

MEMORANDUM

To: Coordinated Care Organizations and Stakeholders

From: Susan Otter, Project Director, CMS Design Contract for Integrating Medicare/Medicaid for Individuals Dually Eligible (susan.otter@state.or.us)

Date: October 30, 2012

Regarding: Update on Medicare/Medicaid Alignment Demonstration

The Oregon Health Authority has become increasingly concerned about whether a CMS Medicare/Medicaid financial alignment demonstration will be workable within the unique Oregon marketplace. Although the demonstration would offer opportunities to align and integrate Medicare and Medicaid benefits and financing that could result in better health and quality of care for individuals who are dually eligible, OHA has determined that the demonstration is not likely to be financially viable for Oregon's CCOs and their affiliated Medicare Advantage plans.

Oregon will not pursue a Medicare/Medicaid Financial Alignment demonstration as it is currently constructed. Instead, OHA will explore the feasibility of a modified demonstration with CMS, focusing on delivery system reforms underway in CCOs paired with Medicare/Medicaid administrative alignments without the proposed financial component of the financial alignment demonstration.

Assessment of demonstration rate structure: To assess the financial viability of the demonstration, OHA staff analyzed the impact of the blended rate structure put forth by CMS that would be offered to CCOs under the demonstration. OHA worked closely with CMS and a technical advisory group of financial staff from CCOs and/or their affiliated Medicare Advantage plans to assess this impact. Through this process, OHA found that there are a number of factors that make Oregon relatively unusual compared to other states, many stemming from the fact that Oregon has some of the nation's lowest Medicare fee-for-service spending and a robust Medicare Advantage market that already serves dually eligible Oregonians. Based on the information and analysis available, none of the members of the technical advisory group recommended pursuing the demonstration as currently constructed.

Other implications of this decision:

- **It will not be necessary for Oregon's CCOs and/or their affiliated Medicare Advantage plans to complete a Notice of Intent to Apply (NOIA) to CMS for the financial alignment demonstration.**
- It remains important that CCOs, per CCO procurement requirements, be able to serve dually eligible individuals for Medicare. CCOs are required to offer Medicare benefits to their dually eligible members through an owned, affiliated, or contracted Medicare plan no later than January 2014.
- Without a financing model that achieves Medicare savings, we do not expect that CMS would approve passive enrollment into CCOs for Medicare services.

Next steps for OHA: Over the next several months, OHA will continue to work with CMS, Oregon CCOs and affiliated Medicare Advantage plans, and stakeholders to assess the opportunity for a modified demonstration with CMS that would better align the Medicare and Medicaid programs and result in

improved outcomes and better health care experiences for individuals who are dually eligible. Subject to federal approval, a modified demonstration would be codified in an agreement between OHA and CMS. A modified demonstration would not result in a new procurement process for CCOs or their affiliated Medicare Advantage plans. More information about this work will be forthcoming.

Background on Medicare/Medicaid Alignment work within OHA: In April 2011, Oregon was one of 15 states awarded a CMS Design Contract to develop a proposal to integrate Medicare and Medicaid for individuals eligible for both programs. After an extensive stakeholder process in summer through winter 2011, Oregon developed a proposal for integrating Medicare and Medicaid via Coordinated Care Organizations through participation in the CMS financial alignment demonstration. Oregon formally submitted its proposal to CMS in May 2012.

References:

[Oregon's Medicare/Medicaid Alignment Proposal to CMS, May 2012](#)

[CMS Medicare & Medicaid Coordination Office](#)

- [CMS Design Contracts to 15 States](#)
- [CMS Financial Alignment Demonstrations](#)