Date: November 20, 2019

To: SWACH Board of Trustees

From: Barbe West

Subj: Shared Domain 1 Incentive Payments

**Purpose**

The purpose of this memo is to request the Governing Board's approval of the year three Inter-Governmental Transfer contributor (IGT) payment distribution for Health Systems Capacity Building (Shared Domain 1) activities.

**Background**

The Centers for Medicaid and Medicare Services (CMS) approved the Medicaid Transformation Project (MTP) on January 9, 2017. As a result, Washington State will receive up to $1.2 billion over the course of five years to support three Medicaid transformation initiatives. The majority of this funding ($1.2 billion) will be made available to 9 ACHs across the state to support regional transformation efforts related to each ACH’s project portfolio. The $1.2 billion includes state contributions (non-federal share), to the pool through Designated Statement Health Programs (DSHPs) and Intergovernmental Transfers (IGTs). It is the combination of DSHPs, IGTs, and Federal Share that provide the maximum $1.2 billion for DSRIP incentives.

**Importance**

Toward the end of 2017, the Health Care Authority (HCA) announced a $300 million shortfall in the overall financing of the waiver due to changes in how CMS calculates state match in relation to the overall finance structure. To mitigate part of the $300 shortfall, HCA received CMS’s approval to utilize an IGT Shared Domain I strategy that requires ACHs to distribute a portion of earned dollars back to the IGT contributors each time incentive dollars are earned. The cadence for distribution of IGT Shared Domain I incentives will be semi-annual over the course of five years. IGT Shared Domain 1 resources will then be used to support statewide Domain 1 activities (Workforce, HIE/HIT), and VBP (value-based payments).

The general funding mechanism for the MTP relies on the use of Designated State Health Programs (DSHPs) and Intergovernmental transfers (IGTs) for state required
match. The use of DSHPs ramps down over the course of the waiver contract period while the use of IGTs ramps up over the five years.

**Request**

This request is to approve the third distribution of IGT Shared Domain 1 incentive funds. Below is a general timeline provided by HCA for approval and distribution:

Timeline for Shared Domain 1 Transaction (January 1 through July 31, 2019)

1. October 30th-HCA will provide ACHs with Shared Domain 1 Partnering Provider Report
2. November 6th-Notice of participation from ACHs for Shared Domain 1 incentives due
3. November 8th-HCA will request final board approval from ACHs for Shared Domain 1 incentives
4. December 11th-Final board approval due for Shared Domain 1 incentives
5. December 13th-Shared domain 1 approval process starts in the FE portal

**Recommendation:**

“Board of Trustees approve the HCA proposed strategy for IGT payment distribution as part of the State’s Medicaid Waiver and Transformation project.”

**Note:** Approval of this transaction will allow all ACHs in the state to receive the maximum incentive dollars available to support transformation efforts related to each ACH’s project portfolio.

Not participating in the IGT plan will not only directly impact funds available to SWACH, but also the other 8 ACHs. If any ACH does not approve the payment distributions, the incentive funds pool will be recalculated and fewer incentive dollars will be available to all ACHs. In Year 3, the first of two pass-through payments will be $2,046,72.

*Designated State Health Programs is known as DSHP. These are existing state-funded health programs that have not previously been used as a match for federal funding. A shortfall from estimates of eligible DSHP available for federal match contributed to the reduction in the funding for Year 1 incentives.

**Intergovernmental Transfers are known as IGTs. These are transfers of public funds between governmental entities, such as from a county or public hospital to the state. Entities desiring to be an IGT contributor must meet eligibility and state and federal requirements. IGT contributors transfer contributions to the state and those transferred funds are now eligible for a federal match. Once matched, the contributed funds are expected to be returned to the IGT contributors with an additional amount to compensate the IGT contributors for their burden in completing the transfer. The HCA proposed IGT contributors dedicate resources to Domain 1 Activities (HIT/HIE), Workforce Development and Value-based Purchasing. Specifics for earning Domain 1 incentives will be negotiated between the state and each IGT contributor. The state will inform the ACHs when the IGT/Domain 1 incentives have been earned. Each ACH will pay its proportionate share to the IGT contributors.