Oral testimony for Senate Finance Committee
MaryAnne Lindeblad, Director, Washington State Health Care Authority
10 a.m. December 13, 2012
Dirksen Office Building, Washington. D.C.

Chairman Baucus, Committee members, Distinguished Guests:

It is my great pleasure and distinct honor to report on Washington State's HealthPathWashington – which is a forward-looking Medicare-Medicaid initiative aimed at integrating primary and acute care, behavioral health, and long-term care services and supports. It is a more cost-effective structure that will save Medicaid dollars, but its real purpose is to improve care and the overall health status of these clients.

The initial strategy will begin in April next year with newly developed and community-based Health Homes for up to 30,000 of the state's highest-need "dual eligibles." While the dual eligibles only account for 13 percent of our state's Medicaid caseload, they account for 30 percent of our costs – so this is a priority project on several levels, including the need to provide more effective care to this population.

By definition these are fellow Washingtonians of very low-income and with few financial resources. And there are other concerns.

Many, if not most, experience significant challenges caused by disability, mental illness and/or chemical dependence, which complicate delivery and payment of their care. As a result, this population is made up of people who require a variety of services including medical, mental health, chemical dependency and long term services and supports and therefore are among the most costly segment of the entire beneficiary population.

In April 2011, Washington State was one of 15 states that received a planning grant from the federal government's Centers for Medicare and Medicaid Services (CMS). The grant monies were made available for developing an implementation plan that would lead to innovative ways to integrate and care for individuals who receive services from both Medicare and Medicaid. In the Evergreen state, the number of individuals who are fully eligible for Medicare and Medicaid is approximately 115,000. The proposed implementation plan was submitted to CMS in late April 2012, and our initial strategy was approved by CMS two months ago, in October 2012. Today, Washington is already moving forward to implement HealthPathWashington's multi-pronged approach to:

- Improve beneficiary experience in accessing care.
- Promote person-centered health action planning.
- Promote independence in the community.
- Improve quality of care.
- Assist beneficiaries in getting the right care at the right time and place.
- Reduce health disparities.
- Improve transition among care settings.
- Achieve cost savings for the state and federal government through improvements in health and functional outcomes.

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Integrating Medicare and Medicaid services means coordinating the delivery, financing, technology and human touches experienced by dual beneficiaries. By aligning payment, outcome expectations and services, confusion and fragmentation will be diminished. This will improve the beneficiaries' experience with service delivery, improve health outcomes and better control future costs.

Two Financial Models:

- **Washington's first strategy** will focus on incorporating high-risk dual eligibles into Health Homes as part of a Managed Fee-for-Service financial demonstration. (A 90 percent federal match for health home services is available for the first eight fiscal quarters of a State Plan Amendment.)

- **The second strategy** – which is still being negotiated with CMS and with counties that will take a leadership role – will offer dual eligibles a fully capitated combined Medicare-Medicaid Managed Care benefit package in specific counties.

Both strategies will rely on a predictive modeling system called PRISM – it stands for "Predictive Risk Intelligence System". PRISM is a system developed by our state to sift existing health care data and assign risk scores that identify those clients in need of chronic care management and timely interventions that will provide more effective care. (*I've included more information on predictive modeling and PRISM in my written testimony.*)

Currently, payment for health care services is chiefly tied to the provision of distinct services, treatments or interventions and is not oriented to performance-based outcomes. Yet the greatest public expenditures and most preventable health outcomes are associated with complex needs that cut across the disciplines represented by each delivery silo. Washington State intends to demonstrate two distinct solutions, using two separate financial models aimed at integrating care for the dual eligible.

A word about the great stakeholder work that went into our project: The state reached out to a wide array of beneficiaries, providers, health plans and advocates – all of who, provided valuable insight that helped to inform the strategies outlined in our proposal to CMS.

Stakeholders were invited to participate through a number of methods including: interviews, forums, presentations, focus groups and webinars. Individuals and organizations were also asked to submit written comment and feedback on the draft design plan and did so using a variety of communication methods including surveys, letters, email, and in-person meetings. Throughout the development of its design plan, the state shared approaches and sought comments from beneficiaries, their families, advocacy groups, providers, impacted organizations and entities, government entities and other key informants. Of particular importance to all was the preservation of consumer choice and development of adequate consumer protections. For example, while both of the state's strategies rely on passive enrollment, they also support optional dis-enrollment at any time.

This ongoing dialogue – between bureaucrats, the health care industry and the stakeholders – providers, clients, advocates – will be invaluable in shaping the integration strategies as well as identifying operational and implementation issues that can be resolved in the process.

The state will continue to work with stakeholders and other interested and impacted parties as work on the project now moves from the design to the implementation planning phase. Materials for outreach, education, and training will be developed and shared with our HealthPathWashington Advisory Team, a group comprised of 35 members representing advocates, providers, health plans, and beneficiaries that continues to meet regularly to assist with implementation of these Financial Demonstrations.

In final form, HealthPathWashington is not just about a medical model. Rather, it represents a holistic approach – one that embraces different levels and categories of health care – and puts the patient, not the program, at the center of the system.

Washington has a long history of innovation and has achieved progress in rebalancing services and supports away from institutional care.

Concern about duals is not new. Since Governor Gregoire chaired the National Governors Association (NGA) 2010-2011, the NGA has included as part of its standing health policy language to support state-federal coordination with respect to duals. As recently as this month (Tuesday, December. 4), members of the NGA Executive Committee met with President Obama and Vice-President Biden at the White House and raised the importance of working together on dual eligibles.

In a nutshell, the problem that duals face, traces back to the fact that almost all care and payment for Medicare and Medicaid beneficiaries are handled through separate systems and financial models. Services are fragmented, care is not well coordinated, and there exists a lack of accountability to make sure that healthy outcomes are measured or achieved and that individuals receive the right care at the right time and place.

From the beneficiaries' perspectives, there is confusion about navigating the systems, and this can result in significant cost shifting while making it problematic to avoid high cost care in emergency rooms, hospitals, and other institutional settings.

HealthPathWashington targets these concerns and provides realistic solutions – a better planned better coordinated, cost-effective system that will provide a healthier dual eligible population, significant cost savings, and an improved care structure.