

## CMS Announces State Demonstration Project Initiative for Dual Eligibles: Is Your State on the List?

April 25, 2011

### RESOURCE LINKS

**CMS Innovation Center**  
<http://innovations.cms.gov/>

**CMS Duals Office**  
[http://www.cms.gov/DualEligible/01\\_Overview.asp#TopOfPage](http://www.cms.gov/DualEligible/01_Overview.asp#TopOfPage)

On April 14, 2011, the U.S. Department of Health and Human Services (“HHS”) announced several initiatives that will offer states more flexibility to adopt innovative new practices in order to provide better and more coordinated care for Medicare and Medicaid enrollees who are dually eligible under both of these programs.<sup>1</sup> Under one of these initiatives, 15 states have been awarded contracts to support the design of demonstration projects that will aim to improve the coordination of care for people with Medicare and Medicaid coverage (collectively, the “Selected States”). Although these demonstration projects, if implemented, will be separate from the recently proposed

federal rules on accountable care organizations (“ACOs”), providers and payors considering ACO initiatives may want to take these demonstration projects into account because the Medicare Shared Savings Program could include dual eligibles. Also, providers and payors in selected states who currently treat a significant number of dual eligibles may want to contact their agency representatives to help influence the way in which their state intends to pursue this demonstration project initiative.

Currently, there are approximately nine million dual eligibles living in the United States. They are among the poorest, neediest, and most chronically ill enrollees in the Medicare and Medicaid programs with respect to their health care needs. Although they are a relatively small percentage of the overall Medicare and Medicaid populations, dual eligibles account for a disproportionately high amount of annual spending—\$300 billion.<sup>2</sup> Specifically, within the Medicare program, dual eligibles represent only 16 percent of enrollees but 27 percent of spending. Likewise, within the Medicaid programs, dual eligibles represent 15 percent of enrollees across all states but 39 percent of

<sup>1</sup> As part of its April 14, 2011, announcement, HHS discussed several other initiatives aimed at the dual-eligibles population. HHS will: (1) give all states increased flexibility to provide home- and community-based services for disabled individuals (proposed rule CMS-2296-P); (2) make all states eligible to receive funding to develop simpler and more efficient information technology systems to modernize Medicaid enrollment (final rule CMS-2346-F); and (3) specifically give New Jersey a Medicaid expansion waiver, under which the state will cover approximately 70,000 residents, including 10,000 currently uninsured individuals. U.S. Dep’t. of Health & Human Servs., Press Release, *New Flexibility for States to Improve Medicaid and Implement Innovative Practices* (Apr. 14, 2011), available at <http://www.hhs.gov/news> (last viewed Apr. 16, 2011) (“HHS Press Release”).

<sup>2</sup> Center for Medicare & Medicaid Innovation, *State Demonstrations to Integrate Care for Dual Eligible Individuals*, available at <http://innovations.cms.gov/areas-of-focus/seamless-and-coordinated-care-models/state-demonstrations-to-integrate-care-for-dual-eligible-individuals> (last viewed Apr. 25, 2011).

spending.<sup>3</sup> According to Dr. Donald Berwick, Administrator of the Centers for Medicare & Medicaid Services (“CMS”), “[b]eneficiaries who are in both Medicare and Medicaid can face different benefit plans, different rules for how to get those benefits and potential conflicts in care plans among providers who do not coordinate with each other. ... This can be disastrous for those beneficiaries who are most vulnerable and in need of help.”<sup>4</sup>

Under a new initiative funded by Section 2602 of the Patient Protection and Affordable Care Act (“ACA”), the Selected States have been awarded contracts to support the design of state demonstration projects. The Selected States include: California, Colorado, Connecticut, Massachusetts, Michigan, Minnesota, New York, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Vermont, Washington, and Wisconsin. The contract award process was coordinated through the Center for Medicare & Medicaid Innovation within CMS.

There are six states that represent approximately 50 percent of the 32 million Americans who are targeted to gain access either to private health benefits or new Medicaid benefits under the health reforms included in Title I of ACA. These six states are California (6.9 million), Texas (6.1 million), Florida (3.8 million), New York (2.7 million), Georgia (1.8 million), and Illinois (1.7 million).<sup>5</sup> Two of these states (California and New York) also are recipients under this new CMS initiative. It is expected that approximately 50 percent of these uninsured people will get their new insurance through an expanded Medicaid program. Providers, payors, and manufacturers of products should be particularly vigilant and active in monitoring and participating in health reform activities at the state level whether such participation is private health insurance reform or Medicare/Medicaid entitlement reform.

Under this initiative, each of the Selected States will receive up to \$1 million to develop patient-centered demonstration projects that would focus on coordinating primary, acute, behavioral, and long-term care and services for dual eligibles. The emphasis of these demonstration proposals should be to improve both the quality and cost of care for dual eligibles.

All of the Selected States will work through the newly formed Federal Coordinated Health Care Office (the “Duals Office”) within CMS. The Duals Office was created by ACA to improve care for dual eligibles, and its primary goals are to more effectively integrate benefits under Medicare and Medicaid, and improve coordination between the federal government and states for dually eligible people in these programs. The Duals Office will ultimately work with certain of the Selected States to implement the top strategies. The Selected States, in turn, will be expected to work with enrollees and other stakeholders locally to develop their demonstration proposals. According to CMS’s request for proposals, the period of performance for the design contracts will be a total of 18 months—the first 12 months are designated as the design period, at which time the demonstration proposals will be due. The final six months of the contracts will be used by CMS to review the demonstration proposals and enter into discussions with certain of the Selected States about potential implementation strategies. When applying for this award, CMS asked states to consider having the

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<sup>3</sup> *Id.*

<sup>4</sup> See HHS Press Release, *supra* note 1.

<sup>5</sup> U.S. Census Bureau, *Number and Percentage of People without Health Insurance Coverage by State (3-Year Avg. 2007-2009)*, available at <http://www.census.gov/hhes/www/hlthins/data/incpovhlth/2009/tables.html> (last viewed Apr. 22, 2011).

demonstration model ready for implementation in **2012**. Some of the states included in their responses a confirmation of this commitment to a 2012 starting date.

In addition to working closely with the Selected States, CMS has indicated that it will work directly with all states that request assistance in improving care coordination for dual eligibles.

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For more information about this issue of *IMPLEMENTING HEALTH AND INSURANCE REFORM*, please contact one of the authors below or the member of the firm who normally handles your legal matters.

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