

## **CMS' First Renewal of a Delivery System Reform Waiver: What You Need to Know About the Massachusetts Waiver Renewal**

On October 30, CMS gave the green light to Massachusetts to move forward with the next phase of its MassHealth Medicaid waiver, including an extension of the Delivery System Transformation Initiatives – known as the DSTI. The DSTI provides incentive funding to safety net hospitals in the Commonwealth to undertake delivery system reform. Similar to Delivery System Reform Incentive Programs (DSRIPs) adopted in other states, the DSTI is the first such program to be extended beyond the initial approval period to allow the transformational work to continue. The renewal therefore holds some insights into CMS' thinking about where these programs are headed.

### **Brief Background on Massachusetts DSTI**

Massachusetts has had a Safety Net Care Pool (SNCP) as part of its waiver since 2006. The SNCP provides funding for several different initiatives in the Commonwealth, including various types of payments for providers. The Commonwealth established the DSTI within the SNCP as part of the previous waiver extension granted in December 2011. Seven hospitals are eligible to participate, based on their high Medicaid and low commercial utilization. Since July 2012, the hospitals have been working on transformational projects designed to move them towards fully integrated delivery systems and improved health outcomes and quality, while preparing them for increased participation in value based payment systems and alternative payment arrangements (a major priority for the Commonwealth). The impact of their activities is evaluated in part through population-focused improvement measures. The first phase of the DSTI demonstrated success in achieving these goals, but given the short waiver period, the program had just hit its stride as the waiver period was expiring. Thus, the request for a renewal.

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### **What You Should Know About the Renewed DSTI Program**

California was the first state to adopt a DSRIP in 2010. Since then, several states in addition to Massachusetts have followed suit. With each new approval, the structure and expectations of the program have seemed to evolve (particularly with the expansive scope of the most recent New York approval). Stakeholders have therefore been waiting to see whether CMS would demand significant changes to the DSTI as a condition of its extension. With some important modifications noted below, it

appears that CMS has allowed Massachusetts to retain the basic DSTI structure. For those participating in or interested in launching their own DSRIP, the key takeaway is that there is no one-size-fits-all DSRIP; each one is going to be tailored to the state's unique needs and delivery system structure. Yet at the same time, CMS will continually look to enhance accountability, push providers to "stretch," and promote lasting change through incentive program investments.

For those without the time to read the 248-page [approval documents](#), the major changes are as follows:

- ✓ **Opportunity for increased funding:** Total DSTI funds that hospitals may earn were increased by 10 percent, to \$230.3 million per year.
- ✓ **Outcomes-based performance metrics:** Previously, the DSTI hospitals were paid mainly for structural/process achievements and for reporting on quality measures. Under the extended DSTI, an increasing percentage of incentive payments will be based on improved performance on validated outcome or quality measures (increasing to 20% in year 3).
- ✓ **Collective accountability:** The DSTI funding pool is now subject to a potential 5% cut in year 3 if participating hospitals do not achieve aggregate performance improvement goals.
- ✓ **3-Year Funding Commitment:** CMS extended the overall waiver for 5 years, but most of the SNCP, including the DSTI, is approved as currently structured for only 3. CMS and the Commonwealth are to negotiate a "redesigned SNCP structure" for the 4th and 5th years of the waiver.
- ✓ **Required reports:** CMS is requiring the Commonwealth to submit two reports on the SNCP, including the DSTI, intended to inform the discussions for any SNCP extension in years 4 and 5 of the waiver. The first report focuses on provider financing and the second on long-term sustainability through integrated delivery systems.
- ✓ **Public hospital incentive program:** The waiver renewal transitions some of the Commonwealth's historical support for the state's only public hospital system into a \$220 million pool of potential incentive funds. An even greater portion of this pool than the DSTI (up to 30%) will eventually be tied to outcomes-based performance improvement.

The CMS renewal is just the first step in implementing Massachusetts' second phase of its DSTI. Many details remain to be worked out with CMS as the Commonwealth finalizes a new Master DSTI Plan and the hospitals develop their own hospital-specific DSTI programs. In the meantime, if you are interested in learning more about the latest incentive program activities in Massachusetts or across the country, or just want to find out what a DSRIP is, feel free to contact any of us at **Eyman Associates**. Learn more about us at [www.eymanlaw.com](http://www.eymanlaw.com).

**Barbara Eyman**  
beyman@eymanlaw.com  
202-567-6203

**Sarah Mutinsky**  
smutinsky@eymanlaw.com  
202-567-6202

**Eva Johnson**  
ejohnson@eymanlaw.com  
202-567-6205