State Innovation Model-Report 1

(FY2017 Appropriation Act - Public Act 268 of 2016)

March 1, 2017

Sec. 1144. (1) From the funds appropriated in part 1 for health policy administration, the department shall allocate the federal state innovation model grant funding that supports implementation of the health delivery system innovations detailed in this state's "Reinventing Michigan's Health Care System: Blueprint for Health Innovation" document. This initiative will test new payment methodologies, support improved population health outcomes, and support improved infrastructure for technology and data sharing and reporting. The funds will be used to provide financial support directly to regions participating in the model test and to support statewide stakeholder guidance and technical support.

(2) Outcomes and performance measures for the initiative under subsection(1) include, but are not limited to, the following:

(a) Increasing the number of physician practices fulfilling patient-centered medical home functions.

(b) Reducing inappropriate health utilization, specifically reducing preventable emergency department visits, reducing the proportion of hospitalizations for ambulatory sensitive conditions, and reducing this state's 30-day hospital readmission rate.

(3) By March 1 and September 1 of the current fiscal year, the department shall submit a written report to the house and senate appropriations subcommittees on the department budget, the house and senate fiscal agencies, and the state budget office on the status of the program and progress made since the prior report.

(4) From the funds appropriated in part 1 for health policy administration, any data aggregator created as part of the allocation of the federal state innovation model grant funds must meet the following standards:

(a) The primary purpose of the data aggregator must be to increase the quality of health care delivered in this state, while reducing costs.

(b) The data aggregator must be governed by a nonprofit entity.

(c) All decisions regarding the establishment, administration, and modification of the database must be made by an advisory board. The membership of the advisory board must include the director of the department or a designee of the director and representatives of health carriers, consumers, and purchasers.

(d) The data aggregator must receive health care claims information from, without limitation, commercial health carriers, nonprofit health care corporations, health maintenance organizations, and third party administrators that process claims under a service contract.

(e) The data aggregator must use existing data sources and technological infrastructure, to the extent possible.

Michigan Department of Health & Human Services

RICK SNYDER, GOVERNOR
NICK LYON, DIRECTOR

State Innovation Model

Section 1144, FY 17 MDHHS Budget Report

Policy, Planning, and Legislative Services Administration

State Innovation Model (SIM)

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1 Executive Summary

1.1 Vision

In his 2015 State of the State address, Governor Rick Snyder outlined a vision for an efficient, effective, accountable government in Michigan that collaborates at scale to deliver services in a "smarter, person-centered way with less fragmentation."

The state's vision for health care transformation is a continuation of the Governor's overall vision for the state specifically as it pertains to Michigan's health system. By implementing **coordinated care delivery models** and by investing in **supporting innovations** including value-based payment and enhanced data interoperability, we will deliver upon a three-part goal: better health, better care with improved access, and cost avoidance.

The vision includes health care transformation for Michiganders across all payor populations – Medicaid, Medicare, and Commercial. The support of all payors and joint working across all state agencies will be paramount in realizing this vision.

1.2 Coordinated Care Delivery Models

Coordinated care delivery models are at the core of the state's vision for health system transformation:

- **Care Delivery:** The Patient Centered Medical Home is the core pillar of our strategy for health system transformation. Patient Centered Medical Homes will improve quality and drive cost avoidance with a focus on high-quality chronic care management, improved care transitions, referrals to highly effective downstream providers, and improved selection of treatment and care settings. The Patient Centered Medical Home model will expand upon existing models within the state by increasing alignment across payors (thereby lowering the administrative burden on providers) and providing improved information to provider teams to support their decisions.
- **Community Health Innovation Regions:** Meeting the whole health needs of Michiganders will require effective linkages and coordination among health care providers and community partners. Community Health Innovation Regions will identify and advance regional health priorities, address other determinants of health, and align local efforts with state priorities. Community Health Innovation Regions will have clear priorities, budgets, and governance structures to enable this coordination.
- **Advanced Payment Models:** The State's objectives to improve the delivery of coordinated care across the state will be encouraged through the implementation of alternative payment models, including but not limited to Medicaid managed care beneficiaries. Building on established benefits of the PCMH initiative in Michigan and coupled with existing Medicaid Health Plan (MHP) contract payment reform requirements, the State will seek to increase alternative based payments to Michigan providers.

1.3 Innovations in support of these models

We will support the state's vision for health care transformation through enhanced data interoperability and health information technology, and common performance measures.

- **Data interoperability and Health Information Technology:** Data interoperability is central to the Michigan Department of Health and Human Services' vision of promoting better health outcomes, reducing health risks, and supporting stable and safe families while encouraging self-sufficiency. Health Information Technology (HIT) and Health Information Exchange (HIE) capabilities will be enhanced to directly enable coordinated care delivery and value-based payment models and will support overall health care transformation.

  There are three goals to our solution for enhanced date interoperability and health information technology:

  - Enabling the performance, evaluation, and reporting for the four coordinated care delivery models
  - Supporting care coordination
  - Providing a population health toolset.

  Meaningful action from public and private stakeholders will be essential to achieving the interoperability of electronic health information. Major steps are to (1) employ a coordinated governance framework and process for health IT interoperability, (2) improve technical standards and implementation guidance for sharing and using a common clinical data set, (3) enhance incentives for sharing electronic health information according to common technical standards, starting with a common clinical data set, and (4) clarify privacy and security requirements that enable interoperability. We will build on existing governance structures, e.g., the Michigan Health Innovation Network, thoughtfully engage with internal state agencies, and convene the appropriate stakeholders across our state to this end.

- **Common provider measures:** Payors will align on the provider performance metrics measures that will be adopted for Patient Centered Medical Homes. Common measures will lower the administrative burden across providers related to metrics reconciliation, and will encourage a consistent set of behaviors and priorities. This effort will build upon the existing efforts around metric alignment, including the Michigan State Medical Society Physician Payor Quality Collaborative.

1.4 Implementation plan

SIM launched care delivery components through Medicaid Managed Care Organizations on January 1, 2017. The SIM team implemented Patient Centered Medical Homes in nearly 360 practices, impacting over 350,000 Medicaid beneficiaries and 2,100 providers. All practices have pre-existing third party accreditation and many were previous participants in the Michigan Primary Care Transformation demonstration.

Through the implementation of these coordinated care delivery models and supporting innovations, we will establish a pragmatic path toward an aspirational vision for health care transformation. We firmly believe in the potential to deliver better health, better care

with improved access, and cost avoidance for all Michiganders with the effective mobilization and coordination of key internal and external stakeholders.

Community Health Innovation region activity has focused on planning and design, with the goal to launch foundational local operations in the Spring/Summer of 2017, and full operations starting August 2017. Local partners are currently focusing planning efforts on the development of their clinical-community linkage partnerships, processes, and measurement to reduce emergency department utilization in the pilot regions. The department has received draft operational plans from each region, and are conducting site visits and working meetings with the local teams throughout January and February 2017.

The health information exchange implementation launched its considerable effort in January 2017 to onboard all Medicaid managed care organizations to the Michigan Health Information Network (MiHIN). The onboarding effort included aligning State Innovation Model funds with the contractual requirements of the Medicaid managed care contract. The expectation is that Medicaid managed care beneficiaries (over 1.6 million) will be incorporated into the health information sharing network for relationship management and attribution tracking purposes. This effort will establish the foundation for future care coordination and payment reform efforts in Michigan.

2 SIM Project Management and Delivery Office

2.1 Governance Structure

The Policy, Planning and Legislative Services Administration (formerly Office of Health Policy and Innovation) continues to operate a chartered program management office, the State Innovation Model Program Management and Delivery Office (SIM PMDO), to establish an effective and formal authoritative framework to coordinate, support, track, manage and report on the portfolio of projects, activities and related endeavors that will be required over the lifetime of the State Innovation Model Test initiative in Michigan. The Program Management and Delivery Office is responsible for maturing and evolving the program and project vision, strategy, best practices, standards, and other custom processes. The PMDO mandate also includes operating an integrated operative governance model across all SIM components that includes program, project, operational and executive representation required to establish, guide, and provide oversight.

2.2 Staffing

The SIM PMDO is also responsible for ongoing scope, schedule and budget analysis for all components of the program. Resource needs have been identified and additional contracted staff have been added to the appropriate teams to support the program management activities and component project teams. These resources include program integration specialists, HIE/HIT business analyst, program test manager, testing specialist, grant/contract coordinator, and other roles key to the successful implementation and operations of a highly integrated interdepartmental enterprise business program. The Michigan Department of Health and Human Services has also transitioned additional State resources to the State Innovation Model initiative on both full and part-time basis. A complete staffing plan, including current staff, future estimates and

complete role descriptions are included in the Michigan State Innovation Model Operational Plan and is updated on an annual basis per CMS regulations.

2.3 Project Management

The SIM Program Management and Delivery Office (PMDO) continues to plan, implement and manage the program management office model, strategy and processes. Analysis of key component and program performance indicators and other operational data is used to identify potential gaps or other inefficiencies. Adjustments or additions are synthesized, approved and applied to more effectively and efficiently drive the mission and goals of SIM. The PMDO process improvement analysis also resulted in the identification and development of a robust but streamlined deliverable review and approval process, aligned with project-, program-, and executive governance. The Program Management and Delivery Office continues to apply proven program and project management processes and other custom organization and initiative controls required to meet the State Innovation Model Test near-, mid- and long-term requirements and goals.

3 Community Health Innovation Region

3.1 Background

The Community Health Innovation Region (CHIR) concept is intended to develop and strengthen partnership between and among health care providers and community organizations for the overarching purposes of:

- Better serving the current health-related needs of individuals, including the social determinants of health (e.g., access to food, housing, transportations, safety, and other essential needs).
- Coordinating health-improvement efforts across clinical and community partners as to exert maximum impact on long-term population health.

CHIRs are anchored by “backbone organizations” based in the communities they serve. The backbone organization is responsible for convening cross-sector partners, facilitating consensus on community health priorities, brokering relationships among partners to address priorities, and establishing measures of success. In most of the CHIRs, the backbone also serves as the CHIR fiduciary.

3.2 Legislative Update

Key accomplishments for this time period included:

- Orientation provided to five CHIR regions and back bone organizations
- Disbursing of administrative, planning, and design funds
- Identification of technical assistance needs; initial technical assistance sessions provided on Collective Impact, Health Disparities, and Clinical-Community Linkages
- Guidance provided on the development of CHIR governance, local operation plans, and health information technology
- Support provided facilitating CHIR collaboration opportunities, including the SIM summit and conference calls

- Review of draft local operation plans (site visits are planned for on-site technical assistance for further development of these plans to meet SIM requirements)

4 Patient Centered Medical Homes

4.1 Care Delivery

4.1.1 Legislative Update

The Patient Centered Medical Home (PCMH) Initiative is the core component of the SIM strategy for coordinated care delivery, focusing on the development and testing of multi health care payment and service delivery models in order to achieve better care coordination, lower costs, and improved health outcomes for Michiganders.

The SIM PCMH Initiative both enables Medicaid funding for patient-centered transformation and is an opportunity to increase the number of practices involved in multi-payer primary care transformation. To ensure successful implementation of the Patient Centered Medical Home Initiative several strategies have been executed over this reporting period.

During this time, the Care Delivery team executed an application process, including the release of the PCMH Initiative Application, which garnered responses from over 475 practices across the State of Michigan, reviewed all submitted PCMH Initiative Applications against Initiative Requirements and produced a list of recommended applicants for Care Delivery and Payment Reform Component Governance approval, sent Notices of Selection to all applicants, and worked with all accepted practices to execute required Participation Agreements, and all partner Data Sharing/Use Agreements, and Use Cases. In total the opportunity to participate in the 2017 PCMH Initiative was extended to about 350 practices.

The Care Delivery team has worked closely with the Department's Medical Services Administration managed care team to finalize actuarially sound Care Management and Coordination, and Practice Transformation rates for Initiative Participants approved by Care Delivery and Payment Reform Component Governance and facilitated Medicaid Health Plan relationship and acceptance of delivery and payment model through regular participation in MHP Operations meetings and facilitation of data inquiries. This work provided a foundation for the launch of the Initiative on January 1, 2017.

Through a series of technical assistance webinars, the team has supported the activities described above, and prepared participating practices through the development of the PCMH Initiative Participant Guide. Additional efforts have been focused on the testing of the Relationship Attribution Management Platform (RAMP) as the foundation for patient population identification and payment facilitation, with successful execution of the RAMP process occurring in January. Finally, significant efforts have been geared towards the development of Initiative Participants support opportunities. These supports include the drafting of Practice Transformation Collaborative Learning structure, Care Manager training curriculum, billing and coding learning support, and other opportunities to effectively engage participants and support overall success.

4.2 Alternative Payment Models

4.2.1 Legislative Update

The MDHHS State Innovation Model team has worked closely with the Medical Services Administration Managed Care team to implement critical elements of the SIM alternative payment methodology (APM) strategy through the fiscal year (FY) 2017 Medicaid health plan (MHP) contract. MDHHS has adopted the Healthcare Payment Learning and Action Network APM Framework as a method of organizing and classifying types of provider payment across four primary categories and eight sub-categories. The APM Framework is one of the most widely used approaches for both organizing and measuring APM progress, shown by moving upward in the main categories (for example from category two to category four). Each Medicaid Health Plan has submitted baseline APM information to MDHHS in an effort to better understand the range of current health plan provider payment methodologies and the extent to which payment approaches which represent APMs are currently in use. MDHHS has accepted nominees from Medicaid health plans to serve as part of an APM workgroup tasked with advising the Department on appropriate APM goal framework and will be beginning the workgroup soon. Over the course of spring and early summer, MDHHS will collaborate with MHPs through the APM workgroup to develop compliance and performance approaches to increasing APM adoption and use. Each MHP will have an APM goal(s) established by August and MHPs will submit a plan with actions beginning October 1, 2017 to achieve their APM goal(s).

MDHHS has placed a temporary pause on efforts targeted toward implementing multi-payer payment reform opportunities such as a Custom Medicare Participation Option. The federal administrative transition has led to significant ambiguity regarding the future of the primary multi-payer mechanism SIM was working toward, including both uncertainty on federal partners' ability to commit to pursuing a multi-payer approach with the State of Michigan and the guidance under which a multi-payer effort would be designed and operated.

5 Data Interoperability and HIT

5.1 Background

The Michigan State Innovation Model test will support ongoing state efforts to enhance the exchange of electronic health information and will support our vision for health care transformation with three core objectives. These include: (1) enabling State Innovation Model program performance, evaluation, and reporting; (2) supporting care coordination; and (3) providing a population health toolset to support greater interoperability between health care and community entities.

The State Innovation Model performance and evaluation reporting tool will provide data aggregation and reporting capabilities needed to support required analysis of program performance and provider quality dashboard reporting. To support these initiatives, the State will standardize base requirements in reporting and format to providers. This would assist in creation of provider performance dashboards described above. For the Michigan SIM test, we will pilot the creation of common electronic mechanisms via Michigan's State

Designated Entity for Health Information Exchange's use-case factory approach for providers to enter quality data (across all payors) and access performance reports via a common platform housed within the Michigan Data Collaborative.

Access to data is a key enabler of care coordination, and Michigan is continuing to drive the adoption of electronic health records and build the healthcare information exchange infrastructure. Michigan Health Information Network, the State Designated Entity for Health Information Exchange, will lead the effort on clinical data exchange by serving as the "network of networks". Several Michigan Health Information Network use cases prioritized for State-wide launch (e.g., Admission Discharge Transfer notification, Active Care Relationship Service, HPD, Common Key Service) would support the care coordination efforts for State Innovation Model testing. In addition, use cases championed regionally by health systems would be leveraged where applicable to support roll-out of new Care Coordination models.

Additional analytics and reporting will be required to support the payment models being deployed. The infrastructure to support this would be developed and deployed by MiHIN and MDHHS in collaboration with Medicaid / managed care organizations. Michigan will establish standardization guidelines for all payors (Medicaid/Managed Care Organizations, Commercial) to ensure that the program realizes the potential benefits from the multi-payor effort. This may include elements such as report format, high-level payment mechanisms and quality metrics. Each payor will build (potentially leveraging external vendors) and maintain their individual analytics and reporting infrastructure.

Providers, Payors, and community stakeholders will require technology tools to (1) improve care delivery to Michiganders, (2) support population heath, and (3) succeed in advanced payment models. The Michigan State Innovation Model will help enable a population health toolset to support greater interoperability between the health care and community entities. Within the test, SIM will coordinate existing technological solutions, encourage interoperable platforms for all stakeholders, and support development of new infrastructure capabilities in order to set the foundation for a learning health system.

5.2 Legislative Update

To-date, HIT implementation efforts have included:

- A PCMH Operations module which allows PCMH operations contractor the ability to manage PMCH applications, monitor accreditation, and provide data for day-to-day operations.
- The SIM Relationship and Attribution Management platform has been developed, tested, approved, and implemented. This platform is currently running monthly and enables a consistent shared process for communicating and tracking affiliations and linkages among SIM stakeholders.
- A set of quality and utilization measures have been defined and approved in alignment with CMS reporting requirements. Development is in process to produce and report out the quality and utilization measures within the agreed CMS reporting periods.

6 Evaluation

6.1 Legislative Update

The Michigan SIM evaluation will synthesize information from three sources: project monitoring reports, Medicaid claims data analyses, as well as qualitative and quantitative findings gleaned from surveys, interviews, and focus groups with SIM and non-SIM patients, providers, and community organizations. Information synthesized from these sources will be assessed in relation to outcomes among comparison regions and beneficiaries.

Evaluation is working to align with the Center for Medicare and Medicaid Services, the state legislature, and the Michigan Department of Health and Human Services to produce evaluation questions that are pertinent to all stakeholders. These overarching evaluation questions address the extent to which SIM-facilitated interventions within CHIRs and PCMHs are effective and scalable across Michigan. Examples include:

- Which clinical preventive services are more or less suited for delivery through a clinical community relationship?
- Are particular types of community resources more successful at linkages in particular types of communities?
- To what extent does patient health literacy influence the likelihood of a successful Clinical-Community Linkage?

In general, analyses will examine the overall effects of PCMH and CHIR interventions on population health outcomes, health equity, and community-clinical linkages. Additionally, the extent to which future advancement in Michigan's HIE infrastructure can be attributed to SIM investments, as well as the impact of those advancements, will be an evaluation focus. Assessment of the progress of payment reform for both health care and community or social services is the final component of Michigan's SIM evaluation.

Over the past six months the SIM evaluation team has revised the overall evaluation plan to focus on the significant refinement of planned surveys and qualitative data collection activities. Updates to Michigan's SIM evaluation measure set and specifications for each have been developed pursuant to the new partnership with Children's Health Evaluation and Research Center (CHEAR) at the University of Michigan to compute Medicaid-claims-based clinical quality measures for quarterly CMS reporting.

Working closely with both the PCMH, CHIR, and Health IT tracks, the evaluation team has been able to provide them with disaggregated data on ED utilization among Medicaid beneficiaries and associated diagnoses to inform CHIR interventions, additional analysis for survey responses on topics such as patient experience of care, and contribution to the development of the PCMH self-assessment tool. A great success for evaluation was developing a baseline patient experience survey for Medicaid beneficiaries being served by SIM clinical areas and non-SIM comparison regions. A sample frame methodology and analysis of comparison regions was also developed to help inform survey administration, which is intended to take place in the subsequent quarter.

7 Budget

7.1 Legislative Update

The SIM program and its component initiatives highlighted in this report have been funded by the CMS/CMMI cooperative grant agreement. The table below highlights the specific expenditures across standard CMS grant budget categories. The contractual line includes the funding for numerous program and component planning, implementation and operational teams as well as other specific contractual needs to support the broader SIM goals. The expenditures across the categories below represents only the budgeted and realized in the 6 months that are encompassed in this report. The spending includes engagements facilitated though both direct State of Michigan master contractual agreements and other contracts and engagements through the designated SIM fiduciary, Michigan Public Health Institute.

Categories	Budgeted	Expenditures
Personnel	$ 171,248.00	$ 63,083.83
Fringe Benefits	$ 132,032.00	$ 48,107.04
Supplies	$ 16,038.00	$ 10,178.86
Travel	$ 23,225.00	$ 6,459.96
Other	$ 39,690.00	$ -
Contractual	$ 16,308,557.00	$ 4,693,357.32
Total Direct Charges	$ 16,690,790.00	$ 4,821,187.01
Indirect Cost	$ 202,452.00	$ -
Total	**$ 16,893,242.00**	**$ 4,821,187.01**

The expenditure time period is from 8/1/16 to 1/31/17.