



Section 1115 Waiver **Renewal** **Federal-State Shared** **Savings Concept**

Mari Cantwell

Chief Deputy Director, Health Care Programs

Department of Health Care Services

January 30, 2015



1115 Waivers

Allow states flexibility to design demonstration projects that promote the objectives of the Medicaid program

Demonstrations are typically approved for five years; states may submit request for renewal for 3 - 5 years

Must be budget neutral



Waiver Renewal Concepts



Waiver Objectives

Shared Goals with CMS

- To further delivery of high quality and cost efficient care for our beneficiaries
- To ensure long-term viability of the delivery system post-ACA expansion
- To continue California's momentum and successes in innovation achieved under the "Bridge to Reform" Waiver

Bring together state and federal partners, plans and providers, and safety net programs to share accountability for beneficiaries' health outcomes and expand access

Avoid unnecessary institutionalization and services by building the foundation for an integrated health care delivery system that incentivizes quality and efficiency

Use California's sophisticated Medicaid program as an incubator to test innovative approaches to whole-person care

Critical Components for California



Strategies

- Delivery System Transformation & Alignment Incentive Programs
- Payment and Delivery System Alignment for Public Safety Net Systems for the Remaining Uninsured

Financing

- Federal/State Partnership on Shared Savings
- Budget Neutrality
- Continued Federal Funding Support



Waiver Framework

- Continue to build capacity in ways that better coordinate care and align incentives around Medi-Cal beneficiaries to improve health outcomes, while also containing health care costs.
- Bring together state and federal partners, plans and providers, and safety net programs to share accountability for beneficiaries' health outcomes.
- Advance quality improvement and improved outcomes through expanded Delivery System Transformation & Alignment Programs
 - DSRIP 2.0 targeted at public safety net systems
 - Regional partnerships through Managed Care incentives
 - Fee-for-service quality improvement initiatives
 - Workforce development initiatives
 - Improving access to housing & supportive services
- Transform California's safety net for the remaining uninsured by unifying DSH and safety net care pool funding streams into a county-specific global payment system

Payment/Delivery Reform

Incentive payments



CA would seek Waiver authority to create one or more incentive programs to achieve goals of the Triple Aim

Focus on coordinated care across physical health, mental health, substance abuse disorder services, and long term care as well as improved quality and value within the delivery system

Incentive payments could target total cost of care and allow for shared savings amongst impacted entities for meeting specified quality and outcome measures

Incentives could be targeted at both managed care plans or Medi-Cal providers in order to impact both members in managed care and FFS

Stakeholder Process: Three targeted workgroup sessions



DSRIP 2.0

Would build on lessons learned from 2010 DSRIP and other states' DSRIPs

Lessons learned from the BTR DSRIP could inform program design for Non-Designated Public Hospitals (NDPHs)

Successor DSRIP would be more outcomes and value-oriented and seek to demonstrate advancement of the Triple Aim more consistently across the public hospital systems

5 new potential domains: 1) Delivery System Transformation, 2) Care Coordination for High Risk, High Utilizing Populations 3) Resource Utilization Efficiency 4) Prevention 5) Patient Safety

Stakeholder Process: Four targeted workgroup sessions



Access to Housing and Supportive Services

Potential to test integrated whole-person care concepts that coordinate and facilitate access to housing and supportive services with the goal of better health outcomes for vulnerable high-need populations

Identify opportunities tailored to enhance local efforts and Waiver demonstration options (target populations, geographies, funding streams, coordination with regional partners-plans, counties, housing authorities/agencies, etc.)

Stakeholder Process: Four targeted workgroup sessions



Workforce Development

Address need to transform and expand primary care delivery systems to serve the Medi-Cal population, given increased competition for providers post-ACA

Expand existing providers' ability to deliver quality care to additional Medi-Cal members and users of CA's safety net

Attract additional workforce to participate in the Medi-Cal program including new categories of health workers with expertise in physical-behavioral health integration and that have cultural and linguistic skill sets for broad community reach

Drive value by leveraging non-physician workforce

Potential incentive concepts: telehealth, loan repayment and other provider incentives tied to service commitment, provider training and education

Stakeholder Process: Three targeted workgroup sessions

Safety Net Payment Reform – DSH/SNCP



Aim for innovation in aligning incentives for safety net providers by transforming the traditional Disproportionate Share Hospital (DSH) and Safety Net Care Pool (SNCP) reimbursement structures

Explore concept of county-specific global payments that seeks federal flexibility to integrate DSH and SNCP funding and serve as lever for whole-person coordinated care

Support safety net providers in their efforts to provide comprehensive care for the remaining uninsured that includes primary care, in lower costs outpatient and clinic settings

Stakeholder Process: Three targeted workgroup sessions



Current 1115 Budget Neutrality Overview



Budget Neutrality Overview

As a principle of Budget Neutrality: Spending under the waiver must not exceed what spending would be without a waiver

Without Waiver

- Projects Medi-Cal expenditures absent the Waiver.
- In California, the managed care program exists under Waiver authority. Therefore, Budget Neutrality “without waiver” assumes that absent the Waiver, Medi-Cal would operate as a fee-for-service program and assumes continuation of trends from historical (typically 5 years) fee-for-service experience

With Waiver

- Anticipated expenditures with waiver in effect
- Reconciled during the life of the Waiver to ensure meeting requirements of budget neutrality

Costs Not Otherwise Matchable (CNOM)

- The difference between “Without Waiver” expenditures and “With Waiver” expenditures generate the budget neutrality “room”, or savings, in total funds (federal funds and state funds)
- Upon CMS approval, these savings can be spent on state programs that would otherwise not be matchable with federal financial participation.
- Examples include DSRIP, DSHPs, etc.



2010 Waiver Budget Neutrality Walkthrough

Not included in PowerPoint – Excel workbook walkthrough



Stakeholder Q&A



2015 Budget Neutrality & Federal-State Shared Savings Proposal



Budget Neutrality

- Generally retain structure and calculations as under the 2010 Waiver, with modifications as noted:
 - Trend existing FFS PMPMs based on existing trend factors for MEGs, split by model type (two-plan/GMC, COHS, CCI, non-CCI):
 - Family
 - Seniors & Persons with Disabilities, including partial duals
 - Full scope dual eligibles
 - Given experience attained for new adult group, add new MEG for new adults
 - Maintain separate limit B for designated public hospitals UPL as in 2010 Waiver
 - Add designated public hospital DSH funding into budget neutrality on both sides
 - Consider incorporating CBAS into overall PMPMs



Budget Neutrality (continued)

- Without waiver expenditures funded through budget neutrality margin (CNOM) would include:
 - ❑ Funding of global budget amounts related to former SNCP funding
 - ❑ Continuation of designated state health programs
 - ❑ Delivery system transformation & alignment incentive program funding (DSRIP 2.0; regional incentives; FFS incentives; workforce development incentives; housing/supports)
 - ❑ Federal shared savings amounts
 - ❑ IHS uncompensated care funding (as today)
- Actual MCO PMPMs used for With Waiver as today
- Estimated CPE FFS payments for designated public hospitals as today



Federal/State Shared Savings

Seeks Federal recognition of the savings that California's section 1115 demonstration generates

Federal government would provide state with a share of federal savings to be reinvested in the Medi-Cal program and facilitate continued delivery system transformation

Under this initiative, California would be required to demonstrate that savings generated under the Waiver are sufficient to permit California to retain a share of the Federal funding saved

The savings serve as key reinvestment funding that will allow CA to implement many of the other waiver initiatives that will drive this savings as well as quality improvement

Concept is not a per-capita cap that limits entitlement spending; any excess spending over the anticipated per-beneficiary cost would count against budget neutrality margin



2015 Waiver Budget Neutrality & Federal-State Shared Savings Walkthrough

Not included in PowerPoint – Excel workbook walkthrough



Stakeholder Q&A



Public Comment



Further Questions / Comments:

WaiverRenewal@dhcs.ca.gov

[http://www.dhcs.ca.gov/provgovpart/
Pages/WaiverRenewal.aspx](http://www.dhcs.ca.gov/provgovpart/Pages/WaiverRenewal.aspx)