The Financial Alignment Initiative (FAI) aims to provide individuals dually enrolled for Medicare and Medicaid with a better care experience and better align the financial incentives of the Medicare and Medicaid programs. CMS is working with states to test two integrated care delivery models: a capitated model and a managed fee-for-service (MFFS) model. Washington and CMS launched the Health Home MFFS Demonstration in July 2013. The State shares in Medicare savings resulting from the demonstration.

**Key Features of the Washington Demonstration**
- Uses the MFFS model, which adds care coordination as a Medicaid-covered benefit.
- Targets high-cost, high-risk beneficiaries.
- Leverages health homes for care coordination.

**Participants**

**Health Homes**
- Contract with the State to provide comprehensive care coordination services.
- Receive per-member per-month (PMPM) Medicaid payments for engaged enrollees.
- Collaborate with community-based organizations, Area Agencies on Aging, and managed care organizations.
- Establish a network of care coordination organizations representing providers of primary care, mental health services, long-term services and supports (LTSS), chemical dependency services, and specialty providers.

**Beneficiaries**

As of December 2018, 38% were enrolled in a health home. Of the 33,500 eligible Medicare-Medicaid beneficiaries aligned with the Washington demonstration, 12,848 were enrolled in a health home.

**Findings**

**Implementation**
- Extended service area to make the demonstration statewide in 2017.
- State increased payment (PMPM) for care coordination.
- Enrollment in health homes dropped due to the departure of the largest health home.
- Faced challenges in capacity building due to cost and increased competition.

**Care Coordination**
- Extensive training on creating and implementing personalized Health Action Plans (HAPs).
- Effective strategies for locating beneficiaries.
- Finding and engaging beneficiaries in care coordination activities is time-consuming and labor intensive.
The Washington Health Home MFFS Demonstration has resulted in a $278 million reduction in gross Medicare Parts A and B expenditures with performance payments included, the net savings to Medicare is about $208 million. These evaluation results are consistent with actuarial analysis results.

<table>
<thead>
<tr>
<th>Demonstration Period</th>
<th>Gross Medicare Spending in Millions ($)</th>
<th>Net Medicare Spending in Millions ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DY 4 (2017)</td>
<td>-68.92**</td>
<td>-53.42**</td>
</tr>
<tr>
<td>DY 5 (2018)</td>
<td>-92.50**</td>
<td>-75.10**</td>
</tr>
<tr>
<td>Total (DY 4–DY 5)</td>
<td>-160.64**</td>
<td>-127.74**</td>
</tr>
<tr>
<td>Total to date (DY 1–DY 5)</td>
<td>-277.68**</td>
<td>-208.28**</td>
</tr>
</tbody>
</table>

DY = demonstration year.

** $p < 0.01. Under the MFFS model, the State is eligible to share in up to one-half of the total Medicare savings, minus any significant increases in Federal Medicaid spending. Pending availability of Medicaid cost results, CMS has issued approximately two-thirds of the maximum potential performance payments to Washington State through DY 5.

- Decreased probability of SNF admission
- Decreased long-stay NF use
- Decreased probability of 30-day follow-up after mental health discharge
- Decreased number of physician evaluation & management visits

- There was no statistically significant demonstration effect on inpatient admissions or emergency department visits.
- Most 2018 Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey respondents reported being satisfied with their care coordination services.

The Washington Health Home MFFS Demonstration has resulted in a $278 million reduction in gross Medicare Parts A and B expenditures and $208 million in net savings for Medicare over the first 5 years. Service utilization showed some positive findings, and demonstration cost impacts seemed to be driven by targeting high-cost enrollees with focused, intensive care coordination.