

## Analysis

### Item 12: Oregon Health Authority

#### Waiver Renewal

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**Analyst:** Linda Ames

**Request:** Acknowledge receipt of a report on the Oregon Health Plan 1115 Waiver Renewal for 2017-22.

**Recommendation:** Acknowledge receipt of the report.

**Analysis:** Oregon's current five-year 1115 demonstration waiver will end June 30, 2017. Under this waiver, health systems transformation moved forward in numerous ways. Coordinated care organizations (CCOs) were established and now deliver most physical, oral, and behavioral health services to Oregon Health Plan members. Cost increases were limited to 3.4% per member per year, saving money for both the state and federal government. In turn, our federal partners invested \$1.9 billion in Oregon over the five-year waiver. A system of performance metrics was established, and CCOs are partially reimbursed based on meeting incentive targets.

Oregon is now in the process of amending and renewing the waiver for another five years. A draft document has been available for public input since the beginning of May. The draft waiver continues all the key elements of the old waiver, but moves the system forward in a number of critical areas. This is just the starting point of the discussion, and the Centers for Medicare and Medicaid Services (CMS) have not yet made any decisions on the waiver. The Oregon Health Authority intends to submit a final application to CMS by June 17, 2016, have a high-level CMS agreement by September 2016, and finalize the waiver renewal by the end of December 2016.

The new waiver proposes to build on the existing system in the following ways:

- Implement a stronger, expanded focus on the integration of the system, particularly behavioral health, through such initiatives as setting standards for and certifying behavioral health homes, expanding access to psychiatric clinicians through telephonic consultation, and strengthening substance use diversion services through a waiver amendment in 2017.
- Promote CCO and provider use of health-related services, including flexible services and community benefit initiatives. The waiver proposes a number of possible changes to the rate-setting methodology, as well as new contracting strategies, which will be used to increase the use of cost-effective health-related services.
- Create a five-year pilot program that funds homelessness prevention, care coordination, and supportive housing services to at-risk adults and families. The pilot will include locally-governed models, referred to as Coordinated Health Partnerships, to reduce Medicaid costs and improve health outcomes. These partnerships are intended to increase collaboration and coordination among CCOs, local hospitals, community-based organizations, Tribal governments and Indian health providers, housing authorities, county government and public health agencies, and behavioral health providers.
- Commit to ongoing sustainable rate of growth of 3.4% per member per year, made possible partially through increased investment in health-related services and increased use of value-

based payment methodologies. The waiver proposes to exclude the costs for emerging high-cost drug therapies from the growth cap.

- Continue targeted federal financial participation, where a portion of the federal cost savings are reinvested in Oregon. The waiver requests a \$1.25 billion investment over the five-year period, to continue the support and momentum of health system transformation, and to support the new Coordinated Health Partnerships.

The waiver renewal request is still dependent on CMS approval, and could change significantly before the final agreement is negotiated.

The Legislative Fiscal Office recommends acknowledging receipt of the report.

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**Oregon Health Authority  
MacDonald**

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**Request:** Report on the Oregon Health Plan Section 1115 Demonstration Waiver renewal by the Oregon Health Authority (OHA).

**Recommendation:** Acknowledge receipt of the report.

**Discussion:** Section 1115 Demonstration Waivers are used in Medicaid programs as a way for states to implement experimental, pilot, or demonstration projects resulting in health care coverage approaches that would not otherwise meet federal program rules. Section 1115 refers to the section of the Social Security Act that grants the federal Secretary of Health and Human Services authority to approve the waivers, the process for which is negotiated with the Centers for Medicare and Medicaid Services (CMS). Oregon's current Section 1115 Waiver for the Oregon Health Plan became effective July 2012 and expires June 30, 2017. OHA has started the process to renew Oregon's waiver for the next five-year period from July 1, 2017 through June 30, 2022 and has submitted a report to the legislature providing an update of the renewal status.

Oregon's existing waiver transformed the state's managed care system to one of coordinated care, in which 16 coordinated care organizations (CCOs) provide health care coverage to the majority of Oregon Health Plan members statewide. OHA's waiver renewal does not propose to drastically change the CCO model, but rather offers targeted modifications to strengthen and expand the goals of the current demonstration period. The following represents four key areas in which the waiver renewal builds on Oregon's current model:

- Integration – further integrate physical health, behavioral health, and oral health services into the CCO model. While important steps have been made during the existing waiver period to integrate services and budgets, the next waiver period will advance this effort to full integration of services.
- Social determinants – strengthen Oregon's approach to address social determinants of health and health equity across all low-income populations. Housing and homelessness is an important social determinant which the waiver renewal addresses by proposing a five-year pilot program that funds homelessness prevention, care coordination, and supportive housing services for at-risk populations. OHA will assess whether these preventive measures result in significant reductions in total Medicaid costs.
- Cost growth rate – limit the Oregon Health Plan per capita annual medical expenditure trend by a defined annual inflationary rate lower than the expenditure trend would be without transformation. This is a similar approach to the sustainability measure used in the current waiver period. A notable way in which the waiver renewal seeks to maintain cost-effectiveness is by making value-based investments in *health-related services*, which is a broader service category than the flexible services supported by the current waiver. Under the waiver renewal, health-related services include both the flexible services necessary to support individualized health care needs and community benefit initiatives that improve health care quality.

- Dual-eligible population – establish more innovative ways of providing and expanding services and improving health outcomes for dual-eligible Medicaid and Medicare beneficiaries. The dual-eligible population currently must opt-in, to the CCO system, and an important change in strategy under the waiver renewal is to move the population to an opt-out auto-enrollment process. Based on preliminary data, OHA believes increased care coordination through the CCO model will lower costs and improve outcomes for this population in comparison to the fee-for-service system.

Through these initiatives, the waiver renewal will drive important budget and policy decisions for the 2017-19 biennium and future biennia. In particular, the proposed limitation of annual per capita Oregon Health Plan member costs will help ensure sustainability and a higher level of budget predictability in the system. The current annual inflationary cap is 3.4 percent, and the waiver renewal application currently proposes to apply the same rate, but to exclude the costs for emerging high-cost drug therapies. Additionally, OHA’s renewal application requests federal funding in the amount of \$250 million per year to support the advancement of Oregon’s health system transformation. Federal transformation funding is provided in the current waiver period under the category of Designated State Health Programs, which will expire unless CMS authorizes new funding.

OHA’s waiver renewal request is dependent upon CMS approval, and the conversation is still in the early stages. OHA published the initial waiver renewal application on its website on May 2, 2016 for public, stakeholder, and tribal community comment. After all input is provided and received, OHA intends to submit a final application to CMS by June 17, 2016, hopes to have a high-level CMS agreement by September 2016, and finalize the waiver renewal by the end of December 2016.



Office of the Director

Kate Brown, Governor



April 25, 2016

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The Honorable Senator Peter Courtney  
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Re: Oregon's Waiver: Update on renewal and amendments to Oregon's 1115 Demonstration Waiver with the Centers for Medicare and Medicaid Services

Dear Co-Chairpersons:

### **Nature of the Request**

The Oregon Health Authority (OHA) would like to update Legislators during the May Legislative days on the Oregon Health Plan 1115 Waiver Renewal for 2017-2022.

### **Agency Action**

Since Oregon's existing five-year 1115 Demonstration Waiver (or "Waiver") with the Centers for Medicare and Medicaid Services (CMS) ends in June 2017, Oregon is developing a renewal application to continue its highly successful health system transformation work. Since 1994, the Oregon Health Plan (OHP) Demonstration has provided the state's most vulnerable residents with high-quality, evidence-based health care while containing spending growth, saving the federal and state government more than \$33.9 billion over the life of the waiver.

Oregon's current 2012 demonstration waiver helped transform the delivery system to one of coordinated care, with 16 coordinated care organizations (CCOs) now delivering the vast majority of physical, oral and behavioral health services to OHP members. Today, approximately 90% of OHP members are enrolled in a CCO. Oregon was with the first wave of states that expanded Medicaid eligibility under the Affordable Care Act. Since 2014, the impact of our delivery system reform reaches over 1.1 million Oregonians, or approximately 25% of Oregon's population. Additionally, Oregon has one of the lowest rates of uninsured with nearly 95% of Oregonians now enrolled in health care coverage. This new system of health care delivery has led to better health, better care and lower per capita costs, saving the federal and state government over \$1.7 billion (and saving the federal government over \$1.4 billion) by the end of the current waiver in 2017. Because of the success of the current demonstration to transform the health system, Oregon is in a position, with targeted federal investment, to take health system transformation to the next level. Oregon will continue its coordinated care model that was developed during the current demonstration period, and will expand areas such as furthering integration of behavioral health and improving social determinants of health, while continuing to maintain a sustainable rate of growth of health care costs.

In the last five years, Oregon developed a transformed Medicaid system, including:

- Passed bi-partisan legislation in 2011 and 2012 to establish a new integrated and coordinated approach to deliver Medicaid health care services throughout Oregon;
- Stood up 16 Coordinated Care Organizations (CCOs), covering the entire state geographically;
- Enrolled approximately 90% of all Medicaid enrollees into CCOs and this new model of care, including the vast majority of the nearly 450,000 newly eligible Medicaid enrollees under the Affordable Care Act;
- Integrated new services and budgets into CCOs for services that were not part of the old managed care plans. These new services and budgets include behavioral health, oral health, non-emergency medical transportation, addiction services, and children's wrap around services.
- Developed a successful, robust measurement and public reporting process to align incentive metrics, and 5% of global budgets are now paid based on meeting incentive targets.

The impact of Oregon's efforts to transform Medicaid is also driving transformation efforts in other markets and has become a core component of the Oregon health care story. Last year the Oregon Legislature passed bipartisan legislation for a public process to develop and align metrics across all state programs. Supported by the Comprehensive Primary Care Initiative, we have seen multi-payer collaboratives come together to support patient-centered primary care homes. Legislation now being considered would create a work group and process to determine how to better integrate Emergency Medical System providers into transformation efforts and support their work to reduce emergency department visits. Elements of the coordinated care model have been included in the state's public employee health care program.

The success of this system is already showing. Current health system transformation has been a success in keeping costs below the national rate of growth for health care expenditures (see graph). While holding costs down below the national rate of growth, data from Oregon's robust quality measurement program show significant improvements in quality, access, and health (for a full report of health system transformation: [www.oregon.gov/oha/Metrics/Pages/index.aspx](http://www.oregon.gov/oha/Metrics/Pages/index.aspx) ). Highlights include:

- **Decreased emergency department visits.** Emergency department visits by people served by CCOs has decreased 23% since 2011 baseline data.
- **Decreased hospital admissions for short-term complications from diabetes.** The rate of adult patients (ages 18 and older) with diabetes who had a hospital stay because of a short-term problem from their disease dropped by 32% since 2011 baseline data.

- **Decreased rate of hospital admissions for chronic obstructive pulmonary disease.**  
The rate of adult patients (ages 40 and older) who had a hospital stay because of chronic obstructive pulmonary disease or asthma decreased by 68% since 2011 baseline data.
- **Patient-centered Primary Care Home (PCPCH) enrollment continues to increase.**  
Coordinated care organizations continue to increase the proportion of members enrolled in a patient-centered primary care home. PCPCH enrollment has increased 61% since 2012. Additionally, primary care spending continues to increase, which means more health care services are happening within primary care settings rather than other settings such as emergency departments.

These improvements translate directly into better health for Medicaid enrollees and savings for the Centers for Medicare and Medicaid Services (CMS). The state has already extended the elements of the coordinated care model to public employees and is planning to expand the model to more Medicare and Medicaid dual-eligible beneficiaries. As more people are covered through coordinated care plans, the benefits spread across the state and create critical momentum for Oregon and CMS to achieve mutual reform goals. More and more Oregonians – beyond the Oregon Health Plan — are receiving care through this transformed system. Right now, about 94 percent of Oregon’s providers serve OHP members at their primary practice site. When these providers transform their model of care, these changes reach not only OHP members, but also benefit patients across a provider’s practice.

With this renewal and amendment, Oregon, with a shared commitment with the federal government, seeks to build on our success with the coordinated care model to meet the following key goals across the next five years:

1. Build on transformation of Oregon’s Medicaid delivery system with a stronger, expanded focus on integration of physical, behavioral, and oral health care through a performance driven system with the goal of improving health outcomes and continuing to bend the cost curve;
2. Improve the social determinants of health and health equity across all low-income, vulnerable Oregonians with the goal of improving population health outcomes;
3. Commit to ongoing sustainable rate of growth that includes the 2% test, a federal investment at risk for not meeting that target, and a global budget that promotes increased spending on health related services and advances the use of value based payments;
4. Establish supportive partnerships with CMS to expand the coordinated care model by implementing innovative strategies for providing high-quality, cost-effective, person-centered health care for Medicaid and Medicare dual eligible members.

## **I. Strategies**

Strategies for consideration as part of the waiver renewal to achieve these key goals include:

**Build on transformation, including integration**

- Expand the integration of behavioral health services through partnerships with counties, corrections, and community-based programs.
- Invest to continue success and support for the Hospital Transformation Performance Program that furthers goals of transformation, ensures sustainable funding, and aligns care coordination across the delivery system.
- Refine and advance the coordinated care model through a robust measurement program; expanded Patient-Centered Primary Care Home program; quality incentive payments; expanded HIT infrastructure and Transformation Center.
- Promote a recovery-based model of care and strengthen substance use diversion services along the continuum of care by requesting a Substance Use Disorders Waiver in 2017.

**Improve social determinants of health and health equity**

- Increase access to housing and housing supportive services for vulnerable populations.
- Partner with the Oregon Early Learning Council to provide in-home mental health screening and referral services to families with young children.
- Ensure access to health care services for American Indians and Alaska Natives.
- Expand the use of traditional health care workers within the delivery system.

**Commit to sustainable rate of growth**

- Advance the global budget and rate development strategies to promote the use of flexible services, social determinant investments, and value-based payments.

**Expand the coordinated care model**

- Promote better coordination and improve health outcomes for those Medicare and Medicaid dual eligible members.
- Increase the health care workforce in underserved areas and in behavioral health settings using evidenced-based, best practices for recruiting and retaining workforce.

**II. Financing Initiatives**

Oregon will request an amendment to the 1115 Demonstration Waiver to authorize targeted federal financial participation to support taking health system transformation to the next level and to provide a financial incentive for meeting the 2% test annually. These programs are vital to the success of advancing health system transformation to improve social determinants of health, such as access to housing and investing in a more robust behavioral health system for Oregon's most vulnerable residents. Currently, state funds support these services and programs to meet health needs that Medicaid, as it is currently structured, does not. The state will ramp down the federal investment as we realize additional savings from health system transformation.

**III. Next Steps**

Oregon will be submitting a request to renew the current 1115 Demonstration Waiver and requests the following commitments from CMS and federal partners:

- Commitment to reach high level agreement on the waiver renewal by this summer and finalize the waiver renewal in 2016.
- Continue the program in its current form for another five years, including an extension of targeted federal investment to maintain sustainability and continue to limit the growth of health care costs. Most of the savings accrue to the federal government and the investment is recouped through those savings.
- Make some clarifications and provide additional flexibility within the waiver on issues that were always part of the design but that we want to take to the next level, including:
  - Advance global budget concept to promote more flexible services (i.e. non-medical services that promote health) and community health investments that target improvements in social determinants of health including transitional housing and housing supports and services.
  - Flexibility to provide better coordination and outcomes for Medicare and Medicaid dual eligible members (particularly disabled members with complicated health conditions).
  - Support to continue to promote primary care and improve workforce and access in underserved areas, including access for American Indians and Alaska Natives.
  - Provide expanded behavioral health and substance use diversion services.

**Action Requested**

Acknowledge receipt of update.

**Legislation Affected**

None.

Sincerely,

Lynne Saxton  
Director  
Oregon Health Authority

CC: Linda Ames, Legislative Fiscal Office  
Tom MacDonald, Department of Administrative Services