MEDICAID WAIVER: TOOL TO FULLY IMPLEMENT THE MRT ACTION PLAN

Introduction

New York State is well positioned to lead the nation in Medicaid reform. Governor Cuomo's Medicaid Redesign Team (MRT) has developed a multi-year action plan that if fully implemented will not only improve health outcomes for more than five million New Yorkers but also bend the state's Medicaid cost curve. Significant federal savings have already been realized through New York's MRT process and substantial savings will also accrue as part of this action plan.

A groundbreaking new Medicaid 1115 waiver will be necessary to fully implement the MRT action plan. The waiver will allow the state to reinvest in its health care infrastructure as well as the freedom to innovate. The new waiver will also allow the state to prepare for implementation of national health care reform as well as effectively bend the cost curve for the state's overall health care system.

This document serves as an overview of the MRT action plan and the 1115 waiver that the state is seeking to implement. A companion document that provides a complete overview of the MRT action plan is available on the Department's web site. This summary represents a first step in both a state-federal dialog as well as state-stakeholder discussion on how a new Medicaid waiver can help implement the MRT plan and prepare the state for national health care reform. This document will continue to evolve as a result of those important discussions.

Medicaid Redesign Team – An Overview

New York State is committed to redesigning the nation's largest Medicaid program. Governor Cuomo created the Medicaid Redesign Team (MRT) in January 2011 with the express purpose of putting together a multi-year action plan that would improve patient outcomes and lower program costs. After months of work the team finalized the action plan and the state is now implementing that plan.

The MRT action plan was developed with an unprecedented level of stakeholder engagement. A variety of strategies were used to gather thousands of ideas on how to move the program forward. The MRT process serves as a national model on how to move stakeholders beyond the common rancor to real dialogue that generates creative, thoughtful reform ideas. Thanks to the MRT and the process it created, New York State is now unified in its overall approach to Medicaid reform.

The MRT action plan is built on the need to reintroduce fiscal discipline into the program. Prior to MRT, state share Medicaid spending was on path to grow by 13 percent. This rapid rate of growth was driven primarily by out of control Fee-for-Service (FFS) spending in areas such as non-institutional long term care and prescription drugs.

To achieve fiscal discipline, the MRT recommended a new multi-year Medicaid Global Spending Cap. The cap, which applies to the state share of Medicaid spending controlled by the Department of Health, is now state law. The annual spending cap grows at the 10-year rolling average of CPI-Medical. The Commissioner of Health also has "super powers" under which he can modify the program without legislative approval to rein in spending to maintain the cap. The global spending cap, under which targets and actual spending by sector are reported out monthly, has transformed how New York State oversees the Medicaid program and has introduced a new era of unprecedented transparency.

The plan's second major tenet is that the primary way to improve patient outcomes and lower costs is effective care management. The MRT made the historic recommendation that the state phase-out the uncoordinated FFS program and replace it with a new system of *care management for all*. This new system will rely on a variety of health plans (many provider-based) that will eventually provide fully-integrated managed care for all Medicaid members. It will take New York State between three to five years to fully implement the state's care management vision. While New York State has administered a managed care program for more than twenty years many of the state's highest need/highest cost populations have been excluded as have many of the highest cost service categories.

In addition to contracting with health plans, MRT also recommended that the state invest in provider level care management strategies such as Patient Center Medical Homes (PCMHs) and Health Homes. While full capitation helps better align incentives so as to reward value over volume, there is a clear need to drive provider level cooperation and meaningful improvement in service provision at the point of care. New York State is now on path to ensure that all Medicaid members enjoy the benefits of high quality primary care through nationally accredited PCMH's and that every high need/high cost Medicaid member is enrolled in a new Health Home. These provider level strategies are being integrated within the overall care management for all approach in a way that will be seamless for Medicaid members.

MRT Waiver – Preparing for National Health Care Reform

New York State is poised to successfully implement the Affordable Care Act (ACA). Thanks to national health care reform one million New Yorkers will gain access to health insurance and the state believes that the various tools provided by the legislation will also allow the state to improve patient outcomes and rein in health care costs.

The MRT continually had its eye on national reform as it developed its Medicaid reform plan. Medicaid reform must be implemented in concert with the ACA or confusion and missed opportunities will arise. The state's vision for a new MRT waiver is to utilize reinvested federal dollars that will both prepare the state for ACA as well as maximize the value of key ACA provisions. In particular, New York's fragile health care safety net must be modernized and primary care access must be expanded in order to prepare for new enrollees. In addition, New York State is a national leader in Health Homes – an ACA creation – and the state will look to the waiver to invest needed capital into the state's new Health Homes so they can be truly successful in coordinating care and reducing cost for the state's most complex patients.

New York's vision for both Medicaid reform and ACA implementation is well summarized by the CMS Triple Aim. Health care reform must be about improving quality, improving health and reducing per capita costs. The MRT waiver will allow New York State to address all three goals in a coordinated fashion while also fulfilling the promise laid out in the ACA.

MRT Waiver Overall Framework

New York State envisions an MRT waiver that is closely modeled on the successful New York Federal-State Health Reform Partnership (F-SHRP) waiver which was recently extended. Under F-SHRP, the state reinvested federal savings resulting from reforms such as managed care expansions. These funds have allowed countless hospitals, nursing homes and other providers to become more cost-effective. As was the case with F-SHRP, New York State hopes to utilize one-time funds which in this case will be used to drive key MRT reforms as well as prepare the provider community for national health care reform.

New York envisions the MRT waiver as an amendment to the state's existing waiver, the New York Partnership Plan. Partnership has been the primary vehicle used by the state to expand access to managed care. This waiver was recently renewed and has been extremely successful. Amending this waiver to facilitate MRT implementation makes sense since the move to "care management for all" is a vital part of the multi-year action plan. The Partnership Plan waiver also has substantial remaining budget neutrality capacity which will be further augmented by the MRT action plan.

The MRT waiver will be restricted to the portion of the Medicaid program controlled by the Department of Health. Specifically excluded from the 1115 waiver are those Medicaid services provided through waivers administered by the Office for People with Developmental Disabilities (OPWDD).

The state is currently pursuing a different waiver agreement that will encompass services/waivers that relate to people with developmental disabilities. Both this waiver and the OPWDD waiver are consistent in their approaches to cost containment and in their commitment to improving outcomes. In particular, both waivers will rely on care management as the primary method for driving change and innovation. Due to the complexity of the OPWDD system in New York, the state believes that these two issues should be addressed separately.

Obviously, no waiver can be approved unless the federal government can be assured that the waiver is cost neutral. Thanks to the MRT, New York is now committed to slowing the rate of growth in Medicaid spending and that commitment will ensure that cost neutrality is maintained. The state's budget neutrality argument will be linked to the state's new Medicaid Global Spending Cap which is already working to control cost growth despite sharp enrollment growth. This Medicaid Global Spending Cap will generate significant out-year savings for both the state and federal governments. Currently, estimates suggest that MRT Phase 1 initiatives will save the federal government $18.3 billion over the next five years. Phase 2 recommendations will increase the savings amount especially in FY13-14 and FY14-15.

The waiver that New York State is seeking is on the same scale as waivers recently approved in other states. Specifically, New York State requests that the federal government allow the state to reinvest up to $10 billion of the $18.3 billion in federal savings over a five-year period. Even with this targeted reinvestment this proposed waiver is clearly budget neutral to the federal government. New York State will ensure that all federal reinvestment funds are matched by state and local dollars not currently used for federal claiming.

New York's Reinvestment Strategy – Bending the Cost Curve and Improving Patient Outcomes

New York's reinvestment strategy will ensure that the full breadth of the MRT recommendations and the ACA are successfully implemented. The reinvestment funds are essential given the fiscal challenges still facing New York State as the nation struggles to escape a weak economy. The following are New York's initial thoughts on how to utilize the reinvestment funds. This plan is still in draft form as the state will be conducting extensive stakeholder outreach efforts to gather feedback on the plan before it is finalized.

Primary Care Expansion – This new program will provide capital funding for health care providers to modernize and expand their facilities in preparation for one million more New Yorkers gaining access to health insurance. Special focus will be on expanding access to high quality primary care and in the conversion of existing hospital capacity into new ambulatory settings. All applicants will be required to be NCQA accredited PCMHs and special preference will be given to applicants that actively participate in state-designated Health Homes. These funds will help ensure that virtually all New York Medicaid members have access to PCMHs for primary care and is consistent with ACA provisions which will increase Medicaid payments for primary care.

Health Home Development – New York State is a national leader in Health Home development. These creative new partnerships will be responsible for coordinating care for New York's sickest and highest cost patients. If successful, Health Homes will serve as national models. Health Homes face many challenges ranging from HIT to organizational governance to hiring and retaining effective care managers. This program will provide development funding to health homes to fund capital as well as temporary operating support for health homes. Eventually, mature health homes will be funded by a mix of Medicaid care coordination payments and shared savings arrangements. Health Homes will align care management with prioritize housing (see supportive housing below) to directly address the arguably largest social determinate of poor health which is homelessness and precarious housing. It will likely take Health Homes several years to mature to the point where they can function effectively without additional federal support. This program will serve as a bridge to long term sustainability.

New Care Models – Medicaid reform must also mean health system reform. While ending FFS Medicaid and implementing a system of care management for all is a step in the right direction, reform in New York State must ensure that providers are truly working together in an integrated fashion that improves patient outcomes and lowers costs. New models of care will be needed to breakdown the traditional delivery silos. While health homes are one such effort, New York State will need to invest in other models such as ACOs, hospital/nursing home partnerships that better manage transitions in care, telehealth initiatives, and new approaches that integrate physical and behavioral health services. New York State will use funds from this program to launch new partnerships and test new models of care that could be replicated elsewhere.

Expand the Vital Access Provider Program and Safety Net Provider Program – New York State maintains two relatively small programs that are designed to assist financially challenged providers as they seek to achieve sustainability. The programs are open to hospitals, nursing homes, clinics and home care agencies that are financially challenged due to high Medicaid/Medicare/uninsured utilization or are absolutely essential given their location. These small programs (limited because of state budget challenges) provide modest payment increases to providers as they implement restructuring plans that will address their financial challenges. The demand on these programs will grow as a result of the structural reforms being implemented.

Additionally, New York State can't afford to lose vital providers as the state prepares for one million newly insured individuals thanks to the work of the ACA. New York State proposes to use waiver resources to expand these programs and include additional requirements that participating providers also pledge to measurably improve patient outcomes. Applicants will be given special consideration if they participate in health homes and any participating clinic would need to be an NCQA accredited patient centered medical home.

Public Hospital Innovation: New Models of Care for the Uninsured – New York State relies heavily on public hospitals to provide vital care to Medicaid patients and the uninsured. While ACA will reduce the number of uninsured, the challenges of uncompensated care will not vanish and public hospitals will continue to serve those who are displaced. New York State is prepared to fundamentally reform they way it provides care to the uninsured which is now largely funded through emergency Medicaid since services are provided in emergency rooms. New York State hopes to design and implement a new demonstration program that will provide "pre-emergency" Medicaid services to uninsured individuals. Many uninsured patients suffer from multiple chronic illnesses and by providing them with access to a cost-effective primary care benefit will both improve patient outcomes and lower overall Medicaid spending. New York State will use waiver resources to fund these primary care services as well as to track results and savings.

Medicaid Supportive Housing Expansion – This new program will fulfill the MRT goal of expanding access to supportive housing for high needs/high cost Medicaid members. New York State through the MRT process has made a major commitment to supportive housing as a way to both address chronic homelessness as well as lower Medicaid costs. Housing is a perfect example of how social determinants of health are paramount. If a Medicaid patient doesn't have access to adequate housing they are far more likely to end up in an institutional setting which will greatly increase program costs. New York is committed to demonstrating through this program that supportive housing when provided in careful orchestration with health home care management will help bend the Medicaid cost curve as well as improve lives. It is important to note that only those housing projects that clearly target health home eligible Medicaid members with complex health conditions will be funded. The state will look to match these funds with other housing programs so as to maximize the impact of the program.

Managed Long Term Care Preparation Program – This new program will look to fund efforts to modernize nursing homes as they prepare for fully integrated care management as well as expand access to other long term care programs/settings. Nursing homes are well positioned to help the state better manage the complex health care needs of dual eligible members. Nursing homes that are effective care managers will keep patients out of hospitals which will both improve quality of life and lower costs. Funds from this program will also help "pre-pay" capital costs so as to ensure that nursing homes that made capital investments in previous years are not penalized as the state moves to care management for all.

Capital Stabilization for Safety Net Hospitals – New York's not-for-profit safety net hospitals are at risk. Many face high debt levels and are functioning within antiquated facilities. As a result, these hospitals are unprepared for payment reform which will shift funds from inpatient to outpatient settings as well as the influx of newly enrolled Medicaid patients. To address this challenge, New York needs a program that will reduce safety net hospital debt and allow for capital funds to modernize facilities which would include the closure of unneeded hospital beds. This program will require requesting hospitals to demonstrate how these funds will prepare them for both ACA implementation and payment reform. Hospitals that actively participate in Health Homes will be given special consideration.

Hospital Transition – Significant savings from a reformed healthcare system will be derived from reductions in hospital and emergency room utilization. Hospitals need to be active partners in right sizing the number of inpatient hospital beds for their communities. The hospital of the future under this waiver should be a network of services which emphasize prevention, wellness, primary care and outpatient services. Hospital funding should be reformed to support the new vision through approaches like global budgeting. In order to achieve this transition, however, funds will be necessary to smooth the transition issues, which include capital investment in primary care/outpatient services linked to bed closures, workforce retraining, and developing outpatient networks.

Workforce Training – These funds will be used to train additional providers as New York State prepares for the increased demand for services caused by ACA implementation. Thanks to the ACA, up to one million newly insured people will be looking for cost effective health care. New York's health care workforce will need to expand and improve in order to deal with this increased demand as well as new technologies that will transform how care is provided in the home. Funding will be channeled to organizations capable of providing workforce training ranging from long term care, care coordination and primary care. Funding should also be used to expand the successful Doctors Across New York (DANY) program, and the newly enacted Primary Care Services Corps, which provides funding for the recruitment and retention of non-physician clinicians in medically underserved areas. Additionally, funding would be used to pay teaching institutions enhanced salaries for residents who agree to work in a medically underserved community within the State upon completion of residency training, with amounts further increased if residents committed to working in a rural community. An employment consortium would be created to match physicians with needed positions.

Funds would also be used to develop a Health Workforce Incentives and Opportunities Clearinghouse to provide up-to-date and timely information on current funding streams, healthcare opportunities, and provide real-time data on areas in the State with health personnel shortages. Funds would also be used to fund a Health Workforce Data Repository to allow for more comprehensive healthcare workforce data collection and analysis to ensure uniformity and consistency on all data collected. This repository will enhance the availability of existing healthcare educational pipeline data and other information that builds collaborations across agencies, reduces redundancies and creates a streamlined approach to data collection. At a time when healthcare systems, and especially Medicaid, are undergoing dramatic change, data and information on the healthcare workforce can contribute greatly to informed decision-making.

Public Health Innovation – Consistent with the ACA and MRT recommendations New York State is prepared to integrate evidence-based public health prevention programs as part of the fabric of Medicaid – to achieve the triple aim of improved quality, better health and reduced health care costs. Effective integration of interventions that were once thought of as solely within the domain of public health will promote population health and reduce systemic costs. Examples of MRT recommendations that will fulfill these goals and provide exemplars for the nation are **(1)** statewide expansion of the successful Nurse-Family Partnership program which prevents pre-term births **(2)** Medicaid coverage of home visits for environmental assessment for asthma and childhood lead poisoning prevention and treatment; and **(3)** pre-diabetes screening and interventions to prevent progression to diabetes;

These steps will prevent adverse outcomes, improve health, and promote self-management. This in turn will reduce ED utilization, avoid the need for costly curative care, and in general reduce costs to the health system. Effectively integrating community prevention and public health services with health care delivery will be critical to health reform implementation and overall efforts to expand coverage, improve quality, and reduce costs. For example, providing access to healthy community environments and social supports can prevent progression to diabetes and increases the ability of patients to follow through on recommended chronic disease management regimens such as engaging in regular physical activity or changing dietary habits. This in turn can improve health outcomes and decrease the need for costly pharmaceutical and other medical interventions.

Regional Health Planning – In the context of dramatic changes in the delivery system, including new risk-based reimbursement methodologies, new care models, improved access to health insurance, and the fiscal and health imperatives to improve care coordination and patient engagement, New York recognizes the need to strengthen collaborative, regional health planning. Under this planning model, multi-stakeholder collaboratives will engage in data-driven planning activities that bring together consumers, payers, providers and public health officials to build community consensus around the alignment of health care resources with community needs and around strategies for promoting patient engagement, coordinated care, appropriate health care utilization and healthy communities. Unlike the health planning of the 1970's and '80s which focused on the bricks and mortar of health care facilities, this 21st century planning model will focus not only on the supply of health care resources, but also on the demand for health care.

MRT and Waiver Evaluation Program – The comprehensive agenda described above needs to be closely monitored and evaluated in order to ensure that the reforms are supported by data-driven implementation plans and that the state is making progress in achieving the CMS Triple Aim. These funds will support an established, dedicated cadre of state staff and outside experts that will also report on the sustainability of waiver components. We will align measures for this effort with the National Quality Strategy from HHS, the National Priority Partnership, and 'core' Medicaid measures from CMS.

WAIVER STAKEHOLDER ENGAGEMENT PROCESS

New York is committed to engaging stakeholders and the greater public in Medicaid reform and ACA implementation. The MRT is a national model for how stakeholders can work together to develop a comprehensive reform agenda even during the most trying times. New York used a similar approach to engage stakeholders around key ACA provisions such as the health insurance exchange and Health Homes. New York is committed to continuing the MRT tradition and rigorously engaging the public, in accordance with recently issued requirements by CMS to ensure transparency as it works to finalize an 1115 Medicaid waiver.

A website for all waiver materials will be created and will be easy to access from the Department website. The waiver website will include links to the waiver summary paper, the full public notice, an application with a sufficient level of detail to provide the public with an opportunity to review and provide meaningful input, information on related public engagement opportunities, including public hearings and webinars, an online survey tool to receive public input. The state will use an electronic e-mail list serve, along with various social media tools to notify interested members of the public of the availability of these items and any additional updates on the state's waiver website. The state will also include a link to the relevant page on the CMS website regarding the state's demonstration application.

New York will utilize engagement strategies that were successfully deployed during the MRT process and will also introduce new methods for determining public preferences for how and where New York should invest waiver resources. The proposed stakeholder engagement process is outlined as follows:

Public Hearings

The Department of Health will host four public hearings throughout the state to gather feedback and assure public input on the waiver development process. Attendees will be briefed on the action plan as well as possible reinvestment options. All interested speakers will be given an opportunity to express their views which will be documented and incorporated into the final waiver proposal.

On-line Survey

The state will develop an on-line survey tool to identify the preferences of the broader community when it comes to waiver design and reinvestment.

Medicaid Member Focus Groups

The views of Medicaid members too often go unheard when it comes to Medicaid reform. New York will work with providers and community-based organizations to form member focus groups to help gather their important perspective on the waiver.

Topic Specific Statewide Webinars

The state will utilize webinars to focus on specific technical aspects of individual waiver proposal components and offer an opportunity for questions and feedback as part of these webinars.

Tribal Consultation

The state will provide notice and consult with tribes in accordance with its federally approved tribal consultation process.

CONCLUSION

New York State is well positioned to lead the nation in Medicaid reform and in ACA implementation. Governor Cuomo's Medicaid Redesign Team has developed a multi-year action plan that if fully implemented will not only bend the state's Medicaid cost curve but also improve health outcomes for more than five million New Yorkers.

Thanks to the ACA, Medicaid reform has the potential to mean broader health system reform in New York State. The MRT action plan and the ACA if implemented in tandem could lead to sweeping changes in health care delivery that will benefit the state's 19 million residents.

To fully implement the MRT action plan and ensure that ACA's full vision is achieved, New York State requires a groundbreaking new Medicaid 1115 waiver. The waiver will allow the state to reinvest in its health care infrastructure that will both lower Medicaid costs as well as ensure that the one million New Yorkers that will access health insurance for the first time will have access to cost-effective health care services.

New York State is ready to lead and prepared to work very hard to fundamentally reshape how health care is delivered so as to improve patient outcomes and lower costs. New York State is also united in its support of reform. Governor Cuomo's innovative Medicaid Redesign Team has ensured that its action plan has broad support, is aligned with the ACA, and is already saving both state and federal dollars. New York State looks forward to developing this new waiver in collaboration with both our federal partners and the broader New York public.