State of Wisconsin
Department of Health Services

Scott Walker, Governor
Dennis G. Smith, Secretary

June 19, 2012

Honorable Marilyn Tavenner
Acting Administrator
Centers for Medicare and Medicaid Services
Department of Health and Human Services
P.O. Box 8016
Baltimore, MD 21244-8016

Dear Administrator Tavenner:

Thank you for the opportunity to discuss the critical policy directions of the Obama Administration in regard to dual eligibles and the impact on our proposed demonstration project, "Virtual PACE." As I outlined in my June 7 letter, we believe our proposal will address the problems of excess cost associated with dual eligibles whose care is not appropriately coordinated.

As you know, several national organizations provided comments on "Virtual PACE." From such comments, it is clear that many observers may not fully understand our proposal nor the challenges associated with serving our dual eligible population in nursing homes. For example, Families USA stated, "… the proposal suggests giving the state and the Virtual PACE ICOs too much control over Medicare services …". The comments continued, "[a]llowing Wisconsin to pursue this model would undermine CMS's ability to ensure that dual eligible (sic) receive all Medicare services to which they are entitled, as well as make it difficult to account for the expenditure of Medicare dollars."

Though perhaps not intended, the Families USA comment is an important acknowledgement that the federal government exerts control over individuals' health care decision-making. Through the limitations on the Medicare benefit package, cost-sharing features of Medicare, and through regulatory limitations on the use of items such as durable medical equipment, the federal government indeed places control over the utilization of services. But it is unclear, from the comments, why Medicaid should cede "control" to Medicare when it is by far the larger payer and when the Medicare benefit package is far more limited than what the state will be offering to participants.

Further, these comments suggest that the organization may not understand the package of enhanced benefits that will be offered to Virtual PACE participants. The new benefit package will far exceed Medicare services to which a Medicare beneficiary is entitled. Second, Medicaid, not Medicare, is the largest source of funding for the targeted population. In the December 2010 Medicare and Medicaid financial data for full duals in fee-for-service Medicare, the average Medicaid expenditure on a per member per month (PMPM) basis is $4,165 compared to just $981 for Medicare Parts A & B.

There are more than 900,000 Medicare beneficiaries in Wisconsin, of which approximately 120,000 are also enrolled in Medicaid. Our proposed new program will reach less than 20,000 individuals. But, by far, these are individuals who will benefit most from a fully integrated, coordinated care model. According to the recent *Report to Congress on Medicaid and CHIP* released by the Medicaid and CHIP Payment and Access Commission (MACPAC), individuals who use long-term care supports and services (LTSS) account for only about 7 percent of Medicaid enrollees, but nearly half of all Medicaid spending. Spending on a LTSS user on an average per person basis is more than 10 times that of non-LTSS users. The cost of care for the target population in the proposed demonstration spends is five times that of a dual eligible in the community. Clearly, this population is one of the keys to the long-term sustainability of the Medicaid program.

The Families USA statements that our proposal would "…make it difficult to account for the expenditure of Medicare dollars" and, "[i]t is not up to the state to determine the form of delivery system through which dual eligible receive their federal Medicare coverage" are nothing less than a step backwards in terms of health care service delivery innovation. We have understood the entire purpose and mission of the efforts of your office regarding dual eligibles has been to knock down the existing silos and blend funding from the two massive programs in order to improve health outcomes for beneficiaries and thereby reduce the cost shift between Medicare and Medicaid. If states are not valued as trustworthy partners, Medicare-Medicaid integration will never get off the ground.

If the federal government truly intends to bring innovation to health care, it is going to have to re-examine its underlying perspective that the federal government must control every decision. There are several examples of federal initiatives within CMS that are failing because of unnecessarily rigid and prescriptive federal policies. Innovation, by its very nature, involves risk-taking and challenging the status quo. The creativity of states should be welcomed, not stifled. It was state innovation that led to welfare reform and the creation of the state Children's Health Insurance Program. States delivered prescription drugs to low-income seniors before Medicare Part D was passed.

Wisconsin is deeply committed to improving the delivery of care for our low-income seniors and individuals with disabilities. We believe that it is important to develop truly integrated models of care for them. Therefore, we are willing to modify our proposal to eliminate the six-month lock-in feature in our original design. We strongly believe that a January 2013 start date is still in the best interest of the beneficiaries, the state, and our prospective partners. We look forward to resolving the remaining issues with your office as expeditiously as possible in order to meet that timeframe.

Sincerely,

Dennis G. Smith

Dennis G. Smith
Secretary