



Center for Medicaid and CHIP Services
Children and Adults Health Programs Group

DEC 18 2012

Ms. Tina Edlund
Chief of Policy
Oregon Health Authority
500 Summer Street, NE
Salem, OR 97301-1097

Dear Ms. Edlund:

This letter serves as a record that the state and CMS have satisfied certain terms specified under the section 1115 demonstration, Oregon Health Plan, as it was last amended and extended in July. As required by the Special Terms and Conditions (STCs) governing the demonstration, Oregon and CMS have now agreed to standards to implement the demonstration and to provide CMS with the information we will need to monitor the cost, quality and access standards agreed to as part of the amended demonstration.

In order to accomplish these goals, CMS is approving final versions of the deliverables required by the STCs to assist both the state and CMS in monitoring this demonstration:

- **Calculating the Impact of Health System Transformation Expenditures.** Attachments to the STCs will be updated to reflect agreements with respect to monitoring success in meeting the state's goals of slowing the rate of health care spending while improving care. Attachment F, CCO Services Inventory, which outlines all services available under CCOs and specifies how they will be considered under the CCO global budgets, has been updated since the July approval and a revised version will be incorporated into the STCs. We are also approving and including in the revised STCs a new Attachment H, Calculating the Impact of Health Systems Transformation, as required by STCs 47(a) and (b). Section B of Attachment H outlines all the costs that should be captured in the pre- and post- health systems transformation implementation; this document will assist the state in tracking whether the 2 percentage point reduction in overall expenditure has been accomplished. The items outlined in Section B of Attachment H will be reported to CMS as part of standardized quarterly and annual reports, as reflected in Attachment A, Quarterly Report Guidelines. Additionally, as required by STC 50, the state and CMS have agreed to a return on investment methodology to compare the savings to the infusion of support dollars through the designated state health programs.

Finally, we note that Oregon has agreed to conduct an exploratory stakeholder process that would result in a report to CMS regarding the integration of DHS Medicaid-funded long term care for the aged or people with disabilities into CCO global budgets. The report will identify opportunities, barriers, and strategies for integrating LTC, and address issues of scope, process and timeline for integration. The report will be submitted to CMS no later than December 31, 2013.

- **Capitation Rates, Performance Measures, and Measurement and Evaluation of Quality of Care and Access to Care.** We are updating the Attachments to the STCs to include the state's revised Accountability Plan as Section A of Attachment H. This attachment, as negotiated between CMS and the state and approved today, is a multipart document that specifies methods by all parties will be engaged in health system transformation activities to achieve quality improvement while slowing the rate of cost growth. The Accountability Plan includes numerous deliverables required by parts V, VI, VII, and VIII of the STCs as well as the evaluation plan required by STCs 86 and 88. The Accountability Plan also includes the quality strategy required by 42 CFR Part 438, subpart D, as required by STC 45. This document, as drafted by the state, includes information about the underlying goals and objectives of the demonstration as defined by the state and its stakeholders and will serve as a record of the standards that CMS will enforce over the life of the demonstration. In particular, Section A of the Accountability Plan sets out various tests that will be reviewed to determine whether Oregon has met the demonstration goals, as well as requirements for midpoint and final evaluations of the demonstration.

Part I of the Accountability Plan is the state's Quality Strategy, which outlines ways in which the state will both incentivize Coordinated Care Organizations (CCOs) to deliver high quality care at lower cost and measure their success in doing so. This document also includes the parameters for incentive payments to CCOs. Appendix 1.C of the Quality Strategy details the implementation of the CCO payment and bonus incentive pool required in STC 37(b)(ii). The current proposal keeps the incentive payments within the scope of 42 CFR 438 and is approved.

Part II of the Accountability Plan describes Statewide Evaluation and Quality and Access Tests that will enable CMS and the state to evaluate the success of the demonstration. This section of the document specifies the information that the state will report to CMS to enable CMS to monitor the state's achievement of its quality and access improvement goals and to assure that controlling the growth of health care spending in Oregon does not come at the expense of quality and access. Quarterly monitoring is an essential piece of the demonstration and will enable the state to act quickly to correct course and avoid penalties that would otherwise apply should CMS identify a decline in quality or access.

Seeking to balance the need for accurate and complete information against timeliness, CMS and the state have negotiated a streamlined reporting structure to monitor the goals of the demonstration while meeting the analytic requirements specified in STC 52 on an annual basis. This document memorializes CMS and the State's agreement to an annual test, in years where Oregon satisfies the expenditure test described above, to assess whether unadjusted metrics for quality and access under the demonstration have stayed constant or, in later years, have improved. For the first two years, this first order quality and access test is passed if the score for the quality or access metrics remains constant or improves as compared to the historical baseline. After that, the first order quality and access test is passed only if quality and access are improving. If the State does not pass the first order test in any year to which it is applied, the state will undertake, and submit to CMS, a more detailed counterfactual analysis (as prescribed by STC 52 and conducted by an independent, third party evaluator) to determine whether quality and access have significantly diminished in a manner attributable to the state's efforts under the demonstration. If this counterfactual analysis indicates a significant diminishment in quality and access under the demonstration in a given year (or is not completed), CMS will apply the five percent DSHP reduction to the FFP claimed in the year immediately following the year for which the determination was made as specified in STC 54. As

described, after two demonstration years, Oregon will also undertake a robust midpoint analysis that will provide more detailed information about achievement of the demonstration's goals. Part II of the Accountability Plan specifies details about this analysis, as required by STCs 52, 54, 64, 86 and 88.

Finally, recognizing data lags and complexity of the analyses that comprise the midpoint and summative evaluations, we have agreed that CMS will not hold the State to be out of compliance with the timing requirements of STC #88 if the state provides to CMS its draft summative evaluation report within 180 days after the end of Demonstration Year 15. In addition, CMS will not hold the state to be out of compliance for the draft midpoint analysis if submitted to CMS 180 days after the close of the initial review period, July 1, 2012 through June 30, 2014.

Part III of the Accountability Plan describes Oregon's measurement strategy and outlines the metrics that will be used to track quality and access over time. These metrics will be used to track CCO performance as well as statewide performance.

- **Monitoring.** To facilitate regular reporting of the information required by the attachments described above, the state has updated Attachment A, Quarterly Report Guidelines, which will assist the state and CMS in monitoring the demonstration. Given the scope of reporting required by the amended demonstration, we are approving Attachment A for immediate use but anticipate that future revisions will be needed to maximize the value of these reporting formats. In particular, the reporting elements may change to take advantage of new reporting via automated data systems that will support the transmission of data through data portals and other electronic reporting channels. We look forward to working with the state to achieve a streamlined form for use throughout the demonstration. CMS also encourages the state to request funds for the Medicaid portions of the health information exchange infrastructure that pave the way towards these new reporting channels, in a manner consistent with STC 25(c). Health information exchange activities also are critical for other central elements of this demonstration, including reporting of quality metrics, progress with meaningful use of electronic health records, meaningful care coordination, and real-time data assessments.

CMS considers the deliverables listed above to fulfill the terms outlined in their respective STCs and they will be memorialized in the attachments to the STCs. A set of STCs that reflect these updated attachments is attached to approval letter. If the state needs to make changes to any of these documents, CMS must review and approve these changes to assess the impact that any changes will have on the demonstration.

As of the writing of the letter, the state and CMS are still negotiating the DSHP Claiming and Documentation Protocol (Attachment G). Approval of this item is forthcoming and the STCs will be updated accordingly.

If you have any questions or comments regarding this letter, please do not hesitate to contact CMS. Please direct correspondence to your project officer, Ms. Terri Fraser, and the Seattle Associate Regional Administrator, Ms. Carol Peverly. They may be reached at:

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The agreements around reducing costs and improving the quality of care in an effort to improve overall health outcomes in the Oregon reflects many months of innovative and collaborative thinking between the state and CMS. CMS looks forward to continued collaboration to monitor and evaluate the demonstration.

Sincerely,



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Deputy Director for Policy

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