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SEP 30 2016

MaryAnne Lindeblad  
Medicaid Director  
State of Washington, Health Care Authority  
626 8th Avenue PO Box 45502  
Olympia, WA 98504-5050

Dear Ms. Lindeblad:

I am writing to memorialize our discussions to date on Washington's request for a new section 1115 demonstration project, entitled "Washington State Medicaid Transformation," which was submitted to the Centers for Medicare & Medicaid Services (CMS) on August 24, 2015. This letter reflects our mutual agreement on the core facets of the state's proposal, including the structure and purpose of Accountable Communities of Health, delivery system reforms and financing of the demonstration. Final approval of this demonstration, however, remains subject to the specifications agreed upon in the special terms and conditions (STC).

Accountable Communities of Health, or ACHs, will convene providers to coordinate health transformation activities, implement interventions (particularly tied to high-utilizers and the social determinants of health), connect clinical and community-based organizations, and track regional health performance. The ACHs are intended to be broad, regional and collaborative, and will include both traditional Medicaid providers and a variety of other entities.

The ACH system will operate in parallel to the physical and behavioral health managed care delivery systems which remain responsible for the delivery of Medicaid State Plan services. As the state moves to alternative payment models (APM) in managed care organization (MCO) contracting, the ACHs will serve regional coordination and community engagement roles for medical and behavioral services—but will not receive APM or other payments.

In support of the state's ACH vision, CMS is prepared to authorize up to \$1.125 billion in total computable (TC) expenditures for the establishment and implementation of a five-year Delivery System Reform Incentive Payment (DSRIP) program. Both MCOs and ACH service providers will receive incentive payments for achievement of quality targets and for value-based purchasing (VBP) milestones in MCO contracting with providers—culminating in 90 percent of Medicaid payments being value-based by the end of the demonstration period. The ACHs and MCOs will both be at risk for achievement of population-level outcomes tied to DSRIP goals, including metrics associated with behavioral- and physical-health integration.

The state also intends to create a new Medicaid Alternative Care (MAC) benefit package for individuals eligible for Medicaid but not currently receiving Medicaid-funded long term services and supports (LTSS). This benefit package will provide another community-based option for

clients and their families to choose from—primarily supporting unpaid family caregivers—avoiding or delaying the need for more intensive Medicaid-funded services. Similar to the MAC benefit package, the state will also establish a new eligibility category and limited benefit package termed Tailored Supports for Older Adults (TSOA). TSOA will be for individuals “at risk” of future Medicaid LTSS use and who do not currently meet Medicaid financial eligibility criteria.

In an effort to address the social determinants of health (SDH), Washington will provide a range of services and supports—to be agreed upon and listed in the STCs—aimed at Medicaid enrollees ages 18 and older, who require tenancy supports to access and maintain community housing. The state will also provide employment-related SDH services to Medicaid working-age enrollees ages 16 and older who need intensive ongoing support to obtain and maintain employment. The benefits provided via MAC, TSOA and SDH will be services that could otherwise be provided under the state plan or under section 1915(i) of the Social Security Act. As with all section 1115 demonstrations, the state will ensure that expenditures for services provided are not duplicative of any other federal spending.

The total state and federal investment for the five-year demonstration will not exceed the CMS-approved projected budget neutrality savings, approximately \$2.31 billion, which will be monitored by CMS through quarterly reporting. To support the state’s DSRIP program, CMS is prepared to authorize up to \$928.5 million in five-year TC expenditures towards Designated State Health Programs (DSHP). This funding will be a one-time federal investment and phase down over the course of the demonstration.

A share of total DSRIP and DSHP program funding will be at risk if the state fails to demonstrate progress toward meeting statewide accountability metrics to be negotiated between CMS and the state and memorialized in the STCs. The percentage at risk will gradually increase to twenty percent in DY5. The at-risk percentages will apply to DSRIP and DSHP, independently.

If you have any questions, please do not hesitate to contact your project officer, Mr. Adam Goldman. Mr. Goldman can be reached at (410) 786-2242, or at [Adam.Goldman@cms.hhs.gov](mailto:Adam.Goldman@cms.hhs.gov).

CMS looks forward to working with Washington on finalizing the demonstration’s STCs consistent with the mutually-agreed to elements outlined above.

Sincerely,



Vikki Wachino  
Director

cc: David Meacham, Associate Regional Administrator, Seattle Regional Office