



**Center for Medicaid and CHIP Services**

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**SMDL# 12-001**

**ICM# 1**

RE: Integrated Care Models

July 10, 2012

Dear State Medicaid Director:

The Centers for Medicare & Medicaid Services (CMS) is initiating a series of communications intended to strengthen our collaborations with states to facilitate achieving better care, better health, and reduced expenditures in Medicaid programs. This letter is the first in this series that will describe policy considerations for creating integrated care models. These models support value-driven strategies to ensure that Medicaid reaches its fullest potential as a high performing health system and aligns with promising delivery system and payment reforms underway in the private and public sectors.

For the purposes of this letter and future communications, we are using the term “Integrated Care Models” (ICMs) to describe these initiatives, which could include (but are not limited to) medical/health homes, Accountable Care Organizations (ACO), ACO-like models, and other arrangements that emphasize person-centered, continuous, coordinated, and comprehensive care (see Attachment 3 of accompanying SMD # 12-002 for further description).

ICMs are characterized by organized and accountable care delivery and payment methodologies aligned across payers and providers to ensure effective, seamless, and coordinated care. By orienting the system around the needs and preferences of beneficiaries, successful ICMs can demonstrate improved health care outcomes and result in improved beneficiary experience, while reducing overall health care expenditures. ICMs include integration of various types of health care services such as primary, acute, specialty, dental, behavioral, and long-term support services. Various iterations of ICMs have long existed in capitated managed care, but for the purposes of this letter and the second letter in the series, we are referring to ICMs in the fee-for-service (FFS) system. We plan to issue future guidance specifically addressing ICM implementation within risk-bearing managed care contracts.

Our work with several states, which are creating delivery models that better coordinate services, reward quality achievements, and share savings with providers, has led to a focus on four areas: reform, modernization, stewardship, and collaboration.

- **Delivery System Reform:** Structural and programmatic reforms such as ICMs and new financial incentives can form the basis for high performing Medicaid systems. There is considerable flexibility under current authorities of most state Medicaid plans to achieve many of these reforms, including ICMs. In addition, the Affordable Care Act (Pub. L. 111-148, as revised by Pub. L. 111-152) provides new authorities, including a state plan option to provide health homes for enrollees with chronic conditions.

- **Modernization:** New technologies are critical to deliver the high quality, timely, accurate, and appropriate data necessary for reform. One hallmark of high performing health care systems is the use of cost, performance, quality, beneficiary, and program data to improve quality and efficiency. To that end, both states and CMS are actively engaged in major information technology improvement initiatives including multi-payer claims databases, modernized eligibility systems, expanded data reporting and analysis capabilities, and new systems supporting modernized business processes. We have also articulated new standards, modern architectures, and more specific guidance for the building of state systems with federal investments. CMS and states must also continue to ensure that electronic health record systems can support health information exchange and provide the necessary infrastructure for automated quality measurement, reporting, and continuous quality improvement that underpin important delivery and payment system reforms.
  
- **Stewardship:** New flexibilities should be accompanied by new models for accountability. A strong quality measurement infrastructure is essential for transition to a more outcomes-based accountability in Medicaid. The state and federal efforts to modernize data systems will provide us with a new opportunity to focus, standardize, and validate quality metrics reported by providers and states and allow for rapid and ongoing evaluation of the impact on the health and care of Medicaid beneficiaries. A shift from paying solely for volume towards outcomes-based accountability will also facilitate efforts to limit duplicative processes and eliminate administrative processes with little value.
  
- **Collaboration:** Broad system transformation is only achievable by partnership between CMS, states (and within state government), consumers, advocates, managed care organizations, providers, tribal organizations, and other stakeholders. These partnership efforts include the following:
  - Last year, the Center for Medicaid and CHIP Services launched special technical assistance teams to assist states in a variety of Medicaid reform efforts. Over the course of the last year, the Medicaid State Technical Assistance Teams (MSTAT) worked intensively with more than 25 states. The interest of these states reflects the broad interest in ensuring Medicaid is an active player in focusing health care systems on quality-driven care coordination resulting in lower cost through program improvement. These efforts are consistent with initiatives authorized under the Affordable Care Act, whether as part of a multi-payer initiative or new care models, and have led directly to the new ICM state plan flexibility described in the second letter in this series.
  
  - Building on the MSTAT experience, CMS is actively discussing these topics with several states participating in the Medicaid and CHIP Value-Based Learning Collaborative and providing technical assistance to states. The work and lessons learned from these collaborations will be shared widely with other states and stakeholders.

- Collaborations and strategic governance within states are important—ICMs require close partnerships across the service delivery system. Aligning the efforts of providers, managed care organizations, various payers, information technology vendors, public health, and other partners in the health system will help maximize improvements in service delivery as well as control costs. Some states are forging new ground and providing leadership to address specific challenges unique to urban or rural regions.
- CMS also recognizes the role of federal collaboration, especially in terms of aligning priorities and efforts and coordinating communication. As an example of how CMS is beginning this effort by aligning work within its own agency, we are testing new models of care and working to disseminate what we have learned to bring successful models to scale through the Centers for Medicare and Medicaid Innovation and in the Medicare-Medicaid Coordination Office. There are a myriad of other opportunities across the department and administration and we are committed to ensuring alignment across all of these efforts.
- Collaboration with consumer and consumer advocacy groups is critical. In order to achieve the important goals of better health and better care with lowered costs, we must continue to put our beneficiaries first. This is a time of significant change in the Medicaid program, and we should ensure beneficiaries' voices are heard in the design, implementation, and oversight of new initiatives.
- A state with federally-recognized Indian tribes, Indian health programs, and/or urban Indian health organizations must consult with these entities as outlined in section 1902(a)(73) of the Social Security Act and in 42 CFR 431.408(b), and consistent with other current CMS tribal consultation policy.

The second letter in this series, which we are also issuing today, describes flexibility in the Medicaid statute that supports delivery system and payment reform in FFS systems. Future communications will include methodologies for shared savings arrangements, a quality and cost measures framework, achieving results through managed care contracts, and guidance on alignment with other federal initiatives.

Sincerely,

/s/

Cindy Mann  
Director

cc:

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