

August 14, 2014

Ms. Cindy Mann
Deputy Administrator, CMCS
Centers for Medicare and Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244

Dear Ms. Mann,

On behalf of the State of South Carolina and our Pay-for-Success (“PFS”) project team, I want to thank you and your team for their insight and assistance. I am excited to update you on our progress and to formally request CMS participation in this innovative project. We strongly believe that CMCS and SCDHHS have a unique opportunity to demonstrate the applicability of PFS within Medicaid through South Carolina’s PFS project.

As you are aware, the South Carolina Department of Health and Human Services (SCDHHS), the State’s Medicaid agency, has been working on a PFS project as a means to expand home visiting programs for expectant mothers. Over the past year, we have been working in partnership with the Office of Governor Nikki Haley and the Harvard Kennedy School’s Social Impact Bond Technical Assistance Lab to design this project.

We are encouraged by the continued federal interest in PFS and are excited that PFS is a presidential initiative. In our efforts, we have consulted staff from the White House Office of Social Innovation, Department of the Treasury and HHS’ Office of the Assistant Secretary for Planning and Evaluation (ASPE). Each of these groups has offered valuable feedback and insights that have helped improve our project’s design. Additionally, the HHS request for proposals regarding *Opportunities for Pay for Success Demonstrations in HHS Programs*, signals the Department’s interest in exploring PFS, especially within the Medicaid program.

From our perspective, PFS offers two significant benefits in expanding home visiting programs in South Carolina. First, the initial capital investment enables providers in South Carolina to build needed capacity, particularly in rural and underserved areas. Second, the performance-based contract makes a portion of Medicaid funding for home visiting services contingent upon the achievement of certain outcome targets. South Carolina is excited by the prospect of becoming the first state in the nation to utilize PFS financing within the Medicaid Program.

With technical assistance and guidance from CMS, potential providers, and stakeholders, SCDHHS has developed a structure for PFS financing that will allow us to implement

services through our existing Managed Care program, while prioritizing payment for those services that prove to be effective at improving maternal and child health outcomes and are targeted at first-time Medicaid moms who are most at risk.

Under this structure, prenatal and postnatal home visiting services will be delivered by a qualified home visiting provider via agreements between South Carolina's Medicaid Managed Care Organizations ("MCOs") and delivered through qualified providers using the nationally recognized Nurse-Family Partnership (NFP) model and coordinated with NFP's National Service Office (NSO). To meet the needs of the SC program, NSO will be responsible for community-based outreach and education, service delivery, and oversight of home visiting programs statewide in addition to the specific functions required under the PFS model, including raising private capital from investors and managing a rigorous program evaluation.

Under this structure, an all-inclusive rate for service delivery will be set and reimbursement for up to seventy-five (75%) of the total cost of services will be remitted by MCOs to the provider. The MCOs will receive a supplemental payment from SCDHHS to cover the cost of services on a per-member served basis. This portion of payment represents the successful and complete delivery of services to Medicaid beneficiaries. As this payment would represent service delivery and payment in a manner that is consistent with our current managed care program, we expect that it would be matched by CMS at our standard FMAP rate.

The remaining twenty-five percent (25%) of the total cost of services will be paid by SCDHHS directly to the provider only after SCDHHS, through a third party evaluation effort, has verified that predetermined outcome targets have been achieved. These payments will occur after service delivery has been completed and the state has rigorously evaluated the performance of the program. If the evaluation shows that outcome targets were not met, SCDHHS will not pay for the remaining cost of services. This payment would, in essence, be a withhold from the original service delivery cost. As such, we would request that CMS also match this payment at our standard FMAP rate and we would work with CMS on how best to represent these withholds since the time from initial service delivery and payment and the payment for the performance withhold would likely be several years.

Finally, under this structure, the investors who provide the initial capital to grow the capacity of the home visiting program expect a return on their investment for financing the risk associated with performance metrics being achieved. As such, SCDHHS would make an additional payment to cover the investment return. This payment may be up to thirty percent (30%) of the total cost of services, however, if the performance targets are not met SCDHHS would not be required to make these investment payments. If the performance targets are met, it means that SCDHHS and CMS both experienced savings within the Medicaid program. As such, we request that CMS provide a method for FMAP claiming

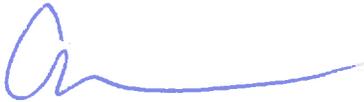
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against this investment return. At this time we are still developing the financial model, however, we expect the scope of the program to be on the order of \$20-\$30M of total services cost and thus a maximum investment return of between \$6-\$9M to be split between state and federal funds.

We request that you provide approval for this approach and we would work with your team to complete needed documentation of the details as we develop them. If you or anyone on the CMS team would like to discuss the PFS model further please let me know, and I'll connect them with the SCDHHS staff leading these efforts.

SCDHHS is grateful for the assistance CMS has provided to our team as we work to implement this innovative approach to financing the expansion of home visiting services for at-risk pregnant woman and new mothers. As always, we thank you for your continued support in improving the health and lives of families in South Carolina.

Sincerely,



Anthony E. Keck
Director

Attachment 1: Nurse Family Partnership Home Visiting Service
Attachment 2: 4.1.6.16 Nurse Family Partnership Program

C: Jackie Glaze
Christian Soura
John Supra

Nurse Family Partnership Home Visiting Service

This program allows for a qualified registered nurse that is providing services as part of an authorized South Carolina Nurse-Family Partnership (NFP) Implementing Agency to visit pregnant Medicaid beneficiaries and following the birth, their Medicaid enrolled newborn/child in the home setting with the expressed purpose of:

- Improving pregnancy outcomes
- Improving child health and development
- Increasing the economic self-sufficiency of the family

The NFP program lasts from pregnancy until the child turns two (2). Although many program participants are teenagers, NFP serves first time mothers between 10 and 55 years of age.

- o For dates of service on or after [START_DATE], MCOs and [SC_PROVIDER_ENTITY or SCPE] must follow the procedures described below to bill and qualify for the NFP supplemental payment.
- o The NFP supplemental payment will only be paid for Medicaid Members that SCDHHS designates as being appropriate for receipt of service. The [SCPE] must receive written authorization for Medicaid Members before billing a claim to the MCO for services. Written authorization from SCDHHS will be provided in the form of a daily report provided to the [SCPE] and MCOs.
- o NFP home visits must be individually based visits by qualified nurses employed by an NFP implementing agency who have at least a baccalaureate degree in nursing and have undergone the required training by the NFP program to be a nurse home visitor. The Nurse home visitors, using professional knowledge, judgment, and skill, apply the Nurse-Family Partnership visit guidelines, individualizing them to the strengths and challenges of each family and apportioning time across defined program domains. The nurse home visitor cannot carry a caseload greater than 25 active participants.
- o If the mother loses full Medicaid eligibility prior to the completion of the full program, billing may continue under the newborn's Medicaid ID number.
- o After receiving authorization for a Medicaid Member, the [SCPE] must submit claims for NFP visits utilizing procedure code G0164 and either modifier TD (for RN for the initial visit) or TS (follow-up service), on a monthly basis, under the mother's Medicaid ID number or newborn Medicaid ID if the mother has lost Medicaid eligibility. Total maximum MCO reimbursement for both the first time mother and newborn will not exceed [\$X,XXX.00]. The service delivery date on any claim is not to exceed the newborn's second birthday.
- o For the initial monthly encounter that SCDHHS receives for procedure code G0164 with modifier TD, the MCO will receive [\$XXX.00] per encounter per

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eligible member. For follow-up encounters, the MCO will receive [\$XXX.00] per encounter per eligible mother (or newborn if the mother loses Medicaid eligibility). The total maximum reimbursement for all encounters found in the data for any individual Medicaid participant and their newborn will be [\$X,XXX.00].

- o SCDHHS will reimburse MCOs for supplemental payments utilizing encounter data on a quarterly basis. These payments will be made as a gross level adjustment to the MCO.

4.1.6.16 Nurse-Family Partnership Program

- 4.1.6.16.1 The CONTRACTOR shall provide to Medicaid Managed Care Members the Nurse-Family Partnership home visitation program.
- 4.1.6.16.2 The CONTRACTOR shall provide these services only to Medicaid Managed Care Members that are identified as appropriate for receipt of services by the Department. See Managed Care Policy and Procedure Manual for Details.
- 4.1.6.16.3 The CONTRACTOR is responsible for reimbursing the Nurse-Family Partnership Provider only for services delivered to Members that are identified as appropriate for receipt of services by the Department. See Managed Care Policy and Procedure Manual for details.
- 4.1.6.16.4 The Department will provide additional reimbursement for these services via a supplemental payment to the CONTRACTOR. See Managed Care Policy and Procedure Manual for details.