

Memorandum

To: Marc Provence, Washington Health Care Authority

From: Cathy Kaufmann, HMA

Date: March 2, 2016

Re: Recommendations on Essential Components for an ACH related to the Medicaid Transformation waiver

Health Management Associates (HMA) was engaged by the Washington Health Care Authority (HCA) from December 2015 through February 2016 to provide support and recommendations regarding the development of components of the state's Medicaid Transformation waiver. The recommendations outlined below are HMA's advice on the essential components of Accountable Communities of Health (ACHs) given the role they are to play in the implementation of the state's Medicaid waiver, namely the oversight and management of Transformation Projects (Waiver Initiative 1). These recommendations are based on HMA's experience in working with CMS on other states' waivers, review of documentation and similar Centers for Medicare and Medicaid Services (CMS) initiatives and feedback from HCA.

Recommendations for Essential Components for an ACH as the single point of accountability for Medicaid waiver Transformation Projects.

ACHs are an integral part of the transformation of Washington's delivery system, leveraging innovation and collaboration in local communities by bringing public and private entities together to work on shared health goals. Health Management Associates was tasked with recommending a set of essential components for ACHs to effectively participate in Washington State's anticipated Medicaid Transformation Waiver. HMA believes that the elements described in this document are also essential to ensure ongoing sustainability of delivery system reforms achieved during the course of the waiver.

A key function of ACHs will be to select and monitor transformation projects funded through the Medicaid waiver and to ensure that projects are successful. These projects will be a significant lever in achieving Medicaid transformation goals. While ACHs have a role that is broader than Medicaid, the initial federal investment under the Medicaid waiver will require that Medicaid funds are allocated to an entity that meets requirements agreed to by the state and defined by CMS in the terms and conditions of the waiver. ACHs should be prepared to serve as a single point of accountability for transformation projects. They will need to develop

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(or obtain through contractual relationships) the necessary capacity to meet administrative, financial and operational requirements that the state and CMS specify to ensure adequate oversight of federal funds.

The Health Care Authority (HCA) initially proposed the term “coordinating entity” to encompass ACH capacity to support financial and administrative functions necessary for transformation decision making and project oversight. Given the extent of delivery system transformation anticipated and the substantial regional investment to accomplish the change, there must be a single entity that retains final decision-making authority, serves as the contract partner for the state, and is held accountable for fulfilling the terms of the contract. The earlier implication that a “coordinating entity” other than the ACH could be the single point of accountability for regional transformation projects is incompatible with the direction CMS has taken in other states and doesn’t align with the level of direct empowerment and accountability envisioned for the ACHs in Washington. While an ACH may choose to contract with an external entity¹ for certain financial and administrative functions, we anticipate that the terms and conditions of the Medicaid Transformation waiver will require ACHs to be established as legal entities if they are to serve as the single point of authority and accountability for transformation project oversight. Hence, the term “coordinating entity” is no longer necessary; an ACH will fulfill this role for transformation achieved under the waiver to have regional credibility and sustainability.

That said, ACHs are in the early stages of development with varying levels of capacity. Some ACHs may be prepared to take on necessary requirements now while others will need more time for planning and implementation to support their Medicaid transformation role under the waiver. It will be critical for the state, as a component of initial planning assuming a waiver is approved, to support ACHs as they ready themselves for the delivery system transformation ahead.

Essential components of an Accountable Community of Health:

Based on CMS guidance for other programs and experience with other state 1115 waivers, it is highly likely that CMS will require that waiver funds be distributed to legal entities that can provide strong lines of accountability and oversight. Therefore, for ACHs to oversee Transformation Projects, they must become a single, legal entity with the ability to receive and distribute funds and report on and ensure transformation project compliance.

1. **Defined legal entity:** To act as a fiscal agent, critical for managing federal transformation investment funds, each ACH must be a legal entity. This can take many forms. The structure that makes sense should be decided by the local region in consultation with its own legal counsel. Depending on any federal guidance, options may include:
 - 501c(3) non-profit organization: a new or existing non-profit organization can provide the structure of the ACH.

¹ For example, an ACH decision-making body could choose to contract with an existing backbone organization (a relationship established under the State Innovation Models grant) to perform certain financial and administrative functions. However, the ACH must still maintain final decision making authority.

- If created under an existing non-profit organization, that organization must conform to the governance requirements of ACHs.
- Public corporation or other public-private partnership.
- An LLC, business corporation or LLP.
- The only prohibited organizational structure is a 501c(4) or 501c(6).

In order to serve as a regional health leadership body with authority to make decisions about transformation projects and the distribution of federal funds, each certified ACH will have the following accountabilities:

2. Accountabilities: The responsibilities of the ACH must be clear in its bylaws. Responsibilities will also be stipulated in contracts with the HCA that formalize requirements for project investments funded under the Medicaid Transformation waiver. These include:

- The ACH must act as a convener of funded transformation projects for the spread of learning. Each ACH will be expected to demonstrate how they will collaborate with other ACHs to disseminate information and share lessons learned from the Transformation Projects.
- The ACH is accountable for demonstrating meaningful regional collaboration and stakeholder engagement in its activities.
- The ACH is accountable for developing a Regional Health Needs Inventory (RHNI) for the region and a Regional Health Improvement Plan (RHIP). The ACH must collaborate with relevant partners in this process and utilize and compile existing community and regional reports and available data. It will need to be clear how this RHNI and the associated RHIP are used to inform the ACH's selection of transformation projects and the alignment of SIM projects. (See separate guidance)
- The ACH has the authority for setting transformation project plan focus areas (see separate guidance) and transformation project recommendations (HCA retains final approval for transformation project funding), as well as financial and performance oversight of these projects.

With the responsibility and accountability associated with the Medicaid Transformation waiver, the membership of the ACH decision-making body must guarantee:

- *Multi-sector, balanced engagement across the region among organizations that can influence health and health care*
- *Balanced membership between the health care system and organizations who focus on social determinants of health*
- *Transparency in governance and strong commitment to local engagement*
- *Demonstration of effective decision-making process for transformation and value based payment projects*

3. Governance requirements:

Health Management Associates recommends that HCA require each ACH decision-making body to include *at least* one member representing *each* of the following entities:

- i. Primary care providers
 - ii. Behavioral health providers
 - iii. Medicaid managed care health systems
 - iv. Hospitals or health systems
 - v. Local government
 - vi. Local public health
 - vii. Long term services and supports organizations
 - viii. Consumers (defined as a Medicaid beneficiaries or their legal guardians)
 - ix. Representative from not for profit organizations and/or local government focused on human services, housing, criminal justice or other social determinants of health.
- To ensure broad regional representation and participation in the ACH and prevent one group of ACH stakeholders from dominating governance and decision-making, no more than 50% of the Governance Board of an ACH should be represented by Medicaid managed care organizations and hospitals or health systems (combined seats).

CMS will require that waiver funds be distributed to legal entities that can provide strong lines of accountability and oversight. Therefore, for ACHs to oversee Transformation Projects, they must demonstrate the following administrative/ management capacity.

4. Administrative / Management Capacity: ACHs must demonstrate capacity, structure and policies to make decisions and be accountable for:

- **Financial:** The ACH must demonstrate financial capacity to provide strong financial management and transparency, including budget development, the distribution of funds and financial reporting.
- **Operations:** The ACH must demonstrate its ability to manage ACH operations, including data/ information technology governance and management (if needed), transformation project oversight and performance monitoring, support for shared learning across transformation projects and with other ACH regions, stakeholder engagement, and development of a regional health needs assessment and reporting requirements. HMA recommends that the state's process for certifying an ACH for the purposes of the Medicaid waiver should require demonstration of how the ACH will perform these functions but allow each ACH flexibility to determine how best to fulfill operations requirements. For example, an ACH could build its own capacity through staffing or contract out for all or pieces of the operations.

- **Transformation Projects:** Washington’s Transformation waiver application² proposes that the Health Care Authority (HCA) contract with ACHs to coordinate Medicaid transformation projects within their region. In this role, an ACH will oversee projects intended to further Medicaid Transformation goals. HMA recommends that each ACH accomplish this function through the creation of a **Transformation Project Advisory Committee (TPAC)** to oversee the transformation project selection process, development of the application for project investments, and implementation of selected projects. Transformation Projects will require a significant amount of work and oversight. A separate committee may be the best mechanism for accomplishing these tasks for an ACH. However, a TPAC should not undermine the role of the governance board as the decision-making body for the ACH. The TPAC would not be a decision-making body, but would submit recommendations to the governance board for final approval. An ACH may choose to use the governance board as the TPAC. Whether an ACH creates a separate subcommittee or uses the governance board to meet this requirement, it must ensure input from stakeholders, subject matter experts (clinical and social determinants expertise) and managed care health systems in the region.
5. **Demonstration of Regional Partnerships:** In order to be an effective leadership body for the region, an ACH must work collaboratively with regional partners. These partnerships cannot all be addressed through governance. In order to demonstrate that critical partnerships are in place or forming, HMA recommends that ACHs be required to develop Letters of Understanding (LOUs) with potential partners, beyond those represented on the ACH decision –making body. These letters are not binding agreements, but demonstrate and document a commitment to partnership that can prove beneficial to the ACH and the region.

² Available at <http://www.hca.wa.gov/hw/Documents/waiverappl.pdf>