



MEDICARE REPORT



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



BY LYNN SHAPIRO SNYDER AND AMY F. LERMAN

In April, the Department of Health and Human Services announced several initiatives that will offer states more flexibility in adopting innovative new practices, in order to provide better and more coordi-

Lynn Shapiro Snyder is a senior member of the law firm Epstein Becker & Green PC, in the Health Care and Life Sciences and Litigation practices. She is a member of the Advisory Board for BNA's Medicare Report. She is based in Washington and has been with the firm 31 years. She can be contacted at (202) 861-1806 or lsnyder@ebglaw.com. Amy F. Lerman is an associate in the law firm's Health Care and Life Sciences practice. She also is based in Washington and can be reached at (202) 861-1832 or alerman@ebglaw.com.

nated care for Medicare and Medicaid enrollees who are eligible for assistance under both of these programs.¹

Under one of these initiatives, which were introduced on April 14, a total of 15 states have been awarded contracts to support the design of demonstration projects that will be aimed at improving the coordination of care for people with Medicare and Medicaid coverage (collectively known as 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 payers considering ACO initiatives may want to take these demonstration projects into account, since the Medicare Shared Savings Program could include dual eligibles.

In addition, providers and payers in selected states who 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.

¹ 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); 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. Department of Health & Human Services, 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").

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.²

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 account for 39 percent of spending.³

According to Dr. Donald M. Berwick, the administrator of the Centers for Medicare & Medicaid Services, “beneficiaries 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.” Berwick continued, “This can be disastrous for those beneficiaries who are most vulnerable and in need of help.”⁴

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 states chosen to participate in this program are 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, which falls 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).⁵

² 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).

³ *Id.*

⁴ See HHS Press Release, *supra* note 1.

⁵ 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).

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, payers 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 states chosen for inclusion in the program 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 (also known as the “Duals Office”) in CMS. The Duals Office was created through the ACA to improve care for dual eligibles, and its primary goals are to more effectively integrate benefits under Medicare and Medicaid, and to improve coordination between the federal government and states for dually eligible people in these programs.

The Duals Office ultimately will 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 the CMS 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 demonstration model ready for implementation in 2012. Some of the states included in their responses a confirmation of this commitment to the suggested 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.