What Every Health Care Leader Should Know About Medicaid Waivers

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The Medicaid and uninsured populations don't have to be an economic burden for hospitals and health systems if they are managed well. The key is to focus on managing risk and outcomes in these patient groups in the same way health care executives manage commercial or Medicare populations.

Houston-based Texas Children's Hospital established a patient-centered medical home for children who suffered from chronic conditions and were not receiving the care they needed. As a result of the program, Texas Children's Hospital added 123 new Medicaid patients, standardized its referral process to eliminate access barriers, educated community providers on caring for complex patients and worked with disease-specific clinics to develop a transition plan.

Similarly, Round Rock, Texas-based Bluebonnet Trails Community Services, which provides mental health and disability services, worked with Guadalupe Regional Medical Center in Seguin, Texas to implement a patient navigation project for patients who frequent the emergency department (ED) due to behavioral health disorders in order to provide rapid triage and alternate service options. The project served 183 individuals who had 427 encounters from the Patient Navigator Program.

These are just a few of the types of interventions that can lead to reduced 30-day hospital readmissions and provide better care for Medicaid and uninsured patients. These projects were also established through a program that many health care executives are not familiar with—The Medicaid 1115 Waiver. Below are answers to the six most asked questions about Medicaid 1115 Waivers and how these programs are helping health care providers transform care.

1. **What is a Medicaid 1115 Waiver?** First of all, it is not part of the Affordable Care Act (ACA). While these programs are influenced by the ACA, they are not driven by it. The waivers are meant to transform how care is provided to the Medicaid and uninsured populations by achieving the Triple Aim—a concept introduced by former Center for Medicare & Medicaid Services (CMS) Administrator Donald Berwick aimed at improving population health, improving the patient experience and outcomes and reducing costs of care. Think of 1115 waivers as accountable care organizations (ACO) for the Medicaid and uninsured population. The focus of the waivers is to use innovative demonstration projects to better manage and treat patients in the Medicaid and Children's Health Insurance programs. The demonstrations typically focus on increasing enrollment, providing services not typically

covered and using innovative service delivery systems to improve care and reduce costs.

2. How innovative do the projects have to be? Innovation has two connotations. First, create something brand new that never existed and see if it works. That is not the type of innovation referenced with the 1115 waiver. The second type of innovation involves looking at a practice that has been successful when applied to another population or location and applying those practices to your location or population in order to garner a better result. That is the type of innovation that the waivers are centered around. The 1115 waiver is about embracing Medicaid patients and focusing on interventions to improve care. For example, implementing a clinical or care management protocol for diabetes screening.

3. Why focus on these payer groups? Contrary to what many people believe, the Medicaid and self-pay population can be an economically productive payer group for most health systems if managed well. Most health systems or medical groups would rather focus on the commercial population. The 1115 waiver is a way to leverage many of the same systems providers use with the commercial population for Medicaid patients. The waiver helps complement what providers are already doing as part of their risk-based strategy. However, providers should not treat the 1115 waiver as a short-term program. The funding, which lasts for five to eight years, is only meant to help providers transition to a better delivery system for Medicaid patients. It's not meant to be a long-lasting funding source.

4. How do the 1115 waivers work? The waivers focus on what's called a regionalization approach. States are broken into regions and the providers in a specific region form partnerships together to manage projects aimed at achieving specific outcomes. For example, in New York there are 25 different regions called Performing Provider Systems (PPS). In each PPS there can be as many as 200 different entities, including hospitals, health systems, academic medical centers, physicians groups, home health agencies, hospice organizations and long-term care facilities, among others. Next, the regional partners decide on 10 projects to focus on based on the needs of the Medicaid and uninsured populations in that region. Lastly, the provider groups identify interventions for each of the 10 projects that are designed to improve the health of the population, the patient experience and reduce cost. The state of New York is using the waiver with the goal that all the PPS focus on reducing unnecessary ED visits and 30-day hospital readmissions.

5. How do we earn the money from 1115 waivers? First of all, the payment mechanism for 1115 waivers—the Delivery System Reform Incentive Payment (DSRIP)—is an incentive payment. It is not a fee-for-service (FFS) payment. It's a payment up and above what you would normally receive as a FFS payment in your state. Also, FFS payments are not impacted directly by DSRIP. The only impact would be that by reducing unnecessary ED visits, the FFS payment would

be lower because the patient is not coming to the hospital, for example. But DSRIP is an add-on payment providers can receive if the requirements for the project are met. For every DSRIP project there are two types of indicators that drive payment.

1. **Milestone indicator.** This would be an activity that helps providers achieve an outcome. For instance, it might be expanding hours in a primary-care facility so there is better access to care. Many waivers focus on improving mental health services, so hiring staff like psychiatrists to work in a primary-care setting would be a milestone.
2. **Defined metrics.** The second way that providers receive payment is by meeting metric goals for defined outcomes, such as reduced ED visits or reduced 30-day hospital readmissions. Each project has its own identified measures.

6. How do you receive the money? The waivers are funded through what's called a "pool" approach. CMS and the state agree on a set amount of money—for New York it is roughly $6 billion. Then the money is placed into different types of pools through which the state can draw down funds. The challenge for states is that these programs are funded through the federal matching program, which means the state has to find someone willing to put that money up initially in order to receive the matching funds. For example, the state has to find a way to put up 50 cents and then the federal government will send back $1 through an intergovernmental transfer. Most states rely on public hospitals to put up the money because they receive money from taxes. The way the funding cascades down to the provider level is that once the state receives money back from the federal government, then providers in each region are evaluated to see if they achieved either their milestone or outcome metric. If the provider achieved those goals, it would receive payment for performance out of the pool.

The 1115 waivers are another important pool of funds that every state should consider to transform care and improve value. The process may be complicated, but the waivers can have a significant impact on the health care delivery system for patients—especially the Medicaid population. There are other uses for waivers, aside from the DSRIP program, to consider. The state of Indiana through its Healthy Indiana Plan 2.0 has used the waiver to expand its Medicaid population with a model that places more accountability on the patient. Patients have a copay and medical spending account and patients can earn other services like dental and preventive care.