Background
House Bill 1738 transferred oversight of the Medicaid program from the Department of Social and Health Services (DSHS) to the Health Care Authority (HCA) on July 1, 2011, including the responsibility to purchase medical assistance for all Medicaid recipients. DSHS retains responsibility for purchasing long-term services and supports for people with physical, cognitive, and/or developmental disabilities and services for people facing mental health and/or substance abuse challenges, primarily using Medicaid funds available via cooperative agreement with HCA.

Section 116 of HB1738 directs DSHS and HCA, after seeking input from a broad range of stakeholders, to consider options for more effectively coordinating the purchase and delivery of care for the populations served by DSHS and to make preliminary recommendations regarding the role of HCA in purchasing the related services. The statute requires DSHS and HCA to consider, at minimum, transitioning the purchasing of long-term services and supports and behavioral health services from the DSHS to HCA, or strategies for the agencies to collaborate seamlessly while purchasing services separately.

Integrated Care Vision
Opportunities for better outcomes, system efficiencies and cost containment lie in the purchase of increasingly coordinat- ed and managed medical, behavioral health and long-term services and supports. The recommendations in this report are based on a vision shared by DSHS, HCA and stakeholders that an integrated system of effective services and supports must:

- Be based in organizations that are accountable for costs and outcomes
- Be delivered by teams that coordinate medical, behavioral, and long-term services
- Be provided by networks capable of meeting the full range of needs
- Emphasize primary care and home and community based service approaches
- Provide strong consumer protections that ensure access to qualified providers
- Respect consumer choices in the supports they receive
- Unite consumers and providers in eliminating use of unnecessary care
- Align financial incentives to impel integration of care

Recommendations

1. DSHS should retain responsibility for purchase of long-term services and supports and behavioral health services.

   Stakeholders reviewed multiple options for complete or partial transition of purchasing responsibility. They were also asked to suggest ideas of their own. Rather than focusing on which agency should do the purchasing they directed their comments more to what should be purchased. Discussions will continue between the Executive Branch, Legislature and stakeholders on the proper alignment of roles and responsibilities between DSHS and HCA, including consideration of a recommendation by the Association of Counties that HCA increasingly purchase services in support of delivery system design priorities developed by DSHS.

2. To ensure coordinated purchasing, DSHS and HCA should collaborate on three integrated purchasing initiatives:

   Substantive and timely progress in developing innovative integrated care models that improve care for all Medicaid enrollees requires a balance of strategies. The best chance for people with physical or cognitive disabilities, developmental disabilities, mental health, or substance abuse challenges to experience better care sooner rather than later will come with:
   - Increased purchase of health care through risk-bearing entities (e.g., health plans) that compete based on service, access, quality and price and
   - Modernization of the current systems of care for people to simplify, improve financial alignment, and increase accountability; and embedding robust health home functions in all sectors.

Mindful of extensive stakeholder input, movement toward the shared vision of integrated care will best be achieved by strategic DSHS and HCA collaboration on three key, parallel initiatives:

INITIATIVE A | Expand service delivery through capitated contracts with health plans
We recommend that DSHS and HCA take steps in 2012 to finalize design and implementation planning for a fully integrated approach to purchasing health and support services for people with medical needs that overlap the long-term services and supports, mental health and substance abuse delivery systems. Movement toward fully integrated, managed care has the potential to yield long-term benefits through improved financial flexibility, overall accountability and incentives to develop comprehensive care management approaches. The recent HCA procurement of managed care plans to serve the Medicaid Healthy Options program and its expansion to the SSI population of blind and disabled individuals provides a foundation upon which to expand this capacity and expertise. To enable assessment of potential impacts and avoid unintended consequences, implementation of this initiative will be limited to counties where the opportunity for care coordination and capacity of health plans to deliver integrated care can be demonstrated and monitored.

**INITIATIVE B | Modernize and simplify the current DSHS systems of support**

In geographic areas where managed care plans are not in place, or for individuals who opt out of them, we recommend steps to modernize and simplify the current DSHS systems of support. Change is necessary to improve care coordination, align financial incentives and increase accountability for overall costs and health outcomes. In 2012, DSHS and HCA will collaborate with stakeholders to review the DSHS services, administrative functions, financing and delivery mechanisms for the purpose of reconfiguring them (including recommendations for budgetary and statutory changes) in ways that more readily and efficiently achieve our vision of integrated care. This initiative requires development of methods for cost risk/gain-sharing (including both Medicaid and Medicare financing through the Duals Innovation Project) across primary care, long-term services and supports, mental health and substance abuse services to incent investments and coordinate efforts to reach shared health outcomes and cost targets.

**INITIATIVE C | Embed robust delivery of health home services in all systems**

Section 2703 of the Affordable Care Act defines health home functions that are key to reaching our vision of integrated care. The ACA also provides financial incentives to implement those functions, which are essential to improve coordination between long term services and supports, mental health, substance abuse and medical care systems for targeted, high-risk/high-cost Medicaid enrollees. We recommend establishment of clear standards, outcome measures and financial incentives for health homes that will embed that capacity in all systems, whether delivered through capitated health plans or in a modernized version of the current delivery system.

**DSHS and HCA will continue collaborative decision-making to balance strategies.**

This report was developed through extensive collaboration within a leadership team that included membership from HCA, DSHS, the Governor’s policy office and Office of Financial Management. Implementation of the strategies recommended in this report will require continued use of that team, under direction of the Governor, DSHS Secretary and HCA Director, to weigh risks against rewards and ensure that the gains for some enrollees do not come at the expense of others. Throughout the planning process, discussion will continue with tribal governments and interested stakeholders, including recipients, healthcare and other service providers, health insurance carriers, local governments and the legislative branch.


Full report can be found at http://www.hca.wa.gov/documents/legreports/2E2SHB1738HCAPurchasingRoleLegReport.pdf