kaiser commission on medicaid and the uninsured
KEY FACTS
THE HENRY J. KAISER FAMILY FOUNDATION

December 2012

Massachusetts and Washington:
Financial Alignment Demonstrations for Dual Eligible Beneficiaries Compared

In fall 2012, the Centers for Medicare and Medicaid Services (CMS) finalized memoranda of understanding (MOUs) with Massachusetts and Washington[1] to implement demonstrations to integrate care and align financing for people who are dually eligible for Medicare and Medicaid. Both demonstrations will introduce changes in the care delivery models through which beneficiaries presently receive services and in the financing arrangements among CMS, the state, and providers. These three year demonstrations are authorized under Section 1115A of the Social Security Act, which allows the Health and Human Services Secretary to "test innovative payment and service delivery models to reduce program expenditures under" Medicare and Medicaid "while preserving or enhancing the quality of care furnished" to beneficiaries.[2]

Key provisions of the demonstrations are summarized in the attached Table 1. They have some important similarities:

- **Care Coordination:** Both demonstrations seek to integrate Medicare and Medicaid services for dual eligible beneficiaries by coordinating care among providers of primary, acute, behavioral health, prescription drug, and long-term services and supports (LTSS). Both models will offer beneficiaries needs assessments, person-centered planning, and management of chronic conditions and transitions between care settings.

- **Enrollment:** Both demonstrations involve features of passive enrollment. Massachusetts' demonstration will begin with a voluntary enrollment period, followed by two passive enrollment periods in which the remaining beneficiaries will be automatically enrolled. Beneficiaries retain the ability to opt out of Massachusetts' demonstration at any time but must take affirmative action to do so. In Washington, eligible beneficiaries will be automatically enrolled in a health home network, but beneficiaries have the choice about whether to receive health home services.

- **Benefits:** Both demonstrations will offer additional benefits to enrollees. Massachusetts's demonstration includes certain diversionary behavioral health and community support services and expanded Medicaid state plan services. Washington's demonstration offers Medicaid health home services.

The two demonstrations also have some important differences:

- **Target Population:** Massachusetts' demonstration targets non-elderly full benefit dual eligible beneficiaries statewide, while Washington's demonstration focuses on full benefit dual eligible beneficiaries who are considered high cost/high risk (based upon risk scores) and who have chronic conditions.

- **Care Delivery Model:** Massachusetts' demonstration is organized around Integrated Care Organizations (ICOs), insurance or provider-based managed care entities that will provide patient-centered medical homes, care coordination, and clinical care management to enrollees. ICOs must contract with community-based organizations to provide Independent Living-LTSS coordinators as part of the care team. Washington's demonstration involves health home care coordination organizations which will provide health home services and coordinate services across existing Medicare and Medicaid providers.

- **Financing:** Massachusetts will test CMS's capitated financial alignment model; ICOs will receive capitated payments from CMS for Medicare services and the state for Medicaid services. Demonstration savings in Massachusetts will be derived upfront by reducing CMS's and the state's respective baseline contributions to ICOs by a savings percentage for each year. Washington will test CMS's managed fee-for-service (FFS) model in which providers will continue to receive FFS reimbursement. Any demonstration savings in Washington will be determined retrospectively, with the state eligible to share in savings with CMS if savings targets and quality standards are met.

Table 1:
Key Provisions of the Massachusetts and Washington Financial Alignment Demonstrations Compared

MOU Provision	Massachusetts (MOU signed August 22, 2012)	Washington (MOU signed October 24, 2012)
Duration:	3 years April 1, 2013 to December 31, 2016	3 years April 1, 2013 to December 31, 2016
Target group:	An estimated 115,000 full benefit dual eligible beneficiaries ages 21 to 64 statewide; excludes beneficiaries with other comprehensive public or private insurance, ICF/DD facility residents, and § 1915(c) HCBS waiver participants; Medicare Advantage and PACE enrollees may participate if they disenroll from their existing plan	An estimated 21,000 full benefit dual eligible beneficiaries who are considered high cost/high risk and eligible for Medicaid health home services statewide, except in certain urban counties where the state proposes testing a capitated model; excludes beneficiaries who have other comprehensive private or public insurance; Medicare Advantage and PACE enrollees and beneficiaries receiving hospice services may participate if they disenroll from their existing program
Enrollment:	Initial enrollment period is voluntary, followed by two passive enrollment periods in which the remaining beneficiaries in the target population will be automatically enrolled with the ability to opt out at any time	Eligible beneficiaries will be automatically enrolled into a health home network with beneficiaries retaining the choice about whether to receive health home services
Care delivery model:	Integrated Care Organizations will provide patient-centered medical homes, care coordination and clinical care management; requires Independent Living-LTSS coordinators from community-based organizations independent of ICOs	Health home care coordination organizations will coordinate all Medicare and Medicaid services among existing primary, acute, specialist, behavioral health, and LTSS providers
Benefits:	Includes nearly all Medicare and Medicaid services plus supplemental diversionary behavioral health and community support services and expanded Medicaid state plan benefits	Adds Medicaid health home services but otherwise does not change Medicare and Medicaid benefits packages
Financing:	Capitated with savings percentage applied upfront to baseline Medicare and Medicaid contributions; risk corridors in first year and high cost risk pools for certain Medicaid LTSS	Providers continue to receive FFS reimbursement (except existing capitated behavioral health plans); state eligible for retrospective performance payment if savings targets and quality standards met

Endnotes:
[1] Washington's proposal to test the capitated model is still pending before CMS.
[2] Affordable Care Act § 3021(a), adding 42 U.S.C. § 1315a(a)(1). For more information about the demonstrations, *see* Kaiser Commission on Medicaid and the Uninsured, *Explaining the State Integrated Care and Financial Alignment Demonstrations for Dual Eligible Beneficiaries* (Oct. 2012), available at http://www.kff.org/Medicaid/8368.cfm; Kaiser Commission on Medicaid and the Uninsured, *Massachusetts' Demonstration to Integrate Care and Align Financing for Dual Eligible Beneficiaries* (Oct. 2012), available at http://www.kff.org/Medicaid/8291.cfm; Kaiser Commission on Medicaid and the Uninsured, *Washington's Demonstration to Integrate Care and Align Financing for Dual Eligible Beneficiaries* (Dec. 2012), available at http://www.kff.org/medicaid/8394.cfm.

This publication (#8395) is available on the Kaiser Family Foundation's website at www.kff.org.