

Aging and Long-Term Support Administration
050 - M2 - RV - MEDICAID TRANSFORMATION WAIVER

Agency Submittal: 2015-17 Final 2017 Sup

Budget Period: 2015-17

SUMMARY

The Department of Social and Health Services (DSHS) requests 17.0 FTE and \$7,261,000 GF-Federal in Fiscal Year 2017 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 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 our 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 2 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 3 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 17.0 FTE and \$7,261,000 GF-Federal is for DSHS' 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.



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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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 we serve in the State of Washington by achieving the following goals:

- 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.

Agency Contact: Bryan Way, (360) 902-7769
Program Contact: Bea Rector, (360) 725-2272

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:

2.1: Ensure seniors and individuals with a disability who are in need of long-term services and supports are supported in their communities.

2.4: Support families and informal caregivers who provide unpaid support to those in need.

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.

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- 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.
- l) Other important connections? DSHS will be unable to implement strategies two and three of the Medicaid transformation waiver without this FTE 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 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
001-C General Fund-Medicaid	0	7,261,000	20,565,000	38,363,000
Total Cost	0	7,261,000	20,565,000	38,363,000

Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
FTEs	0.0	17.0	27.8	39.6

Performance Measure Detail

Activity:	Incremental Changes			
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Program: 050				
E051 Program Support for Long Term Care	0	0	0	0
No measures submitted for package				

Object Detail

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
A Salaries and Wages	0	964,000	1,545,000	2,190,000
B Employee Benefits	0	338,000	541,000	767,000
E Goods and Other Services	0	160,000	219,000	304,000
G Travel	0	50,000	89,000	131,000
J Capital Outlays	0	88,000	72,000	82,000
N Grants, Benefits, and Client Services	0	5,610,000	17,946,000	34,644,000
TZ Intra-agency Reimbursements	0	51,000	37,000	55,000
ED Rentals and Leases – Land and Buildings	0	0	116,000	190,000
Total Objects	0	7,261,000	20,565,000	38,363,000

DSHS Source Detail

Overall Funding

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
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Fund 001-C, General Fund-Medicaid

Sources Title

19TA Title XIX Assistance (FMAP)	0	7,261,000	20,565,000	38,363,000
Total for Fund 001-C	0	7,261,000	20,565,000	38,363,000
Total Overall Funding	0	7,261,000	20,565,000	38,363,000

Medicaid Transformation Waiver: Initiative 2

Addressing the Demands of the Age Wave

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 our Medicaid dollars wisely and lead to a healthier Washington.

Washington has been a national leader in providing long-term services and supports (LTSS) that help people remain in their homes and communities, saving billions of dollars over the past two decades. Our LTSS system has sustained AARP’s ranking of 2nd in the nation for its high performance while at the same time ranking among the lowest (34th) in cost.

But our population is aging, increasing the number of individuals who will be in need of these services. By 2040, the number of people 65 and older will more than double—and as we age we often need more assistance.

While we will continue to provide more intensive services to those who need them, the waiver will allow us to prepare for the “age wave” by testing new services that support unpaid family caregivers and provide targeted supports to people who may or may not qualify for Medicaid.

This “next generation” system of care will:

- ***Provide more support for unpaid caregivers***

In Washington State, family members and other unpaid caregivers provide approximately 80 percent of care to people who need support. If just one-fifth of these caregivers stopped providing care, it would double the cost of LTSS in Washington.

Providing care for a family member can be among the most rewarding things a person can do, but it also has challenges: 85 percent of caregivers show increases in stress and effects on their own physical and mental health.

Washington has already developed a successful program to support unpaid caregivers—so we know that when we provide support to them early, those they care for are 20 percent less likely to enroll in more intensive Medicaid LTSS the following year.

- ***Protect people’s savings***

The majority of Washingtonians are *uninsured* for LTSS with no affordable options for coverage.

Currently, in Medicaid, an individual qualifies for everything or nothing at all.

Individuals and their families often have no practical way to prepare financially for future LTSS needs except by impoverishing themselves so they are eligible for full-scope Medicaid.

Responding to increased demand for LTSS—The Medicaid transformation waiver

The waiver will offer additional choices that:

- Preserve and promote choice in how individuals and families receive services.
- Support families in caring for loved ones while increasing the well-being of caregivers.
- Delay or avoid the need for more intensive Medicaid-funded LTSS when possible.

Proposed new benefits

Medicaid Alternative Care (MAC) will provide support for unpaid family caregivers who support individuals eligible for Medicaid but not currently accessing Medicaid-funded LTSS. This benefit package will provide necessary supports to unpaid caregivers to enable them to continue to provide high-quality care and focus on their own health and well-being. It will include needed services for hardworking caregivers such as training, support groups, respite services, and help with housework, errands, and home-delivered meals.

Targeted Supports for Older Adults (TSOA) will establish a new eligibility category and benefit package for individuals at risk of future Medicaid LTSS use who currently do not meet Medicaid financial eligibility criteria but do meet functional criteria for care. It is designed to help individuals and their families avoid or delay impoverishment and the future need for Medicaid-funded services while providing support to individuals and unpaid family caregivers. As with MAC, TSOA will include necessary supports such as training, support groups, respite services, and help with housework, errands, and home-delivered meals.

These additional options are aimed at providing individuals with “the right services at the right time.”

Draft benefit specifications are available at www.hca.wa.gov/hw/Pages/mt_initiative2.aspx.

Efforts are under way to make applying for these benefits easy and ensure that individuals are aware of their choices. Estate recovery will not apply to these new benefits.

We are still negotiating with CMS. Implementation details are being developed through these negotiations; regular updates are posted on the [Initiative 2 Medicaid Transformation web page](#).

Stay informed

- Visit the Medicaid Transformation page at www.hca.wa.gov/hw/Pages/medicaid_transformation.aspx
- Join the Healthier Washington Feedback Network and receive regular updates and announcements of upcoming webinars—sign up on the Contact Us page at www.hca.wa.gov/hw
- Send questions and comments to medicaidtransformation@hca.wa.gov

Through the waiver, we are asking for a federal investment over a five-year demonstration period. 1115 waivers are not grants. The state must demonstrate that it will not spend more federal dollars on its Medicaid program under the waiver than it would have without the waiver.

Medicaid Transformation Waiver: Initiative 3

Connecting our most vulnerable populations with targeted Medicaid benefits for supportive housing and supported employment

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 our Medicaid dollars wisely and lead to a healthier Washington.

The research is clear: unemployment and job insecurity, along with homelessness and unstable housing, contribute to poor health. Homelessness is traumatic and cyclical—and it puts people at risk for physical and mental health conditions, and substance use disorders. There is also substantial evidence linking unemployment to poor physical and mental health outcomes, even in the absence of pre-existing conditions.

Through the Medicaid waiver, Initiative 3 seeks to address these factors by creating targeted benefits for supportive housing and supported employment. Through these targeted benefits, Initiative 3 will enhance the availability of these services for those who are the most vulnerable and have complex care needs.

Supportive Housing Services

Initiative 3 will create a targeted supportive housing services benefit for eligible Medicaid beneficiaries. These housing-related services do **not** include payment for room and board. Instead, we are proposing to use the waiver to pay for **services** that will help Medicaid beneficiaries get and keep housing. The supportive housing service package includes, but is not limited to services that identify and assist individuals in obtaining appropriate housing and provide tenant support to maintain housing, landlord relations support and training, advocacy, and links to other community resources. The proposed supportive housing benefit will not duplicate existing services currently available to eligible populations.

The benefit will serve specific populations and seeks to achieve the following outcomes:

- **Support those who are unable to find stable housing:** Chronically homeless individuals (as defined by HUD)
- **Decrease dependence on costly institutional care:** Those with frequent or lengthy institutional contacts
- **Decrease dependence on restrictive and costly adult residential care/treatment:** Those with frequent or lengthy adult residential care or treatment stays
- **Support difficult-to-serve LTSS recipients:** Reducing turnover of in-home caregivers or providers
- **Support those at highest risk for expensive care and negative outcomes:** PRISM risk score of 1.5+

Individuals eligible for these services must exhibit a medical or functional need and fall into at least one of the groups described above. The anticipated monthly caseload for supportive housing under the waiver is 3,000 individuals. Implementation phasing may be required in order to ensure the supportive housing benefit matches available housing and service capacity.

Supported Employment Services

This initiative will help people who are eligible for Medicaid and have physical, behavioral, or long-term service needs that make it difficult for them to get and keep a job. It will provide the ongoing services and support these individuals need, including individualized job coaching and training, employer relations, and assistance with job placement.

Through stakeholder engagement and population analysis, four outcomes have been identified and corresponding populations are proposed. These include:

- **Helping individuals stay engaged in the labor market:** Those enrolled in the Aged, Blind and Disabled (ABD) program, or have the potential to be enrolled in Housing & Essential Needs (HEN)
- **Preventing the escalation of behavioral health service need:** Individuals with severe and persistent mental illness, multiple episodes of inpatient substance abuse treatment, and/or co-occurring mental illness and substance use disorder
- **Supporting those with significant long-term services and supports needs:** Individuals with traumatic brain injury and physical disabilities
- **Supporting vulnerable youth and young adults:** Working age youth with a behavioral health diagnosis

Like the supportive housing benefit, referral to these services must be in response to a medical necessity. The anticipated caseload for supported employment benefits is 3,000 individuals per month.

How will providers be reimbursed for these services?

Supportive housing and supported employment services under Initiative 3 will be provided as targeted benefits through existing Medicaid delivery systems—Behavioral Health Organizations (BHOs), Managed Care Organizations (MCOs), and the Department of Social and Health Services (DSHS) and Area Agencies on Aging. Providers will receive payments for services provided through managed care or fee-for-service arrangements. Implementation details are being developed through negotiations with CMS; see the [Medicaid Transformation Initiative 3 web page](#) for updates.

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