I am writing to share the Washington Final Demonstration Year 1 and Preliminary Demonstration Year 2 Medicare savings report, released today, containing Medicare savings results of the Washington Health Home Managed Fee-for-Service model demonstration under the Medicare-Medicaid Financial Alignment Initiative. The report is posted on the MMCO website: https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/FinancialAlignmentInitiative/Downloads/WAEvalMedicareCostYr1FinalYr2Preliminary072817.pdf

CMS and Washington State launched the Washington Health Home managed fee-for-service model demonstration in 2013. The demonstration leverages Medicaid health homes to integrate care for high-cost, high-risk, full-benefit Medicare-Medicaid beneficiaries. For more information about the Washington demonstration, please see: https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/FinancialAlignmentInitiative/Washington.html

In January 2016, CMS released a preliminary estimate of Medicare Parts A and B savings for the Washington Health Home demonstration for Demonstration Year 1 (Jul. 2013 – Dec. 2014) as part of an issue brief on early findings in Washington. That report found preliminary gross Medicare savings of $21.3 million. The results presented in the report released today update the Demonstration Year 1 results from the January 2016 report, providing a final estimate of Medicare savings for Demonstration Year 1 and a preliminary estimate of Medicare savings for Demonstration Year 2 (Jan. – Dec. 2015).

- **The final results for Demonstration Year 1 show total gross Medicare savings of $34,891,668.**

The increase in Demonstration Year 1 savings between the preliminary and final Medicare savings reports were largely driven by updates to the savings calculation methodology intended to improve accuracy of results, including a more accurate data source for determining beneficiary eligibility for the demonstration and comparison groups.

- **The preliminary savings results for Demonstration Year 2 show total gross Medicare savings of $32,091,003.**

- **Across both demonstration years combined, total gross Medicare savings was $67.0 million.**

On the basis of these Medicare savings and meeting quality requirements, CMS has made interim performance payments to Washington State for both Demonstration Years 1 and 2. The final payment amounts will be determined once Medicaid savings have been calculated. Depending on that analysis, Washington can ultimately share in up to half of the gross Medicare savings.

The findings in this report are based on an actuarial approach to estimate Medicare savings based on a comparison of the trend of per member per month Medicare expenditures of the Washington demonstration group with the trend observed in a matched comparison group. This actuarial approach will differ in some ways from Medicare savings analysis found in the Washington Health Home demonstration annual evaluation report, which will also be based on a matched comparison group but will use another (regression-based) methodology. RTI and ARC have not yet estimated Medicaid savings or costs due to lags in Medicaid data availability. RTI will include Medicaid savings analysis in future reports once data are available.

The findings in this report provide important information that we can use -- together with states and stakeholders -- to understand demonstration performance and further improve the experience of care for Medicare-Medicaid enrollees.

The evaluators are also in the process of preparing the second annual evaluation report, covering the 2015 performance period. We look forward to sharing those results with you.

Jessica H. May
Medicare-Medicaid Coordination Office
Centers for Medicare and Medicaid Services
Seattle, Washington
jessica.may@cms.hhs.gov
Desk: 206-615-2320
Mobile: 443-257-6459

TALKING POINTS FROM THE REPORT

- Total savings = $67m
  - $34.9m for Year 1
  - $32.1m for Year 2
- Those savings equal 9.6% of Medicare costs or $178 PMPM (both demonstration periods, all cohorts). For Cohort 1 (those eligible when the program started), the savings increased to 11.6% in year 2.
- $37.1m or 55% of the total savings were generated by HCBS recipients
  - $22.5m by 65+ recipients of HCBS (the largest savings by category of beneficiary)
  - $14.6m by <65 recipients of HCBS (the 2nd largest savings by category of beneficiary)
- The savings for HCBS recipients primarily come from
  - Professional services $15.3m
  - Inpatient hospitalizations $12.8m
- The largest increase of savings percentage from Year 1 to Year 2 in Cohort 1 by a category of beneficiary was from HCBS <65 with SPMI. The percent of savings increased from 3.2% to 15.3%.

  **An increase in Outpatient and SNF costs for HCBS recipients likely reflect more appropriate usage of services.*

Summary:

The Health Home program is producing significant Medicare savings for dual-eligible beneficiaries who are also receiving home and community based services. The savings point to more appropriate use of the health care system (i.e. decreased inpatient costs with increased outpatient costs) due to care coordination. A substantial increase in savings from year 1 to year 2 of the program was found in those receiving home and community based services who are under 65 with serious and persistent mental illness. This suggests the program might be particularly effective with this underserved population.