

News Release

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Obama administration offers states new ways to improve care, lower costs for Medicaid

Initiatives focus on people receiving Medicare and Medicaid benefits

The U.S. Department of Health and Human Services (HHS) today announced three new initiatives to help states improve the quality and lower the cost of care for the approximately nine million Americans who are eligible for both Medicare and Medicaid (Medicare-Medicaid enrollees).

Today, HHS announced:

- A demonstration program to test two new financial models designed to help states improve quality and share in the lower costs that result from better coordinating care for individuals enrolled in Medicare and Medicaid.
- A demonstration program to help states improve the quality of care for people in nursing homes by providing these individuals with the treatment they need without having to unnecessarily go to a hospital.
- A technical resource center available to all states to help them improve care for high-need high-cost beneficiaries.

“ By improving care to the most vulnerable of our citizens, we can improve the quality of their lives and prevent wasteful spending,” said HHS Secretary Kathleen Sebelius.

“ Governors and their staff have been looking for tools to help them accomplish these important goals. I am pleased that we can continue our strong partnership with the states to do this.”

States and the federal government spend more than \$300 billion each year to care for Americans eligible for Medicare and Medicaid. In Medicaid, these individuals represented

15-percent of enrollees and 39-percent of all Medicaid expenditures. In Medicare, they represented 16-percent of enrollees and 27-percent of program expenditures.

Today's announcement is part of the administration's ongoing efforts to provide states with flexibility and resources to better serve high-need, high-cost enrollees. HHS previously launched initiatives to share Medicare data with states to support care coordination and to collect input on ways to improve alignment across Medicare and Medicaid.

Testing Financial Models to Better Coordinate Care

HHS is working to increase the number of Medicare-Medicaid enrollees in systems that coordinate care. Coordinated care may improve the quality of care individuals receive and reduce costs for both states and the federal government.

“ These models are designed to address a longstanding barrier to better meeting the needs of some of the most vulnerable Americans we serve,” said Donald M. Berwick, M.D., administrator of the Centers for Medicaid & Medicare Services (CMS). “ Providing individuals the high-quality care they need, working closely with stakeholders, doctors, and state leaders, and ensuring beneficiary protections will be a crucial part of this demonstration.”

Today CMS provided guidance to states on a new demonstration designed to align financing between Medicare and Medicaid to support improvements in the quality and cost of care for individuals eligible for Medicare and Medicaid through two models. These models include:

- A state, CMS, and health plan enter into a three-way contract where the managed care plan receives a prospective blended payment to provide comprehensive, coordinated care.
- A state and CMS enter into an agreement by which the state would be eligible to benefit from savings resulting from managed fee for service initiatives designed to improve quality and reduce costs for both Medicare and Medicaid.

The CMS Center for Medicare and Medicaid Innovation will test these models to determine whether they save money while also preserving or enhancing the quality of care for Medicare-Medicaid enrollees.

All states that meet standards and conditions will have the option to pursue either or both of these models. CMS today released a letter to state Medicaid directors to provide more detailed information to states interesting in participating in the demonstration.

Improving Care Quality for Nursing Facility Residents

CMS also announced a new initiative to help states improve the quality of care for people in nursing homes. Nearly two-thirds of nursing facility residents are in Medicaid, and most are also in Medicare.

The CMS Innovation Center in collaboration with the CMS Medicare-Medicaid Coordination Office will establish a new demonstration focused on reducing preventable inpatient hospitalizations among residents of nursing facilities by providing these individuals with the treatment they need without having to unnecessarily go to a hospital. Hospitalizations are often expensive, disruptive, disorienting, and dangerous for frail elders and people with disabilities, and cost Medicare billions of dollars each year. CMS-funded research on Medicare-Medicaid eligible nursing facility residents in 2005 found that almost 40-percent of hospital admissions were preventable, accounting for 314,000 potentially avoidable hospitalizations and \$2.6 billion in Medicare expenditures.

Starting this fall, CMS will competitively select independent organizations to partner with and implement evidence-based interventions at interested nursing facilities. These interventions could include using nurse practitioners in nursing facilities, supporting transitions between hospitals and nursing facilities, and implementing best practices to prevent falls, pressure ulcers, urinary tract infections, or other events that lead to poor

health outcomes and expensive hospitalizations. Additionally, this initiative supports the administration's Partnership for Patients goal of reducing hospital readmission rates by 20-percent by the end of 2013.

Technical Assistance Resource Center Available to States

Finally, today CMS also announced it is establishing a resource center to help states in delivering coordinated health care to high-need, high-cost beneficiaries, including those with chronic conditions and/or Medicare-Medicaid enrollees. This resource center will provide technical assistances to states at all levels of readiness to better serve beneficiaries, improve quality and reduce costs.

More information about these initiatives is available at:

http://www.cms.gov/apps/media/fact_sheets.asp.

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Note: All HHS press releases, fact sheets and other press materials are available at

<http://www.hhs.gov/news>.