



## CHAPTER 1 – MEDICAID SYSTEM TRANSFORMATION OVERVIEW

### Section 1: What is Medicaid System Transformation?

Currently, the State of Washington is undergoing a major transformation to their health care delivery and payment systems with a primary focus on state purchasing of health care through Medicaid. It is important to consider the federal framework and foundation of these transformation efforts to better understand the impacts they will have on the Indian health care delivery system in Washington State.

Washington’s health system transformation is largely driven by the Affordable Care Act’s (ACA’s) goal to reduce health care costs and to improve patient care and improve population health. These three priorities are referred to as the **“Triple Aim.”**<sup>1</sup> The ACA established the Centers for Medicare and Medicaid Services (CMS) Innovation Center for the purpose of testing “innovative payment and service delivery models to reduce spending under Medicare, Medicaid, or CHIP, while preserving or enhancing the quality of care furnished to beneficiaries under those programs.”<sup>2</sup>

The CMS Innovation Center has provided funding to the State of Washington to design and implement a Washington State Health Care Innovation Plan. This plan proposes to transform the State’s health care delivery system and achieve the triple aim through objectives that include:

1. Transition from Fee-for-Service to Value-Based Purchasing;
2. Integration of State purchasing of Medical and Behavioral Health Services;
3. Creation of Accountable Communities of Health; and
4. Development of a comprehensive prevention framework

The State’s Health Care Innovation Plan, now referred to as “Healthier Washington” seeks to transition from fee-for-service to value-based purchasing<sup>3</sup> for 80% of all state health care dollars in Medicaid contracts by 2020. Under Washington Senate Bill 6312, the State has integrated state-funded mental health and substance use disorder services, effective April 1, 2016. By 2020, the State will integrate state-funded health care for medical, mental health, and substance use disorders.

A critical component of Medicaid Transformation is the newly created **Accountable Communities of Health** (ACHs). ACHs are locally governed public-private collaboratives to support communities, sectors, and systems in newly designated regional service areas that will serve as new Medicaid procurement areas. These ACHs will address state and community health priorities, encourage cross-sector resource sharing, test new funding strategies, and ensure organizations that contract to provide physical and behavioral health services are responsive to the communities they serve.<sup>4</sup>

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<sup>1</sup> The Triple Aim was originally promulgated by the Institute for Health Care Improvement in 2008 and many argue that it provided the framework for § 3021 of the Affordable Care Act.

<sup>2</sup> See § 1115A of the Social Security Act (as added by § 3021 of the Affordable Care Act).

<sup>3</sup> Value Based Purchasing refers to a payment strategy where providers are paid based on the value (cost, efficacy, quality) of care they deliver (value-based care), instead of the number of visits and tests they order (fee-for-service).

<sup>4</sup> State Health Care Innovation Plan, p. 3.