**State of Wisconsin**
**Department of Health Services**

**Scott Walker, Governor**
**Dennis G. Smith, Secretary**

July 16, 2012

Mr. Glenn M. Hackbarth, J.D.
Chairman
Medicare Payment Advisory Commission
601 New Jersey Avenue, NW
Suite 9000
Washington, DC 20001

Dear Chairman Hackbarth:

Your July 11, 2012 letter to Administrator Marilyn Tavenner regarding the Centers for Medicare and Medicaid Services (CMS) demonstration for dual-eligible beneficiaries has raised a number of important points. As Wisconsin is one of the states that has been selected to work with CMS on an integrated model for this important population group, I hope that our perspective might be helpful to the Commission.

Let me first commend Melanie Bella for her outstanding leadership in bringing us all this far. Without a doubt, she has one of the toughest challenges in health care. She commands the respect of everyone involved in this vital initiative and deserves our deep appreciation.

Wisconsin pursued our version of this initiative, Virtual PACE, with four assumptions—1) it would be better for beneficiaries; 2) it would produce savings for the federal government; 3) it would produce savings for the state; and 4) it would be a viable business model for our partners. If the demonstration does not meet all four assumptions, it seems highly unlikely that it would be successful in the long run. Success is also unlikely unless policymakers are willing to disrupt the status quo. As you note in the July 11 letter, the status quo means that "…many dually eligible beneficiaries are unable to establish regular sources of care."

Each state, of course, should be unique. That is the purpose of a demonstration. If CMS does not permit these unique designs, the federal government would forfeit a valuable opportunity. We appreciate the difficulty of summarizing the proposed models from 15 different states. However, here are some highlights as to how Wisconsin differs from some of the generalized observations in the July 11 letter.

- MedPAC observed that approximately 40 percent of duals would be enrolled in the demonstrations. Wisconsin takes a more targeted approach. There are approximately 120,000 dual eligible in Wisconsin. Our demonstration would include fewer than 20,000 individuals.

- MedPAC raised concerns about beneficiary protections. The PACE program has the strongest beneficiary protections in Medicare and we have adopted these protections, with some modifications, for our demonstration.
- MedPAC raised concerns about whether there is sufficient experience with managing this population. Wisconsin already has a proven track record in serving medically complex individuals with long term care needs within a managed care model. Family Care serves more than 40,000 low-income seniors and individuals with disabilities. Our potential partners well understand the needs of this population.
- MedPAC raised concerns about capacity. We would phase-in Virtual PACE over time starting in a limited geographic area.
- MedPAC raised concerns about the challenge of moving large numbers of beneficiaries. This is not the case in Wisconsin. We believe health care is personal and local. Our approach is to find what works then replicate.
- MedPAC raised concerns about passive enrollment with an opt-out. Yet, MedPAC also acknowledged that,"[a] sound test of the demonstration models requires a critical mass of potential enrollees …". We originally proposed a six month lock-in for the demonstration but have modified our proposal to allow an individual to exit. Again, policymakers must be willing to try something different than the status quo.
- MedPAC raised concerns about how program costs and savings are allocated between Medicare and Medicaid, which we share. We certainly agree with MedPAC's emphasis on accurately estimating the baseline, but we believe the MedPAC alternative is too limited as well. Our perspective is to look at total costs, Medicare and Medicaid combined, then reach an agreement with CMS on a rate that guarantees the federal government savings. We should escape from the constrained thinking that each dollar of savings must be attributed to Medicare or Medicaid. Nor should it be allocated by service or type of provider. The demonstration is designed to show that integration and coordination of care using a blended funding stream works. The source of savings is not relevant to the beneficiary. In our targeted population group, Medicaid spends more on meeting the health care needs of the dually eligible than Medicare.

I hope this information is helpful to the Commission. If you have any questions, please do not hesitate to contact me.

Sincerely,

Dennis G. Smith

Dennis G. Smith
Secretary

Cc: Wisconsin Congressional Delegation
U.S. Senate Special Committee on Aging
Acting Administrator Marilyn Tavenner, Centers for Medicare and Medicaid Services