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TO: Connecticut Health Care Cabinet
FROM: Marge Houy, Megan Burns and Michael Bailit
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RE: How 1115 Waivers and DSRIP Programs Can Support Cost Savings in Connecticut

I. Introduction

A foundational component of the Straw Proposal presented on July 12, 2016 was that Connecticut pursue a Medicaid Section 1115 waiver, and in so doing apply for federal matching funds through a Delivery System Reform Incentive Payment (DSRIP) program to give providers the financial resources required to transform clinical care. An 1115 waiver waives certain federal requirements of the Medicaid program and gives states more flexibility to achieve federal Medicaid goals. This is a critical element of the Straw Proposal as it allows the state to implement innovative payment and delivery systems, like the CCO strategy, and to support providers in forming into CCOs and transforming clinical care. Without an 1115 waiver, the CCO strategy and DSRIP cannot be pursued.[1]

The purpose of this memo is to describe in more detail how other states are using DSRIP programs to support providers.

II. DSRIP Programs in Other States

The federal government is giving billions of dollars to states through DSRIP programs to help states support provider transformation. Under an 1115 waiver, states negotiate special terms and conditions which outline key design elements for DSRIP programs and provide a conceptual framework, including performance reporting and outcome requirements. Participating provider organizations earn DSRIP incentive payments by demonstrating implementation of delivery system structure, process and outcome improvements. Each state's DSRIP program reflects its own Medicaid program needs and strategy.

DSRIP programs require the state to identify funds that the federal government matches to make up the incentive payments that are distributed to providers. States have identified many different sources of "matching funds," including state general revenue, state designated health programs, intergovernmental transfers from public entities, and provider taxes. If Connecticut pursued a DSRIP waiver, it would need to identify a source (or more likely, sources) of revenues to receive matching funds.

[1] Accompanying this memo are two papers published by the Connecticut Health Foundation and the Universal Health Care Foundation of Connecticut that describe how certain types of federal Medicaid waivers work and how they can be used to improve health care affordability and access.

The following are summaries of how five states are using DSRIP funds.[2]

California
California concluded the first five years of its DSRIP program in December 2015. The first DSRIP project was designed to drive system transformation by providing support for infrastructure and quality improvements and to bolster the safety net for "designated public hospitals" (DPH) that serve large numbers of Medi-Cal enrollees and uninsured Californians. Under DSRIP, each California DPH undertakes several projects related to infrastructure development, innovation and redesign, population-focused improvement, urgent care improvement and optionally, HIV transition projects.

California applied for and was approved for an additional five year 1115 waiver, which includes an additional five year DSRIP program – the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program. PRIME's goal is to change care delivery to maximize health care value and help strengthen the ability for public hospitals to perform well under risk-based alternative payment models.

Program length	First phase ended 12/2015. Second phase is 2016 – 2020
Maximum federal funding	$3.335 billion (first phase) $3.7 billion (second phase)
Maximum funding pool (all funds)	$6.671 billion (first phase) $7.464 billion (second phase)
Source of non-federal matching funds	Intergovernmental Transfers (IGT) provided by the designated public hospitals
Participating providers	All 21 DPHs, including 17 health systems (first phase) DPHs and District Municipal Public Hospitals (second phase)
Project categories (second phase)	DPHs must implement at least nine projects, including a specified number across each domain. • Domain 1: Outpatient Delivery System Transformation, including a major focus on prevention • Domain 2: Improving care for targeted high-risk or high cost populations • Domain 3: Reducing overuse and misuse of identified high-cost services, eliminate use of ineffective or harmful services, and address inappropriate underuse of effective services.

[2] Scheonberg M, Heider F, Rosenthal J, Schwartz C and Kaye N. "State Experiences Designing and Implementing Medicaid Delivery System Reform Incentive Payment (DSRIP) Pools." National Academy for State Health Policy. March 2015.

Texas

The DSRIP focus in Texas is on the development of 20 geographically defined Regional Healthcare Partnerships (RHPs) which conduct local community needs assessments and are coordinated by a public hospital or other local governmental entity. Each RHP must include a minimum level of participation by safety net and private hospitals in order to be eligible to earn the RHP's full allocation. Each RHP must pursue a minimum number of projects based on the volume of low-income patients they serve, ranging between a minimum of 4 projects to a maximum of 20 projects. Mandatory projects focus on Category 1 (infrastructure development) and Category 2 (project innovation and redesign). There are 1,451 DSRIP projects across 20 regions in the state.

Program length	6 years, 3 months expiring 12/31/2017
Maximum federal funding	$6.646 billion
Maximum funding pool (all funds)	$14.518 billion
Source of non-federal matching funds	IGTs from major public hospitals or other units of local government, such as counties, cities, community mental health centers, state-funded academic medical schools and hospital districts.
Participating providers	A total of 309 providers are participating, including hospitals, community mental health centers, local health departments, physician practice plans affiliated with an academic health center.
Project Categories	• Category 1: Infrastructure development • Category 2: Program innovation and redesign • Category 3: Quality improvement • Category 4: Population-focused improvement

New Jersey

New Jersey's DSRIP initiative aims to move safety net hospital payments from a supplemental payment system to an incentive-based model where payments are contingent upon achieving quality improvement goals. Each participating hospital submits a Hospital DSRIP Plan, which describes how it will implement one project that is designed to improve quality of care, efficiency, or population health. Hospital projects are selected from a menu of focus areas, including asthma, behavioral health, cardiac care, substance abuse, diabetes, HIV/AIDS, obesity and pneumonia. Hospitals qualify for DSRIP payments by fully meeting performance targets, which are either measurable, incremental steps towards completing project activities or measures of their impact on health system performance or quality of care.

Program length	5 years, expiring 6/30/2017

Maximum federal funding	$292 million
Maximum funding pool (all funds)	$583 million
Source of non-federal matching funds	Provider tax
Participating providers	50 of 63 acute care hospitals are participating
Project Categories	• Category 1: Infrastructure development • Category 2: Program innovation and redesign • Category 3: Quality improvement • Category 4: Population-focused improvement

<u>New York</u>

New York's DSRIP program was created to incentivize provider collaboration at the community level to improve care for Medicaid beneficiaries while lowering costs and improving health. Eligible providers (i.e., public hospitals, Critical Access Hospitals or Sole Community Hospitals or hospitals that serve a minimum number of Medicaid or uninsured patients) form regional coalitions called Performing Provider Systems (PPSs) led by major public hospitals or other eligible safety net providers. PPSs can include hospitals, health homes, skilled nursing facilities, clinics, FQHCs, behavioral health providers, community based organizations, and others. Twenty-five PPSs participate in the DSRIP. PPSs receive DSRIP funding for achieving specific project milestones, metrics and outcomes.

Program length	6 years, ending 12/31/2019
Maximum federal funding	$6.919 billion
Maximum funding pool (all funds)	$13.837 billion
Source of non-federal matching funds	ICTs from major public hospitals, supplemented by some state general revenue funded by DSHP.
Participating providers	Public hospitals, health homes, skilled nursing facilities, clinics, FQHCs, behavioral health providers, community based organizations, and others.
Project Categories	• System Transformation and Financial Stability • Clinical Improvement • Population Health PPSs must include a minimum of five projects and a maximum of 11 projects per DSRIP plan with specific criteria for each project category.

<u>New Hampshire</u>

New Hampshire's DSRIP initiative is focusing on developing regionally-based networks ("Integrated Delivery Networks") of physical and behavioral health providers as well as social service and human service organizations to 1) increase mental health and substance use disorder treatment capacity, 2) promote integration of physical and behavioral health, and 3) improve care transitions for people with behavioral health issues. Over time, New Hampshire anticipates that MCOs will contact with IDNs to provide some of the care to Medicaid beneficiaries.

Program length	5 years
Maximum federal funding	$75 million
Maximum funding pool (all funds)	$150 million
Source of non-federal matching funds	Designated state health programs
Participating providers	Physical and behavioral health providers as well as social service and human service organizations, such as the YMCA and Goodwill
Project Categories	• Build mental health and SUD treatment capacity • Integrate physical and behavioral health care • Improve care transitions

IV. Conclusion

Pursing an 1115 waiver to implement the CCO strategy and obtain DSRIP funds represents an opportunity for Connecticut. Other states have effectively leveraged federal funds to support provider transformational efforts, including the neighboring states of New York and Massachusetts[3].

[3] Gate A, Rudowitz R, Guyer J. "An Overview of Delivery System Reform Incentive Payment (DSRIP) Waivers" Henry J Kaiser Family Foundation, September 29, 2014.