

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

ACTION REFERRAL

TO  <i>Myers</i>	DATE  <i>12-22-10</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER  <div style="text-align: center; font-size: 1.2em;"><i>0011273</i></div>	<input type="checkbox"/> I Prepare reply for the Director's signature <div style="text-align: right;">DATE DUE _____</div>
2. DATE SIGNED BY DIRECTOR  <div style="text-align: center;"> <i>CC/MS. Fortney, Depo, CMS</i>  <i>file</i>  </div>	<input type="checkbox"/> I Prepare reply for appropriate signature <div style="text-align: right;">DATE DUE _____</div> <input type="checkbox"/> I FOIA <div style="text-align: right;">DATE DUE _____</div> <input checked="" type="checkbox"/> Necessary Action

APPROVALS <small>(Only when prepared for director's signature)</small>	APPROVE	* DISAPPROVE <small>(Note reason for disapproval and return to preparer.)</small>	COMMENT
1.			
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DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, MD 21244-1850



*Informational Bulletin*

DATE: December 10, 2010

RECEIVED

FROM: Richard Gilfillan

Director

Center for Medicare and Medicaid Innovation

Melanie Bella

Director

Federal Coordinated Health Care Office

DEC 17 2010  
Directors  
MEDICAID ELIGIBILITY  
& BENEFICIARY SERVICES

Cindy Mann

Director

Center for Medicaid, CHIP and Survey & Certification

SUBJECT: State Demonstrations to Integrate Care for Dual Eligible Individuals

On November 16<sup>th</sup>, the Centers for Medicare and Medicaid Services (CMS) formally announced the establishment of the Center for Medicare and Medicaid Innovation (Innovation Center). The Innovation Center is charged with exploring new health care delivery and payment models that will enhance the quality of care for Medicare and Medicaid beneficiaries, improve the health of the population, and lower costs through improvement. We are writing to inform you of one of the Innovation Center's first initiatives to support *State Demonstrations to Integrate Care for Dual Eligible Individuals*.

There is perhaps no better opportunity to test innovative service delivery and payment models than for individuals who are dually eligible for Medicare and Medicaid. Dual eligibles account for 16 to 18 percent of enrollees in Medicare and Medicaid, but roughly 25 to 45 percent of spending in these programs respectively. With the vast majority of these nine million individuals receiving fragmented care at an estimated cost of over \$300 billion in State and Federal spending, improving care for this population is ripe for innovation.

Through the *State Demonstrations to Integrate Care for Dual Eligible Individuals*, CMS will provide funding for States to support the design of innovative service delivery and payment models for dual eligible individuals. We invite States to use this opportunity to test new and emerging models (e.g., health homes or accountable care organizations) as well as to build upon existing vehicles (e.g., PACE or Special Needs Plans) in order to create new person-centered models that align the full range of acute, behavioral health, and long-term supports and services and improve the actual care experience and lives of dual eligible beneficiaries.

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The overall goal of the State demonstrations is to identify and validate delivery system and payment integration models that can be rapidly tested and, upon successful demonstration, replicated in other States. CMS will award contracts to up to 15 States of up to \$1 million each. The primary outcome of the initial design period will be a demonstration proposal that describes how the State would structure, implement, and evaluate a model aimed at improving the quality, coordination, and cost-effectiveness of care for dual eligible individuals. Pending available funding and review of proposals, States that successfully complete the design phase may be eligible to receive additional support for the implementation of its proposed model under this contract.

The Innovation Center is administering this demonstration. Technical assistance and related tools will be provided by the Federal Coordinated Health Care Office, created by Section 2602 of the Affordable Care Act, to support the design and implementation efforts. The solicitation for this contracting opportunity is available on the Innovation Center website (<http://innovation.cms.gov/>) and at the following link: <https://www.fbo.gov/index?s=opportunity&mode=form&tab=core&id=7ffe8a7acbd80affecfbb55d7ae7d62&eview=0>.

The enclosed document provides a summary of the initiative as well as an overview of the proposal requirements and selection process for States interested in pursuing this opportunity. **Proposals are due on February 1, 2011.** CMS will be conducting a pre-proposal call to answer questions about the demonstration or proposal process. Information about the call will be posted on the above-referenced web site.

If you have any questions about this solicitation, please e-mail them to Charles Littleton at [charles.littleton@cms.hhs.gov](mailto:charles.littleton@cms.hhs.gov). We will attempt to respond fully and completely to questions that States submit as they develop their proposals. Both the questions and our response will be posted on the websites mentioned previously in this bulletin so that all interested States have access to the same information.

Thank you for your interest in this exciting new initiative.

Enclosure

## **State Demonstrations to Integrate Care for Dual Eligible Individuals Statement of Work**

### ***Background***

Created by the Affordable Care Act, the Center for Medicare and Medicaid Innovation (Innovation Center) aims to explore innovations in health care delivery and payment that will enhance the quality of care for Medicare and Medicaid beneficiaries, improve the health of the population, and lower costs through improvement. There is perhaps no better opportunity to test innovative service delivery and payment models than for individuals who are eligible for both Medicare and Medicaid (the “dual eligibles”). Dual eligibles account for 16 to 18 percent of enrollees in Medicare and Medicaid, but roughly 25 to 45 percent of spending in these programs respectively. With the vast majority of these nine million individuals still receiving care through fragmented care at an estimated cost of over \$300 billion in State and federal spending, improving care for this population is ripe for innovation.

### ***Purpose***

The Innovation Center is fostering interaction with a diverse group of stakeholders, including hospitals, doctors, consumers, payers, states, employers, advocates, relevant federal agencies and others to obtain direct input and build partnerships for its upcoming work. Given the partnership that exists between federal and state governments with respect to dual eligible individuals, the Centers for Medicare and Medicaid Services (CMS), through the Innovation Center, will provide funding for states to support the design of innovative service delivery and payment models that integrate care for this population. CMS is interested in identifying, supporting, and evaluating person-centered models that integrate the full range of acute, behavioral health, and long-term supports and services for dual eligible individuals.<sup>1</sup>

Under this solicitation CMS may award up to 15 (fifteen) contracts for up to \$1 million each to support the design of State demonstration models. The primary deliverable of the initial design period is a demonstration proposal that describes how the State would structure, implement, and evaluate an intervention aimed at improving the quality, coordination, and cost-effectiveness of care for dual eligible individuals. Only States receiving the initial contract award may be eligible to move into the implementation phase of this contract, pending the approval of the States’ demonstration design and the availability of funds. Technical assistance and related tools will be provided by the Federal Coordinated Health Care Office (FCHCO), created by Section 2602 of the Affordable Care Act, to support both the design and implementation efforts. It should be noted that receipt of the initial contract does not guarantee that those States will be eligible to move into the implementation phase of this contract. Under this solicitation, CMS shall not be obligated for reimbursement of any design costs beyond the Fixed-Price contract amount.

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<sup>1</sup> Potential models could include those that enhance existing integration vehicles such as the Program for All-Inclusive Care for the Elderly (PACE) and Medicare Advantage Special Needs Plans (SNPs) as well as those that test new/emerging models such as health homes or accountable care organizations (ACOs).

***Deliverables***

Over the course of the contract, the following deliverables will be required:

- ☐ **Monthly Conference Calls.** States shall participate in monthly conference calls with the CMS project officer and other CMS staff. These calls shall be used as a mechanism for discussing and managing administrative and project issues as they arise.
- ☐ **Progress Reports.** States will be responsible for submitting interim and final progress reports that document the development process and lessons learned as part of the design contract.
- ☐ **Innovation Demonstration Model.** The main deliverable of the design contract will be a demonstration proposal that describes how the state would structure, implement, and evaluate an integrated delivery system and payment model aimed at improving the quality, coordination, and cost-effectiveness of care for dual eligibles. CMS will provide States with the exact requirements in the Demonstration Proposal Instructions at the time of contract award; however, the demonstration proposal will be expected to contain at a minimum:
  - o Explanation of how the proposed demonstration will achieve the overall goals of better health, better care, and lower costs through improvement.
  - o Problem statement describing how or why changes to current policy would lead to improvements in access, quality, and reductions in Medicare and Medicaid expenditures over time.
  - o Discussion of how the proposed model will improve the actual care experience and lives of eligible beneficiaries, including findings from any beneficiary focus groups the state conducted to inform its proposed design.
  - o Detailed description of the dual eligible population, including key subpopulations (e.g., individuals with nursing facility level of care, serious mental illness, Alzheimer's/dementia, multi-morbidities, etc.); utilization patterns; service settings; costs; etc.
  - o Description of proposed delivery system/programmatic elements, including: benefit design; geographic service area; enrollment method; and provider network/capacity.
  - o Description of plans to expand to other populations and/or service areas if the model is focused on a subset of dual eligibles or is less than Statewide.
  - o Description of proposed payment reform, including payment type (e.g., full-risk capitation, partial cap, administrative PMPM); methodology for blending Medicaid and Medicare funding; financial incentives; risk sharing arrangements; etc.

- o Discussion of the expected impact of the proposed demonstration on Medicare and Medicaid costs, including specific mention of any effect on cost-shifting occurring today between the two programs.
- o Description of State infrastructure/capacity to implement and monitor the demonstration proposal.
- o Identification of key performance metrics, including how these data will be used to continuously improve access, quality, satisfaction, and efficiency as well as how they will fit within existing Medicaid and Medicare performance and quality measures.
- o Plan for engaging internal and external stakeholders, including a process for gathering and incorporating feedback on an ongoing basis.
- o If applicable, description of how the proposed model fits with: (a) current Medicaid waivers and/or state plan services available to this population; (b) existing managed long-term care programs; (c) existing integrated programs via Medicare Advantage Special Need Plans (SNPs) or PACE programs; and (d) other health reform efforts underway in the State (e.g., accountable care organizations, bundled payments, multi-payer initiatives, etc.).
- o Discussion of the scalability of the proposed model and its replicability in other settings/States.
- o Description of proposed evaluation design, including key metrics that could be used to examine the model's quality and cost outcomes for the target population, beneficiary experience, access to care, etc.
- o Description of the overall implementation strategy and anticipated timeline, including: a) the activities associated with building the infrastructure necessary to implement proposed demonstration (e.g., staffing needs, actuarial support, etc.); and b) any funds needed to support the development of such infrastructure (e.g., systems change costs at the State level for testing a new payment approach, development of a more efficient data exchange feed for near real-time tracking of claims, etc.).

*Schedule of Deliverables*

<u>Deliverable</u>	<u>Due Date</u>
Monthly Conference Calls	Ongoing
Progress Report	Interim: 6 months from award date Final: Within 30 days of submission Of demonstration proposal
Demonstration Proposal	Within 12 months from award date

***Proposal Instructions***

To be considered for a design contract, states are asked to provide the following information (not to exceed eight to ten (8-10) pages):

1. **High level description of the state's proposed approach to integrating care.** In addition to information on the target population, covered benefits, and proposed service delivery system, the description should also contain an explicit problem statement that describes the current coverage and payment policy, and how or why changes to current policy would lead to improvements in access and quality as well reductions in Medicare and Medicaid expenditures over time. It should also describe the policy rationale for the proposal, who will benefit and why, and any previous experience with the intervention/model proposed in the demonstration.
2. **Overview of state capacity and infrastructure** to design, develop and implement the proposed model. The overview should include key state staff by area and the expected use of any external consultants/contractors.
3. **Description of current analytic capacity.** The description should include whether the state has access to Medicare data and, if so, whether the Medicare and Medicaid data are linked and have been analyzed. If the state does not currently have access to Medicare data, the description should include plans to access, link and analyze the linked data set. In addition, states with managed care programs should address how encounter claims data are or are not being included in the linked data set and resulting analysis.
4. **Summary of stakeholder environment.** The summary should include any current or planned stakeholder engagement efforts and/or discussions with potential provider, health plan, PACE, or other delivery system partners.
5. **Timeframe.** States should provide expected target implementation date, including whether any legislative authority is required. \
6. **Budget and use of funds.** Please provide a budget outlining the requested amount (up to \$1 million) and use of funding to support the design costs (e.g., staffing, travel, analytic or actuarial support, etc.) associated with designing the demonstration model.

Proposals are due to CMS by February 1, 2011. CMS reserves the right to conduct a second solicitation if it does not award 15 contracts as part of the initial solicitation period.

*Selection Process*

In deciding whether to apply for a contract, states should assess their level of readiness with respect to moving forward with a duals demonstration model:

- ☐ Low: state has done little or no thinking to date with respect to duals integration;
- ☐ Medium: duals are not yet a high priority but the state has done some preliminary analysis/assessment regarding how it might improve the access, quality, beneficiary experience and costs of care for its dual eligibles; or
- ☐ High: state has previous experience in developing care interventions targeting the duals and/or has done considerable work to understand the population and identify opportunities for delivery system and/or payment reforms.

The overall goal of the state demonstrations is to identify and validate delivery system and payment integration models that can be rapidly tested and, upon successful demonstration, replicated in other states. As a result, the state design contracts are targeted at states displaying a medium to high level of readiness and that will be able to develop a demonstration model ready for implementation in 2012. CMS and the FCHCO have plans to provide separate technical assistance activities for states early on in the process with the idea that those states may be able to move toward greater integration at a later date.

States will be evaluated based on the degree to which their applications are consistent with the above goals as well as on their ability to adequately meet the following criteria:

1. Overall Approach to Integrating Care

The State demonstrates a thorough understanding of the target population and the current environment through which they receive care. It must also offer a plausible policy rationale for how the proposed approach to integrating care will significantly improve the quality, cost-effectiveness, and experience of care for dual eligible individuals.

2. State Capacity and Infrastructure

The State has the necessary personnel and related resources needed to support the design of the integrated demonstration proposal. If there are gaps in the state's current capacity, the proposal should describe how the state will use funds made available through the design contract to obtain resources/build the capacity within the given timeframe.

3. Analytic Capacity

The State has experience analyzing fee-for-service and/or managed care encounter claims data (as applicable). The state has access to both Medicaid and Medicare data or has a plan for obtaining and linking both sets of data in order to conduct duals specific analyses.

4. Stakeholder Engagement

The State demonstrates an understanding of or is in the process of assessing its current stakeholder environment (including beneficiaries, advocates, providers, plans, etc.). It also has a plan for engaging such stakeholders during the development of its integrated care demonstration proposal.



5. Timeframe

Proposed timeframe is reasonable and consistent with the 2012 implementation objective.

6. Budget

Requested amount is reasonable and proposed use of funding is appropriate for undertaking the activities of the contract.