September 21, 2012

The Honorable Kathleen Sebelius
Secretary, Department of Health and Human Services
c/o Michelle Feagins Grants Management Officer
Office of Acquisition and Grants Management
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services, Room 73311-02
Washington, DC 20201

Dear Madame Secretary:

I am pleased to endorse and submit the State of Arkansas’s application in response to the CMS Center for Medicare & Medicaid Innovation’s cooperative agreement announcement (CDFA 93.624)—State Innovation Models: Funding for Model Design and Model Testing Assistance. The recent Institute of Medicine report reflects the discussions we have had over the past three years, both with stakeholders within the State and with leaders at the U.S. DHHS, highlighting the increasing fragmentation of our health-care system, its unsustainable cost growth, and the questionable value provided to our citizens. The funding announcement calls for exactly the type of innovative solution to these issues we are implementing in Arkansas.

The Arkansas Health System Improvement Initiative is a coordinated, statewide strategy that acts as a catalyst for existing state initiatives focused on outcomes-based payment and reporting, health-care workforce development, and health-information-technology adoption by providing a continued strong coalition of support for change. The Arkansas Health Care Payment Improvement Initiative (AHCPII), described in the application, is a significant component of the integrated work to transform the health system in Arkansas under the leadership of John Selig, Director of the Arkansas Department of Human Services (DHS). Substantial engagement will continue from the state’s largest private-health-insurance payers: Arkansas BlueCross and BlueShield and QualChoice of Arkansas; health-care providers; community representatives; and most important, consumers. I have designated DHS as the lead state agency for application submission.

In February 2011, I wrote to you announcing our state’s intent to move from a fee-for-service model of reimbursement to one that aligns health-care payments with
expected outcomes. We have made significant progress since that original announcement. To preserve and build on this progress, I am requesting a model testing award of $60 million over three-and-a-half years to continue and expand the implementation of the AHCPPI, and am also requesting to receive a portion of those funds in the beginning of 2013 to meet our roll-out timelines. This includes launching the next wave of episodes for which CMS has already granted State Plan Amendment (SPA) approval.

The Arkansas Medicaid program, in collaboration with our two largest private insurers, has developed a transformation model that includes patient-centered medical homes to optimize prevention opportunities and chronic-care management; health homes to address the full experience of individuals with special needs (e.g. those who are frail, elderly, or developmentally disabled); and payments for episodes of care encompassing specific conditions or events.

After more than 18 months of development beginning in February of last year, including provider engagement, consumer input, and employer support, Arkansas went live with our first wave of episodes in July of 2012. With CMS approval of our Medicaid SPA and the rulemaking process by our General Assembly completed, Medicaid begins new payment incentives for episodes next month. The private payers are working with providers to execute contract amendments that would initiate similar incentives by January of 2013. Within three to five years, we envision nearly every Arkansan will have access to a medical home or health home that offers a local point of access to care and proactively looks after each person’s health on a “24-7” basis. We anticipate that that almost all acute care and complex chronic conditions will be managed proactively by a principal accountable provider (PAP) through our episode-based payment design model.

Concurrently, building upon the multi-payer collaborative, Arkansas applied for and was selected by CMS as a Comprehensive Primary Care initiative (CPC) site to support our patient-centered medical home strategy. Joined by Medicare, Arkansas Medicaid and private payers are poised to initiate new payment incentives to primary-care practices in October of 2012. Our express intent is to rapidly expand from the CPC participating groups to encompass most primary-care practices across our State.

Transforming Arkansas’s and the nation’s health-care system is not an optional exercise. I believe that we must bend the growth in health-care costs to come into alignment with our growth in revenues -- both in the public and private sectors. If not, I’m afraid we will be unable to maintain coverage, assure access, or provide quality care. We realize our goals are aggressive and that we will need Medicare’s full participation over time to optimize our impact. But we are confident that our approach will demonstrate the importance of this partnership and will succeed. Thank you for your consideration and continued support.

Sincerely,

Mike Beebe

MB:jb