater responsibility for managing their own health.
- **Prevention and Wellness** – connecting prevention-focused health care and community efforts to increase preventive services.

- **Administrative Simplification** – reducing administrative costs for public and private entities through timely and efficient processing of business transactions between providers, payers and government.

Reducing the overall trend in health care spending to no more than 4 percent annual growth by 2014 while maintaining or improving patient health outcomes will indeed require innovation and bold steps on our part. It will also require an enhanced and dynamic partnership between Washington State and the Department of Health and Human Services, particularly the Center for Medicare and Medicaid Services (CMS). On a national level, health care reform is furthering the transition of Medicaid from its' original design to provide health care coverage for a narrowly defined subset of low-income individuals to a broader base of health care coverage for children, individuals and families. This transition provides a great opportunity for DHHS to work with states in designing innovative approaches to administering Medicaid that respects and maintains core Medicaid principles while providing additional state flexibility. Through this proposal, we are requesting your support of our effort to modernize Washington States' Medicaid program through a **Global Medicaid Modernization Initiative**. Our proposal details specific request areas where we need DHHS/CMS support in the form of flexibility, waivers, fiscal resources and/or technical assistance. The scope of our request spans multiple areas of existing organizational and regulatory jurisdictions within DHHS/CMS. To assist us in negotiating and refining our specific requests, I request that you assign a team of appropriate members of your staff to work with Washington State. My staff is prepared to begin work with your staff immediately. We are also initiating an organized process for sharing information and receiving input from stakeholders on our negotiations and will be providing regular updates to the Joint Legislative Select Committee on Health Reform Implementation. There are several timelines that place a sense of urgency on our request including scheduled re-procurement of our Healthy Options Medicaid managed care contracts and achieving savings assumed in Washington's next biennial budget. Completing our negotiations and agreeing on a final set of terms and conditions by September 1<sup>st</sup> would allow us to meet these deadlines.

My Health Care Cabinet and I have also been engaged with Governor Kitzhaber and his health care team to identify areas of potential collaboration between our two states as we pursue common goals of improving health care outcomes and reducing costs. While our Medicaid programs are structured differently, our preliminary discussions have identified payment reform and development of appropriate metrics to assess health and cost outcomes as areas where use of similar tools and strategies would allow for evaluation of their potential success in health care reform efforts across different structures and approaches.

I look forward to conversations with you and your staff regarding our proposal. Working together we can achieve our mutual goal of reducing the cost of health care while improving its quality.

Sincerely,

Chris Gregoire  
Governor