

**Behavioral Health Administration – Mental Health
030 - M2 - EG - MEDICAID TRANSFORMATION WAIVER**

Agency Submittal: 11-2017-19-YR Agency Req

Budget Period: 2017-19

SUMMARY

The Department of Social and Health Services (DSHS) requests \$19,557,000 GF-Federal for the Behavioral Health Administration in the 2017-19 Biennium to align with projected expenditures under the Medicaid Transformation Waiver expected to be approved by the federal Centers for Medicare and Medicaid Services (CMS). The waiver does not call for any expenditure of state general funds. Expenditures under the waiver’s three initiatives fund (1) incentive-based payments for transformation projects designed to achieve sustainable goals of better care, better health and lower cost for the state’s Medicaid population; (2) new services and supports for family caregivers that help people stay at home and avoid the need for more intensive services; and (3) supportive housing and supported employment services for those who are most vulnerable and have complex care needs. This request provides funding for initiatives two and three to DSHS. The Health Care Authority (HCA) is separately requesting funding for initiative one.

PROBLEM STATEMENT

Washington has submitted an application to the Centers for Medicare and Medicaid Services (CMS) for a five-year “Section 1115” Medicaid waiver demonstration. This will allow us to make investments that help us spend Medicaid dollars wisely and lead to a healthier Washington. Community providers will be the foundation for Medicaid transformation. Initiative 1 is intended to build incentives for providers who are committed to changing how we deliver care. Primary care and behavioral health providers, health providers, hospitals, social service agencies, and other community partners will have a part to play in building a system that improves health outcomes. Initiative two is focused on providing service options that enable older adults to stay at home and delay/avoid the need for more intensive care long-term services and supports (LTSS). This will allow for a greater array of choices for clients who may not need or want traditional LTSS. Initiative three will enhance the availability of supportive housing and supported employment services to those who are the most vulnerable and have complex care needs. This funding request of \$19,557,000 GF-Federal is for the Behavioral Health Administration’s (BHA) portion of the costs for initiatives two and three. HCA’s cost for initiative one are separately requested in an HCA budget request.

Revenue and expenditure projections are based on assumptions about the number of potential transformation projects and the number of those potentially eligible for services under initiatives two and three – all within the context of the total budget amount expected to be negotiated with CMS. The expenditure breakdown is based on analysis and recommendations by an external consultant (OTB solutions), informed by interviews with agency representatives and comparisons to other states (notably New York) that have successfully negotiated 1115 waivers.

PROPOSED SOLUTION

The HCA and DSHS expect to implement the 1115 waiver to improve the quality and value of health care, and improve the health of, the 1.9 million beneficiaries DSHS serves in the state of Washington by achieving the following goals:



DSHS VISION

People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION

To transform lives

DSHS VALUES

Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

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- Reduce avoidable use of intensive services and settings;
- Improve population health;
- Accelerate the transition to value-based payment;
- Ensure that Medicaid per-capita cost growth is below national trends;

EXPECTED RESULTS

By funding this request, DSHS will have FTE and federal funding authority to be able to implement Washington State's 1115 waiver strategies targeted at supports for unpaid caregivers and those at risk for future Medicaid Long-Term Services and Supports and supportive housing and employment. HCA is separately requesting funding for initiative one. This proposal will ensure that DSHS manages the budget for programs and initiatives in which it administers.

STAKEHOLDER IMPACT

It is assumed that stakeholders would be in support of this request and there is no known opposition.

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Program Contact: Melissa Clarey, (360) 725-1675

OTHER CONNECTIONS

Performance Outcomes/Important Connections

1. Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

Goal 4: Healthy & Safe Communities - Healthy People - Provide access to good medical care to improve people's lives.

2. The decision package meets the following DSHS' strategic objectives:

2.2: Increase timely access to outpatient mental health services.

3. Identify other important connections or impacts below. (Indicate 'Yes' or 'No'. If 'Yes' identify the connections or impacts related to the proposal.)

- a) Regional/County impacts? Yes, the Medicaid transformation waiver will have regional impacts in terms of the involvement of Accountable Communities of Health (ACHs). ACHs bring together leaders from multiple health sectors around the state with a common interest in improving health and health equity. There are nine ACHs that cover the entire state, with the boundaries of each aligned with the state's Medicaid Regional Service Areas.
- b) Other local government impacts? No.
- c) Tribal government impacts? Yes, the waiver provides opportunities for Tribes to undertake transformation projects, either directly or in collaboration with their local ACHs.
- d) Other state agency impacts? Yes. The expenditure authority requested in this proposal will allow HCA and DSHS to improve the delivery and increase the value of services provided to the state's 1.8 million Medicaid beneficiaries. With its focus on transformation, the waiver gives Washington the opportunity to develop better-integrated, sustainable services focused on improved health outcomes, in a manner that bends the cost curve for the Medicaid program. By incorporating Washington State's nine ACHs, the waiver assures that the projects undertaken will be responsive to regional needs while assuring that best practices can ultimately be incorporated into the design of Medicaid service delivery across the state. Estimates of the waiver's potential impact are informed by the work of the Research and Data Analysis section of DSHS.
- e) Responds to specific task force, report, mandate or executive order? No.
- f) Does request contain a compensation change or require changes to a Collective Bargaining Agreement? No.
- g) Facility/workplace needs or impacts? No.
- h) Capital budget impacts? No.
- i) Is change required to existing statutes, rules or contracts? Yes, the introduction of new services under initiatives two and three may require additional WAC language describing the services available and the eligible populations.
- j) Is the request related to litigation? No.
- k) Is the request related to Puget Sound recovery? No.

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- l) Other important connections? DSHS will be unable to implement strategies two and three of the Medicaid transformation waiver without this federal funds authority.

4. Please provide a detailed discussion of connections/impacts identified above.

DSHS is collaborating with the Health Care Authority and Department of Commerce in the implementation of this Medicaid Transformation waiver. Federal expenditures are estimated based on the expected results of negotiations with CMS regarding Medicaid savings that will accrue over the five-year demonstration period from the transformation activities proposed. The waiver does not commit GF-State expenditures.

Alternatives/Consequences/Other

5. What alternatives were explored by the agency, and why was this alternative chosen?

Through the Section 1115 Medicaid waiver, the federal government has provided states with a unique opportunity to obtain federal funds for the purpose of delivery system transformation. Like several other states, Washington elected to respond to this opportunity by submitting a proposal in August 2015. The waiver opportunity aligns perfectly with the goals of Healthier Washington and CMS – achieving the “triple aim” of better care, better health and lower cost. No comparable alternative exists that allows states to pursue these goals with the same size and scope.

6. How has or can the agency address the issue or need within its current appropriation level?

The state will lose the opportunity to accelerate the transformation of Medicaid that was initiated by the Governor and Legislature as Healthier Washington and launched with the State Innovation Model (SIM) grant.

7. Does this decision package include funding for any IT-related costs (hardware, software, services, cloud-based services, contracts or IT staff)?

- No
 Yes (Include an IT Addendum)

Fiscal Detail

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| Operating Expenditures | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 001-2 General Fund-Federal | 6,463,000 | 13,094,000 | 19,204,000 | 20,587,000 |
| Total Cost | 6,463,000 | 13,094,000 | 19,204,000 | 20,587,000 |

| Staffing | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> |
|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| FTEs | 0.0 | 0.0 | 0.0 | 0.0 |

Performance Measure Detail

| Activity: | Incremental Changes | | | |
|--|----------------------------|-----------------------|-----------------------|-----------------------|
| | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> |
| Program: 030 | | | | |
| C900 Program Support for Mental Health | 0 | 0 | 0 | 0 |
| No measures submitted for package | | | | |

Object Detail

| | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| N Grants, Benefits, and Client Services | 6,463,000 | 13,094,000 | 19,204,000 | 20,587,000 |
| Total Objects | 6,463,000 | 13,094,000 | 19,204,000 | 20,587,000 |

DSHS Source Detail

Overall Funding

| Operating Expenditures | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|

Fund 001-2, General Fund-Federal

Sources Title

| | | | | |
|---------------------------|-----------|------------|------------|------------|
| 104A General Fund Federal | 6,463,000 | 13,094,000 | 19,204,000 | 20,587,000 |
|---------------------------|-----------|------------|------------|------------|

Total for Fund 001-2 6,463,000 13,094,000 19,204,000 20,587,000

Total Overall Funding 6,463,000 13,094,000 19,204,000 20,587,000