Fact Sheets

Details for: HHS ANNOUNCES STATE HEALTH CARE INNOVATION INITIATIVE

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HHS ANNOUNCES STATE HEALTH CARE INNOVATION INITIATIVE

On July 19, 2012, the Centers for Medicare & Medicaid Services (CMS) announced a competitive funding opportunity for up to 30 States to design or implement multi-payer payment and service delivery models. The State Innovation Models initiative, authorized by the Affordable Care Act as part of the Center for Medicare and Medicaid Innovation (Innovation Center), will provide financial, technical and other related support for States to design or test innovative, transformational health programs that generate savings and improve care for Medicare, Medicaid, and Children's Health Insurance Program (CHIP) beneficiaries.

State Innovative Solutions to Improve Patient Care

The solicitation invites States interested in participating in State Innovation Models to propose innovative approaches to improving care and lowering costs for their residents. Only governors of States and Territories, and the mayor of the District of Columbia, are eligible to submit applications and they are expected to demonstrate support from a broad range of stakeholders in developing their proposals.

A competitive process outlined in the Funding Opportunity Announcement will determine awardees for one of the following funding opportunities:

- **Model Design Awards:**

States that would like to develop transformative payment and delivery reforms may apply for model design funding. Model Design awards will provide financial and technical support to States for their planning and design efforts. The Innovation Center will award up to a total of $50 million to up to 25 States for Model Design efforts.

In planning and designing their proposals, States must:

- Bring a broad range of stakeholders—including health care providers, consumers, advocates, employers, unions, private and public payers, tribal governments, community leaders, and community support service organizations—into the design process;
- Develop multi-payer payment and service delivery models;
- Outline strategies that will improve health care system performance;
- Build on existing State waivers and Federal health care reform initiatives; and
- Describe its model design process and present an approach for continuous improvement in cost, quality, and population health outcomes.

A State that receives model design funding must produce and submit a State Health Care Innovation Plan to CMS. A State Health Care Innovation Plan is a proposal that describes a State's program to transform its health care delivery system through an approach that provides a broad vision of health system transformation and payment reform, including the strategy delivering higher quality, higher value health care. States' Health Care Innovation Plans will form the basis for a potential second round of implementation funding, targeted for release in the spring of 2013.

- **Model Testing Awards:**

The first round of Model Testing awards will provide up to a total of $225 million over three to four years for up to five States to test and evaluate multi-payer health system transformation models including commercial and employer-sponsored plans.

Model Testing proposals must:

- Implement a multi-payer model in the context of the State's Health Care Innovation Plan;
- Utilize the tools and policy levers available to States to provide better health, better care, and lower costs;
- Describe how model testing funds will be used to produce better health, better care, and lower costs through care improvement for Medicare, Medicaid, and CHIP beneficiaries;
- Provide evidence underlying the proposed approach and explain how the model will address social, economic and behavioral determinants of health and reduce health disparities;
- Describe the policy, regulatory or legislative authority supporting the model);

- Explain how the proposed model will build upon existing healthcare reform initiatives in the State; and
- Describe the process for performance monitoring, data collection, and tracking and reporting of progress.

As part of the application for model testing awards, States must submit a Health Care Innovation Plan. State Health Care Innovation Plans will be evaluated based on the enumerated criteria in the official Funding Opportunity Announcement.

Each State that applies for model testing funding but does not receive an award may qualify for pre-testing assistance of up to $3 million (which will be counted toward the $50 million in funding for the Model Design Awards described above) to help them improve their model design proposals and/or State Health Care Innovation Plans.

State model testing proposals may be based on approaches already under way at CMS, such as Accountable Care Organizations or other Innovation Center initiatives. However, in other limited instances, a State as part of its State Innovation Models proposal may request approval to pursue payment and service delivery models that differ from established CMS pathways, which would require additional review. In light of this, CMS is offering two tracks for Model Testing:

Model Testing Track 1: Ready-to-go States - This track will be available for proposals that utilize current CMS program approaches (e.g. the Medicare Shared Savings Program) and/or utilize established Innovation Center models such as Bundled Payment for Care Improvement or Pioneer ACO.

Model Testing Track 2: New Models - This track will be available for proposals that require:

1. New Medicare payment and service delivery model or significant modification of existing models (such changes to shared saving methodologies or payment calculations);
2. Medicaid waivers; or
3. New waivers under section 1115A(d)(1) authority to support new payment and service delivery models.

While awards for the two tracks will be announced simultaneously, Track 2 States will need to receive all necessary waivers and/or regulatory changes to proceed to implementation and Model Testing.

States may not apply for both a model design grant and a model testing grant.

CMS anticipates announcing a second round of model testing funding in 2013 for States that are not currently prepared to submit a Model Testing proposal. Any future solicitation will not include a pre-testing award option.

Prohibited Use of Funds

State Innovation Model funds shall not be used to:

- Match any other Federal funds.
- Provide services, equipment, or support that is the legal responsibility of another party under Federal or State law (e.g., vocational rehabilitation, criminal justice, foster care; civil rights law). Such legal responsibilities include, but are not limited to, modifications of a workplace or other reasonable accommodations that are a specific obligation of the employer or other party.
- Supplant existing Federal State, local, or private funding of infrastructure or services.
- Satisfy State matching requirements.
- Pay for the use of specific components, devices, equipment, or personnel that are not integrated into the entire service delivery and payment model proposal.
- Lobby or advocate for changes in Federal and/or State law or regulations.

Monitoring and Evaluation

State Innovation Model awardees must participate in Innovation Center monitoring and evaluation to formally test the State Innovation Models model and to ensure quality care is being furnished to Medicaid, CHIP and Medicare beneficiaries. Shared data that all participating States must collect will include process, safety and performance measures including measures of beneficiary experience.

We will provide each participating State with rapid-cycle feedback to support continuous quality improvement. The rapid-cycle data feedback will assist States in assessing the impact of the interventions they are employing. By providing them with such data, the States can manage their performance to optimize outcomes. We will share best practices with participating States to encourage more rapid learning and spread of effective strategies.

In evaluating the models, we will use our core set of outcome variables so that we can compare the effects of the State Innovation Models with those of other models at the Innovation Center. We will also add other, specific measures appropriate for individual State approaches. While individualized outcome variables will be created once States have been chosen, each State will be measured through these core variables that assess quality of care, health outcomes, community health and net savings in total costs.

Each State will be evaluated separately and compared with a comparison group. Additionally, all States will be pooled for a single impact evaluation.

Data for the analyses will come from the following but not limited to: provider surveys; Medicare administrative claims; State Medicaid and CHIP programs; beneficiary experience surveys; site visits with practices; and focus groups with beneficiaries and their families and caregivers, practice staff, direct support workers and others (*e.g.,* payers). Additional data requirements may include States providing Medicaid encounter (baseline and during the model test period) if relevant to program evaluation. States will play an active role in evaluation activities and be required to provide data for the Federal evaluation as well as conduct their own rapid cycle evaluation to ensure continuous quality improvement. In each participating State, CMS will also assist in providing technical assistance so that future State-based evaluations can be completed beyond the duration of the demonstration.

Eligibility for Initiative

Only governors from States and U.S. Territories and the mayor of the District of Columbia may submit applications for model design and testing funding. Only one application per State is permitted under the current Funding Opportunity Announcement (FOA).

Only one request per State is permitted for each round of Model Testing award applications under the current FOA. CMS anticipates that it may offer a second round of Model Testing funding in 2013. A State may apply in a subsequent round if it did not apply in the first round, or was not selected for funding in the first round of model testing awards.

A State cannot receive multiple model design, pre-testing assistance or model testing awards under this FOA.

Each application must include a letter from the governor (or the mayor, if from the District of Columbia) officially endorsing the application for a Model Design award or for a Model Testing award.

All applications must be submitted electronically through http://www.grants.gov. Applicants are strongly encouraged to use the review criteria information provided in the “Design Requirements” and “Application Review Information” sections in the funding opportunity announcement, to help ensure that the proposal adequately addresses all the criteria that will be used in evaluating the proposals.

Important Deadlines

Model Design Applications:

Applications are due: September 17, 2012, by 5:00pm Eastern Daylight Time

Anticipated Award Date: November 15, 2012

Period of Performance: From award date through May 14, 2013

Round One Model Testing:

Applications are due: September 17, 2012, by 5:00pm Eastern Daylight Time

Anticipated Award Date: November 15, 2012

Period of Performance: Up to 6 months for implementation readiness and 36 months for testing after the date of award, through May 15, 2016

About the Innovation Center

The Innovation Center was created by the Affordable Care Act to test innovative payment and service delivery models to reduce program expenditures while preserving or enhancing the quality of care. The Innovation Center is committed to testing models that improve the coordination, quality, and efficiency of health care services for Medicare, Medicaid, and CHIP beneficiaries.

For More Information

CMS will host Open Door Forums or webinars to provide further details about the State Innovation Models initiative and answer questions from potential State applicants. Information about the Open Door Forums will be available on the Innovation Center web site at: innovation.cms.gov

For more information, please refer to the State Innovation Models initiative funding opportunity announcement found at: innovation.cms.gov/initiatives/state-innovations

If you have specific questions not answered in this fact sheet, please send an email to SIM@cms.hhs.gov.